

TDHCA #

02015

Region 7

**General
Set-Aside**

**Forward
Commitment**

**LOW INCOME HOUSING TAX CREDIT PROGRAM****2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Eagle's Point Apartments**TDHCA #: **02015****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 7 LIHTC Primary Set Aside: G
 Site Address: 1855 Webberville Road Additional Elderly Set Aside
 City: Austin Purpose / Activity: NC
 County: Travis Development Type: Elderly
 Zip Code: 78721 TTC DDA QCT

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
 Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 12 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Eagle's Point Housing Partners, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
NDG-Eagle Point, LLC	Robert Voelker	95 %
Victory Family Ministry, Inc.	Larmar Bell	5 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,200,000** Allocation over 10 Years: \$12,000,000
 Credits Requested: \$1,200,000 Eligible Basis Amount: \$1,282,595 Equity/Gap Amount: \$1,270,650

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	16	4	0	0	0	20
40%	0	64	13	0	0	0	77
50%	0	64	13	0	0	0	77
60%	0	16	2	0	0	0	18
MR	0	40	8	0	0	0	48
Total	0	200	40	0	0	0	

BUILDING INFORMATION

Total Development Cost:	\$16,857,045
Gross Building Square Feet:	223,000
Total NRA SF:	196,000
Gross/Net Rentable:	1.14
Average Square Feet/Unit:	817
Cost Per Net Rentable Square Foot:	\$86.01
Credits per Low Income Unit	\$6,250

Total LI Units: 192
 Owner/Employee Units: 0
 Total Project Units: 240
 Applicable Fraction: 80.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	\$1,595,137
Total Expenses:	\$897,913
Net Operating Income:	\$697,224
Estimated 1st Year Debt Coverage Ratio:	1.17

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

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: NuRock Development Group, Inc. Market Analyst: The Siegel Group
 Housing GC: Alpha Construction Company Originator/UW: NA
 Infrastructure GC: NA Appraiser: NA
 Cost Estimator: NA Attorney: NA
 Architect: Hatfield Crookless Architects, Inc. Supp Services: NuRock Housing Foundation, Inc.
 Property Manager: NuRock Management, Inc. Accountant: NA
 Engineer: NA
 Syndicator: Red Capital Markets, Inc. Permanent Lender: Red Capital Market

DEPARTMENT EVALUATION

Points Awarded: 144 Site Review: Acceptable Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommender

PUBLIC COMMENT SUMMARY Note: "O" = Opposed, "S" = Support, "NC" or Blank = No comment

of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **4** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Gus Garcia, Mayor, S	Danny Thomas, City Council, Place 6, S
TX Rep.: Dawwna M. Dukes, Dist. 50	James L. Hargrove, Exec. Director, Austin Housing Authority, S
TX Sen.: Gonzalo Barrientos, Dist. 14 S	Paul Hilgers, Austin Community Development Officer, S
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the city confirming that the proposed development is a conforming use.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

- Score Meeting Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits
- To serve a greater number of lower income families for a longer period of time
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
- To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: As a region with a shortfall valued at more than 6% of its total regional allocation, this region was selected for a 2003 Forward Commitment. This development was selected because it was the next highest scoring development in Region 7.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
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Compliance Status Summary

Project ID #: 02015

LIHTC 9% LIHTC 4%

Project Name: Eagle's Point Apartments

HOME HTF

Project City: Coppell

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 1

of projects grouped by score 0-9: 0 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported _____

Completed by Sara Carr Newsom **Completed on** 05/02/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 05/13/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 05/13/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by C.Hudson **Completed on** 06/06/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Executive Director: Edwina Carrington **Date Signed:** June 10, 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: May 30, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02015

DEVELOPMENT NAME

Eagle's Point

APPLICANT

Name: Eagle's Point Housing Partners, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 700 E Sandy Lake Road, Suite 146 **City:** Coppell **State:** TX
Zip: 75019 **Contact:** Robert H Voelker **Phone:** (972) 745-0756 **Fax:** (972) 745-2190

PRINCIPALS of the APPLICANT

Name: NDG-Eagle Point, LLC **(%):** 0.0095 **Title:** Managing General Partner
Name: Victory Family Ministry **(%):** 0.0005 **Title:** Co-General Partner
Name: Red Capital Markets **(%):** 99.99 **Title:** Limited Partner
Name: Robert G Hoskins **(%):** N/A **Title:** Owner of Managing GP

MANAGING GENERAL PARTNER

Name: NDG-Eagle Point, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 700 E Sandy Lake Road, Suite 146 **City:** Coppell **State:** TX
Zip: 75019 **Contact:** Robert H Voelker **Phone:** (972) 745-0756 **Fax:** (972) 745-2190

CO-GENERAL PARTNER

Name: Victory Family Ministry **Type:** For Profit Non-Profit Municipal Other
Address: 21 Pinnacle Way **City:** Carrollton **State:** GA
Zip: 30117 **Contact:** Lamar A Bell **Phone:** (770) 834-9765 **Fax:** (770) 832-9672

PROPERTY LOCATION

Location: 1855 Webberville Road **QCT** **DDA**
City: Austin **County:** Travis **Zip:** 78721

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,200,000	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u> Set-Aside: <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

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

SITE DESCRIPTION

Size: 10.001 acres 435,644 square feet **Zoning/ Permitted Uses:** MF-3 CO*
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

* Applicant is seeking rezoning to MF-4, Multifamily Residence Moderate-High Density district

DESCRIPTION of IMPROVEMENTS

Total Units: 240 **# Rental Buildings:** 7* **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
200	1	1	750
40	2	2	1,150

Net Rentable SF: 196,000 **Av Un SF:** 817 **Common Area SF:** 27,000** **Gross Bldng SF** 223,000

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

* Application indicates only four residential buildings, but architectural plans indicate seven residential buildings

** Includes 24,000 square feet in air-conditioned/heated hallways

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 50% masonry/brick veneer, 50% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, five three-stop elevators

ON-SITE AMENITIES

Community rooms, management offices, fitness facilities, kitchen, restrooms, computer center, central mailroom, swimming pool, perimeter fencing with limited access gate, picnic area

Uncovered Parking: 240 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Red Capital Market **Contact:** Leslie Houston

Principal Amount: \$7,074,309 **Interest Rate:** Like-term US Treasury +225 bps; max of 7.5%

Additional Information: \$7,639,355 interim loan for a period of 24 months

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

Annual Payment: \$593,575 **Lien Priority:** 1st **Date:** 02/ 15/ 2002

LIHTC SYNDICATION

Source: Red Capital Group **Contact:** Leslie Housotn

Address: 901 Cherry Street **City:** Fort Worth

State: TX **Zip:** 76102 **Phone:** (817) 737-7227 **Fax:** (817) 737-7815

Net Proceeds: \$9,239,076 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 77¢

Commitment LOI Firm Conditional **Date:** 02/ 15/ 2002

Additional Information: _____

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

APPLICANT EQUITY

Amount: \$543,660 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 13.0 acres	\$156,000	Assessment for the Year of:	2002
Land: per acre	\$12,000	Valuation by:	Travis County Appraisal District
Prorated Value: 10.001 acres	\$120,012	Tax Rate:	2.5043

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 10/ 01/ 2002 **Anticipated Closing Date:** 09/ 15/ 2002

Acquisition Cost: \$ 1,132,675 **Other Terms/Conditions:** \$5K earnest money; \$2.60 per square foot cost

Seller: Thomas G Warren **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Eagle's Point is a proposed new construction development of 240 units of mixed income housing located in east Austin. Although the Application indicates that the development is comprised of four residential buildings, the architectural plans indicate seven as follows:

- One Building Type A with 18 one-bedroom units and five two-bedroom units;
- One Building Type B with 36 one-bedroom units and six two-bedroom units;
- One Building Type C with 51 one-bedroom units and two two-bedroom units;
- One Building Type D with 12 one-bedroom units and nine two-bedroom units;
- One Building Type E with 21 one-bedroom units and nine two-bedroom units;
- One Building Type F with 38 one-bedroom units; and
- One Building Type G with 24 one-bedroom units and nine two-bedroom units.

Based on the site plan the apartment buildings are arranged around a central open space, with the parking set along the boundaries of the site. Many of the buildings are connected by covered walkways. The clubhouse/office is located at the entrance with the pool situated nearby. The 3,000-square foot community building plan includes a large TV lounge/living area, a billiard's room, a full-service kitchen, a ballroom, a business center and public restrooms as well as management/leasing offices. The development lacks a public laundry facility. Although each unit is equipped with washer/dryer connections, the application indicates that a washer and dryer are not a part of the appliance package. Should residents be unable to afford their own washer and dryer, it appears that they will have to take their laundry to a Laundromat. The nearest public laundry facility was not identified in the application and market study.

Supportive Services: The Applicant has contracted with Victory Family Ministry, Inc. to provide the following supportive services to tenants: resident committees, regularly scheduled speakers, personal assistance with money management, a computer with internet access, free blood pressure and blood sugar tests, community involvement, honor system library, stocked game room and survey of residents' need. These optional services will be provided at no cost to tenants. The contract requires the Applicant to pay an annual fee of \$20,000 for the support services.

Schedule: The Applicant anticipates construction to begin in March of 2003, to be completed in March of 2004, to be placed in service and substantially leased-up in July of 2004.

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CREDIT UNDERWRITING ANALYSIS**

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units will be reserved for elderly tenants. Twenty of the units (8%) will be reserved for households earning 30% or less of AMGI, 77 units (32%) will be reserved for households earning 40% or less of AMGI, 77 units (32%) will be reserved for households earning 50% or less of AMGI, 18 units (8%) will be reserved for households earning 60% or less of AMGI, and the remaining 48 units will be offered at market rents. It should also be noted that no subsidy was provided to support the 30% units and therefore no selection points were provided for this item though these units will still be restricted as proposed.

Special Needs Set-Asides: None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 25 years.

MARKET HIGHLIGHTS

A market feasibility study dated February 21, 2002 and prepared by The Siegel Group highlighted the following findings:

Definition of Market/Submarket: “The Primary Market Area (PMA) is defined by the following boundaries: FM 973 to the east, Highway 71 to the south, Loop 1 to the west and FM 1825 to the north. The Secondary Market Area is defined as all of Travis County.” (p. 3)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	161	9%	355	6%
Resident Turnover	1,562	87%	2,335	94%
Other Sources:	72	4%	N/A	N/A
TOTAL ANNUAL DEMAND	1,795	100%	2,690	100%

Ref: p. 93

Capture Rate: The Market Analyst has calculated a capture rate of 10.7% (p. 93). The Market Analyst excluded the market rate units and failed to account for 350 additional comparable units in the market area that have not yet been stabilized for at least 12 months. The Underwriter calculated a concentration capture rate of 22% based upon a revised supply of 590 unstabilized comparable affordable units divided by a revised demand for 2,690 units. Ashford Park, a 200 unit elderly development, is also applying for tax credits in the current LIHTC cycle. These 200 units were not included in the Underwriter’s concentration capture rate calculation because the development is not located in the market analyst-defined Primary Market Area.

Market Rent Comparables: The market analyst surveyed 15 comparable apartment projects, including federally subsidized units, in the market area. (p. 41)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$334	\$334	\$0	\$758	-\$424
1-Bedroom (40%)	\$468	\$467	+\$1	\$758	-\$290
1-Bedroom (50%)	\$601	\$600	+\$1	\$758	-\$157
1-Bedroom (60%)	\$734	\$734	\$0	\$758	-\$24
1-Bedroom (MR)	\$771	N/A	N/A	\$758	+\$13
2-Bedroom (30%)	\$396	\$396	\$0	\$869	-\$473
3-Bedroom (40%)	\$556	\$556	\$0	\$869	-\$313
3-Bedroom (50%)	\$716	\$716	\$0	\$869	-\$153

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CREDIT UNDERWRITING ANALYSIS**

3-Bedroom (60%)	\$876	\$876	\$0	\$869	+\$7
3-Bedroom (MR)	\$920	N/A	N/A	\$869	+\$51

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

Submarket Vacancy Rates: “Apartment managers surveyed in the PMA admit that occupancy rates have dropped 3% - 5% overall within the last 12 months, at 92.4% landlords in the PMA are offering concessions, temporarily increasing the affordability of Austin’s multifamily market.” (p. 36)

Absorption Projections: “Although vacancies averaged 7.5% among 18 projects surveyed, the persistent need for affordable housing, the projected rental rates, newer units and competitive amenities contemplated should further enhance the attractiveness of the development and support a lease-up rate of 12 to 13 units per month or an 18 month lease-up period.” (p. 89)

Known Planned Development: “There are currently 30 apartment-style facilities for seniors in the Austin area. The Lodge at Merriltown, a 294-units development, has completed construction and is currently leasing units. Heatherwilde Park, a 168-unit development, is under construction and anticipates moving initial residents in March of 2002, and Primrose at Shadow Creek, a 176-unit development, is currently under construction anticipating construction completion by the Spring of 2002.” (p. 39) The market analyst did not include the following developments: Collinwood Village (174 units), Fort Branch Landing (250 units), Springdale Estates (43 units), Riverside Meadows (240 units), and Blunn Creek (280 units). Of these, only Collinwood Village strictly serves elderly residents. Within the PMA only Primrose at Shadow Creek and Collinwood Village will compete with the subject for concentration purposes.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located at 1855 Webberville Road in Austin, Travis County, approximately 0.75 miles west of US Highway 183.

Population: The Primary Market Area contains approximately 381,070 people in 165,880 households. The number of persons 55 and older in the PMA was 55,542 in 2000 and is projected at 66,562 in 2005. The number of seniors in the Primary Area grew at an annual rate of 3.32% from 1990 to 2000. It is projected that this growth will continue at an estimated 3.97% annually (2,204 seniors per year) through 2005. The Secondary Market Area, including the PMA, contains approximately 743,348 people in 305,911 households. The number of persons 55 and older in the SMA was 105,760 in 2000 and is projected at 129,594 in 2005.

Adjacent Land Uses: The parcels of land surrounding the subject property are primarily vacant, undeveloped sites with a mix of proposed uses. Adjacent land uses include:

- **North:** Vacant land, Martin Luther King Boulevard
- **South:** Webberville Road, vacant land beyond
- **East:** Vacant land
- **West:** Vacant land

Site Access: Major arteries in the PMA include Highway 71, Loop 1, US Highway 290 West, US Highway 183 and Interstate 35.

Public Transportation: Public Transportation needs are served by Capital Metro (funded by a one-cent city sales tax), which provides services as far north as Cedar Park, Austin, and Pflugerville, and as far south as Manchaca. There is a Capital Metro bus stop approximately 0.6 miles from the subject.

Shopping & Services: The Austin metropolitan area is home to seven area colleges and universities, and eleven major hospitals and one children’s hospital. A grocery/pharmacy is located within 2 miles of the subject. The Austin Parks and Recreation Department offers a variety of programs and services for people age 50 years and older: three seniors centers, door-to-door transportation, congregate meals, information about employment opportunities and a facility for seniors to sell their home made goods. There are six advocacy organizations or agencies, several organizations that provide senior educational services, senior employment organizations and meal delivery programs.

Other Site Characteristics: The application indicates that rezoning from MF-3 to MF-4 has been requested.

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CREDIT UNDERWRITING ANALYSIS**

Based on the market study, the current zoning of MF-3 allows a maximum apartment density of up to 36 units per acre and the development will have only 24 units per acre. Therefore it is not known why the change in zones has been requested. Receipt, review and acceptance of documentation from the city confirming that the proposed development is a conforming use is a condition of this report.

Site Inspection Findings: The site was inspected by a TDHCA staff member on May 2002 and was found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 14, 2002 was prepared by Leigh Engineering, Inc. and contained the following findings and recommendations:

“In conclusion, this ESA has revealed no evidence of recognized environmental conditions in connection with the property. Based on this conclusion, Leigh recommends no further environmental investigation of the property at this time.”

OPERATING PROFORMA ANALYSIS

Income: The maximum tax credit rents for the two bedroom units appear to be \$7 more than the market rent established by the Market Analyst. In addition, the market rents anticipated by the Applicant are \$13 and \$51 more than the Market Analyst’s rents for comparable one-bedroom and two-bedroom units, respectively. The Underwriter adjusted rents accordingly which reduces gross potential rent by \$13,000. The market analyst included a significantly higher per square foot estimate of market rents but this figure in both cases is inconsistent with the final market rent estimate conclusion provided by the market analyst. Moreover, the per square foot rent calculations were heavily influenced by eight non-seniors-only properties and all of the 11 market comparables provided, save one, had significantly smaller units (60 to 144 square feet for one-bedroom comparable and 30 to 314 square feet for two-bedrooms). The average market rent for the one-bedroom market units at seniors-only developments is \$656 or \$0.95 per foot which would translate to a rent of \$715 based on the size of the proposed units. This rent is actually less than the maximum 60% rent. Similarly, the average market rent for the two-bedroom market units at seniors-only developments is \$862 or \$0.89 per foot which would translate to a rent of \$1,024 based on the size of the proposed units. The problem with using a square foot average most apparent in this case since this square foot based rent is \$149 more than the highest actual rent being achieved for a two-bedroom seniors only product and similarly well over all but one of the other market comparables in the study. Since the market analyst concluded market rents that are not on a per square foot basis more than 5% greater than the maximum 60% rent the selection points for item 4 (I) in the selection criteria should be reconsidered. The Applicant included only \$5.89 per unit per month in secondary income, which is understated compared to the underwriting guideline of \$10 per unit per month. However, because the development does not include a public laundry facility, the Underwriter has decreased secondary income to \$5 per unit per month. The result is a potential gross income that the Applicant’s estimate is \$15,000 or 1% more than the Underwriter’s estimate.

Expenses: The Applicant’s total operating expense estimate is within 5% of the Underwriter’s TDHCA database-derived estimate. However, several of the Applicant’s line item expenses differed by more than 5% or \$5,000 when compared to the Underwriter’s line items. These include: general and administrative (\$45K lower), payroll (\$76K lower), repairs and maintenance (\$25K higher), utilities (\$10K lower), water, sewer and trash (\$29K higher), property insurance (\$41K higher), and property tax (\$5K higher).

Conclusion: Overall, the Applicant net operating income estimate exceeds 5% of the Underwriter’s estimate. Therefore, the Underwriter’s proforma should be used to determine the development’s ability to service debt. Both the Applicant’s and the Underwriter’s debt coverage ratios fall within the Department’s debt coverage ratio (DCR) guideline of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

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

Off-Site Costs: The Applicant claimed off-site costs of \$259,900 for force main construction and 12” waterline extension. The Applicant provided sufficient third party certification through a registered professional engineer to justify these costs.

Site Work Cost: The Applicant’s claimed site work costs of \$5,680 per unit are considered reasonable

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CREDIT UNDERWRITING ANALYSIS**

compared to historical site work costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$68K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$68,628 effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$20,498.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's estimate, adjusted for overstated fees and ineligible costs, will be used to determine the development's eligible basis of \$14,612,142 and total funding needs as presented in the application.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: a conventional interim to permanent loan, syndicated LIHTC equity, and deferred developer's fees.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through Red Mortgage Capital, Inc. in the amount of \$7,639,355 during the interim period and \$7,074,309 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the like-term US Treasury Rate plus 225 basis points. The Underwriter has utilized the lender's maximum rate of 7.5%.

LIHTC Syndication: Red Capital Markets, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$9,239,076 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

1. 60% upon closing of the construction loan;
2. 20% upon final certificate of occupancy; and
3. 20% upon development stabilization.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$543,660 amount to 28% of the total proposed fees.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, adjusted for overstated fees and ineligible costs, was used to determine the development's eligible basis and recommended annual tax credit allocation of \$1,282,595. Based on this recommendation, the anticipated syndication proceeds would increase by \$391,607. However, applications are limited to a maximum of \$1,200,000 in annual credit. The deferred developer fees needed are equal to those proposed by the Applicant, 28% of eligible developer's fees, which appear to be repayable from cashflow within the first five years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The exterior of the residential buildings will be a combination of brick and siding, although the architectural plans indicate combination brick/plaster exteriors. Each unit includes a balcony and washer/dryer connections. The units appear to be well-designed with adequate storage space including a kitchen pantry. The exterior of the clubhouse/office is similar to the residential buildings. The architectural plans also indicate optional covered walkways from the clubhouse to the residential building.

IDENTITIES of INTEREST

The Applicant, developer, property manager, and support service providers are related entities. These are common identities of interest for LIHTC-funded developments.

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

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

Financial Highlights:

- The Applicant and Managing General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Victory Family Ministry, Inc., the Co-General Partner, submitted an unaudited financial statement as of December 18, 2001 reporting total assets of \$25K and consisting of \$314 in cash and a mobile home. Liabilities totaled \$16.6K, resulting in a net worth of \$8.7K.
- Robert G Hoskins also submitted a personal financial statement.

Background & Experience:

- The Applicant and Managing General Partner are new entities formed for the purpose of developing the project.
- Robert G Hoskins, owner of the Managing General Partner, indicates participation in 13 LIHTC developments in Georgia, Texas and Florida totaling 3,087 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational issues exist with regard to zoning.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,200,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of documentation from the city confirming that the proposed development is a conforming use.
2. Since the market analyst concluded market rents that are not, on a per square foot basis, more than 5% greater than the maximum 60% rents, the selection points for item 4 (I) in the selection criteria should be reconsidered.

Credit Underwriting Supervisor: _____

Lisa Veccheitti

Date: May 30, 2002

Director of Credit Underwriting: _____

Tom Gouris

Date: May 30, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Eagle's Point, Austin, LIHTC 02015

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 30%	16	1	1	750	\$400	\$334	\$5,344	\$0.45	\$66.00	\$38.00
TC 40%	64	1	1	750	533	467	29,888	0.62	66.00	38.00
TC 50%	64	1	1	750	666	600	38,400	0.80	66.00	38.00
TC 60%	16	1	1	750	800	734	11,744	0.98	66.00	38.00
MR	40	1	1	750		758	30,320	1.01	66.00	38.00
TC 30%	4	2	2	1,150	480	396	1,584	0.34	84.00	45.00
TC 40%	13	2	2	1,150	640	556	7,228	0.48	84.00	45.00
TC 50%	13	2	2	1,150	800	716	9,308	0.62	84.00	45.00
<TC 60%	2	2	2	1,150	960	869	1,738	0.76	84.00	45.00
MR	8	2	2	1,150		869	6,952	0.76	84.00	45.00
TOTAL:	240		AVERAGE:	817	\$494	\$594	\$142,506	\$0.73	\$69.00	\$39.17

INCOME

Total Net Rentable Sq Ft: 196,000

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.91%	\$326	\$0.40
Management	5.00%	332	0.41
Payroll & Payroll Tax	12.59%	837	1.03
Repairs & Maintenance	5.67%	377	0.46
Utilities	3.18%	211	0.26
Water, Sewer, & Trash	6.96%	462	0.57
Property Insurance	2.46%	163	0.20
Property Tax 2.5104	9.44%	628	0.77
Reserve for Replacements	3.01%	200	0.24
Other Expenses:	3.07%	204	0.25
TOTAL EXPENSES	56.29%	\$3,741	\$4.58
NET OPERATING INC	43.71%	\$2,905	\$3.56

DEBT SERVICE

First Lien Mortgage	37.21%	\$2,473	\$3.03
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.50%	\$432	\$0.53

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		6.90%	\$4,719	\$5.78
Off-Sites		1.58%	1,083	1.33
Sitework		8.31%	5,680	6.96
Direct Construction		49.84%	34,069	41.72
Contingency	5.00%	2.91%	1,987	2.43
General Requiremer	6.00%	3.49%	2,385	2.92
Contractor's G & F	2.00%	1.16%	795	0.97
Contractor's Profi	6.00%	3.49%	2,385	2.92
Indirect Construction		1.74%	1,190	1.46
Ineligible Expenses		1.68%	1,147	1.40
Developer's G & A	2.00%	1.51%	1,033	1.26
Developer's Profit	13.00%	9.82%	6,712	8.22
Interim Financing		4.60%	3,141	3.85
Reserves		2.97%	2,033	2.49
TOTAL COST		100.00%	\$68,360	\$83.71
Recap-Hard Construction Costs		69.19%	\$47,302	\$57.92

SOURCES OF FUNDS

First Lien Mortgage	43.12%	\$29,476	\$36.09
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	56.31%	\$38,496	\$47.14
Deferred Developer Fees	3.31%	\$2,265	\$2.77
Additional (excess) Funds Require	-2.75%	(\$1,878)	(\$2.30)
TOTAL SOURCES			

	TDHCA	APPLICANT		
POTENTIAL GROSS RENT	\$1,710,072	\$1,722,792		
Secondary Income	14,400	17,232	\$5.98	Per Unit Per Month
Other Support Income	0	0		
POTENTIAL GROSS INCOME	\$1,724,472	\$1,740,024		
Vacancy & Collection Loss	(129,335)	(130,500)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
EFFECTIVE GROSS INCOME	\$1,595,137	\$1,609,524		
EXPENSES			PER SQ FT	PER UNIT
General & Administrative	\$78,343	\$33,332	\$0.17	\$139
Management	79,757	80,476	0.41	335
Payroll & Payroll Tax	200,900	125,000	0.64	521
Repairs & Maintenance	90,412	115,379	0.59	481
Utilities	50,674	40,508	0.21	169
Water, Sewer, & Trash	110,963	139,990	0.71	583
Property Insurance	39,200	79,877	0.41	333
Property Tax	150,624	156,000	0.80	650
Reserve for Replacements	48,000	48,000	0.24	200
Other Expenses:	49,040	49,040	0.25	204
TOTAL EXPENSES	\$897,913	\$867,602	\$4.43	\$3,615
NET OPERATING INC	\$697,224	\$741,922	\$3.79	\$3,091
DEBT SERVICE				
First Lien Mortgage	\$593,575	\$593,575	\$3.03	\$2,473
Additional Financing	0	0	\$0.00	\$0
Additional Financing	0	0	\$0.00	\$0
NET CASH FLOW	\$103,649	\$148,347	\$0.76	\$618
AGGREGATE DEBT COVERAGE RATIO	1.17	1.25		
ALTERNATIVE DEBT COVERAGE RATIO	1.17			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$1,132,560	\$1,132,560	\$5.78	\$4,719	6.72%
Off-Sites	259,900	259,900	1.33	1,083	1.54%
Sitework	1,363,309	1,363,309	6.96	5,680	8.09%
Direct Construction	8,176,522	8,440,690	43.06	35,170	50.07%
Contingency	476,992	490,200	2.50	2,043	2.91%
General Requiremer	572,390	617,652	3.15	2,574	3.66%
Contractor's G & F	190,797	205,884	1.05	858	1.22%
Contractor's Profi	572,390	617,652	3.15	2,574	3.66%
Indirect Construction	285,500	285,500	1.46	1,190	1.69%
Ineligible Expenses	275,316	275,316	1.40	1,147	1.63%
Developer's G & A	247,837	0	0.00	0	0.00%
Developer's Profit	1,610,941	1,926,430	9.83	8,027	11.43%
Interim Financing	753,952	753,952	3.85	3,141	4.47%
Reserves	488,000	488,000	2.49	2,033	2.89%
TOTAL COST	\$16,406,404	\$16,857,045	\$86.01	\$70,238	100.00%
Recap-Hard Construction Costs	\$11,352,399	\$11,735,387	\$59.87	\$48,897	69.62%

	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	\$7,074,309	\$7,074,309	\$7,074,309
Additional Financing	0	0	0
LIHTC Syndication Proceeds	9,239,076	9,239,076	9,239,076
Deferred Developer Fees	543,660	543,660	543,660
Additional (excess) Funds Require	(450,641)	(0)	0
TOTAL SOURCES	\$16,406,404	\$16,857,045	\$16,857,045

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Eagle's Point, Austin, LIHTC 02015

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.59	\$7,956,269
Adjustments				
Exterior Wall Finish	4.50%		\$1.83	\$358,032
Elderly	5.00%		2.03	397,813
Roofing			0.00	0
Subfloor			(0.65)	(128,053)
Floor Cover			1.82	356,720
Porches/Balconies	\$28.10	4,800	0.69	134,880
Plumbing	\$585	120	0.36	70,200
Built-In Appliances	\$1,550	240	1.90	372,000
Stairs	\$1,350	14	0.10	18,900
Floor Insulation			0.00	0
Heating/Cooling			1.41	276,360
Hallways	\$28.10	24,000	3.44	674,400
Comm &/or Aux Bldgs	\$56.86	3,000	0.87	170,586
Three-Stop Elevators	\$56,750	5	1.45	283,750
SUBTOTAL			55.83	10,941,858
Current Cost Multiplier	1.04		2.23	437,674
Local Multiplier	0.88		(6.70)	(1,313,023)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.36	\$10,066,509
Plans, specs, survy, bld	3.90%		(\$2.00)	(\$392,594)
Interim Construction Inte	3.38%		(1.73)	(339,745)
Contractor's OH & Profit	11.50%		(5.91)	(1,157,649)
NET DIRECT CONSTRUCTION COSTS			\$41.72	\$8,176,522

PAYMENT COMPUTATION

Primary	\$7,074,309	Term	360
Int Rate	7.50%	DCR	1.17

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.17

Additional	\$9,239,076	Term	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$593,575
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$103,649

Primary	\$7,074,309	Term	360
Int Rate	7.50%	DCR	1.17

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.17

Additional	\$9,239,076	Term	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,710,072	\$1,761,374	\$1,814,215	\$1,868,642	\$1,924,701	\$2,231,256	\$2,586,637	\$2,998,622	\$4,029,897
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income: (desc):	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,724,472	1,776,206	1,829,492	1,884,377	1,940,908	2,250,045	2,608,419	3,023,872	4,063,831
Vacancy & Collection Loss	(129,335)	(133,215)	(137,212)	(141,328)	(145,568)	(168,753)	(195,631)	(226,790)	(304,787)
Employee or Other Non-Renta:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,595,137	\$1,642,991	\$1,692,280	\$1,743,049	\$1,795,340	\$2,081,291	\$2,412,787	\$2,797,082	\$3,759,044
EXPENSES at 4.00%									
General & Administrative	\$78,343	\$81,477	\$84,736	\$88,125	\$91,650	\$111,506	\$135,664	\$165,057	\$244,324
Management	79,757	82,150	84,614	87,152	89,767	104,065	120,639	139,854	187,952
Payroll & Payroll Tax	200,900	208,936	217,293	225,985	235,025	285,943	347,894	423,266	626,537
Repairs & Maintenance	90,412	94,029	97,790	101,701	105,769	128,685	156,565	190,485	281,964
Utilities	50,674	52,701	54,809	57,001	59,281	72,124	87,750	106,762	158,033
Water, Sewer & Trash	110,963	115,402	120,018	124,819	129,811	157,935	192,152	233,783	346,056
Insurance	39,200	40,768	42,399	44,095	45,858	55,794	67,882	82,588	122,251
Property Tax	150,624	156,649	162,915	169,432	176,209	214,385	260,832	317,342	469,744
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	49,040	51,002	53,042	55,163	57,370	69,799	84,921	103,320	152,939
TOTAL EXPENSES	\$897,913	\$933,032	\$969,531	\$1,007,467	\$1,046,894	\$1,268,555	\$1,537,421	\$1,863,585	\$2,739,495
NET OPERATING INCOME	\$697,224	\$709,959	\$722,749	\$735,582	\$748,447	\$812,736	\$875,367	\$933,497	\$1,019,549
DEBT SERVICE									
First Lien Financing	\$593,575	\$593,575	\$593,575	\$593,575	\$593,575	\$593,575	\$593,575	\$593,575	\$593,575
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$103,649	\$116,384	\$129,174	\$142,007	\$154,871	\$219,161	\$281,791	\$339,921	\$425,974
DEBT COVERAGE RATIO	1.17	1.20	1.22	1.24	1.26	1.37	1.47	1.57	1.72

LIHTC Allocation Calculation - Eagle's Point, Austin, LIHTC 02015

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,132,560	\$1,132,560		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,363,309	\$1,363,309	\$1,363,309	\$1,363,309
Off-site improvements	\$259,900	\$259,900		
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$8,440,690	\$8,176,522	\$8,440,690	\$8,176,522
(4) Contractor Fees & General Requirements				
Contractor overhead	\$205,884	\$190,797	\$196,080	\$190,797
Contractor profit	\$617,652	\$572,390	\$588,240	\$572,390
General requirements	\$617,652	\$572,390	\$588,240	\$572,390
(5) Contingencies	\$490,200	\$476,992	\$490,200	\$476,992
(6) Eligible Indirect Fees	\$285,500	\$285,500	\$285,500	\$285,500
(7) Eligible Financing Fees	\$753,952	\$753,952	\$753,952	\$753,952
(8) All Ineligible Costs	\$275,316	\$275,316		
(9) Developer Fees			\$1,905,932	
Developer overhead		\$247,837		\$247,837
Developer fee	\$1,926,430	\$1,610,941		\$1,610,941
(10) Development Reserves	\$488,000	\$488,000		
TOTAL DEVELOPMENT COSTS	\$16,857,045	\$16,406,404	\$14,612,142	\$14,250,628

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,612,142	\$14,250,628
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$18,995,785	\$18,525,817
Applicable Fraction		80%	80%
TOTAL QUALIFIED BASIS		\$15,196,628	\$14,820,653
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		\$1,282,595	\$1,250,863

Syndication Proceeds	0.7699	\$9,874,997	\$9,630,683
Maximum Tax Credit Amount		\$1,200,000	
Syndication Proceeds based on Maximum Tax Credit Amount		\$9,239,076	

TDHCA #

02041

Region 8A

**General
Set-Aside**

**Forward
Commitment**



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Villas at Costa Verde**

TDHCA #: **02041**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region:	8A	LIHTC Primary Set Aside:	G
Site Address:	6000 Block of N. Foster Rd.	Additional Elderly Set Aside	<input type="checkbox"/>
City:	San Antonio	Purpose / Activity:	NC
County:	Bexar	Development Type:	Family
Zip Code:	78244	<input type="checkbox"/> TTC	<input type="checkbox"/> DDA <input type="checkbox"/> QCT

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
 Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 14 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Costa Verde, LTD.

Principal Names:	Principal Contact:	Percentage Ownership:
Costa Verde Royal Castle, Ltd.	Daniel Markson	99 %
Affordable Housing Visions for Texas, Inc.	Michael N. Casias	1 %
Daniel B. Markson	NA	0 %
Elliot Stone	NA	0 %
Royal Castle Texas, L.L.C.	Daniel B. Markson	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,066,667** Allocation over 10 Years: \$10,666,670
 Credits Requested: \$1,066,667 Eligible Basis Amount: \$0 Equity/Gap Amount: \$0

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	1	1	0	0	2
50%	0	0	48	30	0	0	78
60%	0	0	65	45	0	0	110
MR	0	0	6	4	0	0	10
Total	0	0	120	80	0	0	

Total LI Units: 190
 Owner/Employee Units: 0
 Total Project Units: 200
 Applicable Fraction: 95.00

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

BUILDING INFORMATION

Total Development Cost: **\$0**
 Gross Building Square Feet: 205,133
 Total NRA SF: 201,516
 Gross/Net Rentable: 1.02
 Average Square Feet/Unit: 1,008
 Cost Per Net Rentable Square Foot: \$0.00
 Credits per Low Income Unit: \$5,614

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$0
 Total Expenses: \$0
 Net Operating Income: \$0
 Estimated 1st Year Debt Coverage Ratio: 0.00

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Royal Castle Builders, LLC	Market Analyst:	Apartment Market Data Research
Housing GC:	Royal Castle Construction LLC	Originator/UW:	NA
Infrastructure GC:	Royal Castle Construction LLC	Appraiser:	Land America OneStop
Cost Estimator:	Royal Castle Construction LLC	Attorney:	Stearns Weaver Miller Weissler
Architect:	Mucasey and Associates	Supp Services:	American Agape Foundation, Inc.
Property Manager:	Orion Real Estate Services, Inc.	Accountant:	Reznick, Fedder & Silverman
Engineer:	Baker/Aicklen & Associates		
Syndicator:	Boston Capital Corporation	Permanent Lender:	AGM Financial Service

DEPARTMENT EVALUATION

Points Awarded: 129 Site Review: Acceptable Underwriting Finding: Not Available

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommender

PUBLIC COMMENT SUMMARY Note: "O" = Opposed, "S" = Support, "NC" or Blank = No comment

of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **3** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Edward D. Garza, Mayor, S	Robert R. Puente, State Representative, District 119, S
TX Rep.: Ruth Jones McClendon, Dist. 120 S	John H. Sanders, Councilman, District 2, S
TX Sen.: Judith Zaffirini, Dist. 21 S	Andrew D. Cameron, City Housing Director, NC
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

THIS DEVELOPMENT HAS NOT YET BEEN UNDERWRITTEN. THE CREDIT RECOMMENDATION FOR THIS DEVELOPMENT, AND ANY CONDITIONS, ARE STILL SUBJECT TO UNDERWRITING.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

- Score Meeting Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits
- To serve a greater number of lower income families for a longer period of time
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
- To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: As a region with a shortfall valued at more than 6% of its total regional allocation, this region was selected for a 2003 Forward Commitment. This was one of three developments with identical scores (#02087 and #02145 are the other two). However, in applying the evaluation factor of serving more low income families for fewer credits, this development is using only \$5,614 in credits per low income unit to serve 190 low income families, while the other two were serving fewer low income families for an average of \$7,600 credits per low income unit.

This development was only added to the recommendation list late Friday and due to time constraints, the underwriting report and final recommendation amount, are not yet available.

Brooke Boston, Acting LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

Edwina Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board

Date

Developer Evaluation

Compliance Status Summary

Project ID #: 02041 LIHTC 9% LIHTC 4%
Project Name: Villas at Costa Verde HOME HTF
Project City: San Antonio, Texas BOND SECO

Housing Compliance Review	
Project(s) in material non-compliance	<input type="checkbox"/>
No previous participation	<input type="checkbox"/>
Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)	
Projects Monitored by the Department	
# reviewed <u>0</u>	# not yet monitored or pending review <u>2</u>
# of projects grouped by score	0-9: <u>0</u> 10-19: <u>0</u> 20-29: <u>0</u>
Members of the development team have been disbarred by HUD	<input type="checkbox"/>
National Previous Participation Certification Received	<u>Yes</u>
Non-Compliance Reported	<u>No</u>
Completed by <u>Sara Carr Newsom</u>	Completed on <u>06/14/2002</u>

Single Audit	
Status of Findings (any outstanding single audit issues are listed below)	
single audit not applicable <input type="checkbox"/>	no outstanding issues <input type="checkbox"/> outstanding issues <input type="checkbox"/>
Comments:	
Completed by _____	Completed on _____

Program Monitoring	
Status of Findings (any unresolved issues are listed below)	
monitoring review not applicable <input type="checkbox"/>	monitoring review pending <input type="checkbox"/>
reviewed; no unresolved issues <input type="checkbox"/>	reviewed; unresolved issues found <input type="checkbox"/>
Comments:	
Completed by _____	Completed on _____

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Executive Director: _____ **Date Signed:** _____

The Underwriting
Report for #02041 is
Not Yet Available

TDHCA #

02078

Region 3

**General
Set-Aside**

**Forward
Commitment**

**LOW INCOME HOUSING TAX CREDIT PROGRAM****2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Sphinx at Murdeaux**TDHCA #: **02078****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: G
 Site Address: 7400 Block of Loop 12 Additional Elderly Set Aside
 City: Dallas Purpose / Activity: NC
 County: Dallas Development Type: Family
 Zip Code: 75217 TTC DDA QCT

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
 Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 8 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Murdeaux Villas, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
SDC Murdeaux, LLC	Jay O. Oji	100 %
Sphinx Development, Corporation	Jay O. Oji	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,133,095** Allocation over 10 Years: \$11,330,950
 Credits Requested: \$1,144,545 Eligible Basis Amount: \$1,169,901 Equity/Gap Amount: \$1,133,095

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	18	9	3	0	30
40%	0	0	36	18	6	0	60
50%	0	0	36	18	6	0	60
60%	0	0	0	0	0	0	0
MR	0	0	0	0	0	0	0
Total	0	0	90	45	15	0	

BUILDING INFORMATION

Total Development Cost:	\$12,396,361
Gross Building Square Feet:	158,852
Total NRA SF:	155,475
Gross/Net Rentable:	1.02
Average Square Feet/Unit:	1,037
Cost Per Net Rentable Square Foot:	\$79.73
Credits per Low Income Unit	\$7,554

Total LI Units: 150
 Owner/Employee Units: 0
 Total Project Units: 150
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	\$1,003,895
Total Expenses:	\$631,136
Net Operating Income:	\$372,759
Estimated 1st Year Debt Coverage Ratio:	1.10

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

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Sphinx Development Corp.	Market Analyst: James Sawyer & Associates
Housing GC: Glenn Lynch Co.	Originator/UW: First Union Securities
Infrastructure GC: NA	Appraiser: James Sawyer & Associates
Cost Estimator: Glenn Lynch Co.	Attorney: True and Shackelford
Architect: Humphries and Partners	Supp Services: Royal Communities
Property Manager: M. Myers Management	Accountant: Thomas Stephens LLC
Engineer: Hickman Consulting	
Syndicator: First Union	Permanent Lender: First Union

DEPARTMENT EVALUATION

Points Awarded: 153 Site Review: Acceptable Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommender

Project Name: Sphinx at Murdeaux

Project Number: 02078

PUBLIC COMMENT SUMMARY Note: "O" = Opposed, "S" = Support, "NC" or Blank = No comment

of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **6** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Laura Miller, Mayor, S	Douglas A. Dykman, Interim Director, City of Dallas, NC
TX Rep.: Helen Giddings, Dist. 109 S	Jack Ireland, Assistant Director, City of Dallas, NC
TX Sen.: Royce West, Dist. 23 S	James L. Fantroy, Councilman #8, S
US Rep.:	Mary Poss, Acting Mayor, NC
US Sen.:	

CONDITIONS TO COMMITMENT

- Receipt, review and acceptance of consistent building plans and site plans to match the rent schedule.
- Receipt, review and acceptance of a revised permanent loan commitment reflecting a maximum total debt service not to exceed \$338,716, or an alternative financing structure acceptable to the Department.
- Receipt, review and acceptance of a complete pay-in schedule by the equity partner.
- Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

- Score Meeting Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits
- To serve a greater number of lower income families for a longer period of time
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
- To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: As a region with a shortfall valued at more than 6% of its total regional allocation, this region was selected for a 2003 Forward Commitment. This development was selected because it was the next highest scoring development in Region 3.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
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Developer Evaluation

Compliance Status Summary

Project ID #: 02078

LIHTC 9% LIHTC 4%

Project Name: Sphinx @ Murdeaux

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 5 # not yet monitored or pending review 2

of projects grouped by score 0-9: 4 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 05/23/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 05/23/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 05/23/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by E. Weilbaecher **Completed on** 06/06/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Executive Director: Edwina Carrington **Date Signed:** June 14, 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: June 14, 2002 PROGRAM: 9% LIHTC FILE NUMBER: 02078

DEVELOPMENT NAME

The Sphinx at Murdeaux

APPLICANT

Name: Murdeaux Villas, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 12970 Pandora Drive, Suite 210 **City:** Dallas **State:** Texas
Zip: 75238 **Contact:** Jay Oji **Phone:** (214) 324-1405 **Fax:** (214) 342-1409

PRINCIPALS of the APPLICANT

Name: SDC Murdeaux, LLC **(%):** .01 **Title:** Managing General Partner
Name: Sphinx Development Corp. **(%):** n/a **Title:** 50% owner of G.P.
Name: Jay O. Oji **(%):** n/a **Title:** 50% owner of G.P.
Name: First Union National Bank **(%):** 99.99 **Title:** Limited Partner

GENERAL PARTNER

Name: SDC Murdeaux, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 12970 Pandora Drive, Suite 210 **City:** Dallas **State:** Texas
Zip: 75238 **Contact:** Jay Oji **Phone:** (214) 324-1405 **Fax:** (214) 342-1409

PROPERTY LOCATION

Location: 7400 Block of Loop 12 QCT DDA
City: Dallas **County:** Dallas **Zip:** 75217

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,144,545	n/a	n/a	n/a
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New Construction</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 18.01 acres 784,516 square feet **Zoning/ Permitted Uses:** MF-1 Multifamily
Flood Zone Designation: May partially be in 100 year flood plain **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 150 **# Rental Buildings:** 12 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 0 yrs **Vacant:** n/a

Number	Bedrooms	Bathroom	Size in SF
90	2	2	954
45	3	2	1,115
15	4	2	1,296

Net Rentable SF: 155,475 **Av Un SF:** 1,037 **Common Area SF:** 3,377 **Gross Bldng SF** 158,852

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on concrete slab on grade, 50% brick, 50% hardiboard siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,377 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, children's play area, and picnic area.

Uncovered Parking: _____ spaces **Carports:** _____ spaces **Garages:** _____ spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: First Union **Contact:** Robert Klixbull

Principal Amount: \$3,700,000 **Interest Rate:** 10 year treasury plus 500 basis points- 8% minimum

Additional Information: _____

Amortization: n/a **Term:** 2 yrs **Commitment:** None Firm Letter of Interest

LONG TERM/PERMANENT FINANCING

Source: First Union **Contact:** Robert Klixbull

Principal Amount: \$3,812,000 **Interest Rate:** 10 year treasury plus 500 basis points- 8% minimum

Additional Information: _____

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Letter of Interest

Annual Payment: \$335,653 **Lien Priority:** 1st **Commitment Date** 1/ 3/ 2002

LONG TERM/PERMANENT FINANCING

Source: Jubilee Metro Church **Contact:** Rev. Lawrence

Principal Amount: \$158,000 **Interest Rate:** 3.75%

Additional Information: 2 units be set aside for tenants at 30% of AMGI

Amortization: 27 yrs **Term:** 10 yrs **Commitment:** None Firm Letter of Interest

Annual Payment: \$9,314 **Lien Priority:** _____ **Commitment Date** 2/ 2/ 2002

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

LIHTC SYNDICATION

Source: First Union **Contact:** Robert Klixbull
Address: One First Union Center **City:** Charlotte
State: NC **Zip:** 28288 **Phone:** (704) 383-0280 **Fax:** (704) 383-9525
Net Proceeds: \$8,584,361 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 75¢
Commitment None Firm Letter of Interest **Date:** 1/ 3/ 2002
Additional Information: Complete pay-in schedule not provided

APPLICANT EQUITY

Amount: N/A **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: \$81,050 **Assessment for the Year of:** 2001
Building: N/A **Valuation by:** Dallas County Appraisal District
Total Assessed Value: \$81,050

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase Contract
Contract Expiration Date: 12/ 12/ 2001 **Anticipated Closing Date:** 9/ 30/ 2002
Acquisition Cost: \$ 988,500 **Other Terms/Conditions:** _____
Seller: Graue Properties, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Sphinx at Murdeaux is a proposed new construction development of 150 units of affordable housing located in southeast Dallas. The development is comprised of 12 residential buildings as follows:

- (6) Building Type/Style A with eight two-bedroom units, and eight three- bedroom units;
- (2) Building Type/Style B with 16 two-bedroom units;
- (2) Building Type/Style C with eight four-bedroom units; and
- (2) Building Type/Style D with four two-bedroom units.

However, the building plans are inconsistent with the unit mix provided by the Applicant. Without the correct information the Underwriter is not able to perform a reliable cost estimate. Receipt, review and acceptance of consistent building plans and site plans is a condition of the report. Based on the site plan the apartment buildings are distributed evenly throughout the site arranged in two groups separated by parking lots, with the community building and swimming pool located near the entrance to the site. The 3,377 -square foot community building plan includes the management office, a community room, business center, exercise room, kitchen, restrooms, laundry facilities and maintenance room.

Supportive Services: The Applicant has contracted with Royal Community Foundation, Inc. to provide the following supportive services to tenants: Financial, vocational, relational, philosophical needs for adults. Literacy, scholastic aid and computer skills for children. Health classes for adults and children and spiritual

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

assistance. The fee will be no cost to the tenants. The Applicant will pay \$220,000 over a five year period.
Schedule: The Applicant anticipates construction to begin in April of 2003, to be completed in July of 2004, to be placed in service in December of 2004, and to be substantially leased-up in January of 2005.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI). The Applicant will set-aside 30 of the units (20% of the total) for households earning 30% or less of AMGI, 60 of the units (40%) will be reserved for households earning 40% or less of AMGI, and the remaining 60 units (40%) will be reserved for households earning 50% or less of AMGI.

Special Needs Set-Asides: 8 units (5.3%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 25 years.

MARKET HIGHLIGHTS

A market feasibility study dated March 26, 2002 was prepared by James Sawyer and highlighted the following findings:

Definition of Market/Submarket: “The market area consists of the area south of IH-30 between IH-35 on the west and the Dallas city limits inn the south as east.” (p. 41)

Total Local/Submarket Demand for Rental Units: There is currently a total shortage of 2,453 units in the primary market place. (p. 53)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	N/A	N/A	34	1%
Resident Turnover	N/A	N/A	8,522	99%
Pent-up Demand	3,477	100%	N/A	N/A
TOTAL ANNUAL DEMAND	3,477	100%	8,556	100%

Ref: p. 53

Capture Rate: “The subject’s pro rata share would equate to 6% of the total new demand in the submarket.” (p. 53) The Underwriter calculated a concentration capture rate of 6% as well, based on a demand of 8,556 units and a total of 539 units added to the supply which includes Hillside Apartment a 2001 4% bond transaction.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,092 units in the market area. (p. 59)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (30%)	\$359	\$372	-\$13	\$646	-\$287
2-Bedroom (40%)	\$504	\$523	-\$19	\$646	-\$142
2-Bedroom (50%)	\$649	\$672	-\$23	\$646	+\$3
3-Bedroom (30%)	\$414	\$430	-\$16	\$828	-\$414
3-Bedroom (40%)	\$582	\$603	-\$21	\$828	-\$246
3-Bedroom (50%)	\$749	\$776	-\$27	\$828	-\$79
4-Bedroom (30%)	\$453	\$471	-\$18	No data	n/a
4-Bedroom (40%)	\$640	\$664	-\$24	No data	n/a
4-Bedroom (50%)	\$827	\$856	-\$29	No data	n/a

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

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

Submarket Vacancy Rates: “The submarket was 88.4% occupied as of year-end 2001” (p. 49)

Absorption Projections: The property should absorb 139 units in the first year to reach 92.5% stabilization. (p. 53)

The market analyst used comparable properties that were not even in the primary market area, and did not do a sufficient job of calculating the demand. Nonetheless, the Underwriter found the market study marginally provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Dallas is located in northern region of the state in Dallas County. The site is an irregularly-shaped parcel located in the southeast area of Dallas, approximately 7.5 miles from the central business district. The site is situated on the west side of Murdeaux Lane.

Population: The estimated 2001 population of the submarket was 234,669 and is expected to increase by 1% to approximately 237,150 by 2006. Within the primary market area there were estimated to be 76,582 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant commercial land to the north, freestanding retail to the east, vacant flood plain land to the west and single family residence constructed in the 1960's to the south.

Site Access: Access to the property is from going west along Highway 12 from Highway 175. The development has one main entry, from the north from Murdeaux. Access to Interstate Highway 20 is 3.5 miles southeast, which provides connections to all other major roads serving the Dallas area.

Public Transportation: The Dallas Area Rapid Transit Authority (DART) provides public transportation in the area however the location of the nearest bus stop is unknown.

Special Adverse Site Characteristics: According to the market study performed by James Sawyer and Associates, Inc. “a portion of the western boundary of the site appears to be within a flood hazard zone.” However no mention of this was made by the environmental engineer. A flood map provided was too small to determine the effect of the floodplain. A survey by Barry S Rhodes conducted in 1984 was provided and it reflected the flood management area on the western 4.4808 acres of the site. This area is also reflected on the site plan and no improvements including drives or parking appear to be planned for that area.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 28, 2002 was prepared by RRI Environmental Consulting and Risk Management and contained the following findings and recommendations:

Findings: Although various types and quantities of trash and debris were observed, none of the items appeared to represent potential hazards to the subject site. As a result, no further environmental assessment is needed at this time.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly lower than the maximum rents allowed under LIHTC guidelines. This may be because the Applicant used 2001 gross rents. The market study indicates that the property can achieve the maximum net allowable for all the units and therefore the maximum net tax credits rents were adopted by the Underwriter. Both the Underwriter and the Applicant used \$10 per unit per month in secondary income and a vacancy and collection loss factor of 7.5%.

Expenses: The Applicant's estimate of total operating expense is 8% lower than the Underwriter's TDHCA database-derived estimate. The Applicant's budget shows several line item estimates that deviate significantly when compared to the adjusted database averages, particularly payroll (\$35K lower), repairs and maintenance (\$30K higher), water, sewer and trash (\$23K lower) and property tax (\$12K lower) than the Underwriter's estimates.

Conclusion: The Applicant's effective gross income and net operating income are within 5% of the Underwriter's estimates, however the Applicant's expenses are more than 5% outside the Underwriter's estimate, therefore, the Underwriter's NOI will be used to evaluate debt service capacity. When combining

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

the two loans, the Underwriter's estimated debt coverage ratio (DCR) of 1.08 is slightly lower than the program minimum standard of 1.10. The maximum total debt service for this project should be limited to \$338,716 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$988,500 (\$54,886 per acre) is assumed to be reasonable since the acquisition is arm's-length transaction.

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

Direct Construction Cost: The Applicant's direct construction cost estimate is \$355K or 6% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's costs are overstated.

Ineligible Costs: The Applicant incorrectly included \$32,000 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$15,365 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit were below the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. However, the Applicant also submitted a cost of \$132,000 for field supervision and \$48,727 for general and administrative costs for field work. The Underwriter moved these amounts into general requirements, contractor's general and administrative fees, and contractor's profit to maximize the Applicant's fees at the 6%, 2% and 6% amounts. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$28,860.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total project cost estimate of \$82.642 per unit, or \$79.73 per square foot appears acceptable for this product type. The Applicant is requesting \$1,144,545 in tax credits, based on an applicable percentage of 8.20%. As a result of adjustments to the Applicant's budget, an eligible basis of \$10,662,608 is used to determine a credit allocation of \$1,169,901 from this method. This credit amount will be used to compare to the gap.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from four sources: a conventional interim to permanent loan, an additional loan, syndicated LIHTC equity, the Applicant's cash equity, and deferred developer's fees.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through First Union in the amount of \$3,700,000 during the interim period and \$3,812,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent at a fixed interest rate at the 10-year treasury plus 500 basis points with a minimum of 8% with a 30 year amortization.

Private Loan: The Jubilee Metro Church will be providing additional funding of \$158,000 as assistance as long as there is a set-aside for units at 30% of AMGI. The interest rate will be fixed at 3.75% with a term of 10 years, amortized over 27 years.

LIHTC Syndication: First Union has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,584,361 based on a syndication factor of 75%. Although the letter indicates that 50% of the proceeds will be paid upon admission to the partnership, no further distributions were mentioned. Receipt, review and acceptance of a complete pay-in schedule by the equity partner is a condition of the report.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC

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

allocation should not exceed \$1,169,901, resulting in syndication proceeds of \$8,773,383. However, according to the Underwriter's analysis, the Applicant will only need \$8,497,359 in syndication proceeds for the development of the project. As a result, the Underwriter reduced the amount of tax credits to \$1,133,095. Based on this analysis, the Applicant will not have to defer any of their fees.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies with small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with three other units off an interior breezeway. The units are in two-story walk-up structures with mixed brick and hardiboard siding exterior finish and pitched roofs. The site plans and the building plan are inconsistent with the rent schedule and therefore this report is conditioned on receipt review and acceptance of a new set of building plans.

IDENTITIES of INTEREST

Applicant, General Partner and The Developer are related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant is single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The General Partner, Sphinx Development Corporation, submitted an unaudited financial statement as of May 5, 2002 reporting total assets of \$2,981,908 and consisting of \$20,250 in cash, \$463,301 in receivables, \$1,997,954 in partnership interests, \$47,301 in machinery and equipment and \$453,102 in deferred developer fees and escrow deposits. Liabilities totaled \$100,000, resulting in a net worth of \$2,881,908.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner/Developer has completed three LIHTC housing developments totaling 440 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational risks exist regarding a portion of the property being located in the flood plain.
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,133,095 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of consistent building plans and site plans to match the rent schedule;
2. Receipt, review, and acceptance of a revised permanent loan commitments reflecting a maximum total debt service not to exceed \$338,716;
3. Receipt, review and acceptance of a complete pay-in schedule by the equity partner;

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

4. Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

Underwriter:

Mark Fugina

Date: June 14, 2002

Credit Underwriting Supervisor:

Jim Anderson

Date: June 14, 2002

Director of Credit Underwriting:

Tom Gouris

Date: June 14, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Sphinx at Murdeaux, Dallas, LIHTC #02078

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsf
TC30%	18	2	2	954	\$448	\$372	\$6,696	\$0.39	\$76.00	\$52.00
TC40%	36	2	2	954	599	523	18,828	0.55	76.00	52.00
TC50%	36	2	2	954	748	672	24,192	0.70	76.00	52.00
TC30%	9	3	2	1,115	518	430	3,870	0.39	88.00	61.00
TC40%	18	3	2	1,115	691	603	10,854	0.54	88.00	61.00
TC50%	18	3	2	1,115	864	776	13,968	0.70	88.00	61.00
TC30%	3	4	2	1,296	578	471	1,413	0.36	107.00	75.00
TC40%	6	4	2	1,296	771	664	3,984	0.51	107.00	75.00
TC50%	6	4	2	1,296	963	856	5,136	0.66	107.00	75.00
TOTAL:	150		AVERAGE:	1,037	\$676	\$593	\$88,941	\$0.57	\$82.70	\$57.00

INCOME				TOTAL Net Rentable Sq Ft: 155,475		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$1,067,292	\$1,029,780			
Secondary Income		Per Unit Per Month:	\$10.00			18,000	18,000	\$10.00	Per Unit Per Month	
Other Support Income: (describe)						0				
POTENTIAL GROSS INCOME						\$1,085,292	\$1,047,780			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%			(81,397)	(78,588)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$1,003,895	\$969,192			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.19%	\$347	\$0.34			\$52,093	\$43,300	\$0.28	\$289	4.47%
Management	5.00%	335	0.32			50,195	58,152	0.37	388	6.00%
Payroll & Payroll Tax	14.20%	950	0.92			142,545	107,176	0.69	715	11.06%
Repairs & Maintenance	6.09%	408	0.39			61,152	91,650	0.59	611	9.46%
Utilities	3.78%	253	0.24			37,959	27,500	0.18	183	2.84%
Water, Sewer, & Trash	4.98%	333	0.32			49,988	26,250	0.17	175	2.71%
Property Insurance	2.48%	166	0.16			24,876	24,911	0.16	166	2.57%
Property Tax 2.730555	10.20%	683	0.66			102,396	90,000	0.58	600	9.29%
Reserve for Replacements	2.99%	200	0.19			30,000	30,600	0.20	204	3.16%
Other Expenses:	7.96%	533	0.51			79,933	79,933	0.51	533	8.25%
TOTAL EXPENSES	62.87%	\$4,208	\$4.06			\$631,136	\$579,472	\$3.73	\$3,863	59.79%
NET OPERATING INC	37.13%	\$2,485	\$2.40			\$372,759	\$389,720	\$2.51	\$2,598	40.21%
DEBT SERVICE										
First Lien Mortgage	33.44%	\$2,238	\$2.16			\$335,653	\$335,653	\$2.16	\$2,238	34.63%
Additional Financing	0.93%	\$62	\$0.06			9,314		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
NET CASH FLOW	2.77%	\$185	\$0.18			\$27,791	\$54,067	\$0.35	\$360	5.58%
AGGREGATE DEBT COVERAGE RATIO						1.08	1.16			
ALTERNATIVE DEBT COVERAGE RATIO						1.10				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		8.31%	\$6,590	\$6.36	\$988,500	\$988,500	\$6.36	\$6,590	7.97%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		8.19%	6,500	6.27	975,000	975,000	6.27	6,500	7.87%
Direct Construction		50.23%	39,858	38.45	5,978,678	6,334,050	40.74	42,227	51.10%
Contingency	2.10%	1.23%	975	0.94	146,181	146,181	0.94	975	1.18%
General Reqts	6.00%	3.51%	2,781	2.68	417,221	438,543	2.82	2,924	3.54%
Contractor's G i	2.00%	1.17%	927	0.89	139,074	146,181	0.94	975	1.18%
Contractor's Pr	6.00%	3.51%	2,781	2.68	417,221	438,543	2.82	2,924	3.54%
Indirect Construction		2.76%	2,188	2.11	328,250	328,250	2.11	2,188	2.65%
Ineligible Costs		2.96%	2,351	2.27	352,715	352,715	2.27	2,351	2.85%
Developer's G & A	3.08%	2.29%	1,820	1.76	273,007	362,636	2.33	2,418	2.93%
Developer's Profi	11.92%	8.88%	7,047	6.80	1,056,999	1,056,999	6.80	7,047	8.53%
Interim Financing		3.91%	3,101	2.99	465,085	465,085	2.99	3,101	3.75%
Reserves		3.06%	2,425	2.34	363,678	363,678	2.34	2,425	2.93%
TOTAL COST		100.00%	\$79,344	\$76.55	\$11,901,608	\$12,396,361	\$79.73	\$82,642	100.00%
Recap-Hard Construction Costs		67.83%	\$53,822	\$51.93	\$8,073,374	\$8,478,498	\$54.53	\$56,523	68.40%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	32.03%	\$25,413	\$24.52	\$3,812,000	\$3,812,000	\$3,741,002
Additional Financing	1.33%	\$1,053	\$1.02	158,000	158,000	158,000
LIHTC Syndication Proceeds	72.13%	\$57,229	\$55.21	8,584,361	8,584,361	8,497,359
Deferred Developer Fees	0.00%	\$0	\$0.00	0		0
Additional (excess) Funds Requ:	-5.48%	(\$4,352)	(\$4.20)	(652,753)	(158,000)	0
TOTAL SOURCES				\$11,901,608	\$12,396,361	\$12,396,361

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Sphinx at Murdeaux, Dallas, LIHTC #02078

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.02	\$6,222,803
Adjustments				
Exterior Wall Finl	4.50%		\$1.80	\$280,026
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(304,731)
Floor Cover			1.82	282,965
Porches/Balconies	\$25.02	8725	1.40	218,256
Plumbing	\$585	465	1.75	272,025
Built-In Appliance	\$1,550	150	1.50	232,500
Stairs/Fireplaces	\$1,550	36	0.36	55,800
Floor Insulation			0.00	0
Heating/Cooling			1.41	219,220
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$55.81	3,377	1.21	188,467
Other:			0.00	0
SUBTOTAL			49.32	7,667,331
Current Cost Multiplier	1.04		1.97	306,693
Local Multiplier	0.92		(3.95)	(613,386)
TOTAL DIRECT CONSTRUCTION COSTS			\$47.34	\$7,360,637
Plans, specs, survy, b	3.90%		(\$1.85)	(\$287,065)
Interim Construction I	3.38%		(1.60)	(248,422)
Contractor's OH & Prof	11.50%		(5.44)	(846,473)
NET DIRECT CONSTRUCTION COSTS			\$38.45	\$5,978,678

PAYMENT COMPUTATION

Primary	\$3,812,000	Term	360
Int Rate	8.00%	DCR	1.11
Secondary	\$158,000	Term	324
Int Rate	3.75%	Subtotal DCR	1.08
Additional	\$8,584,361	Term	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$329,402
Secondary Debt Service	9,314
Additional Debt Service	0
NET CASH FLOW	\$34,043

Primary	\$3,741,002	Term	360
Int Rate	8.00%	DCR	1.13
Secondary	\$158,000	Term	324
Int Rate	3.75%	Subtotal DCR	1.10
Additional	\$8,584,361	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,067,292	\$1,099,311	\$1,132,290	\$1,166,259	\$1,201,247	\$1,392,574	\$1,614,375	\$1,871,503	\$2,515,144
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,085,292	1,117,851	1,151,386	1,185,928	1,221,506	1,416,060	1,641,602	1,903,066	2,557,562
Vacancy & Collection Loss:	(81,397)	(83,839)	(86,354)	(88,945)	(91,613)	(106,204)	(123,120)	(142,730)	(191,817)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,003,895	\$1,034,012	\$1,065,032	\$1,096,983	\$1,129,893	\$1,309,855	\$1,518,481	\$1,760,336	\$2,365,745
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$52,093	\$54,177	\$56,344	\$58,598	\$60,942	\$74,145	\$90,209	\$109,753	\$162,461
Management	50,195	51,701	53,252	54,849	56,495	65,493	75,924	88,017	118,287
Payroll & Payroll Tax	142,545	148,246	154,176	160,343	166,757	202,885	246,841	300,320	444,547
Repairs & Maintenance	61,152	63,598	66,142	68,787	71,539	87,038	105,895	128,837	190,711
Utilities	37,959	39,478	41,057	42,699	44,407	54,028	65,733	79,975	118,382
Water, Sewer & Trash	49,988	51,987	54,067	56,230	58,479	71,148	86,563	105,317	155,895
Insurance	24,876	25,871	26,906	27,982	29,101	35,406	43,077	52,410	77,580
Property Tax	102,396	106,492	110,751	115,181	119,789	145,741	177,316	215,733	319,337
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	79,933	83,130	86,456	89,914	93,510	113,770	138,418	168,407	249,283
TOTAL EXPENSES	\$631,136	\$655,880	\$681,598	\$708,329	\$736,114	\$892,354	\$1,081,927	\$1,311,973	\$1,930,042
NET OPERATING INCOME	\$372,759	\$378,132	\$383,434	\$388,654	\$393,779	\$417,502	\$436,554	\$448,363	\$435,703
DEBT SERVICE									
First Lien Financing	\$329,402	\$329,402	\$329,402	\$329,402	\$329,402	\$329,402	\$329,402	\$329,402	\$329,402
Second Lien	9,314	9,314	9,314	9,314	9,314	9,314	9,314	9,314	9,314
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$34,043	\$39,416	\$44,718	\$49,938	\$55,063	\$78,786	\$97,838	\$109,647	\$96,987
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.16	1.23	1.29	1.32	1.29

LIHTC Allocation Calculation - Sphinx at Murdeaux, Dallas, LIHTC #02078

CATEGORY	APPLICANT'S	TDHCA	APPLICANT'S	TDHCA
	TOTAL	TOTAL	REHAB/NEW	REHAB/NEW
	AMOUNTS	AMOUNTS	ELIGIBLE BASIS	ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$988,500	\$988,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$975,000	\$975,000	\$975,000	\$975,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$6,334,050	\$5,978,678	\$6,334,050	\$5,978,678
(4) Contractor Fees & General Requirements				
Contractor overhead	\$146,181	\$139,074	\$146,181	\$139,074
Contractor profit	\$438,543	\$417,221	\$438,543	\$417,221
General requirements	\$438,543	\$417,221	\$438,543	\$417,221
(5) Contingencies	\$146,181	\$146,181	\$146,181	\$146,181
(6) Eligible Indirect Fees	\$328,250	\$328,250	\$328,250	\$328,250
(7) Eligible Financing Fees	\$465,085	\$465,085	\$465,085	\$465,085
(8) All Ineligible Costs	\$352,715	\$352,715		
(9) Developer Fees			\$1,390,775	
Developer overhead	\$362,636	\$273,007		\$273,007
Developer fee	\$1,056,999	\$1,056,999		\$1,056,999
(10) Development Reserves	\$363,678	\$363,678		
TOTAL DEVELOPMENT COSTS	\$12,396,361	\$11,901,608	\$10,662,608	\$10,196,715

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,662,608	\$10,196,715
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,861,390	\$13,255,730
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$13,861,390	\$13,255,730
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		\$1,169,901	\$1,118,784

Syndication Proceeds 0.7499 \$8,773,383 \$8,390,038

Actual Gap of Need \$8,497,359

Gap-Driven Allocation \$1,133,095

TDHCA #

02110

Region 4

**General
Set-Aside**

**Forward
Commitment**

**LOW INCOME HOUSING TAX CREDIT PROGRAM****2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Northside Apartments**TDHCA #: **02110****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 4 LIHTC Primary Set Aside: G
 Site Address: 10.216 acres of Lot 28A, Block 1200 Additional Elderly Set Aside
 City: Tyler Purpose / Activity: NC
 County: Smith Development Type: Family
 Zip Code: 75702 TTC DDA QCT

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
 Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 5 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Finlay Interests 18, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Finlay Interests GP 18, LLC	Christopher Finlay	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	%
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$744,356** Allocation over 10 Years: \$7,443,560
 Credits Requested: \$799,916 Eligible Basis Amount: \$744,356 Equity/Gap Amount: \$754,683

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	5	5	0	0	10
50%	0	0	19	20	0	0	39
60%	0	0	23	23	0	0	46
MR	0	0	0	0	0	0	0
Total	0	0	47	48	0	0	

BUILDING INFORMATION

Total Development Cost: **\$8,030,365**
 Gross Building Square Feet: 110,684
 Total NRA SF: 107,136
 Gross/Net Rentable: 1.03
 Average Square Feet/Unit: 1,116
 Cost Per Net Rentable Square Foot: \$74.95
 Credits per Low Income Unit: \$7,835

Total LI Units: 95
 Owner/Employee Units: 1
 Total Project Units: 96
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$594,036
 Total Expenses: \$337,437
 Net Operating Income: \$256,599
 Estimated 1st Year Debt Coverage Ratio: 1.23

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

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Finlay Development, LLC Market Analyst: The Gerald Teel Company
 Housing GC: Finlay Construction, LLC Originator/UW: Finlay Construction, LLC
 Infrastructure GC: NA Appraiser: NA
 Cost Estimator: NA Attorney: Broad & Cassel
 Architect: Parker & Associates Supp Services: Texas Inter-Faith Housing Corp.
 Property Manager: Finlay Real Estate Services, Inc. Accountant: Novogradac & Company, LLP
 Engineer: NA
 Syndicator: Simpson Housing Solutions, LLC Permanent Lender: Red Capital Group

DEPARTMENT EVALUATION

Points Awarded: 118 Site Review: Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommender

Compliance Status Summary

Project ID #: 02110

LIHTC 9% LIHTC 4%

Project Name: Northside Apartments

HOME HTF

Project City: Tyler

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 3

of projects grouped by score 0-9: 0 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 04/16/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 04/29/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 04/29/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by E. Weilbaecher **Completed on** 06/06/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Executive Director: Edwina Carrington **Date Signed:** June 10, 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: June 11, 2002 PROGRAM: 9% LIHTC FILE NUMBER: 02110

DEVELOPMENT NAME

Northside Apartments

APPLICANT

Name: Finlay Interests 18, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 4300 Marsh Landing Blvd., Suite 101 **City:** Jacksonville Beach **State:** FL
Zip: 32250 **Contact:** Jeffrey Spicer **Phone:** (904) 280-1000 **Fax:** (904) 280-9993

PRINCIPALS of the APPLICANT

Name: <u>Finlay Interests GP 18, LLC</u>	(%): <u>.01</u>	Title: <u>Managing General Partner</u>
Name: <u>Simpson Housing Solutions</u>	(%): <u>99.99</u>	Title: <u>Limited Partner</u>
Name: <u>Finlay GP Holdings, Ltd.</u>	(%): <u>n/a</u>	Title: <u>Owner of Finlay Interests GP</u>
Name: <u>Finlay Holdings, Inc.</u>	(%): <u>n/a</u>	Title: <u>Owner of Finlay GP Holdings</u>
Name: <u>Christopher C. Finlay</u>	(%): <u>n/a</u>	Title: <u>Owner of Finlay Holdings, Inc</u>

GENERAL PARTNER

Name: Finlay Interests GP 18, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 4300 Marsh Landing Blvd., Suite 101 **City:** Jacksonville Beach **State:** FL
Zip: 32250 **Contact:** Jeffrey Spicer **Phone:** (904) 280-1000 **Fax:** (904) 280-9993

PROPERTY LOCATION

Location: 10.216 acres of Lot 28A, Block 1200 (WNWLoop 323/Lakewood Dr.) **QCT** **DDA**
City: Tyler **County:** Smith **Zip:** 75702

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$799,916	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New Construction</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 10.216 acres 445,009 square feet **Zoning/ Permitted Uses:** C-1 & R-1*
Flood Zone Designation: Zone C and A **Status of Off-Sites:** Fully Improved

* In the process of being re-zoned.

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

DESCRIPTION of IMPROVEMENTS

Total Units: 96 **# Rental Buildings:** 6 **# Common Area Bldgs:** 2 **# of Floors:** 2 **Age:** N/A yrs **Vacant:** _____ at / /

Number	Bedrooms	Bathroom	Size in SF
48	2	2	1017
48	3	2	1215

Net Rentable SF: 107,136 **Av Un SF:** 1,116 **Common Area SF:** 3,548 **Gross Bldg SF:** 110,684

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on concrete slab on grade, 25% brick veneer/75% Vinyl siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, laminated counter tops, cable

ON-SITE AMENITIES

Community room, management offices, fitness & laundry facilities, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area, volleyball court, perimeter fencing

Uncovered Parking: 144 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Group **Contact:** R. Barth Kallmerten

Principal Amount: \$2,984,097 **Interest Rate:** 7.5%

Additional Information: _____

Amortization: 2 yrs **Term:** 2 yrs **Commitment:** None Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Red Capital Group **Contact:** R. Barth Kallmerten

Principal Amount: \$2,371,000 **Interest Rate:** 8.25%

Additional Information: _____

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Conditional

Annual Payment: \$213,750 **Lien Priority:** 1st **Commitment Date:** 02/ 21/ 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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LIHTC SYNDICATION

Source: <u>Simpson Housing Solutions</u>	Contact: <u>Mike Sugrue</u>
Address: <u>720 E. Park Blvd., Suite 100</u>	City: <u>Plano</u>
State: <u>TX</u> Zip: <u>75074</u> Phone: (972) <u>422-4343</u> Fax: (972) <u>422-0224</u>	
Net Proceeds: <u>\$5,998,770</u>	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) <u>75¢</u>
Commitment <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date: <u>02/ 22/ 2002</u>
Additional Information: _____	

APPLICANT EQUITY

Amount: <u>\$254,395</u>	Source: <u>Deferred developer fee</u>
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VALUATION INFORMATION

ASSESSED VALUE

Land: (37.362 acres)	<u>\$211,300</u>	Assessment for the Year of: <u>2001</u>
Prorated:	<u>\$5,655/acre</u>	Valuation by: <u>Smith County Appraisal District</u>
Total Assessed Value: (10.216 acres)	<u>\$57,776</u>	Tax Rate: <u>2.053734</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: <u>Unimproved Property Contract and Assignment of Contract</u>
Contract Expiration Date: <u>08/ 15/ 2002</u> Anticipated Closing Date: <u>08/ 15/ 2002</u>
Acquisition Cost: \$ <u>550,000</u> Other Terms/Conditions: <u>\$1,000 earnest money deposit</u>
Seller: <u>JH Brogan</u> Related to Development Team Member: <u>No</u>

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Northside Apartments is a proposed new construction development of 96 units of affordable housing located in northwest Tyler. The development is comprised of six residential buildings as follows:

- (6) Building Type I with eight two-bedroom units and eight three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,548-square foot community building plan includes the management office, a club room, fitness room, computer room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities program, family skills development program, education program, fun and freedom activities program, neighborhood advancement program, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of \$1,000 plus \$8.98/unit per month for these support services. The Applicant has reflected this expense amount in their operating budget.

Schedule: The Applicant anticipates construction to begin in October of 2002, to be completed in September of 2003, to be placed in service in February of 2004, and to be substantially leased-up in January of 2004.

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POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Ninety-five of the units will be reserved for low-income tenants and one unit will be employee-occupied. Ten of the units (10%) will be reserved for households earning 40% or less of AMGI, 39 units (41%) will be reserved for households earning 50% or less of AMGI and 46 (48%) units will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: Five units (5%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 25 years.

MARKET HIGHLIGHTS

A market feasibility study dated February 22, 2002 was prepared by The Gerald A. Teel Company, Inc. and highlighted the following findings:

Definition of Market/Submarket: "The subject primary market area is comprised of the city of Tyler." (p. 2)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	15	0.83%
Existing Household Turnover	1,761	98%
Other Sources (1.7%)	30	2%
TOTAL ANNUAL DEMAND	1805	100%

Ref: p. 54

Capture Rate: "Overall, the total estimated LIHTC qualified demand is 1,805 units, which includes possible tenants from waiting lists in the vicinity. Additionally, some 56 units in one LIHTC property in Tyler are still available, as this 120-unit property is at 53% occupancy. Therefore, it still has 56 units available. Combining the subject 95 rentable units and the 56 available units result in an 8.4% capture rate. Even if the other two subsidized properties in the area with 260 total units are included the capture rate would be 22.8%." (p. 53)

Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 1,138 units in the market area. (p. 17)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (40%)	\$361	\$361	\$0	\$650	-\$289
2-Bedroom (50%)	\$468	\$468	\$0	\$650	-\$182
2-Bedroom (60%)	\$575	\$575	\$0	\$650	-\$75
2-Bedroom (EO)	N/A	N/A	N/A	\$650	N/A
3-Bedroom (40%)	\$417	\$417	\$0	\$850	-\$433
3-Bedroom (50%)	\$540	\$540	\$0	\$850	-\$310
3-Bedroom (60%)	\$664	\$664	\$0	\$850	-\$186

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

Submarket Vacancy Rates: "The overall survey for the Tyler area indicated a 4th Quarter 2001 average occupancy of 91% for all product type and 94% for the newer product...this overall market is operating at stabilized occupancy levels, and the newer better properties are maintaining the highest occupancy levels." (p. 18)

Absorption Projections: "Considering the subject location and LIHTC rents, an absorption rate of about 8 to 12 units per month would be plausible as all of the prior products are in superior locations." (p. 20)

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Known Planned Development: “According to representatives for Planning and Zoning, and Permits, there have been no recent permits granted for development of apartments in the City.” (p. 3)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Tyler is located in east Texas, approximately 90 miles west of Dallas in Smith County. The site is a rectangular-shaped parcel located in the northwest area of Tyler, approximately 2+ miles from the central business district. The site is situated on the south side of the West NW Loop 323.

Population: The estimated 2000 population of the subject area was 75,915 and is expected to increase by 1.36% to approximately 76,948 by 2005. Within the primary market area there were estimated to be 29,974 households in 2000. (p. 6)

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with vacant land, commercial and older housing. Adjacent land uses include:

- **North:** vacant land, Loop 323
- **South:** vacant land, older smaller frame housing
- **East:** vacant land, fish farm
- **West:** Tyler Utilities Service plant and offices

Site Access: Access to the property is from the east or west along West NW Loop 323. The development is to have one main entry, one from the east or west from West NW Loop 323. US Highways 271 and 69 are the primary north/south roadways in the vicinity, which provides connections to all other major roads serving the Tyler area.

Public Transportation: “Tyler also has a public bus system, the Transit Management of Tyler, in addition to rail, and shuttle service.” (p. 1)

Shopping & Services: “The primary retail facilities are off of Loop 323 further west to southwest. Most of the retail uses are located southwesterly of Highway 69, some 1 to 2 miles away. Grocery stores, including Wal-Mart, Brookshire Brothers, etc. are all located along the Loop 323 corridor.” (p. 5)

Special Adverse Site Characteristics: The subject site is currently zoned C-1 and R-1. The Applicant submitted a letter from the City of Tyler confirming receipt of a rezoning request. Receipt, review and acceptance of documentation from the City of Tyler confirming that the site has been rezoned and that the proposed development is a conforming use is a condition of this report. The Phase I ESA indicates that a portion of the site may be within Zone A and a floodplain map was not provided. Receipt, review, and acceptance of a survey with a flood statement and identifiable location of the flood plain is a condition of this report. Should any of the drives, buildings, or other improvements be planned for areas currently within the 100-year flood hazard area, documentation of mitigation plans to include insurance for the buildings and tenants are a condition of this report.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 27, 2002, was prepared by Apex Geoscience, Inc. and contained the following findings and conclusions:

“Our research did not discover that the site has ever been utilized for commercial or industrial uses. The environmental regulatory database did not cite the subject property or adjacent properties for any regulatory impropriates.

A former municipal landfill that was operational in the late 1950’s and 1960’s is located west and northwest of the site. Because closure of the landfill was accomplished before current regulatory standards were established, records relating to the landfill site were not available from State or local agencies. An interview was conducted with a party familiar with the site. He stated that trash within the portion of the landfill to the northwest was burned in shallow trenches. Trash within the section west of the site was not burned, thus resulting in a known methane gas emission problem at the nearby site. He indicated that since the portion of the former landfill site to the west was uphill from the subject property any remaining methane gas was not likely to migrate to the subject property.

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Although property boundaries were not visibly apparent at the site, it appears that based upon the information provided by Finlay Properties, Inc. regarding the approximate site location, that most, or all of the subject site is situated in an area subject to minimal flooding (Zone C). However, an area of a 100-year flood (Zone A) does appear to be located along the eastern boundary of the site. Based upon the information provided, which did not include site survey maps, a small portion of the southeastern corner of the site could possibly be located in Zone A. A survey would be needed to confirm or refute this suspicion.

Apex did not discover any evidence of groundwater monitoring or other assessment of the closed landfill site to the west and northwest. Furthermore, no information was discovered during this study indicating whether the landfill was imperviously lined or unlined. Since the landfill properties appear to be topographically elevated as compared to the relative elevation of the subject site, it is possible that shallow groundwater leachate from the closed landfill could be moving in the direction of the subject property. In an interview conducted with a former TNRCC Administrator (Mr. Victor Cain), he indicated that he believes the methane gas produced by decomposing trash beneath the landfill cover to the west should be mostly depleted. Based on this assumption, Apex believes that the primary potential risk associated with the site could be due to the effects of contaminated migrating groundwater and leachate from the nearby landfill. Numerous agencies were contacted during this study including the East Texas Councils of Government (ETCOG), which as been awarded a grant to list and compile records on closed and abandoned landfill sites, and the TNRCC which maintains current regulatory authority over landfills. However, none of the entities contacted could provide records regarding whether any pre- or post-closure studies were conducted at the abandoned landfill site. Whether the quantities of dissolved gases, contaminants, or other substances in landfill leachate from the nearby site have been evaluated or whether they could ever affect the property is apparently not currently known. Their discovery or evaluation of such is beyond the scope and magnitude of this study. Otherwise, no other potential adverse environmental conditions as defined by ASTM Practice E 1527-97 were noted during the course of this study.” (p.18-19) Receipt, review and acceptance of a Phase I study to discover and evaluate the dissolved gases, contaminants or other substances in landfill leachate from the nearby abandoned landfill will pose an environmental hazard to the site, is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines for all of the units except one, which will be employee-occupied. Estimates of secondary income are estimated at \$15/unit, and are like vacancy and collection loss estimates in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. As a result, the Applicant’s effective gross income estimate is identical to the Underwriter’s estimate.

Expenses: The Applicant’s estimate of total operating expense of \$3,515 per unit is slightly less than 1% lower than the Underwriter’s TDHCA database-derived estimate. The Underwriter adjusted several line item estimates based on IREM Region 6 database expenses and other factors. Management fees were set at 5%, payroll was adjusted to use average IREM per unit cost, and utilities and water, sewer and trash were adjusted to reflect tenant paid water and sewer. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s estimates, particularly general and administrative (\$17K lower), payroll (\$12K lower), repairs and maintenance (\$16K higher), utilities (\$12K lower), water, sewer, and trash (\$9K higher), insurance (\$6K higher) and property tax (\$8K higher).

Conclusion: The Applicant’s estimate of total operating expenses is within 5% of the database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25. However, the Applicant used a permanent loan interest rate of 8.25% which is slightly higher than the 8% maximum. Nonetheless, the DCR with the lower rate is 1.23 or still acceptable.

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CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted an Unimproved Property Contract wherein the seller, J. H. Brogan, is selling the property described as Lot 2B, Block 1200, Tyler, Texas to the purchaser, Finlay Properties, Inc. for the purchase price of \$550,000. The Applicant also submitted an Assignment of Contract wherein the purchaser, Finlay Properties, Inc., assigned to the Applicant, Finlay Interests 18, Ltd., all its rights, title and interest as described in the above Unimproved Property Contract. The acquisition appears to be an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$5,942 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$471K or 12% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit all exceed the 6%, 2% and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently, the Applicant's eligible fees in these areas of \$14,700 have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees are within 15% of the Applicant's eligible basis.

Conclusion: The Underwriter regards the Applicant's total costs to be overstated by \$594K or 7.4%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. As a result, a credit allocation of \$744,356 annually is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$55,560 less than initially requested though the Applicant used a lower 8.34% applicable percentage.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: a conventional permanent loan, a construction loan, syndicated LIHTC equity and deferred developer's fees.

Conventional Permanent Loan: There is a commitment letter from Red Capital Group for a permanent loan in the amount of \$2,371,000. The loan term is 18 years with an amortization of 30 years. The interest rate is fixed at 8.25%. This rate is higher than the maximum rate of 8% being used for Underwriting during this application cycle.

Construction Financing: The Applicant intends to use Red Capital Group for an interim construction loan of \$2,984,097. The term for this loan is 24 months and the interest rate is 7.50%.

LIHTC Syndication: Simpson Housing Solutions has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,998,770 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:

1. 20% of its aggregate capital contribution ("Initial Contribution") shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, execution of the Partnership Agreement, closing of the Construction Loan and receipt of a commitment for a "Permanent Loan" acceptable to Limited Partner;
2. 35% of its aggregate capital contribution ("Second Contribution") shall be made available to draw upon during the construction phase of the Development as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which amount shall be funded on a parri passu basis with the construction loan and or bridge loan; provided however, the initial disbursement of any portion of the Second Contribution shall be contingent upon the construction lender having funded an initial amount under the construction loan of not less than the amount of the Initial Contribution made by the Limited Partner;
3. 25% of its aggregate capital contribution ("Third Contribution") shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, final completion of construction and receipt of final certificates of

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- occupancy for all residential units;
4. 20% the balance of its capital contribution (“Final Contribution”) shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, among other things, closing of the Permanent Loan, the occurrence of “Rental Achievement” and receipt of IRS Form 8609 with respect to the Development.

Deferred Developer’s Fees: The Applicant’s proposed deferred developer’s fees of \$254,395 amount to 27% of the total fees. However, based on the Underwriter’s total development cost estimate and the revised syndication proceeds, the developer would only have to defer \$77,256 in fees, which is \$177,139 less than originally estimated.

Financing Conclusions: Based on the Underwriter’s estimate of eligible basis, the LIHTC allocation should not exceed \$744,356 annually for ten years, resulting in syndication proceeds of approximately \$5,582,109. The Applicant’s deferred developer fee will be reduced to \$77,256. Also the Underwriter reduced the interest rate on the permanent loan to 8% instead of the proposed 8.25%.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is an interior breezeway that is shared with three other units. The units are in two-story structures with mixed brick veneer/vinyl siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Christopher C. Finlay is the owner of the Applicant, Finlay Interests 18, Ltd., and is also a managing member of the Developer and General Contractor.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal of the Applicant, Christopher C. Finlay, submitted an unaudited financial statement as of February 14, 2002.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer, Finlay Development, LLC, has completed 15 LIHTC and affordable housing developments totaling 1,367 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s development costs differ from the Underwriter’s verifiable estimate by more than 5%.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$744,356 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review and acceptance of documentation from the ESA inspector that all of the issues addressed in the Phase I ESA have been satisfactorily mitigated.

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3. Receipt, review and acceptance of a survey with a flood stamp and identification of the location of the floodplain:
4. Should any of the drives, buildings or other improvements be planned for areas in the 100-year flood hazard area, documentation of mitigation plans to include insurance for the buildings and tenants are required;
5. Should the actual cost of the development be established through a fixed price contract or at cost certification to be lower than the underwriter's estimate or the rates, terms, and amounts of the permanent financing or syndication change a re-evaluation of the recommendations and conditions in this report should be conducted.

Associate Underwriter:

Raquel Morales

Date: June 11, 2002

Director of Credit Underwriting:

Tom Gouris

Date: June 11, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Northside Apartments, Tyler, LIHTC #02110

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash
TC 40%	5	2	2	1,017	\$428	\$361	\$1,807	\$0.36	\$67	\$6
TC 50%	19	2	2	1,017	535	\$468	8,899	0.46	\$67	\$6
TC 60%	23	2	2	1,017	642	\$575	13,233	0.57	\$67	\$6
EO	1	2	2	1,017	0	\$0	0	0.00	\$67	\$6
TC 40%	5	3	2	1,215	495	\$417	2,083	0.34	\$78	\$6
TC 50%	20	3	2	1,215	618	\$540	10,792	0.44	\$78	\$6
TC 60%	23	3	2	1,215	742	\$664	15,263	0.55	\$78	\$6
TOTAL:	96		AVERAGE:	1,116	\$614	\$542	\$52,077	\$0.49	\$72.52	\$5.99

				TDHCA	APPLICANT				
INCOME Total Net Rentable Sq Ft: 107,136				\$624,921	\$624,924				
POTENTIAL GROSS RENT				17,280	17,280	\$15.00	Per Unit Per Month		
Secondary Income Per Unit Per Month: \$15.00				0					
Other Support Income: (describe)				\$642,201	\$642,204				
POTENTIAL GROSS INCOME				(48,165)	(48,168)	-7.50%	of Potential Gross Rent		
Vacancy & Collection Loss % of Potential Gross Income: -7.50%				0	0				
Employee or Other Non-Rental Units or Concessions				\$594,036	\$594,036				
EFFECTIVE GROSS INCOME									
EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	5.85%	\$362	\$0.32	\$34,732	\$17,800	\$0.17	\$185	3.00%	
Management	5.00%	309	0.28	29,702	29,702	0.28	309	5.00%	
Payroll & Payroll Tax	16.02%	991	0.89	95,159	83,375	0.78	868	14.04%	
Repairs & Maintenance	6.87%	425	0.38	40,791	57,240	0.53	596	9.64%	
Utilities	2.93%	181	0.16	17,394	5,400	0.05	56	0.91%	
Water, Sewer, & Trash	1.82%	113	0.10	10,805	20,100	0.19	209	3.38%	
Property Insurance	3.25%	201	0.18	19,284	25,713	0.24	268	4.33%	
Property Tax 2.053734	9.96%	616	0.55	59,148	67,099	0.63	699	11.30%	
Reserve for Replacements	3.23%	200	0.18	19,200	19,200	0.18	200	3.23%	
Other Expenses: Compliance & Supp	1.99%	123	0.11	11,808	11,808	0.11	123	1.99%	
TOTAL EXPENSES	56.90%	\$3,521	\$3.16	\$338,022	\$337,437	\$3.15	\$3,515	56.80%	
NET OPERATING INC	43.10%	\$2,667	\$2.39	\$256,014	\$256,599	\$2.40	\$2,673	43.20%	
DEBT SERVICE				TDHCA	APPLICANT				
Red Capital Group	35.98%	\$2,227	\$2.00	\$213,750	\$213,750	\$2.00	\$2,227	35.98%	
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
NET CASH FLOW	7.11%	\$440	\$0.39	\$42,264	\$42,849	\$0.40	\$446	7.21%	
AGGREGATE DEBT COVERAGE RATIO				1.20	1.20				
ALTERNATIVE DEBT COVERAGE RATIO					1.23				

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.85%	\$5,729	\$5.13	\$550,000	\$550,000	\$5.13	\$5,729	6.38%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.10%	5,942	5.32	570,412	570,412	5.32	5,942	6.61%
Direct Construction		49.95%	41,781	37.44	4,010,967	4,482,039	41.84	46,688	51.97%
Contingency	2.29%	1.31%	1,094	0.98	105,000	105,000	0.98	1,094	1.22%
General Requireme	6.00%	3.42%	2,863	2.57	274,883	309,447	2.89	3,223	3.59%
Contractor's G &	2.00%	1.14%	954	0.86	91,628	103,149	0.96	1,074	1.20%
Contractor's Prof	6.00%	3.42%	2,863	2.57	274,883	309,447	2.89	3,223	3.59%
Indirect Construction		3.74%	3,128	2.80	300,283	300,283	2.80	3,128	3.48%
Ineligible Costs		6.38%	5,338	4.78	512,471	512,471	4.78	5,338	5.94%
Developer's G & A	4.52%	3.32%	2,780	2.49	266,910	308,989	2.88	3,219	3.58%
Developer's Profit	10.48%	7.70%	6,437	5.77	617,978	617,978	5.77	6,437	7.17%
Interim Financing		3.38%	2,825	2.53	271,195	271,195	2.53	2,825	3.14%
Reserves		2.29%	1,914	1.72	183,756	183,756	1.72	1,914	2.13%
TOTAL COST		100.00%	\$83,650	\$74.95	\$8,030,365	\$8,624,166	\$80.50	\$89,835	100.00%
Recap-Hard Construction Costs		66.35%	\$55,498	\$49.73	\$5,327,772	\$5,879,494	\$54.88	\$61,245	68.17%

				RECOMMENDED		
Red Capital Group	29.53%	\$24,698	\$22.13	\$2,371,000	\$2,371,000	\$2,371,000
LIHTC Syndication Proceeds	74.70%	\$62,487	\$55.99	5,998,770	5,998,770	5,582,109
Deferred Developer Fees	3.17%	\$2,650	\$2.37	254,395	254,395	77,256
Additional (excess) Funds Required	-7.39%	(\$6,185)	(\$5.54)	(593,800)	1	0
TOTAL SOURCES				\$8,030,365	\$8,624,166	\$8,030,365

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Northside Apartments, Tyler, LIHTC #02110

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.53	\$4,235,395
Adjustments				
Exterior Wall Finish	2.75%		\$1.09	\$116,473
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(104,993)
Floor Cover			1.82	194,988
Porches/Balconies	\$28.10	8,074	2.12	226,879
Plumbing	\$585	288	1.57	168,480
Built-In Appliances	\$1,550	96	1.39	148,800
Stairs/Fireplaces	\$1,350	24	0.30	32,400
Floor Insulation			0.00	0
Heating/Cooling			1.41	151,062
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$55.81	3,548	1.85	198,010
Other:			0.00	0
SUBTOTAL			50.10	5,367,494
Current Cost Multiplier	1.04		2.00	214,700
Local Multiplier	0.88		(6.01)	(644,099)
TOTAL DIRECT CONSTRUCTION COSTS			\$46.09	\$4,938,094
Plans, specs, survy, bld	3.90%		(\$1.80)	(\$192,586)
Interim Construction Int	3.38%		(1.56)	(166,661)
Contractor's OH & Profit	11.50%		(5.30)	(567,881)
NET DIRECT CONSTRUCTION COSTS			\$37.44	\$4,010,967

PAYMENT COMPUTATION

Primary	\$2,371,000	Term	360
Int Rate	8.25%	DCR	1.20

Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.20

Additional		Term	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$208,771
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$47,243

Primary	\$2,371,000	Term	360
Int Rate	8.00%	DCR	1.23

Secondary		Term	0
Int Rate		Subtotal DCR	1.23

Additional		Term	0
Int Rate	0.00%	Aggregate DCR	1.23

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$624,924	\$643,672	\$662,982	\$682,871	\$703,357	\$815,384	\$945,254	\$1,095,808	\$1,472,674
Secondary Income		17,280	17,798	18,332	18,882	19,449	22,546	26,138	30,301	40,721
Other Support Income: (des		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		642,204	661,470	681,314	701,754	722,806	837,931	971,391	1,126,109	1,513,396
Vacancy & Collection Loss		(48,168)	(49,610)	(51,099)	(52,632)	(54,210)	(62,845)	(72,854)	(84,458)	(113,505)
Employee or Other Non-Rent		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$594,036	\$611,860	\$630,216	\$649,122	\$668,596	\$775,086	\$898,537	\$1,041,650	\$1,399,891
EXPENSES at 4.00%										
General & Administrative		\$17,800	\$18,512	\$19,252	\$20,023	\$20,823	\$25,335	\$30,824	\$37,502	\$55,512
Management		29,702	30,593	31,511	32,456	33,430	38,754	44,927	52,083	69,995
Payroll & Payroll Tax		83,375	86,710	90,178	93,786	97,537	118,669	144,379	175,659	260,018
Repairs & Maintenance		57,240	59,530	61,911	64,387	66,963	81,470	99,121	120,596	178,512
Utilities		5,400	5,616	5,841	6,074	6,317	7,686	9,351	11,377	16,841
Water, Sewer & Trash		20,100	20,904	21,740	22,610	23,514	28,609	34,807	42,348	62,685
Insurance		25,713	26,741	27,811	28,923	30,080	36,597	44,526	54,173	80,189
Property Tax		67,099	69,783	72,575	75,478	78,497	95,503	116,194	141,368	209,260
Reserve for Replacements		19,200	19,968	20,767	21,597	22,461	27,328	33,248	40,452	59,878
Other		11,808	12,280	12,772	13,282	13,814	16,806	20,448	24,878	36,825
TOTAL EXPENSES		\$337,437	\$350,637	\$364,357	\$378,616	\$393,436	\$476,757	\$577,824	\$700,434	\$1,029,713
NET OPERATING INCOME		\$256,599	\$261,222	\$265,859	\$270,506	\$275,160	\$298,329	\$320,712	\$341,217	\$370,178
DEBT SERVICE										
First Lien Financing		\$208,771	\$208,771	\$208,771	\$208,771	\$208,771	\$208,771	\$208,771	\$208,771	\$208,771
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$47,828	\$52,452	\$57,088	\$61,735	\$66,389	\$89,558	\$111,942	\$132,446	\$161,408
DEBT COVERAGE RATIO		1.23	1.25	1.27	1.30	1.32	1.43	1.54	1.63	1.77

LIHTC Allocation Calculation - Northside Apartments, Tyler, LIHTC #0211C

CATEGORY	APPLICANT'S	TDHCA	APPLICANT'S	TDHCA
	TOTAL AMOUNTS	TOTAL AMOUNTS	REHAB/NEW ELIGIBLE BASIS	REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$550,000	\$550,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$570,412	\$570,412	\$570,412	\$570,412
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$4,482,039	\$4,010,967	\$4,482,039	\$4,010,967
(4) Contractor Fees & General Requirements				
Contractor overhead	\$103,149	\$91,628	\$101,049	\$91,628
Contractor profit	\$309,447	\$274,883	\$303,147	\$274,883
General requirements	\$309,447	\$274,883	\$303,147	\$274,883
(5) Contingencies				
	\$105,000	\$105,000	\$105,000	\$105,000
(6) Eligible Indirect Fees				
	\$300,283	\$300,283	\$300,283	\$300,283
(7) Eligible Financing Fees				
	\$271,195	\$271,195	\$271,195	\$271,195
(8) All Ineligible Costs				
	\$512,471	\$512,471		
(9) Developer Fees				
Developer overhead	\$308,989	\$266,910	\$308,989	\$266,910
Developer fee	\$617,978	\$617,978	\$617,978	\$617,978
(10) Development Reserves				
	\$183,756	\$183,756		
TOTAL DEVELOPMENT COSTS	\$8,624,166	\$8,030,365	\$7,363,239	\$6,784,138

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,363,239	\$6,784,138
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,572,211	\$8,819,379
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,572,211	\$8,819,379
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$807,895	\$744,356

Syndication Proceeds	0.7499	\$6,058,604	\$5,582,109
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