SUPPLEMENTAL BOARD BOOK OF OCTOBER 13, 2016

J. Paul Oxer, Chair
Juan Muñoz, Vice-Chair
Leslie Bingham Escareño, Member
T. Tolbert Chisum, Member
Tom H. Gann, Member
J. B. Goodwin, Member

1e

BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer (#16418 Pathways at Georgian Manor, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Pathways at Georgian Manor, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on June 1, 2016;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on June 27, 2016, and will expire on November 24, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of an undesirable neighborhood characteristic, specifically that the development site is within the American Society for Testing and Materials ("ASTM") Standard search distance of a Resource Conservation and Recovery Act ("RCRA") generator of hazardous waste as further noted in the Environmental Site Assessment ("ESA");

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and recommends the proposed site be found eligible under 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules;

WHEREAS, at the time of EARAC, Real Estate Analysis ("REA") staff had not completely evaluated the appraisal and additional conversations with the applicant in this regard were necessary;

WHEREAS, EARAC recommends approval subject to a thorough review of the appraisal in order to finalize the underwriting analysis that is anticipated to be final prior to the Board meeting; and

WHEREAS, such review is reflected in the attached underwriting report;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of $468,639 in 4% Housing Tax Credits subject to applicable underwriting conditions as found in the Real Estate Analysis report posted to the Department's website for Pathways at Georgian Manor is hereby approved as presented to this meeting

BACKGROUND

General Information: Pathways at Georgian Manor is located at 110 Bolles Circle, Austin, Travis County, and consists of the acquisition and rehabilitation of 94 units, all of which will be rent and income restricted at 60% of the Area Median Family Income. The units are currently occupied and operating as public housing and are owned and managed by the Housing Authority of the City of Austin. The subject property, as well as four sister properties also on the agenda for consideration today, Pathways at Manchaca Village, Pathways at North Loop, Pathways at Northgate and Pathways at Shadow Bend, will be converted through HUD's Rental Assistance Demonstration program. The development was originally constructed in 1973, will serve a general population and conforms to current zoning. The census tract (0018.06) has a median household income of $47,709, is in the fourth quartile and has a poverty rate of 36%.

During staff's review of the application, it was observed that the proportion of accessible units across the unit types did not meet the Department's accessibility requirements, specifically, that one of the townhome-style two bedroom/one bath units was not accessible. Through discussions with the applicant to address this requirement, the applicant agreed to convert one of the flat units as the same unit type as the townhome-style and add a half-bath. Staff's evaluation of the increased costs associated with this modification does not affect financial feasibility.

Site Analysis: The applicant disclosed the presence of an undesirable site characteristic under §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules which requires additional site analysis; specifically, the ESA indicates the development site is within the ASTM-required search distances of an RCRA generator of hazardous waste.

The ESA indicated the RCRA generator of hazardous waste facility is located to the adjacent west of the proposed development. The entity of record for the ASTM search distance is a Furrow Building Materials and was registered as a large quantity generator in 1992 and in 2002 was coded as RCRA-CESQG which stands for Conditionally Exempt Small Quantity Generator and indicates the facility generates no more than 220 pounds of hazardous waste per month. This designation requires compliance with several basic waste management requirements to remain exempt from the full hazardous waste regulations that apply to generators of large quantities of waste. The ESA noted that the entity has had no records of violations, evaluations or enforcements and concluded that, in their professional opinion, is not of environmental concern to the development given the regulatory status and its location being topographically cross-gradient from the proposed development.

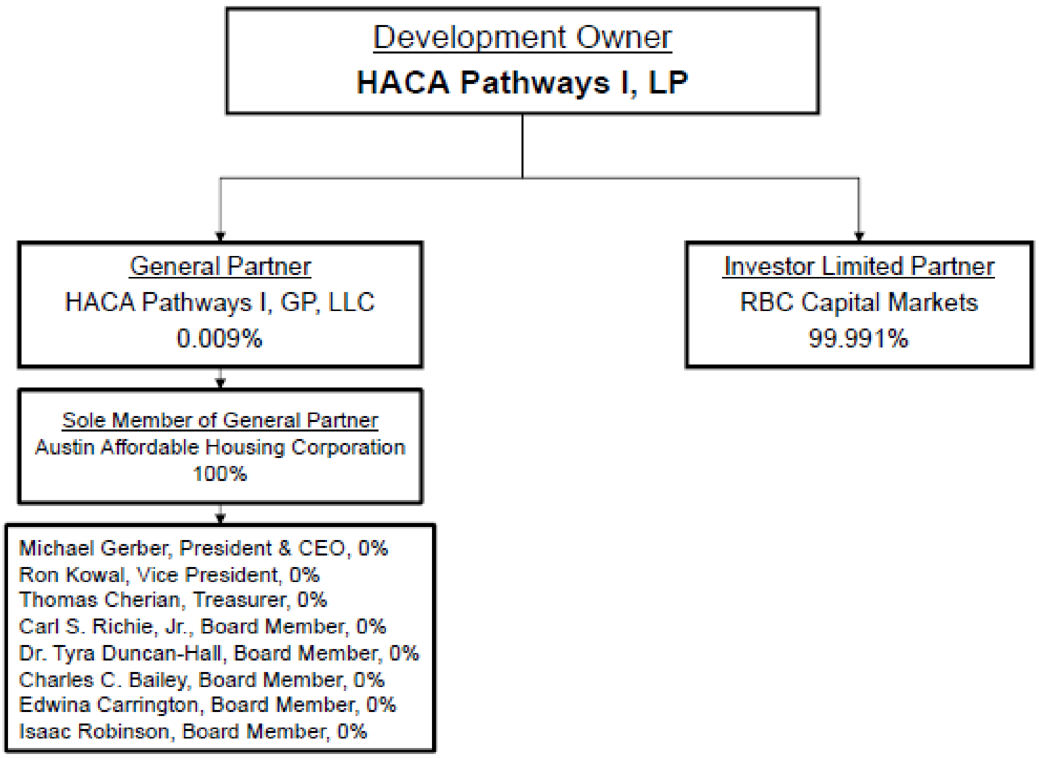
The ESA provider did not recommend additional assessments or diligence that would need to be performed associated with the proximity of the RCRA facility to the development site and as such staff does not believe the disclosure relative to this undesirable neighborhood characteristic requires additional review and recommends the site be found eligible. Moreover, §10.101(a)(4)(i) allows consideration for acceptable mitigation regarding this characteristic based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions. The units at Pathways at Georgian

Manor are being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration Program.

Organizational Structure: The Borrower is HACA Pathways I, LP, and includes the entities and principals illustrated Exhibit A. The applicant is considered a medium Category 1 portfolio and the previous participation was deemed acceptable by EARAC on October 3, 2016, without further review or discussion.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A


Development Owner
HACA Pathways I, LP
General Partner
HACA Pathways I, GP, LLC
0.009%
Investor Limited Partner
RBC Capital Markets
99.991%
Sole Member of General Partner
Austin Affordable Housing Corporation
100%
Michael Gerber, President & CEO, 0%
Ron Kowal, Vice President, 0%
Thomas Cherian, Treasurer, 0%
Carl S. Richie, Jr., Board Member, 0%
Dr. Tyra Duncan-Hall, Board Member, 0%
Charles C. Bailey, Board Member, 0%
Edwina Carrington, Board Member, 0%
Isaac Robinson, Board Member, 0%

APPLICATION SUMMARY

REAL ESTATE ANALYSIS DIVISION
October 10, 2016

PROPERTY IDENTIFICATION	
Application #	16418
Development	Pathways at Georgian Manor
City / County	Austin / Travis
Region/Area	7 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1973)

RECOMMENDATION					
TDHCA Program	Request	Approved			
LIHTC (4% Credit)	$491,236	$468,639	$4,986/Unit	$1.16	
	Amount	Rate	Amort	Term	Lien
Private Activity Bonds					
MDLP (Repayable)					
MDLP (Non-Repayable)					
CHDO Expenses					

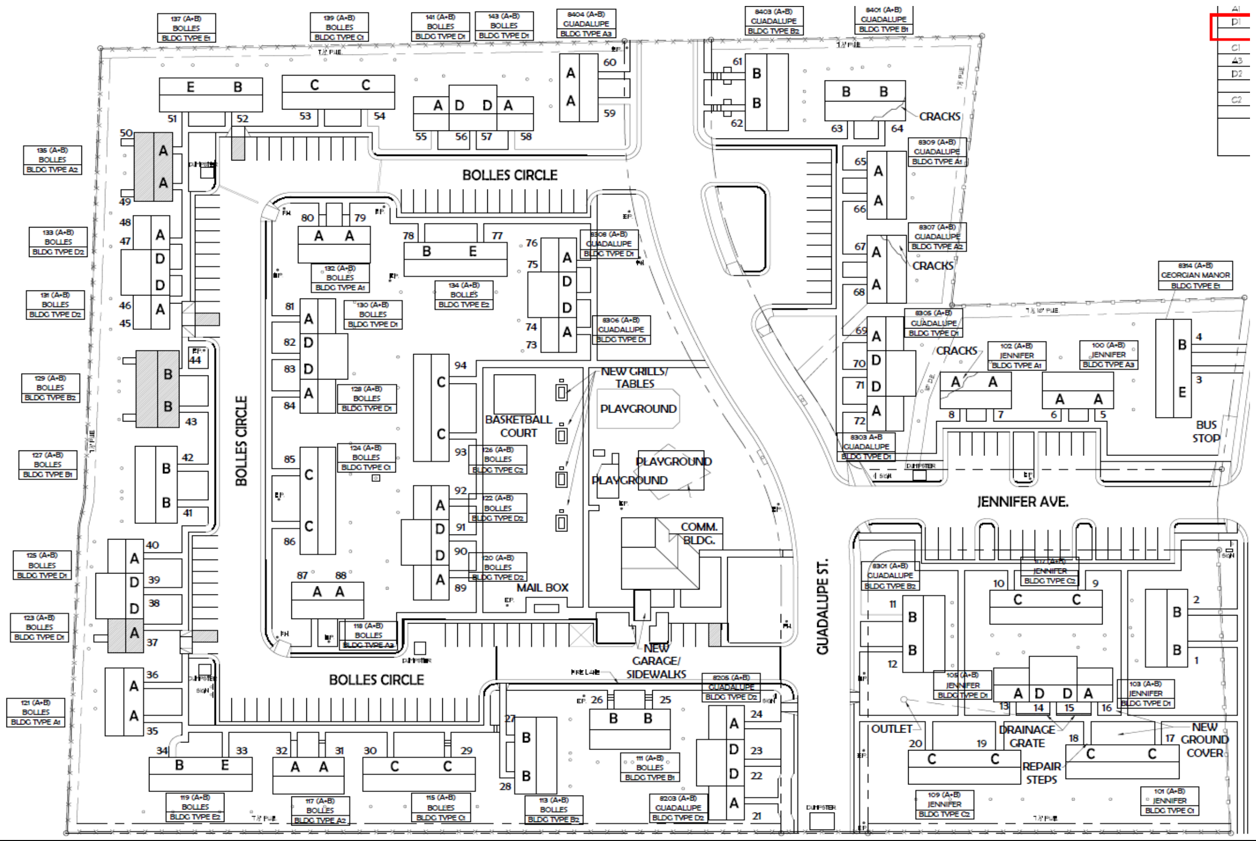
KEY PRINCIPALS / SPONSORS		
Austin Affordable Housing Corporation (AAHC)		
Michael Gerber (GP)		
Audrey Martin (Consultant)		
Related-Parties	Contractor - Yes	Seller - Yes

TYPICAL BUILDING ELEVATION/PHOTO

UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	38	40%	40%	-	0%
2	38	40%	50%	-	0%
3	14	15%	60%	94	100%
4	4	4%	MR	-	
TOTAL	94	100%	TOTAL	94	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.35	Expense Ratio	64.0%
Breakeven Occ.	86.1%	Breakeven Rent	$626
Average Rent	$691	B/E Rent Margin	$65
Property Taxes	Exempt	Exemption/PILOT	0%
Total Expense	$5,080/unit	Controllable	$4,051/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			0.6%
Highest Unit Capture Rate	1%	2 BR/60%	38
Dominant Unit Cap. Rate	1%	1 BR/60%	38
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	94	100% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	720 SF	Density	10.8/acre
Acquisition		$74K/unit	$7,000K
Building Cost	$43.61/SF	$31K/unit	$2,950K
Hard Cost		$39K/unit	$3,630K
Total Cost		$148K/unit	$13,944K
Developer Fee	$961K	(0% Deferred)	Paid Year: 1
Contractor Fee	$467K	30% Boost	Yes

REHABILITATION COSTS / UNIT					
Site Work	$1K	1%	Finishes/Fixtures	$26K	67%
Building Shell	$2K	5%	Amenities	$3K	8%
HVAC			Total Exterior	$6K	16%
Appliances	$4K	9%	Total Interior	$29K	84%

DEBT (Must Pay)				
Source	Term	Rate	Amount	DCR
Bellwether Enterprise/FNMA	15/35	4.20%	$2,800,000	1.76
HACA Seller Note (Hard Debt)	50/35	2.24%	$1,120,000	1.35
TOTAL DEBT (Must Pay)			$3,920,000	

CASH FLOW DEBT / GRANT FUNDS				
Source	Term	Rate	Amount	DCR
HACA Seller Note (Cash Flow)	50/0	2.24%	$4,600,000	1.35
CASH FLOW DEBT / GRANTS			$4,600,000	

EQUITY / DEFERRED FEES	
Source	Amount
RBC Capital Markets	$5,423,956
TOTAL EQUITY SOURCES	$5,423,956
TOTAL DEBT SOURCES	$8,520,000
TOTAL CAPITALIZATION	$13,943,956

CONDITIONS

1 Receipt and acceptance with Determination Notice:

- Unit mix of accessible units acceptable to the Department

2 Receipt and acceptance by Cost Certification:

a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.

b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.

c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.

d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC
Expiration Date	11/24/2016
Bond Amount	$11,000,000
BRB Priority	Priority 3
Expected Close	10/31/2016
Bond Structure	Short-Term Cash-Collateralized

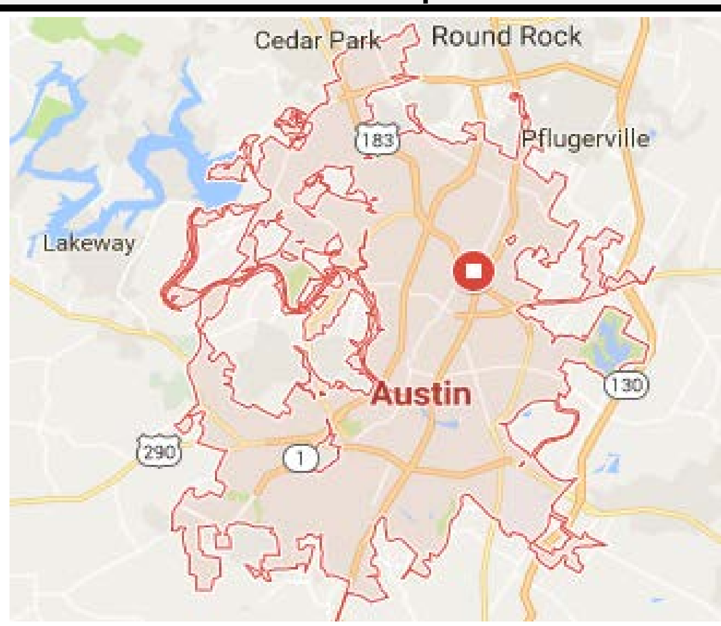
RISK PROFILE

STRENGTHS/MITIGATING FACTORS

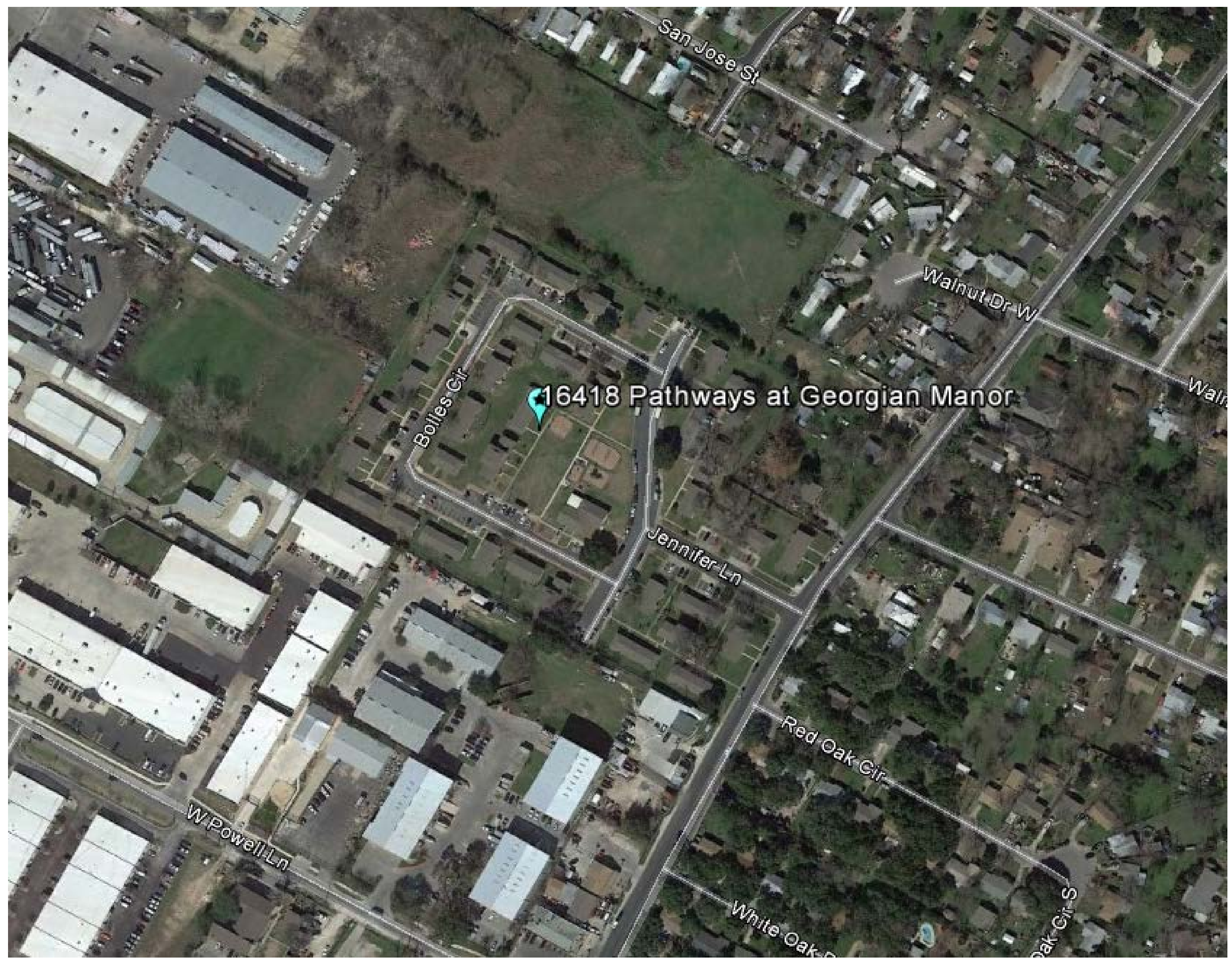
- Low Gross and Unit Capture Rates
- HUD CHAP Contract
- Low Hard Debt
- Strong DCR

WEAKNESSES/RISKS

Area Map



AERIAL PHOTOGRAPH(s)



Real Estate Analysis Division
Underwriting Report
October 10, 2016

DEVELOPMENT IDENTIFICATION

TDHCA Application #: **16418** Program(s): **4% HTC**

Pathways at Georgian Manor

Address/Location: 110 Bolles Circle

City: Austin County: Travis Zip: 78753

Population: General Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Duplex Region: 7

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

	REQUEST				RECOMMENDATION				
TDHCA Program	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**Lien**
LIHTC (4% Credit)	$491,236				**$468,639**				

CONDITIONS

1 Receipt and acceptance with Determination Notice:
- Unit mix of accessible units acceptable to the Department

2 Receipt and acceptance by Cost Certification:

a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.

b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.

c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.

d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	94

DEAL SUMMARY

Pathways at Georgian Manor is one of five properties currently owned by the Housing Authority of the City of Austin (HACA) that is being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program. These five properties (Pathways at North Loop, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Shadowbend Ridge, and Pathways at Northgate) will be rehabilitated during the conversion. Each of the five properties will be owned by a single partnership, HACA Pathways I, LP, and will be financed using a single investor and a single lender. Each development will have its own bond reservation, and will be financed using a single loan which will allocate debt service payment amounts to each development. Austin Affordable Housing Corporation (AAHC), an affiliate of HACA, is the sole member of the general partner, the developer, and guarantor. Austin Affordable PFC, Inc., another affiliate of HACA, is the bond issuer. HACA has managed the developments as public housing since their construction, and will be continue to be the property manager post-conversion.

Due to these relationships the acquisition is considered to be governed by the Identity of Interest Acquisition rule §10.302(e)(1)(B).

The development is currently public housing, where all costs of operations are essentially paid for by HUD operating subsidies. HUD's Rental Assistance Demonstration program ("RAD") converts public housing developments to project-based rental assistance developments allowing for private capital to own, rehabilitate and operate the developments. With a few exceptions, the development is always restricted for affordable housing as either the public housing or the restrictions that accompany the rental assistance contract.

The transfer price of the development paid to the housing, authority by the LIHTC partnership is based on an appraisal. Although typically a property valuation is based on the income expected to be generated using rents restricted by a use agreement and/or rental assistance contract, the valuation in this case is based on an appraised value using unrestricted market rental rates in the Austin market. The use of the market rental rates produces a much higher appraised value than that based on restricted rents.

Even though the property will never be "unrestricted," the applicant claims that there are circumstances under which they could sell the property into the market without restrictions. Theoretically they could then use the sale proceeds to purchase another property and transfer the rental assistance contract. Under this scenario the applicant claims that the sales price should be based on a valuation using unrestricted rents. The Underwriter discussed this scenario with the public housing side of HUD, which acknowledged the use of the market valuation as a transfer price in some conversions in various parts of the country.

§10.302(e)(1)(C)(iv) states "the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development and that will continue to affect the Development after transfer to the new owner in determining the building value." §10.304(d)(10)(B) states "for existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value" inclusive of the value associated with the rental assistance. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter." And §10.304(d)(10)(C) states "For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the restricted rents should be contemplated when deriving the value based on the income approach." These sections of the REA Rules would seem to indicate that the building value should be based on the proposed restricted RAD rents. However, the Rules do not explicitly address the situation of a Public Housing property converting to RAD.

Also, it should be noted that the HUD-FHA Underwriting Instructions for Projects Converting Assistance as part of the Rental Assistance Demonstration Program includes Appraisal Guidance stating: "Under RAD, the valuation and rental assumptions are to be based on the Section 8 rental income and on the project Use Agreement ... for purposes of valuation, the rents established by the RAD conversion will control, and the appraisal for the project should assume a jurisdictional exception in accordance with the current USPAP to comply with the RAD statutory language."

Debt financing for the subject property is being provided by Bellwether pursuant to Fannie Mae Affordable Housing (MAH) MBS loan program. The Fannie Mae Multifamily Delegated Underwriting and Servicing Guide requires that "The Appraiser must estimate values based on the scheduled (as-restricted) rents." As, such, the Lender will use a value based on the RAD rents.

This is consistent with how the Department has treated RAD conversions in the past. This however, according to the Applicant, is not the method used by tax credit syndicators across the country and should not be used for credit sizing purposes.

Using market rents, the buildings are valued at $7,000,000 ($74.5K/unit) vs. a value using the restricted rents at $4,500,000 ($48K/unit). Because the property is sold to the LIHTC partnership at the market value, greater sale proceeds are generated by the housing authority.

The HUD Rental Assistance Demonstration Conversion Guide for Public Housing Agencies states that the transfer of a public housing property to an LIHTC partnership in a RAD conversion is typically financed by the Housing Authority through a Seller Take-Back Financing note, which is typically equal to the acquisition value of the buildings. But in this case the note for $5,720,000 is less than the building value, which facilitates the release of $1,280,000 in cash proceeds. The note is subject to cash flow and deeply subordinate to all other financing and obligations.

Use of these cash funds is governed by HUD through the RAD Conversion Commitment agreement. Applicant has also certified that any cash proceeds will be used solely for the purpose of providing affordable housing.

The building acquisition cost of $74.5K/unit plus the rehab cost of $35K/unit equals $110K/unit which may exceed the cost of constructing new units.

RISK PROFILE

STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
▫ Low Gross and Unit Capture Rates	▫
▫ HUD CHAP Contract	▫
▫ Low Hard Debt	▫
▫ Strong DCR	▫
▫	▫
▫	▫

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name:	Ron Kowal	Name:	Suzanne Schwertner
Phone:	(512) 767-7792	Phone:	(512) 767-7796
Relationship:	GP	Relationship:	GP

OWNERSHIP STRUCTURE

Development Owner
HACA Pathways I, LP

General Partner
HACA Pathways I, GP, LLC
0.009%

Investor Limited Partner
RBC Capital Markets
99.991%

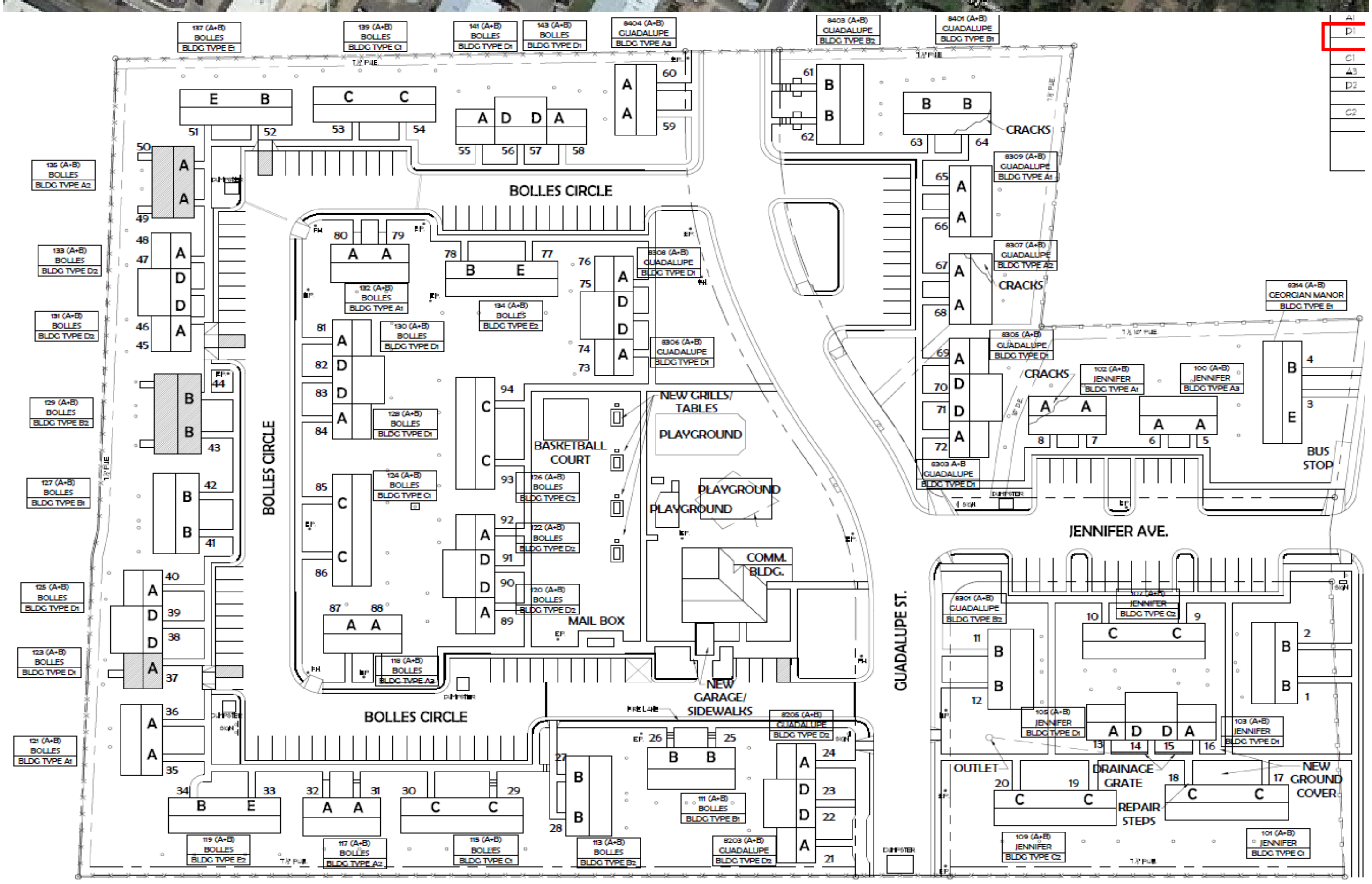
Sole Member of General Partner
Austin Affordable Housing Corporation
100%

Michael Gerber, President & CEO, 0%
Ron Kowal, Vice President, 0%
Thomas Cherian, Treasurer, 0%
Carl S. Richie, Jr., Board Member, 0%
Dr. Tyra Duncan-Hall, Board Member, 0%
Charles C. Bailey, Board Member, 0%
Edwina Carrington, Board Member, 0%
Isaac Robinson, Board Member, 0%

- The Applicant, Developer, General Contractor, Property Manager, Bond Issuer, and Supportive Services Provider are related entities.

DEVELOPMENT SUMMARY

SITE PLAN



BUILDING ELEVATION

RELOCATION PLAN

For relocation activities, HACA will take into consideration individual household preferences and needs to be close to public transportation, employment, schools, medical / public/social services and agencies, recreational services, parks, community centers, or shopping. Temporary accommodations for the first phase of 10 units, anticipated to be for the duration of the rehab of all units or approximately 3 months, will be in a comparably sized or larger unit at Thurmond Heights, a nearby public housing property located at 8426 Goldfinch Court, Austin. The second phase of relocations and all subsequent phases will be accomplished by one-time move from their current unit into a properly sized Georgian Manor Apartments unit already fully rehabilitated. No market units, hotel units or other type of lodging is anticipated for this property. Should there not be sufficient public housing units or another circumstance prevents a household to move into the available public housing units, HACA will evaluate the need for units and an extended-stay type motel will be utilized.

Rehabilitation work in the Project will result in no permanent relocations assuming HACA's prerehabilitation plan is followed. Any temporary relocation needs that arise will be met by utilizing available public housing units in the vicinity of the Project: Meadowbrook Apartments and Bouldin Oaks, and minimizing tenants' hardship and inconvenience by offering a one-time move into fully rehabbed units. The per unit construction cycle is not expected to exceed 10 consecutive days.

BUILDING CONFIGURATION

Building Type	A	B	C	D	E								Total Buildings
Floors/Stories	1	1	1	2	1								
Number of Bldgs	10	8	7	9	4								38
Units per Bldg	2	2	2	4	2								
Total Units	20	16	14	36	8								**94**

Avg. Unit Size (SF)	**720 sf**	**Total NRA (SF)**	**67,648**	**Common Area (SF)**	**2,689**

SITE AND ACQUISITION

Site Acreage: Total Size: 8.74 acres Density: 10.8 units/acre

Site Control: LD* **Site Plan:** N/A **Appraisal:** 8.7 **ESA:** 8.737

* The Contract for Ground Lease defines the Property by its legal description: Blocks A, B, and C, of Georgian Square, an addition in Travis County, Texas according to the plat recorded in Volume 57, Page 55 of the Plat Records of Travis County, Texas.

Control Type: Contract for Ground Lease and Bill of Sale Contract Expiration: 10/1/2016

Development Site: 9 acres Cost: $7,000,000 $74,468 per unit

Seller: Housing Authority of the City of Austin

Buyer: HACA Pathways I, LP

Related-Party Seller/Identity of Interest: Yes

Comments:

Housing Authority is leasing Land to Partnership for $100 per year for 75 years and selling Improvements to Partnership for $7,000,000. Ownership interests of all Improvements revert to the Housing Authority at the end of the Lease. Building value limited by Appraisal.

GENERAL INFORMATION

Flood Zone: X

Zoning: MF-3-NP

Year Constructed: 1973

Scattered Site? No

Within 100-yr floodplain? No

Re-Zoning Required? No

Utilities at Site? Yes

Title Issues? No

Surrounding Uses:

North: Undeveloped land then single family residential
East: Single family residential
South: Industrial uses then a convenience store
West: Undeveloped land then industrial uses

APPRAISED VALUE

Appraiser:	Novogradac & Company LLP		Date:	12/18/2015
Land as Vacant: 8.7 acres	$1,300,000	Per Unit:	$13,830	
Existing Buildings: (as-is)	$7,000,000	Per Unit:	$74,468	
Total Development: (as-is)	$8,300,000	Per Unit:	$88,298	

Comments:

"The Subject property currently operates as a public housing property, and it is in average condition. The property currently operates as public housing and provides a public benefit, and it is not deemed feasible to tear it down for an alternative use. However, the highest and best use of the site, as improved, would be to convert to Section 8 or market rate housing that would allow for increased rent and profitability." (pg 8)

The Appraiser and the Applicant indicate that the valuation is based on the hypothetical possibility that HUD could release all restrictions on the property and it could be sold at an unrestricted market value.

After extended meetings and discussions with HACA representatives, their counsel, and their appraiser, Department staff can accept that HACA would enter into agreements with the newly-created partnerships to transfer these properties at prices established by independent appraisals as reflecting market values. Key to this concept is that HACA has the legal ability to sell the properties in such transactions and, therefore, it is being compensated for this foregone opportunity and the limited partnership is paying what it would have to pay to secure comparable property. This, in turn, leads to the matter of awarding acquisition credit based on the purchase price. The determination on the total credits has two distinct components: acquisition credits (based on the purchase price) and development credits (based on what is needed to carry out the actual development). HUD has been involved in these discussions and is well aware of what is occurring and has gone on to confirm that if HACA realizes any excess benefit in such a transaction, the use of that excess would be restricted to HACA's affordable housing purposes.

In these discussions, TDHCA was explicit with HACA and its appraiser that the values derived using their methodology need to be truly reflective of the actual condition of the subject properties, and appropriate adjustments needed to be made for any rental comparables to accurately compare them to the subject properties. As an intended user of these appraisals, TDHCA REA staff has concerns as to the accuracy and sufficiency of the adjustments made to use the cited properties as rental comparables, but the appraiser has re-examined and finalized each appraisal with no change to the concluded value.

Due to time constraints, the Underwriter was not able to have the appraisals appropriately reviewed by a 3rd party Review Appraiser, as recommended by the Appraisal Licensing Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	Terracon Consultants, Inc.	Date:	4/14/2016

Recognized Environmental Conditions (RECs) and Other Concerns:

- No REC's
- Based on the construction date, sampling and analysis should be conducted prior to conducting renovation activities that will disturb potential Lead-Based Paint.
- It is recommended that additional sampling and project design by an Asbestos Consultant be conducted in an effort to reduce the abatement scope by better delineating what was left following the 1996 abatement project and which materials are to be disturbed. Given the documents currently available for review, it is recommended that any renovations involving disturbance of wall and/or ceiling construction be conducted by a TDSHS licensed asbestos abatement contractor as portions of the wall and ceiling construction materials appear to contain asbestos and are in the path of the planned construction.

Comments:

The regulatory review identified one EPA RCRAGR06 facility, nine TCEQ LPST facilities, two TCEQ PST facilities, two TCEQ IHW facilities, one TCEQ WMRF facility, and one USTINHISTUST facility within the specified search radii. Based upon facility characteristics, environmental setting, and distance from the site, the identified facilities do not appear to constitute Recognized Environmental Conditions (RECs) in connection with the site as specified within the text of the report.

MARKET ANALYSIS

Provider:	Vogt Strategic Insights	Date:	4/22/2016
Contact:	Bob Vogt	Phone:	(614) 224-4300

Primary Market Area (PMA): 14 sq. miles 2 mile equivalent radius

Irregular shaped PMA consisting of 16 census tracts in North Austin along I-35. The northern border is formed by Kramer Lane and Braker Lane; the eastern border by Dessau Road, Cameron Road, and US Route 290; the southern border by Koenig Lane and Nelray Boulevard; and the western border by Burnet Road and the Austin Area Terminal Railroad north of Loop 183.

ELIGIBLE HOUSEHOLDS BY INCOME								
Travis County Income Limits								
HH size	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
	min	max	min	max	min	max	min	max
1	---	---	---	---	---	---	$1	$32,280
2	---	---	---	---	---	---	$1	$36,900
3	---	---	---	---	---	---	$1	$41,520
4	---	---	---	---	---	---	$1	$46,080
5	---	---	---	---	---	---	$1	$49,800
6	---	---	---	---	---	---	$1	$53,460

AFFORDABLE HOUSING INVENTORY

Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	

Other Affordable Developments in PMA since 2012

File #	Development	Type	Target Population	Comp Units	Total Units
16421	Pathways at Northgate	A/R	General	n/a	50
16403	Cross Creek Apartments	A/R	General	n/a	200
13403	Forest Park Apartments	A/R	General	n/a	228

Stabilized Affordable Developments in PMA (pre-2012)	Total Units	1,794
	Total Developments	9

Proposed, Under Construction, and Unstabilized Comparable Supply:

The above "Other Affordable Developments", are not considered competitive since Subject is a RAD rehab.

OVERALL DEMAND ANALYSIS

	Market Analyst		Underwriter	
Total Households in the Primary Market Area	33,212		35,030	
Potential Demand from the Primary Market Area	15,138		16,340	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	15,138		16,340	
Subject Affordable Units	94		94	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	94		94	
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**0.6%**		**0.6%**	

Population:	**General**	**Market Area:**	**Urban**	**Maximum Gross Capture Rate:**	**10%**

Demand Analysis:

The Real Estate Analysis Rules state a 10% Gross Capture Rate limit for urban properties, but the limit does not apply to existing affordable housing which is at least 50% occupied and will extend a leasing preference to all existing tenants after the rehabilitation.

The capture rate calculation determines the percentage of the available demand that is needed to absorb the proposed units. The Subject properties are covered by a Housing Assistance Program (CHAP) contract, meaning that all households below the maximum income level are eligible. This results in a Gross Capture Rate of 0.6%.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
	Market Analyst				Underwriter			
Unit Type	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/60%	5747	38	0	0.7%	4,879	38	0	0.8%
2 BR/60%	3493	38	0	1.1%	3,858	38	0	1.0%
3 BR/60%	3301	14	0	0.4%	3,007	14	0	0.5%
4 BR/60%	2100	4	0	0.2%	1,202	4	0	0.3%

Market Analyst Comments:

We assume that most, if not all current tenants will remain at the project during the renovations and once renovations are complete. As such, we anticipate no more than 20% of the units will need to be leased following renovations. In this case, given the full occupancy and three- to four-year centralized Public Housing waiting list, we expect 20% (or 19 units) at the renovated Georgian Manor will lease-up to 95% occupancy within two months, and would be limited only by the time necessary to process applications. (pg. II-1)

Between 2010 and 2015, the population increased by 3,868, or 4.4%. The population is projected to increase by 6,772, or 7.4%, between 2015 and 2020. Reversing earlier trends, between 2010 and 2015, households increased by 1,180, or 3.7%. By 2020, 35,744 households will reside in the Site PMA, an increase of 2,532 households, or 7.6% over 2015 levels. This is an increase of approximately 500 households annually over the next five years. (pg. II-3)

The five LIHTC projects have a combined occupancy rate of 100.0%, indicating very strong demand for affordable housing in the market. All of these projects, including the subject site, have waiting lists ranging from five (5) to 132 households and from three (3) months to four (4) years. (pg. II-5)

Underwriter Comments:

Subject is a 80% occupied Public Housing development with a relocation plan in place for current tenants.

Average occupancy of other affordable properties in the area is 95% according to department data.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma)					
NOI:	$268,548	Avg. Rent:	$691	Expense Ratio:	64.0%
Debt Service:	$199,025	B/E Rent:	$626	Controllable Expenses:	$4,051
Net Cash Flow:	$69,523	UW Occupancy:	95.0%	Property Taxes/Unit:	$0
Aggregate DCR:	1.35	B/E Occupancy:	86.1%	Program Rent Year:	2015

Applicant's NOI is 19% less than Underwriter's estimate so report is based off Underwriter's Pro Forma.

Pursuant to §10.3029(i)(6)(B)(i), since the development is participating in the HUD Rental Assistance Demonstration Program for at least 50% of its units, it will be exempt from the feasibility thresholds listed in §10.3029(i)(6)(B).

Applicant provided initial CHAP letters (dated March 27 2015) as part of the Application. Underwriting assumes a 2016 2.8% OCAF increase (as published by HUD) over the provided 2015 CHAP rents. Project feasibility not dependent on OCAF rent adjustment.

Overall, average projected RAD rents represent a 30% discount to comparable market rents. Average rents are $65 above break even. Project breaks even with 13 vacant units (underwritten with 4).

Controllable expenses very conservatively underwritten at $4,051/unit and mostly based off property's historical expenses.

Applicant's Payroll expense was $1,723/unit, $446/unit (35%) higher than underwriters estimate of $1,277/unit. Underwriter's estimate is based off other similarly sized properties in region 7 monitored by the department.

Pursuant to §10.302(d)(2)(K), the Applicant has included $2,350 for tenant services expense. As a governmental agency itself, the housing authority is not required to have a documented financial obligation to provide the services. At cost certification and as a minimum, the $2,350 underwritten at Application will be included in the DCR calculation regardless if actually incurred. There will be no financial obligation to actually expend the funds in the tax credit LURA. This is a credit sizing provision.

Property will be receiving a 100% property tax exemption and has provided a letter from the Travis County Appraisal District stating that "the property, as structured with the ground lease, would meet the requirements for such exemption."

Without the assumed amortization of the HACA Seller Note (detailed below) DCR would be 1.76x, greatly mitigating any operating risks associated with expense overruns.

Overall good feasibility indicators showing typical operating risk.

Revisions to Rent Schedule:	1		Revisions to Annual Operating Expenses:	0

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)					
Acquisition	$/ac	$60,851/unit	**$7,000,000**	Contractor Fee	**$467,224**
Off-site + Site Work		$3,755/unit	**$352,984**	Soft Cost + Financing	**$1,209,590**
Building Cost	$43.61/sf	$31,384/unit	**$2,950,128**	Developer Fee	**$960,766**
Contingency	9.89%	$3,476/unit	**$326,730**	Reserves	**$676,533**
Total Development Cost	$148,340/unit	**$13,943,956**		**Rehabilitation Cost**	**$35,090/unit**

Qualified for 30% Basis Boost?	Located in QCT with < 20% HTC units/HH

Acquisition:

Based on the theoretical unrestricted market value of the property. Land values not included. Applicant will ground lease the land for $100 annually for 75 years.

Off-site:

$4,618 for drainage improvements.

Site Work:

Repair, seal, and re-stripe parking lot; install new irrigation system, parking lot fence, BBQ grills, and playground canopy; update site landscaping.

Building Cost:

Exterior:

Repair damaged building foundations; paint exterior walls and replace trim.

Interior:

Install low-flow faucets, shower heads, and toilets; replace bathroom vanities and install medicine cabinets; replace kitchen counters, cabinets, ranges, range hoods, and refrigerators; install stackable washers/dryers and garbage disposals; replace apartment stairs and ceilings in select units; replace all lighting, ceiling fans, and flooring; paint all apartments and common areas; various accessibility upgrades; asbestos abatement.

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	$48,184	$513/unit	1%	Finishes/Fixtures	$2,434,999	$25,904/unit	67%
Building Shell	$180,000	$1,915/unit	5%	HVAC	$0	$/unit	0%
Amenities	$304,800	$3,243/unit	8%	Appliances	$335,129	$3,565/unit	9%
Total Exterior	**$532,984**	**$5,670/unit**	**16%**	**Total Interior**	**$2,770,128**	**$29,469/unit**	**84%**

Contingency:

Conservative at roughly 10% of total building and site work costs.

Soft Costs:

$165,300 in Relocation Expenses. Removed from Eligible Basis by Underwriter.

Financing Cost:

Interest from Related Party Debt was excluded from Eligible Basis by Underwriter.

Developer Fee:

Overstated by 33,060 due to removal of relocation expenses from eligible basis.

Reserves:

Limited to 12 months of operating expenses and debt service per underwriting rules. This produces a Reserve $265,669 less than Applicant's underwritten Reserve.

Comments:

All costs and assumptions based on third party Property Condition Assessment and supplement.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$13,943,956	**$12,800,404**	**$484,199**

Revisions to Development Cost Schedule:	0

UNDERWRITTEN CAPITALIZATION

BOND RESERVATION

Issuer	Amount	Reservation Date	Priority
Austin Affordable PFC	$11,000,000	6/27/2016	Priority 3

Closing Deadline	Expected Closing	Bond Structure
11/24/2016	10/31/2016	Short-Term Cash-Collateralized

Comments:

At closing, short-term bonds will be issued by Austin Affordable PFC, Inc. and offered for sale by Stifel. Bonds will be fully drawn at closing, and funded to the partnership on a draw basis during the construction period. At all times the bonds will be secured by cash held in a separate cash collateral account. The Fannie Mae permanent loan will be serviced by Bellwether Enterprise and will be funded at construction loan closing.

To be eligible for the 4% tax credit, the tax-exempt bonds must fund greater than 50% of the cost of the development (depreciable basis plus land). As structured, the bonds fund 70%.

INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Bellwether Enterprise/FNMA	Conventional Loan	$2,800,000	4.20%	14%
Austin Affordable PFC	Bond Issuer	$7,550,000	0.90%	38%
HACA Seller Note (Cash Flow)	Loan	$5,720,000	2.24%	29%
RBC Capital Markets	HTC	$3,979,844	$1.16	20%
		$20,049,844	**Total Sources**	

Comments:

The bonds will be collateralized in large part by HACA's proceeds from the sale of the buildings to the partnership. The remainder of the required collateral funds will be a portion of the immediately funded Fannie Mae first mortgage loan. Related to sales proceeds, HACA will sell the improvements at each site to the partnership for the acquisition cost shown in the Development Cost Schedule. At construction loan closing, HACA will receive cash in the amount of the contracted acquisition cost; this cost will be paid by bonds. Rather than keep that cash, HACA has agreed to contribute the sales proceeds it would have otherwise received back to each deal, and to accept a seller note in lieu of payment. The amount of each seller note will be contributed by HACA to the cash collateral account using the proceeds received at closing for the sale of the buildings. For each development, there is a portion of the cash collateral that will not be covered by the sales proceeds contributed from HACA as a result of their acceptance of a seller note. The additional funds required to be deposited into the cash collateral account will be available from both the immediately funded Fannie Mae first mortgage loan and from the initial equity installment. It is anticipated that the proceeds of the Fannie Mae loan will be used.

PERMANENT SOURCES

	PROPOSED				UNDERWRITTEN				
Debt Source	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Bellwether Enterprise/FNMA	$2,800,000	4.20%	35	15	$2,800,000	4.20%	35	15	20%
HACA Seller Note (Hard Debt)	$0	0.00%	0	0	$1,120,000	2.24%	35	50	8%
HACA Seller Note (Cash Flow)	$5,720,000	2.24%	0	50	$4,600,000	2.24%	0	50	33%
Total	**$8,520,000**				**$8,520,000**				

Comments:

Applicant's pro forma produced a DCR exceeding the 1.35 maximum. Underwriter assumes (for purposes of tax credit sizing) that the HACA Seller Note be partially amortized to bring the DCR below the 1.35 times threshold.

The assumed debt structure is for tax credit sizing purposes only and not a condition of the recommendation.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	**Amount**	**Rate**	**% Def**	**Amount**	**Rate**	**% TC**	**% Def**
RBC Capital Markets	$5,685,492	$1.16		$5,423,956	$1.16	39%	
Austin Affordable Housing Corp.	$1,385		0%	$0		0%	0%
Additional (Excess) Funds Req'd	($298,729)			$0			
Total	**$5,388,148**			**$5,423,956**			
				$13,943,956	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$1.104	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.909	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule:	0

CONCLUSIONS

Gap Analysis:	
Total Development Cost	$13,943,956
Permanent Sources	$8,520,000
Gap in Permanent Financing	$5,423,956

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	$5,604,048	$484,199
Needed to Fill Gap in Financing	$5,423,956	$468,639
Requested by Applicant	$5,685,491	$491,236

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
Tax Credit Allocation	**$5,423,956**	**$468,639**

Underwriter: *Jason Cofield*

Manager of Real Estate Analysis: *Thomas Cavanagh*

Director of Real Estate Analysis: *Brent Stewart*

UNIT MIX/RENT SCHEDULE

Pathways at Georgian Manor, Austin, 4% HTC #16418

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	38	40.4%	38	40%	-	0.0%
2	38	40.4%	38	50%	-	0.0%
3	14	14.9%	14	60%	94	100.0%
4	4	4.3%	4	MR	-	0.0%
TOTAL	**94**	**100.0%**	**94**	**TOTAL**	**94**	**100.0%**

Applicable Programs
4% Housing Tax Credits

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	3.33%
APP % Construction	3.33%
Average Unit Size	720 sf

UNIT MIX / MONTHLY RENT SCHEDULE

	HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
	Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
A	TC 60%	$864	RAD	$613	38	1	1	543	$613	$62	$551	$0	$1.01	$551	**$20,938**	**$20,938**	$551	$1.01	$0	$850	$1.57	$850
B	TC 60%	$1,038	RAD	$755	20	2	1	716	$755	$62	$693	$0	$0.97	$693	**$13,857**	**$13,857**	$693	$0.97	$0	$1,025	$1.43	$1,025
D	TC 60%	$1,038	RAD	$755	18	2	1.5	876	$755	$62	$693	$0	$0.79	$693	**$12,472**	**$12,472**	$693	$0.79	$0	$1,025	$1.17	$1,025
C	TC 60%	$1,198	RAD	$1,016	14	3	1	879	$1,016	$77	$939	$0	$1.07	$939	**$13,140**	**$13,140**	$939	$1.07	$0	$1,175	$1.34	$1,175
E	TC 60%	$1,336	RAD	$1,234	4	4	1.5	1,155	$1,234	$97	$1,137	$0	$0.98	$1,137	**$4,548**	**$4,548**	$1,137	$0.98	$0	$1,375	$1.19	$1,375
TOTALS/AVERAGES:					**94**			**67,648**				**$0**	**$0.96**	**$691**	**$64,955**	**$64,955**	**$691**	**$0.96**	**$0**	**$991**	**$1.38**	**$991**

ANNUAL POTENTIAL GROSS RENT:	$779,462	$779,462	

STABILIZED PRO FORMA

Pathways at Georgian Manor, Austin, 4% HTC #16418

	STABILIZED FIRST YEAR PRO FORMA													
	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		Historical Expenses		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.96	$691	$779,462	$779,462	$691	$0.96		0.0%	$0
Maintenance Charges, Bad Debt Collection							$5.20	$5,860						
Total Secondary Income							$5.20		$5,860	$5.20			0.0%	$0
POTENTIAL GROSS INCOME								$785,322	$785,322				0.0%	$0
Vacancy & Collection Loss							7.0% PGI	(54,973)	(39,266)	5.0% PGI			40.0%	(15,706)
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								$730,350	$746,056				-2.1%	($15,706)
General & Administrative	$36,260	$386/Unit	19,020	$202	4.68%	$0.50	$363	$34,149	$36,260	$386	$0.54	4.86%	-5.8%	(2,110)
Management	$38,708	3.9% EGI	35,838	$381	4.00%	$0.43	$311	$29,214	$29,842	$317	$0.44	4.00%	-2.1%	(628)
Payroll & Payroll Tax	$120,010	$1,277/Unit	208,432	$2,217	22.18%	$2.39	$1,723	$161,960	$120,010	$1,277	$1.77	16.09%	35.0%	41,950
Repairs & Maintenance	$60,683	$646/Unit	60,050	$639	6.91%	$0.75	$537	$50,441	$61,100	$650	$0.90	8.19%	-17.4%	(10,659)
Electric/Gas	$24,778	$264/Unit	47,037	$500	4.72%	$0.51	$367	$34,500	$47,037	$500	$0.70	6.30%	-26.7%	(12,537)
Water, Sewer, & Trash	$76,680	$816/Unit	116,378	$1,238	17.83%	$1.92	$1,385	$130,200	$116,378	$1,238	$1.72	15.60%	11.9%	13,823
Property Insurance	$25,647	$0.38 /sf	9,722	$103	1.27%	$0.14	$98	$9,250	$9,722	$103	$0.14	1.30%	-4.9%	(472)
Property Tax (@ 100%)	$67,727	$721/Unit	-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$30,411	$324/Unit	-	$0	4.50%	$0.49	$350	$32,900	$28,200	$300	$0.42	3.78%	16.7%	4,700
Cable TV			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			-	$0	0.32%	$0.03	$25	$2,350	$2,350	$25	$0.03	0.31%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	$0	0.51%	$0.06	$40	$3,760	$3,760	$40	$0.06	0.50%	0.0%	-
Security			22,884	$243	3.11%	$0.34	$242	$22,750	$22,750	$242	$0.34	3.05%	0.0%	-
Ground Lease Payment			-	$0	0.01%	$0.00	$1	$100	$100	$1	$0.00	0.01%	0.0%	-
TOTAL EXPENSES					**70.05%**	**$7.56**	**$5,442**	**$ 511,574**	**$ 477,508**	**$5,080**	**$7.06**	**64.00%**	**7.1%**	**$ 34,066**
NET OPERATING INCOME ("NOI")					**29.95%**	**$3.23**	**$2,327**	**$218,776**	**$268,548**	**$2,857**	**$3.97**	**36.00%**	**-18.5%**	**$ (49,772)**
CONTROLLABLE EXPENSES							$4,375/Unit			$4,051/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Pathways at Georgian Manor, Austin, 4% HTC #16418

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	Fee	UW	App	Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	DCR	LTC
Bellwether Enterprise/FNMA		1.76	1.43	152,830	4.20%	35	15	$2,800,000	$2,800,000	15	35	4.20%	$152,830	1.76	20.1%
HACA Seller Note (Hard Debt)		1.76	1.43		0.00%	0	0	$0	$1,120,000	50	35	2.24%	$46,195	1.35	8.0%
CASH FLOW DEBT / GRANTS															
HACA Seller Note (Cash Flow)		1.76	1.43		2.24%	0	50	$5,720,000	$4,600,000	50	0	2.24%		1.35	33.0%
				$152,830	TOTAL DEBT / GRANT SOURCES			$8,520,000	$8,520,000	TOTAL DEBT SERVICE			$199,025	1.35	61.1%
NET CASH FLOW		$115,718	$65,946					TDHCA	NET OPERATING INCOME				$268,548	$69,523	NET CASH FLOW

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
RBC Capital Markets	LIHTC Equity	40.8%	$491,236	1.16	$5,685,492	$5,423,956	$1.1574	$468,639	38.9%	$4,986	Needed to Fill Gap
Austin Affordable Housing Corp.	Deferred Developer Fees	0.0%	(0% Deferred)		$1,385		(0% Deferred)		0.0%	Total Developer Fee:	$960,766
Additional (Excess) Funds Req'd		-2.1%			($298,729)	$0			0.0%		
TOTAL EQUITY SOURCES		38.6%			$5,388,148	$5,423,956			38.9%	15-Year Cash Flow:	$1,074,312
TOTAL CAPITALIZATION					$13,908,148	$13,943,956				15-Yr Cash Flow after Deferred Fee:	$1,074,312

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	New Const. Rehab			Total Costs	Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Building Acquisition (Financed)	$5,720,000			$60,851 / Unit	$5,720,000	$5,720,000	$60,851 / Unit			$5,720,000	0.0%	$0
Building Acquisition (Cash Out)	1,280,000			$13,617 / Unit	1,280,000	$1,280,000	$13,617 / Unit			$1,280,000		$0
Off-Sites				$ / Unit	$0	$4,618	$49 / Unit				-100.0%	($4,618)
Site Work		$78,184		$832 / Unit	$78,184	$43,566	$463 / Unit		$78,184		79.5%	$34,618
Site Amenities		$274,800		$2,923 / Unit	$274,800	$304,800	$3,243 / Unit		$274,800		-9.8%	($30,000)
Building Cost		$2,914,320	$43.08 /sf	$31,003/Unit	$2,914,320	$2,950,128	$31,384/Unit	$43.61 /sf	$2,950,128		-1.2%	($35,808)
Contingency		$326,730	10.00%	10.00%	$326,730	$326,730	9.89%	9.89%	$326,730		0.0%	$0
Contractor Fees		$467,224	13.00%	13.00%	$467,224	$467,224	12.87%	12.87%	$467,224		0.0%	$0
Soft Costs	0	$321,546		$5,711 / Unit	$536,846	$536,846	$5,711 / Unit		$321,546	$0	0.0%	$0
Financing	0	$421,025		$7,157 / Unit	$672,744	$672,744	$7,157 / Unit		$421,025	$0	0.0%	$0
Developer Fee	$0	$993,826	20.69%	20.69%	$993,826	$960,766	19.85%	9.10%	$960,766	$0	3.4%	$33,060
Reserves				$10,023 / Unit	$942,202	$676,533	$7,197 / Unit				39.3%	$265,669
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASI	**$7,000,000**	**$5,797,656**		$151,137 / Unit	**$14,206,877**	**$13,943,956**	$148,340 / Unit		**$5,800,404**	**$7,000,000**	**1.9%**	**$262,921**
Acquisition Cost	$0				$0							
Contingency		$0			$0							
Contractor's Fee		$0										
Interim Interest		$0										
Developer Fee	$0	($33,060)			($33,060)							
Reserves					($265,669)							
ADJUSTED BASIS / COST	**$7,000,000**	**$5,764,596**		$147,959/unit	**$13,908,148**	**$13,943,956**	$148,340/unit		**$5,800,404**	**$7,000,000**	**-0.3%**	**($35,808)**
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY PCA/CNA					**$13,943,956**							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Pathways at Georgian Manor, Austin, 4% HTC #16418

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$7,000,000	$5,764,596	$7,000,000	$5,800,404
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$7,000,000	$5,764,596	$7,000,000	$5,800,404
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$7,000,000	$7,493,974	$7,000,000	$7,540,525
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$7,000,000	$7,493,974	$7,000,000	$7,540,525
Applicable Percentage	3.33%	3.33%	3.33%	3.33%
ANNUAL CREDIT ON BASIS	$233,100	$249,549	$233,100	$251,099
CREDITS ON QUALIFIED BASIS	$482,649		$484,199	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.1574	**Variance to Request**	
Method	Annual Credits	Proceeds	**Credit Allocation**	**Credits**	**Proceeds**
Eligible Basis	$484,199	$5,604,048	----	----	----
Needed to Fill Gap	$468,639	$5,423,956	**$468,639**	**($22,597)**	**($261,535)**
Applicant Request	$491,236	$5,685,491	----	----	----

50% Test for Bond Financing for 4% Tax Credits

Tax-Exempt Bond Amount	**$7,550,000**	
Aggregate Basis Limit for 50% Test	$15,100,000	
	Applicant	**TDHCA**
Land Cost	$0	$0
Depreciable Bldg Cost	$10,739,130	$10,774,938
Aggregate Basis for 50% Test	**$10,739,130**	**$10,774,938**

	Applicant	TDHCA
Percent Financed by Tax-Exempt Bonds	**70.3%**	**70.1%**

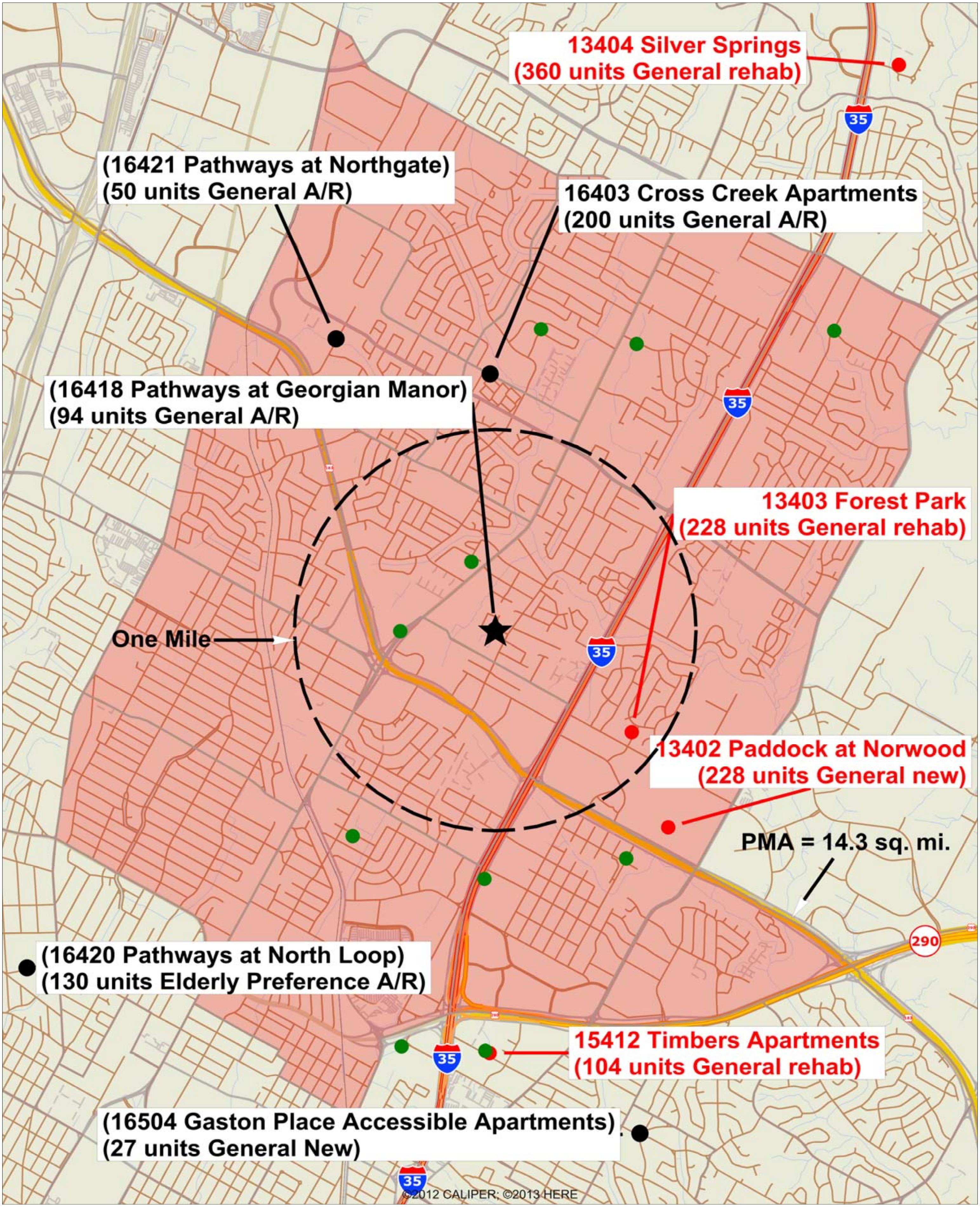
amount aggregate basis can increase before 50% test fails	$4,360,870	$4,325,062
	40.6%	40.1%

Long-Term Pro Forma

Pathways at Georgian Manor, Austin, 4% HTC #16418

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$746,056	$760,977	$776,197	$791,721	$807,555	$891,606	$984,405	$1,086,863	$1,324,880	$1,462,774
TOTAL EXPENSES	3.00%	$477,508	$491,535	$505,977	$520,846	$536,154	$619,767	$716,511	$828,460	$1,107,949	$1,283,821
NET OPERATING INCOME ("NOI")		**$268,548**	**$269,442**	**$270,220**	**$270,875**	**$271,401**	**$271,839**	**$267,894**	**$258,403**	**$216,930**	**$178,954**
MUST -PAY DEBT SERVICE											
Bellwether Enterprise/FNMA		$152,830	$152,830	$152,830	$152,830	$152,830	$152,830	$152,830	$152,830	$152,830	$152,830
HACA Seller Note (Hard Debt)		$46,195	$46,195	$46,195	$46,195	$46,195	$46,195	$46,195	$46,195	$46,195	$46,195
TOTAL DEBT SERVICE		$199,025	$199,025	$199,025	$199,025	$199,025	$199,025	$199,025	$199,025	$199,025	$199,025
ANNUAL CASH FLOW		**$69,523**	**$70,417**	**$71,195**	**$71,850**	**$72,376**	**$72,814**	**$68,869**	**$59,379**	**$17,905**	**($20,071)**
CUMULATIVE NET CASH FLOW		$69,523	$139,941	$211,136	$282,986	$355,362	$720,105	$1,074,312	$1,392,664	$1,786,781	$1,768,371
DEBT COVERAGE RATIO		1.35	1.35	1.36	1.36	1.36	1.37	1.35	1.30	1.09	0.90
EXPENSE/INCOME RATIO		64.0%	64.6%	65.2%	65.8%	66.4%	69.5%	72.8%	76.2%	83.6%	87.8%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$69,523	$70,417	$71,195	$71,850	$72,376	$72,814	$68,869	$59,379	$17,905	($20,071)

16418 Pathways at Georgian Manor PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.

BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer (#16419 Pathways at Manchaca Village, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Pathways at Manchaca Village, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on June 1, 2016;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on June 27, 2016, and will expire on November 24, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of an undesirable neighborhood characteristic, specifically that the development site is within the American Society for Testing and Materials ("ASTM") Standard search distance of two Resource Conservation and Recovery Act ("RCRA") generator of hazardous waste sites and a Voluntary Cleanup Program Site, as further noted in the Environmental Site Assessment ("ESA");

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and recommends the proposed site be found eligible under 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules;

WHEREAS, at the time of EARAC, Real Estate Analysis ("REA") staff had not completely evaluated the appraisal and additional conversations with the applicant in this regard were necessary;

WHEREAS, EARAC recommends approval subject to a thorough review of the appraisal in order to finalize the underwriting analysis that is anticipated to be final prior to the Board meeting; and

WHEREAS, such review is reflected in the attached underwriting report;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of $173,278 in 4% Housing Tax Credits subject to applicable underwriting conditions as found in the Real Estate Analysis report posted to the Department's website for Pathways at Manchaca Village is hereby approved as presented to this meeting.

BACKGROUND

General Information: Pathways at Manchaca Village is located at 3628 Manchaca Road, Austin, Travis County, and consists of the acquisition and rehabilitation of 33 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The units are currently occupied and operating as public housing and are owned and managed by the Housing Authority of the City of Austin. The subject property, as well as four sister properties also on the agenda for consideration today, Pathways at Georgian Manor, Pathways at North Loop, Pathways at North Gate and Pathways at Shadow Bend, will be converted through HUD's Rental Assistance Demonstration program. The development was originally constructed in 1979, will serve a general population and conforms to current zoning. The census tract (0020.04) has a median household income of $30,321, is in the fourth quartile and has a poverty rate of 16%.

Site Analysis: The applicant disclosed the presence of an undesirable site characteristic under §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules which requires additional site analysis; specifically, the ESA indicates facilities listings within the ASTM-required search distances from the site boundaries of two RCRA generators of hazardous waste and a site that is part of the State Voluntary Cleanup Program.

The ESA indicated two RCRA generators of hazardous waste, with the first being a Pep Boys located within a 0.23 mile radius of the proposed development and the second is a Walgreens, located within 0.25 miles of the proposed development. The ESA noted that neither entity is subject to correction action, have had no reported violations, evaluations or enforcements and concluded that in their professional opinion neither are of environmental concern to the development.

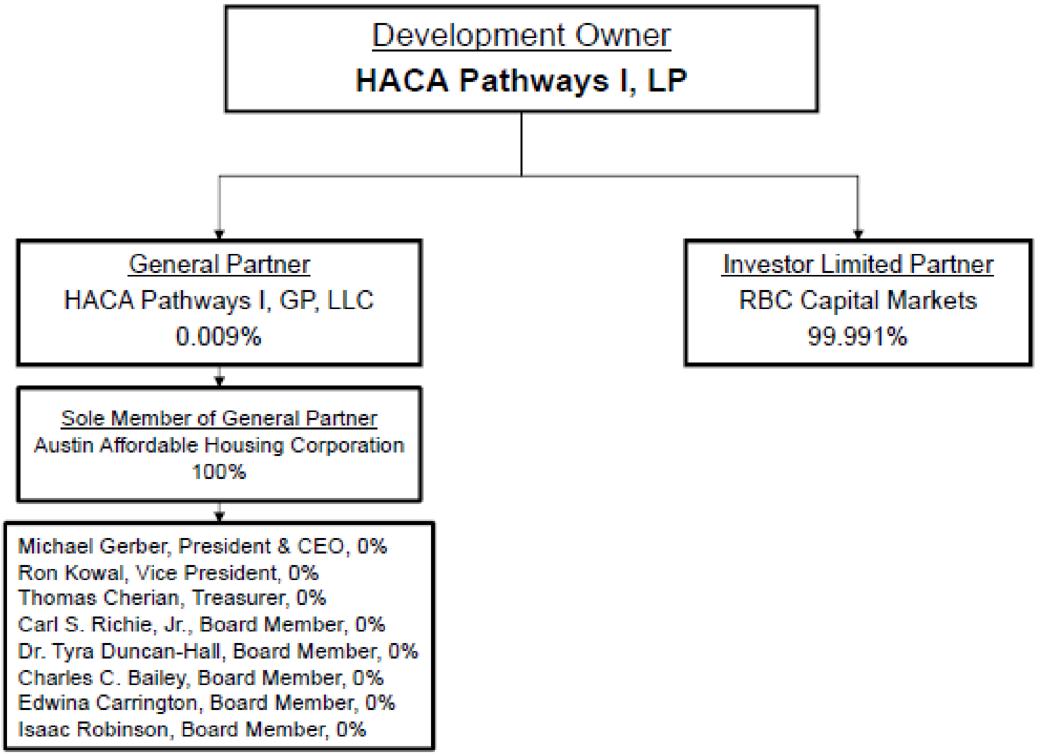
There was one Voluntary Cleanup Program site within the ASTM-required search distance, identified as a commercial property and located 0.45 miles from the proposed development. The property was issued a certificate of completion in 2009 by the Texas Commission on Environmental Quality with no ongoing concerns related to the facility.

The ESA provider did not recommend additional assessments or diligence that would need to be performed associated with the proximity of the aforementioned facility listings to the development site and as such staff does not believe the disclosure relative to these undesirable neighborhood characteristics requires additional review and recommends the site be found eligible. Moreover, §10.101(a)(4)(i) allows consideration for acceptable mitigation regarding this characteristic based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions. The units at Pathways at Manchaca Village are being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration Program.

Organizational Structure: The Borrower is HACA Pathways I, LP, and includes the entities and principals illustrated Exhibit A. The applicant is considered a medium Category 1 portfolio and the previous participation was deemed acceptable by EARAC on October 3, 2016 without further review or discussion.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A


Development Owner
HACA Pathways I, LP
General Partner
HACA Pathways I, GP, LLC
0.009%
Investor Limited Partner
RBC Capital Markets
99.991%
Sole Member of General Partner
Austin Affordable Housing Corporation
100%
Michael Gerber, President & CEO, 0%
Ron Kowal, Vice President, 0%
Thomas Cherian, Treasurer, 0%
Carl S. Richie, Jr., Board Member, 0%
Dr. Tyra Duncan-Hall, Board Member, 0%
Charles C. Bailey, Board Member, 0%
Edwina Carrington, Board Member, 0%
Isaac Robinson, Board Member, 0%

APPLICATION SUMMARY

REAL ESTATE ANALYSIS DIVISION
October 10, 2016

PROPERTY IDENTIFICATION	
Application #	16419
Development	Pathways at Manchaca Village
City / County	Austin / Travis
Region/Area	7 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1979)

RECOMMENDATION					
TDHCA Program	Request	Approved			
LIHTC (4% Credit)	$188,914	$173,278	$5,251/Unit	$1.16	
	Amount	Rate	Amort	Term	Lien
Private Activity Bonds					
MDLP (Repayable)					
MDLP (Non-Repayable)					
CHDO Expenses					

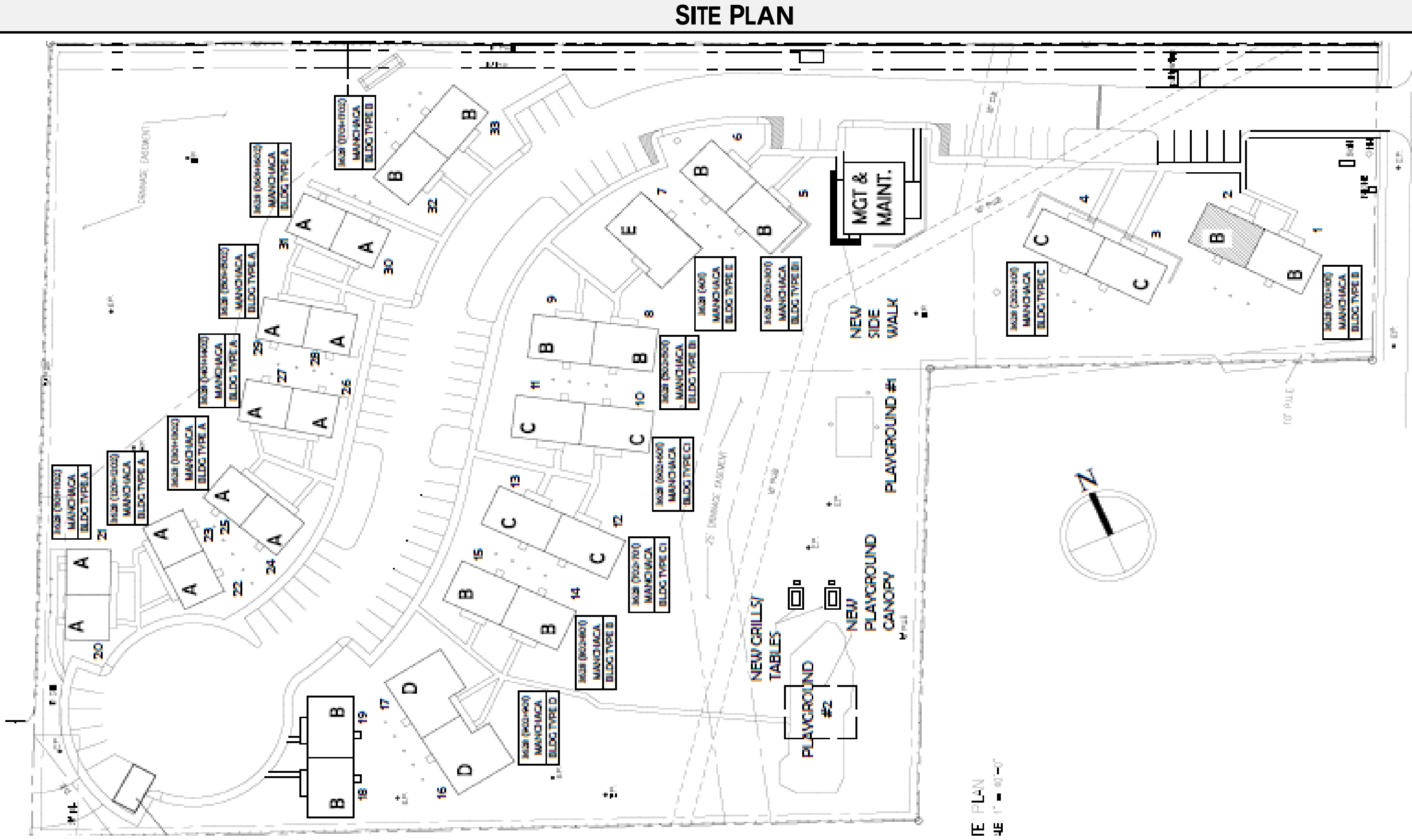
KEY PRINCIPALS / SPONSORS		
Austin Affordable Housing Corporation (AAHC)		
Michael Gerber (GP)		
Audrey Martin (Consultant)		
Related-Parties	Contractor - Yes	Seller - Yes

TYPICAL BUILDING ELEVATION/PHOTO

UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	12	36%	40%	-	0%
2	12	36%	50%	-	0%
3	6	18%	60%	33	100%
4	2	6%	MR	-	
TOTAL	32	100%	TOTAL	33	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.35	Expense Ratio	63.1%
Breakeven Occ.	85.9%	Breakeven Rent	$641
Average Rent	$709	B/E Rent Margin	$68
Property Taxes	Exempt	Exemption/PILOT	0%
Total Expense	$5,142/unit	Controllable	$4,164/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			0.2%
Highest Unit Capture Rate	1%	4 BR/60%	3
Dominant Unit Cap. Rate	0%	1 BR/60%	12
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	33	100% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	782 SF	Density	5.4/acre
Acquisition		$72K/unit	$2,300K
Building Cost	$45.75/SF	$37K/unit	$1,181K
Hard Cost		$48K/unit	$1,542K
Total Cost		$167K/unit	$5,340K
Developer Fee	$420K	(0% Deferred)	Paid Year: 1
Contractor Fee	$199K	30% Boost	Yes

REHABILITATION COSTS / UNIT					
Site Work	$1K	3%	Finishes/Fixtures	$27K	57%
Building Shell	$5K	11%	Amenities	$5K	11%
HVAC			Total Exterior	$12K	28%
Appliances	$4K	8%	Total Interior	$31K	72%

DEBT (Must Pay)				
Source	**Term**	**Rate**	**Amount**	**DCR**
Bellwether Enterprise/FNMA	15/35	4.20%	$1,035,000	1.75
HACA Seller Note (Hard Debt)	0/35	2.24%	$410,000	1.35
TOTAL DEBT (Must Pay)			**$1,445,000**	

CASH FLOW DEBT / GRANT FUNDS				
Source	**Term**	**Rate**	**Amount**	**DCR**
HACA Seller Note (Cash Flow)	50/0	2.24%	$1,890,000	1.35
CASH FLOW DEBT / GRANTS			**$1,890,000**	

EQUITY / DEFERRED FEES	
Source	**Amount**
RBC Capital Markets	$2,005,495
TOTAL EQUITY SOURCES	$2,005,495
TOTAL DEBT SOURCES	$3,335,000
TOTAL CAPITALIZATION	$5,340,495

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC
Expiration Date	11/24/2016
Bond Amount	$5,000,000
BRB Priority	Priority 3
Expected Close	10/31/2016
Bond Structure	Short-Term Cash-Collateralized

RISK PROFILE

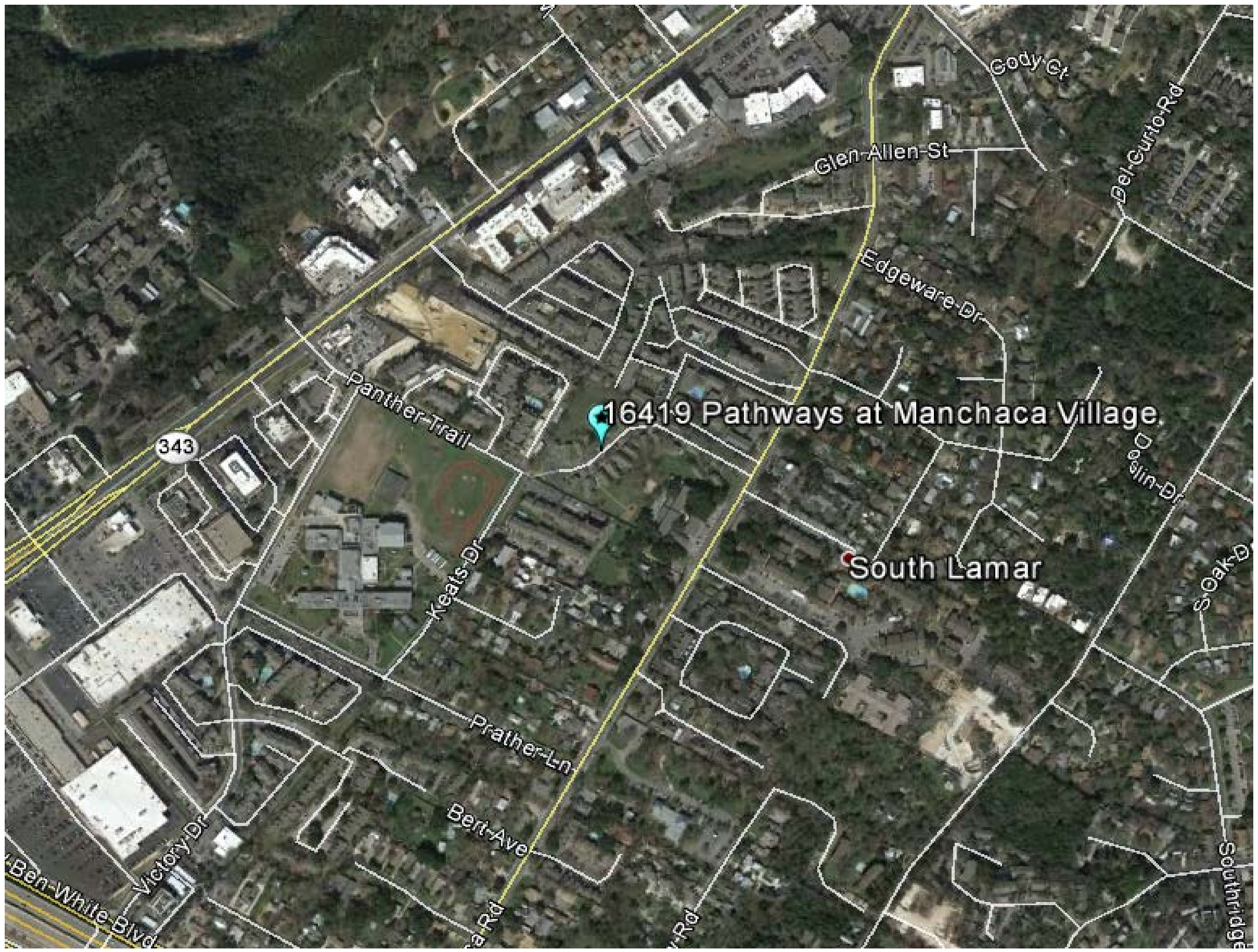
STRENGTHS/MITIGATING FACTORS

- Low Gross and Unit Capture Rates
- HUD CHAP Contract
- Low Hard Debt
- Strong DCR

WEAKNESSES/RISKS

Area Map

AERIAL PHOTOGRAPH(s)



Real Estate Analysis Division
Underwriting Report
October 10, 2016

DEVELOPMENT IDENTIFICATION

TDHCA Application #: **16419** Program(s): **4% HTC**

Pathways at Manchaca Village

Address/Location: 3628 Manchaca Rd.

City: Austin County: Travis Zip: 78704

Population: General Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Duplex Region: 7

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

	REQUEST				RECOMMENDATION				
TDHCA Program	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**Lien**
LIHTC (4% Credit)	$188,914				**$173,278**				

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	33

DEAL SUMMARY

Pathways at Manchaca Village is one of five properties currently owned by the Housing Authority of the City of Austin (HACA) that is being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program. These five properties (Pathways at North Loop, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Shadowbend Ridge, and Pathways at Northgate) will be rehabilitated during the conversion. Each of the five properties will be owned by a single partnership, HACA Pathways I, LP, and will be financed using a single investor and a single lender. Each development will have its own bond reservation, and will be financed using a single loan which will allocate debt service payment amounts to each development. Austin Affordable Housing Corporation (AAHC), an affiliate of HACA, is the sole member of the general partner, the developer, and guarantor. Austin Affordable PFC, Inc., another affiliate of HACA, is the bond issuer. HACA has managed the developments as public housing since their construction, and will be continue to be the property manager post-conversion.

Due to these relationships the acquisition is considered to be governed by the Identity of Interest Acquisition rule §10.302(e)(1)(B).

The development is currently public housing where all costs of operations are essentially paid for by HUD operating subsidies. HUD's Rental Assistance Demonstration program ("RAD") converts public housing developments to project-based rental assistance developments allowing for private capital to own, rehabilitate and operate the developments. With a few exceptions, the development is always restricted for affordable housing as either the public housing or the restrictions that accompany the rental assistance contract.

The transfer price of the development paid to the housing authority by the LIHTC partnership is based on an appraisal. Although typically a property valuation is based on the income expected to be generated using rents restricted by a use agreement and/or rental assistance contract, the valuation in this case is based on an appraised value using unrestricted market rental rates in the Austin market. The use of the market rental rates produces a much higher appraised value than that based on restricted rents.

Even though the property will never be "unrestricted", the applicant claims that there are circumstances under which they could sell the property into the market without restrictions. Theoretically they could then use the sale proceeds to purchase another property and transfer the rental assistance contract. Under this scenario the applicant claims that the sales price should be based on a valuation using unrestricted rents. The Underwriter discussed this scenario with the public housing side of HUD who acknowledged the use of the market valuation as a transfer price in some conversions in various parts of the country.

§10.302(e)(1)(C)(iv) states "the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development and that will continue to affect the Development after transfer to the new owner in determining the building value." §10.304(d)(10)(B) states "for existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value" inclusive of the value associated with the rental assistance. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter." And §10.304(d)(10)(C) states "For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the restricted rents should be contemplated when deriving the value based on the income approach." These sections of the REA Rules would seem to indicate that the building value should be based on the proposed restricted RAD rents. However, the Rules do not explicitly address the situation of a Public Housing property converting to RAD.

Also, it should be noted that the HUD-FHA Underwriting Instructions for Projects Converting Assistance as part of the Rental Assistance Demonstration Program includes Appraisal Guidance stating: "Under RAD, the valuation and rental assumptions are to be based on the Section 8 rental income and on the project Use Agreement ... for purposes of valuation, the rents established by the RAD conversion will control, and the appraisal for the project should assume a jurisdictional exception in accordance with the current USPAP to comply with the RAD statutory language."

Debt financing for the subject property is being provided by Bellwether pursuant to Fannie Mae Affordable Housing (MAH) MBS loan program. The Fannie Mae Multifamily Delegated Underwriting and Servicing Guide requires that "The Appraiser must estimate values based on the scheduled (as-restricted) rents." As, such, the Lender will use a value based on the RAD rents.

This is consistent with how the Department has treated RAD conversions in the past. This however, according to the Applicant, is not the method used by tax credit syndicators across the country and should not be used for credit sizing purposes.

Using market rents, the buildings are valued at $2,300,000 ($69.7K/unit) vs. a value using the restricted rents at $1,700,000 ($51.5K/unit). Because the property is sold to the LIHTC partnership at the market value, greater sale proceeds are generated by the housing authority.

The HUD Rental Assistance Demonstration Conversion Guide for Public Housing Agencies states that the transfer of a public housing property to an LIHTC partnership in a RAD conversion is typically financed by the Housing Authority through a Seller Take-Back Financing note, which is typically equal to the acquisition value of the buildings. The note is subject to cash flow and deeply subordinate to all other financing and obligations.

The building acquisition cost of $69.7K/unit plus the rehab cost of $42.5K/unit equals $112K/unit which may exceed the cost of constructing new units.

RISK PROFILE

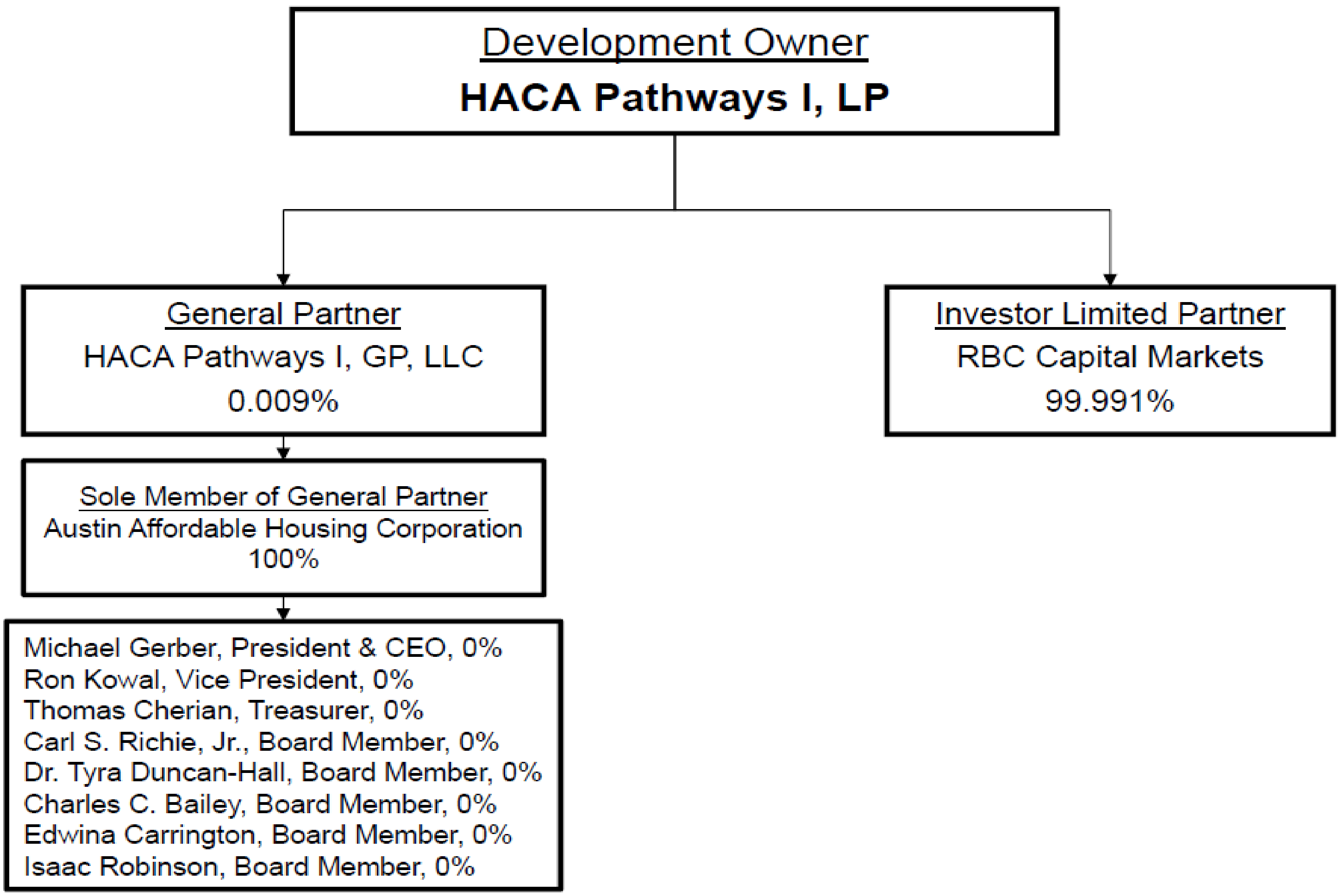
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
Low Gross and Unit Capture Rates	
HUD CHAP Contract	
Low Hard Debt	
Strong DCR	

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name:	Ron Kowal	Name:	Suzanne Schwertner
Phone:	(512) 767-7792	Phone:	(512) 767-7796
Relationship:	GP	Relationship:	GP

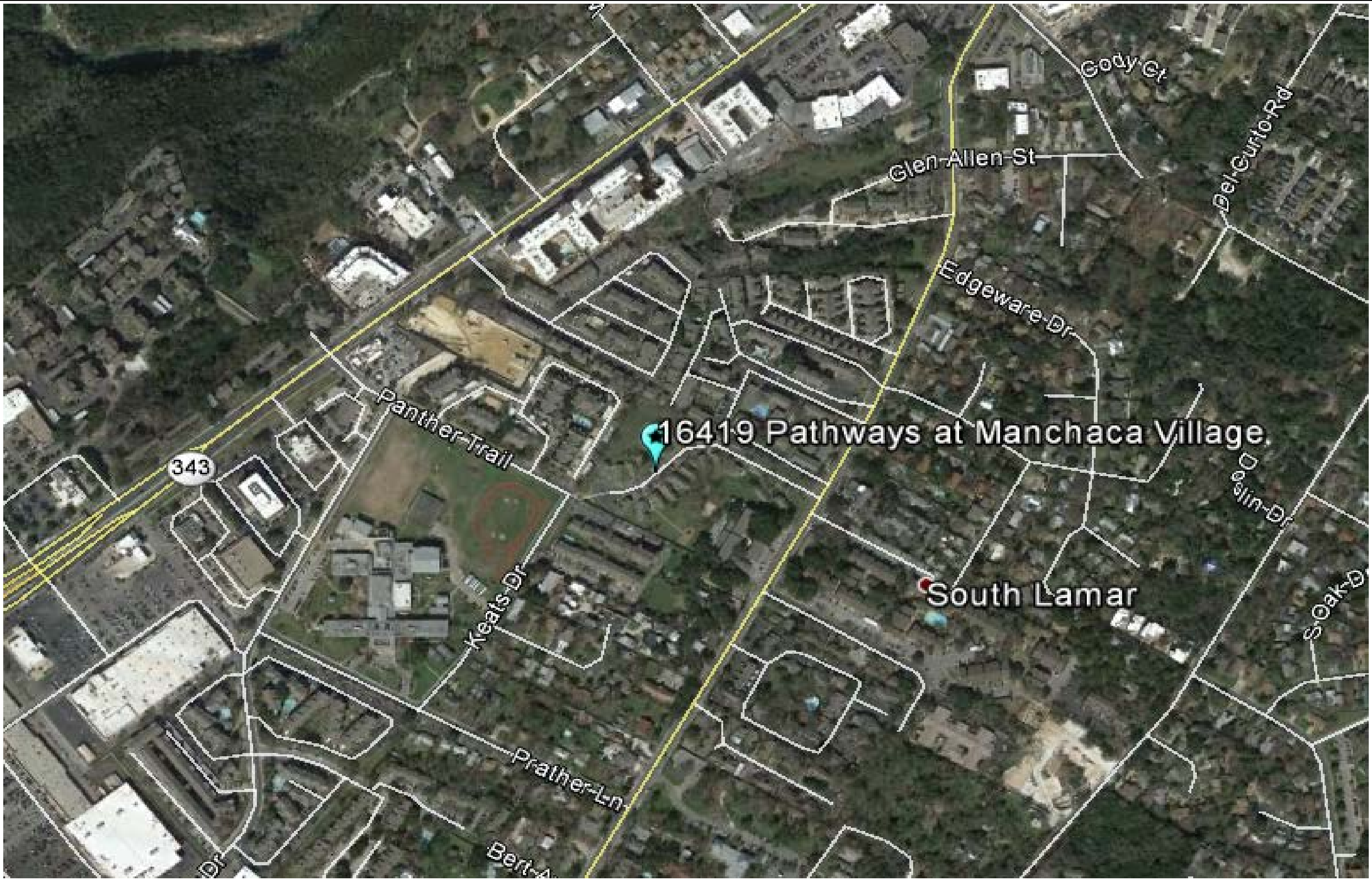
OWNERSHIP STRUCTURE

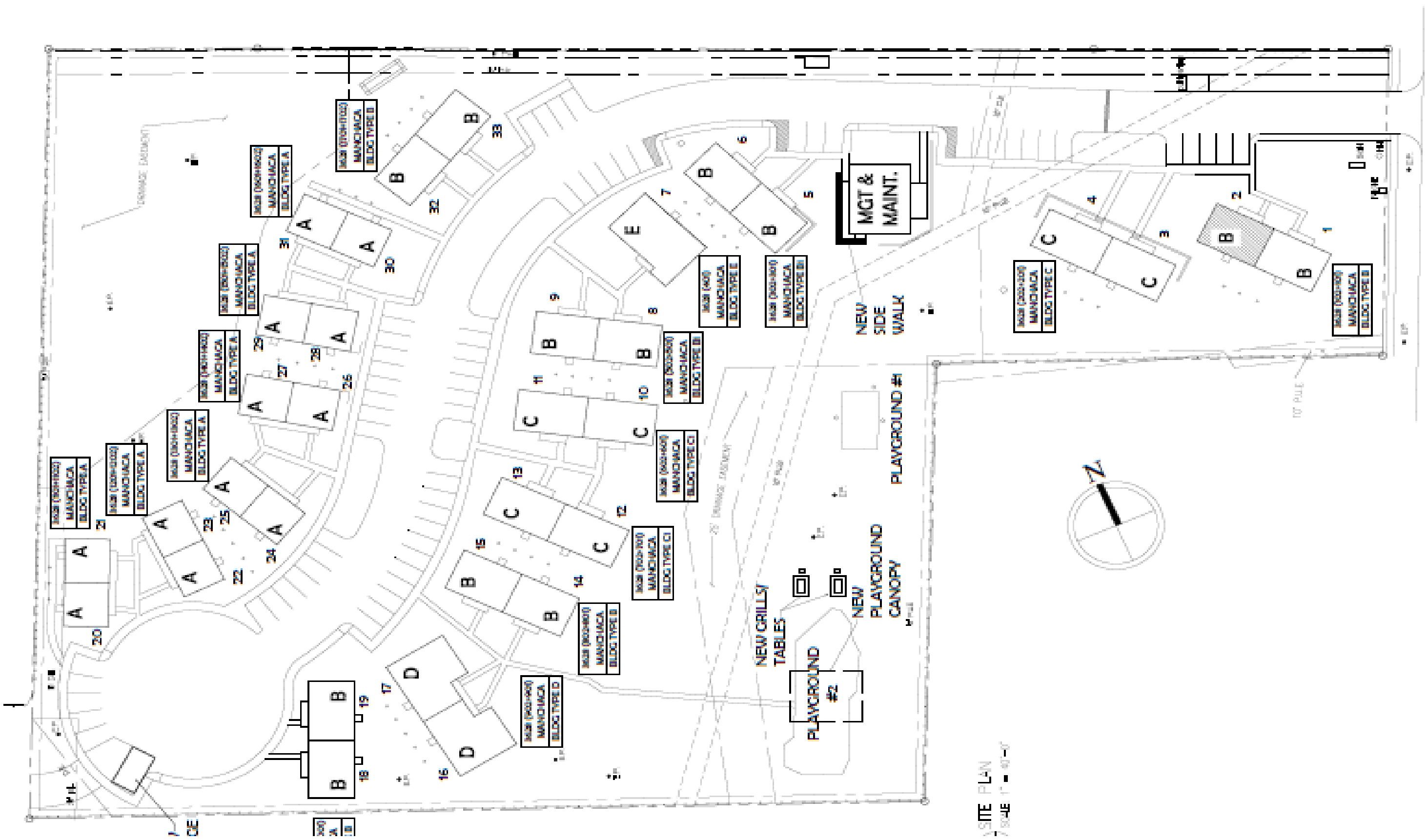


- The Applicant, Developer, General Contractor, Property Manager, Bond Issuer, and Supportive Services Provider are related entities.

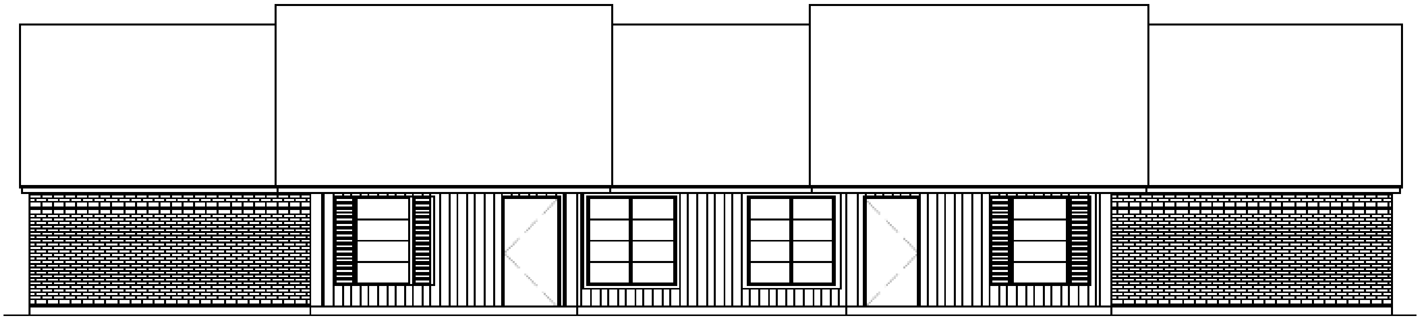
DEVELOPMENT SUMMARY

SITE PLAN

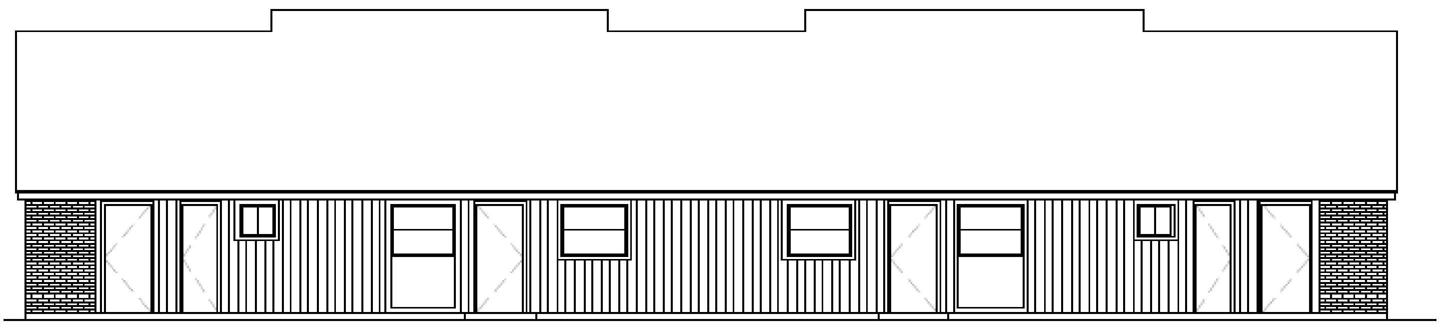




BUILDING ELEVATION



K
A3.1
BUILDING TYPE 'C' FRONT ELEVATION
SCALE: 1/8" = 1' – 0"



M
A3.1
BUILDING TYPE 'C' REAR ELEVATION
SCALE: 1/8" = 1' – 0"

RELOCATION PLAN

For relocation activities, HACA will take into consideration individual household preferences and needs to be close to public transportation, employment, schools, medical / public/social services and agencies, recreational services, parks, community centers, or shopping. Temporary accommodations for the first phase of 10 units will be in a comparably sized or larger unit at one of the 2 other nearby public housing properties: Meadowbrook Apartments, 1201 West Live Oak, Austin or Bouldin Oaks, 1203 Cumberland, Austin. This relocation is anticipated to be for the duration of the rehab of all units or about 2 month. The second phase of relocations and all subsequent phases will be accomplished by one-time move from their current unit into a properly sized Manchaca Village Apartments unit already fully rehabilitated. No market units, hotel units or other type of lodging is anticipated for this property. Should there not be sufficient public housing units or another circumstance prevents a household to move into the available public housing units, HACA will evaluate the need for units and an extended-stay type motel will be utilized.

Rehabilitation work in the Project will result in no permanent relocations assuming HACA's pre-rehabilitation plan is followed. Any temporary relocation needs that arise will be met by utilizing available public housing units in the vicinity of the Project: Meadowbrook Apartments and Bouldin Oaks, and minimizing tenants' hardship and inconvenience by offering a one-time move into fully rehabbed units. The per unit construction cycle is not expected to exceed 10 consecutive days.

BUILDING CONFIGURATION

Building Type	A	B	C	D	E								Total Buildings
Floors/Stories	1	1	1	1	1								
Number of Bldgs	6	6	3	1	1								17
Units per Bldg	2	2	2	2	1								
Total Units	12	12	6	2	1								**33**

Avg. Unit Size (SF)	**782 sf**	**Total NRA (SF)**	**25,818**	**Common Area (SF)**	**1,008**

SITE AND ACQUISITION

Site Acreage: Total Size: 6.08 acres Density: 5.4 units/acre

Site Control: LD* **Site Plan:** N/A **Appraisal:** 6.08 **ESA:** 6.078

* The Contract for Ground Lease defines the Property by its legal description: Lot 2, Brookwood Park Section Two, an addition in Travis County, Texas according to the plat recorded in Volume 76, Page 254 of the Plat Records of Travis County, Texas.

Travis County Appraisal District lists the site as 6.0776 acres.

Control Type: Contract for Ground Lease and Bill of Sale Contract Expiration: 10/1/2016

Development Site: 6.08 acres Cost: $2,300,000 $69,697 per unit

Seller: Housing Authority of the City of Austin

Buyer: HACA PATHWAYS I, LP

Related-Party Seller/Identity of Interest: Yes

Comments:

Housing Authority is leasing Land to Partnership for $100 per year for 75 years and selling Improvements to Partnership for $2,300,000. Ownership interests of all Improvements revert to the Housing Authority at the end of Lease. Building value limited by Appraisal.

Any discrepancies in site acreage are a result of rounding.

GENERAL INFORMATION

Flood Zone:	X Shaded	Scattered Site?	No
Zoning:	LR	Within 100-yr floodplain?	No
		Re-Zoning Required?	No
Year Constructed:	1979	Utilities at Site?	Yes
		Title Issues?	No

Surrounding Uses:

North: Multifamily apartment complexes
East: Office buildings then multifamily apartment complexes
South: Multifamily apartment complexes
West: Multifamily apartment complexes and sports fields

Other Observations:

Current zoning does not allow for multifamily development but is considered a legal non-conforming use.

APPRAISED VALUE

Appraiser:	Novogradac & Company LLP		Date:	12/28/2015
Land as Vacant: 6.08 acres	$1,100,000		Per Unit:	$33,333
Existing Buildings: (as-is)	$2,300,000		Per Unit:	$69,697
Total Development: (as-is)	$3,400,000		Per Unit:	$103,030

Comments:

"The Subject property currently operates as a public housing property, and it is in average condition. The property currently operates as public housing and provides a public benefit, and it is not deemed feasible to tear it down for an alternative use. However, the highest and best use of the site, as improved, would be to convert to Section 8 or market rate housing that would allow for increased rent and profitability." (pg 8)

The Appraiser and the Applicant indicate that the valuation is based on the hypothetical possibility that HUD could release all restrictions on the property and it could be sold at an unrestricted market value.

After extended meetings and discussions with HACA representatives, their counsel, and their appraiser, Department staff can accept that HACA would enter into agreements with the newly-created partnerships to transfer these properties at prices established by independent appraisals as reflecting market values. Key to this concept is that HACA has the legal ability to sell the properties in such transactions and, therefore, it is being compensated for this foregone opportunity and the limited partnership is paying what it would have to pay to secure comparable property. This, in turn, leads to the matter of awarding acquisition credit based on the purchase price. The determination on the total credits has two distinct components: acquisition credits (based on the purchase price) and development credits (based on what is needed to carry out the actual development). HUD has been involved in these discussions and is well aware of what is occurring and has gone on to confirm that if HACA realizes any excess benefit in such a transaction, the use of that excess would be restricted to HACA's affordable housing purposes.

In these discussions, TDHCA was explicit with HACA and its appraiser that the values derived using their methodology need to be truly reflective of the actual condition of the subject properties, and appropriate adjustments needed to be made for any rental comparables to accurately compare them to the subject properties. As an intended user of these appraisals, TDHCA REA staff has concerns as to the accuracy and sufficiency of the adjustments made to use the cited properties as rental comparables, but the appraiser has re-examined and finalized each appraisal with no change to the concluded value.

Due to time constraints, the Underwriter was not able to have the appraisals appropriately reviewed by a 3rd party Review Appraiser, as recommended by the Appraisal Licensing Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	Terracon Consultants, Inc.	Date:	4/14/2016

Recognized Environmental Conditions (RECs) and Other Concerns:

- No RECs
- Based on the construction date, sampling and analysis should be conducted prior to conducting renovation activities that will disturb potential Lead-Based Paint.
- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of the significant roads to the site, Terracon recommends that a noise study be conducted
- It is recommended that the asbestos-containing flooring which is apparently present in each unit be abated by a TDSHS licensed Asbestos Abatement Contractor and that any additional asbestos inspection data currently held be provided Terracon for review. It does not appear the planned wall and/or ceiling activities scheduled will impact asbestos-containing materials. No additional asbestos sampling/inspection appears necessary in this complex.

Comments:

The regulatory review identified three TCEQ WMRF facilities, five TCEQ LPST facilities, one TCEQ APAR facility, and one TCEQ VCP facility within the specified search radii. The facilities listed in the database report do not appear to represent RECs to the site at this time based upon regulatory status, apparent topographic gradient, and/or distance from the site.

MARKET ANALYSIS

Provider: Vogt Strategic Insights Date: 12/15/2015

Contact: Bob Vogt Phone: (614) 224-4300

Primary Market Area (PMA): 15 sq. miles 2 mile equivalent radius

Irregular shaped PMA consisting of 17 census tracts in south Austin along the western side of I-35, south of Lady Bird Lake. PMA is bordered on the north by Collier Street, Oltorf Street, and Live Oak Street; on the east by I-35; on the south by Ralph Ablanedo Dr., Dittmar Road, and Davis Lane; and on the west by West Gate Boulevard.

ELIGIBLE HOUSEHOLDS BY INCOME								
Travis County Income Limits								
HH	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
size	min	max	min	max	min	max	min	max
1	---	---	---	---	---	---	$1	$32,280
2	---	---	---	---	---	---	$1	$36,900
3	---	---	---	---	---	---	$1	$41,520
4	---	---	---	---	---	---	$1	$46,080
5	---	---	---	---	---	---	$1	$49,800
6	---	---	---	---	---	---	$1	$60,840

AFFORDABLE HOUSING INVENTORY						
Competitive Supply (Proposed, Under Construction, and Unstabilized)						
File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	
Other Affordable Developments in PMA since 2012						
16422	Pathways at Shadowbend Ridge		A/R	General	n/a	50
15421	Urban Oaks		New	General	n/a	194
16501	Bluebonnet Studios		New	SH	n/a	107
16415	Songhai at Westgate		New	General	n/a	140
Stabilized Affordable Developments in PMA (pre-2012)					Total Units	1,130
					Total Developments	7

Proposed, Under Construction, and Unstabilized Comparable Supply:

The above "Other Affordable Developments", are not considered competitive since Subject is a RAD rehab.

OVERALL DEMAND ANALYSIS				
	Market Analyst		Underwriter	
Total Households in the Primary Market Area	33,406		35,336	
Potential Demand from the Primary Market Area	10,416		15,062	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	10,416		15,062	
Subject Affordable Units	33		33	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	33		33	
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**0.3%**		**0.2%**	

Population: General **Market Area:** Urban **Maximum Gross Capture Rate:** **10%**

Demand Analysis:

The Real Estate Analysis Rules state a 10% Gross Capture Rate limit for urban properties, but the limit does not apply to existing affordable housing which is at least 50% occupied and will extend a leasing preference to all existing tenants after the rehabilitation.

The capture rate calculation determines the percentage of the available demand that is needed to absorb the proposed units. The Subject properties are covered by a Housing Assistance Program (CHAP) contract, meaning that all households below the maximum income level are eligible. This results in a Gross Capture Rate of 0.2%.

Market Analyst is utilizing minimum income of $0 and maximum income of $53,460 while Underwriter is utilizing minimum income of $1 (due to HAP contract) and maximum income of $60,840; this accounts for the difference in Potential Demand. Underwriter's maximum income is based on 8 person households, while Market Analyst's income is only based on 6 person households.

Four and five bedroom units are combined together for unit capture rates.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
	Market Analyst				Underwriter			
Unit Type	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/60%	5647	12	0	0.2%	4,676	12	0	0.3%
2 BR/60%	2557	12	0	0.5%	2,986	12	0	0.4%
3 BR/60%	1579	6	0	0.4%	1,328	6	0	0.5%
4 BR/60%	632	3	0	0.5%	367	3	0	0.8%

Market Analyst Comments:

We assume that most, if not all current tenants will remain at the project during the renovations and once renovations are complete. As such, we anticipate no more than 20% of the units will need to be leased following renovations. In this case, given the full occupancy and three- to four-year centralized Public Housing waiting list, we expect 20% (or seven units) at the renovated Manchaca Village will lease-up to 95% occupancy within one month, and would be limited only by the time necessary to process applications. (pg. II-1)

Between 2010 and 2015, the population increased by 4,706, or 6.7%. The population is projected to increase by an additional 6,997, or 9.4%, between 2015 and 2020. Between 2010 and 2015, households increased by 2,429, or 7.8%. By 2020, 36,901 households will reside in the Site PMA, an increase of 3,495 households, or 10.5% over 2015 levels. This is an increase of approximately 700 households annually over the next five years. (pg. II-3)

The six LIHTC projects have a combined total of 955 units with an overall occupancy rate of 99.6%. Management at three properties indicated they maintain a waiting list, the lengths of which range from 28 to 150 households and up to one year. The strong performance of the comparable Tax Credit properties suggests ongoing pent-up demand for additional non-subsidized affordable units in this market. (pg. II-6)

Underwriter Comments:

Subject is a 79% occupied Public Housing development with a relocation plan in place for current tenants. Average occupancy of other affordable properties in the area is 96% according to department data.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma)					
NOI:	$99,038	Avg. Rent:	$709	Expense Ratio:	63.1%
Debt Service:	$73,403	B/E Rent:	$641	Controllable Expenses:	$4,164
Net Cash Flow:	$25,635	UW Occupancy:	95.0%	Property Taxes/Unit:	$0
Aggregate DCR:	1.35	B/E Occupancy:	85.9%	Program Rent Year:	2015

Applicant's NOI is 18% less than Underwriter's estimate so report is based off Underwriter's Pro Forma.

Pursuant to §10.3029(i)(6)(B)(i), since the development is participating in the HUD Rental Assistance Demonstration Program for at least 50% of its units, it will be exempt from the feasibility thresholds listed in §10.3029(i)(6)(B).

Applicant provided initial CHAP letters (dated March 27 2015) as part of the Application. Underwriting assumes a 2016 2.8% OCAF increase (as published by HUD) over the provided 2015 CHAP rents. Project feasibility not dependent on OCAF rent adjustment.

Overall, average collected rents represent a 29% discount to comparable market rents. Average rents are $68 above break even. Project breaks even with 4 vacant units (underwritten with 1).

Controllable expenses very conservatively underwritten at $4,164/unit and mostly based off property's historical expenses.

Applicant's Payroll expense was $1,616/unit, $430/unit (36%) higher than underwriters estimate of $1,186/unit. Underwriter's estimate is based off other small duplex-style properties in Travis county, and is consistent with recently underwritten RAD conversions in Austin.

Pursuant to §10.302(d)(2)(K), the Applicant has included $825 for tenant services expense. As a governmental agency itself, the housing authority is not required to have a documented financial obligation to provide the services. At cost certification and as a minimum, the $825 underwritten at Application will be included in the DCR calculation regardless if actually incurred. There will be no financial obligation to actually expend the funds in the tax credit LURA. This is a credit sizing provision.

Property will be receiving a 100% property tax exemption and has provided a letter from the Travis County Appraisal District stating that "the property, as structured with the ground lease, would meet the requirements for such exemption."

Without the assumed amortization of the HACA Seller Note (detailed below) DCR would be 1.75x, greatly mitigating any operating risks associated with expense overruns.

Overall good feasibility indicators showing typical operating risk.

Revisions to Rent Schedule:	1		Revisions to Annual Operating Expenses:	0

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)

Acquisition	$/ac	$69,697/unit	**$2,300,000**	Contractor Fee	**$198,610**
Off-site + Site Work		$6,722/unit	**$221,840**	Soft Cost + Financing	**$636,951**
Building Cost	$45.75/sf	$35,792/unit	**$1,181,142**	Developer Fee	**$419,990**
Contingency	9.90%	$4,209/unit	**$138,888**	Reserves	**$243,074**
Total Development Cost	$161,833/unit	**$5,340,495**		**Rehabilitation Cost**	**$42,515/unit**

Qualified for 30% Basis Boost?	Located in QCT with < 20% HTC units/HH

Acquisition:

Based on the theoretical unrestricted market value of the property. Land values not included. Applicant will ground lease the land for $100 annually for 75 years.

Off-site:

None anticipated.

Site Work:

Overlay and seal parking lot; pave concrete dumpster pad; install irrigation system, playground canopy, and BBQ grills; update site landscaping.

Building Cost:

Exterior:

Replace all doors, storm doors, and lighting; paint all walls

Interior:

Install low-flow aerators, shower heads, and toilets; replace bathroom vanities, bathtubs, and surrounds; install medicine cabinets; replace kitchen counters, cabinets, ranges, range hoods, and refrigerators; install stackable washers/dryers and garbage disposals; Replace VCT flooring, lighting, ceiling fans, and paint all common areas and apartment interiors; various accessibility upgrades; asbestos flooring abatement.

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	$49,439	$1,498/unit	3%	Finishes/Fixtures	$882,305	$26,737/unit	57%
Building Shell	$169,175	$5,127/unit	11%	HVAC	$0	$/unit	0%
Amenities	$172,401	$5,224/unit	11%	Appliances	$129,662	$3,929/unit	8%
Total Exterior	**$391,015**	**$11,849/unit**	**28%**	**Total Interior**	**$1,011,967**	**$30,666/unit**	**72%**

Contingency:

Conservative at roughly 10% of total building and site work costs.

Soft Costs:

$62,300 in Relocation Expenses. Removed from Eligible Basis by Underwriter.

Financing Cost:

Interest from Related Party Debt was excluded from Eligible Basis by Underwriter.

Developer Fee:

Overstated by $12,460 due to removal of relocation expenses from eligible basis

Reserves:

Limited to 12 months of operating expenses and debt service per underwriting rules. This produces a Reserve $191,040 less than Applicant's underwritten Reserve.

Comments:

All costs and assumptions based on third party Property Condition Assessment and supplement.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$5,340,495	$4,834,036	$186,288

Revisions to Development Cost Schedule:	0

UNDERWRITTEN CAPITALIZATION

BOND RESERVATION				
Issuer		Amount	Reservation Date	Priority
Austin Affordable PFC		$5,000,000	6/27/2016	Priority 3
Closing Deadline	Expected Closing	Bond Structure		
11/24/2016	10/31/2016	Short-Term Cash-Collateralized		

Comments:

At closing, short-term bonds will be issued by Austin Affordable PFC, Inc. and offered for sale by Stifel. Bonds will be fully drawn at closing, and funded to the partnership on a draw basis during the construction period. At all times the bonds will be secured by cash held in a separate cash collateral account. The Fannie Mae permanent loan will be serviced by Bellwether Enterprise and will be funded at construction loan closing.

To be eligible for the 4% tax credit, the tax-exempt bonds must fund greater than 50% of the cost of the development (depreciable basis plus land). As structured, the bonds fund 63%.

INTERIM SOURCES				
Funding Source	Description	Amount	Rate	LTC
Bellwether Enterprise/FNMA	Conventional Loan	$1,035,000	4.20%	13%
Austin Affordable PFC	Bond Issuer	$2,850,000	0.90%	37%
HACA Seller Note (Cash Flow)	Loan	$2,300,000	2.24%	30%
RBC Capital Markets	HTC	$1,530,526	$1.16	20%
		$7,715,526	**Total Sources**	

Comments:

The bonds will be collateralized in large part by HACA's proceeds from the sale of the buildings to the partnership. The remainder of the required collateral funds will be a portion of the immediately funded Fannie Mae first mortgage loan. Related to sales proceeds, HACA will sell the improvements at each site to the partnership for the acquisition cost shown in the Development Cost Schedule. At construction loan closing, HACA will receive cash in the amount of the contracted acquisition cost; this cost will be paid by bonds. Rather than keep that cash, HACA has agreed to contribute the sales proceeds it would have otherwise received back to each deal, and to accept a seller note in lieu of payment. The amount of each seller note will be contributed by HACA to the cash collateral account using the proceeds received at closing for the sale of the buildings. For each development, there is a portion of the cash collateral that will not be covered by the sales proceeds contributed from HACA as a result of their acceptance of a seller note. The additional funds required to be deposited into the cash collateral account will be available from both the immediately funded Fannie Mae first mortgage loan and from the initial equity installment. It is anticipated that the proceeds of the Fannie Mae loan will be used.

PERMANENT SOURCES

	PROPOSED				UNDERWRITTEN				
Debt Source	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Bellwether Enterprise/FNMA	$1,035,000	4.20%	35	15	$1,035,000	4.20%	35	15	19%
HACA Seller Note (Hard Debt)	$0	0.00%	0	0	$410,000	2.24%	35	0	8%
HACA Seller Note (Cash Flow)	$2,300,000	2.24%	0	50	$1,890,000	2.24%	0	50	35%
Total	**$3,335,000**				**$3,335,000**				

Comments:

Applicant's pro forma produced a DCR exceeding the 1.35 maximum. Underwriter assumes (for purposes of tax credit sizing) that the HACA Seller Note be partially amortized to bring the DCR below the 1.35 times threshold.

The assumed debt structure is for tax credit sizing purposes only and not a condition of the recommendation.

Equity & Deferred Fees	PROPOSED Amount	Rate	% Def	UNDERWRITTEN Amount	Rate	% TC	% Def
RBC Capital Markets	$2,186,466	$1.16		$2,005,495	$1.16	38%	
Austin Affordable Housing Corp.	$8,430		2%	$0		0%	0%
Additional (Excess) Funds Req'd	($203,500)			$0			
Total	**$1,991,396**			**$2,005,495**			
				$5,340,495	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$1.062	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.848	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule:	0

CONCLUSIONS

Gap Analysis:	
Total Development Cost	$5,340,495
Permanent Sources	$3,335,000
Gap in Permanent Financing	$2,005,495

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	$2,156,073	$186,288
Needed to Fill Gap in Financing	$2,005,495	$173,278
Requested by Applicant	$2,186,466	$188,914

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
Tax Credit Allocation	**$2,005,495**	**$173,278**

Underwriter: *Jason Cofield*

Manager of Real Estate Analysis: *Thomas Cavanagh*

Director of Real Estate Analysis: *Brent Stewart*

UNIT MIX/RENT SCHEDULE

Pathways at Manchaca Village, Austin, 4% HTC #16419

LOCATION DATA

CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION

# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	12	36.4%	12	40%	-	0.0%
2	12	36.4%	12	50%	-	0.0%
3	6	18.2%	6	60%	33	100.0%
4	2	6.1%	2	MR	-	0.0%
5	1	3.0%	1			
TOTAL	33	100.0%	33	TOTAL	33	100.0%

Applicable Programs

4% Housing Tax Credits

Pro Forma ASSUMPTIONS

Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	3.33%
APP % Construction	3.33%
Average Unit Size	782 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 60%	$864	RAD	$601	12	1	1	605	$601	$67	$534	($0)	$0.88	$534	**$6,402**	**$6,408**	$534	$0.88	$0	$870	$1.44	$870
TC 60%	$1,038	RAD	$742	12	2	1	794	$742	$70	$672	$0	$0.85	$672	**$8,068**	**$8,064**	$672	$0.85	$0	$1,000	$1.26	$1,000
TC 60%	$1,198	RAD	$982	6	3	1	887	$982	$72	$910	($0)	$1.03	$910	**$5,459**	**$5,460**	$910	$1.03	$0	$1,095	$1.23	$1,095
TC 60%	$1,336	RAD	$1,177	2	4	2	1,204	$1,177	$74	$1,103	$0	$0.92	$1,103	**$2,206**	**$2,206**	$1,103	$0.92	$0	$1,220	$1.01	$1,220
TC 60%	$1,475	RAD	$1,344	1	5	2	1,300	$1,344	$76	$1,268	($0)	$0.98	$1,268	**$1,268**	**$1,268**	$1,268	$0.98	$0	$1,300	$1.00	$1,300
TOTALS/AVERAGES:				**33**			**25,818**				**($0)**	**$0.91**	**$709**	**$23,402**	**$23,406**	**$709**	**$0.91**	**$0**	**$992**	**$1.27**	**$992**

ANNUAL POTENTIAL GROSS RENT: **$280,828** **$280,872**

STABILIZED PRO FORMA

Pathways at Manchaca Village, Austin, 4% HTC #16419

STABILIZED FIRST YEAR PRO FORMA

	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		2 Year Historical		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.91	$709	$280,828	$280,872	$709	$0.91		0.0%	($44)
Other Income							$3.60	$1,425						
Total Secondary Income							$3.60		$1,980	$5.00			-28.0%	($555)
POTENTIAL GROSS INCOME								$282,253	$282,852				-0.2%	($599)
Vacancy & Collection Loss							7.0% PGI	(19,758)	(14,143)	5.0% PGI			39.7%	(5,615)
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								$262,495	$268,709				-2.3%	($6,214)
General & Administrative	$16,516	$500/Unit	10,556	$320	6.71%	$0.68	$534	$17,608	$16,516	$500	$0.64	6.15%	6.6%	1,092
Management	$16,362	5.8% EGI	9,510	$288	4.00%	$0.41	$318	$10,500	$10,748	$326	$0.42	4.00%	-2.3%	(249)
Payroll & Payroll Tax	$34,242	$1,038/Unit	$39,143	$1,186	20.32%	$2.07	$1,616	$53,328	$39,143	$1,186	$1.52	14.57%	36.2%	14,185
Repairs & Maintenance	$25,067	$760/Unit	32,908	$997	7.03%	$0.71	$559	$18,456	$21,450	$650	$0.83	7.98%	-14.0%	(2,994)
Electric/Gas	$6,278	$190/Unit	16,511	$500	4.95%	$0.50	$394	$13,000	$16,511	$500	$0.64	6.14%	-21.3%	(3,511)
Water, Sewer, & Trash	$22,482	$681/Unit	43,777	$1,327	17.47%	$1.78	$1,389	$45,850	$43,777	$1,327	$1.70	16.29%	4.7%	2,074
Property Insurance	$11,574	$0.45 /sf	3,432	$104	1.24%	$0.13	$98	$3,250	$3,432	$104	$0.13	1.28%	-5.3%	(182)
Property Tax (@ 100%)	$21,697	$657/Unit	-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$14,264	$432/Unit	-	$0	4.40%	$0.45	$350	$11,550	$9,900	$300	$0.38	3.68%	16.7%	1,650
Cable TV			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			-	$0	0.31%	$0.03	$25	$825	$825	$25	$0.03	0.31%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	$0	0.50%	$0.05	$40	$1,320	$1,320	$40	$0.05	0.49%	0.0%	-
Security			5,212	$158	2.27%	$0.23	$180	$5,950	$5,950	$180	$0.23	2.21%	0.0%	-
Ground Lease Payment			-	$0	0.04%	$0.00	$3	$100	$100	$3	$0.00	0.04%	0.0%	-
TOTAL EXPENSES					**69.23%**	**$7.04**	**$5,507**	**$ 181,736**	**$ 169,671**	**$5,142**	**$6.57**	**63.14%**	**7.1%**	**$ 12,065**
NET OPERATING INCOME ("NOI")					**30.77%**	**$3.13**	**$2,447**	**$80,759**	**$99,038**	**$3,001**	**$3.84**	**36.86%**	**-18.5%**	**$ (18,279)**
CONTROLLABLE EXPENSES							$4,492/Unit			$4,164/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Pathways at Manchaca Village, Austin, 4% HTC #16419

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	**Fee**	UW	App	Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	DCR	LTC
Bellwether Enterprise/FNMA		1.75	1.43	56,492	4.20%	35	15	$1,035,000	$1,035,000	15	35	4.20%	$56,492	1.75	19.4%
HACA Seller Note (Hard Debt)		1.75	1.43		0.00%	0	0	$0	$410,000	0	35	2.24%	$16,911	1.35	7.7%
CASH FLOW DEBT / GRANTS															
HACA Seller Note (Cash Flow)		1.75	1.43		2.24%	0	50	$2,300,000	$1,890,000	50	0	2.24%		1.35	35.4%
				$56,492	**TOTAL DEBT / GRANT SOURCES**			**$3,335,000**	**$3,335,000**		**TOTAL DEBT SERVICE**		**$73,403**	1.35	62.4%
NET CASH FLOW		$42,546	$24,267						**TDHCA**	**NET OPERATING INCOME**		**$99,038**	**$25,635**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE						
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method	
RBC Capital Markets	LIHTC Equity	40.9%	$188,914	1.16	$2,186,466	$2,005,495	$1.1574	$173,278	37.6%	$5,251	Needed to Fill Gap	
Austin Affordable Housing Corp.	Deferred Developer Fees	0.2%	(2% Deferred)		$8,430		(0% Deferred)		0.0%	**Total Developer Fee:**		**$419,990**
Additional (Excess) Funds Req'd		-3.8%			($203,500)	$0			0.0%			
TOTAL EQUITY SOURCES		37.3%			$1,991,396	$2,005,495			37.6%	**15-Year Cash Flow:**		**$404,188**
TOTAL CAPITALIZATION					**$5,326,396**	**$5,340,495**				**15-Yr Cash Flow after Deferred Fee:**		**$404,188**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	New Const. Rehab			Total Costs	Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Building Acquisition (Financed)	$2,300,000			$69,697 / Unit	$2,300,000	$2,300,000	$69,697 / Unit			$2,300,000	0.0%	$0
Off-Sites				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Site Work		$49,439		$1,498 / Unit	$49,439	49,439	$1,498 / Unit		$49,439		0.0%	$0
Site Amenities		$172,401		$5,224 / Unit	$172,401	$172,401	$5,224 / Unit		$172,401		0.0%	$0
Building Cost		$1,167,043	$45.20 /sf	$35,365/Unit	$1,167,043	$1,181,142	$35,792/Unit	$45.75 /sf	$1,181,142		-1.2%	($14,099)
Contingency		$138,888	10.00%	10.00%	$138,888	$138,888	9.90%	9.90%	$138,888		0.0%	$0
Contractor Fees		$198,610	13.00%	13.00%	$198,610	$198,610	12.88%	12.88%	$198,610		0.0%	$0
Soft Costs	0	$192,987		$9,251 / Unit	$305,287	$305,287	$9,251 / Unit		$192,987	$0	0.0%	$0
Financing	0	$180,580		$10,050 / Unit	$331,664	$331,664	$10,050 / Unit		$180,580	$0	0.0%	$0
Developer Fee	$0	$432,450	20.59%	20.59%	$432,450	$419,990	19.87%	9.51%	$419,990	$0	3.0%	$12,460
Reserves				$13,155 / Unit	$434,114	$243,074	$7,366 / Unit				78.6%	$191,040
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BA	**$2,300,000**	**$2,532,397**		$167,573 / Unit	**$5,529,896**	**$5,340,495**	$161,833 / Unit		**$2,534,036**	**$2,300,000**	**3.5%**	**$189,401**
Acquisition Cost	$0				$0							
Contingency		$0			$0							
Contractor's Fee		$0										
Interim Interest		$0										
Developer Fee	$0	($12,460)			($12,460)							
Reserves					($191,040)							
ADJUSTED BASIS / COST	**$2,300,000**	**$2,519,937**		$161,406/unit	**$5,326,396**	**$5,340,495**	$161,833/unit		**$2,534,036**	**$2,300,000**	**-0.3%**	**($14,099)**
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY PCA/CNA					**$5,340,495**							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Pathways at Manchaca Village, Austin, 4% HTC #16419

CREDIT CALCULATION ON QUALIFIED BASIS	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$2,300,000	$2,519,937	$2,300,000	$2,534,036
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$2,300,000	$2,519,937	$2,300,000	$2,534,036
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$2,300,000	$3,275,918	$2,300,000	$3,294,247
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$2,300,000	$3,275,918	$2,300,000	$3,294,247
Applicable Percentage	3.33%	3.33%	3.33%	3.33%
ANNUAL CREDIT ON BASIS	$76,590	$109,088	$76,590	$109,698
CREDITS ON QUALIFIED BASIS	$185,678		$186,288	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.1574	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$186,288	$2,156,073	----	----	----
Needed to Fill Gap	$173,278	$2,005,495	**$173,278**	($15,636)	($180,971)
Applicant Request	$188,914	$2,186,466	----	----	----

50% Test for Bond Financing for 4% Tax Credits

Tax-Exempt Bond Amount	**$2,850,000**	
Aggregate Basis Limit for 50% Test	$5,700,000	
	Applicant	**TDHCA**
Land Cost	$0	$0
Depreciable Bldg Cost	########	########
Aggregate Basis for 50% Test	########	########

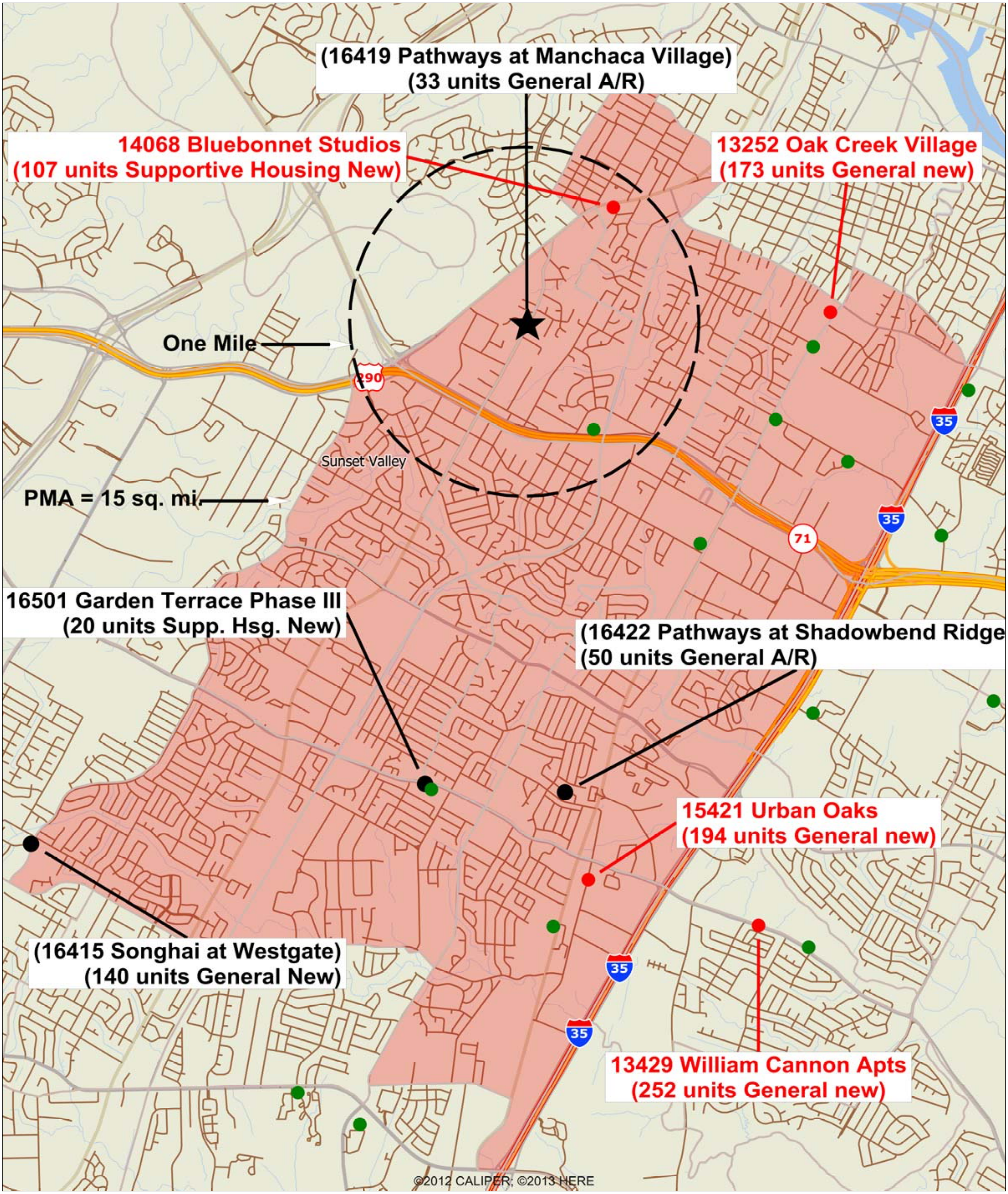
	Applicant	TDHCA
Percent Financed by Tax-Exempt Bonds	**63.2%**	**63.0%**
amount aggregate basis can increase before 50% test fails	$1,187,752	$1,173,653
	26.3%	25.9%

Long-Term Pro Forma

Pathways at Manchaca Village, Austin, 4% HTC #16419

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$268,709	$274,084	$279,565	$285,157	$290,860	$321,133	$354,556	$391,459	$477,186	$526,852
TOTAL EXPENSES	3.00%	$169,671	$174,654	$179,784	$185,066	$190,504	$220,204	$254,567	$294,331	$393,600	$456,075
NET OPERATING INCOME ("NOI")		**$99,038**	**$99,430**	**$99,781**	**$100,091**	**$100,356**	**$100,929**	**$99,989**	**$97,128**	**$83,586**	**$70,777**
MUST -PAY DEBT SERVICE											
Bellwether Enterprise/FNMA		$56,492	$56,492	$56,492	$56,492	$56,492	$56,492	$56,492	$56,492	$56,492	$56,492
HACA Seller Note (Hard Debt)		$16,911	$16,911	$16,911	$16,911	$16,911	$16,911	$16,911	$16,911	$16,911	$16,911
TOTAL DEBT SERVICE		$73,403	$73,403	$73,403	$73,403	$73,403	$73,403	$73,403	$73,403	$73,403	$73,403
ANNUAL CASH FLOW		**$25,635**	**$26,027**	**$26,378**	**$26,688**	**$26,953**	**$27,526**	**$26,586**	**$23,725**	**$10,183**	**($2,626)**
CUMULATIVE NET CASH FLOW		$25,635	$51,662	$78,040	$104,728	$131,681	$268,697	$404,188	$529,395	$702,067	$716,662
DEBT COVERAGE RATIO		1.35	1.35	1.36	1.36	1.37	1.37	1.36	1.32	1.14	0.96
EXPENSE/INCOME RATIO		63.1%	63.7%	64.3%	64.9%	65.5%	68.6%	71.8%	75.2%	82.5%	86.6%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$25,635	$26,027	$26,378	$26,688	$26,953	$27,526	$26,586	$23,725	$10,183	($2,626)

16419 Pathways at Manchca Villgae PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.

BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer (#16420 Pathways at North Loop, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Pathways at North Loop, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on June 1, 2016;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on June 27, 2016, and will expire on November 24, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of an undesirable neighborhood characteristic, specifically that the development site is within the American Society for Testing and Materials ("ASTM") Standard search distance of a Resource Conservation and Recovery Act ("RCRA") generator of hazardous waste and two Voluntary Cleanup Program Sites; as further noted in the Environmental Site Assessment ("ESA");

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and recommends the proposed site be found eligible under 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules;

WHEREAS, at the time of EARAC, Real Estate Analysis ("REA") staff had not completely evaluated the appraisal and additional conversations with the applicant in this regard were necessary;

WHEREAS, EARAC recommends approval subject to a thorough review of the appraisal in order to finalize the underwriting analysis that is anticipated to be final prior to the Board meeting; and

WHEREAS, such review is reflected in the attached underwriting report;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of $557,030 in 4% Housing Tax Credits subject to applicable underwriting conditions as found in the Real Estate Analysis report posted to the Department's website for Pathways at North Loop is hereby approved as presented to this meeting.

BACKGROUND

General Information: Pathways at North Loop is located at 2300 W. North Loop, Austin, Travis County, and consists of the acquisition and rehabilitation of 130 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The units are currently occupied and operating as public housing and are owned and managed by the Housing Authority of the City of Austin. The subject property, as well as four sister properties also on the agenda for consideration today, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Northgate and Pathways at Shadow Bend, will be converted through HUD's Rental Assistance Demonstration program. The development was originally constructed in 1975, will serve an elderly preference population and conforms to current zoning. The census tract (0002.06) has a median household income of $60,456, is in the second quartile and has a poverty rate of 11%.

Site Analysis: The applicant disclosed the presence of an undesirable site characteristic under §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules which requires additional site analysis; specifically, the ESA indicates facilities listings within the ASTM-required search distances from the site boundaries of an RCRA generator of hazardous waste and two sites that are part of the State Voluntary Cleanup Program.

The ESA indicated the RCRA generator of hazardous waste facility is located within a 0.11 mile radius of the proposed development. The entity of record for the ASTM search distance is a CVS Pharmacy and is classified as a Small Quantity Generator due to the one-hour photo finishing associated with the facility. The ESA noted that the entity is not subject to correction action, has had no reported violations, evaluations or enforcements and concluded that in their professional opinion is not of environmental concern to the development.

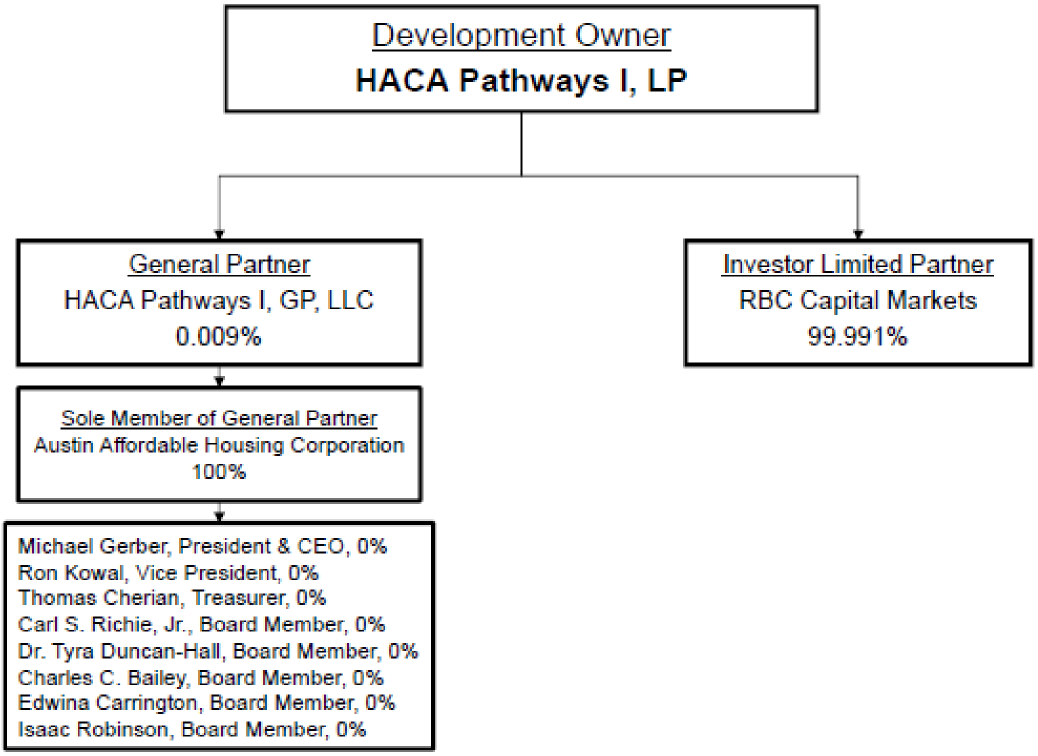
There were two Voluntary Cleanup Program ("VCP") sites within the ASTM-required search distance. The first, a dry cleaner, located 0.19 miles from the proposed development, was issued a certificate of completion in 1998 by the Texas Commission on Environmental Quality ("TCEQ") with no ongoing concerns related to the facility. The second VCP site is a commercial property located approximately 0.27 miles from the proposed development that was issued a certificate of completion in 2012 by TCEQ with no ongoing concerns related to the facility.

The ESA provider did not recommend additional assessments or diligence that would need to be performed associated with the proximity of the aforementioned facility listings to the development site and as such staff does not believe the disclosure relative to these undesirable neighborhood characteristics requires additional review and recommends the site be found eligible. Moreover, §10.101(a)(4)(i) allows consideration for acceptable mitigation regarding this characteristic based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions. The units at Pathways at North Loop are being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration Program.

Organizational Structure: The Borrower is HACA Pathways I, LP, and includes the entities and principals illustrated Exhibit A. The applicant is considered a medium Category 1 portfolio and the previous participation was deemed acceptable by EARAC on October 3, 2016 without further review or discussion.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A



APPLICATION SUMMARY

PROPERTY IDENTIFICATION

Application #	16420
Development	Pathways at North Loop
City / County	Austin / Travis
Region/Area	7 / Urban
Population	Elderly Preference
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1975)

RECOMMENDATION

TDHCA Program	Request	Approved		
LIHTC (4% Credit)	$613,502	$557,030	$4,285/Unit	$1.16
	Amount	Rate	Amort	Term	Lien
Private Activity Bonds					
MDLP (Repayable)					
MDLP (Non-Repayable)					
CHDO Expenses					

KEY PRINCIPALS / SPONSORS

Austin Affordable Housing Corporation (AAHC)
Michael Gerber (GP)
Audrey Martin (Consultant)

Related-Parties	Contractor - Yes	Seller - Yes

TYPICAL BUILDING ELEVATION/PHOTO

UNIT DISTRIBUTION

# Beds	# Units	% Total
Eff	-	0%
1	125	96%
2	5	4%
3	-	0%
4	-	0%
TOTAL	130	100%

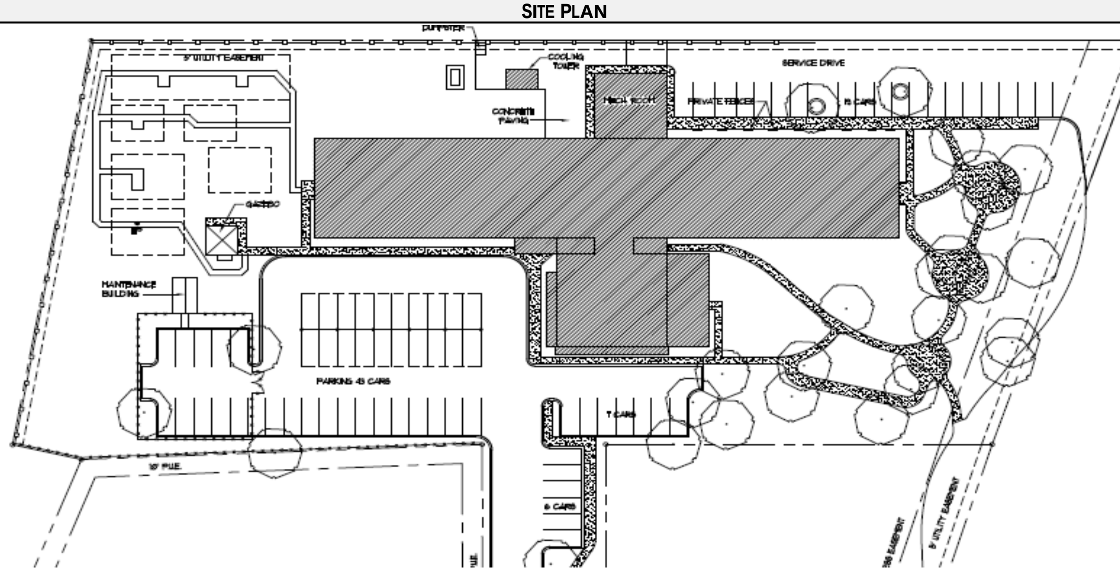
INCOME DISTRIBUTION

Income	# Units	% Total
30%	-	0%
40%	-	0%
50%	-	0%
60%	130	100%
MR	-	
TOTAL	130	100%

PRO FORMA FEASIBILITY INDICATORS

Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.35	**Expense Ratio**	67.8%
Breakeven Occ.	87.1%	**Breakeven Rent**	$590
Average Rent	$644	**B/E Rent Margin**	$54
Property Taxes	Exempt	**Exemption/PILOT**	0%
Total Expense	$5,014/unit	**Controllable**	$3,951/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS

Gross Capture Rate (10% Maximum)			1.1%
Highest Unit Capture Rate	2%	1 BR/60%	125
Dominant Unit Cap. Rate	2%	1 BR/60%	125
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	130	100% Total Units	

DEVELOPMENT COST SUMMARY

Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	594 SF	**Density**	47.3/acre
Acquisition		$75K/unit	$9,760K
Building Cost	$60.02/SF	$36K/unit	$4,634K
Hard Cost		$41K/unit	$5,359K
Total Cost		$148K/unit	$19,262K
Developer Fee	$1,395K	(0% Deferred)	Paid Year: 1
Contractor Fee	$695K	**30% Boost**	No

REHABILITATION COSTS / UNIT

Site Work	$K	1%	Finishes/Fixtures	$29K	71%
Building Shell	$2K	6%	Amenities	$2K	4%
HVAC	$2K	4%	Total Exterior	$4K	11%
Appliances	$2K	5%	Total Interior	$33K	89%

DEBT (Must Pay)				
Source	Term	Rate	Amount	DCR
Bellwether Enterprise/FNMA	15/35	4.20%	$3,055,000	1.86
HACA Seller Note (Hard Debt)	0/35	2.24%	$1,520,000	1.35
TOTAL DEBT (Must Pay)			$4,575,000	

CASH FLOW DEBT / GRANT FUNDS				
Source	Term	Rate	Amount	DCR
HACA Seller Note (Cash Flow)	50/0	2.24%	$8,240,000	1.35
CASH FLOW DEBT / GRANTS			$8,240,000	

EQUITY / DEFERRED FEES	
Source	Amount
RBC Capital Markets	$6,446,975
TOTAL EQUITY SOURCES	$6,446,975
TOTAL DEBT SOURCES	$12,815,000
TOTAL CAPITALIZATION	$19,261,975

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC
Expiration Date	11/24/2016
Bond Amount	$12,000,000
BRB Priority	Priority 3
Expected Close	10/31/2016
Bond Structure	Short-Term Cash-Collateralized

RISK PROFILE

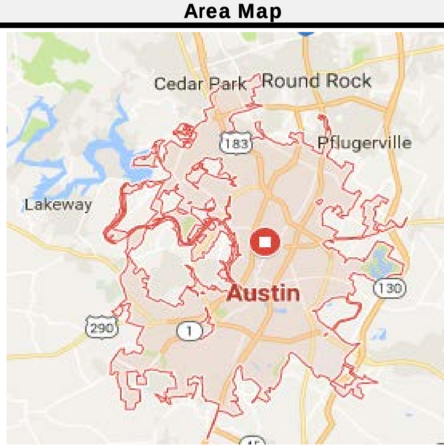
STRENGTHS/MITIGATING FACTORS

- Low Gross and Unit Capture Rates
- HUD CHAP Contract
- Low Hard Debt
- Strong DCR

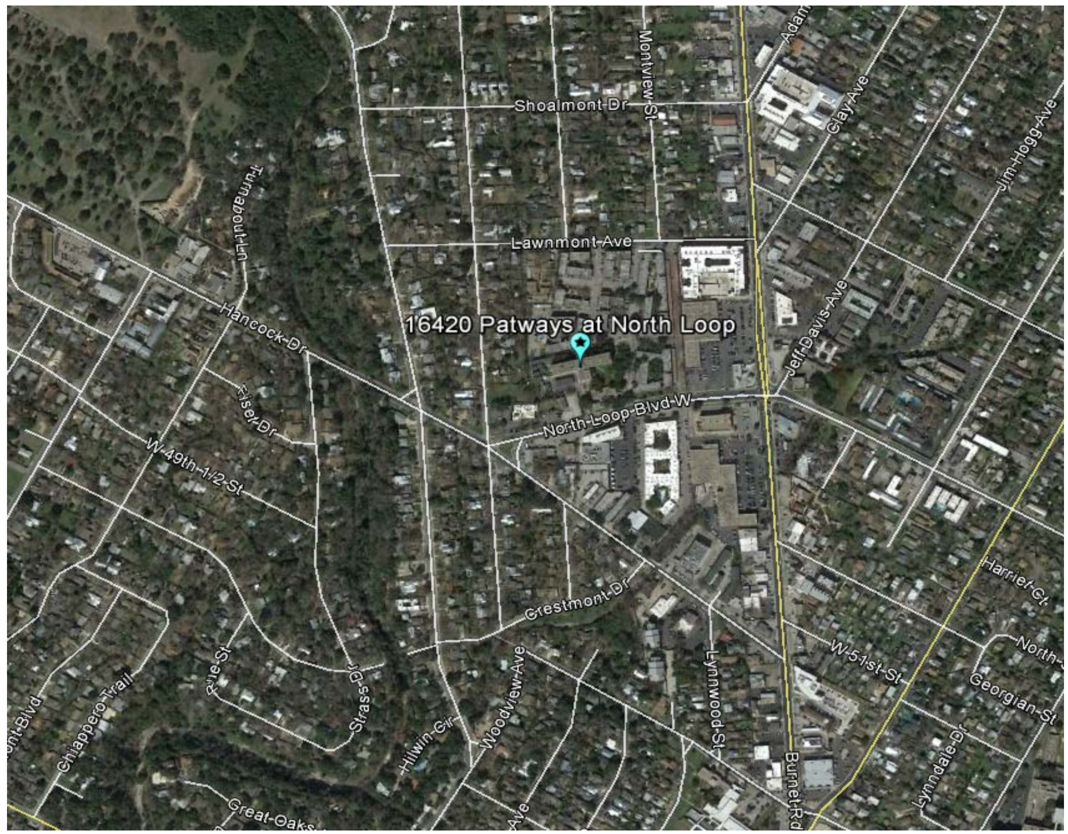
WEAKNESSES/RISKS

- Expense Ratio

Area Map



AERIAL PHOTOGRAPH(s)



Real Estate Analysis Division
Underwriting Report
October 10, 2016

DEVELOPMENT IDENTIFICATION

TDHCA Application #: 16420 Program(s): 4% HTC

Pathways at North Loop

Address/Location: 2300 W. North Loop

City: Austin County: Travis Zip: 78756

Population: Elderly Preference Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Duplex Region: 7

Analysis Purpose: New Application - Initial Underwriting

(*) funded under 42 U.S.C. §1437e and designated as elderly

ALLOCATION

	REQUEST				RECOMMENDATION				
TDHCA Program	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (4% Credit)	$613,502				**$557,030**				

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	130

DEAL SUMMARY

Pathways at North Loop is one of five properties currently owned by the Housing Authority of the City of Austin (HACA) that is being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program. These five properties (Pathways at North Loop, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Shadowbend Ridge, and Pathways at Northgate) will be rehabilitated during the conversion. Each of the five properties will be owned by a single partnership, HACA Pathways I, LP, and will be financed using a single investor and a single lender. Each development will have its own bond reservation, and will be financed using a single loan which will allocate debt service payment amounts to each development. Austin Affordable Housing Corporation (AAHC), an affiliate of HACA, is the sole member of the general partner, the developer, and guarantor. Austin Affordable PFC, Inc., another affiliate of HACA, is the bond issuer. HACA has managed the developments as public housing since their construction, and will be continue to be the property manager post-conversion.

Due to these relationships the acquisition is considered to be governed by the Identity of Interest Acquisition rule §10.302(e)(1)(B).

The development is currently public housing where all costs of operations are essentially paid for by HUD operating subsidies. HUD's Rental Assistance Demonstration program ("RAD") converts public housing developments to project-based rental assistance developments allowing for private capital to own, rehabilitate and operate the developments. With a few exceptions, the development is always restricted for affordable housing as either the public housing or the restrictions that accompany the rental assistance contract.

The transfer price of the development paid to the housing authority by the LIHTC partnership is based on an appraisal. Although typically a property valuation is based on the income expected to be generated using rents restricted by a use agreement and/or rental assistance contract, the valuation in this case is based on an appraised value using unrestricted market rental rates in the Austin market. The use of the market rental rates produces a much higher appraised value than that based on restricted rents.

Even though the property will never be "unrestricted", the applicant claims that there are circumstances under which they could sell the property into the market without restrictions. Theoretically they could then use the sale proceeds to purchase another property and transfer the rental assistance contract. Under this scenario the applicant claims that the sales price should be based on a valuation using unrestricted rents. The Underwriter discussed this scenario with the public housing side of HUD who acknowledged the use of the market valuation as a transfer price in some conversions in various parts of the country.

§10.302(e)(1)(C)(iv) states "the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development and that will continue to affect the Development after transfer to the new owner in determining the building value." §10.304(d)(10)(B) states "for existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value" inclusive of the value associated with the rental assistance. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter." And §10.304(d)(10)(C) states "For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the restricted rents should be contemplated when deriving the value based on the income approach." These sections of the REA Rules would seem to indicate that the building value should be based on the proposed restricted RAD rents. However, the Rules do not explicitly address the situation of a Public Housing property converting to RAD.

Also, it should be noted that the HUD-FHA Underwriting Instructions for Projects Converting Assistance as part of the Rental Assistance Demonstration Program includes Appraisal Guidance stating: "Under RAD, the valuation and rental assumptions are to be based on the Section 8 rental income and on the project Use Agreement ... for purposes of valuation, the rents established by the RAD conversion will control, and the appraisal for the project should assume a jurisdictional exception in accordance with the current USPAP to comply with the RAD statutory language."

Debt financing for the subject property is being provided by Bellwether pursuant to Fannie Mae Affordable Housing (MAH) MBS loan program. The Fannie Mae Multifamily Delegated Underwriting and Servicing Guide requires that "The Appraiser must estimate values based on the scheduled (as-restricted) rents." As, such, the Lender will use a value based on the RAD rents.

This is consistent with how the Department has treated RAD conversions in the past. This however, according to the Applicant, is not the method used by tax credit syndicators across the country and should not be used for credit sizing purposes.

Using market rents, the buildings are valued at $9,760,000 ($75K/unit) vs. a value using the restricted rents at $4,900,000 ($37.7K/unit). Because the property is sold to the LIHTC partnership at the market value, greater sale proceeds are generated by the housing authority.

The HUD Rental Assistance Demonstration Conversion Guide for Public Housing Agencies states that the transfer of a public housing property to an LIHTC partnership in a RAD conversion is typically financed by the Housing Authority through a Seller Take-Back Financing note, which is typically equal to the acquisition value of the buildings. The note is subject to cash flow and deeply subordinate to all other financing and obligations.

The building acquisition cost of $75K/unit plus the rehab cost of $37K/unit equals $113K/unit which may exceed the cost of constructing new units.

RISK PROFILE

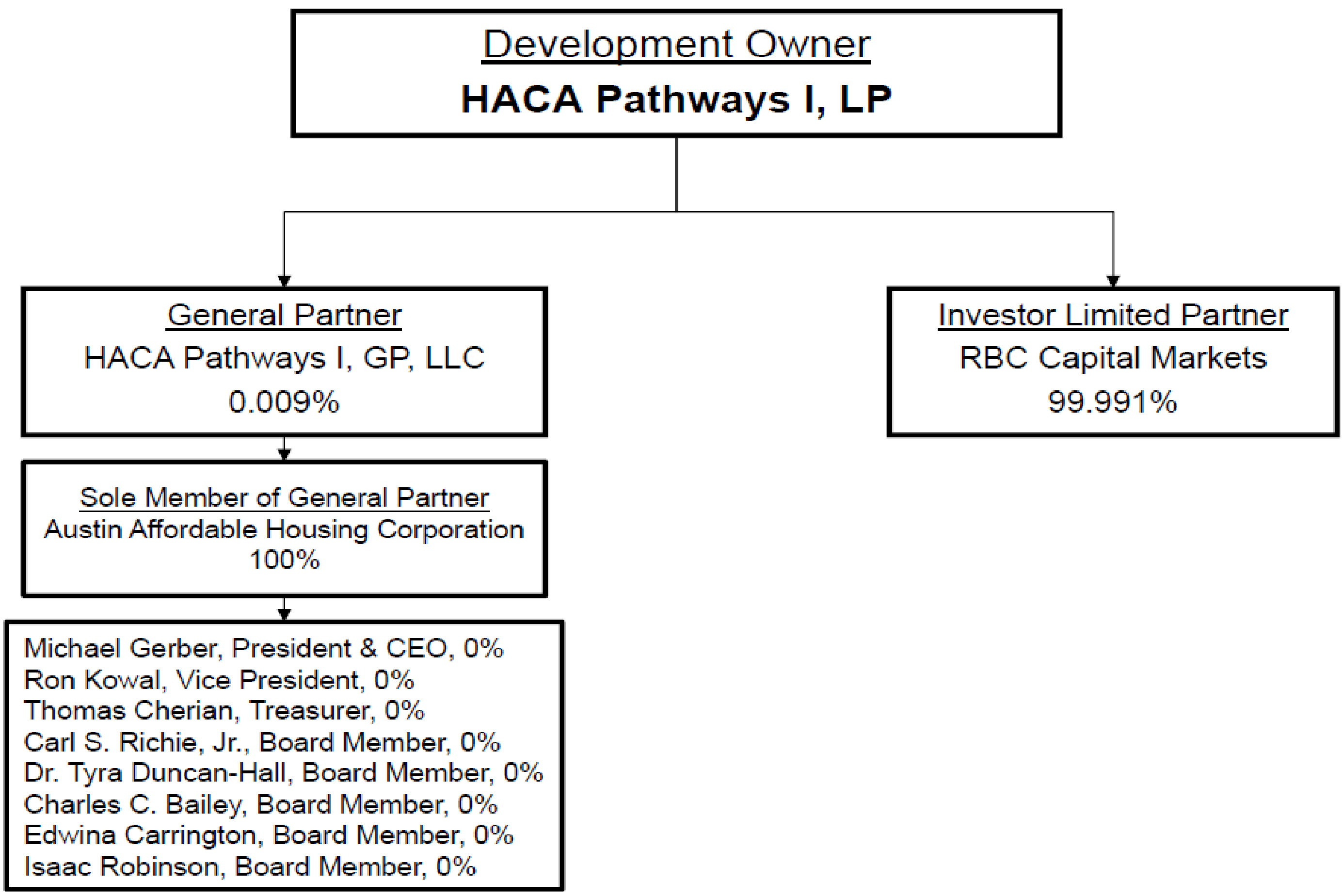
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
▫ Low Gross and Unit Capture Rates	▫ Expense Ratio
▫ HUD CHAP Contract	▫
▫ Low Hard Debt	▫
▫ Strong DCR	▫

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name:	Ron Kowal	Name:	Suzanne Schwertner
Phone:	(512) 767-7792	Phone:	(512) 767-7796
Relationship:	GP	Relationship:	GP

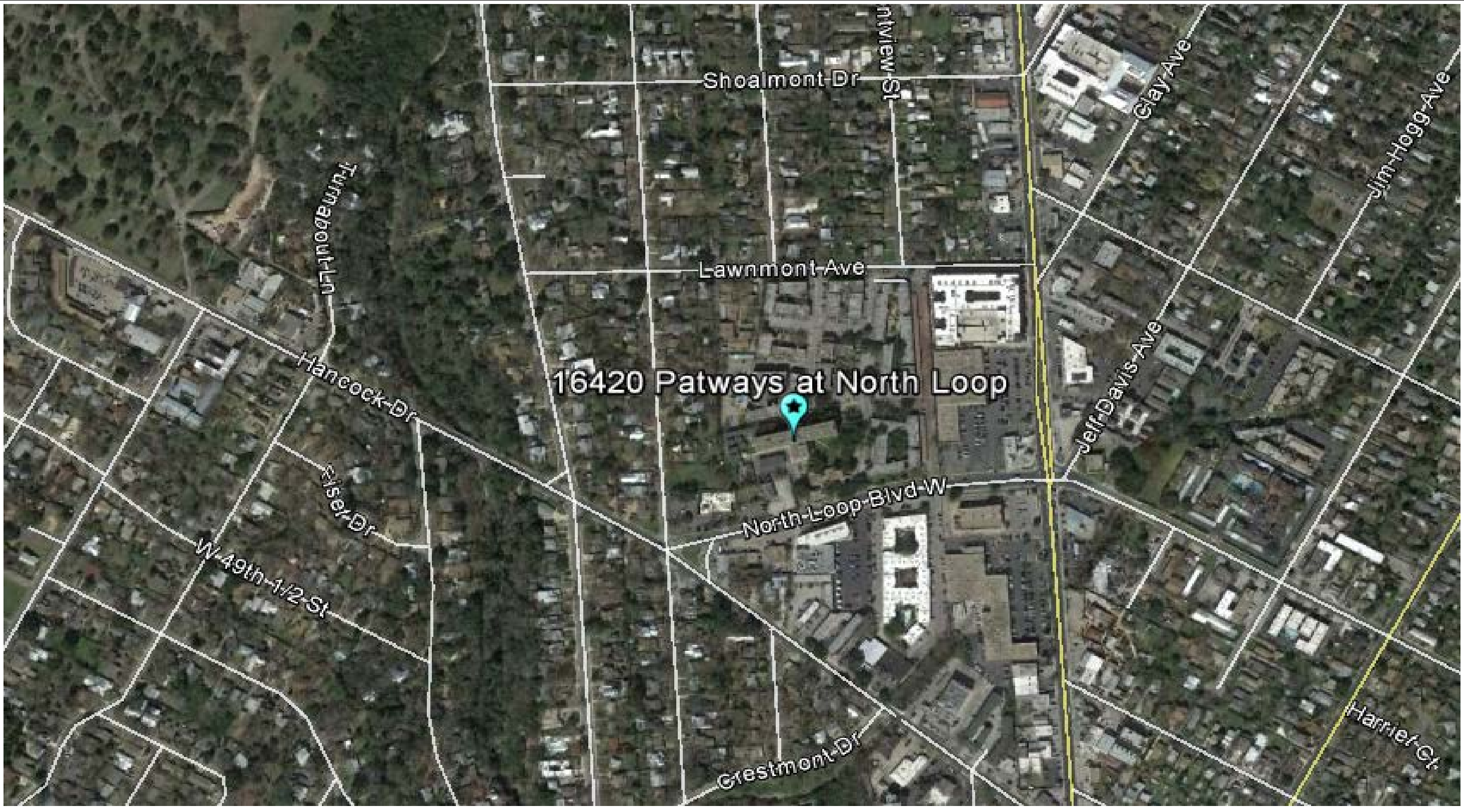
OWNERSHIP STRUCTURE

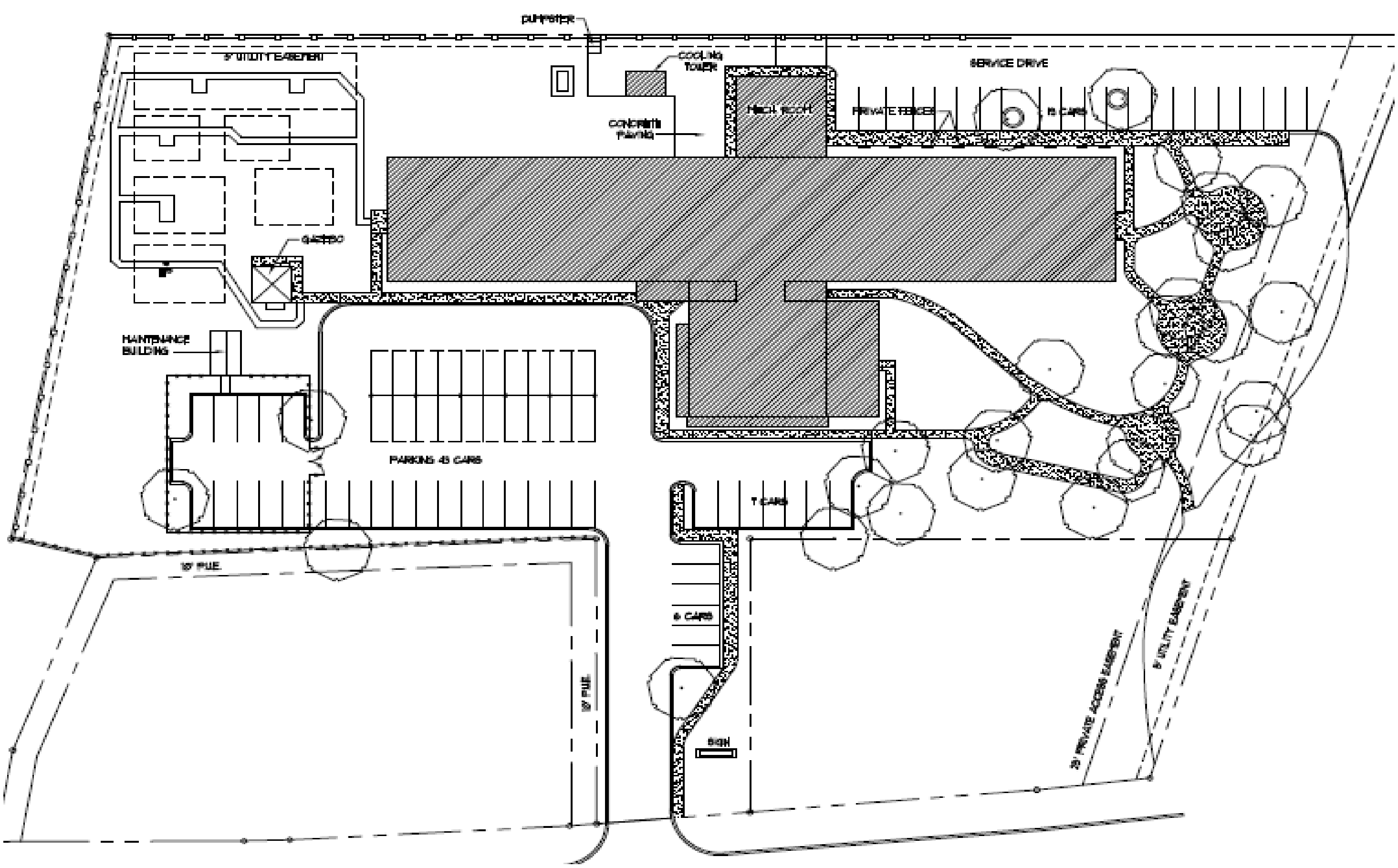


- The Applicant, Developer, General Contractor, Property Manager, Bond Issuer, and Supportive Services Provider are related entities.

DEVELOPMENT SUMMARY

SITE PLAN





BUILDING ELEVATION

RELOCATION PLAN

For relocation activities, HACA will take into consideration individual household preferences and needs to be close to public transportation, employment, schools, medical / public/social services and agencies, recreational services, parks, community centers, or shopping. Temporary accommodations for the first phase of 12 units, anticipated to be for the duration of the rehab of all units or 4.5 months, will be in a comparably sized or larger unit at Thurmond Heights, a nearby public housing property located at 8426 Goldfinch Court, Austin. This relocation is anticipated to be for the duration of the rehab of all units or about 2 month. The second phase of relocations and all subsequent phases will be accomplished by one-time move from their current unit into a properly sized Northgate Apartments unit already fully rehabilitated. No market units, hotel units or other type of lodging is anticipated for this property. Should there not be sufficient public housing units or another circumstance prevents a household to move into the available public housing units, HACA will evaluate the need for units and an extended-stay type motel will be utilized.

Rehabilitation work in the Project will result in no permanent relocations assuming HACA's prerehabilitation plan is followed. Any temporary relocation needs that arise will be met by utilizing available public housing units in the vicinity of the Project: Thurmond Heights Apartments, and minimizing tenants' hardship and inconvenience by offering a one-time move into fully rehabbed units. The per unit construction cycle is not expected to exceed 10 consecutive days.

BUILDING CONFIGURATION

													Total Buildings
Building Type	1												
Floors/Stories	5												
Number of Bldgs	1												1
Units per Bldg	130												
Total Units	130												**130**

Avg. Unit Size (SF)	**594 sf**	**Total NRA (SF)**	**77,197**	**Common Area (SF)**	**3,658**

SITE AND ACQUISITION

Site Acreage: Total Size: 2.76 acres — Density: 47.3 units/acre

Site Control: LD* **Site Plan:** N/A **Appraisal:** 2.75 **ESA:** 2.755

* The Contract for Ground Lease defines the Property by its legal description:

Tract 1: Lot A, ZIAJA ADDITION, a subdivision in Travis County, Texas, according to the map or plat recorded in Volume 70, Page 47, Plat Records of Travis County, Texas.

Tract 2: Easement Estate Only in and to that certain ingress and egress easement dated April 26, 1971, recorded in Volume 4082, Page 1495, Deed Records of Travis County, Texas, and being over and across the west 25 feet of Lot 4, LA WNMONT SUBDIVISION, a subdivision in Travis County, Texas, according to the map or plat recorded in Volume 41, Page 22, Plat Records of Travis County, Texas.

Travis County Appraisal District lists the site as 2.7551 acres.

Control Type: Contract for Ground Lease and Bill of Sale — Contract Expiration: 10/1/2016

Development Site: N/A acres — Cost: $9,760,000 — $75,077 per unit

Seller: Housing Authority of the City of Austin

Buyer: HACA PATHWAYS I, LP

Related-Party Seller/Identity of Interest: Yes

Comments:

Housing Authority is leasing Land to Partnership for $100 per year for 75 years and selling Improvements to Partnership for $9,760,000. Ownership interests of all Improvements revert to the Housing Authority at the end of Lease. Building value limited by Appraisal.

Any discrepancies in site acreage are a result of rounding.

GENERAL INFORMATION

Flood Zone:	X	Scattered Site?	No
Zoning:	LR	Within 100-yr floodplain?	No
		Re-Zoning Required?	No
Year Constructed:	1975	Utilities at Site?	Yes
		Title Issues?	No

Surrounding Uses:

North: Multi-family apartment complex then single-family residential
East: Multi-family apartment complex then commercial uses
South: Vacant building and office building
West: Single family residential

Other Observations:

Current zoning does not allow for multifamily development but is considered a legal non-conforming use.

APPRAISED VALUE

Appraiser:	Novogradac & Company LLP	Date:	12/18/2015
Land as Vacant: 2.75 acres	$540,000	Per Unit:	$4,154
Existing Buildings: (as-is)	$9,760,000	Per Unit:	$75,077
Total Development: (as-is)	$10,300,000	Per Unit:	$79,231

Comments:

"The Subject property currently operates as a public housing property, and it is in average condition. The property currently operates as public housing and provides a public benefit, and it is not deemed feasible to tear it down for an alternative use. However, the highest and best use of the site, as improved, would be to convert to Section 8 or market rate housing that would allow for increased rent and profitability." (pg 8)

The Appraiser and the Applicant indicate that the valuation is based on the hypothetical possibility that HUD could release all restrictions on the property and it could be sold at an unrestricted market value.

After extended meetings and discussions with HACA representatives, their counsel, and their appraiser, Department staff can accept that HACA would enter into agreements with the newly-created partnerships to transfer these properties at prices established by independent appraisals as reflecting market values. Key to this concept is that HACA has the legal ability to sell the properties in such transactions and, therefore, it is being compensated for this foregone opportunity and the limited partnership is paying what it would have to pay to secure comparable property. This, in turn, leads to the matter of awarding acquisition credit based on the purchase price. The determination on the total credits has two distinct components: acquisition credits (based on the purchase price) and development credits (based on what is needed to carry out the actual development). HUD has been involved in these discussions and is well aware of what is occurring and has gone on to confirm that if HACA realizes any excess benefit in such a transaction, the use of that excess would be restricted to HACA’s affordable housing purposes.

In these discussions, TDHCA was explicit with HACA and its appraiser that the values derived using their methodology need to be truly reflective of the actual condition of the subject properties, and appropriate adjustments needed to be made for any rental comparables to accurately compare them to the subject properties. As an intended user of these appraisals, TDHCA REA staff has concerns as to the accuracy and sufficiency of the adjustments made to use the cited properties as rental comparables, but the appraiser has re-examined and finalized each appraisal with no change to the concluded value.

Due to time constraints, the Underwriter was not able to have the appraisals appropriately reviewed by a 3rd party Review Appraiser, as recommended by the Appraisal Licensing Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	Terracon Consultants, Inc.	Date:	3/29/2016

Recognized Environmental Conditions (RECs) and Other Concerns:

- No REC's
- Based on the construction date, sampling and analysis should be conducted prior to conducting renovation activities that will disturb potential Lead-Based Paint.
- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of the significant roads to the site, Terracon recommends that a noise study be conducted.
- It is recommended that EPA/TDSHS regulations be complied with in regard to removal of any flooring materials in the complex and that OSHA monitoring of the workforce be conducted during any disturbance of the drywall construction materials which are in the path of the planned construction. No additional asbestos sampling/inspection appears necessary in this complex.

Comments:

Review of the regulatory databases identified one TCEQ FRSTX facility on the site. The regulatory review identified one TCEQ PST facility, five TCEQ LPST facilities, and two TCEQ VCP facilities within the specified search radii. Based upon facility characteristics and regulatory status, the identified facilities do not appear to constitute a REC in connection with the site as specified within the text of the report.

MARKET ANALYSIS

Provider:	Vogt Strategic Insights	Date:	12/17/2015
Contact:	Bob Vogt	Phone:	(614) 224-4300

Primary Market Area (PMA): 14 sq. miles 2 mile equivalent radius

Irregular shaped PMA consisting of 17 census tracts in central Austin. PMA is bordered on the north by Spicewood Springs Road, West Anderson Lane, and Powell Lane; on the east by I-35 and Waller Creek; on the south by San Jacinto Boulevard, 30th Street, West 29th Street, Shoal Creek, and West 35th Street; and on the east by Mopac Boulevard, Northland Drive, and Mesa Drive.

ELIGIBLE HOUSEHOLDS BY INCOME

Travis County Income Limits

HH size	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
	min	max	min	max	min	max	min	max
1	---	---	---	---	---	---	$1	$32,280
2	---	---	---	---	---	---	$1	$36,900
3	---	---	---	---	---	---	$1	$41,520
4	---	---	---	---	---	---	---	---
5	---	---	---	---	---	---	---	---
6	---	---	---	---	---	---	---	---

AFFORDABLE HOUSING INVENTORY

Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	

Other Affordable Developments in PMA since 2012

File #	Development	Type	Target Population	Comp Units	Total Units
	None			n/a	

Stabilized Affordable Developments in PMA (pre-2012)	Total Units	10
	Total Developments	1

OVERALL DEMAND ANALYSIS

	Market Analyst		**Underwriter**	
Total Households in the Primary Market Area	34,940		35,891	
Senior Households in the Primary Market Area	5,925		9,481	
Potential Demand from the Primary Market Area	1,768		11,407	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	1,768		11,407	
Subject Affordable Units	130		130	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	130		130	
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**7.4%**		**1.1%**	

Population:	**Elderly Preference**	**Market Area:**	**Urban**	**Maximum Gross Capture Rate:**	**10%**

Demand Analysis:

Applicant's potential demand is from only 1-2 person households rather than 1-3 persons. Applicant also only calculated demand from senior households causing potential demand to vary significantly from Underwriter's calculation.

The Real Estate Analysis Rules state a 10% Gross Capture Rate limit for urban properties, but the limit does not apply to existing affordable housing which is at least 50% occupied and will extend a leasing preference to all existing tenants after the rehabilitation.

The capture rate calculation determines the percentage of the available demand that is needed to absorb the proposed units. The Subject properties are covered by a Housing Assistance Program (CHAP) contract, meaning that all households below the maximum income level are eligible. This results in a Gross Capture Rate of 1.1%.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
	Market Analyst				Underwriter			
Unit Type	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/60%	876	125	0	14.3%	6,361	125	0	2.0%
2 BR/60%	320	5	0	1.6%	3,024	5	0	0.2%

Market Analyst Comments:

We assume that most, if not all current tenants will remain at the project during the renovations and once renovations are complete. As such, we anticipate no more than 20% of the units will need to be leased following renovations. In this case, given the full occupancy and one- to two-year centralized Public Housing waiting list, we expect 20% (or 26 units) at the renovated North Loop will lease-up to 95% occupancy within one month, and would be limited only by the time necessary to process applications. (pg. II-1)

Between 2010 and 2015, the Site PMA population increased by 4,062, or 6.3%. The population is projected to increase by 6,065, or 8.9%, between 2015 and 2020. Between 2010 and 2015, households increased by 2,193, or 6.7%. By 2020, 38,245 households will reside in the Site PMA, an increase of 3,305 households, or 9.5% over 2015 levels. This is an increase of 661 households annually over the next five years. (pg. II-3)

While the one LIHTC family property within the Site PMA is 83.3% occupied (which represents just two vacancies out of 12 units), the four LIHTC senior projects have a combined occupancy rate of 99.4%. Management at two of the four senior properties maintain a waiting list. The strong performance of the comparable Tax Credit senior properties suggests ongoing pent-up demand for additional non-subsidized affordable senior units in this market. The existing LIHTC senior properties in adjacent submarkets will have minimal competitive overlap with the proposed subject site since the subject will continue to offer Project-based Rental Assistance. (pg. II-6)

Underwriter Comments:

Subject is a 77% occupied Public Housing development with a relocation plan in place for current tenants.

Occupancy of other affordable property in the PMA is 100% according to department data.

Subject is the only LIHTC development or rehab in PMA since 1994.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma)					
NOI:	$309,649	Avg. Rent:	$644	Expense Ratio:	67.8%
Debt Service:	$229,441	B/E Rent:	$590	Controllable Expenses:	$3,951
Net Cash Flow:	$80,208	UW Occupancy:	95.0%	Property Taxes/Unit:	$0
Aggregate DCR:	1.35	B/E Occupancy:	87.1%	Program Rent Year:	2015

Applicant's NOI is 17% less than Underwriter's estimate so report is based off Underwriter's Pro Forma.

Pursuant to §10.3029(i)(6)(B)(i), since the development is participating in the HUD Rental Assistance Demonstration Program for at least 50% of its units, it will be exempt from the feasibility thresholds listed in §10.3029(i)(6)(B).

Applicant provided initial CHAP letters (dated March 27 2015) as part of the Application. Underwriting assumes a 2016 2.8% OCAF increase (as published by HUD) over the provided 2015 CHAP rents. Project feasibility not dependent on OCAF rent adjustment.

Overall, average collected rents represent a 33% discount to comparable market rents. Average rents are $54 above break even. Project breaks even with 16 vacant units (underwritten with 6).

Controllable expenses very conservatively underwritten at $3,951/unit and mostly based off property's historical expenses.

Applicant's Payroll expense was $1,621/unit, $344/unit (27%) higher than underwriters estimate of $1,277/unit. Underwriter's estimate is based off other similarly sized properties in region 7 monitored by the department.

Pursuant to §10.302(d)(2)(K), the Applicant has included $3,250 for tenant services expense. As a governmental agency itself, the housing authority is not required to have a documented financial obligation to provide the services. At cost certification and as a minimum, the $3,250 underwritten at Application will be included in the DCR calculation regardless if actually incurred. There will be no financial obligation to actually expend the funds in the tax credit LURA. This is a credit sizing provision.

Property will be receiving a 100% property tax exemption and has provided a letter from the Travis County Appraisal District stating that "the property, as structured with the ground lease, would meet the requirements for such exemption."

Without the assumed amortization of the HACA Seller Note (detailed below) DCR would be 1.86x, greatly mitigating any operating risks associated with expense overruns.

Overall good feasibility indicators showing typical operating risk.

Revisions to Rent Schedule:	1		Revisions to Annual Operating Expenses:	0

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)					
Acquisition	$/ac	$75,077/unit	**$9,760,000**	Contractor Fee	**$695,380**
Off-site + Site Work		$1,837/unit	**$238,812**	Soft Cost + Financing	**$1,525,633**
Building Cost	$60.02/sf	$35,643/unit	**$4,633,563**	Developer Fee	**$1,394,712**
Contingency	9.98%	$3,741/unit	**$486,280**	Reserves	**$527,596**

Total Development Cost	$148,169/unit	**$19,261,975**	**Rehabilitation Cost**	**$37,480/unit**

Qualified for 30% Basis Boost?	Not Qualified

Acquisition:

Based on the theoretical unrestricted market value of the property. Land values not included. Applicant will ground lease the land for $100 annually for 75 years.

Off-site:

None anticipated.

Site Work:

Overlay parking lot, install irrigation system, BBQ grills, and picnic tables; replace dumpster and update site landscaping.

Building Cost:

Exterior:

Replace service door, shop roof, main roof, and airlock at front entrance;

Interior (Common):

Replace single glazed storefront systems in first floor common areas; Replace HVAC cooling towers, elevator equipment, flooring, ceiling tiles, light fixtures, and heating equipment; add security cameras; update public restrooms; paint

Interior (Units):

Install low-flow faucets, shower heads, and toilets; replace bathroom vanities, medicine cabinets, and shower pans; replace kitchen counters, cabinets, sinks, ranges, range hoods, and refrigerators; install stackable washers/dryers and garbage disposals; replace ceiling tiles and re-paint in select units; replace all ceiling fans, flooring, circuit breakers, GFCIs, and entry doors; various accessibility upgrades; asbestos flooring abatement.

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	$32,612	$251/unit	1%	Finishes/Fixtures	$3,826,792	$29,437/unit	71%
Building Shell	$307,336	$2,364/unit	6%	HVAC	$207,780	$1,598/unit	4%
Amenities	$206,200	$1,586/unit	4%	Appliances	$291,655	$2,244/unit	5%
Total Exterior	**$546,148**	**$4,201/unit**	**11%**	**Total Interior**	**$4,326,227**	**$33,279/unit**	**89%**

Contingency:

Conservative at roughly 10% of total building and site work costs.

Soft Costs:

$246,000 in Relocation Expenses. Removed from Eligible Basis by Underwriter.

Financing Cost:

Interest from Related Party Debt was excluded from Eligible Basis by Underwriter.

Developer Fee:

Overstated by $49,200 due to removal of relocation expenses from eligible basis.

Reserves:

7 months of operating expenses and debt service.

Comments:

All costs and assumptions based on third party Property Condition Assessment and supplement.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$19,261,975	**$18,137,852**	**$603,990**

Revisions to Development Cost Schedule:	0

UNDERWRITTEN CAPITALIZATION

BOND RESERVATION			
Issuer	**Amount**	**Reservation Date**	**Priority**
Austin Affordable PFC	$12,000,000	6/27/2016	Priority 3

Closing Deadline	Expected Closing	Bond Structure
11/24/2016	10/31/2016	Short-Term Cash-Collateralized

Comments:

At closing, short-term bonds will be issued by Austin Affordable PFC, Inc. and offered for sale by Stifel. Bonds will be fully drawn at closing, and funded to the partnership on a draw basis during the construction period. At all times the bonds will be secured by cash held in a separate cash collateral account. The Fannie Mae permanent loan will be serviced by Bellwether Enterprise and will be funded at construction loan closing.

To be eligible for the 4% tax credit, the tax-exempt bonds must fund greater than 50% of the cost of the development (depreciable basis plus land). As structured, the bonds fund 63%.

INTERIM SOURCES				
Funding Source	**Description**	**Amount**	**Rate**	**LTC**
Bellwether Enterprise/FNMA	Conventional Loan	$3,055,000	4.20%	11%
Austin Affordable PFC	Bond Issuer	$10,760,000	0.90%	39%
HACA Seller Note (Cash Flow)	Loan	$9,145,000	2.24%	33%
RBC Capital Markets	HTC	$4,970,400	$1.16	18%
		$27,930,400	**Total Sources**	

Comments:

The bonds will be collateralized in large part by HACA's proceeds from the sale of the buildings to the partnership. The remainder of the required collateral funds will be a portion of the immediately funded Fannie Mae first mortgage loan. Related to sales proceeds, HACA will sell the improvements at each site to the partnership for the acquisition cost shown in the Development Cost Schedule. At construction loan closing, HACA will receive cash in the amount of the contracted acquisition cost; this cost will be paid by bonds. Rather than keep that cash, HACA has agreed to contribute the sales proceeds it would have otherwise received back to each deal, and to accept a seller note in lieu of payment. The amount of each seller note will be contributed by HACA to the cash collateral account using the proceeds received at closing for the sale of the buildings. For each development, there is a portion of the cash collateral that will not be covered by the sales proceeds contributed from HACA as a result of their acceptance of a seller note. The additional funds required to be deposited into the cash collateral account will be available from both the immediately funded Fannie Mae first mortgage loan and from the initial equity installment. It is anticipated that the proceeds of the Fannie Mae loan will be used.

PERMANENT SOURCES									
	PROPOSED				**UNDERWRITTEN**				
Debt Source	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**LTC**
Bellwether Enterprise/FNMA	$3,055,000	4.20%	35	15	$3,055,000	4.20%	35	15	16%
HACA Seller Note (Hard Debt)	$0	0.00%	0	0	$1,520,000	2.24%	35	0	8%
HACA Seller Note (Cash Flow)	$9,760,000	2.24%	0	50	$8,240,000	2.24%	0	50	43%
Total	**$12,815,000**				**$12,815,000**				

Comments:

Applicant's pro forma produced a DCR exceeding the 1.35 maximum. Underwriter assumes (for purposes of tax credit sizing) that the HACA Seller Note be partially amortized to bring the DCR below the 1.35 times threshold.

The assumed debt structure is for tax credit sizing purposes only and not a condition of the recommendation.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	**Amount**	**Rate**	**% Def**	**Amount**	**Rate**	**% TC**	**% Def**
RBC Capital Markets	$7,100,572	$1.16		$6,446,975	$1.16	33%	
Austin Affordable Housing Corp.	$1,026		0%	$0		0%	0%
Additional (Excess) Funds Req'd	($664,200)			$0			
Total	**$6,437,397**			**$6,446,975**			
				$19,261,975	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$1.051	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.869	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule:	0

CONCLUSIONS

Gap Analysis:	
Total Development Cost	$19,261,975
Permanent Sources	$12,815,000
Gap in Permanent Financing	$6,446,975

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	$6,990,490	$603,990
Needed to Fill Gap in Financing	$6,446,975	$557,030
Requested by Applicant	$7,100,571	$613,502

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
Tax Credit Allocation	**$6,446,975**	**$557,030**

Underwriter: *Jason Cofield*

Manager of Real Estate Analysis: *Thomas Cavanagh*

Director of Real Estate Analysis: *Brent Stewart*

UNIT MIX/RENT SCHEDULE

Pathways at North Loop, Austin, 4% HTC #16420

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	125	96.2%	125	40%	-	0.0%
2	5	3.8%	5	50%	-	0.0%
3	-	0.0%	0	60%	130	100.0%
4	-	0.0%	0	MR	-	0.0%
TOTAL	**130**	**100.0%**	**130**	**TOTAL**	**130**	**100.0%**

Applicable Programs
4% Housing Tax Credits

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	100%
Applicable Fraction	100.00%
APP % Acquisition	3.33%
APP % Construction	3.33%
Average Unit Size	594 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 60%	$864	RAD	$637	89	1	1	581	$637	$0	$637	$0	$1.10	$637	**$56,725**	**$56,725**	$637	$1.10	$0	$955	$1.64	$955
TC 60%	$864	RAD	$637	4	1	1	592	$637	$0	$637	$0	$1.08	$637	**$2,549**	**$2,549**	$637	$1.08	$0	$955	$1.61	$955
TC 60%	$864	RAD	$637	20	1	1	593	$637	$0	$637	$0	$1.07	$637	**$12,747**	**$12,747**	$637	$1.07	$0	$955	$1.61	$955
TC 60%	$864	RAD	$637	4	1	1	599	$637	$0	$637	$0	$1.06	$637	**$2,549**	**$2,549**	$637	$1.06	$0	$955	$1.59	$955
TC 60%	$864	RAD	$637	4	1	1	600	$637	$0	$637	$0	$1.06	$637	**$2,549**	**$2,549**	$637	$1.06	$0	$955	$1.59	$955
TC 60%	$864	RAD	$637	4	1	1	602	$637	$0	$637	$0	$1.06	$637	**$2,549**	**$2,549**	$637	$1.06	$0	$955	$1.59	$955
TC 60%	$1,038	RAD	$803	1	2	1	712	$803	$0	$803	$0	$1.13	$803	**$803**	**$803**	$803	$1.13	$0	$1,215	$1.71	$1,215
TC 60%	$1,038	RAD	$803	4	2	1	836	$803	$0	$803	$0	$0.96	$803	**$3,211**	**$3,211**	$803	$0.96	$0	$1,215	$1.45	$1,215
TOTALS/AVERAGES:				**130**			**77,197**				**$0**	**$1.08**	**$644**	**$83,684**	**$83,684**	**$644**	**$1.08**	**$0**	**$965**	**$1.63**	**$965**

ANNUAL POTENTIAL GROSS RENT:	**$1,004,212**	**$1,004,212**	

STABILIZED PRO FORMA

Pathways at North Loop, Austin, 4% HTC #16420

STABILIZED FIRST YEAR PRO FORMA

	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		Historical Expenses		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$1.08	$644	$1,004,212	$1,004,212	$644	$1.08		0.0%	$0
Laundry, Maintenance Charges							$1.38	$2,151						
Total Secondary Income							$1.38		$7,800	$5.00			-72.4%	($5,649)
POTENTIAL GROSS INCOME								$1,006,363	$1,012,012				-0.6%	($5,649)
Vacancy & Collection Loss							7.0% PGI	(70,445)	(50,601)	5.0% PGI			39.2%	(19,845)
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								$935,917	$961,412				-2.7%	($25,494)
General & Administrative	$45,495	$350/Unit	22,659	$174	4.11%	$0.50	$296	$38,453	$45,495	$350	$0.59	4.73%	-15.5%	(7,043)
Management	$48,580	3.9% EGI	60,260	$464	4.00%	$0.48	$288	$37,437	$38,456	$296	$0.50	4.00%	-2.7%	(1,020)
Payroll & Payroll Tax	$165,971	$1,277/Unit	227,001	$1,746	22.51%	$2.73	$1,621	$210,694	$165,971	$1,277	$2.15	17.26%	26.9%	44,723
Repairs & Maintenance	$83,923	$646/Unit	118,134	$909	7.75%	$0.94	$558	$72,560	$84,500	$650	$1.09	8.79%	-14.1%	(11,940)
Electric/Gas	$31,077	$239/Unit	113,421	$872	11.67%	$1.42	$840	$109,250	$113,421	$872	$1.47	11.80%	-3.7%	(4,171)
Water, Sewer, & Trash **ABP**	$106,047	$816/Unit	104,276	$802	11.25%	$1.36	$810	$105,250	$104,276	$802	$1.35	10.85%	0.9%	974
Property Insurance	$35,469	$0.46 /sf	14,193	$109	1.37%	$0.17	$99	$12,850	$14,193	$109	$0.18	1.48%	-9.5%	(1,343)
Property Tax (@ 100%)	$85,058	$654/Unit	-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$37,745	$290/Unit	-	$0	4.86%	$0.59	$350	$45,500	$39,000	$300	$0.51	4.06%	16.7%	6,500
Cable TV			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			-	$0	0.35%	$0.04	$25	$3,250	$3,250	$25	$0.04	0.34%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	$0	0.56%	$0.07	$40	$5,200	$5,200	$40	$0.07	0.54%	0.0%	-
Security			43,776	$337	4.05%	$0.49	$292	$37,900	$37,900	$292	$0.49	3.94%	0.0%	-
Ground Lease Payment			-	$0	0.01%	$0.00	$1	$100	$100	$1	$0.00	0.01%	0.0%	-
TOTAL EXPENSES					**72.49%**	**$8.79**	**$5,219**	**$ 678,443**	**$ 651,762**	**$5,014**	**$8.44**	**67.79%**	**4.1%**	**$ 26,681**
NET OPERATING INCOME ("NOI")					**27.51%**	**$3.34**	**$1,981**	**$257,474**	**$309,649**	**$2,382**	**$4.01**	**32.21%**	**-16.8%**	**$ (52,175)**
CONTROLLABLE EXPENSES							$4,125/Unit			$3,951/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Pathways at North Loop, Austin, 4% HTC #16420

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	**Fee**	**UW**	**App**	**Pmt**	**Rate**	**Amort**	**Term**	**Principal**	**Principal**	**Term**	**Amort**	**Rate**	**Pmt**	**DCR**	**LTC**
Bellwether Enterprise/FNMA		1.86	1.54	166,748	4.20%	35	15	$3,055,000	$3,055,000	15	35	4.20%	$166,748	1.86	15.9%
HACA Seller Note (Hard Debt)		1.86	1.54		0.00%	0	0	$0	$1,520,000	0	35	2.24%	$62,693	1.35	7.9%
CASH FLOW DEBT / GRANTS															
HACA Seller Note (Cash Flow)		1.86	1.54		2.24%	0	50	$9,760,000	$8,240,000	50	0	2.24%		1.35	42.8%
				$166,748	**TOTAL DEBT / GRANT SOURCES**			**$12,815,000**	**$12,815,000**		**TOTAL DEBT SERVICE**		**$229,441**	1.35	66.5%
NET CASH FLOW		$142,901	$90,726						**TDHCA**	**NET OPERATING INCOME**		**$309,649**	**$80,208**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	**DESCRIPTION**	**% Cost**	**Annual Credit**	**Credit Price**	**Amount**	**Amount**	**Credit Price**	**Annual Credit**	**% Cost**	**Annual Credits per Unit**	**Allocation Method**
RBC Capital Markets	LIHTC Equity	36.9%	$613,502	1.16	$7,100,572	$6,446,975	$1.1574	$557,030	33.5%	$4,285	Needed to Fill Gap
Austin Affordable Housing Corp.	Deferred Developer Fees	0.0%	(0% Deferred)		$1,026		(0% Deferred)		0.0%	**Total Developer Fee:**	**$1,394,712**
Additional (Excess) Funds Req'd		-3.4%			($664,200)	$0			0.0%		
TOTAL EQUITY SOURCES		33.4%			$6,437,397	$6,446,975			33.5%	**15-Year Cash Flow:**	**$1,112,607**
TOTAL CAPITALIZATION					**$19,252,397**	**$19,261,975**				**15-Yr Cash Flow after Deferred Fee:**	**$1,112,607**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	**New Const. Rehab**			**Total Costs**	**Total Costs**			**New Const. Rehab**	**Acquisition**	**%**	**$**
Land Acquisition				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Building Acquisition (Financed)	$9,760,000			$75,077 / Unit	$9,760,000	$9,760,000	$75,077 / Unit			$9,760,000	0.0%	$0
Off-Sites				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Site Work		$32,612		$251 / Unit	$32,612	$32,612	$251 / Unit		$32,612		0.0%	$0
Site Amenities		$206,200		$1,586 / Unit	$206,200	$206,200	$1,586 / Unit		$206,200		0.0%	$0
Building Cost		$4,623,985	$59.90 /sf	$35,569/Unit	$4,623,985	$4,633,563	$35,643/Unit	$60.02 /sf	$4,633,563		-0.2%	($9,578)
Contingency		$486,280	10.00%	10.00%	$486,280	$486,280	9.98%	9.98%	$486,280		0.0%	$0
Contractor Fees		$695,380	13.00%	13.00%	$695,380	$695,380	12.98%	12.98%	$695,380		0.0%	$0
Soft Costs	0	$403,740		$5,383 / Unit	$699,740	$699,740	$5,383 / Unit		$403,740	$0	0.0%	$0
Financing	0	$525,365		$6,353 / Unit	$825,893	$825,893	$6,353 / Unit		$525,365	$0	0.0%	$0
Developer Fee	$0	$1,443,912	20.71%	20.71%	$1,443,912	$1,394,712	19.97%	8.33%	$1,394,712	$0	3.5%	$49,200
Reserves				$4,058 / Unit	$527,596	$527,596	$4,058 / Unit				0.0%	$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	**$9,760,000**	**$8,417,474**		$148,474 / Unit	**$19,301,597**	**$19,261,975**	$148,169 / Unit		**$8,377,852**	**$9,760,000**	**0.2%**	**$39,622**
Acquisition Cost	$0				$0							
Contingency		$0			$0							
Contractor's Fee		$0										
Interim Interest		$0										
Developer Fee	$0	($49,200)			($49,200)							
Reserves					$0							
ADJUSTED BASIS / COST	**$9,760,000**	**$8,368,274**		$148,095/unit	**$19,252,397**	**$19,261,975**	$148,169/unit		**$8,377,852**	**$9,760,000**	**0.0%**	**($9,578)**
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY PCA/CNA					**$19,261,975**							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Pathways at North Loop, Austin, 4% HTC #16420

CREDIT CALCULATION ON QUALIFIED BASIS	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$9,760,000	$8,368,274	$9,760,000	$8,377,852
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$9,760,000	$8,368,274	$9,760,000	$8,377,852
High Cost Area Adjustment		100%		100%
TOTAL ADJUSTED BASIS	$9,760,000	$8,368,274	$9,760,000	$8,377,852
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$9,760,000	$8,368,274	$9,760,000	$8,377,852
Applicable Percentage	3.33%	3.33%	3.33%	3.33%
ANNUAL CREDIT ON BASIS	$325,008	$278,664	$325,008	$278,982
CREDITS ON QUALIFIED BASIS	$603,672		$603,990	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.1574	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$603,990	$6,990,490	----	----	----
Needed to Fill Gap	$557,030	$6,446,975	**$557,030**	($56,472)	($653,595)
Applicant Request	$613,502	$7,100,571	----	----	----

$543,514

50% Test for Bond Financing for 4% Tax Credits

Tax-Exempt Bond Amount	**$10,760,000**	
Aggregate Basis Limit for 50% Test	$21,520,000	
	Applicant	TDHCA
Land Cost	$0	$0
Depreciable Bldg Cost	##########	$17,039,140
Aggregate Basis for 50% Test	**##########**	**$17,039,140**

	Applicant	TDHCA
Percent Financed by Tax-Exempt Bonds	**63.2%**	**63.1%**

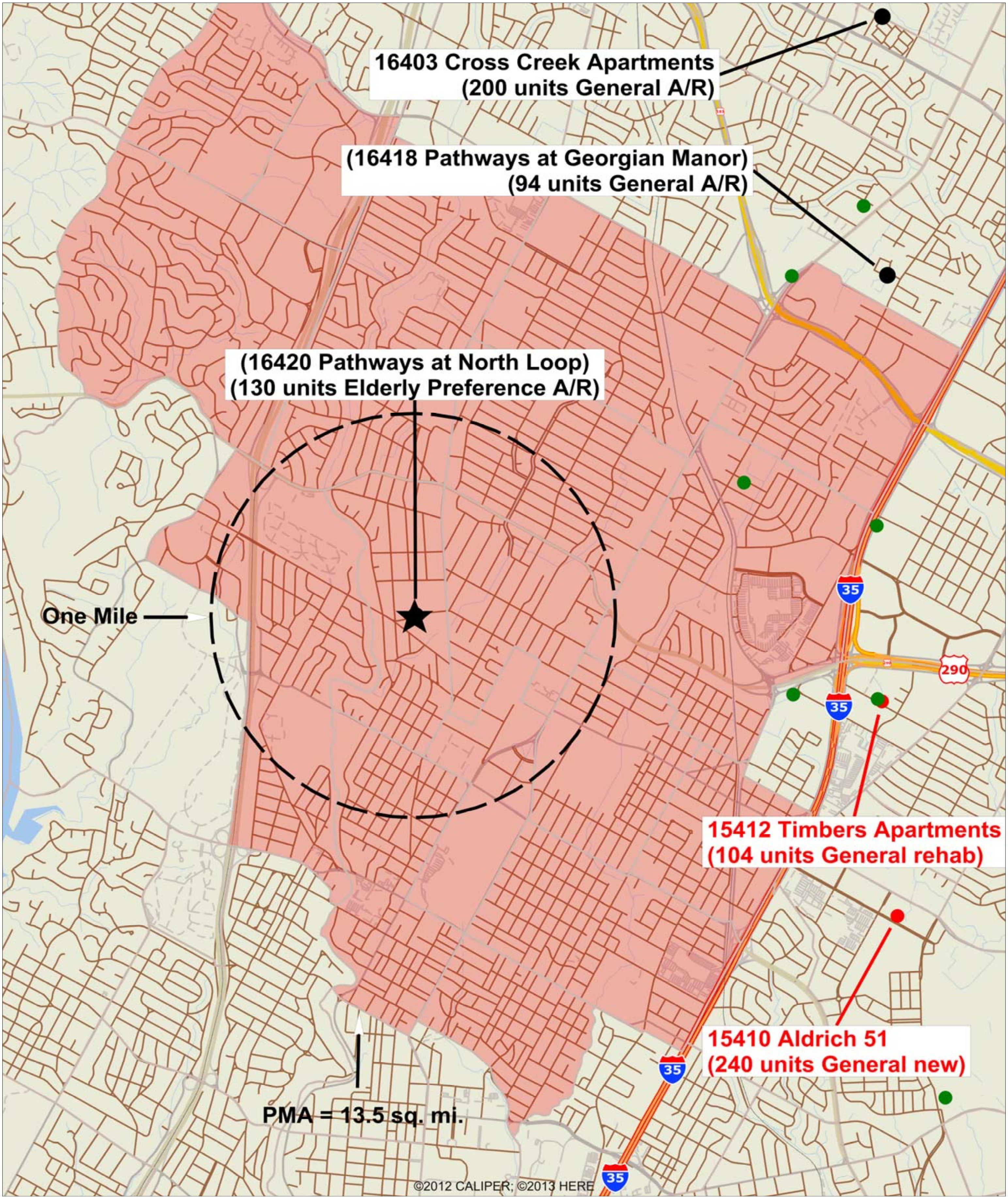
amount aggregate basis can increase before 50% test fails	$4,490,438	$4,480,860
	26.4%	26.3%

Long-Term Pro Forma

Pathways at North Loop, Austin, 4% HTC #16420

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$961,412	$980,640	$1,000,253	$1,020,258	$1,040,663	$1,148,976	$1,268,562	$1,400,595	$1,707,318	$1,885,017
TOTAL EXPENSES	3.00%	$651,762	$670,931	$690,666	$710,986	$731,908	$846,184	$978,423	$1,131,459	$1,513,588	$1,753,895
NET OPERATING INCOME ("NOI")		**$309,649**	**$309,709**	**$309,586**	**$309,272**	**$308,755**	**$302,792**	**$290,140**	**$269,136**	**$193,730**	**$131,122**
MUST -PAY DEBT SERVICE											
Bellwether Enterprise/FNMA		$166,748	$166,748	$166,748	$166,748	$166,748	$166,748	$166,748	$166,748	$166,748	$166,748
HACA Seller Note (Hard Debt)		$62,693	$62,693	$62,693	$62,693	$62,693	$62,693	$62,693	$62,693	$62,693	$62,693
TOTAL DEBT SERVICE		$229,441	$229,441	$229,441	$229,441	$229,441	$229,441	$229,441	$229,441	$229,441	$229,441
ANNUAL CASH FLOW		**$80,208**	**$80,268**	**$80,145**	**$79,830**	**$79,314**	**$73,351**	**$60,698**	**$39,695**	**($35,712)**	**($98,319)**
CUMULATIVE NET CASH FLOW		$80,208	$160,476	$240,621	$320,451	$399,765	$780,825	$1,112,607	$1,356,800	$1,380,999	$1,023,148
DEBT COVERAGE RATIO		1.35	1.35	1.35	1.35	1.35	1.32	1.26	1.17	0.84	0.57
EXPENSE/INCOME RATIO		67.8%	68.4%	69.0%	69.7%	70.3%	73.6%	77.1%	80.8%	88.7%	93.0%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$80,208	$80,268	$80,145	$79,830	$79,314	$73,351	$60,698	$39,695	($35,712)	($98,319)

16420 Pathways at North Loop PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.

BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer (#16421 Pathways at Northgate, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Pathways at Northgate, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on June 1, 2016;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on June 27, 2016, and will expire on November 24, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of an undesirable neighborhood characteristic, specifically that the development site is within the American Society for Testing and Materials ("ASTM") Standard search distance of the following: a Resource Conservation and Recovery Act ("RCRA") generator of hazardous waste; Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") and a Voluntary Cleanup Program Site; all of which are further noted in the Environmental Site Assessment ("ESA");

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and recommends the proposed site be found eligible under 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules;

WHEREAS, at the time of EARAC, Real Estate Analysis ("REA") staff had not completely evaluated the appraisal and additional conversations with the applicant in this regard were necessary;

WHEREAS, EARAC recommends approval subject to a thorough review of the appraisal in order to finalize the underwriting analysis that is anticipated to be final prior to the Board meeting; and

WHEREAS, such review is reflected in the attached underwriting report;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of $300,144 in 4% Housing Tax Credits subject to applicable underwriting conditions as found in the Real Estate Analysis report posted to the Department's website for Pathways at Northgate is hereby approved as presented to this meeting.

BACKGROUND

General Information: Pathways at Northgate is located at 9120 Northgate Boulevard, Austin, Travis County, and consists of the acquisition and rehabilitation of 50 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The units are currently occupied and operating as public housing and are owned and managed by the Housing Authority of the City of Austin. The subject property, as well as four sister properties also on the agenda for consideration today, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at North Loop and Pathways at Shadow Bend, will be converted through HUD's Rental Assistance Demonstration program. The development was originally constructed in 1978, will serve a general population and conforms to current zoning. The census tract (0018.20) has a median household income of $32,313, is in the fourth quartile and has a poverty rate of 38%.

Site Analysis: The applicant disclosed the presence of an undesirable site characteristic under §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules which requires additional site analysis; specifically, the ESA indicates the following facilities listings within the ASTM-required search distances from the site boundaries in the following databases: RCRA generator of hazardous waste, CERCLIS, and a site that is part of the State Voluntary Cleanup Program.

The ESA indicated the RCRA generator of hazardous waste facility is not located on the development site or adjacent to the site, but is within a 0.15 mile radius of the proposed development. The entity of record for the ASTM search distance is a Pep Boys and is coded as RCRA-CESQG which stands for Conditionally Exempt Small Quantity Generator and indicates the facility generates no more than 220 lbs of hazardous waste per month. This designation requires compliance with several basic waste management requirements to remain exempt from the full hazardous waste regulations that apply to generators of large quantities of waste. The ESA noted that the entity is not subject to correction action, has had no reported violations, evaluations or enforcements and concluded that in their professional opinion is not of environmental concern to the development.

The CERCLIS facility listing is within 0.18 miles of the development site and the entity of record is Tiger Waste Systems. The ESA indicated that no further activity is planned at the site and that based on the facility characteristics, environmental setting and distance from the site, there are no recognized environmental concerns associated with this site as it relates to the proposed development.

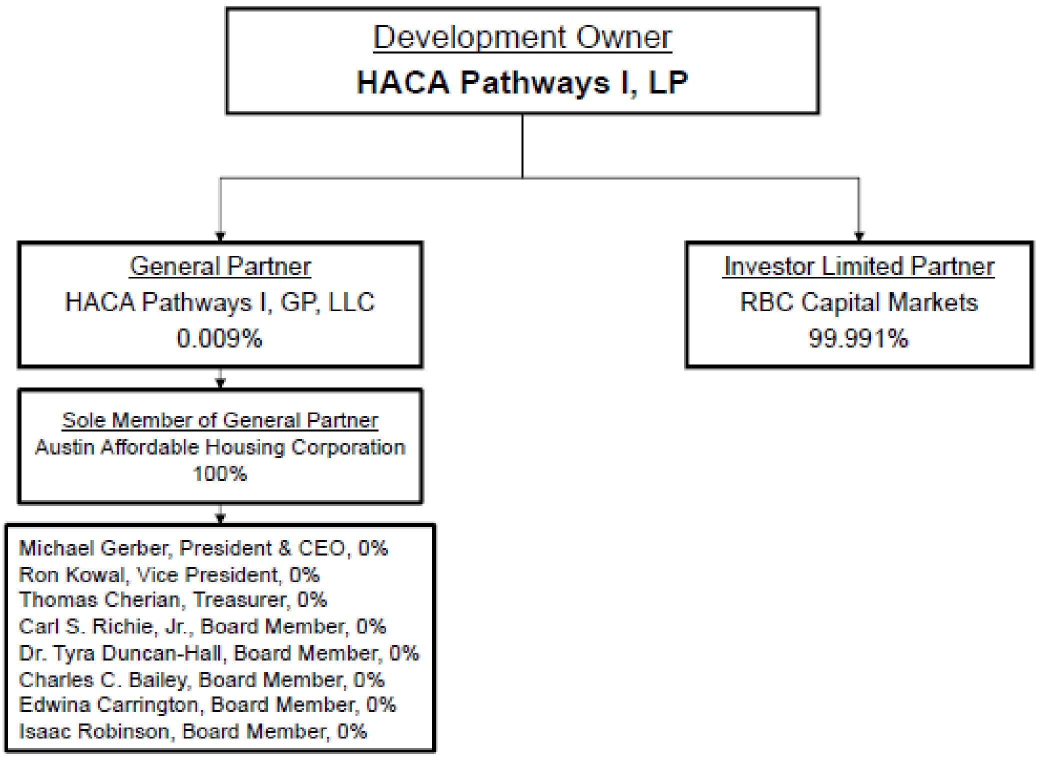
Lastly, there is a Capital Metro North Garage within 0.48 miles of the proposed development that was identified as part of the State Voluntary Cleanup Program. The public transportation garage received a completion certificate from the Texas Commission on Environmental Quality in 2010 and according to the ESA provider there are no concerns associated with this facility.

The ESA provider did not recommend additional assessments or diligence that would need to be performed associated with the proximity of the aforementioned facility listings to the development site and as such staff does not believe the disclosure relative to these undesirable neighborhood characteristics requires additional review and recommends the site be found eligible. Moreover, §10.101(a)(4)(i) allows consideration for acceptable mitigation regarding this characteristic based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions. The units at Pathways at Northgate are being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration Program.

Organizational Structure: The Borrower is HACA Pathways I, LP, and includes the entities and principals illustrated Exhibit A. The applicant is considered a medium Category 1 portfolio and the previous participation was deemed acceptable by EARAC on October 3, 2016, without further review or discussion.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A


Development Owner
HACA Pathways I, LP
General Partner
HACA Pathways I, GP, LLC
0.009%
Investor Limited Partner
RBC Capital Markets
99.991%
Sole Member of General Partner
Austin Affordable Housing Corporation
100%
Michael Gerber, President & CEO, 0%
Ron Kowal, Vice President, 0%
Thomas Cherian, Treasurer, 0%
Carl S. Richie, Jr., Board Member, 0%
Dr. Tyra Duncan-Hall, Board Member, 0%
Charles C. Bailey, Board Member, 0%
Edwina Carrington, Board Member, 0%
Isaac Robinson, Board Member, 0%

APPLICATION SUMMARY

REAL ESTATE ANALYSIS DIVISION
October 10, 2016

PROPERTY IDENTIFICATION	
Application #	16421
Development	Pathways at Northgate
City / County	Austin / Travis
Region/Area	7 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1978)

RECOMMENDATION					
TDHCA Program	Request	Approved			
LIHTC (4% Credit)	$303,313	$300,144	$6,003/Unit	$1.16	
	Amount	Rate	Amort	Term	Lien
Private Activity Bonds					
MDLP (Repayable)					
MDLP (Non-Repayable)					
CHDO Expenses					

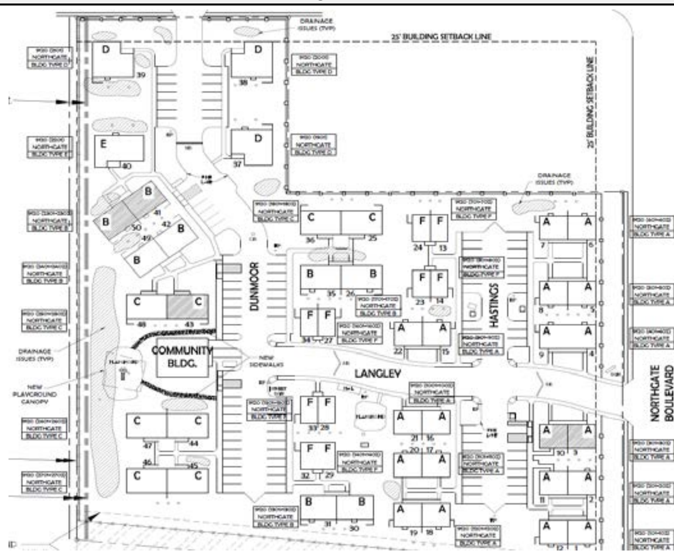
KEY PRINCIPALS / SPONSORS		
Austin Affordable Housing Corporation (AAHC)		
Michael Gerber (GP)		
Audrey Martin (Consultant)		
Related-Parties	Contractor - Yes	Seller - Yes

TYPICAL BUILDING ELEVATION/PHOTO

UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	20	40%	40%	-	0%
2	18	36%	50%	-	0%
3	8	16%	60%	50	100%
4	3	6%	MR	-	
TOTAL	49	100%	TOTAL	50	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.35	Expense Ratio	66.9%
Breakeven Occ.	86.9%	Breakeven Rent	$597
Average Rent	$653	B/E Rent Margin	$56
Property Taxes	Exempt	Exemption/PILOT	0%
Total Expense	$5,019/unit	Controllable	$3,947/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			0.3%
Highest Unit Capture Rate	0%	2 BR/60%	18
Dominant Unit Cap. Rate	0%	1 BR/60%	20
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	50	100% Total Units	

DEVELOPMENT COST SUMMARY				
Costs Underwritten	TDHCA's Costs - Based on PCA			
Avg. Unit Size	787 SF		Density	9.3/acre
Acquisition			$74K/unit	$3,640K
Building Cost	$52.50/SF		$42K/unit	$2,066K
Hard Cost			$53K/unit	$2,617K
Total Cost			$172K/unit	$8,447K
Developer Fee	$682K		(0% Deferred)	Paid Year: 1
Contractor Fee	$335K		30% Boost	Yes

REHABILITATION COSTS / UNIT					
Site Work	$1K	2%	Finishes/Fixtures	$27K	51%
Building Shell	$9K	17%	Amenities	$5K	10%
HVAC	$K	0%	Total Exterior	$15K	32%
Appliances	$5K	10%	Total Interior	$32K	68%

DEBT (Must Pay)				
Source	**Term**	**Rate**	**Amount**	**DCR**
Bellwether Enterprise/FNMA	15/35	4.20%	$1,630,000	1.39
HACA Seller Note (Hard Debt)	0/35	2.24%	$72,000	1.35
TOTAL DEBT (Must Pay)			**$1,702,000**	

CASH FLOW DEBT / GRANT FUNDS				
Source	**Term**	**Rate**	**Amount**	**DCR**
HACA Seller Note (Cash Flow)	50/0	2.24%	$3,268,000	1.35
CASH FLOW DEBT / GRANTS			**$3,268,000**	

EQUITY / DEFERRED FEES	
Source	**Amount**
RBC Capital Markets	$3,473,824
Austin Affordable Housing Corp.	$2,750
TOTAL EQUITY SOURCES	$3,476,574
TOTAL DEBT SOURCES	$4,970,000
TOTAL CAPITALIZATION	$8,446,574

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC
Expiration Date	11/24/2016
Bond Amount	$7,000,000
BRB Priority	Priority 3
Expected Close	10/31/2016
Bond Structure	Short-Term Cash-Collateralized

RISK PROFILE

STRENGTHS/MITIGATING FACTORS

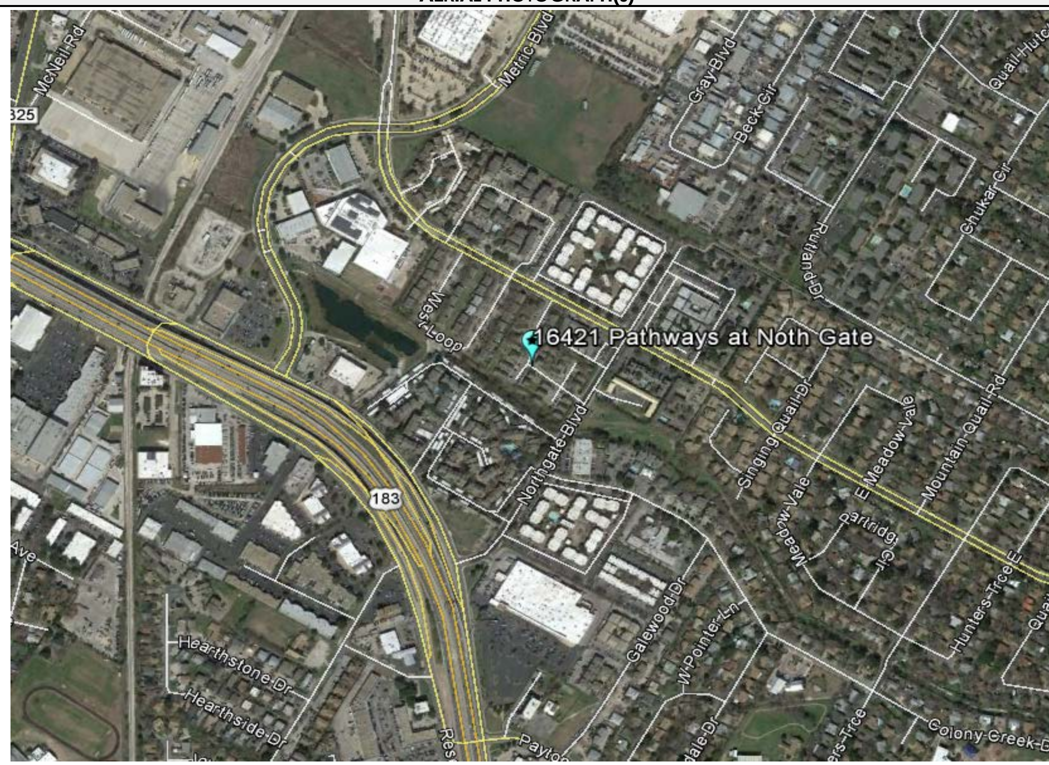
- Low Gross and Unit Capture Rates
- HUD CHAP Contract
- Strong DCR

WEAKNESSES/RISKS

- Expense Ratio

Area Map

AERIAL PHOTOGRAPH(s)



DEVELOPMENT IDENTIFICATION

TDHCA Application #:	**16421**	Program(s):	**4% HTC**

Pathways at Northgate

Address/Location:	9120 Northgate Blvd.				
City:	Austin	County:	Travis	Zip:	78758
Population:	General	Program Set-Aside:	General	Area:	Urban
Activity:	Acquisition/Rehab	Building Type:	Duplex	Region:	7
Analysis Purpose:	New Application - Initial Underwriting				

ALLOCATION

	REQUEST				RECOMMENDATION				
TDHCA Program	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**Lien**
LIHTC (4% Credit)	$303,313				**$300,144**				

CONDITIONS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
  - b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
  - c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
  - d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	50

DEAL SUMMARY

Pathways at Northgate is one of five properties currently owned by the Housing Authority of the City of Austin (HACA) that is being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program. These five properties (Pathways at North Loop, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Shadowbend Ridge, and Pathways at Northgate) will be rehabilitated during the conversion. Each of the five properties will be owned by a single partnership, HACA Pathways I, LP, and will be financed using a single investor and a single lender. Each development will have its own bond reservation, and will be financed using a single loan which will allocate debt service payment amounts to each development. Austin Affordable Housing Corporation (AAHC), an affiliate of HACA, is the sole member of the general partner, the developer, and guarantor. Austin Affordable PFC, Inc., another affiliate of HACA, is the bond issuer. HACA has managed the developments as public housing since their construction, and will be continue to be the property manager post-conversion.

Due to these relationships the acquisition is considered to be governed by the Identity of Interest Acquisition rule §10.302(e)(1)(B).

The development is currently public housing where all costs of operations are essentially paid for by HUD operating subsidies. HUD's Rental Assistance Demonstration program ("RAD") converts public housing developments to project-based rental assistance developments allowing for private capital to own, rehabilitate and operate the developments. With a few exceptions, the development is always restricted for affordable housing as either the public housing or the restrictions that accompany the rental assistance contract.

The transfer price of the development paid to the housing authority by the LIHTC partnership is based on an appraisal. Although typically a property valuation is based on the income expected to be generated using rents restricted by a use agreement and/or rental assistance contract, the valuation in this case is based on an appraised value using unrestricted market rental rates in the Austin market. The use of the market rental rates produces a much higher appraised value than that based on restricted rents.

Even though the property will never be "unrestricted", the applicant claims that there are circumstances under which they could sell the property into the market without restrictions. Theoretically they could then use the sale proceeds to purchase another property and transfer the rental assistance contract. Under this scenario the applicant claims that the sales price should be based on a valuation using unrestricted rents. The Underwriter discussed this scenario with the public housing side of HUD who acknowledged the use of the market valuation as a transfer price in some conversions in various parts of the country.

§10.302(e)(1)(C)(iv) states "the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development and that will continue to affect the Development after transfer to the new owner in determining the building value." §10.304(d)(10)(B) states "for existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value" inclusive of the value associated with the rental assistance. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter." And §10.304(d)(10)(C) states "For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the restricted rents should be contemplated when deriving the value based on the income approach." These sections of the REA Rules would seem to indicate that the building value should be based on the proposed restricted RAD rents. However, the Rules do not explicitly address the situation of a Public Housing property converting to RAD.

Also, it should be noted that the HUD-FHA Underwriting Instructions for Projects Converting Assistance as part of the Rental Assistance Demonstration Program includes Appraisal Guidance stating: "Under RAD, the valuation and rental assumptions are to be based on the Section 8 rental income and on the project Use Agreement ... for purposes of valuation, the rents established by the RAD conversion will control, and the appraisal for the project should assume a jurisdictional exception in accordance with the current USPAP to comply with the RAD statutory language."

Debt financing for the subject property is being provided by Bellwether pursuant to Fannie Mae Affordable Housing (MAH) MBS loan program. The Fannie Mae Multifamily Delegated Underwriting and Servicing Guide requires that "The Appraiser must estimate values based on the scheduled (as-restricted) rents." As, such, the Lender will use a value based on the RAD rents.

This is consistent with how the Department has treated RAD conversions in the past. This however, according to the Applicant, is not the method used by tax credit syndicators across the country and should not be used for credit sizing purposes.

Using market rents, the buildings are valued at $3,640,000 ($72.8K/unit) vs. a value using the restricted rents at $1,950,000 ($39K/unit). Because the property is sold to the LIHTC partnership at the market value, greater sale proceeds are generated by the housing authority.

The HUD Rental Assistance Demonstration Conversion Guide for Public Housing Agencies states that the transfer of a public housing property to an LIHTC partnership in a RAD conversion is typically financed by the Housing Authority through a Seller Take-Back Financing note, which is typically equal to the acquisition value of the buildings. But in this case the note for $3,340,000 is less than the building value, which facilitates the release of $300,000 in cash proceeds. The note is subject to cash flow and deeply subordinate to all other financing and obligations.

Use of these cash funds is governed by HUD through the RAD Conversion Commitment agreement. Applicant has also certified that any cash proceeds will be used solely for the purpose of providing affordable housing.

The building acquisition cost of $72,800/unit plus the rehab cost of $47.6K/unit equals $120K/unit which may exceed the cost of constructing new units.

RISK PROFILE

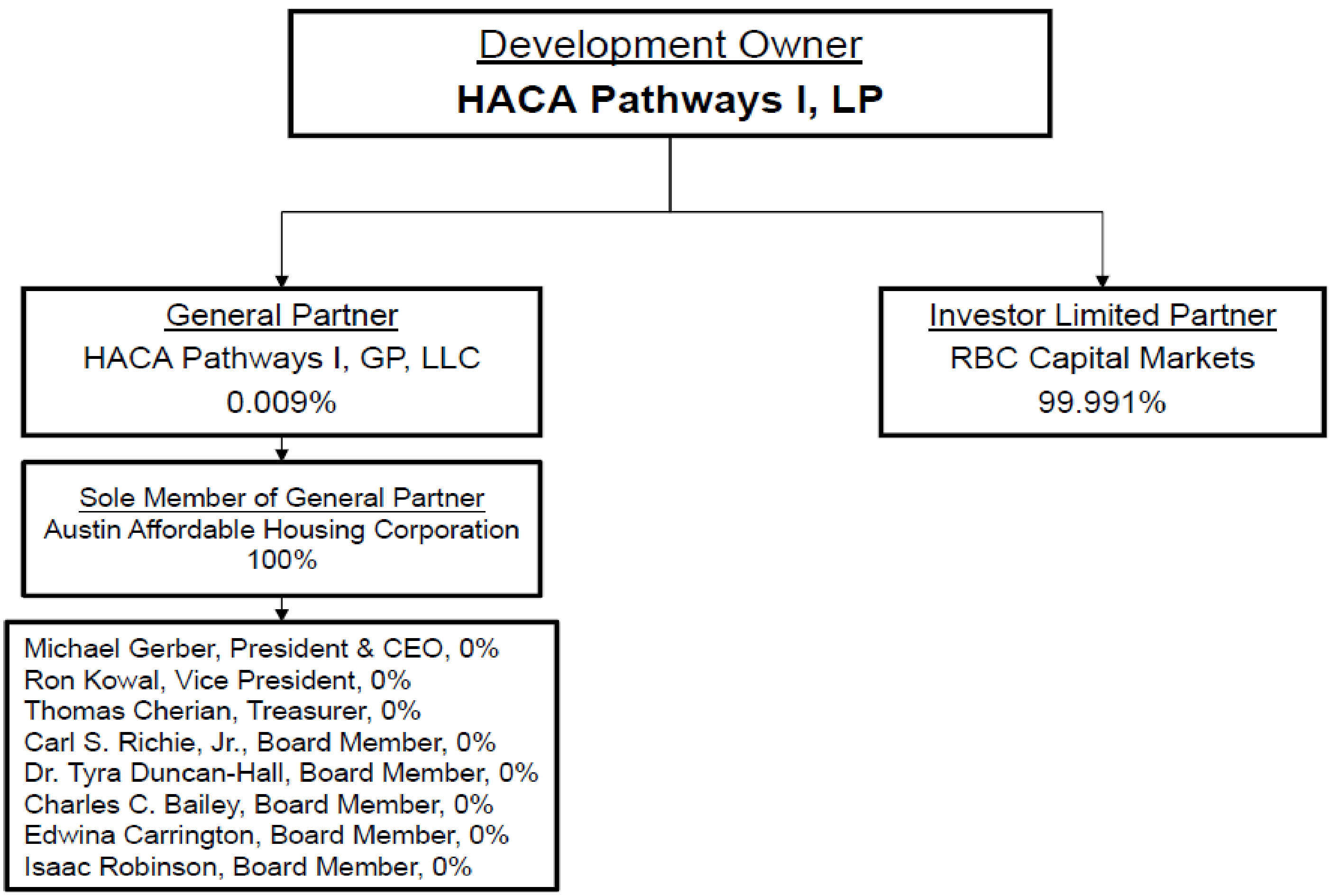
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
▫ Low Gross and Unit Capture Rates	▫ Expense Ratio
▫ HUD CHAP Contract	▫
▫ Strong DCR	▫

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name:	Ron Kowal	Name:	Suzanne Schwertner
Phone:	(512) 767-7792	Phone:	(512) 767-7796
Relationship:	GP	Relationship:	GP

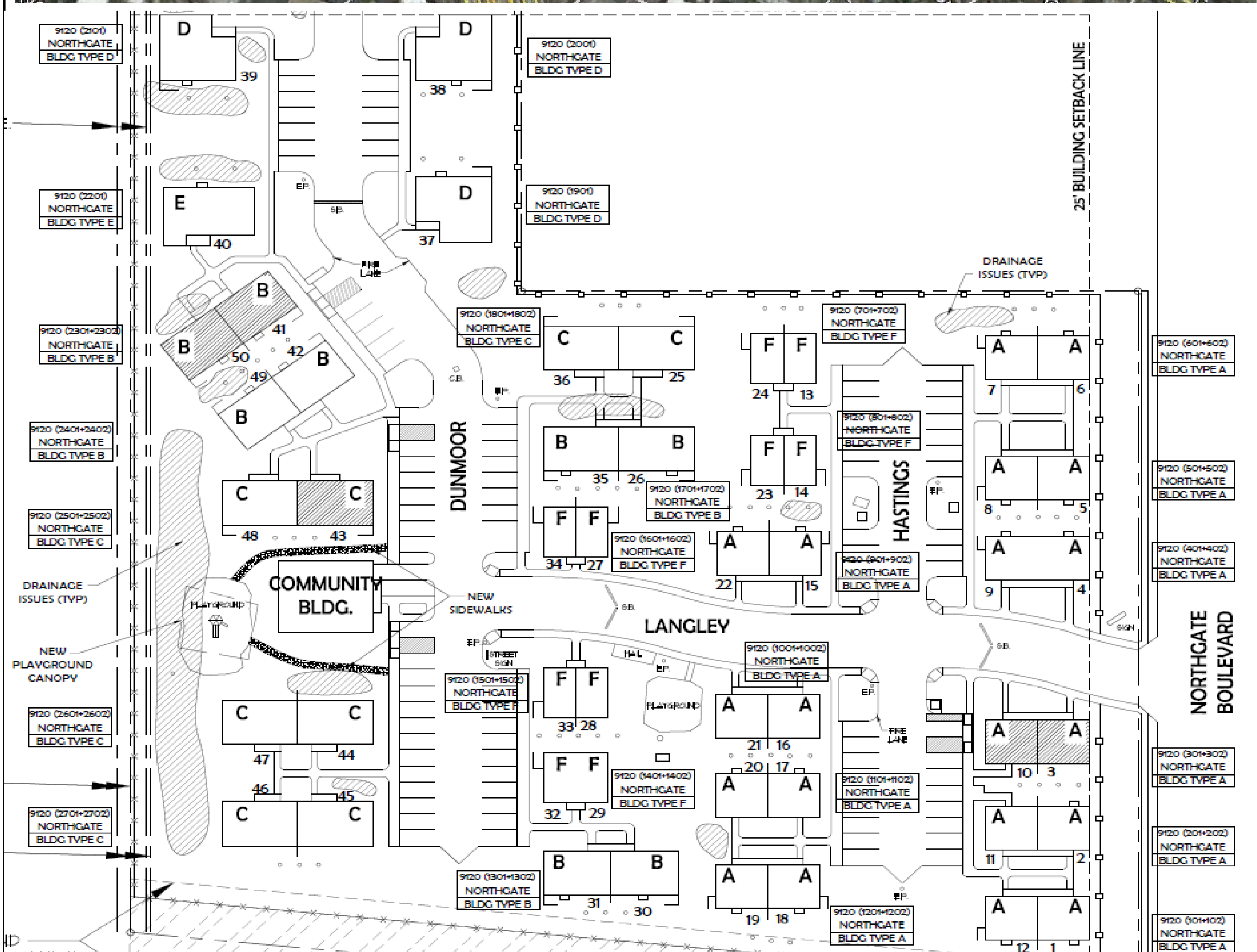
OWNERSHIP STRUCTURE



- The Applicant, Developer, General Contractor, Property Manager, Bond Issuer, and Supportive Services Provider are related entities.

DEVELOPMENT SUMMARY

SITE PLAN



BUILDING ELEVATION

RELOCATION PLAN

For relocation activities, HACA will take into consideration individual household preferences and needs to be close to public transportation, employment, schools, medical / public/social services and agencies, recreational services, parks, community centers, or shopping. Temporary accommodations for the first phase of 10 units will be in a comparably sized or larger unit at Thurmond Heights, a nearby public housing property located at 8426 Goldfinch Court, Austin. This relocation is anticipated to be for the duration of the rehab of all units or about 2 month. The second phase of relocations and all subsequent phases will be accomplished by onetime move from their current unit into a properly sized Northgate Apartments unit already fully rehabilitated. No market units, hotel units or other type of lodging is anticipated for this property. Should there not be sufficient public housing units or another circumstance prevents a household to move into the available public housing units, HACA will evaluate the need for units and an extended-stay type motel will be utilized.

Rehabilitation work in the Project will result in no permanent relocations assuming HACA's prerehabilitation plan is followed. Any temporary relocation needs that arise will be met by utilizing available public housing units in the vicinity of the Project: Thurmond Heights Apartments, and minimizing tenants' hardship and inconvenience by offering a one-time move into fully rehabbed units. The per unit cycle is not expected to exceed 10 consecutive days.

BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F							**Total Buildings**
Floors/Stories	1	1	1	1	1	2							
Number of Bldgs	10	4	4	3	1	5							**27**
Units per Bldg	2	2	2	1	1	2							
Total Units	20	8	8	3	1	10							**50**

Avg. Unit Size (SF)	**787 sf**	**Total NRA (SF)**	**39,360**	**Common Area (SF)**	**1,512**

SITE AND ACQUISITION

Site Acreage: Total Size: 5.38 acres Density: 9.3 units/acre

Site Control: LD* **Site Plan:** N/A **Appraisal:** 5.38 **ESA:** 5.375

* The Contract for Ground Lease defines the Property by its legal description: Lots 15, 17 and 18 of Northgate Terrace, Section One, an addition in Travis County, Texas according to the plat recorded in Volume 49, Page 65 of the Plat Records of Travis County, Texas.

Control Type: Contract for Ground Lease and Bill of Sale Contract Expiration: 10/1/2016

Development Site: N/A acres Cost: $3,640,000 $72,800 per unit

Seller: Housing Authority of the City of Austin

Buyer: HACA PATHWAYS I, LP

Related-Party Seller/Identity of Interest: Yes

Comments:

Housing Authority is leasing Land to Partnership for $100 per year for 75 years and selling Improvements to Partnership for $3,640,000. Ownership interests of all Improvements revert to the Housing Authority at the end of Lease. Building value limited by Appraisal.

Any discrepancies in site acreage are a result of rounding.

GENERAL INFORMATION

Flood Zone:	X Unshaded & AE	Scattered Site?	No
Zoning:	MF-3-NP	Within 100-yr floodplain?	No
		Re-Zoning Required?	No
Year Constructed:	1978	Utilities at Site?	Yes
		Title Issues?	No

Surrounding Uses:

North: Multi-family apartment complexes
East: Multi-family apartment complexes
South: Multi-family apartment complexes
West: Multi-family apartment complexes then Padron Elementary School and industrial uses

Other Observations:

"The majority of the site to be within areas determined to be outside the 0.2% annual chance floodplain (Zone X – Unshaded) and a small portion of the site, along the southern boundary of the site, to be within special flood hazard area subject to inundation by the 1% annual chance flood where base flood elevations have been determined (Zone AE)." pg 18 of ESA

APPRAISED VALUE

Appraiser:	Novogradac & Company, LLP		Date:	12/18/2015
Land as Vacant: 5.38 acres	$860,000	Per Unit:	$17,200	
Existing Buildings: (as-is)	$3,640,000	Per Unit:	$72,800	
Total Development: (as-is)	$4,500,000	Per Unit:	$90,000	

Comments:

"The Subject property currently operates as a public housing property, and it is in average condition. The property currently operates as public housing and provides a public benefit, and it is not deemed feasible to tear it down for an alternative use. However, the highest and best use of the site, as improved, would be to convert to Section 8 or market rate housing that would allow for increased rent and profitability." (pg 8)

The Appraiser and the Applicant indicate that the valuation is based on the hypothetical possibility that HUD could release all restrictions on the property and it could be sold at an unrestricted market value.

After extended meetings and discussions with HACA representatives, their counsel, and their appraiser, Department staff can accept that HACA would enter into agreements with the newly-created partnerships to transfer these properties at prices established by independent appraisals as reflecting market values. Key to this concept is that HACA has the legal ability to sell the properties in such transactions and, therefore, it is being compensated for this foregone opportunity and the limited partnership is paying what it would have to pay to secure comparable property. This, in turn, leads to the matter of awarding acquisition credit based on the purchase price. The determination on the total credits has two distinct components: acquisition credits (based on the purchase price) and development credits (based on what is needed to carry out the actual development). HUD has been involved in these discussions and is well aware of what is occurring and has gone on to confirm that if HACA realizes any excess benefit in such a transaction, the use of that excess would be restricted to HACA's affordable housing purposes.

In these discussions, TDHCA was explicit with HACA and its appraiser that the values derived using their methodology need to be truly reflective of the actual condition of the subject properties, and appropriate adjustments needed to be made for any rental comparables to accurately compare them to the subject properties. As an intended user of these appraisals, TDHCA REA staff has concerns as to the accuracy and sufficiency of the adjustments made to use the cited properties as rental comparables, but the appraiser has re-examined and finalized each appraisal with no change to the concluded value.

Due to time constraints, the Underwriter was not able to have the appraisals appropriately reviewed by a 3rd party Review Appraiser, as recommended by the Appraisal Licensing Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	Terracon Consultants, Inc.	Date:	4/27/2016

Recognized Environmental Conditions (RECs) and Other Concerns:

- No REC's
- Based on the construction date, sampling and analysis should be conducted prior to conducting renovation activities that will disturb potential Lead-Based Paint.
- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of significant roads to the site, Terracon recommends that a noise study be conducted.
- It is recommended that EPA/TDSHS regulations be complied with in regard to removal of any flooring materials in the complex and that OSHA monitoring of the workforce be conducted during any disturbance of the drywall construction materials which are in the path of the planned construction. No additional asbestos sampling/inspection appears necessary in this complex.

Comments:

Review of the regulatory databases did not identify regulated facilities on the site. The regulatory review identified one EPA RCRAGR06 facility, one EPA CERCLIS facility, one EPA NFRAP facility, one EPA RCRASUBC facility, seven TCEQ LPST facilities, two TCEQ PST facilities, one TCEQ IHWCA facility, one TCEQ VCP facility, and one TCEQ APAR facility within the specified search radii. Based upon facility characteristics, environmental setting, and distance from the site, the identified facilities do not appear to constitute Recognized Environmental Conditions (RECs) in connection with the site as specified within the text of the report.

MARKET ANALYSIS

Provider:	Vogt Strategic Insights	Date:	4/22/2016
Contact:	Bob Vogt	Phone:	(614) 224-4300

Primary Market Area (PMA): 14 sq. miles 2 mile equivalent radius

Irregular shaped PMA consisting of 16 census tracts in North Austin along I-35. The northern boarder is formed by Kramer Lane and Breaker Lane; the eastern boarder by Dessau Road, Cameron Road, and US Route 290; the southern boarder by Koenig Lane and Nelray Boulevard; and the western boarder by Burnet Road and the Austin Area Terminal Railroad north of Loop 183.

ELIGIBLE HOUSEHOLDS BY INCOME								
Travis County Income Limits								
HH	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
size	min	max	min	max	min	max	min	max
1	---	---	---	---	---	---	$1	$32,280
2	---	---	---	---	---	---	$1	$36,900
3	---	---	---	---	---	---	$1	$41,520
4	---	---	---	---	---	---	$1	$46,080
5	---	---	---	---	---	---	$1	$49,800
6	---	---	---	---	---	---	$1	$60,840

AFFORDABLE HOUSING INVENTORY						
Competitive Supply (Proposed, Under Construction, and Unstabilized)						
File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	
Other Affordable Developments in PMA since 2012						
16421	Pathways at Northgate		A/R	General	n/a	50
16403	Cross Creek Apartments		A/R	General	n/a	200
13403	Forest Park Apartments		A/R	General	n/a	228
Stabilized Affordable Developments in PMA (pre-2012)					Total Units	1,794
					Total Developments	9

Proposed, Under Construction, and Unstabilized Comparable Supply:

The above "Other Affordable Developments", are not considered competitive since Subject is a RAD rehab.

OVERALL DEMAND ANALYSIS				
	Market Analyst		**Underwriter**	
Total Households in the Primary Market Area	33,212		35,030	
Senior Households in the Primary Market Area	0		9,233	
Potential Demand from the Primary Market Area	15,273		18,117	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	15,273		18,117	
Subject Affordable Units	50		50	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	50		50	
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**0.3%**		**0.3%**	

Population:	**General**	**Market Area:**	**Urban**	**Maximum Gross Capture Rate:**	**10%**

Demand Analysis:

The Real Estate Analysis Rules state a 10% Gross Capture Rate limit for urban properties, but the limit does not apply to existing affordable housing which is at least 50% occupied and will extend a leasing preference to all existing tenants after the rehabilitation.

The capture rate calculation determines the percentage of the available demand that is needed to absorb the proposed units. The Subject properties are covered by a Housing Assistance Program (CHAP) contract, meaning that all households below the maximum income level are eligible. This results in a Gross Capture Rate of 0.3%.

Market Analyst is utilizing minimum income of $0 and maximum income of $53,460 while Underwriter is utilizing minimum income of $1 (due to HAP contract) and maximum income of $60,840; this accounts for the difference in Potential Demand. Underwriter's maximum income is based on 8 person households, while Market Analyst's income is only based on 6 person households.

Four and five bedroom units are combined together for unit capture rates.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
	Market Analyst				Underwriter			
Unit Type	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/60%	5747	20	0	0.3%	4,879	20	0	0.4%
2 BR/60%	3493	18	0	0.5%	3,858	18	0	0.5%
3 BR/60%	3347	8	0	0.2%	3,007	8	0	0.3%
4 BR/60%	2183	4	0	0.2%	1,265	4	0	0.3%

Market Analyst Comments:

We assume that most, if not all current tenants will remain at the project during the renovations and once renovations are complete. As such, we anticipate no more than 20% of the units will need to be leased following renovations. In this case, given the full occupancy and three- to four-year centralized Public Housing waiting list, we expect 20% (or 10 units) at the renovated Northgate Apartments will lease-up to 95% occupancy within one month, and would be limited only by the time necessary to process applications. (pg. II-1)

Between 2010 and 2015, the population increased by 3,868, or 4.4%. The population is projected to increase by 6,772, or 7.4%, between 2015 and 2020. Reversing earlier trends, between 2010 and 2015, households increased by 1,180, or 3.7%. By 2020, 35,744 households will reside in the Site PMA, an increase of 2,532 households, or 7.6% over 2015 levels. This is an increase of approximately 500 households annually over the next five years. (pg. II-3)

The five LIHTC projects have a combined occupancy rate of 100.0%, indicating very strong demand for affordable housing in the market. All of these projects, including the subject site, have waiting lists ranging from five (5) to 132 households and from three (3) months to four (4) years. (pg. II-5)

Underwriter Comments:

Subject is a 72% occupied Public Housing development with a relocation plan in place for current tenants.

Average occupancy of other affordable properties in the area is 95% according to department data.

Subject is only affordable development in PMA with 5-bedroom units.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma)					
NOI:	$124,070	Avg. Rent:	$653	Expense Ratio:	66.9%
Debt Service:	$91,938	B/E Rent:	$597	Controllable Expenses:	$3,947
Net Cash Flow:	$32,132	UW Occupancy:	95.0%	Property Taxes/Unit:	$0
Aggregate DCR:	1.35	B/E Occupancy:	86.9%	Program Rent Year:	2015

Applicant's Total Expense are 5.7% less than Underwriter's estimate so report is based off Underwriter's Pro Forma.

Pursuant to §10.3029(i)(6)(B)(i), since the development is participating in the HUD Rental Assistance Demonstration Program for at least 50% of its units, it will be exempt from the feasibility thresholds listed in §10.3029(i)(6)(B).

Applicant provided initial CHAP letters (dated March 27 2015) as part of the Application. Underwriting assumes a 2016 2.8% OCAF increase (as published by HUD) over the provided 2015 CHAP rents. Project feasibility not dependent on OCAF rent adjustment.

Overall, average collected rents represent a 35% discount to comparable market rents. Average rents are $56 above break even. Project breaks even with 6 vacant units (underwritten with 2).

Controllable expenses very conservatively underwritten at $3,947/unit.

Applicant's Payroll expense was $1,674/unit, $487/unit (41%) higher than Underwriter's estimate of $1,186/unit. Underwriter's estimate is based off other small duplex-style properties in Travis county, and is consistent with recently underwritten RAD conversions in Austin.

Applicant 's utility expenses are, on average, 31% less than the Property's historical expenses and assume large savings from energy efficiency updates. Underwriter's WST, Gas, and Electricity expenses are based on a 2 year average of the property's expenses.

Pursuant to §10.302(d)(2)(K), the Applicant has included $1,250 for tenant services expense. As a governmental agency itself, the housing authority is not required to have a documented financial obligation to provide the services. At cost certification and as a minimum, the $1,250 underwritten at Application will be included in the DCR calculation regardless if actually incurred. There will be no financial obligation to actually expend the funds in the tax credit LURA. This is a credit sizing provision.

Property will be receiving a 100% property tax exemption and has provided a letter from the Travis County Appraisal District stating that "the property, as structured with the ground lease, would meet the requirements for such exemption."

Without the assumed amortization of the HACA Seller Note (detailed below) DCR would be 1.39x, mitigating operating risks associated with expense overruns.

Overall good feasibility indicators showing typical operating risk.

Revisions to Rent Schedule:	1		Revisions to Annual Operating Expenses:	0

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)

Acquisition	$/ac	$66,800/unit	**$3,640,000**	Contractor Fee	**$335,077**
Off-site + Site Work		$6,319/unit	**$315,951**	Soft Cost + Financing	**$829,617**
Building Cost	$52.50/sf	$41,327/unit	**$2,066,365**	Developer Fee	**$682,371**
Contingency	9.84%	$4,686/unit	**$234,320**	Reserves	**$342,874**
Total Development Cost	$168,931/unit	**$8,446,574**		**Rehabilitation Cost**	**$47,646/unit**

Qualified for 30% Basis Boost?	Located in QCT with < 20% HTC units/HH

Acquisition:

Based on the theoretical unrestricted market value of the property. Land values not included. Applicant will ground lease the land for $100 annually for 75 years.

Off-site:

None anticipated

Site Work:

Upgrade site storm water drainage system; seal and stripe parking lot; repair and replace sidewalks and wood fencing; install irrigation system, playground canopy, BBQ grills, and picnic tables; update site landscaping.

Building Cost:

Exterior:

Install new doors and locks on water heater closets and storage closets; replace entry doors, storm doors, roofs, and lighting.

Interior:

Install low-flow faucets, shower heads, and toilets; replace bathroom vanities, medicine cabinets, showers, and shower surrounds; replace kitchen counters, cabinets, sinks, ranges, range hoods, and refrigerators; install stackable washers/dryers, new water heaters, and garbage disposals; replace all ceiling fans, flooring, doors, and lighting; paint interior walls; various accessibility upgrades; asbestos flooring abatement.

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	$56,452	$1,129/unit	2%	Finishes/Fixtures	$1,334,090	$26,682/unit	51%
Building Shell	$457,000	$9,140/unit	17%	HVAC	$10,000	$200/unit	0%
Amenities	$259,499	$5,190/unit	10%	Appliances	$265,275	$5,306/unit	10%
Total Exterior	**$772,951**	**$15,459/unit**	**32%**	**Total Interior**	**$1,609,365**	**$32,187/unit**	**68%**

Contingency:

Conservative at roughly 10% of total building and site work costs.

Soft Costs:

$93,600 in Relocation Expenses. Removed from Eligible Basis by Underwriter.

Financing Cost:

Interest from Related Party Debt was excluded from Eligible Basis by Underwriter.

Developer Fee:

Overstated by 18,720 due to removal of relocation expenses from eligible basis.

Reserves:

Limited to 12 months of operating expenses and debt service per underwriting rules. This produces a Reserve $56,108 less than Applicant's underwritten Reserve.

Comments:

All costs and assumptions based on third party Property Condition Assessment and supplement.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$8,446,574	**$7,773,343**	**$300,144**

Revisions to Development Cost Schedule:	0

UNDERWRITTEN CAPITALIZATION

BOND RESERVATION				
Issuer		Amount	Reservation Date	Priority
Austin Affordable PFC		$7,000,000	6/27/2016	Priority 3
Closing Deadline	Expected Closing	Bond Structure		
11/24/2016	10/31/2016	Short-Term Cash-Collateralized		

Comments:

At closing, short-term bonds will be issued by Austin Affordable PFC, Inc. and offered for sale by Stifel. Bonds will be fully drawn at closing, and funded to the partnership on a draw basis during the construction period. At all times the bonds will be secured by cash held in a separate cash collateral account. The Fannie Mae permanent loan will be serviced by Bellwether Enterprise and will be funded at construction loan closing.

To be eligible for the 4% tax credit, the tax-exempt bonds must fund greater than 50% of the cost of the development (depreciable basis plus land). As structured, the bonds fund 66%.

INTERIM SOURCES				
Funding Source	Description	Amount	Rate	LTC
Bellwether Enterprise/FNMA	Conventional Loan	$1,630,000	4.20%	14%
Austin Affordable PFC	Bond Issuer	$4,570,000	0.90%	38%
HACA Seller Note (Cash Flow)	Loan	$3,340,000	2.24%	28%
RBC Capital Markets	HTC	$2,457,350	$1.16	20%
		$11,997,350	**Total Sources**	

Comments:

The bonds will be collateralized in large part by HACA's proceeds from the sale of the buildings to the partnership. The remainder of the required collateral funds will be a portion of the immediately funded Fannie Mae first mortgage loan. Related to sales proceeds, HACA will sell the improvements at each site to the partnership for the acquisition cost shown in the Development Cost Schedule. At construction loan closing, HACA will receive cash in the amount of the contracted acquisition cost; this cost will be paid by bonds. Rather than keep that cash, HACA has agreed to contribute the sales proceeds it would have otherwise received back to each deal, and to accept a seller note in lieu of payment. The amount of each seller note will be contributed by HACA to the cash collateral account using the proceeds received at closing for the sale of the buildings. For each development, there is a portion of the cash collateral that will not be covered by the sales proceeds contributed from HACA as a result of their acceptance of a seller note. The additional funds required to be deposited into the cash collateral account will be available from both the immediately funded Fannie Mae first mortgage loan and from the initial equity installment. It is anticipated that the proceeds of the Fannie Mae loan will be used.

PERMANENT SOURCES									
	PROPOSED				UNDERWRITTEN				
Debt Source	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Bellwether Enterprise/FNMA	$1,630,000	4.20%	35	15	$1,630,000	4.20%	35	15	19%
HACA Seller Note (Hard Debt)	$0	0.00%	0	0	$72,000	2.24%	35	0	1%
HACA Seller Note (Cash Flow)	$3,340,000	2.24%	0	50	$3,268,000	2.24%	0	50	39%
Total	**$4,970,000**				**$4,970,000**				

Comments:

Applicant's pro forma produced a DCR exceeding the 1.35 maximum. Underwriter assumes (for purposes of tax credit sizing) that the HACA Seller Note be partially amortized to bring the DCR below the 1.35 times threshold.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	**Amount**	**Rate**	**% Def**	**Amount**	**Rate**	**% TC**	**% Def**
RBC Capital Markets	$3,510,500	$1.16		$3,473,824	$1.16	41%	
Austin Affordable Housing Corp.	$1,907		0%	$2,750		0%	0%
Additional (Excess) Funds Req'd	($74,952)			$0			
Total	**$3,437,455**			**$3,476,574**			
				$8,446,574	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$1.146	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.995	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule:	0

CONCLUSIONS

Gap Analysis:	
Total Development Cost	$8,446,574
Permanent Sources	$4,970,000
Gap in Permanent Financing	$3,476,574

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	$3,473,824	$300,144
Needed to Fill Gap in Financing	$3,476,574	$300,382
Requested by Applicant	$3,510,500	$303,313

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
Tax Credit Allocation	**$3,473,824**	**$300,144**

Deferred Developer Fee	**$2,750**
Repayable in	**1 years**

Comments:

Recommended credit allocation limited by Eligible Basis.

Underwriter:	*Jason Cofield*
Manager of Real Estate Analysis:	*Thomas Cavanagh*
Director of Real Estate Analysis:	*Brent Stewart*

UNIT MIX/RENT SCHEDULE

Pathways at Northgate, Austin, 4% HTC #16421

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	20	40.0%	20	40%	-	0.0%
2	18	36.0%	18	50%	-	0.0%
3	8	16.0%	8	60%	50	100.0%
4	3	6.0%	3	MR	-	0.0%
5	1	2.0%	1			
TOTAL	**50**	**100.0%**	**50**	**TOTAL**	**50**	**100.0%**

Applicable Programs
4% Housing Tax Credits

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	3.33%
APP % Construction	3.33%
Average Unit Size	787 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 60%	$864	RAD	$563	20	1	1	605	$563	$59	$504	$0	$0.83	$504	**$10,074**	**$10,074**	$504	$0.83	$0	$850	$1.40	$850
TC 60%	$1,038	RAD	$703	8	2	1	794	$703	$70	$633	$0	$0.80	$633	**$5,066**	**$5,066**	$633	$0.80	$0	$1,025	$1.29	$1,025
TC 60%	$1,038	RAD	$703	10	2	1	890	$703	$70	$633	$0	$0.71	$633	**$6,333**	**$6,333**	$633	$0.71	$0	$1,025	$1.15	$1,025
TC 60%	$1,198	RAD	$924	8	3	1	887	$924	$67	$857	$0	$0.97	$857	**$6,859**	**$6,859**	$857	$0.97	$0	$1,175	$1.32	$1,175
TC 60%	$1,336	RAD	$1,132	3	4	2	1,204	$1,132	$93	$1,039	$0	$0.86	$1,039	**$3,118**	**$3,118**	$1,039	$0.86	$0	$1,375	$1.14	$1,375
TC 60%	$1,475	RAD	$1,304	1	5	2	1,300	$1,304	$108	$1,196	$0	$0.92	$1,196	**$1,196**	**$1,196**	$1,196	$0.92	$0	$1,550	$1.19	$1,550
TOTALS/AVERAGES:				**50**			**39,360**				**$0**	**$0.83**	**$653**	**$32,645**	**$32,645**	**$653**	**$0.83**	**$0**	**$1,011**	**$1.28**	**$1,011**

ANNUAL POTENTIAL GROSS RENT:	**$391,742**	**$391,742**	

STABILIZED PRO FORMA

Pathways at Northgate, Austin, 4% HTC #16421

	STABILIZED FIRST YEAR PRO FORMA													
	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		Historical Exp. /Local Comps		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.83	$653	$391,742	$391,742	$653	$0.83		0.0%	$0
Laundry, Vending, Maintenance Charges							$3.58	$2,151						
Total Secondary Income							$3.58		$3,000	$5.00			-28.3%	($849)
POTENTIAL GROSS INCOME								$393,893	$394,742				-0.2%	($849)
Vacancy & Collection Loss							7.0% PGI	(27,572)	(19,737)	5.0% PGI			39.7%	(7,835)
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								$366,320	$375,005				-2.3%	($8,685)
General & Administrative	$25,107	$502/Unit	12,251	$245	5.52%	$0.51	$405	$20,231	$25,107	$502	$0.64	6.70%	-19.4%	(4,877)
Management	$24,871	5.8% EGI	15,372	$307	4.00%	$0.37	$293	$14,653	$15,000	$300	$0.38	4.00%	-2.3%	(347)
Payroll & Payroll Tax	$51,881	$1,038/Unit	$59,308	$1,186	22.84%	$2.13	$1,674	$83,678	$59,308	$1,186	$1.51	15.82%	41.1%	24,371
Repairs & Maintenance	$37,981	$760/Unit	55,160	$1,103	6.64%	$0.62	$487	$24,326	$32,500	$650	$0.83	8.67%	-25.2%	(8,174)
Electric/Gas	$9,542	$191/Unit	28,488	$570	5.05%	$0.47	$370	$18,500	$28,488	$570	$0.72	7.60%	-35.1%	(9,988)
Water, Sewer, & Trash	$34,064	$681/Unit	51,941	$1,039	10.24%	$0.95	$750	$37,500	$51,941	$1,039	$1.32	13.85%	-27.8%	(14,441)
Property Insurance	$17,537	$0.45 /sf	6,736	$135	1.64%	$0.15	$120	$6,000	$6,736	$135	$0.17	1.80%	-10.9%	(736)
Property Tax (@ 100%)	$32,988	$660/Unit	-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$21,691	$434/Unit	-	$0	4.09%	$0.38	$300	$15,000	$15,000	$300	$0.38	4.00%	0.0%	-
Cable TV			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			-	$0	0.34%	$0.03	$25	$1,250	$1,250	$25	$0.03	0.33%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	$0	0.55%	$0.05	$40	$2,000	$2,000	$40	$0.05	0.53%	0.0%	-
Security			12,576	$252	3.69%	$0.34	$270	$13,505	$13,505	$270	$0.34	3.60%	0.0%	-
Ground Lease Payment			-	$0	0.03%	$0.00	$2	$100	$100	$2	$0.00	0.03%	0.0%	-
TOTAL EXPENSES					**64.63%**	**$6.01**	**$4,735**	**$ 236,743**	**$ 250,935**	**$5,019**	**$6.38**	**66.92%**	**-5.7%**	**$ (14,192)**
NET OPERATING INCOME ("NOI")					**35.37%**	**$3.29**	**$2,592**	**$129,578**	**$124,070**	**$2,481**	**$3.15**	**33.08%**	**4.4%**	**$ 5,508**
CONTROLLABLE EXPENSES							$3,685/Unit			$3,947/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Pathways at Northgate, Austin, 4% HTC #16421

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	**Fee**	**UW**	**App**	**Pmt**	**Rate**	**Amort**	**Term**	**Principal**	**Principal**	**Term**	**Amort**	**Rate**	**Pmt**	**DCR**	**LTC**
Bellwether Enterprise/FNMA		1.39	1.46	88,969	4.20%	35	15	$1,630,000	$1,630,000	15	35	4.20%	$88,969	1.39	19.3%
HACA Seller Note (Hard Debt)		1.39	1.46		0.00%	0	0	$0	$72,000	0	35	2.24%	$2,970	1.35	0.9%
CASH FLOW DEBT / GRANTS															
HACA Seller Note (Cash Flow)		1.39	1.46		2.24%	0	50	$3,340,000	$3,268,000	50	0	2.24%		1.35	38.7%
				$88,969	**TOTAL DEBT / GRANT SOURCES**			**$4,970,000**	**$4,970,000**		**TOTAL DEBT SERVICE**		**$91,938**	1.35	58.8%
NET CASH FLOW		$35,101	$40,609						**TDHCA**	**NET OPERATING INCOME**		**$124,070**	**$32,132**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE						
EQUITY / DEFERRED FEES	**DESCRIPTION**	**% Cost**	**Annual Credit**	**Credit Price**	**Amount**	**Amount**	**Credit Price**	**Annual Credit**	**% Cost**	**Annual Credits per Unit**	**Allocation Method**	
RBC Capital Markets	LIHTC Equity	41.6%	$303,313	1.16	$3,510,500	$3,473,824	$1.1574	$300,144	41.1%	$6,003	Eligible Basis	
Austin Affordable Housing Corp.	Deferred Developer Fees	0.0%	(0% Deferred)		$1,907	$2,750	(0% Deferred)		0.0%	**Total Developer Fee:**		**$682,371**
Additional (Excess) Funds Req'd		-0.9%			($74,952)	$0			0.0%			
TOTAL EQUITY SOURCES		40.7%			$3,437,455	$3,476,574			41.2%	**15-Year Cash Flow:**		**$458,506**
TOTAL CAPITALIZATION					**$8,407,455**	**$8,446,574**				**15-Yr Cash Flow after Deferred Fee:**		**$455,756**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	**New Const. Rehab**			**Total Costs**	**Total Costs**			**New Const. Rehab**	**Acquisition**	**%**	**$**
Land Acquisition				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Building Acquisition (Financed)	$3,340,000			$66,800 / Unit	$3,340,000	$3,340,000	$66,800 / Unit			$3,340,000	0.0%	$0
Building Acquisition (Cash Out)	300,000			$6,000 / Unit	300,000	$300,000	$6,000 / Unit			$300,000		$0
Off-Sites				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Site Work		$56,452		$1,129 / Unit	$56,452	$56,452	$1,129 / Unit		$56,452		0.0%	$0
Site Amenities		$259,499		$5,190 / Unit	$259,499	$259,499	$5,190 / Unit		$259,499		0.0%	$0
Building Cost		$2,027,246	$51.51 /sf	$40,545/Unit	$2,027,246	$2,066,365	$41,327/Unit	$52.50 /sf	$2,066,365		-1.9%	($39,119)
Contingency		$234,320	10.00%	10.00%	$234,320	$234,320	9.84%	9.84%	$234,320		0.0%	$0
Contractor Fees		$335,077	13.00%	13.00%	$335,077	$335,077	12.81%	12.81%	$335,077		0.0%	$0
Soft Costs	0	$233,894		$7,550 / Unit	$377,494	$377,494	$7,550 / Unit		$233,894	$0	0.0%	$0
Financing	0	$265,365		$9,042 / Unit	$452,123	$452,123	$9,042 / Unit		$265,365	$0	0.0%	$0
Developer Fee	$0	$701,091	20.55%	20.55%	$701,091	$682,371	19.77%	10.05%	$682,371	$0	2.7%	$18,720
Reserves				$7,982 / Unit	$399,106	$342,874	$6,857 / Unit				16.4%	$56,232
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BA	**$3,640,000**	**$4,112,944**		$169,648 / Unit	**$8,482,407**	**$8,446,574**	$168,931 / Unit		**$4,133,343**	**$3,640,000**	**0.4%**	**$35,833**
Acquisition Cost	$0				$0							
Contingency		$0			$0							
Contractor's Fee		$0										
Interim Interest		$0										
Developer Fee	$0	($18,720)			($18,720)							
Reserves					($56,232)							
ADJUSTED BASIS / COST	**$3,640,000**	**$4,094,224**		$168,149/unit	**$8,407,455**	**$8,446,574**	$168,931/unit		**$4,133,343**	**$3,640,000**	**-0.5%**	**($39,119)**
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY PCA/CNA					**$8,446,574**							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Pathways at Northgate, Austin, 4% HTC #16421

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$3,640,000	$4,094,224	$3,640,000	$4,133,343
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$3,640,000	$4,094,224	$3,640,000	$4,133,343
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$3,640,000	$5,322,491	$3,640,000	$5,373,345
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$3,640,000	$5,322,491	$3,640,000	$5,373,345
Applicable Percentage	3.33%	3.33%	3.33%	3.33%
ANNUAL CREDIT ON BASIS	$121,212	$177,239	$121,212	$178,932
CREDITS ON QUALIFIED BASIS	$298,451		$300,144	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.1574	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$300,144	$3,473,824	**$300,144**	($3,169)	($36,676)
Needed to Fill Gap	$300,382	$3,476,574	----	----	----
Applicant Request	$303,313	$3,510,500	----	----	----

50% Test for Bond Financing for 4% Tax Credits

Tax-Exempt Bond Amount	**$4,570,000**	
Aggregate Basis Limit for 50% Test	$9,140,000	
	Applicant	**TDHCA**
Land Cost	$0	$0
Depreciable Bldg Cost	########	########
Aggregate Basis for 50% Test	########	########

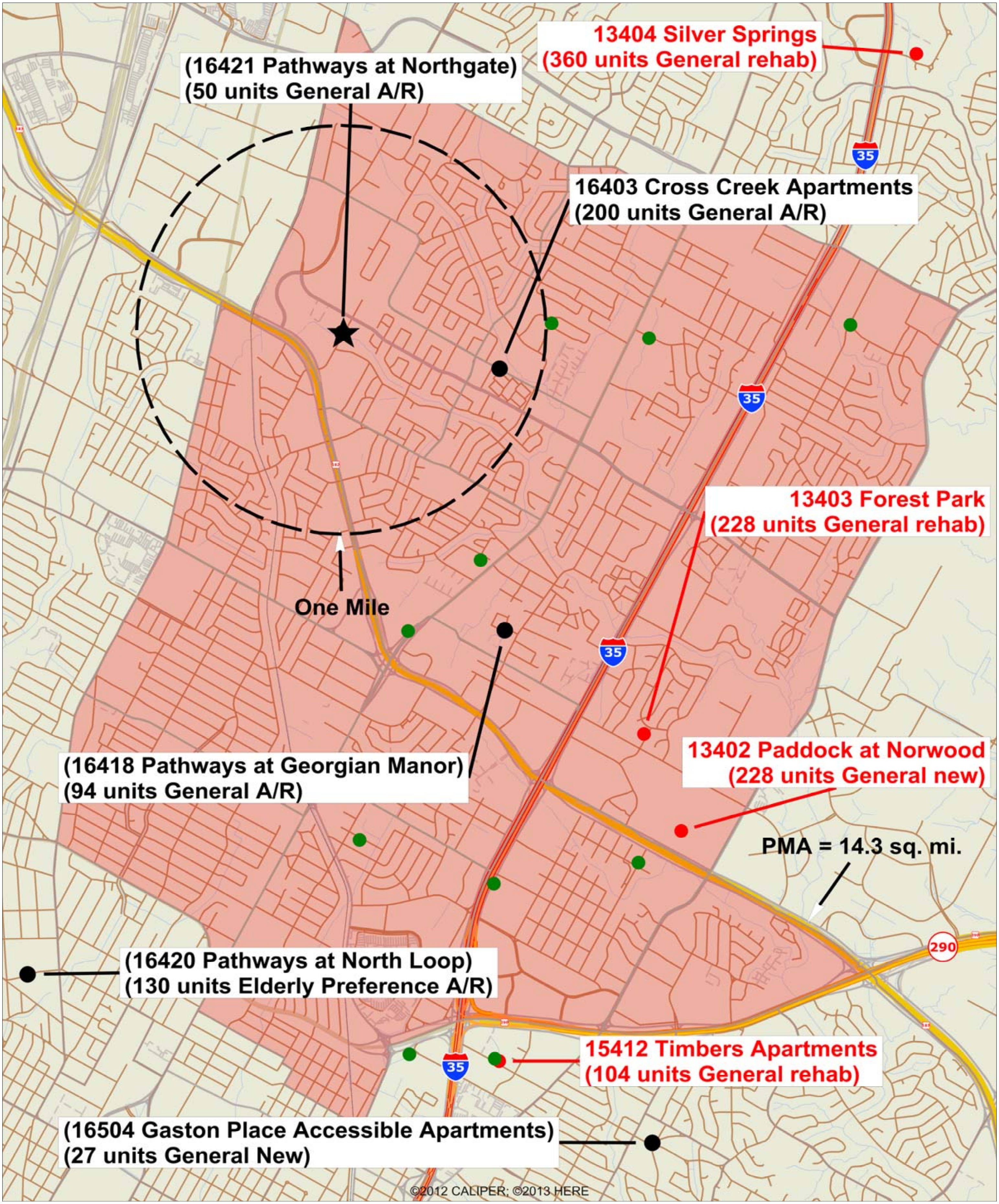
	Applicant	TDHCA
Percent Financed by Tax-Exempt Bonds	**66.3%**	**65.9%**
amount aggregate basis can increase before 50% test fails	$2,244,547	$2,205,428
	32.6%	31.8%

Long-Term Pro Forma

Pathways at Northgate, Austin, 4% HTC #16421

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$375,005	$382,505	$390,155	$397,958	$405,918	$448,166	$494,811	$546,312	$665,951	$735,264
TOTAL EXPENSES	3.00%	$250,935	$258,313	$265,910	$273,731	$281,784	$325,768	$376,665	$435,566	$582,634	$675,133
NET OPERATING INCOME ("NOI")		**$124,070**	**$124,192**	**$124,246**	**$124,228**	**$124,134**	**$122,398**	**$118,146**	**$110,746**	**$83,317**	**$60,131**
MUST -PAY DEBT SERVICE											
Bellwether Enterprise/FNMA		$88,969	$88,969	$88,969	$88,969	$88,969	$88,969	$88,969	$88,969	$88,969	$88,969
HACA Seller Note (Hard Debt)		$2,970	$2,970	$2,970	$2,970	$2,970	$2,970	$2,970	$2,970	$2,970	$2,970
TOTAL DEBT SERVICE		$91,938	$91,938	$91,938	$91,938	$91,938	$91,938	$91,938	$91,938	$91,938	$91,938
ANNUAL CASH FLOW		**$32,132**	**$32,254**	**$32,307**	**$32,289**	**$32,196**	**$30,459**	**$26,208**	**$18,807**	**($8,622)**	**($31,808)**
CUMULATIVE NET CASH FLOW		$32,132	$64,385	$96,693	$128,982	$161,177	$317,840	$458,506	$568,745	$621,853	$512,441
DEBT COVERAGE RATIO		1.35	1.35	1.35	1.35	1.35	1.33	1.29	1.20	0.91	0.65
EXPENSE/INCOME RATIO		66.9%	67.5%	68.2%	68.8%	69.4%	72.7%	76.1%	79.7%	87.5%	91.8%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$29,382	$32,254	$32,307	$32,289	$32,196	$30,459	$26,208	$18,807	($8,622)	($31,808)

16421 Pathways at Northgate PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.

BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer (#16422 Pathways at Shadowbend Ridge, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Pathways at Shadowbend Ridge, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on June 1, 2016;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on June 27, 2016, and will expire on November 24, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable Public Facilities Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain undesirable characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of an undesirable neighborhood characteristic, specifically that the development site is within the American Society for Testing and Materials ("ASTM") Standard search distance of a site that is part of the State Voluntary Cleanup Program as further noted in the Environmental Site Assessment ("ESA");

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and recommends the proposed site be found eligible under 10 TAC §10.101(a)(4) of the Uniform Multifamily Rules;

WHEREAS, at the time of EARAC, Real Estate Analysis ("REA") staff had not completely evaluated the appraisal and additional conversations with the applicant in this regard were necessary;

WHEREAS, EARAC recommends approval subject to a thorough review of the appraisal in order to finalize the underwriting analysis that is anticipated to be final prior to the Board meeting;

WHEREAS, the applicant has requested and staff recommends a waiver under 10 TAC §10.207 relating to the proportional distribution of accessible unit mix requirements of 10 TAC §10.101(B)(8)(A) as further described in 10 TAC §1.207 because of existing building limitations;and

WHEREAS, such review is reflected in the attached underwriting report;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of $187,293 in 4% Housing Tax Credits subject to applicable underwriting conditions as found in the Real Estate Analysis report posted to the Department's website for Pathways at Shadowbend Ridge is hereby approved as presented to this meeting.

BACKGROUND

General Information: Pathways at Shadowbend Ridge is located at 6328 Shadow Bend, Austin, Travis County, and consists of the acquisition and rehabilitation of 50 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The units are currently occupied and operating as public housing and are owned and managed by the Housing Authority of the City of Austin. The subject property, as well as four sister properties also on the agenda for consideration today, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at North Loop and Pathways at Northgate, will be converted through HUD's Rental Assistance Demonstration program. The development was originally constructed in 1979, will serve a general population and conforms to current zoning. The census tract (0024.02) has a median household income of $41,902, is in the fourth quartile and has a poverty rate of 24%.

Waiver Request: During staff's review of the application, it was observed that the proportion of the distribution of accessible units across the unit types did not meet the Department's accessibility requirements, specifically, that one unit type (the townhome-style three bedroom/two bath) has existing building limitations that hinder compliance with the accessibility construction standard in 10 TAC §1.207. Through discussions with the applicant they proposed taking one of the four bedroom/two bath units and make it accessible instead. While staff agrees that this is an acceptable solution, it necessitates the need for a waiver of 10 TAC §10.101(B)(8)(A), as further described in 10 TAC §1.207. Staff is in support of this waiver because it was requested with the application, because of the existing building limitations, because the Development will still have 5% and 2% of the units meet the requirements of the ADA standards with the exceptions listed in "Nondiscrimination on the Basis of Disability in Federally Assisted Programs and Activities" *Federal Register 79 FR 29671*, and qualified Persons with Disabilities will still have a comparable choice of housing options.

Site Analysis: The applicant disclosed the presence of an undesirable site characteristic under §10.101(a)(4)(B)(v) of the Uniform Multifamily Rules which requires additional site analysis; specifically, the ESA indicates the development site is within the ASTM-required search distances of site listed as being part of the State Voluntary Cleanup Program.

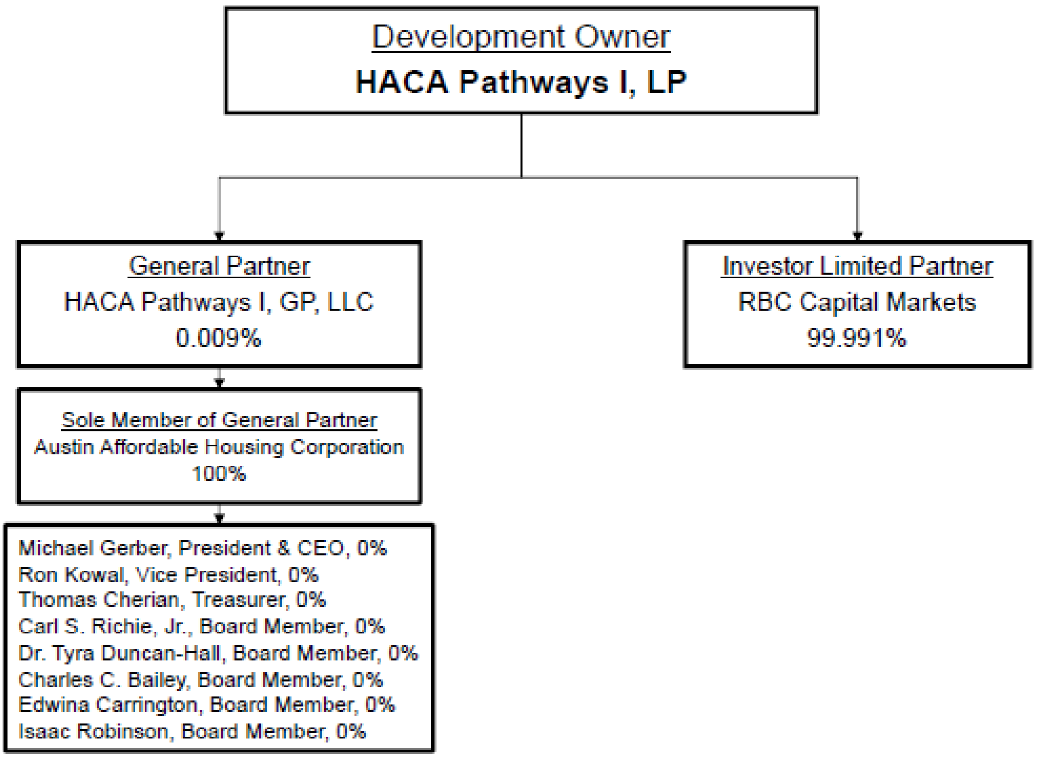
The ESA indicated the proximity of the State Voluntary Cleanup Program site is within 0.41 miles from the proposed development site. The entity of record for the ASTM search distance is Muldoon Interests, a facility for automotive repair. The ESA noted that a certificate of completion was issued in 2008 by the Texas Commission on Environmental Quality. In their professional opinion such facility listing is not of environmental concern to the development.

The ESA provider did not recommend additional assessments or diligence that would need to be performed associated with the proximity of the facility to the development site and as such staff does not believe the disclosure relative to this undesirable neighborhood characteristic requires additional review and recommends the site be found eligible. Moreover, §10.101(a)(4)(i) allows consideration for acceptable mitigation regarding this characteristic based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions. The units at Pathways at Shadowbend Ridge are being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration Program.

Organizational Structure: The Borrower is HACA Pathways I, LP, and includes the entities and principals illustrated Exhibit A. The applicant is considered a medium Category 1 portfolio and the previous participation was deemed acceptable by EARAC on October 3, 2016, without further review or discussion.

Public Comment: There have been no letters of support or opposition received by the Department.

EXHIBIT A


Development Owner
HACA Pathways I, LP
General Partner
HACA Pathways I, GP, LLC
0.009%
Investor Limited Partner
RBC Capital Markets
99.991%
Sole Member of General Partner
Austin Affordable Housing Corporation
100%
Michael Gerber, President & CEO, 0%
Ron Kowal, Vice President, 0%
Thomas Cherian, Treasurer, 0%
Carl S. Richie, Jr., Board Member, 0%
Dr. Tyra Duncan-Hall, Board Member, 0%
Charles C. Bailey, Board Member, 0%
Edwina Carrington, Board Member, 0%
Isaac Robinson, Board Member, 0%

Austin Affordable Housing Corporation

A Subsidiary of the Housing Authority of the City of Austin

August 31, 2016

Mr. Tim Irvine
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Request for Waiver of 10 TAC §1.207(b)(2) Related to the Distribution of Accessible Units – Pathways at Shadowbend Ridge (TDHCA# 16422)

Dear Mr. Irvine,

Please accept this letter as our formal request of a waiver of 10 TAC §1.207(b)(2) related to the distribution of accessible units for the above named development. This waiver is submitted in conjunction with our application for 4% housing tax credits. Specifically, we request TDHCA approval to provide a mobility accessible four-bedroom/two-bathroom unit (Type G, 1,275 square feet, one-story), in place of a three-bedroom/two-bathroom mobility accessible unit (Type E, 1,248 square feet, two-story) that would otherwise be required by §1.207(b)(2).

The current issue is that the requirement to proportionally provide accessible units based on the proportion of each unit type within the development results in a requirement to provide an accessible two-story, three-bedroom/two-bathroom unit (Type E). The development does not offer a one-story three-bedroom/two-bathroom unit of a comparable size to the two-story Type E unit, and in order to make the Type E unit mobility accessible, the addition of an elevator is needed. The contractor for the development has estimated the cost to make the Type E unit mobility accessible, including the cost to provide an elevator, to be $45,500 (see attached). This cost is much higher than the estimated cost to make a one-story unit accessible, which is estimated in the Property Condition Assessment to be approximately $12,000.

An alternate solution to the requirements of 10 TAC §1.207(b)(2) was discussed with TDHCA staff, and involves the conversion of one of the four-bedroom/two-bathroom Type G units into a three-bedroom unit in order to provide an accessible three-bedroom/two-bathroom unit. However, this change would eliminate one of only two four-bedroom units in the development. Four-bedroom units represent only 8% of the portfolio of the Housing Authority of the City of Austin (HACA), and it is important to HACA to preserve all of these rare large units for use by larger families within the Austin community. Additionally, occupancy standards under the Section 8 program differ from the Public Housing program such that smaller families will be eligible to reside in HACA's four-bedroom units following the conversion to Section 8 under RAD, increasing the demand for these limited units.

Therefore, we respectfully request a waiver of 10 TAC §1.207(b)(2) in order to substitute a mobility accessible four-bedroom/two-bathroom unit (Type G, 1,275 square feet, one-story), in place of a three-bedroom/two-bathroom mobility accessible unit (Type E, 1,248 square feet, two-story). Approval of the waiver will allow an existing one-story unit to be made accessible, rather than performing extensive modifications of a two-story unit including the addition of an elevator. Additionally, the waiver will allow the required number of accessible units to be provided without modifying the development's unit mix to convert a four-bedroom unit into a three-bedroom unit.

Please feel free to contact me at (512) 477-4488 or michaelgerber@hacanet.org with any questions.

Sincerely,

Michael Gerber
Executive Director

DYKEMA ARCHITECTS, INC. / S. COOK CONSTRUCTION, L.P.

1101 Ocean Drive, Corpus Christi, Texas 78404 598 CR 2201, Cleveland, Texas 77327

(361) 882-8171 (281) 592-5141

August 26, 2016

Texas Department of Housing and Community Affairs
Attn: Tim Irvine, Executive Director
221 E. 11th Street
Austin, TX 78701
Email: tim.irvine@tdhca.state.tx.us

Re: Pathways at Shadowbend Ridge, TDHCA #16422 – Cost of Accessibility Modifications for Unit Type E (Two-Story, Three-Bedroom / Two-Bathroom)

Dear Mr. Irvine,

Pursuant to conversations between the owner of Pathways at Shadowbend Ridge ("the development") and staff of the Texas Department of Housing and Community Affairs ("TDHCA"), the development owner has requested a cost estimate for accessibility modifications in order to meet TDHCA accessibility requirements. Specifically, in order to provide an accessible three-bedroom / two-bathroom unit, which is a two-story unit, the owner has requested a cost estimate associated with providing an elevator and other accessibility modifications. As the contractor for the development, Cook Construction has provided the following cost estimate for accessibility modifications to Unit Type E:

Shadow Bend – Elevator Addition at 2-story Unit Type 'E'

Elevator equipment and install -	$28,000
Framing, insulation, ext. finishes -	$6,500
Roof at elevator enclosure -	$1,000
Foundation extension and pit -	$4,000
Demo/Reframe Interior Door openings -	$1,800
Larger Doors –	$800
Reframe/replace windows -	$1,200
HC Appliances -	$1,400
Grab Bars and accessories –	$800
	$45,500

Please feel free to contact me at 361-882-8171 with questions.

Sincerely,

John R. Dykema, Jr., AIA

APPLICATION SUMMARY

REAL ESTATE ANALYSIS DIVISION
October 10, 2016

PROPERTY IDENTIFICATION	
Application #	16422
Development	Pathways at Shadowbend Ridge
City / County	Austin / Travis
Region/Area	7 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1979)

RECOMMENDATION					
TDHCA Program	Request	Approved			
LIHTC (4% Credit)	$262,077	$187,293	$3,746/Unit	$1.16	
	Amount	Rate	Amort	Term	Lien
Private Activity Bonds					
MDLP (Repayable)					
MDLP (Non-Repayable)					
CHDO Expenses					

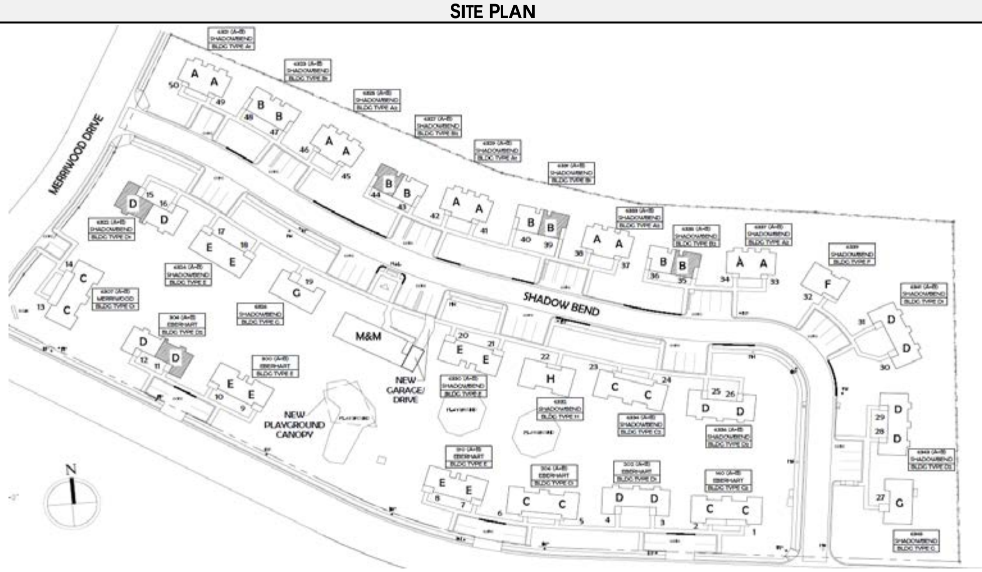
KEY PRINCIPALS / SPONSORS		
Austin Affordable Housing Corporation (AAHC)		
Michael Gerber (GP)		
Audrey Martin (Consultant)		
Related-Parties	Contractor - Yes	Seller - Yes

TYPICAL BUILDING ELEVATION/PHOTO

UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	18	36%	40%	-	0%
2	20	40%	50%	-	0%
3	9	18%	60%	50	100%
4	2	4%	MR	-	
TOTAL	49	100%	TOTAL	50	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.35	Expense Ratio	61.6%
Breakeven Occ.	85.6%	Breakeven Rent	$625
Average Rent	$694	B/E Rent Margin	$70
Property Taxes	Exempt	Exemption/PILOT	0%
Total Expense	$4,933/unit	Controllable	$3,959/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			0.3%
Highest Unit Capture Rate	1%	4 BR/60%	3
Dominant Unit Cap. Rate	1%	2 BR/60%	20
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	50	100% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	851 SF	Density	6.6/acre
Acquisition		$84K/unit	$4,100K
Building Cost	$43.12/SF	$37K/unit	$1,836K
Hard Cost		$47K/unit	$2,298K
Total Cost		$173K/unit	$8,468K
Developer Fee	$610K	(0% Deferred)	Paid Year: 1
Contractor Fee	$296K	30% Boost	No

REHABILITATION COSTS / UNIT					
Site Work	$1K	1%	Finishes/Fixtures	$29K	63%
Building Shell	$4K	8%	Amenities	$4K	10%
HVAC	$K	0%	Total Exterior	$9K	21%
Appliances	$4K	9%	Total Interior	$33K	79%

DEBT (Must Pay)				
Source	**Term**	**Rate**	**Amount**	**DCR**
Bellwether Enterprise/FNMA	15/35	4.20%	$1,415,000	1.99
HACA Seller Note (Hard Debt)	0/35	2.24%	$890,000	1.35
TOTAL DEBT (Must Pay)			**$2,305,000**	

CASH FLOW DEBT / GRANT FUNDS				
Source	**Term**	**Rate**	**Amount**	**DCR**
HACA Seller Note (Cash Flow)	50/0	2.24%	$3,210,000	1.35
AAHC Loan (Cash Flow)	50/0	0.00%	$785,000	1.35
CASH FLOW DEBT / GRANTS			**$3,995,000**	

EQUITY / DEFERRED FEES	
Source	**Amount**
RBC Capital Markets	$2,167,697
TOTAL EQUITY SOURCES	$2,167,697
TOTAL DEBT SOURCES	$6,300,000
TOTAL CAPITALIZATION	$8,467,697

CONDITIONS

1 Receipt and acceptance before Determination Notice:
- Unit mix of accessible units acceptable to the Department

2 Receipt and acceptance by Cost Certification:
- a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.
- b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.
- c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.
- d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC
Expiration Date	11/24/2016
Bond Amount	$7,000,000
BRB Priority	Priority 3
Expected Close	10/31/2016
Bond Structure	Short-Term Cash-Collateralized

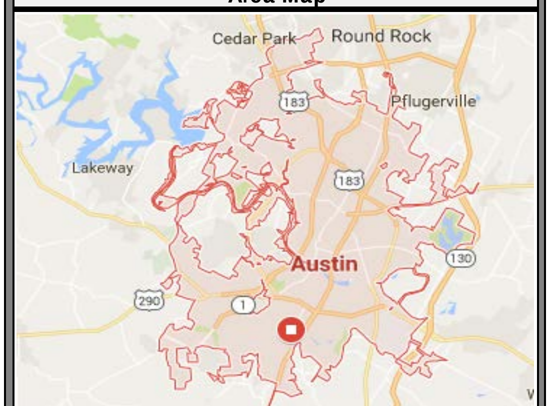
RISK PROFILE

STRENGTHS/MITIGATING FACTORS

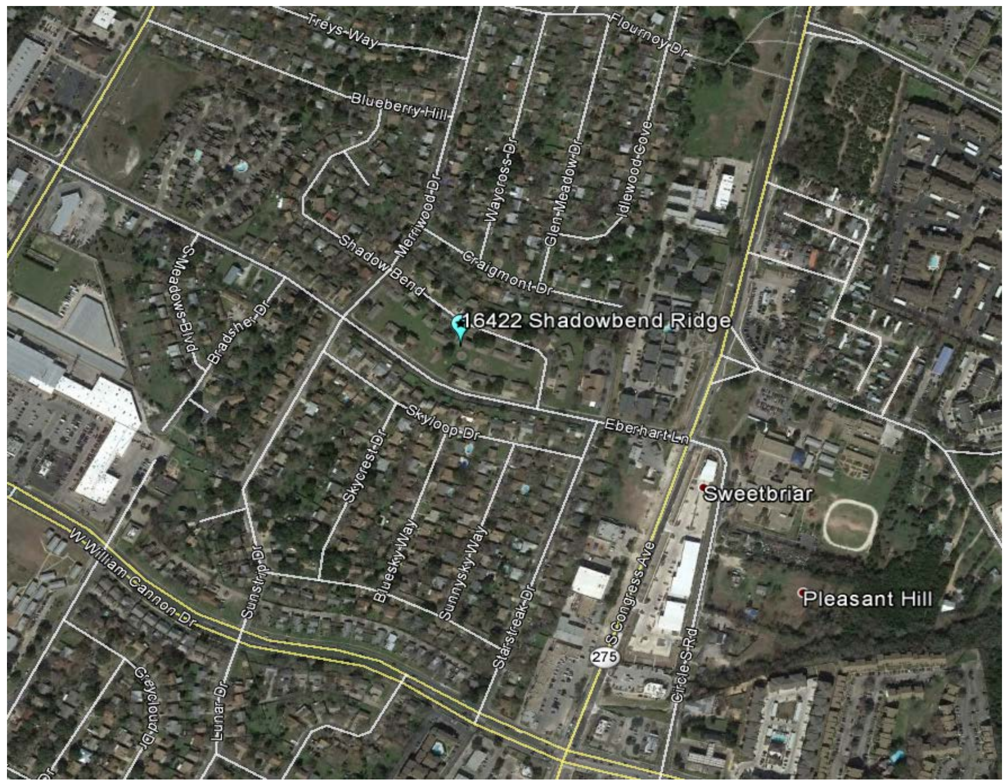
- Low Gross and Unit Capture Rates
- HUD CHAP Contract
- Low Hard Debt
- Strong DCR

WEAKNESSES/RISKS

Area Map



AERIAL PHOTOGRAPH(s)



Real Estate Analysis Division
Underwriting Report
October 10, 2016

DEVELOPMENT IDENTIFICATION

TDHCA Application #: **16422** Program(s): **4% HTC**

Pathways at Shadowbend Ridge

Address/Location: 6328 Shadow Bend

City: Austin County: Travis Zip: 78745

Population: General Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Duplex Region: 7

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

	REQUEST				RECOMMENDATION				
TDHCA Program	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**Lien**
LIHTC (4% Credit)	$262,077				**$187,293**				

CONDITIONS

1 Receipt and acceptance before Determination Notice:
- Unit mix of accessible units acceptable to the Department

2 Receipt and acceptance by Cost Certification:

a: Architect certification that noise study recommendations were successfully implemented in the completion of the Development.

b: Architect certification that Lead Based Paint abatement was completed and done so in observance of all State and Federal laws.

c: Architect certification that Asbestos abatement was completed and done so in observance of all State and Federal laws.

d: Final CHAP approval with HUD-approved rents and operating budget.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	50

DEAL SUMMARY

Pathways at Shadowbend Ridge is one of five properties currently owned by the Housing Authority of the City of Austin (HACA) that is being converted from public housing to Section 8 rental assistance through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program. These five properties (Pathways at North Loop, Pathways at Georgian Manor, Pathways at Manchaca Village, Pathways at Shadowbend Ridge, and Pathways at Northgate) will be rehabilitated during the conversion. Each of the five properties will be owned by a single partnership, HACA Pathways I, LP, and will be financed using a single investor and a single lender. Each development will have its own bond reservation, and will be financed using a single loan which will allocate debt service payment amounts to each development. Austin Affordable Housing Corporation (AAHC), an affiliate of HACA, is the sole member of the general partner, the developer, and guarantor. Austin Affordable PFC, Inc., another affiliate of HACA, is the bond issuer. HACA has managed the developments as public housing since their construction, and will be continue to be the property manager post-conversion.

Due to these relationships the acquisition is considered to be governed by the Identity of Interest Acquisition rule §10.302(e)(1)(B).

The development is currently public housing where all costs of operations are essentially paid for by HUD operating subsidies. HUD's Rental Assistance Demonstration program ("RAD") converts public housing developments to project-based rental assistance developments allowing for private capital to own, rehabilitate and operate the developments. With a few exceptions, the development is always restricted for affordable housing as either the public housing or the restrictions that accompany the rental assistance contract.

The transfer price of the development paid to the housing authority by the LIHTC partnership is based on an appraisal. Although typically a property valuation is based on the income expected to be generated using rents restricted by a use agreement and/or rental assistance contract, the valuation in this case is based on an appraised value using unrestricted market rental rates in the Austin market. The use of the market rental rates produces a much higher appraised value than that based on restricted rents.

Even though the property will never be "unrestricted", the applicant claims that there are circumstances under which they could sell the property into the market without restrictions. Theoretically they could then use the sale proceeds to purchase another property and transfer the rental assistance contract. Under this scenario the applicant claims that the sales price should be based on a valuation using unrestricted rents. The Underwriter discussed this scenario with the public housing side of HUD who acknowledged the use of the market valuation as a transfer price in some conversions in various parts of the country.

§10.302(e)(1)(C)(iv) states "the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development and that will continue to affect the Development after transfer to the new owner in determining the building value." §10.304(d)(10)(B) states "for existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value" inclusive of the value associated with the rental assistance. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter." And §10.304(d)(10)(C) states "For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the restricted rents should be contemplated when deriving the value based on the income approach." These sections of the REA Rules would seem to indicate that the building value should be based on the proposed restricted RAD rents. However, the Rules do not explicitly address the situation of a Public Housing property converting to RAD.

Also, it should be noted that the HUD-FHA Underwriting Instructions for Projects Converting Assistance as part of the Rental Assistance Demonstration Program includes Appraisal Guidance stating: "Under RAD, the valuation and rental assumptions are to be based on the Section 8 rental income and on the project Use Agreement ... for purposes of valuation, the rents established by the RAD conversion will control, and the appraisal for the project should assume a jurisdictional exception in accordance with the current USPAP to comply with the RAD statutory language."

Debt financing for the subject property is being provided by Bellwether pursuant to Fannie Mae Affordable Housing (MAH) MBS loan program. The Fannie Mae Multifamily Delegated Underwriting and Servicing Guide requires that "The Appraiser must estimate values based on the scheduled (as-restricted) rents." As, such, the Lender will use a value based on the RAD rents.

This is consistent with how the Department has treated RAD conversions in the past. This however, according to the Applicant, is not the method used by tax credit syndicators across the country and should not be used for credit sizing purposes.

Using market rents, the buildings are valued at $4,100,000 ($82K/unit) vs. a value using the restricted rents at $2,700,000 ($54K/unit). Because the property is sold to the LIHTC partnership at the market value, greater sale proceeds are generated by the housing authority.

The HUD Rental Assistance Demonstration Conversion Guide for Public Housing Agencies states that the transfer of a public housing property to an LIHTC partnership in a RAD conversion is typically financed by the Housing Authority through a Seller Take-Back Financing note, which is typically equal to the acquisition value of the buildings. The note is subject to cash flow and deeply subordinate to all other financing and obligations.

The building acquisition cost of $82K/unit plus the rehab cost of $41.8K/unit equals $124K/unit which may exceed the cost of constructing new units.

RISK PROFILE

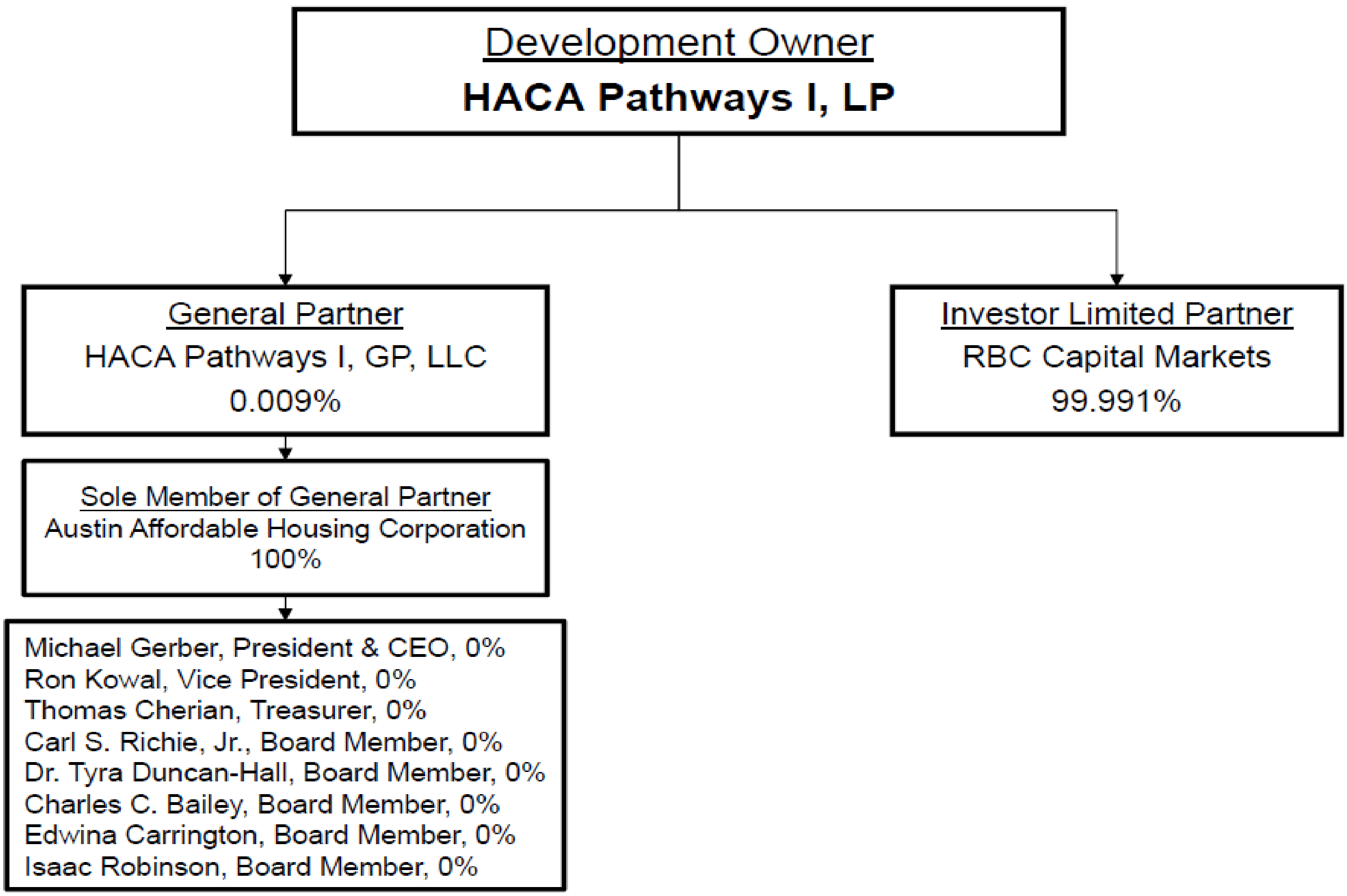
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
Low Gross and Unit Capture Rates	
HUD CHAP Contract	
Low Hard Debt	
Strong DCR	

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name:	Ron Kowal	Name:	Suzanne Schwertner
Phone:	(512) 767-7792	Phone:	(512) 767-7796
Relationship:	GP	Relationship:	GP

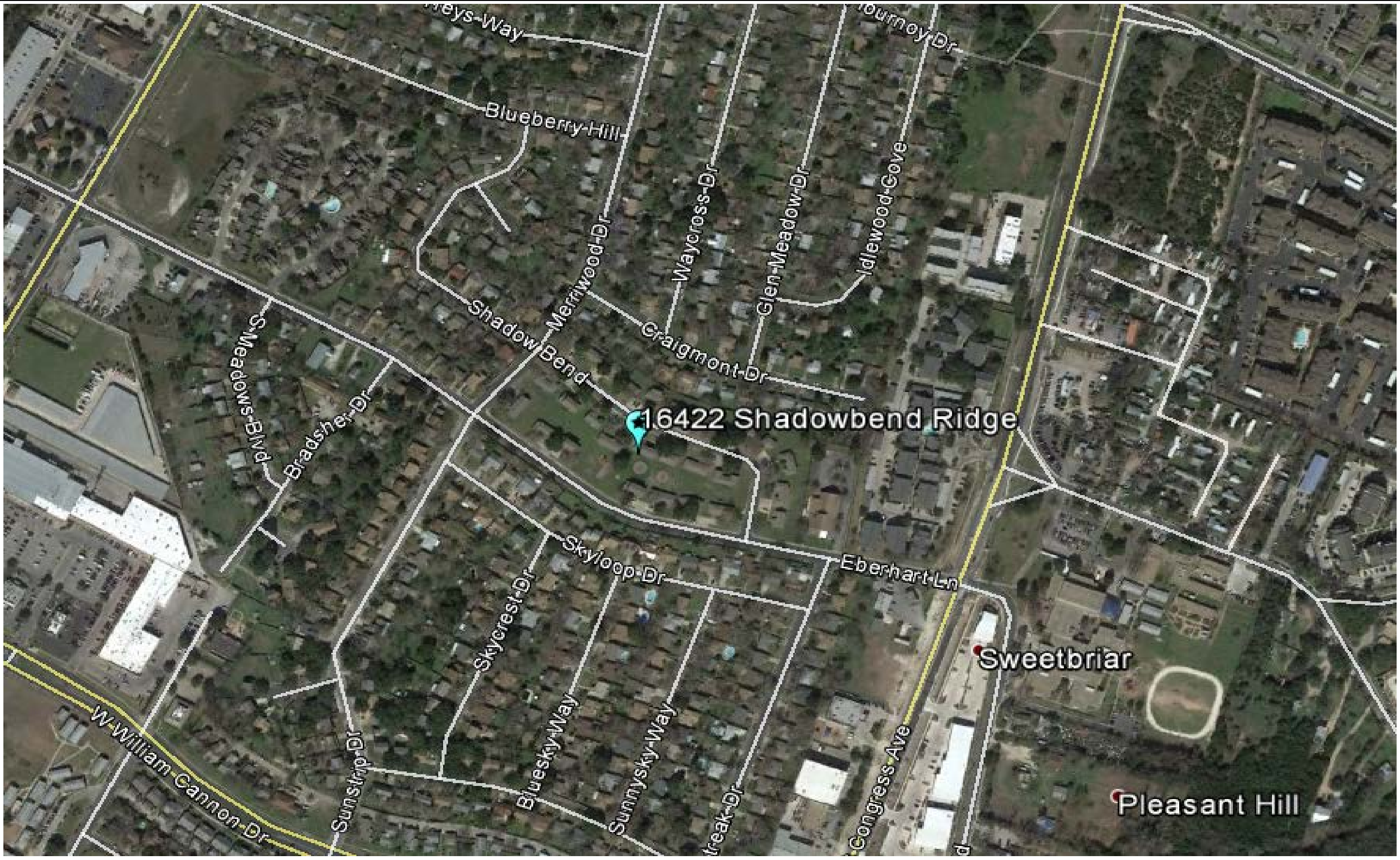
OWNERSHIP STRUCTURE

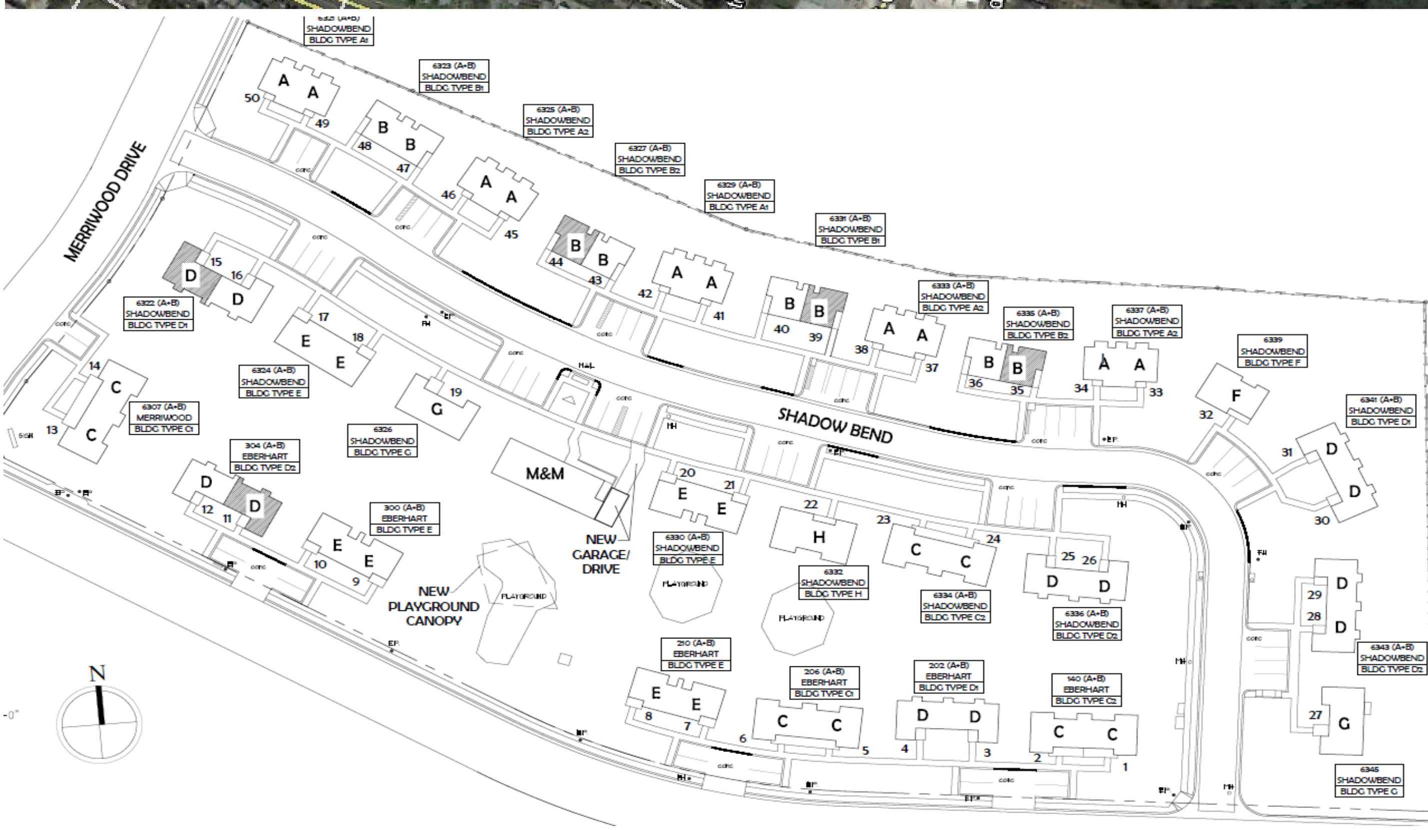


- The Applicant, Developer, General Contractor, Property Manager, Bond Issuer, and Supportive Services Provider are related entities.

DEVELOPMENT SUMMARY

SITE PLAN





BUILDING ELEVATION

RELOCATION PLAN

For relocation activities, HACA will take into consideration individual household preferences and needs to be close to public transportation, employment, schools, medical / public/social services and agencies, recreational services, parks, community centers, or shopping. Temporary accommodations for the first phase of 10 units will be in a comparably sized or larger unit at one of the 2 other nearby public housing properties: Meadowbrook Apartments, 1201 West Live Oak, Austin or Bouldin Oaks, 1203 Cumberland, Austin. This relocation is anticipated to be for the duration of the rehab of all units or about 2 month. The second phase of relocations and all subsequent phases will be accomplished by one-time move from their current unit into a properly sized Shadowbend Ridge Apartments unit already fully rehabilitated. No market units, hotel units or other type of lodging is anticipated for this property. Should there not be sufficient public housing units or another circumstance prevents a household to move into the available public housing units, HACA will evaluate the need for units and an extended-stay type motel will be utilized.

Rehabilitation work in the Project will result in no permanent relocations assuming HACA's pre-rehabilitation plan is followed. Any temporary relocation needs that arise will be met by utilizing available public housing units in the vicinity of the Project: Meadowbrook Apartments and Bouldin Oaks, and minimizing tenants' hardship and inconvenience by offering a onetime move into fully rehabbed units. The per unit construction cycle is not expected to exceed 10 consecutive days.

BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G	H					**Total Buildings**
Floors/Stories	1	1	1	1	2	1	1	1					
Number of Bldgs	5	4	4	6	4	1	2	1					**27**
Units per Bldg	2	2	2	2	2	1	1	1					
Total Units	10	8	8	12	8	1	2	1					**50**

Avg. Unit Size (SF)	**851 sf**	**Total NRA (SF)**	**42,573**	**Common Area (SF)**	**1,404**

SITE AND ACQUISITION

Site Acreage: Total Size: 7.58 acres Density: 6.6 units/acre

Site Control: LD* **Site Plan:** N/A **Appraisal:** 7.56 **ESA:** 7.575

* The Contract for Ground Lease defines the Property by its legal description: Lots 1 - 15, Block A, HOUSING AUTHORITY SUBDIVISION, a subdivision in Travis County, Texas, according to the map or plat recorded in Volume 77, Page 251, Plat Records of Travis County, Texas.

Control Type:	Contract for Ground Lease and Bill of Sale	Contract Expiration:	10/1/2016
Development Site:	N/A acres	Cost:	$4,100,000 / $82,000 per unit

Seller: Housing Authority of the City of Austin

Buyer: HACA PATHWAYS I, LP

Related-Party Seller/Identity of Interest: Yes

Comments:

Housing Authority is leasing Land to Partnership for $100 per year for 75 years and selling Improvements to Partnership for $4,650,000. Ownership interests of all Improvements revert to the Housing Authority at the end of Lease. Building value limited by Appraisal.

Any discrepancies in site acreage are a result of rounding.

GENERAL INFORMATION

Flood Zone:	X	Scattered Site?	No
Zoning:	LO-NP	Within 100-yr floodplain?	No
		Re-Zoning Required?	No
Year Constructed:	1979	Utilities at Site?	Yes
		Title Issues?	No

Surrounding Uses:

North: Single-family residential
East: Place of worship then multifamily
South: Single-family residential
West: Single-family residential then commercial uses

Other Observations:

Current zoning does not allow for multifamily development but is considered a legal non-conforming use.

APPRAISED VALUE

Appraiser:	Novogradac & Company, LLP		Date:	12/30/2016
Land as Vacant: 7.56 acres	$1,100,000	Per Unit:	$22,000	
Existing Buildings: (as-is)	$4,100,000	Per Unit:	$82,000	
Total Development: (as-is)	$5,200,000	Per Unit:	$104,000	

Comments:

"The Subject property currently operates as a public housing property, and it is in average condition. The property currently operates as public housing and provides a public benefit, and it is not deemed feasible to tear it down for an alternative use. However, the highest and best use of the site, as improved, would be to convert to Section 8 or market rate housing that would allow for increased rent and profitability." (pg 8)

The Appraiser and the Applicant indicate that the valuation is based on the hypothetical possibility that HUD could release all restrictions on the property and it could be sold at an unrestricted market value.

After extended meetings and discussions with HACA representatives, their counsel, and their appraiser, Department staff can accept that HACA would enter into agreements with the newly-created partnerships to transfer these properties at prices established by independent appraisals as reflecting market values. Key to this concept is that HACA has the legal ability to sell the properties in such transactions and, therefore, it is being compensated for this foregone opportunity and the limited partnership is paying what it would have to pay to secure comparable property. This, in turn, leads to the matter of awarding acquisition credit based on the purchase price. The determination on the total credits has two distinct components: acquisition credits (based on the purchase price) and development credits (based on what is needed to carry out the actual development). HUD has been involved in these discussions and is well aware of what is occurring and has gone on to confirm that if HACA realizes any excess benefit in such a transaction, the use of that excess would be restricted to HACA’s affordable housing purposes.

In these discussions, TDHCA was explicit with HACA and its appraiser that the values derived using their methodology need to be truly reflective of the actual condition of the subject properties, and appropriate adjustments needed to be made for any rental comparables to accurately compare them to the subject properties. As an intended user of these appraisals, TDHCA REA staff has concerns as to the accuracy and sufficiency of the adjustments made to use the cited properties as rental comparables, but the appraiser has re-examined and finalized each appraisal with no change to the concluded value.

Due to time constraints, the Underwriter was not able to have the appraisals appropriately reviewed by a 3rd party Review Appraiser, as recommended by the Appraisal Licensing Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	Terracon Consultants, inc.	Date:	3/29/2016

Recognized Environmental Conditions (RECs) and Other Concerns:

- No REC's
- Based on the construction date, sampling and analysis should be conducted prior to conducting renovation activities that will disturb potential Lead-Based Paint.
- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of significant roads to the site, Terracon recommends that a noise study be conducted.
- It is recommended that the asbestos-containing flooring which is apparently present in each unit be abated by a TDSHS licensed Asbestos Abatement Contractor and that any additional asbestos inspection data currently held be provided Terracon for review. It does not appear the planned wall and/or ceiling activities scheduled will impact asbestos-containing materials. No additional asbestos sampling/inspection appears necessary in this complex.

Comments:

Review of the regulatory databases did not identify regulated facilities on the site. The regulatory review identified one TCEQ PST facility, one TCEQ CALF facility, three TCEQ LPST facilities, one TCEQ VCP facility, and one TCEQ APAR facility within the specified search radii. Based upon facility characteristics and regulatory status, the identified facilities do not appear to constitute a REC in connection with the site as specified within the text of the report.

MARKET ANALYSIS

Provider: Vogt Strategic Insights   Date: 12/23/2015

Contact: Bob Vogt   Phone: (614) 224-4300

Primary Market Area (PMA): 15 sq. miles 2 mile equivalent radius

Irregular shaped PMA consisting of 17 census tracts in south Austin along the western side of I-35, south of Lady Bird Lake. PMA is bordered on the north by Collier Street, Oltorf Street, and Live Oak Street; on the east by I-35; on the south by Ralph Ablanedo Dr., Dittmar Road, and Davis Lane; and on the west by West Gate Boulevard.

ELIGIBLE HOUSEHOLDS BY INCOME

Travis County Income Limits

HH size	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
	min	max	min	max	min	max	min	max
1	---	---	---	---	---	---	$1	$32,280
2	---	---	---	---	---	---	$1	$36,900
3	---	---	---	---	---	---	$1	$41,520
4	---	---	---	---	---	---	$1	$46,080
5	---	---	---	---	---	---	$1	$49,800
6	---	---	---	---	---	---	$1	$60,840

AFFORDABLE HOUSING INVENTORY

Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	

Other Affordable Developments in PMA since 2012

File #	Development	Type	Target Population	Comp Units	Total Units
16422	Pathways at Shadowbend Ridge	A/R	General	n/a	50
15421	Urban Oaks	New	General	n/a	194
16501	Bluebonnet Studios	New	SH	n/a	107
16415	Songhai at Westgate	New	General	n/a	140

Stabilized Affordable Developments in PMA (pre-2012)		
	Total Units	1,130
	Total Developments	7

Proposed, Under Construction, and Unstabilized Comparable Supply:

The above "Other Affordable Developments", are not considered competitive since Subject is a RAD rehab.

OVERALL DEMAND ANALYSIS

	Market Analyst		**Underwriter**	
Total Households in the Primary Market Area	33,406		35,336	
Senior Households in the Primary Market Area	0		10,128	
Potential Demand from the Primary Market Area	10,416		15,062	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	10,416		15,062	
Subject Affordable Units	50		50	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	50		50	
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**0.5%**		**0.3%**	

Population:	**General**	**Market Area:**	**Urban**	**Maximum Gross Capture Rate:**	**10%**

Demand Analysis:

The Real Estate Analysis Rules state a 10% Gross Capture Rate limit for urban properties, but the limit does not apply to existing affordable housing which is at least 50% occupied and will extend a leasing preference to all existing tenants after the rehabilitation.

The capture rate calculation determines the percentage of the available demand that is needed to absorb the proposed units. The Subject properties are covered by a Housing Assistance Program (CHAP) contract, meaning that all households below the maximum income level are eligible. This results in a Gross Capture Rate of 0.3%.

Market Analyst is utilizing minimum income of $0 and maximum income of $53,460 while Underwriter is utilizing minimum income of $1 (due to HAP contract) and maximum income of $60,840; this accounts for the difference in Potential Demand. Underwriter's maximum incomes is based on 8 person households, while Market Analyst's maximum income is only based on 6 person households.

Four and five bedroom units are combined together for unit capture rates.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE									
	Market Analyst					Underwriter			
Unit Type	Demand	Subject Units	Comp Units	Unit Capture Rate		Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/60%	5647	18	0	0.3%		4,676	18	0	0.4%
2 BR/60%	2557	20	0	0.8%		2,986	20	0	0.7%
3 BR/60%	1579	9	0	0.6%		1,328	9	0	0.7%
4 BR/60%	632	3	0	0.5%		367	3	0	0.8%

Market Analyst Comments:

We assume that most, if not all current tenants will remain at the project during the renovations and once renovations are complete. As such, we anticipate no more than 20% of the units will need to be leased following renovations. In this case, given the full occupancy and three- to four-year centralized Public Housing waiting list, we expect 20% (or 10 units) at the renovated Shadowbend Ridge will lease-up to 95% occupancy within one month, and would be limited only by the time necessary to process applications. (pg. II-1)

Between 2010 and 2015, the population increased by 4,706, or 6.7%. The population is projected to increase by an additional 6,997, or 9.4%, between 2015 and 2020. Between 2010 and 2015, households increased by 2,429, or 7.8%. By 2020, 36,901 households will reside in the Site PMA, an increase of 3,495 households, or 10.5%
over 2015 levels. This is an increase of approximately 700 households annually over the next five years. (pg. II-3)

The six LIHTC projects have a combined total of 955 units with an overall occupancy rate of 99.6%. Management at three properties indicated they maintain a waiting list, the lengths of which range from 28 to 150 households and up to one year. The strong performance of the comparable Tax Credit properties suggests ongoing pent-up demand for additional non-subsidized affordable units in this market. (pg. II-6)

Underwriter Comments:

Subject is a 78% occupied Public Housing development with a relocation plan in place for current tenants. Average occupancy of other affordable properties in the area is 96% according to department data.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma)					
NOI:	$153,669	Avg. Rent:	$694	Expense Ratio:	61.6%
Debt Service:	$113,942	B/E Rent:	$625	Controllable Expenses:	$3,959
Net Cash Flow:	$39,727	UW Occupancy:	95.0%	Property Taxes/Unit:	$0
Aggregate DCR:	1.35	B/E Occupancy:	85.6%	Program Rent Year:	2015

Applicant's NOI is 27% less than Underwriter's estimate so report is based off Underwriter's Pro Forma.

Pursuant to §10.3029(i)(6)(B)(i), since the development is participating in the HUD Rental Assistance Demonstration Program for at least 50% of its units, it will be exempt from the feasibility thresholds listed in §10.3029(i)(6)(B).

Applicant provided initial CHAP letters (dated March 27 2015) as part of the Application. Underwriting assumes a 2016 2.8% OCAF increase (as published by HUD) over the provided 2015 CHAP rents. Project feasibility not dependent on OCAF rent adjustment.

Overall, average collected rents represent a 28% discount to comparable market rents. Average rents are $70 above break even. Project breaks even with 7 vacant units (underwritten with 2).

Controllable expenses very conservatively underwritten at $3,959/unit and mostly based off property's historical expenses.

Applicant's Payroll expense was $1,778/unit, $592/unit (50%) higher than underwriters estimate of $1,186/unit. Underwriter's estimate is based off other small duplex-style properties in Travis county, and is consistent with recently underwritten RAD conversions in Austin.

Pursuant to §10.302(d)(2)(K), the Applicant has included $1,250 for tenant services expense. As a governmental agency itself, the housing authority is not required to have a documented financial obligation to provide the services. At cost certification and as a minimum, the $1,250 underwritten at Application will be included in the DCR calculation regardless if actually incurred. There will be no financial obligation to actually expend the funds in the tax credit LURA. This is a credit sizing provision.

Property will be receiving a 100% property tax exemption and has provided a letter from the Travis County Appraisal District stating that "the property, as structured with the ground lease, would meet the requirements for such exemption."

Without the assumed amortization of the HACA Seller Note (detailed below) DCR would be 1.99x, greatly mitigating any operating risks associated with expense overruns.

Overall strong feasibility indicators showing minimal operating risk.

Revisions to Rent Schedule:	1		Revisions to Annual Operating Expenses:	0

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)

Acquisition	$/ac	$82,000/unit	**$4,100,000**	Contractor Fee	**$295,546**
Off-site + Site Work		$5,102/unit	**$255,095**	Soft Cost + Financing	**$803,410**
Building Cost	$43.12/sf	$36,718/unit	**$1,835,909**	Developer Fee	**$610,483**
Contingency	9.88%	$4,134/unit	**$206,676**	Reserves	**$360,579**
Total Development Cost	$169,354/unit	**$8,467,697**		**Rehabilitation Cost**	**$41,820/unit**

Qualified for 30% Basis Boost?	Not Qualified

Acquisition:

Based on the theoretical unrestricted market value of the property. Land values not included. Applicant will ground lease the land for $100 annually for 75 years.

Off-site:

None anticipated

Site Work:

Re-stripe parking lot; install irrigation system, playground canopy, BBQ grills, picnic tables, garage parking stalls, and an accessible pathway to playground; update site landscaping.

Building Cost:

Exterior:

Replace all doors, storm doors, and lighting.

Interior:

Install low-flow faucets, shower heads, and toilets; replace bathroom vanities, medicine cabinets, tubs, showers and shower surrounds; replace kitchen counters, cabinets, sinks, ranges, range hoods, dishwashers, and refrigerators; replace all ceiling fans, flooring, doors, and water heaters; paint interior walls; various accessibility upgrades; asbestos flooring abatement.

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	$32,696	$654/unit	1%	Finishes/Fixtures	$1,437,566	$28,751/unit	63%
Building Shell	$182,753	$3,655/unit	8%	HVAC	$8,213	$164/unit	0%
Amenities	$222,399	$4,448/unit	10%	Appliances	$207,377	$4,148/unit	9%
Total Exterior	**$437,848**	**$8,757/unit**	**21%**	**Total Interior**	**$1,653,156**	**$33,063/unit**	**79%**

Contingency:

Conservative at roughly 10% of total building and site work costs.

Soft Costs:

$89,400 in Relocation Expenses. Removed from Eligible Basis by Underwriter.

Financing Cost:

Interest from Related Party Debt was excluded from Eligible Basis by Underwriter.

Developer Fee:

Overstated by 17,880 due to removal of relocation expenses from eligible basis.

Reserves:

Limited to 12 months of operating expenses and debt service per underwriting rules. This produces a Reserve $872,908 less than Applicant's underwritten Reserve.

Comments:

All costs and assumptions based on third party Property Condition Assessment and supplement.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$8,467,697	**$7,787,148**	**$262,427**

Revisions to Development Cost Schedule:	0

UNDERWRITTEN CAPITALIZATION

BOND RESERVATION			
Issuer	**Amount**	**Reservation Date**	**Priority**
Austin Affordable PFC	$7,000,000	6/27/2016	Priority 3

Closing Deadline	**Expected Closing**	**Bond Structure**
11/24/2016	10/31/2016	Short-Term Cash-Collateralized

Comments:

At closing, short-term bonds will be issued by Austin Affordable PFC, Inc. and offered for sale by Stifel. Bonds will be fully drawn at closing, and funded to the partnership on a draw basis during the construction period. At all times the bonds will be secured by cash held in a separate cash collateral account. The Fannie Mae permanent loan will be serviced by Bellwether Enterprise and will be funded at construction loan closing.

To be eligible for the 4% tax credit, the tax-exempt bonds must fund greater than 50% of the cost of the development (depreciable basis plus land). As structured, the bonds fund 63%.

INTERIM SOURCES				
Funding Source	**Description**	**Amount**	**Rate**	**LTC**
Bellwether Enterprise/FNMA	Conventional Loan	$1,415,000	4.20%	11%
Austin Affordable PFC	Bond Issuer	$4,600,000	0.90%	35%
HACA Seller Note (Cash Flow)	Loan	$4,100,000	2.24%	31%
AAHC Loan (Cash Flow)	Loan	$785,000	0.00%	6%
RBC Capital Markets	HTC	$2,123,266	$1.16	16%
		$13,023,266	**Total Sources**	

Comments:

The bonds will be collateralized in large part by HACA's proceeds from the sale of the buildings to the partnership. The remainder of the required collateral funds will be a portion of the immediately funded Fannie Mae first mortgage loan. Related to sales proceeds, HACA will sell the improvements at each site to the partnership for the acquisition cost shown in the Development Cost Schedule. At construction loan closing, HACA will receive cash in the amount of the contracted acquisition cost; this cost will be paid by bonds. Rather than keep that cash, HACA has agreed to contribute the sales proceeds it would have otherwise received back to each deal, and to accept a seller note in lieu of payment. The amount of each seller note will be contributed by HACA to the cash collateral account using the proceeds received at closing for the sale of the buildings. For each development, there is a portion of the cash collateral that will not be covered by the sales proceeds contributed from HACA as a result of their acceptance of a seller note. The additional funds required to be deposited into the cash collateral account will be available from both the immediately funded Fannie Mae first mortgage loan and from the initial equity installment. It is anticipated that the proceeds of the Fannie Mae loan will be used.

PERMANENT SOURCES									
	PROPOSED				**UNDERWRITTEN**				
Debt Source	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**LTC**
Bellwether Enterprise/FNMA	$1,415,000	4.20%	35	15	$1,415,000	4.20%	35	15	17%
HACA Seller Note (Hard Debt)	$0	0.00%	0	0	$890,000	2.24%	35	0	11%
HACA Seller Note (Cash Flow)	$4,100,000	2.24%	0	50	$3,210,000	2.24%	0	50	38%
AAHC Loan (Cash Flow)	$785,000	0.00%	0	50	$785,000	0.00%	0	50	9%
Total	**$6,300,000**				**$6,300,000**				

Comments:

Applicant's pro forma produced a DCR exceeding the 1.35 maximum. Underwriter assumes (for purposes of tax credit sizing) that the HACA Seller Note be partially amortized to bring the DCR below the 1.35 times threshold.

The assumed debt structure is for tax credit sizing purposes only and not a condition of the recommendation.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	**Amount**	**Rate**	**% Def**	**Amount**	**Rate**	**% TC**	**% Def**
RBC Capital Markets	$3,033,237	$1.16		$2,167,697	$1.16	26%	
Austin Affordable Housing Corp.	$999		0%	$0		0%	0%
Additional (Excess) Funds Req'd	($890,788)			$0			
Total	**$2,143,449**			**$2,167,697**			
				$8,467,697	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$0.827	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.594	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule:	0

CONCLUSIONS

Gap Analysis:	
Total Development Cost	$8,467,697
Permanent Sources	$6,300,000
Gap in Permanent Financing	$2,167,697

Possible Tax Credit Allocations:	**Equity Proceeds**	**Annual Credits**
Determined by Eligible Basis	$3,037,287	$262,427
Needed to Fill Gap in Financing	$2,167,697	$187,293
Requested by Applicant	$3,033,237	$262,077

	RECOMMENDATION	
	Equity Proceeds	**Annual Credits**
Tax Credit Allocation	**$2,167,697**	**$187,293**

Underwriter:	*Jason Cofield*
Manager of Real Estate Analysis:	*Thomas Cavanagh*
Director of Real Estate Analysis:	*Brent Stewart*

UNIT MIX/RENT SCHEDULE

Pathways at Shadowbend Ridge, Austin, 4% HTC #16422

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	Income	# Units	% Total
Eff	-	0.0%	0	30%	-	0.0%
1	18	36.0%	18	40%	-	0.0%
2	20	40.0%	20	50%	-	0.0%
3	9	18.0%	9	60%	50	100.0%
4	2	4.0%	2	MR	-	0.0%
5	1	2.0%	1			
TOTAL	**50**	**100.0%**	**50**	**TOTAL**	**50**	**100.0%**

Applicable Programs
4% Housing Tax Credits

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	100%
Applicable Fraction	100.00%
APP % Acquisition	3.37%
APP % Construction	3.37%
Average Unit Size	851 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 60%	$864	RAD	$620	10	1	1	617	$620	$86	$534	$0	$0.86	$534	**$5,335**	**$5,335**	$534	$0.86	$0	$800	$1.30	$800
TC 60%	$864	RAD	$620	8	1	1	623	$620	$86	$534	$0	$0.86	$534	**$4,268**	**$4,268**	$534	$0.86	$0	$800	$1.28	$800
TC 60%	$1,038	RAD	$761	8	2	1	818	$761	$89	$672	$0	$0.82	$672	**$5,378**	**$5,378**	$672	$0.82	$0	$970	$1.19	$970
TC 60%	$1,038	RAD	$761	12	2	1	833	$761	$89	$672	$0	$0.81	$672	**$8,068**	**$8,068**	$672	$0.81	$0	$970	$1.16	$970
TC 60%	$1,198	RAD	$1,001	1	3	1	941	$1,001	$91	$910	$0	$0.97	$910	**$910**	**$910**	$910	$0.97	$0	$1,190	$1.26	$1,190
TC 60%	$1,198	RAD	$1,001	8	3	1.5	1,248	$1,001	$91	$910	$0	$0.73	$910	**$7,278**	**$7,278**	$910	$0.73	$0	$1,190	$0.95	$1,190
TC 60%	$1,336	RAD	$1,196	2	4	2	1,275	$1,196	$93	$1,103	$0	$0.87	$1,103	**$2,206**	**$2,206**	$1,103	$0.87	$0	$1,260	$0.99	$1,260
TC 60%	$1,475	RAD	$1,363	1	5	2	1,404	$1,363	$95	$1,268	$0	$0.90	$1,268	**$1,268**	**$1,268**	$1,268	$0.90	$0	$1,350	$0.96	$1,350
TOTALS/AVERAGES:				**50**			**42,573**				**$0**	**$0.82**	**$694**	**$34,711**	**$34,711**	**$694**	**$0.82**	**$0**	**$968**	**$1.14**	**$968**

ANNUAL POTENTIAL GROSS RENT:	**$416,536**	**$416,536**

STABILIZED PRO FORMA

Pathways at Shadowbend Ridge, Austin, 4% HTC #16422

	STABILIZED FIRST YEAR PRO FORMA													
	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		Historical Exp. /Local Comps		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.82	$694	$416,536	$416,536	$694	$0.82		0.0%	$0
Vending, Maintenance Charges							$8.06	$4,839						
Total Secondary Income							$8.06		$4,839	$8.06			0.0%	$0
POTENTIAL GROSS INCOME								$421,375	$421,375				0.0%	$0
Vacancy & Collection Loss							7.0% PGI	(29,496)	(21,069)	5.0% PGI			40.0%	(8,428)
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								$391,879	$400,306				-2.1%	($8,428)
General & Administrative	$26,213	$524/Unit	16,456	$329	5.33%	$0.49	$418	$20,881	$26,213	$524	$0.62	6.55%	-20.3%	(5,333)
Management	$25,934	5.8% EGI	14,938	$299	4.00%	$0.37	$314	$15,675	$16,012	$320	$0.38	4.00%	-2.1%	(337)
Payroll & Payroll Tax	$51,881	$1,038/Unit	$59,308	$1,186	22.68%	$2.09	$1,778	$88,889	$59,308	$1,186	$1.39	14.82%	49.9%	29,581
Repairs & Maintenance	$37,981	$760/Unit	41,299	$826	8.50%	$0.78	$666	$33,321	$32,500	$650	$0.76	8.12%	2.5%	821
Electric/Gas	$9,943	$199/Unit	24,287	$486	4.91%	$0.45	$385	$19,250	$24,287	$486	$0.57	6.07%	-20.7%	(5,037)
Water, Sewer, & Trash	$34,064	$681/Unit	55,629	$1,113	17.07%	$1.57	$1,338	$66,875	55,629	$1,113	$1.31	13.90%	20.2%	11,246
Property Insurance	$17,537	$0.41 /sf	5,338	$107	1.28%	$0.12	$100	$5,000	$5,338	$107	$0.13	1.33%	-6.3%	(338)
Property Tax (@ 100%)	$34,499	$690/Unit	-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$22,734	$455/Unit	-	$0	4.47%	$0.41	$350	$17,500	$15,000	$300	$0.35	3.75%	16.7%	2,500
Cable TV			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			-	$0	0.32%	$0.03	$25	$1,250	$1,250	$25	$0.03	0.31%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	$0	0.51%	$0.05	$40	$2,000	$2,000	$40	$0.05	0.50%	0.0%	-
Security			11,901	$238	2.30%	$0.21	$180	$9,000	$9,000	$180	$0.21	2.25%	0.0%	-
Ground Lease Payment			-	$0	0.03%	$0.00	$2	$100	$100	$2	$0.00	0.02%	0.0%	-
TOTAL EXPENSES					**71.38%**	**$6.57**	**$5,595**	**$ 279,740**	**$ 246,637**	**$4,933**	**$5.79**	**61.61%**	**13.4%**	**$ 33,103**
NET OPERATING INCOME ("NOI")					**28.62%**	**$2.63**	**$2,243**	**$112,138**	**$153,669**	**$3,073**	**$3.61**	**38.39%**	**-27.0%**	**$ (41,531)**

CONTROLLABLE EXPENSES	$4,584/Unit		$3,959/Unit	

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Pathways at Shadowbend Ridge, Austin, 4% HTC #16422

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	**Fee**	**UW**	**App**	**Pmt**	**Rate**	**Amort**	**Term**	**Principal**	**Principal**	**Term**	**Amort**	**Rate**	**Pmt**	**DCR**	**LTC**
Bellwether Enterprise/FNMA		1.99	1.45	77,234	4.20%	35	15	$1,415,000	$1,415,000	15	35	4.20%	$77,234	1.99	16.7%
HACA Seller Note (Hard Debt)		1.99	1.45		0.00%	0	0	$0	$890,000	0	35	2.24%	$36,708	1.35	10.5%
CASH FLOW DEBT / GRANTS															
HACA Seller Note (Cash Flow)		1.99	1.45		2.24%	0	50	$4,100,000	$3,210,000	50	0	2.24%		1.35	37.9%
AAHC Loan (Cash Flow)		1.99	1.45		0.00%	0	50	$785,000	$785,000	50	0	0.00%		1.35	9.3%
				$77,234	**TOTAL DEBT / GRANT SOURCES**			**$6,300,000**	**$6,300,000**			**TOTAL DEBT SERVICE**	**$113,942**	1.35	74.4%
NET CASH FLOW		$76,436	$34,905						**TDHCA**	**NET OPERATING INCOME**		**$153,669**	**$39,727**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	**DESCRIPTION**	**% Cost**	**Annual Credit**	**Credit Price**	**Amount**	**Amount**	**Credit Price**	**Annual Credit**	**% Cost**	**Annual Credits per Unit**	**Allocation Method**
RBC Capital Markets	LIHTC Equity	35.8%	$262,077	1.16	$3,033,237	$2,167,697	$1.1574	$187,293	25.6%	$3,746	Needed to Fill Gap
Austin Affordable Housing Corp.	Deferred Developer Fees	0.0%	(0% Deferred)		$999	$0	(0% Deferred)		0.0%	**Total Developer Fee:**	**$610,483**
Additional (Excess) Funds Req'd		-10.5%			($890,788)	$0			0.0%		
TOTAL EQUITY SOURCES		25.3%			$2,143,449	$2,167,697			25.6%	**15-Year Cash Flow:**	**$647,259**
TOTAL CAPITALIZATION					**$8,443,449**	**$8,467,697**				**15-Yr Cash Flow after Deferred Fee:**	**$647,259**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	**New Const. Rehab**			**Total Costs**	**Total Costs**			**New Const. Rehab**	**Acquisition**	**%**	**$**
Land Acquisition				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Building Acquisition (Financed)	$4,100,000			$82,000 / Unit	$4,100,000	$4,100,000	$82,000 / Unit			$4,100,000	0.0%	$0
Off-Sites				$ / Unit	$0	$0	$ / Unit				0.0%	$0
Site Work		$32,696		$654 / Unit	$32,696	32,696	$654 / Unit		$32,696		0.0%	$0
Site Amenities		$222,399		$4,448 / Unit	$222,399	$222,399	$4,448 / Unit		$222,399		0.0%	$0
Building Cost		$1,811,660	$42.55 /sf	$36,233/Unit	$1,811,660	$1,835,909	$36,718/Unit	$43.12 /sf	$1,835,909		-1.3%	($24,249)
Contingency		$206,676	10.00%	10.00%	$206,676	$206,676	9.88%	9.88%	$206,676		0.0%	$0
Contractor Fees		$295,546	13.00%	13.00%	$295,546	$295,546	12.86%	12.86%	$295,546		0.0%	$0
Soft Costs	0	$230,794		$7,404 / Unit	$370,194	$370,194	$7,404 / Unit		$230,794	$0	0.0%	$0
Financing	0	$252,645		$8,664 / Unit	$433,216	$433,216	$8,664 / Unit		$252,645	$0	0.0%	$0
Developer Fee	$0	$628,363	20.59%	20.59%	$628,363	$610,483	19.84%	8.51%	$610,483	$0	2.9%	$17,880
Reserves				$24,670 / Unit	$1,233,487	$360,579	$7,212 / Unit				242.1%	$872,908
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BA	**$4,100,000**	**$3,680,779**		$186,685 / Unit	**$9,334,237**	**$8,467,697**	$169,354 / Unit		**$3,687,148**	**$4,100,000**	**10.2%**	**$866,539**
Acquisition Cost	$0				$0							
Contingency		$0			$0							
Contractor's Fee		$0										
Interim Interest		$0										
Developer Fee	$0	($17,880)			($17,880)							
Reserves					($872,908)							
ADJUSTED BASIS / COST	**$4,100,000**	**$3,662,899**		$168,869/unit	**$8,443,449**	**$8,467,697**	$169,354/unit		**$3,687,148**	**$4,100,000**	**-0.3%**	**($24,249)**
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY PCA/CNA					**$8,467,697**							

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Pathways at Shadowbend Ridge, Austin, 4% HTC #16422

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$4,100,000	$3,662,899	$4,100,000	$3,687,148
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$4,100,000	$3,662,899	$4,100,000	$3,687,148
High Cost Area Adjustment		100%		100%
TOTAL ADJUSTED BASIS	$4,100,000	$3,662,899	$4,100,000	$3,687,148
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$4,100,000	$3,662,899	$4,100,000	$3,687,148
Applicable Percentage	3.37%	3.37%	3.37%	3.37%
ANNUAL CREDIT ON BASIS	$138,170	$123,440	$138,170	$124,257
CREDITS ON QUALIFIED BASIS	$261,610		$262,427	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.1574	Variance to Request	
Method	Annual Credits	Proceeds	**Credit Allocation**	**Credits**	**Proceeds**
Eligible Basis	$262,427	$3,037,287	----	----	----
Needed to Fill Gap	$187,293	$2,167,697	**$187,293**	**($74,784)**	**($865,540)**
Applicant Request	$262,077	$3,033,237	----	----	----

50% Test for Bond Financing for 4% Tax Credits

Tax-Exempt Bond Amount	**$4,600,000**	
Aggregate Basis Limit for 50% Test	$9,200,000	
	Applicant	**TDHCA**
Land Cost	$0	$0
Depreciable Bldg Cost	########	########
Aggregate Basis for 50% Test	########	########

Percent Financed by Tax-Exempt Bonds	**Applicant**	**TDHCA**
	63.1%	**62.9%**

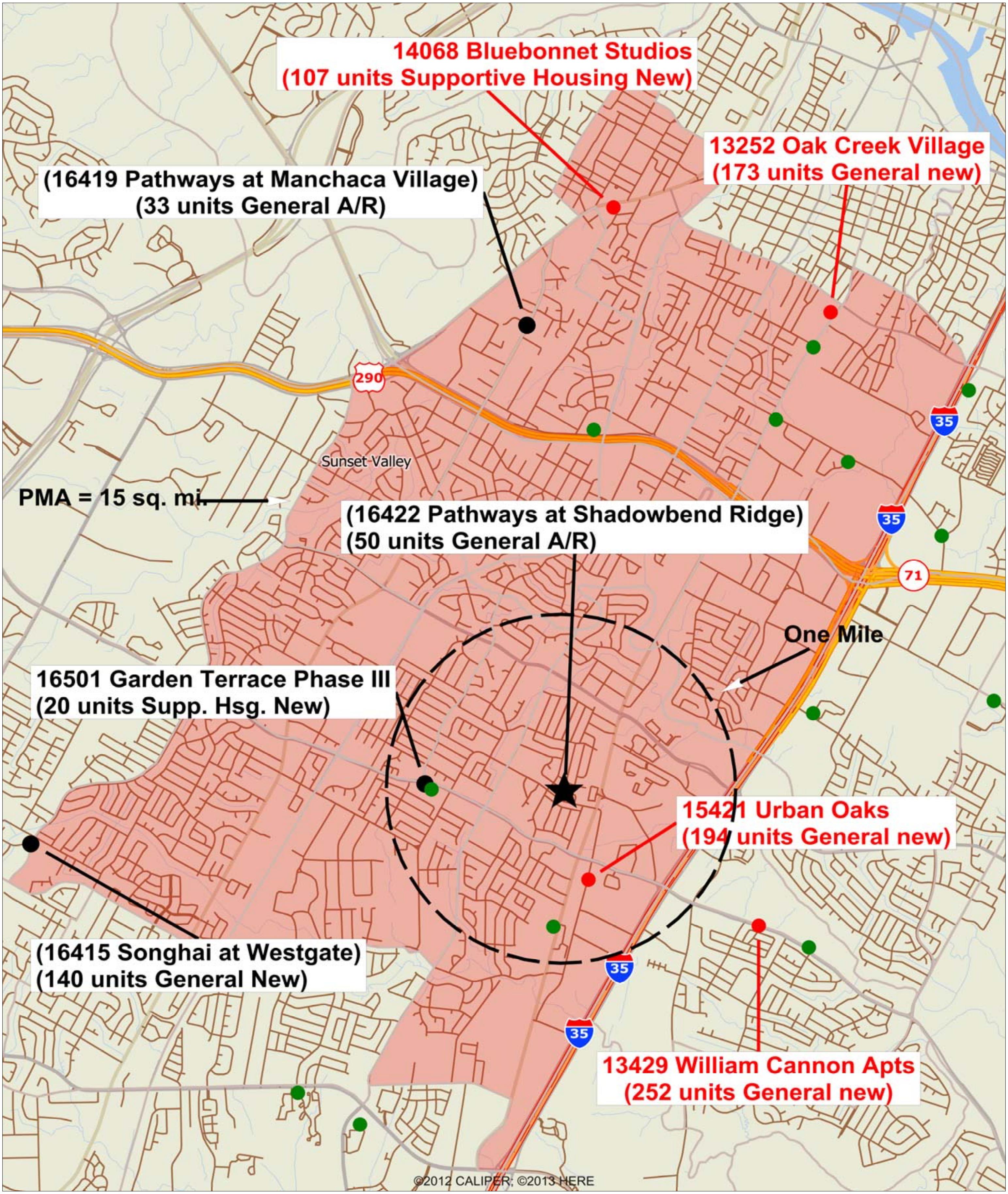
amount aggregate basis can increase before 50% test fails	$1,908,184	$1,883,935
	26.2%	25.8%

Long-Term Pro Forma

Pathways at Shadowbend Ridge, Austin, 4% HTC #16422

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$400,306	$408,312	$416,479	$424,808	$433,304	$478,403	$528,196	$583,171	$710,882	$784,871
TOTAL EXPENSES	3.00%	$246,637	$253,876	$261,329	$269,002	$276,902	$320,049	$369,968	$427,728	$571,917	$662,689
NET OPERATING INCOME ("NOI")		**$153,669**	**$154,437**	**$155,150**	**$155,806**	**$156,402**	**$158,354**	**$158,227**	**$155,442**	**$138,965**	**$122,182**
MUST -PAY DEBT SERVICE											
Bellwether Enterprise/FNMA		$77,234	$77,234	$77,234	$77,234	$77,234	$77,234	$77,234	$77,234	$77,234	$77,234
HACA Seller Note (Hard Debt)		$36,708	$36,708	$36,708	$36,708	$36,708	$36,708	$36,708	$36,708	$36,708	$36,708
TOTAL DEBT SERVICE		$113,942	$113,942	$113,942	$113,942	$113,942	$113,942	$113,942	$113,942	$113,942	$113,942
ANNUAL CASH FLOW		**$39,727**	**$40,495**	**$41,208**	**$41,864**	**$42,460**	**$44,412**	**$44,285**	**$41,500**	**$25,022**	**$8,240**
CUMULATIVE NET CASH FLOW		$39,727	$80,222	$121,430	$163,294	$205,754	$424,639	$647,259	$861,524	$1,199,748	$1,277,516
DEBT COVERAGE RATIO		1.35	1.36	1.36	1.37	1.37	1.39	1.39	1.36	1.22	1.07
EXPENSE/INCOME RATIO		61.6%	62.2%	62.7%	63.3%	63.9%	66.9%	70.0%	73.3%	80.5%	84.4%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$39,727	$40,495	$41,208	$41,864	$42,460	$44,412	$44,285	$41,500	$25,022	$8,240

16422 Pathways at Shadowbend Ridge PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.

4

BOARD ACTION ITEM

REAL ESTATE ANALYSIS DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action on Timely Filed Underwriting Appeal under the Department's Multifamily Program Rules regarding Merritt Hill Country (#15273) in Dripping Springs

RECOMMENDED ACTION

WHEREAS, an application for competitive 9% housing tax credits and HOME funds was timely filed for Merritt Hill Country (#15273) and approval of $500,000 in tax credits and $1,550,000 in HOME funds was awarded based upon a completed evaluation of the application and underwriting report;

WHEREAS, the underwriting report dated July 31, 2015, included three conditions the last of which stated "Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted";

WHEREAS, prior to the HOME loan closing, significant changes to the capital structure of the development were identified by staff which triggered the re-evaluation by staff, though a formal amendment of the application has not been requested;

WHEREAS, the underwriting re-evaluation identified $3,519,000 in additional first lien debt to cover significantly increased costs causing the annual debt service senior to the Department's HOME loan to increase by approximately $56,000;

WHEREAS, the second Addendum to the Underwriting Report dated September 13, 2016, limited the senior debt service by reflecting in condition 1.a that "closing documents [for the HOME loan] must reflect a senior debt amount such that first year annual debt service on the senior debt (including 0.25% MIP) does not exceed $369,744 amount";

WHEREAS, the Applicant timely filed an appeal of the second Addendum to the Underwriting Report requesting removal of condition 1.a along with corresponding changes to items 1.b and 1.c, and further requested that TDHCA utilize a 40-year amortization for the HOME loan;

WHEREAS, the Executive Director denied the appeal on the basis that he lacked the discretionary authority, reserved to the Board, to grant such significant changes, and the Applicant requested that any such denial be automatically presented to the Board with no new information; and

WHEREAS, the Applicant's request and appeal also reflect favorable changes to its rent assumptions and syndication rate and a pro forma ability to service the increased debt;

NOW, therefore, it is hereby

RESOLVED, that the underwriting appeal for #15273 Merritt Hill Country is denied, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Merritt Hill Country is a proposed 80 unit development in Dripping Springs, Texas which is accessing both 9% tax credits and HOME Multifamily Direct Loan funds through the Department. The original application was submitted in the spring of 2015 and it received approval of an award of credits and HOME funds at the end of July 2015. The original application included a request for $2,000,000 in HOME funds at 0% interest over a 35 year term, however this was inconsistent with the Notice of Funding Availability ("NOFA") for the HOME funds, which indicated that developments would be underwritten by the Department at a 3% interest rate with a 30 year amortization and term. The 2015 award of HOME funds was underwritten and conditioned upon an award that could meet the NOFA criteria as well as the minimum 1.15 debt coverage ratio ("DCR") criteria required in the Department's underwriting rules at 10 TAC §10.302 (d)(4)(D). This caused the recommendation for the HOME debt amount to be reduced to $1,550,000 in order to limit the risk to the Department regarding the repayability of the subordinate HOME debt. HOME loans that do not fulfill their intended obligations of affordability are subject to repayment by the Department to HUD.

As the development was nearing closing the Applicant submitted revisions to the senior financing package which included HUD §221(d)(4) funding at an interest rate reduced from 6% to 3.30% and an amount that increased from $5,600,000 to $9,119,000. Staff also identified an increase in syndication price for the tax credits from $0.96 to $1.035 which resulted in an increase in equity of $374,925. Both these increases triggered a re-evaluation of the financial structure by the Department's Real Estate Analysis Division pursuant to the standard underwriting condition listed as condition 3 in the original report and included in the Carryover for this award, and as required per 24 CFR §92.250, as further explained in CPD Notice 15-11.

The increases in debt and equity were needed to address the significant change in the development cost estimate which increased by $3,749,472. While the original underwriting capped the HOME debt due to the limited net income and a 1.15 DCR, the re-evaluation accepted the higher rents that could now be projected due to an increase in the median income for the area. The $80K increase in annual net income results in an additional $69K in annual debt service capacity based on the 1.15 DCR limit. Based on the initial underwriting guidelines, the higher projected income combined with the lower interest rate on the senior debt would allow for significantly more senior debt capacity, as is now being proposed.

The re-evaluation was completed and an amended underwriting report was published on the Department's web site and distributed to the Applicant though an application amendment was not formally sought by the Applicant. Staff believes that such a formal amendment request is not necessary in order to complete the re-evaluation since the re-evaluation was required to close on the HOME loan with the structural changes that were identified. The re-evaluation concluded that while the debt could increase, allowing it to increase such that the debt service increases would increase first lien debt ahead of the HOME funds and therefore should be limited to the level of the original anticipated debt service. As such, the report included a condition to recommend a limitation on the senior debt service to the original $369,744 while accepting an increase in senior debt of $2,174,491.

One key component of the structural changes directly impacting the HOME loan is the amount of debt and debt service that is senior to the HOME loan. An increase to senior debt service means that more of the Development's cash flow will go with priority to another lender than originally anticipated when the HOME award was determined and as such places the HOME loan behind more debt and requires the property to service more debt. In recent years, staff has observed the phenomenon of increased debt and debt service which is senior to the Department's HOME loan occurring more and more often. The Applicant, in their appeal, identifies two prior transactions with increased development costs and changed capital structures that were re-evaluated by the Real Estate Analysis Division one of which included an increase in the debt service as well as the debt amount as has occurred in this case. Neither of these prior applications referenced by the applicant requested an amendment or were presented to the Board for reconsideration and both were still considered feasible and closed with the changes accepted by staff. Since that time, HUD has published CPD Notice 15-11, which states that the underwriting must be revised in response to any changes that may occur in the project budget and that the Department must establish written standards to award HOME funds.Furthermore, the Board has shown an increased interest in the interplay between changes to senior debt and the repayment risk related to HOME funds. This has been evidenced in the discussions staff has had with the Board and recent Board actions. It is noted that the Department has repaid funds to the HOME account for three developments that utilized the Department's HOME program funds and then defaulted on their HOME obligations. Also, the NOFA under which the subject development made an application, required the development to be underwritten and recommended using a fully repayable financing structure with a 3% interest rate and a 30 year amortization.

At the April 28, 2016, Board meeting another development that was seeking an application amendment for various changes in their development plan had cost increases which led to financing structure changes, including a higher syndication price, lower interest rate, and greater senior debt and debt service. This transaction was also re-evaluated and the debt service was recommended to be limited to the original debt service as staff said at that time "in order to mitigate our risk for our HOME loan that's in the deal." Following approval of the amendment and limitation of the debt service increase staff has tried to resolve such changes with a stable debt service even though other changes could arguably support the debt increase.

It should also be noted that staff is recommending that such concerns be further clarified in the upcoming underwriting and amendment rules to more fully detail how these issues could manifest themselves into limitations when restructuring occurs after award but prior to closing on a HOME award.

The applicant has asserted in their appeal that the development remains feasible under the Department's underwriting rule even with the higher debt service and should be accepted as such by staff. While demonstrating that other underwriting standards and rules of feasibility are met, higher senior debt service increases repayment risk on the Department's subordinate Direct Loan regardless of a higher debt coverage ratio. In this case a higher debt coverage ratio is based on higher assumed *pro forma* rents. For the purposes of completing the re-evaluation, staff accepted use of these higher rents in the analysis, without formal amendments to the market study. Without such a formal amendment the assumption that the annual debt service payment could increase is unclear. A mitigation to this lack of information was the further assumption by staff that the annual debt service payment on the senior debt would not increase.

With regard to basing the Direct Loan payments on a 40-year amortization, the Notice of Funding Availability ("NOFA") states that funds will be structured in accordance with §10.307 of the Uniform Multifamily Rules, related to Direct Loan Requirements, except that all recommendations will be underwritten at a 3% interest rate and for a 30-year amortization period. The Applicant has indicated that HUD is requiring that the Department's loan also include a 40-year amortization. However, HUD has previously accepted the use of a 30-year amortization so long as the loan term does not mature prior to their loan. The Board has also approved this structure on other prior HUD transactions including, but not limited to the Sponsor's Merritt Leisure development in Midland (however, that transaction has not yet closed).

Staff cannot establish clear rule or NOFA based grounds for the underwriting appeal to be granted, despite the apparent ability of the Development to service the higher senior debt load and, accordingly, cannot recommend that this portion of the appeal be granted. Also, in order to ensure that the Department follows its Action Plan as required by HUD, the Applicant needs to show how the request to go to a 40 year amortization complies with the NOFA or is an exception that can be approved.

September 30, 2016

Writer's direct phone # (512)475-3296
Email: tim.irvine@mail.tdhca.state.tx.us

Cynthia L. Bast
Locke Lord, LLP
600 Congress, Suite 2200
Austin, TX 78701

RE: MERRITT HILL COUNTRY, TDHCA #15273 - APPEAL RESPONSE

Dear Ms. Bast:

I have reviewed your appeal letter dated September 20, 2016, on behalf of the Applicant regarding the Addendum to Underwriting Report published September 13, 2016, regarding the Direct Loan closing for the above application.

The Applicant submitted a closing package indicating changes to the development and financing structure which the Real Estate Analysis Division viewed as material. Pursuant to condition 3 of the original Underwriting Report, and Section A(IV)(e) of the Carryover Agreement, any material changes must be re-evaluated. Despite significant changes to the development and financing structure, you have not yet sought to amend your application.

The closing package included newly proposed HUD §221(d)(4) senior financing that increased the senior debt from the originally proposed $5,600,000 to $9,119,000 (an increase of $3,519,000) to cover higher development costs. While the interest rate was reduced from 6.00% to 4.00% (plus a mortgage insurance premium of 25 basis points), annual senior debt service based on a 40-year amortization increased from $370,000 to $426,000 ($56,000 annually). To address this change the second addendum to the Underwriting Report contained a condition stating that closing documents must reflect a senior debt amount such that first year annual debt service on the senior debt (including the 0.25% MIP) does not exceed the original $370K debt service amount. Utilizing a 3.30% interest rate, the maximum debt amount that could be supported and comply with this condition would be $7.8M.

Your appeal (presumably made under §10.902(a)(1) as an appeal related to satisfaction of underwriting criteria) objects to this condition, and additionally states that you believe that the Direct Loan should have payments based on a 40-year amortization, rather than 30 years, to match the term and amortization of the senior debt. It is unclear what your basis is for appealing the Direct Loan amortization term.

You are not asserting that the Underwriting Report itself is in error. You have not identified a calculation error, misstatement of fact, or misapplication of rule. You have asserted that the condition regarding holding the annual debt service constant is not a feasibility conclusion under rule and therefore cannot be imposed by the Underwriter.

Discussion:

The condition imposed in the amended underwriting report, limiting the dollar amount of annual debt service senior to the Direct Loan, was intended to effectuate what the Real Estate Analysis Division had understood to be a Board concern about significant changes in debt structures that were assessed as having an adverse effect on the Department's already approved and established position. The Board discussion of this concern is set out in the transcript of the April 28, 2016, Board meeting. Note that §10.302(c) of the Underwriting and Loan Policy rules requires that the conclusion of the underwriting report include a recommendation of funds to be awarded "and states any feasibility **or other conditions** to be placed on the award." (Emphasis added). While demonstrating that other underwriting standards and rules of feasibility are met, higher senior debt service increases repayment risk on the Department's subordinate Direct Loan regardless of a higher debt coverage ratio. In this case a higher debt coverage ratio is based on higher assumed *pro forma* rents. Real Estate Analysis staff accepted use of these assumptions regarding higher rents in the analysis, without requiring any formal amendments to the market study, on the good faith assumption that the annual debt service payment on the senior debt would not increase.

With regard to basing the Direct Loan payments on a 40 year amortization, the Notice of Funding Availability ("NOFA") states that funds will be structured in accordance with §10.307 of the Uniform Multifamily Rules, relating to Direct Loan Requirements, except that all recommendations would be underwritten at a 3% interest rate and for a 30 year amortization period.

With regard to your statement concerning HUD's requirement for a 40-year amortization, HUD has accepted the use of a 30-year amortization so long as the loan term does not mature prior to the loan that is subject to the HUD §221(d)(4) program. We have approved this structure on other prior HUD transactions including the sponsor's Merritt Leisure development in Midland, although we have not been advised that it has not closed.

Appeal Determination

Because the condition placed on the recommendation is viewed by staff as appropriate to address the their concerns and those expressed by Board members over approval of material changes that could adversely impact the Department's position by increasing the amount and loan serving requirements of superior debt, and because the loan amount, interest rate, and amortization terms recommended for the Direct Loan in the Underwriting Report are consistent with the NOFA and multifamily rules, I do not believe it is within my discretion to grant the appeal, but it is appropriate to place it promptly before the Board. Therefore, the appeal is denied. Pursuant to 10 TAC, Chapter 10, Subchapter G, §10.902(d) and (e), you have requested that your appeal, if denied by me, be filed with the Board and heard at its next regularly scheduled meeting. To be considered by the Board at its October 13, 2016, meeting, you must submit any additional information with your appeal to the Board before the seventh calendar day preceding the date of the Board meeting, which in this case is October 5, 2016 at 5:00 PM Austin local time.

If you have questions or comments, please call Brent Stewart, Director of the Department's Real Estate Analysis Division, at (512) 475-2973.

Respectfully,

Timothy K. Irvine
Executive Director

Locke Lord LLP
Attorneys & Counselors

600 Congress, Suite 2200
Austin, TX 78701
Telephone: 512-305-4700
Fax: 512-305-4800
www.lockelord.com

Cynthia L. Bast
Direct Telephone: 512-305-4707
Direct Fax: 512-391-4707
cbast@lockelord.com

September 20, 2016

(Via e-mail)
Mr. Tim Irvine
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Appeal – Merritt Hill Country in Dripping Springs
TDHCA No. 15273

Dear Mr. Irvine:

On behalf of DDC Merritt Hill Country, Ltd. (the "**Applicant**"), we submit this appeal, objecting to the following newly imposed underwriting condition:

> Closing documents must reflect a senior debt amount such that first year debt service on the senior debt (including 0.25% MIP) does not exceed $369,744. At a 3.3% interest rate, the maximum debt amount is $7,774,491.

This condition is listed as item 1.a. under the Conditions Status section of the Addendum to Underwriting Report dated September 13, 2016. If this appeal is granted, the related conditions set forth in items 1.b. and 1.c. will require revision, as well. In addition, per HUD requirement, we believe the amortization utilized by TDHCA underwriting should be 40 years, rather than 30 years, to match the term and amortization of the first lien loan.

Brief History. The Applicant received awards of $500,000 in annual low-income housing tax credits ("**LIHTCs**") and $1,550,000 of HOME funds in July 2015. Upon receipt of these awards, the Applicant began to bid out its construction contract, assemble its financing and proceed to closing. Like many of its peers, the Applicant found that construction prices had increased substantially since the application was assembled in February 2015. However, the increase in construction pricing could be offset by better equity pricing for the LIHTCs, use of HUD 221(d)(4) financing with a higher principal amount and lower interest rate and longer amortization, increased rents, and other adjustments that are typically implemented between the time of LIHTC award and financing closing.

Respectful of its obligation to notify TDHCA if the terms of the capital structure change, the Applicant advised TDHCA that it would be utilizing HUD 221(d)(4) financing. On June 9, it submitted revised financial exhibits to the Application, showing an updated Sources and Uses, Development Cost Schedule, Annual Operating Expenses, and Rent Schedule. TDHCA staff re-underwrote the application and advised, on or about August 31, that the increased principal amount of the first lien debt imposed risk on the second lien HOME loan. Consequently, staff recommended a condition to the awards that the annual first lien debt service not exceed a certain amount. That amount equates to a first lien loan of approximately $7.7 million. However, per HUD underwriting, the Development qualifies for a first lien loan of $9.119 million. At the higher principal amount, the Development still meets all of TDHCA's feasibility criteria in the underwriting rules. The restriction on debt service is not acceptable to the Applicant's first lien lender or equity investor. Thus, the Applicant brings this appeal and requests that you consider the key points and analysis set forth below.

Key Points. In considering this appeal, the Applicant asks the Board to consider the following:

- The Applicant has spent the last 9 months going through HUD's application and underwriting process. HUD has underwritten and approved the transaction at $9.119 million of first lien debt.
- The Applicant submitted its revised capital structure to TDHCA on June 9 and did not receive word from TDHCA that the additional principal amount of the debt would be problematic until August 31, after the Applicant had already locked the interest rate for its HUD loan.
- The Applicant has locked its interest rate at 3.3%, with a HUD deadline for closing of October 31. If the principal amount of the debt is changed, the Applicant will lose that rate lock and, based upon current numbers, likely will have a higher interest rate.
- If the principal amount of the debt is changed, the financing will need to be re-underwritten by HUD, which will impose delays threatening the Applicant's ability to place the Development into service within the deadline.
- There are sufficient mitigating factors to address risk for TDHCA's second lien HOME loan:
  - Equity pricing has increased from $0.96 per credit dollar at the time of application to $1.035 per credit dollar. The investor will have more capital at risk.
  - Interest rates have decreased from 6% at the time of application to 3.3%. This allows for a higher loan amount.
  - By using the HUD financing, amortization has increased from 30 years to 40 years. This also permits a higher loan amount.
  - The rental market in Dripping Springs is quite strong. TDHCA staff has noted there are no comparable properties for seniors within this community, and have identified a 1% gross capture rate.
  - Rents have increased approximately 10% since the time of application.
- As noted above, even with the $9.119 million first lien loan, the Development meets all of TDHCA's feasibility requirements pursuant to the underwriting rules, including maintaining a debt service coverage ratio in excess of 1.15.

- This developer has been a regular recipient of TDHCA HOME loans. In each instance where it has experienced increased costs accompanied by changes in the capital structure, TDHCA has reviewed the changes under the lens of the feasibility conclusions set forth in the rules. See attached HOME closing memoranda from two transactions, as Exhibit A. Where the revised capital structure continued to meet the feasibility conclusions in the rules, the revised capital structure was permitted.
- Consistent with the foregoing, when the Applicant was considering changes in its capital structure, it carefully planned the financing so that the Development would continue to satisfy TDHCA's feasibility conclusions. See attached comparison, as Exhibit B, using the numbers from TDHCA's most recent underwriting but substituting the HUD-approved $9.119 million first lien loan for the $7.7 million first lien loan utilized by TDHCA. You will see a 40-year debt service coverage ratio, beginning at 1.17 in the first year and increasing to 1.71 in the fortieth year. By contrast, TDHCA's underwriting with the $7.7 million first lien loan amount derives a 40-year debt service coverage ratio beginning at 1.33 in the first year and increasing to 2.49 in the fortieth year. Clearly, there is room for the principal amount of the first lien loan to increase while the Development remains financially feasible.
- The Development's equity investor and first lien lender have indicated they will not accept the underwriting condition imposed by TDHCA.

Analysis. TDHCA's staff is taking the position that, when a TDHCA HOME loan is present, the annual debt service of the first lien loan should not increase beyond what was submitted in the original application. Annual debt service is not a feasibility conclusion in accordance with TDHCA's rules. Rather, debt service coverage ratio is the applicable feasibility consideration. See Section 10.307(a)(3) of the Rules which states the following with regard to Direct Loan Requirements:

> If the first lien mortgage is a federally insured HUD or FHA mortgage, the Department may approve a loan structure with annual payments payable from surplus cash flow provided that the debt coverage ratio, inclusive of the loan, continues to meet the requirements in this subchapter. (emphasis added)

See also, the prior HOME closing memoranda attached as Exhibit A, in which TDHCA staff states:

> After review of the increase to development costs (up 13%) and corresponding increase in the sources of funds, along with changes to the operating proforma, REA concludes that there is no material impact to the proforma feasibility and prior recommendations. The deal remains within parameters of the REA rules. (Merritt Lakeside Senior Village – emphasis added)

> There is no material impact to the financial feasibility of the transaction and the original LIHTC recommendation and HOME loan structure remains supported. (Merritt Legacy)

In short, when developers are adjusting their financing to meet ever-changing development budgets, they rely upon the TDHCA feasibility conclusions, set forth in the Rules, to determine whether they are continuing on a permissible path.

The staff's recommended underwriting condition, fixing the annual debt service for the first lien loan, is not derived from the feasibility conclusions in the Rules. Rather, it is derived from a conversation with TDHCA's Board at the April 28 meeting. At that meeting, staff presented an agenda item for approval of a modification to a capital structure that involved an increased loan amount, decreased interest rate, increased amortization, and increased credit pricing, all adjusted to accommodate increased development costs. For that particular development, staff recommended that the first lien debt service remain constant, to limit the exposure of TDHCA's second lien HOME loan. The applicant was able to accept that recommendation. Subsequent to the Board's decision, the Executive Director engaged the Chair in a discussion about change in capital structure and whether it was important to the Board that first lien debt service remain the same as what was originally presented. This brief discussion involved only one Board member and was not an action item. As the Board cannot change policy or Rules without a vote, the discussion can only be viewed as a statement of preference or consideration.

Certainly, the Applicant understands TDHCA's need to protect the risk associated with its HOME loan so that the funds can be repaid and re-programmed for other affordable housing uses. However, TDHCA's rules already include a set of tests to ensure that a Development is financially feasible. Debt service coverage ratio, and not annual debt service, has long been the chosen standard. This is supported by Section 10.307(a)(3) of the Rules, which allows Direct Loans to be paid out of surplus cash, when HUD provides the first lien financing, if the debt service coverage ratio remains feasible.

To the extent the discussion between the Executive Director and the Chair indicates the Board wishes to impose additional restrictions upon changes in financing structure and financial feasibility conclusions, we respectfully request that be done in the rule-making process, with all appropriate public announcements. As for this Applicant, we request that the Board look at the whole of the circumstances, noting the positive factors and mitigations, along with HUD's approval of the financing structure.

<u>Request</u>. The Applicant requests removal of item 1.a. under the Conditions Status section of the Addendum to Underwriting Report dated September 13, 2016, along with corresponding changes to items 1.b. and 1.c. Further, the Applicant requests that TDHCA utilize a 40-year amortization for the HOME loan, as required by HUD.

Thank you for your consideration. We look forward to your response and request to be heard at the October 13 Board meeting if the Executive Director does not grant this appeal.

Sincerely,

Cynthia L Bast

Cynthia L. Bast

cc: Tom Gouris
Brent Stewart
TDHCA

Colby Denison
Denison Development

Dan Kierce
RBC Capital

Mahesh Aiyer
Citibank

Exhibit A – Prior Changes in Capital Structure with HOME Loans

Exhibit B – 40 Year Pro Forma with $9.119 million First Lien Debt

Exhibit A

Prior Changes in Capital Structure with HOME Loans

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Multifamily Finance Production Division

From: Brent Stewart, Real Estate Analysis

cc: File

Date: October 3, 2012

Re: TDHCA #12345 Merritt Legacy – Analysis of Revised Budget and Capital Structure for HOME Loan Closing

Applicant submitted a revised development cost schedule and capital structure resulting from final, more-favorable, terms negotiated with the lender and syndicator. Drawings are near final and the contractor's budget finalized.

Costs:

Total development cost increased $1.6M (5.6%). Notable increases occur in off-site costs ($183K), Sitework ($656K) and building costs ($485K). Most increases caused by higher labor and material prices (particularly concrete). Some increases due to final design specifications including items required by the city (dual water distribution lines and upgraded site features to conform with new parkland requirements). Budget based on a firm contractor bid (contract near final and to be executed at HOME loan closing).

Applicant's total budget is $457K (1.5%) lower than the REA costing.

Sources of Funds:

Equity proceeds increased $1.5M due to an increase of the syndication price ($.88 to $.955). The interest rate on the permanent decreased to 6.5% (increasing the projected DCR from 1.21:1 to 1.30:1 times). Structure now includes an additional $108K in "private funds" (up to $308K total).

Conclusion:

While significant, the higher costs of labor and commodity prices are similar to increases seen by REA on other transactions. Other increases resulting from scope and/or specification changes have been satisfactorily explained and are reasonable.

Additional equity provided by the higher syndication price covers the cost increase with virtually no change in the deferred developer fee. If the syndication price had not increased, the deal would have remained feasible pursuant to REA rules with additional deferred fee funding the cost increase.

There is no material impact to the financial feasibility of the transaction and the original LIHTC recommendation and HOME loan structure remains supported. Any final adjustment to the credit award, if any, will be made a cost certification.

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Merritt Legacy, Leander, 9% HTC/HOME #12345

DEBT / GRANT SOURCES

	APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							Prior Underwriting		AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
	Cumulative DCR														Cumulative	
DEBT (Must Pay)	UW	App	Pmt	Rate	Amort	Term	Principal	Applicant	TDHCA	Principal	Term	Amort	Rate	Pmt	DCR	LTC
0	1.52	1.45	$584,031	6.50%	30	15	$7,700,000	$7,700,000	$7,700,000	$7,700,000	15	30	6.50%	$584,031	1.45	26.0%
TDHCA	1.36	1.30	$66,667	0.00%	30	18	$2,000,000	$2,000,000	$2,000,000	$2,000,000	15	30	0.00%	$66,667	1.30	6.7%
CASH FLOW DEBT / GRANTS																
Brownstone Construction, Ltd.	1.36	1.30		0.00%	0	0	$0	$100,000	$100,000	$0	0	0	0.00%		1.30	0.0%
Oryx Holdings, LLC	1.36	1.30		0.00%	0	0	$308,000	$100,000	$100,000	$308,000	0	0	0.00%		1.30	1.0%
TOTAL DEBT / GRANT SOURCES			$650,698				$10,008,000			$10,008,000				$650,698		33.8%
NET CASH FLOW	$235,839	$194,157												$194,157		

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					Prior Underwriting		AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Rate	Amount	Applicant	TDHCA	Amount	Credit Rate	Annual Credit	% Cost	Per Unit Credit Developer Fee Summary	
RBC Capital	LIHTC Equity	64.4%	$2,000,000	$0.955	$19,098,090	$17,598,240	$17,598,240	$19,098,090	$0.955	$2,000,000	64.4%	Annual Credit per Unit:	$91,818
DDC Investments, Ltd.	Deferred Developer Fees	1.8%	(17% Deferred)		$529,323	$566,390	$566,390	$529,323	(17% Deferred)		1.8%	Total Developer Fee:	$3,075,785
Additional (Excess) Funds Req'd		0.0%			$0	$0	$0	$0			0.0%	15-Year Cash Flow:	$3,479,718
TOTAL EQUITY SOURCES		66.2%			$19,627,413	$18,164,630	$18,164,630	$19,627,413			66.2%	15-Yr Cash Flow after Fee:	$2,950,395
TOTAL CAPITALIZATION					**$29,635,413**			**$29,635,413**					

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					Prior Underwriting		TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis										Eligible Basis			
	Acquisition	New Const. Rehab			Total Costs	Applicant	TDHCA	Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition				$11,058 / Unit	$2,300,000	$2,300,000	$2,300,000	$2,300,000	$11,058 / Unit				0.0%	$0
Building Acquisition	$0			$ / Unit	$0	$0	$0	$0	$ / Unit			$0	0.0%	$0
Closing costs & acq. legal fees					$0	$0	$0	$0						$0
Off-Sites				$6,962 / Unit	$1,448,000	$1,264,857	$1,264,857	$1,448,000	$6,962 / Unit				0.0%	$0
Sitework		$2,699,000		$12,976 / Unit	$2,699,000	$2,042,172	$2,042,172	$2,699,000	$12,976 / Unit		$2,699,000		0.0%	$0
Building Costs		$12,063,000	$60.29 /sf	$59,370/Unit	$12,349,000	$11,864,000	$12,806,063	$12,806,063	$61,568/Unit	$62.52 /sf	$12,614,033		-3.6%	($457,063)
Contingency		$738,100		5.10%	$752,400	$695,309	$695,309	$752,400	4.91%		$752,400		0.0%	$0
Contractor's Fees		$2,066,680		14.90%	$2,309,440	$1,946,864	$1,946,864	$2,309,440	14.00%		$2,309,440		0.0%	$0
Indirect Construction	0	$2,269,450		$11,031 / Unit	$2,294,450	$2,015,708	$2,015,708	$2,294,450	$11,031 / Unit		$2,269,450	$0	0.0%	$0
Developer's Fees	$0	$3,075,785		15.00%	$3,125,785	$2,992,720	$2,992,720	$3,125,785	14.43%		$3,075,785	$0	0.0%	$0
Interim Financing	0	$669,000		$5,990 / Unit	$1,246,000	$1,943,000	$1,943,000	$1,246,000	$5,990 / Unit		$669,000	$0	0.0%	$0
Reserves				$5,343 / Unit	$1,111,338	$1,000,000	$1,000,000	$1,111,338	$5,343 / Unit				0.0%	$0
UNADJUSTED BASIS / COST	**$0**	**$23,581,015**		$142,478 / Unit	**$29,635,413**	**$28,064,630**	**$29,006,693**	**$30,092,476**	$144,675 / Unit		**$24,389,108**	**$0**	**-1.5%**	**($457,063)**
Acquisition Cost for Identity of Interest Seller					$0									
Contingency		$0												
Contractor's Fee		$0												
Interim Interest														
Developer's Fee	$0	($1)			$0									
ADJUSTED BASIS / COST	**$0**	**$23,581,015**		$142,478	**$29,635,413**			**$30,092,476**	$144,675		**$24,389,108**	**$0**	**-1.5%**	**($457,063)**

TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 5% of TDHCA Estimate):	**$29,635,413**

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Merritt Legacy, Leander, 9% HTC/HOME #12345

CREDIT CALCULATION ON QUALIFIED BASIS

	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$0	$23,581,015	$0	$24,389,108
Deduction for Other Federal Funds	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$0	$23,581,015	$0	$24,389,108
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$0	$30,655,319	$0	$31,705,840
Applicable Fraction	79.79%	79.79%	79.79%	79.79%
TOTAL QUALIFIED BASIS	$0	$24,460,859	$0	$25,299,103
Applicable Percentage	0.00%	9.00%	0.00%	9.00%
ANNUAL CREDIT ON BASIS	$0	$2,201,477	$0	$2,276,919
CREDITS ON QUALIFIED BASIS	$2,201,477		$2,276,919	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS

Method	Annual Credits	Proceeds
Eligible Basis	$2,201,477	$21,022,006
Gap	$2,055,432	$19,627,413
Original Request	$2,000,000	$19,098,090
Current Request	$2,000,000	$19,098,090

FINAL ANNUAL LIHTC ALLOCATION

Method	Current Request
Credits	$2,000,000
Underwritten Proceeds	$19,098,090

TOTAL HARD COST COMPARISON

	APPLICANT			TDHCA		
	Per SF	Per Unit	Total	Total	Per Unit	Per SF
Hard Costs (Building, Site-work, Off-Sites & Contingency)	$84.21	$82,925	$17,248,400	$17,705,463	$85,122	$86.44
Applicant's Cost/SF Point Election	$85.00					
Hard Costs plus Contractor Fees	$88.41	$87,067	$18,109,840	$18,566,903	$89,264	$90.64

DIRECT CONSTRUCTION COST ESTIMATE

CATEGORY	FACTOR	UNITS/SF	PER SF	AMOUNT
Base Cost: 4-Story (Elevator Served)			$57.68	11,814,559
Adjustments				
Exterior Wall Finish	4.00%		2.31	$472,582
	0.00%		0.00	0
9-Ft. Ceilings	3.50%		2.02	413,510
Roofing			0.00	0
Subfloor			0.20	41,478
Floor Cover			3.19	653,414
Breezeways	$24.66	55,280	6.65	1,362,928
Balconies	$25.34	16,816	2.08	426,189
Plumbing Fixtures	$890	312	1.36	277,680
Rough-ins	$440	0	0.00	0
Built-In Appliances	$1,625	208	1.65	338,000
Exterior Stairs	$2,025	45	0.44	91,125
Heating/Cooling			1.95	399,422
Enclosed Corridors	$44.81		0.00	0
Carports	$10.75	8,000	0.42	86,000
Garages	$18.63	9,532	0.87	177,539
Comm &/or Aux Bldgs	$75.47	4,045	1.49	305,278
Other: Elevator	$94,050	3	1.38	282,150
Other:			0.00	0
Other: fire sprinkler	$2.20	208,877	2.24	459,529
SUBTOTAL			**85.93**	**17,601,384**
Current Cost Multiplier	0.99		-0.86	(176,014)
Local Multiplier	0.87		-11.17	(2,288,180)
TOTAL DIRECT CONSTRUCTION COSTS			**73.90**	**$15,137,191**
Plans, specs, survey, bldg permits	3.90%		-2.88	($590,350)
Contractor's OH & Profit	11.50%		-8.50	(1,740,777)
NET DIRECT CONSTRUCTION COSTS			62.52	$12,806,063

Memorandum

To: File

From: Brent Stewart
Real Estate Analysis

Cc: Monita Henley
Carolyn Kelley
Chris Law

Date: March 24, 2011

Re: Closing Re-Evaluation, Merritt Lakeside Senior Village (fka Ashton Senior Village), TDHCA #10040

Recommendation:

After review of the increase to development costs (up 13%) and corresponding increase in the sources of funds, along with changes to the operating proforma, REA concludes that there is no material impact to the proforma feasibility and prior recommendations. The deal remains within parameters of the REA rules. No change is recommended to the HOME loan terms. Final determination of eligible basis and credit recommendation will be made at cost certification.

Background:

The Development was submitted and approved for a 2010 allocation of 9% tax credits in the amount of $2,000,000. Additionally, the Applicant was approved for a HOME loan in the amount of $2,000,000.

Through preparation of the HOME loan closing documents, the Applicant submitted revisions to the development cost schedule, sources and uses schedule, expense proforma, 30-year operating proforma and an engineer's certification of the site work costs. Sterling Bank, construction and permanent lender, also provided a third-party cost review used in their underwriting and approval. A comparison exhibit of the changes is attached.

Costs/Uses:

Total costs increased $2.7M primarily due to Hard Cost increases of $1.3M (including $658K of additional site costs). As a result, contractor and developer fees increased $577K. Soft cost increases are largely related to impact and permit fees (up $350K), financing costs (up $412K) and an additional $270K of operating reserves required by the lender. The increase in reserves is consistent with increases seen across recently underwritten deals.

Original site cost estimates at application were made prior to any meaningful site engineering which later showed significant export/ import due to bad soils and detention requiring three (3) ponds. Estimates of site work costs at application are at best speculative because the expense of site due diligence by the developer is prohibitive given the speculative nature of awards under the LIHTC program.

CA Partners, a construction advisor engaged by Sterling Bank, reviewed the development budget and concluded that the applicant's final cost estimate is supportable.

<u>Operating Proforma:</u>

Proforma operating expenses decreased $43K increasing NOI by a like amount. With the increase to the senior debt, discussed below, DCR is now 1.27 times (previously 1.31 times). NOI remains within 5% of the original REA proforma.

<u>Sources:</u>

Senior debt increased $950k with a reduced term (from 40 to 30 years) but a more favorable interest rate (7% versus the previous 8.5%). Annual debt service, however, increased $44K which is consistent with the increased NOI.

While the projected eligible basis increased $299K, the credit amount remains capped at $2M. Syndication proceeds increased $1.8M due to a $.09 increase in the credit price. While there is a 2% increase in total debt-to-equity (now 37%), the capital structure percentages of total cost remain largely unchanged with an equity-to-cost ratio at 71%.

Re-Evaluation Comparison

Item	Application	Closing	Change
Acquisition Cost	$1,413,214	$1,513,214	$100,000
Off-Sites	0	0	$0
Sitework	2,058,303	2,716,700	$658,397
Direct Construction	9,140,000	9,682,167	$542,167
Contingency	559,915	641,583	$81,668
Contractor's Fees	1,567,762	1,796,433	$228,671
Indirect Construction	1,363,500	1,663,153	$299,653
Ineligible Costs	915,610	659,955	($255,655)
Developer's Fees	2,359,722	2,708,230	$348,508
Interim Financing	839,750	1,252,000	$412,250
Reserves	400,000	670,000	$270,000
TOTAL COST	**$20,617,776**	**$23,303,435**	**$2,685,659**
Permanent Debt	$3,200,000	$4,150,000	$950,000
TDHCA Home	2,000,000	2,000,000	0
Syndication Proceeds	14,797,040	16,596,000	1,798,960.00
Deferred Developer Fee	620,737	557,435	($63,302)
TOTAL SOURCES	**$20,617,777**	**$23,303,435**	**$2,685,658**
Eligible Basis Annual LIHTC	$2,089,458	$2,388,536	$299,078
Annual Tax Credits (Cap)	$2,000,000	$2,000,000	$0
Syndication Price	$0.74	$0.83	$0.09
Syndication Proceeds	$14,797,040	$16,596,680	$1,799,640

Exhibit B

40 Year Pro Forma with $9.119 million First Lien Debt

TDHCA Underwriting Report: Stress Test on $9,119,000 Primary 221d4 Mortgage

Expense Escalator	3.0%
Income Escalator	2.0%

		DSCR	Applicant	TDHCA	DSCR	Yr 2	Yr3	Yr 4
	Revenue							
	Gross Potential Rent		$ 1,123,872	$ 1,123,872		$ 1,146,349	$ 1,169,276	$ 1,192,662
	Other Income		29,198	19,200		19,584	19,976	20,375
			$ 1,153,070	$ 1,143,072		$ 1,165,933	$ 1,189,252	$ 1,213,037
	Vacancy & Rent Collection		$ (86,480)	$ (85,730)		$ (87,445)	$ (89,194)	$ (90,978)
	Effective Gross Income		**$ 1,066,590**	**$ 1,057,342**		**$ 1,078,488**	**$ 1,100,058**	**$ 1,122,059**
	Exenses							
	G&A		$ 36,185	$ 32,195		$ 33,161	$ 34,156	$ 35,180
	Management		54,830	52,867		53,924	55,003	56,103
	Payroll		128,419	116,559		120,056	123,657	127,367
	Repairs & Maintenance		47,206	48,000		49,440	50,923	52,451
	Electric/Gas		24,860	22,848		23,533	24,239	24,967
	Water, Sewer & Trash		52,932	62,581		64,458	66,392	68,384
	Property Insurance		21,029	20,982		21,611	22,260	22,928
	Property Tax		58,361	65,612		67,580	69,608	71,696
	Reserves		24,000	20,000		20,600	21,218	21,855
	Support Services		19,750	19,750		20,343	20,953	21,581
	TDHCA Compliance		2,592	2,586		2,664	2,743	2,826
	Security		-	-		-	-	-
	TOTAL EXPENSE		**$ 470,164**	**$ 463,980**		**$ 477,371**	**$ 491,153**	**$ 505,337**
	NOI		**$ 596,426**	**$ 593,362**		**$ 601,118**	**$ 608,906**	**$ 616,722**
	Debt Service							
	221d4 Mortgage		$ 430,502	$ 430,502		$ 430,502	$ 430,502	$ 430,502
****Not Allowed by HUD**	TDHCA HOME (30 Yr Am)		78,418	78,418		78,418	78,418	78,418
	Net Cash Flow	**1.17**	**$ 87,506**	**$ 84,442**	**1.17**	**$ 92,198**	**$ 99,986**	**$ 107,802**
						1.18	1.20	1.21

Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13
$ 1,216,515	$ 1,240,846	$ 1,265,662	$ 1,290,976	$ 1,316,795	$ 1,343,131	$ 1,369,994	$ 1,397,394	$ 1,425,341
20,783	21,198	21,622	22,055	22,496	22,946	23,405	23,873	24,350
$ 1,237,298	$ 1,262,044	$ 1,287,285	$ 1,313,030	$ 1,339,291	$ 1,366,077	$ 1,393,398	$ 1,421,266	$ 1,449,692
$ (92,797)	$ (94,653)	$ (96,546)	$ (98,477)	$ (100,447)	$ (102,456)	$ (104,505)	$ (106,595)	$ (108,727)
$ 1,144,501	**$ 1,167,391**	**$ 1,190,738**	**$ 1,214,553**	**$ 1,238,844**	**$ 1,263,621**	**$ 1,288,894**	**$ 1,314,671**	**$ 1,340,965**
$ 36,236	$ 37,323	$ 38,443	$ 39,596	$ 40,784	$ 42,007	$ 43,267	$ 44,565	$ 45,902
57,225	58,370	59,537	60,728	61,942	63,181	64,445	65,734	67,048
131,188	135,124	139,178	143,353	147,653	152,083	156,646	161,345	166,185
54,024	55,645	57,315	59,034	60,805	62,629	64,508	66,443	68,437
25,716	26,487	27,282	28,100	28,943	29,811	30,706	31,627	32,576
70,435	72,549	74,725	76,967	79,276	81,654	84,104	86,627	89,226
23,615	24,324	25,054	25,805	26,579	27,377	28,198	29,044	29,915
73,847	76,062	78,344	80,694	83,115	85,609	88,177	90,822	93,547
22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515
22,229	22,896	23,583	24,290	25,019	25,769	26,542	27,339	28,159
2,911	2,998	3,088	3,180	3,276	3,374	3,475	3,580	3,687
-	-	-	-	-	-	-	-	-
$ 519,936	**$ 534,962**	**$ 550,427**	**$ 566,345**	**$ 582,728**	**$ 599,590**	**$ 616,946**	**$ 634,810**	**$ 653,197**
$ 624,564	**$ 632,428**	**$ 640,311**	**$ 648,208**	**$ 656,116**	**$ 664,031**	**$ 671,947**	**$ 679,861**	**$ 687,768**
$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502
78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418
$ 115,644	**$ 123,508**	**$ 131,391**	**$ 139,288**	**$ 147,196**	**$ 155,111**	**$ 163,027**	**$ 170,941**	**$ 178,848**
1.23	1.24	1.26	1.27	1.29	1.30	1.32	1.34	1.35

Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	Yr 21	Yr 22
$ 1,453,848	$ 1,482,925	$ 1,512,584	$ 1,542,835	$ 1,573,692	$ 1,605,166	$ 1,637,269	$ 1,670,015	$ 1,703,415
24,837	25,334	25,841	26,357	26,885	27,422	27,971	28,530	29,101
$ 1,478,686	$ 1,508,259	$ 1,538,424	$ 1,569,193	$ 1,600,577	$ 1,632,588	$ 1,665,240	$ 1,698,545	$ 1,732,516
$ (110,901)	$ (113,119)	$ (115,382)	$ (117,689)	$ (120,043)	$ (122,444)	$ (124,893)	$ (127,391)	$ (129,939)
$ 1,367,784	**$ 1,395,140**	**$ 1,423,043**	**$ 1,451,503**	**$ 1,480,534**	**$ 1,510,144**	**$ 1,540,347**	**$ 1,571,154**	**$ 1,602,577**
$ 47,279	$ 48,698	$ 50,159	$ 51,664	$ 53,213	$ 54,810	$ 56,454	$ 58,148	$ 59,892
68,389	69,757	71,152	72,575	74,027	75,507	77,017	78,558	80,129
171,171	176,306	181,595	187,043	192,654	198,434	204,387	210,519	216,834
70,490	72,604	74,782	77,026	79,337	81,717	84,168	86,693	89,294
33,553	34,560	35,596	36,664	37,764	38,897	40,064	41,266	42,504
91,902	94,659	97,499	100,424	103,437	106,540	109,736	113,028	116,419
30,813	31,737	32,689	33,670	34,680	35,720	36,792	37,896	39,033
96,353	99,244	102,221	105,288	108,447	111,700	115,051	118,503	122,058
29,371	30,252	31,159	32,094	33,057	34,049	35,070	36,122	37,206
29,004	29,874	30,770	31,693	32,644	33,623	34,632	35,671	36,741
3,798	3,912	4,029	4,150	4,274	4,402	4,535	4,671	4,811
-	-	-	-	-	-	-	-	-
$ 672,123	**$ 691,602**	**$ 711,653**	**$ 732,291**	**$ 753,534**	**$ 775,400**	**$ 797,906**	**$ 821,074**	**$ 844,920**
$ 695,662	**$ 703,537**	**$ 711,390**	**$ 719,213**	**$ 727,000**	**$ 734,745**	**$ 742,441**	**$ 750,080**	**$ 757,657**
$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502
78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418
$ 186,742	**$ 194,618**	**$ 202,470**	**$ 210,293**	**$ 218,080**	**$ 225,825**	**$ 233,521**	**$ 241,161**	**$ 248,737**
1.37	1.38	1.40	1.41	1.43	1.44	1.46	1.47	1.49

Yr 23	Yr 24	Yr 25	Yr 26	Yr 27	Yr 28	Yr 29	Yr 30	Yr 31
$ 1,737,483	$ 1,772,233	$ 1,807,678	$ 1,843,831	$ 1,880,708	$ 1,918,322	$ 1,956,688	$ 1,995,822	$ 2,035,739
29,683	30,276	30,882	31,500	32,130	32,772	33,428	34,096	34,778
$ 1,767,166	$ 1,802,509	$ 1,838,560	$ 1,875,331	$ 1,912,837	$ 1,951,094	$ 1,990,116	$ 2,029,918	$ 2,070,517
$ (132,537)	$ (135,188)	$ (137,892)	$ (140,650)	$ (143,463)	$ (146,332)	$ (149,259)	$ (152,244)	$ (155,289)
$ 1,634,629	**$ 1,667,321**	**$ 1,700,668**	**$ 1,734,681**	**$ 1,769,375**	**$ 1,804,762**	**$ 1,840,857**	**$ 1,877,674**	**$ 1,915,228**
$ 61,689	$ 63,540	$ 65,446	$ 67,409	$ 69,431	$ 71,514	$ 73,660	$ 75,870	$ 78,146
81,731	83,366	85,033	86,734	88,469	90,238	92,043	93,884	95,761
223,339	230,039	236,940	244,049	251,370	258,911	266,679	274,679	282,919
91,973	94,732	97,574	100,501	103,516	106,622	109,821	113,115	116,509
43,779	45,093	46,445	47,839	49,274	50,752	52,275	53,843	55,458
119,912	123,509	127,214	131,031	134,962	139,010	143,181	147,476	151,901
40,204	41,410	42,652	43,932	45,250	46,607	48,005	49,445	50,929
125,719	129,491	133,376	137,377	141,498	145,743	150,116	154,619	159,258
38,322	39,472	40,656	41,876	43,132	44,426	45,759	47,131	48,545
37,843	38,978	40,148	41,352	42,593	43,870	45,187	46,542	47,938
4,955	5,104	5,257	5,415	5,577	5,744	5,917	6,094	6,277
-	-	-	-	-	-	-	-	-
$ 869,466	**$ 894,733**	**$ 920,741**	**$ 947,513**	**$ 975,071**	**$ 1,003,439**	**$ 1,032,640**	**$ 1,062,698**	**$ 1,093,641**
$ 765,162	**$ 772,588**	**$ 779,926**	**$ 787,168**	**$ 794,303**	**$ 801,323**	**$ 808,218**	**$ 814,976**	**$ 821,587**
$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502
78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418
$ 256,242	**$ 263,668**	**$ 271,006**	**$ 278,248**	**$ 285,383**	**$ 292,403**	**$ 299,298**	**$ 306,056**	**$ 312,667**
1.50	1.52	1.53	1.55	1.56	1.57	1.59	1.60	1.61

Yr 32	Yr 33	Yr 34	Yr 35	Yr 36	Yr 37	Yr 38	Yr 39	Yr 40
$ 2,076,453	$ 2,117,982	$ 2,160,342	$ 2,203,549	$ 2,247,620	$ 2,292,572	$ 2,338,424	$ 2,385,192	$ 2,432,896
35,474	36,183	36,907	37,645	38,398	39,166	39,949	40,748	41,563
$ 2,111,927	$ 2,154,166	$ 2,197,249	$ 2,241,194	$ 2,286,018	$ 2,331,738	$ 2,378,373	$ 2,425,940	$ 2,474,459
$ (158,395)	$ (161,562)	$ (164,794)	$ (168,090)	$ (171,451)	$ (174,880)	$ (178,378)	$ (181,946)	$ (185,584)
$ 1,953,533	**$ 1,992,603**	**$ 2,032,455**	**$ 2,073,104**	**$ 2,114,566**	**$ 2,156,858**	**$ 2,199,995**	**$ 2,243,995**	**$ 2,288,875**
$ 80,490	$ 82,905	$ 85,392	$ 87,954	$ 90,592	$ 93,310	$ 96,109	$ 98,993	$ 101,962
97,677	99,630	101,623	103,655	105,728	107,843	110,000	112,200	114,444
291,407	300,149	309,154	318,428	327,981	337,820	347,955	358,394	369,145
120,004	123,604	127,312	131,131	135,065	139,117	143,291	147,590	152,017
57,122	58,835	60,601	62,419	64,291	66,220	68,206	70,253	72,360
156,458	161,151	165,986	170,965	176,094	181,377	186,818	192,423	198,196
52,457	54,030	55,651	57,321	59,040	60,812	62,636	64,515	66,451
164,035	168,956	174,025	179,246	184,623	190,162	195,867	201,743	207,795
50,002	51,502	53,047	54,638	56,277	57,966	59,705	61,496	63,341
49,377	50,858	52,384	53,955	55,574	57,241	58,958	60,727	62,549
6,465	6,659	6,859	7,065	7,277	7,495	7,720	7,951	8,190
-	-	-	-	-	-	-	-	-
$ 1,125,492	**$ 1,158,280**	**$ 1,192,032**	**$ 1,226,777**	**$ 1,262,544**	**$ 1,299,363**	**$ 1,337,265**	**$ 1,376,283**	**$ 1,416,450**
$ 828,040	**$ 834,323**	**$ 840,423**	**$ 846,327**	**$ 852,023**	**$ 857,495**	**$ 862,730**	**$ 867,712**	**$ 872,425**
$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502
78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418
$ 319,120	**$ 325,403**	**$ 331,503**	**$ 337,407**	**$ 343,103**	**$ 348,575**	**$ 353,810**	**$ 358,792**	**$ 363,505**
1.63	1.64	1.65	1.66	1.67	1.68	1.70	1.71	1.71

Yr 32	Yr 33	Yr 34	Yr 35	Yr 36	Yr 37	Yr 38	Yr 39	Yr 40
$ 2,076,453	$ 2,117,982	$ 2,160,342	$ 2,203,549	$ 2,247,620	$ 2,292,572	$ 2,338,424	$ 2,385,192	$ 2,432,896
35,474	36,183	36,907	37,645	38,398	39,166	39,949	40,748	41,563
$ 2,111,927	$ 2,154,166	$ 2,197,249	$ 2,241,194	$ 2,286,018	$ 2,331,738	$ 2,378,373	$ 2,425,940	$ 2,474,459
$ (158,395)	$ (161,562)	$ (164,794)	$ (168,090)	$ (171,451)	$ (174,880)	$ (178,378)	$ (181,946)	$ (185,584)
$ 1,953,533	**$ 1,992,603**	**$ 2,032,455**	**$ 2,073,104**	**$ 2,114,566**	**$ 2,156,858**	**$ 2,199,995**	**$ 2,243,995**	**$ 2,288,875**
$ 80,490	$ 82,905	$ 85,392	$ 87,954	$ 90,592	$ 93,310	$ 96,109	$ 98,993	$ 101,962
97,677	99,630	101,623	103,655	105,728	107,843	110,000	112,200	114,444
291,407	300,149	309,154	318,428	327,981	337,820	347,955	358,394	369,145
120,004	123,604	127,312	131,131	135,065	139,117	143,291	147,590	152,017
57,122	58,835	60,601	62,419	64,291	66,220	68,206	70,253	72,360
156,458	161,151	165,986	170,965	176,094	181,377	186,818	192,423	198,196
52,457	54,030	55,651	57,321	59,040	60,812	62,636	64,515	66,451
164,035	168,956	174,025	179,246	184,623	190,162	195,867	201,743	207,795
50,002	51,502	53,047	54,638	56,277	57,966	59,705	61,496	63,341
49,377	50,858	52,384	53,955	55,574	57,241	58,958	60,727	62,549
6,465	6,659	6,859	7,065	7,277	7,495	7,720	7,951	8,190
-	-	-	-	-	-	-	-	-
$ 1,125,492	**$ 1,158,280**	**$ 1,192,032**	**$ 1,226,777**	**$ 1,262,544**	**$ 1,299,363**	**$ 1,337,265**	**$ 1,376,283**	**$ 1,416,450**
$ 828,040	**$ 834,323**	**$ 840,423**	**$ 846,327**	**$ 852,023**	**$ 857,495**	**$ 862,730**	**$ 867,712**	**$ 872,425**
$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502	$ 430,502
78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418	78,418
$ 319,120	**$ 325,403**	**$ 331,503**	**$ 337,407**	**$ 343,103**	**$ 348,575**	**$ 353,810**	**$ 358,792**	**$ 363,505**
1.63	1.64	1.65	1.66	1.67	1.68	1.70	1.71	1.71

7

This replaces #7 in published Board Book

15119

Liberty Square & Liberty Village

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 13, 2016

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit ("HTC") Application for Liberty Square and Liberty Village (HTC #15119)

RECOMMENDED ACTION

WHEREAS, Liberty Square and Liberty Village (the "Development") received an award of 9% Housing Tax Credits in 2015 under the At-Risk Set-Aside for the acquisition and rehabilitation of 80 multifamily units located on scattered sites in Groesbeck;

WHEREAS, qualification under the At-Risk set aside in the 2015 Qualified Allocation Plan ("QAP") required Developments qualifying under §2306.6702(a)(5)(B) to retain no less than 25% public housing units supported by public housing operating subsidy;

WHEREAS, the Development Owner is now requesting approval to amend the Application so that the Development would become fully financed by the HUD Rental Assistance Demonstration ("RAD") program and would no longer be able to maintain 25% of units as public housing units as required by §11.5(3)(D) of the 2015 QAP;

WHEREAS, the legislature passed HB 2926 which would allow this application as amended to qualify as At-Risk with 100% RAD units and the Board has previously approved a similar transaction maintaining its At-Risk set aside designation when converting to 100% RAD;

WHEREAS, the Development Owner is also requesting approval to change the income and rent restrictions for which points were awarded under §11.9(c)(1) for Income Levels of Tenant and §11.9(c)(2) for Rent Levels of Tenants of the 2015 QAP; and

WHEREAS, Board approval is required for any change that would materially alter a Development, including amendments that involve a reduction in the total number of low income units at any rent or income level under 10 TAC §10.405(a)(6), and the Owner has complied with the amendment requirements in 10 TAC §10.405(a);

NOW, therefore, it is hereby

RESOLVED, that the request to amend the Application to allow Liberty Square and Liberty Village to be fully financed by the HUD RAD program and no longer maintain 25% of the units as public housing units is granted, and the request to reduce the income and rent restrictions is tabled and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Liberty Square and Liberty Village was approved during the 2015 9% Housing Tax Credit cycle under the At-Risk set-aside to acquire and rehabilitate 80 units located on scattered sites. The Development was originally built in 1964 and 1973 as public housing on two main sites. The owner received its award of HTC under the At-Risk set aside based on its status as a Development proposing to rehabilitate or reconstruct housing units that are owned by a public housing authority and receive assistance under Section 9, United States Housing Act of 1937, as allowed under §2306.6702 of Tex. Gov't Code. The 2015 HTC application, submitted on behalf of the Groesbeck Housing Authority ("GHA"), proposed the rehabilitation of the units on a one-for-one basis with the same unit mix. The Application also proposed, as required under the 2015 QAP §11.5(3)(D), that 75% of units would be financed with HTC and HUD RAD program funds and that 25% of the units would remain supported by a public housing operating subsidy. All 80 units would become tax credit units with 22 of those continuing with public housing assistance and the remaining 58 operating under HUD's RAD program, allowing the conversion from public housing to long-term project-based Section 8 contracts.

In a letter dated August 26, 2016, from Barry Palmer with Coats Rose, on behalf of the Development Owner, a request to convert 100% of the property to RAD was presented. The letter states that HUD is encouraging the conversion to reduce the number of housing projects receiving a direct subsidy under §9 of the Act. Mr. Palmer further states that RAD units are preferable because, unlike public housing units ("PHU's"), they are able to provide revenue to pay debt service. However, Mr. Palmer's letter explains that when public housing is converted to RAD, HUD requires that the tenant have the right to return to the converted development. The Applicant has determined that eight of the existing tenants have an income greater than the income limit for the Housing Tax Credit program. If these households choose to return the project may not be able to claim these units as tax credit eligible and may suffer a loss of qualified basis and thus tax credit. Such a loss will need to be re-evaluated at placed in service by which point it is anticipated that HUD will have provided more guidance as to the options that could be made available to these ineligible households. Additionally, Mr. Palmer notes that the income and rent limits for Limestone County substantially declined in 2016, resulting in a reduction in income limits by approximately 10% for this Development. He states that currently the AMI is $50,400 instead of $55,500 that existed when the application was filed. The GHA has income-qualified the existing tenants at Liberty Square and Liberty Village who would return to the development after rehabilitation and conversion and has determined that the tenants would be qualified as HTC residents with incomes up to 60% AMI. Therefore, in order to facilitate these public housing tenants to return to the Development and qualify under the HTC program, the owner is also requesting an amendment to the income restrictions for which point elections were made under §11.9(c)(1) and §11.9(c)(2) of the 2015 QAP.

Liberty Square and Liberty Village – Set-Asides

	Minimum # of Units needed for points under §11.9(c)(1) and §11.9(c)(2)	**# Units Committed at Application**	**# Units Requested at Amendment**	**Change**
30% of AMI	6	20	6	-14
50% of AMI	16	60	16	-44
60% of AMI		0	58	+58
Total Units		80	80	

The application was awarded 16 points for committing 20% of the total units to be set-aside at 50% or less AMI. The application was also awarded 11 points for committing 7.5% of the total units to be set aside at 30% or less AMI. To continue to qualify for the 16 points under §11.9(c)(1) and the 11 points under §11.9(c)(2), the Development must provide a minimum of six and 16 units, respectively. The owner requests to allow the remaining 58 units to be set-aside at 60% or less AMI. Mr. Palmer acknowledges that the changes that would occur to the rent limitations is less of a concern for the Development since all units would receive a subsidy.

While Mr. Palmer's letter stated that the GHA performed an income-qualification analysis to determine that the current tenants who would potentially return to the development after rehabilitation and conversion would qualify at 60% AMI, evidence to support this claim was not initially provided. Staff requested that the GHA provide a current rent roll and their analysis of the income qualification of the current residents. The information provided indicates that the development currently has 64 existing households, with the current income levels of the households based upon the new and lower 2016 income limits reflected below:

Income Level	**# Households (HHs)**	**# Units Committed at Application**	**Difference**
30% AMGI	32 households	20	+12
50% AMGI	19 households	60	-41
60% AMGI	5 households	0	-5
Over 60%	8 households	0	-8
Total	**64 households**	**80**	

Based on the information provided it would appear that the current households income qualified at the 30% AMI level would benefit from GHA keeping the originally committed number of units at the 30% (20 units). The Department's rule at 10 TAC §10.405(a)(6)(A) requires that evidence supporting the need to reduce the number of low-income units at any rent or income level be presented to the Department, including a written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in units. A letter from R4 Capital, the investor for the subject development, states support for the requested amendment, stating that the greater number of units committed at the 30% and 50% AMI levels than was required by the QAP coupled with the RAD conversion requirement of offering housing in the rehabilitated development regardless of AMI to those residents displaced by the rehabilitation creates a greater degree of uncertainty for the equity investor as to the timing and volume of delivery of tax credits. The investor's letter further states that the number of potential returning occupants being over income qualified at the current AMI structure makes investment in this transaction infeasible from their underwriting perspective. Finally, the investor states that they would be agreeable to accepting the risk if the requested amendment were approved by the Department, citing that the significant shift in the number of units that can accept higher income residents also significantly reduces the risk that returning residents will impact credit delivery. A letter from the lender, Home Federal Bank, also supported the requested amendment stating that if the equity investor is expressing concern that the development would be infeasible in their underwriting opinion then the lender would have a hard time concluding differently.

10 TAC §10.405(a)(6)(A) also states that the Board may or may not approve an amendment request to reduce the number of units at any rent or income level; however, any affirmative recommendation to the Board is contingent upon concurrence from Department staff that the unit adjustment is necessary for the continued financial feasibility of the Development. Real Estate Analysis has performed a re-evaluation of feasibility in conjunction with this amendment request and has concluded that the new information presented meets the Department's feasibility requirements. However, REA staff cannot conclude that the unit adjustment is necessary for the continued financial feasibility of the Development because the underwriting analysis performed at Application (REA Underwriting Report dated October 19, 2015), with the original restrictions proposed, concluded financial feasibility and made a recommendation for HTC on that basis. While Staff prefers to fully address all known amendment requests when presenting to the Board at the same time, the Applicant has indicated that there is urgency in the need for approval of the RAD substitution but that the approval of the change to income and unit mix can be delayed. Staff believes additional analysis is needed to reconcile the differing conclusions on the impact of the change in income and unit mix and to provide additional time for the Applicant to provide support that the amendment was not reasonably foreseeable at the time the application was submitted or preventable by the Applicant. Therefore staff recommends that this issue be tabled and brought back under a separate agenda item at a future meeting.

Mr. Palmer's request letter also identifies a change to the ownership structure for the Development. The Application proposed a structure wherein the General Partner ("GP") is co-owned by Liberty Housing Alliance, Inc. as the 51% non-managing member of the GP (and GHA affiliate). Housing Solutions Alliance, LLC is the 49% managing member of the GP. Mr. Palmer's letter states that the Application relies upon a 100% tax exemption which is available to governmental entities that enter into public-private partnerships for the purpose of carrying out public purposes, such as developing affordable housing. However, in order for this Application to take advantage of that exemption the organizational structure must be changed so that the GHA affiliate, Liberty Housing Alliance, Inc. becomes the managing member and same ownership of 51%, and Housing Solutions Alliance, LLC changes to a non-managing member with the same ownership 49%. The change does not introduce any new entity or member into the ownership structure and is not considered a material change, but is included in this action item to document and to recognize Department approval of the change.

Finally, the amendment asks to clarify the site acreage for the Development. The 2015 rules require a survey as part of the Site Design and Development Feasibility Report. 10 TAC §10.205(5) does not require applications proposing rehabilitation to submit the Site Design and Development Feasibility Report. As a result, the information available to the Applicant indicated the total combined acreage for the scattered sites was approximately 9.41 acres. A survey dated April 26, 2016, was provided with the submission of the 10 Percent Test and indicated that the total combined acreage for the scattered sites was 8.998 acres. The owner was then advised by the Department that an amendment explaining the decrease in acreage would be required. However, on August 25, 2016, the survey for one of the Liberty Square sites was revised to reflect the abandonment of right-of-ways by the City of Groesbeck that included a section of an adjacent street (Fannin Street) and an alleyway, resulting in an approximate increase of .671 acre. After the revision to the survey, the total combined acreage of the scattered sites increased to 9.669 acres, a 2.75% increase from the 9.41 acres originally identified at application and a 2.68% decrease in residential density. The change in the residential density does not exceed the threshold in 10 TAC §10.405(a)(3)(F) to consider it a material alteration, but is included in this action item nonetheless to document the change and to recognize Department approval of the change.

Staff recommends approval of the request to amend the application to allow the development to be fully financed by the HUD RAD program and no longer maintain 25% of the units as public housing units.

Staff also recommends postponing a decision on the request to amend the income and rent restrictions for which points were awarded under §11.9(c)(1) for Income Levels of Tenant and §11.9(c)(2) for Rent Levels of Tenants of the 2015 QAP as reflected previously.

Real Estate Analysis Division
September 27, 2016

Addendum to Underwriting Report

TDHCA Application #: **15119** Program(s): **9% HTC**

Liberty Square & Liberty Village

Address/Location: 401 N. Leon, 606 W. Jacinto, 707 W. Sabine, 505 N. Fannin, 405 N. Preston, 612 Ellis, and 215 Elwood Enge Drive

City: Groesbeck County: Limestone Zip: 76642

	APPLICATION HISTORY
Report Date	**PURPOSE**
09/27/16	**Amendment**
10/19/15	New Application - Initial Underwriting

ALLOCATION

	Previous Allocation				RECOMMENDATION				
TDHCA Program	**Amount**	**Rate**	**Amort**	**Term**	**Amount**	**Rate**	**Amort**	**Term**	**Lien**
LIHTC (Annual)	$647,667				**$647,667**				

AMENDMENT

1 Receipt and acceptance by Cost Certification:

a: Documentation from a CPA to support inclusion of relocation expense in the cost schedule and in eligible basis.

b: Documentation clearing environmental issues contained in the ESA report, specifically:

* Any recommendations from the ESA provider have been implemented.

i: Comprehensive survey identifying the presence of asbestos-containing-materials, lead-based paint, or lead in drinking water; and documentation that appropriate abatement procedures were followed for the demolition, removal, and maintenance of any such materials.

ii: Any recommendations by the ESA provider with regards to Noise mitigation was completed and certified by the ESA provider.

2 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and

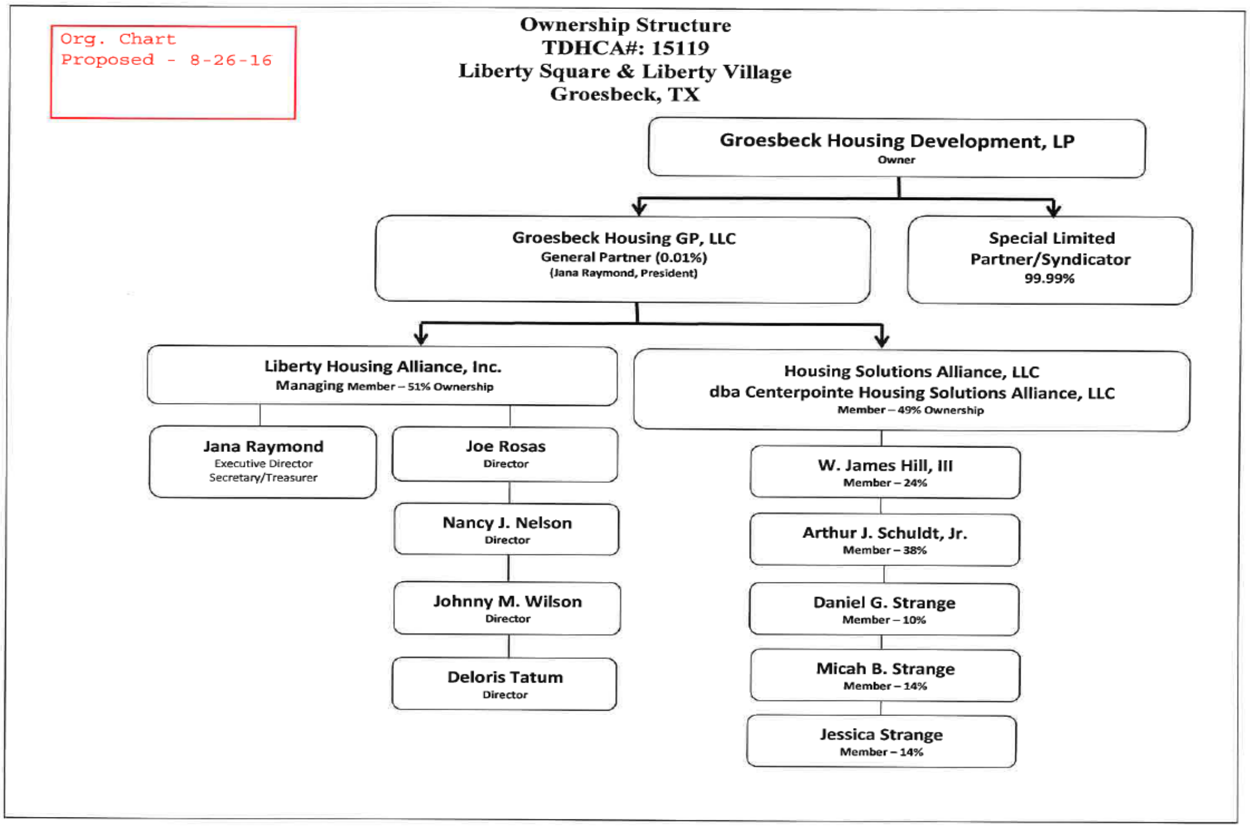
ANALYSIS

Applicant received a $647K annual tax credit award in the 2015 tax credit cycle as recommended in the prior report dated October 19, 2015. On August 26th, 2016, Applicant submitted a request to make the following amendments to the Application.

1. Revise the RAD component from 75% to 100% of the units.
2. Revise the organizational structure to make the Groesbeck Housing Authority's affiliate the managing member of the General Partner, so that the Development will qualify for a govemmental ad valorem tax exemption.
3. Revise the approximate references to acreage in the Application to reflect 9.669 acres, which is the acreage as surveyed.
4. Revise the income restrictions to qualify for the points elected for Income Levels of Tenant and Rent Levels of Tenants.

The Applicant also submitted a revised financing structure showing new sources of debt and an increase in equity resulting from an increase in credit pricing.

Revised Organizational Structure



Change in organizational structure to show that Liberty Housing Alliance, Inc will now be a 51% owner and will be the managing member of the GP while Housing Solutions Alliance, Inc will be revised to be a 49% non-managing member of the GP.

Revised Site Acreage

Site Acreage at Application stated the development site as 9.41 acres +/-. The final survey aggregated the site to be 9.669 acres.

Revision to Income Restriction

Applicant is requesting to change income restrictions of units from 20 units at 30% AMGI and the remainder at 50% AMGI to minimum requirements of 6 units at 30% AMGI, 16 units at 50% AMGI, and the rest at 60% AMGI. The income limit designations have no effect on the feasibility of the development in terms of operating income as the rents are determined by HUD through the RAD program. The RAD rents only vary by bedrrom size, without regard to the income limit.

However, there is risk to the feasibility of the project related to eligibility for tax credits. Public Housing tenants have a right to return to the development after the conversion regardless of their income. But if a returning tenant is over the maximum income under the LIHTC designation, the development cannot receive tax credits for that unit.

The Applicant indicates the current rent roll includes 32 tenants who would qualify below 30% AMI, 19 below 50% AMI, 5 below 60% AMI, and 8 households that are above 60%.

The Department recommends the development retain the 20 units currently designated as 30% AMI; the number of 50% units be reduced from 58 to 47; and the remaining 13 units be designated 60% AMI. This will accommodate the 5 households that currently would qualify below 60%.

But the 8 households above 60% pose a small risk. If they return to the development after the conversion, those 8 units will not qualify for tax credits. Eligible basis would then be calculated based on a 90% applicable fraction. This would reduce the credit allocation from $648K to $583K, and increase the deferred developer fee to $665K. This does not affect the feasibility of the development though as the deferred fee can still be paid within the 15 years, but it would an impact on the credit allocation.

If a returning over-income tenant subsequently moves out and the unit is leased to a qualifying tenant, it might be possible under IRS rules to recover some of the lost credits. This could mitigate the risk.

Operating Pro Forma

Applicant's Pro Forma and TDHCA's reflect the HUD-approved RAD rents. No changes to Annual Operating Expenses expected.

Development Cost

Development Costs have not changed since Application.

Sources of Funds

Applicant has changed permanent lender from Amegy Bank to Home Federal Bank of Shreveport. The loan amount and terms have also changed from $1.36M at 7% and 30 year amortization to $1.45M at 6% and 30 year amortization. First year DCR of 1.34 times.

Sources also include a related-party Seller Note from Groesbeck Housing Authority for $400K payable from cash flow. This note is reduced from $1.55M due to increased equity.

Credit pricing through R4 Capital has also increased from $0.89 to $1.00 resulting in a $712K increase in equity.

Conclusion

Based upon amended financials, Underwriter recommends no change to the original tax credit allocation of $647,667.

Underwriter:	*Duc Nguyen*
Manager of Real Estate Analysis:	*Thomas Cavanagh*
Director of Real Estate Analysis:	*Brent Stewart*

UNIT MIX/RENT SCHEDULE

Liberty Square & Liberty Village, Groesbeck, 9% HTC #15119

LOCATION DATA	
CITY:	Groesbeck
COUNTY:	Limestone
PROGRAM REGION:	8
PIS Date:	On or After 2/1/2014
IREM REGION:	NA

UNIT DISTRIBUTION					
# Beds	# Units	% Total	Income	# Units	% Total
Eff	22	27.5%	30%	6	7.5%
1	34	42.5%	40%	-	0.0%
2	14	17.5%	50%	16	20.0%
3	10	12.5%	60%	58	72.5%
4	-	0.0%	MR	-	0.0%
TOTAL	80	100.0%	TOTAL	80	100.0%

Applicable Programs
9% Housing Tax Credits
PHU

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	3.35%
APP % Construction	7.87%
Average Unit Size	701 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		Other	UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 50%	$486	RAD	6	0	1	626	$527	$157	$370	$0	$0.59	$370	**$2,220**	**$2,220**	$370	$0.59	$0	$550	$0.88	550
TC 30%	$291	RAD	1	0	1	632	$527	$157	$370	$0	$0.59	$370	**$370**	**$370**	$370	$0.59	$0	$550	$0.87	550
TC 60%	$583	RAD	15	0	1	632	$527	$157	$370	$0	$0.59	$370	**$5,550**	**$5,550**	$370	$0.59	$0	$550	$0.87	550
TC 30%	$312	RAD	1	1	1	803	$552	$158	$394	$0	$0.49	$394	**$394**	**$394**	$394	$0.49	$0	$775	$0.97	775
TC 50%	$520	RAD	2	1	1	810	$552	$158	$394	$0	$0.49	$394	**$788**	**$788**	$394	$0.49	$0	$775	$0.96	775
TC 60%	$624	RAD	7	1	1	810	$552	$158	$394	$0	$0.49	$394	**$2,758**	**$2,758**	$394	$0.49	$0	$775	$0.96	775
TC 60%	$624	RAD	2	1	1	997	$552	$158	$394	$0	$0.40	$394	**$788**	**$788**	$394	$0.40	$0	$850	$0.85	850
TC 50%	$520	RAD	4	1	1	431	$552	$158	$394	$0	$0.91	$394	**$1,576**	**$1,576**	$394	$0.91	$0	$400	$0.93	400
TC 30%	$312	RAD	1	1	1	478	$552	$158	$394	$0	$0.82	$394	**$394**	**$394**	$394	$0.82	$0	$400	$0.84	400
TC 50%	$520	RAD	1	1	1	478	$552	$158	$394	$0	$0.82	$394	**$394**	**$394**	$394	$0.82	$0	$400	$0.84	400
TC 60%	$624	RAD	16	1	1	605	$552	$158	$394	$0	$0.65	$394	**$6,304**	**$6,304**	$394	$0.65	$0	$400	$0.66	400
TC 30%	$375	RAD	1	2	1	605	$706	$183	$523	$0	$0.86	$523	**$523**	**$523**	$523	$0.86	$0	$550	$0.91	550
TC 50%	$625	RAD	1	2	1	605	$706	$183	$523	$0	$0.86	$523	**$523**	**$523**	$523	$0.86	$0	$550	$0.91	550
TC 60%	$750	RAD	4	2	1	626	$706	$183	$523	$0	$0.84	$523	**$2,092**	**$2,092**	$523	$0.84	$0	$550	$0.88	550
TC 30%	$375	RAD	1	2	1	632	$706	$183	$523	$0	$0.83	$523	**$523**	**$523**	$523	$0.83	$0	$550	$0.87	550
TC 50%	$625	RAD	1	2	1	803	$706	$183	$523	$0	$0.65	$523	**$523**	**$523**	$523	$0.65	$0	$775	$0.97	775
TC 60%	$750	RAD	6	2	1	803	$706	$183	$523	$0	$0.65	$523	**$3,138**	**$3,138**	$523	$0.65	$0	$775	$0.97	775
TC 30%	$433	RAD	1	3	1	810	$945	$209	$736	$0	$0.91	$736	**$736**	**$736**	$736	$0.91	$0	$775	$0.96	775
TC 60%	$866	RAD	1	3	1	997	$945	$209	$736	$0	$0.74	$736	**$736**	**$736**	$736	$0.74	$0	$850	$0.85	850
TC 50%	$721	RAD	1	3	1	998	$945	$209	$736	$0	$0.74	$736	**$736**	**$736**	$736	$0.74	$0	$850	$0.85	850
TC 60%	$866	RAD	7	3	1	998	$945	$209	$736	$0	$0.74	$736	**$5,152**	**$5,152**	$736	$0.74	$0	$850	$0.85	850
TOTALS/AVERAGES:			**80**			**56,073**				**$0**	**$0.65**	**$453**	**$36,218**	**$36,218**	**$453**	**$0.65**	**$0**	**$601**	**$0.86**	**$601**
ANNUAL POTENTIAL GROSS RENT:													**$434,616**	**$434,616**						

STABILIZED PRO FORMA

Liberty Square & Liberty Village, Groesbeck, 9% HTC #15119

	STABILIZED FIRST YEAR PRO FORMA															
	COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
	Database		Previous Year Actual		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.65	$453	$434,616	**$362,184**	**$362,184**	$434,616	$453	$0.65		0.0%	$0
App fee, lost key fee, lock out fee pet fee							$1.00	$960	960	960	$960	$1.00				
0							$0.00	$0	26,520	41,108	$0	$0.00				
Total Secondary Income							$1.00			42,068	$960	$1.00			0.0%	$0
POTENTIAL GROSS INCOME								$435,576	$389,664	$404,252	$435,576				0.0%	$0
Vacancy & Collection Loss							5.0% PGI	(21,779)	(19,483)	(20,213)	(21,779)	5.0% PGI			0.0%	-
Rental Concessions								-							0.0%	-
EFFECTIVE GROSS INCOME								$413,797	$370,181	$384,039	$413,797				0.0%	$0
General & Administrative	$27,619	$345/Unit	$51,309	$641	3.04%	$0.22	$158	$12,600	$12,600	$12,600	$12,600	$158	$0.22	3.04%	0.0%	-
Management	$26,532	5.6% EGI	$0	$0	5.00%	$0.37	$259	$20,690	$18,509	$18,509	$20,690	$259	$0.37	5.00%	0.0%	0
Payroll & Payroll Tax	$74,213	$928/Unit	$116,041	$1,451	24.90%	$1.84	$1,288	$103,030	$103,030	$103,030	$103,030	$1,288	$1.84	24.90%	0.0%	-
Repairs & Maintenance	$49,535	$619/Unit	$58,959	$737	7.13%	$0.53	$369	$29,500	$29,500	$29,500	$29,500	$369	$0.53	7.13%	0.0%	-
Electric/Gas	$14,929	$187/Unit	$38,370	$480	0.58%	$0.04	$30	$2,400	$2,400	$2,400	$2,400	$30	$0.04	0.58%	0.0%	-
Water, Sewer, & Trash **Tenant Pays: WS**	$38,133	$477/Unit	$40,539	$507	2.54%	$0.19	$131	$10,500	$10,500	$10,176	$10,176	$127	$0.18	2.46%	3.2%	324
Property Insurance	$18,452	$0.33 /sf	$7,350	$92	4.37%	$0.32	$226	$18,080	$18,080	$18,080	$18,080	$226	$0.32	4.37%	0.0%	-
Property Tax 2.5834	$35,474	$443/Unit	$14,761	$185	0.44%	$0.03	$23	$1,811	$1,811	$1,811	$1,811	$23	$0.03	0.44%	0.0%	-
Reserve for Replacements	$20,011	$250/Unit	$0	$0	5.80%	$0.43	$300	$24,000	$24,000	$24,000	$24,000	$300	$0.43	5.80%	0.0%	-
Cable TV			$0	$0	0.00%	$0.00	$0	$0	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Supportive Services			$1,221	$15	1.03%	$0.08	$54	$4,280	$4,280	$4,280	$4,280	$54	$0.08	1.03%	0.0%	-
TDHCA Compliance fees			-	$0	0.77%	$0.06	$40	$3,200	$3,200	$3,200	$3,200	$40	$0.06	0.77%	0.0%	-
TDHCA Bond Admin Fees			-	$0	0.00%	$0.00	$0	$0	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Internet Service			-	$0	2.92%	$0.22	$151	$12,090	$12,090	$12,090	$12,090	$151	$0.22	2.92%	0.0%	-
TOTAL EXPENSES			**$328,550**		**58.53%**	**$4.32**	**$3,027**	**$ 242,181**	**$240,000**	**$239,676**	**$241,857**	**$3,023**	**$4.31**	**58.45%**	**0.1%**	**$ 324**
NET OPERATING INCOME ("NOI")					**41.47%**	**$3.06**	**$2,145**	**$171,616**	**$130,181**	**$144,363**	**$171,941**	**$2,149**	**$3.07**	**41.55%**	**-0.2%**	**$ (324)**
CONTROLLABLE EXPENSES							$1,975/Unit					$1,971/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Liberty Square & Liberty Village, Groesbeck, 9% HTC #15119

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR							Prior Underwriting							Cumulative	
DEBT (Must Pay)	MIP	UW	App	Pmt	Rate	Amort	Term	Principal	Applicant	TDHCA	Principal	Term	Amort	Rate	Pmt	DCR	LTC
Home Federal Bank of Shreveport		1.58	1.58	$108,498	6.00%	30	17	$1,775,000	**$1,359,000**	**$1,359,000**	$1,775,000	17	30	6.00%	$127,704	1.34	20.3%
Groesbeck Housing Authority		1.58	1.58	$0	2.00%	0	30	$400,000	**$1,550,000**	**$1,550,000**	$400,000	30	0	2.00%		1.34	4.6%
CASH FLOW DEBT / GRANTS																	
City of Groesbeck		1.58	1.58		0.00%	0	0	$52,000	**$0**	**$0**	$52,000	0	0	0.00%		1.34	0.6%
				$108,498	**TOTAL DEBT / GRANT SOURCES**			**$2,227,000**			**$2,227,000**			**TOTAL DEBT SERVICE**	**$127,704**	1.34	25.5%
NET CASH FLOW		$63,443	$63,118										**NET OPERATING INCOME**	**$171,616**	**$43,912**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE							AS UNDERWRITTEN EQUITY STRUCTURE						
						Prior Underwriting								
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Applicant	TDHCA	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit		
R4 Capital	LIHTC Equity	74.2%	$647,667	1.00	$6,476,022	$5,876,972	$5,763,659	$6,476,022	$1.00	$647,667	74.2%	$8,096		
Housing Solutions Alliance, LLC	Deferred Developer Fees	0.3%	(2% Deferred)		$22,076	$7,636		$21,637	(3% Deferred)		0.2%	**Total Developer Fee:**		**$792,248**
Add'l Funds Needed / (Excess) Funds		0.0%			$510	-$120,000	$0	$0			0.0%			
TOTAL EQUITY SOURCES		74.5%			$6,498,608			$6,497,659			74.5%	**15-Year Cash Flow:**		**$763,115**
TOTAL CAPITALIZATION					**$8,725,608**			**$8,724,659**			**15-Yr Cash Flow after Deferred Fee:**			**$741,478**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS							TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis					Prior Underwriting					Eligible Basis			
	Acquisition	New Const. Rehab	Total Costs			Applicant	TDHCA	Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition				$625 / Unit	$50,000	$50,000	$50,000	$50,000	$625 / Unit				0.0%	$0
Building Acquisition	$800,000			$29,125 / Unit	$2,330,000	$2,330,000	$2,330,000	$2,330,000	$29,125 / Unit			$800,000	0.0%	$0
Off-Sites				$ / Unit	$0	$0	$0	$0	$ / Unit				0.0%	$0
Site Work		$297,034		$3,713 / Unit	$297,034	$297,034	$296,865	$296,865	$3,711 / Unit		$296,865		0.1%	$169
Site Amenities		$398,779		$4,985 / Unit	$398,779	$398,779	$447,032	$447,032	$5,588 / Unit		$447,032		-10.8%	($48,253)
Building Cost		$3,058,573	$54.55 /sf	$38,232/Unit	$3,058,573	$3,058,573	$3,009,664	$3,009,664	$37,621/Unit	$53.67 /sf	$3,009,664		1.6%	$48,909
Contingency		$187,719	5.00%	5.00%	$187,719	$187,719	$187,719	$187,719	5.00%	5.00%	$187,719		0.0%	$0
Contractor Fees		$525,614	13.33%	13.33%	$525,614	$525,614	$525,614	$525,614	13.34%	13.34%	$525,614		0.0%	$0
Soft Costs	0	$552,240		$7,028 / Unit	$562,240	$562,240	$562,240	$562,240	$7,028 / Unit		$552,240	$0	0.0%	$0
Financing	0	$261,691		$4,353 / Unit	$348,251	$348,251	$348,251	$348,251	$4,353 / Unit		$261,691	$0	0.0%	$0
Developer Fee	$0	$912,248	17.27%	17.27%	$912,248	$912,248	$792,124	$792,124	15.00%	15.00%	$792,124	$0	15.2%	$120,124
Reserves				$2,189 / Unit	$175,150	$175,150	$175,150	$175,150	$2,189 / Unit				0.0%	$0
UNADJUSTED BASIS / COST	**$800,000**	**$6,193,898**		$110,570 / Unit	**$8,845,608**	**$8,845,608**	**$8,724,659**	**$8,724,659**	$109,058 / Unit		**$6,072,949**	**$800,000**	**1.4%**	**$120,949**
Acquisition Cost	$0				$0									
Contingency		$0												
Contractor's Fee		$0												
Interim Interest		$0												
Developer Fee	$0	($120,000)			($120,000)									
Reserves					$0									
ADJUSTED BASIS / COST	**$800,000**	**$6,073,898**		$109,070/unit	**$8,725,608**			**$8,724,659**	$109,058/unit		**$6,072,949**	**$800,000**	**0.0%**	**$949**
TOTAL UNDERWRITTEN USES OF FUNDS BASED ON 3RD PARTY PCA/CNA						**$8,724,659**								

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Liberty Square & Liberty Village, Groesbeck, 9% HTC #15119

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$800,000	$6,073,898	$800,000	$6,072,949
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$800,000	$6,073,898	$800,000	$6,072,949
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$800,000	$7,896,067	$800,000	$7,894,834
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	$800,000	$7,896,067	$800,000	$7,894,834
Applicable Percentage	3.35%	7.87%	3.35%	7.87%
ANNUAL CREDIT ON BASIS	$26,800	$621,420	$26,800	$621,323
CREDITS ON QUALIFIED BASIS	$648,220		$648,123	

	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $0.9999	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$648,123	$6,480,586	----	----	----
Gap	$649,831	$6,497,659	----	----	----
Previous Allocation	$647,667	$6,476,022	**$647,667**	**$0**	**$0**

30-Year Long-Term Pro Forma

Liberty Square & Liberty Village, Groesbeck, 9% HTC #15119

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
EFFECTIVE GROSS INCOME	2.00%	$413,797	$422,073	$430,515	$439,125	$447,907	$494,526	$545,997	$602,824	$665,567	$734,840
TOTAL EXPENSES	3.00%	$242,181	$249,239	$256,505	$263,985	$271,685	$313,722	$362,325	$418,527	$483,524	$558,700
NET OPERATING INCOME ("NOI")		**$171,616**	**$172,834**	**$174,009**	**$175,140**	**$176,222**	**$180,804**	**$183,672**	**$184,298**	**$182,043**	**$176,140**
MUST -PAY DEBT SERVICE											
TOTAL DEBT SERVICE		$127,704	$127,704	$127,704	$127,704	$127,704	$127,704	$127,704	$127,704	$127,704	$127,704
ANNUAL CASH FLOW		**$43,912**	**$45,130**	**$46,305**	**$47,435**	**$48,518**	**$53,100**	**$55,968**	**$56,593**	**$54,339**	**$48,436**
CUMULATIVE NET CASH FLOW		$43,912	$89,042	$135,347	$182,782	$231,300	$488,228	$763,115	$1,045,846	$1,323,345	$1,578,962
DEBT COVERAGE RATIO		1.34	1.35	1.36	1.37	1.38	1.42	1.44	1.44	1.43	1.38
EXPENSE/INCOME RATIO		58.5%	59.1%	59.6%	60.1%	60.7%	63.4%	66.4%	69.4%	72.6%	76.0%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		$22,275	$45,130	$46,305	$47,435	$48,518	$53,100	$55,968	$56,593	$54,339	$48,436

COATS | ROSE
A Professional Corporation

BARRY J. PALMER

bpalmer@coatsrose.com
Direct Dial
(713) 653-7395
Direct Fax
(713) 890-3944

August 26, 2016

Lee Ann Chance, Asset Manager
Asset Management Division
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

RE: #15119 – Liberty Square & Liberty Village, Groesbeck, Limestone County, Texas; Application Amendment Request.

Dear Lee Ann:

On behalf of Liberty Square & Liberty Village (collectively, the "Development"), we file this request for an Application Amendment. After having received an award of 9% Housing Tax Credits from the 2015 Round, we have reviewed the Application for the Development and recommended the following amendments:

1. Revise the RAD component from 75% to 100% of the units.
2. Revise the organizational structure to make the Groesbeck Housing Authority's affiliate the managing member of the General Partner, so that the Development will qualify for a governmental ad valorem tax exemption.
3. Revise the approximate references to acreage in the Application to reflect 9.669 acres, which is the acreage as surveyed.
4. Revise the income restrictions to qualify for the points elected for Income Levels of Tenant and Rent Levels of Tenants, but not to exceed these requirements, in order to maximize the Development's ability to accommodate returning tenants with higher income levels who are entitled to return to the Development pursuant to the RAD Program.

Background.
The Development is a scattered site acquisition/rehab project being developed on two companion public housing sites owned by the Groesbeck Housing Authority (the "GHA"). In the 2015 9% Housing Tax Credit Application, the Development was shown to be 80 total units, of which 58 units were to be RAD units located at Liberty Square, and 22 units were to remain public

housing units at Liberty Village. This mix of RAD and public housing units was needed to meet the requirements of the At-Risk Set-Aside at the time of application.

1. **<u>Request for amendment to 100% RAD.</u>**

This Application Amendment Request is to eliminate the 25% retained public housing operating subsidy units and permit a RAD conversion of all 80 units.

HB 1888 which became effective September 1, 2013, provided that public housing could qualify for a Housing Tax Credit Award out of the At-Risk Set-Aside if a portion of the public housing operating subsidy was retained for the project and a portion of the units were retained to serve public housing tenants. This statutory amendment was intended to make it clear that RAD conversions could qualify for the At-Risk Set-Aside if the requisite amount of public operating subsidy was retained and the requisite number of units were kept for use as public housing. As the affordable housing community became more familiar with the RAD Program, it became aware that a public housing unit receiving Section 9 operating subsidy continues to receive the same Section 9 operating subsidy for a period of time after a RAD conversion takes place. Accordingly, all RAD conversions should qualify for the At-Risk Set-Aside on the basis of the continuation of the Section 9 operating subsidy, without having to exclude 25% of the units from the RAD conversion to Project-Based Rental Assistance.

RAD conversion units are far preferable to public housing units – that is why HUD is encouraging the conversions to reduce the number of housing projects receiving a direct Section 9 subsidy. RAD conversion units are able to provide revenue to pay debt service, while public housing units are prohibited from supporting debt. Additionally, a tenant who moves out of a RAD conversion unit after a year of residency is entitled to receive a Housing Choice Voucher. This feature of the RAD Program promotes Fair Housing by permitting mobility for tenants who were previously tied to public housing. For these reasons, we request that the Application be amended to permit the use of 100% RAD conversion units. Tabs 20 and 24 have been revised to show that the units will be 100% RAD conversions, and are enclosed for your review.

2. **<u>Request for amendment of organizational structure.</u>**

The Application relies upon a 100% ad valorem tax exemption which is available to governmental entities that enter into public-private partnerships for the purpose of carrying out public purposes, such as the development of affordable housing for low-income residents.

Our law firm will be required to opine concerning the qualification for the ad valorem exemption. In order to do so, we require that the Development adhere to the existing guidelines for such an exemption, which are derived from judicial decisions and attorney general opinions. Such guidelines require that the governmental entity retain control over the public-private partnership to ensure that the public purposes are carried out and are not subverted by private, for-profit purposes. In order for us to provide an opinion, we are requiring that the GHA affiliate which owns 51% of the General Partner also be the managing member of the General Partner. The organizational structure shown in the Application was revised and approved by the TDHCA on October 30, 2015 (see enclosed approval letter). We now request that the organizational structure be further revised to evidence that Liberty Housing Alliance, Inc., the holder of 51% of the ownership interest in the General Partner also be the Managing Member of the General Partner. Housing Solutions Alliance, LLC dba Centerpointe Housing Solutions Alliance, LLC, will be revised to be a 49% non-managing member of the General Partner. Please note that this change does not entail an ownership transfer, but only a change in control. A revised Tab 37 Organizational Chart is enclosed.

3. **Request for revision of references to acreage.**

Because this was a Rehabilitation Application, there was no requirement that a survey of the Development Site be included in the Application. [Usually the survey is part of the Site Design and Development Feasibility Report, which is only required for New Construction and Reconstruction developments.] Based upon materials available to the applicant, the acreage of the Development Site was estimated to be approximately 9.41 acres. The Application throughout refers to the Development site as being 9.41+/- acres, and in Tab 11, Part 1, it specifically stated "The acreage is a good faith estimate of the acreage of each tract. The ESA describes the tracts by address." On review of the Ground Lease which was submitted with the 10% Test, it was noted that the approximate acreage measurements shown in the Application had been replaced by exact acreages, which are the result of the survey of the Development site performed in anticipation of the construction and equity closing. Staff advised that the Application needed to be amended to deal with a decrease in acreage and concomitant increase in density evidenced by the legal descriptions.

Subsequently we have confirmed that the City of Groesbeck abandoned a portion of Fannin Street and a 20-foot alley that used to run through part of the Liberty Square site. The survey for that part of the Development site has been revised to include the abandoned rights of way. Accordingly, we enclose copies of the current surveys of the four scattered sites that constitute the Development site, along with the field notes for the sites, and request that these be substituted for the estimate used in the Application. The surveys aggregate 9.669 acres (3.157 + 1.26 + 1.932 +3.32 = 9.669 acres), but constitute all of the land included in the Application and all of the land included in the two public housing projects that are being redeveloped as this Development. Accordingly, there is no loss of land and the increase in land is less than 5%. Likewise, the concomitant decrease in density is less than 5%. The change is an artifact of the inexact estimates of acreage included in the four scattered sites. To this effect, Tab 11 – Site Information Form Part III, has been revised and is enclosed. As part of the construction and equity closing we will amend the Memorandum of Ground Lease to provide a corrected legal description.

4. **Request for revision of income/rent restrictions.**

The Application and underwriting by TDHCA were based upon the 2014 HUD income and rent limits for the 9% Housing Tax Credit Program. In 2016, these income and rent limits were substantially reduced in Limestone County, as well as in much of Texas. For this Development the Program's income and rent limits all have been reduced by approximately 10%.

When an existing tenant is relocated due to a RAD conversion, HUD requires that the tenant have the right to return to the converted development. Because the tenant was originally a public housing tenant, that tenant had to originally qualify with an income level of 80% AMGI or less. Through the years the tenant's income may have grown, and the tenant would still be a qualified public housing tenant until income exceeded 140% AMGI. Unfortunately, such a tenant cannot qualify for a LIHTC unit. The GHA has income-qualified the existing tenants who would be returning to the rehabbed development and determined that at this time, they would be qualified as LIHTC residents with incomes of up to 60% AMGI. It should be noted that the Area Median Income is currently $50,400 instead of the $55,500 Area Median Income that existed when the Application was filed.

The restrictions in the Application (20 units at 30% AMGI and the remainder at 50% AMGI) do not provide any leeway for qualifying returning tenants, now that the maximum qualifying income levels have been reduced for the 9% Housing Tax Credit Program. Point elections made in the Application under §11.9(c)(1) *Income Levels of Tenants of the 2015 QAP* require that the Development have 16 units at 50% AMGI (16 points) and point elections under §11.9(c)(2) *Rent Levels of Tenants* require that the Development have 6 units at 30% AMGI (11 points). Beyond that, the Application is not required to restrict more deeply than 60% AMGI as a result of point election. As a result of the dropping Area Median Income, the income restrictions that were acceptable when the Application was filed would now prohibit some of the returning tenants under RAD from being considered qualified tenants, and would result in noncompliance issues. We note that the rent limitations are of less concern because all of the Development's units will receive federal subsidy in the form of the CHAP rental assistance, less the administrative fee retained by the GHA..

Section 10.405(a)(6) of the 2106 Uniform Multifamily Rules has a specific process for amendments to the Application's income and rent restrictions. Evidence of infeasibility without the change is required and there is a 24-month suspension from the Housing Tax Credit Program if the loss of low-income targeting points would have resulted in the application not receiving an award in the year of allocation. This situation is different, however:

- There is no effect upon scoring of the Application - restrictions necessary to preserve all low-income targeting points would be maintained;
- All units would remain restricted at 60% AMGI or below; and

- ❖ The change requested to the restrictions would not affect the rental income of the Development due to federal rent subsidies.

Because of the above, the issue of "infeasibility" is not really applicable to this situation. Instead, we are requesting the change in order to permit the entire Development to be a RAD conversion, which is considered more stable and therefore preferable to public housing. For the RAD conversion, HUD requires that all previous tenants be permitted to return to the rehabilitated Development, should they so desire. In order to comply with this HUD directive, which is an element of the RAD Program, the Development needs to be able to accommodate tenants with incomes greater than 50% AMGI, but not exceeding 60% AMGI. This was known at time of Application, but the drop in HUD-promulgated income levels was an unexpected change in circumstances and has resulted in the loss of flexibility needed in order to make the RAD Program and the Housing Tax Credit Program work together.

We are advised by the GHA that amending the Application to only require the deeper limitations that were elected in the scoring process will provide the flexibility needed to permit all tenants who wish to return to the Development to do so within the income restrictions that would be imposed by the LURA. For that reason, we request that the TDHCA Board waive the requirement for letters from the equity and debt providers stating that without the change the development would be infeasible and approve the requested revision to the income and rent restrictions. By granting such waiver, the TDHCA Board will fulfill its purpose under Section 2306.001(3) of the Texas Government Code to contribute to the preservation and redevelopment of neighborhoods and communities, including cooperation in the preservation of government-assisted housing occupied by individuals and families of very low and extremely low income.

Request for Approval of Material Application Amendment, Including Waiver.

We respectfully request that the TDHCA grant a material amendment to the 2015 9% Housing Tax Credit Application for the Development, waiving the requirement to show that the Development is infeasible under Request 4 above, and approve Requests 1 – 4 above to be implemented.

In connection with your review of this request, enclosed are the following forms from the application, revised in pertinent part: (i) Tab 11 – Site Information Form Part III; (ii) Tab 12 – Supporting Documentation from Site Information Part III (addition of surveys showing true acreage); (iii) Tab 13 – Multiple Site Information Form and page 87; (iv) Tab 17 – Development Narrative, part 4; (v) Tab 19 – Development Activities II, part 2; (vi) Tab 20 - Acquisition and Rehabilitation Information, part 2; (vii) Tab 22 – Architectural Drawings (pages A0, A2 and A3); (viii) Tab 24 – Rent Schedule; (viii) Tab 31 - Financing Narrative and Summary of Sources and Uses; (ix) Tab 34 – Finance Scoring, part 3; and (x) Tab 37 – Org Charts. If any other portions of the application require revision, or if you need any additional information to consider this request, please do not hesitate to call. A check in the amount of $2,500.00 for the Amendment Fee is being delivered to you today by hand, along with a copy of this letter.

Very truly yours,

Barry J. Palmer

Enclosures: Relevant revised portions of Tabs 11, 12, 13, 17, 19, 20, 24, 31, 34 and 37.
$2,500.00 Amendment Fee.
2016 Multifamily Document and Payment Receipt.

cc: Jana Raymond, Executive Director
Art Schuldt, Jr.
Donna Rickenbacker

TAB 11

Site Information Form Part III

Self Score Total: **128**

1. Site Acreage

Please identify site acreage as listed in each of the following exhibits/documents.

Site Control: 9.669 **Site Plan:** 9.669 **Appraisal:** 9.41+/- **ESA:** **

Please provide an explanation of any discrepancies in site acreage below:

** this is an acquisition/rehabilitation of 80-units located on 2 scattered sites described by multiple addresses. The 9.41+/- acres shown in the Application was a good faith estimate, since no survey was required in the Application. Subsequently, a survey has been done which shows that Liberty Village has 3.157 acres, and Liberty Square has 3.32 + 1.932 + 1.26 = 6.512 acres. The aggregate acreage for the Development is 3.157 + 6.512 = 9.669 acres. The ESA did not show acreage - it used

2. Site Control

The current owner of the Development Site is (If scattered site, & more than one owner, refer to Scattered Site Info. Tab.):

Housing Authority of the City of Groesbeck, Texas
Entity Name

Jana Raymond
Contact Name

407 N. Leon
Address

Groesbeck	TX	76642	1964/1973
City	**State**	**Zip**	**Date of Last Sale**

Is the seller affiliated with the Applicant, Principal, sponsor, or any Development Team member? Yes

If "Yes," please explain: Applicant (Lessor) is an instrumentality of the Housing Authority

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure? No

Identify all of the sellers of the proposed property for the 36 months prior to the first day of the Application Acceptance Period and their relationship, if any, to members of the Development Team:

Name:	**Relationship:**
Housing Authority of the City of Groesbeck	see above

Site Control is in the form of:

- [ ] Contract for sale.
- [ ] Recorded Warranty Deed with corresponding executed closing/settlement statement.
- [X] Contract for lease.

Expiration of Contract or Option: 12/31/2016 **Anticipated Closing Date:** 4/30/2016

- [X] Title Commitment or Title Policy is included behind this tab (as requested in the Multifamily Rules §10.204(12)).

3. 30% increase in Eligible Basis "Boost" ***(9% and 4% HTC Only)***

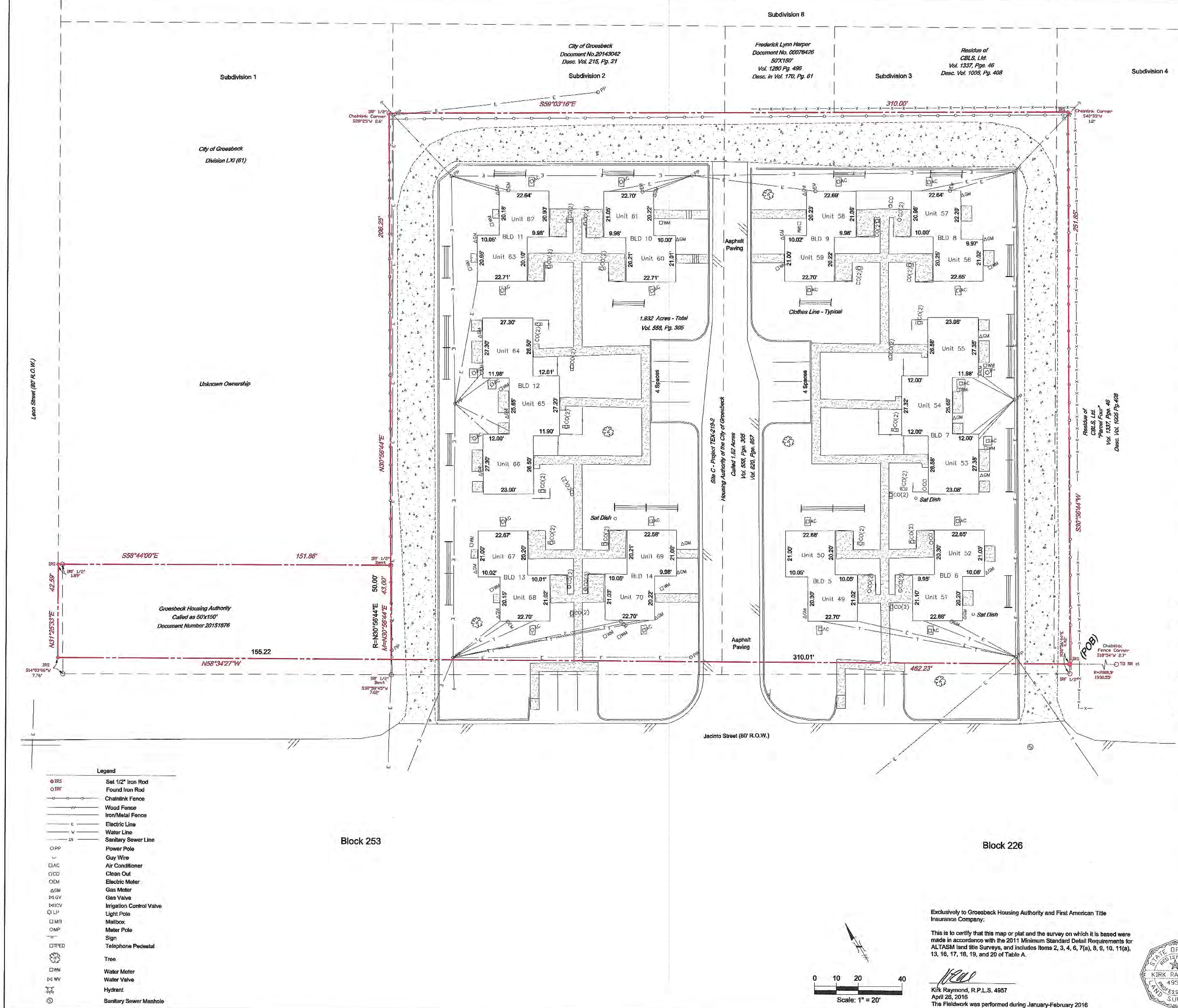
Development qualifies for the boost for:

- [-] Qualified Census tract that has less than 20% HTC Units per household
- [X] Rural Development (Competitive HTC only)
- [-] Development is Supportive Housing (Competitive HTC Only)
- [X] Development meets the criteria for the Opportunity Index as identified in §11.9(c)(4) of the Qualified Allocation Plan (Competitive HTC only)
- [ ] Development is non-Qualified Elderly not located in a QCT and is targeted under a Community Revitalization Plan. (Competitive HTC only)
- [ ] Development includes an additional 10% of units at 30% AMI (over the amount of units needed for point scoring).
- [ ] Development is in a QCT with 20% or greater Housing Tax Credit Units per household, and a resolution from the Governing Body of the appropriate municipality or county allowing the construction of the Development is included behind Tab 8**

** Resolution not due until Resolutions Delivery Date for Tax-Exempt Bond Developments

TAB 12

Supporting Documents III
Surveys



Fieldnote Description to 1.932 acres
City of Groesbeck - Part of Division LXI (61)
Varela Survey, A-29
Limestone County, Texas
Known as Liberty Square

Fieldnotes to all that certain lot, tract, or parcel of land situated in the City of Groesbeck, A. Varela Survey, A-29, Limestone County, Texas, being 1.932 acres, more or less, being part of Division LXI (61) and comprised of a called 1.82 acre tract described in a deed dated April 29, 1970, from B. L. Bradley, et al to the Housing Authority of the City of Groesbeck, and recorded in Volume 558, Page 305 (futher conveyed in a deed recorded in Volume 820, Page 857), and a called 50 foot by 150 foot tract conveyed April 21, 2015, by the City of Groesbeck to the Groesbeck Housing Authority, and recorded as Document Number 20151876, Deed Records, Limestone County, Texas, to which references are hereby made to for any and all purposes. Said tract described by metes and bounds as follows, to wit:

Beginning at a ½" iron rod (capped R.P.L.S. 4957) set for the common southern corner of the referenced 1.82 acre tract and a tract conveyed to CBLS, Ltd. by deed of record in Volume 1337, Page 46. Same being in the northeastern right of way of Jacinto Streeet (80' right of way) and bears N58°34'27"W 1930.55 feet (record call is 2008.3 feet) from the centerline of the main track of the railroad. Said point further bears N30°56'44"E from the acclaimed southern corner of said 1.82 acre tract;

THENCE NORTH 58°34'27" WEST, with the northeastern right of way of Jacinto Street, passing at 310.01 feet an iron rod found bearing S30°58'45"W 7.02 feet for the southern corner of the referenced 50'x150' tract, continuining a total distance of 462.23 feet to a ½" iron rod (capped R.P.L.S. 4957) set for corner in the intersection of said northeastern right of way with the southeastern line of Leon Street (80' r.o.w.-unimproved). From said point the record location of the western corner of said 50'x150' tract bears S14°03'06"W 7.76 feet;

THENCE NORTH 31°25'33" EAST 42.59 feet, with the southeastern right of way of Leon Street, to a capped ½" iron rod set for corner. From said point a ½" iron rod found for the monumented northern corner of said 50'x150' tract bears S58°44'00"E 1.89 feet;

THENCE SOUTH 58°44'00" EAST 151.86 feet, along the monumented northeastern line of said 50'x150' tract, to a ½" iron rod found for the eastern corner of same in the northwestern line of the referenced 1.82 acre tract;

THENCE NORTH 30°56'44" EAST 206.25 feet, with the northwestern line of said 1.82 acre tract and generally along an existing chain link fence, to a ½" iron rod found for the northern corner of said 1.82 acre tract. Same being in the apparent southwestern line of a tract conveyed to the City of Groesbeck by Document Number 20143042. From said point an existing chain link fence corner bears S28°25'W 2.6 feet;

THENCE SOUTH 59°03'16" EAST 310.00 feet, with the northeastern line of the aforesaid 1.82 acre tract and with the apparent southwest line of said City of Groesbeck tract, the apparent southwestern line of a tract conveyed to Frederick Harper by deed of record in Volume 1260, Page 496, and the apparent southwestern line of a tract conveyed to CBLS, Ltd. by deed of record in Volume 1337, Page 46, to a capped ½" iron rod set for the eastern coner of said 1.82 acre tract and an "ell" corner of said CBLS, Ltd. tract. From said point an exisiting chain link fence corner bears S40°33'W 1.2 feet;

THENCE SOUTH 30°56'44" WEST 251.85 feet (record call is 256 feet), with the southeastern line of the referenced 1.82 acre tract, to the Point of Beginning and containing 1.932 acres, more or less, as shown on the accompanying survey plat of even date herewith.

Bearing Note: Bearings are based on the centerline of the railroad using a bearing of N31°25'00"E.

The following comments are made with regard to a First American Title Insurance Company title commitment with an effective date of February 1, 2015, and GF No. 16714:
Schedule B Item

1a. The ordinance adopted by the City of Groesbeck, Volume 759, Page 152, deals with requirements pertaining to Mobile Home Parks within the City of Groesbeck. This ordinance establishes design standards, permits, and other items related to Mobile Home Parks. The applicability of this ordinance to the subject properties is inconclusive.

10d. The easement recorded in Volume 497, Page 357, is a blanket easement to the City of Groesbeck and is not locatable from the description. It appears to affect Site B - Project TEX-219-2, Record 1284 & 2044 - Units 29-40; Units 71-80, Tract 1 & Tract 2. The approximate sewer line route is shown.

10e. The easement recorded in Volume 513, Page 573, is a Blanket Easement to Lone Star Gas Company and is not locatable from the description. This easement covers Lots 1 through 10 in Block 253 and Lots 1 through 10 in Block 226, City of Groesbeck; These lots are referred to as Record 1241 - Units 1-28A, Record 1242 - Units 1-28B, Record 1243 - Units 1-28C, and Record 1244 - Units 1-28D.

10f. The Declaration of Trust, of record in Volume 72, Page 78, Deed of Trust Records, does not contain survey related matters. This document identifies Site A and Site B as Project TEX 219-1. Site A is described as, Parcel 1 - being Lots 1 through 10 in Block 226, City of Groesbeck, Limestone County, Texas, and Parcel 2, 3, & 4 - being Lots 1 through 10 in Block 253, City of Groesbeck, Limestone County, Texas. Site B is designated as a called 2.0417 acre tract out of Subdivision 11, in Division LXXII (72), in the City of Groesbeck, Limestone County, Texas.

10g. The Declaration of Trust recorded in Volume 560, Page 196, does not contain survey related matters. This document identifies Site A as TEX-219-2 and this site is a part of Subdivision2, in Division LXXIX (79) in the City of Groesbeck, Limestone County, Texas. It further designates a called 1.123 acre tract, part of Subdivisions 11 & 12 in Division LXXII (72) as Bite B TEX-219-02, and Site C, TEX-219-2, as a part of Subdivision 2, 3, and 4 in Division LXI (61), City of Groesbeck, Limestone County, Texas.

10h. The Declaration of Trust recorded in Volume 820, Page 849, does not contain survey related matters. This document identifies TX 219-001 as 40 Units and TX 219-002 as 40 Units in the City of Groesbeck, Limestone County, Texas.

The following Table A items are addressed:

Item 2	Addresses were not contained within record documents. The building\units numbers are shown.
Item 3	According to Flood Insurance Rate Map 48293C0295C, with an effective date of September 16, 2011, the subject site is not within a designated Zone A.
Item 4	The gross acreage is shown hereon.
Item 6	The City of Groesbeck does not have a zoning ordinance, but has a Mobile Home Ordinance which pertains to the development of Mobile Home Parks.
Item 7(a)	Exterior building dimensions are shown.
Item 8	Substantial observed features are shown.
Item 9	Parking is shown. The majority of the parking site(s) are not stripped.
Item 10	Interior units walls are not addressed.
Item 11a	Visible above ground utilities are shown.
Item 13	Adjoining ownership information is based on current Limestone County Central Appraisal District Records.
Item 16	Evidence of current earth moving, building construction, or building additions were not observed.
Item 17	According to the City of Groesbeck, changes in street right of way lines is not considered.
Item 18	No evidence of the site(s) was observed as being used for a landfill or solid waste dump.
Item 19	The US Fish & Wildlife Wetlands Mapper does not identify any wetland areas on the site.
Item 20	There are not any offsite servitudes.

Exclusively to Groesbeck Housing Authority and First American Title Insurance Company:

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2011 Minimum Standard Detail Requirements for ALTASM land title Surveys, and includes Items 2, 3, 4, 6, 7(a), 8, 9, 10, 11(a), 13, 16, 17, 18, 19, and 20 of Table A.

Kirk Raymond, R.P.L.S. 4957
April 26, 2016
The Fieldwork was performed during January-February 2016

STATE OF TEXAS
REGISTERED
KIRK RAYMOND
4957
PROFESSIONAL
LAND SURVEYOR

RAYMOND SURVEY & MAPPING - A DIVISION OF GOODWIN-LASITER, INC.
202 W. BRAZOS STREET - GROESBECK, TEXAS 76642 - (254) 729-5750 - RPLS@EMBARQMAIL.COM - TBPLS FIRM# 10110902

GOODWIN·LASITER·STRONG
ENGINEERING · ARCHITECTURE · INTERIOR DESIGN · SURVEYING
1609 S. CHESTNUT DR. STE. 202 - LUFKIN, TEXAS 75901 - (936) 637-4900
4077 CROSS PARK DR. STE. 100 - BRYAN, TEXAS 77802 - (979) 775-9700

Date:	Drawn By:	Appv'd By:	Client	Job #
4-26-16	CR	KR	Groesbeck Housing Authority	644433

Survey Plat of a 1.932 Acre Tract in the City of Groesbeck, Texas, Known as Liberty Square, Limestone County, Texas

Sheet No. 1OF4

TBPE FIRM REGISTRATION #413

Fieldnote Description to 3.32 acres
City of Groesbeck - Part of Block 226
A. Varela Survey, A-29
Limestone County, Texas
Known as Liberty Square

Fieldnotes to all that certain lot, tract, or parcel of land situated in the City of Groesbeck, A. Varela Survey, A-29, Limestone County, Texas, being all of Blocks 226 and Block 253, including the alleys and that portion of Fannin Street situated between Block 253 and Block 226. Said property being described in deeds dated March 9, 1964, from James O. Lewis, et ux to the Housing Authority of the City of Groesbeck, conveying Lots One through Ten in Block 226, recorded in Volume 504, Page 318; March 6, 1964, from Ruby M. Lewis, et vir to the Housing Authority of the City of Groesbeck, conveying Lots One, Two, Six, and Seven in Block 253, recorded in Volume 504, Page 315; March 6, 1964, from Velma Dugan, et vir to the Housing Authority of the City of Groesbeck, conveying Lots Three, Four, and Five in Block 253, recorded in Volume 504, Page 317; March 9, 1964, from C. A. Herod, et ux to the Housing Authority of the City of Groesbeck, conveying Lots Eight, Nine, and Ten in Block 253, recorded in Volume 504, Page 313; a City of Groesbeck Ordinance passed April 10, 1964, and recorded in Volume 5, Page 55, City of Groesbeck City Commission Minutes, conveying the portion of Fannin Street situated between Block 253 and Block 226, said Ordinance amended June 12, 1964, to include the alleys within Block 253 and Block 256, and recorded as Instrument Number 20162728, on August 25, 2016, Deed Records, Limestone County, Texas, to which references are hereby made to for any and all purposes. Said tract being described by metes and bounds as follows, to wit:

Beginning at a ½" iron rod (capped R.P.L.S. 4957) set for the southern corner of Block 226 in the intersection of the northwestern right of way of Preston Street (80' right of way per City of Groesbeck Townsite map) with the northeastern right of way of Sabine Street (80' right of way). Said point bears N58°34'27"W 1812.78 feet from the centerline of the railroad main track;

THENCE NORTH 58°34'27" WEST, along the southwestern line of Block 226 and the northeastern right of way of Sabine Street, passing at 250.00 feet the western corner of Block 226 and the southeastern right of way of Fannin Street (80' right of way), continuing across Fannin Street and passing at 330 feet the northwestern right of way of Fannin Street and the southern corner of Block 253, continuing with said northeastern right of way and the southwestern line of Block 253 a total distance of 580.00 feet to a ½" iron rod (capped RPLS 4957) set for the western corner of Block 253 in the intersection of said northeastern right of way with the southeastern right of way of Leon Street (80' right of way);

THENCE NORTH 31°25'33" EAST, along the southeastern right of way of Leon Street and the northwestern line of Block 253, passing at 115.00 feet the southwestern line of a 20 foot wide alley, passing at 135 feet the northeastern line of said alley, continuing with said southeastern right of way and the northwestern line of Block 253 a total distance of 250.00 feet to a capped ½" iron rod set for the northern corner of Block 253 in the intersection of said southeastern right of way with the southwestern right of way of Jacinto Street (80' right of way);

THENCE SOUTH 58°34'27" EAST, with said southwestern right of way and the northeastern line of Block 226, passing at 250 feet the eastern corner of Block 253 and the northwestern right of way of Fannin Street, passing at 330 feet the northern corner of Block 226 and the southeastern right of way of Fannin Street, continuining with said southwestern right of way and the northeast line of Block 226 a total distance of 580.00 feet to an "X" cut in concrete for the eastern corner of Block 226 in the intersection of said southwestern right of way with the northwestern right of way of Preston Street. From said point the center of the railroad bears S58°34'27"E 1812.78 feet;

THENCE SOUTH 31°25'33" WEST, with the southeastern line of Block 226 and said northwestern right of way, passing at 115.00 feet the northeastern line of a 20 foot wide alley, passing at 135 feet the southwestern line of said alley, continuing with said northwestern right of way and the southeastern line of Block 226 a total distance of 250.00 feet, to the Point of Beginning and containing 3.32 acres, more or less, as shown on the accompanying survey plat of even date herewith.

Bearing Note: Bearings are based on the centerline of the railroad using a bearing of N31°25'00"E.

Notes:
1. Documents abandoning the alleys in Blocks 253 & 226 are recorded as instrument No. 20162728.
2. Documents abandoning Fannin Street are recorded as instrument No. 20162728.

The following comments are made with regard to a First American Title Insurance Company title commitment with an effective date of February 1, 2015, and GF No. 16714:

Schedule B Item

1a. The ordinance adopted by the City of Groesbeck, Volume 759, Page 152, deals with requirements pertaining to Mobile Home Parks within the City of Groesbeck. This ordinance establishes design standards, permits, and other items related to Mobile Home Parks. The applicability of this ordinance to the subject properties is inconclusive.

10d. The easement recorded in Volume 497, Page 357, is a blanket easement to the City of Groesbeck and is not locatable from the description. It appears to affect Site B - Project TEX-219-2, Record 1284 & 2044 - Units 29-40; Units 71-80, Tract 1 & Tract 2. The approximate sewer line route is shown.

10e. The easement recorded in Volume 513, Page 573, is a Blanket Easement to Lone Star Gas Company and is not locatable from the description. This easement covers Lots 1 through 10 in Block 253 and Lots 1 through 10 in Block 226, City of Groesbeck; These lots are referred to as Record 1241 - Units 1-28A, Record 1242 - Units 1-28B, Record 1243 - Units 1-28C, and Record 1244 - Units 1-28D.

10f. The Declaration of Trust, of record in Volume 72, Page 78, Deed of Trust Records, does not contain survey related matters. This document identifies Site A and Site B as Project TEX 219-1. Site A is described as, Parcel 1 - being Lots 1 through 10 in Block 226, City of Groesbeck, Limestone County, Texas, and Parcel 2, 3, & 4 - being Lots 1 through 10 in Block 253, City of Groesbeck, Limestone County, Texas. Site B is designated as a called 2.0417 acre tract out of Subdivision 11, in Division LXXII (72), in the City of Groesbeck, Limestone County, Texas.

10g. The Declaration of Trust recorded in Volume 560, Page 196, does not contain survey related matters. This document identifies Site A as TEX-219-2 and this site is a part of Subdivision2, in Division LXXIX (79) in the City of Groesbeck, Limestone County, Texas. It further designates a called 1.123 acre tract, part of Subdivisions 11 & 12 in Division LXXII (72) as Bite B TEX-219-02, and Site C, TEX-219-2, as a part of Subdivision 2, 3, and 4 in Division LXI (61), City of Groesbeck, Limestone County, Texas.

10h. The Declaration of Trust recorded in Volume 820, Page 849, does not contain survey related matters. This document identifies TX 219-001 as 40 Units and TX 219-002 as 40 Units in the City of Groesbeck, Limestone County, Texas.

The following Table A items are addressed:

Item 2	Addresses were not contained within record documents. The building\units numbers are shown.
Item 3	According to Flood Insurance Rate Map 48293C0295C, with an effective date of September 16, 2011, the subject site is not within a designated Zone A.
Item 4	The gross acreage is shown hereon.
Item 6	The City of Groesbeck does not have a zoning ordinance, but has a Mobile Home Ordinance which pertains to the development of Mobile Home Parks.
Item 7(a)	Exterior building dimensions are shown.
Item 8	Substantial observed features are shown.
Item 9	Parking is shown. The majority of the parking site(s) are not stripped.
Item 10	Interior units walls are not addressed.
Item 11a	Visible above ground utilities are shown.
Item 13	Adjoining ownership information is based on current Limestone County Central Appraisal District Records.
Item 16	Evidence of current earth moving, building construction, or building additions were not observed.
Item 17	According to the City of Groesbeck, changes in street right of way lines is not considered.
Item 18	No evidence of the site(s) was observed as being used for a landfill or solid waste dump.
Item 19	The US Fish & Wildlife Wetlands Mapper does not identify any wetland areas on the site.
Item 20	There are not any offsite servitudes.

Exclusively to Groesbeck Housing Authority and First American Title Insurance Company:

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2011 Minimum Standard Detail Requirements for ALTASM land title Surveys, and includes Items 2, 3, 4, 6, 7(a), 8, 9, 10, 11(a), 13, 16, 17, 18, 19, and 20 of Table A.

Kirk Raymond, R.P.L.S. 4957
April 26, 2016
The Fieldwork was performed during January-February 2016

(REVISED AUGUST 25, 2016)

STATE OF TEXAS REGISTERED KIRK RAYMOND 4957 PROFESSIONAL LAND SURVEYOR

RAYMOND SURVEY & MAPPING - A DIVISION OF GOODWIN-LASITER, INC.
202 W. BRAZOS STREET - GROESBECK, TEXAS 76642 - (254) 729-5750 - RPLS@EMBARQMAIL.COM - TBPLS FIRM# 10110902

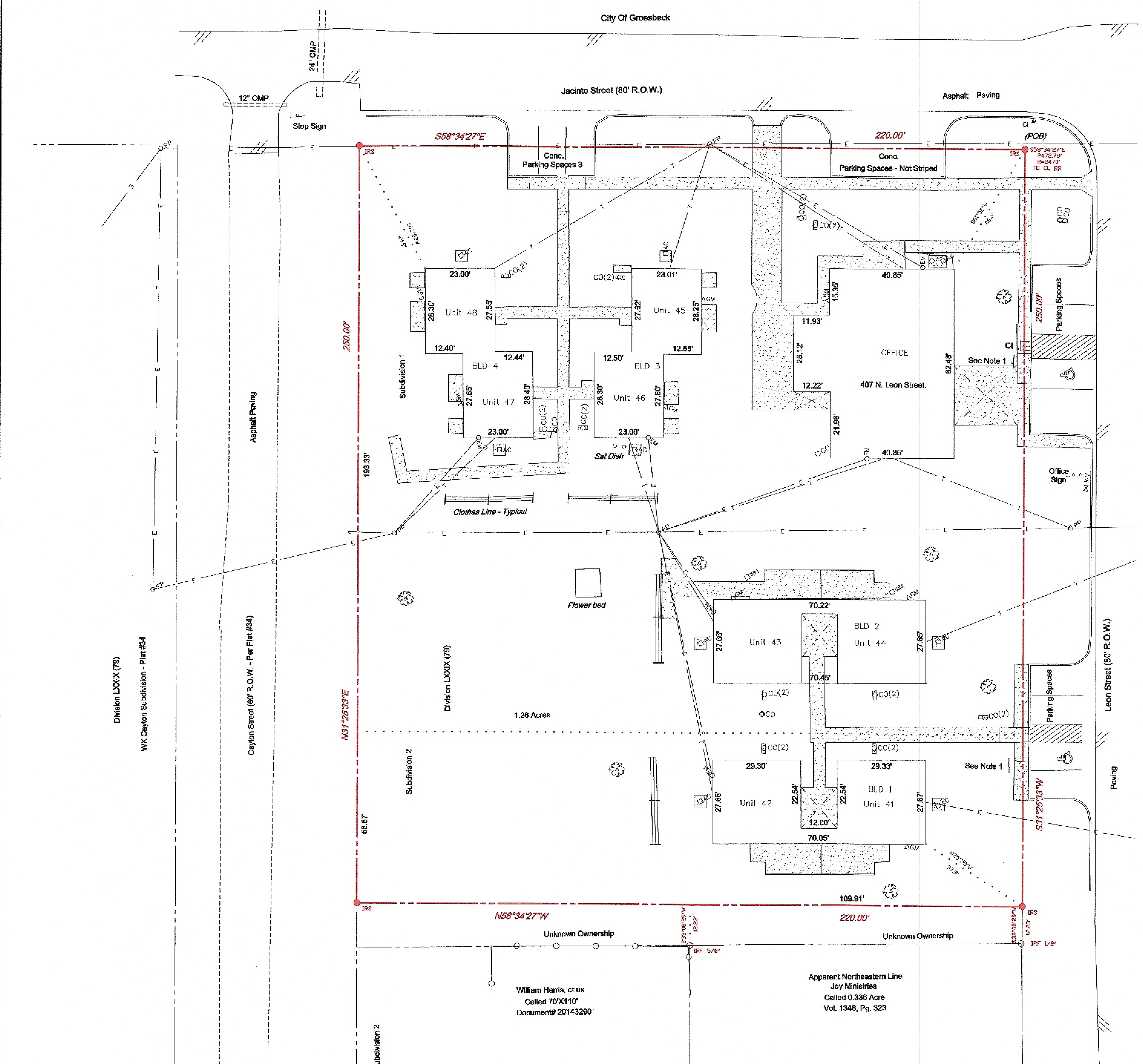
GOODWIN·LASITER·STRONG
ENGINEERING - ARCHITECTURE - INTERIOR DESIGN - SURVEYING
1809 S. CHESTNUT DR. STE. 202 - LUFKIN, TEXAS 75901 - (936) 637-4900
4077 CROSS PARK DR. STE. 100 - BRYAN, TEXAS 77802 - (979) 776-9700

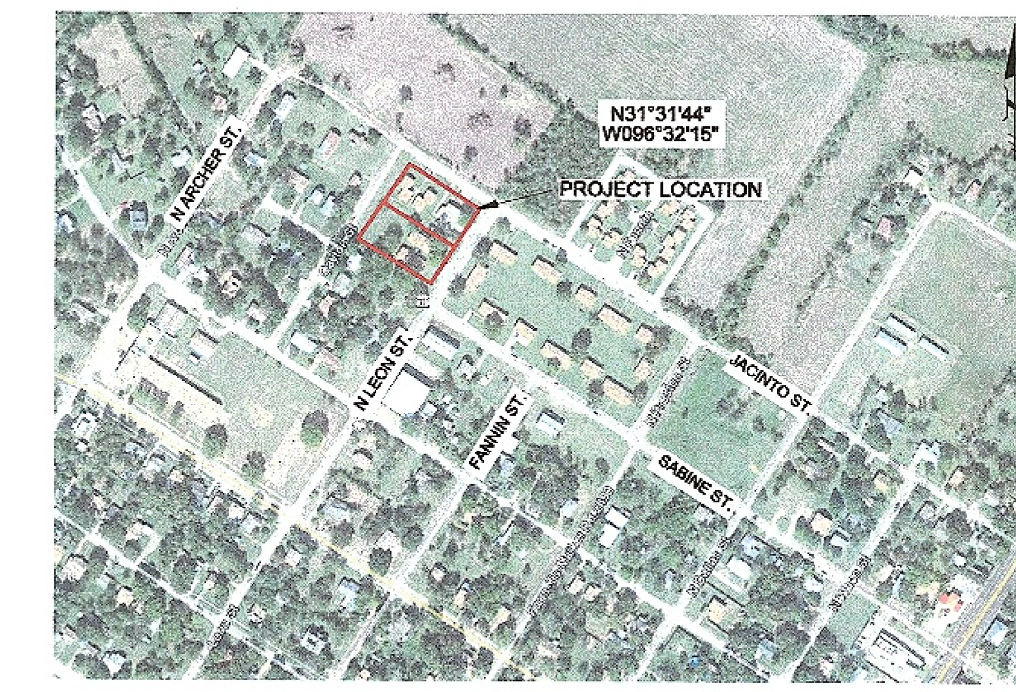
Date:	Drawn By:	Appv'd By:	Client	Job #
4-26-16	CR	KR	Groesbeck Housing Authority	644433

Survey Plat of Blocks 253 and 226 (Known as Liberty Square) in the City of Groesbeck, Limestone County, Texas

Sheet No. 2OF4

TBPE FIRM REGISTRATION #413





Fieldnote Description to 1.26 acres
City of Groesbeck - Part of Subdivision 1 & 2 - Dvision LXXIX (79)
A. Varela Survey, A-29
Limestone County, Texas
Known as Liberty Square Office

Fieldnotes to all that certain lot, tract, or parcel of land situated in the City of Groesbeck, A. Varela Survey, A-29, Limestone County, Texas, being all of Subdivision 1 and a part of Subdivision 2 in Division LXXIX (79), as described in a deed dated March 4, 1970, from Eddie Manning Ford, et al to the Housing Authority of the City of Groesbeck, and recorded in Volume 557, Page 546, Deed Records, Limestone County, Texas, to which reference is hereby made to for any and all purposes. Said tract being described by metes and bounds as follows, to wit:

Beginning at a ½" iron rod (capped R.P.L.S. 4957) set for the southern corner of Subdivision 1 and the eastern corner of Division LXXIX (79) in the inetersection of the southwestern right of way of Jacinto Street (80' right of way) with the northwestern right of way of Leon Street (80' right of way). From said point the eastern corner of the Housing Authority office bears S61°52'W 46.0 feet and the centerline of the railroad main track bears S58°34'27"E 2472.78 feet (record call is 2470 feet);

THENCE SOUTH 31°25'33" WEST 250.00 feet, with the southeastern line of Division LXXIX (79), Subdivisions 1 and 2, and the northwestern right of way of Leon Street, to a capped ½" iron rod set for corner. From said point a ½" iron rod found for the apparent eastern corner of a tract conveyed to Joy Ministires, by deed of record in Volume 1346, Page 323, bears S33°08'29"W 12.23 feet and the southern corner of an existing housing unit bears N25°55'W 37.9 feet;

THENCE NORTH 58°34'27" WEST, with the southwestern line of the referenced tract and across Subdivision 2, passing at 109.91 feet a 5/8" iron rod, bearing S31°25'33"W 13.46 feet, found for the apparent common corner of said Joy Ministires tract and the eastern corner of a tract conveyed to William Harrison, et ux by deed of record as Document Number 20143290, continuing with the southwestern line of the referenced tract a total distance of 220.00 feet to a capped ½" iron rod set for the western corner of the referenced tract in the southeastern right of way of Cayton Street (60' right of way) as shown on a plat of the WK Cayton Subdivision, recorded as Plat Number 34;

THENCE NORTH 31°25'33" EAST 250.00 feet, with the northwestern line of Subdivision 1 and 2, and with the southeastern right of way of Cayton Street, to a capped ½" iron rod set for the northern corner of Subdivision 1 in the intersection of said southeastern right of way with Jacinto Street right of way. From said point the northern corner of an existing housing unit bears S03°03'W 45.9 feet;

THENCE SOUTH 58°34'27" EAST 220.00 feet, with the northeastern line of Subdivision 1 and the southwestern right of way of Jacinto Street, to the Point of Beginning and containing 1.26 acres, more or less, as shown on the accompanying survey plat of even date herewith.

Bearing Note: Bearings are based on the centerline of the railroad using a bearing of N31°25'00"E.

The following comments are made with regard to a First American Title Insurance Company title commitment with an effective date of February 1, 2015, and GF No. 16714:
Schedule B Item

1a. The ordinance adopted by the City of Groesbeck, Volume 759, Page 152, deals with requirements pertaining to Mobile Home Parks within the City of Groesbeck. This ordinance establishes design standards, permits, and other items related to Mobile Home Parks. The applicability of this ordinance to the subject properties is inconclusive.

10d. The easement recorded in Volume 497, Page 357, is a blanket easement to the City of Groesbeck and is not locatable from the description. It appears to affect Site B - Project TEX-219-2, Record 1284 & 2044 - Units 29-40; Units 71-80, Tract 1 & Tract 2. The approximate sewer line route is shown.

10e. The easement recorded in Volume 513, Page 573, is a Blanket Easement to Lone Star Gas Company and is not locatable from the description. This easement covers Lots 1 through 10 in Block 253 and Lots 1 through 10 in Block 226, City of Groesbeck; These lots are referred to as Record 1241 - Units 1-28A, Record 1242 - Units 1-28B, Record 1243 - Units 1-28C, and Record 1244 - Units 1-28D.

10f. The Declaration of Trust, of record in Volume 72, Page 78, Deed of Trust Records, does not contain survey related matters. This document identifies Site A and Site B as Project TEX 219-1. Site A is described as, Parcel 1 - being Lots 1 through 10 in Block 226, City of Groesbeck, Limestone County, Texas, and Parcel 2, 3, & 4 - being Lots 1 through 10 in Block 253, City of Groesbeck, Limestone County, Texas. Site B is designated as a called 2.0417 acre tract out of Subdivision 11, in Division LXXII (72), in the City of Groesbeck, Limestone County, Texas.

10g. The Declaration of Trust recorded in Volume 560, Page 196, does not contain survey related matters. This document identifies Site A as TEX-219-2 and this site is a part of Subdivision2, in Division LXXIX (79) in the City of Groesbeck, Limestone County, Texas. It further designates a called 1.123 acre tract, part of Subdivisions 11 & 12 in Division LXXII (72) as Bite B TEX-219-02, and Site C, TEX-219-2, as a part of Subdivision 2, 3, and 4 in Division LXI (61), City of Groesbeck, Limestone County, Texas.

10h. The Declaration of Trust recorded in Volume 820, Page 849, does not contain survey related matters. This document identifies TX 219-001 as 40 Units and TX 219-002 as 40 Units in the City of Groesbeck, Limestone County, Texas.

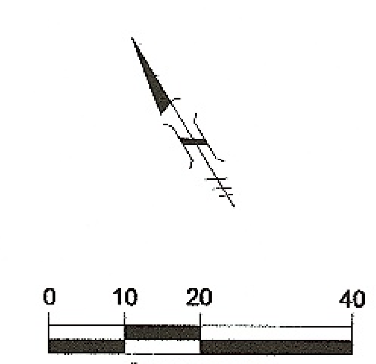
The following Table A items are addressed:

Item 2	Addresses were not contained within record documents. The building\units numbers are shown.
Item 3	According to Flood Insurance Rate Map 48293C0295C, with an effective date of September 16, 2011, the subject site is not within a designated Zone A.
Item 4	The gross acreage is shown hereon.
Item 6	The City of Groesbeck does not have a zoning ordinance, but has a Mobile Home Ordinance which pertains to the development of Mobile Home Parks.
Item 7(a)	Exterior building dimensions are shown.
Item 8	Substantial observed features are shown.
Item 9	Parking is shown. The majority of the parking site(s) are not stripped.
Item 10	Interior units walls are not addressed.
Item 11a	Visible above ground utilities are shown.
Item 13	Adjoining ownership information is based on current Limestone County Central Appraisal District Records.
Item 16	Evidence of current earth moving, building construction, or building additions were not observed.
Item 17	According to the City of Groesbeck, changes in street right of way lines is not considered.
Item 18	No evidence of the site(s) was observed as being used for a landfill or solid waste dump.
Item 19	The US Fish & Wildlife Wetlands Mapper does not identify any wetland areas on the site.
Item 20	There are not any offsite servitudes.

Notes: 1. Handicap Parking Sign

Legend

IRS	Set 1/2" Iron Rod
IRF	Found Iron Rod
	Chainlink Fence
	Wood Fence
	Iron/Metal Fence
E	Electric Line
W	Water Line
SS	Sanitary Sewer Line
PP	Power Pole
	Guy Wire
AC	Air Conditioner
CO	Clean Out
EM	Electric Meter
GM	Gas Meter
GV	Gas Valve
ICV	Irrigation Control Valve
LP	Light Pole
MB	Mailbox
MP	Meter Pole
	Sign
TPED	Telephone Pedestal
	Tree
WM	Water Meter
WV	Water Valve
	Hydrant
	Sanitary Sewer Manhole
GI	Grate Inlet



Exclusively to Groesbeck Housing Authority and First American Title Insurance Company:

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2011 Minimum Standard Detail Requirements for ALTASM land title Surveys, and includes items 2, 3, 4, 6, 7(a), 8, 9, 10, 11(a), 13, 16, 17, 18, 19, and 20 of Table A.

Kirk Raymond, R.P.L.S. 4957
April 26, 2016
The Fieldwork was performed during January-February 2016

STATE OF TEXAS REGISTERED KIRK RAYMOND 4957 PROFESSIONAL LAND SURVEYOR

RAYMOND SURVEY & MAPPING - A DIVISION OF GOODWIN-LASITER, INC.
202 W. BRAZOS STREET - GROESBECK, TEXAS 76642 - (254) 729-5750 - RPLS@EMBARQMAIL.COM - TBPLS FIRM# 10110802

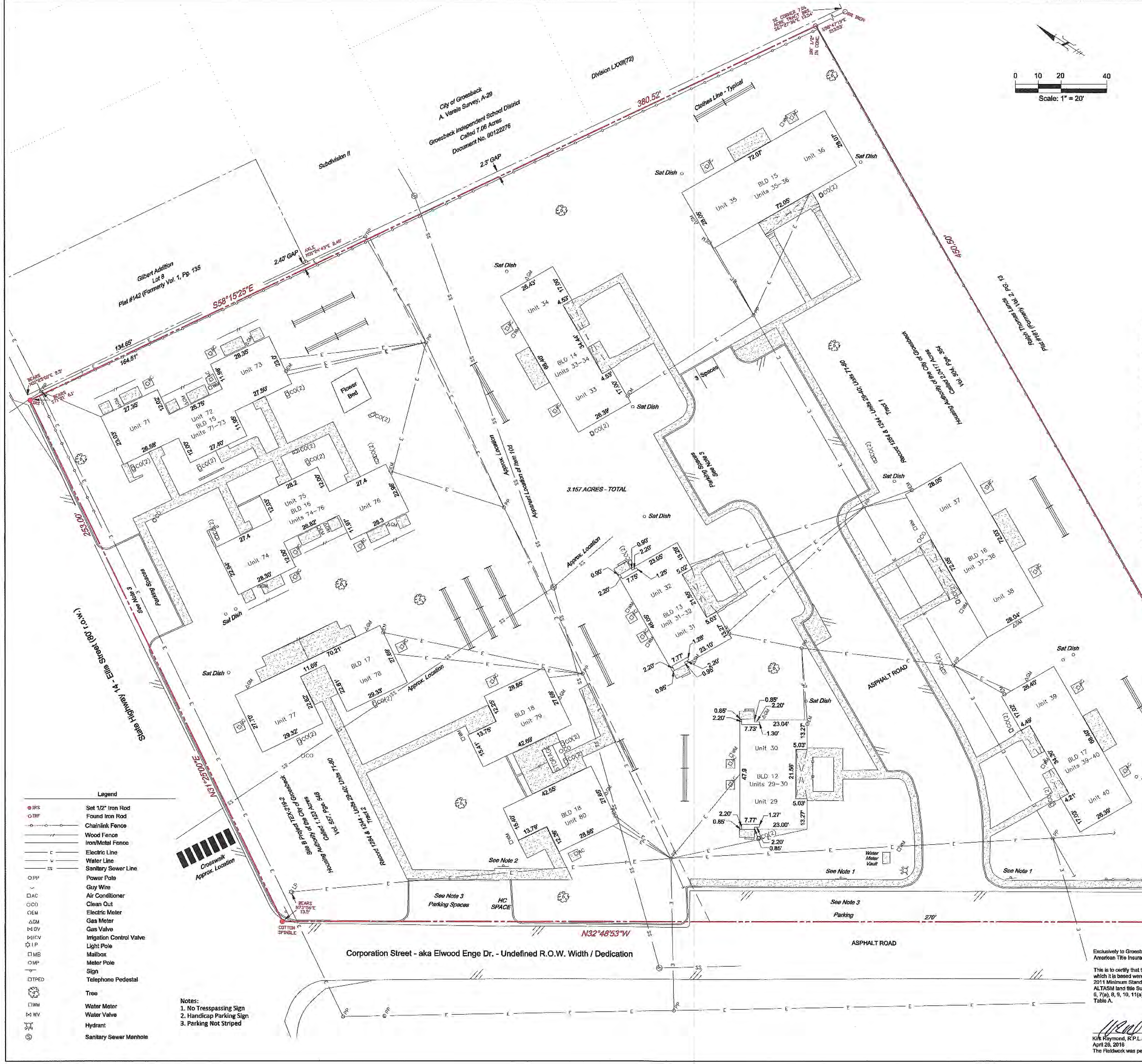
GOODWIN-LASITER-STRONG
ENGINEERING - ARCHITECTURE - INTERIOR DESIGN - SURVEYING
1609 S. CHESTNUT DR. STE. 202 - LUFKIN, TEXAS 75901 - (936) 637-4900
4077 CROSS PARK DR. STE. 100 - BRYAN, TEXAS 77802 - (979) 776-9700

Date:	Drawn By:	Appv'd By:	Client	Job #
4-26-16	CR	KR	Groesbeck Housing Authority	644433

Survey Plat of a 1.26 Acre Tract in the City of Groesbeck, Texas, Know as Liberty Square, Limestone County, Texas

Sheet No. 3OF4

TBPE FIRM REGISTRATION #413



Fieldnote Description to 3.157 acres
City of Groesbeck
Varela Survey, A-29
Limestone County, Texas
Known as Liberty Village

Fieldnotes to all that certain lot, tract, or parcel of land situated in the City of Groesbeck, A. Varela Survey, A-29, Limestone County, Texas, being 3.157 acres, more or less, and being comprised of all of a called 2.0417 acre tract described in a deed dated March 11, 1964, from Ernest Grooms, et ux to the Housing Authority of the City of Groesbeck, and recorded in Volume 504, Page 354, and all of a called 1.123 acre tract as described in a deed dated March 17, 1970, from Ernest Grooms, et ux to the Housing Authority of the City of Groesbeck, recorded in Volume 557, Page 548 (referred to as Site B - Project TEX-219-2), Deed Records, Limestone County, Texas, to which references are hereby made to for any and all purposes. Said tract described by metes and bounds as follows, to wit:

Beginning at a ½" iron rod (capped R.P.L.S. 4957) set for the common southern corner of the referenced 2.0417 acre tract and the Ralph Thomas Lands, as shown on a plat recorded as Plat #161 (formerly Volume 2, Page 13). Same being in the northern limit of an existing roadway known Corporation Street (undefined right of way width and dedication- aka Elwood Enge) and bears N33°26'46"W 242.65 feet (record distance is 243.1 feet) from a railroad iron found in the northwestern right of way of the railroad for the southern corner of said Ralph Thomas Lands;

THENCE NORTH 32°48'53" WEST, along the southwestern line of the referenced 2.0417 acre tract and the northeast margin of Corporation Street, passing at 270.00 feet the common southern corner of the referenced tracts, continuing with said northeastern margin and the southwestern line of the referenced 1.123 acre tract a total distance of 456.84 feet to a cotton spindle set for the western corner of said 1.123 acre tract in the intersection of said northeastern margin with the southeastern right of way of State Highway 14 (Ellis Street - 80' r.o.w. per TxDOT right of way plans). From said point an existing light pole bears N73°56'E 13.5 feet;

THENCE NORTH 31°25'00" EAST 253.00 feet, with said southeastern right of way and the western line of said 1.123 acre tract, to a capped ½" iron rod set for the northwestern corner of said tract. From said point an existing power pole bears S71°21'E 6.1 feet and the western corner of Lot 8, in the H. Gilbert Addition, of record as Plat Number 142 (formerly Volume 1, Page 135), bears N31°25'00"E 2.5 feet;

THENCE SOUTH 58°15'25" EAST, with the northeastern line of said 1.123 acre tract, southwesterly of the southwestern line of a called 7.06 acre tract conveyed to Groesbeck Independent School District by a deed with Document Number 00122276, passing at 134.65 feet an axle found for the southeast corner of said Lot 8, bearing N31°24'43"E 2.40 feet, passing at 164.51 feet (record distance is 165 feet), the common northern corner of the referenced tracts, continuing a total distance of 380.52 feet to a ½" iron rod found for the common northern corner of the aforementioned 2.0417 acre tract and said Ralph Thomas Lands. From said point a railroad iron found for the eastern corner of said Ralph Thomas Lands bears S58°47'19"E 213.53 feet and the southeastern corner of said 7.06 acre tract bears S67°27'36"E 13.54 feet;

THENCE SOUTH 27°29'00" WEST 450.50 feet, with the common line of the referenced 2.0417 acre tract and said Ralph Thomas Lands, to the Point of Beginning and containing 3.157 acres, more or less, as shown on the accompanying survey plat of even date herewith.

Bearing Note: Bearings are based on the centerline of the railroad using a bearing of N31°25'00"E.

The following comments are made with regard to a First American Title Insurance Company title commitment with an effective date of February 1, 2015, and GF No. 16714:

Schedule B Item

1a. The ordinance adopted by the City of Groesbeck, Volume 759, Page 152, deals with requirements pertaining to Mobile Home Parks within the City of Groesbeck. This ordinance establishes design standards, permits, and other items related to Mobile Home Parks. The applicability of this ordinance to the subject properties is inconclusive.

10d. The easement recorded in Volume 497, Page 357, is a blanket easement to the City of Groesbeck and is not locatable from the description. It appears to affect Site B - Project TEX-219-2, Record 1284 & 2044 - Units 29-40; Units 71-80, Tract 1 & Tract 2. The approximate sewer line route is shown.

10e. The easement recorded in Volume 513, Page 573, is a Blanket Easement to Lone Star Gas Company and is not locatable from the description. This easement covers Lots 1 through 10 in Block 253 and Lots 1 through 10 in Block 226, City of Groesbeck; These lots are referred to as Record 1241 - Units 1-28A, Record 1242 - Units 1-28B, Record 1243 - Units 1-28C, and Record 1244 - Units 1-28D.

10f. The Declaration of Trust, of record in Volume 72, Page 78, Deed of Trust Records, does not contain survey related matters. This document identifies Site A and Site B as Project TEX 219-1. Site A is described as, Parcel 1 - being Lots 1 through 10 in Block 226, City of Groesbeck, Limestone County, Texas, and Parcel 2, 3, & 4 - being Lots 1 through 10 in Block 253, City of Groesbeck, Limestone County, Texas. Site B is designated as a called 2.0417 acre tract out of Subdivision 11, in Division LXXII (72), in the City of Groesbeck, Limestone County, Texas.

10g. The Declaration of Trust recorded in Volume 560, Page 196, does not contain survey related matters. This document identifies Site A as TEX-219-2 and this site is a part of Subdivision2, in Division LXXIX (79) in the City of Groesbeck, Limestone County, Texas. It further designates a called 1.123 acre tract, part of Subdivisions 11 & 12 in Division LXXII (72) as Bite B TEX-219-02, and Site C, TEX-219-2, as a part of Subdivision 2, 3, and 4 in Division LXI (61), City of Groesbeck, Limestone County, Texas.

10h. The Declaration of Trust recorded in Volume 820, Page 849, does not contain survey related matters. This document identifies TX 219-001 as 40 Units and TX 219-002 as 40 Units in the City of Groesbeck, Limestone County, Texas.

The following Table A items are addressed:

Item 2 Addresses were not contained within record documents. The building\units numbers are shown.
Item 3 According to Flood Insurance Rate Map 48293C0295C, with an effective date of September 16, 2011, the subject site is not within a designated Zone A.
Item 4 The gross acreage is shown hereon.
Item 6 The City of Groesbeck does not have a zoning ordinance, but has a Mobile Home Ordinance which pertains to the development of Mobile Home Parks.
Item 7(a) Exterior building dimensions are shown.
Item 8 Substantial observed features are shown.
Item 9 Parking is shown. The majority of the parking site(s) are not stripped.
Item 10 Interior units walls are not addressed.
Item 11a Visible above ground utilities are shown.
Item 13 Adjoining ownership information is based on current Limestone County Central Appraisal District Records.
Item 16 Evidence of current earth moving, building construction, or building additions were not observed.
Item 17 According to the City of Groesbeck, changes in street right of way lines is not considered.
Item 18 No evidence of the site(s) was observed as being used for a landfill or solid waste dump.
Item 19 The US Fish & Wildlife Wetlands Mapper does not identify any wetland areas on the site.
Item 20 There are not any offsite servitudes.

Exclusively to Groesbeck Housing Authority and First American Title Insurance Company:

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2011 Minimum Standard Detail Requirements for ALTASM land title Surveys, and includes Items 2, 3, 4, 6, 7(a), 8, 9, 10, 11(a), 13, 16, 17, 18, 19, and 20 of Table A.

STATE OF TEXAS REGISTERED KIRK RAYMOND 4957 PROFESSIONAL LAND SURVEYOR

Kirk Raymond, R.P.L.S. 4957
April 26, 2016
The Fieldwork was performed during January-February 2016

RAYMOND SURVEY & MAPPING - A DIVISION OF GOODWIN-LASITER, INC.
202 W. BRAZOS STREET - GROESBECK, TEXAS 76642 - (254) 729-5760 - RPLS@EMBARQMAIL.COM - TBPLS FIRM# 10110902

GOODWIN·LASITER·STRONG
1609 S. CHESTNUT DR. STE. 202 - LUFKIN, TEXAS 75901 - (936) 637-4900
4077 CROSS PARK DR. STE. 100 - BRYAN, TEXAS 77802 - (979) 779-9700

Date:	Drawn By:	Appv'd By:	Client	Job #
4-26-16	CR	KR	Groesbeck Housing Authority	644433

Survey Plat of a 3.157 Acre Tract (Site B) in the City of Groesbeck, Texas, Know as Liberty Village, Limestone County, Texas

Sheet No. 4OF4

TBPE FIRM REGISTRATION #413

TAB 13

Multiple Site Information Form

This exhibit is required if a development site is assembled by aggregating noncontiguous tracts conveyed by one contract, or tracts conveyed by more than one contract whether contiguous or not. For each contract, list the address, legal description and acreage of each tract. The sum of the acreages must equal or exceed the acreage of the corresponding site plan(s) before dedications and other foreseeable reductions. Provide a reconciliation of any discrepancy (dedications, takings, reserves for other uses, etc.). ***Behind this form, provide a plat of the acquisitions that correspond to each distinct development site. The plat should state the dimensions of each tract and identify the address, legal description and acreage. If the development site boundaries do not match the boundaries of the platted acquisitions, provide an overlay plat of the development site.***

1

Contract Number	Census Tract	Acreage	Date of Sale
Liberty Village	48293970600	3.157	1964/1973

Street Address	City
See Attached	Groesbeck

Contact Name for Seller	Name of Seller Entity
Jana Raymond	City of Groesbeck Housing Authority

Contact Name for Previous Seller	Name of Previous Seller Entity
Only list if owner has owned <36 mos.	*Only list if owner has owned <36 mos.*

Seller Address	City	State	Zip
407 N. Leon	Groesbeck	TX	76642

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure? No

Is the seller affiliated with the Applicant, Principal, sponsor, or Development Team? Yes

If yes above, describe relationship: Applicant (Lessor) is an instrumentality of the Housing Authority

X Contract includes more than one tract/lot. Address, legal description, and acreage are below.

	Address	Abbreviated Legal	Acres
a.	*See Attached Summary and No. 2 below*	*Abbreviated Legal*	*Acres*
b.	*Address*	*Abbreviated Legal*	*Acres*
c.	*Address*	*Abbreviated Legal*	*Acres*

2

Contract Number	Census Tract	Acreage	Date of Sale
Liberty Square	48293970600	6.512	1964-1973

Street Address	City
See Attached	Groesbeck

Contact Name for Seller	Name of Seller Entity
Jana Raymond	City of Groesbeck Housing Authority

Contact Name for Previous Seller	Name of Previous Seller Entity
Only list if owner has owned <36 mos.	*Only list if owner has owned <36 mos.*

Seller Address	City	State	Zip
407 N. Leon	Groesbeck	TX	76642

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure? No

Is the seller affiliated with the Applicant, Principal, sponsor, or Development Team? Yes

If yes above, describe relationship: Applicant (Lessor) is an instrumentality of the Housing Authority

X Contract includes more than one tract/lot. Address, legal description, and acreage are below.

	Address	Abbreviated Legal	Acres
a.	*See No. 1 above and attached summary*	*Abbreviated Legal*	*Acres*
b.	*Address*	*Abbreviated Legal*	*Acres*
c.	*Address*	*Abbreviated Legal*	*Acres*

3

Contract Number

Census Tract

Acreage

Date of Sale

Street Address

City

Contact Name for Seller

Name of Seller Entity

Only list if owner has owned <36 mos.

Contact Name for Previous Seller

Only list if owner has owned <36 mos.

Name of Previous Seller Entity

Seller Address

City

State

Zip

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure?

Is the seller affiliated with the Applicant, Principal, sponsor, or Development Team?

If yes above, describe relationship:

Contract includes more than one tract/lot. Address, legal description, and acreage are below.

a. *Address* *Abbreviated Legal* *Acres*

b. *Address* *Abbreviated Legal* *Acres*

c. *Address* *Abbreviated Legal* *Acres*

4

Contract Number

Census Tract

Acreage

Date of Sale

Street Address

City

Contact Name for Seller

Name of Seller Entity

Only list if owner has owned <36 mos.

Contact Name for Previous Seller

Only list if owner has owned <36 mos.

Name of Previous Seller Entity

Seller Address

City

State

Zip

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure?

Is the seller affiliated with the Applicant, Principal, sponsor, or Development Team?

If yes above, describe relationship:

Contract includes more than one tract/lot. Address, legal description, and acreage are below.

a. *Address* *Abbreviated Legal* *Acres*

b. *Address* *Abbreviated Legal* *Acres*

c. *Address* *Abbreviated Legal* *Acres*

5

Contract Number

Census Tract

Acreage

Date of Sale

Street Address

City

Contact Name for Seller

Name of Seller Entity

Only list if owner has owned <36 mos.

Contact Name for Previous Seller

Only list if owner has owned <36 mos.

Name of Previous Seller Entity

Seller Address

City

State

Zip

Did the seller acquire the property through foreclosure or deed in lieu of foreclosure?

Is the seller affiliated with the Applicant, Principal, sponsor, or Development Team?

If yes above, describe relationship:

Contract includes more than one tract/lot. Address, legal description, and acreage are below.

a. *Address* *Abbreviated Legal* *Acres*

b. *Address* *Abbreviated Legal* *Acres*

c. *Address* *Abbreviated Legal* *Acres*

TAB 17

Development Narrative

1. The proposed Development is: (*Check all that apply*)

Acquisition/Rehab and/or: Scattered Site

Previous TDHCA # 14175 If Acquisition/Rehab or Rehab, original construction year: 1964/1973

If Reconstruction, ______ Units Demolished ______ Units Reconstructed

If Adaptive Reuse, Additional Phase, or Scattered Site, include detailed information in the Narrative (4.) below.

2. The Target Population will be:

General

3. Staff Determinations regarding definitions of development activity obtained?

☐ If a determination under §10.3(b) of the Uniform Multifamily Rules was made prior to Application submission, provide a copy of such determination behind this form.

4. Narrative

Briefly describe the proposed Development, including any relevant information not already identified above.

The Groesbeck Housing Authority (GHA) was created under the Housing Act of 1937 for the purpose of providing decent, safe and sanitary housing to the low and moderate-income residents of Groesbeck, TX, a community in north Texas with a population of about 4,400. Currently, GHA owns and manages 80 units of public housing on two main sites. The buildings were constructed in two phases, 1964 and 1973. In the face of dwindling HUD financial resources, the GHA has embarked on an aggressive plan that includes the comprehensive renovations of its properties utilizing low income housing tax credits.

The renovations of the properties will create a more valuable asset for its residents and the town of Groesbeck. As part of this plan, GHA has formed an affiliate, Liberty Housing Alliance, Inc. This affiliate will participate in the development as the managing member of the general partner.

The strategy utilizes a "lease" of the buildings and land to Groesbeck Housing Development, LP. The award of LIHTC from TDHCA would provide the equity needed to facilitate the rehabilitation of the 80 units. The renovations will include not only upgrades to finishes, but new cabinets, appliances, doors and hardware, plumbing and electrical fixtures, new heating and air conditioning systems, new roofing, windows, the addition of washer-dryers, energy efficient features and ample resident amenities. All 80 units will be RAD conversion units, utilizing Project-based vouchers.

5. Funding Request:

Complete the table below to describe this Application's funding request.

Department Funds applying for with this Application	Requested Amount	If funds will be in the form of a Direct Loan by the Department or for Private Activity Bonds, the terms will be:		
		Interest Rate (%)	Amortization (Years)	Term (Years)
TDHCA HOME				
CHDO Operating Expense				
Housing Tax Credits	$ 647,667			
Private Activity Mortgage Revenue				
TCAP Loan Repayments				

6. Set-Aside *(For Competitive HTC & HOME Applications Only)*

Identify any and all set-asides the application will be applying under.
Set-Asides can not be added or dropped from pre-application to full Application for Competitive HTC Applications.

Competitive HTC Only			HOME Only	
At-Risk	Nonprofit	USDA	CHDO	Persons w/Disabilities
X				

By selecting the set-aside above, I, individually or as the general partner(s) or officers of the Applicant entity, confirm that I (we) are applying for the above-stated Set-Aside(s) and Allocations. To the best of my (our) knowledge and belief, the Applicant entity has met the requirements that make this Application eligible for this (these) Set-Aside(s) and Allocations and will adhere to all requirements and eligibility standards for the selected Set-Aside(s) and Allocations.

7. Previously Awarded State and Federal Funding

Has this site/activity previously received or applied for TDHCA funds? Yes

If "Yes" Enter Project Number: 14175 and TDHCA funding source: HTC

Has this site/activity previously received non-TDHCA federal funding? Yes

Will this site/activity receive non-TDHCA federal funding for costs described in this Application? Yes

8. Qualified Low Income Housing Development Election (*HTC Applications only*)

Pursuant to §42(g)(1)(A) & (B), the term "qualified low income housing development" means any project or residential rental property, if the Development meets one of the requirements below, whichever is elected by the taxpayer." Once an election is made, it is irrevocable. Select only one:

☐ At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.

☒ At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size.

TAB 19

Development Activities (Continued)

self score **128**

1. **Size and Quality of Units (Competitive HTC Applications only)**

[X] Development is Rehabilitation and either Supportive Housing or USDA financed **OR** meets the minimum size requirements identified below: — **Points claimed:** 8

Bedroom Size	0	1	2	3	4
Square Footage	550	650	850	1,050	1,250

[X] Specific amenities and quality features will be provided in every Unit at no extra charge to the tenant; Development will maintain the points selected and associated with those amenities as outlined in §10.101(b)(6)(B) of the Uniform Multifamily Rules. — **Points claimed:** 7

2. **Income Levels of Tenants (Competitive HTC Applications only)**

22	Total Number of Units at 50% or less of AMGI
6	Number of 30% Units used to score points under §11.9(c)(2)*
	Number of 30% Units used under §11.4(c)(2)(D) regarding an Increase in Eligible Basis (30% boost)
16	Number of Units at 50% or less of AMGI available to use for points under §11.9(c)(1)
20.00%	Percentage used for calculation of eligible points under §11.9(c)(1)

Mark ***only one*** box below:

[ ] Development is located within a Non-Rural Area of the Dallas, Fort Worth, Houston, San Antonio or Austin MSA; or — 0

[X] Developments proposed in all other areas. — 16

** Applicants electing the 30% boost for additional 30% units are advised to ensure the units used to support the boost are not included in the units needed to achieve the Application's scoring elections.*

Points Claimed: 16

3. **Rent Levels of Tenants (Competitive HTC Applications only)**

Mark ***only one*** box below:

[ ] At least 20% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; development is Supportive Housing and qualifies under the Nonprofit Set-Aside. — 0

[ ] Development is urban and at least 10% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or — 0

[X] Development is located in a Rural Area and 7.5% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or — 11

[ ] At least 5% of all low-income Units at 30% or less of AMGI — 0

Points Claimed: 11

4. **Tenant Services (Competitive HTC Applications only)**

Development will provide a combination of supportive services as identified in §10.101(b)(7) and those services will be recorded in the Development's LURA.

[ ] Supportive Housing Development qualifying under the Nonprofit Set-Aside; or — 0

[X] All other Developments. — 10

Points Claimed: 10

5. **Tenant Populations with Special Housing Needs (Competitive HTC Applications only)**

[X] Applicant intends to elect 2 points under this scoring item

Section 811 Eligibility

Mark ***any*** of the following that apply (some fields will auto-populate):

[ ] Application is a Qualified Elderly Development or Supportive Housing (as defined by 10 TAC §10.3)

[ ] Development was originally constructed before 1978

[ ] Development does not have units available that do not have other sources ofproject-based rental or long-term operating assistance.

[ ] Development does not have units available that are not restricted for persons with disabilities

[ ] Development is not located in a qualifying MSA

[ ] Other disqualifying factor (please explain)

[ ] **Attached behind this tab is the executed Certification for Section 811 Program Participation**

Development qualifies to participate in 811: 0

[X] Application does not qualify for participation in Section 811 Program but elects to set aside at least 5% of the Units for Persons with Special Needs as identified in §11.9(c)(7) of the QAP.

Development elects to set aside at least 5% of Units: 2

Points Claimed: 2

6. **Pre-Application Participation (Competitive HTC Applications only)**

[X] Development is requesting Pre-Application Points 6

7. **Extended Affordability or Historic Preservation (Competitive HTC Applications only)**

Mark ***only one*** box below:

[X] Development will maintain a 35 year Affordability Period **OR** 2

[ ] Application is proposing the use of historic (rehabilitation) tax credits, is requesting a tax credit amount of less than $7,000 per unit, and has included a letter from the Texas Historical Commission behind this tab showing preliminary eligibility for at least one building. 0

Points Claimed: 2

8. **Right of First Refusal (Competitive HTC Applications only)**

[X] Development Owner agrees to provide a Right of First Refusal to purchase the Development upon or following the end of the Compliance Period. 1

9. **Funding Request Amount (Competitive HTC Applications only)**

[X] Application reflects funding request for no more than 100% of the amount available in the subregion or set-aside as of 12/1/2014. 1

TAB 20

ACQUISITION AND REHABILITATION INFORMATION

1. **At-Risk Set-Aside** ***(Competitive HTC Applications Only)***

[X] Qualification: Must meet the requirements of an At-Risk Development in §11.5(3) of the Qualified Allocation Plan.
Documentation: Must be submitted behind this tab showing that the Development meets the requirements of §2306.6702(a)(5) of the Texas Government Code.

Part A: Documentation must show that the subsidy or benefit is from one of the following approved programs (mark all that apply):

- [ ] Sections 221(d)(3) and (5), National Housing Act (12 U.S.C. Section 1715l)
- [ ] Section 236, National Housing Act (12 U.S.C. Section 1715z-1)
- [ ] Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q)
- [ ] Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s)
- [ ] The Section 8 Additional Assistance Program for housing developments with HUD-Insured and HUD-Held Mortgages administered by the U.S. Department of Housing and Urban Development as specified in 24 CFR Part 886, Subpart A.
- [ ] The Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the U.S. Department of Housing and Urban Development as specified by 24 CFR Part 886, Subpart C.
- [ ] Sections 514, 515, and 516, Housing Act of 1949 (42 U.S.C. Sections 1484, 1485 and 1486)
- [ ] Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 42)
- [X] Applicant proposes rehabilitation or reconstruction of housing units that:
  - [X] are owned by a Public Housing Authority and received assistance under Section 9;

    OR
  - [ ] received assistance under Section 9 **and:**
    - [ ] are proposed to be demolished by the Public Housing Authority **OR**
    - [ ] have been demolished by the Public Housing Authority in the last 2 years.

Part B: Place an "X" by one of the following:

- [X] The stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two (2) calendar years of July 31, 2015). See §11.5(3)(E) and (F) of the 2014 QAP concerning At-Risk developments qualifying under Section 42 of the Internal Revenue Code.
- [ ] The subsidy marked above is a federally insured mortgage and is eligible for prepayment without penalty or is nearing the end of its mortgage term (the term will end within two (2) calendar years of July 31, 2015)

Part C: I certify that:

- [X] the Development is at risk of losing affordability from the financial benefits available to the Development, and those financial benefits and affordability will be retained or renewed unless regulatory barriers necessitate elimination of a portion of that benefit, pursuant to §11.5(3)(D) of the Qualified Allocation Plan.

Part D: If proposing demolition of the existing Units which have received the financial benefits described in Part A:

- [ ] the redevelopment will include at least a portion of the same site.

  OR
- [ ] relocation of the existing units is proposed, and the requirements of §11.5(3)(C)(i) through (iii) of the 2015 Qualified Allocation Plan will be met.

2. Existing Development Assistance On Housing Rehabilitation Activities[1]

Part A.

The existing Property is expected to have or continue the following benefit: Rental Assistance

Provide a brief description of the restrictions or subsidies the existing Property will have or continue in the space below:

The properties will have a RAD contract for all 80 units.

[X] A copy of the contract or agreement securing the funds identified above is provided behind this form.

The source of funds is:	Housing Authority of the City of Groesbeck
The annual amount of funds is:	$388,704
The number of units receiving assistance:	80 units
The term of the contract or agreement is (date):	1/1/2018
The expiration of the contract or agreement is (date):	1/1/2038

Part B. Acquisition Of Existing Buildings (applicable only to HTC applications with Acquisition credits requested)

Date of the most recent sale or transfer of the building(s):	1964/1973
In the last ten years, did the previous owner perform rehabilitation work greater than 25% of the building's adjusted basis?	No
Was the building occupied at any time during the last ten years?	Yes
Was the building occupied or suitable for occupancy at the time of purchase?	Yes
Will the acquisition meet the requirements of §42(d)(2)(B)(ii) relating to the 10-year placed in service rule?	Yes

If "**Yes**", provide a copy of a title commitment that the Development meets the requirements of §42(d)(2)(B)(ii) as to the 10 year period.

If "**No**", does the property qualify for a waiver under §42(d)(6)?

If "Yes", provide the waiver and/or other documentation.

How many buildings will be acquired for the Development?	35
Are all the buildings currently under control by the Development Owner?	Yes
If "No", how many buildings are under control by the Development Owner?	N/A
When will the remaining buildings be under control?	N/A

[1]Per §2306.008, TDHCA shall support the preservation of affordable housing for individuals with special needs and individuals and families of low income at any location considered necessary by TDHCA.

ACQUISITION AND/OR REHABILITATION (Continued)

Part B. Acquisition Of Existing Buildings (continued)

Identification or address(es) of Building(s) under Owner's Control	Type of Control (Ownership, Option, Purchase Contract)	Expiration Date	# of Units	Acquisition Cost of Building
Building 1 through 35	Option	12/31/2016	80	$2,330,000

Provide the information listed below concerning the acquisition of building(s) for the Development:

1. Building(s) acquired or to be acquired from: [X] Related Party [ ] Unrelated Party
2. Building(s) acquired or to be acquired with Buyer's Basis:

[X] Determined with reference to Seller's Basis [ ] Not Determined with reference to Seller's Basis

List below by building address, the date the building was placed in service (PIS), the date the building was or is planned for acquisition, and the number of years between the date the building was placed in service and acquisition. Attach separate sheet(s) with additional information if necessary.

Building Address(es)	PIS date of building by most recent owner	Proposed Acquisition date by the Applicant	Years between PIS & Acquisition
Building 1 through 35	1964/1973	6/28/2016	42-51 yrs.

3. Lead Based Paint (HOME Applications Only)

Development constructed before January 1, 1978 [ ] (If "Yes", continue to next selections)

Check each of the following that applies [24 CFR 35.115]:

[ ] Emergency repairs to the property are being performed to safeguard against imminent danger to human life, health or safety, or to protect the property from further structural damage due to natural disaster, fire or structural collapse. The exemption applies only to repairs necessary to respond to the emergency.

[ ] The property will not be used for human residential habitation. This does not apply to common areas such as hallways and stairways of residential and mixed-use properties.

[ ] Housing "exclusively" for the elderly or persons with disabilities, with the provision that children less than six years of age will not reside in the dwelling unit.

[ ] An inspection performed according to HUD standards found the property contained no lead-based paint.

[ ] According to documented methodologies, lead-based paint has been identified and removed; and the property has achieved clearance.

[ ] The rehabilitation will not disturb any painted surface.

[ ] The property has no bedrooms.

[ ] The property is currently vacant and will remain vacant until demolition.

TAB 22

Architectural Drawings

TAB 24

Groesbeck Housing Authority
407 N. Leon
Groesbeck, Texas 76642
FAX: (254) 729-8954
(254) 729-3204

August 22, 2016

Mr. Art Schuldt, Jr.
Housing Solutions Alliance, LLC
1935 Airline Drive, #200
Bossier City, LA 71112

Re: Project-Based Rental Assistance Contract
TDHCA No.15119, Groesbeck, Texas

The Groesbeck Housing Authority (Authority) hereby commits RAD (Rental Assistance Demonstration) project-based vouchers for 100% of the 80 units and requisite Capital Funds to Groesbeck Housing Development, LP (the Partnership) as part of its contract with the U. S. Department of Housing and Urban Development. This subsidy will be provided to the Partnership for Liberty Square and Liberty Village.

This development consists of the comprehensive rehabilitation of 80 units of existing public housing.

The subsidy will be provided for a minimum period of 15 years following the start of occupancy. The RAD payment schedule to the Partnership is as follows and is determined after reducing the costs required by this agency for operational costs outside the project level.

Bedroom Type	RAD CHAP	PHA costs	Payment to LP
0 BR	$370.00	$29.77	$340.23
1 BR	$394.00	$31.56	$362.44
2 BR	$523.00	$74.72	$448.28
3 BR	$736.00	$105.16	$630.84

The Authority will require Partnership to ensure that the Project is developed in accordance with all requirements applicable to the development of public housing, including RAD and all other pertinent Federal statutory, executive order, and regulatory requirements, as those requirements may be amended from time to time. Further, Partnership will ensure that the requirements for admission to, continued occupancy of, management, and modernization of the Project Units are in accordance with all requirements applicable to public housing and/or RAD and will ensure that it complies with its obligations under any Regulatory and Operating Agreement, the Declaration, and/or any other agreement(s) that may be required by HUD with respect to the development, operation and maintenance of the Project Units.

Respectfully,

Jana Raymond, Executive Director
Groesbeck Housing Authority

Rent Schedule

Self Score Total: **128**

ate Activity Bond Priority (For Tax-Exempt Bond Developments ONLY): ____________

Unit types must be entered from smallest to largest based on "# of Bedrooms" and "Unit Size", then within the same "# of Bedrooms" and "Unit Size" from lowest to highest "Rent Collected/Unit".

Rent Designations (select from Drop down menu)													
HTC Units	HOME Units (Rent/Inc)	HTF Units	MRB Units	Other/ Subsidy	# of Units	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.)	Total Net Rentable Sq. Ft.	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit	Total Monthly Rent
					(A)			(B)	(A) x (B)			(E)	(A) x (E)
TC 30%				RAD	0	0	1.0	431	0	297	157	340.23	-
TC 50%				RAD	6	0	1.0	431	2,586	495	157	340.23	2,041
TC 30%				RAD	1	0	1.0	478	478	297	157	340.23	340
TC 60%				RAD	15	0	1.0	478	7,170	594	157	340.23	5,103
TC 30%				RAD	1	1	1.0	605	605	318	158	362.44	362
TC 50%				RAD	2	1	1.0	605	1,210	530	158	362.44	725
TC 60%				RAD	7	1	1.0	605	4,235	636	158	362.44	2,537
TC 60%				RAD	2	1	1.0	626	1,252	636	158	362.44	725
TC 50%				RAD	4	1	1.0	626	2,504	530	158	362.44	1,450
TC 30%				RAD	1	1	1.0	632	632	318	158	362.44	362
TC 50%				RAD	1	1	1.0	632	632	530	158	362.44	362
TC 60%				RAD	16	1	1.0	632	10,112	636	158	362.44	5,799
TC 30%				RAD	1	2	1.0	803	803	381	183	448.28	448
TC 50%				RAD	1	2	1.0	803	803	636	183	448.28	448
TC 60%				RAD	4	2	1.0	803	3,212	763	183	448.28	1,793
TC 30%				RAD	1	2	1.0	810	810	381	183	448.28	448
TC 50%				RAD	1	2	1.0	810	810	636	183	448.28	448
TC 60%				RAD	6	2	1.0	810	4,860	763	183	448.28	2,690
TC 30%				RAD	1	3	1.0	997	997	441	209	630.84	631
TC 60%				RAD	1	3	1.0	997	997	882	209	630.84	631
TC 50%				RAD	1	3	1.0	998	998	735	209	630.84	631
TC 60%				RAD	7	3	1.0	998	6,986	882	209	630.84	4,416
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
				TOTAL	80				52,692				32,392

Non Rental Income	$1.00	per unit/month for:	*App fee, lost key fee, lock out fee pet fee*	80
Non Rental Income	0.00	per unit/month for:		
Non Rental Income	0.00	per unit/month for:		
+ **TOTAL NONRENTAL INCOME**	**$1.00**	per unit/month		80
= **POTENTIAL GROSS MONTHLY INCOME**				32,472
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 5.00%	(1,624)
- Rental Concessions *(enter as a negative number)*			**Enter as a negative value**	
= **EFFECTIVE GROSS MONTHLY INCOME**				30,849
x 12 = EFFECTIVE GROSS ANNUAL INCOME				370,185

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	8%	8%	6
	TC40%			0
	TC50%	20%	20%	16
	TC60%	73%	73%	58
	HTC LI Total			80
	EO			0
	MR			0
	MR Total			0
	Total Units			80
MORTGAGE REVENUE BOND	MRB30%			0
	MRB40%			0
	MRB50%			0
	MRB60%			0
	MRB LI Total			0
	MRBMR			0
	MRBMR Total			0
	MRB Total			0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
HOME	30%			0
	LH/50%			0
	HH/60%			0
	HH/80%			0
	HOME LI Total			0
	EO			0
	MR			0
	MR Total			0
	HOME Total			0
OTHER	Total OT Units			80

BEDROOMS	0			22
	1			34
	2			14
	3			10
	4			0
	5			0

ACQUISITION + HARD		
Cost Per Sq Ft	$ 99.97	
HARD		
Cost Per Sq Ft	$ 84.79	
BUILDING		Total Points claimed:
Cost Per Sq Ft	$ 58.05	12

Applicants are advised to ensure that figure is not rounding down to the maximum dollar figure to support the elected points.

TAB 31

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amort - ization	Term (Yrs)	Syndication Rate	
Debt										
TDHCA	HOME	$0	0%		$ -	0%	0	0		
TDHCA	TCAP Loan Repayments	$0	0%		$ -	0%	0	0		
TDHCA	Mortgage Revenue Bond	$0	0%		$ -	0%	0	0		
Home Federal Bank of Shreveport	Conventional Loan	$ 5,510,000.00	5.00%	1	$ 1,805,000	6.00%	30	20		1
Groesbeck Housing Authority	Conventional Loan	$ 933,310	2.00%		$ 392,076	2.00%	0	30		
108300										1.20
Third Party Equity										
R4 Capital	HTC $ 647,667	$ 1,295,204.00			$ 6,476,022				1	
Grant										
City of Groesbeck	In-Kind Contribution	$ 52,000			$ 52,000					
Deferred Developer Fee										
Housing Solutions Alliance, LLC		$ 463,865								
Other										
$ (0)										
	Total Sources of Funds	$ 8,254,379			$ 8,725,098					
	Total Uses of Funds				$ 8,725,098					

Briefly describe the complete financing plan for the Development, including a discussion of the sources of funds. The information must be consistent with all other documentation in this section. Provide sufficient detail so that the reader can understand all terms related to each source that are not readily apparent above or in the term sheets.
At closing we expect to receive approximately 10% ($647,602) of the total equity to be received ($6,476,022) from the sale of tax credits to R4 Capital and a construction to permanent loan from Home Federal Bank of Shreveport for approximately $5,510,000 at 5% with a 24 month term and a note for up to $1,550,000 2% 30 year non-amortizing subject to available cash flow from the Groesbeck Housing Authority for the balance of the lease payment not made in cash at closing. During construction, the Home Federal Bank of Shreveport construction loan will be drawn to cover eligible costs. At construction completion the second equity contribution in the amount of $647,602 will be received and used to fund some soft costs and the balance applied to reduction of the construction loan debt. At conversion (third equity contribution) approximately $4,857,017 will be received and will retire the construction loan portion of the Home Federal Bank of Shreveport loan leaving the permanent portion which will then convert to fixed rate long term amortizing debt and $541,234 will be used to pay down the Groesbeck Housing Authority note. Post conversion $1,805,000 of the Home Federal Bank of Shreveport loan will remain in the partnership after conversion as the permanent debt. The final equity contribution of approximately $323,801 will occur upon delivery of the 8609. The City of Groesbeck has agreed to in-kind contributions totaling $52,000. The final equity contribution occurs at 8609 and is used to pay the balance of the non-deferred developer fees. Deferred developer fee is approximately $0.

TAB 34

Finance Scoring (for Competitive HTC Applications ONLY)

Self Score Total: **128**

1. Commitment of Development Funding by Local Political Subdivision (§11.9(d)(2))

Local Political Subdivision Funding Amount: $ 52,000

Per Unit Funding Amount: 650

Source of funding used to qualify for points: City of Groesbeck

							per unit	scoring threshold:	eligible for points:
i.	Population	4,330	x	0.15	=	$ 650	or $ 15,000	$ 650 per unit	11
ii.	Population	4,330	x	0.10	=	$ 433	or $ 10,000	$ 433 per unit	10
iii.	Population	4,330	x	0.05	=	$ 217	or $ 5,000	$ 217 per unit	9
iv.	Population	4,330	x	0.025	=	$ 108	or $ 1,000	$ 108 per unit	8
v.	Population	4,330	x	0.01	=	$ 43	or $ 500	$ 43 per unit	7

Firm Commitment from Local Political Subdivision in form of resolution? Yes

[X] ***Source is in the form a grant, in-kind donation, or permanent loan.***

Total Points Claimed: 14

2. Financial Feasibility (§11.9(e)(1))

[ ]	Eligible Pro-Forma and letter stating the Development is financially feasible.	0
[X]	Eligible Pro-Forma and letter stating Development ***and*** Principals are acceptable.	18

Total Points Claimed: 18

3. Leveraging of Private, State, and Federal Resources (§2306.6725(a)(3); §11.9(e)(4))

Percent of Units restricted to serve households at or below 30% of AMGI: 7.50%

HTC funding request as a percent of Total Housing Development Cost: 7.42%

		eligible for points:
[ ] Development Leverages CDBG Disaster Recovery, HOPE VI, RAD or Choice Neighborhood Funding		0
Housing Tax Credit Request	8% of Total Housing Development Cost	3
Housing Tax Credit Request	9% of Total Housing Development Cost	2
Housing Tax Credit Request	10% of Total Housing Development Cost	1

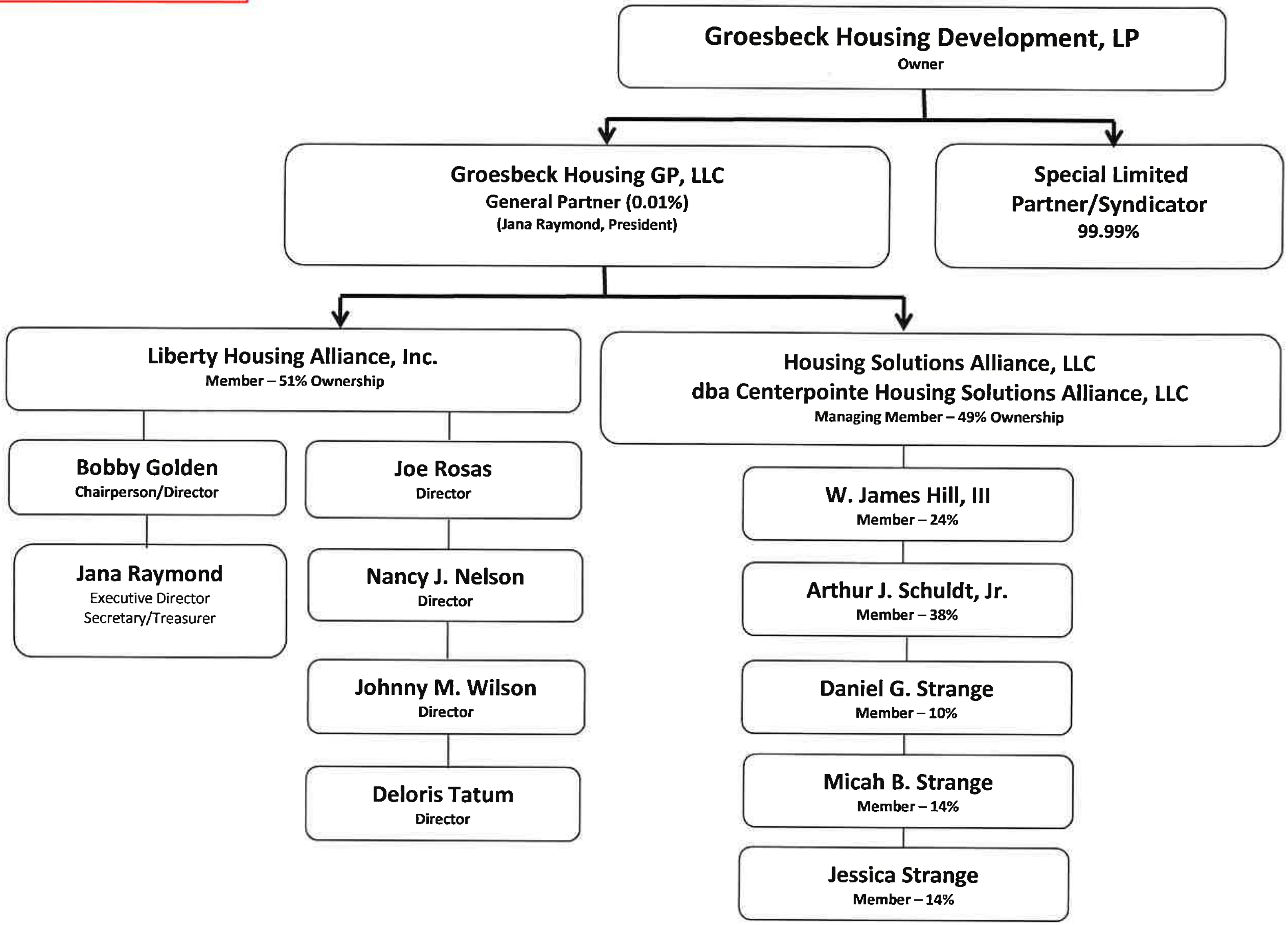
** Be sure no more than 50% of Developer fees are deferred.*

Total Points Claimed: 3

TAB 37

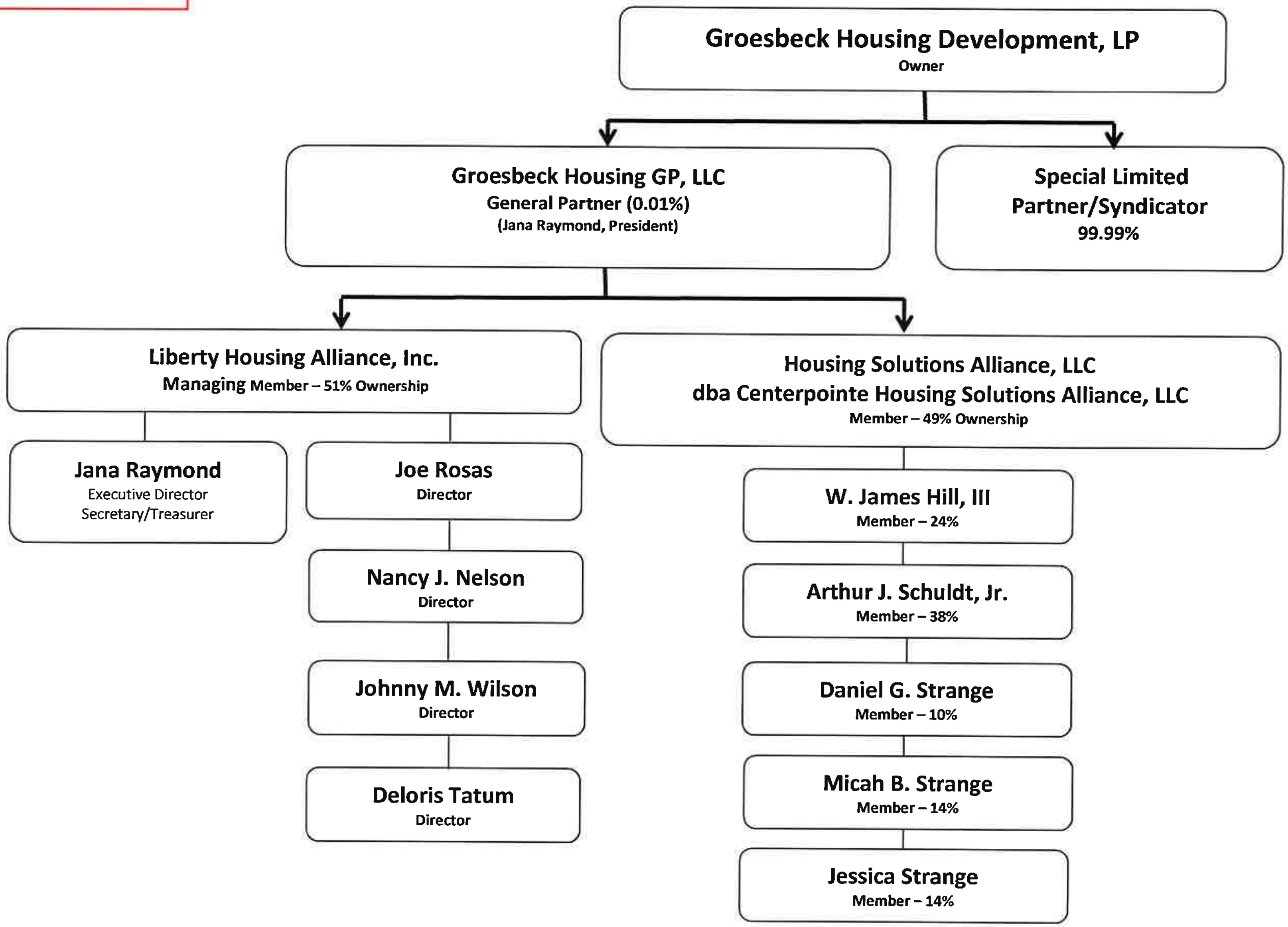
REVISED -
CURRENT ORG. CHART

Ownership Structure
TDHCA#: 15119
Liberty Square & Liberty Village
Groesbeck, TX



Org. Chart
Proposed - 8-26-16

Ownership Structure
TDHCA#: 15119
Liberty Square & Liberty Village
Groesbeck, TX



R4

September 20, 2016

Groesbeck Housing Development, LP
c/o Art Schuldt
Housing Solutions Alliance, LLC
1935 Airline Drive, Suite 200
Bossier City, LA 71112
Groesbeck

RE: Liberty Square & Liberty Village
TDHCA Number: 15119

Dear Mr. Schuldt:

We have been reviewing the issue of selecting a greater number of 30% and 50% AMI units at application than was required by the TDHCA QAP coupled with the RAD conversion requirement of offering housing in the rehabilitated facility regardless of AMI to those residents displaced in the process of the rehabilitation. As you know, this exposes the equity investor to a greater degree of uncertainty as to the timing and volume of delivery of the tax credits because those units and the corresponding proportion of the eligible basis of the building cannot initially qualify for the tax credits until the first qualified occupant moves into their unit.

With the number of potential returning occupants being over income qualified at the current AMI structure, we feel it is imprudent for us to accept this risk which effectively makes this investment for Liberty Square and Liberty Village infeasible from our underwriting perspective. We would and are agreeable to accepting the risk discussed above if the AMI distribution is changed to the proposed six at 30% AMI from twenty (20), sixteen (16) at 50% AMI from sixty (60) , and the balance of fifty-eight (58) at 60% AMI from zero (0). The significant shift in the number of units that can accept higher income residents significantly reduces the risk that returning residents, for which you are required to provide housing regardless of AMI, will impact credit delivery.

Please don't hesitate to contact me if you should have any questions.

Sincerely,

K. Nicole Flores

K. Nicole Flores
Executive Vice President

September 20, 2016

Groesbeck Housing Development, LP
c/o Art Schuldt
Housing Solutions Alliance, LLC
1935 Airline Drive, Suite 200
Bossier City, LA 71112

Re: Liberty Square & Liberty Village (the "Project")

Dear Mr. Schuldt:

We have reviewed the equity partner letter from R4 and have considered the issues you have conveyed to us about the requirement for relocated RAD residents to be offered priority housing in the rehabilitated facility regardless of income eligibility in the LIHTC program. We understand that it then impacts the equity dollars contributed to the project and subjects the housing authority and or developer to potential capital short falls.

If the equity party is raising the flag that this transaction would be infeasible in their underwriting opinion and they are 74% of the capital we, at 17%, would have a hard time concluding differently and documenting same for the regulatory bodies and accordingly, we feel it is imprudent for us to accept this risk which effectively makes this investment infeasible from our underwriting perspective.

Sincerely,

K. Matthew Sawrie
Senior Vice President
Home Federal Bank

15251
Casa Verde

BOARD ACTION REQUEST

ASSET MANAGEMENT DIVISION

OCTOBER 13, 2016

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit ("HTC") Application for Casa Verde (HTC #15251)

RECOMMENDED ACTION

WHEREAS, Casa Verde (the "Development") received an award of 9% Housing Tax Credits in 2015 under the At-Risk set-aside for the demolition and reconstruction and new location of existing public housing units in Laredo;

WHEREAS, the application for Casa Verde originally proposed to demolish an existing 200 unit public housing development, Russell Terrace, and construct 152 new units at the relocated site of Casa Verde of which 38 units (25%) would remain public housing units supported by public housing operating subsidy;

WHEREAS, the At-Risk set aside in the 2015 Qualified Allocation Plan ("QAP") required Developments qualifying under Tex. Gov't Code 2306.6702(a)(5)(B) to retain no less than 25% public housing units supported by public housing operating subsidy;

WHEREAS, the Texas legislature subsequently passed HB 2926 which allowed for 2016 Developments proposing rehabilitation or reconstruction and including RAD units to be characterized as At-Risk;

WHEREAS, the Laredo Housing Authority (the "Applicant") is requesting that the Development maintain its "At-Risk" character because it contends it is proposing to dispose of public housing units in accordance with Tex. Gov't Code 2306.6702(a)(5)(B)(ii)(a) and it believes its actions constitute disposal based upon a HUD definition of "dispose";

WHEREAS, the development plan for this application no longer involves demolition of the existing units and reconstruction of such units nor does it involve any rehabilitation of units at the Casa Verde development site and, therefore, the development no longer meets all of the qualifications of the At-Risk set aside; and

WHEREAS, Board approval is required for any change that would materially alter a Development;

NOW, therefore, it is hereby

RESOLVED, that the requested waiver and material application amendment for Casa Verde are denied; and

RESOLVED, that the 2015 9% Housing Tax Credits allocated to this application be rescinded, pursuant to Tex. Gov't Code 2306.6712(c) and be reallocated to other applicants on the 2016 9% Housing Tax Credit waiting list for the At-Risk set aside, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Casa Verde was submitted during the 2015 9% Housing Tax Credit Cycle and received an award under the At-Risk set aside. The application proposed the demolition of an existing 200 unit public housing development named Russell Terrace, and the relocation of 138 of those units at the newly constructed Casa Verde site, which is located approximately five miles from the existing public housing development. Casa Verde would contain 152 total units (138 HTC units and 14 market rate units). The Applicant received its award under the At-Risk set aside based on its status as a Development proposing to rehabilitate or reconstruct housing units that received assistance under Section 9, United States Housing Act of 1937, and are proposed to be demolished or disposed of by the Public Housing Authority, as allowed under Tex. Gov't Code §2306.6702(a)(5)(B). The Applicant originally planned, as required under the 2015 QAP §11.5(3)(D), that of the 138 restricted units, 38 (or 25%) would remain supported by a public housing operating subsidy.

On May 26, 2016, in conjunction with a 10 Percent Test extension request, the Applicant notified the Department of HUD's decision not to approve the demolition application for Russell Terrace because it did not meet the minimum thresholds for obsolescence.

On July 26, 2016, Raquel Favela of the National Development Council ("NDC") acting on behalf of the Applicant, submitted a formal request to amend the application and seek a waiver of the 2015 QAP §11.5(3)(D) provision that requires no less than 25% of the proposed units at Casa Verde be public housing units and instead allow that no less than 25% be RAD units. Since legislation passed during the 84th legislative session (HB 2926) that included RAD conversions under the At-Risk set aside, the portion of the request to amend the Casa Verde application to allow public housing operating subsidy to be replaced by RAD for 38 units (25%) might otherwise be recommended. What is at issue, however, is the fact that the original plan to demolish and reconstruct units from the existing Russell Terrace development to Casa Verde is no longer part of the development plan and therefore the development cannot meet the initial premise of At-Risk.

Tex. Gov't. Code 2306.6702(a)(5)(B), defines At-Risk to mean:

"(B) a development that proposes to <u>rehabilitate</u> (*emphasis supplied*) or <u>reconstruct</u> (*emphasis supplied*) housing units that:

- (i) are owned by a public housing authority and receive assistance under Section 9, United States Housing Act of 1937; or
- (ii) received assistance under Section 9, United States Housing Act of 1937 and:
  - a. are proposed to be disposed of or demolished by a public housing authority; or
  - b. have been disposed of or demolished by a public housing authority in the two-year period preceding the application for housing tax credits; or
- (iii) receive assistance or will receive assistance through the Rental Assistance Demonstration program administered by the United States Department of Housing and Urban Development as specified by the Consolidated and Further Continuing Appropriations Action of 2012 and its subsequent amendments, if the application for assistance through the Rental Assistance Demonstration program is included in the applicable public housing authority's annual plan that was most recently approved by the United States Department of Housing and Urban Development as specified by 24 C.F.R. Section 903.23."

While the term rehabilitation is further defined in the statute to include reconstruction, the term reconstruction is not defined in statute. Tex. Gov't. Code 2306.004 (26-a), defines rehabilitation to mean:
"(26-a) "Rehabilitation" means the improvement or modification of an existing residential development through an alteration, addition, or enhancement. The term includes the demolition of an existing residential development and the reconstruction of any development units, but does not include the improvement or modification of an existing residential development for the purpose of an adaptive reuse of the development."

The Board has adopted by rule a definition of reconstruction in 10 TAC §10.3 (109):
"(109) Reconstruction--The demolition of one or more residential buildings in an Existing Residential Development and the construction of an equal number of units or less on the Development Site. At least one unit must be reconstructed in order to qualify as Reconstruction."

Casa Verde was eligible in 2015 under the At-Risk set aside specifically by meeting the provision in 2306.6702(a)(5)(B)(ii)(a) in that the units were being disposed of or demolished. Based on the Applicant's request to allow RAD subsidy to replace the public housing subsidy, they are now seeking to amend the Application to qualify under 2306.6702(a)(5)(B)(iii). However, the Development cannot qualify under this At-Risk provision due to the fact that the Applicant does not have HUD's approval to move forward with the demolition of the units at Russell Terrace and there is no longer a plan to rehabilitate or reconstruct housing units under this finance plan or application, which is the central, qualifying requirement under 2306.6702(a)(5)(B).

A supplement to the amendment requested from NDC, received by the Department on September 26, 2016, contends that the proposed disposition and rehabilitation and the RAD commitments for Russell Terrace units meet each element of the statutory At-Risk requirements. The supplement states that the first element is that the development proposes to rehabilitate or reconstruct units, and 162 units at Russell Terrace will be rehabilitated and the public housing units will be disposed of to a for-profit entity as part of a potential 4% tax credit rehabilitation transaction that has not yet been filed, while the other 38 units will be reconstructed at Casa Verde. The supplement further indicates that while the Department's definition of Reconstruction requires some demolition and reconstruction on a Development Site, that definition is inapplicable to and does not prevent a scenario where the reconstruction will occur on a different site; otherwise, TDHCA could not have approved Casa Verde to begin with. However, NDC's supplement also states that if a waiver of the definition of Reconstruction is deemed to be required, a waiver is justified because the proposed project to be produced has not changed and the use of RAD and disposition rather than demolition on the Russell Terrace site was unforeseen at the time of application and approval. Staff notes that the Underwriting report for approval referenced the demolition of the units at the Russell Terrace site and the need for HUD approval of the Applicant's plan.

The new plan to be submitted to HUD represents a material amendment to the application in numerous respects: Russell Terrace units in the original application were at risk due to its imminent demolition of all 200 units, 138 units were to be relocated at Casa Verde, 38 of these units were to be public housing units. At present, the HUD application is proposed as a potential rehabilitation of Russell Terrace with an uncertain number of units being remodeled/moved to Case Verde. While the Applicant has indicated that 38 units of public housing converted to RAD will move to Case Verde it is not clear if those units at Russell Terrace will be rehabilitated and placed back into service. Regardless, Russell Terrace is not "At Risk" of being removed from the subsidized housing pool which would have eliminated the selection of this application in the At Risk set aside in the 2015 round.

Although final approval from HUD for this revised rehabilitation plan for Russell Terrace has yet to be granted, NDC indicates that the existing 200 units at Russell Terrace have been approved to receive RAD rather than public housing subsidy and concludes that Russell Terrace should qualify as an at-risk development on either of the statutory grounds that the units are being disposed of or are receiving RAD subsidy. The Applicant contends that the HUD definition of "disposed" should be controlling and therefore the application should maintain its At-Risk characteristic.

The supplement also refers to another 2015 At-Risk application where the Department recently accepted RAD as the basis for At-Risk qualification and granted approval. However, the facts related to the other 2015 award are not the same, as that application (15267- Thomas Westfall) continued to meet all of the requirements of the At-Risk set aside, including the housing authority's proposal to demolish and reconstruct units on a one for one basis, while also utilizing RAD subsidy versus public housing operating subsidy.

Staff's last concern with the Applicant's current plan for Casa Verde relates to timing, given that much of the proposal to address the existing public housing units is still being prepared for review and approval by HUD. Staff asked the Applicant's representatives about timing concerns; representatives responded that they have spoken with the City of Laredo, and the City is willing to issue a site work permit which would allow the Applicant to commence construction immediately after approval of the amendment request. The Applicant's representatives indicate it will take at least a few weeks to close into the construction loan after the board meeting but the site work will have commenced prior to the construction loan closing. According to the Applicant's representative, the total construction timeline would be 14 months; thus, leaving adequate time to complete construction prior to the December 31, 2017 placed in service deadline. The lender, the investor, and Brownstone Construction, Ltd. (the General Contractor) are comfortable with this timeline. Delay in action on this request to wait for further HUD approval or statutory change would also make the proposed timeline to meet the placed in service deadline infeasible.

Staff believes the application no longer qualifies for the At-Risk set aside as prescribed by the statute. Staff further believes that statutory language is not waivable by the Board. The Applicant is seeking the Board's reinterpretation of the statutory construction of Tex. Gov't. Code 2306.6702(a)(5)(B) to read the term "reconstruct" to potentially be in conflict with "disposed of" such that the former is inclusive of the latter. This would require the Board to consider a waiver of the Department's definition of reconstruction in rule. Staff recommends denial of the amendment and waiver request. Further, staff recommends the credits for this application be rescinded and reallocated to applicants on the waiting list within the At Risk set aside in accordance with its rules.

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Real Estate Analysis Division
September 27, 2016

Addendum to Underwriting Report

TDHCA Application #: **15251** Program(s): **9% HTC**

Casa Verde Apartments

Address/Location: East side of the 8600 block of Casa Verde Road

City: Laredo County: Webb Zip: 78041

	APPLICATION HISTORY
Report Date	**PURPOSE**
09/27/16	**RAD Amendment**
11/12/15	Carryover Memo
06/01/15	Original Underwriting Report

ALLOCATION

	Previous Allocation				RECOMMENDATION				
TDHCA Program	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**Lien**
LIHTC (Annual)	$1,612,000				**$1,593,372**				

CONDITIONS STATUS

1 Receipt and acceptance by Commitment:

- Contract for Lease that reflects the $1,145,500 upfront lease cost.

  Contract for Lease Amendment stating the upfront lease cost has been received.

Status: Condition cleared

2 Receipt and acceptance by Carryover:

- Applicant must provide final interest rate and terms for LHOC cash flow loan that will ensure payoff within the maturity date.
  - This condition has been extended to 10% Test since these funds were not used for LPS points and the terms of this particular loan will not be finalized by LHOC until final pricing of the equity and senior debt.

Status: Cleared. Cash Flow Loan has been removed from financing structure.

3 Receipt and acceptance by 10% test:

a: Applicant must provide final interest rate and terms for LHOC cash flow loan that will ensure payoff within the maturity date.

Status: Cleared. Cash Flow Loan has been removed from financing structure.

b: **New Condition: Pursuant to §10.402(d)(7), a letter from Applicant's Attorney, "...identifying the statutory basis for the exemption and indicating that the exemption is reasonably achievable, subject to appraisal district review.**

Status: Pending

4 Receipt and acceptance by Cost Certification:

- Documentation from a CPA to support inclusion of relocation expense in the cost schedule and in eligible basis.

Status: Cleared. Relocation expense no longer in the cost schedule or eligible basis.

5 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

ANALYSIS

Casa Verde applied to the 2015 9% Tax Credit cycle as an At-Risk set-aside development. Originally, Russell Terrace, a public housing development, was proposed to be demolished and transfer thirty-eight of the Public Housing Units (PHU's) to Casa Verde. These 38 units would be supported by an operating subsidy via an Annual Contributions Contract. The deal was contingent on HUD approval, but HUD has denied Russell Terrace's demolition application stating that it did not meet the minimum thresholds for obsolescence.

In response to the denial, the Applicant secured a HUD Rental Assistance Demonstration (RAD) approval for 38 units at Casa Verde and 162 units at Russell Terrace. These 38 RAD units will substitute for the planned PHU's at Casa Verde.

Operating Pro Forma

The RAD contract provides for higher rents than when proposed as PHU's. This combined with updating the rent schedule with current utility allowances and 2016 HTC rents increases income 13% ($115k). Expenses increased 3%.

Applicant's pro forma is used for analysis.

Development Cost

Development cost increased 7% ($1.37M), with building costs contributing $828k of that increase. Changes include free covered carports for all units, upgraded finishes, and energy efficient washer/dryers in all units. No other significant changes occurred.

Financing costs went up $300k due to the increase in the debt structure as discussed below.

The equity partner requires 12 months of operating expenses and debt service ($912,041) which is the maximum allowable reserves. Applicant is also including a $250k rent up reserve for paying interest during construction. Underwriter has not included the $250k as it is above the maximum reserve amount.

Sources of Funds

The proposed conversion of the units from Public Housing to RAD eliminates the need for a Related Party Gap loan (LHOC cash flow loan) as the RAD units produce more income which can be utilized to service additional debt. BBVA Compass Bank will now be the construction and permanent lender, offering higher debt amounts with lower interest rates. The RAD conversion eliminates the need for an operating subsidy.

Hudson Housing Capital has increased their credit price from $0.90 to $1.01 generating an additional $1.79M in equity. Deferred developer has decreased dramatically from $615k to $62k.

The City of Laredo is still committed to financing $2,070,000 at 3% interest for 5 years. The Owner anticipates that this financing will be utilized for either predevelopment or interim construction purposes and will be paid in full prior to or concurrent with closing of the perm mortgage loan. The interim sources total to more than the total development budget strictly due to timing issues involving pay downs of the funding sources.

Due to the increased debt and equity proceeds, the credit amount is gapped. Underwriter recommends a reduction of tax credits from the previously allocated amount of $1,612,00 to $1,593,372; a reduction of $18,627 per year.

Underwriter:	*Jeanna Rolsing*
Manager of Real Estate Analysis:	*Thomas Cavanagh*
Director of Real Estate Analysis:	*Brent Stewart*

UNIT MIX/RENT SCHEDULE

Casa Verde Apartments, Laredo, 9% HTC #15251

LOCATION DATA	
CITY:	Laredo
COUNTY:	Webb
PROGRAM REGION:	11
PIS Date:	On or After 2/1/2015
IREM REGION:	NA

UNIT DISTRIBUTION					
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0.0%	30%	14	9.2%
1	40	26.3%	40%	-	0.0%
2	80	52.6%	50%	28	18.4%
3	32	21.1%	60%	96	63.2%
4	-	0.0%	MR	14	9.2%
TOTAL	**152**	**100.0%**	**TOTAL**	**152**	**100.0%**
			RAD	38	25.0%

Applicable Programs
9% HTC
RAD

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	90.69%
APP % Acquisition	9.00%
APP % Construction	9.00%
Average Unit Size	989 sf

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RAD		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 30%	$295	RAD	$475	3	1	1	754	$475	$79	$396	$0	$0.53	$396	**$1,188**	**$1,188**	$396	$0.53	$0	$750	$0.99	125
TC 50%	$491	RAD	$475	5	1	1	754	$475	$79	$396	$0	$0.53	$396	**$1,980**	**$1,980**	$396	$0.53	$0	$750	$0.99	125
TC 60%	$590	0		14	1	1	754	$590	$79	$511	$0	$0.68	$511	**$7,154**	**$7,154**	$511	$0.68	$0	$750	$0.99	865
MR		0		2	1	1	754	$0	$79		NA	$0.99	$750	**$1,500**	**$1,500**	$750	$0.99	NA	$750	$0.99	865
TC 30%	$295	RAD	$475	2	1	1	760	$475	$79	$396	$0	$0.52	$396	**$792**	**$792**	$396	$0.52	$0	$750	$0.99	125
TC 50%	$491	RAD	$475	2	1	1	760	$475	$79	$396	$0	$0.52	$396	**$792**	**$792**	$396	$0.52	$0	$750	$0.99	125
TC 60%	$590	0		10	1	1	760	$590	$79	$511	$0	$0.67	$511	**$5,110**	**$5,110**	$511	$0.67	$0	$750	$0.99	870
MR		0		2	1	1	760	$0	$79		NA	$0.99	$750	**$1,500**	**$1,500**	$750	$0.99	NA	$750	$0.99	870
TC 30%	$354	RAD	$597	5	2	2	987	$597	$99	$498	$0	$0.50	$498	**$2,490**	**$2,490**	$498	$0.50	$0	$850	$0.86	150
TC 50%	$590	RAD	$597	11	2	2	987	$597	$99	$498	$0	$0.50	$498	**$5,478**	**$5,478**	$498	$0.50	$0	$850	$0.86	150
TC 60%	$708	0		14	2	2	987	$708	$99	$609	$0	$0.62	$609	**$8,526**	**$8,526**	$609	$0.62	$0	$850	$0.86	1040
MR		0		2	2	2	987	$0	$99		NA	$0.86	$850	**$1,700**	**$1,700**	$850	$0.86	NA	$850	$0.86	1040
TC 50%	$590	0		4	2	2	1,035	$590	$99	$491	$0	$0.47	$491	**$1,964**	**$1,964**	$491	$0.47	$0	$850	$0.82	1065
TC 60%	$708	0		40	2	2	1,035	$708	$99	$609	$0	$0.59	$609	**$24,360**	**$24,360**	$609	$0.59	$0	$850	$0.82	1065
MR		0		4	2	2	1,035	$0	$99		NA	$0.82	$850	**$3,400**	**$3,400**	$850	$0.82	NA	$850	$0.82	1065
TC 30%	$408	RAD	$778	4	3	2	1,211	$778	$124	$654	$0	$0.54	$654	**$2,616**	**$2,616**	$654	$0.54	$0	$950	$0.78	175
TC 50%	$681	RAD	$778	6	3	2	1,211	$778	$124	$654	$0	$0.54	$654	**$3,924**	**$3,924**	$654	$0.54	$0	$950	$0.78	175
TC 60%	$817	0		18	3	2	1,211	$817	$124	$693	$0	$0.57	$693	**$12,474**	**$12,474**	$693	$0.57	$0	$950	$0.78	1165
MR		0		4	3	2	1,211	$0	$124		NA	$0.78	$950	**$3,800**	**$3,800**	$950	$0.78	NA	$950	$0.78	1165
TOTALS/AVERAGES:				**152**			**150,272**				**$0**	**$0.60**	**$597**	**$90,748**	**$90,748**	**$597**	**$0.60**	**$0**	**$845**	**$0.85**	**$811**

ANNUAL POTENTIAL GROSS RENT:	**$1,088,976**	**$1,088,976**	

STABILIZED PRO FORMA

Casa Verde Apartments, Laredo, 9% HTC #15251

	STABILIZED FIRST YEAR PRO FORMA															
	COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
	Database		County Comps CMTS		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$0.60	$597	$1,088,976	$901,152	$878,952	$1,088,976	$597	$0.60		0.0%	$0
app fees, late, cleaning/damage, laundry							$9.18	$16,752	$12,768	$12,768	$16,752	$9.18				
Operating Subsidy for Public Hsg Units Only							$0.00	$0	67,200							
Total Secondary Income							$9.18								0.0%	$16,752
POTENTIAL GROSS INCOME								$1,105,728	$981,120	$891,720	$1,105,728				0.0%	$0
Vacancy & Collection Loss							7.5% PGI	(82,930)	(73,584)	(66,879)	(82,930)	7.5% PGI			0.0%	-
Rental Concessions								-	0	93,180	-				0.0%	-
EFFECTIVE GROSS INCOME								$1,022,798	$907,536	$918,021	$1,022,798				0.0%	$0
General & Administrative	$43,814	$288/Unit	36,594	$241	4.80%	$0.33	$323	$49,050	$46,281	$43,814	$43,814	$288	$0.29	4.28%	11.9%	5,236
Management	$52,275	4.3% EGI	42,251	$278	5.00%	$0.34	$336	$51,140	$45,377	$45,901	$51,140	$336	$0.34	5.00%	0.0%	0
Payroll & Payroll Tax	$143,160	$942/Unit	144,677	$952	16.41%	$1.12	$1,104	$167,802	$166,702	$166,662	$166,662	$1,096	$1.11	16.29%	0.7%	1,140
Repairs & Maintenance	$86,768	$571/Unit	67,539	$444	8.22%	$0.56	$553	$84,048	$84,000	$83,600	$83,600	$550	$0.56	8.17%	0.5%	448
Electric/Gas	$36,963	$243/Unit	24,569	$162	1.64%	$0.11	$111	$16,800	$16,800	$24,569	$24,569	$162	$0.16	2.40%	-31.6%	(7,769)
Water, Sewer, & Trash	$79,223	$521/Unit	77,579	$510	7.88%	$0.54	$530	$80,592	$75,888	$77,579	$77,579	$510	$0.52	7.59%	3.9%	3,013
Property Insurance	$62,343	$0.41 /sf	61,586	$405	4.69%	$0.32	$316	$48,000	$45,600	$47,846	$47,846	$315	$0.32	4.68%	0.3%	154
Property Tax 2.3311	$71,414	$470/Unit	47,869	$315	0.00%	$0.00	$0	$0	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements	$60,176	$396/Unit	-	$0	4.46%	$0.30	$300	$45,600	$45,600	$45,600	$45,600	$300	$0.30	4.46%	0.0%	-
Cable TV				$0	0.18%	$0.01	$12	$1,800	$600	$600	$1,800	$12	$0.01	0.18%	0.0%	-
Supportive Services				$0	1.11%	$0.08	$75	$11,400	$11,400	$11,400	$11,400	$75	$0.08	1.11%	0.0%	-
TDHCA Compliance fees				$0	0.54%	$0.04	$36	$5,520	$5,520	$5,520	$5,520	$36	$0.04	0.54%	0.0%	-
Security				$0	0.09%	$0.01	$6	$900	$900	$900	$900	$6	$0.01	0.09%	0.0%	-
Fidelity Bond & Insurance Placement				$0	0.11%	$0.01	$7	$1,130	$1,130	$1,130	$1,130	$7	$0.01	0.11%	0.0%	-
TOTAL EXPENSES					**55.12%**	**$3.75**	**$3,709**	**$563,782**	**$545,798**	**$555,122**	**$ 561,561**	**$3,694**	**$3.74**	**54.90%**	**0.4%**	**$ 2,221**
NET OPERATING INCOME ("NOI")					**44.88%**	**$3.05**	**$3,020**	**$459,016**	**$361,738**	**$362,900**	**$461,238**	**$3,034**	**$3.07**	**45.10%**	**-0.5%**	**$ (2,221)**
CONTROLLABLE EXPENSES							$2,620/Unit					$2,607/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Casa Verde Apartments, Laredo, 9% HTC #15251

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							Prior Underwriting		AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR														Cumulative	
DEBT (Must Pay)	**MIP**	UW	App	Pmt	Rate	Amort	Term	Principal	Applicant	TDHCA	Principal	Term	Amort	Rate	Pmt	DCR	LTC
BBVA Compass Bank		1.61	1.60	$287,118	5.35%	30	15	$5,200,000	**$4,100,000**	**$4,100,000**	$5,200,000	15	30	5.35%	$348,450	1.32	24.4%
CASH FLOW DEBT																	
Laredo Housing Opportunities Corp		1.61	1.60		0.00%	0	0	$0	**$950,000**	**$950,000**	$0	0		0.00%		1.32	0.0%
				$287,118	**TOTAL DEBT / GRANT SOURCES**			**$5,200,000**	**$5,050,000**	**$5,050,000**	**$5,200,000**			**TOTAL DEBT SERVICE**	**$348,450**	**1.32**	**24.4%**
NET CASH FLOW		$174,120	$171,899										**NET OPERATING INCOME**	**$459,016**	**$110,566**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					Prior Underwriting		AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Applicant	TDHCA	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	
Hudson Housing Capital	LIHTC Equity	76.5%	$1,612,000	1.01	$16,279,572	$14,506,549	$14,506,549	$16,091,451	$1.01	$1,593,372	75.6%	$10,483	
Brownstone Affordable Housing	Deferred Developer Fees	0.3%	(3% Deferred)		$61,879	$614,754	$614,754		(0% Deferred)		0.0%	**Total Developer Fee:**	**$2,384,067**
Additional (Excess) Funds Req'd		0.0%					$0	$0			0.0%		
TOTAL EQUITY SOURCES		76.8%			$16,341,451	$15,121,303	$15,121,303	$16,091,451			75.6%	**15-Year Cash Flow:**	**$2,041,957**
TOTAL CAPITALIZATION					**$21,541,451**	**$20,171,303**	**$20,171,303**	**$21,291,451**				**15-Yr Cash Flow after Deferred Fee:**	**$2,041,957**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					Prior Underwriting		TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis										Eligible Basis			
	Acquisition	New Const. Rehab			Total Costs	Applicant	TDHCA	Total Costs			New Const. Rehab	Acquisition	%	$
Capitalized Ground Lease					$1,145,500	$1,145,500	$1,145,500	$1,145,500						$0
Off-Sites				$263 / Unit	$40,000	$35,088	$35,088	$40,000	$263 / Unit				0.0%	$0
Site Work		$1,706,250		$11,225 / Unit	$1,706,250	$2,205,000	$2,205,000	$1,706,250	$11,225 / Unit		$1,706,250		0.0%	$0
Site Amenities		$542,525		$3,569 / Unit	$542,525	$355,000	$355,000	$542,525	$3,569 / Unit		$542,525		0.0%	$0
Building Cost		$10,210,764	$67.95 /sf	$67,176/Unit	$10,210,764	$9,383,000	$9,456,429	$9,764,496	$64,240/Unit	$64.98 /sf	$9,764,496		4.6%	$446,268
Contingency		$0	0.00%	5.70%	$712,474	$628,850	$628,850	$712,474	5.91%	0.00%	$0		0.0%	$0
Contractor Fees		$1,746,000	14.01%	13.25%	$1,749,935	$1,676,932	$1,676,932	$1,749,935	13.71%	14.00%	$1,681,858		0.0%	$0
Soft Costs	0	$697,500		$5,214 / Unit	$792,500	$920,400	$920,400	$792,500	$5,214 / Unit		$697,500	$0	0.0%	$0
Financing	0	$905,394		$7,205 / Unit	$1,095,204	$790,442	$790,442	$1,095,204	$7,205 / Unit		$905,394	$0	0.0%	$0
Developer Fee	$0	$2,239,067	14.16%	14.40%	$2,384,067	$2,357,385	$2,350,083	$2,384,067	14.85%	14.64%	$2,239,067	$0	0.0%	$0
Reserves				$7,646 / Unit	$1,162,232	$673,706	$673,706	$912,232	$6,002 / Unit				27.4%	$250,000
UNADJUSTED BASIS / COST	**$0**	**$18,047,500**		$141,720 / Unit	**$21,541,451**	**$20,171,303**	**$20,237,430**	**$20,845,184**	$137,139 / Unit		**$17,537,090**	**$0**	**3.3%**	**$696,267**
Acquisition Cost	$0				$0									
Contingency		$0												
Contractor Fee		($1,665)												
Interim Interest		$0												
Developer Fee	$0	$0			$0									
Reserves					($250,000)									
ADJUSTED BASIS / COST	**$0**	**$18,045,835**		$140,075/unit	**$21,291,451**	**$20,171,303**	**$20,237,430**	**$20,845,184**	$137,139/unit		**$17,537,090**	**$0**	**2.1%**	**$446,268**
TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 5% of TDHCA Estimate):						**$21,291,451**								

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Casa Verde Apartments, Laredo, 9% HTC #15251

CREDIT CALCULATION ON QUALIFIED BASIS

	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	$0	$18,045,835	$0	$17,537,090
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$0	$18,045,835	$0	$17,537,090
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$0	$23,459,586	$0	$22,798,218
Applicable Fraction	90.69%	90.69%	90.69%	90.69%
TOTAL QUALIFIED BASIS	$0	$21,276,174	$0	$20,676,359
Applicable Percentage	9.00%	9.00%	9.00%	9.00%
ANNUAL CREDIT ON BASIS	$0	$1,914,856	$0	$1,860,872
CREDITS ON QUALIFIED BASIS	$1,914,856		$1,860,872	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $1.0099	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$1,914,856	$19,338,108	----	----	----
Gap	$1,593,372	$16,091,451	**$1,593,372**	($18,628)	($188,121)
Previous Request	$1,612,000	$16,279,572	----	----	----

BUILDING COST ESTIMATE

CATEGORY		FACTOR	UNITS/SF	PER SF	AMOUNT
Base Cost:	Garden/Townhome		150,272 SF	$63.93	9,606,815
Adjustments					
Exterior Wall Finish		0.00%		0.00	$0
		0.00%		0.00	0
9 ft. ceilings		3.00%		1.92	288,204
Roofing				0.00	0
Subfloor				(0.26)	(38,937)
Floor Cover				2.41	362,156
Breezeways		$25.38	14,350	2.42	364,259
Balconies		$26.36	12,560	2.20	331,019
Plumbing Fixtures		$970	336	2.17	325,920
Rough-ins		$475	304	0.96	144,400
Built-In Appliances		$2,590	152	2.62	393,680
Exterior Stairs		$2,425	44	0.71	106,700
Heating/Cooling				2.06	309,560
Enclosed Corridors		$47.72	0	0.00	0
Carports		$11.94	24,624	1.96	294,011
Garages			0	0.00	0
Comm &/or Aux Bldgs		$87.72	3,091	1.80	271,153
Elevators		$0	0	0.00	0
Other:		$0	0	0.00	0
Fire Sprinklers		$2.47	167,713	2.76	414,251
SUBTOTAL				**87.66**	**13,173,191**
Current Cost Multiplier		0.99		(0.88)	(131,732)
Local Multiplier		0.88		(10.52)	(1,580,783)
TOTAL BUILDING COSTS				**76.27**	**$11,460,677**
Plans, specs, survey, bldg permits		3.30%		(2.52)	($378,202)
Contractor's OH & Profit		11.50%		(8.77)	(1,317,978)
NET BUILDING COSTS			$64,240/unit	$64.98/sf	$9,764,496

30-Year Long-Term Pro Forma

Casa Verde Apartments, Laredo, 9% HTC #15251

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
EFFECTIVE GROSS INCOME	2.00%	$1,022,798	$1,043,254	$1,064,119	$1,085,402	$1,107,110	$1,222,339	$1,349,561	$1,490,024	$1,645,107	$1,816,331
TOTAL EXPENSES	3.00%	$563,782	$580,184	$597,068	$614,448	$632,339	$729,999	$842,895	$973,422	$1,124,351	$1,298,891
NET OPERATING INCOME ("NOI")		**$459,016**	**$463,070**	**$467,052**	**$470,954**	**$474,771**	**$492,340**	**$506,666**	**$516,602**	**$520,756**	**$517,440**
MUST -PAY DEBT SERVICE											
BBVA Compass Bank		$348,450	$348,450	$348,450	$348,450	$348,450	$348,450	$348,450	$348,450	$348,450	$348,450
ANNUAL CASH FLOW		**$110,566**	**$114,620**	**$118,601**	**$122,504**	**$126,321**	**$143,890**	**$158,215**	**$168,152**	**$172,306**	**$168,990**
CUMULATIVE NET CASH FLOW		$110,566	$225,186	$343,788	$466,292	$592,613	$1,278,021	$2,041,957	$2,864,858	$3,720,706	$4,575,654
DEBT COVERAGE RATIO		1.32	1.33	1.34	1.35	1.36	1.41	1.45	1.48	1.49	1.48
EXPENSE/INCOME RATIO		55.1%	55.6%	56.1%	56.6%	57.1%	59.7%	62.5%	65.3%	68.3%	71.5%
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residual Cash Flow		110,566	114,620	118,601	122,504	126,321	143,890	158,215	168,152	172,306	168,990

15251-Casa Verde

7/26/2016 Amendment & Waiver Request

NDC

TO: TOM GOURIS, MARNI HOLLOWAY, RAQUEL MORALES, COLTON SANDERS

FROM: LAREDO HOUSING AUTHORITY (LHA) THROUGH RAQUEL FAVELA, RF
DIRECTOR, NATIONAL DEVELOPMENT COUNCIL

CC: Jose L. Ceballos, LHA Board Chairman; Melissa Ortiz, Interim/Acting LHA CEO

DATE: July 26, 2016

RE: Casa Verde Waiver of §11.5(3)(D) under 2015 QAP

The Casa Verde project was approved during the 2015 competitive 9% Housing Tax Credit cycle under the At-Risk set aside. Originally, a public housing development, Russell Terrace, was proposed to be demolished and 38 of the public housing units would be transferred to Casa Verde, thereby meeting:

> (D) Developments must be at risk of losing affordability from the financial benefits available to the Development and must retain or renew the existing financial benefits and affordability unless regulatory barriers necessitate elimination of a portion of that benefit for the Development. For Developments qualifying under §2306.6702(a)(5)(B), only a portion of the subsidy must be retained for the proposed Development, <u>but no less than 25 percent of the proposed Units must be public housing units supported by public housing operating subsidy</u>. (§2306.6714(a-1))

The demolition application was not approved because HUD determined that Russell Terrace did not meet the minimum thresholds for obsolescence. Consequently, the LHA secured HUD Rental Assistance Demonstration (RAD) approval for 38 units at Casa Verde and 162 units at Russell Terrace. The 38 units at Casa Verde will substitute for the planned public housing units there and still represent 25% of the total number of units (152); as originally proposed, a total of 138 units will be income-restricted and 14 will be market rate. The 162-unit RAD conversion at Russell Terrace contemplates disposition of the units and their rehabilitation as part of a 4% housing tax credit transaction.

The project still meets the requirements of §2306.6702(a)(5)(B), because the Casa Verde units will receive RAD subsidy instead of public housing operating subsidy and the Russell Terrace units will be disposed of as just discussed. Furthermore, the 2016 QAP rule provisions related to RAD have changed and no longer require the retention of 25% of public housing operating subsidy and HB 2926 became effective September 1, 2015, and amended the definition of at-risk development that expressly includes developments undergoing RAD conversions (§ 2306.6702(a)(5)(B)(iii)). Funding for RAD units is derived from reallocation of public housing operating and capital subsidy.

Therefore, we request approval of (1) a non-material amendment to allow use of RAD rather than public housing operating subsidy, and (2) waiver of the quoted 2015 QAP provision otherwise requiring no less than 25 percent of the proposed units at Casa Verde to be public housing units, so that no less than 25% can be RAD units. Please place the requested approvals on the agenda for the Board meeting of September 8, 2016.

Thank you for your consideration.

15251-Casa Verde

HUD Letter regarding demolition of Russell Terrace

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
77 W. Jackson Blvd., Room 2401
Chicago, Illinois 60604-3507
Phone: (312) 353-6236 Fax: (312) 886-6413

OFFICE OF PUBLIC AND INDIAN HOUSING

April 22, 2016

Ms. Melissa Ortiz
Acting Executive Director
Laredo Housing Authority
2000 San Francisco Avenue
Laredo, TX 78040

Dear Ms. Ortiz:

The U.S. Department of Housing and Urban Development's (Department) Special Applications Center (SAC) reviewed the Laredo Housing Authority's (LHA) application, demolition of 2 non-dwelling buildings and 100 dwelling buildings containing 200 dwelling units at Russell Terrace, TX011000002. On December 14, 2015, the Department received application DDA0006860 via the Public and Indian Housing Information Center (PIC) system. According to the application, the reason for demolition is physical obsolescence (deterioration) in accordance with 24 CFR 970.15; and the LHA provided an itemized rehabilitation costs estimate. The Department notes that the rehabilitation cost estimates must be based upon the dwelling structure's existing condition.

The Total Development Cost (TDC) limit for the 200 units proposed for demolition is calculated below. The Department used the TDC applicable at the time of application. For non-dwelling buildings, the Department determines obsolescence using building information in comparison to the RS Means standards of construction. The Department initially determines the dwelling unit obsolescence, then non-dwelling obsolescence. The non-dwelling buildings were not calculated and any data forwarded by the agency is not included in the Department's obsolescence determination.

TDC per Notice PIH-2011-38; Year: 2015 Type of Structure: Semi-Detached Area: Laredo, TX			
Bedroom Size	Number of Unit	TDC/Unit	Total Cost
1-BR	24	159,083	3,817,992
2-BR	64	190,220	12,174,080
3-BR	84	228,376	19,183,584
4-BR	28	269,149	7,536,172
TOTAL	**200**		**$42,711,828**

The LHA $43,398,166 rehabilitation cost estimate, which includes non-dwelling building rehabilitation costs, is 101.6 percent of the TDC limit of $42,711,828. The Department, through examination of the agency's submitted documentation, notes that the LHA used a 1.75 "HUD trending factor" to determine their construction cost estimate. The Department does not use a trending factor to determine obsolescence for inventory removals and used the agency's base construction cost estimate of $24,798,952. Pursuant to Notice PIH 2012-7 (HA), the Department made adjustments to the LHA's cost estimates through modification or elimination of line items. The adjustments are in Exhibit B and line items without repair costs were excluded for brevity. The Department's adjusted cost estimate of $8,819,316 is 20.65 percent of TDC.

An application for the demolition of all or a portion of a public housing project must certify that the project is obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes, and no reasonable program of modifications is cost-effective to return the public housing project or portion of the project to useful life. In accordance with 24 CFR 970.15(b)(2), the rehabilitation costs must exceed 57.14 percent of the TDC. In order to exhibit functional obsolescence, the property's usability or portion thereof must be demonstrably affected. The Department notes that at the time of application submission, the property was 100 percent occupied. The agency did not indicate or document demolition justification due to location. The agency's request does not meet the 24 CFR 970.15 regulatory requirement; therefore, effective April 21, 2016, the Department discontinued processing PIC application DDA0006860 and changed the status of application to "Draft". The San Antonio Office of Public Housing received a copy of this letter. If the agency has any questions, please contact SACTA@hud.gov.

Sincerely,

Darryl R. McGee
Acting Director

cc: San Antonio OPH

Enclosure

Exhibit B							
Section	ITEMS	Condition	ACTION	Cost for Repair	SAC Adjustments	SAC Revised Cost	SAC Comments
3.1	Walls, Brick/block	F	Replace brick /point up brick and seal	$551,390	-$551,390	$0	Must be in poor condition
3.1	Walls, Wood siding, trim	F	Replace and Paint	$190,000	-$190,000	$0	Must be in poor condition
3.1	Soffits and Fascia	F	Replace and Paint	$175,250	-$175,250	$0	Must be in poor condition
3.2	Windows, frames and glazing	F-P	Remove and replace with low-e double pane windows	$497,790	-$248,895	$248,895	50% allowance for condition
3.3	Doors, solid core	F-P	Replace	$140,150	-$70,075	$70,075	50% allowance for condition
3,3	Doors, screen doors	P	Replace	$46,000	$0	$46,000	
3.6	Demolition	P	Remove internal walls and miscellaneous	$185,240	$0	$185,240	
4.1a	Walls, common & unit	F-P	Replace/prep and paint	$954,040	-$477,020	$477,020	50% allowance for condition
4.1b	Insulation	P	Self contained foam attic and walls	$625,000	$0	$625,000	
4,2	Ceilings, common & unit	P	Replace/prep and paint	$364,000	$0	$364,000	
4.3	Flooring, Tile	P	Replace for with ceramic tile	$1,848,000	-$1,093,000	$755,000	Quality cannot exceed HUD construction standard. $5.81/sf. $3775 per unit
4.4	Cabinets and Countertops	F	Replace	$550,350	-$550,350	$0	Must be in poor condition or demonstrable justification
4.5	Refrigerators	F-P	Replace energy efficient	$185,000	-$185,000	$0	Dwelling equipment is not an allowable cost
4.6	Ranges/vent hoods	F-P	Replace energy efficient	$178,400	-$178,400	$0	Dwelling equipment is not an allowable cost
4.6	Disposals	N/A	New	$38,400	-$38,400	$0	Dwelling equipment is not an allowable cost
4.6	Dishwashers	N/A	New/ energy efficient	$84,200	-$84,200	$0	Dwelling equipment is not an allowable cost
4.7	Interior Doors and Trim	F-P	Replace material and labor	$506,024	-$253,012	$253,012	50% allowance for condition
4.8	Ceiling Fans/lights/phone jacks/mirrors	N/A	Replace with new energy lights and fans	$320,138	-$320,138	$0	Item must be present
4.9	Demolition	N/A	Performed during rehab	$375,125	$0	$375,125	
4.9a	Asbestos Removal	N/A	Performed first during construction	$540,000	-$540,000	$0	No verification report provided
5.1	Foundation	F	Inspection report	$19,250	$0	$19,250	Report cost accepted
5.1	Foundation work	F	Leveling and placing piers under grade beams	$209,150	-$104,575	$104,575	SAC acknowledges that settling may have occurred. Allow 50% of estimated item cost
5.2	Framing	F-P	Repair and sealing Rough Open.	$198,230	-$99,115	$99,115	50% allowance for condition
6.2	HVAC	N/A	Replace AC system with heat pump system	$1,360,234	$0	$1,360,234	
7.1	Service	P	Replace with underground service	$290,000	$0	$290,000	
72	Wiring of units	F	Replace wiring in units	$850,150	-$850,150	$0	Must be in poor condition
7.3	Light fixtures / Interior	F	Replace with energy efficient light and bulbs	$253,920	-$253,920	$0	Must be in poor condition
7.4	Light fixtures / exterior	P	Replace security and light fixtures on exterior walls	$76,125	$0	$76,125	
8.1	Supply/Waste lines	F	Replace sewer lines at each unit	$220,000	-$220,000	$0	Must be in poor condition
82	Replace sewer lines under slabs	F	Replace and back fill with stabilized material	$370,500	-$370,500	$0	Must be in poor condition
Sib	Replace interior	F-P	Replace all water and sewer piping in units	$970,000	-$485,000	$485,000	50% allowance for condition

Exhibit B							
Section	**ITEMS**	**Condition**	**ACTION**	**Cost for Repair**	**SAC Adjustments**	**SAC Revised Cost**	**SAC Comments**
	plumbing system						
8.1c	Add one bathroom	N/A	Add one bathroom to the two, three and four bedroom units	$1,628,000	-$1,628,000	$0	Occupancy does not support functional obsolescence
8.2	Tankless Water heater	F-P	Replace heater with tankless water heater	$370,650	-$185,325	$185,325	50% allowance for condition
8.3	Dishwashers	N/A	Install energy efficient unit	$98,000	-$98,000	$0	Dwelling equipment is not an allowable cost
8.4a	Toilets	F	Replace water saving unit	$70,000	-$70,000	$0	Must be in poor condition
8.4b	Vanities w/sinks	F	Replace	$107,160	-$107,160	$0	Must be in poor condition
8.4c	Tubs w/ shower walls	F	Replace	$164,000	-$164,000	$0	Must be in poor condition
9.1	Gutters	N/A	Replace	$97,250	-$97,250	$0	Included in roof price
9.1	Roofs, metal	F	New standing seam metal roof	$1,836,500	-$1,000,000	$836,500	Adjusted at $4 per s.f.
101	Sprinkler System	N/A	Add new system	$568,817	-$568,817	$0	Only allowed for mandatory safety system not due to significant rehabilitation cost threshold
10.2	Unit Fire/Smoke Detectors	F-P	Install/Replace	$88,852	$0	$88,852	100% allowance for mandatory safety system not due to significant rehabilitation cost threshold
12.0	Office/Comm. Bldg.	F-P	Space for activities and learning center	$876,000	-$876,000	$0	Excluded from dwelling unit calculations
12.1	Maintains Bldg.	F	Demo and replace	$187,600	-$187,600	$0	Excluded from dwelling unit calculations
14.1	Security Systems	N/A	Put alarm system in all units	$150,250	-$150,250	$0	Item must be present
					$0		
			Cost of Construction	$19,415,135	-$12,470,792	$6,944,343	
			General Requirements (6%)	$1,164,908		$138,887	
			Builders Overhead (2%)	$388,303		$111,682	
			Builders Profit (6%)	$1,164,908		$416,661	
			Architecture & Engineering (6%)	$1,164,908		$416,661	
			Housing Authority Administration Fee (2%)	$388,303		$138,887	
			Contingency Fee (5%)	$970,757		$347,217	
			Total Itemized Costs	$24,657,221		$8,819,316	
			TDC	$42,711,828		$42,711,828	
			Rehabilitation Percent(Item Cost/ TDC)	**57.73%**		**20.65%**	

15251-Casa Verde

HUD Approval of 38 RAD Units (CHAP)

From: **rsolomon@hawkins.com** RSolomon@hawkins.com
Subject: FW: Laredo Housing Authority- New Application Prioritization
Date: Today at 3:53 PM
To: Raquel Favela RFavela@ndconline.org

Rod Solomon
Hawkins Delafield & Wood LLP
601 - 13th Street, NW, 800 South
Washington, DC 20005
202-682-1485 direct
202-682-1486 fax

From: Little, Jeffrey D [mailto:Jeffrey.D.Little@hud.gov]
Sent: Friday, July 15, 2016 11:03 AM
To: Rod Solomon
Cc: Byrne, Gregory A
Subject: RE: Laredo Housing Authority- New Application Prioritization

Rod-
I confirmed that Laredo's applications have passed our "threshold review" for applications, which includes a determination that funding letters and other financial aspects of the application are acceptable. The only remaining reviews before CHAP award will be confirming the eligibility of the PHA and the subject units for RAD conversion. If there are no open compliance issues with the PHA or problems identified with the units in PIC, we expect that a CHAP award will be issued in the weeks ahead. PIH has agreed to expedite this review and to provide an update on the staff-level eligibility review by next week.

Please let me know if you need additional information, and we will touch base again early next week.

Jeffrey Little
Deputy Director, Office of Recapitalization
U.S. Department of Housing and Urban Development
451 7th St SW, Room 6230
(202) 402-5649

****

x**x

****

This e-mail, including any attachments, is sent by a law firm and may contain information that is privileged or confidential. If you are not the intended recipient, please delete the e-mail and any attachments, destroy any printouts that you may have made and notify us immediately by return e-mail. Thank you.

@**@

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

AUG 03 2016

Laura Llanes
Executive Director
Housing Authority of the City of Laredo
2000 San Francisco Avenue
Laredo, TX 78040-4153

Dear Ms. Llanes:

Thank you for your application under the Rental Assistance Demonstration (RAD) for the conversion to Project Based Vouchers of assistance of 38 units at the following PIC Development TX011000002, RUSSELL TERRACE.

We are pleased to approve your request for conversion as described in the application, subject to the conditions below.

This award letter serves as the Department's Commitment to Enter into a Housing Assistance Payments (CHAP) for the above-referenced project, provided the Owner meets all the requirements contained in the PIH Notice 2012-32, Revision 2 ("Notice") and all subsequent revisions. In addition, the owner must comply with all "CHAP Milestones" identified in section 1.12 of the Notice as applicable.

This award is issued pursuant to the Consolidated and Further Continuing Appropriations Act, 2012, Pub. L. No. 112-55, approved November 18, 2011 and the Consolidated and Further Continuing Appropriations Act of 2015 (P.L. 113-235), approved December 6, 2014; section 8 of the United States Housing Act of 1937 (Act), 42 U.S.C. 1437 et seq.; and the Department of Housing and Urban Development Act, 42 U.S.C. 3531 et seq. The purpose of this award is to begin the process of effectuating the conversion of Public Housing to a form of project-based assistance under section 8 of the Act. This award cannot be transferred without the prior written consent of HUD.

In order to convert your project, the PHA must fulfill the CHAP milestones and deadlines identified in section 1.12 of the Notice. HUD will rely solely on documents and certifications the PHA submits through the RAD Resource Desk to monitor compliance with CHAP milestones. If HUD, in its sole judgment, determines that the PHA fails to meet any of the requirements, the CHAP will be revoked, unless the PHA submits and HUD approves a request for a deadline extension. Any extension request must include both a justification and an explanation of why failure to meet the milestone will not jeopardize the PHA's ability to complete the RAD conversion. Approval of any request for an extension is at HUD's sole discretion.

Within 30 days of CHAP issuance, you must **confirm your acceptance of a CHAP by submitting an application into the Inventory Removals module in PIC** in order to identify the units that will be removed from public housing Annual Contributions Contract (ACC) when the project completes conversion. HUD has made instructions for submitting a Removal Application into PIC available at www.hud.gov/rad.[1] Failure to submit a Removal application into PIC will result in a suspension of the CHAP and a revocation if not corrected within a reasonable time period. Contact your PIH Field Office if you have any questions about this submission.

As the award is a conditional commitment by HUD, HUD reserves the right to revoke or amend its commitment at any time prior to closing if HUD, in its sole judgment, determines that any of the following conditions are present:

A. any of the contract units were not eligible for selection;
B. the proposed conversion is not or will not be financially feasible;
C. the Owner fails to meet any applicable deadline;
D. the Owner fails to cooperate;
E. there is any violation of program rules, including fraud; or
F. the terms of the conversion would be inconsistent with fair housing and civil rights laws or a fair housing or civil rights court order, settlement agreement, or voluntary compliance agreement.

This award shall be interpreted and implemented in accordance with all statutory requirements, and with all HUD requirements, including amendments or changes in HUD requirements, the Notice, and all other applicable RAD guidance.

As you start the process of conversion, we urge you to continue to maintain an open dialogue with your residents and local officials. If you have any questions or concerns regarding

[1] See http://portal.hud.gov/hudportal/documents/huddoc?id=RADPICinventory_removal.pdf

the conversion process or fulfilling the CHAP Milestones, please contact your RAD Transaction Manager.

Sincerely,

Jemine A. Bryon
General Deputy Assistant Secretary
Office of Public and Indian Housing

Enclosure

CC: Bulmaro Cruz

EXHIBIT A

IDENTIFICATION OF UNITS ("CONTRACT UNITS") BY SIZE AND APPLICABLE CONTRACT RENTS

The Contract Rents below for the subject project are based on Fiscal Year 2014 Federal Appropriations and assumptions regarding applicable rent caps. The final RAD contracts rents, which will be reflected in the RAD HAP contract, will be based on Fiscal Year 2014 Federal Appropriations, as well as applicable program rent caps and Operating Cost Adjustment Factors (OCAFs), and, as such, may change. In addition, prior to conversion, the PHA must provide HUD updated utility allowances to be included in the HAP contract.

Existing PIC Development Number: TX011000002
PIC Development Number for Tracking Purposes Only: TX011000002B
New Project Name (for tracking purposes only): RUSSELL TERRACE B

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
12	1	$396	$79	$475
16	2	$498	$99	$597
10	3	$654	$124	$778

Please note that this rent schedule includes the 2015 and 2016 OCAF adjustments that the PHA is eligible for, and will be confirmed during the Financing Plan review.

15251-Casa Verde

9/8/2016 HUD Approval of Laredo HA 2016 RAD Annual PHA Plan

U.S. Department of Housing and Urban Development
San Antonio Field Office, Region VI
Office of Public Housing
Hipolito Garcia Post Office and Courthouse
615 E. Houston Street, Suite 347
San Antonio, Texas 78205
Phone (210) 475-6860 Fax (210) 472-6817
www.hud.gov www.espanol.hud.gov

SEP - 8 2016

Ms. Melissa Ortiz
Interim Executive Director
Laredo Housing Authority
2000 San Francisco Avenue
Laredo, TX 78040

Dear Ms. Ortiz:

SUBJECT: Laredo HA 2016 Rental Assistance Demonstration (RAD) Annual
PHA Plan Amendment

This letter is to inform you that Laredo HA's 2016 RAD Annual PHA Plan amendment submission for the fiscal year beginning April 1, 2016, is approved. This approval does not constitute an endorsement of the strategies and policies outlined in that plan. In providing assistance to families under programs covered, Laredo HA will comply with the rules, standards, and policies established in that approved plan. All required attachments and documents must be made available for review and inspection at the principal office of Laredo HA during normal business hours.

The Capital Fund Program dollars, as detailed in the referenced 5 Year Action Plan, will be made available through a separate funds obligation process. These dollars will not be available for drawdown until the obligations have been finalized.

Finally, the final approval of the RAD application will be issued through a separate approval process.

Any questions concerning this correspondence should be directed to Margaret J. Sandoval, Facilities Management Specialist at 210-475-6836.

Sincerely

Joseph A Uncilo

for David Pohler
Director
Office of Public Housing

Housing Authority of the City of Laredo
Rental Assistance Demonstration (RAD)
and
Project-Based Voucher (PBV)
Amendments
to
The 2016 Five-Year/Annual PHA Plan

Rental Assistance Demonstration (RAD) and Project-Based Voucher (PBV) Amendments to the 2016 Five-Year/Annual PHA Plan

A. RAD Amendment

Introduction

The Housing Authority of the City of Laredo is amending its 2016 Five-year/Annual PHA Plan because it was a successful applicant in the Rental Assistance Demonstration (RAD). As a result, the Housing Authority of the City of Laredo will be converting to Project Based Vouchers under the guidelines of PIH Notice 2012-32, REV-1 and any successor Notices.

Upon conversion to Project Based Vouchers the Authority will adopt the resident rights, participation, waiting list and grievance procedures listed in Section 1.6 of PIH Notice 2012--32, REV-2 and Joint Housing PIH Notice H-2014-09/PIH 2014-17. These resident rights, participation, waiting list and grievance procedures are appended to this Attachment as Attachment 1. Additionally, the Housing Authority of the City of Laredo certifies that it is currently compliant with all fair housing and civil rights requirements, including those imposed by any remedial orders or agreements (none for the Housing Authority of the City of Laredo).

RAD was designed by HUD to assist in addressing the capital needs of public housing by providing the Housing Authority of the City of Laredo with access to private sources of capital to repair and preserve its affordable housing assets. Please be aware that upon conversion, the Authority's Capital Fund Budget will be reduced by the pro rata share of Public Housing Developments converted as part of the Demonstration, and that the Housing Authority of the City of Laredo may also borrow funds to address their capital needs. For RAD Application #2 as described below, the PHA will also be contributing Operating Reserves in the amount of $3,000,000.

Development Description and Information

<u>RAD Application #1</u>

Name of Public Housing Project	**PIC Development ID**	**Conversion Type**	**Transfer of Assistance**
Russell Terrace	TX011000002	PBV	Yes
Total Units	**Pre-RAD Unit Type**	**Post-RAD Unit Type**	**Capital Fund Allocation of Development***
38	Family	Family	$ 52,609.48
Bedroom Type	**Number of Units Pre-Conversion**	**Number of Units Post-Conversion**	**Change in Number of Units per Bedroom Type and Why**
One Bedroom	12	12	No Change
Two Bedroom	16	16	No Change
Three Bedroom	10	10	No Change

* Calculated as Annual Capital Fund Grant, 2016 Formula Funding by Development (per unit funding), multiplied by total number of units in project.

RAD Application #2

Name of Public Housing Project	PIC Development ID	Conversion Type	Transfer of Assistance
Russell Terrace	TX011000002	PBV	No
Total Units	**Pre-RAD Unit Type**	**Post-RAD Unit Type**	**Capital Fund Allocation of Development ***
162	Family	Family	$224,282.52
Bedroom Type	**Number of Units Pre-Conversion**	**Number of Units Post-Conversion**	**Change in Number of Units per Bedroom Type and Why**
One Bedroom	12	12	No Change
Two Bedroom	48	48	No Change
Three Bedroom	74	74	No Change
Four Bedroom	28	28	No Change

* Calculated as Annual Capital Fund Grant, 2016 Formula Funding by Development (per unit funding), multiplied by total number of units in project.

There are no proposed changes in the policies that govern eligibility, admissions, selection and occupancy of the RAD units apart from what is required by RAD. LHA will select households for the transfer of assistance to Casa Verde under Application #1 by honoring the preferences of households who want to move there to the extent possible. If the number of such households exceeds the units available by bedroom size, LHA proposes to give preference first to any households who have particular needs to relocate there and second by lottery. LHA will discuss those proposals further with the Resident Council and reserves the right to change the proposals in consultation with the Resident Council.

The LHA certifies that the RAD conversions will comply with all applicable site selection and neighborhood review standards and that all appropriate procedures have been or will be followed. For Casa Verde, HUD approved the site when the plan was to locate 38 public housing units there.

PBV Resident Rights, Participation, Waiting List and Grievance Procedures

Please see Exhibit A, PIH Notice 2012-32, REV-2 Section 1.6 C and Section 1.6 D, and Exhibit B, Joint Housing/PIH Notice 2014-09/PIH 2014-17, which are attached and incorporated into this amendment to the 2016 Five Year/ Plan by reference.

Revised definition of "Substantial Deviation" from PHA Plan

To facilitate the RAD conversions, the following items are excluded from the definition of Substantial Deviation:

1. The decision to convert to either Project Based Rental Assistance or Project Based Voucher Assistance;

a. Changes to the Capital Fund Budget produced as a result of each approved RAD Conversion, regardless of whether the proposed conversion will include use of additional Capital Funds;

b. Changes to the construction and rehabilitation plan for each approved RAD conversion; and

c. Changes to the financing structure for each approved RAD conversion.

B. PBV Amendment

The recently-enacted Housing Opportunity through Modernization Act of 2016 adds a new Section 8(o)(13)(N) to the United States Housing Act of 1937 that reads as follows:

"(N) STRUCTURE OWNED BY AGENCY.—A public housing agency engaged in an initiative to improve, develop, or replace a public housing property or site may attach assistance to an existing, newly constructed, or rehabilitated structure in which the agency has an ownership interest or which the agency has control of without following a competitive process, provided that the agency has notified the public of its intent through its public housing agency plan and subject to the limitations and requirements of this paragraph."

Accordingly, subject to any implementation requirements for the new statute, the Housing Authority of the City of Laredo is amending its 2016 Five-year/Annual PHA Plan to notify the public of its intent to attach PBV assistance to 38 units in existing structures at the Russell Terrace site that no longer will be public housing after the location of 38 RAD units at Casa Verde.

Also, it is possible although not currently anticipated that to allow Casa Verde to proceed in a timely fashion, LHA might need to commit 38 PBV units to Casa Verde with the intention that HUD would approve a later substitution of RAD units. LHA is including this possibility in the amendment so that it is not precluded if it later becomes necessary and feasible.

EXHIBIT A

1.6 C. PBV Resident Rights, Participation.

1. **No Re-screening of Tenants upon Conversion.** Pursuant to the RAD statute, at conversion, current households are not subject to rescreening, income eligibility, or income targeting. Consequently, current households will be grandfathered for conditions that occurred prior to conversion but will be subject to any ongoing eligibility requirements for actions that occur after conversion. For example, a unit with a household that was over-income at time of conversion would continue to be treated as an assisted unit. Thus, 24 CFR § 982.201, concerning eligibility and targeting, will not apply for current households.[24] Once that remaining household moves out, the unit must be leased to an eligible family. MTW agencies may not alter this requirement.

2. **Right to Return.** See section 1.4.A.4 (b) regarding a resident's right to return.

3. **Renewal of Lease**. Since publication of the PIH Notice 2012-32 Rev 1, the regulations under 24 CFR § 983.257(b)(3) have been amended requiring Project Owners to renew all leases upon lease expiration, unless cause exists. MTW agencies may not alter this requirement.

4. **Phase-in of Tenant Rent Increases**. If a tenant's monthly rent increases by more than the greater of 10 percent or $25 purely as a result of conversion, the rent increase will be phased in over 3 or 5 years. To implement this provision, HUD is specifying alternative requirements for section 3(a)(1) of the Act, as well as 24 CFR § 983.3 (definition of "total tenant payment" (TTP)) to the extent necessary to allow for the phase-in of tenant rent increases. A PHA must create a policy setting the length of the phase in period at three years, five years or a combination depending on circumstances. For example, a PHA may create a policy that uses a three year phase in for smaller increases in rent and a five year phase-in for larger increases in rent. This policy must be in place at conversion and may not be modified after conversion.

The method described below explains the set percentage-based phase-in a Project Owner must follow according to the phase-in period established. For purposes of this section "standard TTP" refers to the TTP calculated in accordance with regulations at 24 CFR §5.628 and the "most recently paid TTP" refers to the TTP recorded on line 9j of the family's most recent HUD Form 50058. If a family in a project converting from Public Housing to PBV was paying a flat rent immediately prior to conversion, the PHA should use the flat rent amount to calculate the phase-in amount for Year 1, as illustrated below.

- Three Year Phase-in:

[24] These protections (as well as all protections in this Notice for current households) apply when in order to facilitate repairs a household is relocated following the conversion and subsequently returns to the property, even if they are considered a "new admission" upon return.

- Year 1: Any recertification (interim or annual) performed prior to the second annual recertification after conversion – 33% of difference between most recently paid TTP or flat rent and the standard TTP
- Year 2: Year 2 Annual Recertification (AR) and any Interim Recertification (IR) prior to Year 3 AR – 66% of difference between most recently paid TTP and the standard TTP
- Year 3: Year 3 AR and all subsequent recertifications – Full standard TTP

- Five Year Phase in:
- Year 1: Any recertification (interim or annual) performed prior to the second annual recertification after conversion – 20% of difference between most recently paid TTP or flat rent and the standard TTP
- Year 2: Year 2 AR and any IR prior to Year 3 AR – 40% of difference between most recently paid TTP and the standard TTP
- Year 3: Year 3 AR and any IR prior to Year 4 AR – 60% of difference between most recently paid TTP and the standard TTP
- Year 4: Year 4 AR and any IR prior to Year 5 AR – 80% of difference between most recently paid TTP and the standard TTP
- Year 5 AR and all subsequent recertifications – Full standard TTP

Please Note**:** In either the three year phase-in or the five-year phase-in, once the standard TTP is equal to or less than the previous TTP, the phase-in ends and tenants will pay full TTP from that point forward. MTW agencies may not alter this requirement.

5. **Family Self Sufficiency (FSS) and Resident Opportunities and Self Sufficiency Service Coordinator (ROSS-SC) programs.** Public Housing residents that are current FSS participants will continue to be eligible for FSS once their housing is converted under RAD, and PHAs will be allowed to use any remaining PH FSS funds, to serve those FSS participants who live in units converted by RAD. Due to the program merger between PH FSS and HCV FSS that took place pursuant to the FY14 Appropriations Act (and was continued in the FY15 Appropriations Act), no special provisions are required to continue serving FSS participants that live in public housing units converting to PBV under RAD.

However, PHAs should note that there are certain FSS requirements (e.g. escrow calculation and escrow forfeitures) that apply differently depending on whether the FSS participant is a participant under the HCV program or a public housing resident, and PHAs must follow such requirements accordingly. All PHAs will be required to administer the FSS program in accordance with FSS regulations at 24 CFR Part 984, the participants' contracts of participation, and the alternative requirements established in the "Waivers and Alternative Requirements for the FSS Program" Federal Register notice, published on December 29, 2014, at 79 FR 78100.[25] Further, upon conversion to PBV, already escrowed funds for FSS participants shall be transferred into the HCV escrow account and be considered TBRA funds, thus reverting to the HAP account if forfeited by the FSS participant.

Current ROSS-SC grantees will be able to finish out their current ROSS-SC grants once their housing is converted under RAD. However, once the property is converted, it will no longer be eligible to be counted towards the unit count for future ROSS-SC grants, nor will its residents be eligible to be served by future ROSS-SC grants, which, by statute, can only serve public housing residents.

6. **Resident Participation and Funding.** In accordance with Attachment 1B, residents of Covered Projects with converted PBV assistance will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment and be eligible for resident participation funding.

7. **Resident Procedural Rights.** The following items must be incorporated into both the Section 8 Administrative Plan and the Project Owner's lease, which includes the required tenancy addendum, as appropriate. Evidence of such incorporation may be requested by HUD for purposes of monitoring the program.

   i. **Termination Notification.** HUD is incorporating additional termination notification requirements to comply with section 6 of the Act for public housing projects that convert assistance under RAD. In addition to the regulations at 24 CFR § 983.257 related to Project Owner termination of tenancy and eviction (which MTW agencies may not alter) the termination procedure for RAD conversions to PBV will require that PHAs provide adequate written notice of termination of the lease which shall not be less than:

      a. A reasonable period of time, but not to exceed 30 days:

         i. If the health or safety of other tenants, PHA employees, or persons residing in the immediate vicinity of the premises is threatened; or

         ii. In the event of any drug-related or violent criminal activity or any felony conviction;

[25] The funding streams for the PH FSS Program and the HCV FSS Program were first merged pursuant to the FY 2014 appropriations act. As a result, PHAs can serve both PH residents and HCV participants, including PBV participants, with FSS funding awarded under the FY 2014 FSS Notice of Funding Availability (FSS NOFA) and any other NOFA under which the combination of funds remains in the applicable appropriations act. For PHAs that had managed both programs separately and now have a merged program, a conversion to PBV should not impact their FSS participants.

b. 14 days in the case of nonpayment of rent; and

c. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

ii. Grievance Process. Pursuant to requirements in the RAD Statute, HUD is establishing additional procedural rights to comply with section 6 of the Act. For issues related to tenancy and termination of assistance, PBV program rules require the Project Owner to provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. RAD will specify alternative requirements for 24 CFR § 982.555(b) in part, which outlines when informal hearings are not required, to require that:

a. In addition to reasons that require an opportunity for an informal hearing given in 24 CFR § 982.555(a)(1)(i)-(vi),[26] an opportunity for an informal hearing must be given to residents for any dispute that a resident may have with respect to a PHA (as owner) action in accordance with the individual's lease or the contract administrator in accordance with RAD PBV requirements that adversely affect the resident's rights, obligations, welfare, or status.

i. For any hearing required under 24 CFR § 982.555(a)(1)(i)-(vi), the contract administrator will perform the hearing, as is the current standard in the program.

ii. For any additional hearings required under RAD, the Project Owner will perform the hearing.

b. There is no right to an informal hearing for class grievances or to disputes between residents not involving the Project Owner or contract administrator.

c. The Project Owner gives residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1) for informal hearings that will address circumstances that fall outside of the scope of 24 CFR § 982.555(a)(1)(i)-(vi).

d. The Project Owner provides opportunity for an informal hearing before an eviction.

Current PBV program rules require that hearing procedures must be outlined in the PHA's Section 8 Administrative Plan.

8. Earned Income Disregard (EID). Tenants who are employed and are currently receiving the EID exclusion at the time of conversion will continue to receive the EID

[26] § 982.555(a)(1)(iv) is not relevant to RAD as the tenant-based certificate has been repealed.

after conversion, in accordance with regulations at 24 CFR § 5.617. Upon the expiration of the EID for such families, the rent adjustment shall not be subject to rent phase-in, as described in Section 1.6.C.4; instead, the rent will automatically rise to the appropriate rent level based upon tenant income at that time.

Under the Housing Choice Voucher program, the EID exclusion is limited only to persons with disabilities (24 CFR § 5.617(b)). In order to allow all tenants (including non-disabled persons) who are employed and currently receiving the EID at the time of conversion to continue to benefit from this exclusion in the PBV project, the provision in section 5.617(b) limiting EID to disabled persons is waived. The waiver, and resulting alternative requirement, apply only to tenants receiving the EID at the time of conversion. No other tenant (e.g., tenants who at one time received the EID but are not receiving the EID exclusion at the time of conversion e.g., due to loss of employment; tenants that move into the property following conversion, etc.,) is covered by this waiver.

9. **Jobs Plus**. Jobs Plus grantees awarded FY14 and future funds that convert the Jobs Plus target projects(s) under RAD will be able to finish out their Jobs Plus period of performance at that site unless significant re-location and/or change in building occupancy is planned. If either is planned at the Jobs Plus target project(s), HUD may allow for a modification of the Jobs Plus work plan or may, at the Secretary's discretion, choose to end the Jobs Plus program at that project.

10. **When Total Tenant Payment Exceeds Gross Rent.** Under normal PBV rules, the PHA may only select an occupied unit to be included under the PBV HAP contract if the unit's occupants are eligible for housing assistance payments (24 CFR §983.53(d)). Also, a PHA must remove a unit from the contract when no assistance has been paid for 180 days because the family's TTP has risen to a level that is equal to or greater than the contract rent, plus any utility allowance, for the unit (i.e., the Gross Rent)) (24 CFR §983.258).

Since the rent limitation under this Section of the Notice may often result in a family's TTP equaling or exceeding the gross rent for the unit, for current residents (i.e residents living in the public housing property prior to conversion), HUD is waiving both of these provisions and requiring that the unit for such families be placed on and/or remain under the HAP contract when TTP equals or exceeds than the Gross Rent. Further, HUD is establishing the alternative requirement that the rent to owner for the unit equal the family's TTP until such time that the family is eligible for a housing assistance payment. HUD is waiving as necessary to implement this alternative provision, the provisions of Section 8(o)(13)(H) of the Act and the implementing regulations at 24 CFR 983.301 as modified by Section 1.6.B.5 of this Notice.[27] In such cases, the resident is considered a

[27] For example, a public housing family residing in a property converting under RAD has a TTP of $600. The property has an initial Contract Rent of $500, with a $50 Utility Allowance. Following conversion, the residents is still responsible for paying $600 in tenant rent and utilities.

participant under the program and all of the family obligations and protections under RAD and PBV apply to the resident. Likewise, all requirements with respect to the unit, such as compliance with the HQS requirements, apply as long as the unit is under HAP contract. Assistance may subsequently be reinstated if the tenant becomes eligible for assistance. The PHA is required to process these individuals through the Form-50058 submodule in PIC.

Following conversion, 24 CFR §983.53(d) applies, and any new families referred to the RAD PBV project must be initially eligible for a HAP payment at admission to the program, which means their TTP may not exceed the gross rent for the unit at that time. Further, a PHA must remove a unit from the contract when no assistance has been paid for 180 days. If units are removed from the HAP contract because a new admission's TTP comes to equal or exceed the gross rent for the unit and if the project is fully assisted, HUD is imposing an alternative requirement that the PHA must reinstate the unit after the family has vacated the property; and, if the project is partially assisted, the PHA may substitute a different unit for the unit on the HAP contract in accordance with 24 CFR §983.207 or, where "floating" units have been permitted, Section 1.6.B.10 of this Notice.

11. **Under-Occupied Unit**. If a family is in an under-occupied unit under 24 CFR 983.259 at the time of conversion, the family may remain in this unit until an appropriate-sized unit becomes available in the Covered Project. When an appropriate sized unit becomes available in the Covered Project, the family living in the under occupied unit must move to the appropriate-sized unit within a reasonable period of time, as determined by the administering Voucher Agency. In order to allow the family to remain in the underoccupied unit until an appropriate-sized unit becomes available in the Covered Project, 24 CFR 983.259 is waived. MTW agencies may not modify this requirement.

1.6 D. <u>PBV: Other Miscellaneous Provisions:</u>

1. **Access to Records, Including Requests for Information Related to Evaluation of Demonstration.** PHAs must agree to any reasonable HUD request for data to support program evaluation, including but not limited to project financial statements, operating data, Choice-Mobility utilization, and rehabilitation work. Please see Appendix IV for reporting units in Form HUD-50058.

2. **Additional Monitoring Requirement.** The PHA's Board must approve the operating budget for the Covered Project annually in accordance with HUD requirements.[28]

[28] For PBV conversions that are not FHA-insured, a future HUD notice will describe project financial data that may be required to be submitted by a PBV owner for purposes of the evaluation, given that PBV projects do not submit annual financial statements to HUD/REAC.

3. **Davis-Bacon Act and Section 3 of the Housing and Urban Development Act of 1968 (Section 3).** This section has been moved to 1.4.A.13 and 1.4.A.14.

4. **Establishment of Waiting List.** 24 CFR § 983.251 sets out PBV program requirements related to establishing and maintaining a voucher-wide, PBV program-wide, or site-based waiting list from which residents for the Covered Project will be admitted. These provisions will apply unless the project is covered by a remedial order or agreement that specifies the type of waiting list and other waiting list policies. The PHA shall consider the best means to transition applicants from the current public housing waiting list, including:

   i. Transferring an existing site-based waiting list to a new site-based waiting list. If the PHA is transferring the assistance to another neighborhood, the PHA must notify applicants on the wait-list of the transfer of assistance, and on how they can apply for residency at the new project site or other sites. Applicants on a project specific waiting list for a project where the assistance is being transferred shall have priority on the newly formed waiting list for the new project site in accordance with the date and time of their application to the original project's waiting list.

   ii. Informing applicants on the site-based waiting list on how to apply for a PBV program-wide or HCV program-wide waiting list.

   iii. Informing applicants on a public housing community-wide waiting list on how to apply for a voucher-wide, PBV program-wide, or site-based waiting list. If using a site-based waiting list, PHAs shall establish a waiting list in accordance with 24 CFR § 903.7(b)(2)(ii)-(iv) to ensure that applicants on the PHA's public housing community-wide waiting list have been offered placement on the converted project's initial waiting list. In all cases, PHAs have the discretion to determine the most appropriate means of informing applicants on the public housing community-wide waiting list given the number of applicants, PHA resources, and admissions requirements of the projects being converted under RAD. A PHA may consider contacting every applicant on the public housing waiting list via direct mailing; advertising the availability of housing to the population that is less likely to apply, both minority and nonminority groups, through various forms of media (e.g., radio stations, posters, newspapers) within the marketing area; informing local non-profit entities and advocacy groups (e.g., disability rights groups); and conducting other outreach as appropriate. Applicants on the agency's public housing community-wide waiting list who wish to be placed onto the newly-established site-based waiting list must be done so in accordance with the date and time of their original application to the centralized public housing waiting list. Any activities to contact applicants on the public housing waiting list must be conducted in accordance with the requirements for effective communication with persons with disabilities at 24 CFR § 8.6 and with the obligation to provide meaningful access for persons with limited English proficiency (LEP).[29]

A PHA must maintain any site-based waiting list in accordance with all applicable civil rights and fair housing laws and regulations unless the project is covered by a remedial order or agreement that specifies the type of waiting list and other waiting list policies.

To implement this provision, HUD is specifying alternative requirements for 24 CFR § 983.251(c)(2). However, after the initial waiting list has been established, the PHA shall administer its waiting list for the converted project in accordance with 24 CFR §983.251(c).

5. **Mandatory Insurance Coverage.** The Covered Project shall maintain at all times commercially available property and liability insurance to protect the project from financial loss and, to the extent insurance proceeds permit, promptly restore, reconstruct, and/or repair any damaged or destroyed project property.

6. **Agreement Waiver.** This section has been moved to 1.6.(B)(7).

7. **Future Refinancing**. Project Owners must receive HUD approval for any refinancing or restructuring of permanent debt during the HAP contract term, to ensure the financing is consistent with long-term preservation. (Current lenders and investors are also likely to require review and approval of refinancing of the primary permanent debt.)

8. **Administrative Fees for Public Housing Conversions during Transition Period.** For the remainder of the Calendar Year in which the HAP Contract is effective (i.e. "transition period"), RAD PBV projects will be funded with public housing funds. For example, if the project's assistance converts effective July 1, 2015, the public housing Annual Contributions Contract (ACC) between the PHA and HUD will be amended to reflect the number of units under HAP contract, but will be for zero dollars, and the RAD PBV contract will be funded with public housing money for July through December 2015. Since TBRA is not the source of funds, PHAs should not report leasing and expenses into VMS during this period, and PHAs will not receive section 8 administrative fee funding for converted units during this time.

[29] For more information on serving persons with LEP, please see HUD's Final guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons (72 FR 2732), published on January 22, 2007.

For fiscal years 2014 and 2015, PHAs operating HCV program received administrative fees for units under a HAP contract, consistent with recent appropriation act references to "section 8(q) of the [United States Housing Act of 1937] and related appropriations act provisions in effect immediately before the Quality Housing and Responsibility Act of 1998" and 24 CFR § 982.152(b). During the transition period mentioned in the preceding paragraph, these provisions are waived, and PHAs will not receive section 8 ongoing administrative fees for PBV RAD units.

After this transition period, the section 8 ACC will be amended to include section 8 funding that corresponds to the units covered by the section 8 ACC. At that time, the regular section 8 administrative fee funding provisions will apply.

9. **Choice-Mobility.** One of the key features of the PBV program is the mobility component, which provides that if the family has elected to terminate the assisted lease at any time after the first year of occupancy in accordance with program requirements, the PHA must offer the family the opportunity for continued tenant-based rental assistance, in the form of either assistance under the voucher program or other comparable tenant-based rental assistance.

If as a result of participation in RAD a significant percentage of the PHA's HCV program becomes PBV assistance, it is possible for most or all of a PHA's turnover vouchers to be used to assist those RAD PBV families who wish to exercise mobility. While HUD is committed to ensuring mobility remains a cornerstone of RAD policy, HUD recognizes that it remains important for the PHA to still be able to use tenant based vouchers to address the specific housing needs and priorities of the community. Therefore, HUD is establishing an alternative requirement for PHAs where, as a result of RAD, the total number of PBV units (including RAD PBV units) under HAP contract administered by the PHA exceeds 20 percent of the PHA's authorized units under its HCV ACC with HUD.

The alternative mobility policy provides that an eligible voucher agency would not be required to provide more than three-quarters of its turnover vouchers in any single year to the residents of Covered Projects. While a voucher agency is not required to establish a voucher inventory turnover cap, if such a cap is implemented, the voucher agency must create and maintain a waiting list in the order in which the requests from eligible households were received. In order to adopt this provision, this alternative mobility policy must be included in an eligible PHA's administrative plan.

To effectuate this provision, HUD is providing an alternative requirement to Section 8(o)(13)(E) and 24 CFR part 983.261(c). Please note that this alternative requirement does not apply to PBVs entered into outside of the context of RAD. MTW agencies may not alter this requirement.

10. **Reserve for Replacement.** The Project Owner shall establish and maintain a replacement reserve in an interest-bearing account to aid in funding extraordinary maintenance and repair and replacement of capital items in accordance with applicable regulations. The reserve must be built up to and maintained at a level determined by HUD to be sufficient to meet projected requirements. For FHA transactions, Replacement Reserves shall be maintained in accordance with the FHA Regulatory Agreement. For all other transactions, Replacement Reserves shall be maintained in a bank account covered under a General Depository Agreement (HUD-51999) or similar instrument, as approved by HUD, where funds will be held by the Project Owner or mortgagee and may be drawn from the reserve account and used subject to HUD guidelines and as directed by HUD.

EXHIBIT B

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:
Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
RAD Transaction Managers

Notice H 2014-09
PIH 2014-17

Issued: July 14, 2014

This notice remains in effect until amended, superseded, or rescinded.

Cross Reference: PIH Notice 2012-32 (HA) REV 1

Subject: **Relocation Requirements under the Rental Assistance Demonstration (RAD) Program, Public Housing in the First Component**

1. Purpose

This Notice provides public housing agencies (PHAs)[1] and their partners with information and resources on applicable program and relocation assistance requirements when planning for or implementing resident moves as a result of a **Rental Assistance Demonstration (RAD)** conversion[2] under the first component of the demonstration.[3] This Notice provides guidance on RAD relocation requirements and requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA), as they relate to the public housing conversion process under the first component.[4]

[1] This Notice always uses the term "PHA" to refer to the owner of the project prior to and after the RAD conversion, even though, in some cases, the owner of the converted RAD project may be another public entity, a non-profit organization, or other owner (e.g., low-income housing tax credit owner). In addition, this Notice uses "PHA" to refer to the "displacing agency," a URA term that means the agency or person that carries out a program or project, which will cause a resident to become a displaced person. Projects vary and, for any specific task described in this Notice, may require substituting in a reference to a party that is more appropriate for a specific project.

[2] The content of this Notice should not be relied upon in carrying out any other activities funded under any other HUD program, except where specifically directed by HUD.

[3] The "first component" of RAD allows public housing and Moderate Rehabilitation properties to convert assistance; the "second component" refers to conversion of Rent Supplement, Rental Assistance Payment, and Moderate Rehabilitation properties upon contract expiration or termination.

[4] Relocation concerns and URA requirements apply to both components of RAD. This notice provides guidance only as to the first component.

Relocation assistance provided pursuant to public housing and RAD requirements is broader than URA relocation assistance requirements. Not all specific situations requiring relocation under RAD may trigger URA assistance requirements. In addition, whereas all qualifying residents[5] of a converting public housing project are eligible for relocation assistance under RAD, some residents or household members may not meet the statutory and regulatory requirements for eligibility under URA. This Notice supersedes PIH Notice 2012-32 (HA), REV-1, with respect to relocation matters. This Notice also specifically addresses when relocation may begin (see Section 9 below). As necessary, the Department will issue additional guidance on relocation issues and requirements as they relate to RAD.

2. Background

RAD allows public housing properties to convert assistance to long-term project-based Section 8 contracts. In many cases, a RAD project may require relocation of residents when properties undergo repairs, are demolished and rebuilt, or when the assistance is transferred to another site. PIH Notice 2012-32 REV-1 (see also FR Notice 5630-N-05, 78 FR 39759-39763 (July 2, 2013)) details RAD program requirements.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) is a federal law that establishes minimum standards for federally-funded programs and projects that include the acquisition of real property (real estate) and/or displace persons from their homes, businesses, or farms as a result of acquisition, rehabilitation, or demolition of real property.[6] The URA will apply to acquisitions of real property and relocation of persons from real property that occurs as a direct result of acquisition, rehabilitation, or demolition for a project that involves conversion of assistance to Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) programs under RAD.

Additionally, all relocation conducted as part of a RAD conversion and all relocation assistance provided under URA must be consistent with applicable fair housing and civil rights laws, including, but not limited to, the Fair Housing Act, Title VI of the Civil Rights Act of 1964, and Section 504 of the Rehabilitation Act of 1973.

Because each RAD proposal varies in its scope, this Notice may not address each PHA's specific circumstances. RAD PHAs and participants should carefully review the regulations, notices, and guidance material referenced in this Notice. Any questions related to the applicability of these requirements should be referred to the RAD Transaction Managers (TM) or may be emailed to rad@hud.gov.

3. Applicable Legal Authorities

[5] The term "resident" as used in this Notice refers to eligible resident families of public housing residing in a property applying for participation in RAD or a property that undergoes a conversion of assistance through RAD.

[6] HUD Handbook 1378 (Tenant Assistance, Relocation, and Real Property Acquisition), available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/library/relocation/policyandguidance/handbook1378.

- RAD: Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011), with the implementing PIH Notice 2012-32, REV-1
- URA statute and implementing regulations: 49 CFR part 24
- FHEO: Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Fair Housing Act
- Section 104(d) of the Housing and Community Development Act of 1974, statute and implementing regulations (if CDBG and/or HOME funds are used): 24 CFR part 42, subpart C

4. Relocation Planning

If there is a possibility that residents will be relocated as a result of acquisition, demolition, or rehabilitation for a project converting under RAD, PHAs must undertake a planning process in conformance with URA in order to minimize the adverse impact of relocation (49 CFR 24.205(a)).

While a written Relocation Plan is not a requirement under RAD or URA, the Department strongly encourages PHAs to prepare a written Relocation Plan, both to establish their relocation process and to communicate this process consistently and effectively to all relevant stakeholders. Appendix 1 contains recommended elements of a Relocation Plan.

The following presents a general sequencing of relocation planning activities within the RAD milestones:

Stage	Activities
1. Prior to submission of RAD application	• Determine potential need for relocation • Meet with residents to discuss plans, communicate right to return, and solicit feedback • Provide *General Information Notice* (GIN) to residents • Survey residents to prepare Relocation Plan and relocation process cost estimate
2. After receipt of the Commitment to Enter into a HAP Contract (CHAP) Award	• Prepare Significant Amendment to PHA Plan • Assess and refine need for relocation • Develop a Relocation Plan (See Appendix 1 for recommended content) • Identify relocation housing options
3. Preparing Financing Plan (due to RAD Transaction Manager no later than 180 days following	• Budget for relocation expenses • Submit FHEO Accessibility & Relocation checklist (PHAs may submit Relocation Plan along with checklist)

Stage	Activities
CHAP award)	
4. Receipt of RAD Conversion Commitment (RCC)	• The date of issuance of the HUD RCC marks the date of "Initiation of Negotiations" (ION), as defined in the URA (49 CFR 24.2(a)(15)) • Provide residents with appropriate notice informing them if they will be relocated and any associated relocation assistance • Meet with residents to describe approved conversion plans and discuss required relocation
5. Closing/RAD conversion	• Generally, resident relocation should not begin until after the date of closing/conversion of assistance under RAD • PHAs must adhere to notification requirements (described in Paragraph 8 of this Notice): generally, a minimum of 30 days for residents to be temporarily relocated for up to a year, and 90 days for permanent relocation • PHAs seeking to move residents prior to closing must receive prior approval from HUD as described in Paragraph 9 of this Notice

5. Resident Right to Return

RAD program rules prohibit the permanent involuntary relocation of residents as a result of conversion. Residents that are temporarily relocated retain the right to return to the project once it has been completed and is in decent, safe, and sanitary conditions.[7] The period during which residents may need to be temporarily relocated is determined by the period of rehabilitation or construction, which will be specific to each project.

If proposed plans for a project would preclude a resident from returning to the RAD project, the resident must be given an opportunity to comment and/or object to such plans. If the resident objects to such plans, the PHA must alter the project plans to accommodate the resident in the converted project. If a resident agrees to such plans, the PHA must secure informed, written consent from the resident to receive permanent relocation assistance and payments consistent with URA and acknowledge that acceptance of such assistance terminates the resident's right to return to the project. In obtaining this consent, PHAs must inform residents of their right to return, potential relocation, and temporary and permanent housing options at least 30 days before residents must make a decision. The PHA cannot employ any tactics to pressure residents into

7 Where the transfer of assistance to a new site is approved, residents of the converting project will have the right to reside in an assisted unit at the new site once rehabilitation or new construction is complete.

relinquishing their right to return or accepting permanent relocation assistance and payments.[8] A PHA may not terminate a resident's lease if it fails to obtain this consent.

PHAs must keep documentation of such information provided to residents and such consent by residents. While HUD does not require PHAs to submit documentation of obtaining this consent, PHAs and participants must properly brief residents on their housing and relocation options and must keep auditable written records of such consultation and decisions. HUD may request this documentation during a review of the FHEO Relocation and Accessibility Checklist or if relocation concerns arise.

Examples of project plans that may preclude a resident from returning to the converted RAD project include, but are not limited to:

- Changes in bedroom distribution (i.e. when larger units will be replaced with smaller units such that current residents would become under-housed or when smaller units will be replaced with larger units such that current residents would become over-housed);
- Where a PHA is reducing the number of assisted units at a property by a de minimis amount[9], but those units are occupied by assisted residents; or
- The reconfiguration of efficiency apartments, or the repurposing of dwelling units in order to facilitate social service delivery.

In all scenarios where residents voluntarily accept permanent relocation to accommodate project plans, these residents are eligible for permanent relocation assistance and payments under URA. If a resident accepts permanent relocation assistance, the resident surrenders his or her right to return to the completed project.

6. Relocation Assistance

Under RAD, relocation assistance may vary depending on the length of time relocation is required.[10]

a. In instances when the PHA anticipates that a resident will be relocated for more than a year, the PHA must offer the resident the choice of:

  - Permanent relocation assistance and payments at URA levels; or
  - Temporary relocation assistance, including temporary housing, while the resident retains his or her right to return and reimbursement for all reasonable out-of-pocket expenses associated with the temporary relocation.

---

8 Persons with disabilities returning to the RAD project may not be turned away or placed on a waiting list due to a lack of accessible units. Their accessibility needs must be accommodated.

9 A reduction in total number of assisted units at RAD project of 5% or less. (Section 1.5.B of PIH 2012-32 REV-1)

10 Some residents may not qualify for relocation assistance under URA. A nonexclusive listing of persons who do not qualify as displaced persons under URA is at 49 CFR 24.2(a)(9)(ii). See also, Paragraph 1-4(J) of HUD Handbook 1378.

The PHA must give the resident no less than 30 days to decide between permanent and temporary relocation assistance. If the resident elects to permanently relocate with assistance at URA levels, the PHA must inform the resident that his or her acceptance of permanent relocation assistance terminates the resident's right to return to the completed RAD project.

b. In instances when a resident elects temporary relocation assistance and reoccupies a unit in the completed project within one year, the resident need not be offered permanent relocation assistance pursuant to URA.

   Great care must be exercised to ensure that residents are treated fairly and equitably. If a resident is required to relocate temporarily in connection with the project, his or her temporarily occupied housing must be decent, safe, and sanitary and the resident must be reimbursed for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation. These expenses include, but are not limited to, moving expenses and increased housing costs during the temporary relocation.

c. In the event that a resident elects to receive temporary relocation assistance and the temporary relocation exceeds one year, the resident becomes eligible for all permanent relocation assistance and payments under URA. (This assistance would be in addition to any assistance the person has already received for temporary relocation, and may not be reduced by the amount of any temporary relocation assistance.) In such event, the PHA shall give the resident the opportunity to choose to remain temporarily relocated for an agreed-to period (based on new information about when they can return to the completed RAD unit), or choose to permanently relocate with URA assistance.

   PHAs may not propose or request that a displaced person waive rights or entitlements to relocation assistance under the URA. If the resident elects to permanently relocate with URA assistance, the PHA must inform the person that the person's acceptance of URA relocation assistance to permanently relocate will terminate the person's right to return to the completed RAD project. Conversely, unless and until the resident elects to be permanently relocated, the resident may remain temporarily relocated with a right to return to the completed project.

7. Initiation of Negotiations (ION) Date

Eligibility for URA relocation assistance is generally effective on the date of initiation of negotiations (ION) (49 CFR 24.2(a)(15)). For RAD projects, the ION date is the date of the issuance of the RAD Conversion Commitment (RCC).

8. Resident Notification

When a project converting under RAD will include relocation of residents, notice must be provided to those resident households. For each notice listed below, one notice shall be given to each resident household. The purpose of these notifications is to ensure that residents are informed of their potential rights and the relocation assistance available to them. During initial meetings with residents about RAD and in subsequent communications with residents related to relocation, the PHA should inform residents that if they choose to move after receiving a written GIN, but prior to receiving a RAD Notice of Relocation, they may jeopardize their eligibility for relocation assistance. However, PHAs should note that a resident move undertaken as a direct result of the project may still require relocation assistance and the resident may be eligible to receive permanent relocation assistance under the URA even though the PHA has not yet issued notices.

a. *General Information Notice* (49 CFR 24.203(a) & Handbook 1378, Paragraph 2-3(B))

As soon as feasible in the planning process, the PHA must provide each resident with a written GIN (see sample in Appendix 2) to provide a general description of the project, the activities planned, and the relocation assistance that may become available. URA regulations state that the GIN should be provided *as soon as feasible*. Under RAD, PHAs must provide GINs during the initial RAD resident meetings, before submitting a RAD application. GINs must do at least the following:

- Inform the resident that he or she may be displaced for the project and generally describe the relocation payment(s) for which the resident may be eligible, the basic conditions of eligibility, and the procedures for obtaining the payment(s);
- Inform the resident that he or she will be given reasonable relocation advisory services, including referrals to replacement properties, help in filing payment claims, and other necessary assistance to help the resident successfully relocate;
- Inform the resident that, if he or she qualifies for relocation assistance as a displaced person under the URA, he or she will not be required to move without at least 90 days advance written notice, and inform any person to be displaced from a dwelling that he or she cannot be required to move permanently unless at least one comparable replacement dwelling has been made available;
- Inform the resident that any person who is an alien not lawfully present in the United States is ineligible for relocation advisory services and relocation payments, unless such ineligibility would result in exceptional and extremely unusual hardship to a qualifying spouse, parent, or child (see 49 CFR 24.208(h) for additional information); and
- Describe the resident's right to appeal the PHA's determination as to a person's eligibility for URA assistance.

b. *RAD Notice of Relocation*

If a resident will be relocated to facilitate the RAD conversion, the PHA shall provide notice of such relocation (RAD Notice of Relocation). The PHA shall issue this notice upon the PHA's receipt of the RCC from HUD, which is the ION date.

If residents will not be relocated, notice of relocation is not required, but the PHA should notify them that they are not being relocated.[11]

The RAD Notice of Relocation must conform to the following requirements:

- The notice must state the anticipated duration of the resident's relocation.
- PHAs must provide this notice a minimum of 30 days prior to relocation to residents who will be temporarily relocated.[12] Longer notice may be appropriate for persons who will be relocated for an extended period of time (over 6 months), or if necessary due to personal needs or circumstances.
- Residents whose temporary relocation is anticipated to exceed one year must be informed that they will have no less than 30 days to elect temporary or permanent relocation as described in Section 6 of this Notice. When timing is critical for project completion, the 30-day decision period can run concurrently with the 30-day notice period for temporary relocation and with the 90-day period for permanent relocation if the PHA makes available comparable replacement dwellings consistent with 24.204(a).
- Residents who will be permanently relocated must receive written notice a minimum of 90 days prior to relocation. This 90-day time period may only begin once the PHA has made available at least one comparable replacement dwelling consistent with 49 CFR 24.204(a).[13]
- The notice must describe the available relocation assistance, the estimated amount of assistance based on the individual circumstances and needs, and the procedures for obtaining the assistance. The notice must be specific to the resident and his or her situation so that the resident will have a clear understanding of the type and amount of payments and/or other assistance the resident household may be entitled to claim.
- The notice must explain the reasonable terms and conditions under which the resident may continue to lease and occupy a unit in the completed project.
- The notice must state that the PHA will reimburse the resident for all reasonable out-of-pocket expenses incurred in connection with any temporary move. These expenses include, but are not limited to, moving expenses and increased housing costs (rent, utilities, etc.).

c. *Notice of Intent to Acquire* (49 CFR 24.203(d))

---

[11] HUD policy generally requires a "notice of non-displacement" in certain instances; the RAD program does not require this notice. Although the scope of this notice is limited to guidance for projects requiring relocation, PHAs should note, however, that there may be notification requirements for projects that do not involve relocation. The RAD conversion will terminate the resident's public housing lease and commence a PBV or PBRA lease, even when there is no relocation required. In such instances, state law may impose certain notification requirements. In addition, public housing regulations generally require 30 days' notice prior to lease termination. PHAs are encouraged to review public housing requirements set forth in 24 CFR parts 5 and 966.

[12] HUD may approve shorter notice periods based on an urgent need due to danger, health, or safety issues or if the person will be temporarily relocated for only a short period.

[13] PHAs should note that URA regulations also require, where possible, that three or more comparable replacement dwellings be made available before a resident is required to move from his or her unit.

For RAD projects involving acquisition, residents may be provided with a notice of intent to acquire ("*Notice of Intent to Acquire*") prior to the ION date with HUD's prior approval. Once the Notice of Intent to Acquire is provided, a resident's eligibility for relocation assistance and payments is established. Therefore, the RAD Notice of Relocation must be provided in conjunction with or after the Notice of Intent to Acquire. A RAD Notice of Relocation would not otherwise be sent prior to the ION date.

Since residents who accept permanent relocation must receive 90 days advanced written notice prior to being required to move, providing residents the Notice of Intent to Acquire and RAD Notice of Relocation prior to the ION date may be necessary to provide sufficient notice of relocation to a resident in instances where there may not be 90 days between the issuance of the RCC (ION date) and the anticipated closing date. This allows the PHA to issue the notice earlier so that relocation may begin upon closing. This allows program participants to conduct orderly relocation upon closing, minimize adverse impacts on displaced persons, and to expedite project advancement and completion.[14]

d. *URA Notice of Relocation Eligibility – for residents whose temporary relocation exceeds one year* (49 CFR 24.203(b) & Handbook 1378, Paragraph 2-3(C))

After a resident has been temporarily relocated for one year, the PHA must provide a notice of relocation eligibility in accordance with URA requirements ("*Notice of Relocation Eligibility*"). This notice is not required if the resident has already accepted permanent relocation assistance.

The Notice of Relocation Eligibility must conform to URA requirements as set forth in 49 CFR Part 24, to HUD Handbook 1378 and to the following requirements:

- The PHA must provide updated information as to when it is anticipated that the resident will be able to return to the completed project.
- The resident may choose to remain temporarily relocated based upon such updated information or may choose to accept permanent URA relocation assistance in lieu of exercising the right to return.
- If the resident chooses to accept permanent URA relocation assistance and such assistance requires that the resident move, the URA requires such resident to receive 90 days advance written notice of the earliest date they will be required to move (i.e., 90-Day Notice, 49 CFR 24.203(c)). The PHA should be mindful that the 90-day time period may only begin once the PHA has made available at least one "comparable replacement dwellings" as set forth in 49 CFR 24.204(a).

9. <u>Initiation of Relocation</u>

---

14 PHAs and program participants should note that, in most instances, it will be most appropriate for the acquiring entity to send this notice.

Unless otherwise approved by HUD, relocation may not begin until the date of closing of the RAD transaction and recordation of the RAD Use Agreement. PHAs must provide residents being temporarily relocated at least 30 days advance written notice of the required move. PHAs must give residents being permanently relocated at least 90 days advance written notice of the required move. This means PHAs are advised to plan carefully to account for this 30-day or 90-day notice period to ensure the closing is not delayed.

However, HUD is aware that, in rare cases, some project plans necessitate relocation prior to closing. With prior HUD approval, for projects involving acquisition, PHAs may relocate residents prior to the closing date subject to public housing requirements (see 24 CFR part 5 and 24 CFR 966). PHAs must contact their assigned RAD transaction manager (TM) to discuss plans as early as possible in the process to ensure compliance with all RAD and URA requirements.

If relocation prior to closing is desired, PHAs should submit to the TM the following information, as early as possible in the process:

- A written request for relocation prior to closing. The request must include justification of why the early relocation is necessary for the viability of the RAD transaction. Justification may include the presence of outside financing, such as Low Income Housing Tax Credit (LIHTC) awards, if the PHA can show that early relocation is necessary to meet critical LIHTC deadlines.
- FHEO Accessibility and Relocation Checklist.
- Evidence of intent to comply with public housing requirements, as applicable. Generally, public housing regulations require public housing residents to receive 30 days' notice prior to relocation and that such notice either be published in the PHA's admissions and continued occupancy policies (ACOP) or published elsewhere at least 30 days prior to receipt of such notice (24 CFR parts 5 and 966).

When seeking to relocate residents prior to closing, submission of this request as early as possible is preferred, prior to the 180-day Financing Plan milestone if possible (with Financing Plan submission following the request).

HUD reserves the right to request additional follow-up information, including a Relocation Plan and related budget, prior to approving such requests. PHAs must receive written HUD approval before beginning relocation of residents prior to closing.

Early planning and submission of the Financing Plan and FHEO checklist to HUD will ensure the PHA has built in the 30- or 90-day notice period prior to initiating relocation.

10. <u>Fair Housing and Civil Rights Requirements</u>

PHAs must comply with all applicable fair housing and civil rights laws, including, but not limited to, the Fair Housing Act, Title VI of the Civil Rights Act of 1964, and Section 504 of the Rehabilitation Act of 1973, when conducting relocation planning and providing relocation assistance. Further, communication must be provided in a manner that is effective for persons with disabilities (24 CFR 8.6) and for person who are Limited English Proficient (see 72 FR 2732). This section discusses some of the PHA's obligations under these laws and regulations. However, the applicability of civil rights laws is not limited to the activities discussed in this section. PHAs conducting relocation activities should familiarize themselves with applicable civil rights statutes, regulations, and guidance, including but not limited to, those listed at the end of this section.

- Effective Communication for Persons with Disabilities: Communications and materials must be provided in a manner that is effective for persons with hearing, visual, and other communication-related disabilities consistent with Section 504 of the Rehabilitation Act of 1973 (24 CFR 8.6), and as applicable, the Americans with Disabilities Act; and for persons who are limited English proficient (*see* 72 Fed Reg 2732). This includes ensuring that training materials are in appropriate alternative formats as needed, e.g., Braille, audio, large type, assistive listening devices, and sign language interpreters.

- Accessible Meeting Facilities for Persons with Disabilities: When holding public meetings, PHAs must give priority to methods that provide physical access to individuals with disabilities, i.e., holding the meetings, workshops, and briefings or any other type of meeting in an accessible location, in accordance with the regulations implementing Section 504 of the Rehabilitation Act of 1973 and Titles II and III of the Americans with Disabilities Act of 1990, as applicable. All programs and activities must be held in accessible locations unless doing so would result in an undue financial and administrative burden, in which case the PHA must take any action that would not result in such an alteration or such burden but would nevertheless ensure that individuals with disabilities receive the benefits and services of the program or activity, e.g., briefings at an alternate accessible, in-home briefing. Individuals with disabilities must receive services in the most integrated setting appropriate to their needs. The most integrated setting appropriate to the needs of qualified individuals with disabilities is a setting that enables individuals with disabilities to interact with nondisabled person to the fullest extent possible (28 CFR part 35, appendix B).

- Meaningful Access for Persons with Limited English Proficiency (LEP): PHAs must provide meaningful access to programs and activities for persons who have a limited ability to read, speak, or understand English. Any person with LEP who will be temporarily relocated or permanently displaced must have meaningful access to any public meetings regarding the project. In addition, any information provided to residents including, but not limited to, any notices required under the URA, should be provided in the appropriate language to persons with LEP. Generally, PHAs will be responsible for providing oral interpreters at meetings, including ensuring their competence, and covering any associated translation and interpretation costs.

- URA requires that PHAs provide persons who are unable to read or understand the notices, such as persons with disabilities or persons with LEP, with appropriate translation and counseling to ensure that they understand their rights and responsibilities and the assistance available to them (49 CFR 24.5). URA also requires that each notice indicate the name and telephone number of a person to contact with questions or for other needed help (49 CFR 24.5). This notice should include the number for the telecommunication device for the deaf (TDD) or other appropriate communication device, if applicable (24 CFR 8.6(a)(2)).

- Comparable Housing for Persons with Disabilities: PHAs should identify the accessibility needs of residents to be relocated by consulting existing information (e.g., tenant characteristics forms, including identification of the need for accessible unit features; records of approved reasonable accommodations, and records of the presence of accessible unit features). For guidance on providing relocation assistance to persons with disabilities, see Exhibit 3-1 in HUD Handbook 1378.

- Advisory Services: PHAs should determine the advisory services that will be necessary to ensure a successful relocation program consistent with 49 CFR 24.205(c). Such advisory services may include housing counseling that should be facilitated to ensure that residents affected by the project understand their rights and responsibilities and the assistance available to them (49 CFR 24.205(c)). Advisory counseling must also inform residents of their fair housing rights and be carried out in a manner that satisfies the requirements of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, and Executive Order 11063 (49 CFR 24.205(c)(1)). In addition, PHAs should inform residents that if they believe they have experienced unlawful discrimination, they may contact HUD at 1-800669-9777 (Voice) or 1-800-927-9275 (TDD) or at http://www.hud.gov.

Fair Housing References:

- Section 504 of the Rehabilitation Act of 1973
- Regulations: 24 CFR part 8
- Fair Housing Act Regulations: 24 CFR part 100
- Title VI of the Civil Rights Act of 1964
- Regulations: 24 CFR part 1
- Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons (LEP Guidance) (72 FR 2732)
- Exhibit 3-1 Compliance with Section 504 of the Rehabilitation Act in HUD Handbook 1378 (Tenant Assistance Relocation and Real Property Acquisition)

11. <u>Other Requirements</u>

a. Public Housing Program Compliance
PHAs should note that public housing resident provisions related to occupancy and termination, including grievances and related hearings, will remain in effect until the execution of the new PBV or PBRA Housing Assistance Payment (HAP) contract.

b. Evictions for Cause
If the PHA determines that a resident was evicted in accordance with applicable state and local law for serious or repeated violation of material terms of the lease, and the eviction was not undertaken for the purpose of evading the obligation to make available URA payments and other assistance, the resident is not entitled to relocation payments and assistance under the URA (49 CFR 24.206).

____
Jemine A. Bryon
General Deputy Assistant Secretary
for Public and Indian Housing

____
Carol J. Galante, Assistant Secretary for Housing-Federal Housing Commissioner

APPENDICES

Appendix 1
Recommended Relocation Plan Contents

Appendix 2
Sample RAD General Information Notice (GIN)

Appendix 3
Sample RAD Notice of Relocation (for relocation anticipated for a year or less)

Appendix 4
Sample RAD Notice of Relocation (for relocation anticipated for more than a year)

Appendix 5
Sample Notice of Eligibility for URA Relocation Assistance (for residents who have been temporarily relocated for more than a year)

Appendix 1: RECOMMENDED RELOCATION PLAN CONTENTS

While written Relocation Plans are not required under RAD or URA, the Department strongly encourages PHAs to document their relocation planning process and procedures in a written Relocation Plan. The following provides suggested content for Relocation Plans.

I. Project Summary

The Relocation Plan should provide a general description of and purpose for the project (e.g., year built, location, number of units, configuration, occupancy information, and funding sources).

The basic components of a plan include:

- A general description of the project and the site, including acquisition, demolition, rehabilitation, and construction activities and funding sources;
- A detailed discussion of the specific steps to be taken to minimize the adverse impacts of relocation, including when transferring the assistance to a new site;
- Information on occupancy (including the number of residents, residential owner-occupants and non-residential occupants, if any, to be permanently or temporarily relocated);
- Information on relocation needs and costs (including the number of residents who plan to relocate with Section 8 assistance);
- General moving assistance information;
- Temporary move assistance (including information on the duration of temporary moves);
- Permanent move assistance; and
- Appeals process.

II. Resident Return and Re-occupancy Policies

For residents that will be temporarily relocated, the plan should include the criteria that will be used to determine the priority for residents to re-occupy units at the project after rehabilitation, demolition, and/or construction is completed. For example, if units will come online in stages, the plan should outline how the PHA will determine when each resident will return to the project. PHAs should ensure that any written return or re-occupancy policy is compliant with related RAD requirements, such as the right-to-return policy and the "no re-screening upon conversion" policy, as described in the RAD Notice.

III. Summary of Moving Costs

The plan should include a summary of moving costs, identified by move types, including the following:

Temporary Moves

- Number of and cost amount for two-way moves (i.e., a move to another unit and then a return move) within the same building/complex.
- Number of and cost amount for two-way moves to a unit not in the same building/complex, carried out by the PHA.
- Number of and cost amount for two-way moves to a unit not in the same building/complex not carried out by the PHA.

Permanent Moves

- Number of and cost amount for one-time moves into another unit in the same building/complex.[15]
- Number of and cost amount for one permanent move to a unit not within the same building/complex, carried out by the PHA.
  PHAs should note that if a residential move is carried out by the PHA at no cost to the resident, this per-household estimate must include the required dislocation allowance (currently $100). The URA Fixed Residential Moving Cost Schedule lists the most current dislocation allowance:
  http://www.fhwa.dot.gov/real_estate/practitioners/uniform_act/relocation/moving_cost_schedule.cfm
- Number of and cost amount for one permanent move to a unit not within the same building/complex that is not carried out by the PHA.

IV. Temporary Relocation Assistance

The PHA will assist residents who are required to move temporarily. At the Initiation of Negotiations (ION), the PHA will send a RAD Notice of Relocation to residents who will be relocated. Appendices 3 and 4 of this Notice contain sample RAD Notices of Relocation to be provided to residents that will be temporarily relocated.

The plan should detail the temporary relocation assistance the PHA will provide for residents (Paragraph 2-7 of HUD Handbook 1378). This assistance includes:

- Temporary Housing - The PHA will provide temporary housing that is decent, safe, and sanitary on a nondiscriminatory basis for residents who are relocated temporarily. The PHA will also pay for reasonable increased housing costs that the resident incurs in connection with the temporary relocation.

  NOTE: If a resident's relocation exceeds one year, the PHA must then issue a *Notice of Relocation Eligibility* (49 CFR 24.203(b)) to the resident and offer the resident permanent

---

15 A resident who moved to another unit in the same building/complex may be considered a displaced person under URA if the resident moves from the building/complex permanently and was not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move within the same building/complex and/or if other conditions of the move within the building/complex were not reasonable.

relocation assistance and payments at URA levels. The PHA must provide this notice to affected residents as soon as the temporary relocation exceeds one year.

- Packing and Moving Assistance - Since most residents prefer to pack their own personal possessions and items of value, they should be provided packing instructions, boxes, markers, and tape for the move. If assistance in packing is needed, the PHA should provide the resident with information on how to request this assistance. The PHA is responsible for covering all reasonable moving expenses incurred in connection with temporarily relocating a resident. The PHA may reimburse the resident's out-of-pocket moving expenses and/or directly carry out the move.

- Payment for Temporary Relocation Moving Expenses - The plan should also indicate how the PHA intends to provide or reimburse for moving services and expenses. The PHA can choose to do one or more of the following:
  – Undertake the moves itself, using force account labor or a moving company; – Use PHA's contractor or moving company;
  - Carry out moves with employees of the PHA;
  - Reimburse residents for all actual and reasonable moving costs.

  NOTE*:* The PHA will not make fixed payments since such payments may not be representative of actual reasonable costs incurred. However, in order for a resident to be sure of full reimbursement, the resident should submit a moving cost estimate to the PHA for approval prior to the move unless the PHA is directly carrying out the move and the resident will not incur any reasonable out-of-pocket moving expenses. Failure to do so may result in the resident not being fully reimbursed.

- Utility Costs - The PHA is responsible for covering the expenses relating to disconnection and reconnection of necessary utilities. If the resident has telephone, cable service or Internet access, the PHA is responsible for covering the expenses involved in transferring existing service. The PHA may also pay utility deposits, if required at the temporary relocation housing (HUD Handbook 1378, paragraph 2-7(A)(3)). If a resident is temporarily relocating from a public housing unit to a non-public housing unit, the resident must be reimbursed for reasonable increases in utility costs even if the PHA utility allowance is lower than the actual costs to the resident.

V. Permanent Relocation Assistance

Based on the local housing resources available, the PHA should identify the replacement housing options that will be available to meet the housing needs of residents to be permanently relocated. Replacement housing options for residents that meet the definition of a "displaced person" (49 CFR 24.2(a)(9)) under the URA include, but are not limited to:

- Other Public Housing;
- Section 8 Project-Based Voucher unit;
- Section 8 Housing Choice Voucher unit;
- Homeownership housing;

- Private-market rental housing (affordable, non-subsidized).[16]

The plan should describe each type of replacement housing projected to be available, including:

1. Number of units, by bedroom size, expected to be available, and discussion of whether available units will meet dwelling requirements of relocated residents;
2. General area or location of unit(s);
3. Criteria for receiving relocation assistance; and
4. Any other information that might benefit residents in their consideration of housing choices.

The plan should include a description of the permanent relocation assistance the PHA will provide to residents. This assistance includes:

- Availability of Comparable Replacement Housing – Under URA, no displaced resident will be required to move unless at least one comparable replacement dwelling (49 CFR 24.2(a)(6)) is made available at least 90 days before the required move (49 CFR 24.203(c)). Comparable replacement dwellings must contain the accessibility features needed by displaced persons with disabilities (49 CFR 24.2(a)(8)(vii); 49 CFR part 24, Appendix A, §24.2(a)(8)(vii)). If the comparable replacement dwelling is not subsidized housing, the PHA should contact the RAD staff for advice on replacement housing payment requirements.

- Referral to Housing Not Located in an Area of Minority Concentration - Whenever possible, minority persons shall be given reasonable opportunities to relocate to decent, safe, and sanitary replacement dwellings that are within their financial means and not located in areas of minority concentration (49 CFR 24.205(c)(2)(ii)(D)). However, this policy does not require a PHA to provide a person a larger payment than is necessary to enable a person to relocate to a comparable replacement dwelling unit.

- Permanent Relocation Moving Expenses from Public Housing to Public Housing - The PHA may choose one of the following options for covering the expenses involved in moving public housing residents that are relocated into other public housing:

  – Undertake the move itself, using force account labor or a moving company. Residents should incur no moving costs under this option, but if such expenses are incurred, the PHA is responsible for reimbursing the resident for any such actual and reasonable expenses. In such case, the resident is also entitled to a dislocation allowance (currently $100). The URA Fixed Residential Moving Cost Schedule lists the current dislocation allowance and is available at: http://www.fhwa.dot.gov/real_estate/practitioners/uniform_act/relocation/moving_cost_schedule.cfm

[16] Every effort should be made to find another subsidized unit as replacement housing for a resident relocating from subsidized housing so that the resident will continue receiving the housing subsidy as long as it is needed.

NOTE: Residents who prefer to pack their own personal possessions and items of value may be provided packing instructions, boxes, markers, and tape for their move. If a resident needs assistance in packing, they should contact the PHA. It is the responsibility of the PHA to pack and move all of their belongings and household goods, if so desired.

- Allow the resident to elect one of the following choices:

1) The PHA will reimburse the resident for the cost of all actual reasonable and necessary moving and related expenses (49 CFR 24.301), such as:
    - Transportation of the resident and personal property. This may include reimbursement at the current mileage rate for personally owned vehicles that need to be moved. Transportation costs for a distance beyond 50 miles are not eligible, unless the PHA determines that relocation beyond 50 miles is justified.
    - Packing, crating, uncrating, and unpacking of personal property.
    - Storage of personal property for a period not to exceed 12 months, unless the PHA determines that a longer period is necessary.
    - Disconnecting, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property.
    - Insurance for the replacement value of the property in connection with the move and necessary storage.
    - The replacement value of property lost, stolen, or damaged in the process of moving (not through the fault or negligence of the displaced person, his or her agent, or employee) where insurance covering such loss, theft, or damage is not reasonably available.

2) The PHA will pay directly to the resident the applicable and current fixed moving cost payment according to the URA Fixed Residential Moving Cost Schedule (49 CFR 24.302), available at: http://www.fhwa.dot.gov/real_estate/practitioners/uniform_act/relocation/moving cost schedule.cfm

- Permanent Relocation Moving Expenses for All Other Moves – Under URA, residents who are permanently displaced, except for those residents displaced from public housing and moving to other public housing, are entitled to the assistance described in the brochure *Relocation Assistance To Residents Displaced From Their Homes*, available in English at http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_16280.doc and in Spanish at http://portal.hud.gov/hudportal/documents/huddoc?id=DOC 16281.doc. Residents may choose moving assistance from one of the following two options.

    1) The PHA will reimburse the resident for the cost of all actual reasonable moving and related expenses (49 CFR 24.301).

    2) The PHA will pay directly to the resident the applicable and current fixed moving cost payment according to the URA Fixed Residential Moving Cost Schedule (49

CFR 24.302), available at:
http://www.fhwa.dot.gov/real estate/practitioners/uniform act/relocation/moving cost schedule.cfm.

- Replacement Housing Payment - In addition to covering moving expenses, displaced residents may be entitled to a replacement housing payment (RHP). This payment is intended to cover the increase, if any, in monthly housing costs for a 42-month period.

  When calculating the RHP, the PHA must consider the comparable replacement housing unit offered to the resident. Since the PHA is not required to pay an RHP amount that exceeds the amount of RHP calculated for the offered comparable replacement dwelling, residents are cautioned to work closely with the PHA prior to their move.

- Accessible Housing for Persons with Disabilities - Under the URA, persons with disabilities who will be permanently displaced must be relocated to a replacement dwelling that contains the accessibility features they need (49 CFR 24.2(a)(8)(vii); 49 CFR Appendix A, 24.2(a)(8)(vii)). A person with disabilities who has been relocated must be offered a comparable replacement dwelling unit that contains accessible features comparable to the housing from which the tenant has been displaced or relocated. This is so even if the tenant has paid for the acquisition and/or installation of accessible features in the housing from which he or she has been relocated; in such instances, the recipient must ensure that the replacement housing contains comparable accessible features or provide relocation assistance to the tenant in an amount that covers the cost of acquiring and/or installing comparable accessible features. Under the URA, an agency may use project funds to remove architectural barriers for displaced owners and tenants with disabilities or take other last resort housing measures if comparable replacement dwelling units are not available within the monetary limits prescribed under the URA regulations (49 CFR 24.404(c)(vii); HUD Handbook 1378, Paragraph 3-8).

VI. **Relocation Budget**

Based on the results of the planning process, the PHA should create a relocation budget that includes the following six components:

1) The cost of administering the plan and providing assistance and counseling.

2) Reasonable moving expenses for a person with disabilities, which may include the cost of moving assistive equipment that is the personal property of the residents, the furnishings and personal belonging of a live-in aide, and/or other reasonable accommodations (HUD Handbook 1378, Paragraph 3-2).

3) The cost of the physical move of the residents' belongings. (It is suggested that the move costs be broken down by average cost per move type multiplied by the number of moves.)
   NOTE: This physical move cost total should be based on the move scenarios anticipated

or projected by the resident survey.

4) The cost estimated to pay for projected increases in monthly housing costs for temporary relocation.

5) The cost estimated to pay for the replacement housing payment (RHP) (42-month period for URA or 60-month period if section 104(d) applies).

6) Contingency costs estimated for carrying out the relocation process necessary to complete the proposed project. (The PHA should state where these costs are indicated in the application, or attach any other information required by HUD, to support these costs.)

VII. Appeal Process

If a resident disagrees with the PHA's decision as to the resident's eligibility to receive relocation assistance, the amount of a relocation payment, or the adequacy of a comparable replacement dwelling offered to a resident, the resident may file a written appeal to the PHA. The Relocation Plan should describe the specific appeal procedures to be followed consistent with 49 CFR 24.10 (and 24 CFR 42.390 if section 104(d) is involved). At a minimum, the resident will have 60 days to file an appeal with the PHA after receiving written notification of a claim or ineligibility determination.

VIII. Certification

The plan should contain a certification of compliance with the URA and, if applicable, section 104(d).

Technical Assistance

The PHA should direct questions on this Notice's relocation assistance requirements to their RAD Transaction Manager or email rad@hud.gov.

Appendix 2: SAMPLE RAD GENERAL INFORMATION NOTICE (GIN)

PHA LETTERHEAD

RENTAL ASSISTANCE DEMONSTRATION (RAD)
GENERAL INFORMATION NOTICE (GIN)

[Date]

Dear [Resident Name],

The property you currently occupy is being proposed for participation in the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program. At this time, we expect that [the proposed acquisition, rehabilitation or demolition, may require you to be relocated (temporarily or permanently) from your unit]. We will provide further details to you as plans develop. **This notice does not mean that you need to leave the property at this time. This is not a notice of eligibility for relocation assistance.** The remainder of this letter only applies to situations where you will need to be relocated from your unit.

This notice serves to inform you of your potential rights under the RAD program and a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). If the proposed RAD project receives HUD approval and if you are displaced permanently as a result, you may become eligible for relocation assistance and payments under the URA, including:

1) Relocation advisory services that include referrals to replacement properties, help in filing payment claims and other necessary assistance to help you successfully relocate;
2) At least 90 days' advance written notice of the date you will be required to move;
3) Payment for moving expenses; and
4) Payments to enable you to rent a similar replacement home.

NOTE: Aliens not lawfully present in the United States are not eligible for URA relocation assistance, unless such ineligibility would result in exceptional and extremely unusual hardship to a qualifying spouse, parent, or child as defined at 49 CFR 24.208(h). All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an immigrant lawfully present in the United States.

As a resident of a property participating in RAD, you have the right to return to the project after the project is complete. You will be able to lease and occupy a unit in the converted project when rehabilitation is complete.

If you are permanently displaced from your home, you will not be required to move until you are given at least 90-day advance written notice of any required move and at least one comparable replacement dwelling has been made available to you. If you are temporarily relocated and your temporary relocation lasts more than one year, you will be contacted and offered permanent relocation assistance as a displaced person under the URA. This assistance would be in addition to any assistance you may receive in connection with temporary relocation and will not be reduced by the amount of any temporary relocation assistance you have already received.

If you are required to relocate from the property in the future, you will be informed in writing. [PHA] will inform you of what assistance and payments you are eligible for if you will be relocated because of RAD and how you will receive these payments. If you become a displaced person, you will be provided reasonable assistance necessary to complete and file any required claim to receive a relocation payment. If you feel that your eligibility for assistance is not properly considered, you will also have the right to appeal a determination on your eligibility for relocation assistance.

You should continue to pay your rent and meet any other requirements specified in your lease. If you fail to do so, [PHA] may have cause for your eviction. If you choose to move, or if you are evicted, prior to receiving a formal notice of relocation eligibility, you may become ineligible to receive relocation assistance. It is very important for you to contact us before making any moving plans.

You will be contacted soon so that we can provide you with more information about the proposed project. If the project is approved, we will make every effort to accommodate your needs. In the meantime, if you have any questions about our plans, please contact: [Name, Title, Address, Phone, Email Address]. This letter is important to you and should be retained.

Sincerely,

[Name]
[Title]

NOTES:

1. Files must indicate how this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (49 CFR 24.5 and Paragraph 2-3(J) of Handbook 1378)
2. This is a sample GIN. PHAs should revise it to reflect project-specific circumstances.
3. PHAs may provide residents with HUD brochure “Relocation Assistance To Residents Displaced From Their Homes” available at: http://www.hud.gov/offices/cpd/library/relocation/publications/1042.pdf.

Appendix 3: SAMPLE RAD NOTICE OF RELOCATION (For relocation anticipated for a year or less)

THIS IS A GUIDE FORM.
REVISE TO REFLECT THE PROJECT-SPECIFIC CIRCUMSTANCES.

PHA Letterhead

(date)

Dear [*Resident Name*],

The property you currently occupy is participating in the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program. On [*date*], the [*Public Housing Authority*] (PHA) notified you of proposed plans to [acquire/ rehabilitate/demolish] the property you currently occupy at [*address*]. On [*date*], HUD issued the RAD Conversion Commitment (RCC) and committed federal financial assistance to the project. [*In instances where a Notice of Intent to Acquire is applicable and this notice is being sent before the RCC is issued, in lieu of the previous sentence noting the RCC issuance date, insert:* [*Name of entity acquiring the property*] (Displacing Agency) intends to acquire the property you currently occupy. **This is a Notice of Intent to Acquire.**]

In order for PHA to complete the project, you will need to be relocated for [*anticipated duration of relocation*]. Upon completion of the project, you will be able to lease and occupy your present unit or another decent, safe and sanitary unit in the completed project under reasonable terms and conditions. You are eligible for relocation payments and assistance.

However, **<u>you do not need to move now.</u>** This notice informs you that a decent, safe, and sanitary dwelling unit, listed below, has been made available to you and you will be required to move by [*insert date at least 30 days after the date of this notice*].

If your temporary relocation exceeds one year and you qualify as a "displaced person" under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), you may be eligible for further relocation assistance and payments under URA.

NOTE: Aliens not lawfully present in the United States are not eligible for URA relocation assistance, unless such ineligibility would result in exceptional and extremely unusual hardship to a qualifying spouse, parent, or child as defined at 49 CFR 24.208(h). All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.

The relocation assistance to which you are entitled includes:

- <u>Payment for Moving Expenses.</u> You are entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in connection with any temporary move. [*PHA should list the form of payment for moving expenses selected in accordance with Appendix 1, Section 4 of this Notice.*]

- The location of your temporary replacement unit is [*address*]. This temporary housing has been determined to be decent, safe and sanitary.

- [*List appropriate relocation advisory services and any other services and assistance provided.*]

If you disagree with this determination, you may file a written appeal to the PHA in accordance with 49 CFR 24.10.

If you have any questions about this notice and your eligibility for relocation assistance and payments, please contact [*Name, Title, Address, Phone, Email Address*] before you make any moving plans. He/she will assist you with your move to a temporary unit and help ensure that you preserve your eligibility for any relocation payments to which you may be entitled.

Remember, do not move or commit to the purchase or lease of a replacement home before we have a chance to further discuss your eligibility for relocation assistance. This letter is important to you and should be retained.

Sincerely,

____

Print name:
Title:

NOTE: The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See 49 CFR 24.5 and Paragraph 2-3(J) of Handbook 1378.)

Appendix 4: SAMPLE RAD NOTICE OF RELOCATION (For relocation anticipated for more than a year)

THIS IS A GUIDE FORM.
REVISE TO REFLECT THE PROJECT-SPECIFIC CIRCUMSTANCES.

PHA Letterhead

(date)

Dear [*Resident Name*],

The property you currently occupy is participating in the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program. On [*date*], the [*Public Housing Authority*] (PHA), notified you of proposed plans to [acquire/ rehabilitate/demolish] the property you currently occupy at [*address*]. On [*date*], HUD issued the RAD Conversion Commitment (RCC) and committed federal financial assistance to the project. [*In instances where a Notice of Intent to Acquire is applicable and this notice is being sent before the RCC is issued, in lieu of the previous sentence noting the RCC issuance date, insert:* [*Name of entity acquiring the property*] (Displacing Agency) intends to acquire the property you currently occupy. **This is a Notice of Intent to Acquire.**]

In order for PHA to complete the project, you will need to be relocated for [*anticipated duration of relocation*]. Upon completion of the project, you will be able to lease and occupy your present unit or another decent, safe and sanitary unit in the completed project under reasonable terms and conditions. You are eligible for relocation assistance and payments. Because we expect your relocation to exceed one year, you have the choice to either:

- Receive temporary relocation assistance and return to a unit in the RAD project once it is complete; or
- Receive permanent relocation assistance and payments consistent with the URA instead of returning to the completed RAD project.

You must inform us of your choice within 30 days.

However, **<u>you do not need to move now.</u>** If you choose temporary relocation assistance, you will not be required to move sooner than 30 days after you receive notice that a temporary unit is available for you. If you choose permanent relocation assistance, you will not be required to move sooner than 90 days after you receive written notice that at least one comparable replacement unit is available to you in accordance with 49 CFR 24.204(a). [*Note to PHA: These time periods may start running as of the date of this Notice if the notice of relocation includes such information on the temporary and/or comparable replacement dwelling options, as applicable. In such circumstance, add applicable sentences to adequately notify the resident. For example:* This notice informs you that a temporary unit, listed below, has been made available to you and, if you choose this option, you will be required to move by [*date no sooner than 30 days after notice*]. This notice informs you that a comparable unit, listed below, has been made available to you and, if you choose this option, you will be required to move by [*date no sooner than 90 days after notice*].]

If you choose temporary relocation, your relocation exceeds one year and you qualify as a "displaced person" under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), you may become eligible for further relocation assistance and payments under URA.

NOTE: Aliens not lawfully present in the United States are not eligible for URA relocation assistance, unless such ineligibility would result in exceptional and extremely unusual hardship to a qualifying spouse, parent, or child as defined at 49 CFR 24.208(h). All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.

If you choose to receive temporary relocation assistance, this assistance will include:

- Payment for Moving Expenses. You are entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in connection with any temporary move. [*PHA should list the form of payment for moving expenses selected in accordance with Appendix 1, Section 4 of this Notice.*]

- The location of your temporary replacement unit is [*address*]. This temporary housing has been determined to be decent, safe and sanitary.

- [*List appropriate relocation advisory services and any other services and assistance provided.*]

If you elect to receive permanent relocation assistance, this assistance will include:

- Relocation Advisory Services. You are entitled to receive current and continuing information on available comparable replacement units and other assistance to help you find another home and prepare to move.

- Payment for Moving Expenses. [*PHA should list the form of payment for moving expenses selected in accordance with Appendix 1, Section 5 of this Notice.*]

- Replacement Housing Payment. You may be eligible for a replacement housing payment to rent or buy a replacement home. The payment is based on several factors including: (1) the monthly rent and cost of utility services for a comparable replacement unit, (2) the monthly rent and cost of utility services for your present unit, and (3) 30% of your average monthly gross household income. This payment is calculated on the difference between the old and new housing costs for a one-month period and multiplied by 42.

- [*PHA: list here any permanent relocation assistance offered, such as a Housing Choice Voucher*.]

- Listed below are three comparable replacement units that you may wish to consider for your replacement home. If you would like, we can arrange transportation for you to inspect these and other replacement units.

	Address	Rent & Utility Costs	Contact Info
1.			
2.			
3.			

We believe that the unit located at [*address*] is most representative of your original unit in the converting RAD project. The monthly rent and the estimated average monthly cost of utilities for this unit is [$ *amount*] and it will be used to calculate your maximum replacement housing payment. Please contact us immediately if you believe this unit is not comparable to your original unit. We can explain our basis for selecting this unit as most representative of your original unit and discuss your concerns.

Based on the information you have provided about your income and the rent and utilities you now pay, you may be eligible for a maximum replacement housing payment of approximately [$ (42 x monthly amount)], if you rent the unit identified above as the most comparable to your current home or rent another unit of equal cost.

Replacement housing payments are not adjusted to reflect future rent increases or changes in income. This is the maximum amount that you would be eligible to receive. If you rent a decent, safe and sanitary home where the monthly rent and average estimated utility costs are less than the comparable unit, your replacement housing payment will be based on the actual cost of that unit. All replacement housing payments must be paid in installments. Your payment will be paid in [#] installments.

You may choose to purchase (rather than rent) a decent, safe and sanitary replacement home. If you do, you would be eligible for a down-payment assistance payment which is equal to your maximum replacement housing payment, [$*amount*.] [*PHAs should note that, at the agency's discretion, a down-payment assistance payment that is less than $5,250 may be increased to any amount not to exceed $5,250. (See 49 CFR 24.402(c)(1)).*] Let us know if you are interested in purchasing a replacement home and we will help you locate such housing.

Please note that all replacement housing must be inspected in order to ensure it is decent, safe and sanitary before any replacement housing payments are made.

If you have any questions about this notice and your eligibility for relocation assistance and payments, please contact [*Name, Title, Address, Phone, Email Address*] before you make any moving plans. He/she will assist you with your move to a new home and help ensure that you preserve your eligibility for all relocation payments to which you may be entitled.

Remember, do not move or commit to the purchase or lease of a replacement home before we have a chance to further discuss your eligibility for relocation assistance. This letter is important to you and should be retained.

Sincerely,

____

Print name:
Title:

Enclosure/s

NOTE: The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See 49 CFR 24.5 and Paragraph 2-3(J) of Handbook 1378.)

Appendix 5: SAMPLE NOTICE OF ELIGIBILITY FOR URA RELOCATION ASSISTANCE (For residents who have been temporarily relocated for more than a year)

THIS IS A GUIDE FORM.
IT SHOULD BE REVISED TO REFLECT THE CIRCUMSTANCES.

PHA Letterhead

(date)

Dear [*Resident*]:

The property you formerly occupied at [*address*] is participating in the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program.
You have been temporarily relocated from that property since [*date*.] Your temporary relocation has exceeded one year.

It has been determined that you qualify as a "displaced person" according to the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). You are eligible for relocation assistance and payments under the URA.

You may choose to remain temporarily relocated and return to a unit in the RAD project once it is completed. It is currently estimated that you may return to the RAD project by [*date*]. If you choose to remain temporarily relocated, you will stay at your current location until the RAD project is completed.

Alternatively, you may choose permanent relocation assistance and payments for which you are eligible, as listed below. If you choose permanent relocation assistance, you give up your right to return to the completed RAD project. However, **you do not need to move now.** If you choose permanent relocation assistance instead of exercising your right to return to the completed RAD project, you will not be required to move sooner than 90 days from the date that at least one comparable replacement unit has been made available to you. [*Alternatively:* You will not be required to move sooner than 90 days from the date of this notice, which informs you of a comparable replacement unit that has been made available for you].

This is your Notice of Eligibility for relocation assistance.

The effective date of your eligibility is [*insert date that relocation exceeds one year.*]

NOTE: Aliens not lawfully present in the United States are not eligible for URA relocation assistance, unless such ineligibility would result in exceptional and extremely unusual hardship to a qualifying spouse, parent, or child as defined at 49 CFR 24.208(h). All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.

Enclosed is a brochure entitled, "Relocation Assistance to Tenants Displaced From Their Homes." Please read the brochure carefully. It explains your rights and provides additional information on eligibility for relocation payments and what you must do in order to receive these payments.

The relocation assistance to which you are entitled includes:

- Relocation Advisory Services. You are entitled to receive current and continuing information on available comparable replacement units and other assistance to help you find another home and prepare to move.

- Payment for Moving Expenses. [*PHA should list the form of payment for moving expenses selected in accordance with Appendix 1, Section 5 of this Notice.*] This is in addition to any amounts received to reimburse for any reasonable out-of-pocket expenses incurred in connection with the temporary move.

- Replacement Housing Payment. You may be eligible for a replacement housing payment to rent or buy a replacement home. The payment is based on several factors including: (1) the monthly rent and cost of utility services for a comparable replacement unit, (2) the monthly rent and cost of utility services for your present home, and (3) for low-income persons, 30 percent of your average monthly gross household income. This payment is calculated on the difference between the old and new housing costs for a one-month period and multiplied by 42.

- [*PHA list here any other relocation assistance offered the resident, such as Housing Choice Voucher* .]

Listed below are three comparable replacement units that you may wish to consider for your replacement home. If you would like, we can arrange transportation for you to inspect these and other replacement units.

	Address	Rent & Utility Costs	Contact Info
1.			
2.			
3.			

We believe that the unit located at [*address*] is most representative of the original unit you occupied in the converting RAD project. The monthly rent and the estimated average monthly cost of utilities for this unit is $[*amount*] and it will be used to calculate your maximum replacement housing payment. Please contact us immediately if you believe this unit is not comparable to your original unit. We can explain our basis for selecting this unit as most representative of your original unit and discuss your concerns.

Based on the information you have provided about your income and the rent and utilities you now pay, you may be eligible for a maximum replacement housing payment of approximately $ [42 x $Amount], if you rent the unit identified above as the most comparable to your current home or rent another unit of equal cost.

Replacement housing payments are not adjusted to reflect future rent increases or changes in income. This is the maximum amount that you would be eligible to receive. If you rent a decent, safe and sanitary home where the monthly rent and average estimated utility costs are less than the comparable unit, your replacement housing payment will be based on the actual cost of that unit. All replacement housing payments must be paid in installments. Your payment will be paid in [#] installments.

Should you choose to purchase (rather than rent) a decent, safe and sanitary replacement home, you would be eligible for a downpayment assistance payment which is equal to your maximum replacement housing payment, [$ *amount*] [*PHAs should note that, at the agency's discretion, a downpayment assistance payment that is less than $5,250 may be increased to any amount not to exceed $5,250. (See 49 CFR 24.402(c)(1)).*] Let us know if you are interested in purchasing a replacement home and we will help you locate such housing.

Please note that all replacement housing must be inspected in order to ensure it is decent, safe, and sanitary before any replacement housing payments are made.

If you have any questions about this notice and your eligibility for relocation assistance and payments, please contact [Name, Title, Address, Phone, Email Address] before you make any moving plans. He/she will assist you with your move to a new home and help ensure that you preserve your eligibility for any applicable relocation payments.

Remember, do not move or commit to the purchase or lease of a replacement home before we have a chance to further discuss your eligibility for relocation assistance. This letter is important to you and should be retained.

Sincerely,

____
Print Name:
Title:

Enclosure/s

NOTE: The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See 49 CFR 24.5 and Paragraph 2-3(J) of Handbook 1378.)

1. The decision to convert to either Project Based Rental Assistance or Project Based Voucher Assistance;
a. Changes to the Capital Fund Budget produced as a result of each approved RAD Conversion, regardless of whether the proposed conversion will include use of additional Capital Funds;
b. Changes to the construction and rehabilitation plan for each approved RAD conversion; and
c. Changes to the financing structure for each approved RAD conversion.

B. PBV Amendment

The recently-enacted Housing Opportunity through Modernization Act of 2016 adds a new Section 8(o)(13)(N) to the United States Housing Act of 1937 that reads as follows:

"(N) STRUCTURE OWNED BY AGENCY.—A public housing agency engaged in an initiative to improve, develop, or replace a public housing property or site may attach assistance to an existing, newly constructed, or rehabilitated structure in which the agency has an ownership interest or which the agency has control of without following a competitive process, provided that the agency has notified the public of its intent through its public housing agency plan and subject to the limitations and requirements of this paragraph."

Accordingly, subject to any implementation requirements for the new statute, the Housing Authority of the City of Laredo is amending its 2016 Five-year/Annual PHA Plan to notify the public of its intent to attach PBV assistance to 38 units in existing structures at the Russell Terrace site that no longer will be public housing after the location of 38 RAD units at Casa Verde.

Also, it is possible although not currently anticipated that to allow Casa Verde to proceed in a timely fashion, LHA might need to commit 38 PBV units to Casa Verde with the intention that HUD would approve a later substitution of RAD units. LHA is including this possibility in the amendment so that it is not precluded if it later becomes necessary and feasible.

15251-Casa Verde

9/22/2016 Supplement to Amendment and Waiver Request

TO: TOM GOURIS, MARNI HOLLOWAY, RAQUEL MORALES, COLTON SANDERS

FROM: LAREDO HOUSING AUTHORITY (LHA) THROUGH RAQUEL FAVELA, DRECTOR, NATIONAL DEVELOPMENT COUNCIL

CC: Jose L. Ceballos, LHA Board Chairman; Melissa Ortiz, Interim/Acting LHA CEo; Rod Solomon; Doug Poneck; Mark D. Foster

DATE: September 22, 2016

RE: Supplement to LHA Request for Non-Material Amendment and Waiver: Casa Verde

On July 26, 2016, the Laredo Housing Authority (LHA) requested (1) a non-material amendment to allow use of Rental Assistance Demonstration (RAD) rather than public housing operating subsidy, and (2) waiver of the Qualified Allocation Plan (QAP) provision otherwise requiring no less than 25 percent of the proposed units at Casa Verde to be public housing units, so that no less than 25% can be RAD units (attached for reference). Discussions with TDHCA staff have indicated that more information would be helpful as to the continued eligibility of the award for the at-risk set-aside.

In summary, 138 9% tax credit units were approved for Casa Verde based on LHA's proposed demolition of 200 public housing units at Russell Terrace. After HUD did not approve that demolition LHA sought and promptly received from HUD two RAD awards to fully dispose of and rehabilitate or reconstruct Russell Terrace units, based on a priority category for developments "in imminent danger of losing financing…(e.g., as evidenced by a 9% tax credit award)". The RAD awards included 162 units for an on-site disposition of the units to a for-profit entity that would use equity from 4% tax credits and other sources to rehabilitate the property, and 38 units for the new construction development at Casa Verde. In recognition of the timing constraints, HUD has expedited approval of the site and the necessary PHA Plan amendment and review of the RAD Financing Plan with the goal that Casa Verde soon can proceed to closing.

Under the original plan, the 200 Russell Terrace public housing units would have replaced by eligibility for tenant protection vouchers in connection with units to be demolished and retention of the 38 public housing subsidies for Casa Verde. Instead, the 200 public housing units now would be replaced with 162 RAD units for Russell Terrace and 38 RAD units for Casa Verde. The 38 Russell Terrace units for which subsidy is being transferred to support RAD at Casa Verde will receive no public housing or RAD subsidy allocation; any subsidy to support those units in the future would have to come from LHA's current voucher pool or other sources

The proposed disposition and rehabilitation and RAD commitments for Russell Terrace units meet each element of the statutory at-risk requirement at Section 2306.6702(a)(5)(B) of the Texas Government Code. The first requirement is that the development "proposes to rehabilitate or reconstruct units…" - 162 units, more than the entire tax credit award for Casa Verde, will be rehabilitated at Russell Terrace. The other 38 units will be reconstructed at Casa Verde. While TDHCA's Uniform Multifamily Rules definition of Reconstruction requires some demolition and reconstruction on a Development Site, that definition is inapplicable to and does not prevent a scenario where the reconstruction will occur on a different site; otherwise, TDHCA could not have approved Casa Verde to begin with. If a waiver of this regulatory definition of Reconstruction nevertheless is judged to be required, a waiver is justified because the proposed project to be produced has not changed and the use of RAD and disposition rather than demolition on the Russell Terrace site was unforeseen at the time of application and approval.

The second requirement is that the units either are owned by a public housing authority (PHA) and receive public housing operating subsidy; received such assistance and are proposed to be disposed of or demolished by a PHA; or receive or will receive assistance through RAD. While Russell Terrace no longer will be demolished, Russell Terrace units will be disposed of to a for-profit entity as part of the 4% tax credit rehabilitation transaction. 200 units will receive RAD rather than public housing subsidy. Russell Terrace qualifies as an at-risk development on either of these statutory grounds (disposition or RAD), both of which are addressed in the QAP through reference to the statute rather than more specific implementing provisions in the QAP. TDHCA recently accepted RAD as the basis for at-risk qualification for a 2015 tax credit award and granted approval of a similar request to this one.

The LHA's request appropriately should be treated as a non-material application amendment. The proposed development to be supported by 9% tax credits at Casa Verde has not changed, except that RAD subsidy will be substituted for public housing operating subsidy for the 38 low-income units. None of the categories described in Section 10.405(a)(3) of the Uniform Multifamily Rules that would require a material amendment are applicable to the proposed changes in the application. If the amendment were to be considered material, however, it should be approved because the amendment would not have changed the scoring so as to affect the funding award, the need for the amendment (HUD's decision not to approve Russell Terrace demolition) was not reasonably foreseeable or preventable at the time the Application was submitted as TDHCA found when granting an extension to the 10% Test deadline, and in any event there is good cause to approve the amendment to allow this important potential affordable housing resource to be produced.

As has been the case from the outset, Casa Verde will provide much-needed affordable housing in a favorable location in Laredo. For all of the reasons discussed above, TDHCA should approve the proposed modifications and allow Casa Verde and with it the on-site rehabilitation of Russell Terrace to move forward.

15251-Casa Verde

Pages from 2015 Housing Tax Credit Application

Development Narrative

1. The proposed Development is: (*Check all that apply*)

New Construction and/or:

Previous TDHCA # 14091 (not awarded_ If Acquisition/Rehab or Rehab, original construction year: n/a

If Reconstruction, 138 Units Demolished 138 Units Reconstructed

If Adaptive Reuse, Additional Phase, or Scattered Site, include detailed information in the Narrative (4.) below.

2. The Target Population will be:

General

3. Staff Determinations regarding definitions of development activity obtained?

☐ If a determination under §10.3(b) of the Uniform Multifamily Rules was made prior to Application submission, provide a copy of such determination behind this form.

4. Narrative

Briefly describe the proposed Development, including any relevant information not already identified above.

Casa Verde Apartments involves the relocation of 138 units (out of 200 total) of existing public housing owned by the Laredo Housing Authority. The proposed development is considered new construction by definition because the new development will contain 152 total units (138 HTC and 14 market rate). As required, the proposed development will contain 38 (25%) public housing units supported by an operating subsidy via an Annual Contributions Contract. The relocation of existing residents and new operating subsidy is subject to HUD approval. Because the existing residents will be relocated to a new site, the existing site will be demolished separately and the demolition cost is not included in this application. The applications to HUD will be submitted during the TDHCA application review process and approval will be obtained by HTC commitment as required by the QAP. The Laredo Housing Opportunities Corporation ("LHOC"), a public facility corporation of the Laredo Housing Authority, will retain ownership of the land and will execute a 75 year ground lease to the Partnership. LHOC will be majority Member of the General Partner of the Owner entity. Accordingly, the development qualifies for a 100% exemption of property taxes (as evidenced by a 2013 HTC transaction of similar structure). As an identity of interest transaction, the capitalized ground lease payment is equivalent to the purchase price of the land and the LHOC receives no gain on the land transaction.

5. Funding Request:

Complete the table below to describe this Application's funding request.

Department Funds applying for with this Application	Requested Amount	If funds will be in the form of a Direct Loan by the Department or for Private Activity Bonds, the terms will be:		
		Interest Rate (%)	Amortization (Years)	Term (Years)
TDHCA HOME				
CHDO Operating Expense				
Housing Tax Credits	$ 1,612,000			
Private Activity Mortgage Revenue				
TCAP Loan Repayments				

6. Set-Aside *(For Competitive HTC & HOME Applications Only)*

Identify any and all set-asides the application will be applying under.
Set-Asides can not be added or dropped from pre-application to full Application for Competitive HTC Applications.

Competitive HTC Only			HOME Only	
At-Risk	Nonprofit	USDA	CHDO	Persons w/Disabilities
x				

By selecting the set-aside above, I, individually or as the general partner(s) or officers of the Applicant entity, confirm that I (we) are applying for the above-stated Set-Aside(s) and Allocations. To the best of my (our) knowledge and belief, the Applicant entity has met the requirements that make this Application eligible for this (these) Set-Aside(s) and Allocations and will adhere to all requirements and eligibility standards for the selected Set-Aside(s) and Allocations.

7. Previously Awarded State and Federal Funding

Has this site/activity previously received or applied for TDHCA funds? Yes

If "Yes" Enter Project Number: 14092 and TDHCA funding source: 9% HTC (not awarded)

Has this site/activity previously received non-TDHCA federal funding? Yes

Will this site/activity receive non-TDHCA federal funding for costs described in this Application? Yes

8. Qualified Low Income Housing Development Election (*HTC Applications only*)

Pursuant to §42(g)(1)(A) & (B), the term "qualified low income housing development" means any project or residential rental property, if the Development meets one of the requirements below, whichever is elected by the taxpayer." Once an election is made, it is irrevocable. Select only one:

[ ] At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.

[x] At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size.

Development Activities

1. Common Amenities (ALL Multifamily Applications §10.101(b)(5))

152 # of Units must qualify for **18** Points

[x] Development will provide sufficient common amenities to qualify for the number of points indicated above, pursuant to §10.101(b)(5) of the Uniform Multifamily Rules. Applications for scattered site developments should refer to §10.101(b)(5)(B) of the Uniform Multifamily Rules.

2. Unit Requirements (ALL Multifamily Applications §10.101(b)(6)(A) and (B))

A. Unit Sizes

[x] Development is New Construction or Reconstruction and will meet the minimum Unit Size requirements:

Bedroom Size	0	1	2	3	4
Square Footage	500	600	800	1,000	1,200

OR;

[ ] Development is proposing Rehabilitation (excluding Reconstruction) or Supportive Housing, and does not adhere to the size requirements above.

B. Unit Amenities (*For Competitive HTC Applications, see Tab 19 for Unit and Development Features*)

[ ] Application is a Tax Exempt Bond Development and will meet a minimum of seven (7) points as outined in §10.101(b)(6)(B) of the Uniform Multifamily Rules.

[ ] Application is HOME only or other Department Direct Loan and will meet a minimum of four (4) points as outined in §10.101(b)(6)(B) of the Uniform Multifamily Rules.

***** Rehabilitation Developments will start with a base score of three (3) points and Supportive Housing Developments will start with a base score of five (5) points.*****

3. Tenant Supportive Services *(For Competitive HTC Applications see Tab 19 for Tenant Services elections)*

[ ] Application is a ***Tax Exempt Bond Development*** and will meet a minimum of eight (8) points as outlined in §10.101(b)(7) of the Uniform Multifamily Rules.

[ ] Application is ***HOME only or other TDHCA Direct Loan*** and will meet a minimum four (4) points as outlined in §10.101(b)(7) of the Uniform Multifamily Rules.

4. Development Accessibility Requirements (ALL Multifamily Applications §10.101(b)(8))

[x] Development will meet all specifications and accessibility requirements reflected in the Certification of Development Owner form pursuant to §10.101(b)(8) of the Uniform Multifamily Rules.

Development Activities (Continued)

self score **131**

1. Size and Quality of Units (Competitive HTC Applications only)

[x] Development is Rehabilitation and either Supportive Housing or USDA financed **OR** meets the minimum size requirements identified below: **Points claimed:** 8

Bedroom Size	0	1	2	3	4
Square Footage	550	650	850	1,050	1,250

[x] Specific amenities and quality features will be provided in every Unit at no extra charge to the tenant; Development will maintain the points selected and associated with those amenities as outlined in §10.101(b)(6)(B) of the Uniform Multifamily Rules. **Points claimed:** 7

2. Income Levels of Tenants (Competitive HTC Applications only)

42	Total Number of Units at 50% or less of AMGI
14	Number of 30% Units used to score points under §11.9(c)(2)*
0	Number of 30% Units used under §11.4(c)(2)(D) regarding an Increase in Eligible Basis (30% boost)
28	Number of Units at 50% or less of AMGI available to use for points under §11.9(c)(1)
20.29%	Percentage used for calculation of eligible points under §11.9(c)(1)

Mark ***only one*** box below:

[ ] Development is located within a Non-Rural Area of the Dallas, Fort Worth, Houston, San Antonio or Austin MSA; or 0

[x] Developments proposed in all other areas. 16

** Applicants electing the 30% boost for additional 30% units are advised to ensure the units used to support the boost are not included in the units needed to achieve the Application's scoring elections.*

Points Claimed: 16

3. Rent Levels of Tenants (Competitive HTC Applications only)

Mark ***only one*** box below:

[ ] At least 20% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; development is Supportive Housing and qualifies under the Nonprofit Set-Aside. 0

[x] Development is urban and at least 10% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or 11

[ ] Development is located in a Rural Area and 7.5% (less Units used for eligibility for boost) of all low-income Units are restricted at 30% or less of AMGI; or 0

[ ] At least 5% of all low-income Units at 30% or less of AMGI 0

Points Claimed: 11

4. Tenant Services (Competitive HTC Applications only)

Development will provide a combination of supportive services as identified in §10.101(b)(7) and those services will be recorded in the Development's LURA.

[ ] Supportive Housing Development qualifying under the Nonprofit Set-Aside; or 0

[x] All other Developments. 10

Points Claimed: 10

5. Tenant Populations with Special Housing Needs (Competitive HTC Applications only)

[x] Applicant intends to elect 2 points under this scoring item

Section 811 Eligibility

Mark ***any*** of the following that apply (some fields will auto-populate):

[ ] Application is a Qualified Elderly Development or Supportive Housing (as defined by 10 TAC §10.3)

[ ] Development was originally constructed before 1978

[ ] Development does not have units available that do not have other sources ofproject-based rental or long-term operating assistance.

[ ] Development does not have units available that are not restricted for persons with disabilities

[x] Development is not located in a qualifying MSA

[ ] Other disqualifying factor (please explain)

[ ] **Attached behind this tab is the executed Certification for Section 811 Program Participation**

Development qualifies to participate in 811: 0

[x] Application does not qualify for participation in Section 811 Program but elects to set aside at least 5% of the Units for Persons with Special Needs as identified in §11.9(c)(7) of the QAP.

Development elects to set aside at least 5% of Units: 2

Points Claimed: 2

6. Pre-Application Participation (Competitive HTC Applications only)

[x] Development is requesting Pre-Application Points — 6

7. Extended Affordability or Historic Preservation (Competitive HTC Applications only)

Mark ***only one*** box below:

[x] Development will maintain a 35 year Affordability Period **OR** — 2

[ ] Application is proposing the use of historic (rehabilitation) tax credits, is requesting a tax credit amount of less than $7,000 per unit, and has included a letter from the Texas Historical Commission behind this tab showing preliminary eligibility for at least one building. — 0

Points Claimed: 2

8. Right of First Refusal (Competitive HTC Applications only)

[x] Development Owner agrees to provide a Right of First Refusal to purchase the Development upon or following the end of the Compliance Period. — 1

9. Funding Request Amount (Competitive HTC Applications only)

[x] Application reflects funding request for no more than 100% of the amount available in the subregion or set-aside as of 12/1/2014. — 1

ACQUISITION AND REHABILITATION INFORMATION

1. At-Risk Set-Aside *(Competitive HTC Applications Only)*

[x] Qualification: Must meet the requirements of an At-Risk Development in §11.5(3) of the Qualified Allocation Plan.
Documentation: Must be submitted behind this tab showing that the Development meets the requirements of §2306.6702(a)(5) of the Texas Government Code.

Part A: Documentation must show that the subsidy or benefit is from one of the following approved programs (mark all that apply):

- [ ] Sections 221(d)(3) and (5), National Housing Act (12 U.S.C. Section 1715l)
- [ ] Section 236, National Housing Act (12 U.S.C. Section 1715z-1)
- [ ] Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q)
- [ ] Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s)
- [ ] The Section 8 Additional Assistance Program for housing developments with HUD-Insured and HUD-Held Mortgages administered by the U.S. Department of Housing and Urban Development as specified in 24 CFR Part 886, Subpart A.
- [ ] The Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the U.S. Department of Housing and Urban Development as specified by 24 CFR Part 886, Subpart C.
- [ ] Sections 514, 515, and 516, Housing Act of 1949 (42 U.S.C. Sections 1484, 1485 and 1486)
- [ ] Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 42)
- [x] Applicant proposes rehabilitation or reconstruction of housing units that:
  - [ ] are owned by a Public Housing Authority and received assistance under Section 9;

    OR
  - [x] received assistance under Section 9 **and:**
    - [x] are proposed to be demolished by the Public Housing Authority **OR**
    - [ ] have been demolished by the Public Housing Authority in the last 2 years.

Part B: Place an "X" by one of the following:

- [x] The stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two (2) calendar years of July 31, 2015). See §11.5(3)(E) and (F) of the 2014 QAP concerning At-Risk developments qualifying under Section 42 of the Internal Revenue Code.
- [ ] The subsidy marked above is a federally insured mortgage and is eligible for prepayment without penalty or is nearing the end of its mortgage term (the term will end within two (2) calendar years of July 31, 2015)

Part C: I certify that:

- [x] the Development is at risk of losing affordability from the financial benefits available to the Development, and those financial benefits and affordability will be retained or renewed unless regulatory barriers necessitate elimination of a portion of that benefit, pursuant to §11.5(3)(D) of the Qualified Allocation Plan.

Part D: If proposing demolition of the existing Units which have received the financial benefits described in Part A:

- [ ] the redevelopment will include at least a portion of the same site.

  OR
- [x] relocation of the existing units is proposed, and the requirements of §11.5(3)(C)(i) through (iii) of the 2015 Qualified Allocation Plan will be met.

2. Existing Development Assistance On Housing Rehabilitation Activities[1]

Part A.

The existing Property is expected to have or continue the following benefit: Operating Subsidy

Provide a brief description of the restrictions or subsidies the existing Property will have or continue in the space below:

The property will contain 38 dedicated public housing units (25% ot total) supported by an Operating Subsidy from the Laredo Housing Authority.

[x] A copy of the contract or agreement securing the funds identified above is provided behind this form.

The source of funds is: Operating Subsidy from Laredo Housing Authority

The annual amount of funds is: varies - subject to HUD review

The number of units receiving assistance: 38

The term of the contract or agreement is (date): 40 years from PIC

The expiration of the contract or agreement is (date): 40 years from PIC

Part B. Acquisition Of Existing Buildings (applicable only to HTC applications with Acquisition credits requested)

Date of the most recent sale or transfer of the building(s): Not Applicable

In the last ten years, did the previous owner perform rehabilitation work greater than 25% of the building's adjusted basis?

Was the building occupied at any time during the last ten years?

Was the building occupied or suitable for occupancy at the time of purchase?

Will the acquisition meet the requirements of §42(d)(2)(B)(ii) relating to the 10-year placed in service rule?

If "**Yes**", provide a copy of a title commitment that the Development meets the requirements of §42(d)(2)(B)(ii) as to the 10 year period.

If "**No**", does the property qualify for a waiver under §42(d)(6)?

If "Yes", provide the waiver and/or other documentation.

How many buildings will be acquired for the Development?

Are all the buildings currently under control by the Development Owner?

If "No", how many buildings are under control by the Development Owner?

When will the remaining buildings be under control?

[1]Per §2306.008, TDHCA shall support the preservation of affordable housing for individuals with special needs and individuals and families of low income at any location considered necessary by TDHCA.

15251-Casa Verde

10/5/2016 Applicant's Response to Staff Recommendation

From: Raquel Favela [mailto:RFavela@ndconline.org]
Sent: Wednesday, October 05, 2016 4:33 PM
To: Raquel Morales; Tom Gouris; Marni Holloway; Beau Eccles
Cc: Rod Solomon; Doak Brown; Jose Ceballos; Melissa Ortiz; Doug Poneck; Stephanie Dugan
Subject: Re: Casa Verde

Good afternoon all,

For your review and inclusion in the board packet is our team's response to staff's position memo.

Thank you,
Raquel

***PLEASE UPDATE YOUR RECORDS; MY NEW EMAIL ADDRESS IS rfavela@ndconline.org**
***OUR NEW WEBSITE IS www.ndconline.org**

Raquel F. Favela
Director
2658 Forest Pebble
San Antonio, TX 78232
(210) 215-0707 | (210) 404-9404 |
One Battery Park Plaza
24 Whitehall Street, Suite 710
New York, NY 10004
rfavela@ndconline.org
www.ndconline.org

From: Raquel Favela [mailto:RFavela@ndconline.org]
Sent: Monday, October 03, 2016 1:01 PM
To: Tom Gouris; Marni Holloway; Raquel Morales; Beau Eccles; Colton Sanders
Cc: Rod Solomon; Doak Brown; Jose Ceballos; Melissa Ortiz; Doug Poneck
Subject: Casa Verde

Tom, Marni, Raquel, Beau, and Colton,

HUD approved Casa Verde proceeding to the RAD closing stage on September 29, less than two months after its August 5 RAD awards to the Laredo Housing Authority (LHA). We want to pursue every possibility for allowing this development to move forward. That necessitates retention of the 9% tax credits. Retention of the 9% tax credits also may be required for RAD to proceed at Russell Terrace, because HUD awarded RAD for Russell Terrace (162 units) and Casa Verde (38 units) based on a priority category for developments "in imminent danger of losing financing if they are not provided a CHAP (e.g., as evidenced by a 9% tax credit award)." If HUD were to rescind RAD for Russell Terrace because Casa Verde is not going forward, that would undermine the Russell Terrace rehabilitation.

We request that you consider whether the following could change the staff's negative recommendation to the Board.

First, neither the Texas statute nor the QAP define "demolition." HUD defines "demolition" in its demolition/disposition regulations, at 24 CFR 970.5, in the following manner:

"Demolition means the removal by razing or other means, in whole or in part, of one or more permanent buildings of a public housing development. A demolition involves any four or more of the following:
(1) Envelope removal (roof, windows, exterior walls);
(2) Kitchen removal;
(3) Bathroom removal;
(4) Electrical system removal (unit service panels and distribution circuits); or
(5) Plumbing system removal (e.g., either the hot water heater or distribution piping in the unit, or both)."

The LHA expects that the rehabilitation of at least 138 units at Russell Terrace, through disposition, use of 4% tax credits, other available financing and RAD, will meet HUD's definition for "demolition"; the units will become uninhabitable for a period as a result. With that assurance, can the staff withdraw its recommendation and provide a positive recommendation regarding the proposed amendment to substitute RAD for public housing subsidy for 38 units at Casa Verde? At minimum, can the staff recommend a waiver of the QAP definition of "Reconstruction" based in part on this additional representation?

Second, LHA offers the following if a further rationale for retention of the 9% tax credits is needed. If LHA were willing as permitted under RAD to demolish and not rehabilitate at least 1 building to allow the 9% tax credit award to remain in place, or possibly up to 38 units if that rather than 1 building is essential to the decision, could the staff recommend the necessary action so that the 9% tax credits can be retained based in part on this additional representation?

Thanks for considering these possibilities. Given the October 5 deadline for submitting materials for the Board package, we would appreciate a response as soon as possible. We are available to discuss this at your convenience.

***PLEASE UPDATE YOUR RECORDS; MY NEW EMAIL ADDRESS IS rfavela@ndconline.org**
***OUR NEW WEBSITE IS www.ndconline.org**

Raquel F. Favela
Director
2658 Forest Pebble
San Antonio, TX 78232
(210) 215-0707 | (210) 404-9404 |
One Battery Park Plaza
24 Whitehall Street, Suite 710
New York, NY 10004
rfavela@ndconline.org
www.ndconline.org

Laredo Housing Authority (LHA) support of proposed non-material amendment of Housing Tax Credit (HTC) Application for Casa Verde (HTC #15251) and opposition to rescission of HTCs

Board Meeting of October 13, 2016

On behalf of applicant BAH Casa Verde Apartments, LP and itself, the LHA requests that the Board approve its proposed amendment and strongly opposes the staff's recommendation that these HTCs be rescinded. Rescission of these tax credits would be a devastating and wholly unnecessary blow to affordable housing in the under-served Laredo area. Such action would render Casa Verde infeasible and as explained below, also could undermine the reconstruction of 162 low-income units at the Russell Terrace public housing development.

The proposed non-material amendment

The proposed amendment changes in only one respect the Casa Verde development where the HTC will be utilized. The proposed amendment would substitute 38 Rental Assistance Demonstration (RAD)-subsidized units for 38 public housing units. TDHCA has approved the substitution of RAD for public housing units for another 2015 HTC project.

	Original Application			**Non-material Amendment**	
Casa Verde	138 LIHTC Units (38 PH units and 100 LIHTC only)	14 market rate units		138 LIHTC Units (38 RAD units and 100 LIHTC only)	14 market rate units
Russell Terrace	Demolition of 200 units			Disposition to a for-profit entity; rehabilitation of 162 RAD units through 4% LIHTC (also qualifies as demolition and reconstruction)	

Need for amendment and HUD response

HUD did not approve LHA's application for demolition of Russell Terrace because HUD determined that Russell Terrace did not meet the minimum thresholds for obsolescence. Once this occurred, LHA no longer had a statutory basis to commit public housing units to Casa Verde. After consulting with TDHCA staff regarding alternative justifications to demolition for meeting the at-risk set-aside requirements, LHA sought RAD approval for 38 units at Casa Verde and 162 units at Russell Terrace under a priority category for developments in imminent danger of losing financing such as 9% tax credits. HUD promptly approved RAD on August 5, expedited processing in recognition of Casa Verde's placed-in-service deadline of the end of 2017, and on October 3 issued a RAD Conversion Commitment authorizing Casa Verde to proceed to the RAD closing stage.

Legal basis for amendment

The public housing-related provisions of the at-risk set-aside with which the amendment must comply are an independent, free-standing section of the definition of "At-risk development," Texas Govt. Code 2306.6702(a)(5)(B), added by 2013 House Bill 1888 and effective September 1, 2013. The Legislature added further authorization for the qualification of RAD units as at-risk in 2015. The pertinent provisions, quoted in the staff report, apply to a development that proposes to rehabilitate or reconstruct housing units that (i) are owned by a public housing authority (PHA) and receive assistance under Section 9, U.S. Housing Act; or ii) received assistance under Section 9 and are proposed to be disposed of or demolished by the PHA; or (iii) receive or will receive RAD. Russell Terrace meets all three of these possible qualifiers, including disposition or demolition as discussed below under (ii); under the law, it must meet only one of them.

Also at issue is the non-statutory Qualified Allocation Plan (QAP) definition of "Reconstruction": "The demolition of one or more residential buildings in an Existing Residential Development and the construction of an equal or less number of units on the Development Site..." TDHCA found the original application for Casa Verde to qualify under this definition. In addition, the term "Rehabilitation" is defined at Tex. Govt. Code 2306.004 (26-a) to include the demolition of an existing residential development and the reconstruction of any development units. Importantly, the definition of "Reconstruction" and a definition of "Rehabilitation" including the law's definition were contained in the 2013 Uniform Multifamily Rules, prior to the enactment of the public housing-related at-risk set-aside provisions, and have not been updated to address those provisions specifically.

Issues regarding TDHCA staff position

The TDHCA staff's principal argument is that the Casa Verde units do not meet the QAP definition of "Reconstruction", because units at Russell Terrace are no longer being "demolished." But the statute provides for eligibility based on any one of the three categories outlined above (i.e., owned by a PHA and receiving public housing subsidy, disposition or demolition, or RAD).

Apart from demolition, the staff appears to be disputing only whether Russell Terrace is being "disposed of." While the TDHCA staff may be contending that the disposition of 162 units at Russell Terrace to a for-profit entity that would use equity from 4% tax credits and other sources to rehabilitate the property is not a "disposition" under this law, neither the law nor the QAP define "disposition." HUD considers this type of transfer a disposition requiring approval under the federal demolition/disposition[i] or RAD statute.

In any event, after the staff posting, LHA clarified that the level of work to be performed at Russell Terrace under RAD will meet HUD's definition of "demolition" in its demolition/disposition regulations, at 24 CFR 970.5.[ii] The QAP does not define "demolition" and thus TDHCA should use HUD's definition as a sound reference point. This, in turn, allows the Russell Terrace/Casa Verde transaction to meet the current QAP definition of "Reconstruction." LHA also offered the possibility of demolishing and not rebuilding units up to the number left without subsidy at Russell Terrace if essential to a favorable TDHCA decision.

The staff apparently considers a PHA's successful voluntary pursuit of a HUD demolition approval the only action that puts public housing units sufficiently at risk to qualify, but as discussed above the statute is much broader and provides several other alternatives for qualifying and pursuing creative ways of preserving and constructing affordable housing. Through the RAD awards, LHA will be able to demolish the units at Russell Terrace in a manner consistent with HUD's definition of rehabilitation, rehabilitate units and replace units at Casa Verde.

Case for QAP waiver or further interpretation if necessary

If the staff does not accept the above arguments why Casa Verde remains eligible for HTC, TDHCA should waive or further interpret the QAP definition of "Reconstruction" to make retention of the HTC possible. This is not a request for a statutory waiver, but for recognition that the QAP has not been altered specifically to address the statutory public housing at-risk category since its enactment. The QAP provisions simply are not fully applicable to the public housing situation, in particular public housing disposition that in most cases would make on-site demolition and reconstruction impossible. Those facts make this an appropriate situation for a waiver or further interpretation.

In short, rescission of the HTC would render Casa Verde infeasible. In addition, retention of the HTC may be required for RAD to proceed at Russell Terrace, because HUD made the RAD awards under the priority category for developments in imminent danger of losing financing such as 9% tax credits. If HUD were to rescind the RAD awards because Casa Verde will not proceed, the rehabilitation of 162 Russell Terrace units would be undermined.

Conclusion

As has been true from the outset, Casa Verde will provide much-needed affordable housing in a favorable location in Laredo. Rehabilitation of Russell Terrace, which may depend on TDHCA's favorable decision, also will preserve and improve Laredo's affordable housing. For all of the reasons discussed above and consistent with its mission, TDHCA should approve the amendment and allow Casa Verde and with it the rehabilitation of Russell Terrace to proceed.

---

[i] Section 18 of the U.S. Housing Act of 1937, "Demolition and Disposition of Public Housing", at Sec. 18(a)(2) covers "disposition by sale or other transfer of a public housing project or other real property…". HUD's demolition/disposition procedures have a disposition category for public housing mixed-finance, which involves similar transfers.

[ii] HUD defines "demolition" in its demolition/disposition regulations, at 24 CFR 970.5, in the following manner:

"Demolition means the removal by razing or other means, in whole or in part, of one or more permanent buildings of a public housing development. A demolition involves any four or more of the following:

(1) Envelope removal (roof, windows, exterior walls);

(2) Kitchen removal;

(3) Bathroom removal;

(4) Electrical system removal (unit service panels and distribution circuits); or

(5) Plumbing system removal (e.g., either the hot water heater or distribution piping in the unit, or both)."

15251-Casa Verde

10/5/2016 Legislator Letter and TDHCA Response

The Legislature
State of Texas

October 5, 2016

Tim Irvine, Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Dear Mr. Irvine:

Thank you for your commitment to providing critical affordable housing in our communities. This is to urge the Texas Department of Housing and Community Affairs (TDHCA) to continue to support the 2015 low-income housing tax credits awarded to Laredo Housing Authority for their Casa Verde Apartments project. Although the Casa Verde Apartments project, in conjunction with the demolition and reconstruction of Russell Terrace, clearly meets the statutory requirements for the at-risk set aside, TDHCA staff contends erroneously that the project does not because the Russell Terrace site no longer will be demolished and thus the project no longer meets the non-statutory qualified allocation plan (QAP) definition of "reconstruction."

Texas Government Code §2306.6702(5) defines an "at-risk development" to include one that "proposes to rehabilitate or reconstruct housing units" and that meets one of three subsequent criteria (discussed below). There is no statutory definition or requirement that rehabilitation or reconstruction *requires* demolition of the property. What's more, even if demolition is required, neither the applicable Texas statute nor the QAP define demolition as it relates to reconstruction, and therefore the Housing and Urban Development (HUD) definition of demolition should satisfy this requirement. Accordingly, because the Casa Verde project does satisfy HUD's definition, it should satisfy the statutory requirement as well.

A project that proposes to rehabilitate or reconstruct housing units also must meet one of three criteria to be considered an at-risk development. Specifically, such a project must either 1) be owned by a public housing authority receiving federal Section 9 assistance; 2) receive federal Section 9 assistance and be proposed to be disposed of or demolished; or 3) receive assistance through the Rental Assistance Demonstration (RAD) program administered by HUD. While the Casa Verde project must meet only one of these criteria to be eligible for at-risk development tax credits, it actually meets all three. The Russell Terrace property is owned by the Laredo Housing Authority and the project is receiving Section 9 assistance and thus the Casa Verde project satisfies the first criteria. Regarding the second criteria, although there is no state statutory definition of "disposed of" or "demolished," the project meets the only applicable definitions for these terms, those provided by HUD, and therefore meets this second criteria. What's more, the project has been awarded assistance through the RAD program for both Russell Terrace and Casa Verde, which clearly is sufficient for the third criteria.

Because these programs and terms should be read reasonably in concert with each other and the Casa Verde project thus remains eligible for its low-income housing tax credits, the non-material amendment and waiver the Laredo Housing Authority requests for this project should be approved. The at-risk set aside category provides a prioritization for projects such as Casa Verde because it recognizes the need to improve and replace affordable housing stock. The RAD and low-income housing tax credit programs are critical tools in the preservation of affordable housing, and, as such, should not be constrained by unduly narrow interpretations of undefined regulatory terms, especially when these interpretations would prohibit achieving affordable housing goals. Accordingly, we urge strongly that the agenda for the October 13 board meeting be modified to permit the TDHCA Board to consider any and all appropriate action the applicant requests to preserve the vital award of tax credits for the Casa Verde project.

Feel free to contact us or our staff for more information or whenever we can be of assistance. May God bless you and inspire you to agree with our perspective.

Very truly yours,

Judith Zaffirini   Richard Peña Raymond   Tracy O. King

Judith Zaffirini
State Senator

Richard Raymond
State Representative

Tracy King
State Representative

XC: Tom Gouris, Deputy Executive Director, TDHCA
Beau Eccles, General Counsel, TDHCA
Members, TDHCA Board

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

October 6, 2016.

Writer's direct phone # 512.475.3296
Email: tim.irvine@tdhca.state.tx.us

The Honorable Judith Zaffirini
State Senator, District 21
Texas Senate

The Honorable Richard Raymond
State Representative, District 42
Texas House of Representatives

The Honorable Tracy O. King
State Representative, District 80
Texas House of Representatives

Sent via electronic mail

RE: YOUR LETTER DATED OCTOBER 5, 2016

Dear Members:

Thank you for your letter dated October 5, 2016, regarding the Casa Verde Apartments project and for the information you have provided to the Texas Department of Housing and Community Affairs ("TDHCA"). We carefully have examined all of the information which you provided. While there is no doubt that this proposed new affordable housing development would be beneficial to the Laredo area, we remain convinced that the recent changes to the fact pattern communicated to the Department by the Applicant preclude treating this as an "at risk" development, which was the basis of the application and the award of tax credits.

"At risk" developments as defined by TEX. GOV'T CODE §2306.6702(a)(5) are ones in which the affordable housing stock has been lost in the last two years or is in imminent danger of being lost. As we understand what is now proposed at Casa Verde, no units are being lost. The original application clearly contemplated demolition and replacement of the aging Russell Terrace development, but the Applicant is now proposing significant changes because HUD has stated that it will not allow the Russell Terrace units to be demolished. It wants to preserve them in the affordable housing pool, meaning that the transaction would result in additional affordable housing units for the Laredo area and not a net loss. The Applicant now states that they will seek, at a later date, to rehab Russell Terrace using a different financing source, likely private activity bonds coupled with 4% tax credits for which they have not yet applied. None of this plan is reflected in the application that was submitted for an award in the "at risk" set-aside.

I have worked hard with my program staff and counsel to identify any possible way that this development could remain in the at risk set-aside despite HUD's decision to retain all of the units as affordable housing, but we simply cannot find a way that the structure can meet the basic requirements of being characterized as an at risk development. I would note that in these efforts we even looked to legislative intent. The Author/Sponsor's statement on intent for HB 1888 (83rd Legislature) in 2013 included:

> "Within the HTC program are certain statutorily mandated "set-asides" which the TDHCA is required to allocate. These are differing types of developments, and, for example, include set-asides for nonprofit housing developers, housing developments that are funded by the United States Department of Agriculture, and investment in housing units that are "at-risk" of being removed from the housing pool."

Regrettably HUD's actions in denying the demolition of Russell Terrace have taken this proposed transaction out of the category of being at risk of being removed from the housing pool. We find this puzzling and concerning because in other regions HUD has taken the opposite approach on RAD transactions and permitted demolition and replacement, as was originally contemplated in this instance. And though the Casa Verde development would certainly add needed affordable units in Laredo, if the application for tax credits had been made as a general application (*i.e.,* not in the "at risk" set-aside) it would not have been competitive in the region. Accordingly, it is TDHCA's duty to ensure that credits designated to replace units that are at risk of being removed from the housing pool go toward serving that legislative purpose. That risk, as articulated in the Casa Verde application, simply no longer exists.

With regard to your request for this matter to be placed before the TDHCA Governing Board at its scheduled meeting of October 13, 2016, this matter will be on the agenda as Action Item 7. There will be opportunity for public comment on the item and our board will consider any and all appropriate action under its legal authority.

Please let me know if I can be of any service to you.

Respectfully,

Timothy K. Irvine
Executive Director

cc: Tom Gouris, TDHCA
Beau Eccles, TDHCA
TDHCA Governing Board