

**TDHCA #**

**03134**

**Region 13**



**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Development Name: **Lilac Garden Apartments**

TDHCA #: **03134**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 13 Site Address: 7845 Lilac Way  
 City: El Paso County: El Paso Zip Code: 79915  
 TTC  DDA  QCT Purpose / Activity: Acquisition/Rehab  
**Targeted Units:** Family: 150 Elderly: 0 Handicapped/Disabled 11 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Lilac Way, L.P.

Principal Names	Principal Contact	Percentage Ownership
Edgewater Group of El Paso, Inc	Doug Gurkin	0.01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$685,609** Allocation over 10 Years: **\$6,856,090**  
 Credits Requested: **\$686,800** Eligible Basis Amount: **\$685,609** Equity/Gap Amount: **\$709,592**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	14	56	80	150
MR	0	0	0	0	0
Total	0	14	56	80	
Total LI Units:					150
Owner/Employee Units:					2
Total Project Units:					152
Applicable Fraction:					100.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

- Playground  Computer Facility with Internet
- Recreation facilities  Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

**UNIT AMENITIES** (no extra cost to tenant)

- Covered Entries  Computer Line in all Bedrooms
- Mini Blinds  Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections  Storage Room
- Laundry Equipment  25 year Shingle Roofing
- Covered Parking  Covered Patios or Balconies
- Garages  Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

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

**BUILDING INFORMATION**

Total Development Cost:	\$8,984,267	Average Square Feet/Unit	838
Gross Building Square Feet	128,295	Cost Per Net Rentable Square Foot	\$71.32
Total Net Rentable Area Square Feet:	125,970	Credits per Low Income Uni	\$4,571

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income	\$951,262
Total Expenses:	\$615,926
Net Operating Income	\$335,336
Estimated 1st Year Debt Coverage Ratio	1.15

**FINANCING**

Permanent Principal Amount:	\$3,450,000
Applicant Equity:	\$187,050
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.7799

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Edgewater Group of El Paso, Inc.	Market Analyst:	Vogt, Williams and Bowen
Housing GC:	IBI Construction, LLC	Originator/UW:	NA
Engineer:	Acosta Engineering & Construction Company	Appraiser:	Crown Appraisal Group
Cost Estimator:	John Wright	Attorney:	Claudia Crocker
Architect:	McCormick Architecture	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager:	Murray Management	Supp Services:	NA
Syndicator:	Texas Housing Finance Corporation	Permanent Lender:	JP Morgan Chase

**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "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 with Jurisdiction:	Comment from Other Public Officials:
Local Official: G. Sarinana, Deputy Mayor Pro Tem El Paso, S	
TX Representative: Norma Chavez, District 76, S	
TX Senator: Eliot Shapleigh, District 29, N	
US Representative:	
US Senator:	
General Summary of Comment: Some Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 82	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of documentation from HUD that the proposed rent increase of at least \$425, \$500, and \$579 for the one, two and three bedroom units is approved prior to construction loan closing.

Receipt, review and acceptance of the final structure of the lender's proposed IRP loan resulting in a debt service equal to the actual annual IRP loan debt service and the IRP payment prior to construction loan closing.

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

Alternate Recommendation: NA

**RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

- Score  Meeting a Required Set Aside  Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals. families with different levels of income.

**Explanation: This Development is needed to meet the At-Risk Set-Aside.**

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
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_____ Edwina Carrington, Executive Director	_____ Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount:  Date of Determination:

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

Project ID # **03134**

Name: **Lilac Garden Apartments**

City: **El Paso**

LIHTC 9%  LIHTC 4%  HOME  BOND  HTF  SECO  ESGP  Other

No Previous Participation in Texas  Members of the development team have been disbarred by HUD

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

Projects in Material Noncompliance: No  Yes  # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

## Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

## Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Eddie Fariss Date 5/5/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/6/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 16, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03134

**DEVELOPMENT NAME**

Lilac Garden Apartments

**APPLICANT**

<b>Name:</b>	Lilac Way, L.P.	<b>Type:</b>	For Profit
<b>Address:</b>	1805 Lakehurst Road	<b>City:</b>	Spicewood <b>State:</b> TX
<b>Zip:</b>	78669	<b>Contact:</b>	Doug Gurkin <b>Phone:</b> (512) 264-1020 <b>Fax:</b> (512) 367-5023
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS			
<b>Name:</b>	Edgewater Group of El Paso, Inc.	<b>(%):</b>	0.01 <b>Title:</b> Managing General Partner
<b>Name:</b>	Doug Gurkin	<b>(%):</b>	N/A <b>Title:</b> 50% owner of GP
<b>Name:</b>	Wooten Epps	<b>(%):</b>	N/A <b>Title:</b> 50% owner of GP
<b>Name:</b>	Siegel Group	<b>(%):</b>	N/A <b>Title:</b> Consultant

**PROPERTY LOCATION**

**Location:** 7845 Lilac Way  QCT  DDA

**City:** El Paso **County:** El Paso **Zip:** 79915

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$686,800	N/A	N/A	N/A
<b>Other Requested Terms:</b> 1) Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> Acquisition/ Rehab		<b>Property Type:</b> Multifamily	
<b>Set-Aside(s):</b> <input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input checked="" type="checkbox"/> At Risk			

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$685,609 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from HUD that the proposed rent increase to at least \$425, \$500 and \$579 for the one-, two- and three-bedroom units is approved prior to construction loan closing;
2. Receipt, review and acceptance of the final structure of the lender's proposed IRP loan resulting in a debt service equal to the actual annual IRP payment or an explanation from the lender of any difference between the final IRP loan debt service and the IRP payment prior to construction loan closing;
3. Should the proposed rents, terms and rates of the proposed debt or syndication commitment change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>150</u>	<b># Rental Buildings</b>	<u>11</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>32</u> yrs	<b>Vacant:</b>	<u>N/A</u> at / /	
<b>Net Rentable SF:</b>	<u>125,970</u>	<b>Av Un SF:</b>	<u>838</u>	<b>Common Area SF:</b>	<u>2,325</u>	<b>Gross Bldg SF:</b>	<u>128,295</u>					

**STRUCTURAL MATERIALS**

Wood frame on grade beams, 97% stucco 3% wood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

A 2,325-SF community building with activity room, leasing offices, laundry facilities, restrooms and central mailroom is located at the entrance to the property. In addition a swimming pool and equipped children's play area are also proposed for the site.

<b>Uncovered Parking:</b>	<u>250</u>	spaces	<b>Carports:</b>	<u>N/A</u>	spaces	<b>Garages:</b>	<u>N/A</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Lilac Garden Apartments is a relatively dense 15 units per acre acquisition and rehabilitation development of 150 units of affordable housing located in southeast El Paso. The development was built in 1971 and is comprised of 11 evenly distributed medium to large garden-style walk-up residential buildings as follows:

- € (1) Building Type A with fourteen one-bedroom/ one-bath units;
- € (1) Building Type B with twenty-four two-bedroom/ one-bath units;
- € (1) Building Type C with thirty-two two-bedroom/ one-bath units;
- € (6) Building Type D with eight small three-bedroom/ one and one half-bath units;
- € (1) Building Type E with sixteen small three-bedroom/ one and one half bath-bath units; and
- € (1) Building Type F with sixteen large three-bedroom/ one and one half-bath units;

**Existing Subsidies:** The development currently has 95 units under a HUD Section 236 program with basic rents and the remaining 55 units under a HUD Section 8 contract. The Applicant intends to keep both programs in place after rehabilitation is complete.

**Development Plan:** The buildings are currently 95% occupied based on the rent roll submitted as of February 20, 2003. The contractor's scope of work includes: re-establish drainage within the site, install a 1,000 sq. ft. swimming pool with 1,000 sq ft. pool deck, install new playground, provide additional landscaping, provide curbing, provide new sidewalks, replace roof deck and roof, replace all wood trim and siding at the windows, install new insulated entry doors, replace all breezeway railings, paint exterior of all buildings, repair damaged stucco in exterior wall, repair all sheetrock walls and ceilings, paint interior of units, install new wood kitchen cabinets and vanity cabinets, install new sinks in kitchens and vanity sinks in bathrooms, install new ceiling light fixtures in kitchen and dining rooms, install new appliances, install new smoke detectors, install new gas hot water heaters, install new mini-blinds at all windows, refinish or replace bathtubs, replace interior doors as required, and install new low flow toilets in all bathrooms.

**Architectural Review:** The exterior elevations are functional and currently in average condition. All units are of average size for LIHTC units. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The units are in two-story structures with stucco exterior finish and flat roofs.

**Supportive Services:** The Applicant certifies that the development will provide, at a minimum, three of the

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MULTIFAMILY UNDERWRITING ANALYSIS**

service options approved by the Department. The service provider has yet to be determined.

**Schedule:** The Applicant anticipates construction to begin in January of 2004, to be completed in December of 2004 and to be placed in service in December of 2004.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 9.91 acres 431,680 square feet **Zoning/ Permitted Uses:** A-2 (Apartment)  
**Flood Zone Designation:** Zone B **Status of Off-Sites:** Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** El Paso is located in for west Texas, near the New Mexico and Mexico border. The site is an irregularly-shaped parcel located in the southeastern area of El Paso, approximately one mile from the central business district. The site is situated on the northeast side of Lilac Way.

**Adjacent Land Uses:**

- € **North:** single-family homes, Bienvivir Senior Health Services, new commercial plaza under construction
- € **South:** single-family homes
- € **East:** single-family homes and commercial development
- € **West:** Western Gallagher Apartments, single-family homes and church

**Site Access:** Access to the property is from the north or south from Lilac Way. The development has two main entries from the north or south from Lilac Way. Access to Interstate Highway 10 is 1.5 miles northeast, which provides connections to all other major roads serving the El Paso area.

**Public Transportation:** Public transportation to the area is provided by Sun Metro. The nearest bust stop is less than 0.1 mile north of the site.

**Shopping & Services:** The site is within one mile of two major grocery stores, one shopping center, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 14, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site needs rehabilitation in all areas.

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

A Phase I Environmental Site Assessment report dated November 21, 2002 was prepared by ASTEX Environmental Services and contained the following conclusions and recommendations: "Based on a review of local, State and Federal environmental databases, there are no indications of facilities, incidents, or problems that would pose a significant environmental impact on the subject property." (p. 19)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income households earning 60% or less of AMGI. All of the units, save two employee occupied units will have additional HUD restrictions.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

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**MARKET HIGHLIGHTS**

A market feasibility study dated March 27, 2003 was prepared by Vogt, Williams & Bowen, LLC and highlighted the following findings:

**Definition of Market/Submarket:** “The El Paso PMA includes the southeast side of the city of El Paso. The boundaries of the PMA include I-10 and Montwood Drive to the north, Lee Trevino Drive and Zaragosa Road to the east, Alameda Avenue to the south and East Paisano Drive to the west.” (p. IV-6)

**Population:** The estimated 2002 population of the El Paso PMA was 74,889 and is expected to decrease by - 3.7% to approximately 72,116 by 2007. Within the primary market area there were estimated to be 24,328 households in 2002.

**Total Local/Submarket Demand for Rental Units:** “It is of note, that due to the lack of growth in the market, the support for the proposed development will come from existing renters. Given the fact that much of the existing product is older, low quality, and offers few amenities, we anticipate that many existing renters in the market will consider moving to the subject development.” (p. VII-5)

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	-18	-1.0%	-26.2	-1.5%
Resident Turnover	1,851	101%	1,677	101.5%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>1,833</b>	<b>100%</b>	<b>1,651</b>	<b>100%</b>

Ref: p. VII-4

**Inclusive Capture Rate:** The Market Analyst calculated a capture rate of 8.2%. The Underwriter calculated an inclusive capture rate of 15.4% based upon a revised supply of unstabilized comparable affordable units of 254 including the subject affordable units and 104 units at the Gateway East Apartments divided by a revised demand of 1,653. However, with existing occupancy of +95% and a plan to continue the existing rental assistance contracts, the development is not likely to require outside demand for the rehabilitated units.

**Local Housing Authority Waiting List Information:** “According to the El Paso Housing Authority...there are 1,800 families waiting for a Voucher in El Paso.” (p. V-4)

**Market Rent Comparables:** The Market Analyst surveyed 5 comparable apartment projects totaling 1,375 units in the market area. (p. VI-2)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (60%)</b>	\$425	\$463	-\$38	\$460	-\$35
<b>2-Bedroom (60%)</b>	\$500	\$556	-\$56	\$570	-\$70
<b>3-Bedroom (60%) 923sf</b>	\$579	\$642	-\$63	\$690	-\$111
<b>3-Bedroom (60%) 1025sf</b>	\$579	\$642	-\$63	\$720	-\$141

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

**Submarket Vacancy Rates:** “...the overall occupancy rate of non-government subsidized units is 94.5%.” (p. V-3) “Overall, the four existing LIHTC units have a 94.4% occupancy rate.” (p. V-4)

**Absorption Projections:** “There have been no apartments added to the market over the past few years. As a result, there is no recent absorption history to analyze.” (p. II-1)

**Known Planned Development:** “Based on interviews with local building and planning representatives, it was determined that there are no publicly announced new multifamily developments planned for the area. Part of the reason for the lack of new multifamily development is the lack of developable land in the Site PMA.” (p. V-6)

**Effect on Existing Housing Stock:** “Given that the proposed project will retain these subsidies, we do not



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MULTIFAMILY UNDERWRITING ANALYSIS**

anticipate the subject property impacting the occupancy rates of existing rentals in the market.” (p. VII-5)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The project currently has 95 units operating under the HUD Section 236 program and the remaining 55 units are covered under a HUD Section 8 contract. According to the Applicant, the HAP contracts will expire in September of 2003 at which time the Applicant will request a rent increase based on the project’s expected renovations. The Applicant’s proposed rents as reflected in the rent schedule are \$425, \$500 and \$579 for the one-, two- and three-bedroom units. The current basic rents for the 95 Section 236 units are \$455 for the two-bedroom units, \$545 for the small three-bedroom units and \$586 for the large three-bedroom units. The current HAP rents for the remaining 55 units are \$411 for the one-bedroom units, \$488 for the two-bedroom units, \$584 for the small three-bedroom units, and \$660 for the large three-bedroom units. Thus, the new proposed rent schedule reflects an overall 4% increase in potential gross rent. For purposes of this analysis, the Underwriter utilized the proposed increased rents. However, this report is conditioned upon receipt, review and acceptance of documentation from HUD that the proposed rent increases under both assistance contracts has been approved.

In addition, the Applicant identified two of the three-bedroom units as employee occupied with rents of \$575. The Underwriter eliminated the rent from these employee occupied units as they would generally be part of the compensation to the employee.

Since the development is operating under the Section 236 program with Interest Rate Reduction Payments and HAP contracts, the rents are capped to current HUD guidelines. However, should the rents ever be uncapped or the HAP contract expire without renewal, the Applicant could achieve higher rents for the subject units. Charging the maximum tax credit rents for the units would give the Applicant an additional \$103K in potential gross rental income. According to the Market Analyst, these rents are achievable since the current adjusted market rents for the El Paso PMA are \$460, \$570, \$690 and \$720 for the one-, two- and small and large three-bedroom units, respectively. As a result, the development could potentially achieve an excessive profit level and exceed the Department’s maximum debt coverage ratio guideline of 1.30 if the maximum tax credit rents are charged.

The Applicant’s secondary income and vacancy and collection loss estimates are in line with TDHCA underwriting guidelines. However, the Applicant has included the rent for the employee occupied units in their potential gross income estimate and as a rental loss in calculating effective gross income. The Underwriter has assumed no rental income from the employee units in estimating potential gross rent and, therefore, no rental loss.

Although the Applicant chose to take into account the annual IRP payment of \$48,144 by excluding the debt service associated with an IRP loan of \$650,000, the underwriter has included the payment as a source of additional income and has calculated the debt service associated with the IRP loan based on terms presented in the commitment letter. There should be no net effect on the development’s debt coverage ratio as terms for an IRP loan are usually set to produce debt service that is equal to the scheduled annual IRP payments. However, the effect in this instance is a decrease in the DCR from 1.24 to 1.11. Therefore, receipt, review and acceptance of the final structure of the lender’s proposed IRP loan resulting in a debt service equal to the actual annual IRP payment or an explanation from the lender of any difference between the final IRP loan debt service and the IRP payment is a condition of this report.

**Expenses:** The Applicant’s total expense estimate of \$4,242 per unit is within 5% of the Underwriter’s estimate based on TDHCA database, IREM and the project’s historical financial information. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: payroll (more than 10% lower), repairs and maintenance (more than 20% higher), and property tax (more than 10% higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** The Applicant’s net operating income is not within 5% of the Underwriter’s estimate due to the

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MULTIFAMILY UNDERWRITING ANALYSIS**

Underwriter's inclusion of the anticipated IRP payment as a source of income. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines.

<b>ACQUISITION VALUATION INFORMATION</b>					
<b>APPRAISED VALUE</b>					
<b>Land Only: (9.91) acres</b>	\$380,000	<b>Date of Valuation:</b>	02/	13/	2003
<b>Existing Building(s): "as is"</b>	\$2,220,000	<b>Date of Valuation:</b>	02/	13/	2003
<b>Total Development: "as is"</b>	\$2,600,000	<b>Date of Valuation:</b>	02/	13/	2003
<b>Appraiser:</b> Andrew J. Moye	<b>City:</b> Columbus, OH	<b>Phone:</b>	(614)	431-	3332
<b>APPRAISED ANALYSIS/CONCLUSIONS</b>					
<p><b>Analysis:</b> The appraiser concludes that the highest and best use of this property, both as vacant and as improved, is for intensive residential use. The appraiser's estimated land value is based on four recent comparable land sales within the same area as the subject property and focused on sales of similar sized multi-family sites within the PMA. Adjustments to the comparable land sales were considered for sale characteristics including property rights conveyed, financing terms, conditions of sale and market conditions. Additionally, adjustments were made based on location, use and physical characteristics. After adjustments, land sales based on price per unit ranged from \$2,242 to \$2,715. The appraiser used a near average of the adjusted range to come up with \$2,500/unit or \$380,000 as the estimated land value for the subject property.</p> <p>In estimating the value of the development as a whole, the appraiser relied most on the income capitalization approach as it analyzes a property's income producing capacity and converts it into an estimate of present value. The appraiser also used the sales comparison approach, primarily to support the value estimated via the income capitalization approach. The cost approach was not used by the appraiser due to "the age of the improvements, the varying age-life of the numerous short-lived components, and the consequent subjective estimation of accrued depreciation." (p. 25)</p> <p><b>Conclusion:</b> As a result of the approaches used, the appraiser's estimate of the property's value, \$2,600,000, appears to be a reliable estimate.</p>					
<b>ASSESSED VALUE</b>					
<b>Land: (9.91) acres</b>	\$647,290	<b>Assessment for the Year of:</b>	2002		
<b>Building:</b>	\$200,951	<b>Valuation by:</b>	El Paso County Appraisal District		
<b>Total Assessed Value:</b>	\$848,241	<b>Tax Rate:</b>	2.9891		
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>					
<b>Type of Site Control:</b>	Purchase And Sale Agreement				
<b>Contract Expiration Date:</b>	12/	31/	2003	<b>Anticipated Closing Date:</b>	12/ 31/ 2003
<b>Acquisition Cost:</b>	\$2,450,000		<b>Other Terms/Conditions:</b>		
<b>Seller:</b> Lilac Garden Apts., Murray Haber					<b>Related to Development Team Member:</b> No

<b>CONSTRUCTION COST ESTIMATE EVALUATION</b>					
<p><b>Acquisition Value:</b> The acquisition price of \$2,450,000 is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed acquisition eligible basis is based upon the building value percentage from the appraisal applied to the contract price. The appraisal concluded the market value of the entire property to be \$2,600,000 of which \$380,000 is attributed to the land value. The value of the existing buildings is \$2,220,000, or 85% of the total value of the subject property. The Applicant claimed \$2,070,000 for the existing buildings, or 85% of the total acquisition price.</p> <p>The Underwriter used the same method for estimating the property's acquisition eligible basis. However, the</p>					

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

Underwriter's calculation results in a slightly higher basis of \$2,091,923.

**Off-Site Costs:** The Applicant claimed off-site costs of \$27,800 for repairs to sidewalks and curbs, repair of existing storm drain and covers, tap to existing 6" pipe line and additional backflows. A registered architect certified the cost estimate.

**Sitework Cost:** The Applicant's claimed sitework costs of \$4,834 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's scope of work is detailed and consistent with the cost breakdown. The cost schedule is signed by the project's General Contractor, which has no apparent ties to the Applicant, and, therefore, the direct construction cost of \$2,541,221 is regarded as reasonable as submitted.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$5,572 effectively moved to ineligible costs. The Applicant's contingency assumption exceeds the Department's 10% of sitework and direct construction cost limit and the overage of \$3,980 were removed from eligible basis. Finally, 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 \$1,433.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated fees, is used to calculate eligible basis and determine the eligible tax credits. As a result an eligible basis of \$7,907,129 is used to determine eligible tax credits of \$685,609 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs and the Applicant's request to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

<b>Source:</b>	JP Morgan Chase	<b>Contact:</b>	DennisZulkowski
<b>Principal Amount:</b>	\$2,800,000	<b>Interest Rate:</b>	7.00%
<b>Additional Information:</b>			
<b>Amortization:</b>	18 yrs	<b>Term:</b>	30 yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional		
<b>Annual Payment:</b>	\$223,542	<b>Lien Priority:</b>	1st
<b>Commitment Date</b>	02/ 28/ 2003		

**LIHTC SYNDICATION**

<b>Source:</b>	Texas Housing Finance Corporation	<b>Contact:</b>	George Schmidt
<b>Address:</b>	1143 West Fifth Street, Suite 100	<b>City:</b>	Austin
<b>State:</b>	Texas	<b>Zip:</b>	78703
<b>Phone:</b>	(512) 469-9059	<b>Fax:</b>	(512) 469-9864
<b>Net Proceeds:</b>	\$5,356,507	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	78¢
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
<b>Date:</b>	03/ 18/ 2003		
<b>Additional Information:</b>			

**APPLICANT EQUITY**

<b>Amount:</b>	\$177,760	<b>Source:</b>	Deferred Developer Fee
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**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The conventional permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. However, it appears that the proposed IRP loan may not be structured appropriately based on the anticipated annual IRP payment of \$48,144. As stated above, receipt, review and acceptance of the final structure of the lender's proposed IRP loan resulting in a debt service

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

equal to the actual annual IRP payment or an explanation from the lender of any difference between the final IRP loan debt service and the IRP payment is a condition of this report.

The Applicant does not plan to assume the remaining balance of the existing HUD-insured mortgage. A regulatory agreement under Section 236 dated December 1970 and amended May 1972 indicates a principle of \$1,792,300. However, the notes to the December 31, 2002 audited financial statement indicates an original principal of \$1,774,500 and an 8.5% interest scheduled for full repayment in 2012, a term of 40 years and a remaining liability for mortgage payable of \$936,227, which is less than the contract sales price of \$2,450,000. The mortgage amount indicated in the audited financial statement is supported by the submitted HUD-FHA amortization schedule, which indicates an anticipated loan balance in July 2003 of \$1,038,027.

**LIHTC Syndication:** Texas Housing Finance Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,356,507 based on a syndication factor of 78%.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fee of \$177,760 amounts to 17% of the total fees. However, based on the Underwriter's analysis the developer will have to defer \$187,050 of the developer fees.

**Financing Conclusions:** The Applicant's total development cost estimate was used to determine the development's eligible basis and recommended tax credit allocation of \$685,609 annually for ten year, which is supported by the gap in funds and \$1,191 less than requested. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$187,050, which should be repayable from cash flow within 6 years.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The owner of the Applicant, Doug Gurkin, is 50% owner of the Developer. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- ⊘ The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- ⊘ The principals of the General Partner, Douglas Gurkin and Wooten Epps, submitted unaudited financial statements as of February 20, 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- ⊘ The Applicant and General Partner are new entities formed for the purpose of developing the project.
- ⊘ Doug Gurkin, the principal of the General Partner, has completed 3 affordable housing developments totaling 470 units since 2000.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**Underwriter:**

\_\_\_\_\_  
*Raquel Morales*

**Date:** June 16, 2003

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 16, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Lilac Garden Apartments, El Paso, LIHTC #03134 Proposed**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Tral
<TC60%/HAP	14	1	1	579	\$463	\$425	\$5,950	\$0.73	\$67	\$20
<TC60%/HAP	20	2	1	757	\$556	\$500	10,000	0.66	\$83	\$23
<TC60% Basic	36	2	1	757	\$556	\$500	18,000	0.66	\$83	\$23
BO	2	3	1.5	923	\$641	\$0	0	0.00	\$83	\$23
<TC60%/HAP	19	3	1.5	923	\$642	\$579	11,001	0.63	\$102	\$27
<TC60% Basic	43	3	1.5	923	\$642	\$579	24,897	0.63	\$102	\$27
<TC60%/HAP	2	3	1.5	1,025	\$642	\$579	1,158	0.56	\$102	\$27
<TC60% Basic	14	3	1.5	1,025	\$642	\$579	8,106	0.56	\$102	\$27
<b>TOTAL:</b>	<b>150</b>		<b>AVERAGE:</b>	<b>840</b>	<b>\$593</b>	<b>\$527</b>	<b>\$79,112</b>	<b>\$0.63</b>	<b>\$91.39</b>	<b>\$24.80</b>

INCOME				TDHCA		APPLICANT		USS Region 13			
POTENTIAL GROSS RENT				\$949,344		\$963,768		IREM Region El Paso			
Secondary Income	Per Unit Per Month:	\$15.00		27,000	27,000	\$15.00		Per Unit Per Month			
Other Support Income: IRP Payment				48,144	0						
POTENTIAL GROSS INCOME				\$1,024,488		\$990,768					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(73,226)	(74,304)	-7.50%		of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0	(13,800)						
EFFECTIVE GROSS INCOME				\$951,262		\$902,664					
EXPENSES	% OF GGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF GGI			
General & Administrative	5.07%	\$322	0.38	\$48,230	\$46,000	\$0.37	\$307	5.10%			
Management	4.75%	301	0.36	45,156	\$45,159	0.36	301	5.00%			
Payroll & Payroll Tax	13.26%	841	1.00	126,150	\$112,500	0.89	750	12.46%			
Repairs & Maintenance	3.39%	215	0.26	32,257	\$61,350	0.49	409	6.80%			
Utilities	9.33%	592	0.70	88,740	\$90,000	0.71	600	9.97%			
Water, Sewer, & Trash	5.95%	377	0.45	56,586	\$57,600	0.46	384	6.38%			
Property Insurance	6.75%	428	0.51	64,225	\$57,385	0.46	383	6.36%			
Property Tax 2.9891	7.70%	488	0.58	73,232	\$84,900	0.67	566	9.41%			
Reserve for Replacements	4.73%	300	0.36	45,000	\$45,000	0.36	300	4.99%			
Other Expenses:Compliance/SuppSv	3.82%	242	0.29	36,350	\$36,350	0.29	242	4.03%			
TOTAL EXPENSES				64.75%	\$4,106	\$4.89	\$615,926	\$636,244	\$5.05	\$4,242	70.49%
NET OPERATING INC				35.25%	\$2,236	\$2.66	\$335,336	\$266,420	\$2.11	\$1,776	29.51%
DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL			
JP Morgan Chase	23.50%	\$1,490	\$1.77	\$223,542	\$227,291	\$1.80	\$1,515	25.18%			
JP Morgan Chase-IRP	7.18%	\$456	\$0.54	68,331	0	\$0.00	\$0	0.00%			
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
NET CASH FLOW				4.57%	\$290	\$0.35	\$43,463	\$39,129	\$0.31	\$261	4.33%
AGGREGATE DEBT COVERAGE RATIO				1.15	1.17						
RECOMMENDED DEBT COVERAGE RATIO				1.15							

CONSTRUCTION COST				TDHCA		APPLICANT		% of TOTAL			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL		
Acquisition Cost (site or bldg)		27.30%	\$16,333	\$19.45	\$2,450,000	\$2,450,000	\$19.45	\$16,333	27.27%		
Off-Sites		0.31%	185	0.22	27,800	27,800	0.22	185	0.31%		
Sitework		8.08%	4,834	5.76	725,126	725,126	5.76	4,834	8.07%		
Direct Construction		28.32%	16,941	20.17	2,541,221	2,541,221	20.17	16,941	28.29%		
Contingency	10.00%	3.64%	2,178	2.59	326,635	330,615	2.62	2,204	3.68%		
General Req'ts	6.00%	2.18%	1,307	1.56	195,981	198,369	1.57	1,322	2.21%		
Contractor's G & A	2.00%	0.73%	436	0.52	65,327	66,123	0.52	441	0.74%		
Contractor's Profit	6.00%	2.18%	1,307	1.56	195,981	198,369	1.57	1,322	2.21%		
Indirect Construction		4.34%	2,597	3.09	389,507	389,507	3.09	2,597	4.34%		
Ineligible Costs		3.74%	2,236	2.66	335,463	335,463	2.66	2,236	3.73%		
Developer's G & A	1.97%	1.52%	907	1.08	136,099	136,040	1.08	907	1.51%		
Developer's Profit	13.00%	9.99%	5,978	7.12	896,699	896,758	7.12	5,978	9.98%		
Interim Financing		4.08%	2,440	2.91	365,987	365,987	2.91	2,440	4.07%		
Reserves		3.60%	2,153	2.56	322,889	322,889	2.56	2,153	3.59%		
TOTAL COST				100.00%	\$59,831	\$71.24	\$8,974,714	\$8,984,267	\$71.32	\$59,895	100.00%
<b>Recap-Hard Construction Costs</b>				<b>45.13%</b>	<b>\$27,002</b>	<b>\$32.15</b>	<b>\$4,050,270</b>	<b>\$4,059,823</b>	<b>\$32.23</b>	<b>\$27,065</b>	<b>45.19%</b>

SOURCES OF FUNDS				RECOMMENDED				
				TDHCA	APPLICANT			
JP Morgan Chase	31.20%	\$18,667	\$22.23	\$2,800,000	\$2,800,000	\$2,800,000		Developer Fee Available
JP Morgan Chase-IRP	7.24%	\$4,333	\$5.16	650,000	650,000	650,000		\$1,032,798
LIHTC Syndication Proceeds	59.68%	\$35,710	\$42.52	5,356,507	5,356,507	5,347,217		% of Dev. Fee Deferred
Deferred Developer Fees	1.98%	\$1,185	\$1.41	177,760	177,760	187,050		18%
Additional (excess) Funds Requi	-0.11%	(\$64)	(\$0.08)	(9,553)	0	0		Dev Fee Repayable in 15 yr
TOTAL SOURCES				\$8,974,714	\$8,984,267	\$8,984,267		\$885,600.81

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST** (continued)  
**Lilac Garden Apartments, El Paso, LIHTC #03134 Proposed**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,800,000	Term	360
Int Rate	7.00%	DCR	1.50

<b>Secondary</b>	\$650,000	Term	120
Int Rate	1.00%	Subtotal DCR	1.15

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.15

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$223,542
Secondary Debt Service	68,331
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$43,463</b>

<b>Primary</b>	\$2,800,000	Term	360
Int Rate	7.00%	DCR	1.50

<b>Secondary</b>	\$650,000	Term	120
Int Rate	1.00%	Subtotal DCR	1.15

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

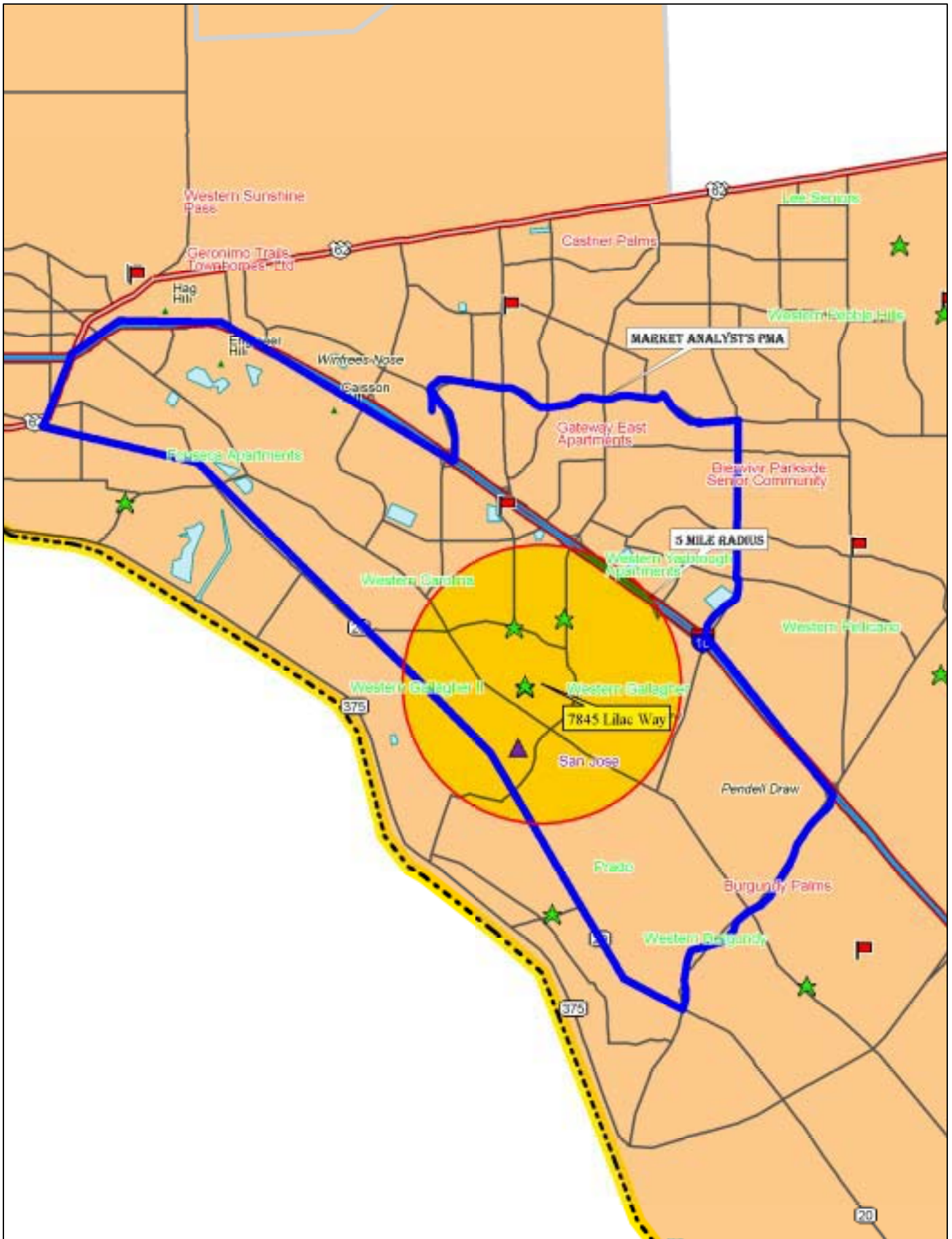
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$949,344	\$977,824	\$1,007,159	\$1,037,374	\$1,068,495	\$1,238,679	\$1,435,968	\$1,664,680	\$2,237,191
Secondary Income	27,000	27,810	28,644	29,504	30,389	35,229	40,840	47,345	63,627
Other Support Income: IRP P	48,144	48,144	48,144	48,144	48,144	48,144	0	0	0
POTENTIAL GROSS INCOME	1,024,488	1,053,778	1,083,947	1,115,021	1,147,028	1,322,051	1,476,808	1,712,025	2,300,819
Vacancy & Collection Loss	(73,226)	(79,033)	(81,296)	(83,627)	(86,027)	(99,154)	(110,761)	(128,402)	(172,561)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$951,262	\$974,745	\$1,002,651	\$1,031,395	\$1,061,001	\$1,222,898	\$1,366,047	\$1,583,623	\$2,128,257
EXPENSES at 4.00%									
General & Administrative	\$48,230	\$50,159	\$52,166	\$54,252	\$56,422	\$68,646	\$83,519	\$101,613	\$150,413
Management	45,156	46,271	47,595	48,960	50,365	58,050	64,846	75,174	101,027
Payroll & Payroll Tax	126,150	131,196	136,444	141,902	147,578	179,551	218,451	265,779	393,418
Repairs & Maintenance	32,257	33,548	34,890	36,285	37,737	45,912	55,859	67,962	100,600
Utilities	88,740	92,290	95,981	99,820	103,813	126,305	153,669	186,962	276,749
Water, Sewer & Trash	56,586	58,849	61,203	63,652	66,198	80,540	97,989	119,218	176,472
Insurance	64,225	66,794	69,466	72,244	75,134	91,412	111,217	135,312	200,295
Property Tax	73,232	76,161	79,208	82,376	85,671	104,232	126,814	154,288	228,385
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	36,350	37,804	39,316	40,889	42,524	51,737	62,946	76,584	113,363
TOTAL EXPENSES	\$615,926	\$639,872	\$664,940	\$690,999	\$718,086	\$870,434	\$1,053,235	\$1,277,701	\$1,881,061
NET OPERATING INCOME	\$335,336	\$334,873	\$337,711	\$340,396	\$342,915	\$352,463	\$312,812	\$305,923	\$247,196
DEBT SERVICE									
First Lien Financing	\$223,542	\$223,542	\$223,542	\$223,542	\$223,542	\$223,542	\$223,542	\$223,542	\$223,542
Second Lien	68,331	68,331	68,331	68,331	68,331	68,331	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$43,463	\$43,000	\$45,838	\$48,523	\$51,042	\$60,590	\$89,271	\$82,381	\$23,655
DEBT COVERAGE RATIO	1.15	1.15	1.16	1.17	1.17	1.21	1.40	1.37	1.11

Location Calculation - Lilac Garden Apartments, El Paso, LIHTC #03134 Proposed

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$380,000	\$358,077				
Purchase of buildings	\$2,070,000	\$2,091,923	\$2,070,000	\$2,091,923		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$725,126	\$725,126			\$725,126	\$725,126
Off-site improvements	\$27,800	\$27,800				
<b>(3) Construction Hard Costs</b>						
New structures/rehab	\$2,541,221	\$2,541,221			\$2,541,221	\$2,541,221
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$66,123	\$65,327			\$65,327	\$65,327
Contractor profit	\$198,369	\$195,981			\$195,981	\$195,981
General requirements	\$198,369	\$195,981			\$195,981	\$195,981
<b>(5) Contingencies</b>	\$330,615	\$326,635			\$326,635	\$326,635
<b>(6) Eligible Indirect Fees</b>	\$389,507	\$389,507			\$389,507	\$389,507
<b>(7) Eligible Financing Fees</b>	\$365,987	\$365,987			\$365,987	\$365,987
<b>(8) All Ineligible Costs</b>	\$335,463	\$335,463				
<b>(9) Developer Fees</b>			\$310,500		\$720,865	
Developer overhead	\$136,040	\$136,099		\$41,276		\$94,823
Developer fee	\$896,758	\$896,699		\$271,950		\$624,749
<b>(10) Development Reserves</b>	\$322,889	\$322,889				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$8,984,267</b>	<b>\$8,974,714</b>	<b>\$2,380,500</b>	<b>\$2,405,149</b>	<b>\$5,526,629</b>	<b>\$5,525,336</b>

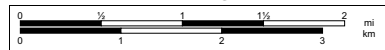
<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$2,380,500	\$2,405,149	\$5,526,629	\$5,525,336
High Cost Area Adjustment					130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$2,380,500	\$2,405,149	\$7,184,618	\$7,182,937
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$2,380,500	\$2,405,149	\$7,184,618	\$7,182,937
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$86,412	\$87,307	\$599,197	\$599,057

Syndication Proceeds	0.7799	\$673,947	\$680,926	\$4,673,270	\$4,672,177
<b>Total Credits (Eligible Basis Method)</b>				<b>\$685,609</b>	
Syndication Proceeds				\$5,347,217	
Requested Credits				\$686,800	
Syndication Proceeds				\$5,356,504	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$5,534,267</b>	
Credit Amount				\$709,592	



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 Zoom Level: 11-4 Datum: WGS84

Scale 1 : 75 000  
 1" = 1.18 mi





**TDHCA #**

**03220**

**Region 13**



**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Development Name: **Desert Breeze, Ltd.**

TDHCA #: **03220**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 13 Site Address: 14600-14626 Desert Breeze Dr.  
 City: Horizon City / El Paso County: El Paso Zip Code: 79928  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 36 Elderly: 0 Handicapped/Disabled 3 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Desert Breeze, Ltd

Principal Names	Principal Contact	Percentage Ownership
Housing & Economic Rural Opportunity, Inc.	Eddie Gallegos	0051% of Owner
Marvellous Light Corporation	James Millender, Sr.	0049% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$359,018** Allocation over 10 Years: **\$3,590,180**  
 Credits Requested: **\$360,434** Eligible Basis Amount: **\$359,018** Equity/Gap Amount: **\$367,278**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	1	2
40%	0	0	0	1	2
50%	0	0	0	1	1
60%	0	0	0	7	31
MR	0	0	0	0	0
Total	0	0	0	10	
Total LI Units:					36
Owner/Employee Units:					0
Total Project Units:					36
Applicable Fraction:					100.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

- Playground
- Recreation facilities
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room
- Computer Facility with Internet
- Public Phones

**UNIT AMENITIES** (no extra cost to tenant)

- Covered Entries
- Mini Blinds
- Laundry Connections
- Laundry Equipment
- Covered Parking
- Garages
- Use of Energy Efficient Alternative Construction Materials
- Computer Line in all Bedrooms
- Ceramic Tile - Entry, Kitchen, Baths
- Storage Room
- 25 year Shingle Roofing
- Covered Patios or Balconies
- Greater than 75% Masonry Exterior

**BUILDING INFORMATION**

Total Development Cost: \$4,014,927 Average Square Feet/Unit: 1,343  
 Gross Building Square Feet: 48,341 Cost Per Net Rentable Square Foot: \$83.05  
 Total Net Rentable Area Square Feet: 48,341 Credits per Low Income Uni: \$9,973

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$201,672  
 Total Expenses: \$103,428  
 Net Operating Income: \$98,244  
 Estimated 1st Year Debt Coverage Ratio: 1.16

**FINANCING**

Permanent Principal Amount: \$1,040,343  
 Applicant Equity: \$52,483  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.8099

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Housing & Economic Rural Opportunity, Inc. Market Analyst: Zacour and Associates  
 Housing GC: Investment Builders, Inc. Originator/UW: Listed in Financial Participants  
 Engineer: SLI Engineering, Inc. Appraiser: Zacour & Associates  
 Cost Estimator: Investment Builders, Inc. Attorney: Locke Liddell & Sapp, LLP  
 Architect: David J. Marquez, A&E Accountant: Robert H. Woolley, Jr., CPA  
 Property Manager: NA Supp Services: YWCA Consumer Credit Counseling  
 Syndicator: Sun America Affordable Housing Permanent Lender: AIG SunAmerica



# Developer Evaluation

Project ID # **03220**

Name: **Desert Breeze**

City: **El Paso**

LIHTC 9%  LIHTC 4%  HOME  BOND  HTF  SECO  ESGP  Other

No Previous Participation in Texas  Members of the development team have been disbarred by HUD

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

Projects in Material Noncompliance: No  Yes  # of Projects: 0

Total # of Projects monitored: 19 Projects grouped by score 0-9 18 10-19 1 20-29 0

Total # monitored with a score less than 30: 19 # not yet monitored or pending review: 10

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 15, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03220

**DEVELOPMENT NAME**

Desert Breeze

**APPLICANT**

**Name:** Desert Breeze, Ltd. **Type:** For Profit  
**Address:** 4517 Fairbanks **City:** El Paso **State:** TX  
**Zip:** 79924 **Contact:** James Millender, Sr. **Phone:** (915) 568-3026 **Fax:** (915) 757-6188

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Housing & Economic Rural Opportunities, Inc. **(%):** 0.0051 **Title:** Managing General Partner  
**Name:** Marvellous Light Corporation **(%):** 0.0049 **Title:** Co-General Partner  
**Name:** Investment Builders **(%):** N/A **Title:** General Contractor

**PROPERTY LOCATION**

**Location:** 14600-14624, 14626,14627,14630, 14632, 14634, 14636, 14638, 14640, 14642 Desert Breeze Drive & 14600, 14604 Calhoun Avenue  QCT  DDA  
**City:** El Paso/Horizon City **County:** El Paso **Zip:** 79928

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$360,434	N/A	N/A	N/A
<b>Other Requested Terms:</b> 1) Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New Construction		<b>Property Type:</b> Single Family Rental	
<b>Set-Aside(s):</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> TX RD <input checked="" type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$359,018 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

- The title commitment lists the following exception, "Lack of a right of access to and from the land. Company deletes the insurance of access under Covered Title Risks or under other insuring provisions." Receipt, review and acceptance of a current and signed title commitment indicating that this exception has been cleared and the Applicant has legal right of access to the subject property prior to closing on the land.
- Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 36    **# Rental Buildings:** 36    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at   /  /    
**Net Rentable SF:** 48,341    **Av Un SF:** 1,343    **Common Area SF:** N/A    **Gross Bldg SF:** 48,341

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 90% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & VCT/ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, evaporative cooling.

**ON-SITE AMENITIES**

N/A

**Uncovered Parking:** 36 spaces    **Carports:** N/A spaces    **Garages:** 36 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Desert Breeze is a proposed new construction development of 36 units of affordable housing located in El Paso/Horizon City. The development is comprised of four and three bedroom single family homes located on Desert Breeze Drive and the adjacent Calhoun Avenue.

**Architectural Review:** The floorplans include space for a full-sized washer and dryer and a single car garage. All of the exteriors will be finished in stucco, but the developer plans to vary the design from a traditional pitched-roof house to a Spanish-style building with built-up roof and parapet walls. The number of baths proposed range from 2 baths for a three-bedroom unit to 3.5 baths for a four-bedroom unit. The four-bedroom units with 3.5 baths essentially have a master bedroom with a private, connecting full bath on the first floor as well as a second master bedroom with a private connecting full bath on the second floor.

**Supportive Services:** YWCA Credit Counseling Services will be provided to tenants at no additional cost.

**Schedule:** The Applicant anticipates construction to begin in March of 2003 (this is believed to be a typo), to be completed in September of 2003, to be placed in service in September of 2004, and to be substantially leased-up in November of 2004.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 7.372 acres    321,124 square feet    **Zoning/ Permitted Uses:** N/A (El Paso)  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Raw Land

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The location of the site is just to the east of the Town of Horizon City, El Paso County. Specifically it is north of Horizon Boulevard and to the west of Anderpont Street.

**Adjacent Land Uses:**

- ∄ **North:** vacant land, Horizon Water Service beyond
- ∄ **South:** vacant land, Horizon Boulevard beyond
- ∄ **East:** Anderpont Street, residential development beyond
- ∄ **West:** vacant land, Horizon Middle School beyond

**Site Access:** The site is accessible from Horizon Boulevard and the proposed extension of Anderpont Street.

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

Horizon Boulevard and Eastlake Drive provide direct access to Horizon City. An interchange is located at the intersection of Horizon Boulevard and Interstate 10.

**Public Transportation:** Currently, the County of El Paso provides limited public bus transportation, connecting with the City of El Paso Sun Metro’s bus system in the lower valley. The bus route runs along Horizon Boulevard.

**Shopping & Services:** Services provided by some community facilities are limited. There is a golf course with conference center, a senior center, and a community park with little league. Law enforcement is provided by the Horizon City Police Department within the city limits and the El Paso County Sheriff’s Department outside the city limits, but within the county. Fire protection is provided by the El Paso County Rural Fire Prevention District No. 1, a volunteer fire department.

**Special Adverse Site Characteristics:** The title commitment lists the following exception, “Lack of a right of access to and from the land. Company deletes the insurance of access under Covered Title Risks or under other insuring provisions.” Receipt, review and acceptance of a current and signed title commitment indicating that this exception has been cleared and the Applicant has legal right of access to the subject property is a condition of this report.

**Site Inspection Findings:** An ORCA staff member performed a site inspection on April 8, 2003 and found the location to be poor. The inspector noted the site is on undeveloped land and that there were no signs to identify it. He indicated that he stopped at city hall and looked at their development maps and could not find it. The inspector’s conclusions were not consistent with individual salient linkage attributes in which two good and four fair linkages were reported. Ten poor linkages were reported which is 62.5% of the linkages ranked. Another five linkages were not observed and received no ranking. The site inspector form indicates that for a site to be labeled as poor overall 90% or more of the salient linkage attributes must have a poor rating. The primary reason for the inspector’s poor rating was the remoteness of the location. Since the ranking was poor and not unacceptable this evaluation alone is not enough reason to not recommend the development. Moreover, the Market Analyst and ESA I inspector both indicate that there are other residential neighborhoods nearby.

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

A Phase I Environmental Site Assessment report dated February 28, 2003 was prepared by Construction and Environmental Consultants, Inc. and contained the following conclusion: “On the basis of our observations and available information obtained during our assessment, no further environmental investigation is warranted at this time.”

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income/elderly tenants. Two of the units (6%) will be reserved for households earning 30% or less of AMGI, two units (6%) will be reserved for households earning 40% or less of AMGI, one of the units (3%) will be reserved for households earning 50% or less of AMGI, and the remaining 31 units will be reserved for households earning 60% or less of AMGI.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

**MARKET HIGHLIGHTS**

A market feasibility study dated March 21, 2003 was prepared by Zacour & Associates and highlighted the following findings:

**Definition of Primary Market:** “The subject neighborhood lies approximately twenty miles east of the El Paso Central Business District and its geographic boundaries may generally be described as: Montana Avenue to north; El Paso/Hudspeth County linte to the east; Interstate 10 to the south; and Loop 375 to the west.” (p. 27) “The market study area, composed of Census Tracts 103.08 and 103.09, is located in Horizon

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

City” (p. 31)

**Population:** The estimated 2000 population of the subject census tracts was 27,314 and is expected to increase to approximately 34,860 by 2005. Within the primary market area there were estimated to be 6,886 households in 2000.

**Total Local/Submarket Demand for Rental Units:**

ANNUAL SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	11	1%	21	8%
Resident Turnover	N/A		253	92%
Other Sources: affordable housing shortage	604	74%	N/A	
Other Sources: substandard housing	196	25%	N/A	
<b>TOTAL ANNUAL DEMAND</b>	<b>811</b>	<b>100%</b>	<b>274</b>	<b>100%</b>

Ref: Summary Sheet

**Inclusive Capture Rate:** The market analyst concluded an inclusive capture rate of 10% based on a demand figure, which includes the estimated affordable housing shortage and number of substandard homes. These two sources of demand may include households that are not income-qualified and/or renter households. (Summary Sheet) The Underwriter calculated a concentration capture rate of 24.8% based upon a supply of unstabilized comparable affordable units of 68 divided by a revised demand of 274.

**Market Rent Comparables:** “Zacour and Associates, Inc. surveyed and obtained complete data on a total of two apartment complexes and 10 single-family residences located within the market study area.” (p. 41)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
3-Bedroom (30%)	\$169	\$169	\$0	\$650	-\$481
3-Bedroom (40%)	\$276	\$276	\$0	\$650	-\$374
3-Bedroom (60%)	\$490	\$490	\$0	\$650	-\$160
4-Bedroom (30%)	\$181	\$181	\$0	\$775	-\$594
4-Bedroom (40%)	\$301	\$301	\$0	\$775	-\$474
4-Bedroom (50%)	\$420	\$420	\$0	\$775	-\$355
4-Bedroom (60%)	\$540	\$540	\$0	\$775	-\$235

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

**Submarket Occupancy Rates:** Occupancy rates range from 92% to 100%. (Summary Sheet)

**Absorption Projections:** “There has been no new construction of affordable single family homes for rent to use in analyzing an absorption rate in all of El Paso County...The units in the Town of Horizon City and the Northwest were all apartments, and an absorption rate of at least 7 units per month took place. As the proposed subject project is single-family residences, absorption may occur at a slightly lower rate. It is estimated that an average of 6 residences will be absorbed per month. It is anticipated that at least 6 homes will be preleased prior to the completion of construction. Therefore, an overall absorption period of 6 months is projected for the subject project.” (p. 42)

**Known Planned Development:** “There are no new LIHTC single-family homes for rent being developed or proposed within the market study area or in the entire El Paso County area.” (p. 43) “A new LIHTC apartment project, Western Whirlwind, began leasing units in February 2003. Of the 36 units, only 12 are three-bedroom apartments and would be competitive with the proposed single family residential units.” (p. 53) Pueblo Montana, a 36 unit development with 20 three- and four-bedroom units is also in the lease-up stage within the market area.

The Underwriter found the market study provided sufficient information for this underwriting analysis.



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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's potential gross rent estimate and vacancy and collection loss assumption compare favorably to the Underwriter's analysis. However, while the Underwriter included the minimum secondary income guideline of \$5 per unit per month due to the lack of a public laundry facility and vending machines, the Applicant has assumed a secondary income of \$12 per unit per month based solely on washer and dryer rentals. The appliance rental income is considered to be speculative as prospective tenants may provide their own washers and dryers. Despite the difference in secondary income estimates, the Applicant's effective gross income figure is within 5% of the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$2,873 per unit is within 5% of the Underwriter's estimate of \$2,894 per unit for comparably-sized developments. The Applicant's budget includes line item estimates, however, that deviate significantly when compared to the database averages, particularly: repairs and maintenance (more than 20% lower).

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity.

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 guideline of 1.10 to 1.25.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 100.172 acres</b>	\$80,137	<b>Assessment for the Year of:</b>	2002
<b>1 acre:</b>	\$800	<b>Valuation by:</b>	El Paso County Appraisal District
<b>Total Value: 7.372 acres prorated</b>	\$5,898	<b>Tax Rate:</b>	2.46114

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract					
<b>Contract Expiration Date:</b>	08/	31/	2003	<b>Anticipated Closing Date:</b>	08/	31/ 2003
<b>Acquisition Cost:</b>	\$540,000		<b>Other Terms/Conditions:</b>	Seller responsible for infrastructure cost		
<b>Seller:</b>	Merchant Horizon Partners			<b>Related to Development Team Member:</b>	Yes	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The general contractor is also 50% owner of the seller of the subject property. According to Section 49.9(e) (11), "Applicant's applying for acquisition credits or affiliated with the seller must provide..." an appraisal, original acquisition costs, holding and improvement costs, and exit tax estimate. Since the seller is not related to the Applicant and acquisition credits are not requested, an appraisal is not required. However, the Applicant is required to provide "original acquisition and holding and improvement costs since acquisition, and any and all exit taxes, to justify the proposed sales price" due to the relationship of the seller to a member of the development team.

Upon request, the required information for a related party transaction was submitted. The Underwriter calculated the seller's acquisition and holding costs for the subject 7.327 acres based upon the claimed share of 30% of 100 acres. It should be noted that the general contractor's ownership share is actually 50%. However, because the Underwriter's calculations were prorated based upon per acre and per lot costs, the claimed share of 30% is irrelevant. The holding costs include interest expense and property taxes paid or due. In addition, a third party estimate of infrastructure costs to be born by the seller of \$11K per lot was provided. The acquisition, holding and improvement costs plus the Applicant's projected closing costs of \$12,150 total \$537,805, which will be used as the acquisition cost in this underwriting analysis. This is \$14,345 less than the acquisition cost established by the Applicant and if the Applicant's overall costs are

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

used deferred developer fee of at least this amount will be required.

**Off-Site Costs:** Much of the infrastructure costs will be borne by the seller of the subject property; therefore, the Applicant has not included off-site costs in the development's cost schedule. In either case they are ineligible costs.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,981 per unit are within the TDHCA underwriting guidelines.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$73K, or 4%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived 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 by \$13,061 with the overage effectively moved to ineligible costs.

**Conclusion:** The Applicant's total development cost figure is within 5% of the Underwriter's estimate. Therefore, the Applicant's development cost schedule, as adjusted by the Underwriter for overstated contractor fees and acquisition costs, is used to calculate eligible basis and total need for funds. Eligible basis of \$3,311,365 results in eligible tax credits of \$359,018 annually, which will be compared to the gap in need.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** AIG SunAmerica, Inc. **Contact:** Lincoln Williamson  
**Principal Amount:** \$1,030,400 **Interest Rate:** fixed at rate lock; 7.25% underwrite  
**Additional Information:** 24 month construction period at Prime + 1% > 7.25%  
\$2,158,281 bridge loan at Prime + 1% > 7.25% for portions drawn over 70%  
**Amortization:** 30 yrs **Term:** 16 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$86,463 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 02/ 26/ 2003

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners **Contact:** Lincoln Williamson  
**Address:** 1 SunAmerica Center **City:** Los Angeles  
**State:** CA **Zip:** 90067 **Phone:** (310) 772-6553 **Fax:** (310) 772-6179  
**Net Proceeds:** \$2,916,596 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 81¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 26/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$57,988 **Source:** Deferred Developer Fee  
**Amount:** \$9,943 **Source:** Cash Equity

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. This analysis has utilized the lender's underwriting interest rate of 7.25%.

**LIHTC Syndication:** The equity funds will be dispersed in two payments. The first installment, which amounts to 74% of net proceeds, will be used to pay off a Bridge Loan.

**Deferred Developer's Fees:** The Applicant's anticipated deferred developer fee amounts to 13% of total developer fee.

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

**Financing Conclusions:** As stated above, the Applicant's development cost schedule, as adjusted by the Underwriter for overstated contractor fees and acquisition costs, is used to calculate eligible basis and a recommended tax credit allocation of \$359,018, which is supported by the gap in need and is \$1,416 less than requested. The decrease in the Applicant's total development costs due to the Underwriter's recalculation of the related party acquisition costs, results in a decrease in anticipated deferred fees. Deferred developer fees of \$52,483 appear to be repayable from cash flow within 4 years of stabilized operation.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant is related to the developer, and the general contractor is related to the seller of the subject property. The identity of interest sale is discussed in more detail in the Construction Cost Estimate Evaluation section of this report.

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

**Financial Highlights:** The Applicant is a to-be-formed entity and therefore has no material financial history. Marvellous Light Corporation, a nonprofit organization, reports total assets of \$135K as of December 31, 2002. Total liabilities equaled \$1.3K for net assets of \$134K.

Housing & Economic Rural Opportunity, Inc., a nonprofit organization, reports total assets of \$851K as of December 31, 2002. Total liabilities equaled \$635K for net assets of \$217K.

**Background & Experience:** The co-general partners have participated in two affordable housing developments totaling 49 units since 2000.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € Significant locational risk exists regarding right of access to the subject site.
- € The seller of the property has an identity of interest with a development team member.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 15, 2003
	<i>Lisa Vecchietti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 15, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Desert Breeze, El Paso, LIHTC 03220**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr. Swr. Trsh
TC 30%	1	3	2	1,127	\$321	\$169	\$169	\$0.15	\$102.00	\$50.00
TC 40%	1	3	2	1,127	428	276	276	0.24	102.00	50.00
TC 60%	3	3	2	1,190	642	490	1,470	0.41	102.00	50.00
TC 60%	2	3	2.5	1,200	642	490	980	0.41	102.00	50.00
TC 60%	2	3	2.5	1,425	642	490	980	0.34	102.00	50.00
TC 30%	1	4	2	1,425	358	181	181	0.13	119.00	58.00
TC 40%	1	4	2	1,127	478	301	301	0.27	119.00	58.00
TC 50%	1	4	2	1,190	597	420	420	0.35	119.00	58.00
TC 60%	3	4	2	1,200	717	540	1,620	0.45	119.00	58.00
TC 60%	3	4	2	1,425	717	540	1,620	0.38	119.00	58.00
TC 60%	6	4	2.5	1,425	717	540	3,240	0.38	119.00	58.00
TC 60%	6	4	3.5	1,425	717	540	3,240	0.38	119.00	58.00
TC 60%	6	4	3.5	1,425	717	540	3,240	0.38	119.00	58.00
<b>TOTAL:</b>	<b>36</b>		<b>AVERAGE:</b>	<b>1,343</b>	<b>\$663</b>	<b>\$493</b>	<b>\$17,737</b>	<b>\$0.37</b>	<b>\$114.75</b>	<b>\$56.00</b>

**INCOME**

Total Net Rentable Sq Ft: **48,341**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$5.00  
 Other Support Income: Washer & Dryer Rental

**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	4.19%	\$232	0.17
Management	6.49%	359	0.27
Payroll & Payroll Tax	8.28%	457	0.34
Repairs & Maintenance	5.17%	286	0.21
Utilities	0.19%	11	0.01
Water, Sewer, & Trash	0.33%	18	0.01
Property Insurance	6.08%	336	0.25
Property Tax 3.07115	16.68%	921	0.69
Reserve for Replacements	3.62%	200	0.15
Supportive Services, Compliance	1.36%	75	0.06
<b>TOTAL EXPENSES</b>	<b>52.38%</b>	<b>\$2,894</b>	<b>\$2.16</b>

**NET OPERATING INC**

47.62% \$2,631 \$1.96

**DEBT SERVICE**

	%	PER UNIT	PER SQ FT
First Lien Mortgage	42.41%	\$2,343	\$1.74
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>5.20%</b>	<b>\$288</b>	<b>\$0.21</b>

**AGGREGATE DEBT COVERAGE RATIO**

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		13.15%	\$14,939	\$11.13
Off-Sites		0.00%	0	0.00
Sitework		6.15%	6,981	5.20
Direct Construction		50.33%	57,179	42.58
Contingency 3.74%		2.11%	2,403	1.79
General Req'ts 6.00%		3.39%	3,850	2.87
Contractor's G & A 2.00%		1.13%	1,283	0.96
Contractor's Profit 6.00%		3.39%	3,850	2.87
Indirect Construction		3.29%	3,733	2.78
Ineligible Costs		2.83%	3,210	2.39
Developer's G & A 14.21%		10.33%	11,730	8.74
Developer's Profit 0.00%		0.00%	0	0.00
Interim Financing		2.90%	3,294	2.45
Reserves 1.01%		1.15%	1,151	0.86
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$113,602</b>	<b>\$84.60</b>	

**Recap-Hard Construction Costs**

66.50% \$75,545 \$56.26

**SOURCES OF FUNDS**

	%	PER UNIT	PER SQ FT
First Lien Mortgage	25.20%	\$28,622	\$21.32
Additional Financing	0.24%	\$276	\$0.21
LIHTC Syndication Proceeds	71.32%	\$81,017	\$60.33
Deferred Developer Fees	1.42%	\$1,611	\$1.20
Additional (excess) Funds Required	1.83%	\$2,076	\$1.55
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$212,844	\$212,844
Secondary Income	2,160	0
Other Support Income: Washer & Dryer Rental	0	5,184
POTENTIAL GROSS INCOME	\$215,004	\$218,028
Vacancy & Collection Loss	(16,125)	(16,356)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$198,879	\$201,672
General & Administrative	\$8,337	\$8,441
Management	12,906	\$10,084
Payroll & Payroll Tax	16,464	\$15,660
Repairs & Maintenance	10,284	\$7,560
Utilities	379	\$396
Water, Sewer, & Trash	655	\$792
Property Insurance	12,085	\$18,000
Property Tax 3.07115	33,168	\$32,595
Reserve for Replacements	7,200	\$7,200
Supportive Services, Compliance	2,700	\$2,700
TOTAL EXPENSES	\$104,178	\$103,428
NET OPERATING INC	\$94,701	\$98,244
First Lien Mortgage	\$84,350	\$86,463
Additional Financing	0	0
Additional Financing	0	0
NET CASH FLOW	\$10,351	\$11,781
AGGREGATE DEBT COVERAGE RATIO	1.12	1.14
RECOMMENDED DEBT COVERAGE RATIO		1.16

	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	\$0.17	\$234	4.19%
Management	0.21	280	5.00%
Payroll & Payroll Tax	0.32	435	7.77%
Repairs & Maintenance	0.16	210	3.75%
Utilities	0.01	11	0.20%
Water, Sewer, & Trash	0.02	22	0.39%
Property Insurance	0.37	500	8.93%
Property Tax 3.07115	0.67	905	16.16%
Reserve for Replacements	0.15	200	3.57%
Supportive Services, Compliance	0.06	75	1.34%
TOTAL EXPENSES	\$2.14	\$2,873	51.29%
NET OPERATING INC	\$2.03	\$2,729	48.71%
First Lien Mortgage	\$1.79	\$2,402	42.87%
Additional Financing	\$0.00	\$0	0.00%
Additional Financing	\$0.00	\$0	0.00%
NET CASH FLOW	\$0.24	\$327	5.84%

	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$11.42	\$15,338	13.75%
Off-Sites	0.00	0	0.00%
Sitework	5.20	6,981	6.26%
Direct Construction	41.07	55,144	49.45%
Contingency 3.74%	1.79	2,403	2.15%
General Req'ts 6.00%	2.89	3,883	3.48%
Contractor's G & A 2.00%	0.96	1,294	1.16%
Contractor's Profit 6.00%	2.89	3,883	3.48%
Indirect Construction	2.78	3,733	3.35%
Ineligible Costs	2.39	3,210	2.88%
Developer's G & A 14.21%	8.74	11,730	10.52%
Developer's Profit 0.00%	0.00	0	0.00%
Interim Financing	2.45	3,294	2.95%
Reserves 1.01%	0.47	633	0.57%
<b>TOTAL COST</b>	<b>\$83.05</b>	<b>\$111,526</b>	<b>100.00%</b>

	RECOMMENDED	
First Lien Mortgage	\$1,030,400	Developer Fee Available
Additional Financing	9,943	\$422,265
LIHTC Syndication Proceeds	2,916,596	% of Dev. Fee Deferred
Deferred Developer Fees	57,988	12%
Additional (excess) Funds Required	14,345	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>	<b>\$4,014,927</b>	<b>\$418,478.26</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST** (continued)

Desert Breeze, El Paso, LIHTC 03220

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,030,400	Term	360
Int Rate	7.25%	DCR	1.12

<b>Secondary</b>		Term	
Int Rate		Subtotal DCR	1.12

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.12

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S**

Primary Debt Service	\$84,350
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$13,894</b>

<b>Primary</b>	\$1,030,400	Term	360
Int Rate	7.25%	DCR	1.16

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.16

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.16

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

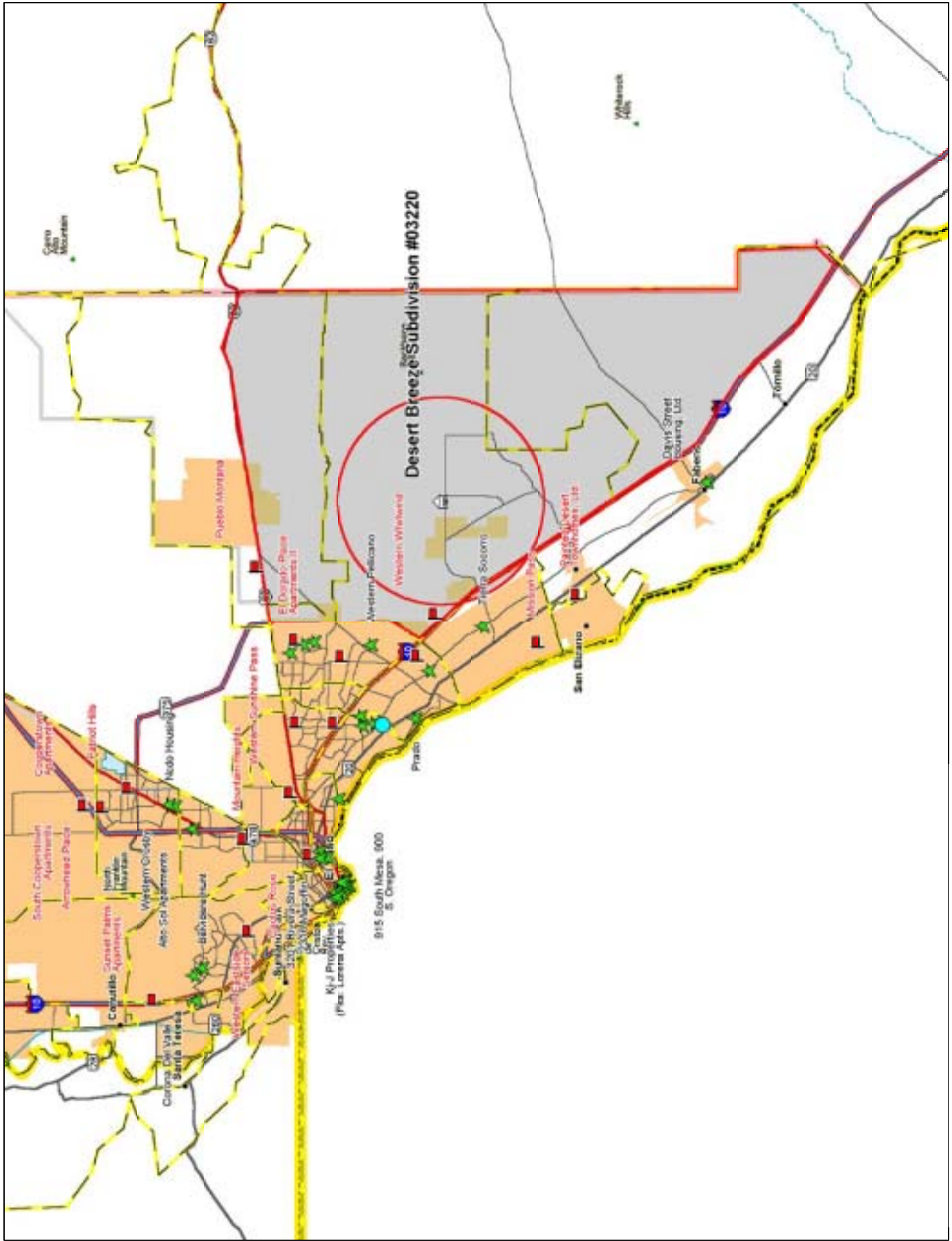
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$212,844	\$219,229	\$225,806	\$232,580	\$239,558	\$277,713	\$321,946	\$373,223	\$501,581
Secondary Income	0	0	0	0	0	0	0	0	0
Contractor's Profit	5,184	5,340	5,500	5,665	5,835	6,764	7,841	9,090	12,216
POTENTIAL GROSS INCOME	218,028	224,569	231,306	238,245	245,392	284,477	329,787	382,313	513,797
Vacancy & Collection Loss	(16,356)	(16,843)	(17,348)	(17,868)	(18,404)	(21,336)	(24,734)	(28,674)	(38,535)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$201,672</b>	<b>\$207,726</b>	<b>\$213,958</b>	<b>\$220,377</b>	<b>\$226,988</b>	<b>\$263,141</b>	<b>\$305,053</b>	<b>\$353,640</b>	<b>\$475,262</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$8,441	\$8,779	\$9,130	\$9,495	\$9,875	\$12,014	\$14,617	\$17,784	\$26,325
Management	10,084	10386.7209	10698.32248	11019.27216	11349.85032	13157.58723	15253.24975	17682.69699	23764.06611
Payroll & Payroll Tax	15,660	16,286	16,938	17,615	18,320	22,289	27,118	32,993	48,838
Repairs & Maintenance	7,560	7,862	8,177	8,504	8,844	10,760	13,091	15,928	23,577
Utilities	396	412	428	445	463	564	686	834	1,235
Water, Sewer & Trash	792	824	857	891	927	1,127	1,371	1,669	2,470
Insurance	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Property Tax	32,595	33,899	35,255	36,665	38,132	46,393	56,444	68,673	101,652
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	2,700	2,808	2,920	3,037	3,159	3,843	4,676	5,688	8,420
<b>TOTAL EXPENSES</b>	<b>\$103,428</b>	<b>\$107,464</b>	<b>\$111,659</b>	<b>\$116,019</b>	<b>\$120,549</b>	<b>\$146,015</b>	<b>\$176,895</b>	<b>\$214,344</b>	<b>\$314,871</b>
<b>NET OPERATING INCOME</b>	<b>\$98,244</b>	<b>\$100,262</b>	<b>\$102,299</b>	<b>\$104,358</b>	<b>\$106,439</b>	<b>\$117,126</b>	<b>\$128,158</b>	<b>\$139,295</b>	<b>\$160,391</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$84,350	\$84,350	\$84,350	\$84,350	\$84,350	\$84,350	\$84,350	\$84,350	\$84,350
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$13,894</b>	<b>\$15,912</b>	<b>\$17,949</b>	<b>\$20,008</b>	<b>\$22,089</b>	<b>\$32,776</b>	<b>\$43,808</b>	<b>\$54,946</b>	<b>\$76,041</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.16</b>	<b>1.19</b>	<b>1.21</b>	<b>1.24</b>	<b>1.26</b>	<b>1.39</b>	<b>1.52</b>	<b>1.65</b>	<b>1.90</b>

**LIHTC Allocation Calculation - Desert Breeze, El Paso, LIHTC 03220**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$552,150	\$537,805		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$251,320	\$251,320	\$251,320	\$251,320
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$1,985,200	\$2,058,448	\$1,985,200	\$2,058,448
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$46,596	\$46,195	\$44,730	\$46,195
Contractor profit	\$139,789	\$138,586	\$134,191	\$138,586
General requirements	\$139,789	\$138,586	\$134,191	\$138,586
<b>(5) Contingencies</b>				
	\$86,496	\$86,496	\$86,496	\$86,496
<b>(6) Eligible Indirect Fees</b>				
	\$134,400	\$134,400	\$134,400	\$134,400
<b>(7) Eligible Financing Fees</b>				
	\$118,571	\$118,571	\$118,571	\$118,571
<b>(8) All Ineligible Costs</b>				
	\$115,551	\$115,551		
<b>(9) Developer Fees</b>				
Developer overhead	\$422,265	\$422,265	\$422,265	\$422,265
Developer fee				
<b>(10) Development Reserves</b>				
	\$22,800	\$41,430		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$4,014,927</b>	<b>\$4,089,655</b>	<b>\$3,311,365</b>	<b>\$3,394,868</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$3,311,365</b>	<b>\$3,394,868</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$4,304,774</b>	<b>\$4,413,328</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$4,304,774</b>	<b>\$4,413,328</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$359,018</b>	<b>\$368,072</b>

Syndication Proceeds	0.8099	\$2,907,756	\$2,981,082
<b>Total Credits (Eligible Basis Method)</b>		<b>\$359,018</b>	<b>\$368,072</b>
Syndication Proceeds		\$2,907,756	\$2,981,082
Requested Credits		\$360,434	
Syndication Proceeds		\$2,919,223	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$2,974,584</b>	
Credit Amount		\$367,269	



Scale: 1 : 400,000 Zoom Level: 9-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 9.9°E

**TDHCA #**

**03222**

**Region 13**





**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Development Name: **Whispering Sands Townhomes, Ltd.**

TDHCA #: **03222**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 13 Site Address: Washington Rd. @ Omar St.  
 City: Anthony County: El Paso Zip Code: 79821  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 36 Elderly: 0 Handicapped/Disabled 2 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Whispering Sands Townhomes, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Investments Builders, Inc.	Ike J. Monty	.01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$286,440** Allocation over 10 Years: \$2,864,400  
 Credits Requested: \$287,970 Eligible Basis Amount: \$286,440 Equity/Gap Amount: \$290,107

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	4	3	7
40%	0	0	1	2	3
50%	0	0	2	6	8
60%	0	0	1	15	16
MR	0	0	0	2	2
Total	0	0	8	28	
Total LI Units:					34
Owner/Employee Units:					0
Total Project Units:					36
Applicable Fraction:					94.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

- Playground  Computer Facility with Internet
- Recreation facilities  Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

**UNIT AMENITIES** (no extra cost to tenant)

- Covered Entries  Computer Line in all Bedrooms
- Mini Blinds  Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections  Storage Room
- Laundry Equipment  25 year Shingle Roofing
- Covered Parking  Covered Patios or Balconies
- Garages  Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

**BUILDING INFORMATION**

Total Development Cost: \$3,056,358 Average Square Feet/Unit: 1,150  
 Gross Building Square Feet: 42,602 Cost Per Net Rentable Square Foot: \$73.82  
 Total Net Rentable Area Square Feet: 41,402 Credits per Low Income Uni: \$8,425

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$184,392  
 Total Expenses: \$118,800  
 Net Operating Income: \$65,592  
 Estimated 1st Year Debt Coverage Ratio: 1.18

**FINANCING**

Permanent Principal Amount: \$679,800  
 Applicant Equity: \$30,100  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.8192

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Investment Builders, Inc.	Market Analyst:	Ipser and Associates, Inc.
Housing GC:	Investment Builders, Inc.	Originator/UW:	Listed in Financial Participants
Engineer:	SLI Engineering, Inc.	Appraiser:	Zacour & Associates
Cost Estimator:	Investment Builders, Inc.	Attorney:	Locke Liddell & Sapp, LLP
Architect:	David J. Marquez, A&E	Accountant:	Robert H. Woolley, Jr., CPA
Property Manager:	Investment Builders, Inc.	Supp Services:	YWCA Consumer Credit Counseling
Syndicator:	SunAmerica Affordable Housing Partners	Permanent Lender:	SunAmerica, Inc.

**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

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

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

Local/State/Federal Officials with Jurisdiction:	Comment from Other Public Officials:
Local Official: Dolores Briones, El Paso County Judge, S	Joseph C. Pickett, State Representative, District 79, S
TX Representative: Pat Haggerty, District 78, N	
TX Senator: Eliot Shapleigh, District 29, N	
US Representative: Silvestre Reyes, S	
US Senator:	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 83	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

**RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

- Score  Meeting a Required Set Aside  Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals. families with different levels of income.

**Explanation: This Development has an acceptable score in the Rural Set-Aside.**

\_\_\_\_\_  
 Robert Onion, Manager of Awards and Allocation      Date      Brooke Boston, Director of Multifamily Finance Production \_\_\_\_\_  
Date

\_\_\_\_\_  
 Edwina Carrington, Executive Director      Date  
 Chairman of Executive Award and Review Advisory Committee

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

Approved Credit Amount:  Date of Determination:

\_\_\_\_\_  
 Michael E. Jones, Chairman of the Board      Date

# Developer Evaluation

Project ID # **03222**

Name: **Whispering Sands Townhome** City: **Anthony**

LIHTC 9%  LIHTC 4%  HOME  BOND  HTF  SECO  ESGP  Other

No Previous Participation in Texas  Members of the development team have been disbarred by HUD

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

Projects in Material Noncompliance: No  Yes  # of Projects: 0

Total # of Projects monitored: 21 Projects grouped by score 0-9 20 10-19 1 20-29 0

Total # monitored with a score less than 30: 21 # not yet monitored or pending review: 14

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 5, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03222

**DEVELOPMENT NAME**

Whispering Sands

**APPLICANT**

**Name:** Whispering Sands Townhomes, Ltd.      **Type:** For Profit  
**Address:** 8800 Yermoland Drive, Suite A      **City:** El Paso      **State:** TX  
**Zip:** 79907      **Contact:** Ike J Monty      **Phone:** (915) 599-1245      **Fax:** (915) 594-0434

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Investment Builders. Inc.      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Ike J Monty      **(%):** N/A      **Title:** Developer

**PROPERTY LOCATION**

**Location:** South 1,018 feet from Washington Road on west side of Omar Road       **QCT**       **DDA**  
**City:** Anthony      **County:** El Paso      **Zip:** 79821

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$287,970	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:** New Construction      **Property Type:** Multifamily

**Set-Aside(s):**     General     Rural     TX RD     Non-Profit     Elderly     At Risk

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$286,440 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

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

DEVELOPMENT SPECIFICATIONS											
<b>IMPROVEMENTS</b>											
<b>Total Units:</b>	<u>36</u>	<b># Rental Buildings</b>	<u>9</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u> at / /
<b>Net Rentable SF:</b>	<u>41,402</u>	<b>Av Un SF:</b>	<u>1,150</u>	<b>Common Area SF:</b>	<u>1,200</u>	<b>Gross Bldg SF:</b>	<u>42,602</u>				
<b>STRUCTURAL MATERIALS</b>											
Wood frame on a concrete slab on grade, 90% stucco with wood trim, drywall interior wall surfaces, composite shingle roofing.											
<b>APPLIANCES AND INTERIOR FEATURES</b>											
Carpeting & VCT/ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, evaporative cooling.											
<b>ON-SITE AMENITIES</b>											
The development features a centrally located community building with a community room, management offices, laundry facility, kitchen and restrooms. Adjacent to the community building is planned to be an equipped children's play area and the entire property will be surrounded with perimeter fencing with a limited access gate.											
<b>Uncovered Parking:</b>	<u>72</u>	spaces	<b>Carports:</b>	<u>N/A</u>	spaces	<b>Garages:</b>	<u>N/A</u>	spaces			
<b>PROPOSAL and DEVELOPMENT PLAN DESCRIPTION</b>											
<b>Description:</b> Whispering Sands is a relatively dense 16 units per acre new construction development of 36 units of mixed income housing located in northwest El Paso County. The development is comprised of nine evenly distributed residential buildings, all of which are four unit townhouse style as follows:											
<ul style="list-style-type: none"> <li>• Six Building Type A with four three- bedroom units;</li> <li>• One Building Type B with three three-bedroom units and a single story handicapped accessible three-bedroom unit;</li> <li>• One Building Type C with four two- bedroom units; and</li> <li>• One Building Type D with three two- bedroom units and a single story handicapped accessible two bedroom unit.</li> </ul>											
<b>Architectural Review:</b> The two-story stucco townhomes offer adequate storage and a utility closet with space for full-sized appliances. Two single story units are also available for households with handicapped individuals. Three of the three bedroom two story townhomes also appear to have one bedroom downstairs. The exteriors appear to be attractive with some ornamentation. The clubhouse includes many tenant accessible common areas as well as an office for staff.											
<b>Supportive Services:</b> The YWCA Credit Counseling, Laubach Literacy Council and Tierra Del Sol Housing Corporation services will be made available to tenants at no additional charge. Supportive services costs of \$1,800 annually were included in the Applicant's total operating expense estimate.											
<b>Schedule:</b> The Applicant anticipates construction to begin in March of 2003, to be completed in September of 2003 (these dates appear to be in error), to be placed in service in September of 2004, and to be substantially leased-up in November of 2004.											
<b>SITE ISSUES</b>											
<b>SITE DESCRIPTION</b>											
<b>Size:</b>	<u>2.25</u>	acres	<u>98,010</u>	square feet	<b>Zoning/ Permitted Uses:</b>	<u>Commercial</u>					
<b>Flood Zone Designation:</b>	<u>Outside of flood zone according to Town of Anthony</u>				<b>Status of Off-Sites:</b>	<u>Raw Land</u>					

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on the west side of Omar street, south of West Washington Street, in Anthony, El Paso County. The City of Anthony straddles the Texas-New Mexico Border and is within 18 miles north of downtown El Paso.

**Adjacent Land Uses:**

- **North:** Vacant land, Washington Road, residential
- **South:** Farmland, commercial
- **East:** Omar Street, vacant land, railroad, Doniphan Drive, commercial, residential
- **West:** Irrigation canal, farmland

**Site Access:** The City of Anthony lies along IH-10. Franklin Street runs east-west from IH-10 into the center of Anthony and the subject site is located approximately two blocks from the town center. The site has easy access from W Washington Street, which intersects State hwy 20 about 700' east of Omar Street.

**Public Transportation:** The El Paso County transit system has a scheduled route from Anthony through Canutillo and into downtown El Paso. The route is located about four blocks from the subject site.

**Shopping & Services:** The site is served by the Anthony ISD and an elementary and high school are located within a mile. The University of Texas – El Paso is located approximately 15 miles south. The closest grocery is within a few blocks and a major food store is located within 2 miles. Retail shopping is available in the northern part of El Paso, about 10 to 12 miles south. Health care services are provided in town, but a wider variety is available in El Paso.

**Special Adverse Site Characteristics:** There is an irrigation ditch that runs along the west line of the subject property. This raised concerns of a possible flood hazard. Unfortunately, the Town of Anthony is not included on FEMA floodplain maps. As an alternative, the Applicant has forwarded a letter from the Town of Anthony indicating that Washington Road and Omar Road (portion of Lot 1, Block 1, Baca Subdivision) is not in a flood zone according to the Town of Anthony Flood Map.

**Site Inspection Findings:** The site was inspected by an ORCA staff member on April 8, 2003 and found to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated February 28, 2003 was prepared by Construction and Environmental Consultants, Inc. and contained the following findings and recommendations:

**Findings:** On the basis of our observations and available information obtained during our assessment, the potential for recognized environmental conditions at the subject site and surrounding properties is low at this time.

**Recommendations:** On the basis of our observations and available information obtained during our assessment, no further environmental investigation is warranted at this time.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Thirty-four of the units (94% of the total) will be reserved for low-income tenants. Seven of the units (19%) will be reserved for households earning 30% or less of AMGI, three units (8%) will be reserved for households earning 40% or less of AMGI, eight of the units (22%) will be reserved for households earning 50% or less of AMGI, 16 units (44%) will be reserved for households earning 60% or less of AMGI, and the remaining two units (6%) will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 20, 2003 was prepared by Ipser & Associates and highlighted the following findings:

**Definition of Market/Submarket:** “The primary market area is defined as the Northwest El Paso CCD.” (p. 2-5)

**Population:** The estimated 2000 population of the CCD was 48,445 and is expected to increase to approximately 65,745 by 2005. Within the primary market area there were estimated to be 16,976 households in 2003.

**Total Local/Submarket Demand for Rental Units:**

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	48	11.8%	43	13%
Resident Turnover	320	79.0%	283	87%
Other Sources: 10% of Growth & Turnover	37	9.20%	N/A	
<b>TOTAL ANNUAL DEMAND</b>	<b>405</b>	<b>100%</b>	<b>326</b>	<b>100%</b>

Ref: p. Supplement, FAXED May 8, 2003

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 32.6% based on 405 units of demand and 132 unstabilized comparable units. (p. Supplement, FAXED May 8, 2003) The Underwriter calculated an inclusive capture rate of 41% based upon a revised demand for 326 units. Due to the development’s qualification under the rural set-aside, the inclusive capture rate may exceed 25%, but must be within 100% based on current Department rules.

**Market Rent Comparables:** The Market Analyst surveyed six comparable apartment projects in Anthony and 14 complexes in northwest El Paso, about 12 to 16 miles southeast of the subject (p. 2-19)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>2-Bedroom (30%)</b>	\$236	\$235	+\$1	\$565	-\$329
<b>2-Bedroom (40%)</b>	\$329	\$329	\$0	\$565	-\$236
<b>2-Bedroom (50%)</b>	\$421	\$421	\$0	\$565	-\$144
<b>2-Bedroom (60%)</b>	\$514	\$514	\$0	\$565	-\$51
<b>3-Bedroom (30%)</b>	\$270	\$270	\$0	\$690	-\$420
<b>3-Bedroom (40%)</b>	\$377	\$377	\$0	\$690	-\$313
<b>3-Bedroom (50%)</b>	\$484	\$484	\$0	\$690	-\$206
<b>3-Bedroom (60%)</b>	\$591	\$591	\$0	\$690	-\$99
<b>3-Bedroom (MR)</b>	\$660	N/A		\$690	-\$30

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

**Submarket Occupancy Rates:** “The overall occupancy rate in the NW El Paso CCD was 94.6% in 2000...efficiencies, 1 and 2 bedroom units ranged in occupancy from 90.2% to 92.1%, compared with a range of 95.2% to 98.6% for units with 3 to 5 bedrooms or more.” (p. 2-8)

**Absorption Projections:** “Four LIHTC properties provided I&A with specific data on the absorption of recently completed units within the subject’s market area...The subject’s absorption is conservatively estimated at 10 to 12 units per month, requiring approximately 3 months for initial absorption to reach 92.5% or higher occupancy of the 36 units.” (p. 2-24)

**Other Relevant Information:** “...Cactus Rose, which was awarded credits in 2001, opened in August 2002 and was 92% occupied in October 2002. Thus, Cactus Rose has not been stabilized for a full year, but will be by the time the subject is built and opened.” (p. 2-14)

The Underwriter found the market study provided sufficient information to make a funding recommendation.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's effective gross income figure is based on the 2003 LIHTC rents and underwriting guidelines for secondary income and vacancy loss. Therefore, it compares favorably with the Underwriter's estimate and is considered to be generally acceptable.

**Expenses:** The Applicant's total annual operating expense estimate of \$3,300 per unit is within 5% of the Underwriter's estimate. When originally compared to the Underwriter's estimates, several line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines, however additional information provided by the Applicant reconciled those differences.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI, which is also within 5% of the Underwriter's estimate, 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 guideline of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 44.058 acres</b>	\$308,410	<b>Assessment for the Year of:</b>	2002
<b>1 acre:</b>	\$7,000	<b>Valuation by:</b>	El Paso County Appraisal District
<b>Total Value: 2.25 acres prorated</b>	\$15,750	<b>Tax Rate:</b>	2.814084

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract						
<b>Contract Expiration Date:</b>	08/	30/	2003	<b>Anticipated Closing Date:</b>	08/	30/	2003
<b>Acquisition Cost:</b>	\$88,209			<b>Other Terms/Conditions:</b>			
<b>Seller:</b>	Baca Anthony I, Ltd.			<b>Related to Development Team Member:</b>	No		

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** Despite being over five times the assessed value the acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,262 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$40K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's 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 by \$15,017 with the overage effectively moved to ineligible costs. It should be noted the Applicant incorrectly included soft cost contingency of \$6,480 as an eligible indirect construction cost. The Underwriter added this amount the contingency, which is limited to 5% of sitework and direct construction costs. The addition of the eligible soft cost contingency did not cause contingency to be overstated.

**Conclusion:** The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's total development cost, as adjusted by the Underwriter for overstated contractor fees, is used to calculate eligible basis and the overall need for funds. An adjusted eligible basis of \$2,803,083 results in eligible annual tax credits of \$286,440, which is \$1,530 less than requested. This amount will be compared to the gap in need to determine the recommended tax credit award.



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

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** SunAmerica, Inc. **Contact:** Lincoln Williamson  
**Principal Amount:** \$679,800 **Interest Rate:** fixed @ rate lock; 7.25% underwrite  
**Additional Information:** 24-month construction period at Prime + 1% > 7.25%  
 \$2,123,093 bridge loan @ Prime + 1% > 1.25% on draw over 70%  
**Amortization:** 30 yrs **Term:** 16 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$57,037 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 02/ 26/ 2003

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners **Contact:** Lincoln Williamson  
**Address:** 1 SunAmerica Center **City:** Los Angeles  
**State:** CA **Zip:** 90067 **Phone:** (310) 772-6553 **Fax:** (310) 772-6179  
**Net Proceeds:** \$2,358,993 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 82¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 26/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$17,566 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the sources and uses listed in the application. However, the Applicant's annual debt service estimate of \$57,037 is \$1,388 higher than the debt service calculated by the Underwriter based on terms presented in the commitment letter.

**LIHTC Syndication:** SunAmerica has offered to purchase a 99.9% interest in the Applicant through contribution of syndication proceeds. A bridge loan of \$2,123,093 will be repaid with syndication proceeds invested at receipt of the last certificate of occupancy for the development, engineers and architects certificate, evidence of lien free completion, updated title policy, and as-built survey.

**Deferred Developer's Fees:** The Applicant's estimated deferred fees of \$17,566 represent 5% of total proposed developer fee.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated contractor fees, is used to calculate eligible basis and eligible annual tax credits of \$286,440. The overall gap in need supports an annual tax credit award in this amount. The resulting reduction in anticipated syndication funds indicates a need for an increase in the total deferred developer fee to \$30,100. Deferred fees in this amount appear to be repayable from development cash flow within three years of stabilized operation.

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

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, developer, general contractor, cost estimator and property manager are related entities. These are common identities of interest for LIHTC-funded developments.

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

**Financial Highlights:** As of September 30, 2002, Investment Builders reported total assets of \$11M consisting of cash, receivables, prepaid expenses, property and equipment, and investments. Total liabilities equaled \$6M for stockholder's equity of \$5M.

**Background & Experience:** Ike J Monty of Investment Builders has participated in 30 affordable housing developments totaling 1,077 units since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The principal of the Applicant may not have the financial capacity to support the development.

**Underwriter:**

\_\_\_\_\_  
*Lisa Vecchietti*

**Date:** June 5, 2003

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 5, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Whispering Sands, Anthony, LIHTC 03222**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Unit	Wtr, Swr, Trsh
TC 30%	1	2	2	942	\$277	\$235	\$235	\$0.25	\$42.00	\$22.00
TC 30%	3	2	2.5	1,020	277	235	705	0.23	42.00	22.00
TC 40%	1	2	2.5	1,020	371	329	329	0.32	42.00	22.00
TC 50%	2	2	2.5	1,020	463	421	842	0.41	42.00	22.00
TC 60%	1	2	2.5	1,020	556	514	514	0.50	42.00	22.00
TC 30%	3	3	2.5	1,190	321	270	810	0.23	51.00	22.00
TC 40%	2	3	2.5	1,190	428	377	754	0.32	51.00	22.00
TC 50%	6	3	2.5	1,190	535	484	2,904	0.41	51.00	22.00
TC 60%	15	3	2.5	1,190	642	591	8,865	0.50	51.00	22.00
MR	2	3	2.5	1,190		660	1,320	0.55	51.00	22.00
<b>TOTAL:</b>	<b>36</b>		<b>AVERAGE:</b>	<b>1,150</b>		<b>\$480</b>	<b>\$17,278</b>	<b>\$0.42</b>	<b>\$49.00</b>	<b>\$22.00</b>

INCOME				Total Net Rentable Sq Ft: 41,402		TDHCA	APPLICANT	USS Region		13
<b>POTENTIAL GROSS RENT</b>						\$207,336	\$207,384	IREM Region		El Paso
Secondary Income		Per Unit Per Month:	\$12.00			5,184	5,184	\$12.00	Per Unit Per Month	
Other Support Income: (describe)						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$212,520	\$212,568			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(15,939)	(15,948)	-7.50%	of Potential Gross Rent	
Concessions						(12,228)	(12,228)			
<b>EFFECTIVE GROSS INCOME</b>						\$184,353	\$184,392			
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>		<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative		4.52%	\$232	0.20		\$8,337	\$8,209	\$0.20	\$228	4.45%
Management		5.00%	256	0.22		9,218	\$9,831	0.24	273	5.33%
Payroll & Payroll Tax		11.24%	576	0.50		20,719	\$18,695	0.45	519	10.14%
Repairs & Maintenance		6.49%	332	0.29		11,969	\$10,465	0.25	291	5.68%
Utilities		2.93%	150	0.13		5,398	\$6,660	0.16	185	3.61%
Water, Sewer, & Trash		5.16%	264	0.23		9,504	\$10,800	0.26	300	5.86%
Property Insurance		7.63%	391	0.34		14,069	\$18,000	0.43	500	9.76%
Property Tax	3.714084	14.51%	743	0.65		26,741	\$26,240	0.63	729	14.23%
Reserve for Replacements		3.91%	200	0.17		7,200	\$7,200	0.17	200	3.90%
Compliance, Supportive Services		1.46%	75	0.07		2,700	\$2,700	0.07	75	1.46%
<b>TOTAL EXPENSES</b>		<b>62.84%</b>	<b>\$3,218</b>	<b>\$2.80</b>		<b>\$115,854</b>	<b>\$118,800</b>	<b>\$2.87</b>	<b>\$3,300</b>	<b>64.43%</b>
<b>NET OPERATING INC</b>		<b>37.16%</b>	<b>\$1,903</b>	<b>\$1.65</b>		<b>\$68,499</b>	<b>\$65,592</b>	<b>\$1.58</b>	<b>\$1,822</b>	<b>35.57%</b>
<b>DEBT SERVICE</b>										
First Lien Mortgage		30.19%	\$1,546	\$1.34		\$55,649	\$57,037	\$1.38	\$1,584	30.93%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>		<b>6.97%</b>	<b>\$357</b>	<b>\$0.31</b>		<b>\$12,849</b>	<b>\$8,555</b>	<b>\$0.21</b>	<b>\$238</b>	<b>4.64%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.23	1.15			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>							1.18			

<b>CONSTRUCTION COST</b>					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		3.02%	\$2,512	\$2.18	\$90,419	\$90,419	\$2.18	\$2,512	2.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.52%	6,262	5.44	225,420	225,420	5.44	6,262	7.38%
Direct Construction		55.00%	45,813	39.84	1,649,257	1,689,000	40.80	46,917	55.26%
Contingency	3.63%	2.27%	1,891	1.64	68,084	68,084	1.64	1,891	2.23%
General Req'ts	6.00%	3.75%	3,124	2.72	112,481	121,301	2.93	3,369	3.97%
Contractor's G & A	2.00%	1.25%	1,041	0.91	37,494	40,434	0.98	1,123	1.32%
Contractor's Profit	6.00%	3.75%	3,124	2.72	112,481	121,301	2.93	3,369	3.97%
Indirect Construction		4.20%	3,497	3.04	125,880	125,880	3.04	3,497	4.12%
Ineligible Costs		4.17%	3,473	3.02	125,039	125,039	3.02	3,473	4.09%
Developer's G & A	13.95%	11.26%	9,379	8.15	337,633	337,633	8.15	9,379	11.05%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		2.97%	2,474	2.15	89,047	89,047	2.15	2,474	2.91%
Reserves		0.84%	703	0.61	25,296	22,800	0.55	633	0.75%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$83,292</b>	<b>\$72.42</b>	<b>\$2,998,530</b>	<b>\$3,056,358</b>	<b>\$73.82</b>	<b>\$84,899</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>73.54%</b>	<b>\$61,256</b>	<b>\$53.26</b>	<b>\$2,205,216</b>	<b>\$2,265,540</b>	<b>\$54.72</b>	<b>\$62,932</b>	<b>74.13%</b>

<b>SOURCES OF FUNDS</b>				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	22.67%	\$18,883	\$16.42	\$679,800	\$679,800	\$679,800	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$337,633
LIHTC Syndication Proceeds	78.67%	\$65,528	\$56.98	2,358,992	2,358,992	2,346,458	% of Dev. Fee Deferred
Deferred Developer Fees	0.59%	\$488	\$0.42	17,566	17,566	30,100	9%
Additional (excess) Funds Required	-1.93%	(\$1,606)	(\$1.40)	(57,828)	0	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>				<b>\$2,998,530</b>	<b>\$3,056,358</b>	<b>\$3,056,358</b>	<b>\$226,065.32</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Whispering Sands, Anthony, LIHTC 03222*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Town Houses & Duplexes Base Cost w/ Multifamily Factors

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.57	\$1,928,077
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.15)	(47,790)
Floor Cover			1.92	79,492
Porches/Balconies	\$29.24		0.00	0
Plumbing	\$615	178	2.64	109,470
Built-In Appliances	\$1,625	36	1.41	58,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Evaporative Cooling			1.73	71,625
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$68.39	1,200	1.98	82,063
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.10</b>	<b>2,281,438</b>
Current Cost Multiplier	1.03		1.65	68,443
Local Multiplier	0.86		(7.71)	(319,401)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.04</b>	<b>\$2,030,480</b>
Plans, specs, survy, bld prm	3.90%		(\$1.91)	(\$79,189)
Interim Construction Interes	3.38%		(1.66)	(68,529)
Contractor's OH & Profit	11.50%		(5.64)	(233,505)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.84</b>	<b>\$1,649,257</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$679,800	Term	360
Int Rate	7.25%	DCR	1.23

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.23

<b>Additional</b>	\$2,358,992	Term	
Int Rate		Aggregate DCR	1.23

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

Primary Debt Service	\$55,649
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$9,943</b>

<b>Primary</b>	\$679,800	Term	360
Int Rate	7.25%	DCR	1.18

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.18

<b>Additional</b>	\$2,358,992	Term	0
Int Rate	0.00%	Aggregate DCR	1.18

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NO)**

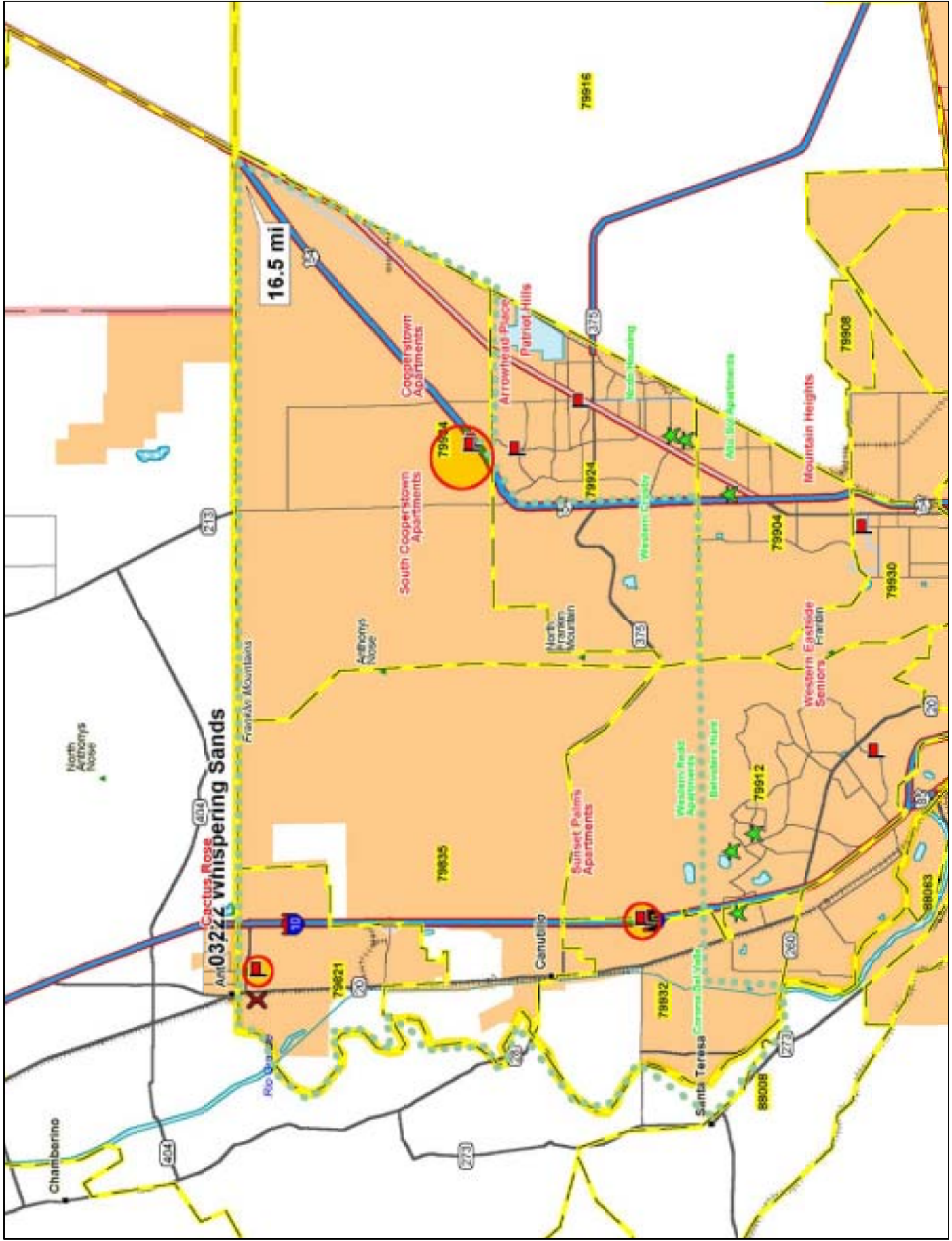
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$207,384	\$213,606	\$220,014	\$226,614	\$233,413	\$270,589	\$313,687	\$363,649	\$488,714
Secondary Income	5,184	5,340	5,500	5,665	5,835	6,764	7,841	9,090	12,216
Contractor's Profit	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>212,568</b>	<b>218,945</b>	<b>225,513</b>	<b>232,279</b>	<b>239,247</b>	<b>277,353</b>	<b>321,528</b>	<b>372,739</b>	<b>500,930</b>
Vacancy & Collection Loss	(15,948)	(16,421)	(16,914)	(17,421)	(17,944)	(20,801)	(24,115)	(27,955)	(37,570)
Developer's G & A	(12,228)	(12,595)	(12,973)	(13,362)	(13,763)	(15,955)	(18,496)	(21,442)	(28,816)
<b>EFFECTIVE GROSS INCOME</b>	<b>\$184,392</b>	<b>\$189,929</b>	<b>\$195,627</b>	<b>\$201,496</b>	<b>\$207,541</b>	<b>\$240,597</b>	<b>\$278,918</b>	<b>\$323,342</b>	<b>\$434,545</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$8,209	\$8,537	\$8,879	\$9,234	\$9,603	\$11,684	\$14,215	\$17,295	\$25,601
Management	9,831	10,126.2	10,430.0	10,742.9	11,065.2	12,827.6	14,870.7	17,239.2	23,168.1
Payroll & Payroll Tax	18,695	19,443	20,221	21,029	21,871	26,609	32,374	39,388	58,303
Repairs & Maintenance	10,465	10,884	11,319	11,772	12,243	14,895	18,122	22,048	32,637
Utilities	6,660	6,926	7,203	7,492	7,791	9,479	11,533	14,032	20,770
Water, Sewer & Trash	10,800	11,232	11,681	12,149	12,634	15,372	18,702	22,754	33,681
Insurance	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Property Tax	26,240	27,290	28,381	29,516	30,697	37,348	45,439	55,284	81,833
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	2,700	2,808	2,920	3,037	3,159	3,843	4,676	5,688	8,420
<b>TOTAL EXPENSES</b>	<b>\$118,800</b>	<b>\$123,454</b>	<b>\$128,291</b>	<b>\$133,318</b>	<b>\$138,544</b>	<b>\$167,924</b>	<b>\$203,570</b>	<b>\$246,820</b>	<b>\$363,004</b>
<b>NET OPERATING INCOME</b>	<b>\$65,592</b>	<b>\$66,475</b>	<b>\$67,336</b>	<b>\$68,178</b>	<b>\$68,997</b>	<b>\$72,672</b>	<b>\$75,348</b>	<b>\$76,521</b>	<b>\$71,540</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$55,649	\$55,649	\$55,649	\$55,649	\$55,649	\$55,649	\$55,649	\$55,649	\$55,649
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$9,943</b>	<b>\$10,826</b>	<b>\$11,687</b>	<b>\$12,529</b>	<b>\$13,348</b>	<b>\$17,023</b>	<b>\$19,699</b>	<b>\$20,872</b>	<b>\$15,891</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.18</b>	<b>1.19</b>	<b>1.21</b>	<b>1.23</b>	<b>1.24</b>	<b>1.31</b>	<b>1.35</b>	<b>1.38</b>	<b>1.29</b>

**LIHTC Allocation Calculation - Whispering Sands, Anthony, LIHTC 03222**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$90,419	\$90,419		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$225,420	\$225,420	\$225,420	\$225,420
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$1,689,000	\$1,649,257	\$1,689,000	\$1,649,257
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$40,434	\$37,494	\$38,288	\$37,494
Contractor profit	\$121,301	\$112,481	\$114,865	\$112,481
General requirements	\$121,301	\$112,481	\$114,865	\$112,481
<b>(5) Contingencies</b>	\$68,084	\$68,084	\$68,084	\$68,084
<b>(6) Eligible Indirect Fees</b>	\$125,880	\$125,880	\$125,880	\$125,880
<b>(7) Eligible Financing Fees</b>	\$89,047	\$89,047	\$89,047	\$89,047
<b>(8) All Ineligible Costs</b>	\$125,039	\$125,039		
<b>(9) Developer Fees</b>				
Developer overhead	\$337,633	\$337,633	\$337,633	\$337,633
Developer fee				
<b>(10) Development Reserves</b>	\$22,800	\$25,296		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$3,056,358</b>	<b>\$2,998,530</b>	<b>\$2,803,083</b>	<b>\$2,757,776</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$2,803,083</b>	<b>\$2,757,776</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$3,644,008</b>	<b>\$3,585,109</b>
Applicable Fraction			94%	94%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$3,434,531</b>	<b>\$3,379,018</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$286,440</b>	<b>\$281,810</b>

Syndication Proceeds	0.8192	\$2,346,458	\$2,308,532
<b>Total Credits (Eligible Basis Method)</b>		<b>\$286,440</b>	<b>\$281,810</b>
Syndication Proceeds		\$2,346,458	\$2,308,532
Requested Credits		\$287,970	
Syndication Proceeds		\$2,358,993	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$2,376,558</b>	
Credit Amount		\$290,114	



Scale: 1 : 162,500 Zoom Level: 10-3 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 10.0°E

**TDHCA #**

**03223**

**Region 13**



**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Development Name: **Suncrest Townhomes, Ltd.**

TDHCA #: **03223**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 13 Site Address: 415 Mesa Hills Dr.  
 City: El Paso County: El Paso Zip Code: 79912  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 160 Elderly: 0 Handicapped/Disabled 12 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Suncrest Townhomes, Ltd

Principal Names	Principal Contact	Percentage Ownership
Investment Builders, Inc.	Ike J. Monty	0049% of Owner
Paisano Housing Redevelopment	David Herrera	0051% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation **\$1,147,376** Allocation over 10 Years: \$11,473,760  
 Credits Requested \$1,152,843 Eligible Basis Amount: \$1,147,376 Equity/Gap Amount \$1,162,880

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	14	13	27
40%	0	0	8	7	15
50%	0	0	5	23	28
60%	0	0	3	71	74
MR	0	0	0	16	16
Total	0	0	30	130	
Total LI Units:					144
Owner/Employee Units:					0
Total Project Units:					160
Applicable Fraction:					90.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

- Playground  Computer Facility with Internet
- Recreation facilities  Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

**UNIT AMENITIES** (no extra cost to tenant)

- Covered Entries  Computer Line in all Bedrooms
- Mini Blinds  Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections  Storage Room
- Laundry Equipment  25 year Shingle Roofing
- Covered Parking  Covered Patios or Balconies
- Garages  Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

**BUILDING INFORMATION**

Total Development Cost:	\$13,294,210	Average Square Feet/Unit	1,156
Gross Building Square Feet	188,388	Cost Per Net Rentable Square Foot	\$71.87
Total Net Rentable Area Square Feet:	184,988	Credits per Low Income Uni	\$7,968

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income	\$874,704
Total Expenses:	\$520,000
Net Operating Income	\$354,704
Estimated 1st Year Debt Coverage Ratio	1.15

**FINANCING**

Permanent Principal Amount:	\$3,767,900
Applicant Equity:	\$56,290
Equity Source:	Deferred Dev. Fee/Cash Equity
Syndication Rate:	\$0.8192

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Investment Builders, Inc.	Market Analyst:	Prior and Associates, Inc.
Housing GC:	Investment Builders, Inc.	Originator/UW:	NA
Engineer:	SLI Engineering, Inc.	Appraiser:	Zacour & Associates
Cost Estimator:	Investment Builders, Inc.	Attorney:	Locke Liddell & Sapp, LLP
Architect:	David J. Marquez, A&E	Accountant:	Robert H. Woolley, Jr., CPA
Property Manager:	Investment Builders, Inc.	Supp Services:	YWCA Consumer Credit Counseling
Syndicator:	SunAmerica Affordable Housing Partners, Inc.	Permanent Lender:	SunAmerica, Inc.



**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **13** Opposition: **1**

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

Local/State/Federal Officials with Jurisdiction:	Comment from Other Public Officials:
Local Official: Raymond Caballero, Mayor, City of El Paso, S	Dolores Briones, El Paso, County Judge, S Anthony Colos, City Council Representative, District 8, O
TX Representative: Pat Haggerty, District 78, N	
TX Senator: Eliot Shapleigh, District 29, N	
US Representative: Silvestre Reyes, Member of Congress, S	
US Senator:	

General Summary of Comment: One letter of opposition was received from Mayor Pro Tem Anthony Cobos. The stated reason for opposition is that the area of town where the development is proposed contains a tremendous abundance of existing public housing and the Mayor Pro Tem questions the partnership between the Housing Authority and Investment Builders that is proposed in the application. It should be noted that there is also broad support for this development from other elected officials and citizens.

<b>DEPARTMENT EVALUATION</b>		
Points Awarded: 104	Site Finding: Acceptable	Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

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

Alternate Recommendation: NA

**RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

- Score  Meeting a Required Set Aside  Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

**Explanation: This Development has a competitive score in the Nonprofit Set-Aside.**

_____	_____	_____
Robert Onion, Manager of Awards and Allocation	Date	Brooke Boston, Director of Multifamily Finance Production
		_____
		Date

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

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

Approved Credit Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03223**

Name: **Suncrest Townhomes**

City: **El Paso**

LIHTC 9%  LIHTC 4%  HOME  BOND  HTF  SECO  ESGP  Other

No Previous Participation in Texas  Members of the development team have been disbarred by HUD

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

Projects in Material Noncompliance: No  Yes  # of Projects: 0

Total # of Projects monitored: 21 Projects grouped by score 0-9 20 10-19 1 20-29 0

Total # monitored with a score less than 30: 21 # not yet monitored or pending review: 14

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 5, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03223

**DEVELOPMENT NAME**

Suncrest Townhomes

**APPLICANT**

<b>Name:</b>	<u>Suncrest Townhomes, Ltd.</u>	<b>Type:</b>	<u>For Profit</u>
<b>Address:</b>	<u>8800 Yermoland Drive, Auite A</u>	<b>City:</b>	<u>El Paso</u> <b>State:</b> <u>TX</u>
<b>Zip:</b>	<u>79907</u>	<b>Contact:</b>	<u>Ike J Monty</u>
		<b>Phone:</b>	<u>(915) 599-1245</u> <b>Fax:</b> <u>(915) 594-0434</u>

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	<u>Investment Builders, Inc.</u>	<b>(%):</b>	<u>0.049</u>	<b>Title:</b>	<u>Managing General Partner/Developer</u>
<b>Name:</b>	<u>Paisano Housing Redevelopment Corporation</u>	<b>(%):</b>	<u>0.051</u>	<b>Title:</b>	<u>Co-General Partner</u>

**PROPERTY LOCATION**

<b>Location:</b>	<u>415 Mesa Hills Drive</u>	<input type="checkbox"/>	<b>QCT</b>	<input checked="" type="checkbox"/>	<b>DDA</b>
<b>City:</b>	<u>El Paso</u>	<b>County:</b>	<u>El Paso</u>	<b>Zip:</b>	<u>79912</u>

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,152,843	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:** New Construction **Property Type:** Multifamily

**Set-Aside(s):**  General  Rural  TX RD  Non-Profit  Elderly  At Risk

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,147,376 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITION.

**CONDITIONS**

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

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>160</u>	<b># Rental Buildings</b>	<u>41</u>	<b># Common Area Bldgs</b>	<u>2</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u> at				
<b>Net Rentable SF:</b>	<u>184,988</u>	<b>Av Un SF:</b>	<u>1,156</u>	<b>Common Area SF:</b>	<u>3,400</u>	<b>Gross Bldg SF:</b>	<u>188,388</u>								

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 90% Stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & VCT/ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, evaporative cooling.

**ON-SITE AMENITIES**

A community building with a community room, management offices, fitness & laundry facilities, kitchen, restrooms and adjacent swimming pool is located at the entrance of the site. An equipped children's play area is located in the middle of the property. In addition perimeter fencing with limited access gate(s) is planned for the site.

**Uncovered Parking:** 354 spaces    **Carpports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Suncrest Townhomes is a moderately dense eight units per acre new construction development of 160 units of mixed income housing located in El Paso. The development is comprised of 41 evenly distributed four unit town home chains as follows:

- 27 buildings with four two-story three-bedroom units;
- Four buildings with one single-story three-bedroom unit and three two-story three-bedroom units;
- Two buildings with three two-story three-bedroom units;
- Three buildings with four two-story two-bedroom units;
- Four buildings with one single-story two-bedroom unit and three two-story two- bedroom units; and
- One building with two two-story two-bedroom units.

**Architectural Review:** Each unit appears to be well-designed with ample storage space and a utility closet with room for full-size appliances. Some of the two-story units offer a bedroom with a full bath located on the ground floor and eight single story accessible units disbursed throughout the site. The elevation drawings for the residential building indicate attractive stucco exteriors with added architectural details such as gables and trim around the windows. The community building includes many tenant-accessible areas as well as leasing and management offices. The exterior of the building is similar to the residential buildings, but with more architectural detailing.

**Supportive Services:** The YWCA Credit Counseling, Laubach Literacy Council and Tierra Del Sol Housing Corporation services will be made available to tenants at no additional charge. Supportive services costs of \$3,200 annually were included in the Applicant's total operating expense estimate; however, the proposed fees total only \$1,200 annually.

**Schedule:** The Applicant anticipates construction to begin in March of 2003, to be completed in September of 2003 (these dates appear to be in error), to be placed in service in September of 2004, and to be substantially leased-up in November of 2004.

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**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 21 acres 914,760 square feet **Zoning/ Permitted Uses:** A-2/sc  
**Flood Zone Designation:** Zone C **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located at 504 Ridgemoor Drive and is in the northwestern section of the City of El Paso, 10 miles east of Interstate 10 and 6.3 miles west of Fort Bliss.

**Adjacent Land Uses:**

- **North:** single family residential, Ridgemoor Drive, highway business corridor
- **South:** South Mesa Hills Drive, convenience store, multifamily residential
- **East:** single family residential, South Mesa Hills Drive, elementary school
- **West:** vacant land, multifamily residential

**Site Access:** Access to the property is from Ridgemoor Drive. Access to Interstate Highway 10 is 10 miles west, which provides connections to all other major roads serving the El Paso area.

**Public Transportation:** Sun Metro provides bus service in the market area. A bus stop is located on Mesa Hills Drive, near the subject.

**Shopping & Services:** A large grocery and enclosed shopping mall are located within one mile of the site. El Paso Independent School District operates elementary, middle and high schools within a two mile radius. A medical facility and full-service hospital are located within five miles. Other services such as daycares, a public library and a senior center are within a nine mile radius. Within one miles of the subject site are public parks and a community center.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 15, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated February 24, 2003 was prepared by Construction and Environmental Consultants, Inc. and contained the following conclusion: "On the basis of our observations and available information obtained during our assessment, CECI did not recognize potential environmental conditions at the subject site. Further environmental assessment is not recommended at this time." (p. 3)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and forty-four of the units (90% of the total) will be reserved for low-income tenants. Twenty-seven of the units (17%) will be reserved for households earning 30% or less of AMGI, 15 units (9%) will be reserved for households earning 40% or less of AMGI, 28 of the units (18%) will be reserved for households earning 50% or less of AMGI, 74 units (46%) will be reserved for households earning 60% or less of AMGI, and the remaining 16 units (10%) will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

**MARKET HIGHLIGHTS**

A market feasibility study dated February 14, 2003 was prepared by Prior & Associates and highlighted the following findings:

**Definition of Primary Market:** The subject's primary market area includes the northwest portion of the

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City of El Paso and is bound by the following: Loop 375 to the north, Interstate 10 to the south, Franklin Mountains State Park to the East, and Interstate 10 to the West. (p. IV-1)

**Population:** The estimated 2002 population of Primary Market Area was 58,743 and is expected to increase by 2.3% per year to approximately 65,699 by 2007. Within the primary market area there were estimated to be 21,607 households in 2002.

**Total Local/Submarket Demand for Rental Units:**

ANNUAL INCOME-ELIGIBLE PRIMARY MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	58	3%	56	7%
Resident Turnover	1,712	97%	745	93%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,770</b>	<b>100%</b>	<b>801</b>	<b>100%</b>

Ref: p. IX-2

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate for the restricted units of 8.1%. (p. IX-2) The Underwriter calculated an inclusive capture rate of 22% based upon a revised supply of unstabilized comparable affordable units of 180 divided by a revised demand for 801 affordable units. The Market Analyst did not consider a 2001 LIHTC development of 36 units located on the edge of the defined Primary Market Area. The Underwriter's inclusive capture rate is more conservative yet still within Department guidelines.

**Market Rent Comparables:** The market analyst surveyed 14 comparable apartment projects totaling 2,539 units in the market area. (between p. VII-13 and VII-14)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>2-BR (30%)—942 SF</b>	\$218	\$277	-\$59	\$659	-\$441
<b>2-BR (40%)—942 SF</b>	\$311	\$371	-\$60	\$659	-\$348
<b>2-BR (30%)—1,020 SF</b>	\$218	\$277	-\$59	\$705	-\$487
<b>2-BR (40%)—1,020 SF</b>	\$311	\$371	-\$60	\$705	-\$394
<b>2-BR (50%)—1,020 SF</b>	\$403	\$463	-\$60	\$705	-\$302
<b>2-BR (60%)—1,020 SF</b>	\$496	\$556	-\$60	\$705	-\$209
<b>3-Bedroom (30%)</b>	\$252	\$321	-\$69	\$821	-\$569
<b>3-Bedroom (40%)</b>	\$259	\$428	-\$169	\$821	-\$562
<b>3-Bedroom (50%)</b>	\$466	\$535	-\$69	\$821	-\$355
<b>3-Bedroom (60%)</b>	\$573	\$642	-\$69	\$821	-\$248
<b>3-Bedroom (MR)</b>	\$700	N/A		\$821	-\$121

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

**Primary Market Occupancy Rates:** “During the past four years, two projects containing 230 apartments were completed in the primary market area. All units are comparable to the subject in terms of location, price, design, and target market. These units have an average occupancy rate of 99%.” (p. VII-1) “As of the third quarter 2002, the apartment vacancy rate was 6.8% in the MSA and 5.3% in the Northwest submarket...In February 2003, the average vacancy rate at 12 surveyed apartment projects was 4.6%. Vacancy rates were highest in two-bedroom units and lowest in one-bedroom dwellings.” (p. VII-5)

**Absorption Projections:** “We expect that the subject will fill 20 units per month and be fully occupied within eight months, which is a similar rate experienced by a recently completed LIHTC townhouse development 0.1 miles from the site.” (p. X-1)

**Known Planned Development:** “Other than the subject, there are no multifamily rental projects planned or under construction in the primary market area, according to the Texas Department of Housing and Community Affairs. Herb Tio Cooper, a 50-unit Section 515 project with two-, three-, and four-bedroom units and located 0.5 miles south of the site, opened on February 1, 2003. Occupancy is restricted to migrant

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workers and rent is based on 30% of tenant income.” (p. VII-2)

The Underwriter found the market study provided sufficient information for this underwriting analysis. It should be noted the Market Analyst has assumed “the El Paso Housing Authority will provide project-based rental assistance for up to 160 of the proposed units enabling tenants occupying the project to pay 30% of their income for rent.” (p. iv) There is no indication in the application that the development will have any project-based rental assistance.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s effective gross income figure is based on the 2003 LIHTC rents and underwriting guidelines for secondary income and vacancy loss. Therefore, it compares favorably with the Underwriter’s estimate and is considered to be generally acceptable.

**Expenses:** The Applicant’s total annual operating expense estimate of \$3,250 per unit is within 5% of the Underwriter’s estimate. However, when compared to underwriting estimates, the following line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines – general and administrative (more than 20% higher) payroll (more than 10% lower) and insurance (more than 50% higher).

**Conclusion:** The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant’s NOI, which is also within 5% of the Underwriter’s estimate, 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 guideline of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 21 acres</b>	\$1,027,416	<b>Date of Valuation:</b>	02/ 24/ 2003
<b>Appraiser: Zacour &amp; Associates</b>	<b>City: El Paso</b>	<b>Phone:</b>	(915) 581-1141

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser utilized the sales comparison approach to estimate the value of the vacant land. The value of the property is based on five significantly smaller tracts sold between 1997 and 2001 at a price per square foot of \$1.95 to \$2.54. Large adjustments were made to the sales to arrive at a market value of \$1.25 per square foot for the subject property, or a total market value of \$1,170,601 for the 21 acres.

**Conclusion:** The proposed transfer of the property is an identity of interest transaction; therefore, the acquisition price included in total development costs will be limited by the lesser of the contract price, appraised value, and original acquisition plus holding costs.

**ASSESSED VALUE**

<b>Land: 34.355 acres</b>	\$1,027,416	<b>Assessment for the Year of:</b>	2002
<b>1 acre:</b>	\$29,906	<b>Valuation by:</b>	El Paso County Appraisal District
<b>Total Value: 21 acre prorated</b>	\$628,023	<b>Tax Rate:</b>	3.0049

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract					
<b>Contract Expiration Date:</b>	08/ 31/ 2003	<b>Anticipated Closing Date:</b>	08/ 31/ 2003			
<b>Acquisition Cost:</b>	\$1,027,145	<b>Other Terms/Conditions:</b>	Purchased in December 2002 by seller			
<b>Seller:</b>	Davis Street Corporation	<b>Related to Development Team Member:</b>	Yes			

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

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The seller of the property shares a common owner with the Applicant. Accordingly, the Applicant submitted an appraisal indicating a land value of \$1,170,601, the original sales contract indicating a acquisition cost of \$1,234,860 (prorated from \$1,996,357,28 for 33.95 acres), and the sales contract for the subject at a price of \$1,027,145. Because the claimed acquisition cost is less than the appraised value and original prorated acquisition cost, it is considered to be acceptable.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,995 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$168K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's 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 by \$55,870 with the overage effectively moved to ineligible costs. It should be noted the Applicant incorrectly included soft cost contingency of \$28,800 as an eligible indirect construction cost. The Underwriter added this amount the contingency, which is limited to 5% of sitework and direct construction costs. The addition of the eligible soft cost contingency did not cause contingency to be overstated.

**Conclusion:** The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's total development cost, as adjusted by the Underwriter for overstated contractor fees, is used to calculate eligible basis and the overall need for funds. An adjusted eligible basis of \$11,796,903 results in eligible annual tax credits of \$1,147,376, which is \$5,467 less than requested. This amount will be compared to the gap in need to determine the recommended tax credit award.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** SunAmerica, Inc. **Contact:** Lincoln Williams  
**Principal Amount:** \$3,767,900 **Interest Rate:** 7.25% underwrite rate  
**Additional Information:** 24 month interim period @ Prime + 1% >7.25%; \$8,499,000 bridge loan  
**Amortization:** 30 yrs **Term:** 16 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$308,440 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 02/ 26/ 2003

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners **Contact:** Lincoln Williams  
**Address:** 1 SunAmerica Center **City:** Los Angeles  
**State:** CA **Zip:** 90067 **Phone:** (310) 772-6553 **Fax:** (310) 772-6179  
**Net Proceeds:** \$9,443,860 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 82¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 26/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$11,507 **Source:** Deferred Developer Fee  
**Amount:** \$70,943 **Source:** Cash Equity

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the sources and uses listed



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in the application.

**LIHTC Syndication:** SunAmerica has offered to purchase a 99.9% interest in the Applicant through contribution of syndication proceeds. A bridge loan of \$8,499,474 will be repaid with syndication proceeds invested at receipt of the last certificate of occupancy for the development, engineers and architects certificate, evidence of lien free completion, updated title policy, and as-built survey.

**Deferred Developer's Fees:** The Applicant's estimated deferred fees of \$11,507 represent 1% of total proposed developer fee.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated contractor fees, is used to calculate eligible basis and eligible annual tax credits of \$1,147,376. The overall gap in need supports an annual tax credit award in this amount. The resulting reduction in anticipated syndication funds indicates a need for an increase in the total deferred developer fee to \$56,290. Deferred fees in this amount do not appear to be repayable from development cashflow within ten years of stabilized operation, but appear to be repayable within 2 years.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, developer, general contractor, cost estimator and property manager are related entities. These are common identities of interest for LIHTC-funded developments.

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

**Financial Highlights:** As of September 30, 2002, Investment Builders reported total assets of \$11M consisting of cash, receivables, prepaid expenses, property and equipment, and investments. Total liabilities equaled \$6M for stockholder's equity of \$5M.

Paisano Housing redevelopment Corporation is a nonprofit corporation organized as a supporting organization of the Housing Authority of the City of El Paso. The Housing Authority's combined balance sheet indicates that as of June 2002, total assets equaled \$154M and total liabilities equaled \$24M for net assets of \$130M, \$20M of which is unrestricted.

**Background & Experience:** Ike J Monty of Investment Builders has participated in 30 affordable housing developments totaling 1,077 units since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The principal of the Applicant may not have the financial capacity to support the development.
- The seller of the property has an identity of interest with the Applicant.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 5, 2003
	<i>Lisa Vecchietti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 5, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Suncrest Townhomes, El Paso, 9% LIHTC 03223**

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sq Ft	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per Sq Ft	Int Pd Unit	Wtr & Swr
TC 30%	2	2	2	942	\$277	\$217	\$434	\$0.23	\$60.00	\$23.00
TC 40%	2	2	2	942	371	311	622	0.33	60.00	23.00
TC 30%	12	2	2.5	1,020	277	217	2,604	0.21	60.00	23.00
TC 40%	6	2	2.5	1,020	371	311	1,866	0.30	60.00	23.00
TC 50%	5	2	2.5	1,020	463	403	2,015	0.40	60.00	23.00
TC 60%	3	2	2.5	1,020	556	496	1,488	0.49	60.00	23.00
TC 30%	13	3	2.5	1,190	321	252	3,276	0.21	69.00	27.00
TC 40%	7	3	2.5	1,190	428	359	2,513	0.30	69.00	27.00
TC 50%	23	3	2.5	1,190	535	466	10,718	0.39	69.00	27.00
TC 60%	71	3	2.5	1,190	642	573	40,683	0.48	69.00	27.00
MR	16	3	2.5	1,190		700	11,200	0.59	69.00	27.00
<b>TOTAL:</b>	<b>160</b>		<b>AVERAGE:</b>	<b>1,156</b>	<b>\$474</b>	<b>\$484</b>	<b>\$77,419</b>	<b>\$0.42</b>	<b>\$67.31</b>	<b>\$26.25</b>

INCOME		Total Net Rentable Sq Ft:	184,988	TDHCA	APPLICANT	USS Region	13		
POTENTIAL GROSS RENT				\$929,028	\$929,196	IREM Region	El Paso		
Secondary Income	Per Unit Per Month:	\$12.00		23,040	23,040	Per Unit Per Month			
Other Support Income: (describe)				0	0				
POTENTIAL GROSS INCOME				\$952,068	\$952,236				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(71,405)	(61,896)	-6.50%	of Potential Gross Rent		
Employee Occupied Units				(15,636)	(15,636)				
EFFECTIVE GROSS INCOME				\$865,027	\$874,704				
EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	3.78%	\$204	0.18	\$32,681	\$41,827	\$0.23	\$261	4.78%	
Management	6.80%	367	0.32	58,789	\$44,517	0.24	278	5.09%	
Payroll & Payroll Tax	11.96%	647	0.56	103,441	\$71,200	0.38	445	8.14%	
Repairs & Maintenance	4.69%	254	0.22	40,602	\$44,000	0.24	275	5.03%	
Utilities	3.81%	206	0.18	32,956	\$28,000	0.15	175	3.20%	
Water, Sewer, & Trash	4.82%	261	0.23	41,686	\$46,400	0.25	290	5.30%	
Property Insurance	5.35%	289	0.25	46,247	\$80,000	0.43	500	9.15%	
Property Tax	3.0049	13.89%	751	0.65	120,195	\$124,856	0.67	780	14.27%
Reserve for Replacements	3.70%	200	0.17	32,000	\$32,000	0.17	200	3.66%	
Supportive Services, Compliance	0.60%	33	0.03	5,200	\$7,200	0.04	45	0.82%	
TOTAL EXPENSES		59.40%	\$3,211	\$2.78	\$513,798	\$520,000	\$2.81	\$3,250	59.45%
NET OPERATING INC		40.60%	\$2,195	\$1.90	\$351,229	\$354,704	\$1.92	\$2,217	40.55%

DEBT SERVICE		PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage	35.66%	\$1,928	\$1.67	35.26%
Cash Equity	0.00%	\$0	\$0.00	0.00%
Cash Equity	0.00%	\$0	\$0.00	0.00%
NET CASH FLOW		4.95%	\$267	\$0.23
AGGREGATE DEBT COVERAGE RATIO			1.14	1.15
RECOMMENDED DEBT COVERAGE RATIO				1.15

CONSTRUCTION COST		PER SQ FT	PER UNIT	% OF TOTAL	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	7.78%	\$6,580	\$5.69	7.92%	\$1,052,825	\$1,052,825	\$5.69	\$6,580	7.92%
Off-Sites	0.00%	0	0.00	0.00%	0	0	0.00	0	0.00%
Sitework	8.27%	6,995	6.05	8.42%	1,119,200	1,119,200	6.05	6,995	8.42%
Direct Construction	53.65%	45,356	39.23	53.32%	7,256,999	7,089,100	38.32	44,307	53.32%
Contingency	3.44%	2,133	1.79	2.17%	287,868	287,868	1.56	1,799	2.17%
General Req'ts	6.00%	3,723	3.14	3.88%	502,572	516,442	2.79	3,228	3.88%
Contractor's G & A	2.00%	1,244	0.91	1.29%	167,524	172,148	0.93	1,076	1.29%
Contractor's Profit	6.00%	3,723	3.14	3.88%	502,572	516,442	2.79	3,228	3.88%
Indirect Construction	2.41%	2,035	1.76	2.45%	325,550	325,550	1.76	2,035	2.45%
Ineligible Costs	2.24%	1,898	1.64	2.28%	303,612	303,612	1.64	1,898	2.28%
Developer's G & A	13.25%	8,765	7.58	10.55%	1,402,448	1,402,448	7.58	8,765	10.55%
Developer's Profit	0.00%	0	0.00	0.00%	0	0	0.00	0	0.00%
Interim Financing	3.13%	2,647	2.29	3.19%	423,575	423,575	2.29	2,647	3.19%
Reserves	1.34%	1,135	0.98	0.64%	181,563	85,000	0.46	531	0.64%
TOTAL COST		100.00%	\$84,539	\$73.12	\$13,526,308	\$13,294,210	\$71.87	\$83,089	100.00%
Recap-Hard Construction Costs		72.72%	\$61,480	\$53.17	\$9,836,735	\$9,701,200	\$52.44	\$60,633	72.97%

SOURCES OF FUNDS		PER SQ FT	PER UNIT	% OF TOTAL	RECOMMENDED
First Lien Mortgage	27.86%	\$23,549	\$20.37		\$3,767,900
Cash Equity	0.52%	\$443	\$0.38		70,943
LIHTC Syndication Proceeds	69.82%	\$59,024	\$51.05		9,443,860
Deferred Developer Fees	0.09%	\$72	\$0.06		11,507
Additional (excess) Funds Required	1.72%	\$1,451	\$1.25		232,098
TOTAL SOURCES					\$13,294,210

Developer Fee Available  
\$1,402,448  
% of Dev. Fee Deferred  
4%  
15-Yr Cumulative Cash Flow  
\$1,106,472.89

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Suncrest Townhomes, El Paso, 9% LIHTC 03223*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Basis w/Multifamily Adjustments

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.54	\$8,609,662
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.06)	(196,671)
Floor Cover			1.92	355,177
Porches/Balconies	\$29.24	11900	1.88	347,956
Plumbing	\$615	312	1.04	191,880
Built-In Appliances	\$1,625	160	1.41	260,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	271,932
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$58.46	3,400	1.07	198,761
Other:			0.00	0
<b>SUBTOTAL</b>			<b>54.27</b>	<b>10,038,697</b>
Current Cost Multiplier	1.03		1.63	301,161
Local Multiplier	0.86		(7.60)	(1,405,418)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.30</b>	<b>\$8,934,440</b>
Plans, specs, survy, bid prep	3.90%		(\$1.88)	(\$348,443)
Interim Construction Interest	3.38%		(1.63)	(301,537)
Contractor's OH & Profit	11.50%		(5.55)	(1,027,461)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.23</b>	<b>\$7,256,999</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$3,767,900	Term	360
Int Rate	7.25%	DCR	1.14

<b>Secondary</b>	\$70,943	Term	
Int Rate		Subtotal DCR	1.14

<b>Additional</b>	\$9,443,860	Term	
Int Rate		Aggregate DCR	1.14

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC**

Primary Debt Service	\$308,445
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$46,259</b>

<b>Primary</b>	\$3,767,900	Term	360
Int Rate	7.25%	DCR	1.15

<b>Secondary</b>	\$70,943	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

<b>Additional</b>	\$9,443,860	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

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

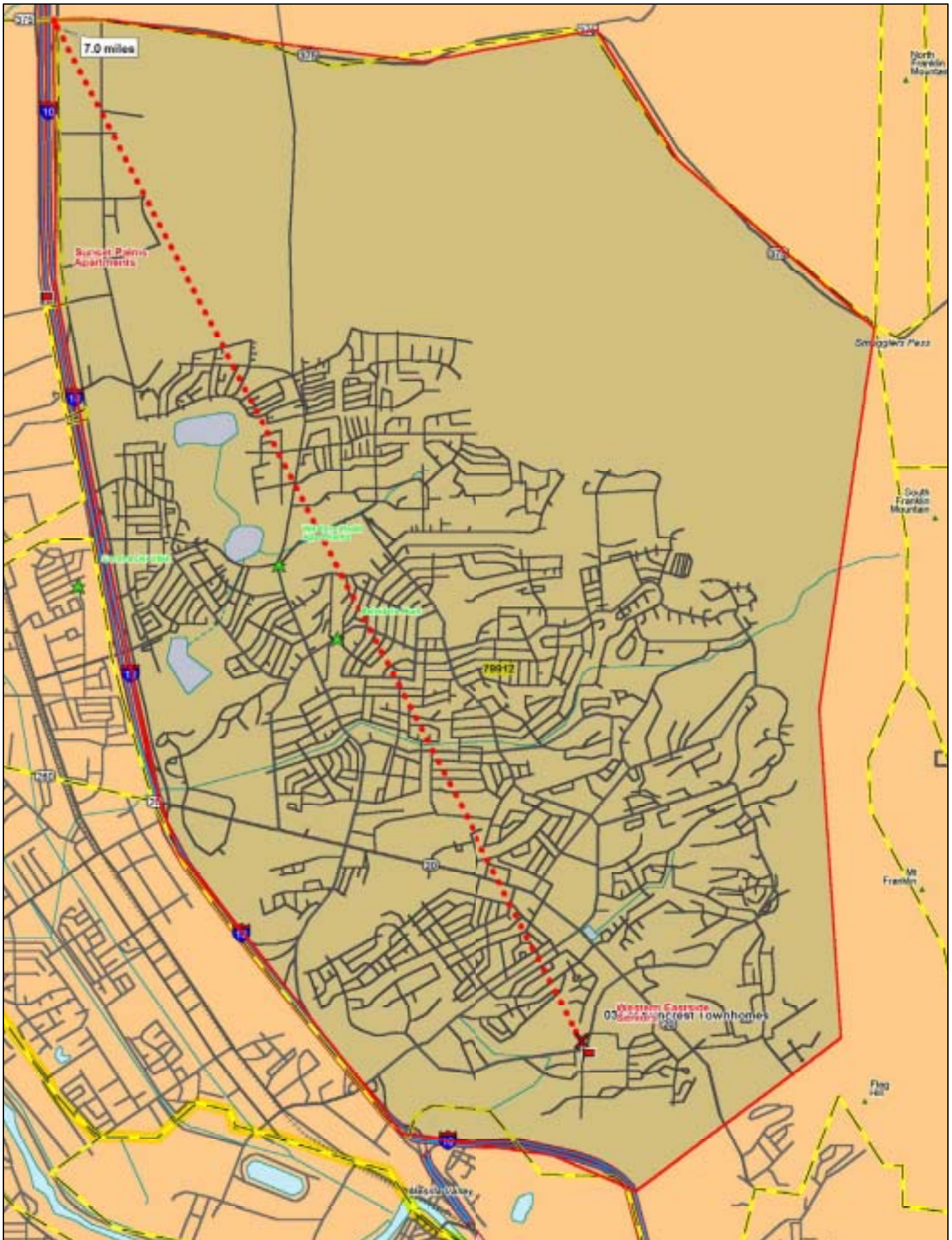
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$929,196	\$957,072	\$985,784	\$1,015,358	\$1,045,818	\$1,212,390	\$1,405,492	\$1,629,351	\$2,189,711
Secondary Income	23,040	23,731	24,443	25,176	25,932	30,062	34,850	40,401	54,295
Contractor's Profit	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>952,236</b>	<b>980,803</b>	<b>1,010,227</b>	<b>1,040,534</b>	<b>1,071,750</b>	<b>1,242,452</b>	<b>1,440,342</b>	<b>1,669,752</b>	<b>2,244,007</b>
Vacancy & Collection Loss	(61,896)	(73,560)	(75,767)	(78,040)	(80,381)	(93,184)	(108,026)	(125,231)	(168,300)
Developer's G & A	(15,636)	(16,105)	(16,588)	(17,086)	(17,598)	(20,401)	(23,651)	(27,418)	(36,847)
<b>EFFECTIVE GROSS INCOME</b>	<b>\$874,704</b>	<b>\$891,138</b>	<b>\$917,872</b>	<b>\$945,408</b>	<b>\$973,770</b>	<b>\$1,128,867</b>	<b>\$1,308,666</b>	<b>\$1,517,102</b>	<b>\$2,038,859</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$41,827	\$43,500	\$45,240	\$47,050	\$48,932	\$59,533	\$72,431	\$88,123	\$130,444
Management	44,517	45,353	46,714	48,115	49,559	57,452	66,603	77,211	103,765
Payroll & Payroll Tax	71,200	74,048	77,010	80,090	83,294	101,340	123,295	150,008	222,048
Repairs & Maintenance	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Utilities	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Water, Sewer & Trash	46,400	48,256	50,186	52,194	54,281	66,042	80,350	97,758	144,705
Insurance	80,000	83,200	86,528	89,989	93,589	113,865	138,534	168,548	249,492
Property Tax	124,856	129,850	135,044	140,446	146,064	177,709	216,210	263,053	389,382
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
<b>TOTAL EXPENSES</b>	<b>\$520,000</b>	<b>\$539,856</b>	<b>\$560,996</b>	<b>\$582,969</b>	<b>\$605,807</b>	<b>\$734,213</b>	<b>\$889,986</b>	<b>\$1,078,982</b>	<b>\$1,586,631</b>
<b>NET OPERATING INCOME</b>	<b>\$354,704</b>	<b>\$351,282</b>	<b>\$356,876</b>	<b>\$362,439</b>	<b>\$367,964</b>	<b>\$394,654</b>	<b>\$418,680</b>	<b>\$438,120</b>	<b>\$452,228</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$308,445	\$308,445	\$308,445	\$308,445	\$308,445	\$308,445	\$308,445	\$308,445	\$308,445
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$46,259</b>	<b>\$42,837</b>	<b>\$48,431</b>	<b>\$53,994</b>	<b>\$59,519</b>	<b>\$86,209</b>	<b>\$110,236</b>	<b>\$129,676</b>	<b>\$143,783</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.15</b>	<b>1.14</b>	<b>1.16</b>	<b>1.18</b>	<b>1.19</b>	<b>1.28</b>	<b>1.36</b>	<b>1.42</b>	<b>1.47</b>

**LIHTC Allocation Calculation - Suncrest Townhomes, El Paso, 9% LIHTC 03223**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,052,825	\$1,052,825		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,119,200	\$1,119,200	\$1,119,200	\$1,119,200
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,089,100	\$7,256,999	\$7,089,100	\$7,256,999
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$172,148	\$167,524	\$164,166	\$167,524
Contractor profit	\$516,442	\$502,572	\$492,498	\$502,572
General requirements	\$516,442	\$502,572	\$492,498	\$502,572
<b>(5) Contingencies</b>				
	\$287,868	\$287,868	\$287,868	\$287,868
<b>(6) Eligible Indirect Fees</b>				
	\$325,550	\$325,550	\$325,550	\$325,550
<b>(7) Eligible Financing Fees</b>				
	\$423,575	\$423,575	\$423,575	\$423,575
<b>(8) All Ineligible Costs</b>				
	\$303,612	\$303,612		
<b>(9) Developer Fees</b>				
Developer overhead	\$1,402,448	\$1,402,448	\$1,402,448	\$1,402,448
Developer fee				
<b>(10) Development Reserves</b>				
	\$85,000	\$181,563		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$13,294,210</b>	<b>\$13,526,308</b>	<b>\$11,796,903</b>	<b>\$11,988,308</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$11,796,903</b>	<b>\$11,988,308</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$15,335,974</b>	<b>\$15,584,800</b>
Applicable Fraction			89.71%	89.71%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$13,757,510</b>	<b>\$13,980,725</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,147,376</b>	<b>\$1,165,992</b>

Syndication Proceeds	0.8192	\$9,399,077	\$9,551,577
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,147,376</b>	<b>\$1,165,992</b>
Syndication Proceeds		\$9,399,077	\$9,551,577
Requested Credits		\$1,152,843	
Syndication Proceeds		\$9,443,859	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$9,455,367</b>	
Credit Amount		\$1,154,248	



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 Zoom Level: 12-0 Datum: WGS84

Scale 1 : 50 000  
 1" = 4170 ft

