## **BOARD MEETING OF MARCH 20, 2006**

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



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 FINANCE COMMITTEE MEETING

March 20, 2006

9:00am

### **ROLL CALL**

	Present	Absent
Conine, C. Kent, Member		
Gonzalez, Vidal, Chair		
Bogany, Shadrick, Member		
Number Present		
Number Absent		
, P	residing Officer	

### FINANCE COMMITTEE MEETING

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS 1100 Congress Avenue Capitol Extension Room E1.026 Austin, Texas 78701

Monday, March 20, 2006 9:00am

### AGENDA

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

Vidal Gonzalez Chair of Committee

#### 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 the Department staff and motions made by the Board.

### **ACTION ITEMS**

Item A	Approval of Prospective Single Family Mortgage Revenue Bond Issues and Programs for 2006
Item B	Preliminary Approval of Single Family Mortgage Revenue Bonds, 2006 Series A, and 2006 Series B
Item C	Approval of Resolution Amendment for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B
Item D	Approval of Investment Policy
Item E	Approval of Loan Star Mortgage Program Interest Rate Reset
Item F	Approval of 2006 Mortgage Credit Certificate Program
Item G	Approval of Asset Management Oversight Agreement with Texas State Affordable Housing Corporation (TSAHC)

ADJOURN Vidal Gonzalez

To access this agenda & details on each agenda item in the board book, please visit our website at <a href="www.tdhca.state.tx.us">www.tdhca.state.tx.us</a> or contact Susan Woods, TDHCA, 221 East 11<sup>th</sup> Street, Austin, Texas 78701, 512-475-3934 and request the information.

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# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BOARD OF DIRECTORS MEETING

### March 20, 2006 11:00am

### **ROLL CALL**

	Present	Absent
Anderson, Beth, Chair		
Conine, C. Kent, Vice-Chair		
Gonzalez, Vidal, Member		
Salinas, Norberto, Member		
Bogany, Shadrick, Member		
Number Present		
Number Absent		
, Pi	residing Officer	

#### **BOARD MEETING**

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS 1100 Congress Avenue Capitol Extension Room E1.026 Austin, Texas 78701

Monday, March 20, 2006 11:00am

#### AGENDA

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

Elizabeth Anderson Chair of Board

#### **PUBLIC COMMENT**

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

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

#### **ACTION ITEMS**

- Item 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of February 15, 2006
- Item 2 Presentation and Discussion of the Findings and Conclusions of the Recently Completed Market Study of the Houston Metropolitan Statistical Area (MSA) by Vogt Williams & Bowen
- Item 3 Presentation, Discussion and Possible Approval of Housing Tax Credit Items:
  - a) Housing Tax Credit Amendments
    - 03254 Bayou Bend, Waller, Waller County 05243 Villas of Hubbard, Hill County
  - b) Housing Tax Credit Extensions for Commencement of Substantial Construction
    - 04200 Alvin Manor Estates, Alvin, Brazoria County
    - 04203 Alvin Manor, Alvin, Brazoria County
    - 04224 Commons of Grace Apartments, Harris County
  - c) Adoption of Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials
  - d) Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers:

05452 Lindberg Parc Senior Apartments, Fort Worth, Texas Tarrant County HFC is the Issuer Requested Credit Amount of \$756,098

05450 TownParc at Bastrop, Bastrop, Texas Bastrop HFC is the Issuer Recommended Credit Amount of \$760,050 05454 Lodge at Silverdale Apartment Homes, Conroe, Texas Montgomery County HFC is the Issuer Recommended Credit Amount of \$606,538

060402 Hillcrest Manor Senior Community, Texas Lubbock HFC is the Issuer Requested Credit Amount of \$629,797

060405 Sea Breeze Senior Apartments, Corpus Christi, Texas Sea Breeze, a Public Facilities Corp. is the Issuer Recommended Credit Amount of \$614,145

Item 4 Presentation, Discussion and Possible Approval Multifamily Private Activity Bond Program:

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

05618 Creekside Manor Senior Community, Killeen, Texas in an Amount Not to Exceed \$10,300,00 and Issuance of a Determination Notice (Requested Credit Amount of \$390,353)

05626 Bella Vista Apartments, Gainesville, Texas in an Amount Not to Exceed \$6,800,000 and Issuance of a Determination Notice (Recommended Credit Amount of \$518,676)

05631 Generations at Mansfield, Mansfield, Texas in an Amount Not to Exceed \$16,100,000 and Issuance of a Determination Notice (Requested Credit Amount of \$791,769)

05627 Skyline at City Park Apartments, Houston Texas in an Amount Not to Exceed \$13,300,000 and Issuance of a Determination Notice (Recommended Credit Amount of \$821,219)

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 2006:

2006-011, Parkwest Apartment Homes, Houston, Texas 2006-012, Ennis Senior Estates, Ennis, Texas

Item 5 Presentation, Discussion and Possible Approval of Programmatic Items:

- a) Section 8 Annual PHA Plan
- b) Section 8 Payment Standards
- c) Proposed Issuance of Commitments for HOME Rental Developments For:

060401 Northwest Residential, Georgetown, Texas in an Amount Not to Exceed \$1,950,000

060008 Hayden Ridge, Granbury, Texas in an Amount Not to Exceed \$420,000

05265 Family Estates of Bridgeport V, Affordable Housing of Parker County, Bridgeport, Texas in an Amount Not to Exceed \$358,800 (CHDO Rental Funds)And \$16,000 (CHDO Operating)

### Item 6 Presentation, Discussion and Possible Approval of Financial Items:

Vidal Gonzalez

- a) Approval of Prospective Single Family Mortgage Revenue Bond Issues and Programs for 2006
- b) Preliminary Approval of Single Family Mortgage Revenue Bonds, 2006 Series A, and 2006 Series B
- Approval of Resolution Amendment for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B
- d) Approval of Investment Policy
- e) Approval of Loan Star Mortgage Program Interest Rate Reset
- f) Approval of 2006 Mortgage Credit Certificate Program
- g) Approval of Asset Management Oversight Agreement with Texas State Affordable Housing Corporation (TSAHC)

### Item 7 Presentation, Discussion and Possible Ratification of:

- a) Disaster Relief Contracts in Response to NOFAs Announcing \$8.3 Million In Home Funds and \$1.8 million in Housing Trust Funds Awarded by the Executive Director under the Katrina Board Policy Approved at the September 16, 2005 Board Meeting and as Amended at the October 13, 2005 Board Meeting to Include Rita Impacted Areas
- b) TDHCA Activities Regarding \$74,523,000 in Community Development Block Grant (CDBG) Funds Provided under HR 2863 Through the Department of Housing and Urban Development NOFA

EXECUTIVE SESSION Elizabeth Anderson

- The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- b) The Board may go into executive session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.
- a) Consultation with Attorney Pursuant to §551.071, Texas Government Code:
  - With Respect to pending litigation styled Hyperion, et al v. TDHCA, Filed in State Court

- With Respect to pending litigation styled TP SENIORS II, LTD. V. TDHCA Filed in State Court
- 3. With Respect to pending litigation styled *Gary Traylor*, et al v. TDHCA, Filed in Travis County District Court
- 4. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
- 5. With Respect to pending litigation styled *Ballard v. TDHCA and the State of Texas* Filed in Federal Court
- 6. With Respect to the administrative hearing styled as *Public Utility Commission v. The Low Income Energy Efficient Program* SOAH Docket No. 473-06-0862
- 7. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Bill Dally

- TDHCA Outreach Activities, January, 2006
- 2. Results of TDHCA Survey of Organizational Excellence
- 3. Agency Marketing/Communications Plan
- 4. Briefing on Use of Board Consent Agenda
- 5. Report on Community Affairs Division Oversight on El Paso Community Action Program Project Bravo

ADJOURN Elizabeth Anderson

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### **EXECUTIVE OFFICE - BOARD**

### BOARD ACTION REQUEST March 20, 2006

### **Action Item**

Summary of Board Minutes for February 15, 2006.

### **Required Action**

Review minutes of the February 15, 2006 Board Meeting and make any necessary corrections.

### **Background**

The Board is required to keep minutes of each of their meetings.

### Recommendation

Staff recommends approval of minutes with any requested corrections.

## BOARD MEETING TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

1100 Congress Avenue Capitol Extension Room E1.012 Austin, Texas 78701

Wednesday, February 15, 2006; 11:30 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 February 15, 2006 was called to order by the Chair of the Board Elizabeth Anderson at 12:22 p.m. It was held at 1100 Congress Avenue, Capitol Extension Room E1.012, Austin, Texas 78701. Roll call certified a quorum was present.

### Members present:

Elizabeth Anderson – Chair C. Kent Conine – Vice Chair The Honorable Norberto Salinas – Member Vidal Gonzalez – Member

### Member absent:

Shad Bogany – Member

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

### Recognition of Edwina P. Carrington, Executive Director

Mike Gerber presented Ms. Carrington with a letter of thanks from Governor Perry. Mr. Gerber, Mr. Gonzales, Mayor Salinas, Mr. Conine and Ms. Anderson also made their personal farewell comments to Ms. Carrington.

### **PUBLIC COMMENT**

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:

Sandra Williams, Texas Association of Community Development Corporations (TACDC), extended an invitation to the Board to the TACDC conference, which will be held on March 6 through 8, in San Antonio.

Al Swan, Executive Director, Affordable Housing of Parker County, provided testimony. Bill Wenson, Wenson & Associates, Inc., provided testimony concerning tax credits, how it relates to the GO Zone legislation, and Hurricane Rita.

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

### **ACTION ITEMS**

### AGENDA ITEM 1

# Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of January 18, 2006

Motion made by Mr. Conine for approval of minutes as presented; Mr. Salinas seconded the motion. Motion passed unanimously.

### AGENDA ITEM 2

### Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

a) Housing Tax Credit Amendments

03247 Las Brisas, Alamo, Hidalgo

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.

04003 Villas on Sixth Street, Austin, Travis

Motion made by Mr. Gonzales to approve, seconded by Mr. Conine. Passed unanimously.

04200 Alvin Manor Estates, Alvin, Brazoria

04203 Alvin Manor, Alvin, Brazoria

Motion made by Mr. Conine to approve both amendments, seconded by Mayor Salinas. Passed unanimously.

02019 Yale Village, Houston, Harris

02020 Kings Row, Houston, Harris

02021 Continental Terrace, Fort Worth, Tarrant

02022 Castle Gardens, Lubbock, Lubbock

Ava Golman, Michael's Development Company, provided testimony.

Motion made by Mr. Conine to approve without dishwashers for Yale Village, Kings Row and Castle Gardens and to either attempt to get a sharing agreement with Head Start at Yale Village or let their lease expire February 1, 2007, seconded as amended by Mayor Salinas. Passed unanimously.

### b) Housing Tax Credit Extensions for Commencement of Substantial Construction

04275 Bahia Palms, Laguna Vista, Cameron

04287 Vista Hermosa, Eagle Pass, Maverick

04288 Briarwood, Kaufman, Kaufman

04295 La Mirage Villas, Perryton, Ochiltree

Motion made by Mayor Salinas to approve these four extensions, seconded by Mr. Gonzales. Passed unanimously.

### c) Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers

05444 Villas at Bethel, Houston, Texas

Houston HFC is the Issuer

Recommended Credit Amount of \$630,677

<u>Terri Anderson, Anderson Capital, LLC</u>, as consultant for KRR Villas at Bethel, LP, provided testimony.

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

### 05449 Arbor Court, Houston, Texas Harris County HFC is the Issuer Recommended Credit Amount of \$350,478

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.

### 05451 North Oaks Apartments, Houston, Texas Houston HFC is the Issuer Recommended Credit Amount of \$469,359

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.

### 05445 Bayview Apartments, Baytown, Texas Harris County HFC is the Issuer Recommended Credit Amount of \$887,593

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.

05452 Lindberg Parc Senior Apartments, Fort Worth, Texas Tarrant County HFC is the Issuer Recommended Credit Amount of at least \$756,908 Withdrawn from consideration.

## d) Potential Appeal of Ineligibility for Four Percent Housing Tax Credit Applications:

### Sea Breeze Seniors, LP, TDHCA #060405

Motion made by Mr. Conine to approve staff's recommendation, seconded by Mayor Salinas.

<u>Henry Flores, Madhouse Development</u>, representing the Corpus Christi Housing Authority, provided testimony.

Honorable William Bonilla, Commissioner, Corpus Christi Housing Authority, provided testimony.

Elmer C. Wilson, Corpus Christi Housing Authority, provided testimony. Richard Franco, CEO Corpus Christi Housing Authority, provided testimony.

Motion made by Mr. Conine, seconded by Mayor Salinas to approve staff's recommendation, were withdrawn.

Motion made by Mr. Conine to grant waiver, seconded by Mayor Salinas. Ms. Anderson clarified that we're granting the waiver of the 60-day rule and are not guaranteeing a place on a particular board agenda, Mr. Conine added, nor are we approving the project. Motion to grant waiver passed unanimously.

### **EXECUTIVE SESSION**

At 1:45 p.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 2:55 p.m.

- a) The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.
- b) The Board may go into executive session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.
- c) Consultation with Attorney Pursuant to §551.071, Texas Government Code:
  - 1. With Respect to pending litigation styled *Hyperion*, et al v. TDHCA, Filed in State Court
  - 2. With Respect to pending litigation styled *TP SENIORS II, LTD. V. TDHCA*, Filed in State Court
  - 3. With Respect to pending litigation styled *Gary Traylor*, *et al v. TDHCA*, Filed in Travis County District Court
  - 4. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
  - 5. With Respect to pending litigation styled *Ballard v. TDHCA and the State of Texas*, Filed in Federal Court
  - 6. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

### **OPEN SESSION**

Ms. Anderson reconvened Open Session at 2:55 p.m. and announced that no action had been taken during the Executive Session and certified that the posted agenda was followed. Ms. Anderson also announced that the board had a discussion about the salary for the acting Executive Director, and would entertain further discussion or a motion on that topic.

Motion made by Mr. Conine to elevate the Acting Executive Director, Mr. Bill Dally's salary to the maximum allowable under the category of the current Executive Director, and to make this change effective February 21, 2006. Seconded by Mr. Gonzales. Motion passed unanimously.

### AGENDA ITEM 3

Presentation, Discussion and Possible Approval of Multifamily Private Activity Bond Program:

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

05619 The Oakmoor, Houston, Texas in an Amount Not to Exceed \$14,635,000. and Issuance of a Determination Notice (Recommended Credit Amount of \$765,655)
Staff recommends the approval of Resolution 06003 for the issuance of the bonds, and the allocation of the tax credits.

Motion made by Mayor Salinas to approve staff recommendation, seconded by Mr. Gonzales. Motion passed unanimously.

05629 Village Park Apartments, Houston, Texas in an Amount Not to Exceed \$13,660,000. and Issuance of a

### **Determination Notice (Recommended Credit Amount of \$574,490)**

Staff recommends the approval of Resolution 06004 for the issuance of the bonds, and the allocation of the tax credits.

Motion made by Mr. Gonzales to approve, seconded by Mr. Conine. Motion passed unanimously.

b) Inducement Resolution #06005 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 2006:

### 2006-010, Meadowlands Apartments, Houston, Texas

Motion made by Mayor Salinas to approve, seconded by Mr. Gonzales. Motion passed unanimously.

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

Motion made by Mr. Gonzales to approve, seconded by Mr. Conine. Motion passed unanimously.

### AGENDA ITEM 4

**Report from Programs Committee:** 

a) Presentation, Discussion and Possible Approval of Board Policy on Intergenerational Multifamily Housing

Mr. Conine reported that it was the Programs Committees' recommendation to the Board that this is tabled until the next meeting to gain and provide further input.

Motion made by Mr. Conine to approve recommendation, seconded by Mayor Salinas. Motion passed unanimously.

b) Request to Amend Loan Terms to Award of \$170,000 in Housing Trust Fund Rental Development Program Funds Awarded in July 2005 for #05257 Costa Tarragona Apartments

Motion made by Mr. Conine to approve recommendation by staff, seconded by Mayor Salinas. Motion passed unanimously.

c) Request to Waive §53.58(b)(2)(B) of the 2005 HOME Program Rules Relating to Processing of Open Cycle Applications for Ennis Senior Estates

Motion made by Mr. Conine to approve Program Committee recommendation that for this particular application with the extenuating circumstances that the waiver of the 65 days staying in phase two requirement be waived, seconded by Mayor Salinas. Motion passed unanimously.

- d) Discussion, Review and Approval of:
  - Repeal of Existing Home Rules Title 10 Texas Administrative Code, Part 1, Chapter 53

Motion made by Mr. Conine to repeal the existing HOME rules, seconded by Mr. Gonzales. Passed unanimously.

## ii) Publication in The Texas Register of Final 2006 HOME Rules –Title 10, Texas Administrative Code Part 1, Chapter 53

Motion made by Mr. Conine to approve rules with the following amendments: to establish a report back from each of the cities that received HOME awards every twelve months; secondly, under the deferred loan provision, to amend the policy to go acquire a before and after appraisal on the subjects home, deducting 10 percent of the new appraised amount as closing costs, selling costs, and coming up with a net equity position that would then be deducted off of the HOME award and placed on the property as a deferred forgivable loan or a deferred loan, whichever the case may be under the income requirements; and, under 50 percent AMFI, there is a five years deferred forgivable loan, and over 50 percent median income would be just a 30 year non-interest bearing note, due upon sale or refinance with the over 50 percent would have the same condition about only to the extent that the sale amount exceeded the original appraisal amount and the 10 percent for the costs of sales; seconded by Mr. Gonzales. Motion made by Ms. Anderson to amend this further by raising the cap to \$500,000 for multi-county entities for home buyer assistance only, seconded by Mr. Conine. Motions passed unanimously.

### AGENDA ITEM 5

### First Quarter Investment Report

William Dally provided report to the board. No action taken.

### AGENDA ITEM 6

Discussion of Possible TDHCA Activities regarding the Announcement of \$74,523,000 in Community Development Block Grant (CDBG) Funds Provided under HR 2863 through HUD for Disaster Assistance to Texas for Areas Impacted by Hurricanes

Ms. Carrington and Mr. Dally provided report to the board. No action taken.

### AGENDA ITEM 7

Request from the Texas State Affordable Housing Corporation (the "Corporation") for forgiveness of a \$500,000 loan to the Corporation so the Corporation may use the money to provide a gap-financing loan for the rehabilitation, reconstruction or replacement new construction of multifamily complexes in any county designated by the Governor to be a hurricane-affected county of the state (excluding Harris County) or to provide down payment assistance for the Professional Educators Home Loan Program and/or the Fire Fighter and Law Enforcement or Security Officer Home Loan Program.

<u>David Long, Texas State Affordable Housing Corporation</u>, provided testimony.

Motion made by Ms. Anderson to table, seconded by Mr. Gonzales. Motion to table passed unanimously.

### **EXECUTIVE SESSION**

At 3:50 p.m. Ms. Anderson convened an Executive Session. The Executive Session concluded at 3:55 p.m.

a) The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

### **OPEN SESSION**

Ms. Anderson reconvened Open Session at 3:55 p.m.

AGENDA ITEM 7, CONTINUED

Motion made by Mr. Conine to recall Agenda Item 7, seconded by Mayor Salinas. Motion to recall Agenda Item 7 passed unanimously. Motion made by Mr. Conine to not forgive the loan, asking for repayment and to deny the staff recommendation, seconded by Mr. Gonzales. Motion passed unanimously.

### REPORT ITEMS

Executive Director's Report

1. TDHCA Outreach Activities, January, 2006

Postponed until next meeting.

2. Results of TDHCA Survey of Organizational Excellence

Postponed until next meeting.

3. Agency Marketing/Communications Plan

Postponed until next meeting.

4. TDHCA Presentation on Service-Oriented Architecture at the Government Technology Conference

Postponed until next meeting.

5. Briefing on Use of Board Consent Agenda

Postponed until next meeting.

Ms. Anderson called on Cindy Leon, Regional Administrator of HUD and Luz Day, HUD Director of the San Antonio office, who were in attendance to honor Ms. Carrington.

#### ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 4:04 p.m.

Mr. Kevin Hamby	
Board Secretary	

#### NOTE:

For a full transcript of this meeting, please see the TDHCA website at: www.TDHCA.state.tx.us

### **Real Estate Analysis Division**

### BOARD ACTION ITEM March 20, 2006

### **Action Item**

Multifamily Housing Needs Assessment for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA).

### **Required Action**

Presentation and discussion of background, findings and intended use of the Multifamily Housing Needs Assessment for the Houston-Baytown-Sugar Land MSA.

### **Background**

In October 2005, the Real Estate Analysis Division solicited proposals to complete a housing needs assessment or market study of the Houston MSA to evaluate the need for additional affordable rental housing and issue a user friendly report for the Department. Vogt, Williams & Bowen was selected as the contractor following the competitive Request for Proposals (RFP) scoring and selection process. The field work for the study was conducted in December of 2005 through January 2006 and the analysis was completed in February.

The purpose of the market study is to evaluate the need for affordable rental housing in the Houston MSA for the years 2006 through 2009. The scope of work for the market study includes demographic information, supply and demand analysis, and conclusions for each of the defined submarkets. The market study also includes information on the impact of Hurricanes Katrina and Rita on the Houston MSA.

The Houston MSA is comprised of ten counties including Austin, Waller, Montgomery, San Jacinto, Liberty, Chambers, Harris, Fort Bend, Brazoria, and Galveston counties. The market study identifies 32 submarkets and provides individual supply and demand analyses for each submarket. The supply analysis includes number of units, occupancy, absorption, tenure, number of bedrooms, typical square footages, unit and development amenities and overall condition and quality of residential supply. Information on population served (market rate, low income, and project-based assistance) and targeted population (family, independent senior and special needs populations) is included. The market study also provides detailed analysis of total demand by income group, number of bedrooms, and targeted population. The analysis of the impact of Hurricanes Katrina and Rita includes an estimate of the number of hurricane evacuees in each submarket.

The Houston MSA market study will serve as a resource and a reference document for developments proposed in the Houston MSA. The study will be posted on the Department's web site and an announcement will be sent to the Department's list serve and particularly to all market analysts who conduct studies for properties seeking funding awards from the Department.

For at least the next 12 months all of the Department's underwriting reports for developments in the Houston area will include a section considering the submarket conclusions and findings of this market study. Any inconsistencies between this study and a future development's market study will be addressed with the future market analyst and applicant. The Department's 2006 QAP (10TAC50.8 (h)(14)(F)) and Market Analysis Rules and Guidelines (10TAC1.33 (f)) include language clearly allowing the Department to substitute its own analysis and conclusions for those submitted by a market analyst for a specific development. As such, significant irreconcilable inconsistencies between this Houston MSA market study and a market analysis submitted with a proposed development will be reflected in the underwriting report and may affect the conclusions and recommendations for that application.

Attached is a copy of the executive summary of the market study and a map identifying the 32 submarkets. The entire study is being sent to each Board member on a CD with the Board book and is accessible on our web site (<a href="http://www.tdhca.state.tx.us/rea/msa\_market\_study.htm">http://www.tdhca.state.tx.us/rea/msa\_market\_study.htm</a>). Rob Vogt, Partner with Vogt, Williams & Bowen and his staff are prepared to make a presentation on the methodology, demand conclusions, and analysis of hurricane impact from the Houston MSA market study and answer any questions about the study.

### **MARKET ANALYSIS**

OF THE

### HOUSTON-BAYTOWN-SUGAR LAND METROPOLITAN STATISTICAL AREA TEXAS

*FOR* 

MS. EDWINA P. CARRINGTON
TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
221 EAST 11<sup>TH</sup> STREET
AUSTIN, TEXAS 78701

EFFECTIVE DATE

**FEBRUARY 10, 2006** 

JOB REFERENCE NUMBER

2728CB/DL



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  - Sub. 2 Lake Jackson / Freeport
  - Sub. 3 Inner Loop West
  - Sub. 4 Heights
  - Sub. 5 Inner Loop East
  - Sub. 6 Fort Bend
  - Sub. 7 Texas City / Galveston
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  - Sub. 9 Northshore / Wood Forest
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### III. Submarket Analysis (continued)

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Sub. 23 – Baytown

Sub. 24 – Sugar Land / Stafford

Sub. 25 – Galleria / Woodlake

Sub. 26 – West Memorial / Briar Forest

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### IV. Qualifications



### MARKET STUDY CERTIFICATION

This certifies that employees of Vogt Williams & Bowen, LLC personally made inspections of the Houston-Baytown-Sugar Land MSA in Texas, including surveying existing rental developments. Further, the information contained in this report is true and accurate as of February 10, 2006.

Vogt Williams & Bowen, LLC is a disinterested third party without any current or future financial interest in any projects under consideration in the study area. We have received a fee in preparation of the market study. However, no contingency fees exist between our firm and the client.

Certified:

Charlotte Bergdorf

Market Analyst

Davonne Lewis

Market Analyst

Rob Vogt

Market Analyst



### I. INTRODUCTION

### A. PURPOSE

The purpose of this report is to evaluate the need for additional affordable rental housing in the Houston-Baytown-Sugar Land MSA in Texas. This assessment is based upon the identification and analysis of submarkets within Harris County, Brazoria County, Fort Bend County, Galveston County, Montgomery County, Liberty County, Chambers County, Austin County, Waller County, and San Jacinto County that surround and include the city of Houston, Texas, as well as a survey of existing Low-Income Housing Tax Credit (LIHTC) properties. This analysis covers all 10 counties in the defined Houston-Baytown-Sugar Land MSA, Texas.

Ms. Edwina Carrington of the Texas Department of Housing and Community Affairs (TDHCA) initiated this study.

### **B. METHODOLOGIES**

Methodologies used by Vogt Williams & Bowen, LLC include the following:

Establishment of market areas within the metro Houston area. These
market areas are areas impacted by physical boundaries such as the
area interstate system and by changes in socioeconomic
characteristics. The market areas are not defined by radius. The use
of a radius is an ineffective approach since it does not consider
mobility patterns, changes in socioeconomic or demographic
character of neighborhoods or physical landmarks that might impede
development.

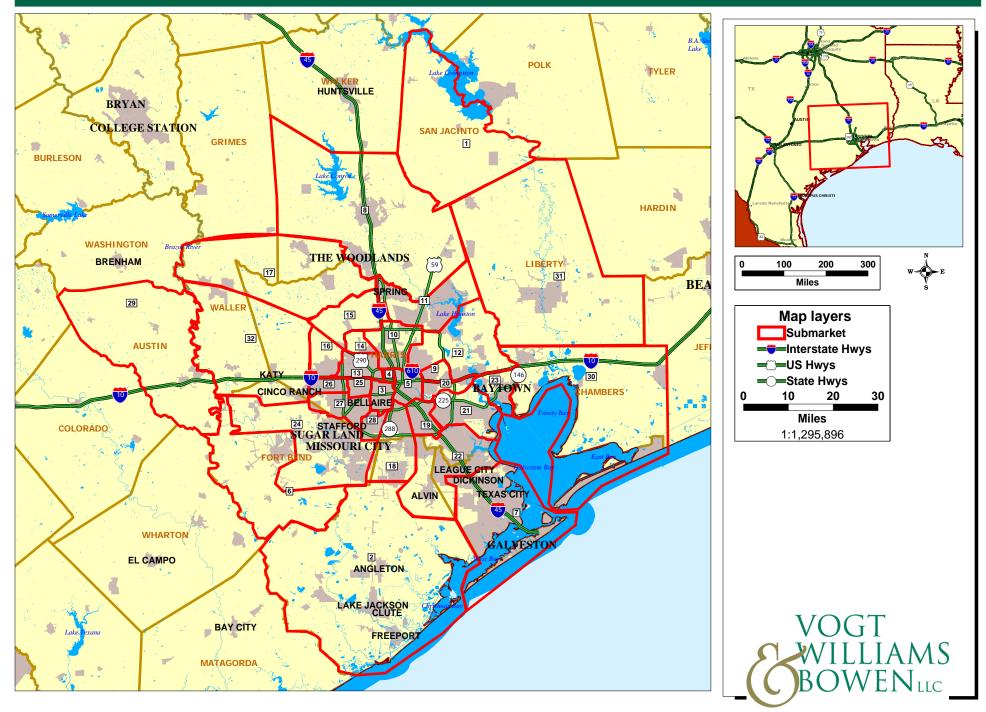
The market areas are established using a variety of factors including, but not limited to:

- A detailed demographic and socioeconomic evaluation.
- Interviews with area planners, realtors, and other individuals who are familiar with area growth patterns.
- A drive-time analysis.
- An evaluation of existing housing supply characteristics and trends.
- Locations of existing Tax Credit properties

The counties and submarkets are identified on the following map.



### **Houston MSA Submarkets**



MAP		MAP	
I.D.	SUBMARKET	I.D.	SUBMARKET
1	SAN JACINTO COUNTY	17	TOMBALL/FAR NORTHWEST
2	LAKE JACKSON/FREEPORT	18	HIGHWAY 288 SOUTH
3	INNER LOOP WEST	19	GULFGATE/ALMEDA MALL
4	HEIGHTS	20	GALENA PARK/JACINTO CITY
5	INNER LOOP EAST	21	PASADENA/DEER PARK
6	FORT BEND	22	FRIENDSWOOD/CLEAR LAKE
7	TEXAS CITY/GALVESTON	23	BAYTOWN
8	MONTGOMERTY	24	SUGAR LAND/STAFFORD
9	NORTHSHORE/WOOD FOREST	25	GALLERIA/WOODLAKE
10	NORTH/NORTHEAST	26	WEST MEMORIAL/BRIAR FOREST
11	IAH AIRPORT/LAKE HOUSTON	27	SOUTHWEST
12	FAR EAST	28	ALMEDA/SOUTH MAIN
13	BROOKHOLLOW/SPRING BRANCH	29	AUSTIN COUNTY
14	INWOOD/NORTHWEST	30	CHAMBERS COUNTY
15	WEST	31	LIBERTY COUNTY
16	BEAR CREEK/COPPERFIELD	32	KATY/FAR WEST

- A survey of area Tax Credit properties. All Tax Credit properties have been identified by lists provided by the Texas Department of Housing and Community Affairs (TDHCA). Both 9% and 4% allocation projects have been included. We surveyed at least 40% of listed TDHCA properties in person in order to evaluate overall condition and quality.
- A survey of up to 12 market-rate properties in each submarket. In many case, more than 12 properties were surveyed. For each submarket we have included the overall vacancy rate, the number of units built per year, as well as the average rent and unit square footage for each unit type in the submarket. We also collected information on the impact of hurricane evacuees on vacancy, rents and concessions.
- Evaluation of economic and demographic characteristics of the area. An economic evaluation includes an assessment of area employment composition, income growth (particularly among the target market), building statistics, and area growth perceptions. The demographic evaluation uses the most recently issued Census information, as well as projections that determine the characteristics of the market. We have also projected the number of income-qualified households at 0% to 30% of the area median household income (AMHI), 31% to 40% AMHI, 41% to 50% AMHI, 51% to 60% AMHI, 61% to 80% AMHI, and 81% to 100% AMHI for the years 2005 through 2009.



- A demand analysis by bedroom type and income range was completed to determine the need for additional Tax Credit development in each submarket. This analysis has been segregated into overall demand and demand from households age 55+. In addition, we have estimated potential demand from special needs households at each of the above income ranges.
- A detailed explanation of the demand analysis methodology is included at the beginning of each submarket demand section.
- Area building statistics and interviews with area officials familiar with area development provides identification of those properties that might be planned or proposed for the area that will have an impact on the rental housing market. Planned and proposed projects are always in different stages of development. As a result, it is important to establish the likelihood of construction, timing of the project, and its impact on the market.

### C. SOURCES

Vogt Williams & Bowen, LLC uses various sources to gather and confirm data used in each analysis. These sources include the following:

- The 1990 and 2000 Census on Housing
- Claritas
- Applied Geographic Solutions
- Ribbon Demographics HISTA Data
- U.S. Department of Labor
- Management for each property included in the survey
- Local planning and building officials
- Local Housing Authority representatives
- U.S. Department of Housing and Urban Development (HUD)

### D. REPORT LIMITATIONS

Vogt Williams & Bowen, LLC relies on a variety of sources of data to generate this report. These data sources are not always verifiable; however, Vogt Williams & Bowen, LLC makes a significant effort to assure accuracy. While this is not always possible, we believe our effort provides an acceptable standard margin of error. Vogt Williams & Bowen, LLC is not responsible for errors of or omissions in the data provided by other sources.

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### II. EXECUTIVE SUMMARY

We have completed an overview of the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA) in Texas to evaluate supply and demand characteristics for additional affordable rental housing developments. The methodology used in this analysis is to subdivide the Houston MSA (10 existing counties) into 32 smaller submarkets ranging in population from 22,246 people in the San Jacinto County Submarket (#23) to 466,233 people in the Southwest Submarket (#19). These submarkets were established based on similarity of economic and demographic characteristics, natural and manmade boundaries, and concentration of apartment developments.

The intent of this overview is to provide a guideline for current and future Tax Credit development. This overview should not be used to evaluate the marketability of a specific site since the unique characteristics of a proposed property and its site needs to be considered for any real estate development.

Vogt Williams & Bowen, LLC conducted a survey of up to 12 new and existing market-rate rental developments in each submarket to establish and confirm vacancy and rent levels established through primary and secondary sources. This was critical, since information about the current housing environment resulting from Hurricane Katrina was not previously established. In addition, we identified all Texas Department of Housing and Community Affairs (TDHCA) developments located in each submarket, surveyed 40% or more in person and the remainder by telephone. Note not all properties were willing to participate in the survey, and these properties are noted in the appropriate submarket analyses. The Vogt Williams & Bowen, LLC survey included a total of 544 rental housing developments (115,038 units), including 317 market-rate developments (77,022 units) and 227 developments (38,016 units) with some type of income restriction or subsidy.

The following table provides an overview of the current vacancy rates of the units surveyed in each submarket. We have presented the vacancy rate for Tax Credit properties, Tax Credit/market-rate properties, Tax Credit/government-subsidized properties, market-rate properties, and an overall vacancy rate for each submarket. Note there is no overlap between each category.



PROPERTY VACANCY RATES BY SUBMARKET						
		MARKET-				
	TAX	RATE/TAX		MARKET-	OVERALL	
SUBMARKET	CREDIT	CREDIT	SUBSIDIZED	RATE	VACANCY	
SAN JACINTO COUNTY #1	0.0%	=	=		0.0%	
CHAMBERS COUNTY #30	0.0%	=	=	0.0%	0.0%	
GALENA PARK/JACINTO CITY #20	-	=	=	2.3%	2.3%	
LIBERTY COUNTY #31	3.6%	2.3%	0.0%	3.3%	2.9%	
HIGHWAY 288 SOUTH #18	0.0%	0.6%	-	5.0%	3.1%	
HEIGHTS #4	-	-	-	3.6%	3.6%	
FAR EAST #12	5.9%	5.7%	-	5.3%	3.6%	
SUGAR LAND/STAFFORD #24	0.0%	4.8%	-	3.7%	3.8%	
SOUTHWEST #27	0.8%	20.9%	-	5.7%	4.1%	
BEAR CREEK/COPPERFIELD #16	0.0%	6.0%	-	4.5%	4.2%	
WEST MEMORIAL/BRIAR FOREST #26	-	-	-	4.6%	4.6%	
TOMBALL/FAR NORTHWEST #17	1.5%	0.0%	0.5%	5.9%	4.8%	
INNER LOOP EAST #5	4.5%	15.0%	0.0%	2.7%	4.9%	
ALMEDA/SOUTH MAIN #28	0.0%	-	1.8%	6.2%	5.0%	
KATY/FAR WEST #32	6.5%	0.0%	0.0%	5.2%	5.0%	
NORTH/NORTHEAST #10	4.8%	3.6%	0.0%	7.4%	5.3%	
WEST #15	6.9%	1.0%	=	3.4%	5.3%	
FORT BEND #6	0.8%	0.0%	=	6.5%	5.7%	
NORTHSHORE/WOOD FOREST #9	7.7%	5.6%	-	6.1%	5.9%	
IAH AIRPORT/LAKE HOUSTON #11	9.5%	8.5%	-	5.4%	6.2%	
GALLERIA/WOODLAKE #25	-	-	-	6.2%	6.2%	
BAYTOWN #23	2.2%	=	0.0%	7.6%	6.5%	
GULFGATE/ALMEDA MALL #19	0.5%	0.9%	-	8.2%	6.6%	
INWOOD/NORTHWEST #14	10.6%	2.0%	-	6.8%	6.7%	
TEXAS CITY/GALVESTON #7	2.9%	0.3%	=	8.7%	7.3%	
FRIENDSWOOD/CLEAR LAKE #22	20.0%	3.3%	=	5.0%	7.5%	
INNER LOOP WEST #3	0.0%	3.0%	0.0%	8.7%	7.9%	
PASADENA/DEER PARK #21	13.4%	4.6%	0.0%	7.4%	8.4%	
BROOKHOLLOW/SPRING BRANCH #13	5.7%	3.1%	-	14.5%	11.1%	
AUSTIN COUNTY #29	46.9%	7.9%	5.9%	10.4%	11.3%	
LAKE JACKSON/FREEPORT #2	4.5%	1.2%	-	13.9%	12.1%	
MONTGOMERY #8	20.9%	5.8%	3.4%	8.8%	12.8%	

The submarkets experiencing the highest overall vacancy rates are Brookhollow/Spring Branch (one of the submarkets with the highest number of hurricane evacuees), Austin County, Lake Jackson/Freeport and Montgomery Submarket. Note the above chart includes units that have recently been constructed and are currently in lease-up. Please see the "Rental Housing Supply Section" for a full explanation of the impact of properties under construction. The cells with no percentages represent submarkets that had no units in the particular rental housing category. For example, in the Brookhollow/Spring Branch Submarket, no Tax Credit/government-subsidized units were identified.



We have also provided a detailed analysis of total demand by income group (specified as less than 30%, 31% to 40%, 41% to 50%, 51% to 60%, 61% to 80%, and 81% to 100% of the Area Median Household Income (AMHI)), number of bedrooms, and targeted population (family, independent senior, and special needs populations). This demand methodology was developed collaboratively between Vogt Williams & Bowen, LLC and the Texas Department of Housing and Community Affairs. The following table summarizes this analysis for the 32 submarkets. We have presented the total net demand of units for households earning up to 40% of the AMHI and for households earning between 41% and 60% of the AMHI for years 2006, 2007, 2008 and 2009. The total net demand includes all income-qualified renter households (including both family and senior). The detailed analysis may be found in the "Demand Analysis" section of each submarket.

Using data provided by HISTA, a cross tabulation of Census data that provides income by household size and tenure, we first determined the number of income-eligible households in each of the income groups stated above. Then, using data on the estimated share of demand by bedroom type and household size in the Houston MSA (American Housing Survey), we calculated demand by bedroom type and household size in each submarket for all income-qualified renter households and senior (55+) income-qualified renter households.

For each of the years we estimated demand (2006, 2007, 2008 and 2009), we projected the growth of income eligible renter households using HISTA data. We also projected increases in the income limits for each year based on the rate of increase in the HUD-established median income from 2000 to 2005.

After adding growth to the baseline (2005) number of income-qualified renter households, a number of demand factors were included to determine overall demand. These factors include calculated vacancy rates for each submarket (based on the surveys performed), the total number of units needed to achieve a balanced market (95% occupancy), number of units currently under construction with the completion expected in 2006, planned and proposed units in the projection period, and demand from the need to replace or rehabilitate a share of 2.5% of rental product built prior to 1970. While other demand methodologies typically consider the increase in income-qualified households, they do not consider the replacement of functionally obsolete product.

The share of demand by bedroom type and household size determined through the American Housing Survey data was then applied to overall demand to determine the demand for studio/one-bedroom, two-bedroom, three-bedroom and four-bedroom units at each income group (0% to 30%, 31% to 40%, 41% to 50%, 51% to 60%, 61% to 80%, and 81% to 100% AMHI).



TOTAL NET D	EMAND FOR TAX CRE	EDIT UNITS	(0-60%)		
	2006-2009 TOTAL NET DEMAND	2006	2007	2008	2009
SAN JACINTO COUNTY	0%-40% AMHI	30	36	42	48
SUBMARKET #1	41%-60% AMHI	12	14	16	18
LAKE JACKSON / FREEPORT	0%-40% AMHI	329	405	482	558
SUBMARKET #2	41%-60% AMHI	(143)	(107)	(71)	(36)
INNER LOOP WEST	0%-40% AMHI	893	1,246	1,598	1,951
SUBMARKET #3	41%-60% AMHI	332	521	710	899
HEIGHTS	0%-40% AMHI	226	334	442	442
SUBMARKET #4	41%-60% AMHI	55	109	163	163
INNER LOOP EAST	0%-40% AMHI	1,414	1,880	2,346	2,812
SUBMARKET #5	41%-60% AMHI	(128)	31	189	348
FORT BEND	0%-40% AMHI	177	215	254	293
SUBMARKET #6	41%-60% AMHI	85	104	123	142
TEXAS CITY / GALVESTON	0%-40% AMHI	759	996	1,233	1,470
SUBMARKET #7	41%-60% AMHI	249	346	444	541
MONTGOMERY	0%-40% AMHI 41%-60% AMHI	421	483	545	(1.508)
SUBMARKET #8		(1,559)	(1,542)	(1,525)	(1,508)
NORTHSHORE / WOOD FOREST SUBMARKET # 9	0%-40% AMHI 41%-60% AMHI	(319)	(298)	(276)	302 (255)
NORTH / NORTHEAST	0%-40% AMHI	993	1,251	1,509	1,767
SUBMARKET #10	41%-60% AMHI	(437)	(318)	(198)	(79)
IAH AIRPORT / LAKE HOUSTON	0%-40% AMHI	165	185	205	225
SUBMARKET #11	41%-60% AMHI	(487)	(473)	(459)	(445)
FAR EAST	0%-40% AMHI	373	462	550	639
SUBMARKET #12	41%-60% AMHI	(3)	30	64	97
BROOKHOLLOW / SPRING	0%-40% AMHI	919	1,121	1,324	1,527
<b>BRANCH SUBMARKET #13</b>	41%-60% AMHI	11	138	265	392
INWOOD / NORTHWEST	0%-40% AMHI	156	172	188	204
SUBMARKET #14	41%-60% AMHI	(188)	(180)	(172)	(164)
WEST	0%-40% AMHI	483	514	546	577
SUBMARKET #15	41%-60% AMHI	(82)	(66)	(50)	(34)
BEAR CREEK / COPPERFIELD	0%-40% AMHI	123	130	138	145
SUBMARKET #16	41%-60% AMHI	95	101	106	111
TOMBALL / FAR NORTHWEST	0%-40% AMHI	136 57	161 70	186 82	210 95
SUBMARKET #17	41%-60% AMHI 0%-40% AMHI	448	587	726	93 864
HIGHWAY 288 SOUTH SUBMARKET #18	41%-60% AMHI	(298)	(253)	(208)	(164)
GULFGATE / ALMEDA MALL	0%-40% AMHI	665	835	1.006	1,176
SUBMARKET #19	41%-60% AMHI	25	126	226	327
GALENA PARK / JACINTO CITY	0%-40% AMHI	104	141	179	217
SUBMARKET - #20	41%-60% AMHI	38	57	76	95
PASADENA / DEER PARK	0%-40% AMHI	656	833	1,009	1,186
SUBMARKET - #21	41%-60% AMHI	(189)	(89)	10	110
FRIENDSWOOD / CLEAR LAKE	0%-40% AMHI	412	492	571	650
SUBMARKET #22	41%-60% AMHI	(210)	(155)	(100)	(45)
BAYTOWN	0%-40% AMHI	227	285	344	402
SUBMARKET #23	41%-60% AMHI	(150)	(122)	(94)	(66)
SUGAR LAND / STAFFORD	0%-40% AMHI	200	225	251	276
SUBMARKE #24	41%-60% AMHI	136	154	171	188
GALLERIA / WOODLAKE	0%-40% AMHI	458	592	726	861
SUBMARKET #25	41%-60% AMHI	(131)	(55)	20	95
WEST MEMORIAL / BRIAR FOREST SUBMARKET #26	0%-40% AMHI	208	237 62	267 84	296
SUDMAKKE 1 #20	41%-60% AMHI	40	02		105



TOTAL NET D	TOTAL NET DEMAND FOR TAX CREDIT UNITS (0-60%) 2006-2009				
	TOTAL NET DEMAND	2006	2007	2008	2009
SOUTHWEST	0%-40% AMHI	2,219	2,540	2,861	3,182
SUBMARKET #27 ALMEDA / SOUTH MAIN	41%-60% AMHI 0%-40% AMHI	570 216	758 280	945 343	1,133 407
SUBMARKET #28	41%-60% AMHI	51	80	110	139
AUSTIN COUNTY SUBMARKET #29	0%-40% AMHI 41%-60% AMHI	49 (26)	(20)	78 (13)	78 (13)
CHAMBERS COUNTY	0%-40% AMHI	46	56	66	76
SUBMARKET #30 LIBERTY COUNTY	41%-60% AMHI 0%-40% AMHI	24 144	29 175	35 206	237
SUBMARKET #31	41%-60% AMHI	33	45	57	69
KATY / FAR WEST SUBMARKET #32	0%-40% AMHI 41%-60% AMHI	124 (148)	137 (140)	151 (132)	164 (124)

TOTAL NET DEMAND FOR <u>SENIOR</u> TAX CREDIT UNITS (0-60%) 2006-2009					
	TOTAL NET DEMAND	2006	2007	2008	2009
SAN JACINTO COUNTY	0%-40% AMHI	10	13	16	18
SUBMARKET #1	41%-60% AMHI	6	8	11	13
LAKE JACKSON / FREEPORT	0%-40% AMHI	94	126	158	190
SUBMARKET #2	41%-60% AMHI	(75)	(51)	(28)	(4)
INNER LOOP WEST	0%-40% AMHI	231	365	500	635
SUBMARKET #3	41%-60% AMHI	258	459	660	861
HEIGHTS	0%-40% AMHI	85	129	173	216
SUBMARKET #4	41%-60% AMHI	41	78	115	152
INNER LOOP EAST	0%-40% AMHI	405	587	769	951
SUBMARKET #5	41%-60% AMHI	55	153	251	349
FORT BEND	0%-40% AMHI	58	76	93	111
SUBMARKET #6	41%-60% AMHI	20	32	43	54
TEXAS CITY / GALVESTON	0%-40% AMHI	189	290	391	491
SUBMARKET #7	41%-60% AMHI	60	134	208	282
MONTGOMERY	0%-40% AMHI	123	152	181	210
SUBMARKET #8	41%-60% AMHI	(684)	(668)	(653)	(637)
NORTHSHORE / WOOD FOREST	0%-40% AMHI	24	37	50	62
SUBMARKET # 9	41%-60% AMHI	(133)	(122)	(110)	(98)
NORTH / NORTHEAST	0%-40% AMHI	251	356	460	565
SUBMARKET #10	41%-60% AMHI	(302)	(234)	(166)	(98)
IAH AIRPORT / LAKE HOUSTON	0%-40% AMHI	30	40	50	60
SUBMARKET #11	41%-60% AMHI	(266)	(255)	(244)	(234)
FAR EAST	0%-40% AMHI	87	120	153	185
SUBMARKET #12	41%-60% AMHI	17	39	61	83
BROOKHOLLOW / SPRING	0%-40% AMHI	182	262	342	423
BRANCH SUBMARKET #13	41%-60% AMHI	(150)	(65)	20	105
INWOOD / NORTHWEST	0%-40% AMHI	19	24	29	33
SUBMARKET #14	41%-60% AMHI	(203)	(196)	(189)	(182)
WEST	0%-40% AMHI	86	101	115	129
SUBMARKET #15	41%-60% AMHI	3	17	32	46
BEAR CREEK / COPPERFIELD	0%-40% AMHI	23	26	30	33
SUBMARKET #16	41%-60% AMHI	17	21	24	28



	2006-2009				
	TOTAL NET				
	DEMAND	2006	2007	2008	2009
TOMBALL / FAR NORTHWEST	0%-40% AMHI	39	51	62	73
SUBMARKET #17	41%-60% AMHI	13	20	27	34
HIGHWAY 288 SOUTH	0%-40% AMHI	110	158	207	255
SUBMARKET #18	41%-60% AMHI	(282)	(253)	(224)	(196)
GULFGATE / ALMEDA MALL	0%-40% AMHI	135	199	264	328
SUBMARKET #19	41%-60% AMHI	99	172	246	320
GALENA PARK / JACINTO CITY	0%-40% AMHI	28	45	62	79
SUBMARKET - #20	41%-60% AMHI	15	28	42	55
PASADENA / DEER PARK	0%-40% AMHI	166	237	309	380
SUBMARKET - #21	41%-60% AMHI	(166)	(101)	(36)	29
FRIENDSWOOD / CLEAR LAKE	0%-40% AMHI	97	134	170	207
SUBMARKET #22	41%-60% AMHI	(67)	(22)	23	68
BAYTOWN	0%-40% AMHI	61	86	111	135
SUBMARKET #23	41%-60% AMHI	24	41	58	75
SUGAR LAND / STAFFORD	0%-40% AMHI	36	45	54	63
SUBMARKET #24	41%-60% AMHI	24	36	48	59
GALLERIA / WOODLAKE	0%-40% AMHI	125	183	241	299
SUBMARKET #25	41%-60% AMHI	69	144	220	295
WEST MEMORIAL / BRIAR FOREST	0%-40% AMHI	46	60	74	89
SUBMARKET #26	41%-60% AMHI	22	41	61	80
SOUTHWEST	0%-40% AMHI	388	503	619	734
SUBMARKET #27	41%-60% AMHI	(296)	(167)	(39)	89
ALMEDA / SOUTH MAIN	0%-40% AMHI	49	68	87	106
SUBMARKET #28	41%-60% AMHI	33	58	82	107
AUSTIN COUNTY	0%-40% AMHI	19	26	33	39
SUBMARKET #29	41%-60% AMHI	(2)	4	9	15
CHAMBERS COUNTY	0%-40% AMHI	17	23	28	34
SUBMARKET #30	41%-60% AMHI	8	12	16	20
LIBERTY COUNTY	0%-40% AMHI	45	58	71	84
SUBMARKET #31	41%-60% AMHI	13	23	32	41
KATY / FAR WEST	0%-40% AMHI	32	38	45	51
SUBMARKET #32	41%-60% AMHI	(160)	(154)	(149)	(144)



Based on the demand analysis, the following lists the total net demand for Tax Credit units (0% to 60% AMHI) for each submarket for the years 2006 through 2009. Most of this support, however, is for deep subsidy units (less than 40% AMHI). Since the chart below represents cumulative numbers from 2006 through 2009, the totals represent units needed over the projected four-year period. This has been sorted by the submarket with the least amount of demand to the submarket with the largest amount of demand, based on our demand analysis methodology.

TOTAL NET DEMAND BY SUBMARKET			
SUBMARKET	TOTAL NET DEMAND		
MONTGOMERY #8	(901)		
IAH AIRPORT/LAKE HOUSTON #11	(220)		
INWOOD/NORTHWEST #14	40		
KATY/FAR WEST #32	40		
NORTHSHORE/WOOD FOREST #9	47		
AUSTIN COUNTY #29	65		
SAN JACINTO COUNTY #1	66		
CHAMBERS COUNTY #30	116		
BEAR CREEK/COPPERFIELD #16	256		
TOMBALL/FAR NORTHWEST #17	305		
LIBERTY COUNTY #31	306		
GALENA PARK/JACINTO CITY #20	312		
BAYTOWN #23	336		
WEST MEMORIAL/BRIAR FOREST #26	401		
FORT BEND #6	435		
SUGAR LAND/STAFFORD #24	464		
LAKE JACKSON/FREEPORT #2	522		
WEST #15	543		
ALMEDA/SOUTH MAIN #28	546		
FRIENDSWOOD/CLEAR LAKE #22	605		
HEIGHTS #4	605		
HIGHWAY 288 SOUTH #18	700		
FAR EAST #12	736		
GALLERIA/WOODLAKE #25	956		
PASADENA/DEER PARK #21	1,296		
GULFGATE/ALMEDA MALL #19	1,503		
NORTH/NORTHEAST #10	1,688		
BROOKHOLLOW/SPRING BRANCH #13	1,919		
TEXAS CITY/GALVESTON #7	2,011		
INNER LOOP WEST #3	2,850		
INNER LOOP EAST #5	3,160		
SOUTHWEST #27	4,315		

It appears the Southwest Submarket has the greatest need of Tax Credit units while Montgomery, IAH Airport/Lake Houston, and Northshore/Wood Forest Submarkets have a surplus of Tax Credit units.



### **HURRICANE IMPACT**

Hurricane Katrina was a Category 3 storm on the morning of August 29, 2005 when it hit the Central Gulf Coast near Buras-Triumph, Louisiana. Katrina is estimated to be responsible for \$75 billion in damages, making it the costliest hurricane in United States history; the storm killed 1,417 people, becoming the deadliest U.S. hurricane since the 1928 Okeechobee Hurricane.

Hurricane Rita hit Texas and Louisiana in September 2005, killed six people and caused 113 indirect deaths; damage estimates are around \$9 billion (2005 U.S. dollars).

Beginning March 1, 2006, FEMA will no longer reimburse Houston and other cities that have signed six- and 12-month leases with apartments to house hurricane evacuees. This will significantly impact the Houston area due to the large number of evacuees that have relocated to the area. The Houston Police Department estimates that 200,000 hurricane evacuees, the highest number relocated in the U.S., are living in the Houston area today. Prior to the storms, the city had a population estimated at more than two million by the U.S. Census Bureau. Not only was the population of the MSA impacted, a large number of jobs were also added to the economy as school districts hired an additional 1,700 employees compared with the prior September numbers. Government as a whole added 18,500 jobs.

According to Mayor Bill White on December 14, 2005, the apartment occupancy rate in the Houston area was 97.4%. At that time, approximately 3,500 units at apartments that are participating in the city's Voucher program remained available, with only half of the units larger than one-bedroom units.

According to Apartment Data Services, Houston's apartment occupancy rate has grown to 90.2% from 85.6% at the end of 2005. The rate is 92.2% for Class A apartments, those with the highest rents, according to Bruce McClenny, a principal at the company. Mr. McClenny stated that 14,993 units were rented in September in Houston alone, and the city's occupancy level increased by 3.1 percentage points to 89.4% average occupancy. "Houston had the best absorption in September compared to any month ever." He added that Class B and Class C properties in the market experienced the most market turnaround in occupancies.

According to a survey by *The Washington Post*, the Henry J. Kaiser Family Foundation and the Harvard School of Public Health, fewer than half of all New Orleans evacuees living in emergency shelters in Houston said they would move back home, while two-thirds of those who want to relocate planned to settle permanently in the Houston area. Only 43% of these evacuees planned to return to New Orleans. Just as many evacuees (44%) said they would settle somewhere else, while the remainder was unsure. Many of those who were planning to return said they would be looking to buy or rent somewhere other than where they lived. Overall, only one in four said they plan to move back



into their old homes. According to the poll, most of those who did not plan to go back to New Orleans are already living in their new hometown. Two in three of the 44% who will not return said they plan to permanently relocate in the Houston area. The city is now home to about 125,000 New Orleans evacuees. The Post-Kaiser-Harvard poll suggests these evacuees will start their lives with virtually nothing. Seven in 10 currently do not have a savings or checking account. Just as many have no usable credit cards.

According to a survey conducted by O'Connor & Associates of Houston, the area school districts indicated additional enrollment of almost 16,000 students as a result of the hurricane. The following school districts were included in this survey:

SCHOOL DISTRICT	NUMBER OF STUDENTS ADDED
HOUSTON ISD	3,400
FORT BEND ISD	1,662
CY-FAIR ISD	1,500
ALIEF ISD	1,400
KATY ISD	1,200
SPRING ISD	943
CLEAR CREEK ISD	865
ALDINE ISD	853
PASADENA ISD	800
KLEIN ISD	680
HUMBLE ISD	566
SPRING BRANCH ISD	526
PEARLAND ISD	428
GALENA PARK ISD	347
LAMAR ISD	260
LA PORTE ISD	200
DEER PARK ISD	134
TOTAL	15,764

According to the O'Connor & Associates "Houston Apartment Performance Update", more than 20,000 units were absorbed over the third quarter 2005 in the Houston area

YEAR ENDING	CLASS A	CLASS B	CLASS C	CLASS D	OVERALL
3Q/03	2,395	(559)	(3,508)	(163)	(1,835)
3Q/04	9,395	834	(3,533)	(578)	6,118
3Q/05	15,225	9,173	1,165	(268)	25,284

Vogt Williams & Bowen, LLC surveyed multifamily developments in 32 submarkets in the Houston MSA to try to determine how certain areas were impacted by the hurricanes. The following chart summarizes the number of hurricane households housed at the surveyed properties and what percentage



they represent of the total number of units surveyed in each submarket. The following information includes evacuees at Tax Credit, market-rate, and government-subsidized units. For a more specific breakdown of the number of evacuees living in Tax Credit properties, see the "Supply" section for the corresponding submarket.

SUBMARKET	ESTIMATED # OF HURRICANE EVACUEES IN SURVEYED UNITS	% OF RENTAL UNITS SURVEYED OCCUPIED BY HURRICANE EVACUEES (HOUSEHOLDS)	POTENTIAL NUMBER OF HOUSEHOLDS DISPLACED BY HURRICANES
SAN JACINTO COUNTY #1	0	0.0%	0
HEIGHTS #4	0	0.0%	0
CHAMBERS COUNTY #30	0	0.0%	0
TEXAS CITY/GALVESTON #7	10	0.3%	80
INNER LOOP EAST #5	5	0.4%	128
LAKE JACKSON/FREEPORT #2	35	0.9%	122
GALENA PARK/JACINTO CITY #20	6	1.5%	49
WEST MEMORIAL/BRIAR FOREST #26	69	1.5%	342
KATY/FAR WEST #32	61	1.6%	167
INNER LOOP WEST #3	85	1.9%	991
TOMBALL/FAR NORTHWEST #17	33	1.9%	153
AUSTIN COUNTY #29	12	2.4%	53
FORT BEND #6	85	3.1%	223
ALMEDA/SOUTH MAIN #28	140	3.1%	289
LIBERTY COUNTY #31	25	3.3%	173
SUGAR LAND/STAFFORD #24	136	3.5%	567
WEST #15	270	3.8%	1,776
PASADENA/DEER PARK #21	286	4.4%	1,208
BAYTOWN #23	130	4.5%	442
GALLERIA/WOODLAKE #25	218	4.7%	1,553
NORTHSHORE/WOOD FOREST #9	158	4.8%	511
FRIENDSWOOD/CLEAR LAKE #22	159	4.8%	1,702
FAR EAST #12	131	5.2%	632
BEAR CREEK/COPPERFIELD #16	170	5.2%	678
HWY 288 SOUTH #18	249	5.3%	744
IAH AIRPORT/LAKE HOUSTON #11	325	5.4%	856
MONTGOMERY #8	258	5.7%	1,430
GULFGATE/ALMEDA MALL #19	299	5.7%	1,572
NORTH/NORTHEAST #10	626	8.2%	3,190
SOUTHWEST #27	702	8.4%	9,360
INWOOD/NORTHWEST #14	263	8.5%	737
BROOKHOLLOW/SPRING BRANCH #13	953	15.3%	6,503
TOTAL	5,899	-	36,231

Based on our survey, the submarkets containing the highest percentage of hurricane evacuees are North/Northeast, Southwest, Inwood/Northwest, and Brookhollow/Spring Branch. With the exception of the Southwest Submarket, the areas of the Houston MSA experiencing the greatest impact are located just outside of Loop 610 in the north/northwest portion of the city of Houston.



## HOUSTON MSA DEMOGRAPHIC CHARACTERISTICS AND TRENDS

## **POPULATION TRENDS**

The 10-county Houston-Baytown-Sugar Land MSA is the seventh largest metropolitan region in the United States. The Houston MSA population base has increased by 948,072 between 1990 and 2000. This represents a 25.2% increase from the 1990 total population, or an annual rate of 2.3%. The submarket population base for 1990, 2000, 2005 (estimated), and 2010 (projected) are summarized as follows:

		Y	EAR	
	1990	2000	2005	2010
	(CENSUS)	(CENSUS)	(ESTIMATED)	(PROJECTED)
POPULATION	3,767,335	4,715,407	5,239,517	5,790,478
POPULATION CHANGE	-	948,072	524,110	550,961
PERCENT CHANGE	-	25.2%	11.1%	10.5%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

It is projected that the total population will increase by 550,961 people, or 10.5%, between 2005 and 2010. These numbers do not reflect any additional population growth expected from hurricane evacuees permanently relocating to the Houston area.

## **HOUSEHOLD TRENDS**

Within the Houston MSA, the total number of households has increased by 304,299 (22.5%) between 1990 and 2000. Household trends within the Houston MSA are summarized as follows:

	YEAR			
	1990 (CENSUS)	2000 (CENSUS)	2005 (ESTIMATED)	2010 (PROJECTED)
HOUSEHOLDS	1,352,500	1,656,799	1,832,272	2,019,311
HOUSEHOLD CHANGE	-	304,299	175,473	187,039
PERCENT CHANGE	-	22.5%	10.6%	10.2%
HOUSEHOLD SIZE	2.8	2.8	2.9	2.9

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

Total household growth has been positive between 1990 and 2000, and is projected to continue to increase when there will be a total of 2,019,311 households in 2010. This is an increase of approximately 37,408 households annually.



The Houston MSA household bases by age are summarized as follows:

HOUSEHOLDS	2005 (EST	IMATED)	2010 (PR	OJECTED)	CHANGE	2005-2010
BY AGE	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
UNDER 25	101,567	5.5%	107,989	5.3%	6,422	6.3%
25 - 34	351,851	19.2%	343,747	17.0%	-8,104	-2.3%
35 - 44	429,677	23.5%	433,436	21.5%	3,759	0.9%
45 - 54	418,899	22.9%	460,623	22.8%	41,724	10.0%
55 - 64	272,384	14.9%	355,326	17.6%	82,942	30.5%
65 - 74	148,793	8.1%	190,221	9.4%	41,428	27.8%
75 - 84	86,207	4.7%	98,834	4.9%	12,627	14.6%
85 & HIGHER	22,894	1.2%	29,135	1.4%	6,241	27.3%
TOTAL	1,832,272	100.0%	2,019,311	100.0%	187,039	10.2%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

Households by tenure are distributed as follows:

	2000 (CENSUS)		2005 (ESTIN	(ATED)
TENURE	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT
OWNER-OCCUPIED	1,008,692	60.9%	1,137,599	62.1%
RENTER-OCCUPIED	648,107	39.1%	694,673	37.9%
TOTAL	1,656,799	100.0%	1,832,272	100.0%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

The household size within the submarket, based on the 2000 Census, is distributed as follows:

PERSONS PER	2000 (CENSUS)		2005 (ESTIMATED)		CHANGE 20	000-2005
HOUSEHOLD	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT
1 PERSON	388,021	23.4%	423,895	23.1%	35,874	9.2%
2 PERSONS	478,316	28.9%	524,959	28.7%	46,643	9.8%
3 PERSONS	289,034	17.4%	324,050	17.7%	35,016	12.1%
4 PERSONS	263,980	15.9%	292,464	16.0%	28,484	10.8%
5 PERSONS	136,685	8.2%	152,676	8.3%	15,991	11.7%
6+ PERSONS	100,763	6.1%	114,228	6.2%	13,465	13.4%
TOTAL	1,656,799	100.0%	1,832,272	100.0%	175,473	10.6%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC



Based on the 2000 Census, the following is a distribution of housing units in the Houston MSA by year of construction.

	HOUSING UNITS			
YEAR	OWNER	PERCENT	RENTER	PERCENT
1999 TO MARCH 2000	34,912	3.5%	16,446	2.5%
1995 TO 1998	109,458	10.9%	39,014	6.0%
1990 TO 1994	90,440	9.0%	36,084	5.6%
1980 TO 1989	215,134	21.3%	167,444	25.8%
1970 TO 1979	237,337	23.5%	195,107	30.1%
1960 TO 1969	130,036	12.9%	93,549	14.4%
1940 TO 1959	154,525	15.3%	77,139	11.9%
1939 OR EARLIER	36,850	3.7%	23,324	3.6%
TOTAL	1,008,692	100.0%	648,107	100.0%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

## **INCOME TRENDS**

The distribution of households by income within the Houston MSA is summarized as follows:

HOUSEHOLD	2000 (CE	ENSUS)	2005 (EST	IMATED)	2010 (PRO	OJECTED)
INCOME	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
LESS THAN \$10,000	145,640	8.8%	141,918	7.7%	139,850	6.9%
\$10,000 - \$19,999	187,731	11.3%	176,334	9.6%	167,803	8.3%
\$20,000 - \$29,999	208,850	12.6%	197,907	10.8%	189,343	9.4%
\$30,000 - \$39,999	200,166	12.1%	203,643	11.1%	199,710	9.9%
\$40,000 - \$49,999	169,229	10.2%	181,377	9.9%	190,476	9.4%
\$50,000 - \$59,999	142,071	8.6%	150,475	8.2%	165,060	8.2%
\$60,000 - \$74,999	171,211	10.3%	188,368	10.3%	202,773	10.0%
\$75,000 - \$99,999	182,624	11.0%	218,574	11.9%	248,585	12.3%
\$100,000 & HIGHER	249,277	15.0%	373,676	20.4%	515,711	25.5%
TOTAL	1,656,799	100.0%	1,832,272	100.0%	2,019,311	100.0%
MEDIAN INCOME	\$44,6	591	\$50,	994	\$57	,420

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

Between 2000 and 2005, the greatest increase was seen in households earning more then \$40,000 per year. Further household growth at these income levels is expected over the next five years.

## **HOUSTON MSA ECONOMIC PROFILE AND ANALYSIS**

## **LABOR FORCE PROFILE**

Services and Retail Trade comprise a little more than 65% of the 10-county Houston-Baytown-Sugar Land MSA labor force.



Employment within the Houston MSA as of 2005 is distributed as follows:

SIC GROUP	<b>ESTABLISHMENTS</b>	PERCENT	<b>EMPLOYEES</b>	PERCENT
AGRICULTURE & NATURAL				
RESOURCES	2,813	1.4%	19,937	0.8%
MINING	2,004	1.0%	69,793	2.7%
CONSTRUCTION	13,674	7.0%	164,556	6.4%
MANUFACTURING	10,702	5.5%	263,461	10.3%
TRANSPORTATION & UTILITIES	8,167	4.2%	144,666	5.6%
WHOLESALE TRADE	11,467	5.8%	175,924	6.9%
RETAIL TRADE	42,247	21.5%	504,140	19.6%
F.I.R.E.	19,984	10.2%	181,120	7.1%
SERVICES	79,170	40.3%	931,985	36.3%
GOVERNMENT	3,200	1.6%	90,869	3.5%
NON-CLASSIFIABLE	2,817	1.4%	21,600	0.8%
TOTAL	196,245	100.0%	2,568,051	100.0%

Source: 2000 Census; Claritas; Vogt Williams & Bowen, LLC

Note: Due to the fact that this survey is conducted of establishments and not of residents, some employees may not live within the submarket. However, these employees are included in our labor force calculations because their places of employment are located within the submarket.

Typical wages by occupation for the Houston MSA are illustrated as follows:

TYPICAL WAGE BY OCCUPATION TYPE				
	HOUSTON			
OCCUPATION TYPE	MSA	TEXAS		
MANAGEMENT OCCUPATIONS	\$90,870	\$83,580		
BUSINESS AND FINANCIAL OCCUPATIONS	\$61,090	\$56,810		
COMPUTER AND MATHEMATICAL OCCUPATIONS	\$68,670	\$65,970		
ARCHITECTURE AND ENGINEERING OCCUPATIONS	\$71,650	\$65,070		
COMMUNITY AND SOCIAL SERVICE OCCUPATIONS	\$36,610	\$34,650		
ART, DESIGN, ENTERTAINMENT, AND SPORTS				
MEDICINE OCCUPATIONS	\$39,850	\$38,280		
HEALTHCARE PRACTITIONERS AND TECHNICAL				
OCCUPATIONS	\$59,190	\$56,580		
HEALTHCARE SUPPORT OCCUPATIONS	\$20,710	\$20,240		
PROTECTIVE SERVICE OCCUPATIONS	\$34,730	\$32,730		
FOOD PREPARATION AND SERVING RELATED				
OCCUPATIONS	\$16,690	\$16,000		
BUILDING AND GROUNDS CLEANING AND				
MAINTENANCE OCCUPATIONS	\$17,550	\$18,070		
PERSONAL CARE AND SERVICE OCCUPATIONS	\$22,850	\$19,200		
SALES AND RELATED OCCUPATIONS	\$34,490	\$31,000		
OFFICE AND ADMINISTRATIVE SUPPORT				
OCCUPATIONS	\$29,910	\$27,940		
CONSTRUCTION AND EXTRACTION OCCUPATIONS	\$30,020	\$29,010		
INSTALLATION, MAINTENANCE AND REPAIR				
OCCUPATIONS	\$36,710	\$34,970		
PRODUCTION OCCUPATIONS	\$31,190	\$28,020		
TRANSPORTATION AND MOVING OCCUPATIONS	\$29,410	\$27,100		

Source: U.S. Department of Labor Statistics, Bureau of Labor



According to the Greater Houston Partnership, the 10 largest private employers within the Houston area comprise a total of 124,118 employees. These employers are summarized as follows:

INDUSTRY	BUSINESS TYPE	TOTAL EMPLOYED
MEMORIAL HERMANN HEALTHCARE	HEALTHCARE	16,300
CONTINENTAL AIRLINES	TRANSPORTATION	16,000
UNIVERSITY OF TEXAS –		
MD ANDERSON CANCER CENTER	HEALTHCARE	16,000
HALLIBURTON	OIL REFINING	14,000
UNIVERSITY OF TEXAS		
MEDICAL BRANCH AT GALVESTON	HEALTHCARE	12,318
KROGER	GROCERY	12,000
ARAMARK	FOOD SERVICES	10,000
RELIANT ENERGY	ELECTRIC SUPPLIER	9,500
HCA	HEALTHCARE	9,000
HEWLETT PACKARD	COMPUTER/ELECTRONICS	9,000
	TOTAL	124,118

## **EMPLOYMENT TRENDS**

Unemployment rates for the Houston MSA and Texas are illustrated as follows:

	UNEMPLOYMENT RATE		
YEAR	HOUSTON MSA	TEXAS	
1996	6.0%	5.8%	
1997	5.6%	5.4%	
1998	5.3%	4.9%	
1999	4.4%	4.7%	
2000	4.8%	4.4%	
2001	4.3%	5.0%	
2002	4.7%	6.3%	
2003	6.0%	6.7%	
2004	6.8%	6.1%	
2005	6.3%	5.6%	

The unemployment rate in Houston MSA has remained between 4.4% and 6.8%, similar to the state average since 1996.

## **ECONOMIC OUTLOOK**

According to a January 2, 2006 article in the Houston *Business Journal*, economists with the Houston Branch of the Federal Reserve Bank of Dallas expect the Houston MSA economy to remain strong and growing throughout 2006. This growth is attributable in large part to the energy industry and continued high-energy prices. Another growth component is expected to be a 200% increase in the container capacity in the Port of Houston. The port will serve a new Wal-Mart distribution center in Chambers County, which will now receive 20% of the company's imported goods.

Evacuees from hurricane Katrina have also helped to boost retail sales in the metro area, a trend that is projected to continue through 2006. Further, it is expected that 60,000 new jobs will be created throughout the area in 2006, led by jobs in construction, health care, and the service industry.

Economist Barton Smith with the University of Houston's Center for Public Policy, Institute of Regional Forecasting, comments in the article that commercial real estate will continue modest gains through 2006. However, he projects that apartment markets in the Houston MSA will not see growth due to continued oversupply.

Through the Greater Houston Partnership, a wide range of incentives is available to spur business growth in the Houston MSA. These incentives are designed to support new, expanding, and relocating companies. Incentives include worker training, tax abatement, and tax refund programs.



# MULTIFAMILY FINANCE PRODUCTION DIVISIONBOARD ACTION REQUEST

March 20, 2006

## **Action Item**

Requests for amendments involving material changes to Housing Tax Credit (HTC) applications.

## **Requested Action**

Approve or deny the requests for amendments.

## **Background and Recommendations**

§2306.6712, Texas Government Code, classifies some changes as "material alterations" that must be approved by the Board. The requests presented below include material alterations. Pertinent facts about the developments requesting approval are summarized below. The recommendation of staff is included at the end of each write-up. Each request is accompanied by a mandatory \$2,500 fee.

## **Limitations on the Approval of Amendment Requests**

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining which actions will satisfy applicable regulations.

## Bayou Bend, HTC No. 03254

<u>Summary of Request</u>: The development owner requests approval for a correction in the unit mix. The development is a rehabilitation of existing units whose unit plans were not changed but were misreported in the application as 13 one-bedroom units and 43 two-bedroom units instead of the correct count of 14 one-bedroom units and 42 two-bedroom units. The mistake was reflected in documentation from the United States Department of Agriculture – Rural Development division (USDA-RD) that was included in the application, as well as in the application's rent schedule. The mistake therefore appears to have been conveyed to the owner by official sources and then to the Department by the same route.

A difference between the application and the cost certification data that was mentioned in the owner's letter of request to the Board was a decrease in the net rentable area from 44,957 to 44,814 square feet. This decrease of 0.3% is insignificant with regard to the threshold of 3% that requires the Board's approval. The gross building area of 46,206 square feet and the common area of 1,249 square feet that were also mentioned in the owner's letter were the same numbers reported both at application and at cost certification.

Governing Law: §2306.6712, Texas Government Code. A modification of the bedroom mix

of units is a material alteration under the code. The requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes, and other applicable statutory requirements remain effective

despite the approval of any amendment request.

Owner: FDI-BB 2003, Ltd.

General Partner: Fieser Real Estate Investments

Developers: James W. Fieser Principals/Interested Parties: James W. Fieser

Syndicator: Midland Equity Corporation

Construction Lender: MuniMae Midland

Permanent Lender: USDA-RD

Other Funding: NA

City/County: Waller/Waller

Set-Aside: At-Risk, Rural, USDA-RD

Type of Area: Rural

Type of Development: Rehabilitation
Population Served: General population
Units: 56 HTC units

2003 Allocation: \$119,812 Allocation per HTC Unit: \$2,140

Prior Board Actions: July 30, 2003 - Approved award of tax credits.

Underwriting Reevaluation: The Real Estate Analysis Division has determined that this amendment will

have no effect on the conclusions and recommendations in the original

underwriting report.

Staff Recommendation: Staff recommends approving the request because the requested

modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the

application in the application round.

## Villas of Hubbard, HTC No. 05243

<u>Summary of Request</u>: Applicant requests approval to change the locations of the buildings on the site. The reason given for the change is to better accommodate the parking spaces within the required setbacks. There would be no change in the boundaries of the site, number of buildings, building plans or parking.

Governing Law: §2306.6712, Texas Government Code. A significant modification of the site

plan is a material alteration under the code. The requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes, and other applicable statutory requirements remain effective despite

the approval of an amendment request.

Owner: Villas of Hubbard Limited Partnership

General Partner: Hubbard Villas, LLC

Developers: Hearthside Development Corporation

Principals/Interested Parties: Deborah Griffin

Syndicator: SunAmerica Affordable Housing Partners

Construction Lender: Washington Mutual Permanent Lender: Washington Mutual

Other Funding: NA

City/County: Hubbard/Hill

Set-Aside: Rural Type of Area: Rural

Type of Development: New Construction

Population Served: Elderly

Units: 36 HTC units 2005 Allocation: \$193,215 Allocation per HTC Unit: \$5,367

Prior Board Actions: July 2005 - Approved award of tax credits.

Underwriting Reevaluation: The Real Estate Analysis Division has determined that there is no reason to

believe the change will have any effect on the conclusions and

recommendations in the original underwriting report.

Staff Recommendation: Staff recommends approving the request because the requested

modification would not materially alter the development in a negative manner and would not have adversely affected the selection of the

application in the application round.

## FIESER DEVELOPMENT, INC.

16360 Park Ten Place, Suite 301 Houston, TX 77084 281-599-8684 281-599-8189 FAX

February 13, 2006

FECENEO

FEB 1 2006

Mr. Ben Sheppard Multifamily Finance Production The Texas Department of Housing and Community Affairs 221 East 11<sup>th</sup> Street Austin, TX 78701

LEHIC

RE:

Amendment Request - Bayou Bend Apartments

TDHCA #03254

Mr. Sheppard,

We submitted our Cost Certification to TDHCA on Bayou Bend Apartments, TDHCA # 03254, and received notification from Raquel Morales that it was received on November 2, 2005. Bayou Bend Apartments is a USDA Rural Development acquisition/rehab project.

Raquel sent us a request for Information on the Cost Certification on December 6, 2005. In that request she brought to our attention that the total net rentable area certified by the architect did not match the net rentable area in other exhibits in the Cost Certification. She also noted that the unit mix reflected in the Cost Certification (Exhibit 9B, Individual Building Description) did not match Exhibit 11A, Rent Schedule or with what the development was originally approved to provide.

After receiving this information from Raquel, we requested that our Architect confirm the square footages and the unit mix so that we could cure this issue. Our Architect confirmed that the total gross square footage is 46,206, the net rentable is 44,814 and the common area is 1,249. Looking back at our original application it was discovered that the information we received initially showed there were 13 one bedroom units and 43 two bedroom units; 56 total units. I have attached a copy of the approved USDA Budget showing this breakdown as we reported in our Tax Credit Application.

I have also attached a copy of the USDA Project Worksheets showing that there have always been 42 two bedroom units and 14 one bedroom units; a total of 56 units. We have not added or deleted any units. We have not reconfigured any units. They are the same as when we submitted our application, it was just an error on our part based on the information we received initially.

We have revised the Exhibits in question and submitted those back to Raquel on January 9, 2006. All the Exhibits now are correct and tie throughout the Cost Certification. Raquel contacted our office to let us know that she had received our package and all the exhibits were now corrected. She informed us though that because of the change in the unit mix and the square footages from that in our original application, we would have to send an amendment request to your attention.

I would like to take this time to officially request an amendment to the original Tax Credit Application and have it corrected to show that the unit mix is 42 two bedroom units and 14 one bedroom units. We would also like to amend the square footages to show the gross square footage is 46,206, the net rentable is 44,814 and the common area is 1,249. Please find our check attached in the amount of \$2,500 for the amendment.

If you have questions or need additional information, please give me a call at 281-599-8684.

Sincerely,

James W. Fieser

President

Sent via 2 Day Fed Ex

#### HEARTHSIDE DEVELOPMENT CORPORATION

5757 W. Lovers Lane, Suite 360 Dallas, Texas 75209

Telephone: 214-350-8822 Facsimile: 214-350-8483

February 17, 2006

Mr. Ben Sheppard Texas Dept. of Housing & Community Affairs Housing Tax Credit Program 221 East 11<sup>th</sup> Street Austin, Texas 78701 Via E-Mail

Re: Villas of Hubbard Limited Partnership #05243; Request for Approval of Site Plan Change

Dear Mr. Sheppard:

In accordance with the Process and Requirements for Obtaining Approval for Application Amendments, I hereby request approval from the Department for modifications to the site plan to better accommodate the parking within the required set backs. The modification involves revised placement of buildings only. There has been no change in the number of buildings, number of units, square footage, unit mix, building or unit floor plans, number of parking spaces or density. In addition, there is no cost savings or cost burden associated with the modification of the site plan. I have enclosed a copy of the proposed modified site plan for your review.

I respectfully request that you approve the modification of the site plan. Please let me know if you need any additional information.

Sincerely,

Deborale a. Suffer Deborah A. Griffin

President

Attachments

## **BOARD ACTION REQUEST**

March 20, 2006

## **Action Items**

Requests for approval of extensions of the deadline for commencement of substantial construction are summarized below.

## **Required Action**

Approve or deny these requests for extensions related to 2004 Housing Tax Credit commitments.

## **Background**

Pertinent facts about the requests for extensions are given below. Each request was accompanied by a mandatory \$2,500 extension request fee.

## Alvin Manor, HTC Development No. 04203 &

## Alvin Manor Estates, HTC Development No. 04200

(Commencement of Substantial Construction)

<u>Summary of Request</u>: Applicant requests an extension of the deadline for commencement of substantial construction due to a City ordinance that requires a 150 foot buffer on the front side of the property. At the February 15, 2006 Board meeting, the applicant was granted an amendment for the change in the site plan. Additionally, the applicant was granted an extension of the placement in service deadline to December 31, 2007 by the Executive Director due to their location in a disaster declared area.

Applicant: Alvin Manor Estates, Ltd. (#04200)

Alvin Manor, Ltd. (#04203)

General Partner: Alvin Manor Estates Management, LLC; Alvin Manor Estates

Construction, LLC (#04200)

Alvin Manor Management, LLC; Alvin Manor Construction,

LLC. (#04203)

Developer: Artisan/American Corporation
Principals/Interested Parties: Elizabeth Young; Vernon Young

Syndicator: PNC Multifamily Capital

Construction Lender: PNC Bank Permanent Lender: PNC Bank

Other Funding: NA

City/County: Alvin/Brazoria

Set-Aside: General

Type of Area: Urban/Exurban
Type of Development: New Construction
Population Served: General Population

Units: 28 HTC units and 8 market rate units 2004 Allocation: \$251,662 (#04200) and \$149,382 (#04203) Allocation per HTC Unit: \$8,988 (#04200) and \$5,335 (#04203)

Extension Request Fee Paid: \$2,500

Type of Extension Request: Commencement of Substantial Construction

Note on Time of Request: Request was submitted on time.

Current Deadline: February 1, 2006
New Deadline Requested: June 30, 2006
New Deadline Recommended: June 30, 2006

Prior Extensions: Placement in Service extended from 12/31/06 to 12/31/07

Commencement of construction extended from 12/1/05 to

2/1/06

**Staff Recommendation:** Approve the extension as requested.

## Commons of Grace Apartments, HTC Development No. 04224

<u>Summary of Request</u>: Applicant requests an extension of the deadline for commencement of substantial construction. Applicant's attorney stated that the suspension of HOME funds from the City of Houston and the subsequent time necessary for the U.S. Department of Housing and Urban Development to process the funds made the current request necessary. After the HOME funds were released, the processing began in September of 2005 and, according to the attorney's letter of February 21, 2006, processing was not expected to be completed until February 24, 2006. The original HOME commitment expired, however it is anticipated that the commitment will be reaffirmed at the March 22nd City Council meeting.

Applicant: TX Commons of Grace, LP

General Partner: TX Commons of Grace Development, LLC

Developer: Pleasant Hill Community Development Corporation

Principals/Interested Parties: GC Community Development Corporation (Nonprofit, 99%)

of GP); B&L Housing Development Corporation (Leroy

Bobby Leopold, 1% of GP)

Syndicator: Paramount Financial Group
Construction Lender: GMAC Commercial Mortgage
Permanent Lender: GMAC Commercial Mortgage
Other Funding: City of Houston (HOME)

City/County: Houston/Harris
Set-Aside: Nonprofit
Type of Area: Urban/Exurban
Type of Development: New Construction

Population Served: Elderly

Units: 86 HTC and 22 market rate units

2004 Allocation: \$660,701 Allocation per HTC Unit: \$7,683 Extension Request Fee Paid: \$2,500

Type of Extension Request: Construction Loan Closing and Commencement of

**Substantial Construction** 

Note on Time of Request: Request was submitted on time.

Current Deadline: March 31, 2006
New Deadlines Requested: May 31, 2006
New Deadline Recommended: May 31, 2006

Prior Extensions: Commencement of Construction extended from 12/1/05 to

3/31/06.

Construction Loan Closing extended from 9/1/05 to 12/1/05. Construction Loan closing extended from 6/1/05 to 9/1/05.

Staff Recommendation: Staff recommends approval of the request however staff

in unable to affirm the placement in service will be met. The applicant states they can meet the placement in

service deadline.

04200 & 04203

## LOCKE LIDDELL & SAPP LIP

ATTORNEYS & COUNSELORS

100 Congress Avenue Suite 300 Austin, Texas 78701-4042

Austin • Dallas • Houston • New Orleans

(512) 305-4700 Fax: (512) 305-4800 www.lockeliddell.com

Direct Number: (512) 305-4707 email: cbast@lockeliddell.com

## February 1, 2006

## VIA HAND DELIVERY AND EMAIL

Mr. Ben Sheppard Texas Department of Housing and Community Affairs 221 East 11<sup>th</sup> Street Austin, Texas 78701

Re:

Alvin Manor, Ltd.

Alvin Manor project in Alvin, Texas

TDHCA File No. 04203

Alvin Manor Estates, Ltd.

Alvin Manor Estates project in Alvin, Texas

TDHCA File No. 04200

Dear Ben:

RECEIVED

FFB 0 1 2013

Our firm represents the owners of the two projects referenced above. Each owner respectfully requests an extension for the commencement of substantial construction deadline until March 31, 2006. As you know, the projects have experienced significant delays in obtaining building permits from the City of Alvin. Some of these delays were related to the City of Alvin's process and some of these delays were related to Hurricanes Katrina and Rita. The most recent hurdle imposed by the City of Alvin has been a requirement that each project establish a 150 foot buffer on the front side of the property to satisfy a City ordinance. Accordingly, on December 29, we submitted a request to TDHCA to amend the site plan for each project. That amendment request is scheduled to be heard by the TDHCA board on February 15, 2006.

The City of Alvin has assured the owners that, if TDHCA approves the site plan change as proposed, the building permits will be issued promptly. Given that each project has only 36 units, the owners believe that they will be able to complete construction of the projects in accordance with all currently applicable deadlines. Nonetheless, because certain of the delays were caused by the impact of Hurricanes Katrina and Rita, the owners intend to seek relief under Rev. Proc. 95-28 to extend the placement in service date for the projects. The owners believe such relief is appropriate and will ensure that the development of the properties is not negatively impacted by the condensed construction schedule and the continuing challenges faced by the hurricane-stricken area. If the relief under Rev. Proc. 95-28 is granted, the owners are certain that construction can be completed within applicable deadlines, despite this delay in commencement.

Mr. Ben Sheppard February 1, 2006 Page 2

Accordingly, we ask that you please grant this request and approve an extension until March 31, 2006. While we regret the need to ask for an extension, we greatly appreciate your understanding and consideration.

A check in the amount of \$2,500 for each project accompanies this request.

If you need any additional information regarding this matter, please feel free to contact me.

Sincerely,

CynHia X Bast
Cynthia L. Bast

cc: Artisan/American Corp.

HTC Nos. 04200 & 04203 Addendum to Original Letter

## LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE Suite 300 Austin, Texas 78701-4042

Austin • Dallas • Houston • New Orleans

(512) 305-4700 Fax: (512) 305-4800 www.lockeliddell.com

VIA EMAIL

Direct Number: (512) 305-4707 email: cbast@łockeliddell.com

March 6, 2006

Mr. Ben Sheppard Texas Department of Housing and Community Affairs 221 East 11<sup>th</sup> Street Austin, Texas 78701

Re: Alvin Manor, Ltd. -- Alvin Manor project in Alvin, Texas

TDHCA File No. 04203

Alvin Manor Estates, Ltd. -- Alvin Manor Estates project in Alvin, Texas

TDHCA File No. 04200

Dear Ben:

On February 1, 2006, our firm submitted a request (the "Extension Request") to extend the deadline for commencement of substantial construction for each of the above-referenced projects to March 31, 2006. The Extension Request remains pending for Board approval. Since the Extension Request was submitted, TDHCA has granted each project an extension for its placement in service deadline from December 31, 2006 to December 31, 2007. This extension was granted under disaster relief provision promulgated by the IRS.

Because the Extension Request was submitted when the placement in service deadline for the projects was December 31, 2006, our client felt that March 31, 2006 was the latest possible date they could commence substantial construction and still place the projects in service by the applicable deadline. Now that the placement in service deadline has been extended a year, our clients believe it would be in the best interests of the projects to extend the commencement of substantial construction deadline to June 30, 2006 for each project.

By this letter, we wish to modify the Extension Request to seek an extension for the deadline for commencement of substantial construction to June 30, 2006.

If you have any questions about this request, please let me know. Thank you for your assistance.

Sincerely,

Cynthia L. Bast
Cynthia L. Bast

cc: Artisan/American Corp.

04224

## COATS ROSE

ANTOINETTE M. JACKSON OF COUNSEL

tjackson@coatsrose.com Direct Dial (713) 653-7392 Direct Fax (713) 890-3928

February 21, 2006

## VIA ELECTRONIC TRANSMISSION AND FEDERAL EXPRESS

Ms. Brooke Boston
Director, Multifamily Finance Production
Texas Department of Housing and
Community Affairs
507 Sabine Street, Suite 400
Austin, Texas 78701

RECEIVED

FEB 2 2 2006

LIHITL

RE: Commons of Grace (TDHCA #04224) – Request for Extension

Dear Ms. Boston:

This letter is written on behalf of TX Commons of Grace, LP ("Project Owner"). The Project Owner received a commitment for an annual allocation of 2004 Housing Tax Credits in the amount of \$660,701 (the "Commitment") from the TDHCA for Commons of Grace Senior (the "Project"). The Project is a 108-unit elderly development in Houston, Texas. We are requesting an extension of the substantial commencement deadline.

This project received a \$700,000 commitment from the City of Houston. Due to the suspension of the City's HOME funds, the City has been unable to move forward on its commitment. Once the City funds were released they had to initiate the HUD procedure for processing HOME funds which included the environmental review. This process began in September 2005 and will not be completed until February 24, 2006. The City was unable to place us on the City Council agenda until the environmental review and publication process is completed. We are now set to be on the agenda for approval on March 1, 2006.

We have enclosed for your review our revised construction schedule which begins on March 13 and allows for this project to be placed in service in time to meet the December 31, 2006 deadline. Additionally, both Paramount and GMAC have reviewed and approved the revised schedule.

COATS | ROSE | YALE | RYMAN | LEE

A Professional Corporation

3 East Greenway Plaza, Suite 2000 Houston, Texas 77046-0307
Phone: 713-651-0111 Fax: 713-651-0220
Web: www.coatsrose.com

Ms. Brooke Boston February 21, 2006 Page 2

Therefore, the Partnership would like to request an extension deadline of May 31, 2006 to meet substantial commencement.

Enclosed please find our check in the amount of \$2,500.00 to cover the extension fees for this request. We have also enclosed the 2006 Document and Payment Receipt for your use in acknowledging receipt and payment for this request.

Thank you very much for your consideration of this request. If you have any questions, please do not hesitate to contact me.

Very trady yours.

Antoinette M. Jackson

Counsel for TX Commons of Grace, L.P.

## **BOARD ACTION SUMMARY**

#### MULTIFAMILY FINANCE PRODUCTION DIVISION

## March 20, 2006

## **Action Items**

Adoption of Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials.

## **Required Action**

Approve, approve with amendments, or deny the Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials.

## **Background and Recommendations**

On November 10, 2005, the Board adopted a 2006 Qualified Allocation Plan and Rules (QAP), which was signed by the Governor on November 16, 2005. §50.9(i)(6), regarding the Level of Community Support from State Elected Officials, incorrectly indicates a deadline for input from officials of April 1, 2005. On January 18, 2006, the Board approved a proposed amendment, as reflected below, that amended the April 1, 2005 date to April 1, 2006.

(6) The Level of Community Support from State Elected Officials. The level of community support for the application, evaluated on the basis of written statements from state elected officials. (2306.6710(b)(1)(F) and (f) and (g); 2306.6725(a)(2)) Applications may qualify to receive up to 14 points for this item. Points will be awarded based on the written statements of support or opposition from state elected officials representing constituents in areas that include the location of the Development. Letters of support must identify the specific Development and must clearly state support for or opposition to the specific Development. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or official by April 1, 2006 April 1, 2005. Officials to be considered are those officials in office at the time the Application is submitted. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit. Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. Letters from State of Texas Representative or Senator: support letters are 7 points each for a maximum of 14 points; opposition letters are -7 points each for a maximum of -14 points.

The proposed amendment was published in the Texas Register for thirty days to receive public comment. The Department did not receive any comments concerning the amendment change. Once adopted, the amendment will be provided to the Governor for signature and will be published in the *Texas Register* as the final rule. Staff recommends approval of the adoption.

## Housing Tax Credit Program Board Action Request March 20, 2006

## **Action Item**

Request review and board determination of five (5) four percent (4%) tax credit applications with other issuers for tax exempt bond transaction.

## Recommendation

Staff is recommending that the board review and approve the issuance of five (5) four percent (4%) Tax Credit Determination Notices with <u>other</u> <u>issuers</u> 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
05452	Lindberg Parc Senior Apartments	Fort Worth	Tarrant Co. HFC	196	196	\$18,790,155	\$14,000,000	\$740,255	\$740,255
05450	Town Parc at Bastrop	Bastrop	Bastrop HFC	244	244	\$24,708,208	\$15,000,000	\$760,050	\$760,050
05454	Lodge at Silverdale Apartment Homes	Conroe	Montgomery County HFC	160	160	\$14,340,079	\$7,945,000	\$606,538	\$606,538
060402	Hill Crest Manor Senior Community	Lubbock	Lubbock HFC	220	200	\$17,084,500	\$10,500,000	\$629,797	\$629,797
060405	Sea Breeze Apartments	Corpus Christi	Sea Breeze, a Public Facilities Corp.	200	200	\$15,541,732	\$7,855,000	\$612,571	\$612,571

## BOARD ACTION REQUEST March 20, 2006

## **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Lindbergh Parc Senior Apartments.

## **Summary of the Transaction**

The application was received on November 30, 2005. The Issuer for this transaction is Tarrant County HFC. The development is to be located at approximately 5608 Azle Avenue in Fort Worth. Demographics for the census tract include AMFI of \$30,171; the total population is 7109; the percent of population that is minority is 85.12%; the percent of population that is below the poverty line is 29.88%; the number of owner occupied units is 1001; the number of renter units is 976 and the number of vacant units is 85. The percent of population that is minority for the entire City of Fort Worth is 53% (Census information from FFIEC Geocoding for 2005). The development is new construction and will consist of 196 total units targeting the elderly population, with all of the units to be affordable. The site is currently 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 <b>50%</b> of units that cap rents at 30% of <b>50%</b> AMFI <b>and</b> Set aside <b>50%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
	Priority 1B:	Set aside <b>15%</b> of units that cap rents at 30% of <b>30%</b> AMFI <b>and</b> Set aside <b>85%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
	Priority 1C:	Set aside <b>100%</b> of units that cap rents at 30% of <b>60%</b> AMFI (Only for projects located in a <b>census tract with median income that is greater</b> than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
$\boxtimes$	Priority 2:	Set aside <b>100%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
	<b>Priority 3:</b>	Any qualified residential rental development.

## **Recommendation**

Staff recommends the Board approve the issuance of Housing Tax Credits for Linbergh Parc Senior Apartments.



March 20, 2006

## Development Information, Public Input and Board Summary

## **Linbergh Parc Senior Apartments, TDHCA Number 05452**

BASIC DEVELOPMENT INFORMATION								
Site Address:	Approximately 5608	3 Azle Ave			Dev	velopment	#:	05452
City:	Fort Worth	Region:	3		Popula	tion Serve	ed:	Elderly
County:	Tarrant	Zip Code	: 76114			Allocation	on:	
HTC Set Aside	s: 🗆 At-Risk 🗀 N	onprofit  USDA	$\square$ Rural	Rescue	HTC Purp	ose/Activ	ity:	NC
HOME Set Asi	des: CHDO	$\square$ Preservation	☐ Genera	I				
Bond Issuer:	Tarrant Cou	nty HFC						
		NC=New Construction, ACNC/R=New Construction and					tion and Acqui	sition,
		OWNER AN	ND DEVELO	PMENT T	EAM_			
Owner:		Marine Creek Res	idential, LP					
		Will Thorne - Phor	ne: (972) 26	2-2608				
Developer:		One Prime, LP						
Housing Gene	eral Contractor:	Integrated Constru	uction and D	)evelopm	ent			
Architect:		GHLA Architects						
Market Analys	t:	Butler Burgher, Inc	C.					
Syndicator:								
Supportive Se	rvices:	Becky Lennox LCI	DC dba Cor	nmon Th	reads			
Consultant:		N/A						
		<u>UNIT/BUIL</u>	DING INFO	RMATIO	<u> N</u>			
309	<u>% 40% 50% 60°</u>	<u>% 65% 80%</u>	То	tal Restri	icted Units	:		196
0	0 0 19	6 0 0	Ma	arket Rate	e Units:			0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	<u>3 BR</u> <u>4 BR</u>	Ov	vner/Emp	oloyee Uni	ts:		0
	0 100 96	0 0	To	tal Devel	opment U	nits:		196
Type of Building		more per bldng	То	tal Devel	opment Co	ost:	\$18	3,790,155
Number of Resi	idential Buildings:	7						
	Note:	f Development Cost =\$0, a			ot been comple	ted.		
		· ·	IG INFORM		ont			
		Applica Reque		Departm Analysis		Amort	Term	Rate
9% Housing	g Tax Credits-Credit	Ceiling:			\$0	0	0	0.00%
4% Housing	g Tax Credits with Bo	onds: \$740,2	255	\$740,2	255		0	0.00%
Housing Tr	ust Fund Loan Amoเ	ınt:	\$0		\$0	0	0	0.00%
HOME Fun	d Loan Amount:		\$0		\$0	0	0	0.00%
Bond Alloca		\$0		\$0	0	0	0.00%	



March 20, 2006

# Development Information, Public Input and Board Summary Linbergh Parc Senior Apartments, TDHCA Number 05452

# PUBLIC COMMENT SUMMARY Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment State/Federal Officials with Jurisdiction: TX Senator: Brimer, District 10 NC Points: 0 US Representative: Granger, District 12, NC

**Local Officials and Other Public Officials:** 

TX Representative: Burnam, District 90

Mayor/Judge: Mike Moncrief, Mayor, City of Fort Worth - Resolution of Support from Local Government

NC Points:

**US Senator:** 

NC

NC

Dale Fisseler, Assistant City Manager, City of Fort Worth -

Development is consistent with City of Fort Worth

Consolidated Plan.

Individuals/Businesses: In Support: 0 In Opposition: 0

**Neighborhood Input:** 

### **General Summary of Comment:**

The Department has received no letters of support and no letters of opposition.

## **CONDITIONS OF COMMITMENT**

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. 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.



March 20, 2006

# Development Information, Public Input and Board Summary Linbergh Parc Senior Apartments, TDHCA Number 05452

RECOMMENDATION BY THE EXECU	<u>JTIVE AWARD AND REVIEW ADVISOR</u>	RY COMMITTEE IS BA	ASED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	ə:	Credit Amount:	\$740,255
Recommendation: Recommend approval of a Ho conditions.	ousing Tax Credit Allocation not to exceed \$	3740,255 annually for te	n years, subject to
Private Activity Bond Issuance with TDHCA	:	Bond Amount:	\$0
Recommendation:			

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS MULTIFAMILY UNDERWRITING ANALYSIS

**DATE**: March 9, 2006 **PROGRAM**: 4% HTC **FILE NUMBER**: 05452

				DEVELOF	PMENT NA	AME				
			Lin	dberg Parc	Senior A	partment	ts			
APPLICANT										
Name:	Marine Creel	k Reside	ential, LP		Type:	For-profit	t			
Address:	Post Office E	30x 530	591		City:	Grand F	Prairie		Sta	te: TX
Zip:	75053 Con	ntact:	Will Thor	ne	Phone:	(972)	262-2608	Fax:	(972)	263-5220
			PRINCIPA	LS of the APP	LICANT/ K	EY PARTIC	CIPANTS			
Name:	Marine Creek	k Devel	opment Cor	npany	(%):	.01	Title:	Genera	l Partne	r
Name:	Hal T. Thorn	ie			(%):	N/A	Title:		nareholo or of GP	ler, Officer,
Name:	One Prime, L	_P			(%):	N/A	Title:	Develo	per	
				PROPERT	Y LOCAT	ION				
Location:	Approximate	ely 5608	Azle Ave.					⊠ Q0	CT	□ DDA
City:	Fort Worth			Coun	ty:	Tarrant			Zip:	76114
				DE	OHEST					
REQUEST  Amount Interest Rate Amortization Term										
\$	740,255		N/.		-	N/A	<u> </u>		N/A	<u> </u>
Other Requ	ested Terms:	Annu	al ten-year a	allocation of h	nousing tax	credits; or	riginal reque	est was \$	756,908	
Proposed U	se of Funds:	New	construction	1	Property	Type:	Multifa	mily		
Special Pur	pose (s): El	lderly, U	Jrban/ Exur	ban	•					
				RECOM	MENDATIO	ON				
IXI	ECOMMENI 740,255 ANN								OT TO	EXCEED
4 61 1		•	0.1		NDITIONS					
	d the terms are ated and an ac				•	•	•	saction	should	be re-
			REVIEW	of PREVIOUS	UNDERWR	ITING REPO	ORTS			
No previo	us reports, ho	wever	the Applic	ant applied f	For 9% cre	edits for a	similar tra	nsaction	in 200	5.
			DE	VELOPMENT		CATIONS				
Total 100	# Rental	_ #N	Non-Res.	# of	OVEMENTS	27/:	••	27/4		,
Units:	Buildings	/	ildings	Floors :	3 Age:	<u>N/A</u> yrs		<u>N/A</u> at	/	/
Net Rentab	le SF: 181,62	20 A	v Un SF:	927 Co	ommon Ar	ea SF: 64	4,762 Gro	ss Bldg S	F: 24	16,382

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

#### 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: 36% brick veneer/64% stucco, 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, & 9-foot ceilings.

## **ONSITE AMENITIES**

A 7,616-square foot community area will include an activity room, game room, café, management offices, a fitness room, a living room, a library, a salon, restrooms, and a business center. In addition, there will be 2,034-square feet of laundry facilities in the building housing the community area. The community area will be built into the center of the proposed senior housing facility which is divided into seven connecting buildings. The buildings will be serviced by approximately 55,112 square feet of air conditioned corridors as well as 4 elevators located throughout the facility. The swimming pool will be located in the courtyard of the residential facility in the middle of the property. In addition, perimeter fencing with a limited access gate is planned for the site.

Uncovered Parking: 221 spaces Carports: 50 spaces Garages: 20 spaces

## PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Lindbergh Parc Seniors is a 18-unit per acre new construction development of 196 units of affordable housing located in northwest Fort Worth. The development is comprised of seven large attached buildings that compose one seniors housing facility. The garden style, elevator-served, low-rise buildings are as follows:

- 1 Building Type A with eight one-bedroom/one-bath units;
- 1 Building Type B with 12 one-bedroom/one-bath units, and 18 two-bedroom/two-bath units;
- 1 Building Type C with 12 one-bedroom/one-bath units, and three two-bedroom/two-bath units;
- 1 Building Type D with 18 one-bedroom/one-bath units, and 18 two-bedroom/two-bath units;
- 1 Building Type E with 15 two-bedroom/two-bath units;
- 1 Building Type F with 17 one-bedroom/one-bath units, and 21 two-bedroom/two-bath units;
- 1 Building Type G with 21 one-bedroom/one-bath units, and three two-bedroom/two-bath units;
- 1 Building Type H with 12 one-bedroom/one-bath units, and eighteen 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. The number and location of elevators appears to be reasonable in that each appear to support less than 50 upper floor residents. The units appear to provide acceptable storage available outside on the porch or balcony. The elevations reflect attractive buildings with nice fenestration.

	SITE ISSUES								
SITE DESCRIPTION									
Size:	11 acres	479,160 square feet	Flood Zone Designation:	Zone X					
Zoning:	"C Medium I	Density Multi-family District"							

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

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: The site is an irregularly-shaped parcel located in the northwestern area of Fort Worth, approximately 6.5 miles from the central business district. The site is situated on the north side of Azle Avenue.

## **Adjacent Land Uses:**

- North: Newly constructed single-family residences immediately adjacent and undeveloped land beyond:
- **South:** Azle Avenue immediately adjacent and commercial businesses beyond;
- East: Newly developed single-family residences immediately adjacent and undeveloped land beyond; and
- West: Undeveloped land is immediately adjacent and multi-family residential beyond.

<u>Site Access</u>: Access to the property is from the east or west along Azle Avenue. The development is to have one main entry from the south from Azle Avenue. Access to Interstate Highway 820 is 0.5 miles west, which provides connections to all other major roads serving the Fort Worth area.

<u>Public Transportation</u>: Public transportation to the greater metropolitan area is provided by Dallas Area Rapid Transit (DART) and the Fort Worth Transportation Authority's "The T" in Fort Worth. The location of the nearest stop was not identified in the application materials.

**Shopping & Services:** The site is within one mile of a major grocery, senior center, public parks, 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 December 20, 2005, and found the location to be acceptable for the proposed development. The inspector noted that, "There is a recycling business across the street from site which is pretty run down and lots of clutter surrounds the business. The interstate is not far from site and access to restaurants, banks, etc. is also within close proximity. The complex will sit between a very nice apartment complex and a very nice section of residential homes. The homes across the street and down from the site are low income and some have not been maintained. Some need painting and others various homeowner maintenance. These sit about ½ -3/4 miles from the site. There are some businesses across the street which also are older and are in need of maintenance. The site is fenced off with no access therefore inspector was not able to walk the site itself. There is no direct street access to the property. Inspector made observations from the street running in front of the site."

## HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 10, 2005, was prepared by Qore Property Sciences and contained the following findings and recommendations:

#### **Findings:**

• **Floodplain:** "According to Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps (FIRM) ... the subject property is located in Zone X, unshaded." (p.19)

**Recommendations:** "This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property, and the potential for environmental impact appears to be low. No further investigation is recommended at this time." (p. 22)

## **POPULATIONS TARGETED**

<u>Income Set-Aside</u>: 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. 196 of the units (100% of the total) will be reserved for low-income elderly tenants, and will be reserved for households earning 60% or less of AMGI.

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

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 December 8, 2005 and updated on January 8, 2006, was prepared by Butler Burgher, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The PMA is located in northwest Fort Worth, bounded by IH 30 and SH 183 to the south, IH 35W and SH 183 to the east, and an approximate 4 mile corridor west of Loop 820 to the west" (p. 7 updated). This area encompasses approximately 85 square miles and is equivalent to a circle with a radius of 5.21 miles.

**Population:** The estimated 2005 total population of the primary market area (PMA) was 164,579 which is greater than the Department's 100,000 person limit but less than the 250,000 limit allowed for developments targeting seniors. The estimated 2005 senior population of the PMA was 29,712 and is expected to increase by 20% to approximately 35,654 by 2010. Within the primary market area there were estimated to be 18,269 senior households in 2006.

<u>Total Primary Market Demand for Rental Units</u>: The Market Analyst calculated a total demand of 411 senior qualified households in the PMA, based on the current estimate of 18,269 households (as of 2005), the projected annual growth rate of 3.5%, renter households estimated at 31.5% of the population, incomequalified households estimated at 18.6%, and an annual renter turnover rate of 30% (p. 87 updated). The Market Analyst used an income band of \$21,150 to \$33,840.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY							
	Market	Analyst	Underwriter				
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand			
Household Growth	90	22%	50	11%			
Resident Turnover	321	78%	419	89%			
TOTAL ANNUAL DEMAND	411	100%	469	100%			

Ref: p. 87

<u>Inclusive Capture Rate</u>: The Market Analyst calculated an inclusive capture rate of 88.5% based upon 411 units of demand and 364 unstabilized affordable housing units in the PMA (including the subject) (p. 87 updated). The Market Analyst included 100 units from the intergenerational property at Providence at Marine Creek (#05615) and 68 units restricted to 50% and 60% of AMFI from Oak Timbers-White Settlement II. The Underwriter calculated an inclusive capture rate of 77.5% based upon a supply of unstabilized comparable affordable units of 364 divided by a revised demand of 469. This is below the 100% capture rate guideline for developments targeting seniors.

<u>Market Rent Comparables</u>: The Market Analyst surveyed 10 comparable apartment projects totaling 1,938 units in the market area. (p. 91).

RENT ANALYSIS (net tenant-paid rents)							
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential		
1-Bedroom (60%)	\$636	\$636	\$0	\$745	-\$109		
2-Bedroom (60%)	\$762	\$762	\$0	\$875	-\$113		

(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 D/FW apartment occupancy increased by 1.0 point during 3<sup>rd</sup> Quarter 2005 to 92.2% compared to 91.1% for 2<sup>nd</sup> Quarter 2005. Absorption levels surpassed completions by more than 10,000 units during year ending 3<sup>rd</sup> Quarter 2005." (p. 46).

<u>Absorption Projections</u>: "The primary market area has a positive net absorption of 1,100 units for the twelve months ending 3<sup>rd</sup> Quarter 2005, compared to the future absorption of 930 units expected for the next

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

twelve months. Forecast completions for the PMA are at 1,048 units over the next year. ...

Senior properties typically take an extended period of time to lease-up as seniors want to visit several times and feel comfortable as the potential for resident turnover is minimal once moved-in. ...

An absorption rate of 10 to 12 units/month is reasonable for the subject." (p. 88).

Known Planned Development: "Providence at Marine Creek was allocated HTC/bond financing in September 2005 for 100 Senior units and 152 General population units with all income restricted to 60% of AMI. Oak Timbers Phase II was allocated in 2004 and the unit mix includes 9 1BR/1BA units at 30% AMI, 3 1BR/1BA units at 40% AMI, 29 1BR/1BA units at 50% AMI, 39 1BR/1BA and 2BR/1BA units at 60% AMI, and 20 2BR/1BA market rate units. We have included the 50% and 60% AMI units as these have a similar income band as that applicable to the subject units, under the TDHCA calculation requirements. No other affordable SENIOR units are on the TRB or TDHCA allocation lists or are under construction within the Primary Market Area. Villas of Marine Creek, Oak Timbers Phase I, and Shady Oaks Manor are located within the PMA but are stabilized and have been for over 12 months. The other new properties are either market, family, or are not LIHTC, and are excluded from this study" (p. 88 updated).

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly.

The Applicant included \$26 in secondary income which is greater than the Department's standard of \$15 unless a higher figure is supported. The Applicant indicated that secondary income from 20 garages and 50 carports would increase their secondary income amount but provided insufficient additional substantiation for their estimate. The Underwriter reviewed data from several other TDHCA developments in Fort Worth to reconcile a \$20 per unit secondary income estimate. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of these differences the Applicant's effective gross income estimate is \$13K or approximately 1% greater than the Underwriter's estimate.

**Expenses:** The Applicant's estimate of total operating expense is comparable to the Underwriter's database-derived estimate. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$17K lower), utilities (\$13.6K lower), water, sewer, and trash (\$16K higher), and reserves for replacement (\$12K higher).

<u>Conclusion</u>: The Applicant's gross income, total operating expenses and net operating income (NOI) are all within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. While the Applicant's income and expense estimates provide 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, the Underwriter's estimate suggests a DCR of 1.09.

ACQUISITION VALUATION INFORMATION ASSESSED VALUE								
Total Land Tract: 21.9 acres	\$131,400	\$131,400 Assessment for the Year of: 2005						
Building:	\$0	Valuation by:	Tarrant County Appraisal District					
Total Prorated Assessed Value (11 acres):	\$66,000	Tax Rate:	3.38%					

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

EVIDENCE of SITE or PROPERTY CONTROL								
Type of Site Control:	l acres)							
Contract Expiration Date: 2/ 10/ 2006		<b>Anticipated Closing Date:</b>	2/	10/	2006			
Acquisition Cost: \$900,000		Other Terms/Conditions:						
Seller: Valley Creek Development Co.		Related to Developm	nent Tear	n Member	: No			
<u></u>								

#### CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$900,000 (\$1.88/SF, \$81,818/acre, or \$4,592/unit) is significantly (13 times) higher than the pro-rated tax assessed value of \$66,000. The assessed value of the larger 21.9 acre tract is \$131,400. The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

<u>Off-Site Costs</u>: The Applicant claimed off-site costs of \$95,276 for water and sanitary sewer lines and provided sufficient third party certification from Brian J. Parker, a licensed engineer familiar with the development, to justify these costs.

<u>Sitework Cost</u>: The Applicant's claimed sitework costs of \$7,497 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$576K or 6% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are understated.

<u>Fees:</u> 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.

<u>Conclusion</u>: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore 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 \$15,995,143 is used to determine a credit allocation of \$740,255, the requested amount. The resulting syndication proceeds will be compared to the gap of need to determine the recommended credit amount, see Financing Conclusions below.

FINANCING STRUCTURE							
INTERIM TO PERMANENT BOND FINANCING							
Source: Key Bank Real Estate Capital Contact: Jeff Rogers							
Tax-Exempt Amount: \$10,580,700 Interest Rate: 5.42%							
Amortization: 40 yrs Term: 40 yrs Commitment:  LOI  Firm  Conditional							
Annual Payment:         \$695,581         Lien Priority:         1         Date:         3/         1/         2006							
TAX CREDIT SYNDICATION							
Source: MMA Financial Contact: Marie Keutmann							
Net Proceeds: \$7,001,000 Net Syndication Rate (per \$1.00 of 10-yr HTC) 98¢							
Commitment:							
Additional Information:	Additional Information:						

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

APPLICANT EQUITY							
Amount:	unt: \$1,028,982 Source: Deferred Developer Fee						
FINANCING STRUCTURE ANALYSIS							

<u>Interim to Permanent Bond Financing</u>: The tax-exempt bonds are to be issued by Tarrant County Housing Finance Corporation and purchased by Key Bank Real Estate Capital. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The information submitted with the application indicates that the financing is a fixed loan, guaranteed by FHA through the Mortgage Insurance program.

<u>HTC Syndication</u>: The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. The commitment indicates net proceeds of \$7,001,000; and the sources and uses form lists total net proceeds of \$7,180,474.

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$1,028,982 amount to 49% of the total fee available to defer.

<u>Financing Conclusions</u>: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$740,255 annually for ten years. This amount is equal to the applicant's request and is less than the estimate based on eligible basis and the amount calculated based on the gap in need. Therefore, the recommended tax credit allocation is the requested amount, \$740,255 with estimated syndication proceeds of \$7,254,243. Based on the underwriting analysis, the deferred developer fee decreases to \$955,212 and is repayable within ten years of stabilized operation.

## DEVELOPMENT TEAM IDENTITIES OF INTEREST

The Applicant and Developer are related entities. This is a common relationship 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, Hal T. Thorne, submitted an unaudited financial statement as of October 1, 2005.

**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 development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).

Underwriter:		Date:	March 9, 2006
	Phillip Drake		
Underwriter:		Date:	March 9, 2006
	Brenda Hull		
Director of Real Estate Analysis:		Date:	March 9, 2006
	Tom Gouris		

## MULTIFAMILY COMPARATIVE ANALYSIS

## Lindbergh Parc Senior Apts., Fort Worth HTC #05452

Tree - f 11 '	Mount	Do-I				Apts., Fort Wort		De-4 25	Tee Daling	I Was Com To 1
Type of Unit	Number 100	Bedrooms 1	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% TC 60%	100 96	2	2	813 1,045	\$705 846	\$636 \$762	\$63,600 73,152	\$0.78 0.73	\$69.00 84.00	\$22.00 24.00
10 60%	96	2	2	1,045	846	\$762	73,152	0.73	84.00	24.00
TOTAL:	196		AVERAGE:	927	\$774	\$698	\$136,752	\$0.75	\$76.35	\$22.98
INCOME		Total Net Re	entable Sq Ft:	181,620		TDHCA	APPLICANT	Com	ptroller's Regior	n 3
POTENTIA	L GROSS					\$1,641,024	\$1,641,024			Fort Worth
App. Fees,	Garages, S	Storage	Р	er Unit Per Month:	\$20.00	47,040	61,236	\$26.04	Per Unit Per Mont	
Other Supp	ort Income					0	0			
POTENTIA						\$1,688,064	\$1,702,260			
	Collection I			tial Gross Income:	-7.50%	(126,605)	(127,668)	-7.50%	of Potential Gross	Rent
EFFECTIV			its or Conces	sions		0 \$1,561,459	0 \$1.574.592			
EXPENSE		INCOME	% OF EGI	PER UNIT	PER SQ FT	\$1,561,459	\$1,574,592	PER SQ FT	PER UNIT	% OF EGI
	<u>≃</u> Administrati	vo		\$349		\$68,391	\$51,253	\$0.28	\$261	3.26%
Manageme		ve	4.38% 4.08%	<del>325</del>	0.38 0.35	63,635	62,983	0.35	321	4.00%
Payroll & P						195,045	192,407			
•	ayroli rax Maintenance	9	12.49% 5.48%	995 436	1.07	85,550	81,140	1.06 0.45	982	12.22%
	viairiteriarice	e			0.47	44,892	31.267		414	5.15%
Utilities	ver, & Trash		2.88%	229	0.25	54,048	70,000	0.17	160	1.99%
Property In		!	3.46%	276	0.30	45,405	64.679	0.39	357	4.45%
' '		2.20	2.91%	232	0.25	198,502	186,200	0.36	330	4.11%
Property Ta	r Replacem	3.38	12.71% 2.51%	1,013 200	1.09 0.22	39,200	57,965	1.03 0.32	950 296	11.83% 3.68%
Other:	ritepiacem	CIIIS	0.97%	77	0.22	15,120	12,000	0.07	61	0.76%
TOTAL EX	PENSES		51.86%	\$4,132	\$4.46	\$809,788	\$809,894	\$4.46	\$4,132	51.44%
NET OPER		IC.	48.14%	\$3,835	\$4.14	\$751,671	\$764,698	\$4.21	\$3,902	48.56%
DEBT SER			40.1470	ψο,οοο	ψ4.14	ψ/σ1,σ/1	Ψ7 0 1,000	ΨΤ.Σ.Ι	ψ0,002	40.0070
First Lien Mo			44.01%	\$3,506	\$3.78	\$687,126	\$695,581	\$3.83	\$3,549	44.18%
Additional Fi			0.00%	\$0	\$0.00	0	******	\$0.00	\$0	0.00%
Additional Fi	nancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH	I FLOW		4.13%	\$329	\$0.36	\$64,545	\$69,117	\$0.38	\$353	4.39%
AGGREGAT	E DEBT CO	OVERAGE F	RATIO			1.09	1.10			
RECOMMEN	NDED DEB	T COVERAG	SE RATIO				1.11			
CONSTRU	CTION CO	<u>OST</u>								
Descr	iption_	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	Cost (site o	or bldg)	4.64%	\$4,592	\$4.96	\$900,000	\$900,000	\$4.96	\$4,592	4.79%
Off-Sites			0.49%	486	0.52	95,276	95,276	0.52	486	0.51%
Sitework			7.57%	7,497	8.09	1,469,500	1,469,500	8.09	7,497	7.82%
Direct Cons	struction		51.84%	51,358	55.42	10,066,176	9,490,074	52.25	48,419	50.51%
Contingend		3 0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Re	eg'ts	5.70%	3.39%	3,355	3.62	657,574	657,574	3.62	3,355	3.50%
Contractor'	•	1.90%	1.13%	1,118	1.21	219,191	219,191	1.21	1,118	1.17%
Contractor'	s Profit	5.70%	3.39%	3,355	3.62	657,574	657,574	3.62	3,355	3.50%
Indirect Co			4.32%	4,277	4.62	838,296	838,296	4.62	4,277	4.46%
Ineligible C			6.35%	6,295	6.79	1,233,792	1,183,210	6.51	6,037	6.30%
Developer's		4.32%	3.22%	3,193	3.45	625,897	625,897	3.45	3,193	3.33%
Developer's		10.08%	7.52%	7,451	8.04	1,460,426	1,460,426	8.04	7,451	7.77%
Interim Fina			2.97%	2,942	3.17	576,611	576,611	3.17	2,942	3.07%
Reserves	- 3		3.18%	3,146	3.39	616,526	616,526	3.39	3,146	3.28%
TOTAL CO	ST		100.00%	\$99,066	\$106.91	\$19,416,838	\$18,790,155	\$103.46	\$95,868	100.00%
Recap-Hard		tion Costs	67.31%	\$66,684	\$71.96	\$13,070,015	\$12,493,913	\$68.79	\$63,744	66.49%
SOURCES				•				RECOMMENDED	•	
First Lien Mo		<del></del>	54.49%	\$53,983	\$58.26	\$10,580,700	\$10,580,700	\$10,580,700	Developer F	ee Available
Additional Fi			0.00%	\$0	\$0.00	0	ψ. 5,555,750	0		6,323
HTC Syndica	•	eds	36.98%	\$36,635	\$39.54	7,180,474	7,180,474	7,254,243		ee Deferred
Deferred De			5.30%	\$5,250	\$5.67	1,028,982	1,028,982	955,212		6%
Additional (E	•		3.23%	\$3,197	\$3.45	626,683	(0)	0		tive Cash Flow
TOTAL SO	,	25 1 10q u	0.2070	ψο, ισι	ψυτυ	\$19,416,838	\$18,790,155	\$18,790,155		0,475
I O I AL OU	JINOLO					ψ13, 710,030	ψ10,130,133	ψ10,130,133	ΨΖ,11	0,710

#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Lindbergh Parc Senior Apts., Fort Worth HTC #05452

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 47.10	\$8,554,637
Adjustments				
Exterior Wall Finish	2.88%		\$1.36	\$246,374
Elderly/9-Ft. Ceilings	6.36%		3.00	544,075
Elevators	\$46,500	4	1.02	186,000
Subfloor			(0.75)	(135,610)
Floor Cover			2.22	403,196
Porches/Balconies	\$20.33	16072	1.80	326,744
Plumbing	\$680	288	1.08	195,840
Built-In Appliances	\$1,675	196	1.81	328,300
Stairs	\$1,650	30	0.27	49,500
Enclosed Corridors	\$ 41.76	55122	12.67	2,301,996
Heating/Cooling			1.73	314,203
Garages	\$16.04	4,000	0.35	64,160
Comm &/or Aux Bldgs	\$ 47.10	9,650	2.50	454,533
Carports	\$8.90	7,500	0.37	66,750
SUBTOTAL			76.54	13,900,697
Current Cost Multiplier	1.01		0.77	139,007
Local Multiplier	0.89		(8.42)	(1,529,077)
TOTAL DIRECT CONSTRU	CTION COST	S	\$68.88	\$12,510,627
Plans, specs, survy, bld prm	3.90%		(\$2.69)	(\$487,914)
Interim Construction Interes	3.38%		(2.32)	(422,234)
Contractor's OH & Profit	11.50%		(7.92)	(1,438,722)
NET DIRECT CONSTRUCT	ION COSTS		\$55.95	\$10,161,757

## PAYMENT COMPUTATION

Primary	\$10,580,700	Amort	480
Int Rate	5.87%	DCR	1.09
3			
Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.09
Additional	\$7,180,474	Amort	
Int Rate		Aggregate DCR	1.09

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$687,126
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$77,572

Primary	\$10,580,700	Amort	480	
Int Rate	5.87%	DCR	1.11	
Secondary	\$0	Amort	0	
Int Rate	0.00%	Subtotal DCR	1.11	
Additional	\$7,180,474	Amort	0	
Int Rate	0.00%	Aggregate DCR	1.11	

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

INCOME a	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL (	GROSS RENT	\$1,641,024	\$1,690,255	\$1,740,962	\$1,793,191	\$1,846,987	\$2,141,164	\$2,482,196	\$2,877,546	\$3,867,181
Secondary I	ncome	61,236	63,073	64,965	66,914	68,922	79,899	92,625	107,378	144,307
Contractor's F	Profit	0	0	0	0	0	0	0	0	0
POTENTIAL (	GROSS INCOME	1,702,260	1,753,328	1,805,928	1,860,105	1,915,909	2,221,063	2,574,821	2,984,923	4,011,487
Vacancy & C	Collection Loss	(127,668)	(131,500)	(135,445)	(139,508)	(143,693)	(166,580)	(193,112)	(223,869)	(300,862)
Developer's G	6 & A	0	0	0	0	0	0	0	0	0
EFFECTIVE (	GROSS INCOME	\$1,574,592	\$1,621,828	\$1,670,483	\$1,720,598	\$1,772,215	\$2,054,483	\$2,381,709	\$2,761,054	\$3,710,626
EXPENSES	at 4.00%									
General & A	dministrative	\$51,253	\$53,303	\$55,435	\$57,653	\$59,959	\$72,949	\$88,754	\$107,982	\$159,840
Managemen	ıt	62,983	64872.4282	66818.60105	68823.15908	70887.85385	82178.45115	95267.34789	110440.9665	148423.4239
Payroll & Pa	yroll Tax	192,407	200,103	208,107	216,432	225,089	273,855	333,187	405,373	600,050
Repairs & M	aintenance	81,140	84,386	87,761	91,271	94,922	115,488	140,508	170,950	253,047
Utilities		31,267	32,518	33,818	35,171	36,578	44,503	54,144	65,875	97,511
Water, Sewe	er & Trash	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Insurance		64,679	67,266	69,957	72,755	75,665	92,058	112,003	136,269	201,711
Property Tax	<	186,200	193,648	201,394	209,450	217,828	265,021	322,438	392,295	580,693
Reserve for	Replacements	57,965	60,284	62,695	65,203	67,811	82,502	100,377	122,124	180,773
Other		12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
TOTAL EXPE	NSES	\$809,894	\$841,660	\$874,678	\$908,996	\$944,668	\$1,145,266	\$1,388,676	\$1,684,070	\$2,477,778
NET OPERAT	TING INCOME	\$764,698	\$780,168	\$795,806	\$811,601	\$827,547	\$909,218	\$993,034	\$1,076,984	\$1,232,847
DEBT	SERVICE									
First Lien Fina	ancing	\$687,126	\$687,126	\$687,126	\$687,126	\$687,126	\$687,126	\$687,126	\$687,126	\$687,126
Second Lien		0	0	0	0	0	0	0	0	0
Other Financi	ng	0	0	0	0	0	0	0	0	0
NET CASH F	LOW	\$77,572	\$93,043	\$108,680	\$124,475	\$140,422	\$222,092	\$305,908	\$389,858	\$545,721
DEBT COVER	RAGE RATIO	1.11	1.14	1.16	1.18	1.20	1.32	1.45	1.57	1.79

	APPLICANT'S	TDHCA	APPLICANT'S	TDHCA
	TOTAL	TOTAL	REHAB/NEW	REHAB/NEW
CATEGORY	AMOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$900,000	\$900,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,469,500	\$1,469,500	\$1,469,500	\$1,469,500
Off-site improvements	\$95,276	\$95,276		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,490,074	\$10,066,176	\$9,490,074	\$10,066,176
(4) Contractor Fees & General Requirements				
Contractor overhead	\$219,191	\$219,191	\$219,191	\$219,191
Contractor profit	\$657,574	\$657,574	\$657,574	\$657,574
General requirements	\$657,574	\$657,574	\$657,574	\$657,574
(5) Contingencies				
(6) Eligible Indirect Fees	\$838,296	\$838,296	\$838,296	\$838,296
(7) Eligible Financing Fees	\$576,611	\$576,611	\$576,611	\$576,611
(8) All Ineligible Costs	\$1,183,210	\$1,233,792		
(9) Developer Fees				
Developer overhead	\$625,897	\$625,897	\$625,897	\$625,897
Developer fee	\$1,460,426	\$1,460,426	\$1,460,426	\$1,460,426
(10) Development Reserves	\$616,526	\$616,526		
TOTAL DEVELOPMENT COSTS	\$18,790,155	\$19,416,838	\$15,995,143	\$16,571,245
Deduct from Basis:				
All grant proceeds used to finance costs in elig	ible basis			
B.M.R. loans used to finance cost in eligible ba	sis			
Non-qualified non-recourse financing				

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	\$15,995,143	\$16,571,245
High Cost Area Adjustment	130%	130%
TOTAL ADJUSTED BASIS	\$20,793,686	\$21,542,618
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$20,793,686	\$21,542,618
Applicable Percentage	3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS	\$740,255	\$766,917

**Syndication Proceeds** 0.9800 \$7,254,245 \$7,515,523

**Total Credits (Eligible Basis Method)** \$740,255 \$766,917 \$7,515,523

**Syndication Proceeds** \$7,254,245

**Requested Credits** \$740,255 **Syndication Proceeds** \$7,254,243

**Gap of Syndication Proceeds Needed** \$8,209,455

> **Credit Amount** \$837,729

1" = 1.78 mi

Data Zoom 10-7



## Lindbergh Parc Senior Apartments 02440-iron Wood Ranch Townhomes 03464-Blue Lake at Marine Creek Apartments 01427-The Meridian Melody Hills 01025-Residences of Diamond Hill. The 05446-Providence at Marine Creek Sansom Park Village SUBJECT: 05452-Lindbergh Parc Senior Apartments Haltom City 93071-Lago Vista Apartments 02412-Shady Caks Manor 05004-Samuel's Place 01425-Wildwood Branch Townfornes River Oaks 93110-Spring Gen (Tital Shadow Glen Apartments) 95048-Rock Island Hillside 05005-Cambridge Courts Westworth 01011-Oak Timbers-White Settlement 93109-Shedow Hill Apertments (fixe Spring Hill) m 94025-Historic Electric Building Westover Hills 04026-Oak Timbers-White Settlementill 91082-Perpertree - Part B 02485-Alameda Villas 91038-Westwood (fka La Mirage & Spanish Trail) Forest Park Scale 1: 112,500 © 2003 DeLorme. Street Atlas USA® 2004 Plus MN (5.0°E) www.delorme.com

# **Applicant Evaluation**

Project ID # <b>05452</b> Name	e: Lindberg Parc Senior Apartme	nts City: Fort Worth
LIHTC 9% ☐ LIHTC 4% ✓	HOME ☐ BOND ☐ HTF ☐	SECO   ESGP  Other
☐ No Previous Participation in Texas	☐ Members of the develop	oment team have been disbarred by HUD
•		•
National Previous Participation C	Certification Received: N/A	$\square$ Yes $\square$ No
Noncompliance Reported on Nat	ional Previous Participation Certification:	$\square$ Yes $\square$ No
	Portfolio Management and Compliance	
Total # of Projects monitored: 0	Projects in Material Noncompliance	# in noncompliance: 0
	Yes No V	Projects not reported Yes
Projects zero to nine: 0 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:	4 # of projects not reported 0
Portfolio Monitoring	Single Audit	Contract Administration
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Issues found regarding late cert $\Box$	Unresolved issues found
Unresolved issues found that	Issues found regarding late audit $\Box$	Unresolved issues found that $\Box$
warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification	warrant disqualification (Comments attached)
Reviewed by Patricia Murphy	(Comments attached)	Date 1/27/2006
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Unresolved issues found	Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)
Reviewer S. Roth	Reviewer Sandy M. Garcia	Reviewer
Date 1/30/2006	Date 1/27/2006	Date
Community Affairs	Office of Colonia Initiatives	Financial Administration
No relationship	Not applicable	No delinquencies found
Review pending	Review pending	Delinquencies found
No unresolved issues	No unresolved issues	-
Unresolved issues found	Unresolved issues found	
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	
Reviewer	Reviewer	Reviewer Melissa M. Whitehead
Date	Date	Date 1/30/2006

Executive Director: Edwina Carrington Executed: onday, February 06, 2006

### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for TownParc at Bastrop.

#### **Summary of the Transaction**

The application was received on November 22, 2005. The Issuer for this transaction is Bastrop HFC. The development is to be located at State Highway 304 and Home Depot Way out of Hunters Crossing Master Development in Bastrop. Demographics for the census tract include AMFI of \$60,951; the total population is 7438; the percent of population that is minority is 27.87%; the percent of population that is below the poverty line is 9.06%; the number of owner occupied units is 2242; the number of renter units is 518 and the number of vacant units is 268. The percent of population that is minority for the entire City of Bastrop is 38%. (census information from FFIEC Geocoding for 2005) The development is new construction and will consist of 244 total units targeting an intergenerational population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters in support and no letters in opposition. The bond priority for this transaction is:

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

#### **Recommendation**

Staff recommends the Board approve the issuance of Housing Tax Credits for TownParc at Bastrop.



March 20, 2006

# Development Information, Public Input and Board Summary

# **Town Parc at Bastrop Apartments, TDHCA Number 05450**

		BASI	IC DEVELO	OPMEN	T INFORMA	TION			
Site Address:	State Highway 30	4 and Home	Depot W	ay		Deve	lopmen	t #:	05450
City:	Bastrop		Region:	7		Populati	on Serv	ed: Interg	enerational
County:	Bastrop	Z	Zip Code:	7860	2		Allocati	on:	
HTC Set Aside	es: 🗆 At-Risk 🗆	Nonprofit [	USDA	Ru	ral Rescue	HTC Purpo	se/Activ	ity:	NC
HOME Set Asi	des: CHDO	☐ Prese	ervation	☐ Gen	eral				
Bond Issuer:	Bastrop H	FC							
	HTC Purpose/Activi	•		•		ion, NC/ACQ=Ne quisition and Reh		tion and Acqui	isition,
		<u>O\</u>	NNER AN	D DEVE	LOPMENT T	EAM_			
Owner:		Finlay Inte	erests 33,	Ltd					
		Christoph	er C. Finla	ay - Pho	one: (904) 6	94-1015			
Developer:		Finlay De	velopmen	t, LLC					
Housing Gene	eral Contractor:	Charter C	contractors	s, Inc.					
Architect:		Parker &	Associate	s					
Market Analys	st:	Apartmen	nt Market [	Data Re	search Ser	ices, LLC			
Syndicator:		PNC Mult	tifamily Ca	pital					
Supportive Se	ervices:	To Be De	termined						
Consultant:		Not Utlize	ed						
		<u>U</u>	INIT/BUILE	DING IN	IFORMATIO	<u>N</u>			
<u>30</u>	<u>% 40% 50% 6</u>	<u>0%</u> <u>65%</u>	<u>80%</u>		Total Restri	icted Units:			244
0	0 0 2	244 0	0		Market Rate	e Units:			0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	3 BR 4 B	<u>R</u>		Owner/Emp	oloyee Units	:		0
	0 68 116	60 0			Total Devel	opment Uni	ts:		244
Type of Buildin	g: 5 units o	r more per b	ldng		Total Devel	opment Cos	st:	\$24	4,708,208
Number of Res	idential Buildings:		8						
	Note	e: If Development				ot been complete	d.		
					RMATION Deportm	ont			
			Applica Reques		Departm Analysis		Amort	Term	Rate
9% Housin	g Tax Credits-Cred	lit Ceiling:				\$0	0	0	0.00%
4% Housin	g Tax Credits with	Bonds:	\$760,05	50	\$760,	050	0	0	0.00%
Housing Tr	ust Fund Loan Am	ount:	\$	60		\$0	0	0	0.00%
HOME Fun	d Loan Amount:		\$	60		\$0	0	0	0.00%
Bond Alloc	ation Amount:		\$	80		\$0	0	0	0.00%



March 20, 2006

# Development Information, Public Input and Board Summary

# **Town Parc at Bastrop Apartments, TDHCA Number 05450**

<u>PUBLIC C</u>	COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank	s = No comment
State/Federal Officials with Jurisdiction:	
TX Senator: Armbrister, District 18	Points: 0 US Representative: Hinojosa, District 15, NC
TX Representative: Cook, District 17 NC	Points: 0 US Senator: NC
<b>Local Officials and Other Public Officials:</b>	
Mayor/Judge: Tom Scott, Mayor, City of Bastrop - N	NC Resolution of Support from Local Government <b></b> ✓
Jeff Holberg, City Manager, City of Bastrop - The pro "Town Parc at Bastrop" multifamily development is in general conformity with the "Bastrop Comprehensive	n <sup>'</sup>
Individuals/Businesses: In Support: 0 Neighborhood Input:	In Opposition: 0

#### **General Summary of Comment:**

The Department has received no letters of support and no letters of opposition.

### **CONDITIONS OF COMMITMENT**

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of documentation verifying the proposed 100% property tax exemption five business days prior to bond closing.
- 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.



March 20, 2006

# Development Information, Public Input and Board Summary Town Parc at Bastrop Apartments, TDHCA Number 05450

RECOMMENDATION BY THE EXECU	JTIVE AWARD AND REVIEW ADVISOR	RY COMMITTEE IS BA	ASED ON:
9% HTC Competitive Cycle:   Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	e:	Credit Amount:	\$760,050
Recommendation: Recommend approval of a Ho conditions.	ousing Tax Credit Allocation not to exceed \$	3760,050 annually for te	n years, subject to
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation:			

DATE: March 9, 2006 PROGRAM: 4% HTC FILE NUMBER: 05450

### **DEVELOPMENT NAME**

TownParc at Bastrop Apartments												
					APPLIC/	ANT						
Name:	Finlay Interes	sts 33, Ltd			Тур	<b>Type:</b> For-profit						
Address:	4300 March l	Landing Blvd	l, Suite	101	City	/ <b>:</b>	Jackson	ville Beac	h	St	ate:	FL
Zip:	32250 Con	ntact: Chri	stopher	Finlay	Pho	ne:	(904)	694-101	5 Fax	: (904	4) _	694-1067
	PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS											
Name :	HACB-TownPar	rc, LLC	(%):	.0051	Title:		naging Gei sidiary	neral Partr	er, Hous	ing Auth	orit	y
Name :	Finlay Interests (	GP 33, LLC	(%):	.0049	Title:	Spe	cial Limite	ed Partner				
Name :	Finlay GP Holdi	ngs, Ltd.	(%):	N/A	Title:	100	% Owner	of Finlay l	nterests (	GP 33, L	LC	
Name :	Finlay Holdings, Inc. (%): N/A Title:					100% Owner of Finlay GP Holdings, Ltd.						
Name :	Finlay Developn	nent, LLC	(%):	N/A	Title:	Developer						
Name :	Christopher Finla	ay	(%):	N/A	Title:	100% Owner of Finlay Holdings, Inc. and Finlay Development, LLC					ılay	
				PROP	ERTY LC	CAT	ION					
Location	: State Highwa	ay 304 and He	ome De							QCT		DDA
City:	Bastrop			C	ounty:		Bastrop		-	Zip:		78602
						_				_		
					REQUE	ST						
	<b>Amount</b>	<u>I</u>	nterest I	Rate		<u> 4</u>	<u>Amortizatio</u>	<u>on</u>		<u>Te</u>	rm	
	\$760,050		N/A				N/A			N.	/A	
Other Re	equested Terms:	Annual ten-	-year all	location	of housi	ng tax	credits					
Proposed	l Use of Funds:	New constr	ruction		Pro	perty	Type:	Multi	family			
Special P	Purpose(s): Ru	ural, Family a	ınd Elde	erly - Int	<del></del> ergenera	tional						

### RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$760,050 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

### CONDITIONS

- 1. Receipt, review, and acceptance of documentation verifying the proposed 100% property tax exemption five business days prior to bond closing.
- 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.

### **REVIEW of PREVIOUS UNDERWRITING REPORTS**

TownParc at Bastrop (TDHCA #04444, 144 family units) was recommended and received Board approval for \$411,039 in annual tax credits in October 2004. The Underwriting report had the following condition: 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.

According to the Applicant, the funds were not sufficient to cover the rapidly escalating construction costs following the catastrophic 2004 hurricane season and the Applicant decided not to pursue the development.

DEVELOPMENT SPECIFICATIONS										
	IMPROVEMENTS									
Total Units: 244	# Rental Buildings 8	# Non-Res. Buildings	$\underline{2}$ # of Floors $\underline{3}$ Age: $\underline{N/A}$ yrs Vacant: $\underline{N/A}$ at / /							
Net Rentable SF:	237,128	Av Un SF:	972 Common Area SF: 7,332 Gross Bldg SF: 244,460							

#### STRUCTURAL MATERIALS

The structures will be wood frame on slab on grade. According to the plans provided in the application the exteriors will be comprised as follows: 50% masonry/brick veneer/50% cement fiber siding and wood trim. The interior wall surfaces will be drywall and the pitched roofs 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, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer and dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning and 9-foot ceilings.

#### ONSITE AMENITIES

As an intergenerational development, the site will provide separate amenities for each age group. The family community building will include an activity room, management offices, fitness center, maintenance, laundry facilities, a kitchen, restrooms, a computer/business center, and a central mailroom. The family community building and swimming pool are located at the entrance to the property. The community room dedicated to senior residents will include an activity room, management offices, fitness center, restrooms, laundry room, a kitchen, mailroom, and a game/recreation center. The senior building housing the community room is next to the senior swimming pool; they are located in the middle of the property. In addition, a sports court, shuffleboard area and separate senior and family perimeter fencing with limited access gates are planned for the site. The development will include a hard-wired security system composed of carded gate entries for both the family and senior components; carded entries for the family and senior clubhouses; and carded entries for the senior building.

Uncovered Parking: 484 spaces Carports: 0 spaces Garages: 0 spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

<u>Description</u>: The subject is a 20-unit per acre new construction development of 244 units of affordable housing located in Bastrop. The development is comprised of eight evenly distributed large garden style, walk-up and elevator-served residential buildings as follows:

- Five Building Type One with 12 two-bedroom/two-bath units and 12 three-bedroom/two-bath units;
- One Building Type Two with 24 two-bedroom/two-bath units;
- One Building Type Three with 36 one-bedroom/one-bath units;
- One Building Type Four with 32 one-bedroom/one-bath units and 32 two-bedroom/two-bath units.

<u>Architectural Review</u>: 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.

	SITE ISSUES									
	SITE DESCRIPTION									
Size:	12.455 acres	540,144 square feet	Flood Zone Designation:	Zone X						
Zoning:	Planned Develo	pment District-PDD (allows	s multifamily development up	to 25-units per acre)						

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: Bastrop is located in Central Texas, approximately 30 miles east from Austin in Bastrop County. The site is a irregularly-shaped parcel located in the western area of Bastrop, approximately three miles from the central business district. The site is situated on the west side of State Highway 304.

#### **Adjacent Land Uses:**

- North: Home Depot Way immediately adjacent and commercial development beyond;
- South: vacant land immediately adjacent and single-family residential beyond;
- East: State Highway 304 immediately adjacent and pecan orchard beyond; and
- West: public utility easement immediately adjacent and vacant land beyond.

<u>Site Access</u>: Access to the family residences is from the east or west along Home Depot Way and access to the senior residences is from the north or south from State Highway 304. The development is to have two main entries. Access to State Highway 71 is less than one mile north, which provides connections to all other major roads serving the Austin area.

<u>Public Transportation</u>: The availability of public transportation was not identified in the application materials.

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

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on December 15, 2005 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 January 2006 was prepared by Horizon Environmental Services, Inc. and contained the following findings and recommendations:

#### Findings:

- **Asbestos-Containing Materials (ACM):** "No structures or any other potential occurrences of ACMs were observed on the subject site during the field investigation" (p. 5-4).
- Lead-Based Paint (LBP): "...it is Horizon's opinion that there is a low potential for the occurrence of high levels of lead in dust or soils due to deteriorated lead-based paints" (p.5-5).
- **Radon:** "...data indicate that radon levels in Bastrop County are average indoor levels and below EPA levels of concern" (p. 5-4).
- **Noise:** "It is Horizon's opinion that there is a low potential for sources of excessive noise that would impact the site" (p. 5-6).
- **Floodplain:** "Flood Insurance Rate Map (FIRM) Nos. 48021C0114 C and 48021C0124 C, prepared for Bastrop County, Texas by the FEMA and dated 19 August 1991, showed that none of the subject site lies within the 100-year floodplain boundaries (FEMA, 1991) (Figure 5-1)" p. 5-2.

**Recommendations:** "Based upon a review of regulatory literature, historical information, and a site reconnaissance, the subject site was found to have a low probability for environmental risk or liability from hazardous materials and substances, and Horizon recommends no additional investigations, studies, or sampling efforts for any hazardous substances or materials at the time of this investigation" (p. 7-1).

### **POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI)

set-aside. 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. All of the units will be reserved for low-income (180 units) and elderly (64 units) tenants earning 60% or less of AMGI.

	MAXIMUM ELIGIBLE INCOMES									
1 Person 2 P		2 Persons	3 Persons	4 Persons	5 Persons	6 Persons				
	60% of AMI	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500			

#### MARKET HIGHLIGHTS

A market feasibility study dated November 28, 2005 was prepared by Apartment Market Data ("Market Analyst") and highlighted the following findings:

<u>Definition of Primary Market Area (PMA):</u> "For this analysis we utilized a "primary market area" comprising a 13 mile radius around the site as a Trade Area. This trade area encompasses 530.84 square miles" (p. 3).

**Population:** The estimated 2005 population of the primary market area was 46,228 and is expected to increase by 19.4% to approximately 55,216 by 2010. Within the primary market area there were estimated to be 13,795 households in 2005, including 4,595 senior households.

Total Primary Market Demand for Rental Units: For the family units, the Market Analyst calculated a total demand of 430 qualified households in the PMA (p. 8), based on the current estimate of 13,795 households, the projected annual growth rate of 3.9% (p. 5), renter households estimated at 21.6% of the population, income-qualified households estimated at 21.5% (p.43), and an annual renter turnover rate of 69.2% (p. 45). The Market Analyst used an income band of \$22,663 to \$46,080 (p. 39).

For the senior units, the Market Analyst calculated a total demand of 117 qualified households in the PMA (p. 9), based on the current estimate of 4,599 senior households (p. 41), the projected annual growth rate of 3.9% (p. 5), renter households estimated at 23.9% of the population (p. 43), income-qualified households estimated at 15.1% of the senior households (p. 41), and an annual renter turnover rate of 69.2%. (p. 45). The Market Analyst used an income band of \$19,830 to \$34,140 (p. 41).

ANNU	ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY										
	Market	Analyst -	Market Analyst -		Under	writer-	<b>Underwriter-</b>				
	Fai	mily	Senior		Family		Senior				
Type of Demand	Units of Deman d	% of Total Demand	Units of Demand	% of Total Deman d	Units of Deman d	% of Total Deman d	Units of Demand	% of Total Demand			
Resident Turnover	421	97.9%	115	98.3%	427	95.9%	129	96.1%			
Household Growth	9	2.1%	2	1.7%	18	4.1%	5	3.9%			
TOTAL DEMAND	430	100%	117	100%	445	100%	134	100%			

Ref: p. 7-8

Inclusive Capture Rate: For the family units, the Market Analyst calculated an inclusive capture rate of 41.9% based upon 430 units of demand and 180 unstabilized affordable housing in the PMA (including the subject) (p. 8). For the senior units, the Market Analyst calculated an inclusive capture rate of 54.7% based upon 117 units of demand and 64 unstabilized affordable housing in the PMA (including the subject) (p. 9). The Underwriter calculated an inclusive capture rate for the family units of 40.4% based upon a supply of unstabilized comparable affordable units of 180 divided by a revised demand of 445. The Underwriter calculated a senior inclusive capture rate of 47.6% based upon a supply of unstabilized comparable affordable units of 64 divided by a revised demand of 134. The capture rates are within the Department's guidelines of 100% for senior and rural developments.

Market Rent Comparables: The Market Analyst surveyed one comparable apartment project in the

primary market area totaling 160 units (p. 12) and surveyed two comparable apartment developments outside of the PMA.

RENT ANALYSIS (net tenant-paid rents)									
Unit Type (% AMI/SF) Proposed Program Max Differential Est. Market Differentia									
1-Bedroom (60%/700)	\$600	\$739	-\$139	\$610	-\$10				
1-Bedroom (60%/725)	\$600	\$739	-\$139	\$620	-\$20				
2-Bedroom (60%/960)	\$750	\$881	-\$131	\$800	-\$50				
2-Bedroom (60%/1017)	\$750	\$881	-\$131	\$815	-\$65				
3-Bedroom (60%/1208)	\$850	\$1,013	-\$163	\$940	-\$90				

(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 96.4% as a result of in migration of new households and limited new construction. This does not reflect Oak Grove Apartments, a tax credit property with 48 units, which refused to participate in Apartment MarketData's survey" (p. 9). According to data from the TDHCA Central Database, Oak Grove I and Oak Grove II Apartments are 96% occupied. The Willows Apartments, a 32-unit HTC property allocated in 1995 located outside of the PMA in Smithville, reports an occupancy rate of 84%. "Apartment MarketData conducted an analysis of the one competitive market rate projecting consisting of 160 conventional units within the Primary Trade Area. This project was constructed in 2002. The occupancy rate for the market rate one bedrooms is 98.4%, for market rate two bedrooms it is 96.3%, the occupancy for the market rate three bedroom units is 93.8%, and the overall average occupancy for market rate units is 96.9%" (p. 11).

Absorption Projections: "Absorption over the previous fourteen years for all unit types (family & senior) is estimated to be 24 units per year. We expect this to increase as the number of new household continues to grow, and as additional rental units become available" (p. 10). "Our best guess would be that TownParc at Bastrop 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. 11).

**Known Planned Development:** The Market Analyst identified no other known planned development.

**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 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. 10).

Other Relevant Information: "The new Hyatt Regency Lost Pines Resort and Spa is expected to add an additional 700 jobs to the area. This project, along with other new retail centers, is expected to add significantly to the Bastrop employment base. Therefore, we believe that the forecast of demand growth does not fully reflect the household growth we see coming to the Bastrop market" (p.13).

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are significantly lower than the maximum rents allowed under HTC guidelines, reflecting the state of the subject market and the syndicator's desire to provide units at below market rent. There is the potential for additional income (approximately \$162K) if the Applicant chooses to increase rents to the market levels, as supported by the market study. The Underwriter assumed market rents for the development. If the Applicant were able to charge the maximum program rents, there is the potential for an additional \$251K in income over the Underwriter's estimates. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the difference in rent projections, the Applicant's effective gross income estimate is \$150K less than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,140 per unit is within 10% of the Underwriter's database-derived estimate of \$3,477 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 (\$51K lower), payroll (\$35K lower), utilities (\$40K lower), and

water, sewer, and trash (\$40K 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 and Underwriter assumed no property taxes due to the participation of the Housing Authority of the City of Bastrop in the ownership structure of the development. Receipt, review, and acceptance of documentation verifying the proposed 100% property tax exemption five business days prior to bond closing is a condition of this report.

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

		ACQUISI		ALUATION INFORM ESSED VALUE	TATION			
Land: 105,204 acres		\$3,326		Assessment for the	ne Year o	f:	2005	
Land: 1 acre	<del></del>			Valuation by: Bastrop County		y Appraisal District		
<b>Total Assessed Value (12.45</b>	Total Assessed Value (12.455 acres): \$393,7			Tax Rate:	2.3663			
		EVIDENC	E of SIT	E or Property Co	NTROL			
Type of Site Control:	Contract o	of Sale wi	th Ame	ndments (12.455 ac	res)			
<b>Contract Expiration Date:</b>	2/ 15/	2006	Antici	pated Closing Date:	2/	15/	2006	
Acquisition Cost:	<b>quisition Cost:</b> \$1,416,029			Other Terms/Conditions: Closing date may be five days after filing of the final Plat in the Plat R			•	
Seller: Sabine Investment Company Related to Development Team Member:						er: No		

#### CONSTRUCTION COST ESTIMATE EVALUATION

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

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,062 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

<u>Direct Construction Cost</u>: 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'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 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 \$21,531,148 is used to determine a credit allocation of \$762,203. This is \$2,153 more than requested due to the Applicant's use of a lower applicable percentage of 3.53% rather than the 3.54% underwriting rate used for applications received in November 2005. The resulting syndication proceeds will be compared to the Applicant's request and the gap of need to determine the recommended credit amount, see Financing Conclusions below.

FINANCING STRUCTURE							
INTERIM TO PERMANENT BOND FINANCING							
Source: PNC Multifamily Capital Contact: Robert Courtney							
Tax-Exempt Amount: \$15,000,000 Interest Rate: 5.75%							
Additional Information:							
Amortization: 30 yrs Term: 30 yrs Commitment:   LOI Firm   Conditional							
Annual Payment: \$1,050,431 Lien Priority: 1 <sup>st</sup> Date: 2/ 15/ 2006							
TAX CREDIT SYNDICATION							
Source: PNC Multifamily Capital Contact: Robert Courtnet							
Net Proceeds: \$7,447,745 Net Syndication Rate (per \$1.00 of 10-yr HTC) 98¢							
Commitment:							
Additional Information: Based on credit amount of \$760,050							
APPLICANT EQUITY							
Amount: \$2,260,463 Source: Deferred Developer Fee							
FINANCING STRUCTURE ANALYSIS							

<u>Interim to Permanent Bond Financing</u>: The tax-exempt bonds are to be issued by Bastrop Housing Finance Corporation and purchased by PNC Multifamily Capital. Credit enhancement will be provided by a letter of credit provided by PNC Multifamily Capital. The financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

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

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$2,260,463 amount to 81% of the total fees.

<u>Financing Conclusions</u>: The Applicant's request of \$760,050 in annual tax credits is less than estimated annual tax credit amount based on eligible basis and the amount calculated based on the gap in need. Therefore, the Underwriting recommendation is for \$760,050 in annual tax credits, resulting in syndication proceeds of approximately \$7,447,745. Based on the underwriting analysis, the Applicant's deferred developer fee will be \$2,260,463, which represents approximately 81% of the eligible fee and which should be repayable from cash flow within ten years.

# DEVELOPMENT TEAM IDENTITIES of INTEREST

The Applicant and Developer are related entities; this is a common relationship for HTC-funded developments. The Housing Authority subsidiary and Housing Finance Corporation are entities created by the City of Bastrop.

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

#### Financial Highlights:

- The Applicant and Managing General Partner (subsidiary of the Housing Authority of the City of Bastrop) 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 Bastrop submitted an audited financial statement as of September 30, 2004 reporting total assets of \$2.2M and consisting of \$258K in cash and cash equivalents, \$179K in inventory, \$16K in accounts receivable, \$896K in deposits, and \$885K in capital assets. Liabilities totaled \$457K, resulting in a net worth of \$1.78M.
- Christopher Finlay submitted an unaudited financial statement as of October 31, 2005 and is anticipated

to be guarantor of the development.

<u>Background & Experience</u>: Multifamily Finance Production 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 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 could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The anticipated ad valorem property tax exemption may not be received or accepted as proposed and failure to achieve such exemption could adversely affect the proposed development.

Underwriter:		Date:	March 9, 2006
	Brenda Hull		
Director of Real Estate Analysis:		Date:	March 9, 2006
	Tom Gouris		

### MULTIFAMILY COMPARATIVE ANALYSIS

### TownParc at Bastrop, Bastrop, 4% HTC, #05450

Type of Unit	Number	Bedrooms		Size in SF		Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	32	1	1	700	Gross Rent Lmt. \$800	\$610	\$19,520	\$0.87	\$61.00	\$42.00
TC 60%	36	1	1	725	800	\$620	22,320	0.86	61.00	42.00
TC 60%	32	2	2	960	960	\$800	25,600	0.83	79.00	51.00
TC 60%	84	2	2	1,017	960	\$815	68,460	0.80	79.00	51.00
TC 60%	60	3	2	1,208	1109	\$940	56,400	0.78	96.00	59.00
TOTAL:	244		AVERAGE:	972	\$952	\$788	\$192.300	\$0.81	\$78.16	\$50.46
INCOME		T-1-IN-1D					ADDITIONAL	*		7
INCOME	AL GROSS		entable Sq Ft:	237,128		**TDHCA \$2,307,600	\$2,145,600		Comptroller's Region IREM Region	,
Secondary		IXLINI		Per Unit Per Month:	\$15.00	43,920	43.920	\$15.00	Per Unit Per Month	
,	port Income:	none		T GI GIIL I GI MGILLI.	Ψ10.00	0	0	ψ10.00	Tel Olici el Molici	
	AL GROSS					\$2,351,520	\$2,189,520			
Vacancy &	Collection L	oss	% of Po	tential Gross Income:	-7.50%	(176,364)	(164,220)	-7.50%	of Potential Gross Rent	
Employee of	or Other No	n-Rental Un	its or Conces	ssions		0	0			
EFFECTIV	/E GROSS	INCOME				\$2,175,156	\$2,025,300			
EXPENSE	<u>:S</u>		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General &	Administrati	ve	4.78%	\$426	0.44	\$103,873	\$52,640	\$0.22	\$216	2.60%
Manageme	ent		3.98%	355	0.37	86,569	81,012	0.34	332	4.00%
Payroll & P	Payroll Tax		11.68%	1,042	1.07	254,154	219,600	0.93	900	10.84%
Repairs & I	Maintenance	Э	5.02%	447	0.46	109,092	109,800	0.46	450	5.42%
Utilities			2.63%	234	0.24	57,216	17,080	0.07	70	0.84%
Water, Sev	wer, & Trash		4.73%	422	0.43	102,905	142,984	0.60	586	7.06%
Property In	nsurance		2.73%	243	0.25	59,282	67,344	0.28	276	3.33%
Property Ta	ax		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve fo	or Replaceme	ents	2.24%	200	0.21	48,800	48,810	0.21	200	2.41%
Other: com	npl fees, sup	p svcs	1.23%	110	0.11	26,840	26,840	0.11	110	1.33%
TOTAL EX	(PENSES		39.02%	\$3,478	\$3.58	\$848,732	\$766,110	\$3.23	\$3,140	37.83%
NET OPER	RATING IN	С	60.98%	\$5,436	\$5.59	\$1,326,424	\$1,259,190	\$5.31	\$5,161	62.17%
DEBT SER	RVICE							-		
Mortgage Re	evenue Bon	ds	48.29%	\$4,305	\$4.43	\$1,050,431	\$1,050,431	\$4.43	\$4,305	51.87%
Additional Fi	inancing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Fi	inancing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH	H FLOW		12.69%	\$1,131	\$1.16	\$275,993	\$208,759	\$0.88	\$856	10.31%
AGGREGAT	TE DEBT CO	OVERAGE F	RATIO			1.26	1.20			
RECOMME	NDED DEB	COVERAC	SE RATIO			1.26				
CONSTRU										
OONO INO	JCTION CO	<u>ost</u>							DED LINIT	
	JCTION CO	<u>Factor</u>	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Descr	ription	Factor	% of TOTAL 5.95%	PER UNIT \$5,803	PER SQ FT \$5.97	\$1,416,029	<b>APPLICANT</b> \$1,377,948	PER SQ FT \$5.81	\$5,647	% of TOTAL 5.58%
<u>Descr</u> Acquisition	ription	Factor				<del></del>				5.58%
Descr Acquisition Off-Sites	ription	Factor	5.95% 0.00%	\$5,803 0	\$5.97 0.00	\$1,416,029 0	\$1,377,948 0	\$5.81 0.00	\$5,647 0	5.58% 0.00%
Descr Acquisition Off-Sites Sitework	ription Cost (site o	Factor	5.95% 0.00% 5.19%	\$5,803 0 5,062	\$5.97 0.00 5.21	\$1,416,029 0 1,235,128	\$1,377,948 0 1,235,128	\$5.81 0.00 5.21	\$5,647 0 5,062	5.58% 0.00% 5.00%
Description Acquisition Off-Sites Sitework Direct Cons	ription  Cost (site o	Factor or bldg)	5.95% 0.00% 5.19% 51.65%	\$5,803 0 5,062 50,353	\$5.97 0.00 5.21 51.81	\$1,416,029 0 1,235,128 12,286,018	\$1,377,948 0 1,235,128 12,996,660	\$5.81 0.00 5.21 54.81	\$5,647 0 5,062 53,265	5.58% 0.00% 5.00% 52.60%
Description Acquisition Off-Sites Sitework Direct Const	n Cost (site on struction cy	Factor Factor bldg)	5.95% 0.00% 5.19% 51.65% 2.84%	\$5,803 0 5,062 50,353 2,771	\$5.97 0.00 5.21 51.81 2.85	\$1,416,029 0 1,235,128 12,286,018 676,057	\$1,377,948 0 1,235,128 12,996,660 711,589	\$5.81 0.00 5.21 54.81 3.00	\$5,647 0 5,062 53,265 2,916	5.58% 0.00% 5.00% 52.60% 2.88%
Description  Acquisition  Off-Sites  Sitework  Direct Construct  Contingency  General Re	ription n Cost (site of struction cy eq'ts	Factor or bldg) 5.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41%	\$5,803 0 5,062 50,353 2,771 3,325	\$5.97 0.00 5.21 51.81 2.85 3.42	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907	\$5.81 0.00 5.21 54.81 3.00 3.60	\$5,647 0 5,062 53,265 2,916 3,500	5.58% 0.00% 5.00% 52.60% 2.88% 3.46%
Descr Acquisition Off-Sites Sitework Direct Con: Contingence General Re Contractor	ription n Cost (site of struction cy eq'ts 's G & A	Factor or bldg) 5.00% 6.00% 2.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14%	\$5,803 0 5,062 50,353 2,771 3,325 1,108	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20	\$5,647 0 5,062 53,265 2,916 3,500 1,167	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15%
Descr Acquisition Off-Sites Sitework Direct Con: Contingend General Re Contractor'	n Cost (site of n struction cy eq'ts d's G & A	Factor or bldg) 5.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.41%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46%
Description Acquisition Off-Sites Sitework Direct Construct Contingence General Re Contractor Contractor Indirect Co	estruction estruction estruction ey eq'ts e's G & A e's Profit onstruction	Factor or bldg) 5.00% 6.00% 2.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.41%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46% 3.27%
Descr Acquisition Off-Sites Sitework Direct Con: Contingenc General Re Contractor' Contractor' Indirect Co Ineligible C	estruction estruction estruction ey eq'ts e's G & A e's Profit construction Costs	Factor or bldg)  5.00% 6.00% 2.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.41% 3.40% 6.20%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46% 3.27% 5.97%
Descr Acquisition Off-Sites Sitework Direct Con: Contingenc General Re Contractor' Contractor' Indirect Co Ineligible C	estruction estruction estruction estruction estruction estruction estruction costs estruction costs estruction costs estruction costs	Factor r bldg)  5.00% 6.00% 2.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.41% 3.40% 6.20% 2.66%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46% 3.27% 5.97% 3.02%
Descr Acquisition Off-Sites Sitework Direct Con: Contingenc General Re Contractor' Contractor' Indirect Co Ineligible C Developer' Developer'	estruction estruction estruction estruction estruction estruction estruction costs	Factor or bldg)  5.00% 6.00% 2.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.41% 3.40% 6.20% 2.66% 8.62%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46% 3.27% 5.97% 3.02% 8.30%
Descr Acquisition Off-Sites Sitework Direct Con: Contingence General Re Contractor' Contractor' Indirect Co Ineligible C Developer' Developer' Interim Fin:	estruction estruction estruction estruction estruction estruction estruction costs	Factor r bldg)  5.00% 6.00% 2.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.46% 3.27% 5.97% 3.02% 8.30% 4.01%
Descri Acquisition Off-Sites Sitework Direct Con: Contingence General Re Contractor Contractor Indirect Co Ineligible C Developer Developer Interim Fine Reserves	eription  n Cost (site of a struction cy eq'ts G & A c's Profit costs 's G & A c's Profit costs costs 's Profit costs co	Factor r bldg)  5.00% 6.00% 2.00% 6.00%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31%
Description  Acquisition  Off-Sites  Sitework  Direct Contractor  General Re  Contractor  Contractor  Indirect Co  Ineligible C  Developer  Developer  Interim Fina  Reserves  TOTAL CC	eription  n Cost (site of a struction cy eq'ts G & A c's Profit construction costs 's G & A c's Profit construction costs 's G & A c's Profit construction costs c	Factor r bidg)  5.00% 6.00% 2.00% 6.00% 3.54% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00%
Descr Acquisition Off-Sites Sitework Direct Cons Contingence General Re Contractor Contractor Indirect Co Ineligible Co Developer Interim Fina Reserves TOTAL CC Recap-Harce	estruction cy eq'ts 's G & A 's Profit costs 's G & A 's Profit construction Costs 's G & A 's Profit construction Costs 's G & A 's Profit concing Cost	Factor r bldg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31%
Description  Acquisition  Off-Sites  Sitework  Direct Constructor  Contractor  Contractor  Contractor  Indirect Co  Ineligible C  Developer  Developer  Interim Fine  Reserves  TOTAL CO  SOURCES	estruction cy eq'ts 's G & A 's Profit costs 's G & A costs 's Profit costs 's G & A costs 's C & A	Factor r bldg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00%
Acquisition Off-Sites Sitework Direct Cons Contingence General Re Contractor Contractor Indirect Co Ineligible C Developer Interim Fina Reserves TOTAL CC Recap-Harc SOURCES Mortgage Re	estruction cy eq'ts 's G & A 's Profit costs 's G & A costruction costs 's G & A costruction costs 's G & C costs 's Profit construction costs 's G & C costruction costs 's C & C costruction costs 's C & C costruction costs cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C costruction cost C costruction cost C cost C costruction cost C co	Factor r bldg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00% 67.64%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32 \$67.85	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208 \$16,935,827	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42  RECOMMENDED.	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263 \$69,409	5.58% 0.00% 5.00% 52.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00% 68.54%
Description  Acquisition  Off-Sites  Sitework  Direct Constructor  General Recontractor  Contractor  Indirect Constructor  Indirect Constructor  Developer  Interim Finances  Reserves  TOTAL CO  Recap-Harc  SOURCES  Mortgage Re  Additional Finances	estruction cy eq'ts 's G & A 's Profit costs 's G & A costruction costs 's G & A costruction costs 's G & C costs 's Profit construction costs 's G & C costruction costs 's G & C costruction costs 's G & C costruction costs cost C costruction cos	Factor r bldg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00% 67.64%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32 \$67.85	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208 \$16,935,827	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42  RECOMMENDED \$15,000,000	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263 \$69,409 Developer Fee A \$2,796,25	5.58% 0.00% 5.00% 5.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00% 68.54%
Descri Acquisition Off-Sites Sitework Direct Con: Contingence General Re Contractor Indirect Co Ineligible Co Developer Interim Fina Reserves TOTAL CO Recap-Harc SOURCES Mortgage Re Additional Fit	astruction cy eq'ts d's Profit costs s's G & A d's Profit costs d's Profit d's Profit costs	Factor r bidg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00% 67.64% 63.06% 0.00% 31.31%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32 \$67.85	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208 \$16,935,827 \$15,000,000 0 7,447,745	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42  RECOMMENDED \$15,000,000 0 7,447,745	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263 \$69,409  Developer Fee A \$2,796,25 % of Dev. Fee D	5.58% 0.00% 5.00% 5.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00% 68.54%
Descr Acquisition Off-Sites Sitework Direct Con: Contingence General Re Contractor	astruction cy eq'ts d's Profit costs s's G & A d's Profit costs d's Profit d's Profit costs	Factor r bidg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00% 67.64%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32 \$67.85	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164 15,000,000 0 7,447,745 2,260,463	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208 \$16,935,827	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42  RECOMMENDED \$15,000,000	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263 \$69,409 Developer Fee A \$2,796,25	5.58% 0.00% 5.00% 5.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00% 68.54%
Description  Acquisition  Off-Sites  Sitework  Direct Con: Contingence General Re Contractor  Contractor  Indirect Co Ineligible C Developer Interim Fina Reserves TOTAL CO Recap-Harc SOURCES  Mortgage Re Additional Fit	astruction cy eq'ts d's Profit costs s's G & A d's Profit costs d's Profit costs d's Profit costs description costs desc	Factor r bidg)  5.00% 6.00% 2.00% 6.00% 11.46%	5.95% 0.00% 5.19% 51.65% 2.84% 3.41% 1.14% 3.40% 6.20% 2.66% 8.62% 4.16% 1.36% 100.00% 67.64% 63.06% 0.00% 31.31%	\$5,803 0 5,062 50,353 2,771 3,325 1,108 3,325 3,315 6,045 2,593 8,404 4,058 1,329 \$97,491 \$65,943	\$5.97 0.00 5.21 51.81 2.85 3.42 1.14 3.42 3.41 6.22 2.67 8.65 4.18 1.37 \$100.32 \$67.85	\$1,416,029 0 1,235,128 12,286,018 676,057 811,269 270,423 811,269 808,800 1,474,897 632,763 2,050,616 990,226 324,215 \$23,787,710 \$16,090,164	\$1,377,948 0 1,235,128 12,996,660 711,589 853,907 284,636 853,907 808,800 1,474,897 745,679 2,050,616 990,226 324,215 \$24,708,208 \$16,935,827 \$15,000,000 0 7,447,745	\$5.81 0.00 5.21 54.81 3.00 3.60 1.20 3.60 3.41 6.22 3.14 8.65 4.18 1.37 \$104.20 \$71.42  RECOMMENDED \$15,000,000 0 7,447,745	\$5,647 0 5,062 53,265 2,916 3,500 1,167 3,500 3,315 6,045 3,056 8,404 4,058 1,329 \$101,263 \$69,409  Developer Fee A \$2,796,25 % of Dev. Fee D	5.58% 0.00% 5.00% 5.60% 2.88% 3.46% 1.15% 3.27% 5.97% 3.02% 8.30% 4.01% 1.31% 100.00% 68.54%  Available 95

#### MULTIFAMILY COMPARATIVE ANALYSIS(continued)

TownParc at Bastrop, Bastrop, 4% HTC, #05450

# DIRECT CONSTRUCTION COST ESTIMATE Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT	
Base Cost			\$48.44	\$11,486,021	
Adjustments					
Exterior Wall Finish	4.00%		\$1.94	\$459,441	
Elderly/9-ft Celings	4.17%		2.02	479,202	
Sprinkler System	\$2.70	253,524	2.89	684,515	
Subfloor			(0.75)	(177,056	
Floor Cover			2.22	526,424	
Porch/Balc/Breezeway	\$28.17	57,391	6.82	1,616,693	
Plumbing	\$680	528	1.51	359,040	
Built-In Appliances	\$1,675	244	1.72	408,700	
Interior/Exterior Stairs	\$1,055	66	0.29	69,600	
Enclosed Corridors	\$38.18	9,064	1.46	346,040	
Heating/Cooling			2.03	481,370	
Security System	\$52,700	1	0.22	52,700	
Comm &/or Aux Bldgs	\$66.00	7,332	2.04	483,912	
Elevators	\$54,750	2	0.46	109,500	
SUBTOTAL			73	17,386,100	
Current Cost Multiplier	1.01		0.73	173,861	
Local Multiplier	0.86		(10.26)	(2,434,054	
TOTAL DIRECT CONSTRU	JCTION COST	ΓS	\$63.79	\$15,125,907	
Plans, specs, survy, bld prn	3.90%		(\$2.49)	(\$589,910	
Interim Construction Interes	3.38%		(2.15)	(510,499	
Contractor's OH & Profit	11.50%		(7.34)	(1,739,479	
NET DIRECT CONSTRUCT	TION COSTS		\$51.81	\$12,286,018	

#### PAYMENT COMPUTATION

Primary	\$15,000,000	Amort	360
Int Rate	5.75%	DCR	1.26
Secondary		Amort	
Int Rate	0.00%	Subtotal DCR	1.26
-			
Additional	\$7,447,745	Amort	
Int Rate		Aggregate DCR	1.26

#### RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,050,431
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$275,993

Primary	\$15,000,000	Amort	360
Int Rate	5.75%	DCR	1.26
Secondary	\$0	Amort	0
	•		0
Secondary Int Rate	\$0 0.00%	Amort Subtotal DCR	0 1.26

Additional	\$7,447,745	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

#### 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 G	ROSS RENT	\$2,307,600	\$2,376,828	\$2,448,133	\$2,521,577	\$2,597,224	\$3,010,895	\$3,490,452	\$4,046,391	\$5,438,011
Secondary In	come	43,920	45,238	46,595	47,993	49,432	57,306	66,433	77,014	103,500
Other Suppor	t Income: none	0	0	0	0	0	0	0	0	0
POTENTIAL G	ROSS INCOME	2,351,520	2,422,066	2,494,728	2,569,569	2,646,656	3,068,200	3,556,885	4,123,405	5,541,511
Vacancy & Co	ollection Loss	(176,364)	(181,655)	(187,105)	(192,718)	(198,499)	(230,115)	(266,766)	(309,255)	(415,613)
Employee or	Other Non-Renta	1 0	0	0	0	0	0	0	0	0
EFFECTIVE G	ROSS INCOME	\$2,175,156	\$2,240,411	\$2,307,623	\$2,376,852	\$2,448,157	\$2,838,085	\$3,290,119	\$3,814,149	\$5,125,898
EXPENSES a	t 4.00%									
General & Ad	ministrative	\$103,873	\$108,028	\$112,350	\$116,844	\$121,517	\$147,844	\$179,875	\$218,846	\$323,945
Management		86,569	89,166	91,841	94,596	97,434	112,953	130,943	151,799	204,005
Payroll & Pay	roll Tax	254,154	264,320	274,893	285,889	297,325	361,741	440,113	535,465	792,619
Repairs & Ma	intenance	109,092	113,456	117,994	122,714	127,623	155,273	188,913	229,841	340,221
Utilities		57,216	59,505	61,885	64,360	66,935	81,436	99,080	120,545	178,437
Water, Sewer	& Trash	102,905	107,021	111,302	115,754	120,384	146,466	178,198	216,805	320,924
Insurance		59,282	61,653	64,119	66,684	69,352	84,377	102,657	124,898	184,880
Property Tax		0	0	0	0	0	0	0	0	0
Reserve for R	Replacements	48,800	50,752	52,782	54,893	57,089	69,458	84,506	102,814	152,190
Other		26,840	27,914	29,030	30,191	31,399	38,202	46,478	56,548	83,705
TOTAL EXPEN	NSES	\$848,732	\$881,815	\$916,196	\$951,926	\$989,057	\$1,197,748	\$1,450,762	\$1,757,561	\$2,580,925
NET OPERAT	ING INCOME	\$1,326,424	\$1,358,596	\$1,391,427	\$1,424,926	\$1,459,101	\$1,640,337	\$1,839,356	\$2,056,588	\$2,544,972
DEBT	SERVICE									
First Lien Finar	ncing	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431	\$1,050,431
Second Lien		0	0	0	0	0	0	0	0	0
Other Financin	g	0	0	0	0	0	0	0	0	0
NET CASH FL	OW	\$275,993	\$308,164	\$340,996	\$374,495	\$408,669	\$589,906	\$788,925	\$1,006,157	\$1,494,541
DEBT COVER	AGE RATIO	1.26	1.29	1.32	1.36	1.39	1.56	1.75	1.96	2.42

	APPLICANT'S TOTAL	TDHCA TOTAL	APPLICANT'S REHAB/NEW	TDHCA REHAB/NEW
CATEGORY	AMOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,377,948	\$1,416,029		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,235,128	\$1,235,128	\$1,235,128	\$1,235,128
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$12,996,660	\$12,286,018	\$12,996,660	\$12,286,018
(4) Contractor Fees & General Requirements				
Contractor overhead	\$284,636	\$270,423	\$284,636	\$270,423
Contractor profit	\$853,907	\$811,269	\$853,907	\$811,269
General requirements	\$853,907	\$811,269	\$853,907	\$811,269
(5) Contingencies	\$711,589	\$676,057	\$711,589	\$676,057
(6) Eligible Indirect Fees	\$808,800	\$808,800	\$808,800	\$808,800
(7) Eligible Financing Fees	\$990,226	\$990,226	\$990,226	\$990,226
(8) All Ineligible Costs	\$1,474,897	\$1,474,897		
(9) Developer Fees				
Developer overhead	\$745,679	\$632,763	\$745,679	\$632,763
Developer fee	\$2,050,616	\$2,050,616	\$2,050,616	\$2,050,616
(10) Development Reserves	\$324,215	\$324,215		
TOTAL DEVELOPMENT COSTS	\$24,708,208	\$23,787,710	\$21,531,148	\$20,572,569
Deduct from Basis:				
All grant proceeds used to finance costs in elig	ible basis		1	
B.M.R. loans used to finance cost in eligible ba				
Non-qualified non-recourse financing	300			
Non-qualified portion of higher quality units [42]	(4)(3)]			
Historic Credits (on residential portion only)	(u)(J)]			
riistorio Oredits (orriestaeritiai portiori orily)			<b>*</b>	<b>^</b>

Deduct from Basis:		
All grant proceeds used to finance costs in eligible basis		
B.M.R. loans used to finance cost in eligible basis		
Non-qualified non-recourse financing		
Non-qualified portion of higher quality units [42(d)(3)]		
Historic Credits (on residential portion only)		
TOTAL ELIGIBLE BASIS	\$21,531,148	\$20,572,569
High Cost Area Adjustment	100%	100%
TOTAL ADJUSTED BASIS	\$21,531,148	\$20,572,569
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$21,531,148	\$20,572,569
Applicable Percentage	3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS	\$762,203	\$728,269

Syndication Proceeds 0.9799 \$7,468,839 \$7,136,322

 Total Credits (Eligible Basis Method)
 \$762,203
 \$728,269

 Syndication Proceeds
 \$7,468,839
 \$7,136,322

Requested Credits \$760,050 Syndication Proceeds \$7,447,745

Gap of Syndication Proceeds Needed \$9,708,208

Credit Amount \$990,733

MN (5.0°E)

1" = 3.95 mi

Data Zoom 9-6

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# **Applicant Evaluation**

Project ID # <b>05450</b> Name:	TownParc at Bastrop	City: Bastrop
LIHTC 9% ☐ LIHTC 4% ✔ H	IOME BOND HTF	SECO ESGP Other
☐ No Previous Participation in Texas	☐ Members of the develo	pment team have been disbarred by HUD
National Previous Participation Ce	rtification Received:	$ \checkmark Yes \qquad \square No$
Noncompliance Reported on Natio	onal Previous Participation Certification:	☐ Yes ✓ No
	Portfolio Management and Compliance	e
Total # of Projects monitored:5	Projects in Material Noncompliance	# in noncompliance: 0
Projects zero to nine: 5	Yes No V	Projects not reported Yes
grouped ten to nineteen: 0	# monitored with a score less than thirty:	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	<b>Contract Administration</b>
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Issues found regarding late cert	Unresolved issues found
Unresolved issues found that warrant disqualification	Issues found regarding late audit	Unresolved issues found that warrant disqualification
(Comments attached)	Unresolved issues found that warrant disqualification	(Comments attached)
Reviewed by Patricia Murphy	(Comments attached)	Date3/6/2006
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Unresolved issues found	Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)
Reviewer A. Martin	Reviewer Sandy M. Garcia	Reviewer
Date 3 /8 /2006	Date 3 /6 /2006	Date
Community Affairs	Office of Colonia Initiatives	Financial Administration
No relationship	Not applicable	No delinquencies found
Review pending	Review pending	Delinquencies found
No unresolved issues	No unresolved issues	
Unresolved issues found	Unresolved issues found	
Unresolved issues found that	Unresolved issues found that	
warrant disqualification (Comments attached)	warrant disqualification (Comments attached)	
	warrant disqualification	Reviewer Melissa M. Whitehead

Acting Executive Director William Dally

Executed: hursday, March 09, 2006

### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Lodge at Silverdale Apartment Homes.

#### **Summary of the Transaction**

The application was received on January 19, 2006. The Issuer for this transaction is Montgomery County HFC. The development is to be located at FM 1314 and Silverdale Dr. in Conroe. Demographics for the census tract include AMFI of \$37,695; the total population is 8799; the percent of population that is minority is 64.35%; the percent of population that is below the poverty line is 29.52%; the number of owner occupied units is 1652; the number of renter units is 1057 and the number of vacant units is 196. The percent of population that is minority for the entire City of Conroe is 46% (Census information from FFIEC Geocoding for 2005). The development is new construction and will consist of 160 total units targeting the elderly population, with all affordable – for a Priority 3 bond transaction this means that at least 75% of the units must have rents at 30% of 80% AMFI and that they meet one of the minimum housing tax credit elections. The site is properly zoned for a multifamily 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 <b>50%</b> of units that cap rents at 30% of <b>50%</b> AMFI <b>and</b> Set aside <b>50%</b> of units that cap rents at 30% of <b>60%</b> 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 <b>100%</b> of units that cap rents at 30% of <b>60%</b> 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 Lodge at Silverdale Apartment Homes.



March 20, 2006

## Development Information, Public Input and Board Summary

# Lodge at Silverdale Apartment Homes, TDHCA Number 05454

**BASIC DEVELOPMENT INFORMATION** 

Site Address:	Fm 1314 and Silver	dale Drive		Developmen	t #: 05454				
City:	Conroe	Region:	6	Population Serve	ed: Elderly				
County:	Montgomery	Zip Code:	77304	Allocati	on:				
HTC Set Aside	es: 🗌 At-Risk 🔲 N	onprofit $\Box$ USDA	☐ Rural Rescue	HTC Purpose/Activ	vity: NC				
HOME Set Asi	HOME Set Asides:   CHDO Preservation General								
Bond Issuer: Montgomery County HFC									
	HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation								
		OWNER AN	D DEVELOPMENT	<u>ream</u>					
Owner:		Conroe Lodge at S	ilverdale Apartmen	t Homes, LP					
		Michael Lankford -	Phone: (713) 626-	9655					
Developer:	Developer: Lankford Interests, LLC								
Housing General Contractor: Lankford Construction, LLC									
Architect:		Hill and Frank							
Market Analys	st:	O'Conner & Assoc	iates						
Syndicator:		PNC Multifamily Ca	apital						
Supportive Se	ervices:	Texas Post Oak Re	esidential Resource	es, LLC					
Consultant:		Not Utilized							
		<u>UNIT/BUIL</u>	DING INFORMATIO	<u>ON</u>					
<u>30</u>	<u>% 40% 50% 60</u>	<u>% 65% 80%</u>	Total Rest	ricted Units:	160				
0	0 0 16	0 0 0	Market Ra	te Units:	0				
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	<u>3 BR 4 BR</u>	Owner/Em	ployee Units:	0				
	0 0 160	0 0	Total Deve	elopment Units:	160				
Type of Building	g:	Fourplex	Total Deve	elopment Cost:	\$14,340,079				
Number of Res	idential Buildings:	40							
	Note:	If Development Cost =\$0, ar		ot been completed.		_			
		-	<u>G INFORMATION</u>	1					
		Applica <u>Reque</u>	•		Term Rate				
9% Housin	g Tax Credits-Credit	Ceiling:		\$0 0	0 0.00%				
4% Housin	g Tax Credits with Bo	onds: \$606,53	38 \$606	,538 0	0 0.00%				
Housing Tr	ust Fund Loan Amoเ	ınt:	<b>\$</b> 0	\$0 0	0 0.00%				
HOME Fun	d Loan Amount:	;	<b>\$</b> 0	\$0 0	0 0.00%				
				\$0 0	0 0.00%				



March 20, 2006

# Development Information, Public Input and Board Summary Lodge at Silverdale Apartment Homes, TDHCA Number 05454

<u>PUB</u>	LIC COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or I	Blank = No comment
State/Federal Officials with Jurisdiction:	
TX Senator: Staples, District 3	NC Points: 0 US Representative: Brady, District 8, NC
TX Representative: Hope, District 16	NC Points: 0 US Senator: NC
Local Officials and Other Public Officials:	
Mayor/Judge: Tommy Metcalf, Mayor, City of NC	Conroe - Resolution of Support from Local Government
City of Conroe Resolution No. 2787-05 - The de of the Lodge at Silverdale Apartment Homes fulf for additional affordable rental housing in accord the City of Conroe Consolidated Plan.	ills a need
Individuals/Businesses: In Support: 0	In Opposition: 0
Neighborhood Input:	

#### **General Summary of Comment:**

The Department has received no letters of support and no letters of opposition.

### **CONDITIONS OF COMMITMENT**

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review and acceptance of confirmation by cost certification that the old piping discussed in the Phase I ESA has been previously removed or properly removed from construction site.
- 3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.



March 20, 2006

# Development Information, Public Input and Board Summary **Lodge at Silverdale Apartment Homes, TDHCA Number 05454**

RECOMMENDATION BY THE EXECU	<u>Itive Award and review advisor</u>	RY COMMITTEE IS BA	ASED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	:	Credit Amount:	\$606,538
Recommendation: Recommend approval of a Ho conditions.	using Tax Credit Allocation not to exceed \$	606,538 annually for te	n years, subject to
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation:			

DATE: March 7, 2006 PROGRAM: 4% HTC FILE NUMBER: 05454

			DEVE	LOPMENT N	AIVIE				
	Lodge at Silverdale Apartments Homes								
				<b>APPLICANT</b>					
Name:	Conroe Lodg Homes, LP	ge at Silv	verdale Apartment	Type:	For-profit				
Address:	4900 Woody	way, Sui	te 750	City:	Houston	1		State	: TX
Zip:	77056 Co	ontact:	Michael Lankford	Phone:	(713)	626-9655	Fax:	(713)	621-4947
			PRINCIPALS of the	APPLICANT/	KEY PARTIC	IPANTS			
Name:	Conroe Lodg Homes I, LL	_	verdale Apartment	(%):	0.01	Title:	Managi	ng Genei	al Partner
Name:	Lankford Int	terests, L	LC	(%):	N/A	Title:	Membe	r of G. P.	
Name:	Michael Lan	ıkford		(%):	N/A	Title:	100% C	Owner of	MGP
			DD∩I	PERTY LOCA	TION				
Location:	FM 1314 an	d Silver		ERIT LOCA	IION		⊠ QC	'т Г	□ DDA
City:	Conroe	u biivere		Country	Montgom	OFT		_	77304
City:	Confoe			County:	Montgom	ery	<i>'</i>	Zip:	77304
				DECLIECT					
	Amount		Interest Date	REQUEST	Amoutizatio			Томм	
•	Amount		Interest Rate		Amortizatio	<u>11</u>		Term	
	606,538		N/A		N/A			N/A	
_	uested Terms:	-	nual ten-year allocat			NA 141C	11		
_	Jse of Funds:		construction	Property	y Type:	Multifa	amily		
Special Pur	rpose (s): E	Elderly							
			REC	OMMENDAT	ON				
IXI			ROVAL OF A HO Y FOR TEN YEAI					NOT TO	EXCEED
				CONDITIONS					
			cceptance of confir						cussed in
			een previously rem ates of the propose		•				d he re-
			stment to the credit				transacti	on snou	u 00 10
			REVIEW of PREVIO	<u> </u>					
No previo	ous reports.								
			DEVELOPE	ICAIT CDCOIC	CATIONS				
				IENT SPECIFI IPROVEMENT					
Total 16	# Rental	#1	Jon Dos # of	II NO V LIVILIVI	,				
Units:	Buildings	40	$\frac{3}{\text{Floors}}$	$\frac{1}{s}$ Age	N/A yrs				

#### STRUCTURAL MATERIALS

The structures will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exteriors will be comprised as follows: 25% stone veneer/75% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with asphalt 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 and dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, and high-speed internet access.

#### **ONSITE AMENITIES**

A 3,500-square foot community building will include a dining room, management office, fitness center, kitchen, restrooms, and a computer/library center. The community building and swimming pool are located at the entrance of the property. In addition perimeter fencing with a limited access gate is planned for the site.

Uncovered Parking: 9 spaces Carports: 160 spaces Garages: 0 spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

<u>Description</u>: The Lodge at Silverdale Apartment Homes is a 8.71-unit per acre new construction development of 160 units of affordable housing located in the northern portion of the Houston MSA in Conroe, Montgomery County, Texas, approximately forty miles north of the Houston Central Business District. The development is comprised of forty evenly distributed fourplex residential buildings as follows:

- 13 Building Type A with 4 two-bedroom/one-bath units;
- 27 Building Type B with 4 two-bedroom/two-bath units;

<u>Architectural Review</u>: 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. The all two-bedroom unit mix, however, provides limited alternatives and may make these units less affordable to one-person senior households.

SITE ISSUES							
SITE DESCRIPTION							
Size:	18.36 acres	799,762 square feet	Flood Zone Designation:	Zone X			
Zoning:	No zoning ordi	nance					
	•		·	•	<u> </u>		

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: Conroe is located in the northern portion of the Houston MSA in Montgomery County, approximately forty miles north of the Houston Central Business District. The site is a rectangularly-shaped parcel located on the east side of FM 1314 at Silverdale Drive.

#### **Adjacent Land Uses:**

- North: undeveloped wooded land immediately adjacent;
- **South:** undeveloped wooded land immediately adjacent;
- East: undeveloped wooded land immediately adjacent and Caney Creek beyond; and
- West: FM 1314 immediately adjacent and a lumber supply yard beyond.

<u>Site Access</u>: Access to the property is from the north or south from FM 1314. The development is to have one main entry from FM 1314. Access to Interstate Highway 45 is two miles west, which provides connections to all other major roads serving the Conroe area.

<u>Public Transportation</u>: The availability of public transportation was not identified in the application materials.

Shopping & Services: "Numerous single-tenant and small neighborhood retail centers are scattered

throughout the neighborhood. The majority of the retail facilities are located along Interstate Highway 45 or Highway 105." (p. 25)

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on January 31, 2006 and found the location to be acceptable for the proposed development.

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 7, 2005 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations:

#### **Findings:**

• Environmental Hazard: "Based on the information reviewed regarding the former pipeline easement on the subject property, it appears that it has been abandoned. When pipelines are abandoned, Railroad commission regulations require the pipeline to be drained and plugged. Typically they are abandoned in place. Therefore, it is possible that the old piping remains in place on the subject property." (p. 1.3)

**Recommendations:** "At this time, no further environmental testing or investigation is recommended. If any issues associated with the former pipeline are discovered during site development activities, these issues should be appropriately addressed at that time." (p. 1.3). Receipt, review and acceptance of documentation prior to cost certification that the old piping discussed in the ESA has been removed and if removal occurs during construction, that such removal complies with all state, Federal and local regulations.

#### POPULATIONS TARGETED

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 3 private activity bond lottery development the Applicant has elected the 100% of units at 60% option. One hundred and sixty of the units (100%) 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	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480		

#### MARKET HIGHLIGHTS

A market feasibility study dated January 11, 2006 was prepared by Patrick O'Connor & Associates, L.P. ("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 77301, 77302, 77303, 77304, and 77306." (p. 10) This area encompasses approximately 233 square miles and is equivalent to a circle with a radius of 8.6 miles.

**Population:** The estimated 2005 population of the PMA was 81,859 and is expected to increase by 13.6% to approximately 93,003 by 2010. Within the primary market area there were estimated to be 28,918 households in 2005.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 260 qualified households in the PMA, based on the current estimate of 28,918 households, the projected annual growth rate of 3%, renter households estimated at 33% of the population, income-qualified households estimated at 17%, and an annual renter turnover rate of 60%. (p. 74). The Market Analyst used an income band of \$21,120 to \$32,940. The low end of the income band was calculated based upon the Applicant's below market and below maximum rent. If the maximum achievable rents are used, the low end of the income range would increase to \$24,690. The Underwriter recalculated demand based on this more constricted income range.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY							
	Market	Analyst	Under	writer			
Type of Domand	Units of	% of Total	Units of	% of Total			
Type of Demand	Demand	Demand	Demand	Demand			
Household Growth	17	7%	8	4%			
Resident Turnover	182	70%	129	65%			
Other Sources:	20	8%	20	10%			
Other Sources: Section 8	41	15%	41	21%			
TOTAL ANNUAL DEMAND	260	100%	198	100%			

Ref: p. 74

<u>Inclusive Capture Rate</u>: The Market Analyst calculated an inclusive capture rate of 61.6% based upon 260 units of demand and 160 unstabilized affordable housing in the PMA (including the subject) (p. 74). The Underwriter calculated an inclusive capture rate of 81% based upon a revised demand of 198. This is within the 100% capture rate allowed in the Department's guidelines for developments targeting seniors.

<u>Market Rent Comparables</u>: The Market Analyst surveyed five comparable apartment projects totaling 998 units in the market area in order to conclude estimated market rent for the subject as indicated in the following chart. (p. 47)

RENT ANALYSIS (net tenant-paid rents)							
Unit Type (% AMI) Proposed Program Max Differential Est. Market Differential							
2-Bedroom/1-Bath (60%)	\$695	\$738	-\$43	\$840	-\$145		
2-Bedroom/2-Bath (60%)	\$725	\$738	-\$13	\$875	-\$150		

(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)

<u>Primary Market Occupancy Rates</u>: "The average occupancy for apartments in the subject's primary market area was reported at 91.93% in the most recent O'Connor & Associates Apartment Ownership Guide survey (November 2005)." (p. 40)

<u>Absorption Projections</u>: "Absorption in the subject's primary market area over the past twelve quarters ending November 2005 totals a positive 25 units. Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months." (p. 37-38)

<u>Market Study Analysis/Conclusions</u>: Despite the high inclusive capture rate, the Underwriter found the market study provided sufficient information on which to base a funding recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are significantly lower than the maximum rents allowed under HTC guidelines and the maximum rents are achievable according to the Market Analyst. The Applicant has indicated the reason for the lower than maximum rents is to keep all the two-bedroom units affordable to one-person households. Staff and the Applicant discussed the possibility of restructuring some of the units to the 50% rent as that is equivalent to the one-bedroom 60% rent. These discussions, however, did not result in any agreement to further restrict any units. There is the potential for additional income (approximately \$43.7K) if the Applicant chooses to increase rents to the maximum allowed, and again, the market study information suggests that the market could support rents at the rent limit maximums. Therefore, the Underwriter estimated income based on the maximum achievable rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$4,064 per unit is within 3% of the Underwriter's database-derived estimate of \$4,137 per unit for comparably-sized developments. The Applicant's budget shows one line item estimate, however, that deviate significantly when compared to the database averages, particularly water, sewer, and trash (\$21K lower).

<u>Conclusion</u>: 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: (23.416) acres	\$111,230	\$111,230 Assessment for the Year of: 2005						
Prorated: 1 ac.	\$4,750	Valuation by: Montgomery County Tax Office			e			
Prorated Value: 18.36 ac.	\$87,210	Tax Rate:	2.8955					
	EVIDENCE of S	ITE or PROPERTY CO	ONTROL					
Type of Site Control:	Unimproved commercial	property contract (1	8.36 acres)					
<b>Contract Expiration Date:</b>	4/ 15/ 2006	Anticipated Clos	ing Date:	4/	15/	2006		
Acquisition Cost:	\$490,000	Other Terms/Conditions: Earnest money - \$6,00		\$6,000				
Seller: Trust of John Gi	hn Gibson-Wells Fargo Bank Related to Development Team Member: No				: No			

#### **CONSTRUCTION COST ESTIMATE EVALUATION**

<u>Acquisition Value</u>: The site cost of \$490,000 (\$.61/SF, \$26,688/acre, or \$3,063/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,363 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$136.8K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. 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 \$13,105,839 is used to determine a credit allocation of \$606,538 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: PNC MultiFamily Capital Contact: Mark Ragsdale							
Tax-Exempt Amount: \$8,076,815 Interest Rate: 5.65% for underwriting							
Additional Information: The bonds will be weekly variable rate AAA-rated tax exempt bonds.							
Amortization: 30 yrs Term: 30 yrs Commitment: LOI Firm X Conditional							
Annual Payment: \$650,833 Lien Priority: 1st Date: 1/ 18/ 2006							
TAX CREDIT SYNDICATION							
Source: PNC MultiFamily Capital Contact: K. Nicole Flores							
Net Proceeds:         \$5,761,537         Net Syndication Rate (per \$1.00 of 10-yr HTC)         95¢							
Commitment:							
Additional Information: Based on credits of \$606,538 and 99.99% ownership.							

APPLICANT EQUITY						
<b>Amount:</b> \$501,727 <b>Source:</b> Deferred Developer Fee						
FINIANCING CIDUCTURE ANALYCIC						

<u>Interim to Permanent Bond Financing</u>: The tax-exempt bonds are to be issued by Montgomery County HFC and initially purchased by PNC MultiFamily Capital through their credit enhancement program with a Freddie Mac Tax Exempt Forward Commitment credit facility. 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.

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$501,727 amount to 29% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$606,538 annually for ten years, resulting in syndication proceeds of approximately \$5,756,351. Based on the underwriting analysis, the Applicant's deferred developer fee will be \$501,727, which represents approximately 29% of the eligible fee and which should be repayable from cash flow within five 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.

#### 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 Member of the General Partner, Lankford Interest, LLC, submitted an unaudited financial statement as of January 25, 2006 reporting total assets of \$4.3M and consisting of \$60K in cash, \$4M in receivables, \$175K in real property, and \$135K in machinery, equipment, and fixtures. Liabilities totaled \$905K, resulting in a net worth of \$3.4M.
- The principal of the General Partner, Michael Lankford, submitted an unaudited financial statement as of November 2, 2005 and is anticipated to be a guarantor of the development.

#### **Background & Experience:**

- Michael Lankford, the principal of the General Partner, has completed six affordable housing developments totaling 536 units since 1999.
- Multifamily Finance Production staff has 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 development would need to capture a majority of the projected market area demand (i.e., inclusive
	capture rate exceeds 50%).

Underwriter:		Date:	March 7, 2006
	Carl Hoover		
Director of Real Estate Analysis:		Date:	March 7, 2006
	Tom Gouris		

### MULTIFAMILY COMPARATIVE ANALYSIS

### Lodge at Silverdale, Conroe, 4% HTC #05454

TC (60%)	Number 52	Bedrooms 2	No. of Baths	Size in SF 950	Gross Rent Lmt. \$823	Net Rent per Unit \$738	Rent per Month \$38,376	Rent per SF	\$85.00	\$35.00
TC (60%)		2	2		-	<u> </u>	. ,	\$0.78		
TC (60%)	108	2	2	950	823	\$738	79,704	0.78	85.00	35.00
TOTAL:	160		AVERAGE:	950	\$823	\$738	\$118,080	\$0.78	\$85.00	\$35.00
INCOME		Tatal Nat Da	entable Sq Ft:	152.000		TDHCA	APPLICANT	0	nptroller's Region	6
	AL GROSS		entable Sq Ft:	152,000		\$1,416,960	\$1,373,280	Con	IREM Region	
Secondary		IXEIVI	Pe	er Unit Per Month:	\$15.00	28,800	28,800	\$15.00	Per Unit Per Mont	
•	oort Income:	(describe)			•	0	-,	•		
POTENTIA	AL GROSS	INCOME				\$1,445,760	\$1,402,080			
Vacancy &	Collection L	oss	% of Potent	ial Gross Income:	-7.50%	(108,432)	(105,156)	-7.50%	of Potential Gross	Rent
			its or Conces	sions		0	<b>A</b>			
	E GROSS	INCOME				\$1,337,328	\$1,296,924			
Conoral ®			% OF EGI	PER UNIT	PER SQ FT	<b>650 004</b>	Ф40 000	PER SQ FT	PER UNIT	% OF EGI
	Administrativ	ve	4.36%	\$365	0.38	\$58,331 50,830	\$48,320 64.846	\$0.32	\$302	3.73%
Manageme			3.80%	318	0.33		- /	0.43	405	5.00%
Payroll & P	-		12.73%	1,064	1.12	170,216	154,000	1.01	963	11.87%
•	Maintenance	•	5.40%	451	0.48	72,217	78,000	0.51	488	6.01%
Utilities	vor 0 T!		3.05%	255	0.27	40,800	44,463 37,857	0.29	278	3.43%
	ver, & Trash		4.40%	368	0.39	58,850	37,857	0.25	237	2.92%
Property In		2 2055	2.84%	238	0.25	38,000	48,561	0.32	304	3.74%
Property Ta	ax ır Replaceme	2.8955	8.49% 2.39%	710 200	0.75 0.21	113,533 32,000	115,068 32,000	0.76 0.21	719 200	8.87% 2.47%
	in Replaceme ipl fees & su		2.03%	170	0.21	27,200	27,200	0.21	170	2.47%
TOTAL EX	•	рр. зет	49.50%	\$4,137	\$4.36	\$661,976	\$650,315	\$4.28	\$4,064	50.14%
-	RATING IN	С	50.50%	\$4,221	\$4.44	\$675,352	\$646,609	\$4.25	\$4,041	49.86%
DEBT SEF			00.0070	V 1,22 1	<b>V</b>	φσ. σ,σσ2	40.0,000	<b>VII.20</b>	Ψ1,011	10.0070
	amily Capital	ı	41.83%	\$3,497	\$3.68	\$559,467	\$562,269	\$3.70	\$3,514	43.35%
Additional Fi			0.00%	\$0	\$0.00	0	, , , , , ,	\$0.00	\$0	0.00%
Additional Fi	inancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH	H FLOW		8.67%	\$724	\$0.76	\$115,885	\$84,340	\$0.55	\$527	6.50%
AGGREGAT	TE DEBT CO	OVERAGE F	RATIO			1.21	1.15			
RECOMME	NDED DEBT	COVERAG	SE RATIO				1.16			
CONSTRU	ICTION CO	<u>OST</u>				•				
Descr	ription	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	Cost (site o	r bldg)	3.46%	\$3,063	\$3.22	\$490,000	\$490,000	\$3.22	\$3,063	3.42%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			8.32%	7,363	7.75	1,178,000	1,178,000	7.75	7,363	8.21%
Direct Con	struction		48.44%	42,845	45.10	6,855,188	6,992,000	46.00	43,700	48.76%
Contingend	су	5.00%	2.84%	2,510	2.64	401,659	408,500	2.69	2,553	2.85%
General Re	eq'ts	6.00%	3.41%	3,012	3.17	481,991	490,200	3.23	3,064	3.42%
Contractor'	's G & A	2.00%	1.14%	1,004	1.06	160,664	163,400	1.08	1,021	1.14%
Contractor	's Profit	6.00%	3.41%	3,012	3.17	481,991	490,200	3.23	3,064	3.42%
Indirect Co	nstruction		5.91%	5,227	5.50	836,300	836,300	5.50	5,227	5.83%
Ineligible C	Costs		3.85%	3,402	3.58	544,240	544,240	3.58	3,402	3.80%
Developer'	sG&A	2.00%	1.59%	1,404	1.48	224,672	0	0.00	0	0.00%
Developer'	s Profit	13.00%	10.32%	9,127	9.61	1,460,365	1,709,457	11.25	10,684	11.92%
Interim Fin	ancing		5.92%	5,236	5.51	837,782	837,782	5.51	5,236	5.84%
Reserves			1.41%	1,250	1.32	200,000	200,000	1.32	1,250	1.39%
TOTAL CC			100.00%	\$88,455	\$93.11	\$14,152,853	\$14,340,079	\$94.34	\$89,625	100.00%
Recap-Hard	d Construct	ion Costs	67.54%	\$59,747	\$62.89	\$9,559,494	\$9,722,300	\$63.96	\$60,764	67.80%
SOURCES	OF FUND	<u>s</u>						RECOMMENDED	-	
PNC MultiFa			57.07%	\$50,480	\$53.14	\$8,076,815	\$8,076,815	\$8,076,815	Developer F	ee Available
۲ ما ماند: مسما ا	inancing		0.00%	\$0	\$0.00	0		0	\$1,70	9,457
Additional F		eds	40.71%	\$36,010	\$37.90	5,761,537	5,761,537	5,761,537	% of Dev. F	ee Deferred
	ation Procee									
HTC Syndic	ation Procee veloper Fee		3.55%	\$3,136	\$3.30	501,727	501,727	501,727	29	1%
HTC Syndic Deferred De		s	3.55% -1.32%	\$3,136 (\$1,170)	\$3.30 (\$1.23)	501,727 (187,226)	501,727	501,727	29 15-Yr Cumula	

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#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Lodge at Silverdale, Conroe, 4% HTC #05454

#### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$50.44	\$7,667,184
Adjustments				
Exterior Wall Finish	2.00%		\$1.01	\$153,344
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.24)	(340,480)
Floor Cover			2.22	337,440
Porches/Balconies	\$18.15	16,752	2.00	304,049
Plumbing	\$680	324	1.45	220,320
Built-In Appliances	\$1,675	160	1.76	268,000
Stairs/Fireplaces			0.00	0
Enclosed Corridors	\$40.52		0.00	0
Heating/Cooling			1.73	262,960
Carports	\$9.20	25,920	1.57	238,464
Comm &/or Aux Bldgs	\$65.36	4,073	1.75	266,221
Other:			0.00	0
SUBTOTAL			61.69	9,377,502
Current Cost Multiplier	1.01		0.62	93,775
Local Multiplier	0.89		(6.79)	(1,031,525)
TOTAL DIRECT CONSTRU	CTION COS	TS	\$55.52	\$8,439,752
Plans, specs, survy, bld prm	3.90%		(\$2.17)	(\$329,150)
Interim Construction Interes	3.38%		(1.87)	(284,842)
Contractor's OH & Profit	11.50%		(6.39)	(970,571)
NET DIRECT CONSTRUCT	ION COSTS		\$45.10	\$6,855,188

#### PAYMENT COMPUTATION

Primary	\$8,076,815	Amort	360
Int Rate	5.65%	DCR	1.21
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.21
-			
Additional	\$5,761,537	Amort	
Int Rate		Aggregate DCR	1.21

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$559,467
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$87,142

Primary	\$8,076,815	Amort	360
Int Rate	5.65%	DCR	1.16

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$5,761,537	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

### 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 GRO	SS RENT	\$1,373,280	\$1,414,478	\$1,456,913	\$1,500,620	\$1,545,639	\$1,791,819	\$2,077,209	\$2,408,055	\$3,236,224
Secondary Incor	ne	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Contractor's Profit	t	0	0	0	0	0	0	0	0	0
POTENTIAL GRO	SS INCOME	1,402,080	1,444,142	1,487,467	1,532,091	1,578,053	1,829,396	2,120,772	2,458,556	3,304,093
Vacancy & Colle	ction Loss	(105,156)	(108,311)	(111,560)	(114,907)	(118,354)	(137,205)	(159,058)	(184,392)	(247,807)
Developer's G & A	A	0	0	0	0	0	0	0	0	0
EFFECTIVE GRO	SS INCOME	\$1,296,924	\$1,335,832	\$1,375,907	\$1,417,184	\$1,459,699	\$1,692,192	\$1,961,714	\$2,274,164	\$3,056,286
EXPENSES at	4.00%									
General & Admir	nistrative	\$48,320	\$50,253	\$52,263	\$54,353	\$56,528	\$68,774	\$83,675	\$101,803	\$150,693
Management		64,846	66791.586	68795.33358	70859.19359	72984.9694	84609.58283	98085.69582	113708.2042	152814.3181
Payroll & Payroll	Tax	154,000	160,160	166,566	173,229	180,158	219,190	266,678	324,455	480,272
Repairs & Mainte	enance	78,000	81,120	84,365	87,739	91,249	111,018	135,071	164,334	243,255
Utilities		44,463	46,242	48,091	50,015	52,015	63,285	76,996	93,677	138,665
Water, Sewer &	Trash	37,857	39,371	40,946	42,584	44,287	53,882	65,556	79,759	118,063
Insurance		48,561	50,503	52,524	54,625	56,810	69,117	84,092	102,311	151,445
Property Tax		115,068	119,671	124,458	129,436	134,613	163,778	199,261	242,431	358,857
Reserve for Rep	lacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other		27,200	28,288	29,420	30,596	31,820	38,714	47,102	57,306	84,827
TOTAL EXPENSE	≣S	\$650,315	\$675,679	\$702,039	\$729,432	\$757,901	\$917,915	\$1,111,929	\$1,347,203	\$1,978,688
NET OPERATING	NCOME	\$646,609	\$660,152	\$673,868	\$687,752	\$701,798	\$774,277	\$849,785	\$926,961	\$1,077,598
DEBT SE	RVICE									
First Lien Financir	ng	\$559,467	\$559,467	\$559,467	\$559,467	\$559,467	\$559,467	\$559,467	\$559,467	\$559,467
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOV	/	\$87,142	\$100,685	\$114,401	\$128,284	\$142,331	\$214,810	\$290,318	\$367,494	\$518,131
DEBT COVERAG	E RATIO	1.16	1.18	1.20	1.23	1.25	1.38	1.52	1.66	1.93

### LIHTC Allocation Calculation - Lodge at Silverdale, Conroe, 4% HTC #05454

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost	•		<u> </u>	
Purchase of land	\$490,000	\$490,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,178,000	\$1,178,000	\$1,178,000	\$1,178,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$6,992,000	\$6,855,188	\$6,992,000	\$6,855,188
(4) Contractor Fees & General Requirements				
Contractor overhead	\$163,400	\$160,664	\$163,400	\$160,664
Contractor profit	\$490,200	\$481,991	\$490,200	\$481,991
General requirements	\$490,200	\$481,991	\$490,200	\$481,991
(5) Contingencies	\$408,500	\$401,659	\$408,500	\$401,659
(6) Eligible Indirect Fees	\$836,300	\$836,300	\$836,300	\$836,300
(7) Eligible Financing Fees	\$837,782	\$837,782	\$837,782	\$837,782
(8) All Ineligible Costs	\$544,240	\$544,240		
(9) Developer Fees				
Developer overhead		\$224,672		\$224,672
Developer fee	\$1,709,457	\$1,460,365	\$1,709,457	\$1,460,365
(10) Development Reserves	\$200,000	\$200,000		
TOTAL DEVELOPMENT COSTS	\$14,340,079	\$14,152,853	\$13,105,839	\$12,918,613

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	\$13,105,839	\$12,918,613
High Cost Area Adjustment	130%	6 130%
TOTAL ADJUSTED BASIS	\$17,037,591	\$16,794,196
Applicable Fraction	100%	6 100%
TOTAL QUALIFIED BASIS	\$17,037,591	\$16,794,196
Applicable Percentage	3.56%	6 3.56%
TOTAL AMOUNT OF TAX CREDITS	\$606,538	\$597,873

Syndication Proceeds 0.9499 \$5,761,537 \$5,679,229

Total Credits (Eligible Basis Method) \$606,538 \$597,873

Syndication Proceeds \$5,761,537 \$5,679,229

Requested Credits \$606,538

Syndication Proceeds \$5,761,535

Gap of Syndication Proceeds Needed \$6,263,264

Credit Amount \$659,357

Data Zoom 10-0

1" = 3.16 mi

# **Applicant Evaluation**

Project ID # <b>05454</b>	Name: Lodge a	t Silverdale A	partment	Ho City:	Conroe		
LIHTC 9% ☐ LIHTC 4% ✓	номе 🗆	BOND	HTF $\square$	SECO	ESGP	Oth	er 🗌
☐ No Previous Participation in T	exas	Members of	f the develor	ment team hav	ze heen disharr	ed by	HUD
110 110 110 10 dis 1 di despution in 1	CAus	inclineers of	t the develop	mont tourn nav	e occii disouri	ca oy	1100
National Previous Participat	tion Certification R	eceived:	N/A	$\square$ Yes	$\square$ No		
Noncompliance Reported or	n National Previous	Participation Cer	rtification:	□ Yes □ No			
	Portfolio M	anagement and (	Compliance				
Projects in Material Noncompliance			npliance	4	in noncomplica		0
Yes ☐ No ✓		<b>✓</b>		in noncompliar		0	
Projects zero to nine:grouped ten to nineteen:	8 # monitored	# monitored with a score less than thirty:		Projects not reported Yes in application No			<b>✓</b>
by score twenty to twenty-nine:	1			7 # of projects not reported 0			
_	" not yet mo		10,10,11	-			Ü
Portfolio Monitoring	<b>N</b> 7 . 19	Single Audit		-	t Administratio	on	
Not applicable	Not appli		<b>✓</b>	-	plicable		
Review pending	Review p				v pending resolved issues		
No unresolved issues Unresolved issues found		No unresolved issues				. d	
Unresolved issues found that		Issues found regarding late cert  Issues found regarding late audit			Unresolved issues found Unresolved issues found that warrant disqualification		
warrant disqualification		Unresolved issues found that					
(Comments attached)		warrant disqualification		(Comments attached)			
Reviewed by Patricia Murpl		nts attached)		D-4-	3/7/2006		
	II y			Date	3/ // 2000		
Multifamily Finance Production		amily Finance Pro	oduction		Real Estate An		
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Multifamily Finance Production	on Single F	licable	oduction	(Cost Co	Real Estate Ana ertification and		out)
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Acting Executive Director William Dally Executed: hursday, March 09, 2006

### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Hillcrest Manor Senior Community.

### **Summary of the Transaction**

The application was received on January 19, 2006. The Issuer for this transaction is Lubbock HFC. The development is to be located at the south side of SH 289, one block west of Indiana Ave. in Lubbock. Demographics for the census tract include AMFI of \$28,778; the total population is 6176; the percent of population that is minority is 86.12%; the percent of population that is below the poverty line is 31.45%; the number of owner occupied units is 1078; the number of renter units is 919 and the number of vacant units is 118. The percent of population that is minority for the entire City of Lubbock is 38% (Census information from FFIEC Geocoding for 2005). The development is new construction and will consist of 220 total units targeting the elderly population, with 200 of the units to be affordable - for a Priority 3 bond transaction this means that at least 75% of the units must have rents at 30% of 80% AMFI and that they meet one of the minimum housing tax credit elections. The site is currently 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 <b>50%</b> of units that cap rents at 30% of <b>50%</b> AMFI <b>and</b> Set aside <b>50%</b> of units that cap rents at 30% of <b>60%</b> 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 <b>100%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
<b>Priority 3:</b>	Any qualified residential rental development.

#### Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Hillcrest Manor Senior Community, conditioned on the payment of all outstanding Department fees no later than Friday, March 17, 2006.



March 20, 2006

## Development Information, Public Input and Board Summary Hillcrest Manor Senior Community, TDHCA Number 060402

		BASIC DE	VELC	<b>DPMEN</b>	<u> INFORMA</u>	TION					
Site Address:	S side of SH-289, o	one blk w of Indi	ana A	∖ve.		Dev	velopmen	t #:	060402		
City:	Lubbock	Regi	n:	1		Popula	tion Serv	ed:	Elderly		
County:	Lubbock	Zip C	ode:	79415	5		Allocati	on:			
HTC Set Aside	HTC Set Asides: ☐ At-Risk ☐ Nonprofit ☐ USDA ☐ Rural Rescue HTC Purpose/Activity: NC										
HOME Set Asi	des: CHDO	☐ Preservation	n [	Gene	eral						
Bond Issuer:	Lubbock HF	-C									
	HTC Purpose/Activity:	NC=New Construction NC/R=New Construction	, ACQ= on and	=Acquisitior Rehabilitat	n, R=Rehabilitati ion, ACQ/R=Acc	ion, NC/ACQ=Nuisition and Re	New Construc ehabilitation	tion and Acq	uisition,		
		OWNER	ANI	DEVEL	OPMENT T	EAM_					
Owner:		OHC/Hillcrest,	Ltd.								
		David Turek -	Phon	e: (972)	733-0096						
Developer:		Noel Project D	evelo	pment,	LLC						
Housing Gene	eral Contractor:	Brasha Builde	s, Ind	Э.							
Architect:		Architettura, In	c.								
Market Analys	st:	The Jack Poe	Co.								
Syndicator:		WNC & Assoc	ates,	Inc.							
Supportive Se	ervices:	Outreach House	ing (	Corp.							
Consultant:		Not Utilized									
		UNIT/	BUILD	ING IN	FORMATIO	<u>N</u>					
<u>30</u>	<u>% 40% 50% 60</u>	<u>% 65% 80%</u>			Total Restri	icted Units	:		200		
0	0 0 20	0 0 0			Market Rate	e Units:			20		
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	3 BR 4 BR			Owner/Emp	oloyee Unit	ts:		0		
	0 40 180	0 0			Total Devel	opment Ur	nits:		220		
Type of Buildin	g: 5 units or	more per bldng			Total Devel	opment Co	ost:	\$1	7,084,500		
Number of Res	Number of Residential Buildings: 27										
	Note:	If Development Cost =				ot been comple	ted.				
					<u>RMATION</u>						
			olicar		Departm Analysis		Amort	Term	Rate		
9% Housin	g Tax Credits-Credit	Ceiling:				\$0	0	0	0.00%		
4% Housin	g Tax Credits with B	onds: \$62	9,79	7	\$629,7	797	0	0	0.00%		

\$0

\$0

\$0

\$0

\$0

\$0

Housing Trust Fund Loan Amount:

**HOME Fund Loan Amount:** 

**Bond Allocation Amount:** 

0

0

0

0

0

0

0.00%

0.00%

0.00%



March 20, 2006

## Development Information, Public Input and Board Summary Hillcrest Manor Senior Community, TDHCA Number 060402

	<u>P</u> I	<u>UBLIC COMMENT SUI</u>	<u>VIMARY</u>	
Guide: "O" = Oppo	ose, "S" = Support, "N" = Neutral, "NC"	or Blank = No comment		
State/Federal	Officials with Jurisdiction:			
TX Senator: D	Ouncan, District 28	NC Points: 0	US Representat	tive: Neugebauer, District 19, NC
TX Representa	ative: Isett, District 84	NC Points: 0	US Senator:	NC
Local Officials	s and Other Public Officials:			
Mayor/Judge:	Marc McDougal, Mayor, City of The proposed development, I Manor Senior Community, is it the goals as set forth in the C Lubbock's Consolidated Plan.	Hillcrest in line with ity of	ation of Support fo	rom Local Government
Individuals/Bu	usinesses: In Support: 0	In Opposition:	. 0	
Neighborhood	<u>l Input:</u>			

#### **General Summary of Comment:**

The Department has received no letters of support and no letters of opposition.

#### **CONDITIONS OF COMMITMENT**

- 1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis, prior to commitment.
- 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.



March 20, 2006

## Development Information, Public Input and Board Summary Hillcrest Manor Senior Community, TDHCA Number 060402

RECOMMENDATION BY THE EXECU	<u>JTIVE AWARD AND REVIEW ADVISOR</u>	RY COMMITTEE IS BA	ASED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	<b>e</b> :	Credit Amount:	\$629,797
Recommendation: Recommend approval of a Ho conditions.	ousing Tax Credit Allocation not to exceed \$	6629,797 annually for te	n years, subject to
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation:			

DATE: March 13, 2006 PROGRAM: 4% HTC FILE NUMBER: 060402

			D	EVELOP	MENT N	AME						
			Hillcrest	Manor	Senior (	Communi	ty					
				4.00								
				APP	LICANT							
Name:	OHC/ Hi	illcrest Ltd			Type:	For-profit						
Address:	17103 Pr	reston Road	, Suite 250		City:	Dallas			St	ate:	TX	
Zip:	75248	Contact:	David Turek		Phone:	(972)	733-0096	Fax:	(972	2) _	733-18	64
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS												
Name:	Outreach	Housing C	Corporation		(%):	.005	Title:	Genera	al Partn	er		
Name:	Noel Pro	ject Develo	pment LLC		(%):	.005	Title:	Develo Partne	-	pecia	ıl Limite	ed
Name:	Richard S	Shaw			(%):	N/A	Title:	Guarai	ntor			
			P	ROPERTY	/ LOCAT	ION						
<b>Location:</b>	South sic	de of SH-28	9, one block wes	t of India	na Avenu	ie		$\square$ Q	CT		] DD	A
City:	Lubbock	-		Count	<b>y:</b>	Lubbock			Zip:	_	79415	
				REC	QUEST							
<u>A</u>	mount		Interest Rate	<u>e</u>	:	Amortizatio	<u>n</u>		<u>Te</u>	rm		
1) 5	\$629,797		N/A			N/A			N.	/A		
Other Requ	ested Tern	ns: 1) Ar	nnual ten-year all	ocation of	f housing	tax credits						
Proposed U	se of Funds	s: New	construction		Property	Type:	Multifa	mily				
Special Pur	pose:	Elderly										
				RECOM	/ENDATION	NC						
IXI			ROVAL OF A Y FOR TEN Y						NOT '	ТО	EXCE	ED

#### CONDITIONS

- 1. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis, prior to commitment;
- 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.

	REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.	

DEVELOPMENT SPECIFICATIONS											
IMPROVEMENTS											
Total Units: 220 #Rental Buildings 27 #Non-Res. 1 # of Floors 1 Age: N/A yrs Vacant: N/A at // Net Rentable SF: 178,000 Av Un SF: 809 Common Area SF: 45,200 Gross Bldg SF: 223,200											
STRUCTURAL MATERIALS											
The structure will be concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 50% masonry veneer/ 50% 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 resilient covering and laminate wood. Each unit will include: phone jack in each room, laundry connections, ceiling fixture in each room, icemaker, microwave, and individual air conditioning units. The property will include tankless on demand hot water systems for the units and centralized heat.											
ONSITE AMENITIES											
A 6,150-square foot community building will include a reception area, media room, art/crafts room, leasing area, management offices, a kitchen, restrooms, & a central mailroom. The community building, swimming pool, and BBQ grills are located at the entrance to the property. In addition, perimeter fencing with a limited access gate is planned for the site.											
Uncovered Parking: 350 spaces Carports: 80 spaces Garages: 70 spaces											
PROPOSAL and DEVELOPMENT PLAN DESCRIPTION											
<u>Description</u> : Hillcrest Manor Senior Community is an 11-unit per acre new construction development of 220 units of affordable housing located in north Lubbock. The development will be comprised of 27 evenly distributed medium single-story garden style residential buildings as follows:											
• 15 Building Type 1 with six two-bedroom/one-bath units, two two-bedroom/two-bath units;											
• Five Building Type 2 with eight one-bedroom/one-bath units, two two-bedroom/one-bath units;											
• Six Building Type 3 with eight two-bedroom/one-bath units;											
One Building Type 4 with two two-bedroom/one-bath units;											
<u>Architectural Review</u> : 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.											

			SITE ISSUES					
	SITE DESCRIPTION							
Size:	20.19 acres	879,476 square feet	Flood Zone Designation:	Zone X				
Zoning:	A-1							

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: Lubbock is located in northwestern region of the state, approximately 350 miles northwest from Dallas in Lubbock County. The site is an irregularly-shaped parcel located in the northern area of the city, approximately miles from the central business district. The site is situated on the south side of State Loop 289.

#### **Adjacent Land Uses:**

- North: State Highway 289 frontage road immediately adjacent and State Highway 289 beyond;
- South: University Courtyard Apartments immediately adjacent and Erskine Street beyond;
- East: Indian Village Apartments immediately adjacent and North Indian Avenue beyond; and

• West: Undeveloped land immediately adjacent and State Highway 289 beyond.

<u>Site Access</u>: Access to the property is from the east or west along State Highway 289. The development is to have one main entry from the north from Highway 289. Access to Interstate Highway 27 is three miles east, which provides connections to all other major roads serving the Lubbock area.

<u>Public Transportation</u>: Public transportation to the area is provided by Citibus, who "offers three types of service in the City of Lubbock: fixed route service, demand response service, and the Texas Tech University campus service." (p. 9) "The local Citibus system does not have a route in close proximity to the subject, but it provides on demand service. The Texas Tech Campus bus system has a stop on Indiana Avenue one block southeast of the subject." (p. 14)

**Shopping & Services:** The site is within one mile of two convenience stores, two parks, and a golf course. Just beyond one mile is University Hospital. Located nearby are grocery stores, pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools and churches are located within a short driving distance from the site.

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on August 25, 2006, and found the location to be acceptable for the proposed development. The inspector noted: "Good location. New upscale apartments across the street for Texas Tech students. Bingo with ¼ mile. New medical district is within 1 mile of location."

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 16, 2006, was prepared by Benton & Associates and contained the following findings and recommendations:

#### **Findings:**

• **Asbestos-Containing Materials (ACM):** "No structures are present at the time and date of this report." (p. 7)

**Recommendations:** "Therefore, based on the above endeavors and in accordance with the guidelines of ASTM E-1527-00, we find no evidence available, within the scope of this inquiry, at this time and date of this report, to suggest any recognized environmental risks associated with this property." (p. 3)

#### **POPULATIONS TARGETED**

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. This is a priority 3 private activity bond development. 220 of the units (100% of the total) will be reserved for elderly tenants. 200 of the units (91% of the total) will be reserved for low-income tenant households earning 60% or less of AMGI, and the remaining 20 units will be offered at market rents.

		MAXIMUN	A ELIGIBLE	INCOMES		
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,800	\$22,620	\$25,440	\$28,320	\$30,540	\$32,820

#### MARKET HIGHLIGHTS

A market feasibility study dated January 14, 2006, was prepared by Jack Poe Company Incorporated ("Market Analyst") and highlighted the following findings:

<u>Definition of Primary Market Area (PMA)</u>: "The subject is located in Lubbock County, which is also the Lubbock MSA, and this area is the subject's primary market." (p. 8). This area encompasses approximately 901 square miles and is equivalent to a circle with a radius of 17 miles.

**Population:** The estimated 2000 population of the PMA was 242,628 and is expected to increase by 14% to approximately 276,018 by 2010. Within the primary market area there were estimated to be 31,318 elderly households in 2006.

<u>Total Primary Market Demand for Rental Units</u>: The Market Analyst calculated a total demand of 796 qualified households in the PMA, based on the current estimate of 30,455 households, the projected annual growth rate of 2.8%, renter households estimated at 25.0% of the population, income-qualified households

estimated at 16.7%, and an annual renter turnover rate of 35.0%. (p. 16). The Market Analyst used an income band of \$14,610 to \$25,440.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY						
	Market	Analyst	Under	writer		
Type of Demand	Units of	% of Total	Units of	% of Total		
	Demand	Demand	Demand	Demand		
Household Growth	54	7.0%	26	4.9%		
Resident Turnover	672	87.3%	457	86.7%		
Other Sources: below income band	44	5.7%	44	8.4%		
TOTAL ANNUAL DEMAND	770	100%	527	100%		

Ref: p. 45

<u>Inclusive Capture Rate</u>: The Market Analyst calculated an inclusive capture rate of 26% based upon 770 units of demand and 200 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 62.9% based upon a revised supply of unstabilized comparable affordable units of 326 divided by a revised demand of 527. Both the Underwriter and Market Analyst's estimates are less than the 100% capture rate allowed for developments targeting seniors.

<u>Market Rent Comparables</u>: "There are more than 100 comparable apartment complexes with more than 50 units in the Lubbock MSA, and eight of them are chosen as the most comparable data set to analyze." (p. 25).

	RENT ANALYSIS (net tenant-paid rents)											
Unit Type (% AMI) Proposed Program Max Differential Est. Market Differen												
1-Bedroom (60%)	\$487	\$493	-\$6	\$620	-\$133							
1-Bedroom (MR)	\$620	N/A		\$620	-\$0							
2-Bedroom/1BA (60%)	\$575	\$588	-\$13	\$725	-\$150							
2-Bedroom/1BA (MR)	\$725	N/A		\$725	-\$0							
2-Bedroom/2BA (60%)	\$581	\$588	-\$7	\$795	-\$214							
2-Bedroom/2BA (MR)	\$795	N/A		\$795	-\$0							

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

<u>Primary Market Occupancy Rates</u>: "The Lubbock Apartment Association's Occupancy Survey, June 2005 is the most recent report available as of the date of this market study. As of this survey, a total of 15,049 units were surveyed, and 12,602 units were occupied (83.74%). It should be noted that this survey is dated in the summer, which is traditionally the lowest occupancy period due to the number of college students that rent apartments in the local market." (p. 21)

**Absorption Projections:** "...new affordable rental housing in the primary and secondary market are leasing between 20 and 35 units per month... We project that the subject will be approximately 30% occupied (66 units) once construction is completed, and that it will take approximately seven months to lease up the remaining units and exceed a stabilized occupancy of 92.5%." (p. 51)

Known Planned Development: "The only planned complex is the 100 unit Elm Grove Senior Villas, which is planned for the far west side of town. It is to have 96 income restricted units. However, it was not awarded tax credits. It is on the 2005 waiting list and is listed as "not financially feasible." (p. 17). The only comparable listed as an elderly property used is Residences at Shadow Hills. This 2001 property has comparable rents to the subject. It is not clear when this property reached stabilized occupancy; therefore, all of its units were included in the inclusive capture rate.

**Effect on Existing Housing Stock:** "It is unlikely that development of the subject would have a detrimental effect on the occupancy and/ or rates of existing apartment properties in the primary market." (p. 52)

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are slightly lower than the maximum rents allowed under HTC guidelines. The Underwriter increased the restricted rents to the maximum HTC rents allowed. Market rents were set in the Application to the market maximums as determined by the Market analyst. The Applicant stated that the owner will pay hot water and heating in this project, and rents and expenses were calculated accordingly. The Applicant included significantly higher than typical secondary income and provided insufficient additional substantiation for their estimate. They provided similar related information for the Creekside Manor Senior Apartments which is simultaneously in the Underwriting process. As a result of the review and analysis for that transaction, the Underwriter has included secondary income of \$25.60 per unit, but as with Creekside and the Killeen market, the Lubbock market is relatively untested in the acceptance of secondary income from the garage, carport, washer and dryer, and cable servers claimed. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of these differences the Applicant's effective gross income estimate is \$64K greater than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$2,934 per unit is 16% lower than the Underwriter's database-derived estimate of \$3,489 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 (\$56K lower), payroll (\$24K lower), repairs and maintenance (\$24K lower), utilities (\$13K lower), water, sewer, and trash (\$33K lower), property tax (\$26K higher). The property will operate under a 50% property tax exemption since the general partner is a CHDO. The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. The Applicant submitted additional expense information as a part of the follow-up for Creekside Manor Apartments, and though not specifically targeted for this analysis, was considered in the Underwriter's expense estimate. Of particular note is the operating expense averages of a portfolio of six senior properties by another developer located throughout Texas. After adjustments were made for property taxes and reserve for replacements, the average operating expense for these six amounted to \$3,300. The largest remaining difference between these averages and the Underwriter's estimate was in utility expense (\$173 per unit difference) accounting for the Applicant's payment of water, heat and central air explains this difference.

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 primarily to the difference in expenses and secondary income, the Underwriter's estimated debt coverage ratio (DCR) of 1.00 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$655,359 by a reduction of the loan amount to act more than \$9,560 DCR or extension of the term.

			VALUATION PRAISED VAI	<u>information</u> .ue			
Land Only: 20.1	19 acres	\$1,400,000		Date of Valuation:	1/	14/	2006
Existing Building(s): "as is"		\$0		Date of Valuation:	1/	14/	2006
<b>Total Developm</b>	ent: "as is"	\$1,400,000		Date of Valuation:	1/	14/	2006
Appraiser: T	im Brennan, MAI	City:	Dallas	Phone:	(214)	720-	9898

An appraisal, provided by the purchaser, was performed by Jack Poe Company Incorporated, MAI and dated January 14, 2006. The appraisal provides three values: "as-is" land value, "as if stabilized at restricted rent" (as completed), and "as if stabilized at restricted rent with bond financing". The current "as-is" land value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the land.

		ASS	SESSED VALUE					
<b>Land:</b> (27.252) acres	\$1,127,742		Assessment for the Year of: 2005					
<b>Building:</b>	\$0		Valuation by: Lubbock Central Appraisal District				strict	
<b>Total Assessed Value:</b>	\$1,127,742		<b>Tax Rate:</b> 2.486%					
	EVIC	DENCE of SI	TE or PROPERTY CO	ONTROL				
Type of Site Control: Agreement for Purchase and Sale of Real Property (27 acres)								
<b>Contract Expiration Date:</b>	3/ 31/	2006	Anticipated Clos	3/	31/	2006		
Acquisition Cost:	\$1,038,615	The buyer (Ambling Land Cowill purchase the property an assign 21 acres of it to Outreat Housing Corporation					operty and to Outreach	
Seller: Paul L. Payne, Jand Trois M. Pay	•	e, Stephen R	Payne, Rela	ited to Deve	lopment '	Team Membe	r: No	

#### CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of \$1,300,000 (\$1.42/SF, \$61,905/acre, or \$5,909/unit) is substantiated by the appraisal value of \$1,400,000. The acquisition price is assumed to be reasonable, since the acquisition is an arm's-length transaction.

<u>Sitework Cost</u>: The Applicant claimed sitework costs of \$8,375 per unit without providing any specific justification regarding why these costs are so high. Three items included in direct construction costs were moved by the Underwriter to sitework, since that category was most appropriate for them: gates, water features, and retaining walls. The TDHCA acceptable range of sitework costs is \$4.5K to \$7.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$7.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate verify the need for such high sitework costs, a modification to the allocation of tax credits could be made.

<u>Direct Construction Cost</u>: The Applicant's adjusted direct construction cost estimate is \$332K or 4.1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Underwriter reduced the amount by \$75,000, since this amount is not eligible since the Applicant will rent garages and carports. This amount was moved to ineligible costs.

<u>Ineligible Costs</u>: The Applicant included \$75K in rentable garages and carports as an eligible cost, and the Underwriter moved these to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

<u>Interim Financing Fees:</u> The Underwriter reduced the Applicant's eligible interim financing fees by \$188,500 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.

<u>Fees:</u> The Applicant's contractor profit exceeds the maximums allowed by HTC guidelines by \$26K 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 \$31K 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. As a result, an eligible basis of \$17,839,393 is used to determine a possible credit allocation of \$635,082 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: Chase Contact: Ken L. Overshiner							
Tax-Exempt Amount:\$10,500,000Interest Rate:6.3% (previous rate used with previous lender (Collateral), base rate w/ Chase is currently 6.0%							
Additional Information:							
Amortization:   40   yrs   Term:   40   yrs   Commitment:   \infty   LOI   Firm   Conditional							
<b>Annual Payment:</b> \$715,352 <b>Lien Priority:</b> 1 <b>Date:</b> 3/ 6/ 2006							
TAX CREDIT SYNDICATION							
Source: WNC & Associates, Inc Contact: Michael J. Gaber							
Net Proceeds: \$5,783,447 Net Syndication Rate (per \$1.00 of 10-yr HTC) 93¢							
Commitment:							
Additional Information:							
APPLICANT EQUITY							
Amount:\$801,053Source:Deferred Developer Fee							
FINANCING STRUCTURE ANALYSIS							
<u>Interim to Permanent Bond Financing</u> : The tax-exempt bonds are to be issued by Lubbock HFC and purchased by Chase. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.							
<u>HTC Syndication</u> : The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.							
<u>Deferred Developer's Fees</u> : The Applicant's proposed deferred developer's fees of \$801,053 amount to 41% of the total fee available.							
Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the potential HTC allocation \$635,082 ten years annually, results in syndication proceeds of approximately \$5,906,266. This method compared to the gap of syndication proceeds method and the Applicant's requested amount, establishes that the HTC allocation should not exceed \$629,797 (the application amount) annually for ten years. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.00 is less than the TDHCA minimum standard of 1.10. A reduction in the debt amount to \$9,650,000 is anticipated. To compensate for the reduction in loan the Applicant's deferred developer fee will be increased to \$1,741,053, which amounts to approximately 88% of the total eligible developer fee and which should be repayable in more than 10 but less than 15 years. Should significant cost overruns occur, additional deferred developer fee may not be available to fund the resulting gap of sources of funds.							

# 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 is a single-purpose entity created for the purpose of receiving assistance from TDHCA, and therefore has no material financial statements.
- The General Partner, Outreach Housing Corporation, submitted an unaudited financial statement as of January 6, 2006, reporting total assets of \$11.1M and consisting of \$346K in cash, \$6.1M in receivables, \$4.6M in real property, and \$78K in office fixtures. Liabilities totaled \$285K, resulting in a net worth of \$10.8M
- Richard Shaw is designated as guarantor of the development and provides satisfactory financial statements.

<u>Background & Experience</u>: 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 operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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 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:		Date:	March 13, 2006
	Phillip Drake		
Director of Real Estate Analysis:		Date:	March 13, 2006
	Tom Gouris		-

#### MULTIFAMILY COMPARATIVE ANALYSIS

#### Hillcrest Manor Senior Community, Lubbock, 4% HTC #060402

Tune of the	Marinet	Do-1	HillC		Gross Daniel I	Not Dant man 11:22	Dont M	Don't man OF	Tot Dalite	Wet III III
Type of Unit	Number 36	Bedrooms 1	No. of Baths	Size in SF 700	Gross Rent Lmt. \$530	Net Rent per Unit \$493	Rent per Month \$17,748	Rent per SF \$0.70	\$37.00	\$89.00
MR	4	1	1	700	φ53U	620	2,480	0.89	37.00	89.00
TC 60%	137	2	1	820	636	588	80,556	0.72	48.00	103.00
MR	137	2	1	820	030	725	9,425	0.72	48.00	103.00
TC 60%	27	2	2	900	636	588	15,876	0.65	48.00	103.00
MR	3	2	2	900	030	795	2,385	0.88	48.00	103.00
IVIIX	J			300		755	2,000	0.00	40.00	100.00
TOTAL:	220		AVERAGE:	809	\$561	\$584	\$128,470	\$0.72	\$46.00	\$100.45
INCOME		Tatal Nat D		179.000		TDUCA	ADDITIONAL	C	estrellerie Denier	1
<u>INCOME</u> POTENTIA	I CPOSS		entable Sq Ft:	<u>178,000</u>		**TDHCA \$1,541,640	\$1,515,408	Com	ptroller's Region	
Secondary		IXLINI	D	er Unit Per Month:	\$25.60	67,584	162,720	\$61.64	IREM Region Per Unit Per Mont	
	ort Income:			si Oliit i el Molitil.	Ψ23.00	07,304	102,720	ψ01.04	r er omit r er wont	11
POTENTIA						\$1,609,224	\$1,678,128			
Vacancy &	Collection L	.oss	% of Potent	ial Gross Income:	-7.50%	(120,692)	(125,856)	-7.50%	of Potential Gross	Rent
Employee of	or Other No	n-Rental Un	its or Conces	sions		0				
EFFECTIV	E GROSS	INCOME				\$1,488,532	\$1,552,272			
EXPENSE:	<u>s</u>		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & A	Administrati	ve	5.73%	\$388	0.48	\$85,267	\$29,000	\$0.16	\$132	1.87%
Manageme	ent		4.50%	304	0.38	66,984	69,900	0.39	318	4.50%
Payroll & P	ayroll Tax		13.09%	886	1.10	194,920	170,500	0.96	775	10.98%
Repairs & N	Maintenance	e	5.40%	365	0.45	80,309	56,300	0.32	256	3.63%
Utilities			4.22%	286	0.35	62,850	50,000	0.28	227	3.22%
Water, Sew	ver, & Trash		5.66%	383	0.47	84,190	51,000	0.29	232	3.29%
Property In	surance		3.58%	242	0.30	53,297	55,000	0.31	250	3.54%
Property Ta	ax	2.486	5.51%	373	0.46	82,050	108,500	0.61	493	6.99%
Reserve for	r Replaceme	ents	2.96%	200	0.25	44,000	44,000	0.25	200	2.83%
Other: com	pl fees		0.92%	62	0.08	13,700	11,200	0.06	51	0.72%
TOTAL EX	PENSES		51.57%	\$3,489	\$4.31	\$767,567	\$645,400	\$3.63	\$2,934	41.58%
NET OPER	RATING IN	С	48.43%	\$3,277	\$4.05	\$720,966	\$906,872	\$5.09	\$4,122	58.42%
DEBT SER	RVICE									
First Lien Mo	ortgage		48.36%	\$3,272	\$4.04	\$719,798	\$715,352	\$4.02	\$3,252	46.08%
Additional Fi	inancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Fi	inancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH	I FLOW		0.08%	\$5	\$0.01	\$1,168	\$191,520	\$1.08	\$871	12.34%
AGGREGAT						1.00	1.27			
RECOMMEN	NDED DEBT	r COVERAG	GE RATIO			1.10				
CONSTRU	ICTION CO	<u>DST</u>				-				
Descr	ription_	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	Cost (site o	r bldg)	7.38%	\$5,909	\$7.30	\$1,300,000	\$1,300,000	\$7.30	\$5,909	7.61%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			9.37%	7,500	9.27	1,650,000	1,842,500	10.35	8,375	10.78%
Direct Cons	struction		45.77%	36,645	45.29	8,061,925	7,730,000	43.43	35,136	45.25%
Contingend	су	5.00%	2.76%	2,207	2.73	485,596	500,000	2.81	2,273	2.93%
General Re		5.87%	3.24%	2,591	3.20	570,000	570,000	3.20	2,591	3.34%
Contractor'	•	1.96%	1.08%	864	1.07	190,000	190,000	1.07	864	1.11%
Contractor'		6.00%	3.31%	2,649	3.27	582,716	600,000	3.37	2,727	3.51%
Indirect Co			2.61%	2,086	2.58	459,000	459,000	2.58	2,086	2.69%
Ineligible C			3.97%	3,175	3.92	698,561	361,500	2.03	1,643	2.12%
Developer's		3.71%	2.79%	2,237	2.76	492,111	500,000	2.81	2,273	2.93%
Developer's		11.29%	8.52%	6,818	8.43	1,500,000	1,500,000	8.43	6,818	8.78%
Interim Fina		20 / 0	7.28%	5,825	7.20	1,281,500	1,281,500	7.20	5,825	7.50%
Reserves	S. Ionig		1.93%	1,549	1.91	340,670	250,000	1.40	1,136	1.46%
TOTAL CO	ST		100.00%	\$80,055	\$98.94	\$17,612,079	\$17,084,500	\$95.98	\$77,657	100.00%
Recap-Hard		ion Costs	65.52%	\$52,456	\$64.83	\$11,540,237	\$11,432,500	\$64.23	\$51,966	66.92%
SOURCES				,	,- <del></del>	, ,,	, ,, •		/	
		<u>,,,</u>	E0 000/	¢ 47 707	Ø50.00	\$10,500,000	\$10,500,000	RECOMMENDED \$0.560.000	D	Foo Arrellett
First Lien Mo			59.62%	\$47,727	\$58.99		φτυ,ουυ,υυυ	\$9,560,000		Fee Available
Additional Fi	•		0.00%	\$0	\$0.00	5 702 447	F 700 447	5 792 447		58,896 5 Barrana I
•	ation Procee		32.84%	\$26,288	\$32.49	5,783,447	5,783,447	5,783,447		Fee Deferred
	veloper Fee		4.55%	\$3,641	\$4.50	801,053	801,053	1,741,053		8%
Additional (E	,	as Keq'd	3.00%	\$2,398	\$2.96	527,579 \$17,612,070	917 084 500	\$17.084.500	t	ative Cash Flow
TOTAL SO										

TCSheet Version Date 4/11/05tg

**TOTAL SOURCES** 

Page 1

\$17,612,079

\$17,084,500

\$2,504,032

\$17,084,500

#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Hillcrest Manor Senior Community, Lubbock, 4% HTC #060402

#### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 51.50	\$9,167,309
Adjustments				
Exterior Wall Finish	4.00%		\$2.06	\$366,692
Elderly/9-Ft. Ceilings	3.00%		1.55	275,019
Roofing			0.00	0
Subfloor			(2.24)	(398,720)
Floor Cover			2.00	356,000
Porches/Balconies	\$18.15	20240	2.06	367,356
Plumbing	\$680	90	0.34	61,200
Built-In Appliances	\$1,675	220	2.07	368,500
Stairs/Fireplaces			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			1.73	307,940
Garages	\$33.61	14,000	2.64	470,540
Comm &/or Aux Bldgs	\$61.63	6,600	2.29	406,742
Carports	\$8.90	12,000	0.60	106,800
SUBTOTAL			66.60	11,855,378
Current Cost Multiplier	1.01		0.67	118,554
Local Multiplier	0.87		(8.66)	(1,541,199)
TOTAL DIRECT CONSTRU	CTION COST	TS	\$58.61	\$10,432,732
Plans, specs, survy, bld prm	3.90%		(\$2.29)	(\$406,877)
Interim Construction Interes	3.38%		(1.98)	(352,105)
Contractor's OH & Profit	11.50%		(6.74)	(1,199,764)
NET DIRECT CONSTRUCT	ION COSTS		\$47.61	\$8,473,987

#### **PAYMENT COMPUTATION**

Primary	\$10,500,000	Amort	480
Int Rate	6.30%	DCR	1.00
Secondary	\$0	Amort	
Int Rate	t Rate 0.00%		1.00
Additional		Amort	
Int Rate	Int Rate		1.00

#### RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$655,359
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$65,607

Primary	\$9,560,000	Amort	480
Int Rate	6.30%	DCR	1.10

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

Additional	\$0	Amort	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	\$1,541,640	\$1,587,889	\$1,635,526	\$1,684,592	\$1,735,129	\$2,011,491	\$2,331,869	\$2,703,275	\$3,632,976
Secondary Income		67,584	69,612	71,700	73,851	76,066	88,182	102,227	118,509	159,266
Other Support Incom	ne:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS	INCOME	1,609,224	1,657,501	1,707,226	1,758,443	1,811,196	2,099,672	2,434,096	2,821,784	3,792,242
Vacancy & Collection	n Loss	(120,692)	(124,313)	(128,042)	(131,883)	(135,840)	(157,475)	(182,557)	(211,634)	(284,418)
Employee or Other N	Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS	INCOME	\$1,488,532	\$1,533,188	\$1,579,184	\$1,626,559	\$1,675,356	\$1,942,197	\$2,251,539	\$2,610,150	\$3,507,824
EXPENSES at	4.00%									
General & Administra	rative	\$85,267	\$88,678	\$92,225	\$95,914	\$99,751	\$121,362	\$147,656	\$179,646	\$265,919
Management		66,984	68,993	71,063	73,195	75,391	87,399	101,319	117,457	157,852
Payroll & Payroll Tax	х	194,920	202,717	210,825	219,258	228,029	277,432	337,538	410,667	607,888
Repairs & Maintenar	nce	80,309	83,521	86,862	90,336	93,950	114,304	139,069	169,198	250,455
Utilities		62,850	65,364	67,979	70,698	73,526	89,455	108,836	132,415	196,007
Water, Sewer & Tras	sh	84,190	87,558	91,060	94,702	98,490	119,829	145,790	177,376	262,559
Insurance		53,297	55,429	57,646	59,951	62,350	75,858	92,293	112,288	166,214
Property Tax		82,050	85,332	88,745	92,295	95,987	116,783	142,084	172,867	255,885
Reserve for Replace	ements	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Other		13,700	14,248	14,818	15,411	16,027	19,499	23,724	28,864	42,726
TOTAL EXPENSES		\$767,567	\$797,599	\$828,813	\$861,255	\$894,974	\$1,084,546	\$1,314,502	\$1,593,479	\$2,342,725
NET OPERATING IN	COME	\$720,966	\$735,589	\$750,370	\$765,304	\$780,382	\$857,650	\$937,037	\$1,016,672	\$1,165,099
DEBT SERVIO	CE									
First Lien Financing		\$655,359	\$655,359	\$655,359	\$655,359	\$655,359	\$655,359	\$655,359	\$655,359	\$655,359
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		\$65,607	\$80,230	\$95,012	\$109,945	\$125,024	\$202,292	\$281,678	\$361,313	\$509,740
DEBT COVERAGE R	RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.43	1.55	1.78

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	\$1,300,000	\$1,300,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,842,500	\$1,650,000	\$1,842,500	\$1,650,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,730,000	\$8,061,925	\$7,730,000	\$8,061,925
(4) Contractor Fees & General Requirements				
Contractor overhead	\$190,000	\$190,000	\$190,000	\$190,000
Contractor profit	\$600,000	\$582,716	\$574,350	\$582,716
General requirements	\$570,000	\$570,000	\$570,000	\$570,000
(5) Contingencies	\$500,000	\$485,596	\$478,625	\$485,596
(6) Eligible Indirect Fees	\$459,000	\$459,000	\$459,000	\$459,000
(7) Eligible Financing Fees	\$1,281,500	\$1,281,500	\$1,281,500	\$1,281,500
(8) All Ineligible Costs	\$361,500	\$698,561		
(9) Developer Fees			\$1,968,896	
Developer overhead	\$500,000	\$492,111		\$492,111
Developer fee	\$1,500,000	\$1,500,000		\$1,500,000
(10) Development Reserves	\$250,000	\$340,670		
TOTAL DEVELOPMENT COSTS	\$17,084,500	\$17,612,079	\$15,094,871	\$15,272,848

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	\$15,094,87	71 \$15,272,848
High Cost Area Adjustment	130	0% 130%
TOTAL ADJUSTED BASIS	\$19,623,33	33 \$19,854,702
Applicable Fraction	9	1% 91%
TOTAL QUALIFIED BASIS	\$17,839,39	93 \$18,049,729
Applicable Percentage	3.50	6% 3.56%
TOTAL AMOUNT OF TAX CREDITS	\$635,08	82 \$642,570

 Syndication Proceeds
 0.9300
 \$5,906,266
 \$5,975,904

 Total Credits (Eligible Basis Method)
 \$635,082
 \$642,570

Syndication Proceeds \$5,906,266 \$5,975,904

Requested Credits \$629,797
Syndication Proceeds \$5,857,112

Gap of Syndication Proceeds Needed \$7,524,500

Credit Amount \$809,086



## Hillcrest Manor Senior Community Petersburg 93016-Bentwood 91008-Ideiou Menor 97058-Windcrest Estacado (fixa Estacado Village Kitalou 01032-Cantibury Pointe Subject: 060402 Hillcrest Manor Serior Community 04057-Stone Hollow Village 96042-Windcrest Village 02022-Castle Garden Apartments 00138-Residences at Shadow Hills 04088-South Plains Apartments Wootrow Southland Scale 1: 275,000 © 2003 DeLorme. Street Atlas USA® 2004 Plus. MN (7.5°E) www.delorme.com 1" = 4.34 mi Data Zoom 9-5

## **Applicant Evaluation**

Project ID # 060402 Name:	Hill Crest Manor Senior Comm	nunit City: Lubbock
LIHTC 9% ☐ LIHTC 4% ✓	HOME □ BOND □ HTF □	SECO ☐ ESGP ☐ Other ☐
☐ No Previous Participation in Texas	Members of the develo	pment team have been disbarred by HUD
Two Frevious Farticipation in Texas	incliners of the develo	price team have been disbarred by 11eB
National Previous Participation Co	ertification Received:	$\square_{\mathrm{Yes}}$ $\bigvee_{\mathrm{No}}$
Noncompliance Reported on Nation	onal Previous Participation Certification:	□ Yes □ No
	Portfolio Management and Compliance	2
	Projects in Material Noncompliance	
Total # of Projects monitored:4	Yes No V	# in noncompliance: 0
Projects zero to nine: 4		Projects not reported Yes ☐ 4 in application No ✓
grouped ten to nineteen: 0 by score	# monitored with a score less than thirty:	
twenty to twenty-nine: 0	# not yet monitored or pending review:	6 # of projects not reported 0
Portfolio Monitoring	Single Audit	<b>Contract Administration</b>
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Issues found regarding late cert	Unresolved issues found
Unresolved issues found that warrant disqualification	Issues found regarding late audit	Unresolved issues found that warrant disqualification
(Comments attached)	Unresolved issues found that warrant disqualification	(Comments attached)
	(Comments attached)	
Daniana dha Datairia Manada		D-4- 2/6/2006
Reviewed by Patricia Murphy	· · · · · · · · · · · · · · · · · · ·	Date 3/6/2006
Reviewed by Patricia Murphy  Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis
Multifamily Finance Production		Real Estate Analysis (Cost Certification and Workout)
Multifamily Finance Production  Not applicable	Not applicable	Real Estate Analysis (Cost Certification and Workout)  Not applicable
Multifamily Finance Production		Real Estate Analysis (Cost Certification and Workout)
Multifamily Finance Production  Not applicable Review pending	Not applicable  Review pending	Real Estate Analysis (Cost Certification and Workout)  Not applicable  Review pending
Multifamily Finance Production  Not applicable Review pending No unresolved issues	Not applicable  Review pending  No unresolved issues	Real Estate Analysis (Cost Certification and Workout)  Not applicable  Review pending  No unresolved issues
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found	Not applicable  Review pending  No unresolved issues  Unresolved issues found	Real Estate Analysis (Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification	Real Estate Analysis (Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification
Multifamily Finance Production  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)	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)
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Sandy M. Garcia	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
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin Date 3/8/2006  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Sandy M. Garcia Date 3 /6 /2006  Office of Colonia Initiatives	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  Financial Administration
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin Date 3/8/2006  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Sandy M. Garcia Date 3/6/2006  Office of Colonia Initiatives  Not applicable	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  Financial Administration
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin Date 3/8/2006  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Sandy M. Garcia Date 3 /6 /2006  Office of Colonia Initiatives	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  Financial Administration
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin Date 3/8/2006  Community Affairs  No relationship Review pending	Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer Sandy M. Garcia Date 3 /6 /2006  Office of Colonia Initiatives  Not applicable Review pending	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  Financial Administration
Multifamily Finance Production  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer A. Martin Date 3/8/2006  Community Affairs  No relationship Review pending No unresolved issues	Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer Sandy M. Garcia Date 3/6/2006  Office of Colonia Initiatives  Not applicable Review pending No unresolved issues	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  Financial Administration
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Acting Executive Director William Dally Executed: hursday, March 09, 2006

Financial Administration													
Contract/Project ID 060402	Name Hill Crest Mano	r Senior Co	mmunity										
City Lubbock	City Lubbock Region												
☐ review found no unresolved issue ✓ review found unresolved issue													
Comments	Comments												
Property #93101 The Meadows has an outstanding compliance invoice of \$2,280.00 due 12/01/2005. Property #2455 Sanger Trails has 2 outstanding compliance invoices of \$10,400.00 due 03/01/2005 and \$5,200.00 due 070/01/2005.													
Applicants													
Developer/Applicant	Role	Disbarred	No Pre-Cert										
OHC/Hillcrest Ltd.	Applicant Name												
Noel Project Development LLC	Special Limited Partner (.005												
Outreach Housing Corporation	21% Ownership/General Par												
Richard Ruschman	President												
Berri McBride	Director												
Frank Seelye	Director												
Nicholas Scheidt	Director												
Colonial Communities, Inc.	79% Ownership												
Richard Shaw	39.5% Member												

David Turek		39.5% Member		
Completed by	Melissa M. Whitehead	t	Completed on	3/6/2006

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Sea Breeze Senior Apartments.

#### **Summary of the Transaction**

The application was received on February 3, 2006. The Issuer for this transaction is Sea Breeze (a public facility corporation). The development is to be located at 5751 I-37 Access in Corpus Christi. Demographics for the census tract include AMFI of \$30,321; the total population is 3983; the percent of population that is minority is 67.29%; the percent of population that is below the poverty line is 30.03%; the number of owner occupied units is 819; the number of renter units is 504 and the number of vacant units is 153. The percent of population that is minority for the entire City of Corpus Christi is 61% (Census information from FFIEC Geocoding for 2005). The development is new construction and will consist of 200 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 in support from US Congressman Solomon P. Ortiz and no letters in opposition. The bond priority for this transaction is:

Priority 1A:	Set aside <b>50%</b> of units that cap rents at 30% of <b>50%</b> AMFI <b>and</b> Set aside <b>50%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
Priority 1B:	Set aside <b>15%</b> of units that cap rents at 30% of <b>30%</b> AMFI <b>and</b> Set aside <b>85%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
Priority 1C:	Set aside <b>100%</b> of units that cap rents at 30% of <b>60%</b> AMFI (Only for projects located in a <b>census tract with median income that is greater</b> 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 <b>100%</b> of units that cap rents at 30% of <b>60%</b> AMFI (MUST receive 4% Housing Tax Credits)
<b>Priority 3:</b>	Any qualified residential rental development.

#### Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Sea Breeze Senior Apartments.



March 20, 2006

## Development Information, Public Input and Board Summary

## Sea Breeze Senior Apartments, TDHCA Number 060405

		<u>BASI</u>	C DEVELO	<u>PMENT INFORMA</u>	<u>NOITA</u>				
Site Address:	5751 I 37 Access F	Road			Developm	ent #:		060405	
City:	Corpus Christi	I	Region:	10	Population Se	erved:		Elderly	
County:	Nueces	Z	Zip Code:	78408	Alloc	cation:			
HTC Set Aside	es: 🗌 At-Risk 🔲 N	lonprofit	USDA	$\square$ Rural Rescue	HTC Purpose/A	ctivity:		NC	
HOME Set Asi	ides: CHDO	☐ Prese	rvation	General					
Bond Issuer:	Sea Breeze HTC Purpose/Activity:	NC=New Cons	truction, ACQ=	Orp.  Acquisition, R=Rehabilita Rehabilitation, ACQ/R=Ac	tion, NC/ACQ=New Cons	struction and on	Acquis	ition,	
				DEVELOPMENT					
Owner:		Sea Breez	ze Seniors	, LP					
		Richard F	ranco - Ph	one: (361) 889-33	349				
Developer:		Sea Breez	ze Seniors	, LP					
Housing Gene	eral Contractor:	Cook Con	struction						
Architect: MSA Architects, LLC									
Market Analys	st:	The Siege	el Group						
Syndicator:	Syndicator: Equity Fund Sponsored by PNC Bank								
Supportive Se	Supportive Services: Corpus Christi Housing Authority								
Consultant:		Madhouse	e Developi	ment Services					
		<u>U</u>	NIT/BUILD	ING INFORMATIO	<u>ON</u>				
<u>30</u>	<u>% 40% 50% 60</u>	<u>%</u> 65%	<u>80%</u>	Total Rest	ricted Units:			200	
C	0 0 20	0 0	0	Market Rat	te Units:			0	
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	3 BR 4 B	<u>R</u>	Owner/Em	ployee Units:			0	
	0 100 100	0 0		Total Deve	elopment Units:			200	
Type of Buildin	g:	Four	plex	Total Deve	elopment Cost:		\$15	,541,732	
Number of Res	idential Buildings:		50						
	Note:	If Development		Underwriting Report has n	not been completed.				
				S INFORMATION					
			Applican Reques	•		ort Term	<u>1</u>	Rate	
9% Housin	g Tax Credits-Credit	Ceiling:			\$0	0	0	0.00%	
4% Housin	g Tax Credits with B	onds:	\$612,57	1 \$612,	,571	0	0	0.00%	
Housing Tr	ust Fund Loan Amo	unt:	\$0	0	\$0	0	0	0.00%	
HOME Fur	nd Loan Amount:		\$0	0	\$0	0	0	0.00%	
Bond Alloc	ation Amount:		\$(	0	\$0	0	0	0.00%	



March 20, 2006

## Development Information, Public Input and Board Summary Sea Breeze Senior Apartments, TDHCA Number 060405

PUBLIC COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment
State/Federal Officials with Jurisdiction:
TX Senator: Hinojosa, District 20 NC Points: 0 US Representative: Ortiz, District 27, S
TX Representative: Herrero, District 34 NC Points: 0 US Senator: NC
Local Officials and Other Public Officials:
Mayor/Judge: Henry Garrett, Mayor, City of Corpus Resolution of Support from Local Government Christi - NC
Jonathan Wagner, Community Development Administrator, City of Corpus Christi -The proposed activities in the application are consistent with the jurisdiction's current, approved Consolidated Plan.
Individuals/Businesses: In Support: 0 In Opposition: 0
Neighborhood Input:

#### **General Summary of Comment:**

The Department has received one letter in support from US Congressman Solomon P. Ortiz and no letters in opposition.

#### **CONDITIONS OF COMMITMENT**

- 1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review and acceptance prior to construction commencement of a comprehensive noise study and evidence of implementation of the recommendations of the noise study.
- 3. Receipt, review and acceptance of an updated commitment to purchase the bonds.
- 4. Receipt, review and acceptance at closing of a firm commitment for \$150,000 from Corpus Christi Community Improvement Corporation with terms
- 5. Receipt, review and acceptance of documentation verifying the existence of this portion of Skyline Drive is a condition of this report. If the street does not exist, an explanation including identification of the party responsible for construction of the street and documentation of the related cost must be provided.
- 6. Receipt, review and acceptance of a 2005 audited financial statement for the Corpus Christi Housing Authority.
- 7. Should the terms and rates of the proposed debt debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.



March 20, 2006

## Development Information, Public Input and Board Summary Sea Breeze Senior Apartments, TDHCA Number 060405

RECOMMENDATION BY THE EXECU	TIVE AWARD AND REVIEW ADVISOR	RA COMMITTEE IS BY	ASED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	:	Credit Amount:	\$612,571
Recommendation: Recommend approval of a Ho conditions.	using Tax Credit Allocation not to exceed \$	612,571 annually for te	n years, subject to
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation:			

**DATE**: March 10, 2006 **PROGRAM**: 4% HTC **FILE NUMBER**: 060405

			DE	VELOPMEI	NT N	AME						
			Sea Bree	eze Senio	rs Ap	partment	ts					
				APPLICA	ANT							
Name:	Sea Breez	ze Seniors	LP	Тур	e:	For-prof	it contro	lled by	y nonpro	ofit		
Address:	3701 Aye	ers Street		City	y:	Corpus	s Christi			Stat	te:	TX
Zip:	78415	Contact:	Richard J Franco	Pho	ne:	(361)	889-3	349	Fax:	(361)	_8	389-3326
			PRINCIPALS of th	e APPLICA	NT/ k	(EY PARTI	CIPANTS	5				
Name:	Sea Breez	ze GP, LLC			(%):	0.01	Title:	Man	aging G	eneral	Part	ner
Name:	Bluebonn	et Gardens	1		(%):	N/A	Title:	Non	profit ov	wner of	MC	3P
Name:	Corpus Christi Housing Authority				(%):	N/A	Title:	Parent of Bluebonnet Partners				artners
Name:					(%):	N/A	Title:	tle: Housing Consultant				
			PRO	OPERTY LC	CAT	ION						
<b>Location:</b>	5751 I-37	7 Access R	oad						QC	T		DDA
City:	Corpus C	Christi		County:	_	Nueces				Zip:	_78	8408
				REQUE	EST							
<u>A</u>	<u>Amount</u>		<b>Interest Rate</b>		4	Amortizati	<u>ion</u>			<u>Teri</u>	<u>n</u>	
\$6	12,571*		N/A			N/A				N/A	A	
Other Requ	ested Term	Annua	al ten-year allocation	of housing to	ax cre	dits; *reque	est change	ed on 3	/7/2006 f	rom \$61	14.14	15
Proposed U	se of Funds	: New	construction	Pro	perty	Type:	Mu	ıltifam	ily			
Special Pur	pose (s):	Elderly, U	Urban/Exurban									

#### RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$612,571ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

#### CONDITIONS

- 1. Receipt, review and acceptance prior to construction commencement of a comprehensive noise study and evidence of implementation of the recommendations of the noise study.
- 2. Receipt, review and acceptance of an updated commitment to purchase the bonds.

 $\boxtimes$ 

- 3. Receipt, review and acceptance at closing of a firm commitment for \$150,000 from Corpus Christi Community Improvement Corporation with terms.
- 4. Receipt review and acceptance of documentation verifying the existence of this portion of Skyline Drive is a condition of this report. If the street does not exist, an explanation including identification of the party responsible for construction of the street and documentation of the related cost must be provided.
- 5. Receipt, review and acceptance of a 2005 audited financial statement for the Corpus Christi Housing Authority.

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

#### **REVIEW of PREVIOUS UNDERWRITING REPORTS**

Sea Breeze Senior Apartments was submitted and underwritten in the 2005 MRB with 4% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- 1. Receipt, review, and acceptance of documentation by cost certification confirming that the Applicant complied with all recommendations of the Phase I ESA.
- 2. Receipt, review and acceptance of an executed lease agreement for the subject property between CCHA and the Applicant is a condition of this report.
- 3. Receipt review and acceptance of documentation verifying the existence of this portion of Skyline Drive is a condition of this report. If the street does not exist, an explanation including identification of the party responsible for construction of the street and documentation of the related cost must be provided.
- 4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit/allocation amount may be warranted.

The project was approved for an allocation of \$585,999 in annual tax credits, but failed to close on the bonds.

	DEVELOPMENT SPECIFICATIONS																
	IMPROVEMENTS																
Total Units:	<u>200</u>	# Re		<u>50</u>	# Non-Res. Buildings	1	# of Floors	1	Age:	N/A	yrs Vac	cant	N/A	at	/	/	
Net Re	ntable	SF:	167,2	00	Av Un SF:	-	836	Comn	on Area	a SF:	3,978	_ G	ross Blo	lg SF:		71,178	
							STRUC	URAL I	MATERI	ALS							

The structure will be wood frame on concrete slab. According to the plans provided in the application the exterior will be comprised of 100% masonry veneer. 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 carpet, ceramic tile and resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fax in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: microwave, an ice maker in the refrigerator, a self-cleaning oven, laundry connections, a ceiling fixture in each room, a phone jack ineach room, individual water heater, and eight-foot ceilings.

#### **ONSITE AMENITIES**

In order to meet threshold criteria for total units of 200 or more, the Applicant has elected to provide a service coordinators office in addition to the leasing offices, a furnished community room, a library separate from the community room, a senior activity room, community laundry room, an equipped business center or computer learning center, a furnished fitness center, an enclosed sun porch or covered community porch, public telephone(s) available to tenants 24 hours a day, an accessible walking path, community gardens, a gazebo with sitting area, horseshoes, and shuffleboard.

	3130311303, 4	5116111	· · · · · · · · · · · · · · · · · · ·					
<b>Uncovered Parking:</b>	190	spaces	Carports:	0	spaces	Garages:	0	spaces
		PROPOS.	AL and DEVEL	OPMENT PI	AN DESCRIPT	ION		

**<u>Description</u>**: Sea Breeze Seniors is a +9-unit per acre new construction development of affordable housing located in Corpus Christi. The development is comprised of 50 evenly distributed fourplex residential buildings.

<u>Architectural Review</u>: The building and unit plans appear to be of sufficient size and are comparable to other modern apartment developments. Acceptable access and storage space are planned. The elevations reflect

simple one-story buildings.

					SITE ISSUES						
	SITE DESCRIPTION										
Size:	21.36	acres	930,442	square feet	Flood Zone Designation:	Zone C					
Zoning	: B4/Ret	tail & Multi	family	_							

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: The proposed site is located in north Corpus Christi. Specifically, the site is located on the south side of Interstate Highway 37, between the Corn Products Road exit and the Lantana Street exit.

Adjacent Land Uses: According to the Market Analyst, "The proposed Sea Breeze Senior Apartments will be located in a neighborhood that includes industrial and commercial development, with small areas of interior development of single family residences and mobile homes." According to the submitted Phase I ESA, "The subject property is located in an area of Corpus Christi that has been developed as a commercial corridor into the city. Many businesses in the area support the large petroleum-refining district located along the Port of Corpus Christi...Even though extensive heavy industry is nearby, the subject property and much of the immediate surrounding acreage has been developed as residential since the 1940's. The nearest refinery (or portion of it), CITGO Refining and Chemical is about three quarters of a mile to the northwest."

- **North:** IH-37 immediately adjacent and single family residential neighborhood, 44-unit Section 8 development, two churches and a school beyond;
- **South:** Skylark Drive and platted lots for manufactured homes immediately adjacent and mobile home development, single family residential, churches, elementary school and light industrial beyond;
- **East:** Motel 6 immediately adjacent and Airport Inn and Suites, Lantana Street, and single family residential beyond; and
- ∉ West: north-south (9) pipeline easement immediately adjacent and Corn Products Road, motel and entrances to industrial plants beyond.

<u>Site Access</u>: Access to the property appears to be directly from an extension of Skyline Drive via Lantana Street. Access to Interstate Highway 37 is adjacent, which provides connections to all other major roads serving the area.

<u>Public Transportation</u>: Public transportation to the area is provided by the Corpus Christi Regional Transportation Authority. The nearest stop is located 0.5 miles south of the subject at Leopard and Lantana.

**Shopping & Services:** The closest hospital is located 3.1 miles southeast of the subject. Nine senior centers are located throughout the City with Zavala Senior Center only 2.6 miles south of the proposed site. Services including grocery and drug stores, retail shops, fast food chains and banks are within 2.5 miles.

<u>Special Adverse Site Characteristics</u>: The following issues have been identified as potentially bearing on the viability of the site for the proposed development: Eight pipelines occupy a common easement on the west side of the property. However, a single high-pressure gas transmission line appears to exit the marked pipeline easement and transects the northwest corner of Lot 1 Block 4. Under the scope of work for this report, SEM cannot verify the easement boundaries at this time, but a survey stake observed at the northwest property corner would suggest the gas line is interior to the property.

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on February 21, 2006 and found the location to be acceptable for the proposed development.

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment (ESA) report dated February 2005 was prepared by Southern Ecology Management, Inc. and submitted with an application to TDHCA for the same site in 2005 (TDHCA #05404).

The ESA was performed generally under ASTM E 1527, "Standard Practice for Environmental Site Assessments: Phase 1 Environmental Site Assessment Process," ASTM International. The scope of the standard includes petroleum products "because they are of concern with respect to many parcels of

commercial real estate and current custom and usage is to include an inquiry into the presence of petroleum products when doing an environmental site assessment of commercial real estate." The goal of the standard is to identify Recognized Environmental Conditions which is defined as "the presence or likely presence of Hazardous Substances or petroleum products on a property under conditions that indicate an existing release, past release, or a material threat of release of any Hazardous Substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property." Hazardous Substance is defined to include "any hazardous air pollutant listed under section 112 of the Clean Air Act (42 USC 7412)." (For referenced ASTM standards, visit the ASTM website, www.astm.org.) However, it does not appear likely that the level of Hazardous Substances in the air is part of the scope of a Phase I ESA.

#### **Findings**:

- **Pipeline Easement:** "A pipeline easement adjoins the property boundary. In this easement, there are nine (9) buried pipelines...The El Paso high-pressure gas transmission line appears to exit the marked pipeline easement and transects the northwest corner of Lot 1 Block 4. SEM cannot verify (by survey) the easement boundaries at this time, but a survey stake observed at the northwest property corner would suggest the gas line is interior to the property boundary" (p. 10).
- ∠ Leaking Underground Storage Tank (LUST): "Four sites are listed on the database for the common reason that they all have leaking underground storage tanks. They are: Times Market No. 18; the former B&P Rental, currently Dix Fairway Terminals, LLC; the former Coastal No. 3056, currently Circle K No. 7056...and the former Maverick Market, currently the site of Acetylene Oxygen Company (AOC)" (p. 6). "However, all of these sites are too distant for migration of contaminated groundwater to impact the subject property" (p. 9).
- Miscellaneous Debris and Equipment: "There is approximately 12 to 15 cubic yards of broken concrete...wooden pallets, large plastic water pipe, and steel pipes" (p. 9). "An apparently inoperative 'oiler' truck is parked near the east property line. The tank on the truck held tar, or 'tack coat' for road construction. No attempt was made to determine if the tank had any contents. In addition to the truck, a 6-foot diameter shredder and a set of two-row disks remain at the site" (pp. 9-10).
- **Storage Container:** "Although no hazardous materials were seen onsite, it should be noted that a cargo box (approximately 6 ft. by 18 ft.) from a commercial truck is located on the subject property and appears to have recently been used as a storage building. The content of this storage 'shed' is unknown and unidentified" (p. 9).

**Recommendations:** "...the truck [that appears to have held tar] should be removed from the property so that fuel, oil or antifreeze does not eventually contaminate the soil. None of the RCRA sites from EDR's radius search impact the subject property in any manner. Surface or groundwater migration of contaminants known to exist at several refineries will not impact the subject property. However, it is reasonable to expect that regulated air emissions, at times, could be a cause of annoyance to people. [In the case of the high-pressure gas transmission line] SEM can only suggest confirmation of the line's location against construction plans in that area of the property" (p. 12). "The overall assessment of the property indicates there are no significant environmental concerns" (p. 1).

It appears from the site inspection conducted by TDHCA staff in 2005 that a noticeable odor is apparent in the area. As stated above, the standards to which the Phase I ESA was performed may not encompass hazardous

air pollutants unless it is found from testing that the normally airborne contaminant has affected the ground, groundwater or surface water found on the property. No testing is conducted for air quality. However, current program rules do not require testing of air quality. The unresolved issues from the Phase I ESA (Pipeline easement, Debris and Equipment and the Storage Container) appear to be easily addressed or mitigated by the Developer during the construction period. Therefore, receipt, review and acceptance of documentation confirming that the Applicant complied with all recommendations of the submitted Phase I ESA was a condition of the underwriting recommendations for the development (TDHCA #05404) in 2005.

The Texas Commission on Environmental Quality was contacted by TDHCA staff in 2005 to research possible air quality issues associated with close proximity to operating oil refineries identified by the TDHCA Inspector. Vincent Leopold, a TCEQ toxicologist familiar with the subject area, has reviewed up to seven years of volatile organic compound (VOC) data from air monitoring stations in the general area. Concentrations of VOCs were acceptable. Concentrations of sulfur compounds at monitoring sites available in 2004 and through March 2005 were reviewed. Sulfur dioxide levels were acceptable. The concentration of hydrogen sulfide exceeded the acceptable level during part of one day at one monitoring site in 2004. At two monitoring stations that began operating on November 29, 2004 and December 1, 2004, respectively, hydrogen sulfide concentrations exceeded acceptable levels during part of two days in January 2005. These monitoring sites appear to be closer to and more predominantly downwind of industrial sources than is the proposed building site.

A Phase I Environmental Site Assessment (ESA) report dated February 2006 was prepared by Southern Ecology Management, Inc. and submitted with the current application to TDHCA.

#### **Findings**:

- ∉ "A high-pressure gas pipeline crosses the northwest corner of the subject property. It is buried and presumably installed under conventional safety specifications for such pipelines."
- ∉ "A potential concern is created by the noise levels originating from the nearby Interstate Highway 37. Noise abatement techniques may have to be implemented. Aircraft noise does not appear to be a concern."
- ∉ "Air emissions in the Corpus Christi area are not officially considered an environmental problem. However, due the proximity of the subject property to the refineries, unfavorable odors will occur from time to time."
- € "CITGO Refining and Chemical, West Plant is listed as a RCRA corrective action activity site (CORRACTS)... CITGO's contaminated groundwater does not impact the subject site. This is due to the location of the refineries on or below the "bluff" above Nueces Bay and the Port of Corpus Christi where groundwater gradient is toward the bay, directly away from the subject site."
- € "Four sites are listed on the database for the common reason that they all have leaking underground storage tanks (LTANKS). They are: Times Market No. 18; the former B&P Rental, currently Dix Fairway Terminals, L.L.C; the former Coastal No. 3056, currently Circle K No. 7056, and selling CITGO fuel; and the former Maverick Market, currently the site of Acetylene Oxygen Company (AOC)." The ESA indicates none of these sites are an environmental concern to the property.
- ∉ There are three (3) manholes to the city sanitary sewer system along the north property boundary. An additional manhole is located near the central interior of the property.
- ∉ Along the southern property line, new natural gas lines have been installed to service the recently constructed mobile home lots on Skylark Drive.

Conclusion: "The property appears to have been well maintained from the time that it was a working pasture. Improvements have been made (by State and city entities) such as engineered drainage, in part to accommodate the construction of IH-37. There were no areas where stained soil or stressed vegetation was observed, which might indicate surface (or subsurface) contamination. None of the listed RCRA sites from EDR's radius search impact the subject property in any manner. Surface or groundwater migration of contaminants known to exist at several refineries will not impact the subject property due to distance from the subject site and to overall groundwater migration northward toward Nueces Bay. There are no recognized environmental conditions on the subject property with the exception of following concerns.

∉ It is reasonable to expect that regulated air emissions from the refineries, at times, could be a cause of

annoyance to people even though the Corpus Christi area is officially an "attainment" zone.

- ∉ There are potentially high noise levels originating from Interstate Highway 37. Noise abatement techniques may have to be implemented.
- ∉ A high-pressure gas transmission line angles away from a common easement (in a NNE direction onto the subject property) as shown on a survey by Naismith Engineering, Inc."

Receipt, review and acceptance prior to construction commencement of a comprehensive noise study and evidence of implementation of the recommendations of the noise study is a condition of this report.

#### **POPULATIONS TARGETED**

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. To qualify as a Priority 2 Private Activity Bond allocation for a Qualified Residential Rental Project, the Applicant has elected to set-aside 100% of the units with rent and income restrictions at 60% of area median family income (§ 1372.0321). As a condition of permanent financing to be provided by the Corpus Christi Housing Authority, 20 of the units will also be considered replacement public housing with tenants paying only 30% of their monthly income for rent.

MAXIMUM ELIGIBLE INCOMES											
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons					
60% of AMI	\$19,740	\$22,560	\$25,380	\$28,200	\$30,480	\$32,700					

#### **MARKET HIGHLIGHTS**

A market feasibility study dated February 8, 2006 was prepared by The Siegel Group ("TSG" or "Market Analyst") and highlighted the following findings:

<u>Definition of Primary Market Area (PMA)</u>: "The Primary Market Area (PMA) is defined as a Highway 357 to the South; Airline Road to the East; Ocean Drive to the Northeast and Up River Road to the North. The major arteries in the Primary Market Area are Interstate Highway 37 and South Padre Island Drive (SPID). The PMA was selected as the primary area from which tenants will be drawn based on interviews with local officials and the number of commuters in the community. As with many senior housing developments, the PMA is slightly larger than would be typical of family-oriented developments in the area. The furtherist point from the subject is 8.5 miles" (p. 4). This area encompasses approximately 57 square miles, equivalent to a circle with a four-mile radius.

"The Secondary Market Area is defined as the entire City of Corpus Christi. According to managers at senior properties in the City, the tenant base is drawn from all over the city and region...It is anticipated that approximately 30% of the tenants will originate from this area. The Secondary Market Area was derived from interviews with local property manager" (p. 4).

**Population:** "The senior (55 and older) population for the PMA is estimated at 36,084. During the period of 2005 to 2010 the senior population is projected to increase to 39,575 or 1.9% annually" (p. 5). The number of senior households in 2005 was estimated at 22,156 and is expected to increase to 23,998 by 2010.

Total Primary Market Demand for Rental Units: The Market Analyst utilized a household size-appropriate adjustment rate of 80% (p. 61). The Analyst's income band of \$15,840 to \$25,380 (p. 61) results in an income eligible adjustment rate of 14.6% (p. 61). The tenure appropriate adjustment rate of 40% is specific to the general population (p. 34). The Market Analyst indicates a turnover rate of 62% applies based on IREM data (p. 61); however, the Analyst failed to indicate the year and location the IREM data used was collected.

In addition, the Market Analyst calculated 1,816 units of demand from the Target, Size-Appropriate, Income-Eligible Renter Households in the Secondary Market, but included only 38 units of demand in the subject's demand analysis (p. 62).

ANNUAL TARGETED INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY								
	Market	Analyst	Underwriter					
Type of Domand	Units of	% of Total	Units of	% of Total				
Type of Demand	Demand	Demand	Demand	Demand				
Household Growth	22	13%	14	4%				
Resident Turnover	818	64%	362	96%				
Other Sources: Secondary Market	38	23%	N/A	N/A				
TOTAL ANNUAL DEMAND	878	100%	376	100%				

Ref: p. 62

<u>Inclusive Capture Rate</u>: "There are no unstabilized comparable units in the PMA; therefore, the *Inclusive Capture Rate* is identical to the *Simple Capture Rate* at 30%" (p. 62).

The Underwriter calculated an inclusive capture rate of 53% based upon a revised demand of 376 (based on a renter percentage for householder age 55+ at 24.3% and a turnover rate of 57.6%). A capture rate of up to 100% is acceptable for a development targeting senior households.

<u>Market Rent Comparables</u>: The Market Analyst surveyed ten comparable apartment projects totaling 2,114 units; however, only nine were included in the rent analysis.

RENT ANALYSIS (net tenant-paid rents)							
Unit Type (% AMI) Proposed Program Max Differential Est. Market Differential							
1-Bedroom (60%)	\$480	\$480	\$0	\$735	-\$255		
2-Bedroom (60%)	\$573	\$573	\$0	\$917	-\$344		

(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)

<u>Primary Market Occupancy Rates</u>: "The average occupancy for the surveyed units in the market is 95%. In addition, local property managers indicated very low turnover rates among senior renters. Taking into consideration the limited number of quality, affordable senior housing options in Corpus Christi, long-term stabilized occupancy is projected to be 95%" (p. 63).

Absorption Projections: "According to the developer, construction is expected to take approximately 18 months with a projected lease-up rate of eleven units per month (eighteen months)... Due to similarities with respect to design and tenant base, the subject is most comparable to Cimmaron Senior Apartments. As a result, the analyst has projected an absorption rate similar to Cimmaron Senior Apartment at 11 units per month. It is the analyst's opinion that on the lack of quality senior housing choices in the area and the high demand for housing, lease-up rate of eleven units per month (eighteen months) is achievable" (p. 63).

Known Planned Development: "In addition, there are seven approved "family" oriented LIHTC properties in the City of Corpus Christi (Holly Park Apartments, Riversquare Apartments, LULAC Village Park Apartments, Navigation Pointe, Hampton Port Apartments, Villas at Costa Tarragona, and South Point Apartments). Villas at Costa Tarragona, LULAC Village Park Apartments, and Navigation Pointe are all scheduled to break ground in 2006. To date, there are no pending senior oriented applications for Tax Credits that may have priority over the subject property. There were five LIHTC Applications in the City of Corpus Christi that were submitted during the Pre-Application round. Four of the five properties target families and one property targets seniors (Buena Vida Senior Village). Located 3.5 miles south of the subject property at 4560 Old Brownsville Road, the proposed Buena Vida Senior Village will include 120 units" (p. 36).

Existing LIHTC Stock: "There are no senior LIHTC properties located within one-mile of the subject property. There is only one other senior LIHTC property in Corpus Christi with similar amenities, design and construction as the subject property, Cimmaron Senior Apartments. This property, located 12.2 miles southeast of the subject in the Secondary Market Area, opened in 1999. Cimmaron Senior Apartments is a 180-unit, low-income senior oriented property with one- and two-bedroom units set aside for households at or below 50% and 60% AMGI. The occupancy rate for this property is currently 95%. According to management at Cimmaron Senior Apartments, there continues to be a need for additional affordable housing units" (p. 36).

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's gross potential rent, secondary income and vacancy and collection loss assumptions are comparable to the Underwriter's estimates. The Applicant's effective gross income is only \$5 less than the Underwriter's estimate, most likely due to rounding.

**Expenses:** The Applicant's total annual expense projection is within 5% of the Underwriter's estimate based on current database information for similarly-sized properties located in the Corpus Christi region. However, the Applicant's line item expense estimate for repairs and maintenance is \$28K less than the Underwriter's estimate. This difference is offset by the Applicant's property insurance figure, which is \$22K higher than the Underwriter's estimate. It should be noted, both the Applicant's and the Underwriter's proformas assume the development will be 100% tax-exempt due to the ownership interest of the Corpus Christi Housing Authority and the proposed lease structure. Finally, the Applicant understated the current TDHCA compliance fee of \$40 per unit annually.

<u>Conclusion</u>: Because the Applicant's gross income, total annual operating expense, net operating income are each within 5% of the Underwriter's estimates, the Applicant's proforma is used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.19, which is within the Department's DCR guideline of 1.10 to 1.30.

ACQU							
Land: 23.493 acres \$328,902 Assessment for the Year of: 2005							
\$14,000	Valuation by: Nueces C		ounty Appraisal District				
\$299,040	Tax Rate:	N/A					
EVIDEI	NCE of SITE or PROPER	RTY CONTROL					
Warranty Deed (2	21.36 acres)						
isition Cost: \$961,200 Other: Buy		Buyer (CCHA) will lease to Partnership for \$1					
npany, Inc		Related to Develop	pment Team Member: No				
	\$328,902 \$14,000 \$299,040 EVIDE Warranty Deed (2	### ASSESSED VALU    \$328,902	\$14,000         Valuation by:         Nueces Co           \$299,040         Tax Rate:         N/A           EVIDENCE of SITE or PROPERTY CONTROL           Warranty Deed (21.36 acres)           \$961,200         Other:         Buyer (CCHA) w				

#### **CONSTRUCTION COST ESTIMATE EVALUATION**

Acquisition Value: The transaction between the Corpus Christi Housing Authority (CCHA) and the seller is a third party land sale and, therefore, the acquisition cost is assumed to be reasonable. It should be noted CCHA plans to lease the property to the Applicant; a contract for lease indicates a term of no less than 75 years and a rental rate of \$10.00 per year.

The Housing Authority purchased the site with grant funds sourced from its Annual Contributions Contract. A settlement statement confirms a purchase price of \$961,200. The purchase price is included as a development cost and offset by an equal source of funds in this analysis.

Off-Site Costs: No off-site costs were included in the Applicant's cost schedule. However, an extension of Skyline Drive, which provides access to the site from Lantana Street, may not currently exist. Receipt review and acceptance of documentation verifying the existence of this portion of Skyline Drive is a condition of this report. If the street does not exist, an explanation including identification of the party responsible for construction of the street and documentation of the related cost must be provided. Offsite costs related to construction of the street should not negatively impact the development's financial feasibility as developer fee and related-party contractor fees totaling \$2.8M are available to be deferred to fund such costs.

<u>Sitework Cost</u>: The Applicant's claimed sitework costs of \$6.4K per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$407K, or more than 5%, less than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

<u>Interim Financing Fees:</u> The Underwriter reduced the Applicant's eligible interim financing fees by \$149K to reflect an apparent overestimation of eligible construction loan interest and 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.

<u>Fees:</u> The Applicant included soft cost contingency as an ineligible indirect construction cost. This amount was added to the hard cost contingency by the Underwriter resulting in a total of \$538,533. The eligible portion was limited to five percent eligible site work and direct construction costs, or \$436,327. The Applicant's eligible developer fees exceed 15% of the Applicant's eligible costs; therefore, the Applicant's eligible basis must be reduced by \$26,774.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant cost schedule will be used to calculate the development's eligible basis and permanent financing needs. It should be noted, the Applicant's development cost schedule reflects a total of \$15,542,029 while the line item costs sum to \$15,541,732, a difference of only \$297. Adjustments to the Applicant's characterization of line-item costs as eligible for tax credit purposes (as described above) result in an eligible basis of \$13,375,728 and tax credits of \$617,290. This figure will be compared to the Applicant's request and the tax credits calculated based on the development's gap in need to determine the recommended allocation.

Source:   Sour	FINANCING STRUCTURE							
Tax-Exempt	INTERIM TO PERMANENT BOND FINANCING							
Additional Information	Source: RBC Dain Rauscher Contact: Helen Haugh Feinberg							
Amortization:         40 yrs         Term:         43 yrs         Commitment:         □ LOI □ □ Firm □ □ Conditional         Firm □ □ Conditional         Conditional           Annual Payment:         \$558,580 □ Lien Priority:         1 st □ Date:         01/ 26/ 2005 □         2005 □         Interest Payment:         1 st □ Date:         1 st □ Date:         3 conditional Wagner         Interest Payment:         1 st □ Date:         3 conditional Wagner         Interest Payment:         1 st □ Date:         3 conditional Wagner         Interest Payment:         1 st □ Date:         2 conditional Wagner         Interest Payment:         1 st □ Date:         2 conditional Wagner         None         Conditional         Interest Payment:         Interest Pa	Tax-Exempt Amount:\$7,855,000Interest Rate:6.50%, lender's underwriting rate							
Name	Additional Information: Bonds issued by Sea Breeze (A Public Facility Corp.); 3-year interim period							
Source:	Amortization: 40 yrs Term: 43 yrs Commitment:   LOI Firm   Conditional							
None	Annual Payment: $$558,580$ Lien Priority: $1^{st}$ Date: $01/$ 26/ 2005							
Tax-Exempt Amount:         \$150,000         Interest Rate:         1.0%           Additional Information:         Commitment in the form of meeting mitutes (July 26, 2005)           Amortization:         Unknown         yrs         Term:         N/A         yrs         Commitment:         LOI         Firm         None         None           Annual Payment:         From Cashflow         Lien Priority:         1st         Date:         LOI         Firm         None         None         None         Secondary         Conditional         Secondary         Conditional         None         Firm         Conditional         Conditional         Conditional         None         Secondary         Firm         Conditional         Conditional         Conditional         None         Secondary         Secondary         Secondary         Conditional         None         Secondary	INTERIM TO PERMANENT FINANCING							
Additional Information         Commitment in the form of meeting minutes (July 26, 2005)           Amortization:         Unknown         yrs         Term:         N/A         yrs         Commitment:         Date:         LOI         Firm         None         Date:         Richard J Franco           Principal Amount:         \$961,200         Commitment:         None         Sipported by Firm         Conditional           Additional Information:         Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);           Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);           TAX CREDIT SUNDION           Supported by PNC Bank         Contact:         Baradley J Bullock           Net Proceed:         \$5,710,977         Net Syndication Rate (per \$1.00 of 10-yr HTC)         93¢           Commitment:         Based on an annual tax credit allocation of \$614,145	Source: Corpus Christi Community Improvement Corporation Contact: Jonathan Wagner							
Amortization:         Unknown         yrs         Term:         N/A         yrs         Commitment:         LOI         Firm         None         None           Annual Paywent:         From Cashflow         Lien Priority:         1st         Date:         Date:         Firm         None         Richard J Franco           Principal Amount:         \$961,200         Commitment:         None         Richard J Franco         Conditional           Additional Information:         Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);           TAX CREDIT SYNDICATION           Source:         Equity Fund Sponsored by PNC Bank         Contact:         Bradley J Bullock           Net Syndication Rate (per \$1.00 of 10-yr HTC)         93¢           Commitment:         01/ 03/ 2006    Additional Information  Based on an annual tax credit allocation of \$614,145	Tax-Exempt Amount:\$150,000Interest Rate:1.0%							
Annual Payment:         From Cashflow         Lien Priority:         1 st         Date:           GRANT           Source:         Corpus Christi Housing Authority         Contact:         Richard J Franco           Principal Amount:         \$961,200         Commitment:         None         Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);           Additional Information:         Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);           20 units will be designated as replacement public housing           TAX CREDIT SYNDICATION           Source:         Equity Fund Sponsored by PNC Bank         Contact:         Bradley J Bullock           Net Syndication Rate (per \$1.00 of 10-yr HTC)         93 ¢           Committent:         Date:         01/ 03/ 2006           Additional Information:         Based on an annual tax credit allocation of \$614,145	Additional Information: Commitment in the form of meeting minutes (July 26, 2005)							
Source:   Corpus   Christi   Housing Authority   Condact:   Richard J Franco	Amortization: Unknown yrs Term: N/A yrs Commitment: LOI  Firm  None							
Source:       Corpus Christi Housing Authority       Contact:       Richard J Franco         Principal Amount:       \$961,200       Commitment:       None       Simported by Firm       Conditional         Additional Information:       Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);         20 units will be designated as replacement public housing       TAX CREDIT SYNDICATION         Source:       Equity Fund Sponsored by PNC Bank       Contact:       Bradley J Bullock         Net Proceeds:       \$5,710,977       Net Syndication Rate (per \$1.00 of 10-yr HTC)       93¢         Commitment:       Date:       01/ 03/ 2006         Additional Information:       Based on an annual tax credit allocation of \$614,145     APPLICANT EQUITY   Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);         Firm       Contact:       Bradley J Bullock         Authorized by Firm       Conditional Date:       01/ 03/ 03/ 2006	Annual Payment: From Cashflow Lien Priority: 1st Date:							
Principal Amount: \$961,200   Commitment: None   Firm   Conditional  Additional Information: Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years);  20 units will be designated as replacement public housing  TAX CREDIT SYNDICATION  Source: Equity Fund Sponsored by PNC Bank   Contact: Bradley J Bullock  Net Proceeds: \$5,710,977   Net Syndication Rate (per \$1.00 of 10-yr HTC)   93¢  Commitment:   LOI   Firm   Conditional Date: 01/ 03/ 2006  Additional Information: Based on an annual tax credit allocation of \$614,145  APPLICANT EQUITY	GRANT							
Additional Information:  Supported by Annual Contributions Contract with HUD (\$1,053,106 over 3 years); 20 units will be designated as replacement public housing  TAX CREDIT SYNDICATION  Source: Equity Fund Sponsored by PNC Bank  Contact: Bradley J Bullock  Net Proceeds: \$5,710,977  Net Syndication Rate (per \$1.00 of 10-yr HTC)  Pirm Conditional Date: 01/ 03/ 2006  Additional Information: Based on an annual tax credit allocation of \$614,145	Source: Corpus Christi Housing Authority Contact: Richard J Franco							
Additional Information:  20 units will be designated as replacement public housing  TAX CREDIT SYNDICATION  Source: Equity Fund Sponsored by PNC Bank  Contact: Bradley J Bullock  Net Proceeds: \$5,710,977  Net Syndication Rate (per \$1.00 of 10-yr HTC)  Commitment: \sum LOI \sum Firm \sum Conditional Date: 01/ 03/ 2006  Additional Information: Based on an annual tax credit allocation of \$614,145	Principal Amount: \$961,200 Commitment: None Firm Conditional							
Source:       Equity Fund Sponsored by PNC Bank       Contact:       Bradley J Bullock         Net Proceeds:       \$5,710,977       Net Syndication Rate (per \$1.00 of 10-yr HTC)       93¢         Commitment:       \[ \sum \] LOI       \[ \sum \] Firm       Conditional Date:       01/ 03/ 2006         Additional Information:       Based on an annual tax credit allocation of \$614,145	Additional Information:							
Source:       Equity Fund Sponsored by PNC Bank       Contact:       Bradley J Bullock         Net Proceeds:       \$5,710,977       Net Syndication Rate (per \$1.00 of 10-yr HTC)       93¢         Commitment:       \[ \sum \] LOI       \[ \sum \] Firm       Conditional Date:       01/ 03/ 2006         Additional Information:       Based on an annual tax credit allocation of \$614,145	TAX CREDIT SYNDICATION							
Commitment: LOI Firm Conditional Date: 01/ 03/ 2006  Additional Information: Based on an annual tax credit allocation of \$614,145  APPLICANT EQUITY								
Additional Information: Based on an annual tax credit allocation of \$614,145  APPLICANT EQUITY	Net Proceeds: \$5,710,977 Net Syndication Rate (per \$1.00 of 10-yr HTC) 93¢							
APPLICANT EQUITY	Commitment:							
	Additional Information: Based on an annual tax credit allocation of \$614,145							
	APPLICANT EQUITY							

#### FINANCING STRUCTURE ANALYSIS

<u>Interim to Permanent Bond Financing</u>: The tax-exempt bonds are to be issued by Sea Breeze (A Public Facility Corp.) and purchased by RBC Dain Rauscher. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. However, the annual debt service utilized by the Applicant in the application forms is incorrect based on the proposed terms. The commitment date is also in reference to the 2005 application and all deadlines have past; therefore, receipt, review and acceptance of an updated commitment for purchase of the bonds is a condition of this report.

The Corpus Christi Housing Authority, parent of the controlling nonprofit, utilized \$961,200 funded from an existing HUD Annual Contribution Contract to purchase the proposed tract. This figure is included as a source of funds by the Applicant.

Finally, the Applicant's sources of funds includes a \$150,000 HOME loan through Corpus Christi Community Improvement Corporation. The Applicant has indicated the loan will be reapid form cashflow at an interest rate of 1.0%. Receipt, review and acceptance at closing of a firm commitment for \$150,000 from Corpus Christi Community Improvement Corporation with terms is a condition of this report.

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

<u>Deferred Developer's Fees:</u> The Applicant's deferred developer's fees of \$864,852 amount to 49% of the proposed developer fees.

<u>Financing Conclusions</u>: As stated above, the Applicant cost schedule, as adjusted by the Underwriter for overstated eligible costs, was used to calculate the development's eligible basis and annual tax credits of \$617,290. However, the Applicant's request is less than both the tax credit calculated based on the estimated eligible basis and gap in need for permanent funds. Therefore, the recommended allocation is \$612,571 resulting in syndication proceeds of \$5,696,340 based on current terms. Anticipated deferred developer fees of \$879,192 appear to be repayable from cashflow within 10 years of stabilized operation.

## DEVELOPMENT TEAM IDENTITIES of INTEREST

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments. The principal of the Housing Consultant is related to the contact listed for the syndicator.

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

#### **Financial Highlights:**

- ∉ The Applicant submitted an unaudited balance sheet as of January 1, 2006 indicating total assets of \$993K comprised of \$25K in cash and \$967K in real property. Liabilities total \$1.3M resulting in negative net assets of \$344K.
- ∉ The General Partner is a newly formed entity.
- Bluebonnet Gardens, owner of the General Partner, submitted an unaudtied balance sheet as of February 28, 2006 indicating total assets of \$656K comprised of \$550K in real property and \$106K in capitalized development costs. Liabilities total \$656K resulting in net assets of \$0.
- € Corpus Christi Housing Authority, parent of Bluebonnet Partners, submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$25.5M and consisting of \$2.5M in cash, \$26K in receivables, \$394K in other current assets, \$583K in machinery equipment, and \$19.9M in fixtures. Liabilities totaled \$532K and contingent liabilities of \$429K, resulting in net assets of \$24.5M. Receipt, review and acceptance of a 2005 audited financial statement for the Corpus Christi Housing Authority is a condition of this report.

**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**

∉ Items identified in previous reports/analyses have not been satisfactorily addressed.

- ∉ The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- € Significant environmental risk exists regarding proximity to operating refineries, noise levels from adjacent highway, and active pipelines.
- ∉ 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.

Underwriter:		Date:	
	Lisa Vecchietti		
Director of Real Estate Analysis:		Date:	
	Tom Gouris		

#### MULTIFAMILY COMPARATIVE ANALYSIS

#### Sea Breeze Senior Apartments, Corpus Christi, 4% HTC #060405

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, Trs
TC 60%	100	1	1	755	\$528	\$480	\$48,000	\$0.64	\$48.00	\$57.00
TC 60%	100	2	1	917	634	\$573	57,300	0.62	61.00	63.00
T0T41	200		AVEDAGE	000	<b>PEO4</b>	<b>0.50.7</b>	\$40F 200	<b>#</b> 0.00	ФE 4 БО	#co.oo
TOTAL:	200		AVERAGE:	836	\$581	\$527	\$105,300	\$0.63	\$54.50	\$60.00
INCOME			entable Sq Ft:	<u>167,200</u>		TDHCA	APPLICANT	Com	ptroller's Region	10
POTENTIA	L GROSS	RENT				\$1,263,600	\$1,263,600		IREM Region	Corpus Chris
Secondary			P	er Unit Per Month:	\$13.54	32,496	32,496	\$13.54	Per Unit Per Monti	h
	ort Income:	INICOME				0	0			
POTENTIA	Collection L		% of Poter	ntial Gross Income:	-7.50%	\$1,296,096 (97,207)	\$1,296,096 (97,212)	-7.50%	of Potential Gross	Rent
			its or Conces		7.5070	0	0	7.0070	or rotorital oross	None
EFFECTIV				0.0.10		\$1,198,889	\$1,198,884			
EXPENSE			% OF EGI	PER UNIT	PER SQ FT	<b>\$1,100,000</b>	<b>\$1,100,001</b>	PER SQ FT	PER UNIT	% OF EGI
General & A	<del>–</del> Administrativ	re	3.79%	\$227	0.27	\$45,471	\$43,600	\$0.26	\$218	3.64%
Manageme		-	5.00%	300	0.36	59,944	59,900	0.36	300	5.00%
Payroll & Pa			14.16%	849	1.02	169,780	158,000	0.94	790	13.18%
-	ayron rax Maintenance		6.71%	402	0.48	80,459	52,600	0.94	263	4.39%
Utilities	viairiteriarice		2.73%	164	0.40	32,700	28,000	0.17	140	2.34%
	ver, & Trash			312		62,365	66,200		331	
Property In:			5.20% 3.49%	209	0.37 0.25	41,800	64,000	0.40 0.38	331	5.52% 5.34%
						0	04,000			
Property Ta	ax r Replaceme	nto	0.00% 3.34%	0 200	0.00 0.24	40,000	50,000	0.00	0 250	0.00% 4.17%
	CompFee,Se		1.92%	115		23,000	20,000	0.30	100	1.67%
		curity			0.14	\$555,519	\$542,300			
TOTAL EXPENSES NET OPERATING INC		46.34% 53.66%	\$2,778	\$3.32	\$643,369	\$656,584	\$3.24	\$2,712	45.23%	
	_	0	33.00%	\$3,217	\$3.85	\$043,309	φ030,304	\$3.93	\$3,283	54.77%
DEBT SER			46.039/	¢0.750	£2.20	\$551,852	\$560,143	\$2.2E	£2 004	46 700/
First Lien Mo Local Gov't L		nt.	46.03% 0.00%	\$2,759 \$0	\$3.30 \$0.00	9331,832	\$360,143 0	\$3.35 \$0.00	\$2,801 \$0	46.72% 0.00%
Additional Fi			0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH	•		7.63%	\$458	\$0.55	\$91,518	\$96,441	\$0.58	\$482	8.04%
AGGREGAT		VERAGE F		7.00	75.55	1.17	1.17		¥=	
RECOMMEN						1.17	1.19			
CONSTRU						_	,,,,,			
			o, (TOTAL	DED LINE	DED 00 ET	TDHCA	ADDIJICANT	DED 00 FT	DED LINE	
<u>Descr</u>	•	<u>Factor</u>	% of TOTAL	PER UNIT	PER SQ FT		APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	COSt (site o	r blag)	6.24%	\$4,947	\$5.92	\$989,436	\$989,436	\$5.92	\$4,947	6.37%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	- <b>. .</b> .		8.09%	6,408	7.66	1,281,528	1,281,528	7.66	6,408	8.25%
Direct Cons			46.98%	37,225	44.53	7,445,021	7,038,301	42.10	35,192	45.29%
Contingend	•	5.00%	2.75%	2,182	2.61	436,327	538,533	3.22	2,693	3.47%
General Re	•	5.67%	3.12%	2,475	2.96	494,958	494,958	2.96	2,475	3.18%
Contractor'		1.86%	1.02%	812	0.97	162,319	162,319	0.97	812	1.04%
Contractor'	s Profit	5.67%	3.12%	2,475	2.96	494,985	494,985	2.96	2,475	3.18%
ndirect Co	nstruction		3.94%	3,125	3.74	625,000	625,000	3.74	3,125	4.02%
neligible C	osts		4.59%	3,636	4.35	727,253	727,253	4.35	3,636	4.68%
	s G & A	4.90%	3.73%	2,952	3.53	590,478	590,478	3.53	2,952	3.80%
Developer's	s Profit	9.79%	7.45%	5,905	7.06	1,180,956	1,180,956	7.06	5,905	7.60%
•	ancing		7.06%	5,590	6.69	1,117,985	1,117,985	6.69	5,590	7.19%
Developer's	•		1.89%	1,500	1.79	300,000	300,000	1.79	1,500	1.93%
Developer's	· ·		100.00%	\$79,231	\$94.77	\$15,846,246	\$15,541,732	\$92.95	\$77,709	100.00%
Developer's nterim Fina Reserves	ST				\$61.69	\$10,315,138	\$10,010,624	\$59.87	\$50,053	64.41%
Developer's nterim Fina Reserves FOTAL CO		on Costs	65.10%	\$51,57 <b>6</b>	******					
Developer's nterim Fina Reserves FOTAL CO Recap-Hard	l Constructi		65.10%	\$51,576	******			RECOMMENDED		
Developer's Interim Fina Reserves TOTAL CO Recap-Hard	OF FUND		65.10% 49.57%	<b>\$51,576</b> \$39,275	\$46.98	\$7,855,000	\$7,855,000	\$7,855,000	Developer F	ee Available
Developer's nterim Fina Reserves FOTAL CO Recap-Hard SOURCES	I Constructi OF FUND ortgage	<u>s</u>		\$39,275		\$7,855,000 961,200	\$7,855,000 961,200		Developer F \$1,74	
Developer's nterim Fina Reserves FOTAL CO Recap-Hard SOURCES First Lien Mc Local Gov't L	Construction OF FUND Ortgage Loan or Gran	<u>s</u> nt	49.57% 6.07%	\$39,275 \$4,806	\$46.98 \$5.75	961,200	961,200	\$7,855,000 961,200	\$1,74	4,660
Developer's Interim Fina Reserves FOTAL CO Recap-Hard SOURCES First Lien Mo Local Gov't L Private Loan	OF FUND Ortgage Loan or Grant (H	S nt OME)	49.57% 6.07% 0.95%	\$39,275 \$4,806 \$750	\$46.98 \$5.75 \$0.90	961,200 150,000	961,200 150,000	\$7,855,000 961,200 150,000	\$1,74 % of Dev. F	4,660 ee Deferred
Developer's Developer's Interim Fina Reserves TOTAL CO Recap-Hard SOURCES First Lien Mo Local Gov't L Private Loan HTC Syndica	GOF FUND Ortgage Loan or Grant or Grant (Hation Procee	S nt OME) ds	49.57% 6.07% 0.95% 36.04%	\$39,275 \$4,806 \$750 \$28,555	\$46.98 \$5.75 \$0.90 \$34.16	961,200 150,000 5,710,977	961,200 150,000 5,710,977	\$7,855,000 961,200 150,000 5,696,340	\$1,74 % of Dev. F 50	4,660 fee Deferred
Developer's Interim Fina Reserves TOTAL CO Recap-Hard SOURCES First Lien Mo Local Gov't L Private Loan	OF FUND Ortgage Loan or Grant or Grant (Hation Proceed	S ont ome)	49.57% 6.07% 0.95%	\$39,275 \$4,806 \$750	\$46.98 \$5.75 \$0.90	961,200 150,000	961,200 150,000	\$7,855,000 961,200 150,000	\$1,74 % of Dev. F	4,660 fee Deferred 0% tive Cash Floo

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#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Sea Breeze Senior Apartments, Corpus Christi, 4% HTC #060405

#### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$51.83	\$8,665,344
Adjustments				
Exterior Wall Finish	4.80%		\$2.49	\$415,937
Elderly	5.00%		2.59	433,267
Roofing			0.00	0
Subfloor			(2.24)	(374,528)
Floor Cover			2.22	371,184
Porches/Balconies	\$16.36	16,050	1.57	262,578
Plumbing	\$680	0	0.00	0
Built-In Appliances	\$1,675	200	2.00	335,000
Stairs/Fireplaces			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			1.73	289,256
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.36	3,978	1.56	260,012
Other:			0.00	0
SUBTOTAL			63.74	10,658,050
Current Cost Multiplier	1.01		0.64	106,580
Local Multiplier	0.85		(9.56)	(1,598,707)
TOTAL DIRECT CONSTRU	CTION COST	ΓS	\$54.82	\$9,165,923
Plans, specs, survy, bld prm	3.90%		(\$2.14)	(\$357,471)
Interim Construction Interes	3.38%		(1.85)	(309,350)
Contractor's OH & Profit	11.50%		(6.30)	(1,054,081)
NET DIRECT CONSTRUCT	ION COSTS		\$44.53	\$7,445,021

#### PAYMENT COMPUTATION

Primary	\$7,855,000	Amort	480
Int Rate	6.50%	DCR	1.17
Secondary	\$961,200	Amort	
Int Rate		Subtotal DCR	1.17
Additional	\$150,000	Amort	
Int Rate	1.00%	Aggregate DCR	1.17

#### RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Additional Debt Service NET CASH FLOW	0 0 \$104,732		
Primary	\$7,855,000	Amort	480
Int Rate	6.50%	DCR	1.19
Secondary	\$961,200	Amort	
Int Rate		Subtotal DCR	1.19
Additional	\$150,000	Amort	
Int Rate	1.00%	Aggregate DCR	1.19

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

INCOME	at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIA	L GROS	S RENT	\$1,263,600	\$1,301,508	\$1,340,553	\$1,380,770	\$1,422,193	\$1,648,711	\$1,911,308	\$2,215,730	\$2,977,756
Secondar	y Income		32,496	33,471	34,475	35,509	36,575	42,400	49,153	56,982	76,579
Contractor	s Profit		0	0	0	0	0	0	0	0	0
POTENTIA	L GROS	S INCOME	1,296,096	1,334,979	1,375,028	1,416,279	1,458,767	1,691,111	1,960,461	2,272,712	3,054,335
Vacancy 8	& Collecti	on Loss	(97,212)	(100,123)	(103,127)	(106,221)	(109,408)	(126,833)	(147,035)	(170,453)	(229,075)
Developer's	s G & A		0	0	0	0	0	0	0	0	0
EFFECTIV	E GROS	SINCOME	\$1,198,884	\$1,234,855	\$1,271,901	\$1,310,058	\$1,349,360	\$1,564,278	\$1,813,427	\$2,102,259	\$2,825,260
EXPENSE	S at	4.00%									
General 8	k Adminis	trative	\$43,600	\$45,344	\$47,158	\$49,044	\$51,006	\$62,056	\$75,501	\$91,859	\$135,973
Managem	nent		59,900	61697.247	63548.16443	65454.60936	67418.24764	78156.22663	90604.48727	105035.4331	141158.839
Payroll &	Payroll T	ax	158,000	164,320	170,893	177,729	184,838	224,883	273,605	332,882	492,747
Repairs &	Mainten	ance	52,600	54,704	56,892	59,168	61,535	74,866	91,086	110,820	164,041
Utilities			28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Water, Se	ewer & Tr	ash	66,200	68,848	71,602	74,466	77,445	94,223	114,637	139,473	206,455
Insurance	÷		64,000	66,560	69,222	71,991	74,871	91,092	110,827	134,838	199,594
Property 7	Тах		0	0	0	0	0	0	0	0	0
Reserve f	or Replac	cements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other			20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
TOTAL EX	PENSES		\$542,300	\$563,393	\$585,312	\$608,089	\$631,758	\$764,762	\$925,965	\$1,121,379	\$1,645,596
NET OPER	RATING I	NCOME	\$656,584	\$671,462	\$686,589	\$701,969	\$717,602	\$799,516	\$887,462	\$980,879	\$1,179,664
DE	BT SER	/ICE									
First Lien F	inancing		\$551,852	\$551,852	\$551,852	\$551,852	\$551,852	\$551,852	\$551,852	\$551,852	\$551,852
Second Lie	en		0	0	0	0	0	0	0	0	0
Other Final	ncing		0	0	0	0	0	0	0	0	0
NET CASH	FLOW		\$104,732	\$119,611	\$134,738	\$150,118	\$165,750	\$247,665	\$335,610	\$429,028	\$627,812
DEBT COV	/ERAGE	RATIO	1.19	1.22	1.24	1.27	1.30	1.45	1.61	1.78	2.14

\$989,436 \$1,281,528 \$7,038,301	\$989,436 \$1,281,528	REHAB/NEW ELIGIBLE BASIS \$1,281,528	REHAB/NEW ELIGIBLE BASIS \$1,281,528
\$989,436 \$1,281,528	\$989,436		
\$1,281,528		\$1,281,528	\$1,281,528
\$1,281,528		\$1,281,528	\$1,281,528
	\$1,281,528	\$1,281,528	\$1,281,528
	\$1,281,528	\$1,281,528	\$1,281,528
	\$1,281,528	\$1,281,528	\$1,281,528
\$7.038.301			
\$7.038.301			
\$7,038,301			
φ.,000,001	\$7,445,021	\$7,038,301	\$7,445,021
\$162,319	\$162,319	\$162,319	\$162,319
\$494,985	\$494,985	\$494,985	\$494,985
\$494,958	\$494,958	\$494,958	\$494,958
\$538,533	\$436,327	\$415,991	\$436,327
\$625,000	\$625,000	\$625,000	\$625,000
\$1,117,985	\$1,117,985	\$1,117,985	\$1,117,985
\$727,253	\$727,253		
		\$1,744,660	
\$590,478	\$590,478		\$590,478
\$1,180,956	\$1,180,956		\$1,180,956
\$300,000	\$300,000		
\$15,541,732	\$15,846,246	\$13,375,728	\$13,829,557
	I	T	
S			
	\$494,985 \$494,958 \$538,533 \$625,000 \$1,117,985 \$727,253 \$590,478 \$1,180,956 \$300,000	\$162,319 \$162,319 \$494,985 \$494,985 \$494,958 \$494,958 \$538,533 \$436,327 \$625,000 \$625,000 \$1,117,985 \$1,117,985 \$727,253 \$727,253 \$590,478 \$590,478 \$1,180,956 \$1,180,956 \$300,000 \$300,000 \$15,541,732 \$15,846,246	\$162,319 \$162,319 \$162,319 \$494,985 \$494,985 \$494,985 \$494,958 \$494,958 \$494,958 \$538,533 \$436,327 \$415,991 \$625,000 \$625,000 \$625,000 \$1,117,985 \$1,117,985 \$727,253 \$727,253 \$1,744,660 \$590,478 \$590,478 \$590,478 \$1,180,956 \$1,180,956 \$300,000 \$15,541,732 \$15,846,246 \$13,375,728

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	\$13,375,728	\$13,829,557
High Cost Area Adjustment	130%	130%
TOTAL ADJUSTED BASIS	\$17,388,446	\$17,978,425
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$17,388,446	\$17,978,425
Applicable Percentage	3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS	\$617,290	\$638,234

Syndication Proceeds 0.9299 \$5,740,221 \$5,934,983

Total Credits (Eligible Basis Method) \$617,290 \$638,234

Syndication Proceeds \$5,740,221 \$5,934,983

Requested Credits \$612,571

Syndication Proceeds \$5,696,340

Gap of Syndication Proceeds Needed \$6,725,532

Credit Amount \$723,248

### **Applicant Evaluation**

Project ID # 05404 Name: Sea Breeze Seniors City: Corpus Chr				
LIHTC 9% ☐ LIHTC 4% ✔ F	HOME BOND HTF	SECO ESGP Other		
✓ No Previous Participation in Texas	Members of the develop	pment team have been disbarred by HUD		
— No Flevious Farticipation in Texas	inclined so the develo	pinent team have been disbarred by 110D		
National Previous Participation Certification Received: $\  \  \  \  \  \  \  \  \  \  \  \  \ $				
Noncompliance Reported on Natio	☐ Yes ☐ No			
Portfolio Management and Compliance				
	Projects in Material Noncompliance			
Total # of Projects monitored:0	Yes □ No ✓	# in noncompliance: 0		
Projects zero to nine: 0		Projects not reported Yes  one in application No		
grouped ten to nineteen: 0 by score	· <u> </u>			
twenty to twenty-nine: 0	# not yet monitored or pending review:	0 # of projects not reported 0		
Portfolio Monitoring	Single Audit	<b>Contract Administration</b>		
Not applicable	Not applicable ✓	Not applicable		
Review pending	Review pending	Review pending		
No unresolved issues	No unresolved issues	No unresolved issues		
Unresolved issues found	Issues found regarding late cert	Unresolved issues found		
Unresolved issues found that  Issues found regarding late audit  warrant disqualification  Unresolved issues found that		Unresolved issues found that warrant disqualification		
(Comments attached)	Unresolved issues found that warrant disqualification	(Comments attached)		
Reviewed by Patricia Murphy	(Comments attached)	Date 4/29/2005		
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis		
	~g,			
Not applicable		(Cost Certification and Workout)		
Not applicable	Not applicable	(Cost Certification and Workout)  Not applicable		
Review pending	Not applicable  Review pending	(Cost Certification and Workout)  Not applicable  Review pending		
Review pending  No unresolved issues	Not applicable  Review pending  No unresolved issues	(Cost Certification and Workout)  Not applicable  Review pending  No unresolved issues		
Review pending  No unresolved issues  Unresolved issues found	Not applicable  Review pending  No unresolved issues  Unresolved issues found	(Cost Certification and Workout)  Not applicable  Review pending  No unresolved issues  Unresolved issues found		
Review pending  No unresolved issues	Not applicable  Review pending  No unresolved issues	(Cost Certification and Workout)  Not applicable  Review pending  No unresolved issues		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification		
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)	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)  Reviewer		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth  Date 5/2/2005  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer  Date  Office of Colonia Initiatives	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Date  Financial Administration		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth Date 5/2/2005  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer  Date  Office of Colonia Initiatives	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Date  Financial Administration		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth  Date 5/2/2005  Community Affairs	Not applicable  Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer  Date  Office of Colonia Initiatives	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Date  Financial Administration		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth  Date 5/2/2005  Community Affairs  No relationship  Review pending	Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer Date  Office of Colonia Initiatives  Not applicable Review pending	(Cost Certification and Workout)  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		
Review pending  No unresolved issues  Unresolved issues found  Unresolved issues found that warrant disqualification (Comments attached)  Reviewer S. Roth Date 5/2/2005  Community Affairs  No relationship Review pending No unresolved issues	Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached) Reviewer Date  Office of Colonia Initiatives  Not applicable Review pending No unresolved issues	(Cost Certification and Workout)  Not applicable Review pending No unresolved issues Unresolved issues found Unresolved issues found that warrant disqualification (Comments attached)  Reviewer Date  Financial Administration		
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Acting Executive Director Edwina Carrington

**Executed:** 

Monday, May 09, 2005

# Housing Tax Credit Program Board Action Request March 20, 2006

#### **Action Item**

Request, review, and board determination of four (4) four percent (4%) tax credit applications with TDHCA as the Issuer.

#### Recommendation

Staff is recommending that the board review and approve the issuance of two (4) four percent (4%) Tax Credit Determination Notices with <u>TDHCA</u> as the Issuer for tax exempt bond transactions known as:

Development	Name	Location	Issuer	Total	LI	Total	Applicant	Requested	Recommended
No.				Units	Units	Development	Proposed	Credit	Credit
							Tax Exempt	Allocation	Allocation
							Bond		
							Amount		
05618	Creekside Manor Senior Community	Killeen	TDHCA	180	180	\$14,759,875	\$10,300,000	\$390,353	\$0
	Bella Vista	Gainesville	TDHCA	144	144	\$12,944,581	\$6,800,000	\$519,968	\$518,676
05626	Apartments								
05631	Generations at Mansfield	Mansfield	TDHCA	252	252	\$25,500,556	\$16,100,000	\$791,769	\$0
05627	Skyline at City Park Apartments	Houston	TDHCA	248	248	\$22,838,172	\$13,300,000	\$821,219	\$821,219



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### MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

Creekside Manor Senior Community SE of O W Curry & Hwy 190, approx 300 ft south of Hwy 190 Service Rd. Killeen, Texas

OHC/Killeen, Ltd.
180 Units
Priority 3
\$10,300,000 Tax Exempt – Series 2006

#### TABLE OF EXHIBITS

TAB I	TDHCA Board Presentation
TAB 2	<b>Bond Resolution</b>
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	TDHCA Compliance Summary Report
TAB 7	Public Input and Hearing Transcript (February 22, 2006)

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Creekside Manor Senior Community development.

#### **Summary of the Creekside Manor Senior Community Transaction**

The pre-application was received on May 2, 2005. The application was scored and ranked by staff. The application was induced at the June 27, 2005 Board meeting and submitted to the Texas Bond Review Board for placement on the 2005 Waiting List. The application received a Reservation of Allocation on November 18, 2005. This application was submitted under the Priority 3 category. A public hearing was held on January 19, 2005. There was one (1) person in attendance who spoke for the record. A second hearing was held on February 22, 2006. There were no attendees to speak for the record. Copies of the transcripts are included in this presentation. This application was previously submitted to the Department under the 2004 CarryForward. Due to market concentration, the application was withdrawn. The application was submitted a second time for the 2005 Waiting List. A second public hearing was conducted because of the elapsed time between the applications.

Creekside Manor Senior Community will be located approximately 200 yards east of the southeast corner of the intersection of Highway 190 and O.W. Curry, Killeen, Bell County, Texas. Demographics for the census tract (0224.02) include AMFI of \$58,954; the total population is 9,847; the percent of population that is minority is 58.89%; the number of owner occupied units is 1,942; the number of renter units is 1,422 and the number of vacant units is 132. (Census Information from FFIEC Geocoding for 2005)

#### **Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of fixed rate Bonds in an amount of \$10,300,000. The Bonds will be unrated and Stephens Inc. will privately place the Bonds with Housing Credit Fund. The construction and lease up period will be for 24 months with payment terms of interest only at a fixed rate of 5.35% followed by a term of thirty years at a fixed rate of 6.15%, with principal payments amortized over a total period of 40 years.

#### Recommendation

Staff recommends the Board not approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Creekside Manor Senior Community development based on the repayment of deferred developer fee in less than 15 years as further outlined in the underwriting report by the Department's Real Estate Analysis Division. If the Board were to not accept Staff's recommendation and award credits, the recommendation made would be conditional on full payment of all outstanding Department fees no later than Friday, March 17, 2006.

### MULTIFAMILY FINANCE PRODUCTION DIVISION **BOARD MEMORANDUM**

March 20, 2006

**DEVELOPMENT:** Creekside Senior Community Apartments, Killeen, Bell County,

**Texas** 

**PROGRAM:** Texas Department of Housing and Community Affairs

2005 Multifamily Housing Mortgage Revenue Bonds

(Reservation received 11/18/2005)

ACTION

REQUESTED: Deny 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 Statute (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. (The Statute 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.)

**PURPOSE:** 

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to OHC/Killeen, Ltd, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 200 yards east of the southeast corner of the intersection of Highway 190 and O.W. Curry, Killen, Bell County, Texas (the "Development"). The Bonds will be taxexempt by virtue of the Development's qualifying as a residential

rental Development.

**BOND AMOUNT:** 

\$10,300,000 Series 2006 Tax Exempt bonds (\*)

\$10.300.000 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 November 18, 2005 pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before March 28, 2006, the anticipated closing date is April 17, 2005.

<sup>\*</sup> Preliminary - Represents Maximum Amount

#### **BORROWER:**

OHC/Killeen, Ltd, a Texas limited partnership, the general partner of which is Outreach Housing Corporation, a Texas nonprofit corporation with ownership and WNC & Associates, Inc., is an Investor Limited Partner of Borrower, and it or an affiliate thereof, will be providing the equity for the transaction by purchasing approximately a 99% limited partnership interest in the Borrower.

# **COMPLIANCE HISTORY:**

The Compliance Status Summary completed on September 1, 2005 reveals that the principals of the general partner above have a total of nine (9) properties that will be monitored by the Department. Five (5) have received a compliance score which are in the Department's tolerance of material non-compliance.

# ISSUANCE TEAM & ADVISORS:

Stephens Inc. ("Underwriter")
Housing Credit Fund, LLC ("Bond Purchaser")
WNC & Associates, Inc. ("Equity Provider")
Wells Fargo Bank, National Association, ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Capital Markets ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

#### **BOND PURCHASER:**

The Bonds will be privately placed on or about March 28, 2006. The initial purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

# DEVELOPMENT DESCRIPTION:

<u>Site</u>: The proposed multifamily residential rental development will be constructed on approximately 15 acres of land located 200 yards east of the southeast corner of the intersection of Highway 190 and O.W. Curry, Killen, Bell County, Texas (the "Development").

**Buildings:** The Development is a 180-unit multifamily facility. The Development will consist of twenty-seven (27) one-story residential apartment buildings with approximately 145,784 net rentable square feet and an approximate average unit size of 810 square feet. The proposed density will be 13 dwelling units per acre. The development will include a community building containing an administration office, game/recreation room, computer room, community room, kitchen, and public restrooms. All individual units will have washer/dryer connections, microwaves, dishwashers, and walk-in closets. Additionally the Development will include 50 garages and 80 carports and 169 uncovered parking spaces. The unit mix will consist of.

Units	Unit Type	Square Feet	Proposed	<u>AMFI</u>
15	1-Bed/1-Bath	650 s.f.	\$506.00	60%
3	1-Bed/1-Bath	650 s.f.	\$650.00	Mkt.
119	2-Bed/1-Bath	822 s.f.	\$606.00	60%
23	2-Bed/1-Bath	822 s.f	\$795.00	Mkt.
16	2-Bed/2-Bath	868 s.f	\$606.00	60%
4	2-Bed/2-Bath	868 s.f.	\$850.00	Mkt.
180	<b>Total Units</b>			

#### **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.)

#### **TENANT SERVICES:**

Tenant Services will be performed by Outreach Housing Corporation, Inc. a Texas non-profit corporation.

#### **DEPARTMENT FEES:**

\$1,000 Pre-Application Fee (Paid).

\$10,000 Application Fee (Paid).

\$51,500 Issuance Fee (.50% of the bond amount paid at closing).

# **DEPARTMENT ANNUAL FEES:**

\$10,300 Bond Administration (0.10% of first year bond amount) \$7,200 Compliance (\$40/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:

\$4,500 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 \$378,287 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 \$3,518,066 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 mature over a term of approximately 30 years. The Bonds will pay interest only for approximately twenty-four months following the closing date. The loan will be secured by a first lien on the Development.

### **BOND INTEREST**

RATE:

The interest rate on the Bonds will be (a) prior to April 1, 2008, 5.35% and (b) on or after April 1, 2008, 6.15% at conversion. The Department's Real Estate Analysis division underwrote the transaction using a 6.15% rate.

#### **CREDIT**

**ENHANCEMENT:** 

The bonds will be unrated with no credit enhancement.

#### **FORM OF BONDS:**

The Bonds will be issued in physical form and are not eligible to be held in a book-entry only system unless the Bonds receive a rating of "A" or better from a nationally recognized rating agency. The Bonds will be issued initially in denominations of \$100,000 plus any integral multiple of \$5,000 in excess thereof.

#### <u>MATURITY/SOURCES</u> <u>& METHODS OF</u> <u>REPAYMENT:</u>

The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During approximately the first twenty-four (24) months following the closing date, the Bonds will be payable as to interest only, from an initial deposit at closing. After completion of the Development, 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 following the completion date of the Development. 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:

#### Sinking Fund Redemption:

The Bonds are subject to mandatory redemption in part by operation of a sinking fund. The Trustee shall redeem on the applicable sinking fund payment date a principal amount of \$5,000.

#### **Optional Redemption:**

The Bonds are subject to optional redemption prior to maturity on or after April 1, 2023, in whole on any date, or in part in minimum amounts of \$25,000 on any Bond Payment Date, to the extent of any optional prepayment by the Borrower of the Note, or in whole on any date, from proceeds of refunding bonds or otherwise from other sources, in each case at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

#### Mandatory Redemption:

The Bonds are subject to mandatory redemption, in whole or in part, in the event and to the extent that amounts on deposit in (A) the Bond Proceeds Subaccount of the Capitalized Interest Account of the Project Fund, or (B) the Bond Proceeds Subaccount of the Mortgage Loan Account of the Project Fund, are transferred to the Redemption Fund, on the first Business Day following such transfer for which thirty (30) days notice of redemption can be given.

#### Extraordinary or Special Mandatory Redemption:

- (a) In whole or in part, in the event the Development or any portion of it is damaged or destroyed or is taken in a condemnation proceeding to the extent of any Insurance Proceeds or Condemnation Award not used for the repair or restoration of the Development, as further described below;
- (b) In whole or in part, in the event of prepayment of the Loan at the direction of a trustee in bankruptcy for the Borrower;
- (c) In whole, when any amounts in the Bond Fund not being held therein to redeem Bonds for which notice of redemption has previously been given, is sufficient to pay any unpaid

- amounts required to be paid by Article V of this Indenture and to redeem all Outstanding Bonds;
- (d) In whole, upon direction to the Trustee (with a copy to the Borrower) from the Significant Bondholder to redeem the Outstanding Bonds in whole on or after April 1, 2023; provided, that such direction to the Trustee (with a copy to the Borrower) shall be given by the Significant Bondholder on or before the date that is six (6) months prior to such redemption date; and
- (e) In part from the proceeds of any Loan Equalization Payment made by the Borrower in accordance with the terms of Section 4.06 of this Indenture and Section 4.06 of the Loan Agreement.

#### <u>Mandatory Redemption Resulting from Event of Default or</u> Determination of Taxability:

- (a) The Bonds shall be subject to mandatory redemption in whole upon the occurrence of an Event of Default at a redemption price equal to the principal amount of Bonds Outstanding plus the accrued interest due thereon.
- (b) The Bonds shall be subject to mandatory redemption in the event of a Determination of Taxability in whole at a redemption price equal to 105% (or 100% in certain specified circumstances) of the outstanding principal amount thereof plus accrued interest to the redemption date.

# **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:

- (a) Bond Fund Fund into which payments are made by the Borrower and which are subject to the lien and pledge of the Indenture.
- (b) Redemption Fund All monies deposited by the Borrower, for optional or mandatory redemption of Bonds.

- (c) Rebate Fund Monies held to the extent required to satisfy any rebate requirement, for the United States Government.
- (d) Replacement Reserve Fund Amounts held to cover replacement costs and ongoing maintenance.
- (e) Escrow Fund A portion of each monthly Loan payment will be held in the Escrow Fund to pay specific amounts for real estate taxes, insurance or other similar expenses.
- (f) Costs of Issuance Fund Amounts disbursed only to pay Costs of Issuance upon receipt of a written requisition.
- (g) Project Fund Amounts to pay Qualified Project Costs and interest on the Bonds during construction.
- (h) Insurance and Condemnation Proceeds Fund Created upon receipt of a Condemnation Award or Insurance Proceeds which exceed \$50,000 shall be deposited in this fund.

The majority of the bond proceeds will be deposited into the Project 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 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. <u>Bond Counsel</u> 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 September 2005.
- 2. <u>Bond Trustee</u> 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 April 2003.
- 1. <u>Financial Advisor</u> RBC Capital Markets, formerly RBC Dain Rauscher, was selected by the Department as the Department's financial advisor through a request for proposals process in August 2003.

2. <u>Disclosure Counsel</u> – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in September 2005.

# 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. 06-012**

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (CREEKSIDE MANOR SENIOR COMMUNITY) SERIES 2006; 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, very low and extremely low income and families of moderate income (all as defined in the Act); 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, very low and extremely 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 multifamily residential rental development 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 Revenue Bonds (Creekside Manor Senior Community) Series 2006 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and J.P. Morgan Trust Company, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to OHC/Killeen Ltd, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development for seniors described on Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on June 27, 2005, declared its intent to issue its revenue bonds to provide financing for the Development; 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 a portion of the cost of the acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily 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 Loan Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement (the "Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Bell County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower, Housing Credit Fund L.L.C. (the "Purchaser") and any other parties to such Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Purchaser or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Purchaser or another party to such Purchase Agreement; 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Mortgage and the Note; 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 Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage and the Note and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW, THEREFORE,

#### BE IT RESOLVED BY THE BOARD OF THE DEPARTMENT:

#### 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 for approval, the Comptroller of Public Accounts of the State 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 Bonds shall bear interest (A) from the Closing Date to April 1, 2008, at the rate of 5.40% per annum (subject to adjustment to a default rate as provided in the Indenture) and (B) on and after April 1, 2008, at the rate of 6.15% per annum (subject to adjustment to a default rate as provided in the Indenture); provided that, in no event shall the interest rate (including any default rate) on the Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be \$10,300,000; (iii) the final maturity of the Bonds shall be April 1, 2038; and (d) the price at which the Bonds are sold to the Underwriter or another party to the Purchase Agreement shall be the principal amount thereof.

<u>Section 1.3--Approval, Execution and Delivery of the Indenture</u>. 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 the Indenture and to deliver the Indenture to the Trustee.

<u>Section 1.4--Approval, Execution and Delivery of the Loan Agreement.</u> That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of 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 Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Bell County, Texas.

Section 1.6--Approval, Execution and Delivery of the Purchase Agreement. That the sale of the Bonds to the Purchaser and any other party to the Purchase Agreement is hereby approved, 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 hereby authorized to execute the Purchase Agreement and to deliver the Purchase Agreement to the Borrower, the Placement Agent and any other party to the Purchase Agreement, as appropriate.

<u>Section 1.7--Acceptance of the Note and Mortgage</u>. That the form and substance of the Note and Mortgage are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, as its interests may appear, without recourse.

<u>Section 1.8--Approval, Execution and Delivery of the Assignments</u>. That the form and substance of the Assignments are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.9--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 1.10--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.

<u>Section 1.11--Exhibits Incorporated Herein</u>. 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 - Purchase Agreement

Exhibit F - Mortgage Exhibit G - Note

Exhibit H - Assignments

Exhibit I - Asset Oversight Agreement

Section 1.12--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 1.13--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 or Acting 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 Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Acting Executive Director of the Department; 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 Development.

#### ARTICLE II

#### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

<u>Section 2.1--Approval and Ratification of Application to Texas Bond Review Board</u>. 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.

- <u>Section 2.2--Approval of Submission to the Attorney General</u>. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.
- <u>Section 2.3--Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.4--Certification of the Minutes and Records</u>. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.
- <u>Section 2.5--Authority to Invest Proceeds</u>. 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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.
- <u>Section 2.6--Underwriter</u>. That the Underwriter with respect to the issuance of the Bonds shall be Stephens, Inc.
- <u>Section 2.7—Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.8--Ratifying Other Actions</u>. 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 Development are hereby ratified and confirmed.

#### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

<u>Section 3.1--Findings of the Board</u>. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development 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 Development 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 financing of the Development is a public purpose and will provide a public benefit, and
- (iii) that the Development 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 Development in accordance with the requirements of the Loan Agreement and 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 in accordance with its terms, and
- (iii) that the Borrower is not, and will not enter into a contract for the Development 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) <u>Public Purpose and Benefits</u>.

- (i) that the Borrower has agreed to operate the Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development 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.
- <u>Section 3.3--Sufficiency of Loan Interest Rate</u>. 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 Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

<u>Section 3.4--No Gain Allowed</u>. 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.

<u>Section 3.5--Waiver of Rules</u>. That the Board hereby waives the rules contained in Chapters 33 and 35, 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

<u>Section 4.1--Limited Obligations</u>. 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 is pledged, given or loaned to such payment.

<u>Section 4.3--Effective Date</u>. 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.

#### [EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 20th day of March, 2006.

[SEAL]		
	By: /s/ Elizabeth Anderson Elizabeth Anderson, Chair	
Attest: /s/ Kevin Hamby Kevin Hamby, Secretary		

#### **EXHIBIT A**

#### DESCRIPTION OF DEVELOPMENT

Owner: OHC/Killeen Ltd, a Texas limited partnership

Development: The Development is a 180-unit multifamily facility to be known as Creekside Manor Senior Community and to be located approximately 200 yards east of the southeast corner of the intersection of Highway 190 and O.W. Curry, Killen, Bell County, Texas 76452. The Development will consist of twenty-six (26) one-story residential apartment buildings with approximately 145,784 net rentable square feet and an approximate average unit size of 810 square feet. The unit mix will

- 18 one-bedroom/one-bath units
- two-bedroom/one-bath units
- <u>20</u> two-bedroom/two-bath units
- 180 Total Units

consist of:

Unit sizes will range from approximately 650 square feet to approximately 868 square feet.

The Development will include a community building containing an administration office, game/recreation room, computer room, community room, kitchen and public restrooms. On-site amenities will include a swimming pool, perimeter fencing, a limited access gate, and a picnic area. All individual units will have washer/dryer connections, microwaves, dishwashers, and walk-in closets. Additionally, the Development will include 50 garages and 80 carports and 169 uncovered parking spaces.



March 20, 2006

### Development Information, Public Input and Board Summary

### Creekside Manor Senior Community, TDHCA Number 05618

		BASIC DEVEL	OPMENT INFORMA	ATION		
Site Address:	SE of intersection of	of OW Curry & HWY	190	Developmen	t #:	05618
City:	Killeen	Region:	8	Population Serve	ed:	Elderly
County:	Bell	Zip Code:	76542	Allocati	on:	
HTC Set Aside	es: 🗌 At-Risk 🔲 N	onprofit $\Box$ USDA	☐ Rural Rescue	HTC Purpose/Activ	ity:	NC
HOME Set Asi	ides: CHDO	$\square$ Preservation	General			
Bond Issuer:	TDHCA					
	HTC Purpose/Activity:	NC=New Construction, ACQ NC/R=New Construction and	=Acquisition, R=Rehabilita I Rehabilitation, ACQ/R=Ac	tion, NC/ACQ=New Construct countries and Rehabilitation	tion and Acqui	isition,
		OWNER AN	D DEVELOPMENT	<u>ream</u>		
Owner:		OHC/Killeen Ltd.				
		Richard Shaw - Ph	one: (972) 733-009	96		
Developer:		Noel Project Devel	opment, LLC			
Housing Gene	eral Contractor:	Brasha Builders, In	C.			
Architect:		Architettua, Inc.				
Market Analys	st:	The Jack Poe Com	pany			
Syndicator:	Syndicator: WNC & Associates					
Supportive Services: Outreach Housing Corp.						
Consultant: Not Utilized						
		<u>UNIT/BUILI</u>	DING INFORMATION	<u>ON</u>		
<u>30</u>	<u>% 40% 50% 60</u>	<u>% 65% 80%</u>	Total Rest	ricted Units:		150
C	0 0 15	50 O O	Market Ra	te Units:		30
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	3 BR 4 BR	Owner/Em	ployee Units:		0
	0 18 162	0 0	Total Deve	elopment Units:		180
Type of Buildin	g: 5 units or	more per bldng	Total Deve	elopment Cost:	\$1	4,759,875
Number of Res	sidential Buildings:	28				
	Note:	If Development Cost =\$0, an		ot been completed.		
		<u></u>	<u>G INFORMATION</u>			
		Applica <u>Reque</u>			Term	Rate
9% Housin	g Tax Credits-Credit	Ceiling:		\$0 0	0	0.00%
4% Housin	g Tax Credits with B	onds: \$390,35	53	\$0 0	0	0.00%
Housing Tr	rust Fund Loan Amou	unt:	80	\$0 0	0	0.00%
HOME Fur	nd Loan Amount:	\$	80	\$0 0	0	0.00%
Bond Alloc	ation Amount:	\$10,300,00	00	\$0 0	0	0.00%



March 20, 2006

### Development Information, Public Input and Board Summary

### Creekside Manor Senior Community, TDHCA Number 05618

PUBLIC COMMENT SUMMARY					
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment					
State/Federal Officials with Jurisdiction:					
TX Senator: Fraser, District 24	NC Points: 0 US Representative: Carter, District 31, NC				
TX Representative: Hupp, District 54	NC Points: 0 US Senator: NC				
<b>Local Officials and Other Public Officials:</b>					
Mayor/Judge: Maureen Jouett, Mayor, City of Kil	leen - Resolution of Support from Local Government				
Leslie K. Hinkle, Director of Community Developm of Killeen - The development is consistent with the of the City of Killeen as outlined in the Consolidate	needs				
Individuals/Businesses: In Support: 0 In Opposition: 0					
Neighborhood Input:					
<b>General Summary of Comment:</b>					
Public Hearing: Number that attended: 1					

#### Number in Opposition: 0

Number that spoke: 0 Number in Support: 0

Number Neutral: 0

CONDITIONS OF COMMITMENT

Not Recommended due to the following: The Development is not financially feasible based upon this analysis and the Department's standard for repayment of deferred developer fee in less than 15 years.

Should the Board approve this award, the Board may waive it's rule for the issue listed above, accept evidence of a non-repayable source of fund of at least \$236,511 or accept additional income or expense savings totaling at least \$15,767 per years and such an award should be conditioned upon the following:

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of 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 a third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
- 4. Board acceptance of a potential mandatory redemption of \$1,601,000 of the proposed \$10,300,000 presumed to be at a fixed interest rate of 6.15% over a 40 year amortization.
- 5. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing or source of additional non-repayable funds of \$826,142 or find additional income or reduced expenses of \$61,145 per year.
- 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.



March 20, 2006

# Development Information, Public Input and Board Summary Creekside Manor Senior Community, TDHCA Number 05618

RECOMMENDATION BY THE EXECU	TIVE AWARD AND REVIEW ADVISOR	RY COMMITTEE IS BA	ASED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	:	Credit Amount:	\$0
Recommendation: Not Recommended.			
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation: Not Recommended.			

### **Creekside Manor Senior Community**

### **Estimated Sources & Uses of Funds**

Sources of Funds	
Series 2006 Tax-Exempt Bond Proceeds	\$ 10,300,000
Tax Credit Proceeds	3,629,920
Deferred Developer's Fee	744,343
Earned Interest	204,592
Total Sources	\$ 14,878,855

Uses of Funds	
Acquisition and Site Work Costs	\$ 2,152,500
Direct Hard Construction Costs	7,024,000
Other Construction Costs (General Require, Overhead, Profit)	1,670,000
Indirect Construction Costs	356,000
Developer Fees	2,000,000
Direct Bond Related	267,375
Bond Purchaser Costs	1,049,480
Other Transaction Costs	199,500
Real Estate Closing Costs	 160,000
Total Uses	\$ 14,878,855

### **Estimated Costs of Issuance of the Bonds**

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	\$ 51,500
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	20,600
TDHCA Bond Compliance Fee (\$40 per unit)	7,200
TDHCA Bond Counsel and Direct Expenses (Note 1)	85,000
TDHCA Financial Advisor and Direct Expenses	60,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Trustee Fee	7,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	2,575
Total Direct Bond Related	\$ 267,375

### **Creekside Manor Senior Community**

n 1n l C t .	
Bond Purchase Costs	
Housing Credit Fund (Bond Purchaser)	103,000
Housing Credit Fund Servicing Fee	128,750
Bond Purchaser Counsel	15,000
Capitalized Interest	802,730
<b>Total Bond Purchase Costs</b>	\$ 1,049,480
Other Transaction Costs	
Tax Credit Application and Determination Fees	24,500
Operating Reserves & Lease-Up	175,000
<b>Total Other Transaction Costs</b>	\$ 199,500
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Impact Fees & Building Permits	25,000
Property Taxes	20,000
<b>Total Real Estate Costs</b>	\$ 160,000
<b>Estimated Total Costs of Issuance</b>	\$ 1,676,355

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: March 13, 2006 PROGRAM: 4% HTC, MRB FILE NUMBER: 05618

#### **DEVELOPMENT NAME** Creekside Manor Senior Community **APPLICANT** OHC/ KILLEEN LTD For-profit Name: Type: Address: 17103 City: **Dallas** State: TX75248 Richard Shaw 733-1864 Zip: **Contact:** Phone: (972)733-0096 Fax: (972)PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS Name: **Outreach Housing Corporation** (%): .005 Title: General Partner Title: Outreach Housing Corporation (%): 99.9 Limited Partner Name: Special Limited Partner, Noel Project Development LLC .005 Title: Name: **(%)**: Developer Title: Name: Richard Shaw **(%)**: N/AGuarantor Title: **Outreach Housing Corporation** N/A21% owner of SLP Name: (%): Colonial Communities Inc. N/A Title: 79% owner of SLP Name: (%): PROPERTY LOCATION SE of intersection of OW Curry and Hwy 190, appx. 300 ft south of Hwy QCT **DDA Location:** 190 service road City: Killeen County: Bell Zip: 76542 **REQUEST Amount Interest Rate Amortization Term** 1) \$390,353 N/A N/A N/A 2) \$10,300,000 6.15% 40 yrs 40 yrs 1) Annual ten-year allocation of housing tax credits Other Requested Terms: 2) Tax-Exempt Private Activity Mortgage Revenue Bond Multifamily **Proposed Use of Funds:** New construction **Property Type:** Elderly Special Purpose (s):

#### RECOMMENDATION

 $\boxtimes$ 

 NOT RECOMMENDED DUE TO THE FOLLOWING: The Development is not financially feasible based upon this analysis and the Department's standard for repayment of deferred developer fee in less than 15 years.

#### CONDITIONS

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MAY WAIVE ITS RULES FOR THE ISSUE LISTED ABOVE, ACCEPT EVIDENCE OF A NON-REPAYABLE SOURCE OF FUND OF AT LEAST \$236,511 OR ACCEPT ADDITIONAL INCOME OR EXPENSE SAVINGS TOTALING AT LEAST \$15,767 PER YEAR AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 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;
- Receipt, review, and acceptance of a third party detailed cost estimate certified by an architect or 2. engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis;
- Board acceptance of a potential mandatory redemption of \$1,601,000 of the proposed \$10,300,000 3. presumed to be at a fixed interest rate of 6.15% over a 40 year amortization
- 4. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing or source additional non-repayable funds of \$826,142 or find additional income or reduced expenses of \$61,145 per year;
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-5. evaluated and an adjustment to the credit amount may be warranted.

#### **REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports. The Application was previously submitted but later withdrawn due to concerns expressed by the Department during the underwriting process.

DEVELOPMENT SPECIFICATIONS								
	IMPROVEMENTS							
Total 180 # Re Buil	ntal dings 28	# Non-Res. Buildings	$\frac{1}{1}$ # of Floors	<u>1</u> Age: $\underline{N/A}$ yrs Vacant: $\underline{N/A}$ at / /				
Net Rentable SF:	145,784	Av Un SF:	810	Common Area SF: 7,600 Gross Bldg SF: 157,124				
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: 50% brick veneer and 50% 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 laminate wood. 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 air conditioning, and high-speed internet access. property will include tankless on demand hot water systems for the units and centralized heat.

#### ONSITE AMENITIES

A 6,700-square foot community building will include an arts and crafts room, management offices, a fitness center, a kitchen, restrooms, a media room & a mail center. The community building, swimming pool, barbeque grill, and gardens are located at the entrance to the property. In addition, perimeter fencing with a limited access gate is planned for the site.

**Uncovered Parking:** 168 spaces Carports: 80 Garages: 50 spaces spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Creekside Manor Seniors is an 11-unit per acre new construction development of 180 units of mixed-income housing located in central Killeen. The development will be comprised of 28 evenly distributed medium garden style, one-story residential buildings as follows:

- Ten Building Type One with six two-bedroom/one-bath units, and two two-bedroom/two-bath units;
- Thirteen Building Type Two with six two-bedroom/one-bath units;
- Four Building Type Three with four one-bedroom/one-bath units;
- One Building Type Four with two one-bedroom/one-bath units, four two-bedroom/one-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:	14.381 acres	626,436 square feet	Flood Zone Designation:	Zone X					
Zoning:	R-3		-						
		SITE and NEIGHBO	ORHOOD CHARACTERISTICS						

**Location:** Killeen is located in Central Texas, approximately 60 miles north from Austin in Bell County. The site is an irregularly-shaped parcel located in the central area of Killeen. The site is situated on the south side of US HWY 190.

#### **Adjacent Land Uses:**

- North: One-story office complex immediately adjacent and US Hwy 190 beyond;
- South: Undeveloped Land immediately adjacent and Little Nolan Road beyond;
- East: Little Nolan Creek Tributary immediately adjacent and Little Nolan Road beyond; and
- West: Undeveloped Land immediately adjacent and O.W. Curry Drive beyond.

<u>Site Access</u>: Access to the property is from the US Highway 190 running east and west. The development is to have one main entry from the northwest along Cunningham Road. Access to Interstate Highway 35 is 15 miles east, which provides connections to all other major roads serving the Killeen area.

<u>Public Transportation</u>: The availability of public transportation was not identified in the application materials.

**Shopping & Services:** The site is within three miles of major grocery stores, pharmacies, shopping centers, a multi-screen theater, 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:

**Floodplain:** "the property is within Flood Zone C (areas determined to be outside 100-500 year flood). However, the eastern portion of property running along Little Nolan Creek Tributary (approximately 100 feet) indicated to be in Flood Zone B (500-Year Flood)." (p. 22)

However, based on the most recent survey provided by the Applicant, no portion of the property lies within the designated flood zone.

• **Title Policy:** An "involuntary lien dated June 9, 2005" was reported in the title policy. 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.

Site Inspection Findings: TDHCA staff performed a site inspection on February 22, 2006, and found the location to be acceptable for the proposed development. The inspector noted that, "there are several strip malls/ retail centers nearby within ½ mile. Street to site is currently being built. Several restaurants within ½ mile." A previous report dated September 28, 2005, noted that "nearby is a small creek that does not traverse the site." Further, "the site has great access to new retail, shopping, & services. Further transportation to the site is made easy as this property is just off the service road of Hwy 190. No recognizable problems are evident from the quick visual inspection. Nearby is a small creek that does not seem to traverse the site."

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 7, 2005, was prepared by Lark & Associates, Inc. and contained the following findings and recommendations:

#### **Findings:**

- Asbestos-Containing Materials (ACM): "During time of site visit; special attention was given to potential Friable ACM (Asbestos Containing Material). Subject property was undeveloped having no structures." (p. 25)
- Lead-Based Paint (LBP): "Undeveloped property having no structures" (p. 25)
- Radon: "Texas Indoor Radon Survey conducted by the Texas Department of Health did survey 18 locations within Bell County with minimum values of >.9 to 3.9 pCi/l. These levels were taken

OUTDOORS and do not reflect any environmental concerns." (p. 24)

- **Noise:** "Our firm was not requested or required to perform a noise study as there were no industrial zones, active rail lines or airfields within one mile of the site." (p. 37)
- **Floodplain:** "the property is within Flood Zone C (areas determined to be outside 100-500 year flood). However, the eastern portion of property running along Little Nolan Creek Tributary (approximately 100 feet) indicated to be in Flood Zone B (500-Year Flood)." (p. 22) The Applicant's latest survey shows that the portion of the land that included this floodplain has been excluded from the residential building site.

**Recommendations:** "Our firm has concluded that this site has been found to have no current environmental concerns." (p. 6)

"After on-site review, no recommendations or environmental concerns were revealed within this undeveloped property or present of record with all City, County, State, or Federal authorities researched." (p. 6)

"Our firm does consider that no further environmental investigation is necessary at this time." (p. 6)

#### POPULATIONS TARGETED

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. This will be a Priority 3 private activity bond lottery development. 150 of the units (83% of the total) will be reserved for low-income tenant households earning 60% or less of AMGI, and the remaining 30 units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons		
60% of AMI	\$19,980	\$22,800	\$25,680	\$28,500	\$30,780	\$33,060		

#### MARKET HIGHLIGHTS

A market feasibility study dated December 15, 2005, was prepared by Jack Poe Company Incorporated ("Market Analyst") and highlighted the following findings:

<u>Definition of Primary Market Area (PMA)</u>: "The primary market includes the cities of Killeen, Harker Heights, and Nolanville (excluding Fort Hood.)" (p. 16). This area encompasses approximately 70 square miles and is equivalent to a circle with a radius of 4.75 miles.

**Population:** The estimated 2005 population of the PMA was 132,363 and is expected to increase by 9.2% to approximately 144,485 by 2010. Within the primary market area there were estimated to be 8,325 senior households in 2005.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 637 qualified households in the PMA, based on the current estimate of 8,325 households, the projected annual growth rate of 1.8%, renter households estimated at 25.0% of the population, income-qualified households estimated at 14.44%, and an annual renter turnover rate of 35%. (p. 48). The Market Analyst used an income band of \$15,180 to \$25,680. The Market Analyst also included a performance of demand from existing income eligible owner households who might be willing to relocate to a rental property. This source of demand is based upon a survey of 47 randomly selected elderly persons at the Killeen Mall and at the Killeen Senior Citizens Center. This survey found that 63% would consider moving to the subject if it were built and 34% of them would be income qualified. This was applied to the 75% non-renters' households in the primary market area to include 446 additional units of demand. This is not a typical approach to determining demand but has some validity in concept, especially in the area of senior housing, since seniors may be more likely than families to choose to move out of an ownership position and into a rental unit. The Underwriter applied a turnover rate to reduce the demand from this source to 174 units, but still has concerns regarding the statistical reliability of the survey itself.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY								
	Market	Analyst	Underwriter					
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand				
Household Growth	23	3.61%	18	5%				
Resident Turnover	105	16.48%	161	45%				
Elderly Persons Living in Owner Occupied Housing	446	70.02%	174	49%				
Below the Income Band	5	0.78%	5	1%				
Secondary Market (10%)	58	9.11%	0	0%				
TOTAL ANNUAL DEMAND	637	100%	358	100%				

Ref: p. 52

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 44% based upon 637 units of demand and 279 unstabilized affordable housing in the PMA (including the subject) (p. 57). The Underwriter calculated an inclusive capture rate of 78% based upon a supply of unstabilized comparable affordable units of 279 divided by a revised demand of 358. While heavily dependent on the limited survey of owner-occupied income-eligible elderly households in the market, both inclusive capture rates are below the 100% allowed in the Department's guidelines.

<u>Local Housing Authority Waiting List Information</u>: "Denise Strayer of the Central Texas Council of Governments stated that they currently have 3,856 Section 8 vouchers in service at this time and their waiting list includes 1,951 households." (p. 50).

<u>Market Rent Comparables</u>: The Market Analyst surveyed nine comparable apartment projects totaling 1,265 units in the market area. (pp. 26-35).

	4.1	*							
RENT ANALYSIS (net tenant-paid rents)									
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential				
1-Bedroom (60%)	\$506	\$506	\$0	\$650	-\$144				
1-Bedroom (MR)	\$650	N/A		\$650	-\$0				
2-Bedroom (60%)	\$606	\$604	\$2	\$725	-\$119				
2-Bedroom (MR)	\$795	N/A		\$725	\$70				
3-Bedroom (60%)	\$606	\$604	\$2	\$775	-\$169				
3-Bedroom (MR)	\$850	N/A		\$775	\$75				

(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)

<u>Primary Market Occupancy Rates</u>: "Occupancy in the primary market is similar to occupancy in the secondary market and overall occupancy is up approximately 5% in the last 6 months." The table provided shows that all occupancy rates for this market are over 90%. (p. 23).

<u>Absorption Projections</u>: "Based on this market evidence of absorption, we estimate the absorption rate for the proposed subject to be twenty-five units per month with thirty percent (30%) being pre-leased." (p. 25).

**Effect on Existing Housing Stock:** "The subject (150 HTC units and 30 market rate units) is planned to be built in a growing market where there are two competitive developments that offer 217 directly competitive units. None of these directly competitive units are vacant, and there is adequate demand in the market to absorb the subject units within 5 months without detrimentally impacting the existing supply of competitive qualified elderly developments." (p. 59).

<u>Market Study Analysis/Conclusions</u>: Notwithstanding the concerns regarding the statistical relevance of the survey of existing owner-occupied income-eligible households, the Underwriter found the market study provided sufficient information on which to base a funding recommendation. Senior-specific comparables were used as much as possible to the extent that they were available in the subject market.

#### **OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's HTC rent projections are the maximum rents allowed under HTC guidelines, and

are achievable according to the Market Analyst. The two-bedroom market rate units are proposed above what the market can bear according to the Market Analyst, and were reduced by the Underwriter to market-achievable rents. The Applicant stated that the property will pay water heat and heating, as provided by way of tankless on-demand hot water systems and natural gas, in addition to water, sewer, and trash and rents were calculated accordingly. The Applicant included \$65 per unit in secondary income but provided insufficient additional substantiation for their estimate.

The Applicant did provide secondary information from four other senior properties in which they have an ownership interest located throughout the state. Unadjusted secondary income for these four properties range from \$25.72 to \$61.82 with an unadjusted average of \$44.53 per unit per month. A closer evaluation of these properties suggests that washer and dryer rentals (which the Applicant estimated at \$21 per unit per month) only averaged \$6.94 per unit per month. Garage and covered parking income averaged \$7.23 per unit per month while the Applicant included \$24.22 as a source of income.

To provide stronger evidence of garage income, the Applicant included recent history of garage and carport rentals for their senior property in Desoto (in the considerably larger DFW market) which reflected 38 of 44 garages leased, 32 of 78 carports leased, 25 washer and dryers leased and 144 of 190 apartment units leased. The Applicant also included an e-mail from the Market Analyst anecdotally indicating that he was aware of two other senior developments built in 2003 in the DFW market that have garages leasing for \$50 to \$60 per unit. As with the subject the number of garages at these two properties amount to around a quarter of the total number of apartment units. The Market Analyst further indicates that all of the garages and carports are occupied but that only one of the two properties charges an additional fee for the carports. While it is likely that some additional income can be generated from washer and dryers and the garages, the level of support for such amenity fees is not well tested in Killeen. Moreover data from the comparable Killeen properties appear to reflect a total average secondary income of less than \$10 per unit.

The Applicant estimated \$5 for cable income and \$15 for other income while their averages were \$6.94 and \$17.69, respectively. Without the benefit of review of the full financial statement, it is impossible for the Underwriter to determine if the cable revenue was net or gross of the potentially offsetting cable expense. The four properties averaged \$11.91 for utility reimbursement which was not initially identified by the Applicant. The Applicant subsequently indicated that the market rate units would be individually metered for utilities and suggested that they would use a prorata chargeback of \$33 per unit per month; however, this additional rent burden would exceed the market rent established by the Market Analyst and therefore was not adopted by the Underwriter.

As potentially compelling as the Applicant's additional information might seem and after thorough analysis of this information, the Underwriter concluded that secondary income was possible at the level of \$25.60 per unit per month, though this would be leading the market compared to other senior properties in Killeen. (The Underwriter compared the Applicant's adjusted historical averages to a calculated estimate using a base of \$15.88 including cable and washer and dryer income plus 70% capture of garage rentals, no carport income, and no utility reimbursement) As a result, the Applicant's effective gross income estimate is \$103K greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,148 per unit is 13% lower than the Underwriter's database-derived estimate of \$3,543 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 (\$10K lower), payroll (\$16K lower), repairs and maintenance (\$16K lower), utilities (\$26K lower), water, sewer, and trash (\$23K lower), property tax (\$13K higher. The Underwriter discussed these differences with the Applicant and received a written response on March 8<sup>th</sup> a summary and analysis of which follows.

The Applicant claimed payroll and payroll tax expenses of \$143,500 compared to the Underwriter's \$159,480 or \$886 per unit. The Applicant provided two pay periods of a payroll detail sheet for their 190 unit senior property in Desoto (DFW market) which is now in lease-up. While not a clear comparable due to the significantly different location, the \$11,873.58 total for the two out of 26 annual pay periods would suggest an annualized payroll of \$154,357. The Applicant further explains that \$925 of the total payroll detail is attributed to commissions. The Underwriter notes that leasing commissions are typical in most

markets in Texas today even for stabilized developments and that this very limited information is somewhat volatile as there is over a 5% difference between the two periods and that the two periods only represent less than 10% of a year. Therefore, the weight given to them should be more limited compared to the database information available to the Department which suggests an even higher average salary cost of \$166,029. The Underwriter adjusted this line item to the low end of the database range, however based upon the comparable stabilized senior property in Killeen with a per unit payroll cost of \$863.

The Applicant indicated that a 25% to 30% savings on the cost of water would result from the use of Dual Flush Toilets based upon literature from the manufacturer. Without providing a historical operating experience to document this savings they have indicated it will result in \$30 to \$45 per unit per year or at least \$5,000. The Applicant similarly suggests that the water well they plan for the property will save \$500 per watering month (six months) or \$3,000 per year and that the use of one larger compacting trash unit will reduce by half the trash pickup costs (\$325 per week). With none of these items does the Applicant provide comparable properties in this market or under their ownership to document the historical achievement of these savings.

The Applicant did provide undated operating expense information from another operator, however. This portfolio of six properties located in secondary markets across the State of Texas establishing an average operating expense of \$3,441 per unit. However these summary statements excluded reserve for replacement, \$200 per unit, but included an average per unit property tax expense of \$750. By adjusting for these two items, the Underwriter did include the use of a 50% property tax exemption since the general partner is a CHDO, this portfolio reflects an average operating cost per unit of \$3,380 which is 7.4% higher than the Applicant's estimate and 5.7% lower than the Underwriter's estimate. The largest area of dispute between this average and the Underwriters estimate is in the area of utility expense which averaged \$113 per unit per year for the six property portfolio compared to \$357 per unit in the underwriter's estimate. Two factors play a role in this difference: 1) The Applicant plans to pay the cost of heating and water heating which is not typically included in the utility expense of an operating budget and 2) in addition to size and age, location plays a major role in the utility expense for a development. The best comparable for this property as far as age, size and location is concerned are the other Killeen senior property which reflects \$317 per unit with typical utilities, i.e. not accounting for the heat and water heat. When these average operating expenses for these six properties is also adjusted for utilities, as well as the aforementioned property taxes and reserve for replacements, the per unit operating expense estimate increases to \$3,624 or \$80 per unit higher than the Underwriter's estimate.

<u>Conclusion</u>: The Applicant's estimated income and 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 secondary income and operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.93 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$585,310 by a reduction of the loan amount to \$8,699,000 based on the stated rates and terms in the most recent loan commitments.

ACQUISITION VALUATION INFORMATION  APPRAISED VALUE									
Land Only: 16.75 acres	\$770,000	Date of Valuation:	7/	11/	2005				
Existing Building(s): "as is"	\$0	Date of Valuation:	7/	11/	2005				
Total Development: "as is"	\$770,000	Date of Valuation:	7/	11/	2005				
Appraiser: Jack Poe, MAI	City: Dallas	Phone:	(214)	720-9	9898				

An appraisal, provided by the purchaser, was performed by Jack Poe, MAI and dated July 11, 2005. The appraisal provides three values: "as-is", "prospective value" (as completed), and land value. 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

income approach. The acquisition value of the 16.75 acre tract is stated as \$750,000, \$20,000 less than the appraised value for 16.75 acres, and is thus considered reasonable in this case.

			AS	SESSED VALUE				
Land: 16.878 acres	\$91,901			Assessment for	he Year of:	200	5	
<b>Building:</b>	\$0 \$78,342		Valuation by:	Bell Count	ty Apprais	al District	Ī	
Prorata Assessed Value (14.381 acres):			Tax Rate:	2.7661%				
		EVII	DENCE of S	ITE or PROPERTY CO	ONTROL			
Type of Site Control:	Contrac	et to Pu	rchase Real	Estate (16.75 acres	)			
<b>Contract Expiration Date:</b>	3/	15/	2006	Anticipated Clos	sing Date:	3/	15/	2006
Acquisition Cost:	\$750,00	00		Other Terms/Conditions:				
Seller: Colonial Equities, Inc.				— Rela	ted to Develop	oment Tea	m Membei	r: Yes

#### CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: There is an identity of interest in the sale of the land as guarantor of the developer owns the property in another partnership, and is selling it to the Applicant. The site cost of \$750,000 (\$1.03/SF, \$44,776/acre, or \$4,167/unit) is substantiated by the appraisal value of \$770,000. Moreover in this case any excess sales price only goes to further the gap of funds needed since no excess credit syndication proceeds will be available to fund the acquisition.

<u>Sitework Cost</u>: The Applicant claimed sitework costs of \$7,792 per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is \$4.5K to \$7.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$7.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of this report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

<u>Direct Construction Cost</u>: 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. Garages and carports, that are to be rented, were moved to ineligible costs.

<u>Ineligible Costs</u>: The Applicant included garages and carports that are to be rented in eligible basis. The Underwriter moved these costs to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

<u>Interim Financing Fees</u>: The Underwriter reduced the Applicant's eligible interim financing fees by \$133,500 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.

<u>Fees:</u> The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by \$283,333 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount. The applicant's stated developer fee of \$2,000,000 is not repayable in 15 years from cash flow.

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. As a result, an eligible basis of \$10,964,829, is used to determine a credit allocation of \$378,287 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.

		FINAN	NCING STRUCTURE				
	INTERIM	I CONSTRUCTI	TION TO PERMANENT FINANCING				
Source: Housing Cred	it Fund, LLC		Contact: Chris Jones				
Principal Amount: \$10	,300,000	Construct	ction Interest Rate: 5.5%				
Permanent Interest Rate:	6.15%						
Amortization: 40	rs <b>Term:</b>	32 yrs	Commitment:	nal			
Annual Payment: \$70	,788	Lien Prior	ority: 1 Date: 3/ 2/ 2006				
Additional Information:	To be re-pri	ced after 17 ye	years with a balloon after the 32 year				
		TAX CRI	REDIT SYNDICATION				
Source: WNC & Asso	ociates		Contact: Michael J. Gaber				
Net Proceeds: \$3,62	29,920	Net Syndic	lication Rate (per \$1.00 of 10-yr HTC) 93¢				
Commitment:	LOI	Firm	Conditional <b>Date:</b> 12/ 28/ 2005				
Additional Information:							
		A DD	PLICANT EQUITY				
		APP	PLICANI EQUIT				
<b>Amount:</b> \$743,143		Source:	Deferred Developer Fee				
		FINANCING	G STRUCTURE ANALYSIS				

**Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and purchased by Collateral Mortgage Capital, LLC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. To achieve and maintain a debt coverage ratio of 1.10 or greater, a reduction in the debt principal amount would be required resulting in debt of \$8,601,000.

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

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$743,143 amount to 43% of the total fees. Due to the changes anticipated in the debt service capacity and therefore the financing structure, 100% of the developer fees plus a substantial portion of the contractor fees or other sources of funds will be required to fill the gap to make the project financially feasible.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$378,287 annually for ten years, resulting in syndication proceeds of approximately \$3,518,066. Due to the significant difference in estimated secondary income, operating expense and therefore net operating income, the Underwriter's debt coverage ratio (DCR) of 0.93 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development may not exceed \$585,310, by improving the terms of the debt or reducing the permanent loan amount to not more than \$8,699,000. To compensate for the reduction in loan funds the Applicant's deferred developer fee would increase to \$2,542,809, which represents approximately 148% of the eligible developer fee and 89% of all developer plus contractor fees. More importantly this total amount of unfunded gap would not be repayable from cash flow within 15 years even if it were to be paid out of available cash flow at a 0% interest rate. The amount of unrepayable gap of funds is calculated to be \$236,511 which equates to annual cash flow of at least \$15,767 per year. The amount of deferral projected to be necessary beyond 100% of the eligible developer fee amounts to \$826,142 or the equivalent of \$55,586 per year of debt service or \$61,145 in income sources or operating savings annually. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee will not be available to fund those development cost overruns.

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS MULTIFAMILY UNDERWRITING ANALYSIS

# 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. The property seller and the developer also have an identity of interest that was discussed in the site acquisition section above.

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

### **Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Outreach Housing Corporation, submitted an unaudited financial statement as of February 3, 2005, reporting total assets of \$10.8M and consisting of \$413K in cash, \$5.0M in receivables, \$5.3M in real property, and \$78K in other long term assets. Liabilities totaled \$312K, resulting in a net worth of \$10.5M.
- Richard Shaw is designated as guarantor of the development and submitted acceptable financial statements.

<u>Background & Experience</u>: 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 income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- 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 seller of the property has an identity of interest with the Applicant.
- 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:		Date:	March 13, 2006
	Phillip Drake		
Director of Real Estate Analysis:		Date:	March 13, 2006
	Tom Gouris		

## MULTIFAMILY COMPARATIVE ANALYSIS

## Creekside Manor Senior Community, Killeen, 4% HTC #05618

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	Prop-Pd Util
TC 60%	15	1	1	650	\$534	\$506	\$7,590	\$0.78	\$27.90	\$54.20
MR	3	1	1	650		650	1,950	1.00	27.90	54.20
TC 60%	119	2	1	822	642	604	71,876	0.73	38.30	67.40
MR	23	2	1	822		725	16,675	0.88	38.30	67.40
TC 60%	16	2	2	868	642	604	9,664	0.70	38.30	67.40
MR	4	2	2	868		775	3,100	0.89	38.30	67.40
TOTAL:	180		AVERAGE:	810	\$526	\$616	\$110,855	\$0.76	\$37.26	\$66.08
INCOME		Total Net Re	entable Sq Ft:	145,784		TDHCA	APPLICANT	Cor	nptroller's Region	8
	AL GROSS					\$1,330,260	\$1,356,420		IREM Region	
Secondary			Pe	er Unit Per Month:	\$25.60	55,296	140,880	\$65.22	Per Unit Per Mon	
	port Income:	utility pass			\$5.50	,	,			
POTENTIA	AL GROSS	INCOME				\$1,385,556	\$1,497,300			
Vacancy &	Collection L	oss	% of Potent	tial Gross Income:	-7.50%	(103,917)	(112,296)	-7.50%	of Potential Gross	Rent
Employee	or Other No	n-Rental Uni	ts or Conces	ssions		0				
EFFECTIV	E GROSS	INCOME				\$1,281,639	\$1,385,004			
<b>EXPENSE</b>	<u>:S</u>		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General &	Administrati	ve	3.64%	\$259	0.32	\$46,609	\$36,250	\$0.25	\$201	2.62%
Manageme	ent		5.00%	356	0.44	64,082	68,000	0.47	378	4.91%
Payroll & P	Payroll Tax		12.44%	886	1.09	159,480	143,500	0.98	797	10.36%
-	Maintenance	9	5.13%	365	0.45	65,707	50.000	0.34	278	3.61%
Utilities		-	5.01%	357	0.44	64,269	38,000	0.26	211	2.74%
	wer, & Trash		5.23%	373	0.44	67,076	44,000	0.26	244	3.18%
	,					46,467				
Property In		. =	3.63%	258	0.32		50,000	0.34	278	3.61%
Property Ta		2.7661	5.83%	415	0.51	74,685	88,000	0.60	489	6.35%
	r Replaceme	ents	2.81%	200	0.25	36,000	36,000	0.25	200	2.60%
Other: com			1.05%	74	0.09	13,400	12,900	0.09	72	0.93%
TOTAL EXPENSES		49.76%	\$3,543	\$4.37	\$637,775	\$566,650	\$3.89	\$3,148	40.91%	
NET OPER	RATING IN	С	50.24%	\$3,577	\$4.42	\$643,864	\$818,354	\$5.61	\$4,546	59.09%
DEBT SEF	RVICE									
First Lien Mo	ortgage		54.07%	\$3,850	\$4.75	\$693,032	\$701,788	\$4.81	\$3,899	50.67%
Additional F	inancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional F	inancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH	H FLOW		-3.84%	(\$273)	(\$0.34)	(\$49,168)	\$116,566	\$0.80	\$648	8.42%
AGGREGAT						0.93	1.17			
RECOMME	NDED DEB	COVERAG	SE RATIO			1.10				
CONSTRU	JCTION CO	<u>OST</u>				·				
Desci	ription	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	Cost (site o	r bldg)	5.29%	\$4,167	\$5.14	\$750,000	\$750,000	\$5.14	\$4,167	5.08%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			9.53%	7,500	9.26	1,350,000	1,402,500	9.62	7,792	9.50%
Direct Con	struction		46.41%	36,535	45.11	6,576,292	6,989,000	47.94	38,828	47.35%
Contingend		5.00%	2.80%	2,202	2.72	396,315	450,000	3.09	2,500	3.05%
-	•						-			
General Re	•	6.00%	3.36%	2,642	3.26	475,578	490,000	3.36	2,722	3.32%
Contractor		2.00%	1.12%	881	1.09	158,526	165,000	1.13	917	1.12%
Contractor		6.00%	3.36%	2,642	3.26	475,578	500,000	3.43	2,778	3.39%
Indirect Co			2.83%	2,228	2.75	401,000	401,000	2.75	2,228	2.72%
Ineligible C	Costs		4.01%	3,160	3.90	568,842	360,000	2.47	2,000	2.44%
Developer'	's G & A	2.00%	1.54%	1,212	1.50	218,213	450,000	3.09	2,500	3.05%
Developer'	's Profit	13.00%	10.01%	7,880	9.73	1,418,386	1,550,000	10.63	8,611	10.50%
Interim Fin	ancing		7.60%	5,985	7.39	1,077,375	1,077,375	7.39	5,985	7.30%
Reserves	-		2.15%	1,691	2.09	304,331	175,000	1.20	972	1.19%
TOTAL CO	OST		100.00%	\$78,725	\$97.20	\$14,170,435	\$14,759,875	\$101.24	\$81,999	100.00%
Recap-Hard	d Construct	ion Costs	66.56%	\$52,402	\$64.70	\$9,432,287	\$9,996,500	\$68.57	\$55,536	67.73%
SOURCES	OF FUND	s						RECOMMENDED		
First Lien Me			72.69%	\$57,222	\$70.65	\$10,300,000	\$10,300,000	\$8,699,000	veloper & Contr	actor Fee Avoil
Additional F					\$0.00	0	ψ10,000,000	0	- ·	
Auditional F	•	a do	0.00%	\$0			2 620 020			
	ation Procee	eus	25.62%	\$20,166	\$24.90	3,629,920	3,629,920	3,518,066		ee Deferred
HTC Syndic		_								
HTC Syndic Deferred De			5.24%	\$4,129	\$5.10	743,143	743,143	2,542,809		
HTC Syndic			5.24% -3.55%	\$4,129 (\$2,792)	\$5.10 (\$3.45)	(502,629) \$14,170,435	743,143 86,812 \$14,759,875	2,542,809 0 \$14,759,875	15-Yr Cumula	1% tive Cash Flow

TCSheet Version Date 4/11/05tg Page 1

05618 Creekside Manor Srs.xls Print Date3/13/2006 9:53 AM

#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

### Creekside Manor Senior Community, Killeen, 4% HTC #05618

### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 51.57	\$7,517,788
Adjustments				
Exterior Wall Finish	4.00%		\$2.06	\$300,712
Elderly/9-Ft. Ceilings	3.00%		1.55	225,534
Roofing			0.00	0
Subfloor			(2.24)	(326,556)
Floor Cover			2.22	323,640
Porches/Balconies	\$18.15	20116	2.50	365,105
Plumbing	\$680	60	0.28	40,800
Built-In Appliances	\$1,675	180	2.07	301,500
Stairs/Fireplaces			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			1.73	252,206
Garages	\$33.61	10,000	2.31	336,100
Comm &/or Aux Bldgs	\$61.63	6,700	2.83	412,904
Carports	\$8.90	12,000	0.73	106,800
SUBTOTAL			67.61	9,856,533
Current Cost Multiplier	1.01		0.68	98,565
Local Multiplier	0.85		(10.14)	(1,478,480)
TOTAL DIRECT CONSTRU	CTION COST	ΓS	\$58.15	\$8,476,618
Plans, specs, survy, bld prm	3.90%		(\$2.27)	(\$330,588)
Interim Construction Interest	3.38%		(1.96)	(286,086)
Contractor's OH & Profit	11.50%		(6.69)	(974,811)
NET DIRECT CONSTRUCT	ION COSTS		\$47.23	\$6,885,133

### PAYMENT COMPUTATION

Primary	\$10,300,000	Amort	480
Int Rate	6.150%	DCR	0.93
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	0.93
-			
Additional		Amort	
Int Rate		Aggregate DCR	0.93

## RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$585,310
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$58,554

Primary	\$8,699,000	Amort	480
Int Rate	6.15%	DCR	1.10

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

Additional	\$0	Amort	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
POTENTIA	AL GROSS	RENT	\$1,330,260	\$1,370,168	\$1,411,273	\$1,453,611	\$1,497,219	\$1,735,688	\$2,012,138	\$2,332,619	\$3,134,845
Secondar	ry Income		55,296	56,955	58,664	60,423	62,236	72,149	83,640	96,962	130,309
Other Su	pport Incom	ne: utility pa	0	0	0	0	0	0	0	0	0
POTENTIA	AL GROSS	INCOME	1,385,556	1,427,123	1,469,936	1,514,034	1,559,455	1,807,836	2,095,778	2,429,581	3,265,153
Vacancy	& Collectio	n Loss	(103,917)	(107,034)	(110,245)	(113,553)	(116,959)	(135,588)	(157,183)	(182,219)	(244,887)
Employee	e or Other N	Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIV	E GROSS	INCOME	\$1,281,639	\$1,320,088	\$1,359,691	\$1,400,482	\$1,442,496	\$1,672,249	\$1,938,594	\$2,247,362	\$3,020,267
EXPENSE	S at	4.00%									
General 8	& Administr	rative	\$46,609	\$48,474	\$50,413	\$52,429	\$54,526	\$66,340	\$80,712	\$98,199	\$145,358
Managen	nent		64,082	66,004	67,985	70,024	72,125	83,612	96,930	112,368	151,013
Payroll &	Payroll Tax	х	159,480	165,859	172,494	179,393	186,569	226,990	276,168	336,000	497,363
Repairs 8	& Maintenar	nce	65,707	68,335	71,069	73,911	76,868	93,522	113,783	138,435	204,917
Utilities			64,269	66,840	69,513	72,294	75,186	91,475	111,293	135,405	200,433
Water, Se	ewer & Tras	sh	67,076	69,759	72,549	75,451	78,469	95,470	116,154	141,319	209,187
Insurance	е		46,467	48,326	50,259	52,269	54,360	66,137	80,466	97,899	144,915
Property '	Tax		74,685	77,672	80,779	84,010	87,371	106,300	129,330	157,349	232,916
Reserve	for Replace	ements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other			13,400	13,936	14,493	15,073	15,676	19,072	23,204	28,232	41,790
TOTAL EX	(PENSES		\$637,775	\$662,645	\$688,491	\$715,351	\$743,265	\$900,157	\$1,090,381	\$1,321,053	\$1,940,163
NET OPER	RATING IN	COME	\$643,864	\$657,443	\$671,200	\$685,131	\$699,231	\$772,092	\$848,214	\$926,309	\$1,080,104
DE	BT SERVI	CE									
First Lien F	Financing		\$585,310	\$585,310	\$585,310	\$585,310	\$585,310	\$585,310	\$585,310	\$585,310	\$585,310
Second Lie	en		0	0	0	0	0	0	0	0	0
Other Fina	incing		0	0	0	0	0	0	0	0	0
NET CASH	H FLOW		\$58,554	\$72,133	\$85,890	\$99,821	\$113,922	\$186,782	\$262,904	\$340,999	\$494,795
DEBT CO	VERAGE R	RATIO	1.10	1.12	1.15	1.17	1.19	1.32	1.45	1.58	1.85

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5 \$14,170,43	5 \$13,161,118	\$12,547,262
(	0 \$1,418,38 0 \$304,33	0 \$218,213 0 \$1,418,386 0 \$304,331

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	\$13,161,118	\$12,547,262
High Cost Area Adjustment	100%	100%
TOTAL ADJUSTED BASIS	\$13,161,118	\$12,547,262
Applicable Fraction	83%	83.31%
TOTAL QUALIFIED BASIS	\$10,964,829	\$10,453,412
Applicable Percentage	3.45%	3.45%
TOTAL AMOUNT OF TAX CREDITS	\$378,287	\$360,643

Syndication Proceeds 0.9300 \$3,518,066 \$3,353,977

Total Credits (Eligible Basis Method) \$378,287 \$360,643

**Syndication Proceeds** \$3,518,066 \$3,353,977

\$6,060,875

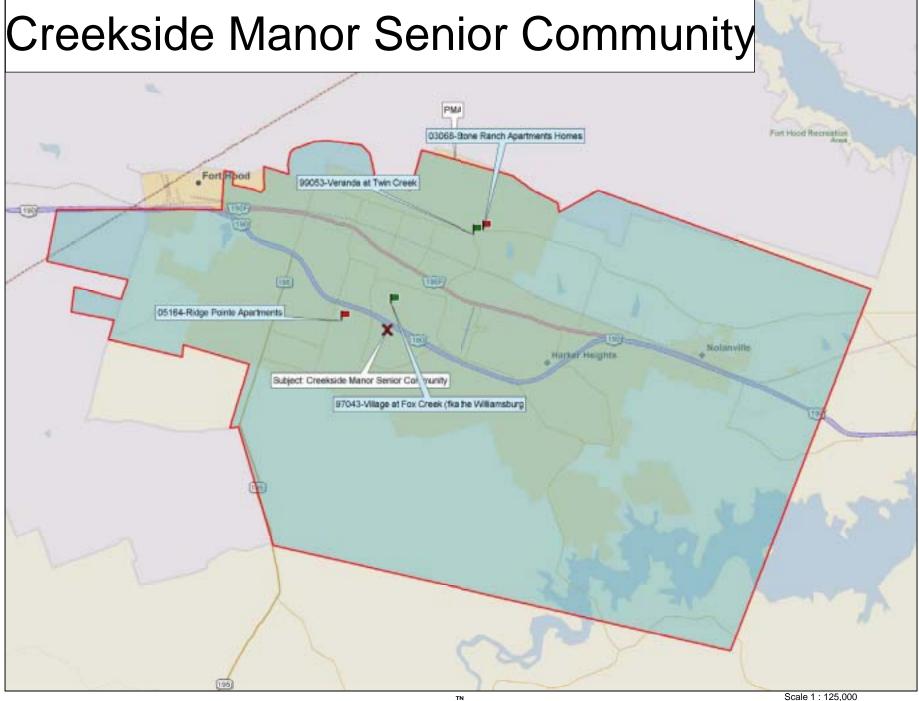
Requested Credits \$390,353

Syndication Proceeds \$3,630,283

Credit Amount \$651,707

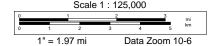
**Gap of Syndication Proceeds Needed** 



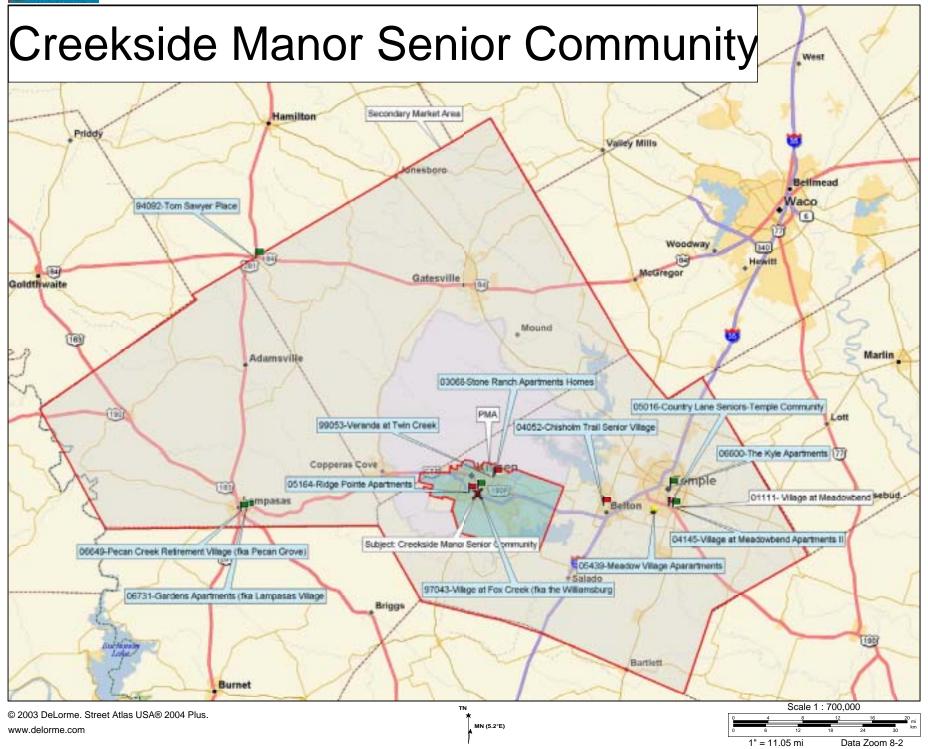


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# **Applicant Evaluation**

Project ID # 05618 Name	e: Creekside Manor Senior Comn	nunit City: Killeen
LIHTC 9% ☐ LIHTC 4% ✓	HOME ☐ BOND ☑ HTF ☐	SECO   ESGP  Other
☐ No Previous Participation in Texas	☐ Members of the develop	oment team have been disbarred by HUD
-		·
National Previous Participation C	Certification Received:   N/A	$\square$ Yes $\square$ No
Noncompliance Reported on Nat	tional Previous Participation Certification:	☐ Yes ☐ No
	Portfolio Management and Compliance	
Total # of Projects monitored: 5	# in noncompliance: 0	
	Yes No 🗸	
Projects zero to nine: 4 grouped ten to nineteen: 0	# monitored with a score less than thirty:	Projects not reported Yes In application No
by score twenty to twenty-nine: 1	· <u></u>	4 # of projects not reported 0
Portfolio Monitoring	Single Audit	Contract Administration
Not applicable	Not applicable ✓	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Issues found regarding late cert	Unresolved issues found
Unresolved issues found that	Issues found regarding late audit	Unresolved issues found that $\Box$
warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification	warrant disqualification (Comments attached)
Reviewed by Lucy Trevino	(Comments attached)	Date 9/1/2005
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Unresolved issues found	Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)
Reviewer S. Roth	Reviewer Paige McGilloway	Reviewer
Date 8 /30/2005	Date 8/29/2005	Date
Community Affairs	Office of Colonia Initiatives	Financial Administration
No relationship	Not applicable	No delinquencies found
Review pending	Review pending	Delinquencies found
No unresolved issues	No unresolved issues	-
Unresolved issues found	Unresolved issues found	
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	
Reviewer EEF	Reviewer	Reviewer Melissa Whitehead
Date 8/31/2005	Data	Date 9 /1 /2005

Executive Director: Edwina Carrington Executed: day, September 07, 2005

# **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Multifamily Finance Production Division

# **Public Comment Summary**

# **Creekside Manor Senior Community**

Public Hearing			
	Total Number Attended	1	
	Total Number Opposed	0	
	Total Number Supported	0	
	Total Number Neutral	0	
	Total Number that Spoke	0	
Public Officia	Is Letters Received		
Fublic Officia	is Letters Neceived		
	Opposition	0	
	Support	0	
General Public Letters and Emails Received			
	Opposition	0	
		·	
	Support	0	
Summary of Public Comment			
January of 1	No Opposition		
L			

### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
CREEKSIDE MANOR SENIOR COMMUNITY APARTMENTS

#### PUBLIC HEARING

Cedar Valley Elementary School Cafeteria 4801 Chantz Drive Killeen, Texas

February 22, 2006 6:30 p.m.

**BEFORE:** 

SHANNON ROTH, Multifamily Housing Specialist

# I N D E X

SPEAKER	PAGE
CALL TO ORDER/OPENING REMARKS:	3
Shannon Roth, Multifamily Housing Specialist Finance Division, TDHCA	
PUBLIC COMMENT:	(NONE)
CLOSING REMARKS/ADJOURNMENT:	4

Shannon Roth

## PROCEEDINGS

MS. ROTH: Good evening. My name is Shannon Roth. I'd like to proceed with the public hearing. Let the record show that it is 6:45 p.m. Wednesday, February 22, 2006. We're at the Cedar Valley Elementary School, located at 4801 Chantz Drive, Killeen, 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 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 issue. No decisions regarding the development will be made at this hearing.

The Department's board is scheduled to meet to consider the transaction on March 20, 2006. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at any of their meetings. The Department staff will also accept written comments from the public up to 5:00 p.m. on March 3, 2006.

The bonds will be issued as tax-exempt

multifamily revenue bonds in the aggregate principal amount not to exceed 10,500,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the Issuer.

The proceeds of the bonds will be loaned to OHC/Killeen, Ltd., 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: A 180-unit multifamily residential rental development to be constructed on approximately 15 acres of land located at approximately 200 yards east of the southeast corner of the intersection of Highway 190 and O. W. Curry and approximately 300 feet south of the Highway 190 service road, Bell 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 like to now open the floor to public comment.

(Pause.)

MS. ROTH: Let the record show there are no attendees. Therefore, the meeting is now adjourned. And the time is 6:46 p.m.

(Whereupon, at 6:46 p.m., this hearing was concluded.)

## CERTIFICATE

IN RE: Creekside Manor Senior Community Apartments

LOCATION: Killeen, Texas

DATE: February 22, 2006

I do hereby certify that the foregoing pages, numbers 1 through 6, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

<u>02/27/2006</u> (Transcriber) (Date)

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

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# MULTIFAMILY REVENUE BONDS CREEKSIDE MANOR SENIOR COMMUNITY

PUBLIC HEARING

Library
Cedar Valley Elementary School
4801 Chantz Drive
Killeen, Texas

January 19, 2005 6:00 p.m.

**BEFORE:** 

ROBBYE G. MEYER, Multifamily Bond Administrator

ALSO PRESENT:

RICHARD P. SHAW, Colonial Equities, Inc. DAVID TUREK, Colonial Equities, Inc.

# I N D E X

SPEAKER	PAGE
Bruce Whitis	8

## PROCEEDINGS

MS. MEYER: My name is Robbye Meyer. I'm with the Texas Department of Housing and Community Affairs. I am here to discuss a property, the Creekside Manor Senior Community. The developer is here, and this is a rendering of -- a drawing that he's doing in DeSoto that'll pretty much look like what they'll be doing here.

What I'd like to explain is that the programs that we're going to be using to develop, and what the developer has applied for -- there's two different programs. One is a private activity bond program, and one is a housing tax credit program. And both were encouraged by the federal government to encourage private industry, private developers to build affordable housing and own and manage it.

And the tax exemption for the private activity bonds -- it is tax-exempt bonds -- that exemption is to the bond purchaser; it's not to the development. What it allows though is the bond purchaser accepts a lower rate of return on the bonds because he doesn't have to pay income tax on his investment, which in turn allows the lender to charge a lower interest rate to the development, and therefore they can build a higher end product for a lower cost at the development.

And that's the private activity bond side.

Then there's the housing tax credit side that puts an equity injection into the property at the beginning and allows for the lower rent structure for affordable tenants.

There is a 30-year compliance period for this particular property that the Department will be monitoring. And it monitors for the income restrictions that are placed on the property. It also monitors for tenant occupancy, the physical appearance. We also do financial audits.

And they also have different tenant services that are offered to the tenants that'll live there. It's my understanding they have a beauty shop, and a business center, and several different facilities there on the property for senior citizens to be able to have there and they don't have to drive around for it.

This particular property, it will be Creekside Manor. It's located there at 190 and O.W. Curry in the southeast corner there. It will be 30 buildings, onestory buildings, and two non-residential buildings. A total of 220 units, two-bedroom, two-bath units with an average square footage of about 860.

Fifty percent of the units that will be there

will be rented to families at -- well, senior citizens, families that are 50 percent of the area median income and below, and the rest of the units will be at 60 percent of the area median income and below. For the Killeen area, the area median income is \$47,500.

That's -- if you have a two-person family, on the 50 percent side, they could have no more than a combined income of \$19,000 to be able to live here. And if they're at the 60 percent income, it would be 22,800. The two-bedroom units will be approximately \$498, and the -- for the 50 percent rents, and then for the 60 percent rents, it'll be \$605.

Once this hearing is concluded, a transcript of this hearing will be given to our board, for the TDHCA board, and that board is scheduled tentatively right now for March 10, and any additional public comment -- if you decide you don't want to make any comment tonight, I'll give you one of my business cards, and there's also -- in the packet of information on the table over here, is my contact information, so if you want to send something in later you can do that also.

And that public comment period is -- it does end on February 25 at 5:00. And if you need my information, it's in one of those, or I'll give you one of

my business cards.

What I'm going to do now is actually start the hearing process. And I have to read a brief speech for the public hearing that is required, and then I will open it up for public comment, and if the developer would like to -- if you have any questions for the developer, you're welcome to ask those.

Again, my name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs.

I'd like to proceed with the public hearing, and let the record show that it is 6:13 on Wednesday, January 19, and we are at the Cedar Valley Elementary School located at 4801 Chantz Drive in Killeen, Texas.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal

Revenue Code, and 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,

and the Department's board is scheduled to meet to

consider this transaction on March 10, 2005.

In addition to providing your comments at this hearing, the public is also invited to make comment directly to the board at that board meeting. The Department's staff will also accept written comments up until 5:00 on February 25, 2005.

The bonds will be issued as tax-exempt multifamily revenue bonds in an aggregate principal amount not to exceed 10,500,000, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series, by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to OHC/Killeen Limited, or a related person or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 220-unit multifamily rental development to be constructed on approximately 15 acres of land and located approximately 200 yards east of the southeast corner of the intersection of Highway 190 and O.W. Curry, and approximately 300 feet south of the Highway 190 service road.

The proposed multifamily rental housing community will be initially owned and operated by the

borrower.

And at this time, I'd like to open it up for comment. And, Mr. Whitis, would you like to make a comment?

MR. WHITIS: I quess.

MS. MEYER: Or if you have any questions, you're more than --

MR. WHITIS: Yes, I'd like a question --

Exactly where is this located? Do you have a plat to show the exact location?

MR. SHAW: It's going to be along the creek. Well, here.

(Pause.)

MR. SHAW: Here's 190 and this is the retail -the office buildings up there. This would be the street
coming in here, approximately over here, and it'll be this
area over here, coming all the way down to the creek and
up to the boundary of the property.

MR. WHITIS: Okay. I guess -- I own this property, all this property along the front here, all the property between you and the highway, between this project and the highway.

MR. SHAW: Right. You're -- I'm Richard Shaw.

MR. WHITIS: Mr. Shaw. I don't -- we've met

one time --

MR. SHAW: Yes.

MR. WHITIS: -- a long time ago.

MR. SHAW: Long time ago.

MR. WHITIS: And I've been trying to get in touch with you for a good while through the realtor, because my concern about -- one of the concerns about the project is we did a land trade with you on this, and part of that deal was to construct a road.

MR. SHAW: Right. Yes. We were down at the city today.

MR. WHITIS: That road agreement was to be done by December 31, and that hasn't been done. If anything -- nothing has started on it today.

MR. SHAW: No, we're -- I mean, we're ready to go. It's in the city's hands, and they really don't have anything to do with this development right now. But just -- we met with the chief engineer up there today, with -- Wayne Kessler was with us, the engineer.

We -- when we did this trade, we did a -- we took this area here and we basically gave it to the city.

The city is questioning whether -- the fact that it wasn't platted, or whether it was really accepted by the city. And I didn't have the documents with me today when

I met with the city to tell whether they had signed off on that or not.

I've got to look at the -- as a matter of fact, frankly, I was planning on calling you tomorrow because we -- as soon as we can -- get somebody to agree that that dedication was accepted by the city within 48 hours, we're ready to start construction. We'd had everything approved. So that's what's been holding us up. Wayne has not been able to get the city to get it done, for whatever reason.

MR. WHITIS: I mean, that was -- we closed in October, I believe, and all that --

MR. SHAW: Yes.

MR. WHITIS: -- stuff was done prior.

Construction plans had to be done before closing. That was part of the deal, and I thought --

MR. SHAW: Well, they were done, and I thought they were submitted and ready to go and all. We've had the city waiting, you know, holding us up and holding us up, and, you know, Wayne has gone back and forth to the city on our behalf. Wayne's our engineer down here.

MR. WHITIS: That's the only access -- that's where you'll be accessing this project, through that road that we're talking about?

MR. SHAW: Well, that's one of the accesses. I mean, eventually this street here, Bacon Ranch Road, is going to come through, and this street will go into Bacon Ranch Road.

MR. WHITIS: But to access this project, you'll be accessing it through that street now?

MR. SHAW: It'll be one of the accesses, yes.

MR. WHITIS: I guess I'm just concerned about the whole thing because, you know, it was supposed to have been done by December, and we haven't started. If it had started, I might not be as concerned, but I was concerned because --

MR. SHAW: Well, obviously, we can't get our permits to build this unless that road goes in.

MR. WHITIS: I understand. But our deal wasn't contingent upon anything about back there, about this project --

MR. SHAW: Well --

THE WITNESS: -- or this approval.

MR. SHAW: I know that, but that has nothing to do with this project. That's something between you and I.

And, you know, we have -- we're using your engineer who you recommended to us to get that accomplished. And he has not been able to get us a release on a building

permit.

MR. WHITIS: Those -- I'm not -- I haven't been in that loop at all on that deal, so I don't know anything about it.

MR. SHAW: I assumed that they had been keeping you up on that --

MR. WHITIS: No.

MR. SHAW: -- since Wayne was doing all the work for us.

MR. WHITIS: I don't -- Wayne doesn't work for me; he's a consultant --

MR. SHAW: Well, he does --

MR. WHITIS: He works for me.

MR. SHAW: -- work for you.

MR. WHITIS: But the -- you know, there -- you know, again, I'm just concerned about what's going on just because you haven't met your contractual obligations, you know, to have it done by the end of the year. Is that correct?

MR. SHAW: That's right.

MR. WHITIS: Okay.

MR. SHAW: Yes. So this -- but the street will have to be in before we can get a building permit to start this.

MR. WHITIS: But -- right. And it affects -- and I know this may or may not affect this particular -- it is -- may or may not be relevant to this particular location, but, you know, there's -- I have to -- under the contract, we have a right to go in and construct it, and, you know, sue you to get it done and all those type things. And I don't know how all that happens, and I don't want to have to do any of that stuff.

MR. SHAW: Well, neither do we. Believe me, we have --

MR. WHITIS: But it --

MR. SHAW: Everyone was with me today, we spent an hour and a half with Jim -- what is his name, the head engineer up there?

VOICE: Jim Butler.

MR. SHAW: Jim Butler, and Tom Dann was not around. He was at the hospital getting some tests; he wasn't feeling well. But they're telling us that all of our plans have been approved, but they cannot find either any record of this being platted prior to the dedication to the city.

MR. WHITIS: It wasn't platting prior to the dedication.

MR. SHAW: Okay. Or the city accepting the

dedication. There's nothing that -- he says, if you can show me where somebody in the city signed off on this, that's fine. He said to tell you engineering is not holding it up, that --

MR. WHITIS: No.

MR. SHAW: -- it's Tom Dann, based upon the platting that's --

MR. WHITIS: Right.

MR. SHAW: -- holding it up.

MR. WHITIS: Again, that -- to me, that could have been done three months ago. But my contention is that we're looking at -- this affects us dramatically over there, because that street's not there, and we're getting to the point where, you know, it does affect us.

And, you know, I just -- I've been trying to get in touch with you for a long time. I thought, well, maybe I can get you here. Through the realtor who -- I haven't called you directly, but through the realtor that handled the project, several calls. And --

MR. SHAW: I know he'd sent me an e-mail last week. I was out of town.

MS. MEYER: That seems like that can be settled.

MR. SHAW: Yes, I mean, we're going to build

the street. I mean, we -- you know, as soon as -- as a matter of fact, I was going to call Bruce tomorrow after I looked at my closing papers on it because I -- as a matter of fact, I told Wayne I was going to call you tomorrow because I assumed that you've known --

MR. WHITIS: Well --

MR. SHAW: -- the rules here that when we did that trade on the close and we deeded it to the city, that you had whoever sign off for the city that needed to accept that.

MR. WHITIS: When -- and I'll -- to be honest,

I'd have to think back on all those things --

MR. SHAW: I don't --

MR. WHITIS: That's been --

MR. SHAW: -- know --

MR. WHITIS: -- three months ago --

MR. SHAW: Yes.

MR. WHITIS: -- and I don't remember all the details of it, you know.

MR. SHAW: Because we were ready to go on this, and, of course, the weather hasn't helped us this fall, but we were ready to go. We had a contract signed with a local contractor to build this for us back in November.

MR. WHITIS: Who was that contractor?

MR. SHAW: I'll have to -- I'll call you tomorrow and give you the name. I don't remember offhand --

MR. WHITIS: Well, you know, as a -- I mean, I guess the way it affects me directly as a landowner adjacent to you there -- and I don't know this question.

And I throw this question out without -- just as a question, I guess, is that you had a contractual obligation to us to complete this road.

You don't meet that contractual obligation. It makes me think about the whole project back there that maybe 10 years from now, or five years from now, it becomes a slum, or something like that, because, you know, I don't know what all the obligations are involved with the government or whoever else.

MS. MEYER: Well, the state, as I stated earlier in my beginning speech -- there is a 30-year compliance period on this that the property will be monitored by the state.

MR. WHITIS: What happens if they don't follow through with their obligations and the state -- what happens then? The state come in and --

MS. MEYER: Well, there's --

MR. WHITIS: -- take it over and --

MS. MEYER: -- reserve -- yes. There's reserve accounts that are set up at the very beginning that will continue for years and those reserve -- if it's not kept up under physical appearances, then, yes, the state has the right to go in and make those updates that need to be done. So, yes, we do have that.

MR. SHAW: Now, Bruce, let me say this, we've been in business 35 years. We've always upheld every obligation we had. In this case, we have a situation where weather has prohibited us from getting in there for a while to get the staking, to get the surveys that we needed. We assumed that you, when you made that trade with us, knew what the city needed in the way of documentation, because you and your attorneys did the documents for us to deed that property over to the city.

Now, we're -- we have assumed all along that that was adequate for the city. Now, we just found out today -- you can ask Wayne Kessler who -- a local person who you know, that those documents are not adequate. And I had told Wayne, I said, well, I'm going to call Bruce tomorrow because we need to figure out who we have to contact to get this done.

MR. WHITIS: You know, I -- again, I'm not here to argue with you or to get into that.

MR. SHAW: Well --

MR. WHITIS: Those things are, to me, are things that, again, that could have been done three months ago. We all have problems; we all do our projects and we work through them --

MR. SHAW: So sue me, okay.

MR. WHITIS: No, I don't have -- don't want to do that. I'm not trying to do that. I'm --

MR. TUREK: Bruce, let me say something here to kind of -- as far as what happens, number one, like he said, we've been in business a long time. You can fly around the state and look at some other properties, and I think you'd be very, very pleased with what you saw.

But let me say this -- have we all, you know, lost our minds and started doing bad things all of a sudden? We have investors standing in here; we have lenders that are buying the bonds; we have investors that are buying tax credits that have a great deal to lose if these properties go down.

So there's a large -- there's large financial institutions standing out there, that if we go away, they're going to replace us, and they're going to take very good care of these properties. And then they'd stand to lose a tremendous amount if they let them go down. So

that should answer that question.

As to getting the road, we are in the process right now of doing everything possible to get there.

That's why Richard and I were both in the city today, spending a lot of time today. We've been down here all day working through this, working with Wayne, getting some things worked out.

And, yes, we were going to make a phone call, because we felt certain that you have -- your document had a signature on there whereby the city had accepted this road, which was going to keep us from having to go through it. Now, they're telling us to do a study on the entire basin, and do this and do that for a 150-foot road. So we needed to work with you.

But we apologize for the delay. It is not -that's not what we do generally. And we'll put you in
touch with a lot of people that'll tell you just that.
What we need to do now is let's figure out what we need to
do to get thing done quickly, and what can we do for you
and --

MR. WHITIS: You know --

MR. TUREK: -- how can we work together to get this thing resolved?

MR. WHITIS: I agree. You know, if I was in a

similar situation to you and things weren't going, I would be contacting the person I had that obligation to and say, hey, I've got problems here, this or this or this, and I need to -- some help in solving that. This is the first time I've --

MR. TUREK: We're here today and the first phone call we were going to make tomorrow morning, after we went back and checked our documents, not to see what anybody's obligations were, but to check and make sure that we didn't have a signed document there where we didn't have to bother you -- but we were going to go back and do that.

And the first phone call tomorrow morning was to you to sit down and say, Bruce, we need your help. So that's kind of where we are, and that's what we'd like to try and maybe get -- and I understand you're upset -- not upset, well, you're disappointed at this point.

But we're here to get this thing worked out, and move forward. Now, we're excited about this development, looking forward to it. We've spent a lot of time at the city today getting prepared for this thing.

And so, what do we need to do to get there?

First of all, do you know if that document -- if someone at the city has accepted that, the dedication

of that --

MR. WHITIS: You know, all the papers were signed at closing, and that's the last I saw of the original documents.

MR. TUREK: So -- but you or your lawyer, or somebody, didn't actually go down and get someone at the city, or your engineer or someone to accept that dedication? That's what we're hoping we're going to find tomorrow.

MR. WHITIS: Again, I don't -- it was all done at closing at the title --

MR. TUREK: Yes.

MR. WHITIS: -- company, and they had those documents.

MR. TUREK: Who do we talk to tomorrow to find out? Can we all get on the phone tomorrow morning or tomorrow -- whenever, as soon as --

MR. WHITIS: I'm not going to be available tomorrow morning at all.

MR. TUREK: Tomorrow afternoon, then, maybe?

MR. WHITIS: Possibly.

MR. TUREK: Okay.

MR. WHITIS: But --

MR. TUREK: Do we have business cards and all

that where we know how to -- or would your lawyer or your engineer or somebody be a better person to talk to about this?

MR. WHITIS: You know, I'm not sure exactly what it is -- you know, if you need the actual copy of the dedication.

MR. TUREK: Right.

MR. WHITIS: The title company --

MR. TUREK: Would be -- yes, but we --

MR. WHITIS: -- the only person I know to go through to deal for that.

MR. TUREK: Okay.

MR. WHITIS: And, you know, I discussed -- and, again, I'm --

MR. TUREK: I'll tell you what we came down here to do today. We came down here today to put up a \$70,000 CD, which the city wanted in lieu of a bond or whatever. That's just the easiest thing to do; we're just going to give them 70,000. They said, whoa, it's not platted, so back to sell. That's why we're -- you know, we were going to call you first thing in the morning and try and work things out, or see what we needed to do.

So that's kind of -- that's where we are in this deal. We're serious about it; we're professionals;

we've been doing it a long time. And it's just words, but I can tell you, you're not going to have to worry about having a slum behind you when this thing gets going.

That's --

MR. WHITIS: Again, I don't -- you know, I don't know. I just, you know --

MS. MEYER: Well, it will be monitored by the state for as long as the bonds are outstanding. If that is longer than 30 years -- it's however long those bonds are outstanding. So if he has a 40-year finance, it'll be 40 years. So the state will be monitoring at least for the next 30 years.

MR. TUREK: And they are not easy on us.

MS. MEYER: And there are a lot of things that they have to abide by, so -- just to make sure that everything is done right, and there are reserve accounts that if it does become run down, the state has the right to step in and make those repairs. Okay?

MR. WHITIS: Okay.

MS. MEYER: Okay.

MR. TUREK: You wouldn't mind staying after this hearing --

MR. WHITIS: No, no.

MR. TUREK: Okay.

ON THE RECORD REPORTING (512) 450-0342

MS. MEYER: Okay. Seeing -- and now we've -- that was our only public comment, then we will -- I will let the record show that it is now 6:30, and I will conclude the hearing at this time.

(Whereupon, at 6:30 p.m., the hearing was concluded.)

#### $\underline{\mathsf{C}}\ \underline{\mathsf{E}}\ \underline{\mathsf{R}}\ \underline{\mathsf{T}}\ \underline{\mathsf{I}}\ \underline{\mathsf{F}}\ \underline{\mathsf{I}}\ \underline{\mathsf{C}}\ \underline{\mathsf{A}}\ \underline{\mathsf{T}}\ \underline{\mathsf{E}}$

MEETING OF: TDHCA Public Hearing Creekside Manor

Multifamily Revenue Bonds

LOCATION: Killeen, Texas

DATE: January 19, 2005

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 Carol Oppenheimer before the Texas Department of Housing and Community Affairs.

(Transcriber) 01/20/05 (Date)

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



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### MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

Bella Vista Apartments Between the 2000 and 2200 Block of N. Grand Avenue Gainesville, Texas

> UHF Gainesville Housing, L.P. 144 Units Priority 3

\$6,800,000 Tax Exempt - Series 2006

#### **TABLE OF EXHIBITS**

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
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TAB 6	TDHCA Compliance Summary Report
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# MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD ACTION REQUEST

March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Bella Vista Apartments development.

#### **Summary of the Bella Vista Apartments Transaction**

The pre-application was received on October 3, 2005. The application was scored and ranked by staff. The application was induced at the November 10, 2005 Board meeting and submitted to the Texas Bond Review Board for addition to the 2005 Waiting List. The application received a Reservation of Allocation on November 18, 2005. This application was submitted under the Priority 3 category. A public hearing was held on January 26, 2006. There were approximately 20 people in attendance with ten people speaking for the record. The main concern was the tax abatement the applicant has applied for, competition with smaller apartment owners, and another tax credit property in the area that hasn't achieved full occupancy. A petition of support from the community was submitted that contained 287 signatures. Opposition has been received from the Gainesville Housing Authority and the Gainesville Hospital District, Board of Directors. The City Council passed a resolution in opposition to the development. A copy of the transcript is included in this presentation. The proposed site is located in the Gainesville Independent School District.

The proposed development will be located on the east side of N. Grand Avenue and North of US 82, Gainsville, Cooke County. Demographics for the census tract (9905.0) include AMFI of \$29,345; the total population is 3,442; the percent of the population that is minority is 43.46%; the number of owner occupied units is 519; the number renter occupied units is 743 and the number of vacant units is 116. (Census Information from FFIEC Geocoding for 2005)

#### **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 \$6,800,000. The bonds will be unrated and privately placed by National Alliance Securities. National Alliance Securities will underwrite the transaction using a debt coverage ratio of 1.15. The construction and lease up period will be for eighteen months with payment terms of interest only, followed by a 40 year term. The interest rate on the Bonds will be 6.15% per annum.

#### Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Bella Vista Apartments development because of the demonstrated quality of construction of the proposed 144 unit elderly development, the feasibility of the development (as demonstrated by the financial commitments from National Alliance Securities, Corp. and WNC & Associates, Inc. and the underwriting report by the Department's Real Estate Analysis Division), the tenant and social services provided by the development and the demand for affordable units as demonstrated by the market area.

### MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD MEMORANDUM

March 20, 2006

**DEVELOPMENT:** Bella Vista Apartments, Gainesville, Cooke County, Texas

**PROGRAM:** Texas Department of Housing and Community Affairs

2005 Multifamily Housing Mortgage Revenue Bonds

(Reservation received 11/18/2005)

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 Statute (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. (The Statute 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.)

**PURPOSE:** 

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to UHF Gainesville Housing, L.P. a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 144-unit multifamily residential rental Development located between the 2000 and 2200 blocks of N. Grand Avenue and on the west side of N. Grand Avenue, Gainesville, Cooke County, Texas 76240. (the "Development"). The Bonds will be taxexempt by virtue of the Development's qualifying as a residential rental Development.

**BOND AMOUNT:** 

\$6,800,000 Series 2006 Tax Exempt bonds (\*) \$6,800,000 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 November 18, 2005 pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before April 17, 2006, the anticipated closing date is April 4, 2006.

<sup>\*</sup> Preliminary - Represents Maximum Amount

#### **BORROWER:**

UHF Gainesville Housing, L.P., a Texas limited partnership, the general partner of which is Unified Housing of Gainesville, L.L.C., a Texas corporation, of which its sole member is Unified Housing Foundation, Inc.

# COMPLIANCE HISTORY:

The Compliance Status Summary completed on March 6, 2006 reveals that the principals of the general partner above have a total of four (4) properties. Three (3) of these properties are being monitored by the Department.

# **ISSUANCE TEAM & ADVISORS:**

National Alliance Securities, Corp ("Bond Purchaser")
Wells Fargo Bank, National Association, ("Trustee")
Vinson & Elkins L.L.P. ("Bond Counsel")
RBC Capital Markets ("Financial Advisor")
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

#### **BOND PURCHASER:**

The Bonds will be privately placed on or about April 4, 2006. The initial purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

# DEVELOPMENT DESCRIPTION:

<u>Site</u>: The proposed affordable housing community is a 144-unit multifamily residential rental development to be constructed on approximately 13.5 acres of land located between the 2000 and 2200 blocks of N. Grand Avenue and on the west side of N. Grand Avenue, Gainesville, Cooke County, Texas 76240. (the "Development"). The proposed density is 10.66 dwelling units per acre. Numerous retail centers are located within 1 to 2 miles of the site. There is also a school, daycare center, and church located within the neighborhood.

**Buildings:** The development will include a total of (8) one, two and three-story, wood-framed apartment buildings containing approximately 135,760 net rentable square feet and having an average unit size of 953 square feet. Construction will consist of wood-famed buildings with approximately 90% stucco exterior. The balance of the exterior will be stone veneer. Common area amenities will include a workout facility, a large pool, controlled-access gates, a laundry facility and outdoor activity areas. Unit amenities will include vinyl flooring and carpeting, garbage disposal, dishwasher, washer/dryer connections, a microwave oven, ceiling fans.

Units	Unit Type	Square Feet	Proposed Rent
48	1-Bedroom/1-Bath	750	\$546.00
56	2-bedrooms/2-Baths	960	\$638.00
40	3-Bedrooms/2-Baths	1,150	\$741.00
144	Total Units		<u> </u>

#### **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.)

#### **TENANT SERVICES:**

Borrower will provide Tenant Services provided by United Housing Foundation, Inc. Unified Housing Foundation is a nonprofit organization whose mission is to provide affordable, safe and clean apartment homes for low to moderate income individuals and families. They plan to offer the following services: financial assistance, CARES Teams/Resident Teams, after school program with tutoring and community programs and events.

#### **DEPARTMENT FEES:**

\$1,000 Pre-Application Fee (Paid).

\$10,000 Application Fee (Paid).

\$34,000 Issuance Fee (.50% of the bond amount paid at closing).

# DEPARTMENT ANNUAL FEES:

\$6,800 Bond Administration (0.10% of first year bond amount) \$5,760 Compliance (\$40/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:

\$3,600 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 \$518,676 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 \$5,082,516 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 mature over a term of approximately 40 years. The Bonds will pay interest only for approximately eighteen (18) months following the closing date. The loan will be secured by a first lien on the Development.

**BOND INTEREST** RATES:

The interest rate on the Bonds will be 6.15%. The Department's Real Estate Analysis division underwrote the transaction using a 6.22% rate.

<u>CREDIT</u> <u>ENHANCEMENT:</u>

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued in physical form and are not eligible to be held in a book-entry only system unless the Bonds receive a rating of "A" or better from a nationally recognized rating agency. The Bonds will be issued initially in denominations of \$100,000 plus any integral multiple of \$5,000 in excess thereof.

# MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity and will be payable semi-annually. During approximately the first eighteen (18) months following the closing date, 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 Bond Fund specifically for capitalized interest during a portion of the construction phase. After completion of the Development, 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 following the completion date of the Development. 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:

#### **Sinking Fund Redemption:**

The Bonds are subject to a mandatory redemption in part by operation of a sinking fund, according to the schedule set forth in the Indenture.

#### **Optional Redemption:**

The Bonds are subject to redemption, in whole, any time on or after April 1, 2016, from the proceeds of an optional prepayment of the Loan by the Borrower.

#### **Mandatory Redemption:**

- (a) (i) in whole or in part, in the event and to the extent that amounts on deposit in (i) the Bond Proceeds Subaccount of the Capitalized Interest Account of the Project Fund, or (ii) the Bond Proceeds Subaccount of the Mortgage Loan Account of the Project Fund are transferred to the Redemption Fund on the first Business day following such transfer for which thirty (30) days notice of redemption can be given.
- (b) If so called for redemption, the Bonds shall be redeemed at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

#### Extraordinary or Special Mandatory Redemption

- (a) 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
- (b) in whole or in part, in the event of prepayment of the Loan at the direction of a trustee in Bankruptcy for the Borrower; and
- (c) in whole, when any amounts in the Bond Fund not bing held therein to redeem Bonds is sufficient to pay any

- unpaid amount required to be paid by the Indenture and to redeem all Outstanding Bonds.
- (d) in whole, upon direction to the Trustee from the Significant Bondholder to redeem all Outstanding Bonds on April 1, 2016, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued and unpaid interest; provided, that such direction from the Significant Bondholder shall be given to the Trustee on or before April 1, 2016.

# FUNDS AND ACCOUNTS 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. Bond Fund Fund into which payments made by the Borrower are deposited and containing an Interest Account, Principal Account and Administrative Expense Account:
  - (a) Administrative Expenses Account— Amounts used for all fees, indemnification amounts and other amounts payable to and for the account of the Trustee for extraordinary services of the Issuer, Bond Counsel, Trustee etc.
  - (b) Interest Account Amounts used to pay the interest on the Bonds coming due on such Bond Payment Date;
  - (c) Principal Account Amounts used to pay the principal of any Bonds coming due on such payment date;
- 2. Replacement Reserve Fund Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.
- 3. Escrow Fund Amounts deposited by the Borrower to be applied to the payment of real estate taxes and insurance premiums.

- 4. Redemption Fund Amounts which are used to effect mandatory or optional redemptions.
- 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.
- 6. Debt Service Reserve Fund Amounts equal to the Reserve Fund requirement used to pay principal and interest on the Bonds in the event amount sin the Interest account and Principal account of the Bond Fund are insufficient.
- 7. Cost of Issuance Fund A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;
- 8. Operating Deficit Fund A temporary fund into which deposits are made by the Borrower to transfer to the accounts of the Bond Fund to cover any Shortfall Amount (as such term is defined in the Indenture), and to be released to the Borrower once certain conditions are met under the Indenture.
- 9. Insurance and Condemnation Proceeds Fund A fund to be created upon the receipt of insurance or condemnation proceeds and to be applied in accordance with the terms of the Indenture.
- 10. Project Fund (containing a Capitalized Interest Account (with Bond Proceeds Subaccount and Borrower Equity Subaccount therein) and a Mortgage Loan Account (with a Bond Proceeds Account and the Borrower Contribution Account therein)) Amounts used for the purpose of paying the costs of the development and paying interest on the Bonds during the construction period on the Development.

The majority of the bond proceeds will be deposited into the Project 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 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. <u>Bond Counsel</u> 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 September 2005.
- 2. <u>Bond Trustee</u> 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 April 2003.
- 3. <u>Financial Advisor</u> RBC Capital Markets, formerly RBC Dain Rauscher, was selected by the Department as the Department's financial advisor through a request for proposals process in August 2003.
- 4. <u>Disclosure Counsel</u> McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in September 2005.

# 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. 06-0010**

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (BELLA VISTA APARTMENTS) SERIES 2006; 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, very low and extremely low income and families of moderate income (all as defined in the Act); 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, very low and extremely 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 multifamily residential rental development 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 Revenue Bonds (Bella Vista Apartments) Series 2006 (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, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to UHF Gainesville Housing, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and 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 November 10, 2005, declared its intent to issue its revenue bonds to provide financing for the Development; 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 a portion of the cost of the acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily 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 Loan Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement (the "Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Cooke County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the private placement of the Bonds of an Limited Offering Memorandum (the "Offering Memorandum") and to authorize the authorized representatives of the Department to deem the Offering Memorandum "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Offering Memorandum as may be required to provide a final Offering Memorandum for use in the placement and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Purchase Contract (the "Purchase Contract") with the Borrower and National Alliance Securities Corporation (the "Underwriter") and any other parties to such Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Purchase Contract; 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Contract and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Mortgage and the Note; 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 Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage and the Note and the taking of such other actions as may be necessary or convenient in connection therewith;

#### NOW, THEREFORE,

#### BE IT RESOLVED BY THE BOARD OF THE DEPARTMENT:

#### 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 for approval, the Comptroller of Public Accounts of the State 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 Bonds shall bear interest at the rate of 6.15% per annum (subject to adjustment to a default rate as provided in the Indenture); provided that, in no event shall the interest rate (including any default rate) on the Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall not exceed \$6,800,000; (iii) the final maturity of the Bonds shall occur not later than April 1, 2046; and (d) the price at which the Bonds are sold to the Underwriter or another party to the Purchase Contract shall be the principal amount thereof.

<u>Section 1.3--Approval, Execution and Delivery of the Indenture</u>. 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 the Indenture and to deliver the Indenture to the Trustee.

<u>Section 1.4--Approval, Execution and Delivery of the Loan Agreement.</u> That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

<u>Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement.</u> That the form and substance of 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 Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Cooke County, Texas.

Section 1.6--Approval, Execution and Delivery of the Purchase Contract. That the sale of the Bonds to the Purchaser and any other party to the Purchase Contract is hereby approved, that the form and substance of the Purchase Contract are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute the Purchase Contract and to deliver the Purchase Contract to the Borrower, the Underwriter and any other party to the Purchase Contract, as appropriate.

<u>Section 1.7--Acceptance of the Note and Mortgage</u>. That the form and substance of the Note and Mortgage are hereby accepted by the Department and that the authorized representatives of the

Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, as its interests may appear, without recourse.

<u>Section 1.8--Approval, Execution and Delivery of the Assignments</u>. That the form and substance of the Assignments are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.9 --Approval, Execution, Use and Distribution of the Offering Memorandum. That the form and substance of the Offering Memorandum and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and Vice Chairman of the Governing Board and the Executive Director or the Interim Executive Director of the Department are hereby severally authorized to deem the Limited Offering Memorandum "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Offering Memorandum as may be required to provide a final Offering Memorandum for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Offering Memorandum, as required; and that the distribution and circulation of the Offering Memorandum by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Contract and as may be approved by the Executive Director or the Interim Executive Director of the Department and the Department's counsel.

Section 1.10--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 1.11--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.

<u>Section 1.12--Exhibits Incorporated Herein</u>. 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 - Purchase Contract

Exhibit F - Mortgage

Exhibit G - Note

Exhibit H - Offering Memorandum

Exhibit I - Assignments

Exhibit J - Asset Oversight Agreement

Section 1.13--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 1.14--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 or Interim 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 or Interim Director of Multifamily Finance Production of the Department and the Secretary to the Board.

<u>Section 1.15--Conditions Precedent.</u> That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Interim Executive Director of the Department; 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 Development.

#### ARTICLE II

#### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

<u>Section 2.1--Approval and Ratification of Application to Texas Bond Review Board</u>. 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.

<u>Section 2.2--Approval of Submission to the Attorney General</u>. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

<u>Section 2.3--Engagement of Other Professionals</u>. That the Executive Director or Interim Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Purchase Contract and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

<u>Section 2.4--Certification of the Minutes and Records</u>. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

<u>Section 2.5--Authority to Invest Proceeds</u>. 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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

- <u>Section 2.6--Underwriter</u>. That the Underwriter with respect to the issuance of the Bonds shall be National Alliance Securities Corporation.
- <u>Section 2.7—Engagement of Other Professionals</u>. That the Executive Director or Interim Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.8--Ratifying Other Actions</u>. That all other actions taken by the Executive Director or Interim Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

#### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

<u>Section 3.1--Findings of the Board</u>. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development 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) <u>Need for Housing Development.</u>

- (i) that the Development 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 financing of the Development is a public purpose and will provide a public benefit, and
- (iii) that the Development 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 Development in accordance with the requirements of the Loan Agreement and 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 in accordance with its terms, and
- (iii) that the Borrower is not, and will not enter into a contract for the Development 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 Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development 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.
- <u>Section 3.3--Sufficiency of Loan Interest Rate</u>. 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 Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.
- <u>Section 3.4--No Gain Allowed</u>. 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.
- <u>Section 3.5--Waiver of Rules</u>. That the Board hereby waives the rules contained in Chapters 33 and 35, 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**

<u>Section 4.1--Limited Obligations</u>. 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 is pledged, given or loaned to such payment.

<u>Section 4.3--Effective Date</u>. 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.

[EXECUTION PAGE FOLLOWS]

### PASSED AND APPROVED this 20th day of March, 2006.

[SEAL]		
	By: /s/ Elizabeth Anderson	
	Elizabeth Anderson, Chair	
Attest: /s/ Kevin Hamby		
Kevin Hamby, Secretary		

#### **EXHIBIT A**

#### DESCRIPTION OF DEVELOPMENT

Owner: UHF Gainesville Housing, L.P., a Texas limited partnership

Development:

The Development is a 144-unit multifamily facility to be known as Bella Vista Apartments and to be located at approximately between the 2000 and 2200 blocks of N. Grand Avenue and on the west side of N. Grand Avenue, Gainesville, Cooke County, Texas. It will consist of 4 two-story and 4 split two/three-story residential apartment buildings with approximately 135,760 net rentable square feet and an average unit size of approximately 943 square feet. The unit mix will consist of:

- 48 one-bedroom/one-bath units 56 two-bedroom/two-bath units 40 three-bedroom/two-bath units
- 144 Total Units

Unit sizes will range from approximately 750 square feet to approximately 1,150 square feet.

Common areas are expected to include a swimming pool, a Jacuzzi, picnic areas with BBQ grills, a play area with playground equipment, and a community center with a central kitchen, an exercise room, computer facilities, a library and laundry facilities. The Development will also have a perimeter fence with limited access gates and rental carports, garages and storage units.



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary Bella Vista Apartments, TDHCA Number 05626

#### **BASIC DEVELOPMENT INFORMATION** Between the 2000 and 2200 blocks of N. Grand Ave. Site Address: Development #: 05626 City: Gainesville Region: Population Served: Family County: Cooke Zip Code: 76240 Allocation: HTC Set Asides: ☐ At-Risk ☐ Nonprofit ☐ USDA ☐ Rural Rescue HTC Purpose/Activity: NC **HOME Set Asides:** ☐ Preservation ☐ General Bond Issuer: **TDHCA** HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation OWNER AND DEVELOPMENT TEAM Owner: UHF Gainesville Housing, L.P. Ken Joines - Phone: (214) 750-8845 Developer: United Housing Foundation, Inc. Housing General Contractor: To Be Determined Architect: GTF Design Market Analyst: O'Connor & Associates **WNC & Associates** Syndicator: Supportive Services: United Housing Foundation, Inc. Consultant: Roundstone Development, LLC.

#### UNIT/BUILDING INFORMATION

Total Restricted Units: 40% 50% 60% 65% 80% 144 0 144 0 Market Rate Units: Owner/Employee Units: Eff 1BR 2BR 3BR 4BR 0 48 56 0 40 **Total Development Units:** 144 Type of Building: 5 units or more per bldng Total Development Cost: \$12,944,581

Number of Residential Buildings: 8

Note: If Development Cost =\$0, an Underwriting Report has not been completed.

FUNDING INFORMATION							
	Applicant Request	Department Analysis	Amort	Term	Rate		
9% Housing Tax Credits-Credit Ceiling:		\$0	0	0	0.00%		
4% Housing Tax Credits with Bonds:	\$519,968	\$518,676	0	0	0.00%		
Housing Trust Fund Loan Amount:	\$0	\$0	0	0	0.00%		
HOME Fund Loan Amount:	\$0	\$0	0	0	0.00%		
Bond Allocation Amount:	\$6,800,000	\$6,800,000	40	40	6.20%		



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

## Development Information, Public Input and Board Summary

## Bella Vista Apartments, TDHCA Number 05626

PUBLIC COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment
State/Federal Officials with Jurisdiction:
TX Senator: Estes, District 30 NC Points: 0 US Representative: Burgess, District 26, NC
TX Representative: Hardcastle, District 68 NC Points: 0 US Senator: NC
Local Officials and Other Public Officials:
Mayor/Judge: Glenn Loch, Mayor, City of Gainesville - Resolution of Support from Local Government   NC
Mike Land, City Manager, City of Gainesville; The City of Gainsville does not have a Consolidated Plan.
City Council Resolution, City of Gainesville - O
Individuals/Businesses: In Support: 0 In Opposition: 2
Neighborhood Input:

#### **General Summary of Comment:**

Public Hearing: Public concerns included a possible tax abatement, competition with smaller apartment owners and lower occupancy rate of another multifamily development in the area.

Number that attended: 13 Number that spoke: 10 Number in support: 4 Number in oppostion: 3 Number Neutral: 6

Neighborhood Petition in Support: 287 signatures

#### **CONDITIONS OF COMMITMENT**

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of revised building floor plans consistent with the rent schedule.
- 3. Receipt, review, and acceptance of documentation that the finished floors of all buildings are at least one foot above the base flood elevation and all driveways and play areas are not more than six inches below the base flood elevation.
- 4. Should the 50% property tax exempt status, terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary Bella Vista Apartments, TDHCA Number 05626

RECOIVIN	HENDATION BY THE EXECU	IIVE AWARD AND REVIEW ADVISOR	A COMMINITIEE IS BE	ASED ON:	
9% HTC Competitive Cycle: ☐ Score:		☐ Meeting a Required Set-Aside	Credit Amount:	\$0	
Recommendation:					
HOME Loan:			Loan Amount:	\$0	
Recommendation:					
Housing Trust Fund Loan:		☐ Meeting a Required Set-Aside	Loan Amount:	\$0	
Recommendation:					
4% Housing Tax	Credits with Bond Issuance	:	Credit Amount:	\$518,676	
Recommendation:	Recommend approval of a Hoconditions.	using Tax Credit Allocation not to exceed \$	518,676 annually for te	n years, subject to	
Private Activity B	ond Issuance with TDHCA:		Bond Amount:	\$6,800,000	
Recommendation:	• •	ance of \$6,800,000 in Tax Exempt Mortgage term of 40 years with a 40 year amortization			

## Bella Vista Apartments

## **Estimated Sources & Uses of Funds**

Sources of Funds	
Series 2006 Tax-Exempt Bond Proceeds	\$ 6,800,000
Tax Credit Proceeds	4,982,885
GP Contribution	689,361
Interest Income	192,583
<b>Total Sources</b>	\$ 12,664,829

Uses of Funds	
Acquisition and Site Work Costs	\$ 350,000
Direct Hard Construction Costs	7,534,873
Other Construction Costs (General Require, Overhead, Profit)	1,520,446
Indirect Construction Costs	476,398
Developer Fees	1,428,597
Direct Bond Related	264,560
Bond Purchaser Costs	750,960
Other Transaction Costs	151,011
Real Estate Closing Costs	 187,984
Total Uses	\$ 12,664,829

### **Estimated Costs of Issuance of the Bonds**

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	\$ 34,000
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	13,600
TDHCA Bond Compliance Fee (\$40 per unit)	5,760
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Counsel	65,000
Trustee Fee	7,000
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	1,700
DTC, CUSIP, Misc	 4,000
Total Direct Bond Related	\$ 264,560

### **Bella Vista Apartments**

Bond Purchase Costs	
Bond Purchaser	12,000
Bond Purchaser Counsel	15,000
Equity Provider	25,000
Construction Interest	422,960
Underwriter	238,000
Underwriter Counsel	 38,000
Total Bond Purchase Costs	\$ 750,960
Other Transaction Costs	
Tax Credit Application and Determination Fees (if paid at closing)	30,011
Operating & Marketing Reserve	110,000
Miscellaneous	11,000
<b>Total Other Transaction Costs</b>	\$ 151,011
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	66,184
Property Taxes	46,800
Permits and Impact Fees	 75,000
Total Real Estate Costs	\$ 187,984
<b>Estimated Total Costs of Issuance</b>	\$ 1,354,515

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: March 6, 2006 PROGRAM: 4% HTC FILE NUMBER: 05626

			DE	VELOPI	MENT NA	AME					
			Bell	la Vista	a Apartr	nents					
				APPL	ICANT						
Name:	UHF Gainesv	ille Ho	ousing, L.P.		Type:	For-profit					
Address:	1755 Wittingt	ton Pla	ce, Suite 340		City:	Dallas			Stat	e:	TX
Zip:	75234 Con	tact:	Ted Stokley		Phone:	(214)	750-8845	Fax:	(972)	48	8-9999
			PRINCIPALS of th	ne APPL	ICANT/ K	EY PARTIC	IPANTS				
Name:	Unified House	ing of (	Gainesville, LLC		(%):	.01%	Title:	Managi	ing Gene	ral P	artner
Name:	Unified Housing Foundation, Inc.				(%):				ofit CHI of MGP	00 &	100%
Name:	Ken Joines				(%): Title:		Title:	President of Unified Housing Foundation, Inc.			, Inc.
			PRO	OPERTY	LOCAT	ION					
Location:	West side of I	N. Grai	nd Ave between t					⊠ Q0	CT		DDA
City:	Gainesville			County	y:	Cooke			Zip:	762	240
				REC	QUEST						
<u>A</u>	<u>Amount</u>		<u>Interest Rate</u>		4	<u>Amortizatio</u>	<u>n</u>		<u>Tern</u>	1	
1) 3	\$519,968		N/A			N/A		N/A			
2) \$	6,800,000		6.22%			40 yrs			40 yr	S	
Other Regu	ested Terms:	1) An	nual ten-year alloc	cation of	housing	tax credits					
Other Requ	iesieu Terms.	2) Ta	x-Exempt Private A	Exempt Private Activity Mortgage Revenue Bond			Bond				
Proposed U	se of Funds:	New	construction		Property	Type:	Multifa	amily			
Special Pur	pose (s): Ge	eneral F	Population	,							

#### RECOMMENDATION

- RECOMMEND APPROVAL OF ISSUANCE OF \$6,800,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.22% 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 \$518,676 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

#### CONDITIONS

- 1. Receipt, review and acceptance of revised building floor plans consistent with the rent schedule;
- 2. Receipt, review, and acceptance of documentation that the finished floors of all buildings are at least one foot above the base flood elevation and all driveways and play areas are not more than six inches below the base flood elevation;
- 3. Should the 50% property tax exempt status, terms and rates of the proposed debt or syndication

change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

	REVIEW of PREVIOUS UNDERWRITING REPORTS	
No previous reports.		

DEVELOPMENT SPECIFICATIONS						
IMPROVEMENTS						
144 8	# Non-Res. 1 # of Floors	$\underline{3}$ Age: $\underline{N/A}$ yrs Vacant: $\underline{N/A}$ at / /				
Net Rentable SF: 135,760 Av Un SF: 943 Common Area SF: 3,247 Gross Bldg SF: 139,655						
STRUCTURAL MATERIALS						

The structures will be wood frame with a slab on grade foundation. According to the plans provided in the application the exteriors will be comprised as follows: 90% stucco/10% stone veneer. The interior wall surfaces will be drywall and the pitched roofs will be finished with asphalt 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 and dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, and 9-foot ceilings.

#### **ONSITE AMENITIES**

A 3,247-square foot community building will include a furnished community room, a multi-purpose room, management and leasing offices, a furnished fitness center, laundry facilities, an equipped business center, a mail center, kitchen, restrooms, a work room and a phone room. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. In addition, full perimeter fencing with controlled access gate is planned for the site.

 Uncovered Parking:
 238
 spaces
 Carports:
 25
 spaces
 Garages:
 20
 spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**<u>Description</u>**: Bella Vista Apartments is a 10.66 unit per acre new construction development of 144 units of affordable housing located in central Gainesville. The development is comprised of eight evenly distributed medium garden style residential buildings as follows:

- Four Building Type I with 6 one-bedroom/one-bath units, 4 two-bedroom/two-bath units, and 6 three-bedroom/two-bath units;
- Four Building Type II with 8 one-bedroom/one-bath units, 8 two-bedroom/two-bath units, and 4 three-bedroom/two-bath units;

The building floor plans provided by the Applicant reflect a unit mix that is inconsistent with the rent schedule provided. It is a condition of this report that the Applicant provide revised building floor plans that are consistent with the rent schedule.

<u>Architectural Review</u>: 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:	13.5 acres	588,060 square feet	Flood Zone Designation:	Zone X & A				
Zoning:	Zoning: R-B2, allows for multifamily residential development							
	Zone A: Areas subject to inundation by the 1-percent-annual-chance flood event. Because detailed hydraulic analyses have not been performed, no base flood elevation or depths are shown. Mandatory flood insurance purchase requirements apply.							

#### SITE and NEIGHBORHOOD CHARACTERISTICS

<u>Location</u>: Gainesville is located in north central Texas, approximately 28 miles north of Denton in Cooke County. The site is a rectangularly-shaped parcel located in the northern area of Gainesville.

#### **Adjacent Land Uses:**

- North: vacant land and single-family development;
- **South:** retail and single-family residential development;
- East: single-family residential development; and
- West: retail and single-family residential development.

<u>Site Access</u>: Access to the property is from the north or south along FM 372. The development is to have one main entry and exit, from the north or south from FM 372. Access to Interstate Highway 82 is one mile south, which provides connections to all other major roads serving the Gainesville area.

<u>Public Transportation</u>: The availability of public transportation was not identified in the application materials.

**Shopping & Services:** According to the market study and a site inspection performed by TDHCA staff, the site is within one mile of a major grocery/drug store and within one mile of a Wal-Mart. Numerous single tenant and small neighborhood retail centers are scattered throughout the neighborhood. Schools, churches and medical services 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:

• Floodplain: Subsequent to the Phase I ESA report dated 12/19/2005, a letter dated January 31, 2006 from Christopher F. Talamini of Alpha Testing, Inc., the ESA provider, indicated that a portion of the subject property lies within a designated flood zone. The southwestern corner of the subject site is located within Zone A, a special flood hazard area. In addition, the southeastern corner of the site lies within the flood plain and one building as well as one the parking and driveway in that area are encompassed by it. The Applicant provided an engineer's grading plan and plat plan which creates a flood way easement in this corner of the site as well as a detention pond. None of the buildings or driveways are included in the flooding easement. The Applicant provided no indication that they would be seeking a formal change in the flood plain designation and therefore receipt, review and acceptance of documentation evidencing that the finished floors of all buildings will be at least one foot above the base flood elevations and that all drives and play areas are not more than six inches below the base flood elevation is a condition of this report. The remaining portion of the site is located outside of a designated flood zone.

<u>Site Inspection Findings</u>: The site was inspected by a TDHCA staff member on January 26, 2006 and was found to be acceptable.

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 19, 2005 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

<u>Findings & Conclusions</u>: Based on the Phase I ESA, "this assessment has revealed no evidence of recognized environmental conditions in connection with the Site." It should be noted that subsequent to the report dated December 19, 2005 by Alpha Testing, Inc., a letter dated January 31, 2006 from Alpha Testing, Inc. indicated that further review of the FEMA Flood Insurance Rate Map (FIRM) reveals that the southwestern corner of the subject site appears to be located within a designated flood zone, Zone A. Per the Underwriter's request the Applicant provided a revised site plan reflecting the portion of the site located within the designated flood way easement area included no improvements however the area indicted to be impacted by the existing 100-year flood plain contains at least a part of one building and a portion of the drive way.

#### POPULATIONS TARGETED

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 144 of the units (100% of the total) 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	\$22,620	\$25,860	\$29,100	\$32,340	\$34,920	\$37,500		

#### **MARKET HIGHLIGHTS**

A market feasibility study dated August 12, 2005 was prepared by Patrick O'Connor & Associates, L.P. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subject's primary market is defined as that area within the Cooke County" (p. 9). "For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by the Red River to the north; Montague County line to the west; Denton and Wise County lines to the south; and Grayson County line to the east" (p. 23) This area encompasses approximately 905 square miles and is equivalent to a circle with a radius of 17 miles.

**Population:** The estimated 2005 population of Cooke County was 38,685 and is expected to increase by 6.3% to approximately 41,124 by 2010. Within the primary market area there were estimated to be 14,527 households in 2005.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 937 qualified households in the PMA, based on the current estimate of 14,527 households, the projected annual growth rate of 1.3%, income-qualified renter households estimated at 9.07% and an annual renter turnover rate of 60%. (p. 62) The market analysis used an income band of \$20,777 to \$34,920. It should be noted that the Market Analyst's use of an income-qualified renter percentage of 9.07% was derived from American Housing Survey's (AHS) average of the four MSA's in Texas (San Antonio, Dallas, Houston and Fort Worth/Arlington) rather than for the PMA. According to the Market Analyst the AHS segments renter percentages by income brackets but did not provide this information for Cooke County. The Underwriter calculated total demand using demographic information for the PMA contained in the market study as well as using 1998 Census data for the PMA. The Census data also segments renter percentages by income brackets.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY							
	Market	Analyst	Underwriter				
Type of Domand	Units of	% of Total	Units of	% of Total			
Type of Demand	Demand	Demand	Demand	Demand			
Household Growth	22	2%	10	2%			
Resident Turnover	697	74%	451	74%			
Other Sources: Section 8 Vouchers	146	16%	146	24%			
Other Sources:	72	8%	0	0%			
TOTAL ANNUAL DEMAND	937	100%	607	100%			

Ref: p. 61

<u>Inclusive Capture Rate</u>: The Market Analyst calculated an inclusive capture rate of 15.37% based upon 937 units of demand and 144 unstabilized affordable housing in the PMA (subject only) (p. 62). The Underwriter calculated an inclusive capture rate of 24% based upon a supply of unstabilized comparable affordable units of 144 divided by a revised demand of 607. The capture rate is within the current maximum guidelines of 25% for developments targeting the general population.

<u>Local Housing Authority Waiting List Information</u>: "There are 603 families in the City of Gainesville currently on the growing waiting lists for low-rent public housing, apartment rental subsidies, or Section 8 vouchers administered by the Gainesville Housing Authority" (p. 35).

<u>Market Rent Comparables</u>: The Market Analyst surveyed four comparable apartment projects totaling 272 units in the market area. The Market Analyst indicates that "only four comparables were used due to the

limited availability of market properties considered comparable to the subject" (p. 38).

RENT ANALYSIS (net tenant-paid rents)								
Unit Type (% AMI) Proposed Program Max Differential Est. Market Differential								
1-Bedroom (60%)	\$546	\$546	\$0	\$635	-\$89			
2-Bedroom (60%)	\$638	\$638	\$0	\$730	-\$92			
3-Bedroom (60%)	\$741	\$741	\$0	\$820	-\$79			

(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 apartments in the subject's primary market area was reported at 98.00% in the most recent Apartment MarketData survey (July 2005). Average occupancy in the primary market area has remained strong over the past few years. Based on our analysis of the market, moderate increases in occupancy are projected for this market" (p. 34)

Absorption Projections: "Absorption in the subject's primary market area over the past twelve months ending December 2005 was minimal due to the lack of new construction and the high average occupancy...The subject should be able to reach a stabilized occupancy level within 12 months of completion" (p. 34-35).

**Known Planned Development:** "According to the Gainesville Planning Department, there was one multifamily project permitted in Gainesville over the 12 months ending July 2005 for a total of 76 units" (p. 30).

**Effect on Existing Housing Stock:** "The majority of the apartment facilities in the subject's primary market are older, less appealing projects...With continued demand and negligible new construction, the supply of available apartment product is declining...With respect to affordable housing projects, due to the overall lack of recently-constructed affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area" (p. 36).

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a recommendation.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,712 is within 5% of the Underwriter's databasederived estimate of \$3,554 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$16K less) and utilities (\$16K less). It should also be noted that the Applicant has applied for and anticipates receiving a 50% tax exemption for all taxes (city, county and school) from Cooke County. Additionally, the Applicant indicated that they have applied for a preliminary determination from Cooke County but have not received the exemption letter. The Applicant's attorney will provide an opinion at closing that this project qualifies for the exemption and the Applicant provided actual operating statements for three properties which are currently owned and operated by the owner of the GP in which they received a 100% tax exemption. The Underwriter's analysis and operating expense estimate takes this 50% exemption into consideration, however, should the Applicant not be granted the exemption for this property, the Applicant's operating expenses and net operating income would not be within 5% of the Underwriter's estimate. As a result, the Underwriter's NOI would be used to evaluate this development's debt service capacity and a reduction in the bond amount would likely occur in order to achieve a minimum 1.10 DCR. This reduction would result in deferral of more developer fee than is available, which would characterize this development as infeasible. Since the exemption is provided for in the Texas Tax Code, it should be anticipated to be achieved.

<u>Conclusion</u>: 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, which is at a 1.10, should be used to evaluate debt service capacity.

		AS	SESSED VALUE				
\$1,554			Assessment for the Year of: 2005				
\$69		Valuation by:	ity Appra	y Appraisal District			
\$932	]		Tax Rate:	2.9711			
	EVI	DENCE of S	ITE or PROPERTY CO	ONTROL			
Unim	proved (	Commercial	Property Contract (	(13.5 acres)			
06/	22	2006	Anticipated Clo	sing Date:	06/	22/	2006
Acquisition Cost: \$350,000 Other Terms/Conditions: \$5,000 earnest mon-				money			
r			— Rela	ted to Developi	nent Tear	m Membe	r: No
1	\$69 \$932 Unimp 06/ \$350,0	\$69 \$932 Unimproved 0 06/ 22 \$350,000	\$1,554 \$69 \$932 EVIDENCE of S Unimproved Commercial 06/ 22 2006 \$350,000	\$932 Valuation by:  System	\$1,554 Assessment for the Year of:  \$69 Valuation by: Cooke Court  \$932 Tax Rate: 2.9711  EVIDENCE of SITE or PROPERTY CONTROL  Unimproved Commercial Property Contract (13.5 acres)  06/ 22 2006 Anticipated Closing Date:  \$350,000 Other Terms/Conditions:	\$1,554         Assessment for the Year of:         2005           \$69         Valuation by:         Cooke County Appra           \$932         Tax Rate:         2.9711           EVIDENCE of SITE or PROPERTY CONTROL           Unimproved Commercial Property Contract (13.5 acres)           06/         22         2006         Anticipated Closing Date:         06/           \$350,000         Other Terms/Conditions:         \$5,000	\$1,554         Assessment for the Year of:         2005           \$69         Valuation by:         Cooke County Appraisal District           \$932         Tax Rate:         2.9711           EVIDENCE of SITE or PROPERTY CONTROL           Unimproved Commercial Property Contract (13.5 acres)           06/         22         2006         Anticipated Closing Date:         06/         22/           \$350,000         Other Terms/Conditions:         \$5,000 earnest

#### **CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$350,000 (\$0.60/SF or \$25,926/acre) for the 13.5 acre tract is significantly more than the tax assessed value. However, the acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

<u>Off-Site Costs</u>: The Applicant claimed off-site costs of \$10K for an eight inch water line, removal and replacement of street pavement, pavement striping, stop bars, stop signs and traffic flow signs and provided sufficient third party certification to justify these costs.

<u>Sitework Cost</u>: The Applicant's claimed sitework costs of \$6,702 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$92K or 1.4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

<u>Fees:</u> 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 \$25,862 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 \$2,046 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 \$11,207,346 is used to determine a credit allocation of \$518,676 from this method. This reconciled amount is \$1,292 less than the Applicant's original request due to the overstatement in contactor and developer fees discussed above. The Applicant was notified of these overstatements. The resulting syndication proceeds will be used to compare the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE						
INTERIM TO PERMANENT BOND FINANCING						
Source:	National Alliance Securities, Corporation	Contact:	Stephen Lipkin			

Tax-Exempt Amoun	st: \$6,800,000	Interest Rate	6.22%				
Additional Informat	ion:						
Amortization: 40	yrs <b>Term:</b>	40 yrs <b>Com</b>	mitment: 🔀 LOI	Firm Conditional			
Annual Payment:	\$461,551	Lien Priority:	1st <b>Date:</b> 02/	20/ 2006			
		TAX CREDIT S	SYNDICATION				
Source: WNC & Associates			Contact:	Darryl J. Seavey			
<b>Net Proceeds:</b> \$4,982,885		Net Syndication	Rate (per \$1.00 of 10-yr	HTC) 0.98¢			
Commitment:	⊠ LOI	Firm	Conditional Date:	01/ 04/ 2006			
Additional Informat	ion:						
	<u> </u>	ΔΡΡΙΙΟΔΙ	NT EQUITY				
Amount: \$847,440 Source: Deferred Developer Fee							
<b>Amount:</b> \$201,9	69	Source: Inte	ource: Interest income/lease-up cashflow				
	FINANCING STRUCTURE ANALYSIS						

<u>Interim to Permanent Bond Financing</u>: The tax-exempt bonds are to be issued by the Department and underwritten by National Alliance Securities, Corporation and privately placed with them. The financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the term of the loan is 12 months interest only during construction followed by a 40 year term and 40 year amortization. The interest rate is fixed at 6.22% for the construction and permanent periods.

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

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$847,440 amount to 58% of the total proposed fees. The underwriting analysis includes the proposed cash equity of \$201,969 with anticipated deferred fees.

**Financing Conclusions:** The proforma analysis indicates the development can support the requested bond allocation of \$6,800,000 at the lender's underwriting rate of 6.22%. As stated above, the Applicant's cost schedule was used to calculate the development's eligible basis. Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$518,676 annually for ten years, resulting in syndication proceeds of approximately \$5,082,516. The anticipated deferred fees of \$1,062,065, or 73% of the eligible fee, appears be repayable from cash flow between years ten to fifteen of stabilized operation.

## 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 and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The owner of the General Partner, Unified Housing Foundation, Inc., submitted an audited financial statement as of December 31, 2004 reporting total assets of \$344M and consisting of \$780K in cash, \$541K in receivables, \$365K in prepaid expenses, \$492K cash held in trust for tenant security deposits, \$333M in total apartment properties and \$9M in other assets. Liabilities totaled \$361M, resulting in a net worth of \$-17M.

#### **Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The owner of the General Partner, Unified Housing Foundation, Inc., has completed two HTC housing

developments totaling 426 units since 2003.

• Unified Housing Foundation, Inc., the principal of the General Partner, has completed two HTC housing developments totaling 426 units since 2003.

#### SUMMARY OF SALIENT RISKS AND ISSUES

- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- Potential significant environmental conditions exist with regard to the location of the flood plain.

Underwriter:		Date:	March 6, 2006
	Raquel Morales		
Director of Real Estate Analysis:		Date:	March 6, 2006
	Tom Gouris		·

## MULTIFAMILY COMPARATIVE ANALYSIS

# Bella Vista Apartments, Gainesville, MRB, 05626 Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt-Pd Util | Wtr, Swr, Trsh

TC60%								•		
	48	1	1	750	\$606	\$546	\$26,208	\$0.73	\$60.00	\$23.00
TC60%	56	2	2	960	727	\$638	35,728	0.66	89.00	29.00
TC60%	40	3	2	1,150	840	\$741	29,640	0.64	99.00	31.00
	-									
TOTAL:	144		AVERAGE:	943	\$718	\$636	\$91,576	\$0.67	\$82.11	\$27.56
NCOME	т	otal Net Per	ntable Sq Ft:	135,760		TDHCA	APPLICANT	Com	ptroller's Region	3
POTENTIAL (			itable oq i t.	100,100		\$1,098,912	\$1,098,912	Com	IREM Region	
Secondary Inc			P	er Unit Per Month:	\$15.00	25,920	25,920	\$15.00	Per Unit Per Month	
Other Support		escribe)			*******	0		******		
POTENTIAL	GROSS IN	COME				\$1,124,832	\$1,124,832			
Vacancy & Co	ollection Los	ss	% of Poten	tial Gross Income:	-7.50%	(84,362)	(84,360)	-7.50%	of Potential Gross	Rent
Employee or 0	Other Non-R	Rental Units	s or Concess	sions		0				
FFECTIVE	GROSS IN	COME				\$1,040,470	\$1,040,472			
<u>XPENSES</u>			% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Adı	ministrative		5.11%	\$369	0.39	\$53,168	\$37,008	\$0.27	\$257	3.56%
Management			4.53%	327	0.35	47,105	46,821	0.34	325	4.50%
Payroll & Payı	roll Tax		12.26%	886	0.94	127,584	128,835	0.95	895	12.38%
Repairs & Mai	intenance		5.05%	365	0.39	52,566	59,760	0.44	415	5.74%
Utilities			3.41%	246	0.26	35,472	19,863	0.15	138	1.91%
Water, Sewer,	, & Trash		4.58%	331	0.35	47,616	55,526	0.41	386	5.34%
Property Insur	rance		3.26%	236	0.25	33,940	35,298	0.26	245	3.39%
Property Tax		2.9711	5.43%	392	0.42	56,460	93,600	0.69	650	9.00%
Reserve for R	Replacement		3.46%	250	0.27	36,000	36,000	0.27	250	3.46%
Other: cable/s	•			152	0.16	21,888	21,888	0.16	152	2.10%
OTAL EXPE			49.19%	\$3,554	\$3.77	\$511,799	\$534,599	\$3.94	\$3,712	51.38%
NET OPERA		-	50.81%	\$3,671	\$3.89	\$528,671	\$505,873	\$3.73	\$3,513	48.62%
EBT SERVI		=	00.0170	φο,οιι	ψο.σσ	ψο20,011	φοσο,στο	ψο.7 σ	φο,στο	40.0270
lational Alliand		c Corp	44.36%	\$3,205	\$3.40	\$461,551	\$461,892	\$3.40	\$3,208	44.39%
nterest Income			0.00%	\$0	\$0.00	0	Ψ+01,032	\$0.00	\$0	0.00%
dditional Fina		ouon now	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
		_				A		*****	* -	
IET CASH F	LOW		6.45%	\$466	\$0.49	\$67.120	\$43.981	\$0.32	\$305	4.23%
		EDAGE DA	6.45%	\$466	\$0.49	\$67,120	\$43,981	\$0.32	\$305	4.23%
GGREGATE	DEBT COVI		ATIO	\$466	\$0.49	\$67,120 1.15	1.10	\$0.32	\$305	4.23%
GGREGATE I	DEBT COVI	OVERAGI	ATIO	\$466	\$0.49		. ,	\$0.32	\$305	4.23%
GGREGATE I RECOMMEND CONSTRUCT	DEBT COVI ED DEBT C	OVERAGI	ATIO			1.15	1.10	\$0.32		4.23%
AGGREGATE I RECOMMEND CONSTRUCT Descripti	DEBT COVI DED DEBT C TION COS	OVERAGI T Factor	ATIO	\$466	\$0.49	1.15	1.10 1.10 APPLICANT	\$0.32	\$305	4.23% % of TOTAL
GGREGATE I ECOMMEND CONSTRUCT	DEBT COVI DED DEBT C TION COS	OVERAGI T Factor	ATIO E RATIO			1.15	1.10			
GGREGATE I RECOMMEND CONSTRUCT Description Acquisition Co	DEBT COVI DED DEBT C TION COS	OVERAGI T Factor	ATIO E RATIO  % of TOTAL	PER UNIT	PER SQ FT	1.15	1.10 1.10 APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
GGREGATE I ECOMMEND CONSTRUCT Description Acquisition Co	DEBT COVI DED DEBT C TION COS	OVERAGI T Factor	ATIO E RATIO  % of TOTAL 2.66%	PER UNIT \$2,431	PER SQ FT \$2.58	1.15 TDHCA \$350,000	1.10 1.10 APPLICANT \$350,000	<u>PER SQ FT</u> \$2.58	PER UNIT \$2,431	% of TOTAL 2.70%
AGGREGATE I RECOMMEND CONSTRUCT Description Acquisition Conff-Sites Sitework	DEBT COVI DED DEBT C TION COS ion OSt (site or b	OVERAGI T Factor	% of TOTAL 2.66% 0.08%	PER UNIT \$2,431 69	PER SQ FT \$2.58 0.07	1.15 TDHCA \$350,000 10,000	1.10 1.10 APPLICANT \$350,000 10,000	PER SQ FT \$2.58 0.07	<u>PER UNIT</u> \$2,431 69	% of TOTAL 2.70% 0.08%
GGREGATE I ECOMMEND CONSTRUCT Description Acquisition Co Off-Sites Sitework	DEBT COVI DED DEBT C TION COS ion OSt (site or b	OVERAGI T Factor	ATIO E RATIO  ** of TOTAL 2.66% 0.08% 7.33%	PER UNIT \$2,431 69 6,702	PER SQ FT \$2.58 0.07 7.11	1.15  TDHCA \$350,000 10,000 965,071	1.10 1.10 APPLICANT \$350,000 10,000 965,071	PER SQ FT \$2.58 0.07 7.11	PER UNIT \$2,431 69 6,702	% of TOTAL 2.70% 0.08% 7.46%
NET CASH F AGGREGATE I RECOMMEND CONSTRUCT Descripti Acquisition Co Off-Sites Sitework Direct Construct Contingency General Req	DEBT COVIDED DEBT CONTION COSTION COSTION COSTION COSTION COSTICUTION	COVERAGI ET Factor Ildg)	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72%	PER UNIT \$2,431 69 6,702 46,383	PER SQ FT \$2.58 0.07 7.11 49.20	1.15  TDHCA \$350,000 10,000 965,071 6,679,190	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000	PER SQ FT \$2.58 0.07 7.11 48.52	PER UNIT \$2,431 69 6,702 45,743	% of TOTAL 2.70% 0.08% 7.46% 50.89%
GGREGATE I RECOMMEND CONSTRUCT Description Acquisition Co Off-Sites Sitework Direct Construction Contingency General Require	DEBT COVIDED DEBT COTION COSTON COSTO	COVERAGI ET Factor oldg)	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43%	PER UNIT \$2,431 69 6,702 46,383 1,312	PER SQ FT \$2.58 0.07 7.11 49.20 1.39	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899	PER SQ FT \$2.58 0.07 7.11 48.52 1.39	PER UNIT \$2,431 69 6,702 45,743 1,312	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46%
AGGREGATE I RECOMMEND CONSTRUCT Description Acquisition Co Off-Sites Sitework Direct Construction	DEBT COVIDED DEBT COTION COSTION COST	EOVERAGI ET Factor oldg) 2.47% 6.00%	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59%
GGREGATE I ECOMMEND CONSTRUCT  Descripti Acquisition Co Off-Sites Sitework Direct Construct Contingency General Requision Contractor's Contractor's Contractor's Fernical Contra	DEBT COVIDED DEBT COTION COSTION COSTION COSTION COSTICUTION COSTICUTICA COSTICUTICA COSTICUTICA COSTICUTICA COSTI	COVERAGI CT Factor (Idg) 2.47% 6.00% 2.00%	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38 1.13	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208	PER SO FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59%
CONTRACTOR CONTRACTOR CONSTRUCTOR CONSTRUCTOR CONSTRUCTOR CONTRACTOR CONTRACT	DEBT COVIDED DEBT COTION COST (site or bottless)  ruction  Its G & A  Profit  ctruction	COVERAGI CT Factor (Idg) 2.47% 6.00% 2.00%	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32%
Description CONSTRUCT Description Construct Contingency General Requirector's Contractor's Contractor's Fundirect Consumerity Contractor Constructor's Fundirect Consumerity Contractor Constructor's Fundirect Consumerity	DEBT COVIDED DEBT COTION COST (site or bottle)  ruction  Its G & A  Profit  ctruction  Sts	EXPERIENCE COVERAGE  Factor (1dg)  2.47% 6.00% 6.00%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,886 9,370	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 4.32% 10.42%
Description CONSTRUCT Description Construct Contractor's Contractor's Contractor's Fondirect Constructor's Fondirect Consumeligible Cospecies Covered Contractor's Contractor's Fondirect Constructor's Contractor's Fondirect Consumeligible Cospecies Covered Contractor's Contractor's Fondirect Consumeligible Cospecies Covered Contractor's Contractor's Contractor's Fondirect Consumeligible Cospecies Covered Contractor's C	DEBT COVIDED DEBT COTION COST (site or bottle)  ruction  Its G & A Profit ctruction  Sts G & A	EXPERIENCE COVERAGE  Factor (1dg)  2.47% 6.00% 2.00% 6.00%	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,886 9,370 1,355	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183	1.10 1.10 APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 4.32% 10.42% 1.51%
Description CONSTRUCT Description Construct Contractor's Contractor's Contractor's Findirect Construction Contractor's Con	DEBT COVIDED DEBT CONTION COST (site or bottle)  ruction  'ts G & A  Profit  ctruction  sts G & A  Profit	EOVERAGE T Factor Factor 6.00% 6.00%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 1.0.25% 1.48% 9.63%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691	1.10 1.10 3350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 4.32% 10.42% 1.51% 9.80%
Description Construction Construction Construction Construction Contingency Contractor's Contrac	DEBT COVIDED DEBT CONTION COST (site or bottle)  ruction  'ts G & A  Profit  ctruction  sts G & A  Profit	EXPERIENCE COVERAGE  Factor (1dg)  2.47% 6.00% 2.00% 6.00%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94%	\$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612	1.10 1.10 350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99%
Description Construction Sites Sitework Direct Construction Contractor's Contractor's Fondirect Construction Contractor's Contractor's Fondirect Construction Contractor's Fondirect Contractor's Fondirect Contractor's Fondirect Contractor's Fondirect Contractor's Fondirect Contracto	DEBT COVIDED DEBT COTION COST (Site or bottle cost)  Tuction  Tts  G & A  Profit ctruction  Sts  G & A  Profit ctruction  Sts  G & A  Profit ctruction  Sts  C & A  C & C & C & C & C & C & C & C & C & C	EXPERIENCE COVERAGE  Factor (1dg)  2.47% 6.00% 2.00% 6.00%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10%	9ER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726	1.10 1.10 350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00%
Description Construction Side Construction Construction Contingency Contractor's Co	DEBT COVIDED DEBT COVIDED DEBT COVIDED DEBT COVIDED CO	EXPERIENCE COVERAGE  T  Factor  10dg)  2.47%  6.00%  2.00%  6.00%  1.98%  12.88%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10%	\$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542	1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00%
Description Construction Side Construction Construction Contingency Contractor's Co	DEBT COVIDED DEBT COVIDED DEBT COVIDED DEBT COVIDED CO	EXPERIENCE COVERAGE  T  Factor  10dg)  2.47%  6.00%  2.00%  6.00%  1.98%  12.88%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10%	9ER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726	1.10 1.10 350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00%
Description Construction Sites Sitework Direct Construction Contractor's Contractor	DEBT COVIDED DEBT CONTROL COST (Site or bottom)  The construction cost (site or bottom)  The construc	EXPERIENCE COVERAGE  Table Factor (1)  2.47% 6.00% 2.00% 6.00% 1.98% 1.2.88%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10%	\$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542	1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00%
GGREGATE   ECOMMEND  CONSTRUCT  Descripti  cquisition Co  Off-Sites  citework  contingency  contractor's Co  contractor's Co  contractor's Co  contractor's Co  contractor's Co  contractor's F  contractor's F  contractor's Co  c	DEBT COVIDED DEBT COVIDED DEBT COVIDED DEBT COVIDED COST (Site or bottle)  Function  Its G & A Profit Struction Sts G & A Profit Struction Sts G & A Profit Struction Sts G & COVIDED	EOVERAGE  T  Factor    Add     Control     Factor     F	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10%	\$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542	1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00% 100.00%
Description Construction Sites and Interim Finance Contractor's Formation For The Contractor's Formation Finance Contractor's For The Contractor's Formation Finance Contractor Co	DEBT COVIDED DEBT COVIDED DEBT COVIDED DEBT COVIDED COST (site or bottom cost (site or bottom cost) and covided covide	EOVERAGE  T  Factor    Add     Control     Factor     F	% of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10% 100.00%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07 \$97.00	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542 \$8,903,357	1.10 1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581 \$8,824,122	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35 \$65.00 RECOMMENDED	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893 \$61,279	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00% 68.17%
Description CONSTRUCT Description Construct Contingency General Requirector's Contractor's Contractor's Fundirect Consumerity Contractor Constructor's Fundirect Consumerity Contractor Constructor's Fundirect Consumerity	DEBT COVIDED DEBT COVIDED DEBT COVIDED DEBT COVIDED COST (site or bound cost (site or bound cost) and covided	EOVERAGE  T  Factor    A	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10% 100.00% 67.61%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448 \$61,629	\$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07 \$97.00 \$65.58	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542 \$8,903,357	1.10 1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581 \$8,824,122	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35 \$65.00 RECOMMENDED	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893 \$61,279  Developer F	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00% 68.17%
Description CONSTRUCT Description CONSTRUCT Description CONSTRUCT Description Contractor Solution Contractor's Contractor'	DEBT COVIDED DEBT COTION COST (site or bottom cost)  G & A Profit corruction costs  G & A Profit corruction  T Construction  T Construction  DF FUNDS  ce Securities  ancing  ce/Lease-up (	EOVERAGE  T  Factor    A	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10% 100.00% 67.61%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448 \$61,829 \$47,222 \$0 \$1,403	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07 \$97.00 \$65.58 \$50.09 \$0.00 \$1.49	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542 \$8,903,357  \$6,800,000 0	1.10 1.10 1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581 \$8,824,122	\$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35 \$65.00 RECOMMENDED	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893 \$61,279  Developer F	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 4.32% 1.51% 9.80% 2.99% 0.00% 68.17% ee Available 1,828
Description Construction Construction Contingency General Requisition Contractor's	DEBT COVIDED DEBT CONTION COST (site or bottom cost) (site or bott	EOVERAGE  T  Factor    A	ATIO E RATIO  ** of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10% 100.00% 67.61%  51.64% 0.00% 1.53% 38.69%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448 \$61,829 \$47,222 \$1,403 \$35,383	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07 \$97.00 \$65.58 \$50.09 \$0.00 \$1.49 \$37.53	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542 \$8,903,357  \$6,800,000 0 201,969 5,095,172	1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581 \$8,824,122 \$6,800,000 201,969 5,095,172	PER SQ FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35 \$65.00 RECOMMENDED \$6,800,000 0	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893 \$61,279  Developer F \$1,46	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00% 68.17% ee Available 1,828
Description Construction Sites Sitework Direct Construction Contractor's Contractor's Contractor's Contractor's Federal Requisition Contractor's Federal Requisition Contractor's Federal Reserves Contractor's Contractor's Federal Reserves Construction Finance Reserves Construction Finance Reserves Construction Finance Reserves Construction Finance Reserves Contractor Construction Finance Reserves Contractor Federal Reserves Contractor Finance Reserves Finance	DEBT COVIDED DEBT CONTION COST (site or bottom cost (site or bottom cost) and cost (site or b	EOVERAGE  T  Factor Idg)  2.47% 6.00% 2.00% 6.00% 1.98% 12.88%	ATIO E RATIO  % of TOTAL 2.66% 0.08% 7.33% 50.72% 1.43% 3.48% 1.16% 3.48% 4.25% 10.25% 1.48% 9.63% 2.94% 1.10% 100.00% 67.61%	PER UNIT \$2,431 69 6,702 46,383 1,312 3,185 1,062 3,185 3,886 9,370 1,355 8,810 2,692 1,005 \$91,448 \$61,829 \$47,222 \$0 \$1,403	PER SQ FT \$2.58 0.07 7.11 49.20 1.39 3.38 1.13 3.38 4.12 9.94 1.44 9.35 2.86 1.07 \$97.00 \$65.58 \$50.09 \$0.00 \$1.49	1.15  TDHCA \$350,000 10,000 965,071 6,679,190 188,899 458,656 152,885 458,656 559,646 1,349,327 195,183 1,268,691 387,612 144,726 \$13,168,542 \$8,903,357  \$6,800,000 0 201,969	1.10 1.10 1.10 1.10 1.10  APPLICANT \$350,000 10,000 965,071 6,587,000 188,899 464,208 154,736 464,208 559,646 1,349,327 195,183 1,268,691 387,612 0 \$12,944,581 \$8,824,122 \$6,800,000	PER SO FT \$2.58 0.07 7.11 48.52 1.39 3.42 1.14 3.42 4.12 9.94 1.44 9.35 2.86 0.00 \$95.35 \$65.00 RECOMMENDED \$6,800,000	PER UNIT \$2,431 69 6,702 45,743 1,312 3,224 1,075 3,224 3,886 9,370 1,355 8,810 2,692 0 \$89,893 \$61,279  Developer F \$1,46	% of TOTAL 2.70% 0.08% 7.46% 50.89% 1.46% 3.59% 1.20% 4.32% 10.42% 1.51% 9.80% 2.99% 0.00% 68.17% ee Available 1,828 ee Deferred

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#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Bella Vista Apartments, Gainesville, MRB, 05626

#### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$49.69	\$6,746,387
Adjustments				
Exterior Wall Finish	0.80%		\$0.40	\$53,971
9-Ft. Ceilings	4.00%		1.99	269,855
Roofing			0.00	0
Subfloor			(0.97)	(132,218)
Floor Cover			2.22	301,387
Porches/Balconies	\$19.56	45,389	6.54	887,680
Plumbing	\$680	288	1.44	195,840
Built-In Appliances	\$1,675	144	1.78	241,200
Stairs/Fireplaces	\$1,650	48	0.58	79,200
Enclosed Corridors			0.00	0
Heating/Cooling			1.73	234,865
Carports	\$9.20	7,600	0.52	69,920
Comm &/or Aux Bldgs	\$63.40	3,626	1.69	229,874
Other: Garages	\$16.17	3,800	0.45	61,446
SUBTOTAL			68.06	9,239,406
Current Cost Multiplier	1.01		0.68	92,394
Local Multiplier	0.88		(8.17)	(1,108,729)
TOTAL DIRECT CONSTRU	CTION COST	ΓS	\$60.57	\$8,223,072
Plans, specs, survy, bld prm	3.90%		(\$2.36)	(\$320,700)
Interim Construction Interes	3.38%		(2.04)	(277,529)
Contractor's OH & Profit	11.50%		(6.97)	(945,653)
NET DIRECT CONSTRUCT	ION COSTS		\$49.20	\$6,679,190

#### PAYMENT COMPUTATION

Primary	\$6,800,000	Amort	480
Int Rate	6.22%	DCR	1.15
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.15
Additional		Amort	
Int Rate		Aggregate DCR	1.15

#### RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Servi	\$461,551		
Secondary Debt Se	ervice	0	
Additional Debt Se	rvice	0	
NET CASH FLO	W	\$44,322	
		<u> </u>	
Primary	\$6,800,000	Amort	480
Int Rate	6.22%	DCR	1.10
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$0	Amort	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
POTENTIA	L GROSS RENT	\$1,098,912	\$1,131,879	\$1,165,836	\$1,200,811	\$1,236,835	\$1,433,831	\$1,662,203	\$1,926,949	\$2,589,658
Secondary	y Income	25,920	26,698	27,499	28,323	29,173	33,820	39,206	45,451	61,082
Contractor's	s Profit	0	0	0	0	0	0	0	0	0
POTENTIA	L GROSS INCOM	1,124,832	1,158,577	1,193,334	1,229,134	1,266,008	1,467,651	1,701,409	1,972,400	2,650,740
Vacancy 8	& Collection Loss	(84,360)	(86,893)	(89,500)	(92,185)	(94,951)	(110,074)	(127,606)	(147,930)	(198,806)
Developer's	s G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE	E GROSS INCOM	\$1,040,472	\$1,071,684	\$1,103,834	\$1,136,949	\$1,171,058	\$1,357,577	\$1,573,804	\$1,824,470	\$2,451,935
EXPENSES	S at 4.00%									
General &	Administrative	\$37,008	\$38,488	\$40,028	\$41,629	\$43,294	\$52,674	\$64,086	\$77,970	\$115,415
Managem	ent	46,821	48225.5188	49672.28432	51162.45285	52697.32644	61090.64433	70820.80015	82100.71753	110336.499
Payroll & F	Payroll Tax	128,835	133,988	139,348	144,922	150,719	183,372	223,101	271,436	401,791
Repairs &	Maintenance	59,760	62,150	64,636	67,222	69,911	85,057	103,485	125,905	186,371
Utilities		19,863	20,658	21,484	22,343	23,237	28,271	34,396	41,848	61,946
Water, Se	wer & Trash	55,526	57,747	60,057	62,459	64,958	79,031	96,153	116,985	173,166
Insurance		35,298	36,710	38,178	39,705	41,294	50,240	61,125	74,368	110,082
Property T	ax	93,600	97,344	101,238	105,287	109,499	133,222	162,085	197,201	291,906
Reserve fo	or Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other		21,888	22,764	23,674	24,621	25,606	31,153	37,903	46,115	68,261
TOTAL EX	PENSES	\$534,599	\$555,515	\$577,253	\$599,846	\$623,329	\$755,351	\$915,494	\$1,109,775	\$1,631,546
NET OPER	ATING INCOME	\$505,873	\$516,169	\$526,581	\$537,103	\$547,729	\$602,226	\$658,309	\$714,694	\$820,389
DE	BT SERVICE									
First Lien F	inancing	\$461,551	\$461,551	\$461,551	\$461,551	\$461,551	\$461,551	\$461,551	\$461,551	\$461,551
Second Lie	n	0	0	0	0	0	0	0	0	0
Other Finar	ncing	0	0	0	0	0	0	0	0	0
NET CASH	FLOW	\$44,322	\$54,618	\$65,030	\$75,552	\$86,178	\$140,675	\$196,758	\$253,143	\$358,838
DEBT COV	ERAGE RATIO	1.10	1.12	1.14	1.16	1.19	1.30	1.43	1.55	1.78

	APPLICANT'S TOTAL	TDHCA TOTAL	APPLICANT'S REHAB/NEW	TDHCA REHAB/NEW
CATEGORY	AMOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$350,000	\$350,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$965,071	\$965,071	\$965,071	\$965,071
Off-site improvements	\$10,000	\$10,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$6,587,000	\$6,679,190	\$6,587,000	\$6,679,190
(4) Contractor Fees & General Requirements				
Contractor overhead	\$154,736	\$152,885	\$151,041	\$152,885
Contractor profit	\$464,208	\$458,656	\$453,124	\$458,656
General requirements	\$464,208	\$458,656	\$453,124	\$458,656
(5) Contingencies	\$188,899	\$188,899	\$188,899	\$188,899
(6) Eligible Indirect Fees	\$559,646	\$559,646	\$559,646	\$559,646
(7) Eligible Financing Fees	\$387,612	\$387,612	\$387,612	\$387,612
(8) All Ineligible Costs	\$1,349,327	\$1,349,327		
(9) Developer Fees			\$1,461,828	
Developer overhead	\$195,183	\$195,183		\$195,183
Developer fee	\$1,268,691	\$1,268,691		\$1,268,691
(10) Development Reserves		\$144,726		
TOTAL DEVELOPMENT COSTS	\$12,944,581	\$13,168,542	\$11,207,346	\$11,314,489

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	\$11,207,346	\$11,314,489
High Cost Area Adjustment	130%	130%
TOTAL ADJUSTED BASIS	\$14,569,549	\$14,708,835
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$14,569,549	\$14,708,835
Applicable Percentage	3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS	\$518,676	\$523,635

Syndication Proceeds 0.9799 \$5,082,516 \$5,131,105

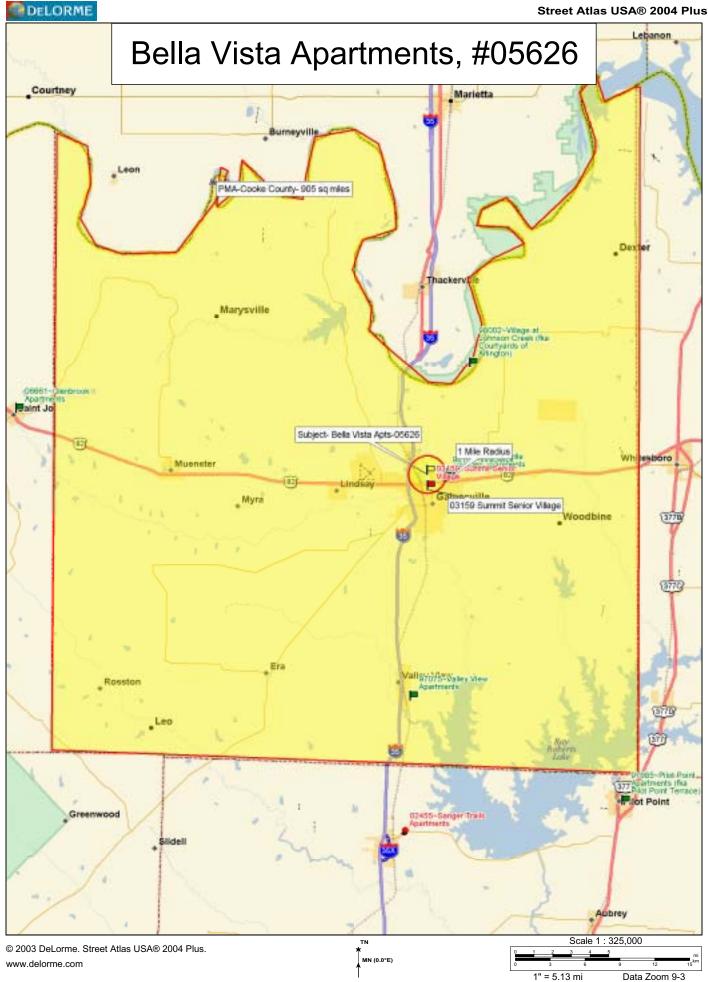
Total Credits (Eligible Basis Method) \$518,676 \$523,635

Syndication Proceeds \$5,082,516 \$5,131,105

Requested Credits \$519,968 Syndication Proceeds \$5,095,177

Gap of Syndication Proceeds Needed \$6,144,581

Credit Amount \$627,061



## **Applicant Evaluation**

Project ID # <b>05626</b> Name:	Bella Vista Apartments	City: Gainesville			
LIHTC 9% ☐ LIHTC 4% ✓	HOME ☐ BOND ☑ HTF ☐	SECO ESGP Other			
☐ No Previous Participation in Texas	☐ Members of the develop	pment team have been disbarred by HUD			
National Previous Participation Co		□ Yes □ No			
Noncompliance Reported on Natio	onal Previous Participation Certification:	☐ Yes ☐ No			
	Portfolio Management and Compliance				
Total # of Projects monitored:3	Projects in Material Noncompliance  Yes No 🔽	# in noncompliance: 0			
Projects zero to nine: 2 grouped ten to nineteen: 0	# monitored with a score less than thirty:	Projects not reported Yes  in application No			
by score twenty to twenty-nine: 1	<u> </u>	1 # of projects not reported 0			
Portfolio Monitoring  Not applicable	Single Audit	Contract Administration			
Not applicable  ✓ Review pending	Not applicable  ✓ Review pending	Not applicable  Review pending			
No unresolved issues	No unresolved issues	No unresolved issues			
Unresolved issues found	Issues found regarding late cert	Unresolved issues found			
Unresolved issues found that	Issues found regarding late audit	Unresolved issues found that			
warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification	warrant disqualification (Comments attached)			
Reviewed by Patricia Murphy	(Comments attached)	Date 3/7/2006			
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)			
Not applicable	Not applicable	Not applicable			
Review pending	Review pending	Review pending			
No unresolved issues	No unresolved issues	No unresolved issues			
Unresolved issues found	Unresolved issues found	Unresolved issues found			
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)			
Reviewer A. Martin	Reviewer Sandy M. Garcia	Reviewer			
Date 3 /8 /2006	Date 3 /6 /2006	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	Reviewer	Reviewer Melissa M. Whitehead			
Date	Data	Date 3 /6 /2006			

Acting Executive Director William Dally Executed: hursday, March 09, 2006

## **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Multifamily Finance Production Division

## **Public Comment Summary**

## **Bella Vista Apartments**

Public Hearing			
	Total Number Attended	13	
	Total Number Opposed	3	
	Total Number Supported	4	
	Total Number Neutral	6	
	Total Number that Spoke	10	
	•		

Public Officials Letters Received	
Opposition Gainesville City Council Resolution	1
Support	0

General	Public Letters and Emails Received	I
	Opposition	2
	Gainesville Housing Authorit	ty Board
	Gainesville Hospital District,	-
	Support Total	288
	Individual letters	1
	Community Petition	287

Summary of	Public Comment
Opposition:	Possible tax abatement Competition with smaller apartment owners Market does not warrant the need for the property
Support:	Gainesville needs affordable housing Current residents are leaving the area to find affordable housing Retail in the area is expanding



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February 23, 2006

Texas Department of Housing and Community Affairs ATTN: Robbye Meyer P O Box 13941 Austin, TX 78711-3941

RE: UHF Gainesville Housing, L.P./Bella Vista Apartments/Gainesville, TX

Dear Ms. Meyer:

At their meeting on February 21, 2006, the Gainesville City Council approved by unanimous vote to recommend TDHCA's denial of the UHF application for Tax Exempt Mortgage Revenue Bonds and Housing Tax Credits. Enclosed is Resolution No. 02-21-2006 D for your record. We hope the TDHCA will give serious consideration to our recommendation.

Genn Loch, Mayor

Councilmentber Jim Goldsworthy

Councilmember James B. King

Elaine McHorse, Mayor Pro Tern

Swanderd Mummer

Councilmeniber Carolyn Hendricks

Councilmember Tony Manning

Councilmember Beverly Snugas

Enclosure: Resolution No. 02-21-2006 D

City of Gainesville

Gainesville, Texas 76240

(940) 668-4500

Fax (940) 668-4518

## **RESOLUTION NO. 02-21-2006 D**



A RESOLUTION RECOMMENDING DENIAL OF THE UNITED HOUSING FOUNDATION, INC./BELLA VISTA APARTMENT DEVELOPMENT APPLICATION FOR ALLOCATION OF HOME FUNDS THROUGH THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.

WHEREAS, Bella Vista Apartments is a proposed apartment development located on the west side of North Grand Avenue just north of U.S. Highway 82; and,

WHEREAS, Bella Vista Apartments is to be owned and operated by United Housing Foundation, Inc.; and

WHEREAS, Bella Vista Apartments and/or United Housing Foundation, Inc. is applying to the Texas Department of Housing and Community Affairs for Tax Exempt Mortgage Revenue Bonds and Housing Tax Credits; and

WHEREAS, Bella Vista Apartments and/or United Housing Foundation, Inc. will only be responsible for paying the City fifty percent (50%) of the property tax based on the income generated by the Development; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GAINESVILLE, TEXAS, MEETING IN REGULAR SESSION ON FEBRUARY 21, 2006:

Section 1.

That the consensus of the City Council is to deny support for the application of Bella Vista Apartments and/or United Housing Foundation, Inc. for award and allocation of Tax Exempt Mortgage Revenue Bonds and Housing Tax Credits through the Texas Department of Housing and Community Affairs.

PASSED AND APPROVED IN REGULAR SESSION THIS 21st DAY OF FEBRUARY, 2006 BY THE FOLLOWING VOTE:

7 AYES 0 NAYS 0 ABSENCES, AND 0 ABSTENTIONS

GEENN LOCH, MAYOR

ATTEST:

KAY LUNNON, CITY SECRETARY

## MANCHESTER FINANCIAL SERVICES COMPANY

1609 East Broadway Street Gainesville, Texas 76240 (940) 665-6235 Facsimile (940) 665-7486 Email: mfsc@ntin.net

February 23, 2006

Teresa Morales
Texas Department of Housing & Community Affairs

Fax 512-475-0764

Dear TDHCA:

As a citizen of Gainesville, Texas and as a member of the Gainesville Housing Authority Board, I want you to know I am opposed to the proposed Bella Vista project.

From my experience on the Housing Authority Board, I can tell you there is no lack of affordable housing in our community. At this point we have a great number of housing vacancies.

There was a study done for the Bella Vista project that our director was interviewed for, yet his excellent knowledge of our housing market was never used. What he said was totally disregarded. It was as if the study said just what the Bella Vista investors wanted.

Our community does not need more housing underwritten by tax payer money. Yes, giving the apartment complex a tax credit is using our money. If the developers really believe there is a need then they should build the complex on their own without government help.

Patricia H. Haaven

Sincefely

Director Manchester Financial

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# MULTIFAMILY HOUSING REVENUE BONDS BELLA VISTA APARTMENTS GAINESVILLE, TEXAS

PUBLIC HEARING

Robert E. Lee Intermediate School 2100 North Grand Avenue Gainesville, Texas

January 26, 2006 6:00 p.m.

**BEFORE:** 

TERESA MORALES, Multifamily Bond Administrator, TDHCA

## I N D E X

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## PROCEEDINGS

MS. MORALES: We're going to go ahead and get started.

MALE VOICE: Is your mic on?

MS. MORALES: Yes, it is.

MALE VOICE: Okay.

MS. MORALES: We don't bite. I mean you all can move forward if you'd like to.

My name is Teresa Morales, and I'm with the Texas Department of Housing and Community Affairs.

And just to give you kind of some idea as to how we're going to proceed tonight, first, we have Mr. Ted Stokely, the developer, as well as Clifton Phillips here this evening, and they are going to begin with a brief presentation about the proposed Bella Vista Apartments and give you kind of some specifics on the actual development.

Then from there, I'm going to briefly explain some of TDHCA's programs, in particular the two programs that the developer has applied for. And from there, I have to read a brief speech for IRS purposes. And after that, I will open the floor up for public comment.

If anyone would like to speak, you have to fill out a witness affirmation form up here on the table. And you can just hand that to me prior to speaking, and I will

call you up, and you can do so at that time.

I wanted to apologize up front. I hope to be out of here by -- at least by 7:00 p.m. I do have a flight to catch out of Love Field; I have to head back to Austin tonight. So I'm hoping that we can move this thing along.

So without further ado, I'd like to introduce Mr. Clifton Phillips.

MR. PHILLIPS: Thank you very much, Teresa.

I just wanted to give a quick overview of the proposed project just so that you'll have some details about it. The project's to be called Bella Vista

Apartments; it's going to be located just north of Highway 82 right pretty much across the street here on Grand Avenue.

It's 144 apartment homes. The unit mix is going to be 48 one bedrooms, 56 two- and 40 three bedrooms. There'll be eight residential buildings, and then there'll also be a club house. It's going to be of an Italian design just to give kind of an upscale feel to it, and it's going to be really high quality construction.

The amenities -- as I said, there'll be a club house. It'll have a community room with a large kitchen.

There'll be a computer room and a business center where

we can hold social programs that we do at the non-profit. There'll be a fitness center, which will be treadmills, et cetera, and also weights, a library that'll also serve as a multi-purpose room, and then there'll be a community laundry facility.

In addition, as you leave the club house, there'll be a pool, a Jacuzzi and a covered porch.

There'll be a playground on the property and then some barbecue grills and picnic tables scattered throughout the property. There'll be ample parking. Garages and carports will both at the property, too, and there'll be storage units attached to the garages. There'll also be a full perimeter fence with controlled access gates.

As far as the units themselves and the amenities, there'll be washer/dryer connections, energy-efficient appliances, garden tubs, ceiling fans, built-in desks, 9-foot ceilings and crown molding. There'll also be balconies with storage on the balconies, too.

Just a little bit about the non-profit, Unified Housing. They've been in existence for about eight years now. They provide a range of social services, some of which will be offered at this property. And typically it depends on the property and who's living at the property as to what type of community services we provide.

Some of the previous programs have been that we have the on-site coordinators that work with the tenants to get them involved and create a sense of community; we have financial assistance programs, senior discount programs a scholarship program and then after-school programs. And like I said, it's more so tailored to -- once we get the project up and running, we send out surveys through the on-site person or just through the foundation and tailor it to the people at the property.

I have some pictures of some of Unified's previous developments, and I also have another handout on the table right there for you all to grab if -- for your leisure that shows some of the existing communities.

Thank you very much.

MS. MORALES: Okay. Again, for those of you just coming in, my name is Teresa Morales, and I'm with the Texas Department of Housing and Community Affairs.

A couple of things that I wanted to mention about the public hearings on these multifamily developments that we do is that -- although this hearing is required for IRS purposes, TDHCA not only takes comment on the bond issuance, but we also take comment on the development itself. One of the other things is that TDHCA schedules all of these public hearings at a time and

location that's convenient for the citizens around this area; we typically have all of our hearings in the evening. And even though we -- our main office is out of Austin, we travel to where ever these proposed developments are to be located to have the public hearing here.

One of the things that I wanted to mention is or -- briefly go over are the two programs that the developer has applied for with our Agency. One is the Private Activity Bond program, and the other is Housing Tax Credit program.

Both of these are federal programs. They are tax incentives to the investor and not to the development itself. Both of these federal programs were created by private industry to build safe, quality and affordable housing to individuals and families with lower than average incomes.

The first program, the Private Activity Bond program, has to do with the issuance of tax-exempt bonds.

And when I say, "Tax-exempt bonds," it's not to be confused with a property tax exemption. It more refers to or -- the connotation of "tax-exempt" has to do with the bonds themselves.

And what that means is you have a bond

purchaser or an investor who comes in, and they purchase the bonds. And that bond purchaser does not have to pay income on or -- does not have to pay income tax on the income that's earned on those bonds. So that's where we get the connotation with the "tax-exempt" bonds.

The other program is the Housing Tax Credit program. Basically, what this program does is -- it provides equity to the development to allow the developer to charge lower-than-market-rate units or -- market-rate rents -- excuse me -- to individuals and families below the area median family income.

Basically, what the housing tax credits do is -- it puts an equity injection into the development from the very beginning. Basically, what you have is a syndicator who will purchase those tax credits.

I guess the beginning of the process is our department. If this particular application is approved, then our department will award tax credits to this developer. And then in turn, that developer has a syndicator come in and purchase those tax credits. And what that will do is -- they will then put up equity as a means of financing the actual development.

As far as compliance goes, we -- at our agency, we do have a compliance division. It is their

responsibility to go out -- for every tax credit property that we have across the state of Texas, it's their responsibility to go out and do compliance monitoring.

There are several things that they check for.

To give you some ideas as far as the compliance period, that is going to be the greater of 30 years or as long as those bonds remain outstanding. Some of the things that our compliance division will check for when they go out to do the on-site visits include the income restrictions; they also look at tenant occupancy to make sure that everyone who is living there is supposed to be living there. They also take a look at the physical appearance of the property and also do financial reviews.

One of the things that I wanted to mention is that with all of the TDHCA bond properties, they will go out every other year to do on-site visits. In between that every-other-year period, they will also perform desk audits on these particular developments.

And if -- not paying attention to that everyother-year schedule, if for some reason there are problems
at a particular development or if our compliance division
receives numerous phone calls and stuff like that, then
they will make an unscheduled visit within that everyother-year time period.

Tenant services are also offered. Again, as Clifton mentioned, these tenant services are tailored -you know, he mentioned taking surveys. They will tailor the tenant services that are going to be provided based on whatever the needs are of those tenants. Some of those can include tutoring and honor roll programs, computer access or educational classes, healthcare screening and some after-school activities or summer camps.

I didn't want to go over everything that
Clifton mentioned as far as specifics to the development,
but I did want to draw your attention to the handout and
highlight a few things.

The Bella Vista Apartments received a reservation of allocation on November 18, 2005. And what that reservation means is that from the date that it's issued, the applicant has 150 days to close on that transaction. If they do not close on those bonds within that 150-day period, that reservation will be cancelled, and they will have to go through the program one more time.

The Bella Vista Apartments reservation, with that being said, will expire on April 17, 2006. So they must close on those bonds by that date. As far as public comment, Clifton already went over the proposed

development and the breakdown as far as the unit mix is concerned.

The proposed rents. A one-bedroom at 60 percent maximum rent is \$606 and will not exceed that amount. Two-bedroom rents, at 60 percent, cannot exceed \$727, and three-bedroom rents, at 60 percent, cannot exceed \$840.

As far as public comment, everything -- if you wish to speak and if you have filled out one of the witness affirmation forms, if you would like to speak, you can come up here and ask your questions, voice concerns or statements or anything that you wish to make. And all of that information will be compiled and presented to our board.

This particular application is scheduled to go before our board for approval of bonds and tax-exempt on March 20. With that being said, the deadline to submit any public comment if you wish to do so in addition to this -- if you would like to e-mail those comments back or through regular mail or anything -- the deadline is March 8 of 2006. And again, if you wish to send in anything in addition to tonight, all of that information will be compiled and presented to our board.

Again, the TDHCA board meeting for this

particular development is scheduled to be March 20, 2006.

And that board meeting will take place in Austin.

Okay. Next there is a brief speech, like I said, for IRS purposes that we have to read. After I read this speech, then out of all of the witness affirmation forms I have, I will call you up one by one. If you would, please just come up here and speak into the microphone. And you can ask your questions or state your concerns or anything of that nature.

Good evening. My name is Teresa Morales, and I would like to proceed with the public hearing. Let the record show that it is 6:20 p.m. Thursday, January 26, 2006, and we are at the Robert E. Lee Intermediate School, located at 2100 North Grand Avenue, Gainesville, Texas.

I am here to conduct the public hearing on behalf of the Texas Department of Housing and Community

Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue.

No decisions regarding the development will be

made at this hearing. The Department's board is scheduled to meet to consider this transaction on March 20, 2006. In addition to providing your comments at this hearing, the public is also invited to provide public comment directly to the board at any of their meetings. The Department staff will also accept written comments for the public up to 5:00 p.m. on March 8, 2006.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed \$6,850,000 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 UHF Gainesville Housing, 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:

A 144-unit multifamily residential rental development to be located approximately between the 2000 and 2200 blocks of North Grand Avenue on approximately 13.5 acres in Cooke 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 like to open the floor up for public comment, and first we have Wei Chen. And once you get up here, if you could, just please state your name for the record.

MS. CHEN: My name is Wei Chen. And I think like you see, the picture, I guess, for the building is very nice. I think it's good for the young people in Gainesville. They can afford it, and they'll have a nice community.

I think the people that need to travel all the way to Denton or Sanger, which -- you can see they're all developed. So I think that this is great for the city.

Thank you.

MS. MORALES: Next we have Les Schumacher.

MR. SCHACHAR: Schachar.

MS. MORALES: Schachar.

MR. SCHACHAR: Well, I'd like to thank you this evening for everybody coming out here. My name is Dr. Les Schachar. I think I know most of the people here, and I've been in Gainesville for 30 years. And as you can see, I'm almost a Texan, being here 30 years. I come from the southern part of New York, and as you can see, I've developed my accent.

With that being said, this is a very

interesting project. And before I lent a positive ear to this or looked at this, I went and did my due diligence.

Unified Housing has a number of housing complexes all around, and I think the communities all around have accepted -- in very expensive areas like in Plano and Fort Worth. I went personally, and I saw all of these communities. I spoke to the people, I spoke to the administrators, and I spoke to the tenants. And everybody's extremely proud of their community and extremely pleased to be in these communities.

And with that being said, then I went around in Gainesville, and I spoke to most of the merchants here.

And most of the merchants after I spoke to them are 100 percent in favor of this. I went to Wal-Mart, because this is going to be adjacent to Wal-Mart, and I spoke to the manager and the assistant manager. They understand the necessity, and they understand about their workers.

And by the way, this is not Section 8 housing. This is housing that we call 60-percent-of-median-income housing. That means that if you make around \$48,000 a year, you'll be able to get into this housing and take advantage of this housing. Gainesville absolutely needs this housing. There's nothing similar in all of Gainesville, Texas. This would only lift up the whole

community. And, not only that, it will level the playing field.

This whole area is growing. It's growing in to Thackerville, as you know, with the gambling coming here. There is definitely a need. Like -- again, I say this is not -- this has nothing to do with bad housing. This is going to be modeled implicitly and the areas I've been in have been modeled implicitly and the properties are maintained to a higher standard.

I've lived in many apartments, coming from cities, and I've just traveled all around the world and in every big city in this country and from Shanghai to Seoul, Korea, to Berlin. And I can tell you unequivocally that this is going to be a benefit for this community. And, in other words, I support the project. Thank you.

MS. MORALES: Next we have Jerry Henderson.

MR. HENDERSON: My name is Jerry Henderson. A couple of questions that I wanted to raise to the developers.

Number One is: I have seen market studies in the area that would indicate that we do have a great deal of vacancy in existing housing in the area, which might indicate that there would not be a need for additional housing units.

One of the other things I might note is: we recently have had an opening of a similar project, a tax credit project, in Gainesville, and they are having trouble leasing up now. They displayed at their initial proposal many of the amenities that you have mentioned -- a swimming pool, spa, privacy fence, gates -- somewhere between the initial proposal and the completion of the project, most of those amenities disappeared. They are not there.

They also proposed a rent schedule much like you have, which initially sounded good. They are now actively seeking Section 8 vouchers to fill their apartments, thus making them a Section 8-subsidized property. So I'd just like it if maybe at some point those issues could be addressed.

MALE VOICE: What property are you referring to?

MR. HENDERSON: Behind Home Depot over here. (Pause.)

MR. HENDERSON: I'm sorry. I've been enlisted to ask another question if --

MR. PHILLIPS: That's --

MR. HENDERSON: -- I still have the floor.

MS. MORALES: Of course.

MR. PHILLIPS: You still have the floor.

MR. HENDERSON: The question of ad valorem taxes -- do you get any abatements on those? Who pays those ad valorem taxes, and how much are you projecting that you're going to pay?

MR. PHILLIPS: Okay. Go ahead.

MS. MORALES: I can speak to the actual question about the swimming pools and stuff like that. I can tell you that whatever amenities this particular development says -- in the beginning at the preapplication stage, if they say they're going to have a swimming pool or if they say they're going to have tennis courts, or whatever, they are actually tied to that. So we actually have inspectors that come out to make sure that whatever they say they're going to provide -- whatever they said initially at the very beginning at the application stage -- we are approving the transaction based on that.

So if they say they're going to have all of those, whatever they had listed, then that is indeed what we hold them to.

On the other thing, as far as the Section 8 vouchers are concerned, Section 8 -- when most people think of Section 8, they automatically associate it with a

public program in that it is indeed run by HUD. I can tell you that for all of the tax credit properties, they -- the developer has to sign a statement to the effect that they will allow Section 8 tenant or -- if a tenant has a Section 8 voucher. They cannot by law deny them the opportunity to live there.

And that rule not only applies to tax credit properties but also to market rate properties, as well. It would be against fair housing if someone -- a market unit or even a tax credit property came up and said, Okay, I've got a Section 8 voucher. You cannot by law deny them that right.

Clifton, I don't know if you want to address the issue of the property tax.

MR. PHILLIPS: Yes.

Thank you for your questions. I will address, if I can remember, most of the other issues, too.

What we stated were the items we marked in the application. We did mark that we we're going to have a pool, the perimeter gate, that we are also going to have a library/ -- it's marked as a multi-purpose room under the application -- a play ground. All those things are marked -- the garages and the carports, too.

So she's correct in that we are tied to that.

So it's not just me telling you that; it's part of our application, which has already been turned in, and we can't change that at this point.

As far as the market studies, I do have our two market studies. We actually have two because another developer that we knew was looking to do a project in this area and has lent us that market study. And that market study shows demand for about 180 units. We're trying to do 140, and our market study obviously justifies 140; they even classified it as pent-out demand.

And I can kind of walk you through it, and we can talk later, because I can't go through the whole market study right now. But, again, we have those two for your review.

On the other issue of Summit, when -- we stopped in and spoke with them actually just before we came over. Their units that are at 60 percent are the ones that are leased, and that's the program we're going in under. They also had lower-income units.

And I really don't know the specifics of their deal, but, as far as in talking with the management those are the ones that they're having trouble leasing. And that may be the reason that they are pursuing the route. And they also have market rate units which they confirmed

to us before we came over were leased.

So the tax abatement. We are showing that we're going to be paying 85,000 approximately -- I don't have the exact number; I thought I had our number here, but I don't -- in property taxes.

Did that answer your question? I'm sorry.

MR. HENDERSON: [inaudible]?

MR. PHILLIPS: No. There is a tax -- oh. (Pause.)

MR. PHILLIPS: I'm sorry. They're asking me to repeat. I guess your question is that that doesn't seem to make sense as far as the total property taxes on the property, and you're correct.

There is a property tax abatement, and it is 50 percent of the property taxes. And, again, this is an estimate. And that'll be determined by Cooke County CAD. And it's an abatement that's allowed to the non-profit for being a non-profit and for providing housing. That -- so that -- the 80,000 that I'm giving you is our estimate of what we would be paying off of what we would estimate to be about \$160,000 taxable property.

But that's our estimate. It -- whatever it is is what it will be at the end of the day as determined by Cooke County. And then we would pay 50 percent of that.

So -- and I'm sorry. Any other questions? I guess they probably should come speak at the podium.

MALE VOICE: May I direct something to that?

On the tax abatement, would that 50 percent be from the school property tax? Is -- can that be abated? Or --

MR. PHILLIPS: Well, actually, can I ask that when you have a chance to speak -- because she can't pick up you on the microphone --

MALE VOICE: Okay.

MR. PHILLIPS: And I'll redirect it at that time.

MALE VOICE: Okay.

MR. PHILLIPS: I'm sorry. I just -- you know, just to make sure it's on the record.

MS. MORALES: If you would like to, just fill out a form. And you can come up here and ask your question right now if you'd like.

Next we have Patrick Kwan.

MR. KWAN: Good evening. My name is Patrick Kwan; I'm a pediatrician here in Gainesville -- for the past 22 years.

Every year that -- I'm seeing the number of patients is about equal to the whole population of Gainesville. So I know what -- basically what this

community needed. And then for the past years, that -there are so many families that are moving away because
they have a housing problem in Gainesville here.

So a lot of times it ends up they move to Sanger, and they move to Denton or Sherman or in that area. So I know that the families -- the work over here. For example, like this one family, the husband's working in the Weber Aircraft. But then when they started wanting to locate over here, they can't afford the house over here. And also, they want to rent a house first, but then that's also not available.

So eventually, that family just moved to Denton. So then I lost that family of patients. So this is ongoing things that happen many, many times. And besides that, even when I think back, when I moved to Gainesville 23 years ago, that -- I don't know much about the communities. And so I wanted to rent a place before I'm buying a house.

So I think if we have a project like that and -- having good housing or good apartments there, then at least they'll be able to rent a house there before buying a house. So a lot of my patients tell me the same things, also. So I think that once -- when I hear of this project, I really surely think that this project is good

for the community so, eventually, it will help Gainesville to grow and will keep more young people over here. And then our community will be better.

You know, Gainesville is really not growing at all. So I think now the Gainesville population is about the same as when I came 23 years ago. So surely things that this project -- it'll be good for the community. Thank you.

MS. MORALES: Next we have Grace Kwan.

MS. KWAN: Good evening. I'm Grace Kwan, and I'm Patrick Kwan's wife. So whatever he said is about what I thought, too.

You know, we have a secretary that used to want to find an apartment, but it ended up she has to go farther than -- between Whitesboro and Sherman to find an apartment. So when we hear this, we feel like this is really better for our community -- bring up a whole community person to -- it would attract a lot of people to come over to here and make Gainesville really grow.

Thanks.

MS. MORALES: Next we have Kit Chase.

MS. CHASE: Kit Chase, The Weekly News of Cooke

County. I can neither say I'm for or against the project.

I did have a couple of questions that you

answered, and that was on who pays the property taxes, and then I would like to see the market survey for the area, because I'm kind of curious to find out what percentage of citizens in Gainesville are in the \$30,000 range. But then when you were speaking, you made another statement, and I've got a question to that.

You were talking about a 50-percent tax abatement that the organization can receive because you're non-profit. I thought tax abatements had to be awarded through each of the entities. And so I'm wondering, Is this separate? Is it something separate, a different kind of tax abatement I haven't heard of before, or are you going to go through each of the entities to request or ask for a tax abatement? Thank you.

MR. PHILLIPS: No. It's probably the tax abatement you have heard about. You do go to the actual taxing authority, which in this case is the Cooke County CAD, and you apply. They have a tax abatement exemption form that you use.

And you apply through Cooke County CAD. So it's not -- I'm not sure what you mean as far as going through each entity. And I was going to ask for a clarification. So I apologize.

MS. CHASE: Oh, yes. With the many different

board meetings that I have attended, the city has to give a tax abatement, the college has to give a tax abatement, the hospital board has to give a tax abatement. We've got what, five or six entities in this county? And if you want a tax abatement --

Doug, don't they have to go to each of these entities and ask for one?

So I mean you don't automatically right now have any kind of tax abatement. Is that correct?

MR. PHILLIPS: That -- no. That's actually not correct. It is that way in certain cities within the state of Texas, but it is not that way for the state of Texas.

MS. CHASE: Doug, can you give some sort of clarification here?

MR. PHILLIPS: Well, just the law in the state is that if the city has greater than a certain population, then yes, you go to each individual taxing authority. But it's the -- basically, the cities that it affects would be Dallas, Houston and, I believe, San Antonio right now.

MS. CHASE: So it doesn't affect us?

MR. PHILLIPS: No, ma'am. So I -- so it's the same process of just going, like I said, for every other city in the -- pretty much or the ones -- it's by county

and by city. And so it would be Dallas County, Dallas -- and Harris County and San Antonio.

MS. CHASE: So you can get or you do have a 50-percent tax abatement?

MR. PHILLIPS: Yes, ma'am. And if I can address that? Because -- I know that causes a lot of consternation. But we do have it at other properties and have in the past, and part of the reason that we do is that we do offer additional social services and -- than what other properties do. And so I mean part of the tax abatement allows us to build a nicer property to offer additional services.

But I mean as -- obviously, I'm not a lawyer, but, from working closely with the foundation and -- that's the process that we understand.

MS. CHASE: Okay. Thank you.

MS. MORALES: Next we have Doug Smithson.

MR. SMITHSON: I may be able to clarify some things; maybe not. I came here late, so I didn't hear everything. I am Doug Smithson, and I am the Chief Appraiser for the Cooke County Appraisal District.

In the basis, the abatement is something you go for for each taxing entity. This is not an abatement.

This is an exemption, an exemption which has already been

filled out and applied for to the appraisal district, which is at 11.1825 of the property tax code. It's an exemption as 100 percent, all or none. It's not as a percentage of 50 percent here or a percentage there, but it falls under -- we call some of them low-income housing. There's another basis of what they call CHDOs. There's another one.

So basically, the criteria of it -- of being low-income housing or subsidized housing depends on whether everything of the organization falls into the criteria of it to be totally exempt or non-exempt. But the abatement is something that a taxing entity gives and can do it on a basis -- a percentage basis of it by the taxing entity. This is actually an exemption for them as being 100 percent exempt for the given time period as long as it qualifies.

DR. SCHACHAR: May I ask a question?

MR. SMITHSON: Sure.

DR. SCHACHAR: Why would this be a negative issue -- can I come up there and ask the question?

MR. SMITHSON: Yes. Come on up here.

DR. SCHACHAR: All right. The question is -- right now, we're talking about 13.5 acres for all of Gainesville.

And let me ask you a question, Doug.

MR. SMITHSON: Okay.

DR. SCHACHAR: On this 13.5 acres, how much money has been collected in the last 30 years?

MR. SMITHSON: Relatively little because of the fact that it has been under an agriculture exemption.

What the agriculture -- with the agriculture exemption, it's not taxed at market value. It has a special use for an agricultural purpose, so, therefore, the taxes on it have been minimal. So therefore, if it changed to this, you'd go from an agriculture exemption, with minimal taxation on it, to a total exemption, with no taxation.

DR. SCHACHAR: So what you're saying to me then -- for 30 years -- in the last 30 years, you've had a nominal fee on that tax. Would you say on this 13.5 acres less than \$500 a year?

MR. SMITHSON: That's a possibility, yes.

DR. SCHACHAR: Okay. So right now, from what I'm hearing, they're going to pay about \$85,000 a year. And if you multiply that by 30 years, I think Gainesville will render a big benefit. So to make ad valorem taxes an issue on 13.5 acres when we're literally talking about millions of acres is to me a moot issue.

MR. SMITHSON: Well, based on that -- that's

based on abatement. Based on this, they pay zero taxes. They wouldn't even pay the special use. It would be zero, no taxes. This form filled out here is a total exemption, zero taxes, no different than it would be a church. That's what it would be.

DR. SCHACHAR: Well, how much would -- how much taxes would the people -- say about 400 people -- that come into this community that are going to use our schools, use our gas stations and our grocery stores -- how much money is going to come into the community? Now it makes \$200 or the \$500 a year, just say, in taxes. Even if you gave it away for zero, don't you think it would be a great benefit if we had 400 tax-paying people in this community that would serve the community?

And it's only 13.5 acres. I think you have to be very myopic to see the benefit for this community, even at no taxes.

MR. SMITHSON: I don't know. I don't have the statistics to say one way or another.

Go ahead.

MR. PHILLIPS: Yes. Just in reference, we downloaded this from --

MR. SMITHSON: This came from the Comptroller's office?

MR. PHILLIPS: Right, from the state's web site. The exemption that you're referring to is actually no longer even available. You can't get a 100-percent exemption any more. It was -- they stopped the exemption, I believe, in 2003.

So if this is the wrong form, then we apologize. We haven't received anything back, but I don't think it -- I mean we'll review it, but we haven't heard back from the -- Cooke County. But all, as we're stating on public record, we're applying for is the 50-percent exemption. So if it is the incorrect form, we'll fill out a correct form.

MR. SMITHSON: Well, this is -- I don't know.

I was on the internet before I came here. So I was
looking at all the different forms and applications
available to look at for low-income housing. There's no
other form.

MR. PHILLIPS: Right. I think this is the only form. And that's what I -- but there is only a 50-percent exemption at this point. If you're building new property, I mean you're pretty much limited to a 50-percent exemption. And so that's -- I mean that's what -- I'll state that that's what we are applying for. And we can talk about the code.

MR. SMITHSON: We learn something new every day. So as we get it --

MR. PHILLIPS: I mean I'm not trying to --

MR. SMITHSON: I know. That's okay.

MR. PHILLIPS: I'm just -- that's what we are applying for.

MR. SMITHSON: Today is for discussion, to find out the knowledge and information and to see what is and what isn't.

MR. PHILLIPS: Okay. Thank you.

MR. SMITHSON: Thank you.

MS. MORALES: Next we have Rod Tyler.

MR. TYLER: Okay. I'm not real clear. You're saying that you will be paying 85,000, and Doug says that it will be zero. And then you're saying that the form that he has -- that you sent him an incorrect form? Is that correct?

MR. PHILLIPS: No.

MR. TYLER: Okay. Another question is -- I understand that you will go before the taxing entities for an abatement. And as I understand it, the school district does not give any abatement -- zero -- under any circumstance. And so that -- the bulk of the abatement would be on the other entities. And my question is: What

if the other entities do not give you an abatement?

MR. PHILLIPS: Again, it's up to the Cooke

County CAD as to the -- and I guess I shouldn't really get

too far into it, because I'm not a lawyer. So I mean if

you -- our understanding of the law is that the Cooke

County CAD makes a determination based on certain factors

that are in the Texas Property Code as to whether we are

due an abatement.

And for an area such as Gainesville or most of the other areas within Texas, it isn't by each individual basis. It's made by the chief appraiser. And if you meet certain criteria, which Unified meets, then we would get an abatement.

But as part of that, I -- again, there's some confusion. And we would not be paying zero taxes. And I think I would go back to what Les is saying. If we didn't get the abatement in the end, then we wouldn't develop the property, because we can't develop the property and -- so that would mean a loss of tax revenue for about 90,000 to Gainesville.

So from -- and even if it wasn't under the agricultural exemption, it still would be maybe 5,000 in taxes a year. It wouldn't be what we'd be paying. So I think it's a net plus for Gainesville in the end. So

that's --

(Pause.)

DR. SCHACHAR: You know what? It bothers me that what I'm hearing is negativity about this ad valorem taxes. And taxes are so -- you know, we're taxed probably at a higher rate than anybody in the whole state. And when I go into communities like in Plano, where I think the people are a lot wealthier than we are, and I go into the nice areas in Fort Worth, where the people are richer than we are, and they've embraced this project, I talk to these people. And I see the benefit.

So I don't know how anybody could be against this when it's 13.5 acres, when there's millions of acres around here, and we're worrying about a little ad valorem taxes that they never collect any taxes on in a year. And if we had one of these projects, which we tried to bring in here even years ago -- everybody was negative, and they were bringing up these ad valorem taxes. Well, you know that's not the real issue.

I want you to search your souls here. And if you're trying to find a moot point and find why you don't -- you can always find some reasons why you shouldn't do a project, but let's think of the benefit for this community. Go in and talk to the heads of Wal-Mart

and go and talk to Sherwin-Williams and go into Blockbusters and go into Radio Shack, and let's talk about these issues and see how Gainesville is going to benefit.

Go down and look at these properties in Plano, go down and look at the properties in Fort Worth, and speak to the people, like I did. And if Plano could embrace it and Fort Worth could -- areas could embrace it, why can't little, old Gainesville? I mean where is the negativity here? I don't see it.

And like they said, Section 8 -- if a person has a voucher, they can go anywhere, and people have to recognize that. But this is not Section 8 housing.

MS. MORALES: And with that being said, I would also just like to add that, you know, Section 8, like I said, has to do with being publicly owned. These tax credit developments are all privately owned and privately managed.

And next we have Greg Rohmer.

MR. ROHMER: Hi. I'm a small owner of apartments; I've got 113 units in Gainesville and Whitesboro. And I'm just concerned about having a fair playing field.

About a year ago, I purchased a property from a -- that was a non-profit. And it folded, and I bought

it on the courthouse steps. And they issued tax-free bonds, and it didn't work for them. That was in -- I think they built them in '97. They voted it down in Gainesville. They built them in Whitesboro, Paris and Bonham, and the only one going now is Bonham; all the others were foreclosed on.

So I bought it seven years later, had to get it back up to standards, plus I've got to pay property tax.

And the 80,000 that this gentleman says they will pay is nothing. That's a joke. I'm paying 40,000 on 44 units.

How can I compete with a man that's going to have 140 units and only pay \$80,000? That's my question. How can a small owner compete against someone that don't have to pay their share of taxes?

DR. SCHACHAR: How much did you pay for your 113 units?

MR. ROHMER: Now I can't tell you. There's different complexes.

DR. SCHACHAR: How about that 44 units in Gainesville?

MR. ROHMER: That's irrelevant. We've got to compete with someone that don't have to pay their share, and that's not right.

DR. SCHACHAR: I think it's fair when you

consider the price you paid for the property.

MR. ROHMER: Well, I just think they should have to pay their fair share of property tax like everybody else. How can I compete as a small owner when I've got to pay 40,000 for 48 units in Whitesboro? And they tried this program, and it didn't work with tax-free bonds. I think the Texoma Council of Governments issued that. But that's all I've got.

MS. MORALES: Again, as far as the property tax exemption issue goes, I mean, again, that is what the applicant has applied for, the 50 percent. As far as not being able to compete and stuff like that, the applicant's responsibility is to go out and get a market analyst to perform a very detailed market study to find out exactly what the need is in this particular area, and they look at so many different factors.

Aside from that, we also have with the Department our own underwriting division, who will tear apart that market study and analyze it and make sure that they agree with what is in that particular study to make sure that we feel -- so we're not affiliated with the developer. We don't have a stake in this at all. So you've got an independent person looking at their application and their proposal, and that is going to be

the basis for what our board is going to look at.

So we're going to take -- our underwriting division is going to take a look at that and find out if they see in particular that this is a viable, financially feasible transaction. They're going to look at all of, you know, the surrounding area. They're going to look at, you know, what is, you know, the particular demand in this particular area for this particular type of housing.

The next person we have is Will Presson.

MR. PRESSON: My name is Will Presson, and I've been listening to this. And, basically, these things don't work in Gainesville, Texas, in this market place if you have to pay property taxes, and that's why there has been no new construction of apartments or this type housing, because the rents don't justify the cost to build. And it is not fair.

And, Dr. Schachar, I would argue that it wouldn't bring benefit. The new apartments that are behind Home Depot right now -- those guys are pulling tenants out of current apartments -- people that are paying property taxes.

And those guys have an unfair advantage; they're not paying their fair share of property taxes.

I'm all for these -- this new housing, but let them pay

their property taxes on it, just like everybody else. Let them compete equally. And that's the key.

I don't think anybody would have a problem, but you're creating an un-level playing field; you're going to have brand-new, nice apartments that are going to rent for the same amount or more. And these guys like Greg -- they're paying property taxes. And 20 percent of your gross income is going to pay property taxes. You don't have that with these with the concept that is being put in front of us.

MS. MORALES: Is there anyone else who would like to speak for the record?

DR. SCHACHAR: I'd like to ask one more question.

MS. MORALES: Sure.

DR. SCHACHAR: Okay. My name is Dr. Les Schachar, again, for the record.

To the gentleman in the back, sir, for your 44 units, how much do you charge for a one-bedroom?

MR. ROHMER: 450.

DR. SCHACHAR: \$450. I think the -- that's \$450. I think that's -- clearly, this addresses that, because a one-bedroom apartment here goes for \$608. So the people that are going to rent from your apartments --

it's not even going to affect you -- in no way, no shape and no form. What do you charge for a two-bedroom?

MR. ROHMER: That rent?

DR. SCHACHAR: Rent.

MR. ROHMER: They'll lower the rent [inaudible].

DR. SCHACHAR: I didn't understand you.

MR. ROHMER: They will lower the rent when I can't fill the place up. And I'm getting close to that 450 with what I'm getting right now. So --

DR. SCHACHAR: Well, I don't -You'll have to address that.

MS. MORALES: As far as what's being proposed here with the maximum rents, you should keep in mind that that is -- what's on your handout is the maximum amount that this particular developer can charge. I guess, technically, if you want to get down to it, they can charge lower than that, but, again, you have to keep in mind that these are tax-exempt bonds and they do have debt service to pay. So it's not going to be financially feasible for them to charge much lower rents if they're not going to be able to meet their debt service.

Is there anybody who has anything else that they'd like to state for the record?

(Pause.)

MS. MORALES: Okay. I would like to extend my appreciation and to thank all of you for coming out here this evening to attend this hearing. Rest assured that all of your comments have been recorded.

A transcript of this hearing is going to be made available with all of your comments and concerns and questions, and they will be made available to our board. And they will have all of this information on which to make their decision on March 20, 2006.

Again, all of you are welcome, in addition to everything that you have stated here, to provide written comments or anything like that. My contact information is in the handout. Feel free to send any of those comments to me, and I'll make sure that our board has that information.

And, again, if you would -- we would also like to encourage that you actually attend the TDHCA board meeting, which will be held in Austin. And you can speak directly to our board when this particular agenda item is discussed.

The meeting is now adjourned. And the time is now 7:01.

(Whereupon, at 7:01 p.m., this public hearing

was concluded.)

#### CERTIFICATE

IN RE: Bella Vista Apartments

LOCATION: Gainesville, Texas

DATE: January 26, 2006

I do hereby certify that the foregoing pages, numbers 1 through 43, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Peggy Brown before the Texas Department of Housing and Community Affairs.

02/01/2006 (Transcriber) (Date)

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



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### MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

Generations at Mansfield
Approximately 1,000 feet north of South Miller Road and to the east of the Highway 360 frontage road
Mansfield, Texas

GS 360 Housing, L.P. 252 Units Priority 3

\$16,100,000 Tax Exempt – Series 2006

#### **TABLE OF EXHIBITS**

TAB 1	TDHCA Board Presentation
TAB 2	<b>Bond Resolution</b>
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TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
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TAB 6	TDHCA Compliance Summary Report
TAB 7	Public Input and Hearing Transcript (February 21, 2006

## MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD ACTION REQUEST

March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Generations at Mansfield Apartments development.

#### **Summary of the Generations at Mansfield Apartments Transaction**

The pre-application was received on October 3, 2005. The application was scored and ranked by staff. The application was induced at the November 10, 2005 Board meeting and submitted to the Texas Bond Review Board for addition to the 2005 Waiting List. The application received a Reservation of Allocation on November 21, 2005. This application was submitted under the Priority 3 category. A public hearing was held on February 21, 2006. There were approximately forty people in attendance with fifteen people speaking for the record. The main concerns were with putting a low income development next to an affluent luxury rent neighborhood. Letters of opposition have been received from State Representatives Toby Goodman and Bill Zedler, State Senator Kim Brimer, Mayor Mel Neuman, and School Superintendent Vernon Newsom. Letters of opposition have also been received from several neighborhood organizations including a petition from the community with 278 signatures. A copy of the transcript is included in this presentation. The proposed site is located in the Mansfield Independent School District.

The proposed development will be located at the northeast corner of Hwy 360 and S. Miller Road, Mansfield, Tarrant County (South 15 acres). Demographics for the census tract (1113.03) include AMFI of \$119,980; the total population is 7,340; the percent of the population that is minority is 10.93%; the number of owner occupied units is 2,299; the number renter occupied units is 32 and the number of vacant units is 50. (Census Information from FFIEC Geocoding for 2005)

#### **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 \$16,100,000. The bonds will be unrated and privately placed with Newman Capital, LLC. The interest on the Bonds will be the higher of 5.25% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date during construction and the higher of 6.00% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date at conversion to permanent financing. The construction and lease up period will be for thirty months with payment terms of interest only, followed by a 30 year term.

#### Recommendation

Staff recommends the Board not approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Generations at Mansfield Apartments development because of the repayment of deferred developer fee in less than 15 years and the inclusive capture rate which exceeds the Department's 25% requirement. These factors are described further in the underwriting report by the Department's Real Estate Analysis Division.

### MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD MEMORANDUM

March 20, 2006

**<u>DEVELOPMENT:</u>** Generations at Mansfield Apartments, Mansfield, Tarrant

County, Texas

**PROGRAM:** Texas Department of Housing and Community Affairs

2005 Multifamily Housing Mortgage Revenue Bonds

(Reservation received 11/21/2005)

**ACTION** 

**REQUESTED:** Deny 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 Statute (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. (The Statute 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.)

**PURPOSE:** 

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to GS 360 Housing, L.P. a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 252-unit multifamily intergenerational residential rental development (152 general and 100 elderly units) to be located approximately 1,000 feet north of South Miller Road and to the east of the Highway 360 frontage road and adjacent to Mansfield National Golf Club (located at 3750 National Parkway), Mansfield, 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:** \$16,100,000 Series 2006 Tax Exempt bonds (\*)

\$16,100,000 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 November 21, 2005 pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before April 20, 2006, the anticipated closing date is April 18, 2005.

<sup>\*</sup> Preliminary - Represents Maximum Amount

#### **BORROWER:**

GS 360 Housing, L.P., a Texas limited partnership, the general partner of which is GS 360 GP, LLC. The managing members are Jeffery S. Spicer, with 50% ownership, and Kelly Garrett, with 50% ownership.

### COMPLIANCE HISTORY:

The Compliance Status Summary completed on March 6, 2006 reveals that the principals of the general partner above do not have any properties being monitored by the Department at this time.

# ISSUANCE TEAM & ADVISORS:

Newman Capital, LLC ("Bond Purchaser")

Wells Fargo Bank, National Association, ("Trustee") Vinson & Elkins L.L.P. ("Bond Counsel")

RBC Capital Markets ("Financial Advisor")

McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

#### **BOND PURCHASER:**

The Bonds will be privately placed on or about April 18, 2006. The initial purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

### **DEVELOPMENT DESCRIPTION:**

<u>Site</u>: The proposed affordable housing community is a 252-unit multifamily intergenerational residential rental development to be located approximately 1,000 feet north of South Miller Road and to the east of the Highway 360 frontage road and adjacent to Mansfield National Golf Club (located at 3750 National Parkway), Tarrant County, Texas. (the "Development"). The proposed location is adjacent Mansfield's National Golf Club.

**Buildings:** The development will include a total of thirteen (13) two and three-story, wood-famed buildings with approximately 80% brick and stone veneer and 20% stucco exterior, containing approximately 252,573 net rentable square feet and having an average unit size of 1,002 square feet. Common area amenities will include a workout facility, business center, health screening room, senior community room, gazebo, swimming pool, controlled-access gates, a laundry facility and outdoor activity areas. Unit amenities will include vinyl flooring and carpeting, garbage disposal, dishwasher, washer/dryer connections, and microwave ovens.

Units	Unit Type	Square Feet	Proposed Rent
53	1-Bedroom/1-Bath	735	\$644.00
47	2-Bedrooms/1-Bath	990	\$771.00
64	2-bedrooms/2-Baths	1,002	\$771.00
88	3-Bedrooms/2-Baths	1,170	\$888.00
252	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.)

#### **TENANT SERVICES:**

Tenant Services will be provided in accordance with the Texas Department of Housing and Community Affairs' Intergenerational Housing Policy.

#### **DEPARTMENT FEES:**

\$1,000 Pre-Application Fee (Paid). \$10,000 Application Fee (Paid).

\$80,500 Issuance Fee (.50% of the bond amount paid at closing).

### **DEPARTMENT ANNUAL FEES:**

\$32,200 Bond Administration (0.10% of first year bond amount) \$10,080 Compliance (\$40/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:

\$6,300 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 \$790,927 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 \$7,829,392 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 mature over a term of approximately 33 years. The Bonds will pay interest only for approximately thirty following the closing date. The loan will be secured by a first lien on the Development.

# BOND INTEREST RATES:

The interest rate on the Bonds will be the higher of 5.25% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date during construction and the higher of 6.00% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date at conversion. The Department's Real Estate Analysis division underwrote the transaction using a 6.0% rate.

#### **CREDIT**

**ENHANCEMENT:** 

The bonds will be unrated with no credit enhancement.

#### **FORM OF BONDS:**

The Bonds will be issued in physical form and are not eligible to be held in a book-entry only system unless the Bonds receive a rating of "A" or better from a nationally recognized rating agency. The Bonds will be issued initially in denominations of \$100,000 plus any integral multiple of \$5,000 in excess thereof.

# MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity. During approximately the first twenty-four (24) months following the closing date, the Bonds will be payable as to interest only, from an initial deposit at closing. After completion of the Development, 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 following the completion date of the Development. 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:

#### **Optional Redemption:**

The Bonds are subject to redemption, in whole, any time on or after the fifteenth anniversary of the Conversion Date from the proceeds of an optional prepayment of the Loan by the Borrower.

#### **Mandatory Redemption:**

- (a) Redemption from Amounts Transferred from the Project Fund: in whole or in part, in the event and to the extent that amounts on remaining in the Project Fund are transferred to the Bond Fund.
- (b) Redemption Upon Mandatory Prepayment of Note: in whole or in part, upon mandatory prepayment of the Note by the Borrower.
- (c) Redemption for Bond Document Default: in whole, or in part upon the acceleration of the Note, in the event of a Loan Agreement Default.
- (d) Redemption for Certain Pre-Conversion Events: in whole, on or after the Commitment Maturity Date, if the Conversion Notice is not issued prior to the Commitment Maturity Date, in the event the Borrower elects to make a Pre-Conversion Loan Equalization Payment.
- (e) Redemption from Excess Revenues: in whole or in part, redemption on each Bond Payment Date, from amounts then on deposit in the Surplus Fund in excess of \$10,000.

### <u>FUNDS</u> 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:

- (a) Bond Fund amounts received from the Borrower or Servicer which are subject to the lien and pledge of the Indenture and shall be used to pay principal and interest on the Bonds and other amounts due under the Trust Indenture.
- (b) Expense Fund amounts on deposit shall be used to pay the Third Party Fees.
- (c) Costs of Issuance Fund shall be disbursed only to pay Costs of Issuance upon receipt of a written closing memorandum.
- (d) Project Fund amounts on deposit shall be used to pay Qualified Project Costs and interest on the Bonds during the Construction Period.
- (e) Rebate Fund monies shall be held to the extent required to satisfy any rebate requirement, for the benefit of the United States Government.
- (f) Surplus Fund amounts on deposit shall be used to pay principal and interest on the Bonds if the amounts in the Bond Fund are insufficient.
- (g) Senior Debt Service Reserve Fund and Subordinate Debt Service Reserve amounts on deposit shall be used to pay principal or and interest on the Bonds, as well as Third Party Fees to the extent that funds in the Bond Fund, Surplus Fund and Expense Fund are unavailable.
- (h) Remarketing Proceeds Fund amounts on deposit shall be used solely to purchase remarketed or deemed remarketed Bonds.

The majority of the bond proceeds will be deposited into the Project 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 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. <u>Bond Counsel</u> 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 September 2005.
- 2. <u>Bond Trustee</u> 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 April 2003.
- 1. <u>Financial Advisor</u> RBC Capital Markets, formerly RBC Dain Rauscher, was selected by the Department as the Department's financial advisor through a request for proposals process in August 2003.
- 2. <u>Disclosure Counsel</u> McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in September 2005.

### 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. 06-011**

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (GENERATIONS AT MANSFIELD) SERIES 2006; 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, very low and extremely low income and families of moderate income (all as defined in the Act); 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, very low and extremely 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 multifamily residential rental development 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 Revenue Bonds (Generations at Mansfield) Series 2006 (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, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to GS 360 Housing, L.P., a Texas limited partnership (the "Borrower"), in order to finance a portion of the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and 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 November 10, 2005, declared its intent to issue its revenue bonds to provide financing for the Development; 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 a portion of the cost of acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily 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 Loan Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Loan will be provided for initially by an unconditional guaranty issued by GMAC Commercial Mortgage Corporation, a California corporation; and

WHEREAS, it is anticipated that the Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear pursuant to an Assignment of Deed of Trust and Loan Documents and an Assignment of Note (the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Tarrant County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Placement Agreement (the "Placement Agreement") with the Borrower, Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Placement Agent"), GMAC Municipal Mortgage Trust (the "Purchaser") and any other parties to such Placement Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Purchaser or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Purchaser or another party to such Placement Agreement; 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Placement Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Mortgage and the Note; 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 Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage and the Note and the taking of such other actions as may be necessary or convenient in connection therewith;

#### NOW, THEREFORE,

#### BE IT RESOLVED BY THE BOARD OF THE DEPARTMENT:

#### 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 for approval, the Comptroller of Public Accounts of the State 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 Bonds shall bear interest (A) from the Closing Date to and including April 30, 2008, at the rate of the higher of (1) 5.25% per annum and (2) the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date and (B) on and after May 1, 2008, at the rate of the higher of (1) 6.0% per annum and (2) the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date; provided that, in no event shall the interest rate on the Bonds exceed the maximum interest rate permitted by applicable law;; (ii) the aggregate principal amount of the Bonds shall be \$16,100,000; (iii) the final maturity of the Bonds shall be June 1, 2039.

<u>Section 1.3--Approval, Execution and Delivery of the Indenture</u>. 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 the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement. That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of 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 Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Tarrant County, Texas.

Section 1.6--Approval, Execution and Delivery of the Placement Agreement. That the sale of the Bonds to the Purchaser and any other party to the Placement Agreement is hereby approved, that the form and substance of the Placement Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute the Placement Agreement and to deliver the Placement Agreement to the Borrower, the Placement Agent and any other party to the Placement Agreement, as appropriate.

Section 1.7--Acceptance of the Note and Mortgage. That the form and substance of the Note and Mortgage are hereby accepted by the Department and that the authorized representatives of the

Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, as its interests may appear, without recourse.

<u>Section 1.8--Approval, Execution and Delivery of the Assignments</u>. That the form and substance of the Assignments are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.9--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 1.10--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.

<u>Section 1.11--Exhibits Incorporated Herein</u>. 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 - Placement Agreement

Exhibit F - Mortgage

Exhibit G - Note

Exhibit H - Assignments

Exhibit I - Asset Oversight Agreement

Section 1.12--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 1.13--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 or Acting 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 or Interim Director of Multifamily Finance Production of the Department and the Secretary to the Board.

<u>Section 1.14--Conditions Precedent</u>. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Acting Executive Director of the Department; 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 Development.

#### ARTICLE II

#### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

- <u>Section 2.1--Approval and Ratification of Application to Texas Bond Review Board</u>. 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.
- <u>Section 2.2--Approval of Submission to the Attorney General</u>. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.
- <u>Section 2.3--Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Placement Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.4--Certification of the Minutes and Records</u>. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.
- <u>Section 2.5--Authority to Invest Proceeds</u>. 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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.
- <u>Section 2.6--Placement Agent</u>. That the Placement Agent with respect to the issuance of the Bonds shall be Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.
- <u>Section 2.7—Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.8--Ratifying Other Actions</u>. 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 Development 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 Development and the information with respect to the proposed financing of the Development 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 Development 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 financing of the Development is a public purpose and will provide a public benefit, and
- (iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

#### (b) <u>Findings with Respect to the Borrower</u>.

- (i) that the Borrower, by operating the Development in accordance with the requirements of the Loan Agreement and 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 in accordance with its terms, and
- (iii) that the Borrower is not, and will not enter into a contract for the Development 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 Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development 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 Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Loan established pursuant to the Note 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 Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

<u>Section 3.4--No Gain Allowed</u>. 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.

<u>Section 3.5--Waiver of Rules</u>. That the Board hereby waives the rules contained in Chapters 33 and 35, 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**

<u>Section 4.1--Limited Obligations</u>. 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 is pledged, given or loaned to such payment.

<u>Section 4.3--Effective Date</u>. 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.

[EXECUTION PAGE FOLLOWS]

### PASSED AND APPROVED this 20th day of March, 2006.

[SEAL]		
	By: /s/ Elizabeth Anderson	
	Elizabeth Anderson, Chair	
Attest: /s/ Kevin Hamby		
Kevin Hamby, Secretary		

#### **EXHIBIT A**

#### DESCRIPTION OF DEVELOPMENT

Owner: GS 360 Housing, L.P., a Texas limited partnership

Development: The Development is a 252-unit multifamily facility to be known as Generations at

Mansfield and to be located at approximately 1000 feet from S. Miller Road and to the east of the Highway 360 frontage road and adjacent to Mansfield National Golf Club (located at 3750 National Parkway), Mansfield, Tarrant County, Texas 76063. It will consist of 13 two-story residential apartment buildings with approximately 252,573 net rentable square feet and an average unit size of approximately 1,002 square feet. The

unit mix will consist of:

- one-bedroom/one-bath units
- 47 two-bedroom/one-bath units
- two-bedroom/two-bath units
- 88 three-bedroom/two-bath units
- 252 Total Units

Unit sizes will range from approximately 735 square feet to approximately 1,170 square feet.

Common areas are expected to include two leasing offices, one swimming pool, one community building with community room business center, exercise facility, laundry center and a children's playground.



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary Generations at Mansfield, TDHCA Number 05631

BASIC DEVELOPMENT INFORMATION									
Site Address:	NE corner of 360 and S. Miller Rd.			Development #:	05631				
City:	Mansfie	ld		Region: 3			Population Served:	Intergenerational	
County:	Tarrant			Zip Code: 76063 Allocation:					
HTC Set Aside	HTC Set Asides:   At-Risk   Nonprofit   USDA   Rural Rescue HTC Purpose/Activity:   NC								NC
HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General									
Bond Issuer:	-	TDHCA							
	HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation								
				C	WNER AN	D DE	EVELOPMENT TI	<u>EAM</u>	
Owner:	GS 360 Housing, LP								
	Jeffrey Spicer - Phone: (214) 346-0707								
Developer: State Street Housing Development, LP									
Housing General Contractor: GS Housing Construction, LP									
Architect: James, Harwick & Parnters, Inc.									
Market Analyst: Butler Burgher									
Syndicator: Boston Capital									
Supportive Services: To Be Determined									
Consultant: Not Utilized									
					UNIT/BUILI	DING	S INFORMATIO	<u>N</u>	
<u>30</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>65%</u>	<u>80%</u>		Total Restri	icted Units:	252
(	0	0	252	0	0		Market Rate	e Units:	0

Number of Residential Buildings: 13

88

5 units or more per bldng

Eff 1 BR 2 BR 3 BR 4 BR

111

0

Type of Building:

53

Note: If Development Cost =\$0, an Underwriting Report has not been completed.

Owner/Employee Units:

Total Development Units:

Total Development Cost:

FUNDING INFORMATION									
	Applicant Request	Department Analysis	Amort	Term	Rate				
9% Housing Tax Credits-Credit Ceiling	:	\$0	0	0	0.00%				
4% Housing Tax Credits with Bonds:	\$791,769	\$0	0	0	0.00%				
Housing Trust Fund Loan Amount:	\$0	\$0	0	0	0.00%				
HOME Fund Loan Amount:	\$0	\$0	0	0	0.00%				
Bond Allocation Amount:	\$16,100,000	\$0	0	0	0.00%				

0

252

\$25,200,556



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary Generations at Mansfield, TDHCA Number 05631

PUBLIC COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment
State/Federal Officials with Jurisdiction:
TX Senator: Brimer, District 10 O Points: 0 US Representative: Barton, District 6, NC
TX Representative: Goodman, District 93 O Points: 0 US Senator: NC
Local Officials and Other Public Officials:
Mayor/Judge: Mel Neuman, Mayor, City of Mansfield - O Resolution of Support from Local Government
TX Representative Bill Zedler, District 96 - O Patricia Ward, Director, Community Development Divison - The proposed development of 252 units of affordable housing is consistent with Tarrant County's Consolidated Plan.
Vernon Newsom, Superintendent of Mansfield ISD - O  Individuals/Businesses: In Support: 0 In Opposition: 0  Neighborhood Input:

#### **General Summary of Comment:**

Public Hearing: Public concerns included wrong location for such a development, no sidewalks along Highway 360, lack of services in the area, no public transportation, lower property values, long term compliance requirements, overcrowding of local schools and an increase in crime.

Number that attended: 40 Number that spoke: 15 Number in support: 4 Number in oppostion: 29 Number Neutral: 3

Neighborhood Petitions in Opposition: 757 signatures

#### CONDITIONS OF COMMITMENT

Not Recommended due to the following: The Development is not financially feasible based upon this analysis and the Department's standard for repayment of deferred developer fee in less than 15 years and the Underwriter's re-calculated inclusive capture rate for the family units exceeds the Department's 25% requirement.

Should the Board approve this award, the Board may waive it's rule for the issue listed above, accept information provided by the Applicant to mitigate these issues and such an award should be conditioned upon the following:

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of a commitment from the unrelated party general contractor to defer fees as necessary to fill a potential gap in permanent financing or source additional non-repayable funds of at least \$914,873 or documented net income improvement resulting in serviceable debt in the same amount or some equivalent combination of these alternatives.
- 3. Board acceptance of potential mandatory redemption of \$1,918,000 of the total proposed \$16,100,000 tax exempt bonds based upon a fixed interest rate of 6% and a term of 40 years.
- 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.



### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary **Generations at Mansfield, TDHCA Number 05631**

RECOMMENDATION BY THE EXECU	<u>TIVE AWARD AND REVIEW ADVISOR</u>	Y COMMITTEE IS BA	SED ON:
9% HTC Competitive Cycle: ☐ Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:			
HOME Loan:		Loan Amount:	\$0
Recommendation:			
Housing Trust Fund Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:			
4% Housing Tax Credits with Bond Issuance	:	Credit Amount:	\$0
Recommendation: Not Recommended.			
Private Activity Bond Issuance with TDHCA:		Bond Amount:	\$0
Recommendation: Not Recommended.			

### **Generations at Mansfield**

## **Estimated Sources & Uses of Funds**

Sources of Funds	
Series 2006 Tax-Exempt Bond Proceeds	\$ 16,100,000
Tax Credit Proceeds	7,593,167
Deferred Developer's Fee	1,254,105
HOME Funds from Tarrant County	750,000
GMAC CHCC	12,950
<b>Total Sources</b>	\$ 25,710,222

Uses of Funds	
Acquisition and Site Work Costs	\$ 3,831,140
Direct Hard Construction Costs	12,932,264
Other Construction Costs (General Require, Overhead, Profit)	1,976,135
Indirect Construction Costs	3,233,814
Developer Fees	2,897,435
Direct Bond Related	331,305
Bond Purchaser Costs	331,500
Other Transaction Costs	46,629
Real Estate Closing Costs	130,000
Total Uses	\$ 25,710,222

## **Estimated Costs of Issuance of the Bonds**

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	\$ 80,500
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	32,200
TDHCA Bond Compliance Fee (\$40 per unit)	10,080
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Counsel (Shackleford)	60,000
Trustee Fee	8,500
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	4,025
TEFRA Fee	2,500
DTC, CUSIP, Misc	
Total Direct Bond Related	\$ 331,305

### **Generations at Mansfield**

Bond Purchase Costs	
Placement Agent (Newman & Associates)	161,000
Placement Agent Counsel (Eichner & Norris)	20,000
Bond Purchaser (GMAC Commercial Holding Capital)	80,500
Permanent Lender Counsel (Katten, Muchin, Rosenman)	45,000
Nonprofit Attorney	25,000
Total Bond Purchase Costs	\$ 331,500
Other Transaction Costs	
Tax Credit Application and Determination Fees (if paid at closing)	46,629
<b>Total Other Transaction Costs</b>	\$ 46,629
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	130,000
Total Real Estate Costs	\$ 130,000
<b>Estimated Total Costs of Issuance</b>	\$ 839,434

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: March 13, 2006 PROGRAM: 4% HTC FILE NUMBER: 05631

	DEVELOPMENT NAME												
			Generation	s at Man	sfield	Apar	tme	nts					
				APPLIC	ANT								
Name:	GS 360 Ho	ousing, L.	Р.	Ty	pe:	For-p	rofit						
Address:	5843 Roya	Ci	ty:	Dal	las				S	tate:	TX		
Zip:	75230	Contact:	Jeffrey S. Spicer	Ph	one:	(21	4) _	346-0	)707	Fax:	(21	4) _	346-0713
			PRINCIPALS of th	e APPLIC	ANT/ k	(EY PA	RTICI	IPANT	S				
Name:	GS 360 GI	P, L.L.C.		(%):	.01		Title	e: <u>1</u>	Manag	ing Ge	neral P	artne	r
Name:	ne: State Street GP Holdings, L.P.						Title	e: _1	00% 0	wner	of GP		
Name:	me: State Street GP Holdings GP, L.L.C.				N/A		Title		).1% o Holdin		of State L.C.	Stree	et GP
Name:	me: Jeffrey S. Spicer				N/A		Title	Δ•	50% owner of State Street GP Holdings GP, L.L.C.			t GP	
Name:	Kelly Garr	ett		(%):	N/A		Title	Δ•	50% owner of State Street GP Holdings GP, L.L.C.			t GP	
				OPERTY L	OCAT	ION				_		<u> </u>	_
Location:	NE Corner	of 360 ai	nd S. Miller Road						L	_ (	QCT		DDA
City:	Mansfield			County:	.=	Tarrai	nt				Zip:	_	76063
				REQU									
_	<u>Amount</u>		Interest Rate		4	Amortiz		<u>n</u>	<u>Term</u>				
1) \$791,769 N/A					N/A			N/A					
2) \$16,100,000 6%					40 y					40	yrs		
Other Requ	ested Terms	:	nual ten-year alloc		_								
•		2) Ta	x-exempt mortgage	revenue l	ond a	llocatio	n						
Proposed U	se of Funds:	New	construction	Pr	operty	Type:		M	ultifan	nily			
Special Pur	pose (s):	General I	Population, Elderly										

#### RECOMMENDATION

### NOT RECOMMENDED DUE TO THE FOLLOWING:

 $\boxtimes$ 

- The Development is not financially feasible based upon this analysis and the Department's standard for repayment of deferred developer fee in less than 15 years.
- The Underwriter's re-calculated inclusive capture rate for the family units exceeds the Department's 25% requirement.

#### CONDITIONS

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MAY WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE OR ACCEPT INFORMATION PROVIDED BY THE APPLICANT TO MITIGATE THESE ISSUES AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1. Receipt, review, and acceptance of a commitment from the unrelated party general contractor to defer fees as necessary to fill a potential gap in permanent financing or source additional non-repayable funds of at least \$914,873 or documented net income improvement resulting in serviceable debt in the same amount or some equivalent combination of these alternatives;
- 2. Board acceptance of potential mandatory redemption of \$1,918,000 of the total proposed \$16,100,000 tax exempt bonds based upon a fixed interest rate of 6% and a term of 40 years;
- 3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

	REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.	

DEVELOPMENT SPECIFICATIONS												
IMPROVEMENTS												
Total 252 # Rental Buildings	<u>13</u>	# Non-Res. Buildings	2	# of Floors	2	Age:	N/A	yrs Vaca	nnt: <u>N/A</u>	at	/ /	
Net Rentable SF: 252	,573	Av Un SF:	_	1,002	Comr	non Area	a SF:	5,950	Gross B	ldg SF:	258,523	_
				CTDLICT	IIDAI N	ΛΛΤΕΡΙΛ	110					

The structure will be wood frame on a slab on grade. According to the plans provided in the application the exterior will be comprised of 80% masonry veneer and 20% 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 carpet and vinyl flooring. Threshold criteria for the 2005 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fan in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: microwave, laundry connections, individual water heater, and nine-foot ceilings.

#### **ONSITE AMENITIES**

In order to meet threshold criteria for total units of 200 or more, the Applicant has elected to provide community laundry room, controlled access gates, barbecue grills and tables, an equipped business center or computer learning center, full perimeter fencing, a furnished community room, a furnished fitness center, a gazebo with sitting area, a health screening room, an activity room, a service coordinators office in addition to the leasing offices, a swimming pool, and two children's playgrounds equipped for 5 to 12 year olds or tot lots.

Uncovered Parking: 470 spaces Carports: 0 spaces Garages: 30 spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**<u>Description</u>**: Generations at Mansfield is a 16-unit per acre new construction development of 252 units of affordable housing located in southwest Mansfield. The development will be split into two sections with 100 elderly units in two buildings and 152 general eligibility units in the remaining 11 buildings as follows:

- One elevator served senior building Type A with twenty-eight one-bedroom/one-bath units and twenty-four two-bedroom/one-bath units;
- One elevator served senior building Type B with twenty-five one-bedroom/one-bath units, and twenty-three two-bedroom/one-bath units;

- Eight building Type C with eight two-bedroom/two-bath units and eight three-bedroom/two-bath units;
- Three building Type D with eight three-bedroom/two-bath units;

"The adjacent property to the north of the subject will be developed separately and improved with 240 market units" (Market Study, p. 12).

#### **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. The architectural plans reflects separate clubhouses and amenities for each of the two sections of the development.

	SITE ISSUES										
	SITE DESCRIPTION										
Size:	15.7 acres	683,892 square feet	Flood Zone Designation:	Zone X							
Zoning:	oning: "MF-2"/multi-family dwelling units at a density not to exceed 18 units per acre										

SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Mansfield is located in north Texas, approximately 20 miles southeast from Fort Worth in Tarrant County.

#### **Adjacent Land Uses:**

- North: Vacant land used for agricultural purposes, new MISD stadium and natatorium, new single family homes;
- South: Vacant land used for agricultural purposes and Miller Road;
- East: Mansfield National Public Golf Course, new single family homes, and vacant land used for agricultural purposes; and
- West: SH 360, vacant land (future commercial use), new single family homes, future hospital uses.

<u>Site Access</u>: The site has frontage along the east side of the SH 360, currently a two-lane, one-way concrete paved, primary road. SH 360 is a six lane north/south thoroughfare traveling from SH 121 to the north past IH 20 to the south, ending at S. Green Oaks Parkway.

**Public Transportation:** Public transportation is not available in Mansfield.

Shopping & Services: The area is served by the Mansfield Independent School District. According to the Market Analyst, "a recreational development is also under construction immediately to the north of the subject. This development is known as the Mansfield Independent School District (MISD) Natatorium and Football Stadium. The project is situated on 45 acres located at SH 360, between Broad Street and Holland Street. The Natatorium is a sports complex that is scheduled for completion in mid to late 2006" (p. 75). According to the Market Analyst employment centers are within 2.5 miles and shopping facilities are within one mile.

<u>Special Adverse Site Characteristics</u>: The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

• **Zoning:** While the majority of the site is zoned MF-2 which allows for multifamily development, it appears that a small portion of the site is zoned C-2, which allows for only commercial development. The Applicant has confirmed that this small portion contains only the easement and no buildings are planned for this area.

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on February 21, 2006 and found the location to be acceptable.

#### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 5, 2006 for a total of 30 acres was prepared by Butler Burgher Environmental, LLC (BBE) and contained the following findings:

"Based on the site inspection, no evidence of surficial staining, distressed vegetation, underground/above ground storage tanks, hazardous waste disposal, or hazardous waste storage was noted on the site. Based on BBE's site reconnaissance, no obvious evidence of RECs [Recognized Environmental Conditions] was

observed in association with the Site.

The historical review indicates the site has never been developed. Indications of environmental concerns on the subject site or adjoining properties were not identified during the review of historical sources.

Review of US EPA [Environment Protection Agency] and TCEQ [Texas Commission on Environmental Quality] environmental database records indicated no environmental or hazardous waste- related concerns associated with the Site.

This assessment has not revealed evidence of RECs in connection with the subject site" (p. i).

#### **POPULATIONS TARGETED**

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Generations was included in the August 15 collapse and the 2005 non-traditional carryforward. All of the units (100%) will be reserved for low-income tenants earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES										
1 Person 2 Persons 3 Persons 4 Persons 5 Persons 6 Person										
60% of AMI	\$26,340	\$30,120	\$33,840	\$37,620	\$40,620	\$43,620				

#### **MARKET HIGHLIGHTS**

A market feasibility study dated January 24, 2006 was prepared by Butler Burgher Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For the purpose of demand and capture rate analysis, two separate Primary Market Areas were utilized for the family units and senior units. The SENIOR primary market area is defined by those boundaries known as; Business US 287 to the west and south, IH 20, FM 157 (S. Cooper), and SR 303 (Pioneer Parkway) to the north, and the Tarrant County line to the east and south connecting at Business US 287 and has an estimated 2006 population (age 55 and over) of 29,385. The FAMILY PMA is defined as zip codes 76018, 76002, and 76063 and has an estimated 2006 population of 87,182" (p. 12). The FAMILY PMA is intended to concentrate on the areas within the Mansfield ISD however little if any of the area in zip code 76018 is in the Mansfield ISA while a significant portion of the excluded 76001 is within the ISD. The Market Analyst responded to questions regarding this inconsistency by indicating that the inclusion of the 76001 zip code would greatly increase the population of the PMA to be over the Department's threshold. While significant deference is given to the Market Analyst in the determination of the PMA, the conclusion in this case does not appear to be supported by the rationale used to determine the PMA since the increase in population cannot justify abandoning the idea that the FAMILY households will primarily come from or be seeking out units in the Mansfield ISD. Moreover the exclusion of 76018 allow the inclusive capture rate to also exclude two recent developments in that zip code (03455 Parkview and 03463 Rush Creek II) which are also in the Mansfield ISD.

For the SENIOR PMA this area encompasses approximately 89.16 square miles and is equivalent to a circle with a radius of 5.3 miles. For the FAMILY PMA this area encompasses approximately 75.53 square miles and is equivalent to a circle with a radius of 4.9 miles.

**Population:** The estimated 2005 population of the FAMILY PMA was 83,476 and is expected to increase to approximately 102,008 by 2010. Family households totaled 26,305 in 2005 and are expected to increase to 31,945 in 2010. The estimated 2005 55+ population of the SENIOR PMA was 26,752 and is expected to increase to approximately 39,915 by 2010. Senior households totaled 14,731 in 2005 and are expected to increase to 21,242 in 2010.

"According to 2005 Claritas, Inc., the City of Mansfield recorded a 22.60% growth in total population during 2000-2005. Considering the much greater growth of the MISD compared to the Claritas, Inc., figures; it is assumed that the area is growing at a much greater rate then reported" (p. 66).

<u>Total FAMILY Primary Market Demand for Rental Units:</u> "According to the 2005 Claritas, Inc. data, only 10.45% of the FAMILY primary market area (entire population) is renter occupied housing with 2,749 rental units, while the overall surrounding population indicated a 30.00% renter occupancy

figure...Considering the limited supply of rental units reported in the PMA during the time of the 2000 census, the analysis of the above information warranted a conservative reconciliation of a 30% renter occupancy figure for the subject's primary market area. Multifamily land is available in the PMA and the continued fast growth of the population suggests that these sites will quickly be absorbed and developed, adding to the rental base. This figure is well supported with the surrounding areas" (p. 105).

"Estimated demand figures were derived by adding together the demographic-defined current household statistics within the minimum and maximum income levels (\$29,006 and \$40,620) permitted to qualify for the subject property...Based on the previous income band calculation, approximately 10.40% of the households within the PMA have an estimated income between \$29,006 and \$40,620, thereby qualifying for the restricted Units. However, as the subject will accept residents with vouchers, the minimum income limit of \$29,006 is conservative; as it is possible for a household having no income being eligible to live at the subject. According to the data provided by Claritas, Inc., 10.40% of all households within the PMA are eligible to live at the property" (p. 105). While persons with less income will be eligible to live at the subject, households with more limited income will be required to spend a disproportionate amount on rent and therefore be significantly less likely to incur the cost of moving to the subject without a lower rent or an additional rental subsidy.

"The turnover rate as reported by 2005 IREM for all apartments in 2004 was 64.50%. This percentage is derived from existing properties that report their current statistics to IREM" (p. 107).

FAMILY PMA DEMAND SUMMARY									
	Market	Analyst	Underwriter						
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand					
Household Growth	72 (2 yrs)	12%	13	5%					
Resident Turnover	552	88%	264	95%					
TOTAL ANNUAL DEMAND	624	100%	278	100%					

Ref: p. 108

Total SENIOR Primary Market Demand for Rental Units: "According to the 2005 Claritas, Inc. Senior Life Report data (based on 2000 census), only 16.0% of the primary market area is Senior renter occupied housing with 1,682 renter-occupied units for Senior households while the overall surrounding population indicated a 30.00% renter occupancy figure...Considering the limited supply of senior or family rental units reported in the PMA during the time of the 2000 census, the analysis of the above information warranted a conservative reconciliation of a 30% renter occupancy figure for the subject's primary market area. The growth in the rental market supports a more market related senior renter number. Studies show that seniors are likely to move into rental units as they age to reduce the homeownership and maintenance tasks required to maintain their homes. This figure is well supported with the surrounding areas" (p. 98).

"Estimated demand figures were derived by adding together the demographic-defined current household statistics within the minimum and maximum income levels (\$21,150 and \$33,840) permitted to qualify for the subject property...However, as mentioned, the subject will accept residents with vouchers. The minimum income limit of \$21,150 is conservative; as it is possible for a household having no income being eligible to live at the subject. According to the data provided by Claritas, Inc., 10.01% of all senior households within the PMA are eligible to live at the property" (p. 99).

"The turnover rate as reported by 2005 IREM for all apartments in 2004 was 64.50%. The American Seniors Housing Association publishes a Seniors Housing report, which summarizes operating results of various types of senior living facilities. Senior apartments were not specifically identified, however, this report does quantify turnover for Independent Living Units (in Rental CCRCS) at 23.0%. Although Independent Living facilities offer more services than a typical senior apartment, it is assumed that their superiority would translate to lower turnover rates. Therefore, we have used a figure of 30% to determine turnover for the senior units" (p. 102).

SENIOR PMA DEMAND SUMMARY									
Market Analyst Under									
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand					
Household Growth	44 (2 yrs)	36%	34	22%					
Resident Turnover	79	64%	119	78%					
TOTAL ANNUAL DEMAND	123	100%	153	100%					

Ref: p. 101

<u>Inclusive Capture Rate</u>: "The proposed subject, Generations of Mansfield, will have 100 units that will be 100% rent restricted for age and income-qualified residents under the HTC program (the remaining 152 units will be family units). The OVERALL SENIOR HTC CAPTURE rate of 81.05% for the Primary Market Area is acceptable under the TDHCA concentration guidelines for SENIOR properties. It considers the future completion of the subject HTC units (100 HTC units). No additional senior affordable units are proposed are in lease up in the PMA" (p. 102).

The Underwriter calculated an inclusive capture rate of 65.3% based upon a supply of unstabilized comparable affordable units of 100 divided by a revised demand of 153.

"The proposed subject, Generations of Mansfield, will have 252 units, but only 152 will be set-aside for families with incomes below 60% of the area median income. The OVERALL FAMILY HTC CAPTURE rate of 24.37% for the Primary Market Area is acceptable under the TDHCA concentration guidelines for FAMILY properties. It considers the future completion of the subject HTC units (152 Subject HTC units and 0 unstabilized communities)" (p. 109).

The Market Analyst was given an opportunity to revise their demand calculation to adjust the renter percentage in the turnover/demand calculation to reflect the actual renter percentage estimated by the Market Analyst at 11.71% rather than the reconciled renter percentage of 30% to 35% based on nearby cities. As a result the Market Analyst's revised demand was 618, comprised of two years of growth of 113 units per year and 391 from turnover and providing an inclusive capture rate of 24.59%. The revised growth demand estimate is based on growth data from Frees & Nichols which suggest a 78.37% growth rate from 2000 to 2005 and a 40% growth rate from 2005 to 2010. Freese & Nichols population projections were done for the City of Mansfield in their design of the Comprehensive Land Plan. It is a population growth estimate and is the most aggressive estimate among the three sources of population projections provided and summarized below. The Underwriter calculated an inclusive capture rate of 54.73% based upon a supply of unstabilized comparable affordable units of 152 divided by a revised demand of 278. This capture rate exceeds the 25% limitation as stated in the Market Study Rules and Guidelines. As noted above the Underwriter's revised demand calculation was based on demographic data contained in the market study for the PMA or from the 2000 Census. The Market Analyst utilized demographic data for the Family PMA for most of the demand calculation, the renter percentage used was a reconciled figure based upon the overall surrounding population (D/FW MSA, City of Forth Worth, City of Arlington and City of Grand Prairie). The Market Analyst explains that although "the demographics in the primary market area for the family demand analysis supports the subject development, it does not illustrate the actual growth being witnessed in the Mansfield area" (p. 104).

	SUMMARY OF DEMOGRAPHIC PROJECTION SOURCES										
Period	Claritas City Pop. Projections	Claritas City HH Projections	Claritas PMA Pop. Projections	Claritas PMA HH Projections	NCTCOG City Pop. Projections	NCTCOG City HH Projections	MISD Enrollment Changes	•	MPRG Pop.		
2000	28,031	8,881	63,675	20,182	28,031	8,881	13,454	28,031	28,031		
2005	34,367	10,900	83,476	26,305	43,788	14,339	25,623	50,000	40,000		
2010	40,432	12,781	102,008	31,945	57,337	18,948	n/a	70,000	58,000		
				Indicated	<b>Growth Rates</b>	S					
2000-2005	22.60%	22.73%	31.10%	30.34%	56.21%	61.46%	90.45%	78.37%	42.70%		
2005-2010	17.65%	17.26%	22.20%	21.44%	30.94%	32.14%	n/a	40.00%	45.00%		

PREFERRED

Further, the Analyst argues that the defined Family PMA boundaries are reasonable as they use zip codes to

approximate the Mansfield ISD boundaries, which when compared to the demographics for the PMA, exhibit a much greater growth rate than reported by the demographic data. Based on the Market Analyst's argument that the Mansfield ISD boundaries better reflect the PMA of the family units, the Underwriter found that the PMA boundaries should have included zip code 76001 rather than 76018. Additionally, including this zip code would require adding two potentially unstabilized tax credit properties not already included in the Market Analyst's demand calculation.

Market Rent Comparables: The Market Analyst surveyed 17 comparable apartment projects totaling 3,900 units in the market area. "The comparables are located either in Mansfield (Rentals 1, 2 and 10), Arlington (3, 4, 7-9, 11-13 and 15), and or Grand Prairie (5, 6, 10, 14, 16 and 17). Locations are similar and the comparables vary little in amenities or Appeal" (p. 112).

"All of the 1BR units will be senior oriented which are extremely limited in the market. The 2 and 3BR units are predominately family units, with some 2BR senior units available which are extremely limited. The quality and location of the subject will enable the property to charge the maximum allowable rents while maintaining occupancy levels in the mid 90% range" (p. 120).

RENT ANALYSIS (net tenant-paid rents)										
Unit Type (% AMI) Proposed Program Max Differential Est. Market Differential										
1-Bedroom (60%)	\$526/\$644	\$613	-\$87/+\$31	\$740	-\$214/-\$96					
2-Bedroom (60%)	\$771	\$728	+\$50	\$900	-\$129					
2-Bedroom (60%)	\$771	\$728	+\$50	\$900	-\$129					
3-Bedroom (60%)	\$888	\$834	+\$54	\$1,115	-\$227					

(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 South Arlington apartment submarket is averaging 91.6% occupancy, inclusive of all properties older than 12 months with struggling occupancy. The submarket is forecast to increase occupancy to over 92.9% by September 2006" (p. 120).

Absorption Projections: "An absorption rate of 8 to 30 units/month is reasonable for the subject, as encumbered by HTC, considering the location on a primary roadway in southwest Mansfield. The development will serve the existing residential base in the PMA as the residents age and some in-migration will occur as seniors and families move into the PMA to reside in new affordable units. The absorption rate would result in a 8-month absorption period from date of completion to obtain stabilized physical occupancy" (p. 110).

Known Planned Development: "There are 228 HTC/Public Housing units located within the Family PMA. Towne Crossing is the most recently constructed property in Mansfield and is located within the family PMA. Arlington Villas (aka Rosemont at Mayfield Villas) was constructed during the past year and is not located within the family PMA. Parkview Townhomes (aka Rush Creek) was constructed during the past year and is not located within the family PMA. Providence at Rush Creek II (aka Artisan) was constructed during the past year and is not located within the family PMA. Addison Park Apartments was also constructed during the past year and is not located within the family PMA" (p. 91).

<u>Market Study Analysis/Conclusions</u>: The Market Analyst's inclusive capture rate provides a marginally acceptable inclusive capture rate of 24.59% while the Underwriter's inclusive capture rate exceeds the 25% Department guideline. Therefore, the Underwriter does not recommend this development.

#### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, except for two of the 60% one-bedroom/one-bath units, which are significantly below the maximum rents allowed for those units (\$587 vs. \$705). The maximum rents are achievable according to the Market Analyst. The Applicant slightly overstated secondary income at \$18.30/unit/month due to the inclusion of garage rental income without providing documentation to support this estimate. Vacancy and collection losses are in line with TDHCA underwriting guidelines. It should be noted that although the maximum rents were used by the Applicant, there is a significant overstatement in potential gross income when compared to the Underwriter's estimate due to the fact that the Applicant utilized utility allowances from the Fort Worth Housing Authority rather than the applicable Tarrant County Housing Authority. The Applicant provided no documentation

confirming that the subject would use Fort Worth rather than Tarrant County allowances. This results in a difference of \$131K in potential gross rent for the development. The Underwriter's analysis also included an additional \$28K in potential income based on HUD's recently released 2006 AMFI's, which would result in an increase in the maximum rents allowed for this area. As a result of these differences the Applicant's effective gross income estimate is \$123K or 6% greater than the Underwriter's estimate.

**Expenses:** The Applicant's estimate of \$4,060 per unit is \$97K or 9% lower in total than the Underwriter's database-derived estimate. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly payroll (\$30K lower) and utilities (\$58K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (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 income and expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.97 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$936,376 by a reduction of the bond amount. Based on the stated rates and terms a redemption of \$1.918M in bonds is anticipated.

			ACC	UISITION	VALUATION INF	ORMATIC	N				
				API	PRAISED VALUE						
Land: 15.7 a	cres		\$1,70	0,000		Date of V	aluation:	01/	05/	2006	
Appraiser:	Butler Burgh	er, Inc.	er, Inc. City:		Dallas		Phone:	(214)	739-	0700	
			AF	PRAISAL A	NALYSIS/CONG	CLUSIONS					
2006. The	current "as-is	" value	of the l	and only (	rformed by Bur (15.7 acres) is instead of base	\$1,700,00	00. The a	ppraise	r based	this value on	
				AS	SESSED VALUE						
Land: 54.897	Land: 54.897 \$				Assessment	for the Ye	ar of:	of: 2005			
Land: prora	ted per acre	\$25,0	00		Valuation by	y: Tar	rant Coun	ounty Appraisal District			
Total Assesse acres	ed Value: 15.7	\$392,	500		Tax Rate:	3.10	)9				
			EVI	DENCE of S	ITE or PROPERTY	CONTRO	DL				
Type of Site	Control:	Unimp	roved c	ommercial	property contrac	et (30 acre	s)				
Contract Expiration Date: 04/ 26/ 2006 Anticipated Closing Date: 04/ 14/					14/	2006					
Acquisition (	Acquisition Cost: \$1,709,730				Other Terms/Conditions:					<u> </u>	
Seller: M	ansfield Natio	nal Partn	ers, LP			Related to Development Team Member: No					

#### **CONSTRUCTION COST ESTIMATE EVALUATION**

Acquisition Value: The site cost for the entire 30 acres under contract is \$3,267,000. The Applicant overstated the site acquisition cost by using the price of \$1,942,400 which encompassed an initial 16 acres planned for this development plus a \$200,000 risk based allocation to this project. The Underwriter calculated the land cost by multiplying the per acre cost of \$108,900 by the actual site acreage to be used of 15.7 acres (as confirmed by the Applicant) to achieve a prorated land value of \$1,709,730.

**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.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$60K or less than 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore

regarded as reasonable as submitted.

<u>Fees:</u> 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 \$10,359 based on their own construction costs. The Applicant's contingency costs also exceed the 5% maximum allowed by HTC guidelines by \$3,700 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 \$9,609 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 for the prorated land cost, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$22,217,043 is used to determine a credit allocation of \$790,927 from this method. This is \$842 less than the Applicant's request due to the overstatement in contractor and developer fees discussed above. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's adjusted costs to determine the recommended credit amount.

	FINANCING S	STRUCTURE							
	INTERIM TO PERMANEN	T BOND FINANCING							
Source: Newman C	apital, LLC	Contact: Paul Weismann							
Tax-Exempt Amount:	\$16,100,00 Interest Rate:	6.00%							
Taxable Amount:	N/A Interest Rate:	N/A							
Additional Information:									
Amortization: 40	yrs <b>Term:</b> 40 yrs <b>Comm</b>	nitment:							
Annual Payment:	\$1,063,013 Lien Priority:	1st Date: 02/ 03/ 2006							
	TAX CREDIT SY	NDICATION							
Source: Boston Ca	pital	Contact: Tom Dixon							
Net Proceeds: \$7	Net Syndication I	Rate (per \$1.00 of 10-yr HTC) 0.99¢							
Commitment:	□ LOI    □ Firm    □	Conditional Date: 01/ 06/ 2006							
Additional Information	Based on annual credits of \$735,	298							
	APPLICAN <sup>1</sup>	T FOUITY							
<b>Amount:</b> \$1,802,41		rred Developer Fee							
	FINANCING STRUC	CTURE ANALYSIS							

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and underwritten and purchased by Newman Capital, LLC. The interim/permanent financing commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application and with the Applicant's financing narrative. In particular, the Applicant's sources and uses of funds and financing narrative reflect a total bond amount of \$16,500,000 (\$16,100,000-tax-exempt/\$400,000-taxable) with a fixed interest rate of 6% and a term and amortization of 40 years. The lender's commitment letter reflects a total bond amount of \$16,500,000 (all tax-exempt) with a fixed interest rate of 6% and term and amortization of 40 years. TDHCA staff confirmed that the Applicant's total bond request is \$16,100,000 in tax-exempt bonds and used the rate and terms as reflected in the commitment letter for purposes of this analysis.

HTC Syndication: The tax credit syndication commitment reflects capital contributions to the Partnership of \$7,277,991 based on an annual credit allocation of \$735,298. The Applicant's tax credit request is \$791,769. The syndication rate proposed in the commitment is \$0.99 per dollar of tax credit. The commitment also discusses adjusters for any shortfall or increase in the credit amount.

<u>GIC Income</u>: The Applicant included \$325,000 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction phase; the Underwriter has included this amount in deferred developer fee in the recommended financing structure.

<u>Deferred Developer's Fees</u>: The Applicant's proposed deferred developer's fees of \$1,802,418 amount to 62% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$790,927 annually for ten years, resulting in syndication proceeds of approximately \$7,829,932. Due to the difference in estimated net operating income and expenses, the Underwriter's debt coverage ratio (DCR) of 0.97 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed \$936,376, by reducing the permanent loan amount. To compensate for the reduction in loan funds the Applicant's deferred developer fee will be increased to \$3,812,748, which represents approximately 132% of the total fee and which would not be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee will not be available to fund those development cost overruns. Therefore the Underwriter cannot recommend this development.

# 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.
- State Street GP Holdings GP, L.L.C. and State Street GP Holdings, L.P. are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- An unaudited, consolidated balance sheet for Guardian Management LLC, the Property Management company, was submitted. As of December 2005 total assets of \$9.9M were comprised of \$161K in cash, \$8.7M in receivables, \$143K in prepaid assets, (\$713K) in investments, and \$1.6M in fixed assets. Liabilities totaled \$6.6M for equity of \$3.3M.
- Jeffrey S. Spicer and Kelly Garrett, the principals of the General Partner, also submitted unaudited balance sheets.

<u>Background & Experience</u>: Multifamily Finance Production staff has 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 income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- 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 by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:		Date:	March 13, 2006
	Raquel Morales	=	
Director of Real Estate Analysis:		Date:	March 13, 2006
	Tom Gouris	_	

### MULTIFAMILY COMPARATIVE ANALYSIS

#### Generations at Mansfield Apartments, Mansfield, 4% HTC 05631

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC60%	2	1	1	735	\$705	\$613	\$1,226	\$0.83	\$92.00	\$46.00
TC60%	51	1	1	735	705	\$613	31,263	0.83	92.00	46.00
TC60%	47	2	1	990	846	\$728	34,216	0.74	118.00	57.00
TC60%	64	2	2	1,002	846	\$728	46,592	0.73	118.00	57.00
TC60%	88	3	2	1,170	978	\$834	73,392	0.71	144.00	67.00
TOTAL:	252		AVERAGE:	1,002	\$862	\$741	\$186,689	\$0.74	\$121.61	\$58.18
INCOME		Total Net R	entable Sq Ft:	252,573		TDHCA	APPLICANT	С	omptroller's Region	3
POTENTIA	L GROSS	RENT				\$2,240,268	\$2,371,452		IREM Region	Fort Worth
Secondary	Income		Р	er Unit Per Month:	\$18.30	55,339	55,332	\$18.30	Per Unit Per Month	
Other Increa	ase due to a	area income:				28,668	28,668			
POTENTIA						\$2,324,275	\$2,455,452			
Vacancy &				ntial Gross Income:	-7.50%	(174,321)	(182,004)	-7.41%	of Potential Gross Re	nt
			s or Concessi	ons		0	¢0.070.440			
EFFECTIVI		INCOME				\$2,149,955	\$2,273,448			
EXPENSES			% OF EGI	PER UNIT	PER SQ FT	<b>***</b>	070.404	PER SQ FT	PER UNIT	% OF EGI
General & A		/e	4.09%	\$349	0.35	\$87,932	\$70,424	\$0.28	\$279	3.10%
Manageme			4.00%	341	0.34	85,998	113,459	0.45	450	4.99%
Payroll & Pa	•		11.71%	999	1.00	251,691	221,934	0.88	881	9.76%
Repairs & N	/laintenance	)	4.66%	397	0.40	100,084	105,660	0.42	419	4.65%
Utilities			4.28%	365	0.36	91,938	34,020	0.13	135	1.50%
Water, Sew	er, & Trash		5.17%	441	0.44	111,166	99,600	0.39	395	4.38%
Property Ins	surance		2.86%	244	0.24	61,553	56,700	0.22	225	2.49%
Property Ta	ıx	3.109	10.93%	933	0.93	235,061	226,800	0.90	900	9.98%
Reserve for	Replaceme	ents	2.34%	200	0.20	50,400	50,400	0.20	200	2.22%
Other: supp	ortive svcs/	compl fees	2.05%	175	0.17	44,100	44,100	0.17	175	1.94%
TOTAL EXI	PENSES		52.09%	\$4,444	\$4.43	\$1,119,923	\$1,023,097	\$4.05	\$4,060	45.00%
NET OPER	ATING IN	С	47.91%	\$4,087	\$4.08	\$1,030,031	\$1,250,351	\$4.95	\$4,962	55.00%
DEBT SER	VICE									
Tax-Exempt			49.44%	\$4,218	\$4.21	\$1,063,013	\$1,096,388	\$4.34	\$4,351	48.23%
GIC Income			0.00%	\$0	\$0.00	0	. , , ,	\$0.00	\$0	0.00%
Additional Fir	nancing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH	FLOW		-1.53%	(\$131)	(\$0.13)	(\$32,981)	\$153,963	\$0.61	\$611	6.77%
AGGREGAT	E DEBT CO	VERAGE R	ATIO			0.97	1.14			
RECOMMEN	IDED DEBT	COVERAG	E RATIO			1.10	<u>'</u>			
CONSTRU	CTION CC	<u>OST</u>								
Descri	ntion	<u>Factor</u>	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition	<u></u>		6.73%	\$6,785	\$6.77	\$1,709,730	\$1,942,400	\$7.69	\$7,708	7.55%
•	COSt (site o	i blug)					. , ,			
Off-Sites			0.00%	0	0.00	1 999 720	1 999 730	0.00	0	0.00%
Sitework	Am		7.44%	7,495	7.48	1,888,739	1,888,739	7.48	7,495	7.34%
Direct Cons			47.90%	48,274	48.16	12,164,995	12,225,202	48.40	48,513	47.51%
Contingenc	•	5.00%	2.77%	2,788	2.78	702,687	709,397	2.81	2,815	2.76%
General Re	•	6.00%	3.32%	3,346	3.34	843,224	851,276	3.37	3,378	3.31%
Contractor's		2.00%	1.11%	1,115	1.11	281,075	283,759	1.12	1,126	1.10%
Contractor's	s Profit	6.00%	3.32%	3,346	3.34	843,224	851,276	3.37	3,378	3.31%
ndirect Cor	nstruction		5.05%	5,085	5.07	1,281,509	1,281,509	5.07	5,085	4.98%
neligible C	osts		4.69%	4,727	4.72	1,191,118	1,191,118	4.72	4,727	4.63%
Developer's	s G & A	2.00%	1.52%	1,528	1.52	384,950		0.00	0	0.00%
Developer's		13.00%	9.85%	9,929	9.91	2,502,178	2,907,484	11.51	11,538	11.30%
nterim Fina			4.89%	4,929	4.92	1,242,069	1,242,069	4.92	4,929	4.83%
Reserves	3		1.41%	1,425	1.42	358,997	358,997	1.42	1,425	1.40%
TOTAL CO	ST		100.00%	\$100,772	\$100.54	\$25,394,495	\$25,733,226	\$101.88	\$102,116	100.00%
Recap-Hard		ion Costs	65.86%	\$66,365	\$66.21	\$16,723,944	\$16,809,649	\$66.55	\$66,705	65.32%
•			20.00/0	,	,,,,,,,	, . <u></u>	,,		-00,.00	55.5£/0
SOURCES		<u>'3</u>		***	<b>.</b>	#40 400 000	£40,400,000	RECOMMENDED	<b>1</b> -	
Γax-Exempt			63.40%	\$63,889	\$63.74	\$16,100,000	\$16,100,000	\$14,182,000		ee Available
Taxable Bon	ds		0.00%	\$0	\$0.00	\$0	\$0	\$0	\$2,89	7,875
GIC Income			1.28%	\$1,290	\$1.29	325,000	325,000			
HTC Syndica	ation Procee	eds	29.56%	\$29,785	\$29.72	7,505,808	7,505,808	7,505,808	% of Dev. F	ee Deferred
	eloper Fee	s	7.10%	\$7,152	\$7.14	1,802,418	1,802,418	3,812,748	13:	2%
Deferred Dev										
Deferred De\ Additional (E		ds Req'd	-1.33%	(\$1,344)	(\$1.34)	(338,731)	0	0	15-Yr Cumula	tive Cash Flow

TCSheet Version Date 4/11/05tg

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#### MULTIFAMILY COMPARATIVE ANALYSIS (continued)

#### Generations at Mansfield Apartments, Mansfield, 4% HTC 05631

#### **DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$48.21	\$12,175,560
Adjustments				
Exterior Wall Finish	6.40%		\$3.09	\$779,236
Elderly	1.69%		0.82	206,045
9-Ft. Ceilings	3.80%		1.83	462,671
Subfloor			(2.24)	(565,764)
Floor Cover			2.22	560,712
Balconies/Breezeways	\$19.79	36,862	2.89	729,315
Plumbing	\$680	456	1.23	310,080
Built-In Appliances	\$1,675	252	1.67	422,100
Exterior Stairs	\$1,650	42	0.27	69,300
Enclosed Corridors	\$38.29	21040	3.19	805,540
Heating/Cooling			1.73	436,951
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$60.46	5,950	1.42	359,743
Elevators	\$38,250	2	0.30	76,500
SUBTOTAL			66.63	16,827,989
Current Cost Multiplier	1.01		0.67	168,280
Local Multiplier	0.88		(8.00)	(2,019,359)
TOTAL DIRECT CONSTRU	CTION COST	S	\$59.30	\$14,976,910
Plans, specs, survy, bld prm	3.90%		(\$2.31)	(\$584,099)
Interim Construction Interes	3.38%		(2.00)	(505,471)
Contractor's OH & Profit	11.50%		(6.82)	(1,722,345)
NET DIRECT CONSTRUCT	ION COSTS		\$48.16	\$12,164,995

#### PAYMENT COMPUTATION

Primary	\$16,100,000	Amort	480
Int Rate	6.00%	DCR	0.97
Secondary		Amort	
Int Rate	0.00%	Subtotal DCR	0.97
Additional		Amort	
Int Rate		Aggregate DCR	0.97

#### RECOMMENDED FINANCING STRUCTURE:

Primary Debt Serv	ice	\$936,376		
Secondary Debt S	ervice	0		
Additional Debt Se	rvice	0		
NET CASH FLO	W	\$93,656		
Primary	\$14,182,000	Amort	480	
Int Rate	6.00%	DCR	1.10	
Secondary	\$0	Amort	0	
Int Rate	0.00%	Subtotal DCR	1.10	
Additional	\$0	Amort	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
POTENTIA	L GROS	S RENT	\$2,240,268	\$2,307,476	\$2,376,700	\$2,448,001	\$2,521,441	\$2,923,042	\$3,388,606	\$3,928,323	\$5,279,338
Secondar	y Income		55,339	56,999	58,709	60,471	62,285	72,205	83,706	97,038	130,410
Other Incr	rease due	to area inco	28,668	29,528	30,414	31,326	32,266	37,405	43,363	50,270	67,558
POTENTIA	L GROS	SINCOME	2,324,275	2,394,003	2,465,824	2,539,798	2,615,992	3,032,652	3,515,675	4,075,631	5,477,307
Vacancy 8	& Collecti	on Loss	(174,321)	(179,550)	(184,937)	(190,485)	(196,199)	(227,449)	(263,676)	(305,672)	(410,798)
Employee	or Other	Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIV	E GROS	SINCOME	\$2,149,955	\$2,214,453	\$2,280,887	\$2,349,313	\$2,419,793	\$2,805,203	\$3,251,999	\$3,769,958	\$5,066,509
EXPENSE	S at	4.00%									
General 8	Adminis	trative	\$87,932	\$91,449	\$95,107	\$98,911	\$102,868	\$125,154	\$152,270	\$185,259	\$274,229
Managem	ent		85,998	88,578	91,235	93,973	96,792	112,208	130,080	150,798	202,660
Payroll &	Payroll Ta	эх	251,691	261,759	272,229	283,118	294,443	358,235	435,847	530,275	784,936
Repairs &	Maintena	ance	100,084	104,088	108,251	112,581	117,084	142,451	173,313	210,862	312,128
Utilities			91,938	95,616	99,440	103,418	107,554	130,856	159,207	193,699	286,723
Water, Se	ewer & Tra	ash	111,166	115,612	120,237	125,046	130,048	158,223	192,503	234,209	346,687
Insurance			61,553	64,015	66,576	69,239	72,008	87,609	106,590	129,683	191,962
Property 1	Гах		235,061	244,464	254,242	264,412	274,989	334,566	407,050	495,239	733,074
Reserve f	or Replac	ements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other			44,100	45,864	47,699	49,607	51,591	62,768	76,367	92,912	137,533
TOTAL EX	PENSES		\$1,119,923	\$1,163,860	\$1,209,529	\$1,256,997	\$1,306,338	\$1,583,806	\$1,920,503	\$2,329,122	\$3,427,112
NET OPER	RATING II	NCOME	\$1,030,031	\$1,050,593	\$1,071,358	\$1,092,316	\$1,113,455	\$1,221,397	\$1,331,496	\$1,440,836	\$1,639,397
DE	BT SER\	/ICE									
First Lien F	inancing		\$936,376	\$936,376	\$936,376	\$936,376	\$936,376	\$936,376	\$936,376	\$936,376	\$936,376
Second Lie	en		0	0	0	0	0	0	0	0	0
Other Final	ncing		0	0	0	0	0	0	0	0	0
NET CASH	FLOW		\$93,656	\$114,218	\$134,983	\$155,940	\$177,080	\$285,022	\$395,120	\$504,461	\$703,021
DEBT COV	/ERAGE	RATIO	1.10	1.12	1.14	1.17	1.19	1.30	1.42	1.54	1.75

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost	AWOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
Purchase of land	\$1,942,400	\$1,709,730		
Purchase of buildings	1 , ,,, , , , , , ,	, , ,		
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,888,739	\$1,888,739	\$1,888,739	\$1,888,739
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$12,225,202	\$12,164,995	\$12,225,202	\$12,164,995
(4) Contractor Fees & General Requirements				
Contractor overhead	\$283,759	\$281,075	\$282,279	\$281,075
Contractor profit	\$851,276	\$843,224	\$846,836	\$843,224
General requirements	\$851,276	\$843,224	\$846,836	\$843,224
(5) Contingencies	\$709,397	\$702,687	\$705,697	\$702,687
(6) Eligible Indirect Fees	\$1,281,509	\$1,281,509	\$1,281,509	\$1,281,509
(7) Eligible Financing Fees	\$1,242,069	\$1,242,069	\$1,242,069	\$1,242,069
(8) All Ineligible Costs	\$1,191,118	\$1,191,118		
(9) Developer Fees			\$2,897,875	
Developer overhead		\$384,950		\$384,950
Developer fee	\$2,907,484	\$2,502,178		\$2,502,178
(10) Development Reserves	\$358,997	\$358,997		
TOTAL DEVELOPMENT COSTS	\$25,733,226	\$25,394,495	\$22,217,043	\$22,134,650

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	\$22,217,043	\$22,134,650
High Cost Area Adjustment	100%	100%
TOTAL ADJUSTED BASIS	\$22,217,043	\$22,134,650
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$22,217,043	\$22,134,650
Applicable Percentage	3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS	\$790,927	\$787,994

Syndication Proceeds 0.9899 \$7,829,392 \$7,800,356

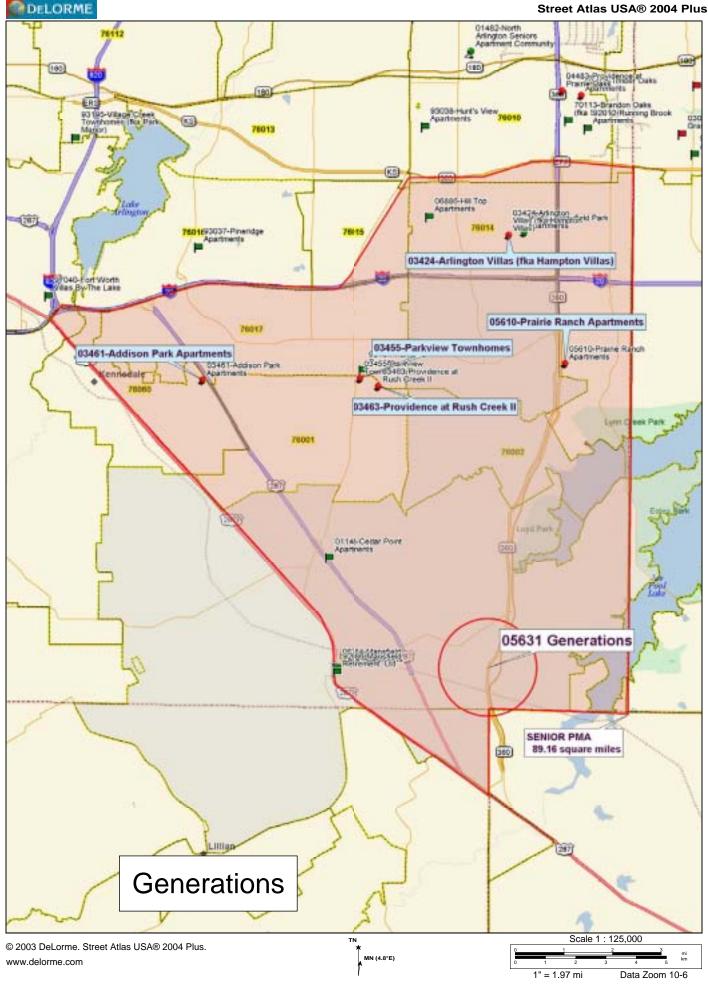
Total Credits (Eligible Basis Method) \$790,927 \$787,994

Syndication Proceeds \$7,829,392 \$7,800,356

Requested Credits \$791,769 Syndication Proceeds \$7,837,729

Gap of Syndication Proceeds Needed \$11,551,226

Credit Amount \$1,166,907



# **Applicant Evaluation**

Project ID # <b>05631</b> Name:	Name: Generations of Mansfield City: Mansfield	
LIHTC 9% ☐ LIHTC 4% 🗹 H	HOME ☐ BOND ✓ HTF ☐	SECO ESGP Other
✓ No Previous Participation in Texas	☐ Members of the develop	pment team have been disbarred by HUD
National Previous Participation Ce	ertification Received:   N/A	□ Yes □ No
Noncompliance Reported on Natio	onal Previous Participation Certification:	$\square$ Yes $\square$ No
	Portfolio Management and Compliance	2
Total # of Projects monitored: 0	Projects in Material Noncompliance	# in noncompliance: 0
	Yes ☐ No ✓	Projects not reported Yes
Projects zero to nine: 0 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:	0 # of projects not reported 0
Portfolio Monitoring	Single Audit	Contract Administration
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Issues found regarding late cert $\Box$	Unresolved issues found
Unresolved issues found that	Issues found regarding late audit $\Box$	Unresolved issues found that $\Box$
warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification	warrant disqualification (Comments attached)
Reviewed by Patricia Murphy	(Comments attached)	Date 3/6/2006
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)
Not applicable	Not applicable	Not applicable
Review pending	Review pending	Review pending
No unresolved issues	No unresolved issues	No unresolved issues
Unresolved issues found	Unresolved issues found	Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)
Reviewer A. Martin	Reviewer Sandy M. Garcia	Reviewer
Date 3 /8 /2006	Date 3 /6 /2006	Date
Community Affairs	Office of Colonia Initiatives	Financial Administration
No relationship	Not applicable	No delinquencies found
Review pending	Review pending	Delinquencies found
No unresolved issues	No unresolved issues	
Unresolved issues found	Unresolved issues found	
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	
Reviewer	Reviewer	Reviewer Stephanie A. D'Couto
Date	Date	Date 3 /6 /2006

Acting Executive Director William Dally Executed: hursday, March 09, 2006

### **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Multifamily Finance Production Division

### **Public Comment Summary**

#### **Generations at Mansfield**

Public Hearing		
Total Number Attended	40	
Total Number Opposed	34	
Total Number Supported	3	
Total Number Neutral	3	
Total Number that Spoke	15	
·		

Public Officials Le	etters Received	
Sta Sta Ser Sup	position te Rep. Toby Goodman te Rep. Bill Zedler nator Kim Brimer perintendent, Vernon Newsom yor, Mel Neuman	5
Sup	pport	0

General Public Letters and Emails Received		
Opposition Total	757	
Community Petition	18	
Lowe's Farm Petition	81	
Holland Estates HOA Petition	102	
Mansfield National HOA Petition	235	
Vista National HOA Petition	27	
Waterford Park HOA Petition	10	
Villages at Spring Lake HOA Petition	241	
Individual Letters & Emails	43	
Support	0	

### **Summary of Public Comment**

- 1 Wrong location for the development
- 2 No sidewalks along Highway 360
- 3 Lack of services in the area
- **4** No public transportation
- 5 Lower property values
- 6 Compliance requirements long term
- 7 Additional cost to school district for new bus routes
- 8 Schools are at capacity
- 9 Increase in crime

### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# MULTIFAMILY HOUSING REVENUE BONDS GENERATIONS AT MANSFIELD APARTMENTS

#### PUBLIC HEARING

Mary Orr Intermediate School 2900 East Broad Street Mansfield, Texas

February 21, 2006 6:00 p.m.

#### BEFORE:

TERESA MORALES, Multifamily Bond Administrator
ALSO PRESENT:

ROBBYE MEYER, Manager, Multifamily Division JEFF SPICER, GS 360 Housing, L. P.

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### PROCEEDINGS

MS. MORALES: We're going to go ahead and get started. Can everyone hear me okay?

VOICES: Yes.

MS. MORALES: Okay. And just to -- as a reminder, if I could get -- any of you who have not signed in, if you could, just sign in at the front table. If you would like to speak, you'll need to fill out one of the witness affirmation forms, and you can hand that to me prior to speaking.

To get started this evening, my name is Teresa Morales, and I'm with the Texas Department of Housing and Community Affairs. We are here to conduct a public hearing on the Generations at Mansfield proposed development.

Just to give you some idea as to how we're going to proceed tonight, I'm going to give you a brief overview of the programs that the Department offers, specifically the programs that the applicant or developer has applied for. From there -- the developer is here, and he's going to give a brief presentation and highlight some specifics on the actual development itself.

And then from there, we -- I'm required to read a speech for IRS purposes. At the end of that speech is

when I will open up the floor for public comment. And it will be at that point, for those of you who have filled out the witness affirmation form, I will call your name up on those cards that I have received. And it will be at that point when you can make any comments that you have -- or concerns -- about the particular development.

So to get started, there are a few things I wanted to mention in particular about the public hearings that the Texas Department of Housing has. One is that although this hearing is required by the IRS Code, TDHCA takes comment not only on the bond issuance but also on the development in general.

One of the other things that I wanted to mention is that TDHCA schedules these public hearings at a time that is convenient -- at a time and location that is convenient to the community. Specifically, we hold these public hearings in the evening where most citizens can have the opportunity to attend.

Specifically, I wanted to talk about two programs that the developer has applied for with TDHCA.

One is the Private Activity Bond program, and the other is the Housing Tax credit program. Both of these programs are federal programs, and they were created to encourage private industry to build safe, quality housing that is

affordable to individuals and families with lower-thanaverage incomes.

To start off with, the Private Activity Bond program has to do with the issuance of tax-exempt bonds. When we say tax-exempt bonds, that's not to be confused with a property tax exemption. The tax-exemption is to the purchaser of those bonds, and it's not, again, to be confused with a property tax exemption.

When we say tax-exempt, that connotation refers to the nature of the bonds in that the bond purchaser does not have to pay income tax on their investment or any income that's earned on those investments.

The other program that the developer has applied for is the Housing Tax Credit program. And, again, this is also a federal program that was created. And basically what the housing tax credit does is -- it puts an equity injection into the property at the very beginning. What that does is -- it provides equity to the development to allow the developer to charge lower-than-market rate rents to individuals and families below the area median family income.

Those are the two programs that the developer has applied for. And with respect to the tax-exempt bonds, there is a compliance monitoring period. What that

means is TDHCA -- on all of our bond properties, we actually go out and do monitoring on all of these properties. The compliance period with the state is the greater of 30 years or as long as these bonds remain outstanding.

Some of the things that our compliance division looks for is, One, income restrictions; they're also looking at tenant occupancy, and that just basically means to make sure that everyone who is living in that development is supposed to be there. One of the other things that they look at is physical appearance, making sure that the development is maintained very well.

One of the other things that I wanted to mention has to do with tenant services. And the tenant services for each development are specific to that development; they're tailored to fit the needs of the tenants that actually live there.

Some of these tenant services can include tutoring or honor roll programs for the family developments, educational classes, after-school activities. For some of the elderly developments, there can be health care screening and also credit counseling, financial planning and things like that.

If anyone has -- I guess I can draw your

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attention to the handout -- the Generations at Mansfield handout that you picked up at the front of the table. And I just wanted to highlight a few things on there.

The first slide: The Generations at Mansfield development received a reservation of allocation on November 21, 2005. What that means is once a reservation is issued by the bond review board, that applicant has 150 days to close on those bonds; if they do not close within that 150-day time period, then that reservation will be cancelled.

With that said, the Generations at Mansfield Apartments' reservation will expire on April 20, 2006. So the developer has until April 20 to close on that bond transaction.

The proposed development that we're talking about will be located at approximately 1,00 feet north of South Miller Road and to the east of Highway 360 frontage road and adjacent to the Mansfield National Golf Club. The development will consist of 13 two-story residential buildings and one non-residential building.

There will be 252 total residential units. 100 of those units will be serving the elderly population, and then 152 units will be serving families. There's also the breakdown, as you can see: The unit mix between the one-,

two- and three-bedrooms that will be offered.

As far as the maximum rents, there's a one-bedroom maximum rent, not to exceed \$705. The two-bedroom maximum rent is 846, and the three-bedroom maximum rent will not exceed \$978.

In connection with any comments that you make tonight, there is also a public comment deadline of March 8, 2006. In addition to anything that you make tonight, if those of you would like to submit written comments, you can submit those to me; my contact information is the very last slide on that handout. You can fax those comments to me, send them through regular mail or through e-mail.

The TDHCA board meeting at which they are scheduled to vote on this particular transaction is scheduled for March 20, 2006. So, again, any comment that you wish to submit in addition to any comments that you make here tonight -- I will need to receive those by March 8, 2006. And just to let you know, any comments that you make tonight are on the record. So our board will have a complete transcript of any comments that are made here tonight.

So your comments are being recorded, and they will be presented to our board. But if you would like to make any additional written comments, you can submit those

to me, and that will also be presented to our board.

Like I said, the developer is here -- Mr. Jeff Spicer. And he will give a brief presentation and highlight some of the specifics on the actual development.

And then from there, there is an IRS speech or -- the speech that I'm required to read for IRS purposes. At the conclusion of that speech is when I will open the floor up for public comment. Again, if any of you have filled out the witness affirmation form, you'll need to hand that to me prior to speaking. And it will be at that point when I will call your name and you can come up and make any comments that you may have.

So I would like to turn it over to Mr. Jeff Spicer.

MR. SPICER: Thank you, Teresa.

Good evening, everyone. My name is Jeff Spicer; I'm the developer of Generations at Mansfield.

As Teresa mentioned, we are on track right now for closing on this development in mid-April. We have submitted our initial preliminary plat. We look to pull building permits right about the second week in April and get started on this property in the first week of May and start construction.

I want to tell you a little bit about the

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development initially, and I want to talk about a few misconceptions on what we're doing here. Initially, we had proposed a total of 500 units of -- under this tax-exempt bond program, and we have since changed that, understanding that there was some public comments on that and it was in the newspapers.

And so what we have done is really change and insert a luxury component of the project, which is separate from what we're talking about here tonight, of 240 units, primarily one- and two-bedroom units, that really abuts the golf course. And we've moved the project we're talking about here tonight, the senior and family project, over along this area here, which -- actually, the golf course is [inaudible] not abut the golf course.

(Pause.)

MR. SPICER: I'm sorry about that. What we've done is put a family section here, a senior component here, and then a luxury component there.

(Pause.)

MR. SPICER: I'm sorry. Is that better?

VOICES: Yes.

MR. SPICER: I'm sorry.

In front of that and what will really be abutting 360 is a retail component which we are not a part

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of. I don't know what's going to be developed there; it is zoned retail zoned commercial. We anticipate at some point in time a developer will come in and develop neighborhood retail uses, dry-cleaners, Blockbuster videos -- those types of uses -- in that retail section.

Really what we have then is -- along the golf course is the luxury component. And on this other component over here is the 250 units in the tax-exempt bond program that we're talking about today.

The seniors section in the middle is somewhat of a separate project even unto itself it is 100 units, of which we have 52 one-bedroom units and 48 two-bedroom units. Those units will rent anywhere from \$650 to about \$775.

The family project is approximately 152 units.

The majority of -- those are 88 three-bedroom units and

54 two-bedroom units. Rents there will be approximately

\$750 to about \$880.

What we anticipate is that the average person living in the family side of this development will be someone earning in the 30- to \$40,000 range. And that is -- that makes up a large component of Mansfield's economy and Mansfield's new economy. As we see the hospital coming in, a great majority of the workers there

will earn in that income range.

The retail component that's going to be going I on Broad and 287 -- many of the workers that will be in that space will be in that income range. What we're trying to do is provide work force housing for the work force that's going to drive Mansfield's economy for the future.

In addition to that, what we've done is what's known as an intergenerational project. And by intergenerational, we mean -- we've seen in the past in developing properties like this that if you develop a seniors property in and of itself, the seniors feel isolated. If you develop a family property by itself, the family doesn't have those seniors to look to.

So what -- in bringing the two properties together -- the senior component and the family component -- we're trying to develop what is really a community here. We want seniors that help families and families that help seniors.

We will have an after-school program where seniors can interact with the students that are going to be on the property. We really want that component to drive our seniors to stay active in the community and our families to stay intertwined with those seniors. We think

that's a great component of a community for the future of Mansfield.

This is one of the few of these properties that have been developed in Texas, and it's a new concept that's starting to kind of work its way into development across the United States. We really think it's the future of how communities should be developed in the future, integrating our seniors with our families.

Just to let -- discuss a few components of the development, the development will be what we think -- and we've looked around at a number of the other properties -- is the nicest property in the city of Mansfield -- the nicest apartment property in the city of Mansfield. We think -- in the design we're using, we think the quality of stone that we're going to use in the facade will make it one of the most attractive properties in Mansfield.

Some amenities that we're going to have at the property. We'll have a 4,000-square-foot club house with a fitness center and a business center for residents with full internet capabilities, computers for residents' use, a printer, fax -- all of the amenities you'd expect at a luxury property -- a beautiful pool, a laundry facility, a laundry [sic] care facility, fully fenced and gated, security access gate, garages, additional storage for

residents, fairly large units even by today's standards, and offering a full complement of social services, including -- you know, we realize that this is just a stepping stone for many people into their -- the homes that they will own in Mansfield.

We anticipate having home-buying seminars here.

We anticipate credit counseling for people that need it.

We anticipate first-time home buyer seminars so that

people can get the assistance they need to eventually move into home ownership here in Mansfield.

Really, again, what we are trying to attract is true work force housing. We want the people that drive the economy in Mansfield to have a place to live and not to have to go up to Arlington or Fort Worth to find a place to live. We want that here in Mansfield, and that's what we're trying to bring.

And that's all, I guess, for my presentation. Thank you.

MS. MORALES: Does anyone have any of the witness affirmation forms ready?

(Pause.)

MS. MORALES: I'm going to go ahead and read the speech for IRS purposes.

Good evening. My name is Teresa Morales, and I

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would like to proceed with the public hearing. Let the record show that it is 6:27 p.m. on Tuesday, February 21, 2006, and we are at Mary Orr Intermediate School, located at 2900 East Broad Street in Mansfield, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code.

The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue. No decisions regarding the development will be made at this hearing.

The Department's board is scheduled to meet to consider the transaction on March 20, 2006. In addition to providing your comments at this hearing, the public is also invited to provide public comment directly to the board at any of their meetings. The Department staff will also accept written comments from the public up to 5:00 p.m. on March 8, 2006.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed \$16.1 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 loaned to GS 360 Housing, 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: A 252-unit multifamily residential rental development to be constructed on approximately 15.9 acres of land located at approximately 1,000 feet north of South Miller Road and to the east of the Highway 360 frontage road and adjacent to Mansfield National Golf Club, located at 3750 National Parkway, 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 like to open the floor up for public comment. And the first person that we have tonight is Richard Littell.

And if I could -- once you come up here to speak, if I could have you, just repeat your name for the record, please.

MR. LITTELL: My name's Richard Littell; I'm a

member of the city council in Mansfield.

I had some objections to this when we first received it. It has been cut down by half as far as the elderly and low-income goes. Anybody who lives in a luxury apartment or a full-rent apartment will have cars and be able to get any place they have to go.

What I'm worried about is: Because of the location, there is no place where you can buy as much as a loaf of bread or a bottle of milk when you live in that -- until somebody brings some stores in. And from what I understand of those properties out there that are going to be commercial, there's no commitment to that; I believe that land is still owned by its original owners, so it could be years before stores go in there.

To get to the school, if a child wants to get to school at a time when there is not a school bus -- and there's going to have to be school buses, obviously -- they're going to have to walk along Highway 360. I think that's an extremely hazardous thing.

Lastly, the senior citizens. I can't imagine that with the income that they're talking about here anybody's going to have two cars. If one of the people goes to work, the other cannot get anywhere from where this place is. It's just impossible.

If you look at a map and/or go out and take a look at the property -- there is no place you can go from that piece of property without an automobile. I don't think I would like to see 100 senior citizens separated from drugs -- from their drug store. There will be a hospital eventually, but that's going to be about a two-mile walk or a one-mile walk easily unless you have an automobile or get an ambulance. And they can't shop. I don't know how they're going to do this.

And like I say, a private apartment -- that's your problem. But when we talk about subsidized housing, I think it should be at a better location, where these senior citizens and low-income people can get to stores and the other amenities that they're going to need. Thank you.

FEMALE VOICE: Would you turn the microphone up?

FEMALE VOICE: We can't hear.

FEMALE VOICE: We didn't hear anything.

MR. LITTELL: Oh. Well, they turned me around

that way. I'm sorry.

(Laughter.)

FEMALE VOICE: The mic still doesn't work.

MR. LITTELL: You've got six mics up there.

THE REPORTER: They don't amplify.

MR. LITTELL: Oh. These do not amplify?

MS. MORALES: There's only this one that

amplifies.

MR. LITTELL: Oh. Okay.

(Pause.)

MR. LITTELL: Can you hear me now?

VOICES: Yes.

MR. LITTELL: Okay. My objections,

basically -- and they're the same objections I had when it came before city council before as a concept -- is that from this location, senior citizens cannot get to a store. There's no drug stores. There's no shopping. There is no amenity that they can get to other than what's on that property.

The children, in order to get out of this location to get to anything -- a park or any other location -- are going to have to walk along or across Highway 260. I think it's a much-too-hazardous situation.

I also feel that the commercial property that is along 360 in front of this property or to the north of it -- I guess that's -- no -- to the west of it I guess that would be. That's still owned by the original owners.

And I don't know how long it would be before some stores

got in there or what those stores would be.

Blockbuster? You can't eat those things. You have to have groceries, you have to have medicines, you have to have food service, and you have to have some form of entertainment. And if you don't have a motor vehicle, you cannot get it from this location. That's my objection to it. Thank you.

(Applause.)

MS. MORALES: Next we have Lou Spiegel.

MS. SPIEGEL: My name is Lou Spiegel; I'm the Associate Superintendent for Business with the Mansfield Independent School District.

I want to reference a letter that we wrote to your agency on November 3, 2005. It was in opposition to both of the complexes they originally had.

MR. CHANDLER: Lou, again, I don't think anybody can hear too well. So --

MS. SPIEGEL: Okay. Let me get closer.

(Pause.)

MS. SPIEGEL: How's that?

MR. CHANDLER: Pretend you're yelling at me over something.

MS. SPIEGEL: Now, Clayton, you're making this awfully easy here.

(Laughter.)

MS. SPIEGEL: Okay. Let me start over. I'm Lou Spiegel, the Associate Superintendent for Business with the Mansfield Independent School District.

And I'm referencing a letter that we sent to the Texas Department of Housing and Community Affairs' Manager of Multifamily Finance, dated November 3, 2005, which was in opposition to the original two applications that you all received on the two complexes.

We have the same problems, whether it's one complex or two complexes, with what's going on in this area. Council Dick Littell outlined that any student leaving there would have to be bused to the schools. That's a true statement, and that is one of the issues that we had with the complex.

Any student leaving here would have to be bused, and we're saying that in this type of a complex, you could have anywhere from probably 160 to 200 students -- in this complex. And the reason we're saying that is that tends to be the tendency we're having within our school districts of these types of complexes that are developed.

We at this point in time now have three of these complexes that we've received within the last three

years. This will be the fourth one within the last four years that we've received of these types of complexes funded by your division in Austin through the federal program.

The problem that we've got is that we would have to add bus routes, and the bus routes run us approximately \$84,000 for a new bus and \$22,000 a year for operational costs for every route that we run. The complex, if we have the number of students that we're believing we could have from this complex, would be approximately three routes we would have to add.

So this would be a cost to the school district of over \$240,000, close to a quarter of a million dollars, just for buses. And it would be an additional about -- approximately \$66,000 a year to service this complex with where the students would need to go throughout our district.

Even though there's senior housing in there, under new legislation that was just passed by the legislature, if any of the seniors in there are giving the majority of the after-school care to any of their grandchildren, then they would have a right to go to our schools, as well. So putting senior housing in there is not decreasing the number of students that we could

potentially see within our school district.

So the cost of the busing alone in this would put a burden of approximately half a cent on the tax rate just from buses for this one complex. And then we would have the additional cost of 66,000 a year.

The second problem that we have is where it's located and the schools they would be going to. The schools here are already at capacity -- at either the elementary, intermediate, middle or high school they're going to. In fact, this year, we have already closed the middle school that would be servicing this complex, because the enrollment we've got in the middle school has reached capacity. And we've closed it to even the taxpayers that already live in the district.

So the students coming in for this complex at this point in time -- if they move in -- potentially would have to be bused to a totally different middle school than the attendance zone that they live in.

We would -- also, the middle school was at capacity with portable buildings. The high school's at capacity with portable buildings, and so is the intermediate school. You're actually located at the intermediate school, and I'm sure you saw the portable buildings sitting there.

What we're saying is as a school district, we believe we are getting the bulk of these complexes in our school district. As I previously stated, this will be the fourth one that we've gotten in four years.

We believe we are working the best we can, but we're one of the fastest growing school districts in the state of Texas. And for us to get density housing like this is an additional burden at this point in time that our taxpayers are already paying one of the highest tax rates in the area due to the debt that we're having to encounter with the schools that we're having to build.

So we're in opposition to this, and we'll be asking you all not to approve this. And we have letters already on file with you, as I said, dated November 3, 2005.

(Applause.)

MS. MORALES: Next we have the city manager. There's no name on the form. Can I get you just to restate your -- state your name for the record?

MR. CHANDLER: Okay. All right. My name's Clay Chandler, and I am the city manager, and I have a couple of questions here.

Number One: The quality of the project that you've shown here with the stone and whatever. I guess

the concern I have is what guarantees that we have that, you know, that would be maintained. I think everybody that has been involved in any kind of building project knows what the cost of construction is doing to projects. You already have specified the amount of your bonds. So one thing if it's possible that could be addressed -- and in fact, that's one of the questions I have.

We have a lot of citizens. They're here to hear their concerns and to have -- and some of them have questions, and they want answers. After you leave this hearing, they will be asking members of the city, What is the status of the project.

So we would kind of like to know, Will there be answers to some of these questions tonight? Those that can -- we would hope in the purpose of the spirit of a public hearing that those would be addressed.

One of those questions I have is, What happens when do you take bids on the project -- when you take the bids on the project -- if the cost of the construction materials, because of the hurricanes and everything else, and what we're seeing in the building trades industry these days drives those prices up, what's the guarantee that we're going to have that we get this project that we've seen?

Another issue that we have here or that I wanted to raise a question to: You have mentioned that the -- you made notice of the initial borrower. The question is -- that I have here is, What is the time period and what is the guarantee before this property can be flipped to someone else? We would like to hear some kind of statement on the record in comment as to how committed the people are in the project itself in keeping this project and not just assigning it to someone else who may build anything other than what we are looking at here.

Another statement that I would make -- and I know that Pastor Michael Evans is in the audience and can probably address this better than I. There have been some areas of the community that have asked for the project in the terms of housing needs to meet the immediate needs of location. We're 40 squares miles. There are housing needs in our community.

With an interest of a portion of the town wanting to see the project and another portion of the community asking you to put it somewhere else for other reasons, we have some concerns about how that would be considered. And has there been any research to that, or is it just because this is a piece of land that was seen as a highly valuable piece of property in terms of future

investment value or highly valuable because of its location to the needs that you foresee that we might have with regard to housing?

Concerns with all of this, though, primarily — I know we've heard comments that March 8 is the last date that you would receive and take comments. The question that we would have is, When will we know something more about the project? It's a matter of record that the city council has forwarded a letter on the original project. They have not had — I mean tonight is the first time we have seen these plans or, I know, the first time I have seen them. And they may want to make further comment.

But the citizens that will speak tonight -- how valuable are their comments to your decision process? And there's a real concern here.

I think you heard the assistant school superintendent point out that we've had a number of these and the decision has been made regardless of those comments. And our concern here: So that we can answer to the citizens, how really important are their comments? How do they weigh in the process, and how do you make your determination?

MS. MORALES: We are keeping a record of all the questions that you have. And after we finish the

public comment is when we will answer or address all of those questions.

Next we have Warren Davis.

MR. DAVIS: Good evening, and thank you for this opportunity. My name is Warren Davis, and I'm a resident in Mansfield. Quite frankly, I actually live in the Mansfield/National area, which will be essentially the property catty-corner to this project.

I echo the sentiments that have been already addressed by our council man and city manager, as well as the representative from the school district.

Additionally, I have some concerns that I'd like to have addressed, as well.

Chief among my concerns would be -- for those low-income and seniors would be the support services that these folks would have access to. I'm not an expert in public housing or low-income housing in terms of development; however, I grew up in low-income housing, and I know what it's like to exist there in an environment that's conducive for it, as well as an environment that's not conducive.

Those people in those places that, in my experience, have been conducive, have had access to schools and to shopping. I'm not talking about cars and

furniture, but just groceries, medical attention. The things that we think are most humane and basic to life these folks would need to have access to and would not have them from this point.

Now, it's nice to point out that these folks -this project will butt up against future retail
development and a hospital that's going to -- that's being
build presently, but these things have yet to come. And
we've already heard at least some counter-perspective that
it may not actually be what we believe or what has been
mentioned to be in terms of the retail development.

But specifically in terms of where we stand as residents, I'm not someone who's invested in the area in terms of a property that I'm gaining from; I've invested and I'm living here in the community. And I'm looking for some assurances that the project -- whatever the scope of the project that is ultimately developed, those assurances or -- those things that have been mentioned will be actually met.

Again, it was mentioned that the project that was rolled up to city council that we had a chance to speak on in an open forum -- that has changed. We had not had prior knowledge of that. And I'm glad at least to some degree that the city hadn't, either, because at least

I can believe in my city representatives and that they didn't hold anything back from us.

And then lastly here, just two quick things.

What assurances -- Mr. Spicer -- and I'm going to take him at his word for it here -- had some great, great, grand plans for the community. What assurances do we have that those plans are going to be met in terms of the recreation or the access, the resources that are being planned for that? What assurances -- not only in terms of the building and the construction of the building, but in terms of the amenities that this program and this community is supposed to have, what assurances do we have that that's going to happen?

And then secondly, you know, we'd like to also hear in regards to what dates -- what is the planned date for when this meeting or this discussion will be held in Austin so we can also make sure that we are represented there, as well? Thank you.

(Applause.)

MS. MORALES: Next we have Michael Evans.

REV. EVANS: My name is Michael Evans, and I've served 17 years at the Bethlehem Baptist Church, located on West Broad here in Mansfield. I wanted to offer comments on the planned development. I think that it's a

fairly decent concept, but it's on the wrong side of town.

I'd like to say to state reps that Mansfield is and -- continues to be and is transitioning out of but is still a tale of two cities. We have Habitat housing on one side, which is the west side, of town, and, of course, we have a golf course on another side of town.

On that same side of town where we have the Habitat housing and the like, where about 4,200 individuals who are -- who represent the 7 percent of this population that is considered to be indigent or poor -- they live on that side of town, the other side of 287. On that side of town, there are 150-plus undeveloped acres -- on that side of town. And on this side, we're talking about a development on 20 to 30 acres.

I'm -- I'll tell you. I'm a little leery when people come to our town and they want to do something in the best interest of the residents here, because I'm wondering who has talked with the residents. I think we need to ask some of those 4,200 people.

Just last week, I took a group of bankers from Mansfield -- from a couple of the banks here in Mansfield, and I asked them to drive down West Broad. And I pointed out to them a lady's house. There was a smoke stack coming out of that house -- one that she had fashioned

herself. It was cold that week, and she was actually burning wood in her living room in one of those old, castiron-type stoves. And I pointed to them, and I said, This is our reality; this is what we see every day.

So I'm a bit cynical when it comes to these kinds of developments. I think that subsidized housing in a middle class to upper middle class community is and could be, if approved, with all due respect, a misappropriation of our state funding. Subsidized housing belongs, I believe, in undeveloped areas.

And again, I think it's important for us to ask the residents. I have no problem with people wanting to seek a profit; everyone needs to eat, and everyone needs to survive. However, I don't like the cloak that is presented and has been presented through the media and the like that this is for the people. I don't think that it is one bit, and I would like for you to really consider this.

As a matter of fact, with all due respect, I would like for you to even during the day light hours catch it before the sun starts going down, because you won't be able to see your way through on that West Broad corridor, and see the reality of Mansfield, Texas, and see where these dollars should really be appropriated and see

where people are living. And I know that in your profession, you've seen it before. Well, I guarantee you that five miles from here -- it's not far at all -- or maybe three to four -- you'll see a totally different world.

I think that this kind of development would be misplaced and the funds would be misappropriated. And I sure hope that you hear that loud and clear. Thank you very much.

(Applause.)

MS. MORALES: Next we have Milton Barnum.

MR. BARNUM: Yes. My name is Milton Barnum; I live at the Villages in Spring Lake, which is not very far from here.

My concern is that it's a nice development the way it looks right now, but in ten years, what will it be?

And I want to know how it's going to affect the schools.

I'm a teacher here in Arlington -- I mean in Mansfield. I teach on the west side of town at Tarver Rendon, but I've also taught for eight years in Arlington in schools in which there are apartment complexes that at one time were very nice apartment complexes but have degraded.

As -- in the schools that I've taught in, as

those apartment complexes became more and more Section 8 filled, our behavior problems went up, our transition rates went up, our attendance problems became more, and, also, we had a huge problem with academics. And I'm concerned that this may look well and good right now, but what is it going to do to Smith Elementary and the other schools that these students feed into in the future?

Okay. Thank you.

(Applause.)

MS. MORALES: Next we have Michael McSpadden.

MR. McSPADDEN: My name's Michael McSpadden; I live at 2614 Brookwood, which is in the Arbors. I'm a sitting member of city council.

And, for the purposes of this public hearing and for the record, I wanted to state first that I'm not speaking for the city council; however, the board did receive a letter that the city council did vote on to request denied funding for this project in its original state. Comments that have been made thus far I hope will be considered well.

And I want this board to realize that I support diversity in our community and that I support this type of housing; however, location is critically important. And as the -- Pastor Evans just spoke, we need to -- it would

be nice to see federal funding help our community where it's needed, and not where it's not needed.

That's it.

(Applause.)

MS. MORALES: Would you state your name for the record?

MR. TAYLOR: Okay. My name's Bryan Taylor; I live in the Villages of Spring Lake. And most of my comments have been reflected by previous speakers, so I'll change it a little bit more to more questions.

It's really difficult to -- when you hear a good pitch like that and a good name for the community, the Generations, and all the neat things that are going to go on there, it really is difficult to get up and say, Gee, I oppose that. But the reality is that that's usually not what happens; plans don't usually come through that way.

In quite a few of the -- you know, some of the questions I have is how often are communities like this audited? What is audited? Are you all able to go into the residence and see exactly who's living there, or do we just look at what's on the application? Who's going to manage this property? What does GS 360 stand for? Is that Government Subsidized 360, L. P., or what does that

mean?

And then what's you-all's recourse if the plans don't -- aren't upheld and the management company doesn't triple-check everything and, with the best of intentions, folks move in and then their kids move in and then their kids all move in and then people who aren't on the lease move in, which in my line of work I see happen all the time?

What are you-all's recourses? I mean do you put all those people out in the cold and then shut the place down because you all aren't following the rules, or do you say, All right, you all have got a year to get it together?

So those are some of the concerns that I have for this particular project in this particular location. Thank you.

(Applause.)

MR. GREGORY: Hi. My name's Doug Gregory, and I live at 4307 Mulligan Avenue, which is in Mansfield National. And we're in a community that's most directly impacted by this project.

Most of what I was going to say has been covered, and I'll echo some of what has been said already, but I do have a few comments here and do want to state

these for the record. One thing, you know, also -- I'm also president of the Mansfield National Home Owners
Association.

So I do understand the purpose and the need for this type of funding, and I do agree with it, but I don't agree that this is the place for such a project. With that said, I'm opposed to this -- and I think many of our residents will agree with me on this -- ane of the reasons is really the lack of infrastructure around the area.

The only access would be from the service road of Highway 360; the project is also bordered by a golf course. And yes, I heard what Mr. Spicer said. And this is, you know, really a nice piece of property, and he commented about it. With that said, why do we want to put low-income housing right there?

I understand that -- the need for, you know, housing for the future service workers of Mansfield, but, as the pastor said, there are many areas in Mansfield for this type of project, not, you know, right next to highway-valued, upper-scale housing and a golf course.

There are a couple of other things. There's no nearby shopping, no nearby employment centers. There are no mass transportation services at all here in Mansfield.

And then residents in these types of projects need those

services. Even if there were sidewalks there, where would they lead? There's no services around them. So I think that would be a big problem there.

Also, the local schools are already overloaded.

And if you add another 3- to 400 kids on top of that,

well then that causes major problems for the schools and

the operations of the school district.

The next thing is the lack of community support. And the state support is -- you've heard many of our city leaders have talked about it.

You know, the city council has sent a letter opposing this. The Mansfield ISD has sent a letter opposing this. You've received letters of opposition from Kim Brimer, our state senator, Toby Goodman and Bill Zedler, our state representatives. And the bottom line is there's not much or not any local support, nor state support for this project in its proposed location.

The third thing is the economics. Without the funding dynamics of this from the state, would this project make economic sense for the developer? Obviously, you know, from someone who lives right next to that project, I don't want to see that go in there. I think it would have a tremendously negative impact on our property values.

And I don't think there's any disputing that as time goes by, there is associated crime with a project like this, and we just don't want that near our neighborhood. If the project is such a valuable area, why not build luxury garden homes or townhomes or condominiums or projects like that?

The surrounding area. All the neighborhoods are HOA-controlled neighborhoods. So over the next ten, 20 or 30 years, they're going to maintain their aesthetic value, but I don't believe that has ever been the case with apartments like this. Once they are five, ten or 14 years old, they will never have the curb appeal that they have when they're first built.

Please consider these points. And I strongly urge you to oppose funding this type of project.

(Applause.)

MR. JOHNSON: Good evening. My name is Roger Johnson, and I reside at 203 Crenshaw Drive in Mansfield National. Doug Gregory is our president of the home owners association.

And I publicly and on the record do oppose this development. I echo most of the comments that were made concerning infrastructure, and I wanted to elaborate a little bit on what I heard Pastor Evans talk about as far

as location. I feel that the location is incorrect for this development. I think that there could be a better place for this.

If we're concerned about the people that we're providing this funding to, I believe that it should be in an area where they're able to -- after they're able to get on their feet and get settled, be able to move into a first-time home without having to transfer their kids to a different school. And the housing that is currently around this development is not first-time home owner homes.

And I feel that -- if we really care about these people and their children, I feel that, you know, it's good to maintain friendships as you grow up as a child. And I feel that there is a better location for this.

I can't -- you know, I do not argue that it appears to be a good development up front, but in my opinion, business is business, and the developer is running a business. And I'm here as a concerned citizen, and I, again, do oppose this. And I thank you for your time.

(Applause.)

MS. MORALES: Does anyone else have a witness

affirmation form filled out that would like to make any comments for the public record?

MR. SKARBEK: Okay. Hello. I'm Joseph Skarbek; I live in the Mansfield National community on Odyssey.

I can't really say anything that hasn't already been said except that I'm a police officer. I've been a cop for quite a long time in two different cities.

Actually, I started out in South Oak Cliff. If anybody's familiar with the area, they know that South Oak Cliff is probably one of the roughest areas around here.

Well, if you've driven through South Oak
Cliff -- that looks like a lot of the apartment complexes
in South Oak Cliff that are surrounded by houses exactly
like mine. Those people that have been living there for
20, 30 or 40 years -- they're stuck because their property
values have gone down so much because of all the crime,
all the prostitution, all the drugs, everything that's
associated with low-income housing.

They can't go anywhere. They are constantly the victims of burglaries, rapes -- I mean you name it. They're constantly victims.

I'm strongly opposed to this because I moved to Mansfield National just to stay here for the next 20, 25

or 30 years. I don't want something like this driving me out, and it will. Thank you.

(Applause.)

MS. MORALES: Next we have Wayne Lee.

MR. LEE: My name is Wayne Lee; I live on 3

Manor Dell Court in the Villages of Spring Lake. I moved from the city of Irving about three years ago.

And as you all probably are very well aware, there's no lack of low-income housing in Irving. I've been a municipal engineer for the City of Irving for 15 years now, and I've seen lots of apartment complexes developed in Irving. And I don't know of any over the tenure of the apartment complexes that haven't downgraded and brought the surrounding neighborhood down, especially the low-income housing developments.

This may look nice to begin with, but I just don't see it being maintained over the long haul. I know this property is zoned multifamily. It is along the freeway. It's next to the golf course. It will be near the future Big League Dreams baseball complex. I'm sure our city staff and visionaries envisioned nothing but luxury apartments or townhomes or condos going in in this area, and in my opinion, that's what it should be developed as.

Most everything else has already been said. Thank you.

(Applause.)

MS. MORALES: Is there anyone else that has any comment that they would like to make for the record?

(Pause.)

MS. MORALES: Okay. We are now going to answer several questions that have been raised so far.

Let the time show that it is 7:07 p.m. and the portion of the public comment has been closed. And we will now answer any questions that were raised.

MS. MEYER: My name is Robbye Meyer, and I'm the manager of the multifamily division for the Texas Department of Housing. I took a list of questions, so I'll try to answer as many of those as I possibly can. If you have additional questions, we'll try to answer those. And Mr. Spicer will also answer some direct development questions.

Let's see if we can get all the microphones in here so we can get these answered.

The first question that I had was on the evidence of the quality being maintained. One of the things that the Department does do and one of the things that Teresa mentioned is that we do have a compliance

department that monitors this development. On bond developments, they're monitored every other year as far as physical actual monitoring.

They do a desk review every year. We have -- also, they have to maintain records with us on a monthly and quarterly basis that they have to input. And they're required to do that. And we will do that for the next 30 years at least or as long as the bonds are outstanding. If they're outstanding for 40 years, then they're on the hook with the state for the next 40 years.

They do have reserve accounts that are not only set up by the lenders that are involved, but, also, the state requires reserve accounts for any maintenance, future repairs or anything like that that needs to be done to the property.

Does that answer that question?

MALE VOICE: I'd like to follow up on that if I could. If I'm understanding correctly, it's a physical inspection every two years for the life of the bond --

MS. MALONE: No. Every other year.

MALE VOICE: Every other year?

MS. MEYER: Correct.

MALE VOICE: I'm sorry. So it would be every other year. If that property is split and is subsequently

paid off, you know, the profit from it is so great that the bonds can be repaid and all that stuff is done so that that debt has been satisfied, are we -- will we no longer be assured that there'll be physical inspections at that point in time?

MS. MEYER: There will be --

The question is, How long on the physical inspection if the bonds are paid off or he decides to sell the property.

The regulatory agreement, which is part of what we call the land use restriction agreement -- there's one for the bond side, and then there's also one for the tax credit portion. And both of those are in effect for 30 years. If he sells the property, the LURA and the regulatory agreement stay intact. So yes, they will see us for the next 30 years or, again, if the bonds are outstanding, for longer than that, for however long the bonds are outstanding -- but at least for 30 years.

MALE VOICE: Part of the [inaudible] you also dealt with -- if construction costs go up and this project is approved, will it look like that, or will it be downgraded because you only have whatever it is -- I've forgotten what you said -- the bond issue is they're going to give you. If you only have that amount of money, will

you go to something that's drastically different in quality than that?

MS. MEYER: Let me answer part of it.

One of the things that -- once a developer sets up exactly what they're going to do, if it's going to be 100 percent masonry or whatever, then that's what they have to do. And that's what we will monitor through the inspection process during construction.

Now, as far as cost overrides and those kinds of things, one of the things that they -- we do have -- an availability on the 4-percent tax credit side that you don't have on the competitive cycle is: If those costs do go up, therefore, the construction cost would go up, and you -- the eligible basis for what their tax credits would be based on would also be able to be increased. So that would give them a little bit of help, but I'll let Mr. Spicer address the major.

MR. SPICER: Yes. We've already gone through, you know, not in the entire bid process, but we've got an understanding of the construction costs that we're going to be incurring in the project.

My partner over here, Kelly Garrett [phonetic], you know, is in the construction business. We know what we're getting into. We have to follow all city

ordinances, obviously. You have an 80-percent masonry requirement. So, obviously, we're going to be, you know, at least 80 percent masonry on the exterior, following all of those regulations.

And we want to give you a quality product. I mean this is -- something -- and Robbye didn't mention this -- is that --

And you had talked about flipping it. Well, this is not the type of property that you flip. I anticipate being the owner of this for the next minimum of 15 to 20 years.

I'm going to be your neighbor here. I'm going to be, you know, a part of Mansfield for the next 15 to 20 years. I don't want something that I'm not proud of. I don't want something that the neighborhood's not proud of. I -- that's not who I am. That's not what I want to do. That's not what I want to build. I want to build something that everyone here can look back at and say, "You know, maybe" -- when it gets build, "Maybe we were wrong. Maybe this isn't what we thought it was."

MS. MEYER: One other thing on the construction quality and those kinds of things. You have three different lending parties that are involved. One is a lender on the construction side as far as actually having

the development built. Then you have a permanent lender which is actually purchasing the bonds or somewhere therein, and then you also have what's called a syndicator on the tax credit piece, which is that 15-year period that Mr. Spicer was talking about.

And so you have actually three different money people here involved along with the state making sure that the property is maintained and it is built to the specifications that they say they're going to build it to.

Yes, sir?

MALE VOICE: How long has the program that this is [inaudible] been in effect?

MS. MEYER: Since -- it has been in the Tax Code since 1986.

MALE VOICE: Why then [inaudible] if in fact the plan that you're talking about hasn't worked or -- from what they're referencing? From what I've seen it appears that it hasn't worked. Why then are your comments important to us in this context?

MS. MEYER: Well, I can't address anything that was done back in 1986; I can address the things that are being done now and the compliance pieces that we have in effect with the Department at this time. So I mean all I can tell you is what's true to form as we speak today.

MALE VOICE: Is there a policy we can reference in that regard --

MS. MEYER: Do what?

MALE VOICE: -- because I think the question -- the underlying question is -- we are property owners here. And we would like -- in deference to what you're trying to do, that's fine. But we would like to maintain what we have. We have very little assurance that what you're saying works. That's all I'm trying to say. Is there something that we can get references from to give us a positive [inaudible]?

MS. MEYER: Okay. The question is, Do we have any references that would, I guess, ease your mind on what affordable housing really is.

There are several different links on our web site -- on the TDHCA web site. And I think on the very last page under Teresa's information, it also gives our web site address. And you can go in there and look for the links. If you give Teresa or myself -- I'm Robbye Meyer, and I can list you my numbers and everything.

But we can walk you through on our web site exactly where those are. But you can put in there, "Neighborhood information," on the search indicator, and it should take you to those links. But if you can't find

it -- our web site is a bountiful amount of information.

So if you have trouble negotiating around, just -- or

navigating around it, just call one of us. And we'll be

glad to walk you through and try to show you exactly where

those links are.

But it goes into what affordable housing actually is. It goes into some of the property values and studies that have been done on affordable housing, crime rates and things like that. So there's different links that you can go to.

MR. SPICER: There are numerous -- I mean on the web site, also, as well as nationally -- there are numerous national studies that have been done because there are a lot of home owners just like yourself that have said, What about my property values? And as the -- time and time again, the studies have shown that there's absolutely no evidence of a link between affordable housing and tax credit-developed housing --

FEMALE VOICE: You can't say that.

MR. SPICER: -- and a decrease --

FEMALE VOICE: The research does not substantiate that whatsoever.

MR. SPICER: I'm sorry, ma'am, but there are numerous studies that that is the case.

FEMALE VOICE: And there are studies that say the opposite of that --

FEMALE VOICE: That's right.

FEMALE VOICE: -- if it's split.

MR. SPICER: No. I'm --

FEMALE VOICE: You cannot sit there and say it is a 100-percent positive effect.

MR. SPICER: I didn't say it was a positive effect. I said there is no negative effect. There are numerous studies that have shown that.

Yes, sir?

MS. MEYER: Yes, sir?

MALE VOICE: Now, I don't know if you can maybe have this information you can readily share, but over the course of 2005, how many applications did the board approve, how many did they deny, and what was the purpose and reason for them denying? And then lastly, how will comments today and from our senators and other elected officials affect the board's decision process in arriving at their final decision?

MS. MEYER: The --

MALE VOICE: I can repeat all those questions if you need me to.

MS. MEYER: That's okay.

The question -- the first question deals with the number of applications approved and denied by the board. And you would actually have to send me that and let me look it up, because I -- we deal with hundreds of applications every year. So I really couldn't give you -- and I don't want to just quote a figure off and then have you come back and go, No; you lied. So I would just as soon answer that in writing if that's okay.

And your next question was --

MALE VOICE: How many were denied or what was the reasoning behind the denials?

MS. MEYER: On the denials, there are several different programs. And I can't tell you why each individual board member decides what they decide. I know that they do take public comment into account.

And for an example for that, for this
particular hearing, all I really had to do is come in here
and take your comments on the bond issuance itself; if you
didn't have anything else to say about the bond issuance,
I could walk out, but the Department takes it further than
that. The board wants to know what your concerns are, and
so therefore, the Department has taken that stance to find
out exactly how the neighborhood feels and what goes on
within the neighborhood and what your concerns are.

So public comment is very important. They will get a full copy of this transcript. Everything that will be presented to the board for this particular transaction will be posted to our web site seven days prior to that board meeting, which is on March 20. So --

Hang on just a second. Let me try to finish this question here.

So I really can't answer as to why they denied something. They've denied things with heavy opposition; they've denied things with -- that have support just depending on -- and it has gone the other way. They've approved things with heavy opposition, and vice-versa. So I mean I can't give you a blanket answer as to why they do what.

MALE VOICE: One last question. This board -how do they get supplemental information about the
Mansfield community? And who is letting them know what's
best for Mansfield as they decide?

MS. MEYER: That would be up for public comment. I mean that's the reason why we do this. That's why we -- the reason why we involve public officials. In the very beginning, whenever we sent this to the board the very first time, when we asked them for approval to be able to move forward, we asked every elected official for

your comments. Every one of you could weigh in. And that was the city mayor, the council, commissioners, judges, the state representatives, senators and the school board and school superintendent.

So all of those officials had the chance to weigh in. And I know that we did receive some when we went through the pre-application process. This right here is another one that will go straight to the board, and they will get a full copy of the transcript. So I mean I -- they're going to get -- each one of them will have a copy of it. And we have a six-member board.

Yes, sir?

MALE VOICE: Will they receive all supplemental like -- some people may want to write a letter -- that didn't come I tonight?

MS. MEYER: Yes. It --

The question is, Would they receive any supplemental. If you have any supplemental information that you would like to submit, yes, they will get that information, also.

Yes, sir?

 $\mbox{\sc MALE VOICE:}$  My question is directed to Mr. Spicer.

You mentioned that you want to be a good

neighbor, and we want to take you at your word for that.

And we're willing to have open arms for a good neighbor coming in. But my question is -- I understand the constraints of that property. And I understand the reasons why it was zoned multifamily about a year ago by the previous city council.

The question is, Why bring in low-income housing into an upper-scale neighborhood like this?

That -- it just doesn't make sense to all of us who are going to have to live next to that project for ten, 15 or 30 years.

MR. SPICER: Well, I guess one of my questions is --

MALE VOICE: So, you know, why make it a low-income housing area?

MR. SPICER: It -- we're not trying to make it a low-income housing area. We're bringing in one development of only 150 units of families that are coming in there. And that's work force housing. There's going to be plenty -- are you saying you don't want to live next to your secretary?

MALE VOICE: Well, you know, I look at the statistics --

MR. SPICER: I'm asking -- that's all I'm

asking. I mean -- and how many of you used to earn between 30- and \$40,000 a year?

 $\label{eq:female_voice} \mbox{FEMALE VOICE: We didn't have low-income} \\ \mbox{housing.}$ 

MR. SPICER: How many of you brought crime at that time?

FEMALE VOICE: We didn't live in low-income housing.

MR. SPICER: That's all I'm asking. Did you -- anyone here earn between 30- and \$40,000 a year in the past? Were you drug addicts? Were you crime people?

FEMALE VOICE: We all have, but we didn't live in low-income housing.

FEMALE VOICE: We lived in a nice neighborhood.

FEMALE VOICE: And we don't want it in our neighborhood.

MR. SPICER: You lived in a nice neighborhood?

Oh.

FEMALE VOICE: I lived in an upscale apartment --

MR. SPICER: Well, why can't people live in a nice neighborhood?

FEMALE VOICE: That's a whole other school. That's a whole other elementary school.

FEMALE VOICE: That's at least 300 kids or more.

MR. SPICER: I'm asking. Why do these kids not get to go to the same school?

MALE VOICE: Well, we're talking about a halfa-cent possible tax increase. We're talking about overcrowding schools. We're talking about a facility that
does not give the needs to the senior citizens in there.

It's dangerous for the children because of 360. We've
talked about the crime. We've talked about other parts of
Mansfield that need something like this. And you want to
be our neighbor and you want to still proceed?

MR. SPICER: How many of your kids walk to school?

MALE VOICE: You're a business man. My house isn't a business; my house is a home.

MR. SPICER: How many of your kids walk to school?

MALE VOICE: And you're interrupting my home.

MR. SPICER: I'm just asking. How many of your kids walk to school?

MALE VOICE: I mean I think the bottom line is -- I think this area would support luxury-style apartments and townhomes, that type of project. And the

value of that is much higher. Why introduce low income into that area? What's what the -- it doesn't make sense.

MR. SPICER: We heard your comment, and that's why we diversified the project. Thank you.

MALE VOICE: We still haven't heard your answer.

FEMALE VOICE: We still haven't --

REV. EVANS: Again, my problem is -- whereas I understand that there are needs in certain places -- because I've been there -- right now, again, my problem is the appropriation of funds, you see. If Spicer wants to build whatever kind of apartments or what have you in the said area, just don't use subsidized dollars and say that it's for the people, because to me and to the people I serve, that's an affront.

To say that you're doing that for these poor people that will walk to school, you're -- don't polarize the conversation or the comments here today.

And don't you all let him get you sucked into it.

The real point is utilizing these dollars in an upscale area is wrong -- that's the bottom line -- because there is over 150 undeveloped acres three miles from here. So you can't be for the good of the people, because

that's not the case. That's not the case. The case is profit margin. It's dollars. It's making a buck. That's the case.

And I think that people are smart enough to hear it when you're putting something over on them. It's not because you care about the people. We've been talking about the need for affordable housing for 40 years in Mansfield, 17 of mine. So that's not the issue.

I think the issue here is -- the bottom line is you're trying to make dollars. I don't want you making the money off the backs of these folks who're burning wood in their living rooms. That's where I'm coming from, and I think that's the case. But the issue shouldn't be, you know, [inaudible]. Just don't do it on the backs of people who really need it.

MALE VOICE: Why is it the west side, where Pastor Evans is from, and [inaudible] -- why hasn't that been considered?

MS. MEYER: Well --

MALE VOICE: I mean you keep talking about this side, but what is the reason for not doing this in an area that really needs that type of housing? What's the reason for that decision?

MS. MEYER: Well, first of all, the Department

doesn't control where the applications -- the development locations are. And once an application is submitted, they can't change the location during that application. It would -- they would have to withdraw that application and re-submit a new one.

Now, part of -- maybe part of the reason -- and I'll try to answer the Reverend's question. The Department tries not to concentrate into one area, so that you -- and you get the projects. And I do believe you mentioned the Oak Cliff area. That does have quite a bit of Section 8 project -- the old projects, public housing, that you see. This is a development that will be privately owned.

The Department tries very hard not to concentrate things in -- all in one area. I think that the ISD -- the assistant manager for the ISD --

MS. SPIEGEL: I'm here.

MS. MEYER: You had mentioned that four other developments had been --

MS. SPIEGEL: This will be the fourth one in the last four years.

MS. MEYER: This'll be the fourth one in the last four years. I don't know where those other developments are, so I can't give you a specific answer as

to what that is.

MS. SPIEGEL: Can we ask about --

MS. MEYER: But if there are any over there --

MS. SPIEGEL: I know where two of them are.

Two of them are on --

FEMALE VOICE: Two of them are up on

MS. SPIEGEL: -- south --

FEMALE VOICE: [inaudible] is over on 360 less than probably five miles from where you're fixing to locate this one. It's at the Camp Weston [phonetic] and 360, the Prairie [inaudible].

MS. MEYER: Okay.

REV. EVANS: That's right. And none -- they're concentrated. If the issue is concentration -- it's concentrated over here --

FEMALE VOICE: On this side.

MS. MEYER: I'm just telling you that we don't --

REV. EVANS: -- as opposed to over there.

MS. MEYER: We try not to stick it all in -- I don't know if there's any Section 8 housing or public housing --

REV. EVANS: No.

MS. MEYER: -- in that area.

REV. EVANS: None of that.

MS. MEYER: We try to stay away from that issue, too, to try to make things -- our whole mission is to better the lives of the individuals that live in the properties and in the community. So concentrating it in all one area is not our mission.

Yes, sir?

MR. SKARBEK: [inaudible] I think where this all got started is in the auditing process. How do you all ensure that the folks that are supposed to be living there are living there, and not the folks that are supposed to be living there and two or three other generations -- not multifamily in one unit, but multifamily in a multifamily unit -- how do you all ensure that?

Not just the aesthetics of the property -- is the grass mowed, and those kinds of things -- but how do you ensure who's in there? You can't go barging into people's homes and do a head count.

And I work in criminal justice, and I know how this works. There's two or three people for every person on the lease. That happens quite frequently. We'd like -- hopefully, it won't happen here or in a similar project anywhere else in Mansfield, but it most likely

will. So how do you all audit that?

And then what recourse -- as the stewards of our tax dollars, federal, state, local or otherwise, what recourse do you all have that the then-owners have or are following the rules? What can you do about it?

And then as kind of a follow-up, this isn't something that you just jump into. I suspect Mr. Spicer has applied before and been granted before. And we were looking for examples of where this works. Can Mr. Spicer tell us of other areas of town or other areas of the metroplex where he has applied, been granted and where those communities are so we can go take a peek at them?

MS. MEYER: I'll let you answer that in a second.

Let me try to address the audit issues. On the compliance, as I stated earlier about the regulatory agreement and the land use restriction agreement under the tax credit, all the things that are listed in there are the things that our compliance department would audit for. So if he has listed like social services, unless he changes something or amends that social service, that is exactly what we would expect him to do. Okay?

The same thing with any of the amenities.

Those are listed out in the land use restriction

agreement.

We also have an intergenerational policy that we have that -- they have specific guidelines and specific things that they have to do to abide by that policy. That is actually part of the regulatory agreement, also. So their -- everything that they're saying that they're going to put in place -- we monitor for those things.

In answer to your question, I can't guarantee you that somebody's not going to sneak in there. It depends on the management company. And I'll let Mr. Spicer address that. But under compliance rules, we look at two people per bedroom, and that's HUD rules. And so that's what we actually monitor for. We make sure that the income restrictions that are supposed to be there are being done.

And yes, they do walk into people's homes and monitor the units and make sure, you know, that everything is being taken care of, and things like that. And the management staff do also --

MALE VOICE: So what is the recourse of -- can you answer the second part --

MS. MEYER: I'm getting to that part.

MALE VOICE: Okay.

MS. MEYER: I think I got all your other

questions as far as auditing. Didn't I?

MALE VOICE: Yes, ma'am.

MS. MEYER: Okay. On the non-compliance issues, if they decide not to do things, one and first of all, they would be debarred from working -- from applying for any other programs that the Department has. That's one. If they continue, we could sue against the -- for non-performance on the regulatory agreement or the LURA.

And the -- probably the two most drastic would -- they could -- they run the chance of losing the tax-exempt on the bonds which -- they have investors holding those bonds. So that's not a good idea.

And they also have what's -- for non-compliance issues, they have a possibility of recapture of credits, which means they would lose their credits and have to back up and pay everything that had been paid out at that time. Those would be the remedies, and that's the stick that the Department has.

REV. EVANS: Is there a time line associated with that?

MS. MEYER: The next 30 years.

REV. EVANS: No. I'm saying in terms of the -- you outlined four distinct steps.

MS. MEYER: Oh. Is it --

 $$\operatorname{\textsc{REV}}$.$$  EVANS: Is there a time line associated with it --

MS. MEYER: No.

REV. EVANS: -- and how that goes --

MS. MEYER: No. It would depend on the

violations and things like that and if they --

REV. EVANS: The infractions --

MS. MEYER: Yes, the seriousness of the violations and if they just kept doing it. I mean we can sue for non-performance at any point. And --

MALE VOICE: But would you audit more frequently than every two years --

MS. MEYER: If they --

MALE VOICE: -- if they were found non-compliant?

MS. MEYER: That's correct.

MALE VOICE: You would?

MS. MEYER: Especially on a bond development, since we have, you know, an issue out there -- as far as the issuer is concerned. If we needed to monitor more often, we would do that.

Yes, ma'am?

FEMALE VOICE: Mr. Spicer, it's obvious from all the comments that you've received tonight that this

isn't the perfect location for this project. So I'd like to request that you be a good neighbor and a good member of our community and withdraw your application and not waste these people's time, and pick a location that is right for the people that truly need it.

(Applause.)

MR. SPICER: Okay. In addition to the audit question -- in addition to the state audit, I have lenders and equity providers in this project that monitor me on an annual basis, and some on a quarterly basis, depending on which issues you're talking about. So I actually get quite frequent audits.

Back to the question of occupancy, you know, we have maintenance people that -- you know, in part, your maintenance acts as somewhat your monitoring staff, too, as well. And we have maintenance that monitors who's in apartments.

And it starts with good property management, you know. We do full background checks on everyone that moves in. We have full income verification. You have to have a job before moving in. You have to have, you know, income that's fairly substantial to move in. We're not talking about people that are on -- that don't have a job here. We're talking about people with jobs and cars.

Many of the people that we're talking about end up or -- people that could work at the City of Mansfield, you know. Again, I pulled down probably 20 jobs from the City of Mansfield's web site -- for people that are qualify to live here. That's a substantial, you know, group of people that we're talking about.

People that work at the police department -- your dispatch officer qualifies to live in the property.

MR. SKARBEK: Yes. But I don't live next to the chief.

MR. SPICER: I didn't say -- you know, there's no reason you can't.

MR. SKARBEK: Well, you had asked me if I'd live next to my secretary. Well, I don't live next to the chief. So --

MR. SPICER: Well, would he live next to you?

MR. SKARBEK: Probably not. He can afford a much nicer place to live.

MR. SPICER: It's not a matter of afford. It's a matter of, Are you a quality neighbor. That's what we're talking about.

FEMALE VOICE: I have a concern.

MS. MEYER: Yes?

FEMALE VOICE: And you just used the perfect

words, when you said, Quality neighbor. On all this recourse stuff that you're talking about -- "Okay, we can sue, we can take away the bonds or we can take away this or we can take away that" -- that's fine and dandy. And Mr. Spicer gets popped on the hand or his investors get mad at him or, worse yet, he ends up broke, which --

I would not want that to happen to you. I wouldn't wish it for your family.

But in the recourse of all that, there's already the problem here now that needs to be fixed that we as a community have to put our arms around and have to pick up. So I don't think the recourse really makes us feel better.

MS. MEYER: I was just answering the question.

I've -- all I can do is answer the question that was asked.

Yes, sir?

MALE VOICE: I have a question for Mr. Spicer.

A two-part question, sir. First of all, where do you live, and is there an affordable housing area within a mile of your home?

(Laughter.)

MR. SPICER: I live in Dallas, and I don't know if there's affordable housing. I -- there are apartments

within a mile of my house, yes. And they are not --

MALE VOICE: Just answer the question --

MR. SPICER: And they are not luxury apartments.

FEMALE VOICE: [inaudible] apartments?

MR. SPICER: They are not luxury apartments.

The apartments I'm actually trying to develop here will be nicer than the apartments less than a mile from my home, yes.

MALE VOICE: I have a question I want to ask you. On the -- you've mentioned \$750. How much of that is subsidized? Or am I understanding that 750 is what the person that's going to live in the apartment has to pay?

MR. SPICER: That's what they have to pay. There is no subsidy --

MALE VOICE: So it's -- they have to pay 750.

I guess the question here is -- with \$750 in today's economy, you can afford a number of the houses in Mansfield.

MR. SPICER: That's correct.

MALE VOICE: So I guess what is the total rent on \$750? In other words, how much is the government subsidizing of that 750? And the reason I asked that question was because of the issue that was raised by

Pastor Evans, talking about the taxable bond issue.

Regardless of whether the location is correct or not, but looking at, you know, how the money is allocated and, you know, the subsidized control, as Pastor Evans laid out, actually benefitting an area where there has been a long-time demand for subsidized housing, where people cannot afford \$750 by themselves, and the people that can pay 750 can go live in a pretty good neighborhood in Mansfield, have you looked at non-subsidized housing? Have you looked at doing this as a non-subsidized housing issue?

MR. SPICER: We -- as we mentioned earlier, we are putting, you know, 240 luxury apartments next to this. We have cut our project substantially from what we initially proposed.

MALE VOICE: Okay.

MR. SPICER: And we --

MALE VOICE: What would you say like 750 -- how much is the -- what's the total rent you're registering?

In other words, what's the tax subsidy of the government?

MR. SPICER: There is no subsidized rent. We've got to understand that. The people that will live there pay the full rent that we talked about.

MALE VOICE: It's just the help only on the

front end.

MR. SPICER: It's just the help on the front end --

MALE VOICE: Okay.

MR. SPICER: -- so that we can build --

MALE VOICE: All right.

MR. SPICER: -- a better product.

MALE VOICE: Okay.

MS. MEYER: Yes. It -- this is not public housing, and it's not subsidized rent. It's not Project 8 based or anything like that. So I mean it is privately owned, and the rents that we stated earlier are the maximum rents that can be charged to that tenant.

MALE VOICE: Did we -- was it -- maybe I --

 $\ensuremath{\mathsf{MS}}.$  MEYER: Let me get the ones that have their hands up.

MALE VOICE: Okay. I'm sorry.

Yes, ma'am?

FEMALE VOICE: I'd just like to know our recourse if we have, you know, our opposition -- our grievance is what we would like to be given to you, is it better to be in a form of individual letters from everybody's neighborhood, or if we have a petition together that is signed with our grievances or our

oppositions and whatever we feel? Which holds the most weight, that is: Which will be heard?

MS. MEYER: Okay.

The question is, Which is better, letters or a petition? Either one. I mean they are -- if you want to -- if you would like to write individual letters, you can do that. If you'd rather have a petition and circulate that through your neighborhood, you can do that.

There is an example on our web site on the bond page of a sample petition, but you do need to state your reasons either for, against or whatever. They need to be stated at the top of that and -- whoever signs it -- that what they're signing to is that they agree to what's stated at the top. So you need to make sure that your petition is clear for whoever is signing it.

FEMALE VOICE: [inaudible] had to work
[inaudible] different jobs and couldn't come tonight.

And --

MS. MEYER: That's fine. If they would like to send in individual letters, that's fine. They can. The information on the very back page is Teresa's. You can either e-mail it or -- we do have -- our fax number and our address is also listed there -- if they would -- if that's how you would like to do it.

All public comment needs to be received by five o'clock on the 8th. If you're mailing something just regular mail, it needs to go to our post office box. If you're running late and you've got to overnight it, then send it to our physical address. But we are in a state building. So if you send something to our physical address for regular mail, it'll come back to you. I'm not really sure why that happens, but that's just how we are.

Yes, sir?

MALE VOICE: [inaudible] I'm a real estate agent. So I'm looking primarily at the resale value of a property and how it affects [inaudible] situation. I'll be honest with you. I've lost -- you've lost credibility with me. To get -- to come out and say that area -- that a low-income area is not going to affect property values is insane. I've seen it time and time again. So let's state for the record that, but I want an answer to another question.

You know, [inaudible] keep -- I mean you keep trying to pull this as, Hey, you know, we're not against poor people or, you know, people who don't have much income. But you made the comment of, Hey, they don't have the right to go to your schools? They have every right to go to school, but, you know, we can't guarantee -- I paid

top-dollar -- higher dollars -- for a home in this area because it was worth it. What's -- is it fair to me that you come in and put low-income housing in and reduce the property value that I've put in here?

That's [inaudible]. Please don't make it a personal issue, because we're not bad people, but we are against -- we want to keep [inaudible].

MS. MEYER: Yes, sir?

MALE VOICE: Mr. Spicer, if you don't mind the subject, do you have any other company names that you're developing under? And could you give us -- I mean give us your best two or three properties out there that were funded this way so we can go look at them and dispel all our worst fears?

MR. SPICER: Sure. I don't have any other names that I am developing under. I have developed with under companies under other names prior to this. This is the first my partner and I -- this is the first development we are doing together. There are properties probably -- oh, let's see.

MALE VOICE: So this is your first?

MR. SPICER: That my partner and I are doing together. I've developed with others more than 6,000 units of housing.

FEMALE VOICE: Name something else that you've done then.

MR. SPICER: Well, the one in Austin won a national award -- the one on Pleasant Valley in Austin.

FEMALE VOICE: We can't hear you.

MALE VOICE: What's the name?

 $\mbox{MS. MEYER:} \mbox{ I'm trying to remember the name of the complex at --}$ 

MR. SPICER: It's Rosemont at --

MS. MEYER: Pleasant Valley.

MR. SPICER: -- Pleasant Valley.

MS. MEYER: If you can send me an e-mail, I can give you a list of properties with companies that Mr. Spicer was --

MR. SPICER: Affiliated with.

MS. MEYER: -- affiliated with. If --

MALE VOICE: That's even better than the top two or three. We'd really appreciate --

MR. SPICER: Sure.

FEMALE VOICE: Yes.

MS. MEYER: Sure.

MALE VOICE: So how do we go about getting that?

MS. MEYER: If you either send an e-mail to

Teresa Morales -- she's -- her e-mail address is on the back. And she can -- she'll be more than happy to get that information to you.

MALE VOICE: Sorry, Teresa.

We just caused Teresa a bunch of work.

MS. MEYER: Or you can fax something to the fax machine, also. And we can get that information to you if you don't have access to the internet. I'd be more than happy to send you a list.

MALE VOICE: Yes. That's fine. Thanks.

MS. MEYER: Yes, sir?

MR. LITTELL: Yes. What weight does occupant safety get in your evaluation? Any of the kids who live there that want to go to a park are going to have to walk along 360. Like this police officer over here -- that's what I was for 35 years. And we had a saying, that the only time a pedestrian has the right of way is in an ambulance. And I don't want to see that here.

And I just don't think it's safe there for the kids -- for any kids, because kids will not stay in that complex to play. They're going to go out to try and meet their friends, play baseball, or whatever it is, and that is not a safe place to get out of. You've got to cross 360 or -- you've got to cross two lengths of it. And I

just don't see it as being a safe location.

FEMALE VOICE: Or get hit with a golf ball.

(Laughter.)

MR. LITTELL: Yes.

MS. MEYER: Did we answer your question?

MALE VOICE: Well, I guess the city manager brought this up earlier. Just as to the amount that -- the question was in regard to the subsidy that the project was getting. And I -- what I was asking was -- you mentioned the dollar value. And I didn't catch the young lady's name who started us off, but she did a great job of explaining how this would -- the funding would essentially put equity into the project to allow the building to be done so that housing could be established and supposedly be afforded.

It was being bantered about that the possibility of -- you know, there's a current need -- not a future need. There's a current need for folks for affordable housing now. Could those same type of dollars or the same level of funding be associated with a project that could build homes -- you know, not just rental properties, but ownership, you know, a slice of American pie, for these types of folks --

MS. MEYER: The Department --

MALE VOICE: -- these working class types of folks?

MS. MEYER: The Department does -- we do send out a little over \$100 million every year for home ownership and downpayment assistance and single family dwellings and that kind of thing. As far as -- I mean he's actually applying under the rental side of our funding. So in essence, in this particular instance, no. That -- I mean it's not possible at this time.

Now, the only way you'd be able to do it with the programs that we're talking about right here -- I mean this is all rental housing. So we could actually build single family homes, but they would be rental homes; they wouldn't be able to have home ownership attached to them. It has to be rental property for the particular programs that you're dealing with and that we're talking about tonight.

Yes, ma'am?

FEMALE VOICE: I'd just like to say that -someone mentioned a location where -- [inaudible] location
didn't matter. To me, it does. As a home owner in the
area, I did not choose to live near apartments in the
first place. If you live near apartments, that was your
selection. We didn't choose that. But if you're going

to build them and you're going to [inaudible] luxury apartments, it would make sense to me to have information on the luxury side of this available because if people are going to pay \$200,000 to live in an apartment, they're not going to want to live next to anything that's not a nice neighborhood -- you know, apartments -- right next to them, either.

So knowing that, someone who's going to spend that much money and live in their apartment might be more persuasive to leave to go along with a low-income area or low-income housing [inaudible].

MS. MEYER: Do you have your numbers?

MR. SPICER: Yes.

We do have -- I mean we are looking at a substantial rent difference between the luxury side and the tax credit and bond development. You know, we expect the luxury side to rent for somewhere -- you know, a one-bedroom apartment's going for around \$800, and up to, you know, 15- to \$1,600 for a two- to three-bedroom.

FEMALE VOICE: That's not a luxury apartment rent --

VOICES: No.

FEMALE VOICE: I lived in Irving in an executive apartment, 1,000 square feet, that was 1,600 a

month. And trust me when I tell you it was not a luxury apartment. So I don't know how you can equate that to those dollars and rates.

(General discussion among audience.)

MS. MEYER: You had a question, ma'am?

FEMALE VOICE: Why would someone who wants to live in a really nice apartment want government housing next to them? That doesn't make any sense to me. They would go some -- they would go to another apartment complex, where everything in it is nice. Why -- because why would they want to live next to someone that's in government housing?

And, Mr. Spicer, I grew up in Oak Cliff. And where I grew up, a long time ago, it was very nice, but there were apartments, and the whole thing has gone downhill. And then when I was raising my child in Grand Prairie, it was a nice area, but they build apartments, and it went downhill. And they're government apartments. They're not just regular apartments; they're government apartments.

That's why I moved here, because I needed -- I wanted to get away from that. I wanted to have a nice place to live. I did not want apartments and government housing around me. And every place I've ever lived and

government housing has come in, the neighborhood does go down. And maybe you haven't lived in a place like that. I don't know.

MALE VOICE: I'm just curious. Could you give us a reference to those studies you were talking about that showed apartments do not bring down home values?

MR. SPICER: Yes, I can, certainly.

MS. MEYER: There are links that actually -what I was talking about at the very beginning about the
links on our web site -- they'll take you to some of those
very studies. And I will let you know. There's --

MALE VOICE: I think that one of the construction --

MS. MEYER: There's hundreds of them.

MALE VOICE: You know, your project may be different from some of the other projects, but there are some projects in this part of the country that people know about where there have been some problems. And whether they're associated with the apartments or not, that is the perception of some of the home owners that had values -- you know, the Meadow Brook area around Fort Worth is a good example.

MALE VOICE: Exactly. And they built a golf course in there.

MS. MEYER: Yes, sir?

MALE VOICE: I just wanted to kind of [inaudible] that what happens to them is -- I mean it's not just the builders. When you build something like this -- we've still got a lot of area to build in this area. And the builders that come in are the -- we're trying -- really what I'm hoping is they'll keep hiring builders in there to help keep our property values up.

If you put something like that in, and I'm going to have your low-rent builders. So it's going to be -- in appraisals, that's the way appraisals work. They go look at what everybody else sold for, and that's how they appraise your home.

And when you get this in there, you're going to start getting low-rent housing in there, and our values are going to go down. When your values go down, [inaudible] rent houses [inaudible]. It doesn't make sense, but that's just the way it works.

MS. MEYER: Yes, ma'am?

FEMALE VOICE: And of course, your web site is going to be pro as far as your research background goes.

But if you really research it from someone who doesn't have a stake in it, from a university or college, their research doesn't back what your research does.

MS. MEYER: Actually, the studies that are on the web site are from universities.

MR. SPICER: Yes, and colleges.

MS. MEYER: I mean --

FEMALE VOICE: Well, there are others that indicate, like I said, there's --

MS. MEYER: It's just links. It doesn't have anything to do with my web site. They're just links to articles and things --

FEMALE VOICE: There's lots of research --

MS. MEYER: -- if you want to go to them.

FEMALE VOICE: -- that it's not.

MS. MEYER: Yes, sir?

MALE VOICE: There's -- a couple of things I wanted to point out for everyone here is that -- one of the requirements here is that you have to have no more than a combined income of \$33,000. And that's --

MR. SPICER: That's not quite correct. So just be careful. The --

MALE VOICE: That's what?

MR. SPICER: The information on there is not quite correct. So --

MALE VOICE: What is correct?

MALE VOICE: So that a family of three could

earn no more than a combined income of 33,840 -- that's not correct?

MR. SPICER: That's not exactly correct. We -- I can supply you with the --

MALE VOICE: What is correct?

MS. MEYER: It's --

MALE VOICE: He's misleading us already.

MR. SPICER: No, I'm not.

MS. MEYER: It --

MR. SPICER: I'm just -- I told you that the income we're looking at is between 30- and 40,000 for the residents of our apartments.

MALE VOICE: Right. Now, to one of the things if you look at the demographics here. It's saying that the median family income for the Fort Worth/Arlington MSA is 62,700. But if you look at the demographics of the area, say, in a two-mile area around Mansfield National, that is much higher --

MR. SPICER: Yes.

MALE VOICE: -- than 62,000. Why introduce that into this area when there's other areas that are better fit for that? Why bring that into our area?

MR. SPICER: I just -- I don't want to debate you here tonight. I'm just --

MALE VOICE: Well, I think it's a reasonable --

MR. SPICER: I understand.

FEMALE VOICE: What we're asking for is answers.

MR. SPICER: No. I understand. I'm just trying to provide you information about what we're doing here. I am not here to debate the issue. I'm not here to debate the location issue. I am here to provide you information on what we're doing tonight because I -- what you're trying to do is start a debate on why I'm doing this here, and I don't necessarily want to debate you. This is not --

MALE VOICE: Okay. But a \$33,840 income for this -- I mean that's -- if you take a one-earner income, sure they could do that. But these are families in there. And most families are two-earners. So we're looking at what -- splitting that down the middle, we're talking 15-to \$16,000 per year, you know, for each, for a husband and a spouse, in there. So why? Why put something like that in an area that everything surrounding it is at a much higher income level?

MALE VOICE: Yes. First, I appreciate you sitting up there, Mr. Spicer. It's very tough by yourself, and I appreciate that. My question is, What are

your plans if your application is denied? Will you -- do you have the funding to go on and build this anyway? And will they all be luxury apartments? What is your backup plan if this application is denied?

MR. SPICER: We have several options that we're looking at if the funding would be denied, yes. It's -- I don't want to get into each of the options, but we have several options we're looking at.

FEMALE VOICE: I do want an answer, though, on the 33 -- I'm very big on details, and I'm very big on accuracy. So if you say that 33,840 is not exactly right and it's not exactly correct, why were we given the wrong information in what we're supposed to know?

MR. SPICER: That -- it --

FEMALE VOICE: And what is the correct information? Those are my two questions.

MS. MEYER: Let me answer that.

MR. SPICER: Yes.

MS. MEYER: The incomes are adjusted for family size. And I'll be glad to direct you on our web site under -- if you'll go. There's a red tab across the top, and it says, Compliance and --

I think -- does it say, Property management?
Well, "Compliance," is one of the words. It'll

give you a drop-down menu. And you can go down to the incomes, and it'll show you the income levels for the different -- I mean it'll take you to Fort Worth/Arlington MSA, which is what this is included in. And it'll give you the incomes that are adjusted for family size and at the restricted rates of either 60 percent or 50 percent or 30 percent. And it'll give -- it'll have the breakdown of all those incomes adjusted for family size.

FEMALE VOICE: My question goes back to, Why weren't we given the right information? If this is sort of somewhat fuzzy --

MS. MEYER: That's just giving you one example out of that income band. I mean so there -- if you look on that chart, it'll have that income on there.

MALE VOICE: So this one example is correct?

MS. MEYER: That's just one example of --

MALE VOICE: But that is correct?

MS. MEYER: Uh-huh.

FEMALE VOICE: This is a correct amount?

MALE VOICE: You know, you said --

MR. SPICER: That's not -- that income -- I'd have to look at -- I don't have that sitting in front of me right now. That income was provided to you by the state. I have not -- I did not know what they put on that

before I rolled in here tonight. So I'd have to go and take a look. But we have a -- when we look at an income --

MALE VOICE: I think a family of three has a higher income level than a family of one. And they didn't list all the income levels, but they're on the web site.

MR. SPICER: Thanks.

MS. MEYER: Yes, sir?

MALE VOICE: I may be wrong, but it seems to me that there must be some large financial gain in this for you. And I say that because I haven't heard anything else here that makes any sense or any -- it doesn't -- it's just not logical. So there must be a large financial gain in it for you, which is fine.

And I'm curious. Where are you going to get -where are you going to see this financial gain come from?

Is it from the government? Are they giving you money?

Or are you going to get it from the people that are living there? Are you hoping to take this expensive, prime piece of property and flip it in the near future and make your money that way? It must be that way, because nothing else makes sense when there's all this opposition.

MR. SPICER: No. I mean the -- you know, obviously, there's a financial incentive for me to build

the project. There's definitely an incentive, I mean, the same way there's an incentive for you to buy your home.

And you hope it appreciates over time. There is a financial incentive the same way there is a financial incentive for me to build the luxury apartments that I look to build, as well.

MALE VOICE: Is your financial -- does the government somehow -- end up somehow giving money --

MR. SPICER: No.

MALE VOICE: You're going to get [inaudible]?

MR. SPICER: No. I mean if the development is not successful, there is no financial incentive for anyone.

MS. MEYER: On the web site, once we've published the information to the board -- there is a sheet on there that shows the sources of funds that would be available for this particular deal. And it also has the breakup -- the breakout of the uses for those. And it'll show you the developer fee and everything. I mean it breaks it out into minute, little details.

Yes, sir?

MALE VOICE: I have a statement. I have a comment.

First of all, I'd like to say that I've had the

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privilege of working with these types of programs in the past. And I worked with a group in San Marcos, Texas, several years ago. And I do believe in these types of programs in terms of stimulating growth in areas where there has been a lack of economic development in lowincome neighborhoods.

In fact, the one in San Marcos caused so much excitement that the low-income residents around started clearing up and picking up their own neighborhoods because they had something come in there that created a sense of hope, because not only were they required to provide housing; they were also required to provide other types of programming that really provided assistance for those kids in that neighborhood and in those apartments.

The challenge I have with this particular program is that you have a group of people in a neighborhood that, quote/unquote, "For whatever reason, is on the high-scale end of the economic ladder," that is not welcoming this type of project within that community. So you get an incredible amount of opposition.

What happens is: When you place those apartments against the will of the people in those neighborhoods, those people who are coming in are often times ostracized. And that's not a good position to be in

for people who are trying to create a better way of life for themselves.

Secondly, it begins to take down the amount of camaraderie and support of that neighborhood that's there, and people begin to move out. And you don't want that happening in Mansfield.

The third thing is: You have a side of town that would welcome it -- and I want to say this -- emphatically. Pastor Evans said it correctly in terms of the economics. But there's a town -- a side of town that would welcome this, because it will create an enormous amount of economic potential on a side of town that is in great need of that. And so we believe that when you do this project, you must gain a certain amount of community support.

And my question to the gentleman who is financing or who's doing this project: What kind of support in the community have you obtained especially in the community where -- the people you are targeting to kind of create this opportunity? How many of those groups, including Pastor Evans and Bethlehem, should I say -- who are in support of this project?

Because that's -- one of the criteria, if I'm not mistaken, is that there has to be a certain amount of

some non-profit or someone in that community that provides us an anchor to help bring those types of projects in.

And I just hate to see your project cause more, shall we say, disunity within the community than unity when you place it in an area where it's welcome, versus in an area where, for all practical purposes, if I owned a \$40,000 home, I would have some concerns, as well.

But I don't think it's in the best interest of Mansfield at this time, particularly when there's a great need somewhere else.

(Applause.)

MS. MEYER: I'll give you a couple of dates.

So on public comment, again, we need to receive all of public comment by March 8 at five o'clock. That will be the cutoff time. And the board meeting is scheduled for March 20. I don't have a time and I actually don't have a location at this time.

Normally, at -- we meet at the capitol and there'll be one of the rooms available at the capitol extension. But we don't have the agenda set up, so I don't know early it'll start. And I don't have an exact location. It will be on the agenda that will be posted to the web site seven days prior to which should be on the 13th. And it'll give the location and the time.

Just make sure you're looking at the board agenda, and not an audit committee's or something like that, because every now and then, we have different committee meetings that meet before. And I'd hate for you to be there at the crack of dawn when you didn't need to be.

MALE VOICE: We've got your contact information. But what project do we reference -- or item number?

MS. MEYER: Generations at Mansfield.

MALE VOICE: Generations at Mansfield?

MS. MEYER: Uh-huh.

MALE VOICE: Okay. Thank you.

MS. MEYER: I want to thank you for your comments. And be assured that they will -- that the board will receive a transcript of these comments. And I thank you for your participation.

(Whereupon, at 8:05 p.m., this hearing was concluded.)

#### 

IN RE: Generations at Mansfield Apartments

LOCATION: Mansfield, Texas

DATE: February 21, 2006

I do hereby certify that the foregoing pages, numbers 1 through 95, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

<u>02/28/2006</u> (Transcriber) (Date)

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#### MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

Skyline at City Park Apartments Between 1500 and 2500 Orem Drive Houston, Texas

Skyline at City Park, L.P. 248 Units
Priority 3

\$13,300,000 Tax Exempt – Series 2006

#### **TABLE OF EXHIBITS**

TAB 1	TDHCA Board Presentation
TAB 2	<b>Bond Resolution</b>
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
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TAB 6	TDHCA Compliance Summary Report
TAR 7	Public Innut and Hearing Transcript (February 8, 2006)

### MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD ACTION REQUEST

March 20, 2006

#### **Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Skyline at City Park Apartments development.

#### Summary of the Skyline at City Park Apartments Transaction

The pre-application was received on July 5, 2005. The application was scored and ranked by staff. The application was induced at the August 18, 2005 Board meeting and submitted to the Texas Bond Review Board for addition to the 2005 Waiting List. The application received a Reservation of Allocation on November 18, 2005. This application was submitted under the Priority 3 category. A public hearing was held on February 8, 2006. There were approximately ten people in attendance with four people speaking for the record. The main concerns were the increase in crime in the area, increase potential for flooding of Sims Bayou, drainage control and the over-population of the schools in the area. A copy of the transcript is included in this presentation. The proposed site is located in the Houston Independent School District.

The proposed development will be located at 8038 Gatehouse Drive, Houston, Texas. Demographics for the census tract include AMFI of \$38,978; the total population is 3,410; the percent of the population that is minority is 79.12%; the percent of population that is below the poverty line is 18.37%; the number of owner occupied units is 798; the number renter occupied units is 254 and the number of vacant units is 132. (census information from FFIEC Geocoding for 2005)

#### **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 \$13,300,000. The bonds will be unrated and privately placed with Newman Capital, LLC. The interest rate on the Bonds will be, the higher of 5.875% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date, during construction and the higher of 6.125% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date, at conversion to permanent financing. The construction and lease up period will be for twenty-four months with payment terms of interest only, followed by a thirty year term to maturity.

#### Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Skyline at City Park Apartments development because of the demonstrated quality of construction of the proposed 248 unit development, the feasibility of the development (as demonstrated by the financial commitments from PNC Multifamily Capital, Newman Capital, LLC and the underwriting report by the Department's Real Estate Analysis Division), the tenant and social services provided by the development and the demand for affordable units as demonstrated by the market area.

#### MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD MEMORANDUM March 20, 2006

**DEVELOPMENT:** Skyline at City Park Apartments, Houston, Harris County, Texas

**PROGRAM:** Texas Department of Housing and Community Affairs

2005 Multifamily Housing Mortgage Revenue Bonds

(Reservation received 11/18/2005)

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 Statute (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. (The Statute 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.)

**PURPOSE:** 

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Skyline at City Park, L.P. a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental Development located approximately between the 1500 and 2500 blocks of West Orem Drive and approximately one-quarter mile east of FM 521, on the north side of West Orem Drive and approximately 1.12 miles west of State Highway 288, Harris County, Texas. (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

**BOND AMOUNT:** 

\$<u>13,300,000</u> Series 2006 Tax Exempt bonds (\*) \$13,300,000 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 November 18, 2005 pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before April 17, 2006, the anticipated closing date is April 6, 2005.

<sup>\*</sup> Preliminary - Represents Maximum Amount

#### **BORROWER:**

Skyline at City Park, L.P., a Texas limited partnership, the general partner of which is Skyline at City Park Partners. The managing members are Mark Bower, with 50% ownership, and Daniel Sereni, with 50% ownership.

# **COMPLIANCE** HISTORY:

The Compliance Status Summary completed on March 6, 2006 reveals that the principals of the general partner above do not have any properties being monitored by the Department at this time.

# ISSUANCE TEAM & ADVISORS:

PNC Bank, National Association ("Letter of Credit Provider")

Newman Capital, LLC ("Bond Purchaser")

Wells Fargo Bank, National Association, ("Trustee")

Vinson & Elkins L.L.P. ("Bond Counsel") RBC Capital Markets ("Financial Advisor")

McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

#### **BOND PURCHASER:**

The Bonds will be privately placed on or about April 6, 2006. The initial purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

# DEVELOPMENT DESCRIPTION:

<u>Site</u>: The proposed affordable housing community is a 248-unit multifamily residential rental development to be constructed on approximately 14 acres of land located approximately between the 1500 and 2500 blocks of West Orem Drive and approximately one-quarter mile east of FM 521, on the north side of West Orem Drive and approximately 1.12 miles west of State Highway 288, Harris County, Texas. (the "Development"). The proposed location is adjacent to the Sims Bayou.

**Buildings:** The development will include a total of eleven (11) two and three-story, wood-famed buildings with approximately 80%, hardiboard, stone veneer and stucco exterior, containing approximately 235,540 net rentable square feet and having an average unit size of 950 square feet. Common area amenities will include a workout facility, swimming pool, controlled-access gates, a laundry facility and outdoor activity areas. Unit amenities will include vinyl flooring and carpeting, garbage disposal, dishwasher, washer/dryer connections, and microwave ovens.

<u>Units</u>	Unit Type	Square Feet	Proposed Rent
60	1-Bedroom/1-Bath	675	\$686.00
104	2-bedrooms/2-Baths	987	\$823.00
24	3-Bedrooms/2-Baths	1,100	\$951.00
248	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.)

#### **TENANT SERVICES:**

Tenant Services will be provided by Texas Inter-Faith Management Corporation, a Texas nonprofit organization.

#### **DEPARTMENT FEES:**

\$1,000 Pre-Application Fee (Paid). \$10,000 Application Fee (Paid).

\$66,500 Issuance Fee (.50% of the bond amount paid at closing).

## **DEPARTMENT ANNUAL FEES:**

\$26,600 Bond Administration (0.10% of first year bond amount) \$9,920 Compliance (\$40/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:

\$6,200 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 \$821,219 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 \$8,129,255 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 mature over a term of approximately 32 years. The Bonds will pay interest only for approximately twenty-four following the closing date. The loan will be secured by a first lien on the Development.

#### <u>BOND</u> INTEREST <u>RATES:</u>

The interest rate on the Bonds will be the higher of 5.875% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date,, during construction and the higher of 6.125% and the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date, at conversion. The Department's Real Estate Analysis division underwrote the transaction using a 6.13% rate.

#### **CREDIT**

**ENHANCEMENT:** 

The bonds will be unrated with no credit enhancement.

#### **FORM OF BONDS:**

The Bonds will be issued in physical form and are not eligible to be held in a book-entry only system unless the Bonds receive a rating of "A" or better from a nationally recognized rating agency. The Bonds will be issued initially in denominations of \$100,000 plus any integral multiple of \$5,000 in excess thereof.

#### MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity. During approximately the first twenty-four (24) months following the closing date, the Bonds will be payable as to interest only, from an initial deposit at closing. After completion of the Development, 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 following the completion date of the Development. 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:

#### **Optional Redemption:**

The Bonds are subject to redemption, in whole, any time on or after the fifteenth (15<sup>th</sup>) anniversary of the Conversion Date from the proceeds of an optional prepayment of the Loan by the

#### Borrower.

#### **Mandatory Redemption:**

- (a) Redemption from Amounts Transferred from the Project Fund: in whole or in part, in the event and to the extent that amounts on remaining in the Project Fund are transferred to the Bond Fund.
- (b) Redemption Upon Mandatory Prepayment of Note: in whole or in part, upon mandatory prepayment of the Note by the Borrower.
- (c) Redemption for Bond Document Default: in whole, or in part upon the acceleration of the Note, in the event of a Loan Agreement Default.
- (d) Redemption for Certain Pre-Conversion Events: (i) in whole, as a result of the occurrence of a Borrower Default, under the Construction Phase Credit Facility Provider Documents; (ii) in whole, on or after the Commitment Maturity Date, if the Conversion Notice is not issued prior to the Commitment Maturity Date or in part, in the event the Borrower or the Construction Phase Credit Facility Providers elects to make a Pre-Conversion Loan Equalization Payment.
- (e) Sinking Fund Redemption: in part on each Bond Payment Date, from amounts paid by the Borrower as principal under the Note.
- (f) Redemption from Excess Revenues: in whole or in part, on each Bond Payment Date, from amounts then on deposit in the Surplus Fund in excess of \$10,000.

#### <u>FUNDS</u> 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:

(a) Bond Fund – amounts received from the Borroweror Servicer which are subject to the lien and pledge of the

Indenture and shall be used to pay principal and interest on the Bonds and other amounts due under the Trust Indenture.

- (b) Expense Fund amounts on deposit shall be used to pay the Third Party Fees.
- (c) Costs of Issuance Fund amounts on deposit shall be disbursed only to pay Costs of Issuance upon receipt of a written requisition.
- (d) Project Fund amounts on deposit shall be used to pay Qualified Project Costs and interest on the Bonds during the Construction Period.
- (e) Rebate Fund monies shall be held to the extent required to satisfy any rebate requirement, for the benefit of the United States Government.
- (f) Surplus Fund amounts on deposit shall be used to pay principal and interest on the Bonds if the amounts in the Bond Fund are insufficient.
- (g) Senior Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund amounts on deposit shall be used to pay principal or and interest on the Bonds, as well as Third Party Fees to the extent that funds in the Bond Fund, Surplus Fund and Expense Fund are unavailable.
- (h) Remarketing Proceeds Fund amount on deposit shall be used solely to purchase remarketed or deemed remarketed Bonds.

The majority of the bond proceeds will be deposited into the Project 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 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. <u>Bond Counsel</u> - 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 September 2005.

- 2. <u>Bond Trustee</u> 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 April 2003.
- 1. <u>Financial Advisor</u> RBC Capital Markets, formerly RBC Dain Rauscher, was selected by the Department as the Department's financial advisor through a request for proposals process in August 2003.
- 2. <u>Disclosure Counsel</u> McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in September 2005.

# 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. 06-009**

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (SKYLINE AT CITY PARK APARTMENTS) SERIES 2006; 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, very low and extremely low income and families of moderate income (all as defined in the Act); 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, very low and extremely 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 multifamily residential rental development 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 Revenue Bonds (Skyline at City Park Apartments) Series 2006 (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, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Skyline at City Park, LP, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit  $\underline{A}$  attached hereto (the "Development") located within the State and 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 August 19, 2005, declared its intent to issue its revenue bonds to provide financing for the Development; 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 a portion of the cost of acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily 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 Loan Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Loan will be provided for initially by a Letter of Credit issued by PNC Bank, National Association, a national banking association; and

WHEREAS, it is anticipated that the Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear pursuant to an Assignment of Deed of Trust and Loan Documents and an Assignment of Note (the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Placement Agreement (the "Bond Placement Agreement") with the Borrower, Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Placement Agent"), Newman Capital LLC and GMAC Municipal Mortgage Trust (the "Purchaser") and any other parties to such Bond Placement Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Placement Agent or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Purchaser or another party to such Bond Placement Agreement; 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Bond Placement Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Mortgage and the Note; 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 Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage and the Note and the taking of such other actions as may be necessary or convenient in connection therewith;

#### NOW, THEREFORE,

#### BE IT RESOLVED BY THE BOARD OF THE DEPARTMENT:

#### 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 for approval, the Comptroller of Public Accounts of the State 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 Bonds shall bear interest (A) from the Closing Date to and including April 30, 2008, at the rate of the higher of (1) 5.875% per annum and (2) the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date and (B) on and after May 1, 2008, at the rate of the higher of (1) 6.125% per annum and (2) the BMA Municipal Swap Index as determined on each Bond Coupon Rate Determination Date; provided that, in no event shall the interest rate on the Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be \$13,300,000; (iii) the final maturity of the Bonds shall be December 1, 2038.

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 the Indenture and to deliver the Indenture to the Trustee.

<u>Section 1.4--Approval, Execution and Delivery of the Loan Agreement</u>. That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of 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 Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Harris County, Texas.

Section 1.6--Approval, Execution and Delivery of the Bond Placement Agreement. That the sale of the Bonds to the Purchaser and any other party to the Bond Placement Agreement is hereby approved, that the form and substance of the Bond Placement Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute the Bond Placement Agreement and to deliver the Bond Placement Agreement to the Borrower, the Placement Agent and any other party to the Bond Placement Agreement, as appropriate.

Section 1.7--Acceptance of the Note and Mortgage. That the form and substance of the Note and Mortgage are hereby accepted by the Department and that the authorized representatives of the

Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, as its interests may appear, without recourse.

<u>Section 1.8--Approval, Execution and Delivery of the Assignments</u>. That the form and substance of the Assignments are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.9--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 1.10--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.

<u>Section 1.11--Exhibits Incorporated Herein</u>. 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 - Bond Placement Agreement

Exhibit F - Mortgage

Exhibit G - Note

Exhibit H - Assignments

Exhibit I - Asset Oversight Agreement

Section 1.12--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 1.13--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 or Acting Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director or Interim 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 or Interim Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Acting Executive Director of the Department; 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 Development.

#### 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.
- <u>Section 2.2--Approval of Submission to the Attorney General</u>. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.
- <u>Section 2.3--Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Placement Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.
- <u>Section 2.4--Certification of the Minutes and Records</u>. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.
- <u>Section 2.5--Authority to Invest Proceeds</u>. 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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.
- <u>Section 2.6--Placement Agent</u>. That the Placement Agent with respect to the issuance of the Bonds shall be Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.
- Section 2.7--Approving Initial Rents. That the initial maximum rent charged by the Borrower for a percentage of the units of the Development shall not exceed the amounts attached as Exhibit D to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Loan Agreement.
- <u>Section 2.8—Engagement of Other Professionals</u>. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

<u>Section 2.9--Ratifying Other Actions</u>. 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 Development 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 Development and the information with respect to the proposed financing of the Development 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 Development 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 financing of the Development is a public purpose and will provide a public benefit, and
- (iii) that the Development 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 Development in accordance with the requirements of the Loan Agreement and 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 in accordance with its terms, and
- (iii) that the Borrower is not, and will not enter into a contract for the Development 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 Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the

Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development 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 Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Loan established pursuant to the Note 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 Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.
- <u>Section 3.4--No Gain Allowed</u>. 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.
- <u>Section 3.5--Waiver of Rules</u>. That the Board hereby waives the rules contained in Chapters 33 and 35, 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**

<u>Section 4.1--Limited Obligations</u>. 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 is pledged, given or loaned to such payment.

<u>Section 4.3--Effective Date</u>. 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.

[EXECUTION PAGE FOLLOWS]

### PASSED AND APPROVED this 20th day of March, 2006.

[SEAL]		
	By: /s/ Elizabeth Anderson	
	Elizabeth Anderson, Chair	
Attest: /s/ Kevin Hamby		
Kevin Hamby, Secretary		

#### **EXHIBIT A**

#### DESCRIPTION OF DEVELOPMENT

Owner: Skyline at City Park, LP, a Texas limited partnership

Development: The Development is a 248-unit multifamily facility to be known as Skyline at City Park

Apartments and to be located at approximately between the 1500 and 2500 blocks of West Orem Drive and approximately 1.12 miles west of State Highway 288, Houston, Harris County, Texas 77047. It will consist of 11 3-story residential apartment buildings with approximately 235,540 net rentable square feet and an average unit size

of approximately 950 square feet. The unit mix will consist of:

60	one-bedroom/one-bath units
104	two-bedroom/two-bath units
_84	three-bedroom/two-bath units

248 Total Units

Unit sizes will range from approximately 675 square feet to approximately 1,100 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment, and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

### Development Information, Public Input and Board Summary

### Skyline at City Park Apartments, TDHCA Number 05627

	BASIC DEVELOPMENT INFORMATION							
Site Address:	Between 1500 and	2500 Orem Dr.		Developmen	t #:	05627		
City:	Houston	Region:	6	Population Serve	ed:	Family		
County:	Harris	Zip Code:	77047	Allocati	on:			
HTC Set Aside	HTC Set Asides: $\square$ At-Risk $\square$ Nonprofit $\square$ USDA $\square$ Rural Rescue HTC Purpose/Activity: NC							
HOME Set As	ides: CHDO	☐ Preservation	General					
Bond Issuer:	TDHCA							
	HTC Purpose/Activity:	: NC=New Construction, ACQ= NC/R=New Construction and	-Acquisition, R=Rehabilita Rehabilitation, ACQ/R=Ac	tion, NC/ACQ=New Construc quisition and Rehabilitation	tion and Acqu	isition,		
		OWNER AND	DEVELOPMENT 1	<u>EAM</u>				
Owner:		Skyline at City Park	, LP					
		Mark T. Bower - Ph	one: (361) 980-122	20				
Developer:		Cynosure Develope	rs, LLC					
Housing Gen	eral Contractor:	Northwest Construc	tion Co., Inc.					
Architect:		Meeks + Partners						
Market Analys	st:	O'Connor & Associa	ates					
Syndicator:		PNC Multifamily Ca	pital					
Supportive Se	ervices:	To Be Determined						
Consultant:		Not Utilized						
		<u>UNIT/BUILD</u>	ING INFORMATION	<u>DN</u>				
<u>30</u>	<u> 40% 50% 60</u>	<u>% 65% 80%</u>	Total Restr	ricted Units:		248		
2	4 0 0 22	24 0 0	Market Rat	e Units:				
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u>	3 BR 4 BR	Owner/Em	ployee Units:		0		
	0 60 104	84 0	Total Deve	lopment Units:		248		
Type of Buildin	g: 5 units or	more per bldng	Total Deve	lopment Cost:	\$2	2,838,172		
Number of Res	sidential Buildings:	11						
	Note:	If Development Cost =\$0, an	- '	ot been completed.				
		· · · · · · · · · · · · · · · · · · ·	SINFORMATION					
		Applicar Reques			Term	Rate		
9% Housin	ng Tax Credits-Credit	: Ceiling:		\$0 0	0	0.00%		
4% Housin	ng Tax Credits with B	onds: \$821,21	9 \$821,	219 0	0	0.00%		
Housing Tr	rust Fund Loan Amo	unt: \$	0	\$0 0	0	0.00%		
HOME Fur	nd Loan Amount:	\$	0	\$0 0	0	0.00%		
Bond Allocation Amount: \$13,300,000 \$13,300,000 40 30 6.10%								



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

### Development Information, Public Input and Board Summary

### Skyline at City Park Apartments, TDHCA Number 05627

PUBLIC COMMENT SUMMARY
Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment
State/Federal Officials with Jurisdiction:
TX Senator: Ellis, District 13 NC Points: 0 US Representative: Green, District 9, NC
TX Representative: Allen, District 131 NC Points: 0 US Senator: NC
Local Officials and Other Public Officials:
Mayor/Judge: Bill White, Mayor, City of Houston - NC Resolution of Support from Local Government
Milton Wilson, Jr., Director, Housing and Community Development Department; The proposed project for new construction of affordable rental housing is consistent with the City of Houston's Consolidated Plan.
Individuals/Businesses: In Support: 0 In Opposition: 0
Neighborhood Input:
General Summary of Comment:
Public Hearing: Public concerns included concentration of apartments in the area, increase in crime, security issues and screening of tenants.
Number that attended: 11

#### Number that attended: 11 Number that spoke: 5 Number in support: 3

Number in oppostion: 6 Number Neutral: 2

#### **CONDITIONS OF COMMITMENT**

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
- 2. Receipt, review, and acceptance of LURA to include at least 24 units restricted by rent and income to households earning not more than 30% of the area median income.
- 3. Receipt, review, and acceptance of current financial statements on Winchester Properties, Inc. and C.D. Henderson.
- 4. Receipt, review, and acceptance of a CPA's evaluation of eligibility of site work costs.
- 5. Acceptance by the Board of the likely redemption of up to \$950,000 in bonds at the conversion to permanent.
- 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 and allocation amount may be warranted.



#### MULTIFAMILY FINANCE PRODUCTION DIVISION

March 20, 2006

# Development Information, Public Input and Board Summary Skyline at City Park Apartments, TDHCA Number 05627

RECOMI	MENDATION BY THE EXECU	IIIVE AWARD AND REVIEW ADVISOR	SA COMMITTEE IS BY	ASED ON:
9% HTC Compet	titive Cycle:   Score:	☐ Meeting a Required Set-Aside	Credit Amount:	\$0
Recommendation:				
HOME Loan:			Loan Amount:	\$0
Recommendation:				
Housing Trust Fu	und Loan:	☐ Meeting a Required Set-Aside	Loan Amount:	\$0
Recommendation:				
4% Housing Tax	Credits with Bond Issuance	:	Credit Amount:	\$821,219
Recommendation:	Recommend approval of a Ho conditions.	using Tax Credit Allocation not to exceed \$	821,219 annually for te	n years, subject to
Private Activity B	ond Issuance with TDHCA:		Bond Amount:	\$13,300,000
Recommendation:	• •	ance of \$13,300,000 in Tax Exempt Mortgaç amortization period, subject ot conditions.	,	a fixed interest

### **Skyline at City Park**

### **Estimated Sources & Uses of Funds**

Sources of Funds							
Series 2006 Tax-Exempt Bond Proceeds	\$ 13,300,000						
Tax Credit Proceeds	8,129,265						
Deferred Developer's Fee	1,068,342						
Interest Income	340,563						
<b>Total Sources</b>	\$ 22,838,170						

Uses of Funds		
Acquisition and Site Work Costs	\$ 3,642,12	23
Direct Hard Construction Costs	10,944,97	6
Other Construction Costs (General Require, Overhead, Profit)	1,750,32	27
Indirect Construction Costs	2,270,88	36
Developer Fees	2,778,77	<sup>'</sup> 1
Direct Bond Related	362,20	)9
Bond Purchaser Costs	632,00	00
Other Transaction Costs	322,44	0
Real Estate Closing Costs	134,43	8
Total Uses	\$ 22,838,17	0

### **Estimated Costs of Issuance of the Bonds**

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	\$ 66,500
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	26,600
TDHCA Bond Compliance Fee (\$40 per unit)	9,920
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Counsel	60,000
Trustee Fee	7,500
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,325
TEFRA Fees	2,500
Miscellaneous/Contingency	 52,364
Total Direct Bond Related	\$ 362,209

### **Skyline at City Park**

Bond Purchase Costs	
Letter of Credit (PNC Multifamily Capital)	332,500
LOC Counsel	30,000
Permanent Lender (GMAC Commercial Holding Capital)	214,500
Permanent Lender Counsel	35,000
Equity Provider Counsel	20,000
<b>Total Bond Purchase Costs</b>	\$ 632,000
Other Transaction Costs	
Tax Credit Application and Determination Fees (if paid at closing)	22,440
Operating Reserves	300,000
<b>Total Other Transaction Costs</b>	\$ 322,440
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	94,670
Property Taxes	39,768
Total Real Estate Costs	\$ 134,438
<b>Estimated Total Costs of Issuance</b>	\$ 1,451,087

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: March 7, 2006 PROGRAM: 4% HTC/MRB FILE NUMBER: 05627

DEVELOPMENT NAME											
Skyline at City Park Apartments											
APPLICANT											
Name:	Skyline at City Park, LP <b>Type:</b> For-profit										
Address:	802 N. Caran	cahua,	Suite 1650	City	<b>7:</b>	Corpus	Christi		Stat	te:	TX
Zip:	78470 Con	ntact:	Mark T. Bower	Pho	ne:	(361)	980-1220	Fax:	(866)	_72	28-2442
			PRINCIPALS of the	ne APPLICA	NT/ K	EY PARTIC	IPANTS				
Name:	Rolling Creel	k Apart	ments Group, L.P.	(%):	0.01	Title:	Managing	g Genera	al Partne	er	
Name:	Cynosure Pro	perties	, L.P.	(%):	N/A	Title:	100% Ov	vner of I	MGP		
Name:	Mark T. Bow	er		(%):	N/A	Title:	50% Owi	ner of C	ynosure	Prop	erties
Name:	Daniel R. Ser	eni		(%):	N/A	Title:	50% Owi	ner of C	ynosure	Prop	erties
Name:	Winchester P	ropertie	es, Inc.	(%):	N/A	Title:	Co-Deve	loper			
Name:	C. D. Hender	(%):	N/A	Title:	100% Owner of Winchester Properties, Inc.						
				OPERTY LC	CAT	ION		_			
Location:	Between 150	0 and 2	500 Orem Drive					QC	CT	$\boxtimes$	DDA
City:	Houston			County:	_	Harris			Zip:	77	047
				REQUE	ST						
<u> 4</u>	Amount		<b>Interest Rate</b>		A	<u> Amortizatio</u>	<u>n</u>		Terr	<u>n</u>	
1)	\$821,219		N/A			N/A			N/A	1	
2) \$2	13,300,000		6.125%			40 yrs			30 y	rs	
Othor Dogu	ested Terms:	1) An	nual ten-year alloc	cation of hor	using 1	tax credits					
Other Requ	iesteu Terms:	2) Ta	x-exempt private a	ctivity mort	gage 1	revenue bo	nd				
Proposed U	se of Funds:	New	construction	Pro	perty '	Туре:	Multifan	nily			
Special Pur	epose (s): Ge	eneral F	Opulation								

#### RECOMMENDATION

- RECOMMEND APPROVAL OF ISSUANCE OF \$13,300,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.125% AND REPAYMENT TERM OF 30 YEARS WITH A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$821,219 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

#### CONDITIONS

- 1. Receipt, review, and acceptance of LURA to include at least 24 units restricted by rent and income to households earning not more than 30% of the area median income.
- 2. Receipt, review, and acceptance of current financial statements on Winchester Properties, Inc. and C.D. Henderson.
- 3. Receipt, review, and acceptance of a CPA's evaluation of eligibility of site work costs.
- 4. Acceptance by the Board of the anticipated likely redemption of up to \$950,000 in bonds at the

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

conversion to permanent;

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

	REVIEW of PREVIOUS UNDERWRITING REPORTS	
No previous reports.		

DEVELOPMENT SPECIFICATIONS						
IMPROVEMENTS						
Total 4 Rental Buildings 11	# Non-Res. 1 # of Floors	$\underline{3}$ <b>Age:</b> $\underline{N/A}$ yrs				
Net Rentable SF: 235,540	Av Un SF: 950	Common Area SF: 5,979	Gross Bldg SF: 241,519			
STRUCTURAL MATERIALS						

The structures will be wood frame on post-tensioned concrete slab. According to the plans provided in the application the exteriors will be comprised as follows: 14% stone, 64% cement fiber siding, and 22% stucco. The interior wall surfaces will be drywall and the pitched roofs will be finished with asphalt 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, tile tub/shower, washer and dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, and 9-foot ceilings.

#### **ONSITE AMENITIES**

A 5,979-square foot community building will include an activity room, management offices, fitness, maintenance, and laundry facilities, a kitchen, restrooms, a media center, and a central mailroom. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. In addition, perimeter fencing with a limited access gate is planned for the site.

**Uncovered Parking:** 364 spaces **Carports:** 72 spaces Garages: 72 spaces

#### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Skyline at City Park is a 17.71-unit per acre new construction development of 248 units of affordable housing located in southeast Houston. The development is comprised of eleven sporadically distributed medium garden style, walk-up residential buildings as follows:

- 4 Building Type I with 12 one-bedroom/one-bath units, and 8 two-bedroom/two-bath units;
- 6 Building Type II with 12 two-bedroom/two-bath units, and 12 three-bedroom/two-bath units;
- 1 Building Type III with 12 one-bedroom/one-bath units, and 12 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:	14 acres	609,840 square feet	Flood Zone Designation:	Zone X		
Zoning: No zoning in Harris County						
SITE and NEICHRORHOOD CHARACTERISTICS						

**Location:** The site is an irregularly-shaped parcel located in the southern area of Houston, approximately twelve miles from the central business district. The site is located on the north side of West Orem, west of SH 288, in Harris County.

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

#### **Adjacent Land Uses:**

- North: vacant land immediately adjacent and Sims Bayou beyond;
- **South:** West Orem Drive immediately adjacent and vacant land beyond;
- East: vacant land immediately adjacent and Sims Bayou beyond; and
- West: vacant land immediately adjacent and a single-family subdivision under construction beyond.

<u>Site Access</u>: Access to the property is from the east or west along West Orem Drive. The development is to have one main entry from West Orem Drive. Access to Highway 288 is two miles east, which provides connections to all other major roads serving the Houston area.

<u>Public Transportation</u>: Houston METRO operates a public bus line (11 Almeda/Nance), which runs along Almeda Road, to the west of the proposed site. The Underwriter could not determine the distance to the nearest stop.

**Shopping & Services:** The site is within several miles of major grocery, 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.

<u>Site Inspection Findings</u>: TDHCA staff performed a site inspection on February 8, 2006 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 January 20, 2006 was prepared by Terracon Consulting Engineers & Scientists and contained the following findings and recommendations: "Based on the scope of services and limitations of this assessment, Terracon did not identify recognized environmental conditions in connection with the site, which in our opinion, warrant additional investigation at this time." (p. 18)

#### **POPULATIONS TARGETED**

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 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. Two hundred and forty-eight of the units (100% of the total) will be reserved for low-income tenants. The Applicant has also indicated that twenty-four (9.7%) of the units will be reserved for households earning 30% or less of AMGI and two hundred twenty-four (89.3%) of the units will be reserved for households earning 60% or less of AMGI. The 30% of AMGI is a self imposed restriction, but based on market demand and the proposed financing structure should be made a part of the LURA.

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 January 11, 2006 was prepared by Patrick O'Connor & Associated, L.P., ("Market Analyst") and highlighted the following findings:

<u>Definition of Primary Market Area (PMA)</u>: "The subject's primary market area includes the following zip codes: 77033, 77045, 77047, 77048, and 77051 being bound by Holmes Road, Highway 90, and Loop 610 to the north, Mykawa Road to the east, Clear Creek and West Fuqua to the south, and FM 521 and south Post Oak road to the west." (p. 18 & 24). This area encompasses approximately 50 square miles and is equivalent to a circle with a radius of four miles.

<u>Population</u>: The estimated 2005 population of the PMA was 94,239 and is expected to increase by 4% to approximately 98,189 by 2010. Within the primary market area there were estimated to be 30,712 households in 2005.

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

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 4,265 qualified households in the PMA, based on the current estimate of 30,712 households, the projected annual growth rate of 1%, renter households estimated at 33% of the population, income-qualified households estimated at 64%, and an annual renter turnover rate of 65 %. (p. 69). The Market Analyst used an income band of \$11,760 to \$39,540 for a 20.9% income qualified percentage, but failed to exclude the renters that incomes fell between \$19,750 to \$23,520 which represented the maximum income at 30% and the minimum income at 60%. The Underwriter re-calculated demand excluding this non income qualified demand to determine a lower 17.6% income qualified percentage.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY					
	Market	Analyst	Underwriter		
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand	
Household Growth	85	2%	49	1%	
Resident Turnover	3,846	89%	3,137	87%	
Other Sources:	385	8%	376	11%	
Other Sources: Section 8	34	1%	34	1%	
TOTAL ANNUAL DEMAND	4,265	100%	3,594	100%	

Ref: p. 69

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 20.8% based upon 4,264 units of demand and 877 unstabilized affordable housing in the PMA after the addition of The Oakmoor (05619) with 248 units which was not originally considered by the Market Analyst. The others include 141 units of Lansbourough (04268) and 240 units of Alta Cullen (04611). The Underwriter calculated an inclusive capture rate of 24.4% based upon a revised demand of 3,594 after removing the number of households that the annual income fell between \$19,750 to \$23,520. This inclusive capture rate is just below the Department's 25% inclusive capture rate guideline for urban family developments. It should be noted however that without units restricted at the 30% level the demand calculation would reduce even further resulting in inclusive capture rate in excess of the Department's guideline.

<u>Local Housing Authority Waiting List Information</u>: "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)

<u>Market Rent Comparables</u>: The Market Analyst surveyed five comparable apartment projects totaling 1,050 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 (30%)	\$263	\$263	-\$0	\$660	-\$397		
1-Bedroom (60%)	\$606	\$606	-\$0	\$660	-\$54		
2-Bedroom (30%) 962 sq ft	\$315	\$315	-\$0	\$850	-\$535		
2-Bedroom (60%) 962 sq ft	\$727	\$727	-\$0	\$850	-\$123		
2-Bedroom (60%) 998 sq ft	\$727	\$727	-\$0	\$870	-\$143		
3-Bedroom (30%)	\$350	\$350	-\$0	\$1,050	-\$700		
3-Bedroom (60%)	\$826	\$826	-\$0	\$1,050	-\$224		

(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)

<u>Primary Market Occupancy Rates:</u> "The average occupancy for comparable apartments in the subject's primary market area was reported at 90.08% in the most recent O'Connor & Associated Apartment Database survey (November Quarter 2005)." (p. 40)

**Absorption Projections:** "Considering the strong absorption history of similar properties and the lack of

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS MULTIFAMILY UNDERWRITING ANALYSIS

available quality affordable units in this market, we project that the subject property will lease an average or 20-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to twelve months following completion." (p. 77)

Known Planned Development: The Oakmoor (05619) a 4% bond transaction which is just over one mile north of the subject property was approved in February 2006 and will have 248 affordable units. Lansbourough Applicants (04268) a 9% transaction has 141 tax credit units located roughly four miles north east pf the subject. Alta Cullen Applicants (04611) a 4% bond transaction with 240 affordable units over three miles to the south east of the subject. The Villas of Bethel (05444) is a senior property with 4% tax credits and bonds that is three miles north east of the subject. The Peninsula Apartments (03411) is a 280 (all 50% or below) 4% tax credit and bond transaction just outside of the primary market area roughly four miles south west of the site.

Other Relevant Information: "According to a recent survey of the apartment complexes within the PMA, there are currently +/-162 Katrina families residing in apartments within the PMA. Most economists predict that 40-50% of the Katrina families will remain in the Houston area. The 162 family represent less that 3.25% of the total apartment market within the PMA. Therefore, should a greater percentage of the Katrina households return to Louisiana, the apartment market within the PMA is not anticipated to be unduly harmed." (p. 45)

<u>Market Study Analysis/Conclusions</u>: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

### **OPERATING PROFORMA ANALYSIS**

<u>Income</u>: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant's estimate of secondary income included rental income of \$71.6K for garages and carports. The Applicant's total per unit secondary income of \$46.49 exceeds the underwriting guideline of \$15 per unit per month. No additional support for the rental income for garages and carports was provided; however, the Underwriter was able to support an increase in the underwriting secondary income per unit per month to \$20 based on internal historical data from other Houston area affordable developments.

**Expenses**: The Applicant's total expense estimate of \$3,950 per unit is 7% lower than the Underwriter's database-derived estimate of \$4,226 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly repairs and maintenance (\$26.2K higher), water, sewer, and trash (\$20.2K higher) and property taxes (\$88K lower).

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations, however 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. Based on the Underwriter's income and expense estimates there is insufficient 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; therefore, a reduction in the principal bond amount may be required. The Underwriter estimates that at the present rates and terms of the bond debt the bond amount may be reduced \$950,000 to \$12,350,000 at conversion to permanent.

	ACQUISIT	TION VALUATION INFORM ASSESSED VALUE	MATION
Land: (9.43) acres	\$73,318	Assessment for t	he Year of: 2005
Prorated: 1 acre	\$7,775	Valuation by:	Harris County Appraisal District
Total Prorated: 14 acres	\$108,850	Tax Rate:	3.69

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

		EVII	DENCE of SIT	E or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Purcha	se and s	ale agreeme	nt (14 acres)			
<b>Contract Expiration Date:</b>	5/	29/	2006	<b>Anticipated Closing Date:</b>	4/	15/	2006
Acquisition Cost: \$1,372,140		Other Terms/Conditions:	Earne	st Money:	\$15,000		
Seller: GBF/LIC 288, L	TD			Related to Developm	nent Tear	m Member	: No

### **CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$1,372,140 (\$2.25/SF, \$98,010/acre, or \$5,533/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

<u>Off-Site Costs</u>: The Applicant claimed off-site costs of \$309,229 for public utilities and provided sufficient third party certification through a professional engineer to justify these costs.

<u>Sitework Cost</u>: The Applicant claimed sitework costs of over \$7.5K per unit and provided sufficient third party certification through a detailed certified cost estimate by Donald Meeks a registered architect to justify these costs. However a CPA estimate of eligible site work costs was not provided and is a condition of this report.

<u>Direct Construction Cost</u>: The Applicant's direct construction cost estimate is \$338.9K 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 general requirements, contractor general and administrative fees, and contractor profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by \$416,817 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 \$18,108,316 is used to determine a credit allocation of \$833,345 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										
		IN	ITERIM TO PER	MANEN	T BOND FINA	NCING	i			
Source: News	man Cap	ital LLC			Conta	act: ]	Roger Da	len		
Tax-Exempt Amo	ount:	513,300,000	Interes	st Rate:	6.125% flo	or rate				
Additional Information: The loan equal to the floor rate of the bonds plus any bond issuer fee, trustee fee, or other ongoing third party fees payable under the indenture for the bonds.										
Amortization:	40 y	rs <b>Term:</b>	30 yrs	Comm	itment:	LOI		Firm	Conditio	nal
Annual Payment:	\$89	92,088	Lien Pri	ority:	1st Date	: 2/	21/	2006		
			TAX CI	REDIT SY	NDICATION					
Source: PNC	MultiFa	mily Capital			Cor	ntact:	K. Nie	cole Flo	res	
Net Proceeds:	\$8,12	29,265	Net Synd	ication R	Rate (per \$1.00	of 10-y	r HTC)	9	99¢	
Commitment:		LOI	Firm	$\boxtimes$	Conditional	Date:	2/	14/	2006	
Additional Information:										

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS MULTIFAMILY UNDERWRITING ANALYSIS

	APPLICANT EQUITY					
Amount:	\$1,408,905	Source:	Deferred Developer Fee			
	FINANCING STRUCTURE ANALYSIS					

**Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and privately placed by Newman Capital. The permanent financing commitment is consistent with the terms reflected in the amended sources and uses of funds listed in the application.

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

<u>GIC Income</u>: The Applicant included \$340,563 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction phase; the Underwriter has included this amount in deferred developer fee in the recommended financing structure.

**<u>Deferred Developer's Fees:</u>** The Applicant's proposed deferred developer's fees of \$1,408,905 amount to 51% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$833,345 annually for ten years, but the Applicant's requested amount of \$821,219 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of \$8,129,255. The Underwriter's debt service analysis indicates that the maximum debt service at 1.10 coverage may reduce the bond amount at conversion to \$12,350,000. As a result the Applicant's deferred developer fee will be increased to \$2,358,917, which represents approximately 100% of the eligible fee. This level of deferred fee is not repayable from cash flow within ten years, but should marginally be repayable within the Department's 15 year maximum guide line. 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 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 100% owner of the General Partner, Cynosure Properties, L.P., submitted an unaudited financial statement as of August 15, 2005 reporting total assets of \$1.6M and consisting of \$268K in cash, and \$1.3M in other current assets. Liabilities totaled \$0, resulting in a net worth of \$1.6M.
- The principals of the General Partner, Daniel R. Sereni and Mark T. Bower, submitted unaudited financial statements as of December 31, 2005 and are anticipated to be guarantors of the development.
- The Co-Developer Winchester Properties, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$636K consisting of other assets. Liabilities totaled \$622K, resulting in a net worth of \$14K.
- The 100% owner of the Co-Developer, C. D. Henderson submitted unaudited financial statements as of December 31, 2004 and is anticipated to be a guarantor of this development.

### **Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principals of the General Partner listed no previous 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 Co-Developer Winchester Properties, Inc. have an acceptable record of previous participation.

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS MULTIFAMILY UNDERWRITING ANALYSIS

## SUMMARY OF SALIENT RISKS AND ISSUES

- The principals of the Applicant do not appear to have the development experience to support the project if needed.
- The recommended amount of deferred developer fee may not be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

Underwriter:		Date:	March 7, 2006
Discotor of Book Estate Assolution	Carl Hoover	Data	March 7, 2006
Director of Real Estate Analysis:		Date:	March 7, 2006
	Tom Gouris		

CATEGORY	APPLICANT'S TOTAL	TDHCA TOTAL	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW
(1) Acquisition Cost	AMOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
Purchase of land	\$1,372,140	\$1,372,140		
Purchase of buildings	ψ1,572,140	Ψ1,072,140		
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,959,754	\$1,959,754	\$1,959,754	\$1,959,754
Off-site improvements	\$309,229	\$309,229		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,808,424	\$10,147,297	\$9,808,424	\$10,147,297
(4) Contractor Fees & General Requirements				
Contractor overhead	\$230,047	\$230,047	\$230,047	\$230,047
Contractor profit	\$705,140	\$705,140	\$705,140	\$705,140
General requirements	\$705,140	\$705,140	\$705,140	\$705,140
(5) Contingencies	\$472,455	\$472,455	\$472,455	\$472,455
(6) Eligible Indirect Fees	\$789,256	\$789,256	\$789,256	\$789,256
(7) Eligible Financing Fees	\$1,076,146	\$1,076,146	\$1,076,146	\$1,076,146
(8) All Ineligible Costs	\$2,331,670	\$2,331,670		
(9) Developer Fees			\$2,361,954	
Developer overhead		\$321,705		\$321,705
Developer fee	\$2,778,771	\$2,091,081		\$2,091,081
(10) Development Reserves	\$300,000	\$300,000		
TOTAL DEVELOPMENT COSTS	\$22,838,172	\$22,811,060	\$18,108,316	\$18,498,021

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	\$18,108,316	\$18,498,021
High Cost Area Adjustment	130%	130%
TOTAL ADJUSTED BASIS	\$23,540,811	\$24,047,427
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	\$23,540,811	\$24,047,427
Applicable Percentage	3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS	\$833,345	\$851,279

Syndication Proceeds 0.9899 \$8,249,288 \$8,426,818

Total Credits (Eligible Basis Method) \$833,345 \$851,279

Syndication Proceeds \$8,249,288 \$8,426,818

Requested Credits \$821,219

Syndication Proceeds \$8,129,255

Gap of Syndication Proceeds Needed \$10,488,172

Credit Amount \$1,059,517

## MULTIFAMILY COMPARATIVE ANALYSIS

### Skyline at City Park, Houston, 4% HTC/MRB #05627

TC (30%)         6         1         1         675         \$343         \$263         \$1,578         \$0.39         \$80.00         \$13.31           TC (60%)         54         1         1         675         686         \$606         32,724         0.90         80.00         13.31           TC (30%)         12         2         2         962         411         \$315         3,780         0.33         96.00         13.31           TC (60%)         20         2         2         962         823         \$727         14,540         0.76         96.00         13.31           TC (60%)         72         2         2         998         823         \$727         52,344         0.73         96.00         13.31           TC (30%)         6         3         2         1,100         475         \$350         2,100         0.32         125.00         13.31           TC (60%)         78         3         2         1,100         951         \$826         64,428         0.75         125.00         13.31           TOTAL:         248         AVERAGE:         950         \$793         \$692         \$171,494         \$0.73         \$101.95	Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Ony
Tricing   Set											
TO DEPTION   12	` ′									·	
To Depty   20											
TO GROWN   G   3   2   1,100   475   5820   2,100   0.22   1,500   13.31   TC (1879)   78   3   2   1,100   951   5820   64,423   0.75   125,00   13.31   TOTAL   248		20	2	2	962	823			0.76		
	TC (60%)	72	2	2	998	823	\$727	52,344	0.73	96.00	13.31
NOTAL   248	TC (30%)	6	3	2	1,100	475	\$350	2,100	0.32	125.00	13.31
NCOME   Total Net Remarks Sq. Pr.   255.549   Sp.   255.549	TC (60%)	78	3	2	1,100	951	\$826	64,428	0.75	125.00	13.31
NCOME   Total Net Remarks Sq. Pr.   255.549   Sp.   255.549											
POTENTIAL GROSS RETAIL   Secondary Income   New Horse   New Horse   South	TOTAL:	248		AVERAGE:	950	\$793	\$692	\$171,494	\$0.73	\$101.95	\$13.31
Second pin from the Color	INCOME		Total Net Re	entable Sq Ft:	235,540		TDHCA	APPLICANT	Com	ptroller's Region	6
Other Support Income (describe)   POPTENTIAL, GROSS INCOME	POTENTIA	L GROSS	RENT				\$2,057,928	\$2,057,928		IREM Region	Houston
POTENTIAL GROSS INCOME	Secondary	Income		P	er Unit Per Month:	\$20.00	59,520	138,348	\$46.49	Per Unit Per Mont	h
Pacing   P											
Employee or Other Non-Fernial Units or Concession:   S							. , ,				_
### EFFECTIVE GROSS INCOME	-					-7.50%	, , ,	(164,724)	-7.50%	of Potential Gross	Rent
EMPENSES				its of Conces	SIUIS			\$2,031,552			
General & Administrative			IIVOONL	% OF FGI	PER UNIT	PER SO ET	ψ1,000,000	Ψ2,001,002	PER SO ET	PER UNIT	% OF FGI
Management			ve				\$90.402	\$83,651			
Payroll & Payroll Tax			••				. ,				
Repairs & Maintenance	•							,			
Utilities         2.85%         2.25         0.24         55,872         30,000         0.13         121         1.48%           Water, Sever, & Trash         3.04%         240         0.25         55,8951         79,800         0.34         322         3.93%           Property Trax         3.98         14.02%         1.107         1.17         274,536         186,658         0.79         753         9.19%           Officer Completees, security         1.65%         130         0.14         32,263         32,263         0.14         130         1.59%           TOTAL EXPENSES         53,51%         34,228         34.46         \$1,040,669         \$979,571         \$4.16         \$33,900         48,228         \$4.49         \$3,572         \$3,971         \$3,516         \$4,242         \$1,78%           DEST SERVICE         Newman Capital         4.5,55%         \$3,597         \$3.79         \$3,597         \$3,397         \$3,979         \$3,979         \$4,311         \$4,47         \$4,242         \$1,78%           DEST SERVICE         Newman Capital         4.5,55%         \$3,597         \$3,79         \$3,9597         43,91%         \$4,511         \$4,417         \$4,424         \$4,417         \$4,424         \$4,424	,	•	<u> </u>					,			
Water, Sewer, & Trash   3.04%   240   0.25   59,591   79,800   0.34   322   3.93%     Property Tax   3.89   14.02%   1.107   1.17   274,536   186,658   55,800   0.24   225   2.75%     Property Tax   3.89   14.02%   1.107   1.17   274,536   186,658   0.79   753   9.19%     Reserve for Replacements   2.53%   200   0.21   49,600   49,600   0.21   200   2.44%     Other: complifees, security   1.55%   130   0.14   32,263   32,263   0.14   130   1.59%     TOTAL EXPENSES   55,51%   54,226   54,445   51,048,069   5979,571   54,16   33,960   48,22%     NET OPERATING INC   46,49%   33,672   33.87   \$910,571   \$1,051,981   54,47   54,242   51,78%     DEBT SERVICE   Newman Capital   45,55%   53,597   33.79   \$892,088   \$882,088   \$3.79   \$3,597   43,91%     Additional Financing   0.00%   \$0   \$0.00   0   \$0.00   \$0   0.00%     Additional Financing   0.00%   \$0.00   \$0.00   \$0.00   \$0.00%     Additional Financing   0.00%   \$0.00   \$0.00%     Additional Financing   0.00%   \$0.00   \$0.00%     Additional Financing   0.00%   \$0.00   \$0.00%     Additional Financing   0.00%   \$0.00%     Additional Finan		namile name	5					•			
Property Insurance   3.01%   237   0.25   58,885   55,800   0.24   225   2,75%		or & Trach						,			
Property Tax   3.69   14.02%   1,107   1.17   274,536   186,658   0.79   753   9.19%			,					-,			
Reserve for Replacements			2.60				· ·				
Other: complifees, security         1.65%         130         0.14         32,263         32,263         0.14         130         1.59%           TOTAL EXPENSES         55.51%         \$4.26         \$4.45         \$1.048,069         \$979,571         \$4.16         \$3.350         48.22%           NET OPERATING INC         46.49%         \$3.672         \$3.79         \$991,571         \$1.051,981         \$4.47         \$4.22         \$1.78%           DEBT SERVICE         Nowman Capital         45.55%         \$3.597         \$3.79         \$892,088         \$892,088         \$3.79         \$3.597         \$4.91%         \$4.000         \$0.00%         \$0.00         \$0.00%         <											
TOTAL EXPENSES   53.51%   \$4.226   \$4.45   \$1.048,069   \$979,571   \$4.16   \$3.950   48.22%   NET OPERATING INC   46.49%   \$3.672   \$3.87   \$910,571   \$1.051,981   \$4.47   \$4.242   \$1.78%   DEET SERVICE   Newman Capital   45.55%   \$3.597   \$3.79   \$892,088   \$892,088   \$3.79   \$3.597   43.91%   Additional Financing   0.00%   \$0.00   0   0   \$0.00   \$0.00%   NET CASH FLOW   0.94%   \$75   \$0.08   \$18,483   \$159,893   \$0.68   \$545   7.87%   AGGREGATE DEET COVERAGE RATIO   RECOMMENDED DEET COVERAGE RATIO   RECOMMENDED DEET COVERAGE RATIO   RECOMMENDED DEET COVERAGE RATIO   RECOMMENDED DEET COVERAGE RATIO   Acquisition Cost (site or bidg)   6.02%   \$5,533   \$5.583   \$1.372,140							,				
NET OPERATING INC  DEST SERVICE  Newman Capital  45.55% \$3.597 \$3.79 \$3.79 \$892,088 \$892,088 \$3.79 \$3.597 \$43.91% Additional Financing  0.00% \$0 \$0.00 \$0 \$0.00% \$0			unty			2	-				
Newman Capital			C								
Newman Capital			O	40.4376	ψ3,072	ψ3.01	ψοτο,οιτ	ψ1,031,301	Ψ4.47	ψ4,242	31.7076
Additional Financing 0.00% \$0 \$0.00 0 0 \$0.00% \$0 0.00% \$0 0.00% \$0 \$0.00 0 0 \$0.00% \$0.00% \$0 0.00% \$0.00%				45.55%	\$3 597	\$3.79	\$892 088	\$892 088	\$3.79	\$3 597	43 91%
Additional Financing								Ψ002,000			
AGGREGATE DEBT COVERAGE RATIO  RECOMMENDED DEBT COVERAGE RATIO  CONSTRUCTION COST  Description Factor   Scalar   Factor		-					0				
Description   Factor   Facto	NET CASH	FLOW		0.94%	\$75	\$0.08	\$18,483	\$159,893	\$0.68	\$645	7.87%
CONSTRUCTION COST           Description         Factor         % of TOTAL         PER UNIT         PER SOFT         TDHCA         APPLICANT         PER SOFT         % of TOTAL           Acquisition Cost (site or bidg)         6.02%         \$5.533         \$5.833         \$1,372,140         \$1,372,140         \$5.833         \$5.533         6.01%           Off-Sites         1.36%         1,247         1.31         309,229         309,229         1.31         1,247         1.36%           Sitework         8.59%         7.902         8.32         1,959,754         1,959,754         1,959,754         41,844         39,550         42,95%           Contractoric Construction         44.48%         40,917         43.08         10,147,297         9,808,424         41.64         39,550         42,95%           Contingency         3.99%         2.07%         1,905         2.01         472,455         472,455         2.01         1,905         2.07%           General Req'ts         5.82%         3.09%         2.843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's Profit         5.82%         3.09%         2.843         2.99         705,140         705,140	AGGREGAT	E DEBT CO	OVERAGE R	RATIO			1.02	1.18			
Description   Factor   Scription   Factor   Scription   Factor   Scription   Cost (site or bidg)   6.02%   \$5,533   \$5.83   \$1,372,140   \$1,372,140   \$5.83   \$5.533   6.01%	RECOMMEN	NDED DEB	T COVERAG	SE RATIO			1.10	'			
Acquisition Cost (site or bidg)  6.02% \$5,533 \$5,533 \$5,833 \$1,372,140 \$1,372,140 \$5,833 \$5,533 6.01%  Off-Sites  1.36% 1,247 1.31 309,229 309,229 1.31 1,247 1.35%  Sitework  8.59% 7,902 8.32 1,959,754 1,959,754 8.32 7,902 8.58%  Direct Construction  44,48% 40,917 43,08 10,147,297 9,808,424 41,64 39,550 42,95%  Contingency 3.90% 2.07% 1,905 2.01 472,455 472,455 2.01 1,905 2.07%  Ceneral Req'ts 5.82% 3.09% 2,843 2.99 705,140 705,140 2.99 2,843 3.09%  Contractor's G & A 1.90% 1.01% 928 0.98 230,047 230,047 0.98 928 1.01%  Contractor's Profit 5.82% 3.09% 2,843 2.99 705,140 705,140 2.99 2,843 3.09%  Indirect Construction 3.46% 3,182 3.35 789,256 789,256 3.35 3,182 3.46%  Ineligible Costs 10,22% 9,402 9.90 2,331,670 2,331,670 9.90 9,402 10,21%  Developer's G & A 2.00% 1.41% 1,297 1.37 321,705 0 0.00 0 0.00%  Developer's Profit 13,00% 91,7% 8,432 8.88 2,091,081 2,778,771 11.80 11,205 12,17%  Interim Financing 4.72% 4,339 4.57 1,076,146 1,076,146 4.57 4,339 4.71%  Reserves 1.32% 1,210 1.27 300,000 300,000 1.27 1,210 1.31%  TOTAL COST 60.34% \$53,629 \$56.47 \$13,00,000 \$13,300,000 \$12,77 1,210 1.31%  FRECOMMENDED  Recap-Hard Construction Costs 50.64% \$32,779 \$34.51 8,129,265 8,129,265 8,129,255 80,129,505	CONSTRU	CTION CO	<u>OST</u>								
Acquisition Cost (site or bldg)  6.02% \$5,533 \$5,83 \$1,372,140 \$1,372,140 \$5.83 \$5,533 6.01%  Off-Sites  1.36% 1,247 1.31 309,229 309,229 1.31 1,247 1.35%  Sitework  8.59% 7,902 8.32 1,959,754 1,959,754 8.32 7,902 8.58%  Direct Construction  44.48% 40,917 43.08 10,147,297 9,808,424 41.64 39,550 42,95%  Contingency 3.90% 2.07% 1,905 2.01 472,455 472,455 2.01 1,905 2.07%  General Req'ts 5.82% 3.09% 2.843 2.99 705,140 705,140 2.99 2.843 3.09%  Contractor's G & A 1.90% 1.01% 928 0.98 230,047 230,047 0.98 928 1.01%  Contractor's Profit 5.82% 3.09% 2.843 2.99 705,140 705,140 2.99 2.843 3.09%  Indirect Construction 3.46% 3,182 3.35 789,256 789,256 3.35 3,182 3.46%  Ineligible Costs 10,22% 9,402 9.90 2,331,670 2,331,670 9.90 9,402 10,21%  Developer's G & A 2.00% 1.41% 1,297 1.37 321,705 0 0.00 0 0.00%  Developer's Profit 13.00% 91,7% 8,432 8.88 2.091,081 2,778,771 11.80 11,205 12,17%  Interim Financing 4,72% 4,339 4.57 1,076,146 1,076,146 4.57 4,339 4.71%  Reserves 1.32% 1,210 1,27 300,000 300,000 1.27 1,210 1.31%  TOTAL COST 60.00% \$91,980 \$96.85 \$22,811,060 \$22,838,172 \$96.96 \$92.089 100.00%  Recap-Hard Construction Costs 63.64% \$32,779 \$34.51 8,129,265 8,129,265 8,129,255 8,129,255  Deferred Developer Fees 6.18% \$5,681 \$5.98 1,408,905 1,408,905 2,358,917 100%  Additional (Excess) Funds Req'd 6.12% (\$109) (\$0.12) (27,110) 2 0 0 15 Yr Cumulative Cash Flow	Descri	ption	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Off-Sites         1.36%         1,247         1.31         309,229         309,229         1.31         1,247         1.35%           Sitework         8.59%         7,902         8.32         1,959,754         1,959,754         8.32         7,902         8.58%           Direct Construction         44.48%         40,917         43.08         10,147,297         9,808,424         41.64         39,550         42,95%           Contingency         3.90%         2,07%         1,905         2.01         472,455         472,455         2.01         1,905         2.07%           General Req'ts         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's Profit         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Indirect Construction         3.46%         3,182         3.35         789,256         789,256         3.35         3,182         3.69%           Indirect Construction         3.46%         3,182         3.35         789,256         789,256         3.35         3,182         3.69%           Indigible Costs							\$1.372.140	\$1,372,140			
Sitework         8.59%         7,902         8.32         1,959,754         1,959,754         8.32         7,902         8.58%           Direct Construction         44.48%         40,917         43.08         10,147,297         9,808,424         41.64         39,550         42,95%           Contingency         3.90%         2.07%         1,905         2.01         472,455         472,455         2.01         1,905         2.07%           General Req'ts         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's Profit         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's Profit         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Indirect Construction         3.46%         3,182         3.35         789,256         789,256         3.35         3,182         3.46%           Ineligible Costs         10.22%         9,402         9.90         2,331,670         2,331,670         2,331,670         9,90         9,402         10,21%			9/					. , , , ,			
Direct Construction         44.48%         40,917         43.08         10,147,297         9,808,424         41.64         39,550         42,95%           Contingency         3.90%         2.07%         1,905         2.01         472,455         472,455         2.01         1,905         2.07%           General Req'ts         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's G & A         1.90%         1.01%         928         0.98         230,047         230,047         0.98         928         1.01%           Contractor's Profit         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Indirect Construction         3.46%         3,182         3.35         789,256         789,256         3.35         3,182         3.46%           Ineligible Costs         10,22%         9,402         9.90         2,331,670         2,331,670         9.90         9,402         10.21%           Developer's G & A         2.00%         1.41%         1,297         1.37         321,705         0         0.00         0         0.00         11,205								,			
Contingency 3.90% 2.07% 1,905 2.01 472,455 472,455 2.01 1,905 2.07% General Req'ts 5.82% 3.09% 2,843 2.99 705,140 705,140 2.99 2,843 3.09% Contractor's G & A 1.90% 1.01% 928 0.98 230,047 230,047 0.98 928 1.01% Contractor's Profit 5.82% 3.09% 2,843 2.99 705,140 705,140 2.99 2,843 3.09% Indirect Construction 3.46% 3,182 3.35 789,256 789,256 3.35 3,182 3.46% Ineligible Costs 10.22% 9,402 9.90 2,331,670 2,331,670 9.90 9,402 10.21% Developer's G & A 2.00% 1.41% 1,297 1.37 321,705 0 0.00 0 0.00% Developer's Profit 13.00% 9.17% 8,432 8.88 2,091,081 2,778,771 11.80 11,205 12.17% Interim Financing 4.72% 4,339 4.57 1,076,146 1,076,146 4.57 4,339 4.71% Reserves 13.32% 1,210 1.27 300,000 300,000 1.27 1,210 1.31% TOTAL COST 6.34% \$51,338 \$60.37 \$14,219,833 \$13,880,960 \$92.089 100.00% Recap-Hard Construction Costs \$62.34% \$57,338 \$60.37 \$14,219,833 \$13,800,960 \$58.93 \$55,972 60.78% \$  SOURCES OF FUNDS  Newman Capital 58.31% \$53,629 \$56.47 \$13,300,000 \$13,300,000 \$12,350,000 \$22,361,954 \$61.95 \$1.408,905 \$1,408,905 \$1,408,905 \$1,408,905 \$1,408,905 \$1,408,905 \$1,408,905 \$1,408,905 \$2,358,917 \$100% \$15-Yr Cumulative Cash Flow Additional (Excess) Funds Req'd \$-0.12% \$(\$5109) \$(\$0.12) \$(\$27,110) 2 \$0 \$15-Yr Cumulative Cash Flow Additional (Excess) Funds Req'd \$-0.12% \$(\$5109) \$(\$0.12) \$(\$27,110) 2 \$0 \$15-Yr Cumulative Cash Flow Additional (Excess) Funds Req'd \$-0.12% \$(\$5109) \$(\$0.12) \$(\$27,110) 2 \$0 \$15-Yr Cumulative Cash Flow Additional (Excess) Funds Req'd \$-0.12% \$(\$5109) \$(\$0.12) \$(\$27,110) 2 \$0 \$15-Yr Cumulative Cash Flow \$1500 \$15-Yr Cumulative Cash Flow \$1500 \$15.47 \$1.00 \$15		struction						, ,			
General Req'ts         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Contractor's G & A         1.90%         1.01%         928         0.98         230,047         230,047         0.98         928         1.01%           Contractor's Profit         5.82%         3.09%         2,843         2.99         705,140         705,140         2.99         2,843         3.09%           Indirect Construction         3.46%         3,182         3.35         789,256         789,256         3.35         3,182         3.46%           Ineligible Costs         10,22%         9,402         9.90         2,331,670         2,331,670         9.90         9,402         10.21%           Developer's Profit         13.00%         9.17%         8,432         8.88         2,091,081         2,778,771         11.80         11,205         12.17%           Interim Financing         4.72%         4,339         4.57         1,076,146         1,076,146         4.57         4,339         4.71%           Reserves         1.32%         1,210         1.27         300,000         300,000         1.27         1,210         1.31%           TO			3 90%					, ,			
Contractor's G & A 1.90% 1.01% 928 0.98 230,047 230,047 0.98 928 1.01% Contractor's Profit 5.82% 3.09% 2,843 2.99 705,140 705,140 2.99 2,843 3.09% Indirect Construction 3.46% 3,182 3.35 789,256 789,256 789,256 3.35 3,182 3.46% Ineligible Costs 10.22% 9,402 9.90 2,331,670 2,331,670 9.90 9,402 10.21% Developer's G & A 2.00% 1.41% 1,297 1.37 321,705 0 0.00 0 0.00% Developer's Profit 13.00% 9.17% 8,432 8.88 2,091,081 2,778,771 11.80 11,205 12.17% Interim Financing 4.72% 4,339 4.57 1,076,146 1,076,146 4.57 4,339 4.71% Reserves 1.32% 1,210 1.27 300,000 300,000 1.27 1,210 1.31% TOTAL COST 100.00% \$91,980 \$96.85 \$22,811,060 \$22,838,172 \$96.96 \$92,089 100.00% Recap-Hard Construction Costs 62.34% \$57,338 \$60.37 \$14,219,833 \$13,880,960 \$56.93 \$55,972 60.78% SOURCES OF FUNDS  Newman Capital 58.31% \$53,629 \$56.47 \$13,300,000 \$13,300,000 \$12,350,000 Developer Fee Available Additional Financing 0.00% \$0 \$0.00 0 \$0.00% \$13,300,000 \$12,350,000 Developer Fee Available Additional Financing 0.00% \$56.81 \$5.98 1,408,905 1,408,905 2,358,917 100% Additional (Excess) Funds Req'd 0.012% (\$109) (\$0.12) (27,110) 2 0 15-Yr Cumulative Cash Flow	•	•						•			
Contractor's Profit 5.82% 3.09% 2.843 2.99 705,140 705,140 2.99 2.843 3.09% Indirect Construction 3.46% 3.182 3.35 789,256 789,256 3.35 3.182 3.46% Ineligible Costs 10.22% 9,402 9.90 2,331,670 2,331,670 9.90 9,402 10.21% Developer's G & A 2.00% 1.41% 1,297 1.37 321,705 0 0.00 0 0.00% Developer's Profit 13.00% 9.17% 8,432 8.88 2,091,081 2,778,771 11.80 11,205 12.17% Interim Financing 4.72% 4,339 4.57 1,076,146 1,076,146 4.57 4,339 4.71% Reserves 1.32% 1,210 1.27 300,000 300,000 1.27 1,210 1.31% TOTAL COST 100.00% \$91,980 \$96.85 \$22,811,060 \$22,838,172 \$96.96 \$92,089 100.00% Recap-Hard Construction Costs 62.34% \$57,338 \$60.37 \$14,219,833 \$13,880,960 \$58.93 \$55,972 60.78% SOURCES OF FUNDS  Newman Capital 58.31% \$53,629 \$56.47 \$13,300,000 \$13,300,000 \$12,350,000 Developer Fee Available Additional Financing 0.00% \$0 \$0.00 0 \$0.00 \$2,361,954 \$12,350,000 Developer Fee Available S6.81% \$5,681 \$5.98 1,408,905 1,408,905 2,358,917 100% Additional (Excess) Funds Req'd 0.012% (\$109) (\$0.12) (27,110) 2 0 15-Yr Cumulative Cash Flow								·			
Indirect Construction   3.46%   3.182   3.35   789,256   789,256   3.35   3.182   3.46%     Ineligible Costs   10.22%   9.402   9.90   2.331,670   2.331,670   9.90   9.402   10.21%     Developer's G & A   2.00%   1.41%   1.297   1.37   321,705   0   0.00   0   0.00%     Developer's Profit   13.00%   9.17%   8.432   8.88   2.091,081   2.778,771   11.80   11.205   12.17%     Interim Financing   4.72%   4.339   4.57   1.076,146   1.076,146   4.57   4.339   4.71%     Reserves   1.32%   1.210   1.27   300,000   300,000   1.27   1.210   1.31%     TOTAL COST   100.00%   \$91,980   \$96.85   \$22,811,060   \$22,838,172   \$96.96   \$92,089   100.00%     Recap-Hard Construction Costs   62.34%   \$57,338   \$60.37   \$14,219,833   \$13,880,960   \$85.93   \$55,972   60.78%     SOURCES OF FUNDS   Second											
Ineligible Costs			3.02%					•			
Developer's G & A         2.00%         1.41%         1,297         1.37         321,705         0         0.00         0         0.00%           Developer's Profit         13.00%         9.17%         8.432         8.88         2,091,081         2,778,771         11.80         11,205         12.17%           Interim Financing         4.72%         4,339         4.57         1,076,146         1,076,146         4.57         4,339         4.71%           Reserves         1.32%         1,210         1.27         300,000         300,000         1.27         1,210         1.31%           TOTAL COST         100.00%         \$91,980         \$96.85         \$22,811,060         \$22,838,172         \$96.96         \$92,089         100.00%           Recap-Hard Construction Costs         62.34%         \$57,338         \$60.37         \$14,219,833         \$13,880,960         \$58.93         \$55,972         60.78%           SOURCES OF FUNDS         RECOMMENDED           Newman Capital         58.31%         \$53,629         \$56.47         \$13,300,000         \$13,300,000         \$12,350,000         Developer Fee Available           Additional Financing         0.00%         \$0         \$0.00         \$1,408,905         8,129,265											
Developer's Profit   13.00%   9.17%   8.432   8.88   2,091,081   2,778,771   11.80   11,205   12.17%     Interim Financing   4.72%   4,339   4.57   1,076,146   1,076,146   4.57   4,339   4.71%     Reserves   1.32%   1,210   1.27   300,000   300,000   1.27   1,210   1.31%     TOTAL COST   100.00%   \$91,980   \$96.85   \$22,811,060   \$22,838,172   \$96.96   \$92,089   100.00%     Recap-Hard Construction Costs   57,338   \$60.37   \$14,219,833   \$13,880,960   \$58.93   \$55,972   60.78%     SOURCES OF FUNDS   S0.000   S0.000   S0.000   S13,300,000   S12,350,000   S12,350,000     HTC Syndication Proceeds   35.64%   \$32,779   \$34.51   8,129,265   8,129,265   8,129,255   8,129,255   8,129,255   S6.91   S0.00     Additional (Excess) Funds Req'd   -0.12%   (\$109)   (\$0.12)   (27,110)   2   0   15-Yr Cumulative Cash Flow	•		2.000/								
Interim Financing	•										
Reserves         1.32%         1.210         1.27         300,000         300,000         1.27         1.210         1.31%           TOTAL COST         100.00%         \$91,980         \$96.85         \$22,811,060         \$22,838,172         \$96.96         \$92,089         100.00%           Recap-Hard Construction Costs         62.34%         \$57,338         \$60.37         \$14,219,833         \$13,880,960         \$58.93         \$55,972         60.78%           SOURCES OF FUNDS         RECOMMENDED           Newman Capital         58.31%         \$53,629         \$56.47         \$13,300,000         \$12,350,000         Developer Fee Available           Additional Financing         0.00%         \$0         \$0.00         0         \$2,361,954           HTC Syndication Proceeds         35.64%         \$32,779         \$34.51         8,129,265         8,129,255         % of Dev. Fee Deferred           Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow			13.00%								
TOTAL COST 100.00% \$11,980 \$96.85 \$22,811,060 \$22,838,172 \$96.96 \$92,089 100.00% Recap-Hard Construction Costs 62.34% \$57,338 \$60.37 \$14,219,833 \$13,880,960 \$58.93 \$55,972 60.78% \$000 \$500 \$500 \$500 \$500 \$500 \$500 \$50		ancing									
Recap-Hard Construction Costs         62.34%         \$57,338         \$60.37         \$14,219,833         \$13,880,960         \$58.93         \$55,972         60.78%           SOURCES OF FUNDS         RECOMMENDED.           Newman Capital         58.31%         \$53,629         \$56.47         \$13,300,000         \$13,300,000         \$12,350,000         Developer Fee Available           Additional Financing         0.00%         \$0         0         0         \$2,361,954           HTC Syndication Proceeds         35.64%         \$32,779         \$34.51         8,129,265         8,129,265         8,129,255         % of Dev. Fee Deferred           Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow		ST									
SOURCES OF FUNDS           Newman Capital         58.31%         \$53,629         \$56.47         \$13,300,000         \$13,300,000         \$12,350,000         Developer Fee Available           Additional Financing         0.00%         \$0         \$0.00         0         0         \$2,361,954           HTC Syndication Proceeds         35.64%         \$32,779         \$34.51         8,129,265         8,129,265         8,129,255         % of Dev. Fee Deferred           Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow			ion Costs								
Newman Capital         58.31%         \$53,629         \$56.47         \$13,300,000         \$13,300,000         \$12,350,000         Developer Fee Available           Additional Financing         0.00%         \$0         \$0.00         0         0         \$2,361,954           HTC Syndication Proceeds         35.64%         \$32,779         \$34.51         8,129,265         8,129,265         8,129,255         % of Dev. Fee Deferred           Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow				02.34%	φυτ,330	φυυ.37	φ17,213,033	φ13,000,300		φυυ,31 <i>2</i>	00.70%
Additional Financing         0.00%         \$0         \$0.00         0         0         \$2,361,954           HTC Syndication Proceeds         35,64%         \$32,779         \$34.51         8,129,265         8,129,265         8,129,255         % of Dev. Fee Deferred           Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow			<u>,5</u>				¢42.222.222	£40,000,000		۱	
HTC Syndication Proceeds       35.64%       \$32,779       \$34.51       8,129,265       8,129,265       8,129,255       % of Dev. Fee Deferred         Deferred Developer Fees       6.18%       \$5,681       \$5.98       1,408,905       1,408,905       2,358,917       100%         Additional (Excess) Funds Req'd       -0.12%       (\$109)       (\$0.12)       (27,110)       2       0       15-Yr Cumulative Cash Flow								\$13,300,000		-	
Deferred Developer Fees         6.18%         \$5,681         \$5.98         1,408,905         1,408,905         2,358,917         100%           Additional (Excess) Funds Req'd         -0.12%         (\$109)         (\$0.12)         (27,110)         2         0         15-Yr Cumulative Cash Flow		•						0.400.555			
Additional (Excess) Funds Req'd	•										
IOTAL SOURCES \$22,811,060   \$22,838,172   \$22,838,172   \$3,037,957	,	,	ds Req'd	-0.12%	(\$109)	(\$0.12)					
	TOTAL SO	URCES					\$22,811,060	\$22,838,172	\$22,838,172	\$3,03	7,957

### MULTIFAMILY COMPARATIVE ANALYSIS(continued)

### Skyline at City Park, Houston, 4% HTC/MRB #05627

## DIRECT CONSTRUCTION COST ESTIMATE Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$49.23	\$11,595,291
Adjustments				
Exterior Wall Finish	1.12%		\$0.55	\$129,867
Elderly/9-Ft. Ceilings	3.00%		1.48	347,859
Roofing			0.00	0
Subfloor			(2.24)	(527,610)
Floor Cover			2.22	522,899
Porches/Balconies	\$20.33	21,594	1.86	439,006
Plumbing	\$680	564	1.63	383,520
Built-In Appliances	\$1,675	248	1.76	415,400
Stairs	\$1,900	88	0.71	167,200
Enclosed Corridors	\$39.31		0.00	0
Heating/Cooling			1.73	407,484
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			58.93	13,880,917
Current Cost Multiplier	1.01		0.59	138,809
Local Multiplier	0.89		(6.48)	(1,526,901)
TOTAL DIRECT CONSTRU	CTION COS	TS	\$53.04	\$12,492,825
Plans, specs, survy, bld prm	3.90%		(\$2.07)	(\$487,220)
Interim Construction Interes	3.38%		(1.79)	(421,633)
Contractor's OH & Profit	11.50%		(6.10)	(1,436,675)
NET DIRECT CONSTRUCT	ION COSTS		\$43.08	\$10,147,297

### PAYMENT COMPUTATION

Primary	\$13,300,000	Amort	480
Int Rate	6.13%	DCR	1.02
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.02
Additional	\$8,129,265	Amort	
Int Rate		Aggregate DCR	1.02

### RECOMMENDED FINANCING STRUCTURE:

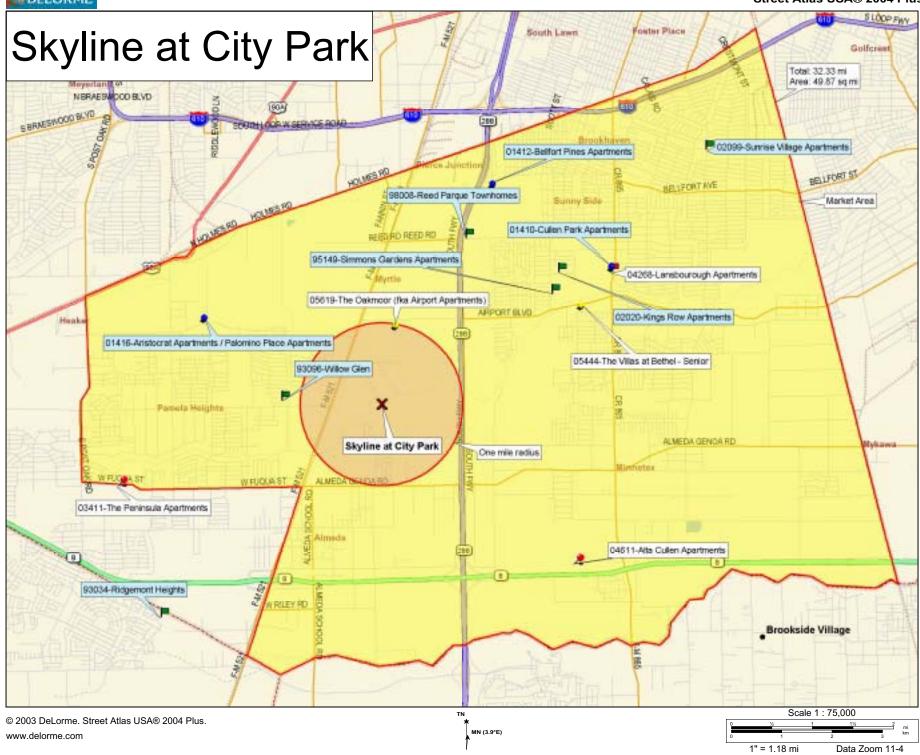
Primary Debt Service	\$828,367
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$82,203

Primary	\$12,350,000	Amort	480
Int Rate	6.13%	DCR	1.10
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$8,129,265	Amort	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
POTENTIA	L GROSS RENT	\$2,057,928	\$2,119,666	\$2,183,256	\$2,248,753	\$2,316,216	\$2,685,129	\$3,112,801	\$3,608,589	\$4,849,642
Secondar	y Income	59,520	61,306	63,145	65,039	66,990	77,660	90,029	104,369	140,263
Other Sup	port Income: (des	crib 0	0	0	0	0	0	0	0	0
POTENTIA	L GROSS INCOM	E 2,117,448	2,180,971	2,246,401	2,313,793	2,383,206	2,762,789	3,202,830	3,712,958	4,989,905
Vacancy	& Collection Loss	(158,809)	(163,573)	(168,480)	(173,534)	(178,740)	(207,209)	(240,212)	(278,472)	(374,243)
Employee	or Other Non-Rer	ntal 0	0	0	0	0	0	0	0	0
EFFECTIV	E GROSS INCOM	E \$1,958,639	\$2,017,399	\$2,077,921	\$2,140,258	\$2,204,466	\$2,555,580	\$2,962,618	\$3,434,486	\$4,615,662
EXPENSE	S at 4.00%									
General 8	Administrative	\$90,402	\$94,018	\$97,778	\$101,689	\$105,757	\$128,670	\$156,546	\$190,462	\$281,931
Managem	ient	78,777	81,140	83,574	86,081	88,664	102,786	119,157	138,135	185,642
Payroll &	Payroll Tax	249,578	259,561	269,943	280,741	291,971	355,227	432,188	525,823	778,346
Repairs &	Maintenance	98,567	102,509	106,610	110,874	115,309	140,291	170,685	207,665	307,395
Utilities		55,872	58,107	60,431	62,848	65,362	79,523	96,752	117,714	174,245
Water, Se	wer & Trash	59,591	61,974	64,453	67,031	69,713	84,816	103,192	125,548	185,842
Insurance		58,885	61,240	63,690	66,238	68,887	83,812	101,970	124,062	183,642
Property *	Гах	274,536	285,517	296,938	308,816	321,168	390,750	475,408	578,406	856,182
Reserve f	or Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other		32,263	33,553	34,895	36,291	37,743	45,920	55,869	67,973	100,616
TOTAL EX	PENSES	\$1,048,069	\$1,089,204	\$1,131,961	\$1,176,403	\$1,222,599	\$1,482,391	\$1,797,657	\$2,180,288	\$3,208,527
NET OPER	RATING INCOME	\$910,571	\$928,195	\$945,960	\$963,855	\$981,867	\$1,073,189	\$1,164,961	\$1,254,198	\$1,407,135
DE	BT SERVICE									
First Lien F	inancing	\$828,367	\$828,367	\$828,367	\$828,367	\$828,367	\$828,367	\$828,367	\$828,367	\$828,367
Second Lie	en	0	0	0	0	0	0	0	0	0
Other Fina	ncing	0	0	0	0	0	0	0	0	0
NET CASH	FLOW	\$82,203	\$99,828	\$117,593	\$135,488	\$153,500	\$244,822	\$336,593	\$425,831	\$578,768
DEBT COV	/ERAGE RATIO	1.10	1.12	1.14	1.16	1.19	1.30	1.41	1.51	1.70



# **Applicant Evaluation**

Project ID # 05627 Name	Skyline at City Park	City: <b>Houston</b>			
LIHTC 9%  LIHTC 4%	HOME □ BOND ☑ HTF □	SECO ESGP Other			
✓ No Previous Participation in Texas	☐ Members of the develo	pment team have been disbarred by HUD			
-		•			
National Previous Participation Co	ertification Received: N/A	$\square$ Yes $\square$ No			
Noncompliance Reported on Nation	onal Previous Participation Certification:	□ Yes □ No			
	Portfolio Management and Compliance	,			
Total # of Projects monitored: 0	Projects in Material Noncompliance	# in noncompliance: 0			
	Yes No 🗸				
Projects zero to nine: 0 grouped ten to nineteen: 0	# monitored with a score less than thirty:	Projects not reported Yes  one in application No			
by score twenty to twenty-nine: 0	# not yet monitored or pending review:	0 # of projects not reported 0			
Portfolio Monitoring	Single Audit	Contract Administration			
Not applicable	Not applicable	Not applicable			
Review pending	Review pending	Review pending			
No unresolved issues	No unresolved issues	No unresolved issues			
Unresolved issues found	Issues found regarding late cert $\Box$	Unresolved issues found			
Unresolved issues found that	Issues found regarding late audit	Unresolved issues found that $\Box$			
warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification	warrant disqualification (Comments attached)			
	(Comments attached)	0/6/2006			
Reviewed by Patricia Murphy		Date3/6/2006			
Multifamily Finance Production	Single Family Finance Production	Real Estate Analysis (Cost Certification and Workout)			
Not applicable	Not applicable	Not applicable			
Review pending	Review pending	Review pending			
No unresolved issues	No unresolved issues	No unresolved issues			
Unresolved issues found	Unresolved issues found	Unresolved issues found			
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)			
Reviewer A. Martin	Reviewer Sandy M. Garcia	Reviewer			
Date 3 /8 /2006	Date 3 /6 /2006	Date			
Community Affairs	Office of Colonia Initiatives	Financial Administration			
No relationship	Not applicable	No delinquencies found			
Review pending	Review pending	Delinquencies found			
No unresolved issues	No unresolved issues				
Unresolved issues found	Unresolved issues found				
Unresolved issues found that warrant disqualification (Comments attached)	Unresolved issues found that warrant disqualification (Comments attached)				
Reviewer	Reviewer	Reviewer Stephanie A. D'Couto			
Date	Date	Date 3 /6 /2006			

Acting Executive Director William Dally Executed: hursday, March 09, 2006

## **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Multifamily Finance Production Division

## **Public Comment Summary**

## **Skyline at City Park Apartments**

Public Hearir	ng		
	Total Number Attended	11	
	Total Number Opposed	6	
	Total Number Supported	3	
	Total Number Neutral	2	
	Total Number that Spoke	5	
Dublic Officia	ala Lattara Dagainad		_
Public Officia	als Letters Received		
	Opposition	0	
	Support	0	
· · · · · · · · · · · · · · · · · · ·			
General Publ	ic Letters and Emails Receive	ed	
	Opposition	0	
	Support	0	

## **Summary of Public Comment**

Concerns at the hearing were concentration of apartments in the area, increase in crime, security issues and screening of tenants.

### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

### TEFRA HEARING

SKYLINE AT CITY PARK APARTMENTS

Wednesday February 8, 2006

Auditorium
Carter G. Woodson Middle School
10720 Southview
Houston Texas

PRESIDING:

AUDREY MARTIN, Housing Specialist

## I N D E X

SPEAKER	PAGE
Vivian Harris	18
Rita Foretich	25
Sandra Massie Hines	27
Bessie Swindle	36

### PROCEEDINGS

MS. MARTIN: Good evening, folks. My name is Audrey Martin. I am with the Texas Department of Housing and Community Affairs. And we are here this evening to have a public hearing for a proposed multifamily development called Skyline at City Park Apartments.

Like I have kind of mentioned before, we have our sign in sheets over here, and if anyone wants to speak, we have witness affirmation forms. After you fill them out, you can just bring it to me, or to Ms. Meyer and we will have everyone speak in the order in which they turned in their forms.

The way we are kind of going to do this, this evening, is that I am first going to speak a little bit about the programs that the Applicant has applied for, for financing for this development. And then we have Mr. Mark Bower here with the developer, and he will get up and talk about the specifics of the development, after I give the general overview of the programs.

Then after that, if there are any questions, we'll kind of do that then. And then I have a speech that is required to be read. And in the middle of the speech is when we have public comment, the actual, the people who have filled out the forms, who will make their statements

up here at the podium. Okay.

So I will just get started on it. There are two programs that the Applicant has applied for with the Texas Department of Housing. There is the private activity bond program, and the housing tax credit program.

The bond program offers a tax-exemption to the purchaser of the bonds, which allows them to accept a lower rate of return because they don't have to pay income tax on their investment. Which lets the applicant borrow at a lower rate of interest, and provide a higher quality product, at a lower cost of borrowing. That is how that program intended to work.

The housing tax credit program is kind of an injection of equity into the project. So that instant equity, it is much like a mortgage tax credit on your personal return. But that equity allows the borrower to borrow fewer funds, and again, produce a higher quality product at a lower cost of borrowing. Let's see.

As a condition to involvement in these programs, we have a compliance period of 30 years, during which, the Texas Department of Housing, we check the project to make sure that they are adhering to income restrictions, to make sure that every who lives in the development makes the proper income and is qualified

according to our program guidelines. Let's see. Pardon me for a moment.

We also come out and do physical inspections of the site. And we make sure that they are providing the amenities that they said they would provide at the time of application. Then we also do financial reviews of the property.

And in addition, during the time that the property is funded, they are required to provide tenant services. Some examples, these aren't necessarily the ones that will be offered at Skyline at City Park. But there could be tutoring services, ESL classes, financial planning classes, and that sort of thing.

So that is kind of the basics of the program.

Is there anything else I should mention. Okay. At this point, I am going to have Mr. Bower give you guys some details about the development itself.

MR. BOWER: Hello. My name is Mark Bower. I am with a company called Cynosure Developers, one of the owners. We are the developers of this proposed community. For those of you familiar, if you have noticed the City Park down south, it is the next exit down 288.

It is a large 450-acre development that is going to be a lot of real nice commercial going in along

the highway there that the master developer is doing.

This has nothing to do with us. So there is going to be a lot of new commercial going in on the highway probably, over the next year to two years, on both sides of it.

They have those two apartment complexes that are already built, and they are already at capacity. They are what is called market rate apartments. That means they are just priced at whatever the market can bear. There is no government programs involved in either of those. Ma'am?

VOICE: [inaudible].

MR. BOWER: What did I say? I said that on that particular development, City Park, you basically have the commercial. There is going to be a lot of commercial on the front ends. I know, talking to the master developer, they are trying to work some deals so there ends up being some real nice commercial down on this part of the city.

And then, right behind that, you have the two apartment complexes that you can see right now, from the apartment, the two that are done. They are full. And they are market rate apartments.

That means that there is no government type of programs involved at all with them. They charge whatever

the market will bear for rent. They can do what they want. But they are both full complexes. Yes, ma'am?

VOICE: [inaudible].

MR. BOWER: Well, those aren't mine, but that one, yes. Now they did use some government financing, but they are still considered market rate. They did use some HUD financing or something. Not bonds.

VOICE: [inaudible].

MR. BOWER: I have no idea. I am not the owner. I just know generally speaking, they are market rate apartments. I know there was some financing.

Basically, it gives them the ability to borrow money for 40 years instead of 30.

And that is basically all I know about it. I know they are full. I know they charge more rent than we are charging, and things like that. But that is about it. That is all I know about that development.

VOICE: [inaudible].

MR. BOWER: I will show you here, overall rents in just a second. Then our apartment complex, if you go down that road, which Orem Road, our apartment complex will be on the right. It will be at the end of the development to the right. It will be -- there will be a lot.

There is a brand new elementary school going over there, and there is a lot of more single-family housing that is going to be across the street from that.

And then that road, Orem Road is going to connect all the way through.

And I don't remember the next major road. But there is another major road, north and south road. I think it is Kirby. And Orem Road will connect to Kirby over there. Yes, ma'am?

VOICE: [inaudible].

MR. BOWER: Yes. There is an elementary school going in right on Orem Road, right in that neighborhood.

VOICE: [inaudible].

MR. BOWER: Not in our development, in the master. I am giving you the general big picture of the master development. That has nothing to do with ours.

VOICE: [inaudible].

MR. BOWER: If you were driving down that Orem Road, there is the apartments on the left, and there is some single-family. There is a major street. And if you look at this, there is this big green patch. That is where the elementary school is going. So I mean, you are welcome to look at this, and I will put it up here.

VOICE: An HISD school?

MR. BOWER: Whatever school district this is. I know the land has been closed on.

VOICE: [inaudible].

MR. BOWER: Well, the land has been closed on.

Again, I don't know anything. It is not my development.

Okay. So my development is the Skyline at City Park, our apartments.

I am trying to give you guys a general overview of what I know that the owner of all that land is doing, just so you have a sense of what is happening in that community. But I have nothing to do with that. I just bought that little piece of land. So --

VOICE: [inaudible].

MR. BOWER: Drainage? Let me go on. I will talk about drainage in just a minute, too. So let me give the quick rundown on this. There is 248 units, as it says in this handout. We have 60 one bedroom one bath units, 104 two bedroom, 84 three bedroom.

You can see the square footage of these apartments. They run from 675 square feet to 1100 square feet. We have basically earmarked 10 percent of the properties for families that make 30 percent of the median income, and the other 90 percent are for families that make 90 percent of the median income.

So the median income in Houston is \$61,000. So those families -- and it is different median incomes, depending on the size of the families. So those families that make the 30 percent, basically, a family of three would make an average of \$16,450. That is the most they could make to qualify the first time.

Once they are in there, they can make more money than that. And it is not like, okay, I got a raise, now I have to move out. So the more money they can make. The same thing as the family of three in the 60 percent income level, can make up to \$32,940, and that is the most they could make to qualify.

VOICE: [inaudible].

MR. BOWER: That is for the apartments. We have 10 percent of the apartments reserved for people that are in the 30 percentile range.

VOICE: [inaudible].

MR. BOWER: Yes. So that is a very low income.

VOICE: [inaudible].

MR. BOWER: Once you are in there, and you qualify, people can make raises. And the number is either 60 or 80 percent. You can make 60 or 80 percent more than this number, once you are in there.

VOICE: So they can stay.

MR. BOWER: They can stay. Yes.

VOICE: [inaudible].

MR. BOWER: Yes. And every year they are qualified. Yes. And if it bumps above that, that is when you have to move them out. But they get to stay to the end of their lease.

So if someone comes in, and they pass and they qualify, and two months later -- but they have a one year lease, and two months later, they are making, instead of making 16,000 they are making \$40,000, now they couldn't stay in there. Well, they could stay the whole year of their lease, and then they would have to figure out what to do at the end of the lease. That is how that works.

So you get a sense of the rents on the next page of this handout. You will see the difference in the rents between, again, it is only a very few units we have that are like the one bedroom, the low income. Like the one bedroom, there are six one bedrooms that will be at this \$343. But the majority of those will go at \$686 dollars.

These rents include utilities. So really, our rents, they are going to pay their own utilities, so our rents will actually be less. Our rents will be \$606 and they will pay their own utilities, or rents on the one

bedroom, instead of the 343, it will actually be 263, because they cover their own utilities. And that is the one bedroom, up to the three bedroom. You see basically, our rents will be \$951, and on the 30 percent income, it will be \$475.

The other things you should know, our property management is being done by Capstone property management.

They are the largest property management company in Texas. They manage a lot of market rate and affordable communities and do a great job at it. And we picked them because of their reputation.

The social services that Audrey mentioned will be provided by a group called Texas Interfaith. And they are going to be providing -- we designed our clubhouse extra large. We have two after school tutoring rooms in it, so we can have kids separated by age groups.

There is going to be computers in there for them to do their homework, and there will be a tutor, you know, to help them, and that type of stuff. And a lot of the other similar type of services that Audrey described.

You know, we surrounded ourselves with -- it is all going to be done by top-notch people. Northwest

Construction is our general contractor. We have got great

architects and engineers. They asked about the flooding.

The flooding -- Houston has all been redrawn up with -- new flood maps came out at the beginning of this year. And what they are doing is, that whole bayou is being widened. There is one thing across this. The whole plan is for the city, basically, in the long term.

And now, I am speaking -- this is not my expertise, so I will tell you generally what I understand about it. They are widening that bayou significantly, and hope to make it through there, and coming through here, where there will be retail and everything all along the bayou. So it will be a very commercial type shopping and all that type of stuff, and restaurants. That is the long term plan.

So what they are doing right now, if you were to go by our property, they are widening the bayou. So that is part of the flood mitigation. There is also detention ponds for that whole thing. But they are basically widening that bayou significantly through that whole property to allow the development to come here.

And the whole county's plans, or the city, whoever government this is, is my understanding, is to widen the whole bayou. And that is what takes a lot of

this land out of the flood plain. And at the same time, we are raising, I think we are raising our elevation of our dirt. We have to raise it about five inches to make it work under the requirements.

So those are the two things, three things really. The detention pond is right next to it. There is significant widening of the bayou, and raising the level of our dirt is what helps us, it is what allows us to mitigate any flooding type of issues.

VOICE: [inaudible] across the way, or is next to them or what?

MR. BOWER: It is actually right next to them.

She asked if it was the detention pond across the way. I notice that you can't see it from here, but you can later.

But our property is right here, so coming down 288, actually and going down Orem Road and going to the very end, ours is here on the end, on the right, where you see -- this is the detention pond, which is right across from the school.

So we are on the detention pond. Our property at the edge of the detention pond. It will be part of our view, that we won't have any other buildings next to us. So it will make it a little nicer. Any other questions about what we are building or how we are building, or the

tenants or any of that type of stuff? I would be happy to answer.

VOICE: [inaudible].

MR. BOWER: Yes, ma'am. Sure.

VOICE: [inaudible].

(Sotto voce discussion.)

VOICE: So is Orem ever going to go to Elm,

then?

MR. BOWER: It is going straight through. Yes.

VOICE: At what time is it now?

VOICE: [inaudible].

MR. BOWER: It is already across -- the one is built, I was just on it a few minutes ago. The one is already built across the bayou. So it goes across the bayou. And now they just have to -- it is not much. You can see the next road down, a few hundred years. So it is not very far.

VOICE: I need you to show me where that school is going to be. That school that you say that -- okay. that is right. And this is Orem.

MR. BOWER: Uh-huh.

VOICE: [inaudible].

MR. BOWER: Yes. I am sorry. And you are welcome to keep it, if you want it. If you all want to

keep it, I have lots of them. I didn't think to bring them. I am sorry.

VOICE: Okay. Could you mail them to the Congressman? I will give you the address. But we need to -- normally, I am going to oppose this on account of my organization and the Congressman. Because we need to study this a little bit more. Because this is where the school is going to be, HISD has no knowledge of the school being there.

VOICE: If they do, they keep it to themselves.

VOICE: No. They don't help us out. I have been down there to look at some of the stuff they have.

MR. BOWER: On the development today, that land has been closed on. Whatever school district it has, has closed on it.

VOICE: HISD. It would have to be HISD. See HISD has low enrollment. I don't know why they are throwing up a school there.

(Discussion was held off the record.)

MR. BOWER: If you guys have any more questions when we finish, I am happy -- if you think of more questions, I am happy to answer them. Let Audrey finish up here.

MS. MARTIN: Okay. I am going to go ahead and

get started with my little speech part that I need to read, and then the public comment. I think I noticed one other person getting a form to speak. If anyone else wants to speak, just go ahead and bring a form up to me. Okay.

Good evening. My name is Audrey Martin. I would like to proceed with the public hearing. Let the record show that it is 6:25 p.m., Wednesday, February 8, 2006. And we are at the Carter G. Woodson Middle School located at 10720 Southview, Houston, Texas.

I am here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code.

The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue. No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider the transaction on March 20, 2006.

In addition to providing your comments at this hearing, the public is also invited to provide comment

directly to the board at any of their meetings. The

Department staff will also accept written comments from
the public up until 5:00 p.m. on March 8, 2006.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed \$13,300,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will be loaned to Skyline at City Park, 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.

A 248 unit multifamily residential rental development to be constructed on approximately 14 acres of land, located at approximately between the 1500 and 2500 blocks of West Orem Drive, and approximately one quarter mile east of FM 521, on the north side of West Orem Drive, and approximately 1.12 miles west of State Highway 288, Harris 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 like to open the floor for public comment. Vivian Harris?

MS. HARRIS: Good afternoon. My name is Vivian Harris. I am representing the South Houston Concerned Citizens Coalition. And I am also concerned because I am a homeowner in this area. And we have quite a few problems going on right now in our community.

And my opposition is because of the schools in that Madison feeder pattern, which is running over. I am not aware of the new school that they are proposing, but I am aware of the problems that are in Madison feeder pattern. We have crime that we cannot hardly control.

Gangs, and everything else.

And you were mentioning the flooding. We were told when they began the flooding process downstream that it would accommodate and relieve us from the flooding that we have been experiencing for many years. One of my properties -- eight times, my home was flooded.

As we can determine, and we have not been assured that within the past two or three years, that all the development we have had, that the work that has been done, and is being done right now will suffice with the bayou to alleviate us of the flooding problem we have. That is a major concern.

If you have ever woke up and put your foot in water. If you have ever looked at your house and your furniture floating, you will understand what I am talking about. This is very emotional for me, so you all bear with me.

When they first came out here with Skyline to do that development over there where he is proposing to put his property, Skyline, the guy who came out and met with us and talked to us and everything, within a months time, he had changed that over, and transferred it to someone else. So the same original person who met with us was no longer in the process of doing that development over there. That is what came out in the news.

Now I just heard you read the statement also, that this guy here, or whomever, that this development can start this development, but it doesn't mean that he will have to be the one that does it. So we don't even know who in the heck we are dealing with here. And who we are going to be dealing with. That is another concern of mine. How do we know?

You may propose to give us the moon, and you may be intending to give us the moon, but tomorrow somebody may come in and say, no. We don't want to give you the moon. We are going to give you the sun. And this

is craziness.

This is where we are. And I know people have some -- have to have somewhere to live. I don't have a problem with that. But when you all develop these places for people to live, you need to consider the crime. You need to consider the schools.

And it is ironic to me, real ironic that all of your developments are concentrated in certain neighborhoods. I know that when the federal government created this process, I do not believe that they intended for us, the lower income, middle income people to suffer the consequences of crime, overcrowded schools and nothing better for us but for developers are getting.

That is my money you are fooling with. That is my money. I am paying you to come in and destroy and mess up my neighborhood, because that is what it amounts to.

And it makes no sense to me.

Why can't we get quality homes, quality apartments in our neighborhood? And I am not saying your apartments are not quality or they are not good. But it is a known factor, if you just look at Fondren Southwest, which high end apartments, and the crime rate out there right now is so high, that the Mayor has had to bring in a special task force to deal with the gangs and the graffiti

and the crime, murder, murder. There is very few days that don't pass that there is not a murder there. We are trying to prevent our community from becoming that.

If you want to come out here and build a single-family home, we have no problems with it. Not at all. If you can get the money and put a person in a rent house that you can turn over and over, why can't you put those same people in a home that they can own? It makes no sense to me.

I have a real problem with this. And something you said about income tax, and I didn't understand that.

Can you read that statement again for me, please?

MS. MARTIN: It was a part of this.

MS. HARRIS: It was in your opening statement, after you gave the time.

MS. MARTIN: Well, I said that this hearing was required by the Internal Revenue Code. And then I said that the bond will be issued as tax-exempt multifamily revenue bonds. And I kind of talked about earlier, that it is not a property tax exemption.

We don't want you to think that the property won't be paying their property taxes. It is an exemption for the investor that buys the bonds on their own income tax. So it just trickles down, and lets the borrower

borrow at a lower rate of interest. Is that the part that you were --

MS. HARRIS: No. It was something -- you used the word income tax.

MS. MARTIN: Oh. I was speaking about the housing tax credit program, which is the other portion of funding that will be used for this project.

MS. HARRIS: And they don't have to pay as much income tax or something? Is that what it is?

MS. MARTIN: No. It doesn't affect the taxes that they pay.

MS. HARRIS: If you don't mind reading that back to me, please, so I can hear it again?

MS. MARTIN: Well that part wasn't actually in the speech that I read. That was in what I was speaking about earlier.

MS. HARRIS: But you read it in that speech. You said it within the speech you were reading.

VOICE: Are you talking about the housing tax credit, she said [inaudible].

MS. HARRIS: No. I am talking about the part where the two words was used, income tax. And I didn't --

MS. MEYER: Hi. My name is Robbye Meyer, and I am the manager of Multifamily. And what you are asking,

and what she said was that the housing tax credit, to explain exactly how it works, it is much like an income tax deduction that you would take on your home.

I think that is what you are referring to; that statement. Is that correct? It is the same net effect to the IRS, the tax credit, under the housing tax credit program.

What happens is, an investor buys these tax credits. And normally these investors are big companies like Exxon-Mobil, big insurance companies. And they buy the housing tax credits. They receive an income tax credit on their income that they would be paying to the IRS, which is in the same net effect, as if you deducted your mortgage on your personal income tax, it would be the same net effect to the IRS. Is that -- does everybody understand it?

MS. HARRIS: I have got you.

MS. MEYER: Okay. Is that the one you are asking about.

MS. HARRIS: I have got you. Yes. Because I have a hard time with anybody playing with my money. Because if I have to pay, I think that anybody else have to pay. And tax credits still means the same thing. My tax dollars. Other people's tax dollars.

I don't care how you try to write it, how you try to make it sound sweet. It is the same thing. We are paying. And we are triple paying. We are paying them tax credits to build. We are paying for the people that they put in these apartments to live there.

I mean, and you are giving them tax breaks.

What kind of foolishness is this? Is this what this

federal government has created? If they have, they have

created a nightmare.

And as far as that flooding is concerned, I am really concerned about that. Because I -- we just had a meeting last month. And we discussed all of the development. And would it help, or would this be part. Would this flood work that is being done, and it has been done, would it help with all of the development that is going on.

What has already been done is not going to be redone. They are not going to do anything down there any more. They are going to work where they are right now.

And it is a possibility that we will be back where we were ten years ago. This is craziness.

(Applause.)

MS. MARTIN: The next person who is signed up to speak is Rita. Excuse me if I say your last name

incorrectly. Foretich.

MS. FORETICH: Foretich.

MS. MARTIN: Foretich. Sorry about that.

MS. FORETICH: Hi. My name is Rita Foretich.

I join Vivian Harris. I am president of the Superneighborhood 39, which is joined with Superneighborhood 40. That is how the City has our neighborhoods laid out. We start at Fondren Road, and we go all the way down to Alameda and SH 288.

And my objections to apartments is the crime rate. We attend the police meetings monthly. They are called PIP meetings. And the crime stats are given out each time we go. I research them quite a bit, for various things. And the apartments are much higher on the crime rate.

And it has been so bad, that even the newspapers have started to notice it. And it has been in the Chronicle recently. And as Vivian Harris said, they have had to assign a special task force to it. And you can say all you want, but we found that the houses do not have that high a crime rate.

We not only are getting higher crime rate, but we are getting gangs. We are getting graffiti. And we are getting gangs from New Orleans. We have had over 33

gangs whereas before we didn't have that many. And they are moving into the suburbs. Just because you live out, that doesn't mean you are not going to get hit.

They come down this way. They are going down the other direction; Stafford, Sugarland, Richmond, they are going everywhere. So before we get more apartments, we want to find out what kind of security you can offer.

I don't mean when you have a security gate. I mean what kind of security can you have on the premises?

Where you have 24 hour security guards. You may not think we are exaggerating. If you do, feel free to go into the Houston Chronicle archives, and you can pull up crime southwest. And that is what we have.

The other issue we have of course, is drainage.

The way our watershed is developed, I don't see how we can take it all. They are developing South Main. They are putting spatial holding ponds.

But I am not real sure that is going to be enough. We are not going to know until we have another heavy rain. Then it is too late.

We have no objections to single-family dwellings. But we really don't want any more apartments.

We just feel that it is a burden on the community. We do not have any more room in our schools.

They are issuing waivers. You are supposed to have 21.5. And they issue waivers for 23 or 24. And then they had spatial exceptions on the waivers lately, I noticed in the paper. That means probably some of those classrooms have 25 to 28 students. Let me tell you one thing, if you are a teacher, teaching that many students is just almost impossible.

So it is not that we have anything against the developer here. Some of his houses there look real good.

The ones we looked at. We drove through there. But that doesn't help us with our problems in the community.

And I think crime and security is a high priority. Unless they can show us some way that they can have additional security. You know you build these things, and then they get it built, and they fill them up with people, and then they just -- they go off.

They may have a management person, but they don't have anybody on the premises. Nobody to keep track. And then here we are, sitting in police meetings again, getting more crime stats. And unfortunately, some people have been getting killed lately. So I appreciate your time.

(Applause.)

MS. MARTIN: Sandra Massie Hines.

MS. HINES: Hi. I am a community activist.

And I pretty much work city-wide with youth and elderly around the city. But today, I am representing myself as an individual. I have a question for the developer. What other developments have you built, and where are they?

MR. BOWER: This is our first one here. I worked for a company in Arizona, [inaudible], and the Phoenix area [inaudible].

MS. HINES: Okay. Do you know if they will have, and she answered the question I had written down, if they will have security on premise. And the security that I am talking about is some type of law enforcement.

Police, or constables, or someone else who is professional law enforcement.

MR. BOWER: We plan to have a security company. [inaudible].

Let me talk into the microphone so the court reporter can catch it. Ask me any questions.

So would there be security? Yes. The place will be secured with gates, obviously. And then there will be a security company hired to protect the property, and we want to make sure that everything is safe, just as --

MS. HINES: On the premises or away from the

premises?

MR. BOWER: I don't understand the question. I am sorry.

MS. HINES: Yes. On the premise.

MR. BOWER: On the premises, yes.

MS. HINES: On the premises. Not --

VOICE: The office.

MR. BOWER: I am sorry. In the office?

VOICE: Will you have security on the premises, and not at some office away from there, where --

MR. BOWER: There will be security. I will have to ask the property management company. There will be a security company that is in charge of maintaining security on the property. I am not sure exactly how Capstone does that.

MS. HINES: You are talking like, a security where you hire these commission folks, security people. We are talking about law enforcement, constables in that particular area.

MR. BOWER: I don't know who Capstone hires, so I would have to -- the property management company. I apologize.

MS. HINES: Okay. And my concern is because you had two people mention high crime in the area. And so

to prevent that from overflowing onto the new apartments that you are building, I think it would be wise to have actual law enforcement. The other thing is, how will the tenants be screened?

MS. MARTIN: You might just want to hang out up here for a minute.

MR. BOWER: The general screening process, there will be multiple things for screening. All the tenants will have a background check. They will all have -- no tenants will be allowed to live in there that have had any type of criminal -- not only criminal record by any conviction.

Not only conviction, but anything that was, like if you get deferred adjudication or you get deferred probation or sentence. In any crime involved, anything as far as any type of assault, sexual assault, burglary, any of those type of things, those people won't be allowed to be there. All people will be checked for in the sexual offender type of databases. They won't be allowed to be there.

They do a very stringent job, Capstone does, and you can check any of their properties, on Capstone management company, of checking those backgrounds. People will have to -- what we told you about was maximum

incomes. People will have to make a minimum income, because they have to pay the rent.

So there will be minimum income guidelines.

Probably 2 ½ times the rent to three times the rents.

People will have credit checks. You now, the bottom line it is a business, and people have to be able to pay the bills for it to survive.

So the property management company checks all the criminal stuff, and makes sure that people can pay their bills. And that is mainly it. Yes, ma'am.

VOICE: [inaudible].

MR. BOWER: I am sorry. What?

VOICE: [inaudible].

MR. BOWER: That is why we hired such a top notch property management company. Because they are used to dealing with that. And they have strategies for when that happens, they have ways.

The bottom line is, most of the people that live in the apartment complex are good people and are going to want to live in a safe place. So people notice when their neighbors are kind of messing around, and changing, and doing what they are not supposed to be. So people find out.

VOICE: [inaudible].

MR. BOWER: And I appreciate that. Understand this, we have to -- you made the comment on who is going to be there. We have to -- the only reason something would get changed, it is just a name change. Like, changing a company name. But we physically have to be there.

There is big companies that buy these tax credits that lend the money. They want to make sure that it survives. For it to survive for 30 years, I mean people, it has to be a good property 30 years from now to be able to pay those bills. So we can't let it deteriorate.

And the only way we wouldn't be there, is because we did a bad job managing it, and we hired a bad management company or something, and they would replace us. They are the guys that stuck the big money in there. Whoever buys the bonds, whoever invests in the tax credits.

VOICE: Are you on the internet anywhere, [inaudible]?

MR. BOWER: No, ma'am. I hope not.

VOICE: You are just going to build, but you are not going to go and manage that apartment.

MR. BOWER: We are the developer. We are the

general partner. So it is a partner. So we are in charge of making sure that it is managed correctly. So we hire the property management company. If they don't do a good job, it is our job to monitor them.

If you as a community come to me, and you can always come to me, because we are the people in charge of it. So if you say there is something going on here, it is our job. And we would go to the property management company, and say we hear that crime is bad in our place. And so we would study that.

If they are not doing a good job with that, we have the full capability of hiring and firing them. They get to keep their job like any other person. Finding somebody else --

VOICE: [inaudible].

MR. BOWER: Who doesn't? I worked for a company in Arizona. We had eleven apartment communities. We had 3,500 units. We did the property management. I know all about property management and how they are managed, and what it takes to keep your place secure. I mean, that is our job.

We want secure places so people are comfortable living there, so they are not afraid to live in the community. I think those guys in the other two apartment

complexes have done a nice job. They are secure. And that neighborhood over there is nice, City Park is.

VOICE: [inaudible].

MR. BOWER: I am from Texas. Born and raised in Texas. Well, not born and raised, but I have lived in Texas most of my life, so I came back here.

VOICE: [inaudible].

MR. BOWER: No. In the end, we want these for 30 years. That is the objective. So if you are going to keep something for 30 years, you had better take a good job of it. Is that all the questions you have for me?

MS. HINES: Yes. I have two more quick questions. Will, since you are building in that community, would any of the members of the community be eligible for some of the positions at those apartments. Will they be able to work there?

MR. BOWER: The answer to that would be Capstone property management is going to hire the people, and certainly. I would think anyone that has the experience, and can go. It is a just a job like any other job.

So they would apply for a job, and if

Capstone -- well, and obviously, we are happy to mention

it to them, if there is local people that want those jobs.

I am happy to visit with them and say there is people that we see if they are just as qualified as the other people. And they have training programs. They are a major company.

So if not, they have starting positions. They have advanced positions for anybody that has got the experience for that type of job.

VOICE: [inaudible].

MR. BOWER: They have an office here. Capstone has an office here. They have a major office in Austin.

They are a big company. You can find them on the internet. Capstone Real Estate Services.

And you can see a list of every property they manage through the state. They are managing in like three states. I think they have 22,000 apartments that they manage.

MS. HINES: And then my last question would be, have you researched the area for deed restrictions prior to you wanting to develop those apartments there?

MR. BOWER: Well, so having to do with deed -the person, we are unrelated. Have nothing to do with the
person that is developing that whole community. That 450
acres.

So that is their job, basically for them to

sell us the land, to make sure that we have -- you know, so we have a title company. We have title lawyers that go through that. We have the company that does the -- that is the master developer of that. They all went through all that, and we have people go through it, to make sure that we can get the land, and we have no deed restrictions to stop us from being able to do this correctly.

MS. HINES: Okay. That was the last question I had. Thank you so much.

MS. MARTIN: Bessie Swindle?

MS. SWINDLE: Good evening. I am here on behalf of the Southeast Coalition of Civic Clubs, and Congressman Al Green.

Our group is strongly opposed to apartments out here, perfectly for the reason that drug-infested, the people that are living there only stay maybe 30 days, and it is a turnover. So we really are opposing apartments.

Secondly, we have a high concern for flooding.

And even with Sims Bayou being wide, I live in an area
where it is already wide. But it is moving little by
little into the other area. And if we have a hurricane
this coming summer, some people are going to get flooded,
because they haven't completed that project yet.

And last year, we stopped Ironwood from coming

in right there at Airport and 288. They were going to build the land up, and build over 900 houses and that subdivision was going to flood out Sugar Valley. So we had to protest it, and it was dead.

Now I would suggest that we bring in Peter Brown, who is a civil engineer. He is the new City Council at large. He helped us with Ironwood. We need to really look at this real closely, and if it is an apartment complex, we need to make sure that it is what we want out here. And if we are opposing apartments, we need to go all the way with it. I don't have a problem with homes being built, because whoever invests in a home is going to stay there. Apartment people will be constantly moving.

So that is my concern about your project. When I got all of the information in the mail, it did not say apartment, it just said Skyline at City Park. And I came here last month, and it was cancelled. I didn't know.

And I called Austin the next day, and they said it had been rescheduled. So I am glad I came. I would like to have one of your maps so we can look at it closely. But as of right now, you would have to really show me something for me to get my group and the Congressman to go for apartments. Thank you.

(Applause.)

MS. MARTIN: Is there anyone else who wishes to make public comment at this time?

(No response.)

MS. MARTIN: Okay. If no one else wishes to speak, thank you all for attending this hearing. Your comments have been recorded. The meeting is now adjourned, and the time -- oh, pardon me.

Let the record show that we have approximately 15 attendees. The time is now 6:50, and the meeting is adjourned. Thank you.

(Whereupon, at 6:50 p.m. the hearing was concluded.)

### CERTIFICATE

IN RE: Skyline at City Park Apartments

LOCATION: Houston, Texas

DATE: February 8, 2006

I do hereby certify that the foregoing pages, numbers 1 through 40, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sue J. Brindley before the Texas Department of Housing and Community Affairs.

<u>2/15/2006</u> (Transcriber) (Date)

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



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# **REQUEST FOR BOARD ACTION Multifamily Finance Production**

Private Activity Bond Program - Waiting List

2 Priority 3 Applications for 2006 Waiting List

Parkwest Apartment Homes - \$15,000,000 Ennis Senior Estates - \$10,000,000

### **TABLE OF EXHIBITS**

ТАВ 1	TDHCA Board Presentation – March 20, 2006
ТАВ 2	<b>Summary of Applications</b>
ТАВ 3	Inducement Resolutions
ТАВ 4	Prequalification Analysis Worksheets

#### MULTIFAMILY FINANCE PRODUCTION DIVISION

### BOARD ACTION REQUEST March 20, 2006

### **Action Item**

Presentation, Discussion and Possible Approval of an Inducement Resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2006 Waiting List.

### **Requested Action**

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2006 Private Activity Bond Program for two (2) applications.

### **Background**

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$402.3 million is set aside for multifamily until August 15<sup>th</sup> for the 2006 bond program year. TDHCA has a set aside of approximately \$80.5 million and approximately \$78.5 million of 2005 Non-traditional CarryForward for a total of \$159.0 million available for new 2006 applications. If the Board approves these two applications the remaining unreserved allocation will be \$73.3.

Inducement Resolution 06-013 includes two (2) applications that were received on or before February 6, 2006. These applications will reserve approximately \$25 million in 2006 state volume cap. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2006 Waiting List. The Board currently has approved ten (10) applications for the 2006 program year. Three have been submitted to the Bond Review Board.

<u>Parkwest Apartment Homes</u> – The proposed development will be located at approximately Parkwest Central Drive at State Highway 6, Houston, Harris County. Demographics for the census tract (4543.00) include AMFI of \$59,536; the total population is 10,834; the percent of the population that is minority is 60.31%; the number of owner occupied units is 2,231; the number renter occupied units is 1,769 and the number of vacant units is 589. (Census Information from FFIEC Geocoding for 2005)

Ennis Senior Estates – The proposed development will be located at 6600 Rudd Road, Ennis, Texas. Demographics for the census tract (617.00) include AMFI of \$66,950; the total population is 3,817; the percent of the population that is minority is 14.88%; the number of owner occupied units is 1,165; number of renter occupied units is 166; and the number of vacant units is 84. (Census Information from FFIEC Geocoding for 2005)

#### Recommendation

Approve the Inducement Resolution as presented by staff. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process for the bond issuance.

### Texas Department of Housing and Community Affairs

2006 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units		Bond Amount	Developer Information	Comments
060611	Parkwest Apartment Homes	252	\$	15,000,000	Houston 3601 Parkwest Apartments, L.P.	Recommend
	Parkwest Central Drive at State Highway 6				Kenneth G. Cash	
Priority 3	City: Houston	General		Score - 60	11211 Kay Freeway, Suite 500-9	
	County: Harris				Houston, Texas 77079	
	New Construction				713-722-9888	
060612	Ennis Senior Estates	164	\$	10,000,000	LRI, IV Ltd.	Recommend
	6600 Rudd Road				Barry Halla	
Priority 3	City: Ennis	Elderly		Score = 56	800 West Airport Freeway, Suite 1100	
	County: Ellis				Irving, Texas 75062	
	New Construction				(972) 445-4139	
<b>Totals for Reco</b>	Totals for Recommended Applications 416 \$ 25,000,000					

#### **RESOLUTION NO. 06-013**

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the "Act") for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); 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 persons and families of low, very low and extremely 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 multifamily residential rental development 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, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a "Development" and collectively, the "Developments") as more fully described in <u>Exhibit A</u> attached hereto. The ownership of each Development as more fully described in <u>Exhibit A</u> will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Governing Board of the Department (the "Board") pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on <u>Exhibit A</u> attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on <a href="Exhibit A">Exhibit A</a> attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

#### BE IT RESOLVED BY THE BOARD THAT:

### <u>Section 1--Certain Findings</u>. The Board finds that:

- (a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;
- (b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;
  - (c) the financing of each Development is a public purpose and will provide a public benefit;
  - (d) each Owner is financially responsible; and
- (e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

<u>Section 3--Terms of Bonds</u>. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

<u>Section 5--Principal Amount</u>. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in <u>Exhibit A</u> which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

<u>Section 7--The Development</u>. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

<u>Section 8--Payment of Bonds</u>. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other

expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

<u>Section 13--Certain Findings</u>. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2006 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

<u>Section 15--Related Persons</u>. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

<u>Section 17--Authorization of Certain Actions</u>. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

<u>Section 18--Effective Date</u>. This Resolution shall be in full force and effect from and upon its adoption.

<u>Section 19--Books and Records</u>. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--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 of the State of Texas (the "Secretary of State") and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended

## PASSED AND APPROVED this 20th day of March, 2006.

[SEAL]	By: /s/ Elizabeth Anderson	
	Elizabeth Anderson, Chair	
Attacts /a/Varia Hambre		
Attest: /s/ Kevin Hamby		
Kevin Hamby, Secretary		

### EXHIBIT "A"

### Description of each Owner and its Development

Project Name	Owner	Principals	Amount Not to Exceed
Ennis Senior Estates	LRI IV, Ltd.	LRI Ennis Senior Estates, LLC, the General Partner, or other entity, the Members of which will be Life Rebuilders, Inc.	\$10,000,000

Costs: (i) acquisition of real property located at approximately the 6000 block of Rudd Road south of Highway 287 and approximately 650 feet north of the northeast of the intersection of Rudd Road and Blazek Road, Ennis, Ellis County, Texas; and (ii) the construction thereon of an approximately 164-unit multifamily senior residential rental housing project, in the amount not to exceed \$10,000,000.

Project Name	Owner	Principals	Amount Not to Exceed
Parkwest Apartment Homes	Houston 3601 Parkwest Apartments, LP	Houston 3601 Parkwest Apartments I, LLC, the General Partner, to be formed, or other entity, a Principal of which will be Kenneth G. Cash	\$15,000,000

Costs: (i) acquisition of real property located at approximately the 14601 block of Parkwest Central Drive and west of the 3600 block of State Highway 6, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 252-unit multifamily residential rental housing project, in the amount not to exceed \$15,000,000.

# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS MULTIFAMILY FINANCE DIVISION PREQUALIFICATION ANALYSIS

### Parkwest Apartment Homes, Houston (#060611) Priority 3

	Unit Mix and Rent Schedule							
Unit Type	Beds/Bath	# Units		Rents	Unit Size S.F.	Rent/S.F.		
60% AMI	1BD/1BA	72	\$	630	680	0.93		
60% AMI	2BD/2BA	96	\$	757	950	0.80		
60% AMI	3BD/2BA	84	\$	872	1,100	0.79		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
Totals		252	\$	2,295,360	232,560	\$ 0.82		
Averages			\$	759	923	•		

Uses of Funds/Project Costs								
		Costs		Per Unit		Per S.F.	Percent	
Acquisition	\$	2,700,000	\$	10,714	\$	11.61	0.	.11
Off-sites		0		0		0.00	0.	.00
Subtotal Site Costs	\$	2,700,000	\$	10,714	\$	11.61	0.	.11
Sitework		1,887,710		7,491		8.12	0.	.08
Hard Construction Costs		10,860,318		43,097		46.70	0.	.45
General Requirements (6%)		764,882		3,035		3.29	0.	.03
Contractor's Overhead (2%)		254,961		1,012		1.10	0.	.01
Contractor's Profit (6%)		764,882		3,035		3.29	0.	.03
Construction Contingency		712,184		2,826		3.06	0.	.03
<b>Subtotal Construction</b>	\$	15,244,936	\$	60,496	\$	65.55	0.	.63
Indirect Construction		836,238		3,318		3.60	0.	.03
Developer's Fee		2,760,359		10,954		11.87	0.	.11
Financing		2,480,290		9,842		10.67	0.	.10
Reserves		0		0		0.00	0.	.00
Subtotal Other Costs	\$	6,076,887	\$	24,115	\$	26	\$	0
Total Uses	\$	24,021,823	\$	95,325	\$	103.29	1.	.00

Applicant - Sources of Funds							
Source I	Net Proceeds	Sale Price	Applicable Percentage				
Tax Credits	\$ 8,850,257	\$0.80	355.00%				
Source II	Proceeds	Rate	Amort	Annual D/S			
Bond Proceeds	\$15,000,000	6.00%	30	\$1,079,191			
Source III	Proceeds	% Deferred	Remaining				
Deferred Developer Fee		0.0%	\$2,760,359				
Source IV	Proceeds	Description		Annual D/S			
Other				\$ -			
<b>Total Sources</b>	\$23,850,257			\$1,079,191			

TDHCA - Sources of Funds						
Source I	Net Proceeds	Sale Price	Applicable Percentage			
Tax Credits	\$ 8,850,257	\$0.80	3.55%			
Source II	Proceeds	Rate	Amort	Annual D/S		
Bond Proceeds	\$15,000,000	6.00%	30	\$ 1,079,191		
Source III	Proceeds	% Deferred	Remaining			
Deferred Developer Fee	\$ 171,566	6.2%	\$ 2,588,793			
Source IV	Proceeds	Descr	iption	Annual D/S		
Other	\$ -			\$ -		
<b>Total Sources</b>	\$ 24,021,823			\$ 1,079,191		

Applicant - Operating Proforma/Debt Coverage								
			Per S.F.	Per Unit				
Potential Gross Income		\$2,295,360	\$9.87					
Other Income & Loss		45,360	0.20	180				
Vacancy & Collection	7.73%	181,008	0.78	718				
Effective Gross Income		\$2,521,728	10.84	10,007				
Total Operating Expenses		\$974,097	\$4.19	\$3,865				
Net Operating Income		\$1,547,631	\$6.65	\$6,141				
Debt Service		1,079,191	4.64	4,283				
Net Cash Flow		\$468,440	\$2.01	\$1,859				
Debt Coverage Ratio		1.43						
TDHCA/TSAHC Fees		\$0	\$0.00	\$0				
Net Cash Flow		\$468,440	\$2.01	\$1,859				
DCR after TDHCA Fees		1.43						
Break-even Rents/S.F.		0.74						
Break-even Occupancy		89.45%						

TDHCA -	- Operating P	roforma/Debt	Coverage	
			Per S.F.	Per Unit
Potential Gross Income		\$2,295,360	\$9.87	
Other Income & Loss		45,360	0.20	180
Vacancy & Collection	7.50%	(175,554)	-0.75	-697
Effective Gross Income		2,165,166	9.31	8,592
Total Operating Expenses	45.0%	\$974,097	\$4.19	\$3,865
Net Operating Income		\$1,191,069	\$5.12	\$4,726
Debt Service		1,079,191	4.64	4,283
Net Cash Flow		\$111,878	\$0.48	\$444
Debt Coverage Ratio		1.10		
TDHCA/TSAHC Fees			\$0.00	\$0
Net Cash Flow		\$111,878	\$0.48	\$444
DCR after TDHCA Fees		1.10		
Break-even Rents/S.F.		0.74		
Break-even Occupancy		89.45%		

Applicant - Annual Operating Expenses						
		Per S.F.	Per Unit			
General & Administrative Expenses	\$40,940	0.18	162			
Management Fees	89,297	0.38	354			
Payroll, Payroll Tax & Employee Exp.	209,160	0.90	830			
Maintenance/Repairs	126,496	0.54	502			
Utilities	123,984	0.53	492			
Property Insurance	80,640	0.35	320			
Property Taxes	226,800	0.98	900			
Replacement Reserves	63,000	0.27	250			
Other Expenses	13,780	0.06	55			
Total Expenses	\$974,097	\$4.19	\$3,865			

Staff Notes/Comments						
Other expenses include the following:						
\$10,000 - Supportive Service Contract Fees						
\$3,780 - Compliance Fees						

# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS MULTIFAMILY FINANCE DIVISION PREQUALIFICATION ANALYSIS

### Ennis Senior Estates, Ennis (#060612) Priority 3

Unit Mix and Rent Schedule								
Unit Type	Beds/Bath	# Units		Rents	Unit Size S.F.	Rent/S.F.		
60% AMI	1BD/1BA	54	\$	612	640	0.96		
60% AMI	2BD/1BA	90	\$	723	830	0.87		
LH	1BD/1BA	5	\$	487	640	0.76		
LH	2BD/1BA	5	\$	573	830	0.69		
HH	1BD/1BA	5	\$	577	640	0.90		
HH	2BD/1BA	5	\$	693	830	0.83		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
						0.00		
Totals		164	\$	1,317,216	123,960	\$ 0.89		
Averages			\$	669	756			

Uses of Funds/Project Costs							
		Costs	I	Per Unit		Per S.F.	Percent
Acquisition	\$	355,000	\$	2,165	\$	2.86	0.03
Off-sites		395,100		2,409		3.19	0.03
Subtotal Site Costs	\$	750,100	\$	4,574	\$	6.05	0.06
Sitework		1,230,000		7,500		9.92	0.09
Hard Construction Costs		5,450,000		33,232		43.97	0.42
General Requirements (6%)		400,800		2,444		3.23	0.03
Contractor's Overhead (2%)		133,600		815		1.08	0.01
Contractor's Profit (6%)		400,800		2,444		3.23	0.03
Construction Contingency		212,253		1,294		1.71	0.02
Subtotal Construction	\$	7,827,453	\$	47,728	\$	63.14	0.60
Indirect Construction		697,889		4,255		5.63	0.05
Developer's Fee		1,353,871		8,255		10.92	0.10
Financing		1,337,188		8,154		10.79	0.10
Reserves		1,054,358		6,429		8.51	0.08
Subtotal Other Costs	\$	4,443,306	\$	27,093	\$	36	\$ 0
Total Uses	\$	13,020,859	\$	79,395	\$	105.04	1.00

Applicant - Sources of Funds						
6 1	Net	Sale	Applicable			
Source I Tax Credits	Proceeds \$ 3,602,784	Price \$0.80	Percentage 3.55%			
Source II	Proceeds	Rate	Amort	Annual D/S		
Bond Proceeds	\$ 7,220,000	6.75%	35	\$ 538,395		
Source III	Proceeds	% Deferred	Remaining			
Deferred Developer Fee	\$ 1,183,765	87.4%	\$170,106	•		
Source IV	Proceeds	Descr	ription	Annual D/S		
Other	\$ 1,500,000	TDHCA HOM	IE Funds	\$ -		
<b>Total Sources</b>	\$13,506,549			\$ 538,395		

TDHCA - Sources of Funds							
Source I	Net Proceeds	Sale Price	Applicable Percentage				
Tax Credits	\$ 3,602,784	\$0.80	3.55%				
Source II	Proceeds	Rate	Amort	Annual D/S			
Bond Proceeds	\$ 7,220,000	6.75%	35	\$ 538,395			
Source III	Proceeds	% Deferred	Remaining				
Deferred Developer Fee	\$ 698,075	51.6%	\$ 655,796				
Source IV	Proceeds	Descr	ription	Annual D/S			
Other	\$ 1,500,000	TDHCA HOM	IE Funds	\$ -			
<b>Total Sources</b>	\$ 13,020,859			\$ 538,395			

Applicant - 0	Operating	g Proforma/De	bt Covera	ge
			Per S.F.	Per Unit
Potential Gross Income		\$1,317,216	\$10.63	
Other Income & Loss		29,520	0.24	180
Vacancy & Collection	7.41%	99,828	0.81	609
Effective Gross Income		\$1,446,564	11.67	8,821
Total Operating Expenses		\$629,092	\$5.07	\$3,836
Net Operating Income		\$817,472	\$6.59	\$4,985
Debt Service		538,395	4.34	3,283
Net Cash Flow		\$279,077	\$2.25	\$1,702
Debt Coverage Ratio		1.52		
TDHCA/TSAHC Fees		\$0	\$0.00	\$0
Net Cash Flow		\$279,077	\$2.25	\$1,702
DCR after TDHCA Fees		1.52		
Break-even Rents/S.F.		0.78		
Break-even Occupancy		88.63%		

TDHCA - Operating Proforma/Debt Coverage							
			Per S.F.	Per Unit			
Potential Gross Income		\$1,317,216	\$10.63				
Other Income & Loss		29,520	0.24	180			
Vacancy & Collection	7.50%	(101,005)	-0.81	-616			
Effective Gross Income		1,245,731	10.05	7,596			
Total Operating Expenses	50.5%	\$629,092	\$5.07	\$3,836			
Net Operating Income		\$616,639	\$4.97	\$3,760			
Debt Service		538,395	4.34	3,283			
Net Cash Flow		\$78,244	\$0.63	\$477			
Debt Coverage Ratio		1.15					
TDHCA/TSAHC Fees			\$0.00	\$0			
Net Cash Flow		\$78,244	\$0.63	\$477			
DCR after TDHCA Fees		1.15					
Break-even Rents/S.F.		0.78					
Break-even Occupancy		88.63%					

Applicant - Annual Operating Expenses						
		Per S.F.	Per Unit			
General & Administrative Expenses	\$41,820	0.34	255			
Management Fees	47,259	0.38	288			
Payroll, Payroll Tax & Employee Exp.	154,449	1.25	942			
Maintenance/Repairs	62,812	0.51	383			
Utilities	113,652	0.92	693			
Property Insurance	41,000	0.33	250			
Property Taxes	131,200	1.06	800			
Replacement Reserves	32,800	0.26	200			
Other Expenses	4,100	0.03	25			
Total Expenses	\$629,092	\$5.07	\$3,836			

Staff Notes/Comments					
Other expenses include the following:					
\$4,100 - Compliance Fees					

## COMMUNITY AFFAIRS DIVISION SECTION 8 PROGRAM

### BOARD ACTION REQUEST March 20, 2006

### **Action Item**

Approval of Section 8 Streamlined 2006 Annual Public Housing Agency (PHA) Plan.

### **Required Action**

Staff recommends approval of the proposed Streamlined 2006 PHA Plan for the Texas Department of Housing and Community Affairs (Department) Section 8 Program written in compliance with 42 U.S.C.1437(c-1)(a) and (b). This plan is due to HUD on April 17, 2006.

### **Background**

Section 511 of the Quality Housing and Work Responsibility Act (QHWRA), (Public Law No. 105-276), signed into law on October 21, 1998, made several changes to the requirements for entities which administer the Section 8 housing choice voucher program. 42 U.S.C. 1437(c-1)(b) requires public housing agencies such as the Department to submit an Annual Plan.

On June 24, 2003 (FR-4753-F-02), HUD published in the Federal Register (Vol. 68, No. 121, Page 37664) a final rule "Deregulation for Small Housing Agencies," that simplifies and streamlines HUD's regulatory requirements for small PHAs that administer the public housing and voucher assistance programs under the United States Housing Act of 1937.

PHAs administering only vouchers are eligible to submit the new streamlined Annual PHA Plan. This year's plan covers the second year of the five year plan that is currently in effect. The streamlined annual plan is limited to reporting only a few select components, and a certification listing any components (programs and policies) changed since submission of the last Annual Plan.

## **PHA Plans**

## **Streamlined Annual Version**

U.S. Department of Housing and Urban Development
Office of Public and Indian
Housing

OMB No. 2577-0226 (exp. 05/31/2006)

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937 that introduced 5-year and annual PHA Plans. The full PHA plan provides a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form allows eligible PHAs to make a streamlined annual Plan submission to HUD consistent with HUD's efforts to provide regulatory relief for certain types of PHAs. Public reporting burden for this information collection is estimated to average 11.7 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

**Privacy Act Notice.** The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Information in PHA plans is publicly available.

Streamlined Annual PHA Plan for Fiscal Year: 2006

**PHA Name:** 

Texas Department of Housing and Community Affairs

NOTE: This PHA Plan template (HUD-50075-SA) is to be completed in accordance with instructions contained in previous Notices PIH 99-33 (HA), 99-51 (HA), 2000-22 (HA), 2000-36 (HA), 2000-43 (HA), 2001-4 (HA), 2001-26 (HA), 2003-7 (HA), and any related notices HUD may subsequently issue.

Streamlined Annual Plan for Fiscal Year 2006

PHA Name: TDHCA HA Code: TX901

## Streamlined Annual PHA Plan Agency Identification

PHA Name: Texas Department of Housing and Community Affairs							
PHA Number: TX901							
PHA Fiscal Year Beginnin	g: (07/20	006)					
PHA Programs Administer Public Housing and Section 8 Number of public housing units: Number of S8 units:	8 🔀 Se		ablic Housing Onler of public housing units				
PHA Consortia: (check be	ox if subn	nitting a joint PHA P	lan and complete	table)			
Participating PHAs	PHA Code	Program(s) Included in the Consortium	Programs Not in the Consortium	# of Units Each Program			
Participating PHA 1:							
Participating PHA 2:							
Participating PHA 3:							
<b>PHA Plan Contact Inform</b> Name: <b>E. E. Fariss</b> TDD: <b>1-800-735-2989</b>	auvii.	Phone: (512) 475-38 Email (if available):		ate.tx.us			
Public Access to Information Information regarding any action (select all that apply)		lined in this plan can	be obtained by co	ontacting:			
PHA's main administrativ	ve office	PHA's devel	opment manageme	ent offices			
Display Locations For PHA The PHA Plan revised policies of public review and inspection. If yes, select all that apply:  Main administrative offic PHA development manag Main administrative offic Public library	r program Yes  e of the Placement off the lo	changes (including att  No.  HA ices	achments) are avai				
PHA Plan Supporting Documents  Main business office of the Other (list below)			(select all that appoment managemen	• /			

PHA Name: TDHCA HA Code: TX901

### Streamlined Annual PHA Plan Fiscal Year 2006

[24 CFR Part 903.12(c)]

### **Table of Contents**

[24 CFR 903.7(r)]

Provide a table of contents for the Plan, including applicable additional requirements, and a list of supporting documents available for public inspection.

<b>A.</b>	PHA PLAN COMPONENTS
	1. Site-Based Waiting List Policies
903.7(b	)(2) Policies on Eligibility, Selection, and Admissions
	2. Capital Improvement Needs
903.7(g	) Statement of Capital Improvements Needed
	3. Section 8(y) Homeownership
903.7(k	)(1)(i) Statement of Homeownership Programs
	4. Project-Based Voucher Programs
	5. PHA Statement of Consistency with Consolidated Plan. Complete only if PHA has
	changed any policies, programs, or plan components from its last Annual Plan.
	6. Supporting Documents Available for Review
Ħ	7. Capital Fund Program and Capital Fund Program Replacement Housing Factor,
	Annual Statement/Performance and Evaluation Report
	8. Capital Fund Program 5-Year Action Plan
	o. Capital Fund Flogram 3-1 cal Action Flan
В.	SEPARATE HARD COPY SUBMISSIONS TO LOCAL HUD FIELD OFFICE
E1	HILD FOOT C DILA C. C.C. C. C

**Form HUD-50076**, <u>PHA Certifications of Compliance with the PHA Plans and Related Regulations:</u> <u>Board Resolution to Accompany the Streamlined Annual Plan</u> identifying policies or programs the PHA has revised since submission of its last Annual Plan, and including Civil Rights certifications and assurances the changed policies were presented to the Resident Advisory Board for review and comment, approved by the PHA governing board, and made available for review and inspection at the PHA's principal office;

For PHAs Applying for Formula Capital Fund Program (CFP) Grants:

Form HUD-50070, Certification for a Drug-Free Workplace;

Form HUD-50071, Certification of Payments to Influence Federal Transactions; and

Form SF-LLL &SF-LLLa, Disclosure of Lobbying Activities.

PHA Name: TDHCA HA Code: TX901

### 1. Site-Based Waiting Lists (Eligibility, Selection, Admissions Policies)

[24 CFR Part 903.12(c), 903.7(b)(2)]

Exemptions: Section 8 only PHAs are not required to complete this component.

\*N/A to AGENCY

### A. Site-Based Waiting Lists-Previous Year

1. Has the PHA operated one or more site-based waiting lists in the previous year? If yes, complete the following table; if not skip to B.

**Site-Based Waiting Lists** 

Development Information: (Name, number, location)	Date Initiated	Initial mix of Racial, Ethnic or Disability Demographics	Current mix of Racial, Ethnic or Disability Demographics since Initiation of SBWL	Percent change between initial and current mix of Racial, Ethnic, or Disability demographics
<ul> <li>at one time?</li> <li>3. How many u based waiting</li> <li>4. Yes or any court complaint an</li> </ul>	nit offers may a g list? No: Is the PHA order or settlem d describe how	an applicant turn down the subject of any penent agreement? If ye	elopments to which fan n before being removed nding fair housing comes, describe the order, a aiting list will not violant below:	d from the site- applaint by HUD greement or
B. Site-Based V	<b>Waiting Lists</b> –	- Coming Year		
-		more site-based waiti skip to next componer	ing lists in the coming int.	year, answer each
1. How many site	e-based waiting	g lists will the PHA op	perate in the coming ye	ar?
2. Yes N		they are not part of a plan)?	pased waiting lists new previously-HUD-appro	

PHA Name: TDHCA

HA Code: TX901

Streamlined Annual Plan for Fiscal Year 2006

PHA Name: TDHCA HA Code: TX901

HOPE VI Revitalization Grant Status				
a. Development Name:				
b. Development Number: c. Status of Grant:				
Revitalization Plan under development Revitalization Plan submitted, pending approval Revitalization Plan approved				
Activities pursuant to an approved Revitalization Plan underway				
3. Yes No:	Does the PHA expect to apply for a HOPE VI Revitalization grant in the Plan year? If yes, list development name(s) below:			
4. Yes No:	Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year? If yes, list developments or activities below:			
5. Yes No: V	Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement? If yes, list developments or activities below:			
3. Section 8 Tenant Based AssistanceSection 8(y) Homeownership Program (if applicable) [24 CFR Part 903.12(c), 903.7(k)(1)(i)]				
(II applicable) [24 CI	K 1 att 903.12(c), 903.7(k)(1)(1)			
1. Xes No:	Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFR part 982? (If "No", skip to the next component; if "yes", complete each program description below (copy and complete questions for each program identified.)			
	The Department may collaborate with one or more PHAs that have a successful voucher homeownership program.			
2. Program Descripti	on:			
a. Size of Program  ✓ Yes ☐ No:	The Department may implement a Section 8 Homeownership program.			
	Will the PHA limit the number of families participating in the Section 8 homeownership option?			
	If the answer to the question above was yes, what is the maximum number of participants this fiscal year? 25 or fewer participants			
b. PHA-established eligibility criteria				

PHA Name: TDHCA HA Code: TX901

## 5. PHA Statement of Consistency with the Consolidated Plan

[24 CFR Part 903.15]

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary) only if the PHA has provided a certification listing program or policy changes from its last Annual Plan submission.

1. Con	solidated Plan jurisdiction: (provide name here)
	PHA has taken the following steps to ensure consistency of this PHA Plan with the solidated Plan for the jurisdiction: (select all that apply)
	The PHA has based its statement of needs of families on its waiting lists on the needs expressed in the Consolidated Plan/s.
	The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
	The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
	Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (list below)
	Other: (list below)
	Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions mmitments: (describe below)

PHA Name: TDHCA HA Code: TX901

## <u>6. Supporting Documents Available for Review for Streamlined Annual PHA Plans</u>

PHAs are to indicate which documents are available for public review by placing a mark in the "Applicable & On Display" column in the appropriate rows. All listed documents must be on display if applicable to the program activities conducted by the PHA.

List of Supporting Documents Available for Review				
Applicable & On Display	Supporting Document	Related Plan Component		
X	PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Standard Annual, Standard Five-Year, and Streamlined Five-Year/Annual Plans;	5 Year and Annual Plans		
X	PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Streamlined Annual Plan	Streamlined Annual Plans		
X	Certification by State or Local Official of PHA Plan Consistency with Consolidated Plan.	5 Year and standard Annual Plans		
X	Fair Housing Documentation Supporting Fair Housing Certifications: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions' initiatives to affirmatively further fair housing that require the PHA's involvement.	5 Year and Annual Plans		
N/A	Housing Needs Statement of the Consolidated Plan for the jurisdiction(s) in which the PHA is located and any additional backup data to support statement of housing needs for families on the PHA's public housing and Section 8 tenant-based waiting lists.	Annual Plan: Housing Needs		
N/A	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources		
N/A	Public Housing Admissions and (Continued) Occupancy Policy (A&O/ACOP), which includes the Tenant Selection and Assignment Plan [TSAP] and the Site-Based Waiting List Procedure.	Annual Plan: Eligibility, Selection, and Admissions Policies		
N/A	Deconcentration Income Analysis	Annual Plan: Eligibility, Selection, and Admissions Policies		
N/A	Any policy governing occupancy of Police Officers and Over-Income Tenants in Public Housing.   Check here if included in the public housing A&O Policy.	Annual Plan: Eligibility, Selection, and Admissions Policies		
X	Section 8 Administrative Plan	Annual Plan: Eligibility, Selection, and Admissions Policies		
N/A	Public housing rent determination policies, including the method for setting public housing flat rents.  Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination		
N/A	Schedule of flat rents offered at each public housing development.  Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination		
X	Section 8 rent determination (payment standard) policies (if included in plan, not necessary as a supporting document) and written analysis of Section 8 payment standard policies.   Check here if included in Section 8 Administrative Plan.	Annual Plan: Rent Determination		
N/A	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation).	Annual Plan: Operations and Maintenance		
N/A	Results of latest Public Housing Assessment System (PHAS) Assessment (or other applicable assessment).	Annual Plan: Management and Operations		
N/A	Follow-up Plan to Results of the PHAS Resident Satisfaction Survey (if necessary)	Annual Plan: Operations and Maintenance and		

PHA Name: TDHCA HA Code: TX901

	List of Supporting Documents Available for Review	D.L. IN. C
Applicable & On Display	Supporting Document	Related Plan Component
		Community Service & Self- Sufficiency
X	Results of latest Section 8 Management Assessment System (SEMAP)	Annual Plan: Management and Operations
X	Any policies governing any Section 8 special housing types  ☐ Check here if included in Section 8 Administrative Plan	Annual Plan: Operations and Maintenance
N/A	Public housing grievance procedures  Check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures.  Check here if included in Section 8 Administrative Plan.	Annual Plan: Grievance Procedures
N/A	The Capital Fund/Comprehensive Grant Program Annual Statement /Performance and Evaluation Report for any active grant year.	Annual Plan: Capital Needs
N/A	Most recent CIAP Budget/Progress Report (HUD 52825) for any active CIAP grants.	Annual Plan: Capital Needs
N/A	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans, or any other approved proposal for development of public housing.	Annual Plan: Capital Needs
N/A	Self-evaluation, Needs Assessment and Transition Plan required by regulations implementing Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. See PIH Notice 99-52 (HA).	Annual Plan: Capital Needs
N/A	Approved or submitted applications for demolition and/or disposition of public housing.	Annual Plan: Demolition and Disposition
N/A	Approved or submitted applications for designation of public housing (Designated Housing Plans).	Annual Plan: Designation of Public Housing
N/A	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act, Section 22 of the US Housing Act of 1937, or Section 33 of the US Housing Act of 1937.	Annual Plan: Conversion of Public Housing
N/A	Documentation for required Initial Assessment and any additional information required by HUD for Voluntary Conversion.	Annual Plan: Voluntary Conversion of Public Housing
N/A	Approved or submitted public housing homeownership programs/plans.	Annual Plan: Homeownership
N/A	Policies governing any Section 8 Homeownership program (Section of the Section 8 Administrative Plan)	Annual Plan: Homeownership
N/A	Public Housing Community Service Policy/Programs  Check here if included in Public Housing A & O Policy	Annual Plan: Community Service & Self-Sufficiency
N/A	Cooperative agreement between the PHA and the TANF agency and between the PHA and local employment and training service agencies.	Annual Plan: Community Service & Self-Sufficiency
X	FSS Action Plan(s) for public housing and/or Section 8. The Department has an FSS exception for service area through May 2006.	Annual Plan: Community Service & Self-Sufficiency
N/A	Section 3 documentation required by 24 CFR Part 135, Subpart E for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Policy on Ownership of Pets in Public Housing Family Developments (as required by regulation at 24 CFR Part 960, Subpart G).  Check here if included in the public housing A & O Policy.	Annual Plan: Pet Policy
X	The results of the most recent fiscal year audit of the PHA conducted under the Single Audit Act as implemented by OMB Circular A-133, the results of that audit and the PHA's response to any findings.	Annual Plan: Annual Audit
N/A	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)
N/A	Consortium agreement(s) and for Consortium Joint PHA Plans Only: Certification that consortium agreement is in compliance with 24 CFR Part 943 pursuant to an opinion of counsel on file and available for inspection.	Joint Annual PHA Plan for Consortia: Agency Identification and Annual

PHA Name: TDHCA HA Code: TX901

	List of Supporting Documents Available for Review								
Applicable & On Display	Supporting Document	Related Plan Component							
		Management and Operations							

Annual Statemer	nt/Performance and Evaluation Report	*N/A	to AGENCY		
Capital Fund Pr	ogram and Capital Fund Program Replacement	t Housing			
1	PRHF) Part I: Summary				
(011/01/	in in the summing				
DIT A N	La	(T. 13)			F 1 1577
PHA Name:		rant Type and Number Capital Fund Program Gr			Federal FY of Grant:
		Replacement Housing Fa			of Grant.
Original Annual	Statement Reserve for Disasters/ Emergencies Revis				
		formance and Evalu			
Line No.	Summary by Development Account	Total Esti	mated Cost	Total Ac	tual Cost
		Original	Revised	Obligated	Expended
1	Total non-CFP Funds				
2	1406 Operations				
3	1408 Management Improvements				
4	1410 Administration				
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs				
8	1440 Site Acquisition				
9	1450 Site Improvement				
10	1460 Dwelling Structures				
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Nondwelling Structures				
13	1475 Nondwelling Equipment				
14	1485 Demolition				
15	1490 Replacement Reserve				
16	1492 Moving to Work Demonstration				
17	1495.1 Relocation Costs				
18	1499 Development Activities				
19	1501 Collaterization or Debt Service				
20	1502 Contingency				
21	Amount of Annual Grant: (sum of lines 2 – 20)				
22	Amount of line 21 Related to LBP Activities				
23	Amount of line 21 Related to Section 504				
	compliance				
24	Amount of line 21 Related to Security – Soft Costs				

Capital Fund Prog	Performance and Evaluation Report gram and Capital Fund Program Replacement RHF) Part I: Summary		to AGENCY		
PHA Name:		ant Type and Numbe			Federal FY
		pital Fund Program Greplacement Housing Fa			of Grant:
Original Annual St	atement Reserve for Disasters/ Emergencies Revise				
		ormance and Evalu			
Line No.	Summary by Development Account	Total Esti	mated Cost	<b>Total Actual Cost</b>	
		Original	Revised	Obligated	Expended
25	Amount of Line 21 Related to Security – Hard Costs				
26	Amount of line 21 Related to Energy Conservation Measures				
<b>Annual Statem</b>	ent/Performance and Evaluation Report	t			

#### Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) **Part II: Supporting Pages** PHA Name: **Grant Type and Number** Federal FY of Grant: Capital Fund Program Grant No: Replacement Housing Factor Grant No: General Description of Development **Total Estimated Cost** Total Actual Cost Status of Dev. Acct Quantity Major Work Categories Number No. Work Name/HA-Wide Activities Original Funds Funds Revised Obligated Expended

#### **Annual Statement/Performance and Evaluation Report** Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) **Part II: Supporting Pages** PHA Name: **Grant Type and Number Federal FY of Grant:** Capital Fund Program Grant No: Replacement Housing Factor Grant No: General Description of **Total Estimated Cost Total Actual Cost** Development Dev. Acct Ouantity Status of Major Work Categories Number No. Work Name/HA-Wide **Activities** Funds Funds Original Revised Obligated Expended

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part III: Implementation Schedule

PHA Name:		Capita	Type and Nur al Fund Program cement Housin	umber ram No: ing Factor No:			Federal FY of Grant:
Development Number Name/HA-Wide Activities	All Fund Obligated (Quarter Ending Date)			All Funds Expended (Quarter Ending Date)			Reasons for Revised Target Dates
	Original	Revised	Actual	Original	Revised	Actual	

## 8. Capital Fund Program Five-Year Action Plan

#### \*N/A to AGENCY

<b>Capital Fund P</b>	rogram Fiv	e-Year Action Plan			
Part I: Summai	ry				
PHA Name				Original 5-Year Plan Revision No:	
Development Number/Name/ HA-Wide	Year 1	Work Statement for Year 2	Work Statement for Year 3	Work Statement for Year 4	Work Statement for Year 5
		FFY Grant: PHA FY:	FFY Grant: PHA FY:	FFY Grant: PHA FY:	FFY Grant: PHA FY:
	Annual Statement				
CFP Funds Listed for 5-year planning					
<u> </u>					
Replacement Housing Factor Funds					

## 8. Capital Fund Program Five-Year Action Plan

Capital Fur	nd Program Five-Y	Year Action Plan					
Part II: Sup	porting Pages—V	Vork Activities					
Activities		tivities for Year:		Acti	ivities for Year:		
for		FFY Grant:		FFY Grant:			
Year 1		PHA FY:			PHA FY:		
	Development	Major Work	<b>Estimated Cost</b>	Development	Major Work	Estimated	
	Name/Number	Categories		Name/Number	Categories	Cost	
See							
Annual							
Statement							
<u> </u>							
	Total CFP Estimated	Cost	\$			\$	

## 8. Capital Fund Program Five-Year Action Plan

	Capital Fund Program Five-Year Action Plan									
Part II: Supporting	Activities for Year:	ctivities —	Ac	Activities for Year:						
	FFY Grant: PHA FY:			FFY Grant: PHA FY:						
Development Name/Number	Major Work Categories	Estimated Cost	Development Name/Number	Major Work Categories	Estimated Cost					
Total CFP Est	timated Cost	\$			\$					

## COMMUNITY AFFAIRS DIVISION SECTION 8 PROGRAM

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Approval of Section 8 Payment Standards for Housing Choice Vouchers.

#### **Required Action**

Staff recommends approval of these Section 8 Payment Standards for Housing Choice Vouchers in accordance with 24 CFR Section 982.503.

#### **Background**

The U.S. Department of Housing and Urban Development (HUD) at 24 CFR 982.503, requires Public Housing Authorities (PHAs), such as the Texas Department of Housing and Community Affairs (TDHCA), to adopt a payment standard schedule that establishes voucher payment standard amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. HUD requires the governing board of TDHCA to adopt payment standards annually. The PHA must establish payment standard amounts for each "unit size," defined as the number of bedrooms (one-bedroom, two-bedrooms, etc.) in each housing unit.

TDHCA, operating as a PHA, may establish the payment standard amount at any level between 90 percent and 110 percent of the published FMR for that unit size. TDHCA operates its Housing Choice Voucher Program in 37 counties. Staff recommends establishing its payment standard at 100 percent of FMR for 33 of those counties and 110 percent of FMR for the remaining 4 counties. Of the 37 counties in which we provide Section 8 housing assistance, 19 counties will remain at 100% of FMR, 14 will increase from 90% to 100% of FMR, 2 counties will increase from 90% to 110 % of FMR, and 2 counties will increase from 100% to 110 % of FMR.

Staff recommends the increase in the payment standards because the FMRs published by HUD decreased uniformly in the counties served by TDHCA while the cost of rental housing remained static or increased. The increased payment standards will allow current tenants to continue to afford the units they have selected, will help new tenants find affordable units, and should allow TDHCA to stay within the budget that we expect for fiscal year 2006. The attached Exhibit A details the TDHCA recommended payment standards.

## RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING PAYMENT STANDARD FOR SECTION 8 HOUSING CHOICE VOUCHERS

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

WHEREAS, 24 CFR Section 982.503, Voucher tenancy, states that a Public Housing Authority (PHA) must adopt a payment standard schedule that establishes voucher payment amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. The PHA must establish payment standard amounts for each "unit size."

WHEREAS, the PHA's voucher payment standard schedule shall establish a single payment standard for each unit size in an FMR area;

WHEREAS, the Department in operating as a PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR for that size unit;

WHEREAS, the payment standard amounts on the PHA schedule are used to calculate the monthly housing assistance payment for a family;

WHEREAS, the Department has reviewed the Payment Standards by geographic area, and wishes to establish a Payment Standard at 100 percent of FMR in the areas so referenced in the attached Payment Standards;

WHEREAS, the Department wishes to establish payment standards at 110 percent of FMR in the areas so referenced in the attached Payment Standards; and

WHEREAS, such Payment Standards meet the guidelines of the Federal Registers, HUD Handbooks, Notices, Transmittals, and the needs of these communities.

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

The Governing Board hereby approves and adopts the attached Section 8 Payments Standards for Housing Choice Vouchers for each jurisdiction in which the Department participates as a PHA. The Payment Standards are attached as Exhibit A.

This Resolution shall be in full force and effect from and upon their adoption. The Department shall initiate the Payment Standards effective May 1, 2006.

Written notice of the date, hour, and place of the meeting of the Board at which this Resolution was considered, and the subject of this Resolution, was furnished to the Secretary of State and posted for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; 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; 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 Texas Government Code § 2306 and Texas Register and Texas Government Code, respectively.

PASSED AND APPROVED this 20th day of March 2006.

Chair of the Governing Board
ATTEST:
Secretary to the Board

	Bedroom Size						
	REGION	0 BR	1 BR	2 BR	3 BR	4 BR	
Aransas County:							
HUD FMR	S	362	449	535	780	804	
Payment Standard		362	449	535	780	804	
% of Payment Standard		100%	100%	100%	100%	100%	
Atacosa County:							
HUD FMR	S	315	367	484	611	629	
Payment Standard		315	367	484	611	629	
% of Payment Standard		100%	100%	100%	100%	100%	
Austin County:						<b>-</b> 0.5	
HUD FMR	Н	476	477	574	762	786	
Payment Standard		476	477	574	762	786	
% of Payment Standard		100%	100%	100%	100%	100%	
Bosque County: HUD FMR	F	402	403	484	588	705	
Payment Standard	Г	402	403	484	588	705	
% of Payment Standard		100%	100%	100%	100%	100%	
Brazoria County:		10070	10070	10070	10070	10070	
HUD FMR	Н	501	559	642	885	951	
Payment Standard	11	501	559	642	885	951	
% of Payment Standard		100%	100%	100%	100%	100%	
Burnet County:							
HUD FMR	S	392	459	603	759	780	
Payment Standard		392	459	603	759	780	
% of Payment Standard		100%	100%	100%	100%	100%	
Caldwell County:							
HUD FMR	S	578	658	804	1093	1265	
Payment Standard		636	724	884	1202	1392	
% of Payment Standard		110%	110%	110%	110%	110%	
<b>Chambers County:</b>							
HUD FMR	Н	551	612	743	990	1245	
Payment Standard		551	612	743	990	1245	
% of Payment Standard		100%	100%	100%	100%	100%	
Colorado County:		207	407	40.4	(20	655	
HUD FMR	Н	387	427	484	639	657	
Payment Standard		387	427	484	639	657	
% of Payment Standard		100%	100%	100%	100%	100%	
Comanche County: HUD FMR	F	391	420	497	633	690	
Payment Standard	I'	391	420	497	633	690	
% of Payment Standard		100%	100%	100%	100%	100%	
Crockett County:		100/0	100/0	100/0	100/0	100/0	
HUD FMR	F	400	401	484	624	645	
Payment Standard		400	401	484	624	645	
% of Payment Standard		100%	100%	100%	100%	100%	

	Bedroom Size					
	REGION	0 BR	1 BR	2 BR	3 BR	4 BR
<b>Denton County:</b>						
HUD FMR	F	575	640	777	1031	1249
Payment Standard		633	704	855	1134	1374
% of Payment Standard		110%	110%	110%	110%	110%
Ellis County:						
HUD FMR	F	575	640	777	1031	1249
Payment Standard		633	704	855	1134	1374
% of Payment Standard		110%	110%	110%	110%	110%
<b>Erath County:</b>						
HUD FMR	D	390	423	528	644	664
Payment Standard		390	423	528	644	664
% of Payment Standard		100%	100%	100%	100%	100%
Falls County:		210	42.4	400	(2.1	6.45
HUD FMR	F	318	434	489	624	647
Payment Standard		318	434	489	624	647
% of Payment Standard		100%	100%	100%	100%	100%
Fort Bend County:		551	(12	7.42	000	10.45
HUD FMR	Н	551	612	743	990	1245
Payment Standard		551	612	743	990	1245
% of Payment Standard		100%	100%	100%	100%	100%
Freestone County: HUD FMR	F	318	434	489	639	659
Payment Standard	Г	318	434	489	639	659
% of Payment Standard		100%	100%	100%	100%	100%
Galveston County:		10070	10070	10070	10070	10070
HUD FMR	Н	551	612	743	990	1245
Payment Standard	11	551	612	743	990	1245
% of Payment Standard		100%	100%	100%	100%	90%
Guadalupe County:		10070	10070	10070	10070	3070
HUD FMR	S	534	590	732	975	1173
Payment Standard		534	590	732	975	1173
% of Payment Standard		100%	100%	100%	100%	100%
Hidalgo County:						
HUD FMR	S	470	517	610	731	841
Payment Standard		470	517	610	731	841
% of Payment Standard		100%	100%	100%	100%	100%
Jim Wells County:						
HUD FMR	S	324	435	484	643	664
Payment Standard		324	435	484	643	664
% of Payment Standard		100%	100%	100%	100%	100
Johnson County:						
HUD FMR	F	550	589	725	983	1105
Payment Standard		605	648	798	1081	1216
% of Payment Standard		110%	110%	110%	110%	110%

	Bedroom Size					
	REGION	0 BR	1 BR	2 BR	3 BR	4 BR
<b>Kerr County:</b>						
HUD FMR	S	486	526	592	764	787
Payment Standard		486	526	592	764	787
% of Payment Standard		100%	100%	100%	100%	100%
<b>Lee County:</b>						
HUD FMR	S	387	441	489	669	690
Payment Standard		387	441	489	669	690
% of Payment Standard		100%	100%	100%	100%	100%
<b>Limestone County:</b>						
HUD FMR	F	315	438	484	620	641
Payment Standard		315	438	484	620	641
% of Payment Standard		100%	100%	100%	100%	100%
Live Oak County:	6	22.4	400	404	615	606
HUD FMR	S	334	420	484	645	686
Payment Standard		334	420	484	645	686
% of Payment Standard		100%	100%	100%	100%	100%
Llano County:	G	400	502	661	701	014
HUD FMR	S	499	502	661	791	814
Payment Standard		499	502	661	791	814
% of Payment Standard		100%	100%	100%	100%	100%
<u>Mason County:</u> HUD FMR	F	400	401	484	624	645
Payment Standard	1	400	401	484	624	645
% of Payment Standard		100%	100%	100%	100%	100%
McLennan County:		10070	10070	10070	10070	10070
HUD FMR	F	486	486	605	757	782
Payment Standard	1	486	486	605	757	782
% of Payment Standard		100%	100%	100%	100%	100%
Medina County:		100,0	10070	10070	10070	10070
HUD FMR	S	426	473	557	666	810
Payment Standard		426	473	557	666	810
% of Payment Standard		100%	100%	100%	100%	100%
Menard County:						
HUD FMR	F	400	401	484	624	645
Payment Standard		400	401	484	624	645
% of Payment Standard		100%	100%	100%	100%	100%
Navarro County:						
HUD FMR	F	452	460	556	676	697
Payment Standard		452	460	556	676	697
% of Payment Standard		100%	100%	100%	100%	100%
Nueces County:						
HUD FMR	S	524	538	668	917	999
Payment Standard		524	538	668	917	999
% of Payment Standard		100%	100%	100%	100%	100%

	Bedroom Size						
	REGION	0 BR	1 BR	2 BR	3 BR	4 BR	
Robertson County:							
HUD FMR	Н	497	562	686	869	869	
Payment Standard		497	562	686	869	869	
% of Payment Standard		100%	100%	100%	100%	100%	
Schleicher County:							
HUD FMR	F	400	401	484	624	645	
Payment Standard		400	401	484	624	645	
% of Payment Standard		100%	100%	100%	100%	100%	
Waller County:							
HUD FMR	Н	551	612	743	990	1245	
Payment Standard		551	612	743	990	1245	
% of Payment Standard		100%	100%	100%	100%	100%	
Wharton County:							
HUD FMR	Н	388	436	484	640	660	
Payment Standard		388	436	484	640	660	
% of Payment Standard		100%	100%	100%	100%	100%	

## MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD ACTION REQUEST

March 20, 2006

#### **Action Items**

Presentation, Discussion and Possible Approval of two awards under the 2006 HOME Rental Development program.

#### **Required Action**

Approve or deny the awards of HOME Rental Development funds.

#### **Background**

In November 2005 the Department released an Open Cycle Notice of Funding Availability (NOFA) for the 2006 HOME Rental Development Program. The NOFA made available approximately \$5,000,000 in HOME funds for qualified applicants to develop affordable rental housing. The NOFA also included a set-aside for At-Risk Preservation developments of approximately \$2,000,000. The nature of the Open Cycle allows applications to be submitted at any time to allow the funds to be used in conjunction with other existing programs. Applications are reviewed and processed on a first-come, first-served basis.

As of March 1, 2006, the Department has received fourteen applications, in response to this NOFA, and is presenting two of those applications to the Board at this time. These two applications have passed the Department's threshold criteria review process. If the Board approves these two applications, the remaining balance of the NOFA will be \$2.6 million.

The Department will continue to accept applications for the program until all available funding has been awarded or until August 31, 2006, the end date posted in the NOFA. A report reflecting the status of all applications is included with this presentation.

#### **Recommendations**

#### #060401 - Northwest Residential

The Department received an application on December 12, 2005 from Northwest Residential, L.P. for the Northwest Residential Apartments located in Georgetown, Williamson County, Texas. The development includes the new construction of 180 units targeted to persons who are elderly. The income set-asides for the property reserve 50% of the units for households earning 60% or less of the Area Median Income, and 50% of the units for households earning 50% or less of the Area Median Income. The development will be jointly financed with mortgage revenue bonds, 4% housing tax credits and HOME funds from the Department. The HOME portion of the application is being presented prior to the receipt of a reservation of allocation due to the preliminary HOME requirements (site and neighborhood review and environmental review) and the time constraints associated with bond and 4% HTC transactions. The applicant anticipates receiving the reservation soon.

Staff recommends that the Board approve a conditional award of \$1,950,000 in HOME Rental Development funds for the Northwest Residential Apartments. The applicant will have 120 days to receive the Board's approval of the full application with 4% Housing Tax Credits or the commitment of funds will expire and the funds will be returned to the HOME Rental Development program pool. The commitment of funds will be conditioned on the final determination and underwriting conditions by the Department's Real Estate Analysis Division and the Board's final approval. The applicant will not be able to close on the HOME loan and draw any funds until the final approval of the Board. If approved, the award will be proposed as a 40 year, 1% interest fully amortizing loan.

#### #060008 – Hayden Ridge Apartments, Phase II

The Department received an application on December 20, 2005 from Affordable Elderly Housing of Texas for the Hayden Ridge Apartments located in Granbury, Hood County, Texas. This award includes the new construction of eight (8) units targeted to persons who are elderly. The income set-asides for units will be 100% for households earning 50% or less of the Area Median Income. The development will be located on the same site of an existing fifteen (15) unit complex. Both phases of the development will have been financed by HOME funds from the Department.

Staff recommends that the Board approve an award of \$420,000 in HOME Rental Development funds to Affordable Elderly Housing of Texas for the Hayden Ridge Apartments. The award will be made in the form of a 30 year, 0% interest fully amortizing loan and including any conditions of the underwriting report from the Real Estate Analysis Division.

## HOME Rental Development Pipeline Report

Thursday, March 09, 2006 9:16 AM

App # Received Date + Time	Project Name Applicant Name	HOME Genera	HTC 9% HTC 4	% HTF CHDO	Activity Funds CHDO Oper	Application Phase Application Status
060401 12/13/2005 9:11:00 AM	Northwest Residential Northwest Residential LP				\$1,950,000 \$0	Threshold Review Under Review
060008 12/20/2005 2:00:00 PM	Hayden Ridge Apartments Phase II Affordable Elderly Housing of Texas				\$420,000 \$0	Threshold Review Under Review
060022 2 /1 /2006  1:38:00 AM	Crestmoor Park West Apartments Crestmoor Park West Apartments				\$1,162,885 \$0	Threshold Review Under Review
060103 2 /6 /2006 2:58:00 PM	Wild Horse Commons Kingsville DMA Housing, L.P.	<b>&gt;</b>			\$255,600 \$0	Threshold Review Under Review
060208 2 /7 /2006 1:10:00 PM	Gardens of Gatesville, LP Gardens of Gatesville, LP	<b>Y</b>			\$225,000 \$0	Threshold Review Under Review
060207 2 /7 /2006 1:10:00 PM	Gardens of Burkburnett, LP Gardens of Burkburnett, LP				\$225,000 \$0	Threshold Review Under Review
060206 2 /7 /2006 1:10:00 PM	Gardens of Mabank, LP Gardens of Gatesville, LP	<b>V</b>			\$225,000 \$0	Threshold Review Under Review
060243 2 /23/2006 3:11:00 PM	HVM Zapata II, Ltd HVM Zapata II, Ltd.	<b>Y</b>			\$207,040 \$0	Threshold Review Under Review
060084 2 /24/2006  1:59:00 AM	El Paraiso Apartments HVM Edcouch III, Ltd.	<b>V</b>			\$143,525 \$0	Threshold Review Under Review
060163 2 /24/2006 3:38:00 PM	Villas of Karnes City Karnes City Villas, LP	<b>Y</b>			\$350,000 \$0	Threshold Review Under Review
060102 2 /28/2006 4:18:00 PM	Prospect Point BETCO-Jasper Housing, L.P.	<b>&gt;</b>			\$255,000 \$0	Threshold Review Under Review
060218 3 /1 /2006   0:59:00 AM	Cross Plains Senior Village Cross Plains-Charger Properties LP	<b>V</b>			\$726,000 \$0	Threshold Review Under Review
060121 3 /1 /2006 1:20:00 PM	LULAC Amistad Apartments TX LULAC Amistad Housing, L.P.		<b>✓</b> □		\$170,000 \$0	Threshold Review Under Review

Thursday, March 09, 2006 Page 1 of 2

App #	Project Name	HOME HTC 9% HTC 4% HTF	<b>Activity Funds</b>	Application Phase
Received Date + Time	Applicant Name	General At-Risk CHDO	CHDO Oper	Application Status
060112	Evergreen at Tyler		\$351,000	Threshold Review
3 /1 /2006 2:38:00 PM	1 Tyler Senior Community, L.P.		\$0	Under Review

Thursday, March 09, 2006 Page 2 of 2

### MULTIFAMILY FINANCE PRODUCTION DIVISION BOARD ACTION REQUEST

March 20, 2006

#### **Action Items**

Presentation, Discussion and Possible Approval of HOME CHDO Rental Development and CHDO Operating funds to Affordable Housing of Parker County.

#### **Required Action**

Approve or deny the award of \$358,800 in HOME CHDO Rental Development funds and \$16,000 in HOME CHDO Operating funds to Affordable Housing of Parker County for the Family Estates of Bridgeport #05265.

#### **Background**

The Department received an application for HOME CHDO Rental Development funds from Affordable Housing of Parker County in August 2005, under the 2005 HOME CHDO Open Cycle Notice of Funding Availability (NOFA) for Rental Development. The application has been reviewed for CHDO certification, threshold criteria and underwriting.

The Development is located in Bridgeport, Wise County, Texas. The application involves the final phase of a multifamily development that will include 56 total units when completed. This final phase includes 6 units of general population housing. The development site includes a community room, activity center, sport courts and onsite management office.

The Development was delayed during the threshold review process because of Fair Housing concerns raised by staff. These concerns stem from the inclusion of 30 units of housing set-aside for persons who are elderly which are already part of the existing development. After consulting with the U.S. Department of Housing and Urban Development's (HUD) Fair Housing and Equal Opportunity director in Fort Worth, staff has determined that while the risk of Fair Housing complaints may be greater in Intergenerational housing developments, as long as the proper protocols are followed by the applicant, violations can be avoided. Staff also requested that the applicant re-design the final phase to include 1 and 2 bedroom units that can be rented to smaller households to further mitigate the risk of Fair Housing complaints.

The Department will be the sole lender in this transaction and will provide HOME CHDO funds for construction and permanent financing. Staff reviewed the application for consistency with all applicable federal and state regulations, and confirmed the application's consistency with all of the Department's threshold criteria. Staff would like to note that the Applicant has previous experience with the Department's programs and has a satisfactory compliance history. The Department previously funded three of the four existing phases.

The total HOME CHDO funds that were available under this NOFA were \$5 million. If the Board approves this award, the remaining balance will be zero.

#### Recommendation

Staff recommends that the Board approve an award of \$358,800 in HOME CHDO Rental Development funds along with \$16,000 in HOME CHDO Operating funds to Affordable Housing of Parker County for the Family Estates of Bridgeport. The award will be made as a 30 year, 0% interest fully amortizing loan. Additional conditions are detailed in the underwriting report.

#### **BOND FINANCE DIVISION**

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

Prospective Single Family Mortgage Revenue Bond Issues and Programs for 2006

#### **Required Action**

Approval of Prospective Single Family Mortgage Revenue Bond Issues and Programs for 2006

#### **Background**

Bond Finance recommends executing multiple transactions with the goal of allocating TDHCA's total 2006 volume cap in calendar year 2006. This strategy will minimize the Department's exposure to interest rate risk, mitigate negative arbitrage costs, provide more flexibility for incorporating innovative bond structures and mortgage products, and facilitate administrative planning. Other benefits include a continuous availability of mortgage funds and availability of funds with consistently competitive mortgage rates given the existing low level of interest rates.

As a result of the various bond structures recently implemented, TDHCA has experienced high demand for its 4.99% unassisted mortgage loan funds generated via the tax-exempt capital markets. The table below highlights these recent trends.

Series	Program	Approximate Amount Reserved	Time Period	Amount Available
2004 AB	61	\$81 million	2 months	\$ 0
2004 CD	62	\$57 million	3 months	\$ 0
2005 A	62 A	\$80 million	4 months	\$ 0

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

Issue Date	Approximate Amount (Lendable Proceeds)	Recommended Senior Manager
June 2006	\$121,250,000	Citigroup Global Markets
July 2006	\$60,000,000	Not Applicable
November 2006	\$121,680,000	UBS Financial Services
April - June 2007	To Be Determined	Bear Stearns

Bond Finance may recommend revisions to the schedule contingent upon market conditions.

#### **Recommendation**

Approve the proposed single family bond schedule as reflected in the above table

# Texas Department of Housing and Community Affairs Bond Finance Division 2006 Prospective Bond Issues \* (Lendable Proceeds Only)

	January 1, 2006 Balance	Volume Cap Issued	Volume Cap Balance	Volume Cap Issued	Volume Cap Balance	Volume Cap Issued	Volume Cap Balance	Volun Issi	ne Cap Volume Cap ued Balance
2006 Volume Cap	\$ 170,687,761	\$ - \$	170,687,761	\$ 60,000,000 \$	110,687,761	\$ 110,687,7	61 \$ -	\$	- \$ -
CP Series A	\$ 75,000,000	\$ 64,000,000 \$	11,000,000	\$ - \$	11,000,000	\$ 11,000,0	00 \$ -	\$	- \$ -
CP Series C	\$ 57,250,000	\$ 57,250,000 \$	<u> </u>	\$ - \$	<u>-</u>	\$ -	\$ -	\$	- \$ -
Total	\$ 302,937,761	\$ 121,250,000 \$	181,687,761	\$ 60,000,000 \$	121,687,761	\$ 121,687,70	1 \$ -	\$	- \$ -

Series	SFMRB 2006 Series A		2006 MCC Program		SFMRB 2006 Series B		SFMRB 2007 Series A					
Par Amount of Bonds Issued	\$121,250,000		Not Applicable		\$121,680,000		To Be Determined					
Month	Mar-06	May-06	Jun-06	Apr-06	May-06	Jul-06	Jul-06	Oct-06	Nov-06	Mar-07	May-07	Jun-07
Activities	Authorization, Documents	Pricing	Closing	Authorization, Request Volume Cap	Public Notice, Documents	Issue MCCs	Authorization, Documents	Pricing	Closing	Authorization, Documents	Pricing	Closing
Senior Manager	C	itigroup Global Mark	ets, Inc.	Not Applicable		UBS Financial Services, Inc.			Bear Stearns			
Co-Senior Manager		Goldman, Sachs &	Co.	Not Applicable		Lehman Brothers			George K. Baum			
Co-Managers	A.G. Edwards & Sons, Inc. First Southwest Company Samuel A. Ramirez & Co. Siebert Brandford Shank		Not Applicable		Bank of America Securities LLC Loop Capital Markets, LLC Merrill Lynch & Co. Morgan Kegan & Company, Inc.		To Be Determined					

#### **BOND FINANCE DIVISION**

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Items**

Preliminary Approval of Single Family Mortgage Revenue Bonds, 2006 Series A and 2006 Series B for Program 66

#### **Required Action**

Preliminary Approval of Single Family Mortgage Revenue Bonds, 2006 Series A and 2006 Series B for Program 66

#### **Background**

TDHCA's annual volume cap allocation in 2005 for single family bonds equaled \$167,925,498. In December 2005, TDHCA issued commercial paper that deferred approximately \$44 million of its 2005 volume cap to 2006 for the origination of additional mortgages. TDHCA has depleted its current balance of mortgage funds available for very low, low and moderate income Texans seeking to purchase their first home. Bond Finance recommends issuing TDHCA's next single family bond issue to refund various commercial paper series and outstanding bonds and provide funds for additional assisted and unassisted mortgages.

Interest rates remain at historically low levels. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Bond Finance may recommend that TDHCA issue a portion of the transaction, approximately 30% to 50%, in the form of *variable rate demand bonds*. In order to reduce interest rate exposure associated with unhedged variable interest rates that change according to market conditions, Bond Finance recommends implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly rated counterparty a fixed interest rate. In exchange, the highly rated counterparty will pay TDHCA a variable interest rate which is reasonably expected to be similar to the variable interest rate TDHCA will pay on the variable rate demand bonds. An interest rate swap contract is a derivative instrument.

Bond Finance successfully incorporated TDHCA's first variable rate demand bonds and an interest rate swap for 30% of the transaction total in TDHCA's March 2004 issue and for 40% of TDHCA's October 2004 issue. The most recent bond transaction with lendable proceeds, Series 2005 A, was comprised entirely of variable rate demand bonds. The Series 2005 A structure, which incorporated a matched amortization interest rate swap hedge, may not produce the same debt service benefits as in the previous transaction as a result of recent increases in interest rates.

Bond Finance is also examining the feasibility of purchasing an "interest rate cap" to hedge interest rate exposure created by variable rate bonds. An interest-rate cap is a contract that protects the buyer ("holder") from rises in short-term interest rates. The contract requires a highly rated counterparty to make a payment to the holder when an underlying interest rate (the "index" or

"reference" interest rate) exceeds a specified strike rate (the "cap rate"). This arrangement creates an interest rate ceiling or maximum, thereby limiting exposure to rising interest rates to a predetermined level. An interest rate cap contract is a derivative instrument.

The table below reflects several structuring options available under current market conditions.

Scenario *	1	2	3
Bond Structure	100% Fixed Rate Bonds	100% Fixed Rate Bonds and Refunding Bonds	60% Fixed Rate Bonds, 40% Variable Bonds and Refunding Bonds
Unassisted Mortgage Rate	5.58%	5.32%	5.07%
Assisted Mortgage Rate	6.17%	5.82%	5.57%

<sup>\*</sup> Preliminary, subject to change. All scenarios include \$4.5 million in zero percent buydown funds.

The current market mortgage rate for a Texas FHA mortgage loan with two points equals 5.75%. Program 66's mortgages will be securitized and will be marketed to very low and moderate income residents of Texas. If authorized, the bonds are expected to be sold in May and the bond closing will occur approximately three to four weeks subsequent to the bond pricing.

Continuing with the senior manager rotation plan, Bond Finance recommends Citigroup Global Markets Inc. as senior manager for this issuance of TDHCA's remaining 2005 state volume cap balance. In keeping with TDHCA's policy of rotating firms in the co-senior and co-manager pool, Bond Finance recommends the following firms and roles for this transaction:

Firm	Role
Goldman, Sachs & Co.	Co-Senior
A.G. Edwards & Sons, Inc.	Co-Manager
First Southwest Company	Co-Manager
Samuel A. Ramirez & Co.	Co-Manager
Siebert Brandford Shank	Co-Manager

#### Recommendation

Preliminary Approval of Single Family Mortgage Revenue Bonds, 2006 Series A and 2006 Series B for Program 66

### **Transaction Overview**

Program Designation	Program 66
Bond Indenture	Single Family Mortgage Revenue Bond Indenture
2005 Volume Cap	\$165,151,534
2006 Volume Cap	\$170,687,761 (Will issue later in 2006)
Commercial Paper Series A Refunding (Refunded by SFMRB 2006 Series B)	\$75,000,000 (Prepayment Recycling)
Commercial Paper Series C Refunding (Refunded by SFMRB 2006 Series A)	\$57,250,000 (Remainder of 2005 Volume Cap plus recycled mortgage prepayments)
Assisted Funds	\$39,675,000 (Very Low Income Reservation)
Unassisted Funds	\$92,575,000
Total Approximate Lendable Proceeds	\$132,250,000
Very Low Income Reservation (1 year - 30% of 2006 Series A and Series B Lendable Proceeds)	\$39,675,000
Down Payment Assistance (%)	5% (For Very Low Income Reservation Only)
Possible Refunding Candidates	SFMRB 1996 Series A and 1996 Series D - E
Approximate Refunding Amount	\$54,120,000
Total Tax-exempt Issuance Amount	\$186,370,000
Zero Participation Funds Available	\$4.5 million

## **Transaction Timetable \***

Activity	Key Dates
TDHCA Preliminary Approval	March 20, 2006
TDHCA Approval Date	May 4, 2006
Bond Review Board Notice of	April 26, 2006
Intent Due	1 /
Bond Review Board	May 2, 2006
Application Due	1 <b>v1a</b> y 2, 2000
Bond Review Board Planning	May 9, 2006
Session	Way 9, 2000
Bond Review Board Approval	May 19, 2006
Date	May 18, 2006
Driving Window	May 22, 2006 –
Pricing Window	June 2, 2006
Pre-Closing/Closing Dates	June 28/29, 2006

<sup>\*</sup> Timetable preliminary and subject to change

## **Mortgage Pipeline Information**

Current lendable proceeds in existing programs as of March 1, 2006

Program Number	Current Allocation	Rate	Committed/ In Pipeline	Loans Purchased	Uncommitted Allocation	Targeted Area Balances
59	\$44,891,390	5.30%- 5.99%	\$1,586,187	\$43,049,867	\$255,336	
59A	71,056,914	4.99%- 5.99%	1,455,219	69,511,213	90,482	
61	175,865,983	4.99%- 5.50%	37,176,279	138,662,197	27,507	
62	71,600,000	4.99%	15,348,849	56,201,151	50,000	
62A	102,164,092	4.99%	37,495,525	50,837,939	13,830,628	\$ 13,830,628
TOTAL:	\$465,578,379		\$93,062,059	\$358,262,367	\$14,253,953	

#### **BOND FINANCE DIVISION**

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Items**

Amendment to Resolution 05-024 authorizing conversion of assisted loans to low rate, zero point mortgage loans (a program modification) for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B (Program 61); The new resolution clarifies the type of mortgages eligible for purchase by the trustee.

#### **Required Action**

Approval of Resolution Amendment for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B (Program 61)

#### **Background**

TDHCA closed its Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B (Program 61) on April 28, 2004. At TDHCA's April 7, 2005 board meeting, Bond Finance and Single Family Production recommended converting Program 61's remaining assisted funds to "zero point" mortgage loan funds. This new mortgage program offering, mortgage loans with no points and a low rate, provided a new mortgage loan option for borrowers accessing TDHCA's First Time Home Buyer Program. The zero point option was offered at a time of low demand for TDHCA's assisted funds. The Board approved the recommendation.

Bond Finance recommends amending Resolution 05-024 to state that Program 61's funds may be used to purchase assisted, unassisted and zero point loans. This amendment clarifies the type of mortgage loans eligible for purchase by the trustee. Significantly all of Program 61's funds have been originated. The following table reflects Program 61's current status.

Type of Funds	Original Allocation	Rate	Committed/ In Pipeline	Loans Purchased	Uncommitted Allocation
Unassisted	\$75,732,965	4.99%	\$1,121,050	\$74,611,712	\$203
Assisted	\$95,228,406	5.50%	\$33,751,653	\$61,473,253	\$3,500
Zero Point Loans	\$4,904,612	5.50%	\$2,324,841	\$2,577,232	\$2,539
Total All Funds:	\$175,865,983		\$37,197,544	\$138,662,197	\$6,242

#### Recommendation

Approval of Resolution Amendment for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B (Program 61)

#### Resolution No. 06-006

RESOLUTION APPROVING PROGRAM MODIFICATIONS FOR TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE BONDS, 2004 SERIES A AND 2004 SERIES B THROUGH BOND PROGRAM NO. 61; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Department has issued its (i) Single Family Mortgage Revenue Refunding Bonds, 2004 Series A in the original aggregate principal amount of \$123,610,000 pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as amended and supplemented, the "Single Family Indenture"), between the Department, as successor to the Texas Housing Agency, and J.P. Morgan Trust Company, National Association, as successor trustee (the "Trustee"), and the Thirty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004 (the "Thirty-Sixth Supplement") between the Department and the Trustee, and its (ii) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B in the original aggregate principal amount of \$53,000,000 pursuant to the Single Family Indenture and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004 between the Department and the Trustee, for the purpose, among others, of providing funds to make to implement the Department's Single Family Mortgage Revenue Bond Program designated as Bond Program No. 61 (the "Program"); and

WHEREAS, the Department has issued its Taxable Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A pursuant to the Junior Lien Trust Indenture dated as of May 1, 1994, as amended by the Fourth Supplemental Junior Lien Trust Indenture (Series Supplement 2004A) dated as of April 1, 2004, each between the Department and the Trustee, for the purpose, among others, of financing down payment and closing cost assistance (hereinafter referred to as "Mortgage Assistance") under the Program; and

WHEREAS, the Department and certain mortgage lenders (the "Mortgage Lenders") have executed a Mortgage Origination Agreement, as supplemented by a Program Supplement for Texas Department of Housing and Community Affairs Bond Program No. 61 (collectively, the "Program Agreement") for the purpose of setting forth the terms and conditions relating to the origination and sale from time to time of qualifying mortgage loans (the "Mortgage Loans") by the Mortgage Lenders and the financing of such Mortgage Loans by the Department under the Program; and

WHEREAS, pursuant to Resolution No. 04-070 adopted on September 9, 2004, the Board approved the conversion of Mortgage Assistance under the Program from a non-forgivable, second lien loan to a grant that does not require repayment; and

WHEREAS, pursuant to Resolution No. 05-024 adopted on April 7, 2005, the Board approved the reduction of the amount of Mortgage Assistance available to qualified eligible borrowers from 4.0% of the principal amount of the Mortgage Loan to 2.0% of the principal amount of the Mortgage Loan and the discontinuing of collection by the Mortgage Lenders of the 1.0% Origination Fee and the 1.0% Buyer/Seller Points on Mortgage Loans that include Mortgage Assistance under the Program (hereinafter referred to as "Assisted Mortgage Loans"); and

WHEREAS, the Board now desires to further modify the Program by (i) providing that funds remaining under the Program that are available for the origination of Mortgage Loans shall be offered to qualified eligible borrowers for (A) Mortgage Loans that bear interest at 5.50% per annum with Mortgage Assistance in an amount equal to 4.0% of the principal amount of the Mortgage Loan, with a 1.0% Origination Fee collected by the Mortgage Lenders and Buyer/Seller Points equal to 1.0% on the Mortgage Loan, or (B) Mortgage Loans that bear interest at 4.99% per annum with Mortgage Assistance in an amount equal to 2.0% of the principal amount of the Mortgage Loan, but with no Origination Fee or Buyer/Seller Points to be collected on the Mortgage Loan, and (ii) approving the execution and delivery of all documents and instruments necessary to effect such modifications;

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

#### ARTICLE I

#### APPROVAL OF DOCUMENTS

Section 1.1—Approval of Program Modifications. The modification of the Program to offer the remaining funds available for the origination of Mortgage Loans to qualified eligible borrowers for either (i) Mortgage Loans that bear interest at 5.50% per annum with Mortgage Assistance in an amount equal to 4.0% of the principal amount of the Mortgage Loan, with a 1.0% Origination Fee collected by the Mortgage Lenders and Buyer/Seller Points equal to 1.0% on the Mortgage Loan, or (ii) Mortgage Loans that bear interest at 4.99% per annum with Mortgage Assistance in an amount equal to 2.0% of the principal amount of the Mortgage Loan, but with no Origination Fee or Buyer/Seller Points to be collected on the Mortgage Loan, is hereby approved, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments necessary to effect such modifications, including amendments to the Thirty-Sixth Supplement and the Program Agreement.

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

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

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#### ARTICLE II

#### GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the offering of Mortgage Loans under the Program that bear interest at 5.50% per annum with Mortgage Assistance in an amount equal to 4.0% of the principal amount of the Mortgage Loan, with a 1.0% Origination Fee collected by the Mortgage Lenders and Buyer/Seller Points equal to 1.0% on the Mortgage Loan, or Mortgage Loans that bear interest at 4.99% per annum with Mortgage Assistance in an amount equal to 2.0% of the principal amount of the Mortgage Loan, but with no Origination Fee or Buyer/Seller Points to be collected on the Mortgage Loan, will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

<u>Section 2.2--Effective Date</u>. This Resolution shall be in full force and effect from and upon its adoption.

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

(EXECUTION PAGE FOLLOWS)

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#### PASSED AND APPROVED this 20th day of March, 2006.

	Chair, Governing Board	
ATTEST:		
Secretary to the Governing Board		
(07.17.)		
(SEAL)		

#### **BOND FINANCE DIVISION**

#### BOARD ACTION REQUEST March 20, 2006

#### **Action Item**

The Department's Investment Policy requires the Board to review the policy at least annually and approve any amendments.

#### **Required Action**

Approval of Investment Policy.

#### **Background**

The Public Funds Investment Act (PFIA) requires State Agency Boards, with investments, to develop and maintain an Investment Policy that outlines the purpose of investments, the types of permissible investments, designation of an Investment Officer, selection of a reporting format and frequency, and required training for both Investment Officers and Board Members. TDHCA Staff has reviewed the current policy after considering changes in the latest version of the PFIA. The authorized investment section of the investment policy has been updated to reflect revisions regarding certificate of deposit investments. The PFIA now permits investments in certificates of deposit offered by institutions headquartered outside Texas.

At this time, no other material changes or amendments to this policy are recommended.

#### Recommendation

Approval of Investment Policy.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## **INVESTMENT POLICY**

As approved by the Board on March 20, 2006 February 10, 2005

**20056** 

February 10, 2005 March 20, 2006

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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#### INVESTMENT POLICY

## I. POLICY

It is the policy of the Texas Department of Housing and Community Affairs (the "Department") to invest public funds in a manner which will provide by priority the following objectives:

- 1. safety of principal;
- 2. sufficient liquidity to meet Department cash flow needs;
- 3. a market rate of return for the risk assumed; and
- 4. conformation to all applicable state statutes governing the investment of public funds including the Department's enabling legislation, Texas Government Code, Section 2306, Texas Government Code, Section 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, and specifically Texas Government Code, Section 2256, the Public Funds Investment Act (the "Act").

## II. SCOPE

This investment policy applies to all investment assets of the Department. These funds are accounted for in the Department's Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

This investment policy does not apply to hedges, which include but are not limited to, interest rate swaps, caps, floors, futures contracts, forward contracts, etc., that satisfy the eligibility requirements of a "qualified hedge" as defined by Section 1.148-4(h)(2) of the Internal Revenue Code.

The Department has created and adopted a separate Interest Rate Swap Policy for guidance regarding the use and management of interest rate swaps and similar derivative transactions.

## III. PRUDENCE

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence would exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment officer named herein shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

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## IV. OBJECTIVES

The following are the primary objectives of investment activities in order of priority:

- 1. <u>Safety</u>. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:
    - limiting investments to the safest types of securities;
    - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Department will do business; and
    - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:
    - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
    - investing operating funds primarily in shorter-term securities.
- 2. <u>Liquidity</u>. The Department's investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
- 3. <u>Yield</u>. The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds is of less importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - A declining credit security could be sold early to minimize loss of principal;
  - A security swap would improve the quality, yield, or target duration in the portfolio; or
  - Liquidity needs of the portfolio require that the security be sold.

## V. DELEGATION OF AUTHORITY

The Board establishes investment policy and objectives, obtains expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitors the actions of staff and advisors to ensure compliance with its policy. It is the Board's intention that this policy be carried out by those persons who are qualified and competent in their area of expertise.

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director of the Department to the Chief of Agency Administration and the Director of Bond Finance and the Director of Financial Administration acting in those capacities (collectively the "Investment Officer") who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

## VI. ETHICS AND CONFLICTS OF INTEREST

- 1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:
  - Texas Government Code, Section 825.211, Certain Interests in Loans, Investments or Contracts Prohibited
  - Texas Government Code, Section 572.051, Standards of Conduct for Public Servants
  - Texas Government Code, Sections 553.001-003, Disclosure by Public Servants of Interest in Property Being Acquired by Government
  - Texas Government Code, Section 552.352, Distribution of Confidential Information
  - Texas Government Code, Section 572.054, Representation by Former Officer or Employee of Regulatory Agency Restricted
  - Texas Penal Code, Chapter 36, Bribery, Corrupt Influence and Gifts to Public Servants
  - Texas Penal Code, Chapter 39, Abuse of Office, Official Misconduct.

The omission of any applicable statute from this list does not excuse violation of its provisions.

- 2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.
- 3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.
  - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
  - Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department's investment portfolio.
  - Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:

- \* Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's official duties or that the employee knows or should know is being offered him/her with the intent to influence the employee's official conduct;
- \* Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
- \* Accept other employment or compensation which could reasonably be expected to impair the officer's or employee's judgment in the performance of his/her official duties;

(An employee whose employment is involved in a competitive program of the Department must immediately disclose the acceptance of another job in the same field. The disclosure must be made to either the employee's immediate supervisor or to the Executive Director. The Executive Director must be notified in all cases. Failure to make the required disclosure may result in the employee's immediate termination from the Department.)

\* Make personal investments which could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; and

(A Department employee may not purchase Department bonds in the open secondary market for municipal securities.)

- \* Intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised the employee's official powers or performed his/her official duties in favor of another.
- 4. Department employees and Board members may not use their relationship with the Department to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of the Department as a reference or the communication to others of the fact that a relationship with the Department exists, provided that no misrepresentation is involved.
- 5. Department employees and Board members who have a personal business relationship with a business organization offering to engage in an investment transaction with the Department shall file a statement disclosing that personal business interest. An individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and the Department's Board. For purposes of this policy, an individual has a personal business relationship with a business organization if:
  - the individual owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
  - funds received by the Investment Officer from the business organization exceed 10 percent of the individual's gross income from the previous year; or
  - the individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

## VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Department (in conjunction with the State Comptroller) will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness (\$10,000,000 minimum capital requirement and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read the Department's investment policy and depository contracts.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Department invests.

With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

# VIII. ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISORS AND SERVICE PROVIDERS

During the 78<sup>th</sup> Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* ("Chapter 2263"). Chapter 2263, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. Chapter 2263 became effective September 1, 2003. Each state governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

<u>Applicability</u>. Chapter 2263 applies in connection with the management or investment of any state funds managed or invested:

- (1) under the Texas Constitution or other law, including Chapter 404, State Treasury Operations of Comptroller, and Chapter 2256, Public Funds Investment; and
- (2) by or for:
  - (A) a public retirement system as defined by Section 802.001 that provides service retirement, disability retirement, or death benefits for officers or employees of the state;

- (B) an institution of higher education as defined by Section 61.003, Education Code; or
- (C) another entity that is part of state government and that manages or invests state funds or for which state funds are managed or invested.

Chapter 2263 applies in connection with the management or investment of state funds without regard to whether the funds are held in the state treasury.

Chapter 2263 does not apply to or in connection with a state governmental entity that does not manage or invest state funds and for which state funds are managed or invested only by the comptroller.

<u>Definition</u>. With respect to this Chapter 2263, "financial advisor or service provider" includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

<u>Construction With Other Law</u>. To the extent of a conflict between Chapter 2263 and another law, the law that imposes a stricter ethics or disclosure requirement controls.

Ethics Requirements For Outside Financial Advisors Or Service Providers. The governing body of a state governmental entity by rule shall adopt standards of conduct applicable to financial advisors or service providers who are not employees of the state governmental entity, who provide financial services to the state governmental entity or advise the state governmental entity or a member of the governing body of the state governmental entity in connection with the management or investment of state funds, and who:

- (1) may reasonably be expected to receive, directly or indirectly, more than \$10,000 in compensation from the entity during a fiscal year; or
- (2) render important investment or funds management advice to the entity or a member of the governing body of the entity, as determined by the governing body.

A contract under which a financial advisor or service provider renders financial services or advice to a state governmental entity or other person as described immediately above, in regard to compensation or duties, is voidable by the state governmental entity if the financial advisor or service provider violates a standard of conduct adopted under this section.

In addition to the disclosures required by Chapter 2263 and described below, the Department will rely upon financial advisors and service providers' submission of an Acknowledgement of Receipt of Investment Policy and Certificate of Compliance with the Public Funds Investment Act forms to evidence compliance with the Department's code of conduct and procedures as related to investments.

<u>Disclosure Requirements For Outside Financial Advisor Or Service Provider</u>. A financial advisor or service provider described by Section 2263.004 shall disclose in writing to the administrative head of the applicable state governmental entity and to the state auditor:

- (1) any relationship the financial advisor or service provider has with any party to a transaction with the state governmental entity, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the state governmental entity, if a reasonable person could expect the relationship to diminish the financial advisor's or service provider's independence of judgment in the performance of the person's responsibilities to the state governmental entity; and
- (2) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the state governmental entity, if the transaction is connected with

any financial advice or service the financial advisor or service provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds.

The financial advisor or service provider shall disclose a relationship described by the immediately preceding subsections (1) or (2) without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

A financial advisor or service provider described by Section 2263.004 shall file annually a statement with the administrative head of the applicable state governmental entity and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (a) or, if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

The annual statement must be filed not later than April 15 on a form prescribed by the governmental entity, other than the state auditor, receiving the form. The statement must cover the reporting period of the previous calendar year. The state auditor shall develop and recommend a uniform form that other governmental entities receiving the form may prescribe. The Department's disclosure form is provided as Attachment E.

The financial advisor or service provider shall promptly file a new or amended statement with the administrative head of the applicable state governmental entity and with the state auditor whenever there is new information to report related to the immediately preceding subsections (1) or (2).

<u>Public Information</u>. Chapter 552, Government Code, controls the extent to which information contained in a statement filed under this chapter is subject to required public disclosure or excepted from required public disclosure.

## IX. AUTHORIZED AND SUITABLE INVESTMENTS

General, Special Revenue and Trust and Agency Funds, all of which are on deposit with the State Treasury (specifically excluding Enterprise Funds), are invested by the Treasury pursuant to Texas Government Code, Section 404.024 and Article 5221(f), Subsection 13A(d) as amended relating to Manufactured Housing.

## Enterprise Fund

- 1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including "Investment Securities" as listed in such Indenture and so defined.
- 2. All other enterprise funds (non-bond proceeds) shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:
  - A. Obligations of or guaranteed by governmental entities:
    - Obligations of the United States or its agencies and instrumentalities.
    - Direct obligations of this state or its agencies and instrumentalities.

- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates.
- Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a state or national bank domiciled in this state or a savings bank domiciled in this state depository instituition that has its main office or a branch office in this state and is:
  - guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
  - secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and
  - secured in any other manner and amount provided by law for deposits of the Department.

In addition to the authority to invest funds in certificates of deposit noted above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this policy:

- the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; and
- at the same time that the funds are deposited and the certificates of deposit are issued for the account of the investing entity, the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the investing entity through the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor.
- C. A "repurchase agreement" is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security

repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:

- has a defined termination date;
- is secured by collateral described in Section XII of this policy;
- requires the securities being purchased by the Department to be pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
- is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state; and
- in the case of a reverse repurchase agreement, notwithstanding any other law other than the Act, the term of any such reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. In addition, money received by the Department under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- D. Commercial Paper is an authorized investment under this policy if the commercial paper:
  - has a stated maturity of 270 days or fewer from the date of its issuance; and
  - is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally-recognized credit rating agencies, or one nationally-recognized credit rating agency and is fully secured, and by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
- 3. The following are not authorized investments pursuant to the Act:
  - Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
  - Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
  - Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
  - Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## X. DIVERSIFICATION

The Department will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, mortgage-backed certificates created as a result of the Department's bond programs, and authorized pools, no more than 50% of the Department's total investment portfolio will be invested in a single security type or with a single financial institution. For purposes of this section, a banking institution and its related investment broker-dealer shall be considered separate financial institutions.

## XI. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs. The basis used to determine whether market yields are being achieved shall be the three-month U.S. Treasury bill or other appropriate benchmark.

## XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating.

## XIII. MAXIMUM MATURITIES

The Department shall limit its maximum final stated maturities to, in the case of bond proceeds, the maturity of the bonds, or for non-bond funds five (5) years unless specific authority is given to exceed that maturity by the Board. To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

## XIV. COLLATERALIZATION

Collateralization will be required on certificates of deposit, repurchase and reverse repurchase agreements, and savings and demand deposits if not insured by FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level should be at least 101% of the market value of principal and accrued interest for repurchase and reverse repurchase agreements. Collateralization of 100% will be required for overnight repurchase agreements and bank deposits in excess of FDIC insurance.

The following obligations may be used as collateral under this policy:

- 1. obligations of the United States or its agencies and instrumentalities;
- 2. direct obligations of this state or its agencies and instrumentalities;
- 3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- 4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; and
- 5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than A or its equivalent.

Collateral will always be held by an independent third party with whom the Department has a current custodial agreement. A clearly marked evidence of ownership or a safekeeping receipt must be supplied to the Department and retained. The right of collateral substitution is granted subject to prior approval by the Investment Officer.

## XV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

## XVI. INTERNAL CONTROL

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- 1. the cost of a control should not exceed the benefits likely to be derived; and
- 2. the valuation of costs and benefits requires estimates and judgments by management.

Once every two years, the Department, in conjunction with its annual financial audit, shall have external/internal auditors perform a compliance audit of management controls on investments and adherence to the Department's established investment policies. The internal controls shall address the following points:

- 1. *Control of collusion*. Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- 2. Separation of transaction authority from accounting and record keeping. By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.
- 3. Custodial safekeeping. Securities purchased from any bank or dealer including appropriate collateral as defined by state law shall be placed with an independent third party for custodial safekeeping.
- 4. Avoidance of physical delivery securities. Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- 5. Clear delegation of authority to subordinate staff members. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- 6. Written confirmation or telephone transactions for investments and wire transfers. Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions must be supported by written communications and approved by the appropriate

person, as defined by investment internal control procedures. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

7. Development of a wire transfer agreement with the lead bank or third party custodian. This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

The Department's external/internal auditors shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The Office of the State Auditor compiles the results of reports received under this subsection and reports those results to the legislative audit committee once every two years.

#### XVII. REPORTING

#### 1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period; including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report must:

- A. describe in detail the investment position of the Department on the date of the report;
- B. be prepared jointly by each Investment Officer of the Department;
- C. be signed by each Investment Officer of the Department;
- D. contain a summary statement, prepared in compliance with generally accepted accounting principles for each fund that states the:
  - book value and market value of each separately invested asset at the beginning and end of the reporting period;
  - additions and changes to the market value during the period; and
  - fully accrued interest for the reporting period;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the fund in the Department for which each individual investment was acquired; and
- G. state the compliance of the investment portfolio of the Department as it relates to the investment strategy expressed in the Department's investment policy and relevant provisions of the policy.

The reports prepared by the Investment Officer under this policy shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

## 2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance will be compared to appropriate benchmarks on a regular basis.

## 3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

## XVIII. INVESTMENT POLICY ADOPTION

The Department's investment policy shall be adopted by resolution of the Board.

## 1. Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

#### 2. Amendment

The policy shall be reviewed at least annually by the Board and any amendments made thereto must be approved by the Board. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies.

## XIV. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction related to Department funds. The qualified representative of the business organization shall execute a written instrument in a form acceptable to the Department and the business organization, substantially to the effect that the offering business organization has:

- 1. received and reviewed the investment policy of the Department; and
- 2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments C and D.)

## XX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment

portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

## Attachment A

## **STRATEGY**

## **SECTION 1**

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

General Fund Trust Funds Agency Funds Proprietary Funds (excluding Revenue Bond Funds)

## **SECTION 2**

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

## Attachment B

## POLICY STATEMENTS AND RECOMMENDED PRACTICE

## **Repurchase Agreements**

- 1. Repurchase agreements ("repos") are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.
- 2. The Department affirms that repurchase agreements are an integral part of its investment program.
- 3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.
- 4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser's custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.
- 5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers' interests, universal standards for delivery procedures, and written risk disclosures.
- 6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.
- 7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

## **Attachment C**

## ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

1.	I am a qualified representative of (the "Business Organization").
2.	The Business Organization proposes to engage in an investment transaction (the "Investments") with the Texas Department of Housing and Community Affairs (the "Department").
3.	I acknowledge that I have received and reviewed the Department's investment policy.
4.	I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department's investment policy.
5.	The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department's entire portfolio and which requires an interpretation of subjective investment standards.
Da	ted this,
	Name:
	Title:
	Business Organization:

## **Attachment D**

## CERTIFICATE OF COMPLIANCE WITH PUBLIC FUNDS INVESTMENT ACT

I,	, a qualified representative of
·	(the "Business
Organiza	ion")
	ecute and deliver this certificate in conjunction with the proposed sale of investments to the Texas nt of Housing and Community Affairs (the "Department"). I hereby certify that:
1	I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;
2	The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;
3	The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and
4	The investments comply, in all respects, with the investment policy of the Department.
	Business Organization:
	By:
	Title:
	Date:

## **Attachment E**

## ANNUAL DISCLOSURE STATEMENT FOR FINANCIAL ADVISORS AND SERVICE PROVIDERS DUE NO LATER THAN APRIL 15

#### **INSTRUCTIONS:**

- 1) THE REPORTING PERIOD COVERED BY THIS STATEMENT CONSISTS OF THE PRECEDING CALENDAR YEAR.
- 2) A NEW OR AMENDED STATEMENT MUST BE PROMPTLY FILED WITH THE PARTIES LISTED IN STEP 4 WHENEVER THERE IS NEW INFORMATION TO REPORT UNDER TEXAS GOVERNMENT CODE, SECTION 2263.005(a).
- 3) THIS STATEMENT MUST BE SUBMITTED EVEN IF YOU ANSWER "NO" TO QUESTIONS 1 AND 2 IN PART 2.
- 4) SUBMIT A COPY OF THIS STATEMENT TO THE FOLLOWING (FOR EACH GOVERNMENTAL ENTITY TO WHICH YOU PROVIDE SERVICES):
  - a. ADMINISTRATIVE HEAD OF THE STATE GOVERNMENTAL ENTITY
  - b. THE STATE AUDITOR (mail to P.O. Box 12067, Austin, TX, 78711-2067)
- 5) PROMPT FILING REQUIRES A POSTMARK DATE NO LATER THAN APRIL 15 IF THE COMPLETED FORM IS RECEIVED AT THE CORRECT ADDRESS.

	T1: GENERAL INFORMATION G TYPE (Check one)		URE FOR YEAR ENDING	DECEMBER 31, 20	UPDATED DISCLOSURE
NAME	OF INDIVIDUAL			JOB TITLE	
NAME	OF BUSINESS ENTITY			TYPE OF SERVICE PROVIDED	
ADDF	RESS				
CITY		STATE	ZIP	PHONE	
	E OF STATE GOVERNMENT RD MEMBER TO WHICH YO				
DEFII Finan	T 2: DISCLOSURES NITION: (Texas Government cial advisor or service provide tment manager, or broker.			cts as a financial advisor, fina	ncial consultant, money or
2263. Finan indire	005) cial advisors and service pro	viders (see definiti party to a transac	on) must disclose informati tion with the state governm	ERVICE PROVIDER (Texas Gon regarding certain relationshental entity, without regard to	hips with, and direct or
th s ir Y	nan a relationship necessary	to the investment which a reasonabl the performance o	or funds management serv le person could expect the f your responsibilities to the	a transaction with the state gices that you or your business relationship to diminish your oestate entity?	s entity performs for the
g th fu Y	overnmental entity if the trans	saction is connector to a member of	ed with any financial advice the governing body in conr	nterests in any party to a transe or service that you or your bu nection with the management o	usiness entity provides to
l p		tion provided abov		e. I acknowledge my or my firm p 4 of the instructions if any o	
Signa	ture			Date	

## Attachment F

## **RESOLUTION NUMBER 03-45**

# RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING REVIEW AND APPROVAL OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' INVESTMENT POLICY, WITHOUT CHANGES, IN COMPLIANCE WITH CHAPTERS 2256 AND 2306 OF THE TEXAS GOVERNMENT CODE

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas, (the "Department") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board desires to authorize the review of the Department's Investment Policy, without changes, and the Governing Board has found this Investment Policy to be satisfactory and in proper form and the recitals contained herein to be true, correct and complete, and in compliance with Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code. The Governing Board has determined to authorize the approval and delivery of such policy.

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

<u>Section 1 – Review and Approval of the Department's Investment Policy.</u> The Governing Board hereby authorizes and approves the Department's Investment Policy. The Governing Board has found the Investment Policy to be satisfactory and in proper form and the recitals contained therein to be true, correct and complete, and in compliance with Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code, and the Board has deemed to authorize the execution and delivery of such policy.

<u>Section 2 – Effective Date</u>. This Resolution shall be in full force and effect from and upon its adoption.

Section 3 — Open Meetings; Open Records. Written notice of the date, hour and place of the meeting of the Governing 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, during the 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 Law, 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, Chapter 2002 and 2001, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution was posted on the Department's website and made available in hard-copy at the Department not

later than seven (7) days before the meeting of the Board, as required by Section 2306.032, Texas Government Code.

PASSED AND APPROVED this 12th day of June, 2003.

Chair of the Governing Board

ATTEST:

Secretary to the Board

(SEAL)

#### RESOLUTION NO. 06-007

RESOLUTION OF THE GOVERNING BOARD APPROVING THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' AMENDED INVESTMENT POLICY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas (the "Department"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board of the Department (the "Board") desires to amend the Department's Investment Policy, and the Board has found the amendments to the Investment Policy in the form presented to the Board to be satisfactory and in proper form and the recitals contained therein to be true, correct and complete, and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act"), and the Act;

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

<u>Section 1 -- Amendment of the Department's Investment Policy.</u> The Governing Board has found the amended Investment Policy, in the form presented to the Board, to be satisfactory and in proper form and the recitals contained therein to be true, correct and complete, and in compliance the Public Funds Investment Act and the Act.

<u>Section 2 -- Effective Date</u>. This Resolution shall be in full force and effect from and upon its adoption.

Section 3 -- Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

## PASSED AND APPROVED this 20th day of March, 2006.

ATTEST:	Chair, Governing Board		
Secretary to the Governing Board			
(SEAL)			

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## **BOND FINANCE DIVISION**

## BOARD ACTION REQUEST March 20, 2006

## **Action Items**

Loan Star Mortgage Program Interest Rate Reset

## **Required Action**

Approval of Loan Star Mortgage Program Interest Rate Reset

## **Background**

The Board approved TDHCA's Loan Star Mortgage Program in July 2005 and the program was launched in September 2005. Unfortunately, the Loan Star Program's origination volume, 28 loans totaling \$2.8 million since September 2005, has been disappointing despite a considerable training and marketing campaign conducted by both TDHCA and CitiMortgage. In order to make this program more rate competitive, Bond Finance recommends reducing TDHCA's total fee from 1.00% per loan to .40% per loan. This revision, in conjunction with CitiMortgage reducing its price adjustment fee from .20% to zero percent, will decrease Loan Star's par mortgage rate by .25%, e.g. from 6.625% to 6.375%. TDHCA's total estimated fee revenue associated with this program may decrease approximately \$1.7 million dollars from \$2.8 million to \$1.1 million.

The Loan Star Program offers conventional, conforming first lien purchase mortgage loans, at market level interest rates, with second lien amortizing loans providing 8% downpayment assistance. Target populations include low and moderate income homebuyers and families who may or may not have previously owned a home requiring downpayment assistance and seeking minimal paperwork. TDHCA anticipates using this program to serve low and moderate income populations who require higher levels of downpayment assistance. Texans with less than perfect credit may also qualify under this program. Various lenders statewide participate in the program. TDHCA's partnership with CitiMortgage qualifies this program for Fannie Mae's My Community Program and consequently will increase single family homeownership opportunities for low and moderate income Texans.

The Loan Star Program uses funding sources provided by external market sources, and does not require any TDHCA or state funding sources. TDHCA funds these mortgage loans through CitiMortgage's mortgage funding and warehousing facilities. This product does not require the issuance of bonds. The Loan Star Program provides a separate source of funding for higher levels of downpayment assistance, offers mortgage loans with standardized terms, provides another source of revenue for TDHCA, and diversifies TDHCA's single family mortgage product offerings. Since TDHCA has not issued bonds to fund these mortgages, TDHCA has not incurred negative arbitrage, interest rate risk and pipeline risk.

## Recommendation

Approval of Loan Star Mortgage Program Interest Rate Reset

## **BOND FINANCE DIVISION**

## BOARD ACTION REQUEST March 20, 2006

## **Action Item**

Mortgage credit certificate program for first time homebuyers.

## **Required Action**

Approval of 2006 Mortgage Credit Certificate Program.

## **Background**

Lenders participating in the TDHCA's previous Mortgage Credit Certificate Programs have expressed continued interest in mortgage credit certificates. Bond Finance anticipates using \$60 million of its 2006 state volume cap to issue mortgage credit certificates ("MCCs") and substantially completed documents have been prepared. TDHCA's 2006 state volume cap equals \$170.7 million. The volume cap balance will be used to issue single family bonds later in 2006.

Program Status Table	Initial MCC Authority	MCCs Issued	MCCs Committed	MCC Balance
2003 MCC Program	\$15.0 million	\$14,952,730	\$42,541	\$4,729
2005 MCC Program	\$15.0 million	\$11,626,955	\$144,156	\$3,228,889
2005A MCC Program	\$15.0 million	\$5,699,963	\$4,842,237	\$4,457,800
Total	\$45.0 million	\$32,279648	\$5,028,934	\$7,691,418

With MCCs, the homebuyer/taxpayer would be entitled to a personal credit against their tax liability for a portion of the interest paid on their home mortgage. In order to be eligible for an MCC, borrowers must comply with the same first time homebuyer requirements stipulated by the Internal Revenue Code for mortgage revenue bonds. For example, MCC recipients must occupy the residence as their primary residence, comply with income limits and comply with home purchase price limits. MCCs cannot be used with mortgages funded with tax-exempt bond proceeds.

An MCC increases borrowers' disposable income by reducing their tax liability dollar-for-dollar up to a maximum \$2,000 limit. As illustrated below, borrowers may also deduct the mortgage interest balance remaining after application of the tax credit.

TDHCA Single Family Volume Cap Allocated for MCCs	\$60 million
IRS MCC Conversion Factor	\$0.25
MCC Issuance Authority	\$15 million
Average 2005 Mortgage Credit Certificate Program Mortgage Amount	\$116,000
Market Mortgage Interest Rate	6.00%
First Year Mortgage Interest	\$6,960
MCC Certificate Credit Rate	35%
Tax Credit Amount	\$2,000
Schedule A Mortgage Interest Deduction	\$4,960

## Recommendation

Approval of 2006 Mortgage Credit Certificate Program.

#### Resolution No. 06-008

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; APPROVING THE CONVERSION OF AUTHORITY TO ISSUE QUALIFIED MORTGAGE BONDS TO MORTGAGE CREDIT CERTIFICATES; AUTHORIZING IMPLEMENTATION OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS 2006 MORTGAGE CREDIT CERTIFICATE PROGRAM; APPROVING THE FORM AND SUBSTANCE OF THE PROGRAM ADMINISTRATOR AGREEMENT, THE MCC PARTICIPATION AGREEMENT, THE PROGRAM MANUAL, AND THE PROGRAM SUMMARY; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE 2006 MORTGAGE CREDIT CERTIFICATE PROGRAM; 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 from time to time (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford; and

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

WHEREAS, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

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

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State for calendar year 2006 is subject to allocation, in the manner authorized by Section

146(e) of the Code, pursuant to Chapter 1372 Texas Government Code, as amended (the "Allocation Act"); and

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

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

WHEREAS, the Governing Board has determined to authorize the filing of an Application for Reservation in the amount of \$60,000,000 with respect to qualified mortgage bonds for calendar year 2006; and

WHEREAS, upon receipt of the Reservation, the Department desires to convert an amount not to exceed the amount of the State Ceiling reserved for qualified mortgage bonds and represented by the Reservation to mortgage credit certificates ("MCCs"), to be used for the Department's 2006 Mortgage Credit Certificate Program (the "2006 MCC Program"); and

WHEREAS, the Governing Board intends to consider the filing of an Application for Reservation for additional amounts at a later date; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Program Administrator Agreement (the "Administrator Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the MCC Participation Agreement (the "Participation Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board desires to approve the Program Manual (the "Program Manual") in substantially the form attached hereto, setting forth the terms and conditions upon which MCCs will be issued by the Department; and

WHEREAS, the Governing Board desires to approve the Program Summary (the "Program Summary") in substantially the form attached hereto setting forth the terms of the 2006 MCC Program; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed \$\_\_\_\_\_\_ of Department funds to pay the costs of implementing the 2006 MCC Program; and

WHEREAS, the Governing Board desires to approve the forms of the Administrator Agreement, the Participation Agreement, the Program Manual and the Program Summary, in order to find 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 to implement the 2006 MCC Program in accordance with such documents by authorizing the 2006 MCC Program, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the 2006 MCC Program; NOW, THEREFORE,

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

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# ARTICLE I APPROVAL OF APPLICATION FOR RESERVATION

Section 1.1--Application for Reservation. The Governing Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board an Application for Reservation with respect to qualified mortgage bonds in the amount of \$60,000,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 1.2--Authorization of Certain Actions. The Governing Board authorizes the Executive Director or the Acting Executive Director, the staff of the Department as designated by the Executive Director or the Acting Executive Director, as appropriate, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

<u>Section 1.3--MCC Authority</u>. Upon receipt of the Reservation, the Department shall take such steps as are necessary to convert its authority to issue qualified mortgage bonds to MCCs in order to implement the 2006 MCC Program.

# ARTICLE II APPROVAL OF MCC DOCUMENTS

Section 2.1--2006 MCC Program. The 2006 MCC Program is hereby authorized.

Section 2.2--Approval, Execution and Delivery of the Administrator Agreement. The form and substance of the Administrator Agreement 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 Administrator Agreement, and to deliver the Administrator Agreement to the other parties thereto.

<u>Section 2.3--Approval</u>, <u>Execution and Delivery of the Participation Agreement</u>. The form and substance of the Participation Agreement 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 Participation Agreement, and to deliver the Participation Agreement to the other parties thereto.

<u>Section 2.4--Approval of Program Manual and Program Summary</u>. The form and substance of the Program Manual and Program Summary are hereby authorized and approved.

Section 2.5--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests, public notices and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Program Administrator Agreement, the Participation Agreement, the Program Manual and the Program Summary.

Section 2.6--Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, 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.

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<u>Section 2.7--Exhibits Incorporated Herein</u>. 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 A - Administrator Agreement
Exhibit B - Participation Agreement
Exhibit C - Program Manual
Exhibit D - Program Summary

<u>Section 2.8--Authorized Representatives</u>. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article II: the Chair of the Governing Board; the Vice Chairman of the Governing Board; the Secretary to the Governing Board; the Executive Director of the Department or the Acting Executive Director of the Department, the Director of Financial Administration of the Department and the Director of Bond Finance of the Department.

<u>Section 2.9--Department Contribution</u>. The Department authorizes the contribution of Department funds in an amount not to exceed \$\_\_\_\_\_\_ to pay certain costs of implementing the 2006 MCC Program.

## ARTICLE III GENERAL PROVISIONS

<u>Section 3.1--Purposes of Resolution</u>. The Governing Board of the Department has expressly determined and hereby confirms that the implementation of the 2006 MCC Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State.

Section 3.2--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.

<u>Section 3.3--Effective Date</u>. This Resolution shall be in full force and effect from and upon its adoption.

## PASSED AND APPROVED this 20th day of March, 2006.

	Chair, Governing Board	
ATTEST:		
Secretary to the Governing Board	_	
(SEAL)		

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## **Real Estate Analysis Division**

## BOARD ACTION ITEM March 20, 2006

## **Action Item**

Approval of contract development for Asset Management Oversight Agreement with Texas State Affordable Housing Corporation (TSAHC) for private activity bond transactions

## **Required Action**

Approve in principle the assignment of asset oversight for private activity bond transactions executed since April of 2003 with the fee collected by TSAHC from the borrower (\$3 per unit of the fee would be redirected to the Department) and affirm the continuation of TSAHC as the asset oversight agent for transactions prior to April 2003.

## **Background**

The execution of every multifamily bond transaction issued by the Department includes the requirement that an asset oversight agreement be signed by the borrower. The current standard asset oversight agreement calls for annual physical inspections, review of property management operations and evaluation of financial performance for which the borrower generally pays a fee of \$25 per unit per year. While the Department conducts similar activities in its Portfolio Management and Compliance Division it has not historically conducted the specific asset oversight functions called for in the agreements. The Department's traditional activities focus on compliance with Department rules, income and rent restrictions and basic safety issues instead of focusing on the practices of the property management for the purposes of improving economic performance. In addition to allowing the Department's programs to benefit from the property operations expertise developed by third parties, continuing to outsource this activity does not affect the Department's FTE cap allowing the Department to focus its compliance activities on regulatory concerns.

On April 30, 2004 TDHCA published a Request for Proposals for Third Party Asset Managers (RFP) to provide asset oversight services relating to various multifamily rental properties that are financed through the Department (copy attached). The RFP was primarily focused on the assignment of asset oversight of TDHCA issued private activity bond transactions approved after April 2003<sup>1</sup>. The deadline for responses to our request was July 30, 2004. From the request we received proposals from the following companies: Advance Affordable Housing Corporation (Leander); Ontra, Inc. (Austin); Resolution Oversight Corporation (San Antonio); Spectrum Enterprises, Inc. (Cape Elizabeth, Maine); Texas State Affordable Housing Corporation (Austin); The Siegel Group (Austin).

Each of the six proposals were evaluated by several TDHCA staff members based strictly on the hard copy of their proposal. Only four companies were considered qualified to provide the requested services (Spectrum Enterprises, Inc. and Advanced Affordable Housing Corporation were not considered qualified based on the criteria in the RFP). All four of the qualified companies were interviewed by senior TDHCA management staff consisting of Ruth Cedillo, then Deputy Executive Director, Bill Dally, then

<sup>&</sup>lt;sup>1</sup> Prior to that time the asset oversight agent for TDHCA multifamily bond issuances was the Texas State Affordable Housing Corporation (TSAHC), an organization originally formed by the legislature and initially operated by TDHCA. Most of these earlier contracts called for the potential review and renewal of TSAHC's oversight agent role by TDHCA and these contracts are also considered as part of the asset oversight contract contemplated herein.

Chief of Agency Administration and Tom Gouris, Director of Real Estate Analysis. During the interview process we had each company describe their asset management oversight process, their plan of action and their fee structure. In addition, each of the four qualified respondents was asked to submit clarifying proposals. After these proposals were submitted and evaluations were completed the consensus ranking by the senior staff members was as follows:

- 1. Texas State Affordable Housing Corporation
- 2. The Siegel Group
- 3. Ontra, Inc.
- 4. Resolution Oversight Corporation

The primary determining factors for the rankings were prior asset management oversight experience, familiarity of the company and its staff with the housing tax credit and bond programs, the companies' financial stability and their proposed asset oversight procedures.

TSAHC ranked highest and is the recommended vendor in large part due to their well documented processes and procedures for oversight of its existing portfolio (both TSAHC issued bonds and pre-April 2003 TDHCA issued bonds). Since reorganizing their oversight process, TSAHC has consistently executed on their procedures, and have proactively met with TDHCA staff to resolve issues that they identified in the existing portfolio. A review of the past two years of activity reflects that TSAHC has fulfilled the terms of the pre-existing asset oversight agreements, by inspecting the properties, effectively communicating with the property owners and providing comprehensive reports to the owners and TDHCA.

Only one of the other entities submitting a proposal, The Siegel Group, had specific previous experience with TDHCA Asset Oversight requirements and that experience was as a subcontractor for TSAHC prior to 2003. Asset oversight reports provided to the Department prior to 2003 were considerably less consistent and comprehensive which spurred TSAHC itself to bring that activity back in house and develop the expertise to fulfill the obligations under their existing agreements. None of the other respondents had documented processes that match the Department's current needs nor are any of the other respondents currently conducting asset oversight activities for multifamily bond portfolios. Thus if the Department choose an alternative respondent, there would be a significant learning curve over the first year or two of the contract. TSAHC and Ontra, Inc. had the most substantive amount of existing activity to support their continued operations and be able to manage the proposed services for the long term. While the Ontra, Inc. bid was very strong the proposed fee structure was significantly above the fee established in the existing asset oversight agreements and would require that the Department create an additional funding source to make up the difference between the fee collected from the borrower and the fee they proposed as well as for their required up front set-up fees.

**Fees:** TSAHC fee proposal at \$25 per unit was competitive with the other bidders (all proposed fees from qualified bidders were \$25 per unit or greater). The qualified bidders were given the ability to refine their bids to consider the impact of a complete assignment of the asset oversight agreements (including direct fee collection) or assignment of all activities except collection of the fee which would be collected by TDHCA. The Department requested that the respondents consider the Department's interest in retaining a portion of the fee from the borrower to fund the oversight of this activity and potentially help generate internal expertise in this area.

TSAHC proposes two methods for fee collection as follows: TSAHC proposes that if they collect the annual asset oversight fee directly from the borrower they would reimburse \$3 of the \$25 per unit to TDHCA for administrative oversight costs. They would require that each future property assigned to them would have a minimum fee of \$4,375 and that TDHCA would pay to TSAHC all fees collected

under the assigned asset oversight agreements for the 90 days before the effective date of the agreement (minus \$3.00 administrative fee). Alternatively, TSAHC proposes a direct fee of \$20 per unit regardless of whether TDHCA is able to collect the underlying fee from the borrower. Under this alternative, TDHCA has the risk of slow pay and delinquency in exchange for roughly \$20K in additional potential annual income which would equate to 8% delinquency. Under the alternative fee structure the Department would also have to develop a currently undefined source of funds to carry this activity until the fee from the borrowers could be collected. Therefore, staff recommends the \$22/\$3 turnkey fee structure where no such funding source or risk of delinquency would impede the asset oversight work from getting accomplished. The fees for the properties with bonds issue prior to April 2003 would remain as stated in their respective agreements and would not include a reimbursement to TDHCA.

**Term:** TSAHC initially requested the term of the contract be a minimum five years with options for renewal. They have since indicated that they are willing to operate on an ongoing basis with either party having a right to terminate with six month notice. This six month termination provision will allow the Department much more flexibility to re-evaluate and reposition the asset oversight activity in the future. The terms of the asset oversight agreements for the properties with bonds issued prior to April 2003 would maintain their existing terms which generally have an automatic five year renewal but all but 8 also have provision for early termination.

The Schedule A, attached, is a list of all of the properties which have had bonds issued since April 2003. Schedule B, also attached, reflects the properties which has asset oversight agreements prior to April 2003 where TSAHC is specifically listed as the initial asset oversight agent. This proposed contract would modify TSAHC's responsibility with regard to the reports produced on these properties in Schedule B but would have not effect on the fee structure or the term.

The actual contract will be developed through legal services after approval based upon the general terms outlined herein.

## Recommendation

Board authorize the Executive Director to enter into negotiations, finalize and execute an agreement to provide asset oversight services.



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RICK PERRY Governor

EDWINA P. CARRINGTON *Executive Director* 

BOARD MEMBERS
Elizabeth Anderson, Chair
Shadrick Bogany
C. Kent Conine
Vidal Gonzalez
Patrick R. Gordon
Norberto Salinas

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REQUEST FOR PROPOSALS
FROM ASSET MANAGERS
TO PROVIDE ASSET OVERSIGHT SERVICES
DATE: APRIL 30, 2004

## I. PURPOSE OF THE REQUEST

The Texas Department of Housing and Community Affairs (the "Department" or "TDHCA") hereby requests proposals from qualified asset management firms to provide services and reports relating to various multifamily rental properties in Texas financed through TDHCA. TDHCA intends to select one or more firms to serve in the capacity of an Asset Oversight Agent to be assigned to oversee and report on specific properties within the Department's portfolio.

## II. NATURE OF REQUIRED SERVICES

The general services which may be required of an Asset Oversight Agent include the following:

- A. Conducting property inspections and assessing the physical condition of multifamily rental properties;
- B. Reviewing and assessing the performance of property managers' personnel and procedures;
- C. Reviewing and assessing compliance procedures relating to regulatory agreements associated with multifamily rental properties;
- D. Reviewing and assessing marketing plans;
- E. Reviewing and analyzing annual operating statements and budgets submitted from the management company for approval by the borrower;
- F. Making recommendations to the Borrower regarding the property managers' annual budget proposals, and making recommendations to the Borrower

- concerning any proposed variations from such budget which require Borrower's approval; and
- G. Preparing and delivering to the Borrower and the Department a report of its findings, a summary of the recommendations made to the Borrower, and an evaluation of the continuing progress made by the property from year to year.

Further duties may include assisting the Department with the resolution of non-performing loans, arranging for the management of owned real estate, and performing other related tasks as assigned.

#### III. PROPOSAL CONTENT

- A. Corporate resume, business plan, and detailed organizational and operational descriptions. Indicate whether the firm has regional offices in Texas;
- B. Resumes of the individual staff members responsible for performing the duties described herein;
- C. Most recent fiscal year end audited financial statements;
- D. Complete list of accounts for which asset oversight or asset management services are currently provided, with summary information for each account. Include the name of the client, the number of properties and units in each portfolio, a description of the services provided, and the period of time over which services have been performed;
- E. Names, addresses, and telephone numbers of three clients TDHCA may contact concerning your firm's performance as an asset manager or oversight agent for multifamily rental portfolios.
- F. Sample client reports;
- G. Copies of any internal or external service audits performed within the past two years;
- H. Disclose the nature of any interests your firm or any related entities may have in any properties financed through TDHCA. Such interests may include, but would not necessarily be limited to, owning or managing a property, holding a debt or equity interest against a property, or providing loan servicing, monitoring, or other services for an owner, mortgagee or other party;
- I. Narrative proposal identifying the services that the firm would provide and giving detailed explanations of how such services would be provided; and
- J. Structure of the proposed fee required to perform the services described.

#### IV. RESPONSE TIME FRAME AND OTHER INFORMATION

Response Due: July 30, 2004 5:00 p.m. CST

It is the expressed policy of the TDHCA that asset management firms refrain from initiating any direct contact or communication with members of the TDHCA Board of Directors with regard to selection of firms relative to this RFP while the selection process is occurring. Any violation of this policy will be considered a basis for disqualification.

Proposals should be delivered as follows:

Stephen Apple
Texas Department of Housing and Community Affairs
507 Sabine Street, Suite 800
Austin, TX 78701
(for overnight deliveries)
or
P.O. Box 13941
Austin, TX 78711-3941
(if delivered by U.S. Postal Service)

#### V. SELECTION CRITERIA

In accordance with law, TDHCA will make its selection based upon its perception of the need for Asset Oversight Agents, the demonstrated competence, financial capability, experience, knowledge and qualifications of the respondents, and on the reasonableness of the proposed fee for the services. By this RFP, TDHCA has not committed itself to employ an asset oversight agent for any of the above-described services, nor does the suggested scope of services require that an asset oversight agent be employed for any of those purposes. TDHCA reserves the right to make those decisions after receipt of responses to this RFP, and TDHCA's decision on these matters is final.

In releasing this Request for Proposals, TDHCA shall not be obligated to proceed with any action pertaining to any proposals which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. TDHCA reserves the right to negotiate individual elements of any proposal.

The selection of a firm or firms by TDHCA pursuant to this RFP is only for the purpose of determining which firm or firms may serve in the capacity of an Asset Oversight Agent at such future time as the services of an Asset Oversight Agent may become necessary. Selection of a firm under this RFP does not guarantee or imply that an individual firm will receive an assignment in which to serve as an Asset Oversight Agent. An individual firm may be offered assignments to serve in the capacity of an Asset Oversight Agent for a specific asset or portfolio of assets on an occasional basis at the sole discretion of TDHCA.

#### VI. DEPARTMENTAL INFORMATION

Additional Information regarding TDHCA may be obtained from Stephen Apple at TDHCA. All requests must be in writing and faxed to (512) 475-4420 All questions and responses will be made available to all applicants and will be subject to disclosure under the Public Information Law.

#### VII. PUBLIC INFORMATION

All proposals shall be deemed, once submitted, to be the property of the TDHCA and subject to the Public Information Law, Chapter 552, Texas Government Code. Proprietary information: if a firm does not desire proprietary information in the proposal to be disclosed under the Public Information Law or otherwise, it is required to identify clearly (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Public Information Law, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination. If the firm fails to identify clearly proprietary information, it agrees, by the submission of the proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

#### VIII. COST INCURRED IN RESPONDING

All costs directly or indirectly related to the preparation of a response to this RFP shall be the sole responsibility of and shall be borne by your firm.

# Exhibit A Assigned Properties

1996-003	<b>Bond ID</b>	Property Name	# of Units	Unverified Location
1996-003	1996-003	Azalea Court (NHP Asmara)	57	1721 John West Rd. Dallas TX 75228
1996-003	1996-003	Arbour East (NHP Asmara)	300	1615 John West Rd. Dallas TX 75228
1996-003   Player's Club (NHP Asmara)   202   2525 Players Court Dallas TX 75216     1996-003   Stoneridge (NHP Asmara)   204   600 East Arkansas Ln. Arlington TX 76014     2469   Murdeaux Vilias   240   125 S. Murdeaux Lane Dallas TX 75217     2479   Rosemont of Laincaster   280   1605 N. Houston School Rd Lancaster TX 75134     303401   West Virginia Apartments   202   7600 West Virginia Dr. Dallas TX 75237     303400   Timber Oaks   264   700 Timber Oaks Ln. Grand Prairie TX 75051     303410   Rosemont at Ash Creek   280   2605 John West Blvd Dallas TX 75228     303412   Evergreen at Mesquite   200   5611 Northwest Dr. Mesquite TX 75150     303424   Hampton Villas   280   2605 John West Blvd Dallas TX 75228     303425   Parkiew Townhomes   248   2200 Marghed Villa Dr. Arlington TX 76014     303455   Parkiew Townhomes   248   2201 Mineral Springs Road Arlington, TX     303461   Addison Park   2324   2300 Century Park Blvd. Austin Tx 78727     303462   Century Park Townhomes   248   2300 Century Park Blvd. Austin Tx 77601     303463   Artisan at Rush Creek   238   11201 Veterans Memorial Dr. Houston TX 77067     303464   Addison Park   216   6000 Barara Lane Arlington TX 76017     303465   Humble Parkway   216   6000 Barara Lane Arlington TX 76017     303465   Humble Parkway   216   6000 Barara Lane Arlington TX 77067     30461   Artisan at Rush Creek   248   1201 Weterans Memorial Dr. Houston TX 77087     304410   Evergreen at Plano Parkway   216   6000 Barara Lane Arlington TX 76017     304410   Polefield Villas   204   2300 Century Park Blvd. Austin Tx 78075     304410   Polefield Villas   204   2100 Book Of Humble Parkway   216   2000 Book Of Greens Paerkway Houston, TX     304410   Polefield Villas   204   2100 Book Of Greens Paerkway Houston, TX     304411   Montgomery Pines   224   2346 US Hymby Porter TY 77060     304412   Churchbill at Pinacele Park   200   2000 K Rd Pearland TX 77584     304422   Churchbill at Pinacele Park   200   2000 Book Of Greens Paerkway Houston, TX     304488   Mission Del R	1996-003	Heritage Square (NHP Asmara)	112	4753 Duncanville Rd Dallas TX 75236
1996-003   Creek Hollow (NIIP Asmara)   20   6218 Finbro Dr. Ft. Worth TX 76133     1996-003   Stonerige (NIIP Asmara)   204   600 East Afkansas Ln. Arlington TX 76014     02469   Murdeaux Villas   240   125 S. Murdeaux Lane Dallas TX 75217     02479   Rosemont of Lancaster   280   1605 N. Houston School Rd Lancaster TX 7514     03401   West Virginia Apartments   202   7600 West Virginia Dr. Dallas TX 75218     03410   Rosemont at Ash Creek   280   2605 John West Blvd Dallas TX 75228     03411   The Peninsula Apartments   280   4855 W. Fugua Houston TX 77045     03412   Evergreen at Mesquite   200   5651 Northwest Dr. Mesquite TX 75150     03424   Hampton Villas   280   2002 Mayfield Villa Dr. Arlington TX 76014     03455   Parkview Townhomes   248   2201 Mineral Springs Road Arlington, TX     03456   Timber Ridge II Apartments   124   5321 Aldine Bender Rd Houston TX 77032     03456   Timber Ridge II Apartments   124   5321 Aldine Bender Rd Houston TX 77032     03456   Timber Ridge II Apartments   240   2300 Century Park Bivd. Austin Tx 7827     03462   Champion on the Green Townhomes   238   11201 Veterans Memorial Dr. Isousoth TX 77067     03463   Artisan at Rust Creek   144   6000 Barrar Lane Arlington TX 76017     03464   Humble Parkway   250   4901 Pacific Dr. Arlington TX 76017     03465   Humble Parkway   250   6000 Independere Pkwy Plano TX 76017     03466   Humble Parkway   250   6000 Independere Pkwy Plano TX 76017     03461   Addison Park   240   2404   2404   2404   2404   2404     03462   Artisan at Rust Creek   144   6000 Barrar Lane Arlington TX 76017     03463   Artisan at Rust Creek   144   6000 Barrar Lane Arlington TX 76017     03464   Humble Parkway   250   6000 Independere Pkwy Plano TX 76017     03465   Humble Parkway   250   6000 Independere Pkwy Plano TX 76017     03461   Artisan Arlington Trial Apartments   248   1200 block of Huffmeister Houston, TX     03461   Artisan Arlington Trial Parkway   240   2400 Pacific Molecolor Pkwy Plano TX 75025     03410   Parkway Pkw Pkw Pkw Pkw Pkw	1996-003	Highlands (NHP Asmara)	136	2359 Highland Rd Dallas TX 75228
1996-003         Stoneridge (NIIP Asmara)         204         600 East Arkansas Ln. Arlington TX 76014           02469         Murdeaux Villas         240         125 S. Murdeaux Lane Dallas TX 75217           03401         West Virginia Apartments         202         7600 West Virginia Dr. Dallas TX 75237           03400         Timber Oaks         264         700 Timber Oaks Ln. Grand Prairie TX 75051           03410         Rosemont at Ash Creck         280         2605 John West Blvd Dallas TX 75228           03411         The Peninsula Apartments         280         2605 John West Blvd Dallas TX 75228           03412         Evergreen at Mesquite         200         561 Northwest Dr. Mesquite TX 75150           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Century Park Twowhomes         240         3200 Century Park Ewit A. Sustin Tx 78727           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veteras Memorial Dr. Housoin TX 77067           03463         Artisan at Rush Creek         216         6000 Independence Pkwy Plano TX 75075 <td>1996-003</td> <td>Player's Club (NHP Asmara)</td> <td>320</td> <td>2525 Players Court Dallas TX 75216</td>	1996-003	Player's Club (NHP Asmara)	320	2525 Players Court Dallas TX 75216
Deciding	1996-003	Creek Hollow (NHP Asmara)	120	6218 Finbro Dr. Ft. Worth TX 76133
02479         Rosemont of Lancaster         280         1605 N. Houston School Rd Lancaster TX 75134           03401         West Virginia Apartments         202         7600 West Virginia Dr. Dallas TX 75237           03410         Rosemont at Ash Creek         280         2605 John West Blvd Dallas TX 75228           03411         The Peninsula Apartments         280         2605 John West Blvd Dallas TX 75228           03412         Evergreen at Mesquite         200         4855 W. Fugua Houston TX 77045           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         5321 Addine Bender Rd Houston TX 77032           03459         Century Park Townhomes         249         3200 Century Park Blvd. Austin Tx 78727           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         138         11201 Veternas Memorial Dr. Houston TX 77037           03463         Artisan at Rush Creek         144         6000 Barrar Lanc Arlington TX 76017           03461         Humble Parkway         250         600 Independence Pkwy Plano TX 75017 <td>1996-003</td> <td>Stoneridge (NHP Asmara)</td> <td>204</td> <td>600 East Arkansas Ln. Arlington TX 76014</td>	1996-003	Stoneridge (NHP Asmara)	204	600 East Arkansas Ln. Arlington TX 76014
03401         West Virginia Apartments         202         7600 West Virginia Dr. Dallas TX 75237           03406         Timber Oaks         264         700 Timber Oaks L. Grand Prairie TX 75051           03411         Rosemont at Ash Creck         280         2605 John West Blvd Dallas TX 75228           03412         Evergreen at Mesquite         200         4855 W. Fugua Houston TX 77045           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         3231 Aldine Bender Rd Houston TX 77012           03457         Century Park Townhomes         249         4901 Pacific Dr. Arlington TX 76017           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Houston TX 77067           03463         Artisan at Rush Creek         144         6000 Barra Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 7338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         18204 Chisholm Trail Houston TX 77064	02469	Murdeaux Villas	240	125 S. Murdeaux Lane Dallas TX 75217
03410         Timber Oaks         264         700 Timber Oaks Ln. Grand Prairie TX 75051           03410         Rosemont at Ash Creek         280         2605 John West Blvd Dallas TX 75228           03412         Evergreen at Mesquite         200         2651 Northwest Dr. Mesquite TX 75150           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         5321 Aldine Bender Rd Houston TX 77032           03459         Century Park Townhomes         240         3200 Century Park Blvd. Austin Tx 78727           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03463         Artisan at Plano Parkway         216         9390 FM 1960 West Houston TX 77087           03464         Humble Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US 1lws 79 Porter TX 77365           04412         Chisblom Trail Apartments         248         10500 block of Huffmeister Houston, TX           04415	02479	Rosemont of Lancaster	280	1605 N. Houston School Rd Lancaster TX 75134
03410         Timber Oaks         264         700 Timber Oaks Ln. Grand Prairie TX 75051           03410         Rosemont at Ash Creek         280         2605 John West Blvd Dallas TX 75228           03412         Evergreen at Mesquite         200         5651 Northwest Dr. Mesquite TX 75150           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 70014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Crentury Park Townhomes         249         3200 Century Park Blvd. Austin Tx 78727           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         231         1120 Liveterans Memorial Dr. Houson TX 77067           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03463         Artisan at Plano Parkway         216         9390 FM 1960 West Houston TX 77367           04410         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         242         23461 US Hwy 59 Porter TX 77365           04412         Chisbolm Trail Apartments         248         10500 block of Huffmeister Houston, TX	03401	West Virginia Apartments	202	7600 West Virginia Dr. Dallas TX 75237
03411         The Peninsula Apartments         280         4855 W. Fugua Houston TX 77045           03412         Evergeren at Mesquite         200         5651 Northwest Dr. Mesquite TX 75150           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03459         Century Park Townhomes         240         3200 Century Park Blvd. Austin TX 77022           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         231         1210 Veterans Memorial Dr. Housofn TX 77067           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03463         Humble Parkway         250         600 Independence Pkwy Plano TX 7505           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77506           04412         Chisbohn Trail Apartments         248         10500 block of Greens Paerkway Houston, TX           04415         Pinacle Apartments         248         1200 block of Greens Paerkway Houston, TX	03406	- 1	264	· ·
03412         Evergreen at Mesquite         200         5651 Northwest Dr. Mesquite TX 75180           03424         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03456         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         5321 Aldine Bender Rd Houston TX 77032           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Houston TX 77067           03463         Arrisan at Rush Creek         44         6000 Barara Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 7738           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pinacle Apartments         248         10500 block of Greens Paerkway Houston, TX           04410         Delafield Villas         24         23461 US Hwy 59 Porter TX 77365           0	03410	Rosemont at Ash Creek	280	2605 John West Blvd Dallas TX 75228
03454         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         5321 Aldine Bender Rd Houston TX 77032           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housotn TX 77067           03463         Artisan at Rush Creek         144         6000 Barrar Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         248         1200 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75221           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422	03411	The Peninsula Apartments	280	4855 W. Fugua Houston TX 77045
03454         Hampton Villas         280         2002 Mayfield Villa Dr. Arlington TX 76014           03455         Parkview Townhomes         248         1201 Mineral Springs Road Arlington, TX           03456         Timber Ridge II Apartments         124         5321 Aldine Bender Rd Houston TX 77032           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housotn TX 77067           03463         Artisan at Rush Creek         144         6000 Barrar Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         248         1200 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75221           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422	03412	Evergreen at Mesquite	200	5651 Northwest Dr. Mesquite TX 75150
03456         Timber Ridge II Apartments         124         \$321 Aldine Bender Rd Houston TX 77032           03459         Century Park Townhomes         240         3200 Century Park Blvd. Austin Tx 78707           03461         Addison Park         224         490 Pacific Dr Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housotn TX 77067           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         28         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Aparetments         248         10500 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         10500 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75241           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04433	03424	Hampton Villas	280	
03459         Century Park Townhomes         240         3200 Century Park Blvd. Austin Tx 78727           03461         Addison Park         224         4901 Pacific Dr. Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housotn TX 77067           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pinacle Apartments         248         10500 block of Fuffimeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 7584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75221           04433<	03455	Parkview Townhomes	248	1201 Mineral Springs Road Arlington, TX
03461         Addison Park         224         4901 Pacific Dr Arlington TX 76001           03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housetn TX 77067           03463         Artisan at Rush Creek         144         6000 Barrat Lane Arlington TX 76017           03465         Humble Parkway         250         6000 Independence Pkwy Plano TX 75075           04409         Evergreen ar Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         248         10500 block of Greens Paerth Way Houston, TX           04415         Pnnacle Apartements         248         10500 block of Greens Paerth Way Houston, TX           04419         Delafield Villas         244         1200 block of Greens Paerth Way Houston, TX           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thomton Freeway Dallass TX 75224	03456	Timber Ridge II Apartments	124	5321 Aldine Bender Rd Houston TX 77032
03462         Champion on the Green Townhomes         238         11201 Veterans Memorial Dr. Housotn TX 77067           03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 775378           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Apartments         248         10500 block of Greens Paerkway Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75241           04483         Providence at Priaire Oaks         250         2700 Praire Oaks Dr. Arlington TX 75010 <td>03459</td> <td>Century Park Townhomes</td> <td>240</td> <td>3200 Century Park Blvd. Austin Tx 78727</td>	03459	Century Park Townhomes	240	3200 Century Park Blvd. Austin Tx 78727
03463         Artisan at Rush Creek         144         6000 Barara Lane Arlington TX 76017           03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         238         18204 Chisholm Trail Houston TX 77060           04415         Panacle Apartments         248         10500 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thomton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75210	03461	Addison Park	224	4901 Pacific Dr Arlington TX 76001
03465         Humble Parkway         216         9390 FM 1960 West Houston TX 77338           04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Aparetments         248         10500 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Date Tairie Oaks Dr. Arlington TX 75210	03462	Champion on the Green Townhomes	238	11201 Veterans Memorial Dr. Housotn TX 77067
04409         Evergreen at Plano Parkway         250         600 Independence Pkwy Plano TX 75075           04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Aparetments         248         10500 block of Greens Paerkway Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thornton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75211           04483         Providence at Prairie Oaks         250         7700 Praire Oaks Dr. Arlington TX 75010           04488         Missioin Del Rio Homes         250         647 Riverside Dr. San Antonio TX 78223	03463	Artisan at Rush Creek	144	6000 Barara Lane Arlington TX 76017
04411         Montgomery Pines         224         23461 US Hwy 59 Porter TX 77365           04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Apartments         248         10500 block of Huffineister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thornton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75241           04483         Providence at Prairie Oaks         250         2700 Praire Oaks Dr. Arlington TX 75010           04488         Missioin Del Rio Homes         250         5300 W Military Hwy San Antonio TX 78242           04499         Atascocita Pines         192         230 Atascocita Rd Humble TX 77396      <	03465	Humble Parkway	216	9390 FM 1960 West Houston TX 77338
04412         Chisholm Trail Apartments         228         18204 Chisholm Trail Houston TX 77060           04415         Pnnacle Apartments         248         10500 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thornton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75241           04483         Providence at Prairie Oaks         250         2700 Praire Oaks Dr. Arlington TX 75010           04488         Missioin Del Rio Homes         250         647 Riverside Dr. San Antonio TX 78242           04499         Atascocita Pines         250         3300 Military Hwy San Antonio TX 78242           04499         Atascocita Pines         192         230 Atascocita Rd Humble TX 77396	04409	Evergreen at Plano Parkway	250	600 Independence Pkwy Plano TX 75075
04415         Pnnacle Aparetments         248         10500 block of Huffmeister Houston, TX           04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thornton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75241           04483         Providence at Prairie Oaks         250         2700 Praire Oaks Dr. Arlington TX 75010           04488         Missioin Del Rio Homes         250         647 Riverside Dr. San Antonio TX 78223           04489         Port Royal Homes         250         5300 W Military Hwy San Antonio TX 78242           04499         Atascocita Pines         192         230 Atascocita Rd Humble TX 77396           04611         Alta Cullen Apartments         240         NE corner of Scott Street and Beltway 8 Houston TX 770	04411	Montgomery Pines	224	23461 US Hwy 59 Porter TX 77365
04416         Bristol Apartments         248         1200 block of Greens Paerkway Houston, TX           04419         Delafield Villas         204         4101 Delafield Dallas TX 75227           04420         Tranquility Bay         246         2920 Oak Rd Pearland TX 77584           04422         Churchhill at Pinnacle Park         200         1400 N. Cockrell Hill Rd Dallas TX 75211           04433         Post Oak East Apartments         246         3700 Block of Post Oak Blvd Ft. Worth TX 76040           04479         Providence at Village Fair         236         3900 S R L Thornton Freeway Dallas TX 75224           04480         Homes of Pecan Grove         250         3111 Simpson Stuart Dallas TX 75241           04483         Providence at Prairie Oaks         250         2700 Praire Oaks Dr. Arlington TX 75010           04488         Missioin Del Rio Homes         250         647 Riverside Dr. San Antonio TX 78223           04489         Port Royal Homes         250         647 Riverside Dr. San Antonio TX 78242           04499         Atascocita Pines         192         230 Atascocita Rd Humble TX 77396           04602         Tower Ridge Apartments         224         South of the SW corner of Tower Ridge Rd and Meadows Oak Dr Denton TX 76210           05609         St. Augustine Estates         150         2300 block of St.	04412	Chisholm Trail Apartments	228	18204 Chisholm Trail Houston TX 77060
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	05614	The Plaza at Chase Oaks	240	NEQ of Chase Oaks Blvd and Legacy Plano TX 75025
O5617 Canal Place Apartments 200 2104 Canal Street Houston TX 77002	05623	Coral Hills Apartments	174	6363 Beverly Hill Street Houston TX 77057
	05617	Canal Place Apartments	200	2104 Canal Street Houston TX 77002

# Exhibit B Renewed Properties

Bond ID	Property Name	Units	Location
1983-002	Champions (Brighton's Mark)	180	4808 Haverwood Ln. Dallas TX 75287
1983-002	Braxton's Mark (Champions@Valley Ranch)	264	10201 N MacArthur Blvd. Irving TX 75063
1984-002	Springhouse (Dallas-Oxford)	372	12660 Jupiter Rd Dallas TX 75238
1996-001	Harbors/Plumtree	480	7676 S. Westmoreland Dallas TX 75237
1998-001	Pebble Brook	250	191 Duchess Denton TX 76208
1998-002	Residence at the Oaks	212	2740 Duncanville Rd Dallas TX 75211
1998-003	Volente Villas	208	11908 Volente Rd. Austin TX 78726
1998-004	Greens of Hickory Trail	252	8613 Old Hickory Trail Dallas TX 75237
1999-003	Woodglen Village	250	11111 W Montgomery Rd Houston TX 77088
1999-005	Mayfield Park	240	2104 Worth St. Arlington TX 76014
1999-006	Bristol at Buckingham	242	535 Buckingham Rd. Richardson TX 75081
2000-002	Primrose Oaks	250	2999 S. Hampton Rd. Dallas TX 75224
2000-004	Primrose Park	250	2400 Bolton Boone Dr. DeSoto TX 75715
2000-019	Deer Wood Pine	140	414 Maxey Rd Houston TX 77013
2000-022	Highland Meadow Village	250	10990 Highland Meadow Village Houston TX 77089
2000-024	Collingham Park	250	10800 Kipp Way Houston Tx 77099
2000-034	Red Hill Villas	168	1401 South A.W. Grimes Blvd. Round Rock TX 78664
2000-053	Timber Point	240	5900 Greens Rd. Humble TX 77396
2000-056	Creek Point	200	3300 N. McDonald St. McKinney TX 75071
2000-081	Honey Creek	656	11611 Ferguson Dallas TX 75228
2000-083	Williams Run	252	7440 La Vista Dallas TX 75214
2001-010	Green Pines (Road)	224	6060 Green Rd. Humble TX 77396
2001-013	Rosemont @ Oak Hollow	153	3015 E. Ledbetter Dallas TX 75228
2001-016	Hillside	236	300 Crump Ft. Worth TX 76102
2001-019	Primrose @ Sequoia Park	250	1400 East University Dr. Denton TX 76201
2001-021	Rosemont @ Pecan Creek	264	3500 E. McKinney Denton TX 76209
2001-027	Cobb Park	172	2450 E. Berry St. S. Ft. Worth TX 76119
2001-033	Sugar Creek	240	11501 West Rd. Houston TX 77065
2001-037	Millstone	248	23405 West Fernhurst Katy TX 77494
2001-048	City Park at West Oaks	168	3443 Addicks Cloding Rd Houston TX 77082
2001-056	Park at Fallbrook	280	10155 Bammel N. Houston Rd
2001-072	Meridian	280	4450 Marine Creek Pkwy Ft. Worth TX 76106
2001-073	Wildwood Branch	280	6225 Shady Oaks Manor Dr. Ft. Worth TX 76135
2001-079	Skyway Villas	232	2000 Skyline Dr. McKinney TX 75071
2002-002	Park Meadows	100	140 Calk Ln. Boerne TX 78006
2002-045	Woodway Village	160	4600 Nuckols Crossing Rd. Austin TX 78744
2002-053	Rosemont at Bluff Ridge	256	8125 Clark Rd. Dallas TX 75236
2002-057	Rosemont @ Hickory Trace	180	8410 S. Westmoreland Rd Dallas TX 75237
2002-061	Reading Road	252	5525 Reading Rd. Rosenburg TX 77471
2002-066	City Parc II (Green Crest)	192	3535 Green Crest St. Houston TX 77082
2002-075	Ironwood Crossing	280	2600 Western Center Blvd Ft. Worth Tx 76131
2002-463	Park at North Vista	252	311 North Vista Dr. Houston TX 77073

#### **OFFICE OF COLONIA INITIATIVES**

## BOARD ACTION REQUEST MARCH 20, 2006

## **Action Item**

Hurricane Rita-Texas Bootstrap Loan Program

#### **Required Action**

Ratification of awards by the Acting Executive Director

#### **Background**

On September 16, 2005, the Department Board of Directors authorized the Executive Director to make awards from previously determined funds to assist victims of Hurricane Katrina with housing assistance during the declaration of disaster by the Governor of the State of Texas. On October 13, 2005, the Department Board of Directors extended this authorization to include victims of Hurricane Rita

On December 30, 2005, the Department announced the availability of approximately \$1.8 million of State of Texas Housing Trust Funds to organizations assisting individuals or families that were victims of Hurricane Rita to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders); including persons with special needs. The Department intends to dispense these funds in an equitable manner that ensures they are deployed quickly and administered efficiently. The Department will ensure these dedicated funds are distributed to all effected areas, but will target a higher proportion to those areas most directly and extensively impacted by Hurricane Rita.

The Texas Bootstrap Loan Program is a self-help construction program, which is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 60 percent of the labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standard are adhered to under this program. In addition, nonprofit organizations, who serve as the administrators for these funds, can combine these funds with other sources such as private lending institutions, local governments, or any other sources. However, all combined repayable loans can not exceed \$60,000 per unit.

In an effort to encourage the production of affordable housing for individuals and families of very low income affected by Hurricane Rita, the Department is directing these funds through waivers and authorizations provided by the Governor and the Department Board of Directors. The maximum amount of funding per administering organization is \$750,000. The maximum loan amount using the Department funds may not exceed \$30,000 per owner-builder. The total amount of loans made with the Department and any other source combined may not exceed \$60,000 per household. Projects utilizing additional non-Department resources will be required to provide additional documentation identifying the sources of these additional funds and information about their rates and terms.

The Department will continue to accept applications on the remaining balance of \$531,200 from 8 a.m. to 5:00 p.m. each business day, excluding federal and state holidays, on an ongoing basis until such time as all funding has been committed, or until the current state fiscal year ends on August 31, 2006.

#### Recommendation

The Department has received two applications from the following organizations, requesting funds in the amount \$1,268,800 in order to implement the Hurricane-Rita-Texas Bootstrap Loan Program to construct and/or rehabilitate single family housing units for very low-income families. The applications have been scored and are being recommended for funding based on the following criteria; Operational Capability and Experience, Financial Design, Quality of Program Design, Leveraging of Public/Private Resources, and Underserved Areas or Population.

The Acting Executive Director approved the awards to Habitat for Humanity Texas and Port Arthur Affordable Housing Corporation on March 2, 2006 and March 13, 2006.

The Board's action today ratifies these approvals.

		Amount	Admin.	Amount		# of Units
	Score	Awarded	Fee	Recommended	Counties	Committed
Habitat for Humanity		\$470,000	\$18,800	\$478,800	Jefferson, Polk &	35
Texas	80				San Jacinto	
Port Arthur Affordable		\$750,000	\$30,000	\$780,000	Jefferson	25
Housing Corporation	78					
TOTAL		\$1,220,000	\$48,800	\$1,268,800		60

#### SINGLE FAMILY FINANCE PRODUCTION DIVISION

#### BOARD ACTION REQUEST MARCH 20, 2006

#### **Action Item**

Hurricane Rita-Single Family HOME Program Awards

#### **Required Action**

Ratification by the board f awards by the Acting Executive Director as recommended by EARAC.

## **Background**

On January 27, 2006 the Department published a Notice of Funding Availability (NOFA) in the Texas Register announcing the availability of approximately \$8,300,000 of HOME Investment Partnerships Program (HOME) funds. The HOME funds were made available to a 22 county Presidential declared disaster area due to Hurricane RITA. The funds were for use in rehabilitation or reconstruction of single family dwellings. Application workshops were conducted in Beaumont, Texas on January 19, 2006 and in Nacogdoches on January 20, 2006. The application deadline was Tuesday, February 28, 2006 at 5:00 p.m.

A 3-tiered methodology was utilized in the distribution of available funds for the 22 counties. The formula allowed the counties of Orange Hardin and Jefferson the ability to apply for up to \$2,000,000 each. The Counties of San Jacinto, Jasper, Tyler, Newton, Angelina, and Polk could apply for up to \$300,000 each. The counties of Chambers, Liberty, Sabine, Trinity, Harris, Nacogdoches, Montgomery, San Augustine Shelby, Brazoria, Fort Bend, Galveston, and Walker were eligible to apply for up to \$150,000 each. The following applications were received:

Application	Assar Parasi 4	Project Funds	Admin. Funds	Total Funds	Units
Number	Applicant	Requested	Requested	Requested	Requested
2006-0002 RDR	Jefferson County	2,000,000.00	80,000.00	2,080,000	36
2006-0003 RDR	Jasper County	300,000.00	12,000.00	312,000	6
2006-0004 RDR	San Jacinto County	300,000.00	12,000.00	312,000	6
2006-0005 RDR	Tyler County	300,000.00	12,000.00	312,000	6
2006-0006 RDR	Polk County	300,000.00	12,000.00	312,000	6
2006-0007 RDR	Newton County	300,000.00	12,000.00	312,000	6
2006-0008 RDR	Orange County	2,000,000.00	80,000.00	2,080,000	58
2006-0009 RDR	Hardin County	2,000,000.00	80,000.00	2,080,000	68
2006-0010 RDR	San Augustine County	166,667.00	6,667.00	173,334	3
2006-0011 RDR	Trinity County	166,667.00	6,667.00	173,334	3
2006-0012 RDR	Shelby County	166,666.00	6,666.00	173,332	3
2006-0013 RDR	Angelina County	300,000.00	12,000.00	312,000	5
*12 Applications	TOTALS	8,300,000.00	332,000.00	8,632,000	206

\*Applications have been reviewed by HOME staff for initial eligibility. The Portfolio Management and Compliance Division is currently conducting the Compliance Application Evaluation review. Upon completion, a contract will be written and executed for all eligible applicants.

## Recommendation

Contingent upon satisfactory Departmental review, request ratification of awards for Hurricane Rita Single Family HOME Program applicants.

# EXECUTIVE REPORT ITEM March 20, 2006

Report on TDHCA Activities Regarding \$74,523,000 in Community Development Block Grant (CDBG) Funds Provided Under HR 2863 Through the U. S. Dept. of Housing and Urban Development (HUD) for Disaster Assistance to Texas for Areas Impacted by Hurricane Rita.

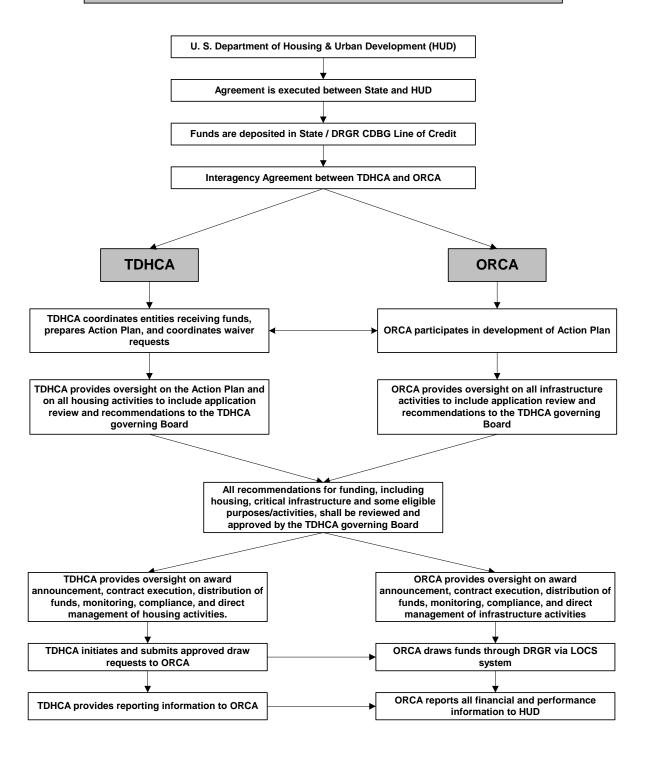
#### **Background**

HUD published its notice of allocations, waivers, and alternative requirements in the Federal Register on February 13, 2006. TDHCA continues to work with ORCA and the Governor's Office to implement the program. Both agencies and the Governor's Office have developed a timeline for the CDBG Action Plan for Disaster Recovery which must be submitted, after public comment is solicited, to HUD by April 13, 2006. In addition, TDHCA, ORCA, and the Governor's Office have also developed a Coordination Summary, Coordination Flowchart (Attachment 1), and Draft Memorandum of Understanding between ORCA and TDHCA.

It is envisioned that the four Councils of Governments representing the twenty-nine counties affected by Rita will submit one application each, which will consist of the respective regions' unmet housing needs (22 eligible county areas) and unmet infrastructure needs (29 eligible county areas). Each Council of Governments will be required to submit a Method of Distribution along with their application. Once the applications are received, both agencies will participate in the review process and determine the portion recommended for funding by TDHCA and the portion recommended for funding by ORCA.—All recommendations for funding will be submitted to the TDHCA Governing Board for review and approval. TDHCA will be responsible for issuance of contracts, administration, and monitoring of housing needs related activities; and ORCA will be responsible for issuance of contracts, administration, and monitoring of infrastructure activities.

All funding will be drawn from HUD through the existing CDBG system authorized for ORCA and for housing activities, TDHCA will submit draw requests to ORCA for payment.

# TDHCA / ORCA Coordination for the Disaster Recovery Grant Provided by the U. S. Department of Housing & Urban Development





WWW.TDHCA.STATE.TX.US

#### Memorandum

**To:** Edwina Carrington

**From:** Gordon Anderson

**cc:** Bill Dally, Michael Lyttle

**Date:** February 6, 2006

**Re:** TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for January 2006. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

# **TDHCA Outreach Activities, January 2006**

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Section 504 Policy Meeting with Advocate Community	Austin	January 4	Portfolio Management & Compliance, Real Estate Analysis, Manufactured Housing	Participant
Meeting with staff of Lieutenant Governor	Austin	January 12	Policy & Public Affairs	Briefing
HOME Program Rule Roundtable	Austin	January 13	Single Family	Public Comment
Webb County Housing Rehabilitation Program Scoring Committee Meeting	Laredo	January 17	Office of Colonia Initiatives	Participant
Rita Disaster Relief Application Workshop	Beaumont	January 19	Executive, Multifamily, Single Family, Office of Colonia Initiatives, Policy & Public Affairs	Workshop
FFY 2006 ESGP Pre- Application Workshop	Austin	January 19	Community Affairs	Workshop
LBB Presentation on Single Family, Office of Colonia Initiatives	Austin	January 20	Single Family, Office of Colonia Initiatives, Policy & Public Affairs	Presentation
Rita Disaster Relief Application Workshop	Nacogdoches	January 20	Executive, Multifamily, Single Family, Office of Colonia Initiatives, Policy & Public Affairs	Workshop
HOME Program Rule Roundtable	Longview	January 23	Single Family	Public Comment
American Red Cross Volunteer Recognition Event for Katrina efforts	El Paso	January 23	Office of Colonia Initiatives	Participant
DSHS Working Group meeting	Austin	January 25	Policy & Public Affairs	Participant
LBB Presentation on Multifamily Finance, Real Estate Analysis	Austin	January 25	Multifamily, Real Estate Analysis, Policy & Public Affairs	Presentation
Promoting Independence Advisory Committee meeting	Austin	January 26	Policy & Public Affairs	Participant
Interagency Coordinating Council on Building Healthy Families	Austin	January 31	Policy & Public Affairs	Participant
Groundbreaking Ceremony for the Fred & Anita Bruni Community Center	Rancho Penitas	January 31	Office of Colonia Initiatives	Participant



# Texas Department of Housing and Community Affairs

# Survey of Organizational Excellence

2005 Results Compared with 2004 and 2002

Prepared by TDHCA Human Resources Staff

January 30, 2006

# Survey of Organizational Excellence

2005 Results Compared with 2004 and 2002

# **Key to Block Colors**

Color Key	Definition	2002	2004	2005
	Did not change from previous year	N/A	0	3
	Changed downward from previous year	N/A	17	14
	Represents areas of concern and need attention	23	14	4

# Dimension 1: Work Group

Construct Scores - '02 / '04/ '05	2002 Avg. Score	2004 Avg. Score	2005 Avg. Score
Supervisor Effectiveness – Construct Score =305/319/330			
20: We have an opportunity to participate in the goal setting process	2.86	3.13	3.12
22: We seem to be working toward the same goals.	3.27	3.42	3.51
24: We are given the opportunity to do our best work.	3.38	3.54	3.70
33: We are given accurate feedback about our performance	3.34	3.33	3.49
38: Supervisors know whether an individual's career goals are compatible with organizational goals.	3.11	3.10	3.31
47: People who challenge the status quo are valued.	2.60	2.88	2.97
51: Favoritism (special treatment) is not an issue in raises or promotions.	2.81	2.99	3.01
Fairness – Construct Score = 321 /335 /343			
7: My performance is evaluated fairly.	3.68	3.66	3.68
8: My supervisor is consistent when administering policies concerning employees.	3.33	3.54	3.52
23: There is a basic trust among employees and supervisors.	2.88	3.08	3.20
34: When possible, alternative work schedules (flex-time, compressed workweek, job sharing, telecommuting) are offered to employees.	3.36	3.49	3.75
51: Favoritism (special treatment) is not an issue in raises or promotions.	2.81	2.99	3.01
Team Effectiveness – Construct = 296 /315 /327			
19: Work groups receive adequate feedback that helps improve their performance.	3.02	3.12	3.28
21: Decision making and control are given to employees doing the actual work.	2.95	3.18	3.29
23: There is a basic trust among employees and supervisors.	2.88	3.08	3.20
27: We are efficient.	3.17	3.35	3.39
29: There is a real feeling of teamwork.	2.98	3.08	3.19
48. Work groups are actively involved in making work processes more effective.	2.76	3.09	3.28
Diversity – Construct = 336 /340 /342			
9: Every employee is valued.	3.31	3.39	3.39
10: We work to attract, develop, and retain people of diverse backgrounds	3.56	3.51	3.46
18: Work groups are trained to incorporate the opinions of each member.	3.09	3.12	3.31
49: The people I work with treat each other with respect.	3.50	3.61	3.54

# **Dimension 2. Accommodations**

Construct Scores - '02 / '04/ '05	2002 Avg. Score	2004 Avg. Score	2005 Avg. Score
Fair Pay – Construct Score = 283 /273 /274			
60: People are paid fairly for the work they do.	2.97	2.87	3.03
61: Salaries are competitive with similar jobs in the community.	2.95	2.87	2.74
65: My pay keeps pace with the cost of living.	2.60	2.46	2.47
Physical Environment – Construct Score = 355 /370 /377			
11: We have adequate computer resources (hardware and software).	3.51	3.76	3.58
39: We have sufficient procedures to ensure the safety of employees in the workplace.	4.07	4.03	4.20
40: Our workplace is well maintained.	3.42	3.69	3.85
41: Within my workplace, there is a feeling of community.	3.25	3.33	3.46
Benefits – Construct Score = 375 /349 /359			
62: Benefits can be selected to meet individual needs.	3.69	3.39	3.51
63: I understand my benefit plan.	3.88	3.86	3.94
64: Benefits are comparable to those offered in other jobs.	3.70	3.25	3.34
Employee Development – Construct Score = 344 /330 /352			
18: Work groups are trained to incorporate the opinions of each member.	3.09	3.12	3.31
35: Training is made available to us for personal growth and development.	3.63	3.30	3.59
36: Training is made available to us so that we can do our jobs better.	3.70	3.45	3.67
37: We have access to information about job opportunities, conferences, workshops, and training.	3.67	3.55	3.76
38: Supervisors know whether an individual's career goals are compatible with organizational goals.	3.11	3.10	3.31

# Dimension 3: Organizational Features

Construct Scores - '02 / '04/ '05	2002 Avg. Score	2004 Avg. Score	2005 Avg. Score
Change Oriented - Construct Score = 298 /326 /334			
15: We integrate information and act intelligently upon that information.	3.21	3.43	3.56
20: We have an opportunity to participate in the goal setting process	2.86	3.13	3.12
46: My ideas and opinions count at work.	3.37	3.49	3.55
56: When possible, problems are solved before they become a crisis.	3.04	3.30	3.36
77: An effort is made to get the opinions of people throughout the organization.	2.47	2.98	3.15
Goal Oriented - Construct Score = 322 /337 /346			
3: Our goals are consistently met or exceeded.	3.64	3.58	3.78
15: We integrate information and act intelligently upon that information.	3.21	3.43	3.56
20: We have an opportunity to participate in the goal setting process	2.86	3.13	3.12
27: We are efficient.	3.17	3.35	3.39
Holographic – Construct = 300 /326 /343			
16: The work atmosphere encourages open and honest communication.	3.12	3.21	3.33
21: Decision making and control are given to employees doing the actual work.	2.95	3.18	3.29
25: We feel a sense of pride when we tell people that we work for this organization.	2.97	3.49	3.70
30: We feel that our efforts count.	3.00	3.20	3.34
41: Within my workplace, there is a feeling of community.	3.25	3.33	3.46
77: An effort is made to get the opinions of people throughout the organization	2.47	2.98	3.15
82: We know how our work impacts other in the organization.	3.27	3.48	3.75
Strategic – Construct = 338 /368 /384			
1: We are known for the quality of service we provide.	3.33	3.61	3.80
5: We know who our customers (those that we serve) are.	4.20	4.19	4.14
57: We use feedback from those we serve to improve our performance.	3.47	3.59	3.58
78: We work well with other organizations.	3.16	3.50	3.75
79: We work well with our governing bodies (the legislature, the board, etc.)	2.90	3.69	3.82
80: We work well with the public.	3.44	3.80	3.96
81: We understand the state, local, national, and global issues that impact the organization.	3.48	3.63	3.85
84: I have a good understanding of our mission, vision, and strategic plan.	3.43	3.67	3.96
85: I believe we communicate our mission effectively to the public	3.07	3.53	3.71
Quality – Construct = 362 /370 /375			
1: We are known for the quality of service we provide.	3.33	3.61	3.80
2: We are constantly improving our services.	3.72	3.86	3.86
4: We produce high quality work that has a low rate of error.	3.60	3.69	3.69
5: We know who our customers (those that we serve) are.	4.20	4.19	4.14
6: We develop services to match our customers' needs.	3.96	3.83	3.85
28: Outstanding work is recognized.	3.15	3.19	3.40
32: We have adequate resources to do our jobs.	3.41	3.57	3.54

# **Dimension 4: Information**

Construct Scores - '02 / '04/ '05	2002 Avg. Score	2004 Avg. Score	2005 Avg. Score
Internal – Construct Score =274 /306 /326			
14: The right information gets to the right people at the right time.	2.89	3.11	3.25
19: Work groups receive adequate feedback that helps improve their performance.	3.02	3.12	3.28
76: Information and knowledge are shared openly within this organization.	2.31	2.98	3.25
Availability – Construct Score=335 /354 /369			
12: Information systems are in place and accessible for me to get my job done.	3.79	3.91	3.98
14: The right information gets to the right people at the right time.	2.89	3.11	3.25
17: We feel the channels we must go through at work are reasonable.	2.95	3.26	3.45
81: We understand the state, local, national, and global issues that impact the organization.	3.48	3.63	3.85
82: We know how our work impacts others in the organization.	3.27	3.48	3.75
83: Our web site is easy to use and contains helpful information.	3.72	3.87	3.90
External - Construct = 336 /357 /373			
13: Information is shared as appropriate with other organizations.	3.28	3.48	3.64
16: The work atmosphere encourages open and honest communications.	3.12	3.21	3.33
37: We have access to information about job opportunities, conferences, workshops, and training.	3.67	3.55	3.76
50: Information is shared as appropriate with the public.	3.50	3.80	3.86
80: We work well with the public.	3.44	3.80	3.96
81: We understand the state, local, national, and global issues that impact the organization.	3.48	3.63	3.85
85: I believe we communicate our mission effectively to the public	3.07	3.53	3.71

# **Dimension 5: Personal**

Construct Scores - '02 / '04/ '05	2002 Avg. Score	2004 Avg. Score	2005 Avg. Score
Job Satisfaction - Construct Score =340 /352 /362			
24: We are given the opportunity to do our best work.	3.38	3.54	3.70
32: We have adequate resources to do our jobs.	3.41	3.57	3.54
42: The environment supports a balance between work and personal life.	3.51	3.66	3.73
43: The pace of the work in this organization enables me to do a good job.	3.30	3.34	3.52
Time and Stress - Construct Score=338 /353 /356			
26: The amount of work I am asked to do is reasonable.	3.39	3.62	3.59
32: We have adequate resources to do our jobs.	3.41	3.57	3.54
42: The environment supports a balance between work and personal life.	3.51	3.66	3.73
45: We balance our focus on both long range and short-term goals.	3.22	3.28	3.41
Burnout – Construct = 322 /343 /358			
25: We feel a sense of pride when we tell people that we work for this organization.	2.97	3.49	3.70
30: We feel our efforts count.	3.00	3.20	3.34
31: We are encouraged to learn from our mistakes.	3.50	3.63	3.75
44: My job meets my expectations.	3.28	3.35	3.61
46: My ideas and opinions count at work.	3.37	3.49	3.55
Empowerment – Construct = 310 /334 /351			
23: There is a basic trust among employees and supervisors.	2.88	3.08	3.20
24: We are given the opportunity to do our best work.	3.38	3.54	3.70
25: We feel a sense of pride when we tell people that we work for this organization.	2.97	3.49	3.70
31: We are encouraged to learn from our mistakes.	3.50	3.63	3.75
47: People who challenge the status quo are valued.	2.60	2.88	2.97
82: We know how our work impacts other in the organization.	3.27	3.48	3.75

# Survey of Organizational Excellence

# Factors Impacting the Organization

## 2002

- Hired a new executive director
- The governing board membership was revamped.
- Reorganized the department to better serve our customers and to re-align program services.
- Assisted the Sunset review process that culminated in removing the department from a two year probationary period to an eight approved status.
- Implemented more employee friendly policies like flexible time and compressed work weeks.
- Emphasized more employee activities like Cinco de Mayo, Diez y Septiembre, Black History month, Hamburger Fest, annual picnics, and service awards.
- Raised security and safety awareness in the building.
- Stepped up safety efforts and concerns for employee safety in the building which culminated in the first ever Gold Safety Award for the department.
- Implemented a highly regarded intranet communication tool named "Water Cooler" to disseminate information to employees.
- Instilled a culture of honesty, integrity and professionalism in the department through example.
- Involved a larger cross section of levels of employees in activities, program discussions and task forces.

# 2003/2004

- Conducted a Compensation Basics Course for Non-HR professionals for all department management staff.
- Implemented a strategic outreach program with industry and trade groups relating to housing and community affairs which gained the department credulity in the provision of much needed services.

- Charted a Task Force of cross-sectional and level staff to develop and recommend a new department specific Compensation Program which is in place now.
- Underwent a budget reduction in FTEs and operating budget which directly impacted the stress level of employees.
- Employees began to see a reduction in the benefit plan as a result of cost containment measures from the legislature.
- The Manufactured Housing Division was subject to a reduction in the workforce due to a reduction in their operating budget.

# 2005

- Implemented a Pay Equity Committee to ensure that department salary actions are equitable in order to achieve pay equity.
- The department moved from a building with 68,000 square feet to a state owned building with only 38,000 square feet which meant a significant culture change for all employees.



# The Survey of Organizational Excellence

# Texas Department of Housing and Community Affairs



Executive Summary

2005

# Executive Summary Table of Contents

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Timeline	

The University of Texas at Austin School of Social Work 1925 San Jacinto Blvd Austin, Texas 78712 www.survey.utexas.edu soe@uts.cc.utexas.edu Phone (512) 471-9831 Fax (512) 471-9600



# Introduction

**Thank you** for your participation in the Survey of Organizational Excellence (SOE). We trust that you will find the information helpful in your leadership and organizational development efforts. Acting as a powerful wave of change, the SOE is important in both the public and private sectors. The number of surveys distributed over the last 10 years has increased three-fold. Both organization and employee response has been tremendous. Such participation indicates the readiness, indeed the eagerness, of employees to engage in meaningful work to improve the organization.

**Organizational Leadership** must build on this wave of engaged employees and begin initiatives to improve services and benchmark results against outstanding organizations. Above all, the Survey is not about just collecting data or fulfilling some type of compliance, but about promoting excellence through participation and accountability. The Survey reinforces the vital role every employee must play to the fullest at all times. The Survey emphasizes continuous thinking to formulate better, more efficient ways of getting work done. Finally, the Survey calls for candor among all employees towards building a quality organization.

The Survey Framework assesses, at its highest level, five workplace dimensions capturing the total work environment. Each workplace dimension consists of survey constructs. The survey constructs are designed to profile organizational areas of strength and concern so that interventions are targeted appropriately.

# **Survey Dimensions and Constructs**

Dimension I Work Group	Dimension II Accommodations	Dimension III Organizational Features	Dimension IV Information	Dimension V Personal
Supervisor Effectiveness Fairness Team Effectiveness Diversity	Fair Pay Physical Environment Benefits Employment Development	Change Oriented Goal Oriented Holographic Strategic Quality	Internal Availability External	Job Satisfaction Time and Stress Burnout Empowerment

# Your Reports Include:

An Executive Summary is provided in this document. The summary contains graphical representations of data from the organization as a whole or in the case of executive summaries for category codes, data specific to that category code. Your organization may or may not have elected to use category codes. In each executive report there is a demographic profile of the organization along with high order analysis of survey data on the construct and dimension level. Both organizational strengths and areas of concern are presented along additional narrative and analysis. Relative benchmark data is also pulled in for comparison purposes.

# Introduction (cont.)

**A Data Summary** accompanies this report. The data summary provides a greater detail than the executive summary. The data summary is largely a quantitative report of the survey responses. Demographic data are presented in percentages and real numbers. Construct means and benchmark comparison numbers are provided on all variables. Item data is broken into mean, frequency counts, standard deviations, and number of respondents and item benchmark data are also displayed.

**Electronic Reports** are provided in two formats. First, all executive and data summary reports are included in pdf files for ease in distribution and for clear printability. This file format is widely used and a free pdf reader, called Adobe Acrobat reader is available from www.adobe.com. The second types of electronic reports are in Microsoft Excel format. These reports are constructs and item survey data in a flat spreadsheet format. This allows the user to sort highs and lows, search for individual items, or create custom reports from the survey data.

**Benchmark Data** composed of the organizations participating in the survey are provided in your reports. Benchmarks are used to provide a unit of comparison of organizations of similar mission and size. If you selected to use organizational categories, internal benchmarks between categories as well as over time data illustrates differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at www.orgexcel.net. The most current benchmark data are provided in your report.

Using the Survey as a Catalyst for organizational improvement is essential to the survey process. The survey creates momentum and interest. Towards the end of the executive summary report is a series of suggested next steps to assist in these efforts. Also, we have captured several presentations from other organizations that have used the data in strategic planning, organizational improvement, and employee engagement initiatives. These presentations are provided in streaming video from our website at www.orgexcel.net by clicking on the Best Practices link.

**Additional Services** are available from our group. We conduct 360-Degree leadership and supervisory evaluations, special leadership assessments, customer and client satisfaction surveys along with the ability to create and administer a variety of custom hardcopy and online survey instruments. Consultation time for large presentations, focus groups, or individual meetings is available as well. For additional information, please contact us at anytime.

**Your Comments are Important** to us. We welcome your comments (positive or negative) regarding the Survey, the level or type of service provided by our office, or suggestions you may have for ways we can improve our products or services. Comments can be sent directly to me or to the Survey's Principal Investigator, Dr. Michael L. Lauderdale at the UT School of Social Work, 1925 San Jacinto Blvd., Austin, TX 78712.

# **Organization Profile**

# Texas Department of Housing and Community Affairs

# Organizational Leadership:

ID: 332

- Edwina Carrington, Executive Director
- Beth Anderson, Board Chair



# Benchmark Categories:

To get a better idea of how this organization compares to others like it, we provide three types of benchmark data: organizations with a similar size, similar mission, and organizations belonging to a special grouping. Visit www.survey.utexas.edu for a complete list of benchmark groups and scores.

**Organization Size:** Size category 4 includes organizations with 301 to 1000 employees.

**Mission Category:** Business and Economic Development (Mission 7)
The Business and Economic Development category includes organizations involved in workforce, transportation, economic, and overall development of the communities they serve.

**Special Grouping:** MACC: Mid-Size Agency Coordinating Council. Agencies with 101-799 FTEs excluding higher education and agencies headed by an elected official.

# Survey Administration Profile:

#### **Collection Period:**

10/10/2005 - 11/2/2005

#### **Additional Items and Categories:**

Organizations can add customization by creating additional items tailored to the organization and categories for employees to identify with.

Refer to the Appendix of the Data Report for a complete list of categories and additional items.

- 20 additional items
- Category (8 codes)

#### **Collection Method:**

All employees took the survey online.

#### **Survey Liaison:**

Kathy Nemec (512) 463-8809 Benefits Coordinator Texas Department of Housing and Community Affairs 507 Sabine, #400 Austin, TX 78701

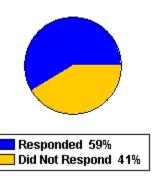
kathy.nemec@tdhca.state.tx.us



# Response Rates

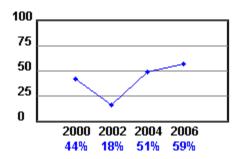
#### **Overall Response Rate**

High rates mean that employees have an investment in the organization, want to see the organization improve and generally have a sense of responsibility to the organization. Low response rates can mean several things. There simply may not have been enough effort in making certain employees know the importance of completing the Survey. At a more serious level, low rates of response suggest a lack of organization focus or responsiveness. It may suggest critical levels of employee alienation, anger or indifference to organizational responsibilities.

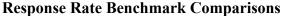


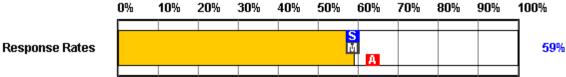
Out of the 279 employees who were invited to take the survey, 164 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate serious problems. At 59%, your response rate is considered high.

#### **Response Rate Over Time**



One of the values of participating in multiple iterations of the Survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound, rates tend to plateau above the 50 percent level. Sharp declines in participation suggest some form of general organizational problem is developing. Your response rate is higher than it was for the previous survey.





Scores for your Organization (Numeric Score to the right in Blue)
Size - Benchmark for similar size organizations

Mission - Benchmark for organizations with a similar mission All Respondents - Benchmark for all of the survey respondents

## **Regional Distribution Map and Benchmarks**

Regional Distribution Maps are available to organizations with a large number of employees working in several regions throughout the state. Regional Distribution Map (if applicable) and Regional Benchmark Map will be available in the near future.



# Survey Framework and Scoring

The Survey assessment is a framework that consists of survey items, constructs, and dimensions. Each level of the framework provides insight into the workings of an organization.

#### **Items**

At the most basic level there are survey items, which provide specific feedback. For each item, employees are asked to indicate how strongly they agree or disagree that the item describes the organization. Possible responses include: (1) strongly disagree; (2) disagree; (3) feel neutral; (4) agree; (5) strongly agree; and, (not scored) don't know/not applicable. Any survey item with an average (mean) score above the neutral midpoint of "3.0" suggests that employees perceive the issue more positively than negatively. Scores of "4.0" or higher indicate areas of substantial strength for the organization. Conversely, scores below "3.0" are viewed more negatively by employees. Items that receive below a "2.0" should be a significant source of concern for the organization and should receive immediate attention.

#### **Constructs**

The survey constructs are designed to broadly profile organizational strengths and areas of concern so that interventions may be targeted appropriately. Survey constructs are developed from a group of related survey items. The construct score is calculated by averaging the related item scores together and multiplying that result by 100. Scores for the constructs range from a low of 100 to a high of 500. An item may belong to one or several constructs, however, not every item is associated with a construct.

#### **Dimensions**

The framework, at its highest level, consists of five workplace dimensions. These five dimensions capture the total work environment. Each dimension consists of several survey constructs. The dimension score also ranges from 100 to 500 and is an average of the construct scores belonging to the dimension

## **Survey Dimensions and Constructs**

Dimension I Work Group	Dimension II Accommodations	Dimension III Organizational Features	Dimension IV Information	Dimension V Personal
Supervisor Effectiveness Fairness Team Effectiveness Diversity	Fair Pay Physical Environment Benefits Employment Development	Change Oriented Goal Oriented Holographic Strategic Quality	Internal Availability External	Job Satisfaction Time and Stress Burnout Empowerment

## Over Time and Benchmark Data

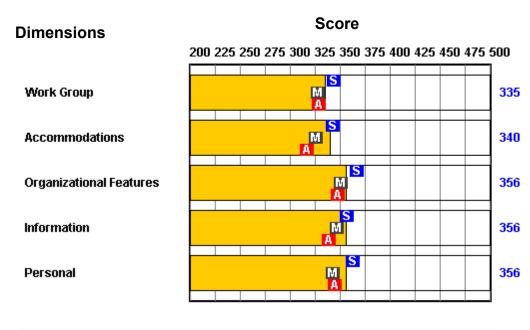
Comparison scores are provided when available. One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Additionally, benchmarks help to illustrate how this organization is performing relative to organizations of similar size, organizations with similar missions and to the performance of all organizations that participated in this survey.



# **Dimension Analysis**

In order for organizations to improve, there is a need to compare performance with other organizations. This comparison process is called benchmarking. The Survey provides a number of convenient and useful comparisons. The number of employees in an organization is one important characteristic of any organization. Large organizations with multiple locations in which any employee will know only a few of the members are different from organizations where most interaction is face-to-face and people know each other well. A second kind of benchmark focuses upon organizations that perform similar functions. The nature of an organization's work can have an impact on organizational features and employee experiences. Lastly, a benchmark is provided for a comparison against all other organizations that have taken the Survey in the current time frame.

The data in this table are composed of the organization's scores for this iteration of the Survey and comparison data from the latest benchmark scores. The scores for the organization appear to the right.





Scores for your Organization (Numeric Score to the right in Blue)

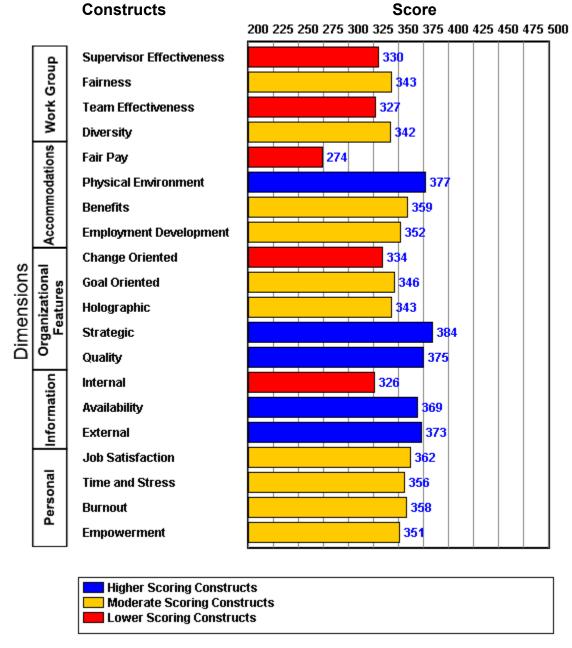
Mission - Benchmark for organizations with a similar mission All Respondents - Benchmark for all of the survey respondents

Size - Benchmark for similar size organizations

# Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 5 highest scoring constructs are blue, the 5 lowest scoring constructs are red, and the remaining 10 constructs are yellow.

Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 300 suggest that employees perceive the issue more positively than negatively, and scores of 400 or higher indicate areas of substantial strength. Conversely, scores below 300 are viewed more negatively by employees, and scores below 200 should be a significant source of concern for the organization and should receive immediate attention.



# Organizational Typology: Areas of Strength

## The following Constructs are relative strengths for the organization:

Strategic Score: 384

General Description: Strategic (Strategic Orientation) reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities.

Average scores suggest that employees feel there is room for improvement in how the organization interprets and understands the environment. Likely there is a concern that some programs are less relevant than in the past and that some processes do not seem knit into an overall vision. In general problems with Strategic Orientation stem from these factors: employees having a limited grasp of the goals of the organization, high levels of "silos", organizational components that function in isolation from other organizational processes, and the nature of the specific work being performed. Remedying Strategic Orientation requires careful study to determine the correct causative factors but assessing environmental understandings is the starting point. Conduct and compile customer assessments and review findings with staff at all levels. Benchmark processes with similar and competitive organizations. Use the employee feedback sessions to make a more complete determination for the causes of low Strategic Orientation scores.

## Physical Environment Score: 377

General Description: This Construct captures employees' perceptions of the total work atmosphere and the degree to which employees believe that it is a "safe" working environment. This construct addresses the "feel" of the workplace as perceived by the employee.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. Attention may be needed to quality and amount of office space, equipment, parking and the location of facilities.

# Organizational Typology: Areas of Strength

## **Relative Strengths Continued:**

Quality Score: 375

General Description: Focuses upon the degree to which quality principles, such as customer service and continuous improvement are a part of the organizational culture. This Construct also addresses the extent to which employees feel that they have the resources to deliver quality services.

Quality comes from attention to detail, customers and overall effort. Average scores mean that there is important room for improvement. In general quality is a result of understanding the needs of customers or clients coupled with a continuous and zealous examination of products and processes for improvement. Achieving quality requires the full and thoughtful attention of all members of the organization. Essential to maintaining high levels is clear articulation of goals, careful attention to changes in the environment that might affect resources or heightened competition and vigorous participation by all members. Leadership must maintain a clear articulation of the importance of quality and the role of everyone in achieving quality. Improvement is best addressed by developing clear standards of quality at all levels, urging employee assessment and feedback, and creating measures of quality for all work.

External Score: 373

General Description: This Construct looks at how information flows into the organization from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of organizational members to synthesize and apply external information to work performed by the organization.

Average scores suggest that immediate consideration needs to be made to improve tools and process for external communication. In general External Communication is a function of these factors: nature of the organization's services or products and those who use the products, types of technology deployed for communication and knowledge of the organization of the needs of those who use its services. Remedying External Communication requires careful study to determine the correct causative factors. Carefully examine the customer base, operating hours of the organization, location of offices and knowledge of contact personnel with customer needs.

# Organizational Typology: Areas of Strength

## **Relative Strengths Continued:**

Availability Score: 369

General Description: This Construct addresses the extent to which employees feel that they know where to get needed information, and when they get it, that they know how to use it.

Average scores suggest that room for improvement exists and there is significant frustration in being able to secure needed information. In general a low availability of information stems from these factors: traditional dependence on word of mouth to meet information needs, low investment in appropriate technology and possibly some persons using their control of information to control others. Remedying Availability of Information problems requires careful study to determine the correct causative factors. Have each program group list what information is needed and how they access it. Use the employee feedback sessions to make a more complete determination for the causes of low Availability scores.



# Organizational Typology: Areas of Concern

The following Constructs are relative areas of concern for the organization:

Fair Pay Score: 274

**Source of Concern** 

General Description: This Construct addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package "holds up" when employees compare it to similar jobs in other organizations.

Low scores can come from many causes and may suggest a number of remedies. Part of the follow up to the Survey when data are returned is to discuss the results with employees and secure more elaborate explanations of important issues. Failure to successfully remedy Fair Pay problems is one of the more serious mistakes that leadership can make. These scores suggest that pay is a central concern or reason for satisfaction or discontent. Problems with pay can come from two or three causes and may suggest a number of remedies. In some situations pay does not meet comparables in similar organizations. In other cases individuals may perceive that pay levels are not appropriately set to work demands, experience and ability. At some times cost of living increases may cause sharp drops in purchasing power and employees will view pay levels as unfair. Remedying Fair Pay problems requires a determination of which of the above factors are serving to create the concerns. Triangulate low scores in Fair Pay by reviewing comparable positions in other organizations and cost of living information. Use the employee feedback sessions to make a more complete determination for the causes of low Fair Pay scores.

Internal Score: 326

General Description: This Construct captures the flow of communication within the organization from the top-down, bottom-up, and across divisions or departments. It addresses the extent to which communication exchanges are open and candid and move the organization toward goal achievement.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. Employees feel that information does not arrive in a timely fashion and often it is difficult to find needed facts. In general Internal Information problems stem from these factors: an organization that has outgrown an older verbal culture based upon a few people knowing "how to work the system", lack of investment and training in modern communication technology and, perhaps, vested interests that seek to control needed information. Remedying Internal Communication requires careful study to determine the correct causative factors. Triangulate low scores in Internal Communication by reviewing existing policy and procedural manuals to determine their availability. Assess how well telephone systems are articulated and if e mail, faxing and Internet modalities are developed and in full use. Use the employee feedback sessions to make a more complete determination for the causes of low Internal Communication scores.

# Organizational Typology: Areas of Concern

#### **Relative Areas of Concern Continued:**

Team Effectiveness Score: 327

General Description: This Construct captures employees' perceptions of the people within the organization that they work with on a daily basis to accomplish their jobs (the work group or team). This construct gathers data about how effective employees think their work group is as well as the extent to which the organizational environment supports cooperation among employees.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. Much and often most work in organizations require regular collaboration with others, the work team. Problems with Team Effectiveness can come from many causes and may suggest a number of remedies. In general team effectiveness stems from these factors: team membership, the selection, support and training of supervisors, the maturity and experience of employees and the nature of the specific work being performed. Remedying Team Effectiveness requires careful study to determine the correct causative factors. Triangulate low scores in Team Effectiveness with Supervisory Effectiveness by reviewing how supervisors are selected and their training. Use the employee feedback sessions to make a more complete determination for the causes of low Team Effectiveness scores.

#### **Supervisor Effectiveness**

**Score: 330** 

General Description: This Construct provides insight into the nature of supervisory relationships in the organization, including the quality of communication, leadership, thoroughness and fairness that employees perceive exists between supervisors and them. This Construct helps organizational leaders determine the extent to which supervisory relationships are a positive element of the organization.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. No area in an organization is more important and often more resistant to change than the middle areas of the organization. Problems with supervision can come from many causes and may suggest a number of remedies. Part of the follow up to the Survey when data are returned is to discuss the results with employees and secure more elaborate explanations of important issues. In general supervisory effectiveness stems from these factors: the selection, support and training of supervisors, the maturity and experience of employees and the nature of the specific work being performed. A frequent problem with supervisors is that those tasks a person may be successful with are not the same tasks that are required when one is promoted to supervision. Remedying Supervisory Effectiveness requires careful study to determine the correct causative factors. Triangulate low scores in Supervisory Effectiveness by reviewing how supervisors are selected and their training. Use the employee feedback sessions to make a more complete determination for the causes of low Supervisory Effectiveness scores.

# Organizational Typology: Areas of Concern

### **Relative Areas of Concern Continued:**

Change Oriented Score: 334

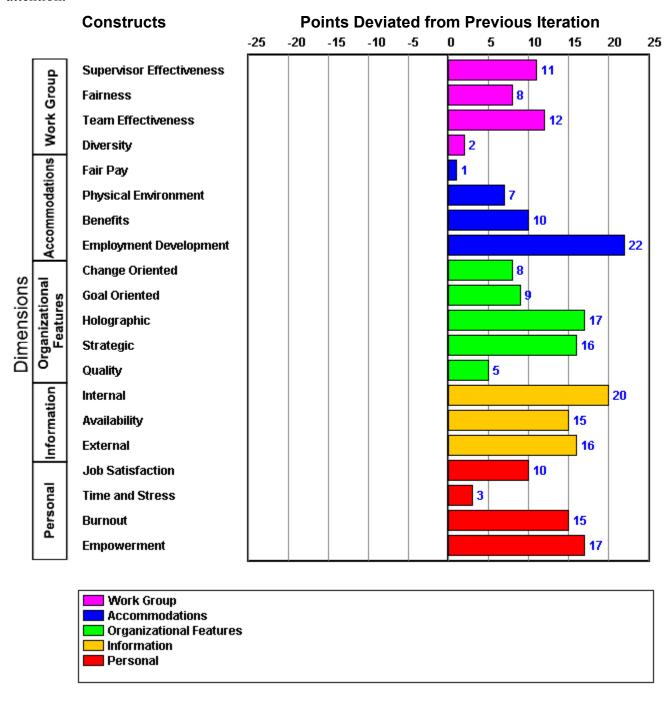
General Description: This Construct secures employees' perceptions of the organization's capability and readiness to change based on new information and ideas. It addresses the organization's aptitude to process information timely and act upon it effectively. This Construct also examines the organization's capacity to draw upon, develop, and utilize the strengths of all in the organization for improvement.

Average scores suggest that room for improvement exists and lack of attention can lead to organizational stasis. Problems with low change orientation can come from many causes and may suggest a number of remedies. Typically the organization is isolated or maintains a culture that feels that the organization and its activities are unique. This vitiates needed comparison or benchmarking processes. Remedying Change Orientation requires opportunity for study and comparisons with other organizations. Visits to other organizations, participation in accreditation processes and developing external advisory boards can help open the organization and increase readiness to change.



# Organizational Change: Performance Over Time

One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Positive changes indicate that employees perceive the issue as adequately improved since the previous survey. Negative changes indicate that the employees perceive that the issue has worsened since the previous survey. Negative changes of greater than 50 points and having 10 or more negative construct changes should be a source of concern for the organization and should receive immediate attention.





# Analyzing Over Time Data

Over Time Data adds another dimension to an organization's scores. By viewing data from multiple iterations of the survey - static data suddenly is capable of tracking effectiveness of previous action plans and catching declining trends before they become critical. Identifying areas for future action plans becomes more obvious and employees can visually confirm the benefits of being proactive in their organization.

### Changes

Organizational change occurs whether or not leadership plans for it. Planning for change puts the control in the hands of the organization. By using the results of the survey and employee feedback, organizations can encourage positive growth trends in their survey scores. A lack of planning can lead to haphazard fluctuations in scores over time.

This organization experienced positive growth in 20 out of the 20 constructs in comparison to the last iteration of the survey. The constructs with the most positive growth are: *Employment Development, Internal, Empowerment, Holographic, and Strategic*. Together, these constructs were identified by employees as having the most significant improvement compared to the previous iteration of the survey. The constructs that showed the least amount of improvement or a decrease in score are: *Fair Pay, Diversity, Time and Stress, Quality, and Physical Environment*. These constructs may or may not be the lowest scoring constructs, but definite attention should be given to these constructs when considering which areas to focus efforts upon improving.

## **Determining Causes**

This is a turbulent time for many organizations, however this year will prove as an important benchmark year as the economy starts to recover. Any number of events both within and outside of leadership control can affect scores. While score changes cannot be attributed directly to one particular event, it is worthwhile to consider all possibilities and use the most likely culprits as a starting point for developing action plans and encouraging positive trends. Consider any recent events that might have affected the scores for a particular construct. Have there been changes in leadership, policy, or procedure? Has there been any restructuring or layoffs? Were any action plans put into place based on the results of the last survey?

The *Data Report* provides detailed data on each of the survey items and constructs including descriptions and item-construct relationships. Examine the over time data for the individual items that make up a construct to try to isolate contributing factors. Once you have a list of factors, hold a focus group consisting of a diverse group of employees and try to get a better feel for why the employees responded the way they did. You may find that there are many other complex factors at work, but having a pre-compiled set of possible factors will provide a sound starting point.

#### **Continuing Trends**

No matter how high a score, there is always room for improvement. Get the entire organization involved in deciding on which constructs to concentrate efforts for improvement. Brainstorm ideas on how improvements can be made and how every employee can have a chance to contribute suggestions. A questionnaire, customized online survey, or departmental meeting may prove effective for collecting ideas. Each organization is unique and has a great amount of untapped resources in its employees. Using employees to solve problems and make organizational improvements is a natural solution - who else knows the organization better?



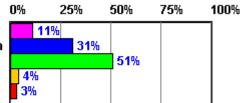
# Participant Profile

Demography data help one to see if the Survey response rate matches the general features of all employees in the organization. It is also an important factor in being able to determine the level of consensus and shared viewpoints across the organization. It may also help to indicate the extent to which the membership of the organization is representative of the local community and those persons that use the services and products of the organization.

### **Race/Ethnic Identification**

Diversity within the workplace provides resources for innovation. A diverse workforce helps insure that different ideas are understood, and that the community sees the organization as representative of the community. \* There were 5 employees who chose not to respond to this item.

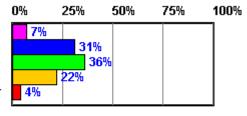
African-American Hispanic-American Anglo-American Asian-American Multiracial/Other



### Age

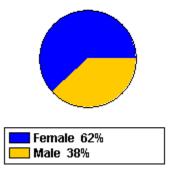
Age Diversity contributes to having a well-balanced workplace. Different age groups bring different experiences and perspectives to the organization. Large percentages of older individuals may be a cause of concern if a number of key employees are nearing retirement age. Seek ways to preserve the culture and experiences these individuals have brought to the organization. Be mindful that people have different challenges and resources at various age levels and should see that leadership incorporates these understandings. \* There were 2 employees who chose not to respond to this item.

16 to 29 years old 30 to 39 years old 40 to 49 years old 50 to 59 years old 60 years and older



### Gender

The ratio of males to females within an organization can vary among different organizations. However, extreme imbalances in the gender ratio should be a source of concern for the organization and may require immediate attention. Give consideration to the types of work being performed and be open to unintentional bias in job and employee selection as well as promotion consideration. \* There were 5 employees who chose not to respond to this item.

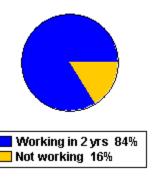




# Participant Profile

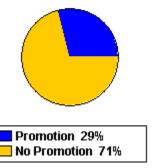
### **Employee Retention**

The percent of employees that see themselves working for this organization in two years is a good indicator of how well the organization is doing at retaining its employees. Very low retention should be a source of concern and may require immediate attention. You have a higher than average number of employees who expect to be working for your organization in two years. \* There were 3 employees who chose not to respond to this item.



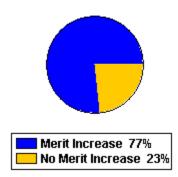
#### **Promotion**

The percentage of employees that receive a promotion can vary among organizations. While organizational growth may increase the likelihood of promotional opportunities, organizations should not simply wait for growth. Low percentages may indicate that current employees do not compete well for promotional opportunities. This would urge study of the Employee Development Construct to gauge the level of employee interest. \* There were 4 employees who chose not to respond to this item.



#### **Merit Increase**

The percentage of employees that receive a merit increase can vary between organizations. Low percentages may indicate that employees need to review expectations of current employees and those efforts that seek to increase performance. \* There were 4 employees who chose not to respond to this item.





<sup>\*</sup>Charts and percentages are based on valid responses. Slight variations from the Data Aggregation Report are due to respondents who chose not to answer particular demographic items. The number of people who chose not to respond is noted for each demographic item.

# Interpretation and Intervention

After the survey data has been complied, the results are returned to the survey liaison, executive director, and board or commission chair approximately one month after data collection stops. These individuals are strongly encouraged to share results with all survey participants in the organization. Survey results are provided in several formats to provide maximum flexibility in interpreting the data and sharing the data with the entire organization. The quick turnaround in reporting allows for immediate action upon the results while they are still current.

The Executive Summary provides a graphical depiction of the data. Graphical data can easily be reproduced in a company newsletter or website. For additional detailed data, the Data Report is useful for examining survey data on the individual item level. Response counts, averages, standard deviations, and response distributions are provided for each item. Excel files provide electronic access to scores. Scores can be sorted in various ways to help determine strengths and areas of concern. The electronic data can also be used by Excel or other software to create additional graphs or charts. Any of these formats can be used alone or in combination to create rich information on which employees can base their ideas for change.

Benchmark data provide an opportunity to get a true feel of the organization's performance. Comparing the organization's score to scores outside of the organization can unearth unique strengths and areas of concern. Several groups of benchmarks are provided to allow the freedom to choose which comparisons are most relevant. If organizational categories were used, then internal comparisons can be made between different functional areas of the organization. By using these comparisons, functional areas can be identified for star performance in a particular construct, and a set of "best practices" can be created to replicate their success throughout the organization.

These Survey Data provide a unique perspective of the average view of all that took the Survey. It is important to examine these findings and take them back to the employees for interpretation and to select priority areas for improvement. This also provides an opportunity for the organization to recognize and celebrate areas that members have judged to be areas of relative strength. By seeking participation and engaging people on how the organization functions, you have taken a specific step in increasing organizational capital. High organizational capital means high trust among employees and a greater likelihood of improved efforts and good working relationships with clients and customers.

### Ideas for getting employees involved in the change process:

- Hold small focus groups to find out how the employees would interpret the results
- Conduct small customized follow-up surveys to collect additional information including comments
- Provide employees with questionnaires/comment cards to express their ideas

#### Ideas for sharing data with the organization:

- Publish results in an organizational newsletter or intranet site
- Discuss results in departmental meetings
- Create a PowerPoint presentation of the results and display them on kiosks



# Timeline

# November and December: Interpreting the Data

- Data is returned to survey liaisons, executive directors and board members
- Review Survey data including the Executive Summary with executive staff
- Develop plans for circulating all the data sequentially and providing interpretations for all staff

### January: Distributing Results to the Entire Organization

- Implement the plans for circulating the data to all staff
- Create 3 to 4 weekly or monthly reports or organization newsletters
- Report a portion of the Constructs and Questions, providing the data along with illustrations pertinent to the organization
- Select a time to have every employee participate in a work unit group to review the reports as they are distributed to all staff, with one group leader assigned to every group. The size of the groups should be limited to about a dozen people at a time. A time limit should be set not to exceed two hours.

### February: Planning for Change

- Designate the Change Team composed of a diagonal slice across the organization that will guide the effort
- Identify Work Unit Groups around actual organizational work units and start each meeting by reviewing strengths as indicated in the data report. Brainstorm on how to best address weaknesses
- Establish Procedures for recording the deliberations of the Work Unit Group and returning those data to the Change Team
- Decide upon the Top Priority Change Topic and Methods necessary for making the change. Web-based Discussion Groups and Mini-Surveys are convenient technologies
- First change effort begins
- Repeat for the next change topic

# March and Beyond: Implementation and Interventions

- Have the Change Team compile the Priority Change Topics and Methods necessary for making the change and present them to the executive staff
- Discuss the administrative protocols necessary for implementing the changes
- Determine the plan of action and set up a reasonable timeline for implementation
- Keep employees informed about changes as they occur through meetings, newsletters, or intranet publications
- Resurvey to document the effectiveness of the change



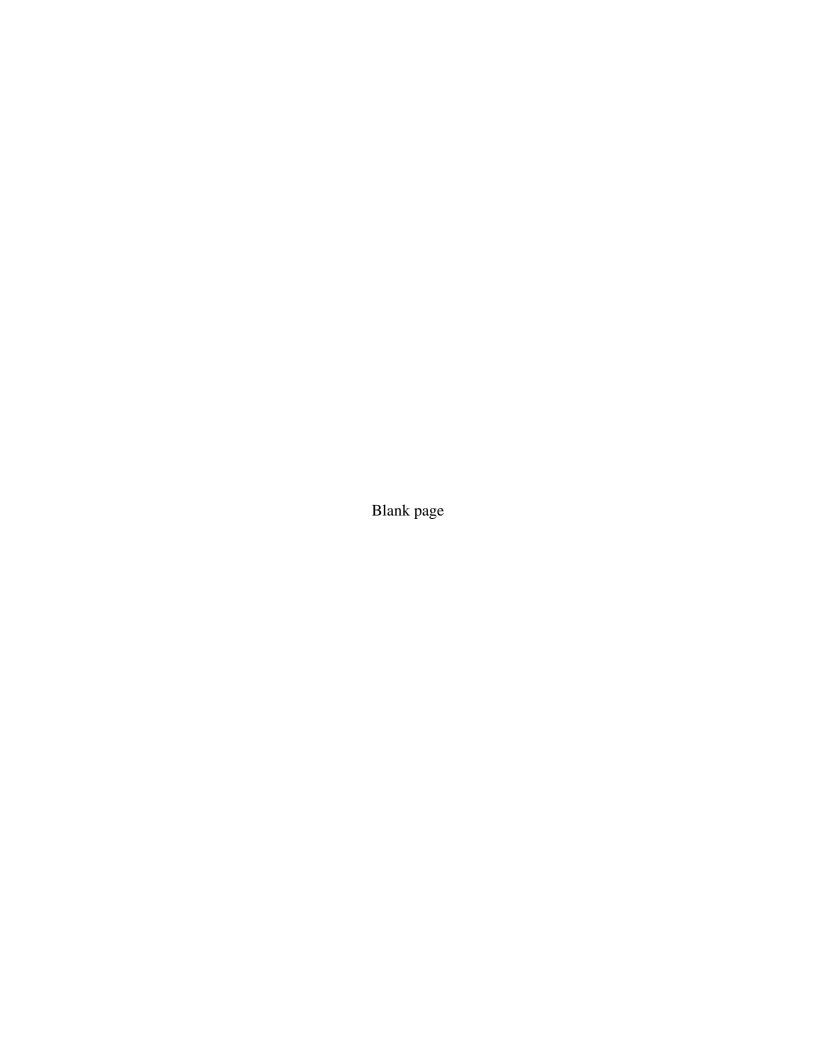
### AGENCY DEVELOPING MARCOM PLAN

The Division of Policy and Public Affairs has prepared a Marketing/Communications Plan (or "MarCom Plan") for review of senior staff and the governing board of the Texas Department of Housing and Community Affairs.

This MarCom Plan will guide the Department in all of its marketing and communications functions both internally and externally. The document is designed to be a "living document" in that it will be continually updated and adjusted as the Department's mission, functions, and programs adhere to statutory and policy changes.

The purpose of the Plan is to provide guidelines for continuity and consistency of the Department's marketing and communication activities and to portray, promote and position TDHCA as Texas' primary source for low and moderate income affordable housing programs, statewide housing data, and community affairs programs.

This plan is a major undertaking and requires the commitment and enthusiasm of the governing board, the entire agency and its staff to help carry it out. This will mark the first time that the Department has used such a plan to guide its efforts to reach out to all of its target audiences. Staff anticipates the document being ready for board review by May 2006.



#### **COMMUNITY AFFAIRS DIVISION**

# REPORT ITEM EL PASO COMMUNITY ACTION PROGRAM, PROJECT BRAVO, INC. MARCH 20, 2006

The Community Affairs Division administers numerous programs operated by the El Paso Community Action Program, Project BRAVO, Inc. Those programs include the Community Services Block Grant (CSBG); Comprehensive Energy Assistance Program (CEAP) and the Weatherization Assistance Program (WAP). Additionally, two other Divisions within TDHCA also provide or have provided funding to Project BRAVO including the Single Family Finance Production and the Office of Colonia Initiatives.

Project BRAVO is a private non-profit 501 (c) (3) organization that exists to maximize resources for an improved quality of life for the economically disadvantaged residents of El Paso County. The Department has been concerned with Project BRAVO and its overall agency operations as well as the unstable financial management system as disclosed in Department Monitoring Reports.

- The Community Affairs Division (CAD) of the Department monitored Project BRAVO in 2003 and identified numerous deficiencies.
- CAD monitored Project BRAVO again in 2004 due to the risk associated with the 2003 monitoring issues.
- The 2004 monitoring review of CSBG and CEAP contracted operations again disclosed numerous deficiencies, the most serious of which included: lack of a qualified chief financial officer; lack of a properly maintained general ledger; failure to reconcile bank statements to the general ledger; failure to implement agency financial policies and procedures and the financial plan noted in the previous year's single audit; and the lack of a written cost allocation plan.
- The Department placed Project BRAVO's CSBG program on a cost reimbursement method of payment in July 2004.
- Using funds from a technical assistance grant from the U. S. Department of Health and Human Services, the Department contracted with Mid-Iowa Community Action (MICA), to conduct an overall assessment of Project BRAVO contracted operations and provide in depth, onsite technical assistance in order to bring Project BRAVO into compliance and to return the organization to viability.
- MICA's assessment, conducted the week of March 28 April 1, 2005, included fiscal operations, board functioning and governance, and administration and management systems.
- Subsequent to MICA's assessment, the Department released its monitoring report, which included MICA's assessment and recommendations as an attachment.
- The Department conducted a CSBG/CEAP monitoring review the week of January 23-26, 2006 in conjunction with MICA. The on-site monitoring review shows that while Project BRAVO has made significant improvements to contracted operations by addressing many of the findings identified in the 2003 and 2004 monitoring reviews, the 2006 monitoring report contained findings, recommended improvements to enhance overall operations, and MICA's follow-up assessment and recommendations.
- Project BRAVO must respond to the findings and recommended improvements contained in the 2006 monitoring report by March 23, 2006.

### Status of the A 133 Audit for Fiscal Year 2004 (January through December 2004)

Portfolio Management and Compliance (PMC) completed their review of the most recent A
133 audit for Project BRAVO, which included four findings. The four findings in the 2004
single audit are findings identical to findings included in the Department's FY 2004 CSBG
and CEAP Monitoring Reports of Project BRAVO. Project BRAVO has addressed or is in
the process of addressing these four findings.

### SUMMARY OF TDHCA-FUNDED PROGRAMS ADMINISTERED BY PROJECT BRAVO

## **Community Services Block Grant (CSBG)**

Contract Amount \$1,334,538

Contract Period January 1, 2006 – December 31, 2006

The purposes of the CSBG program are to reduce poverty, revitalize low-income communities, and empower low-income families and individuals to become fully self-sufficient. These purposes are accomplished through a network of community action agencies and other neighborhood-based organizations that use CSBG funds to support efforts to identify, reduce, or eliminate the causes of poverty and to help solve problems that block the achievement of economic self-sufficiency.

### **Comprehensive Energy Assistance Program (CEAP)**

Contract Amount \$1,584,715

Contract Period January 1, 2006 - December 31, 2006

CEAP helps to meet the immediate home energy needs of persons with low incomes and high energy costs burdens. CEAP has four components and provides: 1) utility assistance co-payment to low-income persons or families combined with case management to develop household goals and budget; 2) utility assistance to low-income elderly and disabled persons; 3) assistance with energy-related crisis to low income persons; and 4) retrofit and repair of inefficient heating and cooling appliances.

#### **Weatherization Assistance Program (WAP)**

Contract Amount DOE \$232,036 LIHEAP \$290,031 Total \$522,067

Contract Period April 1, 2005 - March 31, 2006

WAP, funded through the Department of Energy and the U.S. Department of Health and Human Services, provides weatherization assistance to low-income persons to improve the energy efficiency of their housing, thereby reducing energy costs for low-income families, particularly for the elderly, people with disabilities, and families with children, while ensuring their health and safety. Weatherization measures include, but are not limited to, installation of caulking, weather-stripping, compact fluorescent lights, insulation, heating and cooling appliances, and energy-efficient doors and windows.

### **HOME (TBRA)**

Contract Amount \$97.545

Contract Period October 3, 2005 – March 31, 2008

The Department awarded \$97,545 to the El Paso Community Action Program under the Tenant Based Rental Assistance (TBRA) Activity to assist 10 units. The contract term began on October 3, 2005 and ends on March 31, 2008. To date, Project BRAVO has drawn no funds.

### TEXAS BOOTSTRAP LOAN PROGRAM

Contract Amount \$312,000

**Contract Period** May 1, 2005 – August 30, 2007

On May 24, 2005, the Office of Colonia Initiatives (OCI) placed the Texas Bootstrap Loan Program contract with Project BRAVO on hold due to an alleged conflict of interest between Project BRAVO and its subcontractor, El Paso Association of Adult Education (EPAAE). In Department correspondence dated October 28, 2005, OCI notified Project BRAVO that several issues still remained unresolved and that all must be satisfied by November 30, 2005 to avoid deobligation of funds. In correspondence dated December 19, 2005, the Department notified Project BRAVO that several issues remained unresolved and therefore, the Boot Strap Loan Program funds were deobligated and the contract was terminated effective December 13, 2005.