

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

July 30, 2003

Action Item

Appeal of 2003 LIHTC Application Ryan Crossing, 03138.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

This Application originally filed an appeal on May 14, 2003 to Edwina Carrington appealing the deduction of 14 points for an insufficient letter of community support (2 points), a late deficiency response (5 points) and the loss of their pre-application points (7 points). The appeal was denied by the Executive Director on May 28, 2003. On June 23, 2003 they submitted a subsequent appeal to the Board.

Application Information:

Applicant:	Ryan Crossing Villas, LP
General Partner:	JNP Properties, Inc., ASI Consulting
Principals/Interested Parties:	John Paul, Meredith Freeman
Syndicator:	TBD
Lender:	127 Public Square
City/County:	Selma/ Guadalupe
Set-Aside:	General
Region:	9
Type of Development:	New Construction
Units:	180
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.
Impact on Recommendation Status:	If the appeal is reinstated and the 14 points are awarded, the application will not be recommended by staff for an allocation because it will not have a competitive score in its region.

# Copy of Appeal to Board

The Board  
TDHCA

*date?*  
    

**RE: APPEAL FOR 2003 LIHTC APPLICATION FOR RYAN CROSSING  
VILLAS TDHCA NUMBER 03138**

We hereby wish to appeal to the TDHCA board in accordance with appeal policy 49.18(b) of the QAP regarding original and additional documentation submitted to the department in connection to the above application

ITEM 1  
TAB 4B

2 points were denied because the letter from Guadalupe United Way did not mention the specific development.

Our application was for the project in Selma Ryan Crossing Villas and the support letter indicated the proposed project by Jnp Properties and it was for that particular project and it was specific since it mentioned the Development City Selma.

Attached Exhibit 1

ITEM 2

Deficiency points reduction

We received the certified return mail receipt from the post office though it was not signed by the recipient.

Once the green copy is detached at the perforated two ends, it indicates that the mail has been received.

Attached Exhibit 2

A copy of the unsigned receipt was delivered together with other required documents And it was within the 3 days deficiency notice period.

A clarification of the signature of receipt from Edmund Kuempel was later faxed with the signed copy and the same was forwarded to the Department (copy attached).

At our initial application a certified notification letter was sent to Elizabeth Ames Jones who represented the area until November 2002. We relied on the internet in finding the incumbent and at the time of the application it indicated the area representative as Elizabeth Ames Jones. All letters were however handed to Edmund Knempel the new representative as informed by the district office. Attached certified mail to representative Elizabeth.

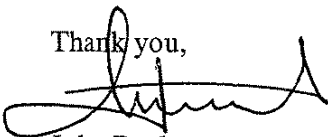
ITEM 3

Loss of pre-application points

If the above issues are looked into and points awarded accordingly, this will not be the case since we shall be within the 5% variance and 7 points will apply for pre-application.

We do hope that this appeal will be looked into and entitle us to the original requested points of 94.

Thank you,

A handwritten signature in black ink, appearing to read 'John Paul', written over the printed name below.

John Paul  
Jnp Properties



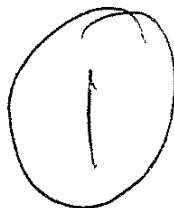
# GUADALUPE COUNTY UNITED WAY

P.O. BOX 805 • SEGUIN, TEXAS 78156 • 303-3263

MR - NJI E

John Paul  
JNP Properties, Inc.  
7103 Guadalupe  
Austin, TX 78752

Via Fax: 512/380-0136



Dear Mr. Paul:

As an organization committed to making our community a better place to live, I was pleased to hear of your proposed development offering affordable housing in the City of Selma.

The Guadalupe County United Way appreciates the opportunity to lend support to your endeavor. I look forward to following your progress.

Please let me know if I may be of assistance in any way.

Kathleen Postalwait  
Executive Director

EXHIBIT I

1st and 2nd letter  
I was the original  
letter.

"It Brings Out The Best In All Of Us."

7104 Guadalupe  
Austin, TX 78752  
Phone: 512-360-0129  
Fax: 512-360-0136



# Fax

To: Kathleen Postalwart From: UWE

Fax: 830-372-2096 Date: \_\_\_\_\_

Phone: \_\_\_\_\_ Page: \_\_\_\_\_

Re: letter of support. CC: \_\_\_\_\_

Urgent     For Review     Please Comment     Please Reply     Please Recycle

Kathleen,

Please call me with any questions.

Thanks

Let me know if this works!  
*[Signature]*



## GUADALUPE COUNTY UNITED WAY

P.O. BOX 805 • SEGUIN, TEXAS 78156 • 303-3263

Texas Department of Housing and Community Affairs  
507 Sabine  
Austin, TX 78711

RE: Ryan Crossing Villas

To Whom It May Concern:

As an organization committed to making our community a better place to live, the Guadalupe County United Way is pleased to offer our support to JNP Properties, Inc. proposed development, Ryan Crossing Villas. This development, consisting of 180 units, would provide quality, affordable housing to the City of Selma.

We appreciated the opportunity to lend our support to this project, and look forward to its progress.

A handwritten signature in black ink, appearing to read 'Kathleen Postalwait', is written over a horizontal line.

Kathleen Postalwait  
Executive Director

*"It Brings Out The Best In All Of Us."*

2

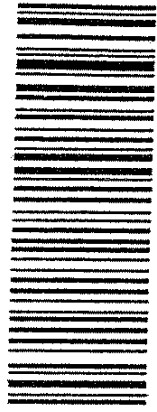
SENDER COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		A. Received by (Please Print Clearly)	B. Date of Delivery
1. Article Addressed to		SK Bohat	4/29/03
Edmund Kuempel		C. Signature	<input type="checkbox"/> Agent
523 E. Donegan #102		X SK Bohat	<input type="checkbox"/> Addressee
Seguin, TX 78155		D. Is delivery address different from item 1?	<input type="checkbox"/> Yes
		If YES, enter delivery address below:	<input type="checkbox"/> No
		3. Service Type	
		<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail
		<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise
		<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.
		4. Restricted Delivery? (Extra Fee)	<input type="checkbox"/> Yes
2. Article Number (Copy from serv)		7002 0510 0004 1924 3752	
PS Form 3811, July 1999		Domestic Return Receipt	
		102585-00-1-0852	

Confirmed receipt of letter to US representative Edmund Kuempel.

Sally - phone no 463-0602



7002 0510 0004 1924 3752  
 CERTIFIED MAIL



7002 0510 0004 1924 3752  
 7002 0510 0004 1924 3752

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

SEGUIN, TX 78155

Postage	\$ 0.37	UNIT ID: 0136 AUSTIN, TX, N.E. STATION Postmark Here Clerk: KROGER 8/25/03
Certified Fee	2.30	
Return Receipt Fee (Endorsement Required)	1.75	
Restricted Delivery Fee (Endorsement Required)		
<b>Total Postage &amp; Fees</b>	<b>\$ 4.42</b>	

Sent To: Edmund Knempel  
 Street, Apt. No., or PO Box No.: 523 E. Donegan #102  
 City, State, ZIP+4: Seguin TX 78155

PS Form 3800, January 2001. See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Edmund Knempel  
 523 E. Donegan #102  
 Seguin, TX 78155

2. Article Number (Copy from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)	B. Date of Delivery
C. Signature	
X	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	

3. Service Type

<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail
<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

EXHIBIT 2

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

*Representative Jones  
 PO Box 2910  
 Austin, TX 78768-2910*

2. Article Number

(Transfer from service label)

7002 0510 0000 5246 9595

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1424

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)

*B.C.*

B. Date of Delivery

*1-31-03*

C. Signature

X

*[Handwritten Signature]*

Agent

Addressee

D. Is delivery address different from item 1?

If YES, enter delivery address below:

Yes

No

3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchandise

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

*Housing Authority of SA  
 Attn: Diana Kintlaw  
 PO Box 1300  
 San Antonio, TX 78295*

2. Article Number

(Transfer from service label)

7002 0510 0000 5246 9526

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1424

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)

*Bo & Nicole Archer*

B. Date of Delivery

*JAN 27 2003*

C. Signature

X *Bo Archer*

Agent

Addressee

D. Is delivery address different from item 1?

If YES, enter delivery address below:

Yes

No

3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchandise

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

# Executive Director Appeal Response



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry  
GOVERNOR

Edwina P. Carrington  
EXECUTIVE DIRECTOR

BOARD MEMBERS  
Michael E. Jones, *Chair*  
Elizabeth Anderson  
Shadrick Bogany  
C. Kent Conine  
Vidal Gonzalez  
Norberto Salinas

May 28, 2003

Ryan Crossing Villas, L.P.  
John Paul  
7103 Guadalupe  
Austin, TX 78752  
Telephone: (512) 380-0123  
Fax: (512) 380-0136

Re: **Response to appeal received May 14, 2003**  
**Ryan Crossing Villas TDHCA Project No. 03138**

Dear Mr. Paul:

### Appeal Review

I have carefully reviewed the application you submitted, as well as your appeal submitted to the Department on May 14, 2003. I will address your appeal in the order that you address each item in your appeal.

Community Support: In the Application submitted to the Department on February 28, 2003, a Community Support Letter was provided from Guadalupe United Way, although it did not mention the specific development and points were not awarded. In your appeal, you assert that you should be awarded points for the letter because Guadalupe United Way indicated support for the proposed project for JNP Properties, Inc. However, Section 49.9(f)(4)(3)(B) of the 2003 QAP is explicit in its requirement that, "Letters of local support must identify the specific Development and must state support for the specific Development at the proposed location... Letters of support received after the close of the Application Acceptance Period will not be accepted". A revised letter that did mention the specific development was submitted in a deficiency response on April 30, 2003, but it cannot be accepted pursuant to the 2003 QAP, because it was submitted after the February 28, 2003 deadline.

Five Point Deduction for a Late Deficiency: Five points were deducted from your final score because an item requested in the deficiency letter dated April 25, 2003 was not received by the Department until May 1, 2003, which is one day past the 3rd day deadline. This requires a 5-point penalty reduction as required by §49.3(1) of the QAP. Specifically, the Department required that you provide verification of delivery receipt in the form of an executed certified mail receipt or commercial carrier receipt. On April 30, 2003 an unexecuted receipt was submitted to the Department; however, a properly executed receipt, meeting the threshold requirements, was not submitted until May 1, 2003, one day past the deadline.

Seven Point Pre-Application Loss: For the aforementioned reasons, the reduced points will not be reinstated. The total points requested at pre-application is 97. The total points awarded at full application is 80, after point reductions, which is a variation that exceeds the allowable 5% variance from pre-application points awarded. Pursuant to Section 49.9(f)(12)(D) of the 2003 QAP, an applicant cannot "achieve an Application score that is not more than 5% greater or less than the number of points requested at Pre-Application."

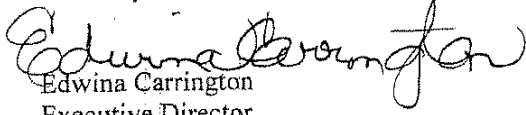
Mr. John Paul  
May 28, 2003

Appeal Determination

Based on the aforementioned three issues, your appeal is denied. The points are not reinstated.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

  
Edwina Carrington  
Executive Director

**Copy of Appeal to  
Executive Director**

RECEIVED

MAY 14 2003

LIHTC

RECEIVED

MAY 14 2003

LIHTC

Executive Director,  
TDHCA

**RE: APPEAL FOR 2003 LIHTC APPLICATION FOR RYAN CROSSING  
VILLAS TDHCA NUMBER 03138**

We hereby wish to appeal to the Department in accordance with appeal policy 49.18(b) of the QAP regarding original and additional documentation submitted to the department in connection to the above application

ITEM 1  
TAB 4B

2 points were denied because the letter from Guadalupe United Way did not mention the specific development.

Our application was for the project in Selma Ryan Crossing Villas and the support letter indicated the proposed project by Jnp Properties and it was for that particular project. However the Executive Director of Guadalupe United Way later provided the attached letter with the necessary amendments and the same was forwarded to the department.

ITEM 2

Deficiency points reduction

We received the certified return mail receipt from the post office and it bears delivery notification tracking numbers 7002051000419243752

After contacting the post office they clarified that the returned receipt bearing the numbers is a proof of delivery.

This item of deficiency was delivered within the 3 days deficiency notice period.

A clarification of the signature of receipt from Edmund Kuempel was later faxed with the signed copy and the same was forwarded to the Department (copy attached)

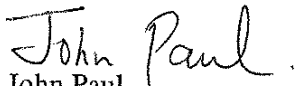
ITEM 3

Loss of pre-application points

If the above issues are looked into and points awarded accordingly, this will not be the case since we shall be within the 5% variance and 7 points will apply for pre-application.

We do hope that this appeal will be looked into and entitle us to the original requested points of 94.

Thank you,

  
John Paul  
Jnp Properties



## GUADALUPE COUNTY UNITED WAY

P.O. BOX 805 • SEGUIN, TEXAS 78156 • 303-3263

Texas Department of Housing and Community Affairs  
507 Sabine  
Austin, TX 78711

RE: Ryan Crossing Villas

To Whom It May Concern:

As an organization committed to making our community a better place to live, the Guadalupe County United Way is pleased to offer our support to JNP Properties, Inc. proposed development, Ryan Crossing Villas. This development, consisting of 180 units, would provide quality, affordable housing to the City of Selma.

We appreciated the opportunity to lend our support to this project, and look forward to its progress.

A handwritten signature in black ink, appearing to read "Kathleen Postalwait". The signature is fluid and cursive, written over a white background.

Kathleen Postalwait  
Executive Director

*"It Brings Out The Best In All Of Us."*



SENDER COMPLETE THIS SECTION	COMPLETE THE SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Received by (Please Print Clearly) <b>SK Bohot</b>	B. Date of Delivery <b>4/29/03</b>
1. Article Addressed to <b>US Representative</b> <b>Edmund Kuempel</b> <b>523 E. Donegan #102</b> <b>Seguin, TX 78155</b>	C. Signature <b>SK Bohot</b>	
2. Article Number (Copy from serv)	D. Is delivery address different from item 1? If YES, enter delivery address below:	
PS Form 3811, July 1999	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Domestic Return Receipt	7002 0510 0004 1924 3752	
102565 00-M-0892	102565 00-M-0892	

Confirmed receipt of letter to  
US representative Edmund Kuempel

Sally - phone no 463-0602



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**2003 LIHTC APPLICATION SCORING NOTICE**

Texas Department of Housing and Community Affairs

Ryan Crossing Villas, LP

Date Issued: 05/09/02

John Paul

7103 Guadalupe

Austin, TX 78752

Phone #: (512) 380-0123

Fax #: (512) 380-0136

**THIS NOTICE WILL ONLY BE  
 TRANSMITTED VIA FACSIMILE**

**RE: 2003 LIHTC Application for Ryan Crossing Villas**  
**TDCHA Number: 03138**

Attention: John Paul

The Texas Department of Housing and Community Affairs (the Department) has completed its review of the above-referenced application for threshold documents and selection criteria points. Below, is a summary of points requested, as calculated by the Applicant, followed by the points requested as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The points awarded by the LIHTC Program are shown, followed by the difference between the points requested (as calculated by the Department) and the points awarded. The results of the review are followed by an explanation of any adjustments, including points denied.

Final Points Requested in Application:	94
Final Points Requested Calculated by LIHTC Program:	94
Final Points Awarded by LIHTC Program:	80
Difference between Requested and Awarded:	14

**Explanation for Deductions**

Tab 4B, Community Support Letters (6,4): Support letters were received from the Mayor & State Senator for a total of 4 points. While a letter was provided from Guadalupe United Way, it does not mention the specific development and points were not awarded.

Deficiency Point Reduction (0, -5): Five points were deducted because an item requested in the deficiency letter dated 4/25/03 was not received by the Department until 5/01/03, which is one day past the 3rd day deadline, which requires a 5 point penalty reduction.

Loss of Pre-Application Points (7,0): The total points requested for the pre-application is 97. The total points awarded for the full application is 80, after point reductions, which is a variation that exceeds the allowable 5% variance from the pre-application points awarded. Pursuant to Section 49.9(f)(12)(D) of the 2003 QAP, an applicant cannot "achieve an Application score that is not more than 5% greater or less than the number of points requested at Pre-Application".

Please be aware that a formal Appeals Policy exists for the LIHTC Program. If you wish to appeal this scoring notice, you must file your appeal with the Department no later than May 16, 2003. The restrictions and requirements relating to the Appeals Policy can be found in Section 49.18(b) of the 2003 QAP. Additionally, the Department would be happy to meet with you after the application cycle has ended to discuss potential areas of improvement to your application for the subsequent allocation cycle.



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**2003 LIHTC APPLICATION SCORING NOTICE**  
Texas Department of Housing and Community Affairs

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A posting of all application scores, as well as a list of those projects recommended for underwriting, will be available at [www.tdhca.state.tx.us/lihtc](http://www.tdhca.state.tx.us/lihtc) on approximately May 13. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Jennifer Joyce by facsimile (512.475.9764 or 512.476.0438) or email to [jjoyce@tdhca.state.tx.us](mailto:jjoyce@tdhca.state.tx.us).

Sincerely,

*Brooke Boston*

Brooke Boston  
Director, Multi-Family Finance Production Division

7104 Guadalupe  
Austin, TX 78752  
Phone: 512-388-0123  
Fax: 512-388-0136



# Fax

To: Kathleen Postalwart From: UWE

Fax: 830-372-2096 Date:

Phone: \_\_\_\_\_ Page:

Re: Letter of support. CC:

Urgent  For Review  Please Comment  Please Reply  Please Recycle

Kathleen,

Please call me with any questions.

Thanks

Let me know if this

works!  
*Kathleen*

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

July 30, 2003

Action Item

Appeal of 2003 LIHTC Application Bluffview, 03164.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

This Application originally filed an appeal on May 16, 2003 to Edwina Carrington appealing the deduction of 11 points for extension penalty deductions (-4 points) and the loss of their pre-application points (7 points). The appeal was denied by the Executive Director on May 30, 2003. On June 18, 2003 they submitted a subsequent appeal to the Board.

Application Information:

Applicant:	Bluffview Villas of Brenham, L.P.
General Partner:	Brenham Bluffview Villas Development, LLC
Principals/Interested Parties:	Sam Tijerina, G. Granger MacDonald
Syndicator:	Boston Capital Corporation
Lender:	Boston Capital Corporation
City/County:	Brenham/ Washington
Set-Aside:	Rural, Elderly
Region:	8
Type of Development:	New Construction
Units:	76
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.
Impact on Recommendation Status:	If the appeal is reinstated and the 11 points are awarded, the application will not be recommended by staff for an allocation because it will not have a competitive score in its region or set-aside.

# Copy of Appeal to Board

**Bluffview Villas of Brenham, L.P.**  
**P.O. Box 10550**  
**San Antonio, Texas 78210**  
**Tel: 210-375-2100**  
**Fax: 210-949-1714**

RECEIVED  
MULTIFAMILY FINANCE  
PRODUCTION DIVISION  
03 JUN 18 PM 3:29

**APPEAL TO THE BOARD OF DIRECTORS**  
**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**  
**FOR INCLUSION ON 6/25/03 BOARD MEETING AGENDA**

June 18, 2003

Ms Edwina Carrington  
Texas Department of Housing and Community Affairs  
P.O. Box 13941  
Austin, TX 78711-3941

**FAX -2- PAGES**  
Please deliver to Addressee  
(512) 475-0764

Subject: 2003 Application  
Bluffview Villas (Elderly/Rural)  
Brenham, Washington County, Region 8  
TDHCA Number: 03164

**Significant Information In Chronological Order:**

- (1) Application was included on initial 2003 list of properties submitted to Underwriting.
- (2) 2 points were deducted for an extension request on an unrelated "2002" award.
- (3) 2 more points were deducted for an extension request on a second "2002" award.
- (4) 7 preapp points were deducted because the 4 points mentioned above were more than the allowed 5%.
- (5) Application was not included on May 9<sup>th</sup> list of applications submitted to Underwriting due to the 11 point reduction.
- (6) Appeal to Department on May 16, 2003
- (7) Department denial of appeal on May 30, 2003

We ask consideration in reinstating the 4 points mentioned above in as much as the "2002" awards were both on thirty year old HUD Section 8 acquisition/rehab properties which require extended time frames peculiar to Section 8 due to the Federal government's involvement in assigning Housing Assistant Payments (HAP). Although we are very much aware that certain standards must be established such as penalties for extension requests, we can also see the need for exceptions because of the learning curve developers and TDHCA staff are identifying as

Ms Edwina Carrington  
June 18, 2003  
Page -2-

situations materialize when dealing with HUD properties. This was evident in the Department staff's waiver of Commitment items related to HUD specific documents for the "2002" applications. In those instances, we were able to satisfy the staff that certain items were not attainable within the Commitment timeframe due to HUD regulations.

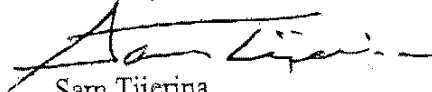
If the QAP regulations are applied, a developer dealing with a HUD Section 8 property will not be able to submit applications on consecutive years since extensions will always be necessary. The consequence is that a developer who is sufficiently industrious to take on a Section 8 property will be precluded every other year from the LIHTC process. Ultimately, this would also create a setback in providing adequate low-income housing in the state of Texas. Please take into account that no other program exists to assist our existing stock of Section 8 housing.

Although our appeal must deal almost exclusively with the "2002" commitments which are not specific to the "2003" application, we would also like to express our concern as regards the 2003 application in as much as the Department's Regional Allocation Plan and our market study indicate a substantial need for elderly housing. The current vacancy level is 1%. Should this application be rejected, Region 8 will be excluded from rural set-aside consideration during underwriting as not one Region 8 application will be considered for its Rural characteristics.

We ask your understanding of the ordeal we endure not only at the application stage, but also with HUD idiosyncracies and the infinite financing difficulties inherent in dealing with 30-year-old HUD subsidized properties. The measure of our collective achievements will be in not only preserving low-income housing, but in providing an improved community for many families like yours and mine.

It is the writers hope that the Board will restore the four points that involve the "2002" applications allowing the "2003" application to be submitted to Underwriting based on its own merits.

Sincerely,



Sam Tijerina  
General Partner



# Executive Director Appeal Response



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry  
GOVERNOR

Edwina P. Carrington  
EXECUTIVE DIRECTOR

May 30, 2003

**COPY  
FAXED**

BOARD MEMBERS  
Michael E. Jones, *Chair*  
Elizabeth Anderson  
Shadrick Bogany  
C. Kent Conine  
Vidal Gonzalez  
Norberto Salinas

Samuel Tijerina  
Bluffview Villas of Brenham, L.P.  
4139 Gardendale Ste. 201  
San Antonio, TX 78229  
Telephone: (210) 375-2100  
Fax: (210) 949-1714

**Re: Response to appeal received May 16, 2003  
Bluffview Villas TDHCA Project No. 03164**

Dear Mr. Tijerina:

### Appeal Review

I have carefully reviewed the application you submitted, as well as your appeal that we received on May 16, 2003 regarding the above-referenced development.

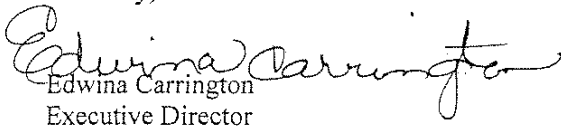
Point Reduction (4 Point Deduction): Pursuant to §49.9(f)(13) of the 2003 QAP, "Penalties will be imposed on Applicant if the Applicant or any of its Affiliates who have requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. Applicants or Affiliates having filed an extension, but that met the original deadline as required, will not have points deducted. Extensions that will receive penalties include all types of extensions identified in §49.21 of this title, received on or before the close of Application Acceptance Period, including Developments whose extensions were authorized by the Board. For each extension request made, the Applicant will be required to pay a \$2,500 extension fee as provided in §49.21(k) of this title and receive a 2 point deduction." In your appeal, you have affirmed that you requested and were granted 2 separate extensions that warrant a 4 point reduction in the final score of your application. Although your particular circumstances are unfortunate, the QAP is explicit in its requirements regarding penalty points for extensions.

### Appeal Determination

Based on the aforementioned reason, your appeal is denied. The 4 points will not be reinstated.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

  
Edwina Carrington  
Executive Director

Copy of Appeal to  
Executive Director

**Bluffview Villas of Brenham, L.P.**  
**4139 Gardendale, #201**  
**San Antonio, Texas 78229**  
**Tel: 210-375-2100**  
**Fax: 210-949-1714**

RECEIVED  
MULTIFAMILY FINANCE  
PRODUCTION DIVISION

03 MAY 16 PM 1:23

May 16, 2003

Ms Brooke Boston  
Texas Department of Housing and Community Affairs  
P.O. Box 13941  
Austin, TX 78711-3941

**FAX -1- PAGE**

Please deliver to Addressee  
(512) 475-0764

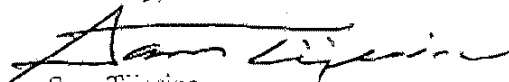
Subject: Bluffview Villas (Elderly/Rural)  
TDHCA Number: 03164

Please accept this correspondence as our appeal to that certain TDHCA Notice dated 05/09/03. Within that notice, 2 points were deducted for application number 02094. Although we accepted the commitment with an \$18,350 fee, we failed to reach a final agreement with the Seller and HUD. Thus, we did not close the purchase on this HUD 236 property, which involved a complicated and time-consuming decoupling process of the IRP subsidy. Our intentions are to develop a new financing structure for this property and make another attempt to provide much needed subsidized housing for San Antonio. On December 16, 2002, we notified the Agency and relinquished our credits so other applicants could utilize them. It is our wish that TDHCA consider this sequence of events and remove the 2-point deduction.

Additionally we would request a removal of the second 2-point deduction for application number 02093. A request for a commitment extension was indeed requested. However, since this application involved the purchase of a Section 8 HUD subsidized property, there were certain items listed as Commitment Conditions that required certain actions by the Department of Housing and Urban Development (HUD). It is virtually impossible to satisfy conditions on HUD subsidized properties without requesting an extension. TDHCA in fact admitted this and rescinded those certain conditions allowing us to close within the first extension period. It is our wish that TDHCA consider our collective misunderstanding of the intricacies inherent in purchasing HUD communities and remove the second 2-point deduction.

Ultimately, we all strive to provide much needed affordable housing. Within the spirit of our efforts, we hereby request a consideration of the four points mentioned above thereby restoring the 11 points mentioned in your Notice.

Sincerely,

  
Sam Tijerina  
General Partner

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 30, 2003**

**Action Item**

Appeal of 2003 LIHTC Application Palacio del Sol, 03207.

**Requested Action**

Issue a determination on the appeal.

**Background and Recommendations**

This Application originally filed an appeal on July 1, 2003 to Edwina Carrington appealing the staff's determination that the development was not eligible to qualify in the At-Risk Set-Aside. Their ineligibility in the At-Risk Set-Aside causes them to not be recommended for credits. The appeal was denied by the Executive Director on July 15, 2003. On July 21, 2003 they submitted a subsequent appeal to the Board.

**Application Information:**

Applicant:	Texas Palacio Housing, L.P.
General Partner:	Texas Palacio Development, LLC and Mexican American Unity Council
Principals/Interested Parties:	Fernando Godinez
Syndicator:	Paramount Financial Group
Lender:	N/A
City/County:	San Antonio / Bexar
Set-Aside:	General, Nonprofit, Elderly
Region:	9
Type of Development:	New Construction and Acquisition/Rehab (Demolition)
Units:	200
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.
Impact on Recommendation Status:	If the appeal is approved, the application will be recommended by staff for an allocation because it would then be classified as At-Risk, which is an undersubscribed set-aside.

# Copy of Appeal to Board



Mexican American Unity Council, Inc.

2300 West Commerce, Suite 200  
San Antonio, Texas 78207  
Phone (210) 978-0500  
Fax (210) 978-0547

Yolanda Arellano  
Chair

Frances J. Terán  
President/CBO

July 21, 2003

*Dolores Groneck, Board Secretary, Via Fax: 512-472-8526*

Mr. Michael Jones  
Chairman of the Board  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

RE: Appeal-Palacio del Sol TDHCA # 03207

Dear Mr. Jones:

The Applicant for the *Palacio del Sol* project, TDHCA # 03207, respectfully requests the opportunity to appeal the decision made by TDHCA staff not to include *Palacio del Sol* in the at-risk set aside. This decision by the staff has had a material adverse effect on the ability of this project to receive a tax credit allocation. We believe that the project does meet the requirements for the at-risk set aside and we have provided the staff with adequate documentation to that effect.

In TDHCA staffs response to our request to cite the Legislative Law or the section out of the QAP that was referenced to deny our appeal, Chris Wittmayer, Attorney cited QAP Section 49.3 (12), 49.3 (29), and 49.7 (b) (3). "We interpret these rules to require the preservation of the development meaning the preservation of more than only the site." We cannot find anything in the QAP, or the Texas Government Code that requires rehabilitation of an existing structure.

We have reviewed the 2003 QAP with regard to the "At-Risk" set aside. *Palacio del Sol* fits squarely within the QAP's definition of an "At Risk Development". Section 49.3(12) (A) (B) of the QAP establishes the "At Risk" set aside and again focuses on the preservation of housing.

The definition of an at-risk development states that the project must be receiving certain kinds of Federal subsidies and must be scheduled to expire in the near future. We are presently preserving a Section 8 contract.

Section 49.3 (29), definition for development states for new construction or rehabilitation. Our project meets the criteria.

Section 49.7 (b) (3) simply states the percentages for at-risk, general, and elderly set asides. "Through this Set-Aside, to the extent possible shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in 49.3 (12) of this title..."

This senior development (expired FHA Section 202 loan) is 20+ years old and has no air conditioning, no energy efficiencies, and constantly needing building repair, thus affecting the quality of life of the residents.

Enclosed you will find an appraisal of the property and as you can see the land is prime real estate and it's value exceeds the HUD loan. MAUC could sell this property, pay off the loan to HUD and still make a generous profit applying that money to other programs. However we have chosen to keep it as a senior development adding more units in an area that offers so many different services to our seniors.

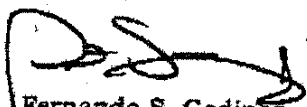
Not only are we preserving the affordability of 106 senior units, we are adding 94 more units to meet the demand of the senior community in San Antonio. We are truly preserving this housing stock and making sure that the tenants have better (and more) units available to them at this location.

I am forwarding to you a copy of the letter sent to TDHCA that shows we have a letter, following the requirements in HUD's Section 8 program, to residents possibly opting out of the Section 8 funding as per HUD's handbook. In our discussion with the San Antonio HUD office representative, we were assured that they would work with us in every way possible in order to keep the program affordable. They want to see affordable housing preserved as well.

We respectfully request that the appeal be heard by the TDHCA board at the July 30 meeting.

If you have any questions, please do not hesitate to call me at 210-978-0500.

Sincerely,



Fernando S. Godínez  
Vice President of Finance



## REAL ESTATE TAX ANALYSIS

The respective taxing authorities and tax rates per \$100 of assessed value are similar to surrounding communities and are not burdensome. The assessment ratio for improved properties is 100% of the full appraised value. The 2002 tax rates are summarized in the following table.

TAX LEVY (per \$100)		
Taxing Authority	Assessment Ratio	2002
Bexar County	100%	\$0.68464
City of San Antonio	100%	0.57854
San Antonio ISD	100%	1.72200
Alamo Community College	100%	0.00000
<b>Total</b>		<b>\$2.98518</b>

The subject has not been assessed by the Bexar Appraisal District (BAD) because the owner is a tax exempt 501-C (3) entity. In an effort to estimate the reasonableness of the subject's assessment and corresponding tax burden, the assessed values of several rental communities in the immediate neighborhood were analyzed. These properties are summarized in the following table:

TAX COMPARABLES					
Property	Built	No. Units	Avg Unit Size (SF)	2002 AV	2002 AV/Unit
Soap Works	1978	262	475	\$4,093,600	\$15,624
Towne Centre	1978	120	574	\$2,600,000	\$21,667
City Gate	1978	64	484	\$915,000	\$14,297
Parkside	1979	154	457	\$1,850,000	\$12,013
<b>Subject - Reconciled</b>	<b>1981</b>	<b>106</b>	<b>468</b>	<b>\$1,590,000</b>	<b>\$15,000</b>

The tax comparables range from \$12,013 to \$21,667/unit. The subject's is owned by a non-profit entity and is not currently assessed. Considering the tax comparables presented above, we have reconciled the subjects assessed value to be \$15,000/unit. Based on the reconciled assessment and the 2002 tax rates cited above, the tax expense was reconciled at \$47,464 [(\$1,590,000 x \$2.98518)/\$100], which equates to \$448/unit.

## **APPRAISAL PROCESS**

### **Overview**

The three traditional approaches to valuing improved properties are,

1. **Sales Comparison Approach** - a comparison of the property appraised with reasonable similar, recently conveyed properties for which the price, terms and conditions of sale are known.
2. **Income Approach** - the processing of a projected net income into a valuation estimate via one or more capitalization techniques.
3. **Cost Approach** - an estimate of the replacement cost of all structural improvements as if new, less loss in value attributable to depreciation from all causes plus the value of the land as if vacant.

The Sales Comparison Approach is founded upon the principle of substitution that holds that the cost to acquire an equally desirable substitute property without undue delay ordinarily sets the upper limit of value. At any given time, prices paid for comparable properties are construed by many to reflect the value of the property appraised. The validity of a value indication derived by this approach is heavily dependent upon the availability of data on recent sales of properties similar in location, size, and utility to the appraised property.

The Income Capitalization Approach is based on the principle of anticipation that recognizes the present value of the future income benefits to be derived from ownership in a particular property. The Income Approach is most applicable to properties that are bought and sold for investment purposes, and is considered very reliable when adequate income and expense data are available. Since income producing real estate is most often purchased by investors, this approach is valid and is generally considered the most applicable when the property being appraised was designed for, or is easily capable of producing a rental income.

The Cost Approach is based on the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus the amount of depreciation evident in the structures from all causes plus the value of the land and entrepreneurial profit. This approach to value is particularly useful for appraising new or nearly new improvements.

### **Subject Specific**

The Sales Comparison and Income Capitalization Approaches were utilized to derive value indications for the subject property. The Income Capitalization Approach was given most consideration because potential gross income and expenses are well supported, and the income stream of this type property is what investors are actually looking at when making an offer. The Sales Comparison Ap-

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**APPRAISAL PROCESS**

proach was given secondary weight as numerous market transactions were available for analysis, all of which were recent in nature. The Cost Approach was not included due to the age of the improvements and the inaccuracy in estimating depreciation for older buildings. More importantly, investors of multi-family communities in the current market do not rely on the Cost Approach when purchasing older income-producing properties similar to the subject.

## **SALES COMPARISON APPROACH**

### **Introduction**

The Sales Comparison Approach is premised upon the Principle of Substitution - a valuation principle that states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market. The principle of substitution presumes that the purchaser will consider the alternatives available to him, that he will act rationally or prudently on the basis of his information about those alternatives, and that time is not a significant factor. Substitution may assume the form of the purchase of an existing property with the same utility, or of acquiring an investment, which will produce an income stream of the same size with the same risk as that involved in the property in question.

The applicability of this approach is based upon the assemblage of similar market sales and offering for comparison to the subject. Considerations for such factors as market condition, location, size, quality, age-condition, and amenities, as well as the terms of the transaction, are all significant to the subject property. Any adjustments to the sale price of market sales to provide indications of market value for the subject must be market derived; therefore, the actions of typical buyers and sellers are reflected in the comparison process.

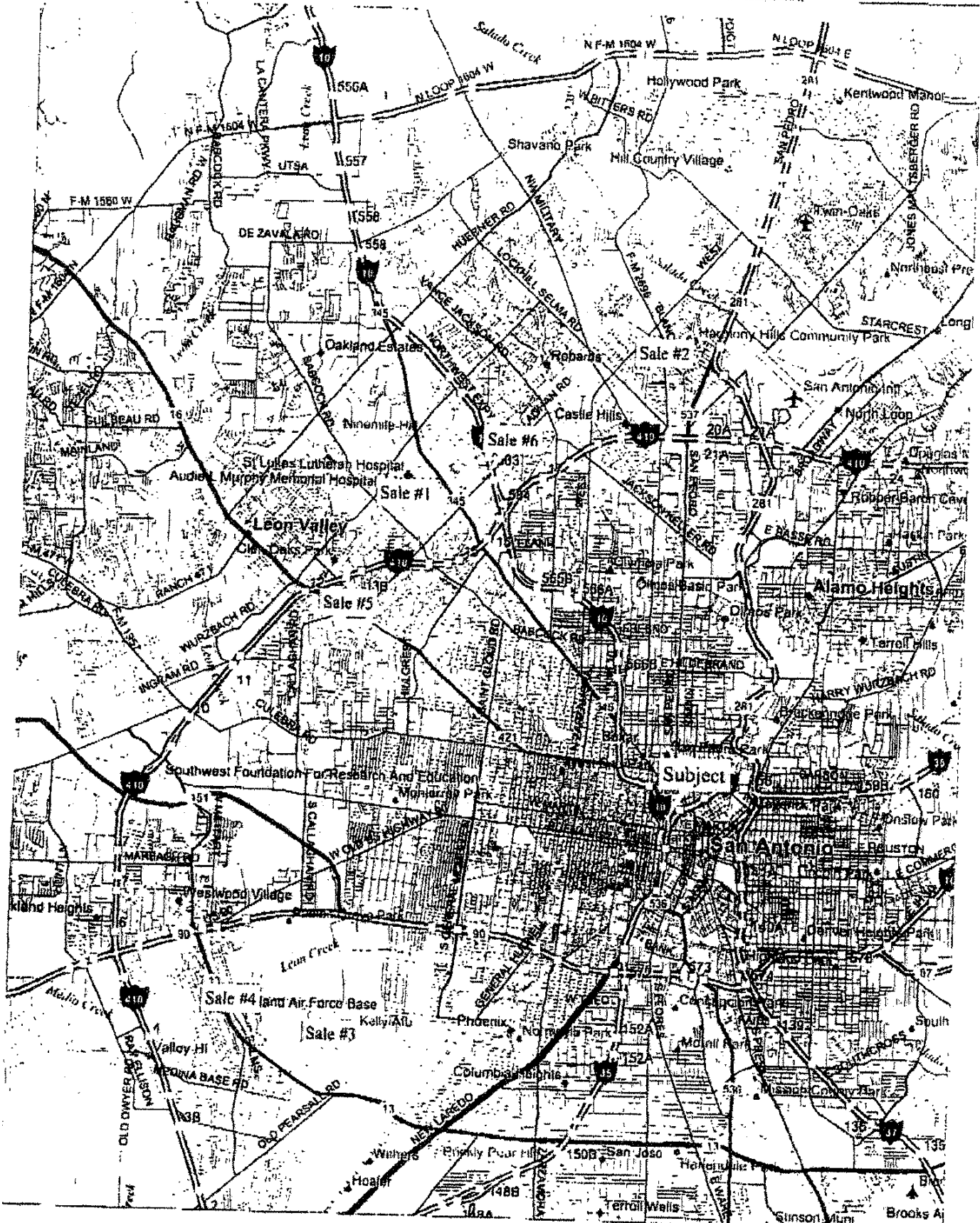
There are various units of comparison available in the evaluation of sales data in this approach. The annual Effective Gross Income Multiplier (EGIM), the sales price per square foot (SP/SF), and the sales price per unit (SP/Unit) are the most commonly used in this approach. When the availability of sales is limited, comparison can be made based on the difference in income generating potential between the existing sales and the subject. This comparison is referred to as an economic analysis.

The EGIM should be relied upon cautiously when rental rates or expenses are changing rapidly. Sales are expected to reflect a decrease in the EGIM when expenses are increasing and rents are stabilized to discount for the adverse effect on the net income stream. Conversely, when rents are increasing and expenses are stabilized, an inflated EGIM is likely to be reflected in the sales.

Dividing the sale price by the net rentable area (NRA) derives the Sale Price Per Square Foot (SP/SF) unit of comparison, while the Sales Price Per Unit (SP/Unit) is derived by dividing the sales price by the total number of units. In this analysis, the SP/SF and SP/unit comparisons were analyzed on a physical basis.

### **Analysis of Comparable Sales**

The market was researched for sales of comparable multi-family communities that were located in close proximity to the subject. With only a small portion of the total apartment inventory in San Antonio, the subject is one of the smaller submarket's in terms of supply and we were not able to confirm any recent sales of comparable property in the subject' submarket as a result. The sales used in



# Improved Sales

### SALES COMPARISON APPROACH

this analysis are summarized in the following table, while detailed descriptions are included in the Exhibit section of this report.

COMPARABLE IMPROVED SALES SUMMARY											
No.	Project	DOS	YOC	No. Units	Avg Unit Size (SF)	Sale Price		EGIM	NOI/Unit	OER	Ro
						per SF	per Unit				
1	Wellington Estates	Contract	1970	228	942	\$29.34	\$27,632	4.45	\$2,239	64%	8.10%
2	Churchill Park	Dec-02	1979	392	692	\$35.39	\$24,490	-	\$2,204	-	9.00%
3	Merry Oaks	Nov-02	1968	194	559	\$37.80	\$21,134	4.57	\$2,019	56%	9.55%
4	Sun Crest	Sep-02	1983	477	475	\$51.09	\$24,266	-	\$2,245	-	9.25%
5	Sun Park	Aug-02	1983	333	517	\$47.04	\$24,324	-	-	-	-
6	La Maison	May-02	1980	104	873	\$34.69	\$30,288	5.27	\$2,894	50%	9.55%
	<b>Subject</b>			1981	106	466			\$2,208	61%	-

The comparables represent recent sales/contracts of older apartment projects in the San Antonio market. Most have superior amenity packages as compared to the subject although the subject's one-story buildings and lower density would tend to be more appealing than the higher density multi-story, garden-style apartments represented by the majority of the comparable sales. Although significantly older than the subject, Sale 3 has been included because the property represents a one-story bungalow style project with lower overall density like the subject and the property's overall quality of construction would be considered comparable to the subject.

Although the recent contract on Wellington Estates was never consummated, the transaction was deemed to be represents of current market conditions has been included in our analysis as a result. The YTD operating statement from which our capitalization rate was calculated did not include property tax expenses and we have included a property tax expense based on the property's current assessed value and current tax rates to calculate the capitalization rate presented above. The buyer intended to offer affordable units in exchange for a property tax exemption resulting in a significantly higher net income and a higher *proforma* capitalization rate than that indicated above.

Additional information on each of the Improved Sales is contained in the Exhibits section of this report.

#### Sales Price per Square Foot Analysis

The Sales Price per Square Foot unit of comparison is a physical unit of comparison; however, it reflects the income producing potential of the property and can be adjusted to account for dissimilarities in that potential between the subject and market sales. The sales were analyzed and adjusted for differences in physical characteristics. The analysis reflects the physical adjustment process wherein paired sales were used to extract adjustments from the market. The adjustment categories considered and a brief explanation of each is as follows:

**SALES COMPARISON APPROACH****Property Rights Conveyed**

All of the sales involved conveyance of fee simple estates which were encumbered by short term leases. Such is identical to the rights being appraised herein for the subject. Thus, no adjustments were necessary for property rights conveyed.

**Financing Terms**

The consideration of one property may differ significantly from that of an identical substitute property due to financing conditions. Below market financing must be identified and adjusted for in the sales data when applicable. Cash equivalency analysis is a procedure whereby comparable sales are adjusted for atypical financing based on market rates available for comparable properties at the time of sale. In this particular instance, all the sales involved third party financing or cash transactions. Therefore, no adjustments were required for this category of comparison.

**Conditions of Sale**

Adjustments for conditions of sale reflect atypical motivations of buyers and sellers. In this particular instance, however, all of the comparable sales utilized represent arm's-length transactions of stabilized properties that sold without atypical motivations or sales conditions. As such, adjustment to the data for this category of comparison was not warranted.

**Market Conditions (Date of Sale)**

Each of the comparables sold within one year of the effective date of this appraisal and were considered to reflect fairly well current market conditions. While we are aware of some anecdotal evidence of price appreciation in the local market, we were not able to discern a adjustment for market conditions from the sales data presented above. As such, the sales were not adjusted for market conditions.

**Location**

As noted, the subject is located just west of downtown San Antonio in an mature neighbor that exhibits a mix of commercial and residential uses and has seen some redevelopment over the last several year. The proximity to the San Antonio CBD would be considered positive attribute but the lack of retail/grocery would be considered a negative characteristic for multifamily development.

In making locational adjustments, we have considered the current economic performance of each of the comparable market areas. In addition, site-specific differences with respect to access and visibility and surrounding development were also considered. Sales 1 and 6 were located in heavily developed areas that exhibit a mix of age and quality and benefit from proximity to local employment centers such as the South Texas Medical Center. While the specific locational attributes vary for each of these sales, the overall locations would be considered similar to the subject in terms of the quality of surrounding development and proximity to local employment centers and no adjustments for location have been made to these sales as a result. Sale 2, 3, 4 and 5 received a small upward adjust-

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**SALES COMPARISON APPROACH**

ment for inferior submarket performance associated with their location in west and southwest San Antonio.

**Age/Condition**

The subject was completed in 1981 and appears to be adequately maintained. Each of the sales was adjusted for age by approximately 1%/year based on guidelines provided in the Marshall and Swift Valuation Manual.

Although the buyer generally planned various degrees of repairs/renovations for each of the sales overall condition of the comparables was considered comparable to the subject and no adjustment for condition was made to these sales as a result.

**Quality/Appeal**

The subject overall quality of construction is considered average for this age product (i.e. pitched roofs, open asphalt paving and brick and wood siding). However, the subject's window mounted A/C units, wall mounted gas furnaces, and the limited number of amenities would be considered inferior to most of the comparables. Although in general the subject would be considered somewhat inferior to many of the comparables with respect to these items, the subject's overall appeal is enhanced by the single-story building configurations with open courtyards and private fenced patios and the presence of open spaces and mature trees on portions of the property add to the appeal. Where appropriate, adjustments were made to each of the sales to account for generally superior quality and level of amenities. Construction quality and overall appeal including density levels building configurations were also considered. Overall adjustments to each of the sales are summarized on the following adjustment grids.

**Average Unit Size**

The subject has an average unit size of 468 SF, which falls below the lower end of the range of the comparables. Typically, the smaller the average unit size, the higher the SP/SF and the lower the SP/unit. Although difficult to quantify, based on market data, the sales were adjusted based on a factor of 7.0% for each 100 SF difference in average unit size (rounded to the nearest whole percent).

**Adjustment Summary**

The following table summarizes the previously discussed adjustments.



**SALES COMPARISON APPROACH**

SALES PRICE/SF ADJUSTMENT SUMMARY							
Subject	1	2	3	4	5	6	
Property Name	Palacio Del Sol	Wellington Estates	Churchill Park	Merry Oaks	Sun Crest	Sun Park	La Maison
Sale Date	—	Contract	Dec-02	Nov-02	Sep-02	Aug-02	May-02
No. of Units	106	228	392	194	477	333	104
Avg. Unit Size (SF)	468	942	692	559	475	517	873
Age (yrs.)	22	33	23	34	19	19	22
Quality	Average	Average	Average	Average	Average	Average	Average
Condition	Average	Average	Average	Average	Average	Average	Average
Sale Price per SF		\$29.34	\$35.39	\$37.80	\$51.09	\$47.04	\$34.69
Rights Conveyed		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal Adjustments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sales Price		\$29.34	\$35.39	\$37.80	\$51.09	\$47.04	\$34.69
Market Conditions		0%	0%	0%	0%	0%	0%
Adjusted Sales Price		\$29.34	\$35.39	\$37.80	\$51.09	\$47.04	\$34.69
Location		0.0%	5.0%	5.0%	5.0%	5.0%	0.0%
Age		0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Condition		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Quality		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Occupancy		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unit Size		33.0%	18.0%	6.0%	0.0%	0.0%	0.0%
Subtotal Net Adjustments		43.0%	21.0%	21.0%	0.0%	3.0%	28.0%
Final Indicated Value		\$41.96	\$42.82	\$45.74	\$51.09	\$48.45	\$44.40
Value Summary	Unadjusted	Adjusted					
Minimum	\$29.34	\$41.96					
Maximum	\$51.09	\$51.09					
Mean	\$39.23	\$45.74					
Deviation	\$8.21	\$3.48					

**Conclusion**

The adjustments applied to the data reduced the dispersion indicated by the unadjusted sales prices. As a whole, the sales were considered to provide a good indication of value for the subject and significant consideration was given to the overall mean of the group as a result. Therefore, placing weight on the mean of the sales, the subject's Sales Price per Square Foot was concluded to be \$46.00/SF.

<b>Net Rentable Area × SP/SF = Value Indication</b>
49,608 × \$46.00 = \$2,281,968
<b>Rounded: \$2,280,000</b>

**Sales Price per Unit Analysis**

Most multi-family market participants utilize this unit of comparison and, as such, it can provide a reliable indication of value. However, how reliable an indication depends greatly upon the adjustments that have to be made. In this particular instance, the adjustments applied to the data are consistent with those employed in the previous SP/SF analysis, with the exception of that employed for average unit size. Typically, the larger the average unit size, the higher the price per unit and vice versa. Considering such, adjustments were applied to the sales on the basis of 7.0% for every 100 SF

**SALES COMPARISON APPROACH**

difference in average unit size (rounded to the nearest whole percent). The adjustments were applied to the sales data and are reflected in the following table:

SALES PRICE/UNIT ADJUSTMENT SUMMARY							
Subject	1	2	3	4	5	6	
Property Name	Palacio Del Sol	Washington Estates	Churchill Park	Herry Oaks	Sun Crest	Sun Park	La Maison
Sale Date	Contract	Dec-02	Nov-02	Sep-02	Aug-02	May-02	
No. of Units	106	228	392	194	477	333	104
Avg. Unit Size (SP)	468	942	692	559	475	517	873
Age (yrs.)	22	33	23	34	19	19	22
Quality	Average	Average	Average	Average	Average	Average	Average
Condition	Average	Average	Average	Average	Average	Average	Average
Sale Price per Unit	\$27,632	\$24,490	\$21,134	\$24,266	\$24,324	\$30,288	
Rights Conveyed	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing Terms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sales Price	\$27,632	\$24,490	\$21,134	\$24,266	\$24,324	\$30,288	
Market Conditions	0%	0%	0%	0%	0%	0%	
Adjusted Sales Price	\$27,632	\$24,490	\$21,134	\$24,266	\$24,324	\$30,288	
Location	0.0%	5.0%	5.0%	5.0%	5.0%	0.0%	
Age	10.0%	0.0%	10.0%	0.0%	0.0%	0.0%	
Condition	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Quality/Appeal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Occupancy	0.0%	0.0%	0.0%	-5.0%	-5.0%	0.0%	
Unit Size	-33.0%	-16.0%	-6.0%	0.0%	0.0%	0.0%	
Subtotal Net Adjustments	-23.0%	-11.0%	3.0%	0.0%	-3.0%	-28.0%	
Final Indicated Value	\$21,277	\$21,796	\$23,036	\$24,266	\$23,594	\$21,807	
Value Summary	Unadjusted	Adjusted					
Minimum	\$21,134	\$21,277					
Maximum	\$30,288	\$24,266					
Mean	\$25,356	\$22,629					
Deviation	\$3,173	\$1,181					

The unadjusted sales ranged from \$21,134 to \$30,288/unit. In the physical adjustment process, the adjustments are consistent with the previous analysis, excepting the average unit size adjustment. These adjustments were applied to the sales data and are reflected above. The sales after physical adjustment ranged from \$21,277 to \$24,266 with a mean of \$22,629/unit. As a whole, the sales were considered to provide a good indication of value for the subject and significant consideration was given to the overall mean of the group as a result. Therefore, placing weight on the mean of the sales the subject's Sales Price per Unit was concluded to be \$23,000/unit.

<b>Sales Price/Unit × No. Units = Value Indication</b>
\$23,000/Unit × 106 Units = \$2,438,000
<b>Rounded: \$2,440,000</b>

**Effective Gross Income Multiplier Analysis**

The EGIM analysis relates a property's gross potential income to its value. This unit of comparison is appropriate for income producing properties and automatically adjusts, through the income stream, for differences in age, condition, quality, land to building ratio, location and time as long as the analysis is confined to a single property type.

**SALES COMPARISON APPROACH**

The EGIMs of different properties are comparable when their gross annual income, actual or estimated, is based on competitive market levels and includes or excludes similar expense items. In addition, market sales must be described on a cash equivalent basis. To arrive at an appropriate FGIM, the market sales were compared on the basis of net operating income (NOI/Unit and NOI/SF) and operating expense ratio (OER) for overall comparability.

The following array illustrates the subject in relation to the sales.

EGIM ANALYSIS								
Sale	EGIM (x)	NOI/Unit	Sale	EGIM (x)	NOI/SF	Sale	EGIM (x)	OER
3	4.57	\$2,019	1	4.45	\$2.38	2	-	-
2	-	\$2,204	2	-	\$3.19	4	-	-
Subject	-	\$2,208	6	5.27	\$3.31	5	-	-
1	4.45	\$2,239	3	4.57	\$3.61	1	4.45	64%
4	-	\$2,245	Subject	-	\$4.72	Subject	-	61%
6	5.27	\$2,894	4	-	\$4.73	3	4.57	56%
5	-	-	5	-	-	6	5.27	50%

Generally, the higher NOI/Unit and NOI/SF will indicate a higher EGIM, while the inverse is true for the OER. The array above exhibits the subject's pro forma NOI (estimated later in this report) as compared to the sale properties. The properties were sorted in the previous array according to the NOI/Unit, NOI/SF and OER trends.

The comparable sales exhibit EGIMs ranging from 4.45(x) to 5.27(x), with a mean of 4.76(x). Although the data is somewhat inconclusive due to the lack of accurate effective income figures for several sales, the subject's NOI/unit and OER falls between Sale 1 and Sale 3 and, therefore, an EGIM between the range indicated by Sale 1 and Sale 3 was considered most reasonable for the subject. Considering such, an EGIM of 4.50(x) was reconciled. The effective gross income of \$594,734, derived in the following Income Capitalization Approach is used herein.

<b>Effective Gross Income × EGIM = Value Indication</b>
\$594,734 × 4.50 = \$2,676,303
<b>Rounded: \$2,680,000</b>

**Conclusion**

Within the Sales Comparison Approach, the comparable sales were analyzed on a physical basis. The following table summarizes the value indications "as is" from the various analyses.

**SALES COMPARISON APPROACH**

<b>EGIM Analysis</b>	\$2,680,000
<b>Physical Adjustment Analysis</b>	
<b>SP/SF</b>	\$2,280,000
<b>SP/Unit</b>	\$2,440,000

The value indicators utilized for the Sales Comparison Approach form a fairly tight range. The SP/Unit Analysis was given most consideration in reconciling a final value for the subject via the Sales Comparison Approach as this approach is most commonly employed in the local market. However, consideration was given to the SP/SF and less was given to the EGIM due to the lack of accurate EGI data for several sales. In addition, we have considered the current contract price for the subject of \$2,200,000 which is somewhat below the range exhibited by the Sales Comparison Approach value indicators and does not represent a true arms length transaction.

After considering each of the analysis above, the subject's value via the Sales Comparison Approach was reconciled as follows:

<b>Sales Comparison Approach Value Indication</b>
\$2,440,000

Sub 18/11/03



**FACSIMILE TRANSMITTAL**

TO: Dolores Groneck

FROM: Fernando Godinez

FAX NUMBER: 512-472-8526

DATE: July 21, 2003

PHONE NUMBER: -

NO. OF PAGES: 15

RE: Appeal-TDHCA #03207

CC: \_\_\_\_\_

- URGENT
- FOR REVIEW
- PLEASE COMMENT
- PLEASE REPLY
- PLEASE RECYCLE

**COMMENTS:**

Thank You,

**RECEIVED**  
 JUL 27 2003  
**EXECUTIVE**

# Executive Director Appeal Response



K-Brooke  
X-mailed 7/14/03

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry  
GOVERNOR

Edwina P. Carrington  
EXECUTIVE DIRECTOR

BOARD MEMBERS  
Michael E. Jones, *Chair*  
Elizabeth Arlerson  
Shadrick Bogany  
C. Kent Monine  
Vidal Gonzalez  
Norberto Salinas

July 15, 2003

Texas Palacio Housing, L.P.  
Fernando Godinez  
2300 West Commerce, Suite 200  
San Antonio, TX 78207  
Telephone: (210) 978-0500  
Fax: (210) 978-0547

**Re: Response to Appeal Received July 1, 2003  
Palacio Del Sol, TDHCA Project No. 03207**

Dear Mr. Godinez:

Consistent with §49.18(b) of the 2003 Qualified Allocation Plan and Rules (QAP), I am writing in response to the appeal that we received on July 1, 2003 on the above-referenced development.

Appeal Review

I have carefully reviewed the application you submitted, as well as your appeal. The purpose of the "At-Risk" set-aside is to preserve existing affordable housing. The above-referenced Application proposes new construction and will not preserve existing housing.

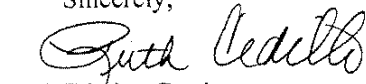
Appeal Determination

Based on the above reason, your appeal is denied. The Application is not eligible for the "At-Risk" set-aside.

Section 49.18(b)(4) of the 2003 QAP states that if you are not satisfied with this response to your appeal, you may appeal directly in writing to the Board of the Texas Department of Housing and Community Affairs. Please note that an appeal filed with the Board must be received by the Board before the seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made. To have an appeal considered by the Board at the July 30 Board meeting, the appeal must be received by Delores Gronck, Board Secretary, no later than July 23, although it is strongly suggested that you submit it by July 21, 2003.

If you have questions or comments, please call Jennifer Joyce at (512) 475-3995.

Sincerely,

  
Edwina Carrington  
Executive Director

**Copy of Appeal to  
Executive Director**





Mexican American Unity Council, Inc.

2300 West Commerce, Suite 200  
San Antonio, Texas 78207  
Phone (210) 978-0500  
Fax (210) 978-0547

Yolanda Arellano  
Chair

Frances J. Terán  
President/CEO

July 7, 2003

Via Fax: 512-475-3978

Mr. Chris Wittmayer  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

RE: Appeal-Palacio del Sol TDHCA # 03207

We are writing to inform you of our position with regard to being included in the "At-Risk" set aside for the 2003 tax credit allocation round. We have thoroughly reviewed Section 2306 of the Local Government Code regarding affordable housing preservation. Sections 2306.801 through 2306.804 require the Department to prioritize the preservation of affordable housing. To further the priority of preservation, Section 2306.6714 specifically establishes a set-aside in the low-income housing tax credit program for "At Risk Developments". Under Section 2306.6702(a)(5), the definition of an "At Risk Development" includes a property with Section 202 financing or an expiring Section 8 contract. Palacio del Sol fits squarely within this definition. Nothing in Section 2306 of the Government Code indicates that rehabilitation of an existing structure is necessary to fit within the "At Risk" set aside. It simply states that housing must be preserved.

Further, we have reviewed the 2003 QAP with regard to the "At-Risk" set aside. Again, Palacio del Sol fits squarely within the QAP's definition of an "At Risk Development". Section 49.7(b)(3) of the QAP establishes the "At Risk" set aside and again focuses on the preservation of housing. We cannot find anything in the QAP, or the staff's public interpretation of the QAP, that requires rehabilitation of an existing structure.

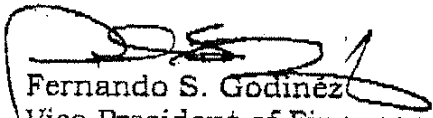
In making an application for the "At Risk" set aside, we were relying on and reading the QAP on its face. The QAP says that we must preserve

housing, and we are doing that. We have a very valuable downtown property, worth approximately \$3.5 million. It would take only \$2.2 million to pay off the existing HUD loan. This gives MAUC every incentive to sell the current real estate to a buyer that will destroy the existing structure and put up something like a motel instead. However, because of this desirable location, we don't want to do that. We want to have affordable housing units on this site. It is in the best interests of our tenants to maintain affordable housing units on this site. However, to provide the tenants with truly decent housing, we cannot continue to use the existing structure. We must rebuild on the site. We are truly preserving this housing and making sure that the tenants have better (and more) units available to them in this location.

I am forwarding to you a copy of the letter sent to TDHCA that shows we have notified Palacio Del Sol residents, following the requirements in HUD's Section 8 program, of the possibility of canceling the HAP contract as per HUD's handbook. We will also be notifying Palacio Del Sol residents of the possibility of opting out of the HUD Section 202 with prepayment of the loan. In our discussion with the San Antonio HUD office representative, we were assured that they would work with us in every way possible in order to keep the program affordable. They want to see affordable housing preserved as well.

If you have any questions, please do not hesitate to call me at 210-978-0500.

Sincerely,



Fernando S. Godínez  
Vice President of Finance

Attachment



**Mexican American Unity Council, Inc.**

Palacio Del Sol/PDS II  
2100 W. Commerce, Suite 200  
San Antonio, TX 78207  
Phone (210) 978-0500  
Fax (210) 978-0547

Yolanda Arellano  
MAUC Chair

Elaine Vasquez  
PDS II Chair

Francis J. Terán  
President/CEO

June 2, 2003

Dear Resident:

As a participant in HUD's Section 8 program, we are required to provide you with no less than 120 days written notice prior to the termination or expiration of Mexican American Unity Council, Inc./Palacio Del Sol Section 8 HAP contract. The Section 8 contract that pays the government's share of your apartment rent expires on September 30, 2003. This is to notify you that:

- it is our intention to renew the contract. However, if HUD does not offer us a new contract or if we decide not to renew our project-based contract at the end of this extension, it is our understanding that HUD will provide rental vouchers or certificates to all tenants currently receiving Section 8 assistance. This tenant-based subsidy will let you choose the place you wish to rent. It is also possible that we may agree with HUD to a renewal of the contract and the termination would be avoided.

If you receive a voucher or certificate, you may use it to rent another apartment or house or:

- you will be allowed to use a voucher to continue living here provided that the unit meets housing quality standards, or,
- you will be allowed to use a certificate to continue living here provided that the unit meets housing quality standards, or,
- you will receive a 90-day notice of any rent increase that occur because the contract expires. Please remember that any new Section 8 assistance you receive will help pay the increase.

For the last three years, Congress has provided money to renew expiring Section 7 contracts for one year at a time. When that year term expires, Congress, HUD and the owner will have to determine whether or not the contract will be renewed for another year.

If you have any questions, please call your local HUD office at (210) 472-4914 or, you may also call our office at (210) 224-0442 and speak to Nelly Hinojosa.

Sincerely,

A handwritten signature in dark ink, appearing to read "Francis J. Terán", written in a cursive style.

Francis J. Terán  
President and CEO





# FACSIMILE TRANSMITTAL

TO: Chris Wittmayer

FROM: Fernando S. Goding

FAX NUMBER: 512-475-3978

DATE: 7-7-03

PHONE NUMBER: \_\_\_\_\_

NO. OF PAGES: 4

RE: TDHCA # 03207

CC: \_\_\_\_\_

- URGENT  
  FOR REVIEW  
  PLEASE COMMENT  
  PLEASE REPLY  
  PLEASE RECYCLE

COMMENTS:

July 1, 2003

Via Fax & e-mail: 512-475-0764 / [bboston@tdhca.state.tx.us](mailto:bboston@tdhca.state.tx.us)

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

Re: Appeal-*Palacio del Sol* TDHCA #03207

Dear Ms. Boston:

We are respectfully requesting to be put on the July 30, 2003 Board agenda to appeal the decision of removing LIHTC application #03207, *Palacio del Sol* out of the "At-Risk" category. We are appealing to the Board to be put back on the "At-Risk" set aside. By definition we are:

- Section 202, Housing Act of 1959 (12 U.S.C. Section 17Q), and
- Any Project-based assistance authority pursuant to Section 8 of the U.S. Housing Act of 1937

We feel there is merit in our appeal based on the definition set forth by the QAP.

Sinceley,

Fernando S. Godinèz

July 1, 2003

Via Fax & e-mail: 512-475-0764 / [bboston@tdhca.state.tx.us](mailto:bboston@tdhca.state.tx.us)

Ms. Edwina Carrington  
Director of Multi-Family Finance Production  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

Re: Appeal-*Palacio del Sol* TDHCA #03207

Dear Ms. Carrington:

The applicant for the *Palacio del Sol* project, TDHCA # 03207, respectfully requests the opportunity to appeal the decision made by TDHCA staff to take the project out of the "at-risk" set aside. This decision by staff has had a material adverse effect on the ability of this project to receive a tax credit allocation. We believe that the project does meet the requirements for the at-risk set aside and that we have provide the staff with adequate documentation to that effect. The definition of an at risk development under the 2003 QAP states that the project must be ~~receiving certain kinds of Federal subsidies and must be scheduled to expire in the near future.~~ Our project meets that criteria. We see nothing in the 2003 QAP to indicate that our project does not qualify for the at-risk set aside. Therefore we request that you overrule staff's decision to take this project out of the at-risk set

aside. If you uphold staffs decision, we respectfully request that the appeal be heard by the TDHCA board at the July 30 meeting.

If you need any additional information to process this appeal, we will be happy to provide it. We look forward top your response.

Sincerely,

Fernando S. Godinèz



**Mexican American Unity Council, Inc.**

Palacio Del Sol/PDS II  
2100 W. Commerce, Suite 200  
San Antonio, TX 78207  
Phone (210) 978-0500  
Fax (210) 978-0547

Yolanda Arellano  
MAUC Chair

Elaine Vasquez  
PDS II Chair

Francis J. Terán  
President/CEO

June 2, 2003

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- it is our intention to renew the contract. However, if HUD does not offer us a new contract or if we decide not to renew our project-based contract at the end of this extension, it is our understanding that HUD will provide rental vouchers or certificates to all tenants currently receiving Section 8 assistance. This tenant-based subsidy will let you choose the place you wish to rent. It is also possible that we may agree with HUD to a renewal of the contract and the termination would be avoided.

If you receive a voucher or certificate, you may use it to rent another apartment or house or:

- you will be allowed to use a voucher to continue living here provided that the unit meets housing quality standards, or,
- you will be allowed to use a certificate to continue living here provided that the unit meets housing quality standards, or,
- you will receive a 90-day notice of any rent increase that occur because the contract expires. Please remember that any new Section 8 assistance you receive will help pay the increase.

For the last three years, Congress has provided money to renew expiring Section 7 contracts for one year at a time. When that year term expires, Congress, HUD and the owner will have to determine whether or not the contract will be renewed for another year.

If you have any questions, please call your local HUD office at (210) 472-4914 or, you may also call our office at (210) 224-0442 and speak to Nelly Hinojosa.

Sincerely,

Francis J. Terán  
President and CEO





**MEMORANDUM**

TO: TDHCA Board Members  
CC: Ruth Cedillo, Deputy Executive Director  
FROM: Brooke Boston, Multi-Family Finance Production Division Director  
THROUGH: Edwina Carrington, Executive Director  
SUBJECT: Report on the 2003 Tax Credit Allocation Round Final Recommendations  
DATE: July 30, 2003

This memo describes the 2003 final tax credit allocation recommendations. Since making our recommendations at the June 25, 2003, TDHCA Board meeting, one change to the amount of recommended tax credits has been made to the proposed recommendation list. A detailed explanation of the cause for that change is provided below.

**I. CAUSE FOR PROPOSED CHANGE**

After the Board meeting on June 25, there were three appeals that were submitted to the Executive Director. Of those appeals, one was approved, causing a change in the recommendation of the amount of tax credits.

<b>Application #</b>	<b>Application Name</b>	<b>Region</b>	<b>Appeal Issue</b>	<b>Credits</b>
03155	Villas of Leon Valley	9	Annual Credit recommendation was successfully appealed. The original staff recommendation was \$487,601. Now recommended as \$491,973, a difference of \$4,372.	\$491,973

The above issue has not altered the list of recommended developments.

**II. ADDITIONAL OPPOSITION**

It should be noted that letters of opposition were received by the Department for four (4) developments after the June Board Meeting:

<b>Application Name</b>	<b>Application #</b>	<b>From</b>	<b>Summation of Reason</b>
Pinnacle Pointe Apartments	03162	Rep. Geanie W. Morrison, District 30	Proposed Development is located in an elementary enrollment area that may not have the capacity for an increased number of students.
Little York Villas	03236	Charles Ingram, President of The Old Acres Homes Citizen Council	The residents in the area do not feel that the project is in keeping with their focus for advancement.

**III. STAFF FINAL RECOMMENDATIONS**

The only additional review and processing of applications that took place since recommendations were made to the Board in June involved the underwriting of an additional 7 developments, primarily those requested by the Board in June or based on staff’s coverage for the processing of particular appeals. Please note that Anson Park was approved to be added to the recommended list at the June Board meeting, but had not had its underwriting evaluation completed at that time. That development remains on the recommended list and the underwriting report is now provided for Board review. None of the other 6 developments that were underwritten, identified below, were added to the recommended list. Underwriting reports for each of the 7 developments are attached.

<b>Application Name</b>	<b>Application #</b>
Cricket Hollow Apartments	03063
Stone Hearst Apartments	03064
Anson Park*	03066
Villas on Sixth Street	03160
Kingsland Trails Apartments	03168
Village at Morningstar	03189
Palacio del Sol	03207

Because requested credit amounts for developments do not match perfectly with the regional amounts available, each region will be over or under by some amount. For each region, staff calculated what the impact of a regional shortfall would be as a proportion of the region’s allocation. In determining which regions would exceed their regional allocation, staff utilized this proportional shortfall figure to ensure that those regions that would have been most impacted (were losing the greatest percentage of their regional allocation) were those that went over their regional allocation, by allocating funds to the next highest scoring development in the region. This was already reflected in the June recommendation.

The total allocation, including the aforementioned increase in staff recommended credits for Villas of Leon Valley, reflects an allocation of \$38,098,599 out of an available \$38,137,924 in 2003 credits, leaving a credit balance of \$39,325. None of the “next highest scoring” developments in any region were small enough to absorb this amount. It is suggested that as credits are returned through the Carryover process, this amount can be combined with returned credits to fund a more complete development off of the waiting list.

Staff is not making any recommendations for forward commitments at this time. Staff feels that the current recommendations are well-balanced. Additionally, the many legislative changes will have a substantial impact on any 2003 applicant that is given a Forward Commitment because they are required to meet the requirements of the 2004 QAP which will have the many legislative changes reflected in it. Furthermore, because each region for 2004 is divided into rural and urban/exurban, the award of one Forward Commitment in an area could potentially absorb all of the following year's credits for that category.

However, if the Board does opt to proceed with a recommendation of 2004 Forward Commitment allocations, the following two developments would be those deemed to be most deserving based on the fact that they are the next highest scoring developments in the two regions are the only two regions that were under-allocated (that still have eligible applications).

<b>Application #</b>	<b>Application Name</b>	<b>Region</b>	<b>Credits Recommended</b>
03094	Reserve II at Las Brisas	3	\$822,062
03024	Diana Palms	13	\$211,474

#### **IV. WAITING LIST**

Staff recommends that the Board consider the Waiting List to be composed of all applications that have not been recommended by the Board for a Commitment of 2003 allocation of credits, and have not been terminated by the Department or withdrawn by the Applicant. In accordance with the 2003 Qualified Allocation Plan and Rules, staff is also recommending that the Board approve the following prioritization of the Waiting List so that as credits become available staff will be able to allocate from the prioritized list without returning to the Board for approval.

Because all eligible developments in the At-Risk and TxRD Set-Asides have been awarded, credits being returned from those pools will return to the region in which they were allocated. All other set-asides, except Rural, are allocated well above the minimum set-aside amount. For this reason, a waiting list is only recommended for the rural set-aside and for each region.

Developments not yet underwritten must still be found to be Acceptable, or Acceptable with Conditions, by Underwriting. Credit amounts and conditions are still subject to change. Allocations remain subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist. In the event that the credit amount returned is insufficient to fund the full credit recommendation on the next Waiting List development, the applicant will be given an option to restructure their development (still meeting all scoring requirements) to fit within the credits available, or to decline the credits.

#### **A. Rural Set-Aside**

<b>Project Name</b>	<b>Project #</b>	<b>Credit Amount</b>	<b>Set Aside</b>
Victoria Place Phase II	03235	\$362,988	Rural
Bluffview Villas *	03164	\$448,245	Rural, Elderly

\* Note that if Bluffview's appeal is approved, the total score for the development will be 66 and its ranking would remain unchanged.

## B. Credits by Region

Credits that become available will be returned to the region losing the returned credits. All Waiting List recommendations within regions are based on score. The top developments, in order of priority, by region, are:

### Region 1

No Waiting List recommendation is made for Region 1 since all eligible and feasible applications are recommended for an award.

### Region 2

No Waiting List recommendation is made for Region 9 since all eligible and feasible applications received an award.

### Region 3

Project Name	Project #	Credit Amount	Set Aside
Reserve II at Las Brisas	03094	\$822,062	General
Frazier Fellowship*	03097	\$452,374	General

\*This development has an identical score to a development that maximizes the \$1.6 million credit limit for Anthony Sisk (#03052), therefore the Anthony Sisk development is ineligible.

### Region 4

Project Name	Project #	Credit Amount	Set Aside
Waterford Place*	03195	\$369,494	General
Victoria Place Phase II	03235	\$362,988	Rural

\*This development has score that is lower that a development (#03025) that maximizes the \$1.6 million credit limit for Justin Zimmerman, therefore the Justin Zimmerman development is ineligible.

### Region 5

Project Name	Project #	Credit Amount	Set Aside
Timber Village*	03117	\$578,303	Rural, General

\*This development has score that is lower that a development that maximizes the \$1.6 million credit limit for R.J. Collins, therefore the R. J. Collins development is ineligible.

### Region 6

Project Name	Project #	Credit Amount	Set Aside
Alta Reed Apartments*	03108	1,200,000	General
Sunset Plaza*	03130	\$575,723	Non-Profit, General
Samaritan Village Apartments*	03129	\$422,499	Non-Profit, General

\*These three developments had an identical score. Staff used the first evaluation factor of serving more low-income families for fewer credits to determine their order of prioritization. Alta Reed development utilizes only \$6,000 in credits per low-income unit, while Sunset Plaza utilizes approximately \$6,397 in credits per low-income unit and Samaritan Village utilizes \$7,545 in credits per low-income unit.

**Region 7**

No Waiting List recommendation is made for Region 7 since no recommendations are made for the region. However, if a return of Forward Commitment funds occur, staff recommends Kingsland Tails Apartments, 03168.

**Region 8**

<b>Project Name</b>	<b>Project #</b>	<b>Credit Amount</b>	<b>Set Aside</b>
Nolan Creek Trails	03019	\$634,816	General
Bluffview Villas*	03164	\$488,245	Rural, Elderly

\*Note that if Bluffview's appeal is approved, the total score for the development will be 66 and its ranking would remain unchanged.

**Region 9**

<b>Project Name</b>	<b>Project #</b>	<b>Credit Amount</b>	<b>Set Aside</b>
Palacio Del Sol	03207	\$1,173,902	Non-Profit, Elderly, General
The Villas at Costa Verde	03031	\$1,122,531	General
Ryan Crossing Villas*	03138	\$907,828	General

\* If Ryan's Crossing Villas is fully successful in its appeal, then it will become the second development on the waiting list and Villas at Costa Verde will shift to the third position.

**Region 10**

No Waiting List recommendation is made for Region 10 since all applications received an award.

**Region 11**

No Waiting List recommendation is made for Region 11 since all applications received an award.

**Region 12**

No Waiting List recommendation is made for Region 12 since all applications received an award.

**Region 13**

<b>Project Name</b>	<b>Project #</b>	<b>Credit Amount</b>	<b>Set Aside</b>
Diana Palms	03024	\$211,474	General
Tropicana Palms*	03022	\$660,083	General
Capistrano Palms*	03023	\$660,083	General

\*These two developments had an identical score. They have identical costs per low-income unit. Because they are owned by the same Applicant, the Applicant will have the option of selecting the development they will proceed with if the funds become available, after the funding of Diana Palms.

#### **IV. REQUESTED BOARD ACTION**

In summary, staff is seeking action on the following:

- 1. approval of the recommendation for the issuance of Commitment Notices to tax credit applicants under the 2003 allocation round, and**
- 2. approval of a Waiting List that is composed of all applications that have not been recommended for an allocation or a Forward Commitment and have not been terminated or withdrawn. The initial requested prioritization of the waiting list for approval is disclosed in this memo.**

Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total		Applicant Contact	Score	Description
								NP	AR	R	E	G					LI Units	Units			
<u>Projects Located in Region 3</u>																					
03184	3	A	The Pegasus	7200 North Stemmon Fwy.	Dallas	Dallas	75247	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$1,156,172	<b>\$1,153,613</b>	124	156	Glenn Lynch	104	This Development has a competitive score in the Elderly and Nonprofit Set-Asides.
03039	3	A	Oak Timbers- Grand Prairie	1920 Robinson Rd.	Grand Prairie	Dallas	75051	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$437,741	<b>\$425,506</b>	64	80	Vaughan Mitchell	102	This Development has a competitive score in the Elderly Set-Aside.
03081	3	A	The Senior Apartments at Curtis Wright Field	1000 South Carrier Parkway	Grand Prairie	Dallas	75051	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$761,162	<b>\$756,742</b>	123	154	Hal Thorne	102	This Development has a competitive score in the Elderly Set-Aside.
03159	3	A	Summit Senior Village	Lawrence @ O'Neal Street	Gainesville	Cooke	76240	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$490,662	<b>\$476,268</b>	68	76	Monique Allen	93	This Development has a competitive score in the Rural Set-Aside.
03163	3	A	Cedar View Apartments	1617 West Highway 180 at Barker St.	Mineral Wells	Palo Pinto	76067	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$560,000	<b>\$560,000</b>	72	72	Leslie Donaldson	89	This Development has a competitive score in the Rural Set-Aside.
03212	3	A	Village of Kaufman	421 East 7th Street	Kaufman	Kaufman	75142	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$203,150	<b>\$193,806</b>	68	68	Daniel O'Dea	64	This Development is needed to meet the At-Risk Set-Aside.
03250	3	A	Pine Run Apartments	700 Piner	Honey Grove	Fannin	75446	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$62,925	<b>\$62,784</b>	32	32	Dennis Hoover	59	This Development is needed to meet the USDA and At-Risk Set-Asides.
03004	3	A	Arbor Woods	3000 Block of N. Hampton	Dallas	Dallas	75212	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,078,956	<b>\$1,078,956</b>	120	151	Cheryl Geiser		This Development is a 2003 Forward Commitment.
8															<b>\$4,750,768</b>	<b>\$4,707,675</b>	<b>671</b>	<b>789</b>			

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI		Applicant Contact	Score	Description		
								NP	AR	R	E	G					Units	Units					
03094	3	N	Reserve II at Las Brisas	4237 Club House Place	Irving	Dallas	75038	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$919,776	\$822,062	144	180	Garry Woomer	102	This Development did not score high enough in the General Set-Aside in its region to be recommended.		
03052	3	N	Churchill Pinnacle Park	1400 Block of N. Cockrell Hill Road	Dallas	Dallas	75211	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,128,000	\$0	160	200	Betts Hoover/Bradley Forslund	100	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the \$1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.		
03097	3	N	Frazier Fellowship	4700-4900 Hatcher Street	Dallas	Dallas	75210	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$452,374	\$0	60	76	Debbie Quintugua	100	This Development did not score high enough in the General Set-Aside in its region to be recommended.		
03046	3	N	Churchill at Brookhaven	6839 Harry Hines	Dallas	Dallas	75235	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$769,000	\$0	120	150	Betts Hoover/Anthony Sisk	99	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the \$1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.		
03084	3	N	Coughtrey Estates	Timber Oaks @ Osler	Grand Prairie	Tarrant	76010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$888,026	\$0	160	200	Robert Voelker	97	This Development did not score high enough in its set-asides or region to be recommended.		
03054	3	N	The Village @ Prairie Creek	1216 Dowdy Ferry Road	Dallas	Dallas	75217	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$996,013	\$0	160	200	James Washburn	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.		
03192	3	N	Emmanuel Village	4701 Meadow	Dallas	Dallas	75215	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$798,748	\$0	100	128	Victoria Spicer	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.		
03051	3	N	Churchill At Commerce	Culver @ Magnum	Commerce	Hunt	75428	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$597,061	\$0	72	76	Lewis Foley/Anthony Sisk	94	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the \$1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.		
03073	3	N	The Residences of Pemberton Hill	250 Pemberton Hill Road	Dallas	Dallas	75217	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$944,277	\$0	134	168	Robert Voelker	93	This Development did not score high enough in its set-asides or region to be recommended.		
													9					\$7,493,275	\$822,062	1,110	1,378		
17 Projects in Region			Targeted Regional Allocation:		\$4,895,385								\$12,244,043	\$5,529,737	1,781	2,167							

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<u>Projects Located in Region 6</u>																					
03011	6	A	Jefferson Davis Artist Lofts	1101 Elder Street	Houston	Harris	77007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	\$280,733	<b>\$280,733</b>	27	34	Brian Gorecki	105	This Development has a competitive score in its region.
03182	6	A	The Manor at Jersey Village	12400 Castlebridge Drive	Jersey Village	Harris	77065	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$782,354	<b>\$782,354</b>	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside and in its region.
03236	6	A	Little York Villas	6900 Block of Nuben & W. Little York	Houston	Harris	77091	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$816,242	<b>\$816,242</b>	103	128	Cherno Njie	100	This Development has a competitive score in its region.
03178	6	A	Jacinto Manor	9701 Market St.	Jacinto City	Harris	77029	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$782,354	<b>\$782,354</b>	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside.
03245	6	A	Meadows Place Senior Village	12221 South Kirkwood	Meadows Place	Fort Bend	77477	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$681,630	<b>\$675,605</b>	145	182	Rae Fairfield	99	This Development has a competitive score in the Elderly Set-Aside.
03070	6	A	Bay Ranch Apartments	1400 Thompson Road	Bay City	Matagorda	77414	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$477,317	<b>\$451,094</b>	60	64	Michael Lankford	96	This Development has a competitive score in the Rural Set-Aside.
03153	6	A	Northline Point Apartments	7313 Northline	Houston	Harris	77076	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New and Acq/Rehab	<input type="checkbox"/>	\$364,741	<b>\$347,203</b>	160	200	Kimberly Herzog	85	This Development is needed to meet the At-Risk Set-Aside.
03231	6	A	Montgomery Meadows	Old Montgomery Rd. @ Cline St.	Huntsville	Walker	77340	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$411,107	<b>\$382,286</b>	50	56	Emanuel Glockzin	81	This Development has an acceptable score in the Rural Set-Aside.
03252	6	A	Pine Meadows Apartments	20968 Pine Island Rd	Prairie View	Waller	77446	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$94,120	<b>\$94,120</b>	60	60	James Fieser	58	This Development is needed to meet the USDA and At-Risk Set-Asides.
03254	6	A	Bayou Bend Apartments	3025 Waller Street	Waller	Waller	77484	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$120,931	<b>\$119,812</b>	56	56	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03256	6	A	Willowchase Apartments	1845 5th Street	Hempstead	Waller	77445	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$122,882	<b>\$121,654</b>	57	57	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03255	6	A	Cedar Cove Apartments	1400 Eagle Lake Drive	Sealy	Austin	77474	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$122,045	<b>\$120,931</b>	54	54	James Fieser	43	This Development is needed to meet the USDA and At-Risk Set-Asides.
03253	6	A	Green Manor Apartments	2000 4th Street	Hempstead	Waller	77445	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$85,495	<b>\$84,481</b>	40	40	James Fieser	42	This Development is needed to meet the USDA and At-Risk Set-Asides.
03006	6	A	Villas at Park Grove	600 Park Grove Dr.	Katy	Harris	77450	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$627,566	<b>\$627,566</b>	120	150	Ignacio Grillo		This Development is a 2003 Forward Commitment.
													<b>\$5,769,517</b>	<b>\$5,686,435</b>	<b>1,252</b>	<b>1,481</b>					

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								NP	AR	R	E	G									
03130	6	N	Sunset Plaza Apartments	6053 Bellfort	Houston	Harris	77033	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$575,723	\$0	90	120	Thomas Scott	99	This Development did not score high enough in its set-asides or region to be recommended.
03060	6	N	Calhoun Place	6001 Calhoun	Houston	Harris	77021	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,017,060	\$0	160	200	Elizabeth Young	99	Developments 03178 and 03132 (both in Region 6) are recommended for allocations. Those developments together maximize the \$1.6 million credit limit for Elizabeth Young, therefore this development is ineligible.
03108	6	N	Alta Reed Apartments	Corner of Reed Rd. and S.H. 288	Houston	Harris	77051	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	\$0	200	250	Bernard Felder	99	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03129	6	N	Samaritan Village Apartments	5100 Block of Scott Street	Houston	Harris	77004	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$422,499	\$0	56	72	Thomas Scott	99	This Development did not score high enough in its set-asides or region to be recommended.
03063	6	N	Cricket Hollow Apartments	9700 FM 1097	Willis	Montgomery	77318	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$852,954	\$871,110	150	176	Brian Cogburn	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03171	6	N	Uvalde Ranch Apartments	12615 Wallisville Road	Houston	Harris	77013	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,015,377	\$0	160	200	Barry Kahn	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03189	6	N	The Village at Morningstar	3401 Magnolia Avenue	Texas City	Galveston	77590	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$418,179	\$415,954	70	78	Diana McIver	98	This Development did not score high enough in its set-asides or region to be recommended.
03243	6	N	Central City Homes	6200 Bloc of Central City Blvd.	Galveston	Galveston	77551	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$875,624	\$0	135	168	Margie Bingham	98	This Development did not score high enough in its set-asides or region to be recommended.
03095	6	N	Derby House	Garth Road and Eastchase Street	Baytown	Harris	77521	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	\$0	198	248	Todd Borck	97	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03092	6	N	Foster Place Manor	7210 Scott Street	Houston	Harris	77021	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$800,000	\$0	128	160	John Barineau	97	This Development did not score high enough in its set-asides or region to be recommended.
03180	6	N	The Gardens Senior Living Apartments	1300 Block of W. Tidwell	Houston	Harris	77091	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$416,822	\$0	60	76	Isaac Matthews	95	This Development did not score high enough in its set-asides or region to be recommended.
03126	6	N	The Linden's Apartments	North Avenue J and Skinner Street	Freeport	Brazoria	77541	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$770,070	\$0	96	120	Lawrence Mazzotta	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03174	6	N	Las Palomas	8525/8526 Pitner Road	Houston	Harris	77080	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$742,912	\$0	89	112	Chris Richardson	94	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03032	6	N	Parkview Apartments	Jenson Drive @ Parker Rd.	Houston	Harris	77093	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,058,699	\$0	115	144	Janet Miller	93	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03112	6	N	Horizon Ridge Apartments	21209 Northwest Highway 290	Houston	Harris	77429	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$918,055	\$0	160	200	Kurt Kehoe	77	This Development did not score high enough in the General Set-Aside in its region to be recommended.
15													\$12,283,974	\$1,287,064	1,867	2,324					
29 Projects in Region			Targeted Regional Allocation:		\$5,153,124						\$18,053,491	\$6,973,499	3,119	3,805							

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Applicant Units	Contact	Score	Description		
								NP	AR	R	E	G											
<u>Projects Located in Region 7</u>																							
03001	7	A	Eagle's Point	1855 Webberville Road	Austin	Travis	78721	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	\$1,200,000	192	240	Robert Voelker	This Development is a 2003 Forward Commitment.			
03005	7	A	Grove Place Apartments	Not Available for Release	Austin	Travis	78741	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$789,509	\$789,509	146	184	Kelly White	This Development is a 2003 Forward Commitment.			
														<b>\$1,989,509</b>	<b>\$1,989,509</b>	<b>338</b>	<b>424</b>						
03168	7	N	Kingsland Trails Apartments	4800 Block of 2900	Kingsland	Llano	78639	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$446,148	\$383,286	60	76	Mark Mayfield	95 All credits from Region 7 have already been allocated to 2003 Forward Commitments made in 2002.			
03160	7	N	Villas on Sixth Street	1900 Block of East Sixth Street	Austin	Travis	78702	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,190,349	\$1,072,039	136	160	Martin Gonzalez	84 All credits from Region 7 have already been allocated to 2003 Forward Commitments made in 2002.			
														<b>\$1,636,497</b>	<b>\$1,455,325</b>	<b>196</b>	<b>236</b>						
4 Projects in Region		Targeted Regional Allocation:		\$1,989,509										<b>\$3,626,006</b>	<b>\$3,444,834</b>	<b>534</b>	<b>660</b>						
<u>Projects Located in Region 8</u>																							
03068	8	A	Stone Ranch Apartments Homes	4400 Block East Rancier Avenue	Killeen	Bell	76543	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$622,580	\$583,608	129	152	Michael Lankford	106 This Development has a competitive score in the Elderly and Nonprofit Set-Asides and in the region.			
03009	8	A	Forest Park Apartments	Sandy Point Rd. @ Hwy 21	Bryan	Brazos	77803	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$981,432	\$746,176	119	140	Kenneth Mitchell	100 This Development has a competitive score in its region.			
03065	8	A	Red Oak	4500 Block of South 3rd Street	Waco	McLennan	76706	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$559,937	\$559,937	64	80	R.J. Collins	100 This Development has a competitive score in its region.			
03161	8	A	Dripping Springs Senior Village	J.J. Frewellen @ Eastern Little League Complex Rd.	Waco	McLennan	76704	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$576,585	\$572,047	85	100	Leslie Donaldson	98 This Development has a competitive score in its region and in the Elderly Set-Aside.			
03259	8	A	Pecan Creek Apartments	1815 Old Brandon Rd.	Hillsboro	Hill	76645	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$145,850	\$145,850	48	48	Patrick Barbolla	25 This Development is needed to meet the USDA and At-Risk Set-Asides.			
														<b>\$2,886,384</b>	<b>\$2,607,618</b>	<b>445</b>	<b>520</b>						
03019	8	N	Nolan Creek Trails	4702 West Stan Schlueter	Killeen	Bell	76542	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$634,816	\$0	120	120	Howard Siegel	81 This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03164	8	N	Bluffview Villas	2800 Hwy 36 South	Brenham	Washington	77833	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$448,245	\$0	76	76	Samuel Tijerina	55 This Development did not score high enough in its set-aside or region to be recommended.			
														<b>\$1,083,061</b>	<b>\$0</b>	<b>196</b>	<b>196</b>						
7 Projects in Region		Targeted Regional Allocation:		\$2,451,783										<b>\$3,969,445</b>	<b>\$2,607,618</b>	<b>641</b>	<b>716</b>						

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<b>Projects Located in Region 10</b>																					
03265	10	A	Riversquare Apartments	McKinzie Rd. @ McKinzie Ln.	Corpus Christi	Nueces	78410	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,092,376	<b>\$1,092,376</b>	163	204	Manish Verma	96	This Development has a competitive score in its region.
03257	10	A	Caney Run Estates	Ben Jordon @ US Highway 87	Victoria	Victoria	77901	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$704,758	<b>\$704,038</b>	116	116	Don Pace	85	This Development has a competitive score in its region.
03162	10	A	Pinnacle Pointe Apartments	600 Block of Salem Road	Victoria	Victoria	77902	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$872,505	<b>\$871,732</b>	143	144	David Saling	80	This Development has a competitive score in its region.
03249	10	A	The Palmas Apartments	200 Avenue A	Aransas Pass	San Patricio	78336	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$41,192	<b>\$41,006</b>	24	24	Dennis Hoover	32	This Development is needed to meet the USDA and At-Risk Set-Asides.
4													<b>\$2,710,831</b>	<b>\$2,709,152</b>	<b>446</b>	<b>488</b>					
4 Projects in Region			Targeted Regional Allocation:		\$2,155,567							<b>\$2,710,831</b>	<b>\$2,709,152</b>	<b>446</b>	<b>488</b>						
<b>Projects Located in Region 11</b>																					
03013	11	A	Casa Aguila Apartments	Southeast Corner of Las Milpas and Jackson	Pharr ETJ	Hidalgo	78577	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,199,966	<b>\$1,171,547</b>	160	200	Robert Joy	104	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03036	11	A	The Galilean Apartments	Trenton @ "I" Rd.	Edinburg	Hidalgo	78539	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	<b>\$1,200,000</b>	208	208	Rowan Smith	95	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03035	11	A	Rio De Vida Apartments	Inspiration Road near 1 Road	Mission	Hidalgo	78572	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,044,231	<b>\$1,004,228</b>	176	208	Kim Hatfield	91	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03029	11	A	La Villita Apartments	600 block Old Port Isabel Rd.	Brownsville	Cameron	78521	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$856,933	<b>\$851,428</b>	128	128	Mark Musemeche	87	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03248	11	A	La Casita del Valle	FM 1430 and Old Casita Rd.	La Casita	Starr	78582	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	\$66,499	<b>\$66,499</b>	28	28	Dennis Hoover	57	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03247	11	A	Las Brisas Apartments	South Tower Rd. and Moore Rd.	Alamo	Hidalgo	78516	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	\$45,890	<b>\$45,890</b>	26	26	Dennis Hoover	53	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03002	11	A	Padre de Vida	Ware Road South of Municipal Golf Course	McAllen	Hidalgo	78503	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,025,408	<b>\$1,025,408</b>	144	180	P. Rowan Smith, Jr.		This Development is a 2003 Forward Commitment.
7													<b>\$5,438,927</b>	<b>\$5,365,000</b>	<b>870</b>	<b>978</b>					
7 Projects in Region			Targeted Regional Allocation:		\$5,662,899							<b>\$5,438,927</b>	<b>\$5,365,000</b>	<b>870</b>	<b>978</b>						

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Applicant Units	Contact	Score	Description			
								NP	AR	R	E	G												
<b>Projects Located in Region 12</b>																								
03145	12	A	Sterling Springs Villas	South side of E. Golf Course & Fairgrounds Rd.	Midland	Midland	79701	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$850,643	<b>\$845,579</b>	114	120	Ron Hance	81	Region 12 is undersubscribed, therefore all eligible developments in the region are recommended.			
														<b>\$850,643</b>	<b>\$845,579</b>	<b>114</b>	<b>120</b>							
1 Projects in Region				Targeted Regional Allocation:		\$1,302,931											<b>\$850,643</b>	<b>\$845,579</b>	<b>114</b>	<b>120</b>				
<b>Projects Located in Region 13</b>																								
03223	13	A	Suncrest Townhomes, Ltd.	415 Mesa Hills Dr.	El Paso	El Paso	79912	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,152,843	<b>\$1,147,376</b>	144	160	Ike Monty	104	This Development has a competitive score in the Nonprofit Set-Aside.			
03220	13	A	Desert Breeze, Ltd.	14600-14626 Desert Breeze Dr.	Horizon City / El Paso	El Paso	79928	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$360,434	<b>\$359,018</b>	36	36	James Millener	88	This Development has a competitive score in the Rural Set-Aside.			
03222	13	A	Whispering Sands Townhomes, Ltd.	Washington Rd. @ Omar St.	Anthony	El Paso	79821	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$287,970	<b>\$286,440</b>	34	36	Ike Monty	83	This Development has an acceptable score in the Rural Set-Aside.			
03134	13	A	Lilac Garden Apartments	7845 Lilac Way	El Paso	El Paso	79915	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$686,800	<b>\$685,609</b>	150	152	Doug Gurkin	82	This Development is needed to meet the At-Risk Set-Aside.			
03003	13	A	Mission del Valle	621 Dindinger	Socorro	El Paso	79927	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$160,782	<b>\$160,782</b>	16	16	Ike Monty		This Development is a 2003 Forward Commitment.			
														<b>\$2,648,829</b>	<b>\$2,639,225</b>	<b>380</b>	<b>400</b>							
03024	13	N	Diana Palms	4700 Block of Diana Street	El Paso	El Paso	79924	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$245,915	<b>\$211,474</b>	34	36	Bobby Bowling IV	107	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03022	13	N	Tropicana Palms	Lee Blvd. @ Montana Ave.	El Paso	El Paso	79936	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$660,083	<b>\$0</b>	95	112	Bobby Bowling IV	106	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03023	13	N	Capistrano Palms	8600 Block of Buena Park	El Paso	El Paso	79907	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$660,083	<b>\$0</b>	95	112	Bobby Bowling IV	106	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03080	13	N	Mission Trail Apartments	9730 Galilee Drive	El Paso	El Paso	79927	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$375,202	<b>\$874,306</b>	49	62	Valerie Funk	103	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03227	13	N	Cedar Oak Townhomes, Ltd.	1541 Pendale Road	El Paso	El Paso	79936	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$999,818	<b>\$0</b>	124	146	Ike Monty	100	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
03226	13	N	Canyon Run Townhomes, Ltd.	771 N. Resler Dr.	El Paso	El Paso	79912	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$146,781	<b>\$0</b>	16	16	Ike Monty	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.			
														<b>\$3,087,882</b>	<b>\$1,085,780</b>	<b>413</b>	<b>484</b>							
11 Projects in Region				Targeted Regional Allocation:		\$2,702,046											<b>\$5,736,711</b>	<b>\$3,725,005</b>	<b>793</b>	<b>884</b>				
112 Total Submissions				Total Credit Ceiling Available: \$38,137,924												<b>\$73,318,694</b>	<b>\$11,511</b>	<b>13,498</b>						

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**2003 Final LIHTC Recommendations**  
**Sorted by Region and Score - Only Those Recommended**  
**July 30, 2003**

Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Applicant Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<u>Projects Located in Region 1</u>																					
03140	1	A	Park Meadows Villas	Oak Avenue and Weber Avenue	Lubbock	Lubbock	79404	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$745,677	<b>\$737,372</b>	100	112	Aubrea Hance	93	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended.
03016	1	A	Amarillo Garden Apartments	1223 S. Roberts	Amarillo	Potter	79102	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$404,377	<b>\$265,490</b>	100	100	Gene Morrison	76	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended. This development is also needed to meet the At-Risk Set-Aside.
2 Projects in Region		<b>Targeted Regional Allocation:</b>													<b>\$1,150,054</b>	<b>\$1,002,862</b>	<b>200</b>	<b>212</b>			
<u>Projects Located in Region 2</u>																					
03066	2	A	Anson Park	2800 Blk Old Anson Rd.	Abilene	Taylor	79603	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$561,000	<b>\$561,000</b>	60	64	R.J. Collins	89	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.
03158	2	A	Red River Senior Village	Ross Street at US Highway 287	Vernon	Wilbarger	76384	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$404,729	<b>\$402,507</b>	57	60	Beverly Funderburgh	88	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.
03258	2	A	Mira Vista Apartments	Lee & Jefferson Streets	Santa Anna	Coleman	76878	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rehab Only	<input checked="" type="checkbox"/>	\$70,346	<b>\$70,346</b>	24	24	Patrick Barbolla	54	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA and At-Risk Set-Asides.
3 Projects in Region		<b>Targeted Regional Allocation:</b>													<b>\$1,036,075</b>	<b>\$1,033,853</b>	<b>141</b>	<b>148</b>			

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<b>Projects Located in Region 3</b>																					
03184	3	A	The Pegasus	7200 North Stemmon Fwy.	Dallas	Dallas	75247	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$1,156,172	<b>\$1,153,613</b>	124	156	Glenn Lynch	104	This Development has a competitive score in the Elderly and Nonprofit Set-Asides.
03081	3	A	The Senior Apartments at Curtis Wright Field	1000 South Carrier Parkway	Grand Prairie	Dallas	75051	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$761,162	<b>\$756,742</b>	123	154	Hal Thorne	102	This Development has a competitive score in the Elderly Set-Aside.
03039	3	A	Oak Timbers- Grand Prairie	1920 Robinson Rd.	Grand Prairie	Dallas	75051	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$437,741	<b>\$425,506</b>	64	80	Vaughan Mitchell	102	This Development has a competitive score in the Elderly Set-Aside.
03159	3	A	Summit Senior Village	Lawrence @ O'Neal Street	Gainesville	Cooke	76240	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$490,662	<b>\$476,268</b>	68	76	Monique Allen	93	This Development has a competitive score in the Rural Set-Aside.
03163	3	A	Cedar View Apartments	1617 West Highway 180 at Barker St.	Mineral Wells	Palo Pinto	76067	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$560,000	<b>\$560,000</b>	72	72	Leslie Donaldson	89	This Development has a competitive score in the Rural Set-Aside.
03212	3	A	Village of Kaufman	421 East 7th Street	Kaufman	Kaufman	75142	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$203,150	<b>\$193,806</b>	68	68	Daniel O'Dea	64	This Development is needed to meet the At-Risk Set-Aside.
03250	3	A	Pine Run Apartments	700 Piner	Honey Grove	Fannin	75446	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$62,925	<b>\$62,784</b>	32	32	Dennis Hoover	59	This Development is needed to meet the USDA and At-Risk Set-Asides.
03004	3	A	Arbor Woods	3000 Block of N. Hampton	Dallas	Dallas	75212	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,078,956	<b>\$1,078,956</b>	120	151	Cheryl Geiser		This Development is a 2003 Forward Commitment.
8 Projects in Region		<b>Targeted Regional Allocation:</b>				<b>\$4,895,385</b>							<b>\$4,750,768</b>	<b>\$4,707,675</b>	<b>671</b>	<b>789</b>					
<b>Projects Located in Region 4</b>																					
03100	4	A	Churchill at Longview	1500 Block E. Whaley	Longview	Gregg	75601	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,150,000	<b>\$1,150,000</b>	160	160	Betts Hoover/Brad Forslund	99	This Development has a competitive score in its region.
03028	4	A	Green Street Apartments	2440 Green Street	Longview	Gregg	75602	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$597,838	<b>\$592,722</b>	79	80	Justin Zimmerman	97	This Development scored competitively in its region. To prevent Justin Zimmerman from exceeding the \$1.6 credit cap only 03025 or 03028 could be recommended because together they exceed \$1.6 million. Because this development is smaller and therefore more absorbable in Longview (in light of the other recommended award in Longview) and to better meet regional allocation goals, this development was selected instead of 03028.
03053	4	A	Millpoint Townhomes	751 Kilgore Drive	Henderson	Rusk	75652	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$527,733	<b>\$515,338</b>	76	76	James Washburn	91	This Development has a competitive score in the Rural Set-Aside.
3 Projects in Region		<b>Targeted Regional Allocation:</b>				<b>\$2,173,705</b>							<b>\$2,275,571</b>	<b>\$2,258,060</b>	<b>315</b>	<b>316</b>					

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<u>Projects Located in Region 5</u>																					
03196	5	A	Arcadia Village	673 Arcadia Road	Center	Shelby	75935	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$268,802	<b>\$227,836</b>	26	26	Doug Dowler	98	This Development has a competitive score in the Rural Set-Aside.
03069	5	A	Cole Creek Apartments	Near 1400 Block of East Loop 304	Crocket	Houston	75835	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$477,317	<b>\$437,327</b>	60	64	Michael Lankford	96	This Development has a competitive score in the Rural Set-Aside.
03263	5	A	Cedar Ridge Apartments	7601 9th Avenue	Port Arthur	Jefferson	77642	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$396,303	<b>\$387,461</b>	160	200	KT (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03261	5	A	Pebble Creek Apartments	4251 Jimmy Johnson Blvd.	Port Arthur	Jefferson	77642	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	\$418,100	<b>\$387,920</b>	166	208	K. T. (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03262	5	A	Crystal Creek Park Apartments	8101 Honeywood Trail	Port Arthur	Jefferson	77642	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$390,348	<b>\$377,548</b>	162	202	K.T. (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03213	5	A	Fox Run Apartments	2600 Allie Payne Road	Orange	Orange	77632	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$216,440	<b>\$213,473</b>	68	70	Daniel O'Dea	77	This Development is needed to meet the At-Risk Set-Aside.
6 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$1,765,010</b>										<b>\$2,167,310</b>		<b>\$2,031,565</b>		<b>642</b>		<b>770</b>	

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<u>Projects Located in Region 6</u>																					
03011	6	A	Jefferson Davis Artist Lofts	1101 Elder Street	Houston	Harris	77007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	\$280,733	<b>\$280,733</b>	27	34	Brian Gorecki	105	This Development has a competitive score in its region.
03178	6	A	Jacinto Manor	9701 Market St.	Jacinto City	Harris	77029	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$782,354	<b>\$782,354</b>	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside.
03182	6	A	The Manor at Jersey Village	12400 Castlebridge Drive	Jersey Village	Harris	77065	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$782,354	<b>\$782,354</b>	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside and in its region.
03236	6	A	Little York Villas	6900 Block of Nuben & W. Little York	Houston	Harris	77091	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$816,242	<b>\$816,242</b>	103	128	Cherno Njie	100	This Development has a competitive score in its region.
03245	6	A	Meadows Place Senior Village	12221 South Kirkwood	Meadows Place	Fort Bend	77477	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$681,630	<b>\$675,605</b>	145	182	Rae Fairfield	99	This Development has a competitive score in the Elderly Set-Aside.
03070	6	A	Bay Ranch Apartments	1400 Thompson Road	Bay City	Matagorda	77414	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$477,317	<b>\$451,094</b>	60	64	Michael Lankford	96	This Development has a competitive score in the Rural Set-Aside.
03153	6	A	Northline Point Apartments	7313 Northline	Houston	Harris	77076	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New and Acq/Rehab	<input type="checkbox"/>	\$364,741	<b>\$347,203</b>	160	200	Kimberly Herzog	85	This Development is needed to meet the At-Risk Set-Aside.
03231	6	A	Montgomery Meadows	Old Montgomery Rd. @ Cline St.	Huntsville	Walker	77340	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$411,107	<b>\$382,286</b>	50	56	Emanuel Glockzin	81	This Development has an acceptable score in the Rural Set-Aside.
03252	6	A	Pine Meadows Apartments	20968 Pine Island Rd	Prairie View	Waller	77446	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$94,120	<b>\$94,120</b>	60	60	James Fieser	58	This Development is needed to meet the USDA and At-Risk Set-Asides.
03254	6	A	Bayou Bend Apartments	3025 Waller Street	Waller	Waller	77484	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$120,931	<b>\$119,812</b>	56	56	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03256	6	A	Willowchase Apartments	1845 5th Street	Hempstead	Waller	77445	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$122,882	<b>\$121,654</b>	57	57	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03255	6	A	Cedar Cove Apartments	1400 Eagle Lake Drive	Sealy	Austin	77474	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$122,045	<b>\$120,931</b>	54	54	James Fieser	43	This Development is needed to meet the USDA and At-Risk Set-Asides.
03253	6	A	Green Manor Apartments	2000 4th Street	Hempstead	Waller	77445	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$85,495	<b>\$84,481</b>	40	40	James Fieser	42	This Development is needed to meet the USDA and At-Risk Set-Asides.
03006	6	A	Villas at Park Grove	600 Park Grove Dr.	Katy	Harris	77450	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$627,566	<b>\$627,566</b>	120	150	Ignacio Grillo		This Development is a 2003 Forward Commitment.
14 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$5,153,124</b>										<b>\$5,769,517</b>	<b>\$5,686,435</b>	<b>1,252</b>	<b>1,481</b>				
<u>Projects Located in Region 7</u>																					
03001	7	A	Eagle's Point	1855 Webberville Road	Austin	Travis	78721	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	<b>\$1,200,000</b>	192	240	Robert Voelker		This Development is a 2003 Forward Commitment.
03005	7	A	Grove Place Apartments	Not Available for Release	Austin	Travis	78741	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$789,509	<b>\$789,509</b>	146	184	Kelly White		This Development is a 2003 Forward Commitment.
2 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$1,989,509</b>										<b>\$1,989,509</b>	<b>\$1,989,509</b>	<b>338</b>	<b>424</b>				

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<u>Projects Located in Region 8</u>																					
03068	8	A	Stone Ranch Apartments Homes	4400 Block East Rancier Avenue	Killeen	Bell	76543	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$622,580	\$583,608	129	152	Michael Lankford	106	This Development has a competitive score in the Elderly and Nonprofit Set-Asides and in the region.
03065	8	A	Red Oak	4500 Block of South 3rd Street	Waco	McLennan	76706	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$559,937	\$559,937	64	80	R.J. Collins	100	This Development has a competitive score in its region.
03009	8	A	Forest Park Apartments	Sandy Point Rd. @ Hwy 21	Bryan	Brazos	77803	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$981,432	\$746,176	119	140	Kenneth Mitchell	100	This Development has a competitive score in its region.
03161	8	A	Dripping Springs Senior Village	J.J. Frewellen @ Eastern Little League Complex Rd.	Waco	McLennan	76704	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$576,585	\$572,047	85	100	Leslie Donaldson	98	This Development has a competitive score in its region and in the Elderly Set-Aside.
03259	8	A	Pecan Creek Apartments	1815 Old Brandon Rd.	Hillsboro	Hill	76645	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$145,850	\$145,850	48	48	Patrick Barbolla	25	This Development is needed to meet the USDA and At-Risk Set-Asides.
5 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$2,451,783</b>										<b>\$2,886,384</b>	<b>\$2,607,618</b>	<b>445</b>	<b>520</b>				
<u>Projects Located in Region 9</u>																					
03176	9	A	Binz Ranch (San Miguel Apartments)	3600 Block Binz Engleman Road	San Antonio	Bexar	78219	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	\$1,200,000	160	200	Ryan Wilson	106	This Development has a competitive score in its region.
03136	9	A	Tigoni Villas	4601 Rimrock Street	San Antonio	Bexar	78228	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,071,629	\$851,994	112	140	Melanie Bunstine	103	This Development has a competitive score in its region.
03155	9	A	Villas of Leon Valley	7000 Block of Huebner Rd.	Leon Valley	Bexar	78240	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$492,672	\$491,973	100	126	Deborah Griffin	103	This Development has a competitive score in the Elderly Set-Aside.
03191	9	A	Bentley Place Apartments	8004 Bentley Drive	San Antonio	Bexar	78218	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,006,759	\$1,006,759	166	208	Sandra Williams	101	This Development has a competitive score in its region.
03067	9	A	Tuscany Court	2208 14th Street	Hondo	Medina	78861	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rehab Only	<input type="checkbox"/>	\$467,182	\$465,802	72	76	Ronette Hodges	99	This Development has a competitive score in the Rural Set-Aside.
03190	9	A	Westview Ranch (prev. Comal Ranch)	1700 Block of West Comal Street	Pearsall	Frio	78061	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$595,000	\$591,010	68	72	Diana McIver	92	This Development has a competitive score in the Rural Set-Aside.
03007	9	A	Bexar Creek	Appx. 411 North General McMullen	San Antonio	Bexar	78237	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$614,528	\$614,528	61	72	Thomas J. McMullen		This Development is a 2003 Forward Commitment.
7 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$4,772,015</b>										<b>\$5,447,770</b>	<b>\$5,222,066</b>	<b>739</b>	<b>894</b>				

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**2003 Final LIHTC Recommendations**  
**Sorted by Region, Recommendation Status and Score**  
**July 30, 2003**

Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Applicant Units	Applicant Contact	Score	Description		
								NP	AR	R	E	G											
<u>Projects Located in Region 1</u>																							
03140	1	A	Park Meadows Villas	Oak Avenue and Weber Avenue	Lubbock	Lubbock	79404	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$745,677	<b>\$737,372</b>	100	112	Aubrea Hance	93	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended.		
03016	1	A	Amarillo Garden Apartments	1223 S. Roberts	Amarillo	Potter	79102	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$404,377	<b>\$265,490</b>	100	100	Gene Morrison	76	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended. This development is also needed to meet the At-Risk Set-Aside.		
														<b>\$1,150,054</b>	<b>\$1,002,862</b>	<b>200</b>	<b>212</b>						
03132	1	N	The Pioneer	1204 Broadway St.	Lubbock	Lubbock	79401	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	\$550,253	<b>\$0</b>	80	100	Robert DeLuca	103	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.		
														<b>\$550,253</b>	<b>\$0</b>	<b>80</b>	<b>100</b>						
3 Projects in Region		Targeted Regional Allocation:		\$1,952,538										<b>\$1,700,307</b>	<b>\$1,002,862</b>	<b>280</b>	<b>312</b>						
<u>Projects Located in Region 2</u>																							
03066	2	A	Anson Park	2800 Blk Old Anson Rd.	Abilene	Taylor	79603	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$561,000	<b>\$561,000</b>	60	64	R.J. Collins	89	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.		
03158	2	A	Red River Senior Village	Ross Street at US Highway 287	Vernon	Wilbarger	76384	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$404,729	<b>\$402,507</b>	57	60	Beverly Funderburgh	88	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.		
03258	2	A	Mira Vista Apartments	Lee & Jefferson Streets	Santa Anna	Coleman	76878	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rehab Only	<input checked="" type="checkbox"/>	\$70,346	<b>\$70,346</b>	24	24	Patrick Barbolla	54	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA and At-Risk Set-Asides.		
														<b>\$1,036,075</b>	<b>\$1,033,853</b>	<b>141</b>	<b>148</b>						
03104	2	N	Green Briar Village	601 Airport Drive	Wichita Falls	Wichita Falls	75306	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$877,490	<b>\$0</b>	114	120	Randy Stevenson	84	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.		
														<b>\$877,490</b>	<b>\$0</b>	<b>114</b>	<b>120</b>						
4 Projects in Region		Targeted Regional Allocation:		\$1,161,412										<b>\$1,913,565</b>	<b>\$1,033,853</b>	<b>255</b>	<b>268</b>						

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<b>Projects Located in Region 10</b>																					
03265	10	A	Riversquare Apartments	McKinzie Rd. @ McKinzie Ln.	Corpus Christi	Nueces	78410	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,092,376	<b>\$1,092,376</b>	163	204	Manish Verma	96	This Development has a competitive score in its region.
03257	10	A	Caney Run Estates	Ben Jordon @ US Highway 87	Victoria	Victoria	77901	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$704,758	<b>\$704,038</b>	116	116	Don Pace	85	This Development has a competitive score in its region.
03162	10	A	Pinnacle Pointe Apartments	600 Block of Salem Road	Victoria	Victoria	77902	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$872,505	<b>\$871,732</b>	143	144	David Saling	80	This Development has a competitive score in its region.
03249	10	A	The Palmas Apartments	200 Avenue A	Aransas Pass	San Patricio	78336	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input checked="" type="checkbox"/>	\$41,192	<b>\$41,006</b>	24	24	Dennis Hoover	32	This Development is needed to meet the USDA and At-Risk Set-Asides.
4 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$2,155,567</b>										<b>\$2,710,831</b>	<b>\$2,709,152</b>	<b>446</b>	<b>488</b>				
<b>Projects Located in Region 11</b>																					
03013	11	A	Casa Aguila Apartments	Southeast Corner of Las Milpas and Jackson	Pharr ETJ	Hidalgo	78577	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,199,966	<b>\$1,171,547</b>	160	200	Robert Joy	104	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03036	11	A	The Galilean Apartments	Trenton @ "I" Rd.	Edinburg	Hidalgo	78539	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,200,000	<b>\$1,200,000</b>	208	208	Rowan Smith	95	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03035	11	A	Rio De Vida Apartments	Inspiration Road near 1 Road	Mission	Hidalgo	78572	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,044,231	<b>\$1,004,228</b>	176	208	Kim Hatfield	91	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03029	11	A	La Villita Apartments	600 block Old Port Isabel Rd.	Brownsville	Cameron	78521	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$856,933	<b>\$851,428</b>	128	128	Mark Musemeche	87	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03248	11	A	La Casita del Valle	FM 1430 and Old Casita Rd.	La Casita	Starr	78582	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	\$66,499	<b>\$66,499</b>	28	28	Dennis Hoover	57	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03247	11	A	Las Brisas Apartments	South Tower Rd. and Moore Rd.	Alamo	Hidalgo	78516	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	\$45,890	<b>\$45,890</b>	26	26	Dennis Hoover	53	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03002	11	A	Padre de Vida	Ware Road South of Municipal Golf Course	McAllen	Hidalgo	78503	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,025,408	<b>\$1,025,408</b>	144	180	P. Rowan Smith, Jr.		This Development is a 2003 Forward Commitment.
7 Projects in Region		<b>Targeted Regional Allocation:</b>		<b>\$5,662,899</b>										<b>\$5,438,927</b>	<b>\$5,365,000</b>	<b>870</b>	<b>978</b>				

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Dev #	Region	A <sup>(1)</sup>	Development Name	Development Address	City	County	Zip	Set-Asides <sup>(2)</sup>					Activity	TxRD Dev.	Credit Request	Credit Recommendation	Total LI Units	Total Units	Applicant Contact	Score	Description
								NP	AR	R	E	G									
<b>Projects Located in Region 12</b>																					
03145	12	A	Sterling Springs Villas	South side of E. Golf Course & Fairgrounds Rd.	Midland	Midland	79701	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$850,643	<b>\$845,579</b>	114	120	Ron Hance	81	Region 12 is undersubscribed, therefore all eligible developments in the region are recommended.
1 Projects in Region			<b>Targeted Regional Allocation:</b>	<b>\$1,302,931</b>										<b>\$850,643</b>	<b>\$845,579</b>	<b>114</b>	<b>120</b>				
<b>Projects Located in Region 13</b>																					
03223	13	A	Suncrest Townhomes, Ltd.	415 Mesa Hills Dr.	El Paso	El Paso	79912	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$1,152,843	<b>\$1,147,376</b>	144	160	Ike Monty	104	This Development has a competitive score in the Nonprofit Set-Aside.
03220	13	A	Desert Breeze, Ltd.	14600-14626 Desert Breeze Dr.	Horizon City / El Paso	El Paso	79928	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$360,434	<b>\$359,018</b>	36	36	James Millener	88	This Development has a competitive score in the Rural Set-Aside.
03222	13	A	Whispering Sands Townhomes, Ltd.	Washington Rd. @ Omar St.	Anthony	El Paso	79821	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	\$287,970	<b>\$286,440</b>	34	36	Ike Monty	83	This Development has an acceptable score in the Rural Set-Aside.
03134	13	A	Lilac Garden Apartments	7845 Lilac Way	El Paso	El Paso	79915	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Acquisition/Rehab	<input type="checkbox"/>	\$686,800	<b>\$685,609</b>	150	152	Doug Gurkin	82	This Development is needed to meet the At-Risk Set-Aside.
03003	13	A	Mission del Valle	621 Dindinger	Socorro	El Paso	79927	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	\$160,782	<b>\$160,782</b>	16	16	Ike Monty		This Development is a 2003 Forward Commitment.
5 Projects in Region			<b>Targeted Regional Allocation:</b>	<b>\$2,702,046</b>										<b>\$2,648,829</b>	<b>\$2,639,225</b>	<b>380</b>	<b>400</b>				
67 Total Submissions			Total Credit Ceiling Available: \$38,137,924												<b>\$39,122,188</b>	<b>\$38,098,599</b>	<b>6,553</b>	<b>7,540</b>			

1. 'A' = recommended for an allocation, 'N' = not recommended for an allocation.  
2. Set-Aside Abbreviations: NP=Nonprofit, AR=At-Risk, R=Rural, E=Elderly, G=General



# Developer Evaluation

Project ID # **03063**

Name: **Cricket Hollow Apartments**

City: **Willis**

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: 1

### 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, July 18, 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 S Roth Date 7 /11/2003

## 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 7 /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 \_\_\_\_\_ Date \_\_\_\_\_

## 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 7 /17/2003

Executive Director: Edwina Carrington

Executed: 'ednesday, July 23, 2003

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

DATE: July 16, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03063

**DEVELOPMENT NAME**

Cricket Hollow Apartments

**APPLICANT**

**Name:** Cricket Hollow Partners, L.P. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 5701 Woodway, Suite 310 **City:** Houston **State:** TX  
**Zip:** 77057 **Contact:** Brian Cogburn **Phone:** (713) 626-7796 **Fax:** (713) 622-2695

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b> <u>Cricket Hollow Development, LLC</u>	<b>(%):</b> <u>.01</u>	<b>Title:</b> <u>Managing General Partner</u>
<b>Name:</b> <u>Lend Lease Real Estate Investments</u>	<b>(%):</b> <u>99.99</u>	<b>Title:</b> <u>Initial Limited Partner</u>
<b>Name:</b> <u>Hyperion Services, Inc.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Developer, owner of G.P.</u>
<b>Name:</b> <u>David Longoria</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>55% owner of Hyperion Services</u>
<b>Name:</b> <u>Brian Cogburn</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>45% owner of Hyperion Services</u>

**PROPERTY LOCATION**

**Location:** 9700 FM 1097  QCT  DDA  
**City:** Willis **County:** Montgomery **Zip:** 77318

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$871,110	N/A	N/A	N/A
<b>Other Requested Terms:</b> 1) Annual ten-year allocation of low-income housing tax credits, the request reported in the beginning of the application \$852,954 but conflicted with the requested amount in the cost breakdown and was corrected to reflect this higher amount.			
<b>Proposed Use of Funds:</b> <u>New Construction</u>		<b>Property Type:</b> <u>Multifamily</u>	
<b>Set-Aside(s):</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$866,686 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

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

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Cricket Hollow Townhomes was submitted and underwritten in the 2002 LIHTC cycle as a 160 unit development (100% tax credit). The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP Section (49)(f)(7)(c)(i).
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.

The project did not receive an allocation of \$1,030,313 in the 2002 year cycle.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>176</u>	<b># Rental Buildings</b>	<u>13</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>Net Rentable SF:</b>	<u>177,040</u>	<b>Av Un SF:</b>	<u>1,006</u>	<b>Common Area SF:</b>	<u>3,000</u>	<b>Gross Bldg SF:</b>	<u>180,040</u>		

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% masonry/brick veneer/25% Hardiplank 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, cable, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

3,000-SF community building with activity room, management offices, laundry & maintenance facilities, kitchen, library, restrooms, computer center, swimming pool, equipped children's play area

**Uncovered Parking:** 392 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Cricket Hollow Apartments is a relatively dense 17.6 units per acres new construction development of 176 units of mixed income housing located in southwest Willis. The development is comprised of 13 evenly distributed medium garden style walk-up residential buildings as follows:

- (5) Building Type 1 with 8 two-bedroom/ one-bath units, 8 three- bedroom/ two-bath units;
- (4) Building Type 2 with 16 two-bedroom/ one-bath units;
- (1) Building Type 3 with 8 three-bedroom/ two-bath units;
- (3) Building Type 4 with 8 two-bedroom/ one-bath units;

**Architectural Review:** The units are in two-story walk-up structures with mixed brick veneer/hardiplank siding exterior finish and hipped and gabled roofs. The exterior elevations are typical of current market rate and affordable design. All units are of average size for market rate and LIHTC units, and have covered patios or balconies and utility closets with hookups for full-size appliances.

**Supportive Services:** The Applicant has contracted with YMCA of Greater Houston to provide the following supportive services programs to tenants: computer facilities, adult education, and youth programs. These services will be provided at no cost to tenants.

**Schedule:** The Applicant anticipates construction to begin in March of 2004, to be completed in June of 2005, to be placed in service in June of 2005, and to be substantially leased-up in July of 2005.

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

SITE ISSUES	
SITE DESCRIPTION	
Size: <u>10</u> acres <u>435,600</u> square feet	Zoning/ Permitted Uses: <u>No zoning in Willis</u>
Flood Zone Designation: <u>Zone X</u>	Status of Off-Sites: <u>Partially Improved</u>

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Willis is located in southeast Texas, approximately 45 miles north of downtown Houston between Conroe and Huntsville in Montgomery County. The site is a trapezoidally-shaped parcel located in the southwestern area of the city, approximately one mile from the central business district. The site is situated on the north side of FM 1097.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly wooded vacant land, with some rural single-family residential. Adjacent land uses include:

- **North:** Wooded vacant land
- **South:** FM 1097 with wooded vacant land beyond
- **East:** Wooded vacant land
- **West:** Wooded vacant land

**Site Access:** Access to the property is from the east or west along FM 1097. The development is to have two entries from FM 1097. Access to Interstate Highway 45 is one-quarter mile east, which provides connections to all other major roads serving the Willis area as well as Conroe, Huntsville, and Houston.

**Public Transportation:** Public transportation to the area is not available in Willis.

**Shopping & Services:** The site is within two miles of all the facilities and services available in Willis.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 14, 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 4, 2003 was prepared by Phase Engineering, Inc. and contained the following findings and recommendations:

**Findings:** This assessment has revealed no evidence of recognized environmental conditions in connection with the property.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 150 of the units (85% of the total) will be reserved for low-income tenants. 21 of the units (12%) will be reserved for households earning 30% or less of AMGI, 8 of the units (5%) will be reserved for households earning 40% or less of AMGI, 46 of the units (26%) will be reserved for households earning 50% or less of AMGI, 75 units (43%) will be reserved for households earning 60% or less of AMGI, and the remaining 26 units (15%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

A market feasibility study dated March 24, 2003 was prepared by National Realty Consultants and highlighted the following findings:

**Definition of Market Area:** "It is our opinion that the market area from which the subject property draws is probably within a five mile radius" (p.60)

**Population:** The estimated 2001 population of the Willis, TX area (5.0 mile radius) was 23,096 and is expected to increase by 28% to approximately 29,533 by 2006. Within the primary market area there were

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

estimated to be 8,321 households in 2001.

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	166	11%	78	8%
Resident Turnover	288	20%	950	92%
Other Sources: Substandard Housing	984	69%		
<b>TOTAL ANNUAL DEMAND</b>	<b>1,438</b>	<b>100%</b>	<b>1,028</b>	<b>100%</b>

Ref: p. 62

**Capture Rate:** The Market Analyst calculated a capture rate of 10.4% for the 150 LIHTC units and a capture rate of 6.7% for the ADA units based upon a demand of 134 units and proposed supply of 9 units. “As many of these residents are currently living in substandard housing such a dilapidated mobile homes, this capture rate is considered conservative.” (p. 62)

The Underwriter calculated an inclusive capture rate of 15% based upon a revised demand of 1,028 units.

**Local Housing Authority Waiting List Information:** “The waiting list at the Housing Department of Conroe indicates that almost 10% of the more than 400 families on waiting lists for low-income units are handicapped or elderly.” (p. 62)

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 758 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (30%) 970 ft	\$321	\$337	\$-16	\$770	-\$449
2-Bedroom (40%) 970 ft	\$455	\$471	\$-16	\$770	-\$315
2-Bedroom (50%) 970 ft	\$589	\$605	\$-16	\$770	-\$181
2-Bedroom (60%) 970 ft	\$723	\$739	\$-16	\$770	-\$47
2-Bedroom (MR) 970 ft	\$750	N/A	N/A	\$770	-\$20
2-Bedroom (30%) 1,020 ft	\$321	\$337	\$-16	\$780	-\$459
2-Bedroom (40%) 1,020 ft	\$455	\$471	\$-16	\$780	-\$329
2-Bedroom (50%) 1,020 ft	\$589	\$605	\$-16	\$780	-\$191
2-Bedroom (60%) 1,020 ft	\$723	\$739	\$-16	\$780	-\$57
2-Bedroom (MR) 1,020 ft	\$750	N/A	N/A	\$780	-\$30
3-Bedroom (30%) 1,010 ft	\$372	\$388	\$-16	\$875	-\$503
3-Bedroom (40%) 1,010 ft	\$527	\$543	\$-16	\$875	-\$348
3-Bedroom (50%) 1,010 ft	\$682	\$698	\$-16	\$875	-\$193
3-Bedroom (60%) 1,010 ft	\$837	\$853	\$-16	\$875	-\$38
3-Bedroom (MR) 1,010 ft	\$853	N/A	N/A	\$875	-\$22
3-Bedroom (30%) 1,060 ft	\$372	\$388	\$-16	\$890	-\$518
3-Bedroom (40%) 1,060 ft	\$527	\$543	\$-16	\$890	-\$363
3-Bedroom (50%) 1,060 ft	\$682	\$698	\$-16	\$890	-\$208
3-Bedroom (60%) 1,060 ft	\$837	\$853	\$-16	\$890	-\$53
3-Bedroom (MR) 1,060 ft	\$853	N/A	N/A	\$890	-\$37

(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 occupancy levels of the rental comparables included herein range from 89% to 99%. The majority of the projects surveyed have remained in the low to mid 90% occupancy range over the past 12 to 24 months. Based on our in-house survey of comparable projects in close proximity to the subject property, we have estimated a stabilized vacancy and collection loss factor of 7.5% over the estimated holding period for the subject.” (p. 78)

**Absorption Projections:** “A LIHTC project in Conroe (approximately 5 miles to the south of the subject)

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

absorbed 90 units within 120 days of completion of the improvements.” (p. 77)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are slightly lower by \$29K than the maximum net rents allowed under LIHTC guidelines due to including allowances for refrigerators and ranges totaling \$16 per unit per month. In addition the Underwriter raised the market rent for the three bedroom units \$3 per month to the maximum 60% rent as the Market Analyst indicates such a rent is feasible and renting market units for less than the maximum tax credit rent is unlikely. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s estimate of total operating expense is less than 5% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$33.5K lower), and property tax (\$14.9K higher).

**Conclusion:** In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b> 130.136 acres	\$1,195,560	<b>Assessment for the Year of:</b>	2003
<b>Prorated:</b> 1.0 acre	\$9,187	<b>Valuation by:</b>	Montgomery County Appraisal District
<b>Prorated:</b> 10 acres	\$91,870	<b>Tax Rate:</b>	3.105

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	REFLECT ACTUAL TITLE OF DOC. (MENU OF SOME BELOW)		
<b>Contract Expiration Date:</b>	11/ 15 2003	<b>Anticipated Closing Date:</b>	10 1 2003
<b>Acquisition Cost:</b>	\$500,000	<b>Other Terms/Conditions:</b>	
<b>Seller:</b> Pin Oaks Venture II, Ltd.		<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price which has not changed from last year is assumed to be reasonable since the acquisition is an arm’s-length transaction.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$6,369 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is \$260K or 4% higher than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant incorrectly included \$15,000 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant’s eligible basis.

**Fees:** The Applicant’s general requirements and contractor’s general and administrative fees exceed the 6% and 2% 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 \$80K overage effectively moved to ineligible costs.

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

**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, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$12,193,188 is used to determine a credit allocation of \$866,686 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE										
INTERIM CONSTRUCTION or GAP FINANCING										
Source:	Mitchell Mortgage				Contact:	Wendy Maceo				
Principal Amount:	\$7,494,000			Interest Rate:	LIBOR + 225 bp's					
Amortization:	N/A yrs		Term:	2 yrs		Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional			
LONG TERM/PERMANENT FINANCING										
Source:	Mitchell Mortgage				Contact:	Wendy Maceo				
Principal Amount:	\$6,100,000			Interest Rate:	Estimated & Underwritten at 8%					
Amortization:	30 yrs		Term:	18 yrs		Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional			
Annual Payment:	\$537,410			Lien Priority:	1 <sup>st</sup>		Commitment Date	2/ 24/ 2003		
CDBG/GRANT										
Source:	Montgomery County Community Development				Contact:	Nancy Mikeska				
Principal Amount:	\$20,000									
LIHTC SYNDICATION										
Source:	Lend Lease Real Estate Investments				Contact:	Marie Keutmann				
Address:	101 Arch Street				City:	Boston				
State:	MA		Zip:	02110		Phone:	(617) 772-9557		Fax:	(617) 439-9978
Net Proceeds:	\$6,620,000			Net Syndication Rate (per \$1.00 of 10-yr LIHTC)	76¢					
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional			Date:	2/ 13/ 2003					
APPLICANT EQUITY										
Amount:	\$396,028			Source:	Deferred Developer Fee					

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. While the interest rate projected is at the high end of the range the actual final rate would have to be decreased to less than 6.42% based upon the current underwriting before the gap based credit allocation would require a reduced credit recommendation. It should also be noted that the Applicant has applied for CDBG funds from Montgomery County. If these funds are awarded and applied to construction related costs as proposed they could potentially adversely affect the eligible basis as below market federal funds. However it is uncertain if these funds will be awarded to the development and may be possible to avoid this eligible basis reduction if they are awarded and therefore an eligible based reduction was not made. If these funds are not allocated to the development sufficient developer fees are available to be deferred to keep the development feasible.

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

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$396,028 amount to 26% of the total available fee. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$429,871 which represents approximately 28% of the eligible fee and which should be

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

repayable from cash flow within three years.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$866,686 annually for ten years, resulting in syndication proceeds of approximately \$6,586,157. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$429,871 which represents approximately 27% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant and Developer are related entities. 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 owner of the General Partner, Hyperion Services, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$3,779 and consisting of \$3,716 in cash and \$63 in partnership interests. With no liabilities resulting in a net equity of \$3,779.
- The principals of the General Partner, David Longoria and Brian Cogburn also submitted personal financial statements.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Hyperion Services, Inc., the owner of the General Partner, and David Longoria and Brian Cogburn, the principals thereof, listed participation as general partner on one previous 128-unit LIHTC housing development since 2000.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- None noted.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** July 16, 2003

**Director of Real Estate Analysis:**

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

**Date:** July 16, 2003



**MULTIFAMILY COMPARATIVE ANALYSIS**

*Cricket Hollow Apartments, Willis, LIHTC #03063*

Types 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%)	7	2	1	970	\$402	\$337	\$2,359	\$0.35	\$65.00	\$35.00
TC (40%)	3	2	1	970	536	\$471	1,413	0.49	65.00	35.00
TC (50%)	17	2	1	970	670	\$605	10,285	0.62	65.00	35.00
TC (60%)	27	2	1	970	804	\$739	19,953	0.76	65.00	35.00
MR	10	2	1	970	NA	\$750	7,500	0.77	65.00	35.00
TC (30%)	8	2	1	1,020	402	\$337	2,696	0.33	65.00	35.00
TC (40%)	3	2	1	1,020	536	\$471	1,413	0.46	65.00	35.00
TC (50%)	17	2	1	1,020	670	\$605	10,285	0.59	65.00	35.00
TC (60%)	26	2	1	1,020	804	\$739	19,214	0.72	65.00	35.00
MR	10	2	1	1,020	NA	\$750	7,500	0.74	65.00	35.00
TC (30%)	3	3	2	1,010	465	\$388	1,164	0.38	77.00	36.00
TC (40%)	1	3	2	1,010	620	\$543	543	0.54	77.00	36.00
TC (50%)	6	3	2	1,010	775	\$698	4,188	0.69	77.00	36.00
TC (60%)	11	3	2	1,010	930	\$853	9,383	0.84	77.00	36.00
MR	3	3	2	1,010	NA	\$853	2,559	0.84	77.00	36.00
TC (30%)	3	3	2	1,060	465	\$388	1,164	0.37	77.00	36.00
TC (40%)	1	3	2	1,060	620	\$543	543	0.51	77.00	36.00
TC (50%)	6	3	2	1,060	775	\$698	4,188	0.66	77.00	36.00
TC (60%)	11	3	2	1,060	930	\$853	9,383	0.80	77.00	36.00
MR	3	3	2	1,060	NA	\$853	2,559	0.80	77.00	36.00
<b>TOTAL:</b>	<b>176</b>		<b>AVERAGE:</b>	<b>1,006</b>	<b>NA</b>	<b>\$672</b>	<b>\$118,292</b>	<b>\$0.67</b>	<b>\$68.27</b>	<b>\$35.27</b>

**INCOME** Total Net Rentable Sq Ft: **177,040**

**POTENTIAL GROSS RENT**  
 Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income: (describe)

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

**EFFECTIVE GROSS INCOME**

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.23%	\$396	0.39
Management	5.00%	379	0.38
Payroll & Payroll Tax	12.85%	973	0.97
Repairs & Maintenance	4.82%	365	0.36
Utilities	2.76%	209	0.21
Water, Sewer, & Trash	5.33%	403	0.40
Property Insurance	3.32%	251	0.25
Property Tax 3.105	9.13%	692	0.69
Reserve for Replacements	2.64%	200	0.20
Other Expenses:	1.58%	119	0.12
<b>TOTAL EXPENSES</b>	<b>52.67%</b>	<b>\$3,988</b>	<b>\$3.96</b>
<b>NET OPERATING INC</b>	<b>47.33%</b>	<b>\$3,584</b>	<b>\$3.56</b>

**DEBT SERVICE**

Mitchell Mortgage	40.31%	\$3,052	\$3.03
Montgomery County Dev.-Grant	0.00%	\$0	\$0.00
Montgomery County Dev.-Grant	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>7.03%</b>	<b>\$532</b>	<b>\$0.53</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)		3.88%	\$2,841	\$2.82
Off-Sites		0.00%	0	0.00
Sitework		8.70%	6,369	6.33
Direct Construction		53.58%	39,239	39.01
Contingency	1.87%	1.16%	852	0.85
General Req'ts	6.00%	3.74%	2,737	2.72
Contractor's G & A	2.00%	1.25%	912	0.91
Contractor's Profit	6.00%	3.74%	2,737	2.72
Indirect Construction		4.40%	3,222	3.20
Ineligible Costs		1.65%	1,209	1.20
Developer's G & A	2.41%	1.94%	1,420	1.41
Developer's Profit	12.44%	10.00%	7,323	7.28
Interim Financing		3.80%	2,784	2.77
Reserves		2.16%	1,585	1.58
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$73,231</b>	<b>\$72.80</b>	
<b>Recap-Hard Construction Costs</b>	<b>72.16%</b>	<b>\$52,846</b>	<b>\$52.54</b>	

**SOURCES OF FUNDS**

Mitchell Mortgage	47.33%	\$34,659	\$34.46
Montgomery County Dev.-Grant	0.16%	\$114	\$0.11
LIHTC Syndication Proceeds	51.36%	\$37,614	\$37.39
Deferred Developer Fees	3.07%	\$2,250	\$2.24
Additional (excess) Funds Required	-1.92%	(\$1,406)	(\$1.40)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	USS Region	IREM Region	Wtr, Swr, Trsh
POTENTIAL GROSS RENT	\$1,419,504	\$1,390,488	6	Houston	
Secondary Income	21,120	21,120	\$10.00	Per Unit Per Month	
POTENTIAL GROSS INCOME	\$1,440,624	\$1,411,608			
Vacancy & Collection Loss	(108,047)	(105,876)	-7.50%	of Potential Gross Rent	
EFFECTIVE GROSS INCOME	\$1,332,577	\$1,305,732			
EXPENSES			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	69,731	\$36,200	\$0.20	\$206	2.77%
Management	66,629	\$65,287	0.37	371	5.00%
Payroll & Payroll Tax	171,276	\$158,400	0.89	900	12.13%
Repairs & Maintenance	64,242	\$68,500	0.39	389	5.25%
Utilities	36,769	\$32,000	0.18	182	2.45%
Water, Sewer, & Trash	71,012	\$63,500	0.36	361	4.86%
Property Insurance	44,260	\$50,364	0.28	286	3.86%
Property Tax	121,711	\$136,620	0.77	776	10.46%
Reserve for Replacements	35,200	\$35,200	0.20	200	2.70%
Other Expenses:	21,000	\$21,000	0.12	119	1.61%
<b>TOTAL EXPENSES</b>	<b>\$701,829</b>	<b>\$667,071</b>	<b>\$3.77</b>	<b>\$3,790</b>	<b>51.09%</b>
<b>NET OPERATING INC</b>	<b>\$630,748</b>	<b>\$638,661</b>	<b>\$3.61</b>	<b>\$3,629</b>	<b>48.91%</b>
DEBT SERVICE					
Mitchell Mortgage	\$537,116	\$537,410	\$3.04	\$3,053	41.16%
Montgomery County Dev.-Grant	0	0	\$0.00	\$0	0.00%
Montgomery County Dev.-Grant	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$93,632</b>	<b>\$101,251</b>	<b>\$0.57</b>	<b>\$575</b>	<b>7.75%</b>
AGGREGATE DEBT COVERAGE RATIO	1.17	1.19			
RECOMMENDED DEBT COVERAGE RATIO		1.19			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$500,000	\$500,000	\$2.82	\$2,841	3.81%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,121,000	1,121,000	6.33	6,369	8.53%
Direct Construction	6,906,071	7,166,100	40.48	40,716	54.55%
Contingency	150,000	150,000	0.85	852	1.14%
General Req'ts	481,624	557,226	3.15	3,166	4.24%
Contractor's G & A	160,541	185,742	1.05	1,055	1.41%
Contractor's Profit	481,624	497,226	2.81	2,825	3.79%
Indirect Construction	567,000	567,000	3.20	3,222	4.32%
Ineligible Costs	212,840	212,840	1.20	1,209	1.62%
Developer's G & A	250,000	250,000	1.41	1,420	1.90%
Developer's Profit	1,288,894	1,288,894	7.28	7,323	9.81%
Interim Financing	490,000	490,000	2.77	2,784	3.73%
Reserves	279,029	150,000	0.85	852	1.14%
<b>TOTAL COST</b>	<b>\$12,888,624</b>	<b>\$13,136,028</b>	<b>\$74.20</b>	<b>\$74,637</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$9,300,861</b>	<b>\$9,677,294</b>	<b>\$54.66</b>	<b>\$54,985</b>	<b>73.67%</b>

	TDHCA	APPLICANT	RECOMMENDED	Notes
Mitchell Mortgage	\$6,100,000	\$6,100,000	\$6,100,000	Developer Fee Available
Montgomery County Dev.-Grant	20,000	20,000	20,000	\$1,538,894
LIHTC Syndication Proceeds	6,620,000	6,620,000	6,586,157	% of Dev. Fee Deferred
Deferred Developer Fees	396,028	396,028	429,871	28%
Additional (excess) Funds Required	(247,404)	0	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>	<b>\$12,888,624</b>	<b>\$13,136,028</b>	<b>\$13,136,028</b>	<b>\$2,895,251.57</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Cricket Hollow Apartments, Willis, LIHTC #03063*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.82	\$7,403,813
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.61	\$462,738
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(178,810)
Floor Cover			1.92	339,917
Balconies-Up	\$29.24	8,888	1.47	259,885
Plumbing	\$615	144	0.50	88,560
Built-In Appliances	\$1,625	176	1.62	286,000
Porches-Down	\$15.83	8,888	0.79	140,697
Floor Insulation			0.00	0
Heating/Cooling			1.47	260,249
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.56	3,000	1.01	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>52.20</b>	<b>9,241,734</b>
Current Cost Multiplier	1.03		1.57	277,252
Local Multiplier	0.89		(5.74)	(1,016,591)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.03</b>	<b>\$8,502,396</b>
Plans, specs, survy, bld prm	3.90%		(\$1.87)	(\$331,593)
Interim Construction Intere	3.38%		(1.62)	(286,956)
Contractor's OH & Profit	11.50%		(5.52)	(977,776)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.01</b>	<b>\$6,906,071</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,100,000	Term	360
Int Rate	8.00%	DCR	1.17

<b>Secondary</b>		Term	
Int Rate	0.00%	Subtotal DCR	1.17

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.17

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$537,116
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$101,545</b>

<b>Primary</b>	\$6,100,000	Term	360
Int Rate	8.00%	DCR	1.19

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.19

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.19

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

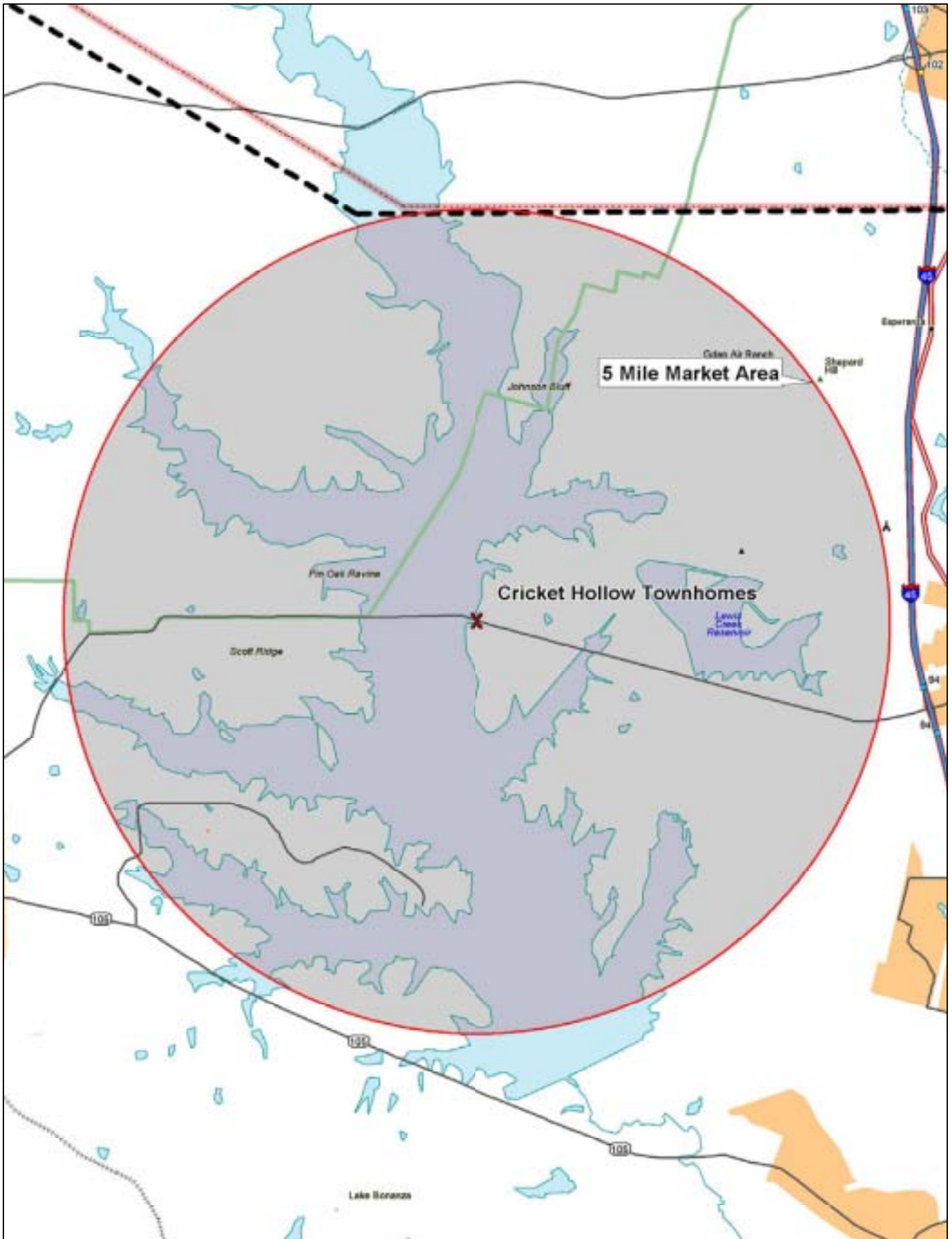
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,390,488	\$1,432,203	\$1,475,169	\$1,519,424	\$1,565,006	\$1,814,271	\$2,103,238	\$2,438,229	\$3,276,776
Secondary Income	21,120	21,754	22,406	23,078	23,771	27,557	31,946	37,034	49,771
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,411,608	1,453,956	1,497,575	1,542,502	1,588,777	1,841,828	2,135,184	2,475,263	3,326,547
Vacancy & Collection Loss	(105,876)	(109,047)	(112,318)	(115,688)	(119,158)	(138,137)	(160,139)	(185,645)	(249,491)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,305,732</b>	<b>\$1,344,910</b>	<b>\$1,385,257</b>	<b>\$1,426,815</b>	<b>\$1,469,619</b>	<b>\$1,703,691</b>	<b>\$1,975,045</b>	<b>\$2,289,618</b>	<b>\$3,077,056</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$36,200	\$37,648	\$39,154	\$40,720	\$42,349	\$51,524	\$62,687	\$76,268	\$112,895
Management	65,287	67,246	69,263	71,341	73,481	85,185	98,753	114,482	153,854
Payroll & Payroll Tax	158,400	164,736	171,325	178,178	185,306	225,453	274,298	333,725	493,994
Repairs & Maintenance	68,500	71,240	74,090	77,053	80,135	97,497	118,620	144,319	213,628
Utilities	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Water, Sewer & Trash	63,500	66,040	68,682	71,429	74,286	90,380	109,961	133,785	198,034
Insurance	50,364	52,379	54,474	56,653	58,919	71,684	87,214	106,109	157,068
Property Tax	136,620	142,085	147,768	153,679	159,826	194,453	236,582	287,838	426,070
Reserve for Replacements	35,200	36,608	38,072	39,595	41,179	50,101	60,955	74,161	109,777
Other	21,000	21,840	22,714	23,622	24,567	29,890	36,365	44,244	65,492
<b>TOTAL EXPENSES</b>	<b>\$667,071</b>	<b>\$693,101</b>	<b>\$720,153</b>	<b>\$748,266</b>	<b>\$777,484</b>	<b>\$941,711</b>	<b>\$1,140,848</b>	<b>\$1,382,350</b>	<b>\$2,030,608</b>
<b>NET OPERATING INCOME</b>	<b>\$638,661</b>	<b>\$651,808</b>	<b>\$665,104</b>	<b>\$678,548</b>	<b>\$692,135</b>	<b>\$761,980</b>	<b>\$834,197</b>	<b>\$907,269</b>	<b>\$1,046,447</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$537,116	\$537,116	\$537,116	\$537,116	\$537,116	\$537,116	\$537,116	\$537,116	\$537,116
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>\$101,545</b>	<b>\$114,693</b>	<b>\$127,988</b>	<b>\$141,433</b>	<b>\$155,020</b>	<b>\$224,864</b>	<b>\$297,081</b>	<b>\$370,153</b>	<b>\$509,332</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.19</b>	<b>1.21</b>	<b>1.24</b>	<b>1.26</b>	<b>1.29</b>	<b>1.42</b>	<b>1.55</b>	<b>1.69</b>	<b>1.95</b>

**LIHTC Allocation Calculation - Cricket Hollow Apartments, Willis, LIHTC #03063**

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	\$500,000	\$500,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,121,000	\$1,121,000	\$1,121,000	\$1,121,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,166,100	\$6,906,071	\$7,166,100	\$6,906,071
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$185,742	\$160,541	\$165,742	\$160,541
Contractor profit	\$497,226	\$481,624	\$497,226	\$481,624
General requirements	\$557,226	\$481,624	\$497,226	\$481,624
<b>(5) Contingencies</b>				
	\$150,000	\$150,000	\$150,000	\$150,000
<b>(6) Eligible Indirect Fees</b>				
	\$567,000	\$567,000	\$567,000	\$567,000
<b>(7) Eligible Financing Fees</b>				
	\$490,000	\$490,000	\$490,000	\$490,000
<b>(8) All Ineligible Costs</b>				
	\$212,840	\$212,840		
<b>(9) Developer Fees</b>				
Developer overhead	\$250,000	\$250,000	\$250,000	\$250,000
Developer fee	\$1,288,894	\$1,288,894	\$1,288,894	\$1,288,894
<b>(10) Development Reserves</b>				
	\$150,000	\$279,029		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$13,136,028</b>	<b>\$12,888,624</b>	<b>\$12,193,188</b>	<b>\$11,896,755</b>

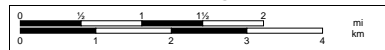
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$12,193,188	\$11,896,755
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$12,193,188	\$11,896,755
Applicable Fraction			85.23%	85.23%
<b>TOTAL QUALIFIED BASIS</b>			\$10,391,922	\$10,139,280
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$866,686	\$845,616

Syndication Proceeds	0.7599	\$6,586,157	\$6,426,038
<b>Total Credits (Eligible Basis Method)</b>		<b>\$866,686</b>	<b>\$845,616</b>
Syndication Proceeds		\$6,586,157	\$6,426,038
Requested Credits		\$871,110	
Syndication Proceeds		\$6,619,774	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$7,016,028</b>	
Credit Amount		\$923,254	



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 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000  
 1" = 1.58 mi



# Developer Evaluation

Project ID # **03064**

Name: **Stone Hearst**

City: **Beaumont**

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: 1 Projects grouped by score 0-9 1 10-19 0 20-29 0

Total # monitored with a score less than 30: 1 # 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 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: Wednesday, July 23, 2003

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

**DATE:** July 15, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03064

**DEVELOPMENT NAME**

Stone Hearst Apartments

**APPLICANT**

<b>Name:</b>	Stone Way Limited Partnership	<b>Type:</b>	For Profit
<b>Address:</b>	8455 Lyndon Way	<b>City:</b>	Austin <b>State:</b> TX
<b>Zip:</b>	78729	<b>Contact:</b>	R. J. Collins
		<b>Phone:</b>	(512) 249-6240
		<b>Fax:</b>	(512) 249-6660
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS			
<b>Name:</b>	EM Texas I, Inc.	<b>(%):</b>	.0009 <b>Title:</b> 90% Co-General Partner
<b>Name:</b>	Kegley, Inc.	<b>(%):</b>	.0001 <b>Title:</b> 10% Co-General Partner
<b>Name:</b>	Eastern Marketing, Inc.	<b>(%):</b>	N/A <b>Title:</b> Developer
<b>Name:</b>	R.J. Collins	<b>(%):</b>	N/A <b>Title:</b> Owner of 90% Co-GP & Developer
<b>Name:</b>	Anita Kegley	<b>(%):</b>	N/A <b>Title:</b> Owner of 10% Co-G.P.

**PROPERTY LOCATION**

**Location:** 1650 East Lucas Drive  **QCT**  **DDA**  
**City:** Beaumont **County:** Jefferson **Zip:** 77703

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,038,789	N/A	N/A	N/A
<b>Other Requested Terms:</b>	Annual ten-year allocation of low-income housing tax credits		
<b>Proposed Use of Funds:</b>	New construction	<b>Property Type:</b>	Multifamily
<b>Set-Aside(s):</b>	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Rural	<input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,038,789 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

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

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MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

- Stone Hearst Apartments was submitted and underwritten in January 2002 in the 2001 multifamily mortgage revenue bond/4% LIHTC cycle. The proposed development involved 216 units and the underwriting analysis recommended the project be declined due to an excessive projected concentration capture rate of 31%. Any allocation of funds was recommended to be conditioned upon TDHCA Board approval of a waiver of the Department policy restriction on allocation of tax credits to urban projects with estimated concentration capture rates in excess of 25% and acknowledgement and acceptance by the lender of the demand risk issue. The development did not receive bond or LIHTC funding.
- Stone Hearst Apartments was again submitted and underwritten in June 2002 in the 2002 9% LIHTC cycle, this time as a 144-unit development. The underwriting analysis recommended the development be approved subject to receipt, review, and acceptance of unit and community building floor plans consistent with the areas shown in the rent schedule and elsewhere in the application. The development did not receive an allocation in the 2002 year cycle.
- Significant changes between the most recent previous application and the current proposal include deeper rent skewing in the current application (23 30% AMI units versus none previously) and elimination of four-bedroom units from the unit mix.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>144</u>	<b># Rental Buildings</b>	<u>36</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>0</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at / /
<b>Net Rentable SF:</b>	<u>167,040</u>	<b>Av Un SF:</b>	<u>1,160</u>	<b>Common Area SF:</b>	<u>4,500</u>	<b>Gross Bldg SF:</b>	<u>171,540</u>					

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer 50% cement fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A 4,500-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, & computer/business center, along with a swimming pool, volleyball court, equipped children's play area, and mail shelter are located at the entrance to the property.

**Uncovered Parking:** 154 spaces    **Carports:** 0 spaces    **Garages:** 144 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Stone Hearst Apartments is a new construction development of 144 units of mixed income] housing located in northeast Beaumont. The development is comprised of 36 evenly distributed fourplex/townhouse-style residential buildings as follows:

- 24 Building Type A with two two-bedroom/two-bath flat units and two two-story, three-bedroom/two-bath units;
- Three Building Type B with two three-bedroom/two-bath flat units and two two-story, three-bedroom/two-bath units; and
- Nine Building Type C with four two-story, three-bedroom/two-bath units.

**Architectural Review:** The units are in mixed one- and two-story fourplex structures with brick veneer and cement fiber siding exterior finish and pitched roofs. The exterior elevations are simple and functional. All units are of average size for market rate and LIHTC units, and have patios and/or porches and utility closets with hookups for full-size appliances. Both townhouse designs feature a bedroom and a full bathroom

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downstairs. Each unit has a one-car garage and a private exterior entry.

**Supportive Services:** The Applicant identified Texas Inter-Faith Management as the proposed supportive services provider and included \$16,560 in the operating expense budget to pay for these services.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in June of 2005, and to be substantially leased-up in August of 2005.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	27.29 acres	1,188,752 square feet	<b>Zoning/ Permitted Uses:</b> RM-H, Residential Multiple Family Dwelling-Highest Density
<b>Flood Zone Designation:</b>	Zones B & C	<b>Status of Off-Sites:</b>	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Beaumont is located in southeast Texas, approximately 85 miles east of Houston in Jefferson County. The site is a rectangularly-shaped parcel located in the northern area of Beaumont, approximately two miles east of U.S. Highway 69/96/287 (Eastex Freeway). The site is situated on the north side of East Lucas Drive.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed with vacant land, light industrial, older single family, churches, schools and convenience stores.

- **North:** vacant land
- **South:** East Lucas Drive with single-family residential beyond
- **East:** vacant land
- **West:** Lucas Elementary School and vacant land

**Site Access:** Access to the property is from the east or west along East Lucas Drive. The project is to have a single entry from the south off Lucas Drive. Access to Interstate Highway 10 is two miles south, which provides connections to all other major roads serving the Beaumont area as well as Houston and other surrounding communities.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** Most of Beaumont's growth is occurring along the Eastex Freeway, north of Interstate 10, and along Interstate Highway 10 in the western section of the city. The subject site is located convenient to both of these highways, which will give residents easy access to all employment and services areas of Beaumont and Jefferson County.

**Site Inspection Findings:** A TDHCA staff member performed a site inspection on April 4, 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 21, 2003 was prepared by AD Environmental Services and contained the following findings and recommendations: "The subject property appears to have been operated and maintained in a professional and environmentally safe manner. The domestic waste located on the west side of the property and at the wetlands boundary is very minimal and not a concern. The inspection yielded no signs of stressed vegetation, or discoloration of soils that would suggest there had been any spills or releases of hazardous materials from the noted waste on the subject property. There is no obtained evidence that would indicate that any of the locations listed in the Regulatory Data Report have had any release that has migrated offsite to the subject property, therefore a Phase II ESA is not recommended." (p. 15)

**Floodplain:** "The subject property appears to lie in zone designations B and C. Zone B is areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths less than one foot, or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood (medium shading). Zone C is areas of minimal flooding." (p. 11) The Department's floodplain restrictions only affect properties in zoning or within the 100-year flood plain, therefore no further action is required by the Applicant.



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**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 115 of the units (80% of the total) will be reserved for low-income tenants. 23 of the units (16%) will be reserved for households earning 30% or less of AMGI, 12 units (8%) will be reserved for households earning 40% or less of AMGI, 23 units (16%) will be reserved for households earning 50% or less of AMGI, 57 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 29 units (20%) will be offered at market rents.

<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>	\$19,680	\$22,440	\$25,260	\$28,080	\$30,300	\$32,580

**MARKET HIGHLIGHTS**

A market feasibility study dated March 17, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** “For this analysis we defined the primary market area as a ten-mile radius surrounding the subject property. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing.” (p. 30)

**Population:** The estimated 2002 population of the primary market area was 151,137 and is expected to increase by 0.8% to approximately 152,345 by 2007. Within the primary market area there were estimated to be 58,482 households in 2002. (p. 51-52)

**Total Local/Submarket Demand for Rental Units:** “In the primary market area we have determined that there is a demand for a minimum of 72 rental units per year, based on the employment growth analysis. This site is located in an area in which demand for ‘affordable’ housing is high.” (p. 19) It should be noted the same Market Analyst conducted the market studies for the applications in 2002 and utilized the same expansive ten mile radius market area but concluded less than a quarter of the market demand then presented below (42 units growth, 1,030 units turnover.)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	11	<1%	13	<1%
Resident Turnover	4,203	>99%	3,335	>99%
Other Sources	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,214</b>	<b>100%</b>	<b>3,348</b>	<b>100%</b>

Ref: p. 44

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 5.22% (p. 45). The Underwriter calculated an inclusive capture rate of 6.57% based upon a revised demand of 3,348 units. Excessive capture rate was a concern in the 2002 underwriting reports due to the significantly lower previous demand calculation. Even if the demand from the prior year was utilized however the capture rate would only rise to 23% when the other unstabilized new construction LIHTC development in the area is considered.

**Local Housing Authority Waiting List Information:** No information provided.

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 1,120 units in the market area. “The Stone Hearst Apartments, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The ‘base rent’ (street asking rate) for each

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unit type is significantly lower than comparable market rate projects.” (p. 103)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$254	\$256	-\$2	\$742	-\$488
<b>2-Bedroom (40%)</b>	\$361	\$361	-\$0	\$742	-\$381
<b>2-Bedroom (50%)</b>	\$466	\$466	-\$0	\$742	-\$276
<b>2-Bedroom (60%)</b>	\$572	\$571	+\$1	\$742	-\$170
<b>2-Bedroom (MR)</b>	\$628	N/A	N/A	\$742	-\$114
<b>3-Bedroom (30%)</b>	\$293	\$294	-\$1	\$956	-\$663
<b>3-Bedroom (40%)</b>	\$415	\$415	-\$0	\$956	-\$541
<b>3-Bedroom (50%)</b>	\$537	\$537	-\$0	\$956	-\$419
<b>3-Bedroom (60%)</b>	\$659	\$658	+\$1	\$956	-\$297
<b>3-Bedroom (MR)</b>	\$723	N/A	N/A	\$956	-\$233

(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 current occupancy of the market area is 96.7% as a result of ever-increasing demand. Demand for new rental apartment units is considered to be stable.” (p. 81)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period].” (p. 78)

**Known Planned Development:** The analyst listed the following known development: The Woodlands Apartments (9% LIHTC #00056), 105 rent-restricted units, in lease-up. (p. 45)

**Effect on Existing Housing Stock:** “The housing development, upon completion and considering vacancy and absorption rates, is not likely to result in an unreasonable vacancy rate for comparable units within the development’s competitive market area (i.e., standard, well-maintained units...that are reserved for occupancy by lower-income eligible tenants, as applicable.” (p. 22)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Underwriter’s effective gross income estimate agrees with the Applicant’s.

**Expenses:** The Applicant’s total expense estimate of \$3,370 per unit is within 1% of the Underwriter’s database-derived estimate of \$3,402 per unit for comparably-sized developments. The Applicant’s repairs and maintenance estimate, however, was 31% higher than the TDHCA database average.

**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 loan at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 47.72 acres</b>	\$121,880	<b>Assessment for the Year of:</b>	2002
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<b>Land: 1 acre</b>	<u>\$2,554</u>	<b>Valuation by:</b>	<u>Jefferson County Appraisal District</u>
<b>Prorated value, 27 acres:</b>	<u>\$68,960</u>	<b>Tax Rate:</b>	<u>2.898362</u>
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>			
<b>Type of Site Control:</b>	<u>Commercial contract - unimproved property</u>		
<b>Contract Expiration Date:</b>	<u>10/ 15/ 2003</u>	<b>Anticipated Closing Date:</b>	<u>10/ 15/ 2003</u>
<b>Acquisition Cost:</b>	<u>\$660,000</u>	<b>Other Terms/Conditions:</b>	<u>\$4,000 earnest money</u>
<b>Seller:</b>	<u>Donald W. Heisig &amp; Mary Pat Carlisi</u>	<b>Related to Development Team Member:</b>	<u>No</u>

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$660,000 (\$0.56/SF or \$24,185/acre), although over nine times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction. The property cost has increased \$100,000 from last year.

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

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$300K or 4.2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$12,128,726 is used to determine a credit allocation of \$1,050,171 from this method. This is \$11,382 more than initially requested due to the Applicant's use of a lower applicable percentage of 8.25% rather than the 8.34% underwriting rate used for applications received in February 2003. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

<b>Source:</b>	<u>Collateral Mortgage Corporation</u>	<b>Contact:</b>	<u>Philip Melton</u>
<b>Principal Amount:</b>	<u>\$4,523,272</u>	<b>Interest Rate:</b>	<u>Unspecified, Applicant estimated as 9.5%, underwritten at permanent loan rate of 7.75%</u>
<b>Additional Information:</b>	<u>Interest-only payments</u>		
<b>Amortization:</b>	<u>N/A</u> yrs	<b>Term:</b>	<u>2</u> yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional

**LONG TERM/PERMANENT FINANCING**

<b>Source:</b>	<u>Collateral Mortgage Corporation</u>	<b>Contact:</b>	<u>Philip Melton</u>
<b>Principal Amount:</b>	<u>\$4,195,048</u>	<b>Interest Rate:</b>	<u>Approximately 240 basis points above yield on 30-year U.S. Treasury security issue, estimated &amp; underwritten at 7.75%</u>
<b>Additional Information:</b>			
<b>Amortization:</b>	<u>30</u> yrs	<b>Term:</b>	<u>18</u> yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	<u>\$360,646</u>	<b>Lien Priority:</b>	<u>1st</u>
<b>Commitment Date</b>	<u>2/ 10/ 2003</u>		

**LONG TERM/PERMANENT FINANCING**

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**Source:** City of Beaumont CDBG funds **Contact:** Janett Blunt  
**Principal Amount:** \$1,000 **Interest Rate:** (Grant)  
**Additional Information:** Unconfirmed, request only  
**Amortization:** N/A yrs **Term:** N/A yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** (None) **Lien Priority:** (None) **Commitment Date** 2/ 6/ 2003

**LIHTC SYNDICATION**

**Source:** Simpson Housing Solutions, LLC **Contact:** Michael Sugrue  
**Address:** 320 Golden Shore Street, Suite 200 **City:** Long Beach  
**State:** CA **Zip:** 90802 **Phone:** (562) 256-2022 **Fax:** (562) 256-2004  
**Net Proceeds:** \$8,205,612 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 79¢  
**Commitment**  LOI  Firm  Conditional **Date:** 2/ 10/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$632,418 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

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

**City of Beaumont CDBG Funds:** The Applicant has applied for but not received confirmation of a grant of \$1,000 in City of Beaumont CDBG funds, and proposes to use the funds to pay for the waiving of application fees for the first 80 tenant applicants. Sufficient developer fee should exist to substitute for these funds if not awarded.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$632,418 amount to 40% of the total available fee.

**Financing Conclusions:** Based on the Applicant's credit request, the LIHTC allocation should not exceed \$1,038,789 annually for ten years, resulting in syndication proceeds of approximately \$8,205,612. Based on the underwriting analysis, the Applicant's deferred developer fee will be as projected by the Applicant and should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

R.J. Collins owns the 90% Co-General Partner, the Developer, and the General Contractor. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and the 90% General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 10% Co-General Partner, Kegley, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$817K and consisting of \$168K in cash, \$521K in receivables, and \$127K in property and equipment. Liabilities totaled \$627K, resulting in a net worth of \$189K.
- The Developer, Eastern Marketing, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$1.5M and consisting of \$139K in cash, \$460K in work in progress, \$230K in receivables, and \$665K in real property. Liabilities totaled \$788K, resulting in a net worth of \$706K.

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- The principals of the Co-General Partners, R.J. Collins and Anita Kegley, submitted unaudited financial statements as of December 31, 2002 and are anticipated to be guarantors of the development.

**Background & Experience:**

- R.J. Collins, owner of the 90% Co-General Partner, listed participation in two previous LIHTC housing developments totaling 220 units which are currently under construction.
- Anita Kegley, owner of the 10% Co-General Partner, listed participation in one previous 76-unit LIHTC housing development.

**SUMMARY OF SALIENT RISKS AND ISSUES**

None noted.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** July 15, 2003  
\_\_\_\_\_

**Director of Real Estate Analysis:**

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

**Date:** July 15, 2003  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Stone Hearst Apartments, Beaumont, 9% LIHTC #03064**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (30%)	8	2	2	980	\$316	\$254	\$2,032	\$0.26	\$59.91	\$10.08
TC (40%)	4	2	2	980	421	361	1,444	0.37	59.91	10.08
TC (50%)	7	2	2	980	526	466	3,262	0.48	59.91	10.08
TC (60%)	19	2	2	980	631	572	10,868	0.58	59.91	10.08
MR	10	2	2	980		628	6,280	0.64	59.91	10.08
TC (30%)	15	3	2	1,250	365	293	4,395	0.23	70.67	10.08
TC (40%)	8	3	2	1,250	486	415	3,320	0.33	70.67	10.08
TC (50%)	16	3	2	1,250	608	537	8,592	0.43	70.67	10.08
TC (60%)	38	3	2	1,250	729	659	25,042	0.53	70.67	10.08
MR	19	3	2	1,250		723	13,737	0.58	70.67	10.08
<b>TOTAL:</b>	<b>144</b>		<b>AVERAGE:</b>	<b>1,160</b>	<b>\$463</b>	<b>\$548</b>	<b>\$78,972</b>	<b>\$0.47</b>	<b>\$67.08</b>	<b>\$10.08</b>

**INCOME**

Total Net Rentable Sq Ft: 167,040

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$14.66

**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	4.67%	\$292	0.25
Management	6.31%	394	0.34
Payroll & Payroll Tax	11.99%	749	0.65
Repairs & Maintenance	6.60%	412	0.36
Utilities	1.52%	95	0.08
Water, Sewer, & Trash	2.79%	175	0.15
Property Insurance	3.53%	220	0.19
Property Tax 2.898362	11.59%	725	0.62
Reserve for Replacements	3.20%	200	0.17
Other: spt svcs, compl fees	2.24%	140	0.12

**TOTAL EXPENSES**

**NET OPERATING INC**

**DEBT SERVICE**

Collateral Mortgage Corp. 40.07% \$2,504 \$2.16  
City of Beaumont CDBG Funds 0.00% \$0 \$0.00  
Additional Financing 0.00% \$0 \$0.00

**NET CASH FLOW**

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		5.28%	\$4,653	\$4.01
Off-Sites		0.00%	0	0.00
Sitework		7.37%	6,500	5.60
Direct Construction		56.80%	50,093	43.18
Contingency	3.11%	1.99%	1,758	1.52
General Req'ts	6.00%	3.85%	3,396	2.93
Contractor's G & A	2.00%	1.28%	1,132	0.98
Contractor's Profit	6.00%	3.85%	3,396	2.93
Indirect Construction		2.48%	2,186	1.88
Ineligible Costs		0.84%	743	0.64
Developer's G & A	3.63%	2.92%	2,574	2.22
Developer's Profit	11.37%	9.14%	8,056	6.95
Interim Financing		2.73%	2,407	2.08
Reserves		1.47%	1,293	1.11
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$88,187</b>	<b>\$76.02</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

Collateral Mortgage Corp.	33.03%	\$29,132	\$25.11
City of Beaumont CDBG Funds	0.01%	\$7	\$0.01
LIHTC Syndication Proceeds	64.62%	\$56,983	\$49.12
Deferred Developer Fees	4.98%	\$4,392	\$3.79
Additional (excess) Funds Required	-2.64%	(\$2,328)	(\$2.01)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
	\$947,664	\$947,664
	25,332	25,332
	0	0
	\$972,996	\$972,996
	(72,975)	(72,972)
	0	0
	\$900,021	\$900,024
	\$41,988	\$39,900
	56,773	\$45,001
	107,918	\$100,800
	59,378	\$77,904
	13,651	\$11,520
	25,134	\$27,360
	31,738	\$32,400
	104,341	\$101,433
	28,800	\$28,800
	20,160	\$20,160
	\$489,880	\$485,278
	\$410,141	\$414,746
	\$360,646	\$360,646
	0	0
	0	0
	\$49,495	\$54,100
	1.14	1.15
		1.15

		USS Region	5
		IREM Region	
	\$14.66	Per Unit Per Month	
	-7.50%	of Potential Gross Rent	
	PER SQ FT	PER UNIT	% OF EGI
	\$0.24	\$277	4.43%
	0.27	313	5.00%
	0.60	700	11.20%
	0.47	541	8.66%
	0.07	80	1.28%
	0.16	190	3.04%
	0.19	225	3.60%
	0.61	704	11.27%
	0.17	200	3.20%
	0.12	140	2.24%
	\$2.91	\$3,370	53.92%
	\$2.48	\$2,880	46.08%
	\$2.16	\$2,504	40.07%
	\$0.00	\$0	0.00%
	\$0.00	\$0	0.00%
	\$0.32	\$376	6.01%

	TDHCA	APPLICANT
	\$670,000	\$670,000
	0	0
	936,000	936,000
	7,213,372	7,513,200
	253,176	253,176
	488,962	506,952
	162,987	168,984
	488,962	506,952
	314,840	314,840
	106,952	106,952
	370,644	421,855
	1,160,101	1,160,101
	346,666	346,666
	186,198	128,400
	\$12,698,862	\$13,034,078
	\$9,543,460	\$9,885,264

	PER SQ FT	PER UNIT	% of TOTAL
	\$4.01	\$4,653	5.14%
	0.00	0	0.00%
	5.60	6,500	7.18%
	44.98	52,175	57.64%
	1.52	1,758	1.94%
	3.03	3,521	3.89%
	1.01	1,174	1.30%
	3.03	3,521	3.89%
	1.88	2,186	2.42%
	0.64	743	0.82%
	2.53	2,930	3.24%
	6.95	8,056	8.90%
	2.08	2,407	2.66%
	0.77	892	0.99%
	\$78.03	\$90,514	100.00%
	\$59.18	\$68,648	75.84%

**RECOMMENDED**

	\$4,195,048	\$4,195,048
	1,000	1,000
	8,205,612	8,205,612
	632,418	632,418
	(335,216)	0
	\$12,698,862	\$13,034,078

	\$4,195,048	Developer Fee Available
	1,000	\$1,581,956
	8,205,612	% of Dev. Fee Deferred
	632,418	40%
	(0)	15-Yr Cumulative Cash Flow
	\$13,034,078	\$1,635,203.14

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Stone Hearst Apartments, Beaumont, 9% LIHTC #03064*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 44.90	\$7,500,274
<b>Adjustments</b>				
Exterior Wall Finish	4.00%		\$1.80	\$300,011
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.39)	(232,812)
Floor Cover			2.43	405,907
Porches/Balconies	\$29.24	4,966	0.87	145,203
Plumbing	\$700	144	0.60	100,800
Built-in Appliances	\$2,100	144	1.81	302,400
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.88	314,035
Garages	\$19.50	28,800	3.36	561,528
Comm &/or Aux Bldgs	\$56.80	4,500	1.53	255,620
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.79</b>	<b>9,652,967</b>
Current Cost Multiplier	1.03		1.73	289,589
Local Multiplier	0.89		(6.36)	(1,061,826)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.17</b>	<b>\$8,880,729</b>
Plans, specs, survy, bld prm	3.90%		(\$2.07)	(\$346,348)
Interim Construction Interes	3.38%		(1.79)	(299,725)
Contractor's OH & Profit	11.50%		(6.11)	(1,021,284)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.18</b>	<b>\$7,213,372</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,195,048	Term	360
Int Rate	7.75%	DCR	1.14

<b>Secondary</b>	\$1,000	Term	
Int Rate	0.00%	Subtotal DCR	1.14

<b>Additional</b>	\$8,205,612	Term	
Int Rate		Aggregate DCR	1.14

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$360,646
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$54,100</b>

<b>Primary</b>	\$4,195,048	Term	360
Int Rate	7.75%	DCR	1.15

<b>Secondary</b>	\$1,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

<b>Additional</b>	\$8,205,612	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	\$947,664	\$976,094	\$1,005,377	\$1,035,538	\$1,066,604	\$1,236,487	\$1,433,427	\$1,661,735	\$2,233,232
Secondary Income	25,332	26,092	26,875	27,681	28,511	33,053	38,317	44,420	59,697
Contractor's Profit	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>972,996</b>	<b>1,002,186</b>	<b>1,032,251</b>	<b>1,063,219</b>	<b>1,095,116</b>	<b>1,269,539</b>	<b>1,471,744</b>	<b>1,706,154</b>	<b>2,292,929</b>
Vacancy & Collection Loss	(72,972)	(75,164)	(77,419)	(79,741)	(82,134)	(95,215)	(110,381)	(127,962)	(171,970)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$900,024</b>	<b>\$927,022</b>	<b>\$954,833</b>	<b>\$983,478</b>	<b>\$1,012,982</b>	<b>\$1,174,324</b>	<b>\$1,361,363</b>	<b>\$1,578,193</b>	<b>\$2,120,959</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$39,900	\$41,496	\$43,156	\$44,882	\$46,677	\$56,790	\$69,094	\$84,063	\$124,434
Management	45,001	46,351	47,741	49,174	50,649	58,716	68,068	78,909	106,047
Payroll & Payroll Tax	100,800	104,832	109,025	113,386	117,922	143,470	174,553	212,370	314,360
Repairs & Maintenance	77,904	81,020	84,261	87,631	91,137	110,882	134,905	164,132	242,955
Utilities	11,520	11,981	12,460	12,958	13,477	16,397	19,949	24,271	35,927
Water, Sewer & Trash	27,360	28,454	29,593	30,776	32,007	38,942	47,379	57,643	85,326
Insurance	32,400	33,696	35,044	36,446	37,903	46,115	56,106	68,262	101,044
Property Tax	101,433	105,490	109,710	114,098	118,662	144,371	175,649	213,704	316,334
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	20,160	20,966	21,805	22,677	23,584	28,694	34,911	42,474	62,872
<b>TOTAL EXPENSES</b>	<b>\$485,278</b>	<b>\$504,239</b>	<b>\$523,945</b>	<b>\$544,425</b>	<b>\$565,711</b>	<b>\$685,367</b>	<b>\$830,485</b>	<b>\$1,006,507</b>	<b>\$1,479,118</b>
<b>NET OPERATING INCOME</b>	<b>\$414,746</b>	<b>\$422,783</b>	<b>\$430,888</b>	<b>\$439,052</b>	<b>\$447,271</b>	<b>\$488,956</b>	<b>\$530,878</b>	<b>\$571,686</b>	<b>\$641,841</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$360,646	\$360,646	\$360,646	\$360,646	\$360,646	\$360,646	\$360,646	\$360,646	\$360,646
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>\$54,100</b>	<b>\$62,137</b>	<b>\$70,242</b>	<b>\$78,406</b>	<b>\$86,625</b>	<b>\$128,310</b>	<b>\$170,232</b>	<b>\$211,040</b>	<b>\$281,195</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.15</b>	<b>1.17</b>	<b>1.19</b>	<b>1.22</b>	<b>1.24</b>	<b>1.36</b>	<b>1.47</b>	<b>1.59</b>	<b>1.78</b>

LIHTC Allocation Calculation - Stone Hearst Apartments, Beaumont, 9% LIHTC #03064

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	\$670,000	\$670,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$936,000	\$936,000	\$936,000	\$936,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,513,200	\$7,213,372	\$7,513,200	\$7,213,372
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$168,984	\$162,987	\$168,984	\$162,987
Contractor profit	\$506,952	\$488,962	\$506,952	\$488,962
General requirements	\$506,952	\$488,962	\$506,952	\$488,962
<b>(5) Contingencies</b>				
	\$253,176	\$253,176	\$253,176	\$253,176
<b>(6) Eligible Indirect Fees</b>				
	\$314,840	\$314,840	\$314,840	\$314,840
<b>(7) Eligible Financing Fees</b>				
	\$346,666	\$346,666	\$346,666	\$346,666
<b>(8) All Ineligible Costs</b>				
	\$106,952	\$106,952		
<b>(9) Developer Fees</b>				
Developer overhead	\$421,855	\$370,644	\$421,855	\$370,644
Developer fee	\$1,160,101	\$1,160,101	\$1,160,101	\$1,160,101
<b>(10) Development Reserves</b>				
	\$128,400	\$186,198		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$13,034,078</b>	<b>\$12,698,862</b>	<b>\$12,128,726</b>	<b>\$11,735,711</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>\$12,128,726</b>	<b>\$11,735,711</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$15,767,344</b>	<b>\$15,256,425</b>
Applicable Fraction			79.86%	79.86%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$12,591,976</b>	<b>\$12,183,950</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,050,171</b>	<b>\$1,016,141</b>

Syndication Proceeds	0.7899	\$8,295,520	\$8,026,715
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,050,171</b>	<b>\$1,016,141</b>
Syndication Proceeds		\$8,295,520	\$8,026,715
<b>Requested Credits</b>		<b>\$1,038,789</b>	
Syndication Proceeds		\$8,205,612	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$8,838,030</b>	
<b>Credit Amount</b>		<b>\$1,118,850</b>	



# Developer Evaluation

Project ID # **03066/03822**

Name: **Anson Park**

City: **Abilene**

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 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**

2. Should the HTF funds not be awarded the recommended credit allocation would be increased to \$514,034.
3. Should the terms of the permanent financing or syndication change or the proposed rental rates for the units change, the development should be reevaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 64    **# Rental Buildings:** 8    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 72,192    **Av Un SF:** 1,128    **Common Area SF:** 3,000    **Gross Bldg SF:** 75,192

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 65% brick veneer 35% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpet & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

The 3,000 SF community building will house an activity room, management offices, exercise room, laundry facilities, kitchen, restrooms, computer/business center. There will also be a swimming pool, playground, and a volleyball court.

**Uncovered Parking:** 158 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Anson Park Apartments is a proposed, new, mixed-income development comprising 64 garden-style apartment units located in the northern part of Abilene, Texas. The proposed site plan lays out a low-density community of eight (8) residential buildings clustered in a circle on higher ground at the front of the property, with an ample amount of open space approaching a creek crossing the back end of the tract. The number and type of residential buildings is as follows:

- (2) Building Type A with 8 two-bedroom/ two-bath units; and
- (6) Building Type B with 8 three-bedroom/ two-bath units.

**Architectural Review:** The buildings have an overall attractive appearance, with gabled windows and entry doors, and a combination of brick veneer and hardiplank siding. Each of the unit floor plans appears to have well arranged living, dining, and kitchen areas, with sufficient space in the bedrooms and a sufficient number of closets and windows.

**Supportive Services:** The Applicant has entered into a supportive services contract with Texas Interfaith Management Corporation for a term of five years. Supportive services under the contract may include team sports for children and youth, classes to foster drug and alcohol awareness, gang prevention, and fire prevention, youth self-esteem programs, neighborhood pride and safety programs, parenting classes, cooking classes, household budgeting and check writing classes, religious studies, activities to develop respect between individuals and among families, English as a second language, job training, computer literacy, mentoring, individual and group tutoring, bingo parties, dances and dinners, bus trips to local grocery stores and shopping centers, citizenship and voting programs, home maintenance programs, common area maintenance programs, and neighborhood enrichment programs. The Applicant has certified that it will coordinate its tenant services programs with state workforce development and welfare programs, and that it will provide at least three of the tenant services from among TDHCA's tenant services options.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in January of 2005, to be placed in service in November of 2004, and to be substantially leased-up in April of 2005.

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

SITE ISSUES	
<b>SITE DESCRIPTION</b>	
<b>Size:</b> 13 acres	566,280 square feet <b>Zoning/ Permitted Uses:</b> Multifamily
<b>Flood Zone Designation:</b> Zone C and A	<b>Status of Off-Sites:</b> Partially Improved
<b>SITE and NEIGHBORHOOD CHARACTERISTICS</b>	
<p><b><u>Location:</u></b> The site is a rectangular-shaped parcel located in the northern area of Abilene, approximately 2.5 miles from the central business district. The site is situated on the west side of Old Anson Road.</p> <p><b><u>Adjacent Land Uses:</u></b></p> <ul style="list-style-type: none"> <li>• <b>North:</b> vacant property, vacant land</li> <li>• <b>South:</b> vacant land, residential, nursing home</li> <li>• <b>East:</b> Old Anson Road, residential</li> <li>• <b>West:</b> vacant property</li> </ul> <p><b><u>Site Access:</u></b> Access to the property is from the north or south from Old Anson Road. The development is to have one main entry from the west on Old Anson Road. Access to Interstate Highway 20 is approximately a quarter of a mile to the north, which provides connections to all other major roads serving the Abilene area.</p> <p><b><u>Public Transportation:</u></b> A municipal bus stop is located on Old Anson Road at the location of the site.</p> <p><b><u>Shopping &amp; Services:</u></b> The site is within one mile of a grocery store, a library, a fire station, an elementary school, and a medical center. Schools, churches, and shopping centers are located within a short driving distance from the site.</p> <p><b><u>Special Adverse Site Characteristics:</u></b></p> <ul style="list-style-type: none"> <li>• <b>Flood Plain:</b> A portion of the site may lie within the 100-year flood plain. It does not appear that this will affect any of the proposed improvements based on the preliminary site plan. However, receipt, review, and acceptance of a survey determining whether the proposed improvements do or do not lie within the 100-year flood plain, and if so, then receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.</li> </ul> <p><b><u>Site Inspection Findings:</u></b> TDHCA staff performed a site inspection on May 23, 2003 and found the location to be acceptable for the proposed development.</p>	
<b>HIGHLIGHTS of SOILS &amp; HAZARDOUS MATERIALS REPORT(S)</b>	
<p>A Phase I Environmental Site Assessment report dated February 2003 was prepared by Matrix Environmental Sciences, Inc., and revealed no indications of any recognized environmental conditions.</p> <p>The report also contains the following statement, “The subject property is in a flood zone just on either side of the Catclaw Creek only, which is typical and the creek only is a designated wetland on the subject property. There are no other flood zones north, west and south of the property.” (p. 9)</p>	

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Sixty (60) of the units (93.75% of the total) will be reserved for low-income tenants. Nine (9) of the units (14%) will be reserved for households earning 30% or less of AMGI, nine (9) units (14%) will be reserved for households earning 50% or less of AMGI, forty-two (42) units (66%) will be reserved for households earning 60% or less of AMGI, and the remaining four (4) units (6.25%) 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>	\$19,560	\$22,320	\$25,140	\$27,900	\$30,120	\$32,340

**MARKET HIGHLIGHTS**

A market feasibility study dated February 2003 was prepared by Novogradac & Company and highlighted the following findings:

**Definition of Market/Submarket:** “For the purpose of this study, the Subject’s Primary Market Area (PMA) will be generally defined as the northern half of the City of Abilene...This area is bounded by Interstate 20 to the north and east, State Highway 84 to the south and Highway 83 to the west.” (p. 13)

**Population:** The estimated 2001 population of Abilene was 36,786 and is expected to increase by 00.1% annually to approximately 37,032 by 2006. Within the primary market area there were estimated to be 13,378 households in 2001.

**Total Local/Submarket Demand for Rental Units:** “Dividing the subject’s 57 units required for stabilized occupancy into the total demand of 394 households indicates a penetration of only 14.47 percent.” (p. 58)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	3	0.8%	2	0.5%
Resident Turnover	352	99.2%	357	95.5%
<b>TOTAL ANNUAL DEMAND</b>	<b>355</b>	<b>100%</b>	<b>359</b>	<b>100%</b>

Ref: p. 58

**Inclusive Capture Rate:** The Market Analyst calculated a capture rate of 14.47% assuming 5% vacancy of the LIHTC units and no other unstabilized or proposed affordable units in the market area. (p. 58) The Underwriter calculated an inclusive capture rate of 22% based upon a revised supply of unstabilized comparable affordable units of 78 including the subject divided by a revised demand of 359. The Market Analyst failed to include Carver Neighborhood Townhomes, which was awarded tax credits in 2001 for 18 affordable units, as a possible unstabilized comparable development.

**Local Housing Authority Waiting List Information:** “According to Ms. Roberta Thompson, Executive Director of Housing for Abilene, there is very strong demand for affordable housing projects in Abilene. At present, families in Abilene are utilizing between 850 and 900 Section 8 vouchers, which is at more than 100 percent of capacity. Ms. Thompson reports there are an estimated 750 families on a waiting list for available Section 8 housing units. However, at the present time, no additional funds are available to support these families in need and the waiting list will be closed indefinitely. Moreover, Abilene has 213 project-based public housing units, which are also operating at full capacity. The waiting list for public housing is approximately 160 families.” (p. 27)

**Market Rent Comparables:** The Market Analyst surveyed eight (8) comparable apartment projects totaling 1,507 units in the market area. (p. 30)

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<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$176	\$215	-\$39	\$575	-\$399
<b>2-Bedroom (50%)</b>	\$361	\$425	-\$64	\$575	-\$214
<b>2-Bedroom (60%)</b>	\$454	\$530	-\$76	\$575	-\$121
<b>2-Bedroom (MR)</b>	\$499	N/A		\$575	-\$76
<b>3-Bedroom (30%)</b>	\$192	\$237	-\$45	\$750	-\$558
<b>3-Bedroom (50%)</b>	\$406	\$479	-\$73	\$750	-\$344
<b>3-Bedroom (60%)</b>	\$513	\$600	-\$87	\$750	-\$237
<b>3-Bedroom (MR)</b>	\$564	N/A		\$750	-\$186

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

**Primary Market Occupancy Rates:** Occupancy among the comparable properties selected for the market analysis averaged between 94 and 95 percent, with ranges from 89% to 100% (p. 34).

**Absorption Projections:** “Based on the results of our market survey, one comparable LIHTC property was identified in the PMA that could provide insight into potential absorption of the Subject’s 64 units. Sunset Arbor Townhomes (a 1999 LIHTC development) was constructed in 2001 and provides 220 two and three-bedroom units. According to property management at this property, the initial absorption period was approximately 12 months, corresponding to an absorption rate of 18 units per month. Since the subject will be very comparable to Sunset Arbor Townhomes in terms of location, condition, tenancy, and amenities, we conservatively estimate an absorption pace of four months for the Subject, or an average rate of approximately 16 units per month.” (p. 34)

**Known Planned Development:** “Base on interviews with local property managers and conversations with Mr. Jeff Armstrong at the Planning Department, there are no known new market rate properties proposed for the PMA.” (p. 27)

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

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**OPERATING PROFORMA ANALYSIS**

**Income:** Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Market Analyst's determination that higher than maximum program rents are achievable, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$56,532 in potential gross rent. For four (4) market rate units, the Applicant used rents which were below the rents supported by the market study and below the revised maximum program rents for restricted units of the same size. The Underwriter has increased the market rents for these units to the maximum 60% of AMGI program rents.

**Expenses:** The Applicant's total expense estimate of \$3,313 per unit is not within 5% of the Underwriter's estimate. Moreover, the Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly: payroll (\$11K higher), and utilities (\$5K lower). In addition, the Applicant has assumed a management fee of 5.5% which is greater than the industry rule of thumb of 5% but less than the average management fee for developments of this size in Region 2 utilized by the Underwriter.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due primarily to the difference in effective gross rent estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.48 exceeds the Department's maximum standard of 1.30. This suggests that the project could support additional debt service of \$13,761 annually. The effect of this increase in annual debt service on the permanent sources of funds will be discussed in the conclusion to the Financing Structure Analysis section of this report.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 13 acres</b>	\$21,707 (approximately)	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Taylor County Appraisal District
<b>Total Assessed Value:</b>	\$21,707 (approximately)	<b>Tax Rate:</b>	\$2.7084

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Commercial Contract—Unimproved Property		
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003
<b>Acquisition Cost:</b>	\$162,500	<b>Other Terms/Conditions:</b>	Buyer must build fence.
<b>Seller:</b>	Robert Curtis Raspberry	<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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

**Direct Construction Cost:** The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are overstated. The Applicant acknowledged that the original cost breakdown was overstated in a June 30, 2003 letter indicating a \$100,000 overestimation, but also attempting to justify the remaining costs. A further indication that the Applicant's direct costs per unit of \$52,231 may be excessive comes from an application submitted by the same principals of the Applicant for townhome units in Waco with costs per unit of \$49,410. Townhomes are typically more expensive to build than apartment flats. The

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Applicant cited the different locations of the projects, their differing sizes, and the additional cost of energy efficient measures required under the Housing Trust Fund program as the basis for the higher cost estimates. Each of these considerations, however, has already been included in the cost estimation methods employed by the Underwriter.

**Fees:** The Applicant's revised contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines based on their total development cost estimate. The Applicant's developer's fees were \$15,000 in excess of program guidelines and this amount was removed from eligible basis.

**Conclusion:** Due to the Applicant's higher direct construction and the subsequently higher developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to determine the eligible tax credits. As a result an eligible basis of \$5,057,212 is used to determine eligible tax credits of \$514,034. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE									
INTERIM CONSTRUCTION or GAP FINANCING									
<b>Source:</b> Collateral Mortgage Corporation			<b>Contact:</b> Philip Melton						
<b>Principal Amount:</b> \$1,182,998		<b>Interest Rate:</b> To be determined.							
<b>Additional Information:</b>									
<b>Amortization:</b> N/A yrs		<b>Term:</b> 2 yrs		<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional					
LONG TERM/PERMANENT FINANCING									
<b>Source:</b> Collateral Mortgage Corporation			<b>Contact:</b> Philip Melton						
<b>Principal Amount:</b> \$1,005,740		<b>Interest Rate:</b> 240 b.p. over 30-year Treasury (approx. 7.50%)							
<b>Additional Information:</b>									
<b>Amortization:</b> 30 yrs		<b>Term:</b> 18 yrs		<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional					
<b>Annual Payment:</b> \$84,387		<b>Lien Priority:</b> 1st		<b>Commitment Date</b> 02/ 10/ 2003					
GRANT									
<b>Source:</b> CDBG-Abilene			<b>Contact:</b> Kelly Cheek						
<b>Amount:</b> \$1,000		<b>Commitment:</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional							
<b>Additional Information:</b> Application received by Abilene February 12, 2003									
LIHTC SYNDICATION									
<b>Source:</b> Simpson Housing Solutions			<b>Contact:</b> J. Michael Sugrue						
<b>Address:</b> 720 East Park Boulevard			<b>City:</b> Plano						
<b>State:</b> Texas		<b>Zip:</b> 75074		<b>Phone:</b> (888) 261-8390		<b>Fax:</b> (972) 442-0224			
<b>Net Proceeds:</b> \$4,431,457		<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>						79¢	
<b>Commitment</b>		<input type="checkbox"/> LOI <input type="checkbox"/> Firm		<input checked="" type="checkbox"/> Conditional		<b>Date:</b> 02/ 12/ 2003			
<b>Additional Information:</b>									
APPLICANT EQUITY									
<b>Amount:</b> \$176,413		<b>Source:</b> Deferred Developer Fee							
FINANCING STRUCTURE ANALYSIS									
<b>Permanent Financing:</b> The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The Applicant has indicated the City of Abilene will supply a grant									



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of \$1,000. The City received an application on February 12, 2003.

**LIHTC Syndication:** The syndication commitment is consistent with the terms reflected in the sources and uses listed in the application. Forty percent of the funds will be available during the construction stage of the development. In addition, Simpson Housing Solutions will provide a bridge in a “to be determined” amount at a 9% interest rate.

**Deferred Developer’s Fees:** The Applicant’s estimated deferred fees amount to 10 % of total proposed developer fees.

**Financing Conclusions:** The Underwriter’s proforma resulted in a debt coverage ratio that exceeds the Department’s maximum guideline of 1.30 indicating the development’s ability to service an additional \$13,738 annually. In order to meet the Department’s guideline without affecting the permanent sources of funds and to better utilize the Department’s resources, the Underwriter recommends an increase in the interest rate requested for the HTF loan from 0% to 5.75 %. Should the development not receive an HTF award, the recommended credit amount would increase by \$12,710 to \$514,034.

As stated above, the Underwriter’s cost estimate is used to calculate eligible basis and determine the eligible tax credits of \$514,034. However, the gap in need based on the Underwriter’s total development cost estimate and award of HTF funds and results in a recommended annual tax credit allocation of \$501,324, which is \$59,676 less than the Applicant’s request.

Based on the Underwriter’s total development cost estimate and assuming the Applicant receives a HTF loan in the amount of \$375,000, there would be no need to defer developer fees and the difference between the Applicant’s and Underwriter’s direct construction cost estimates could be absorbed by deferring fees if such a gap materializes. Moreover, without the HTF funds, the project would have sufficient cashflow to support an increase in the primary debt and repayment of any deferred developer’s fees and possibly general contractor’s fees necessary to finance the potential \$375,000 gap, and still be feasible with an estimated debt coverage ratio of 1.24. The success or failure of the development to be awarded to \$1,000 local grant funds will have no impact on the overall feasibility of the development.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Unaudited consolidated financial statements were submitted for the Developer, Tejas Housing and Development, Inc. The financial statement, dated December 31, 2002, reports total assets of \$215,371, consisting of \$51,793 in cash, and \$163,578 in work in progress. Liabilities of \$192,001 in notes and accounts payable result in a net worth of \$23,370.
- Unaudited financial statements were submitted for Valentine Realtors, Inc. which has an interest in 10% of the General Partner. The financial statement, dated December 31, 2002, reports total assets of \$467,886 consisting of \$74,322 in cash, \$311,923 in various development projects, \$54,000 in receivables, and \$27,640 in equipment and furniture. Liabilities consisting of a \$53,220 note payable to the sole stockholder, and equity of \$107,798 result in a net worth of \$306,867.
- No financial statements were submitted for EM, Texas, Inc. which has an interest of 90% in the General Partner, and as the corporation was only formed in February 2003, it does not appear on the financial statements of the Developer, or the personal financial statements of the Principal, whose statements are dated as of December 31, 2002.
- Ronette Hodges and RJ Collins submitted unaudited personal financial statements dated as of December 31, 2002.

**Background & Experience:**

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- The two principals of the General Partner, between them, have two (2) LIHTC housing developments totaling 220 units currently under construction.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

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

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Anson Park, Abilene, LIHTC #03066**

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
HTF/TC30%	3	2	2	942	\$313	\$215	\$645	\$0.23	\$78.00	\$30.00
HTF/TC50%	3	2	2	942	523	425	1,275	0.45	78.00	30.00
HTF/TC60%	9	2	2	942	628	530	4,770	0.56	78.00	30.00
Market	1	2	2	942		530	530	0.56	78.00	30.00
HTF/TC30%	6	3	2	1,190	362	237	1,422	0.20	104.00	31.00
HTF/TC50%	6	3	2	1,190	604	479	2,874	0.40	104.00	31.00
HTF/TC60%	33	3	2	1,190	725	600	19,800	0.50	104.00	31.00
Market	3	3	2	1,190		600	1,800	0.50	104.00	31.00
<b>TOTAL:</b>	<b>64</b>		<b>AVERAGE:</b>	<b>1,128</b>	<b>\$592</b>	<b>\$517</b>	<b>\$33,116</b>	<b>\$0.46</b>	<b>\$97.50</b>	<b>\$30.75</b>

**INCOME**

Total Net Rentable Sq Ft: 72,192

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	
General & Administrative	5.65%	\$334	0.30	
Management	6.56%	388	0.34	
Payroll & Payroll Tax	15.70%	928	0.82	
Repairs & Maintenance	9.08%	536	0.48	
Utilities	3.16%	187	0.17	
Water, Sewer, & Trash	3.10%	183	0.16	
Property Insurance	3.82%	226	0.20	
Property Tax	2.7084	9.17%	542	0.48
Reserve for Replacements	3.38%	200	0.18	
Supportive Services, Security	2.37%	140	0.12	
<b>TOTAL EXPENSES</b>	<b>61.99%</b>	<b>\$3,663</b>	<b>\$3.25</b>	
<b>NET OPERATING INC</b>	<b>38.01%</b>	<b>\$2,247</b>	<b>\$1.99</b>	

**DEBT SERVICE**

First Lien Mortgage	22.31%	\$1,319	\$1.17
HTF Loan	3.30%	\$195	\$0.17
Other Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>12.40%</b>	<b>\$733</b>	<b>\$0.65</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)		3.04%	\$2,539	\$2.25
Off-Sites		0.00%	0	0.00
Sitework		7.79%	6,500	5.76
Direct Construction		54.87%	45,802	40.60
Contingency	4.59%	2.88%	2,403	2.13
General Req'ts	6.00%	3.76%	3,138	2.78
Contractor's G & A	2.00%	1.25%	1,046	0.93
Contractor's Profit	6.00%	3.76%	3,138	2.78
Indirect Construction		4.65%	3,881	3.44
Ineligible Costs		0.95%	795	0.71
Developer's G & A	2.58%	2.13%	1,774	1.57
Developer's Profit	12.42%	10.22%	8,533	7.56
Interim Financing		3.36%	2,804	2.49
Reserves		1.33%	1,112	0.99
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$83,466</b>	<b>\$73.99</b>
<b>Recap-Hard Construction Costs</b>		<b>74.31%</b>	<b>\$62,027</b>	<b>\$54.99</b>

**SOURCES OF FUNDS**

First Lien Mortgage	18.83%	\$15,715	\$13.93
HTF Loan	7.02%	\$5,859	\$5.19
LIHTC Syndication Proceeds	82.96%	\$69,242	\$61.38
City of Abilene CDBG Grant	0.02%	\$16	\$0.01
Deferred Developer Fees	1.43%	\$1,194	\$1.06
Additional (excess) Funds Required	-10.26%	(\$8,559)	(\$7.59)
<b>TOTAL SOURCES</b>			

	<b>TDHCA</b>	<b>APPLICANT</b>
	<b>\$397,392</b>	<b>\$340,860</b>
	11,520	11,520
	0	0
	\$408,912	\$352,380
	(30,668)	(26,424)
	0	0
	\$378,244	\$325,956
	\$21,378	\$24,780
	24,802	\$17,927
	59,389	\$48,873
	34,334	\$32,704
	11,944	\$7,360
	11,744	\$12,224
	14,438	\$14,400
	34,668	\$32,000
	12,800	\$12,800
	8,960	\$8,960
	\$234,456	\$212,028
	\$143,787	\$113,928
	\$84,387	\$84,387
	12,500	12,500
	0	0
	\$46,900	\$17,041
	1.48	1.18
	1.30	

	USS Region	2	
	IREM Region	6	
	Per Unit Per Month	\$15.00	
	of Potential Gross Rent	-7.50%	
	PER SQ FT	PER UNIT	% OF EGI
	\$0.34	\$387	7.60%
	0.25	280	5.50%
	0.68	764	14.99%
	0.45	511	10.03%
	0.10	115	2.26%
	0.17	191	3.75%
	0.20	225	4.42%
	0.44	500	9.82%
	0.18	200	3.93%
	0.12	140	2.75%
	\$2.94	\$3,313	65.05%
	\$1.58	\$1,780	34.95%
	\$1.17	\$1,319	25.89%
	\$0.17	\$195	3.83%
	\$0.00	\$0	0.00%
	\$0.24	\$266	5.23%

	<b>TDHCA</b>	<b>APPLICANT</b>
	<b>\$162,500</b>	<b>\$162,500</b>
	0	0
	416,000	416,000
	2,931,304	3,342,800
	153,792	153,792
	200,838	224,688
	66,946	74,896
	200,838	224,688
	248,400	248,400
	50,897	50,897
	113,517	198,589
	546,119	546,119
	179,457	179,457
	71,195	66,784
	\$5,341,804	\$5,889,610
	\$3,969,719	\$4,436,864

	<b>RECOMMENDED</b>	
	\$1,005,740	Developer Fee Available
	375,000	\$659,636
	3,960,064	% of Dev. Fee Deferred
	1,000	0%
	0	15-Yr Cumulative Cash Flow
	0	\$705,220.59
	\$5,341,804	

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Anson Park, Abilene, LIHTC #03066*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.44	\$2,991,880
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.59	\$186,993
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(72,914)
Floor Cover			2.42	174,845
Porches/Balconies	\$29.24	2228	0.90	65,132
Plumbing	\$615	192	1.64	118,080
Built-In Appliances	\$1,625	64	1.44	104,000
Interior Stairs	\$865	32	0.38	27,680
Floor Insulation			0.00	0
Heating/Cooling			1.47	106,122
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$59.56	3,000	2.48	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>53.75</b>	<b>3,880,505</b>
Current Cost Multiplier	1.03		1.61	116,415
Local Multiplier	0.90		(5.38)	(388,050)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.99</b>	<b>\$3,608,869</b>
Plans, specs, survey, bld perm	3.90%		(\$1.95)	(\$140,746)
Interim Construction Interest	3.38%		(1.69)	(121,799)
Contractor's OH & Profit	11.50%		(5.75)	(415,020)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.60</b>	<b>\$2,931,304</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,005,740	Term	360
Int Rate	7.50%	DCR	1.70

<b>Secondary</b>	\$375,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.48

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.48

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$84,387
Secondary Debt Service	26,261
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$33,139</b>

<b>Primary</b>	\$1,005,740	Term	360
Int Rate	7.50%	DCR	1.70

<b>Secondary</b>	\$375,000	Term	360
Int Rate	5.75%	Subtotal DCR	1.30

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

**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	\$397,392	\$409,314	\$421,593	\$434,241	\$447,268	\$518,506	\$601,091	\$696,829	\$936,480
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	408,912	421,179	433,815	446,829	460,234	533,537	618,516	717,030	963,628
Vacancy & Collection Loss	(30,668)	(31,588)	(32,536)	(33,512)	(34,518)	(40,015)	(46,389)	(53,777)	(72,272)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$378,244</b>	<b>\$389,591</b>	<b>\$401,279</b>	<b>\$413,317</b>	<b>\$425,717</b>	<b>\$493,522</b>	<b>\$572,127</b>	<b>\$663,252</b>	<b>\$891,356</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$21,378	\$22,233	\$23,122	\$24,047	\$25,009	\$30,427	\$37,019	\$45,039	\$66,669
Management	24,802	25,546	26,313	27,102	27,915	32,361	37,515	43,491	58,448
Payroll & Payroll Tax	59,389	61,764	64,235	66,804	69,477	84,529	102,842	125,123	185,213
Repairs & Maintenance	34,334	35,708	37,136	38,621	40,166	48,868	59,456	72,337	107,077
Utilities	11,944	12,422	12,919	13,435	13,973	17,000	20,683	25,164	37,249
Water, Sewer & Trash	11,744	12,213	12,702	13,210	13,738	16,715	20,336	24,742	36,624
Insurance	14,438	15,016	15,617	16,241	16,891	20,550	25,003	30,420	45,028
Property Tax	34,668	36,054	37,496	38,996	40,556	49,343	60,033	73,039	108,116
Reserve for Replacements	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Other	8,960	9,318	9,691	10,079	10,482	12,753	15,516	18,877	27,943
<b>TOTAL EXPENSES</b>	<b>\$234,456</b>	<b>\$243,587</b>	<b>\$253,075</b>	<b>\$262,934</b>	<b>\$273,181</b>	<b>\$330,765</b>	<b>\$400,569</b>	<b>\$485,201</b>	<b>\$712,286</b>
<b>NET OPERATING INCOME</b>	<b>\$143,787</b>	<b>\$146,004</b>	<b>\$148,204</b>	<b>\$150,383</b>	<b>\$152,536</b>	<b>\$162,758</b>	<b>\$171,559</b>	<b>\$178,052</b>	<b>\$179,069</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387
Second Lien	26,261	26,261	26,261	26,261	26,261	26,261	26,261	26,261	26,261
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$33,139</b>	<b>\$35,357</b>	<b>\$37,556</b>	<b>\$39,735</b>	<b>\$41,888</b>	<b>\$52,110</b>	<b>\$60,911</b>	<b>\$67,404</b>	<b>\$68,422</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.32</b>	<b>1.34</b>	<b>1.36</b>	<b>1.38</b>	<b>1.47</b>	<b>1.55</b>	<b>1.61</b>	<b>1.62</b>

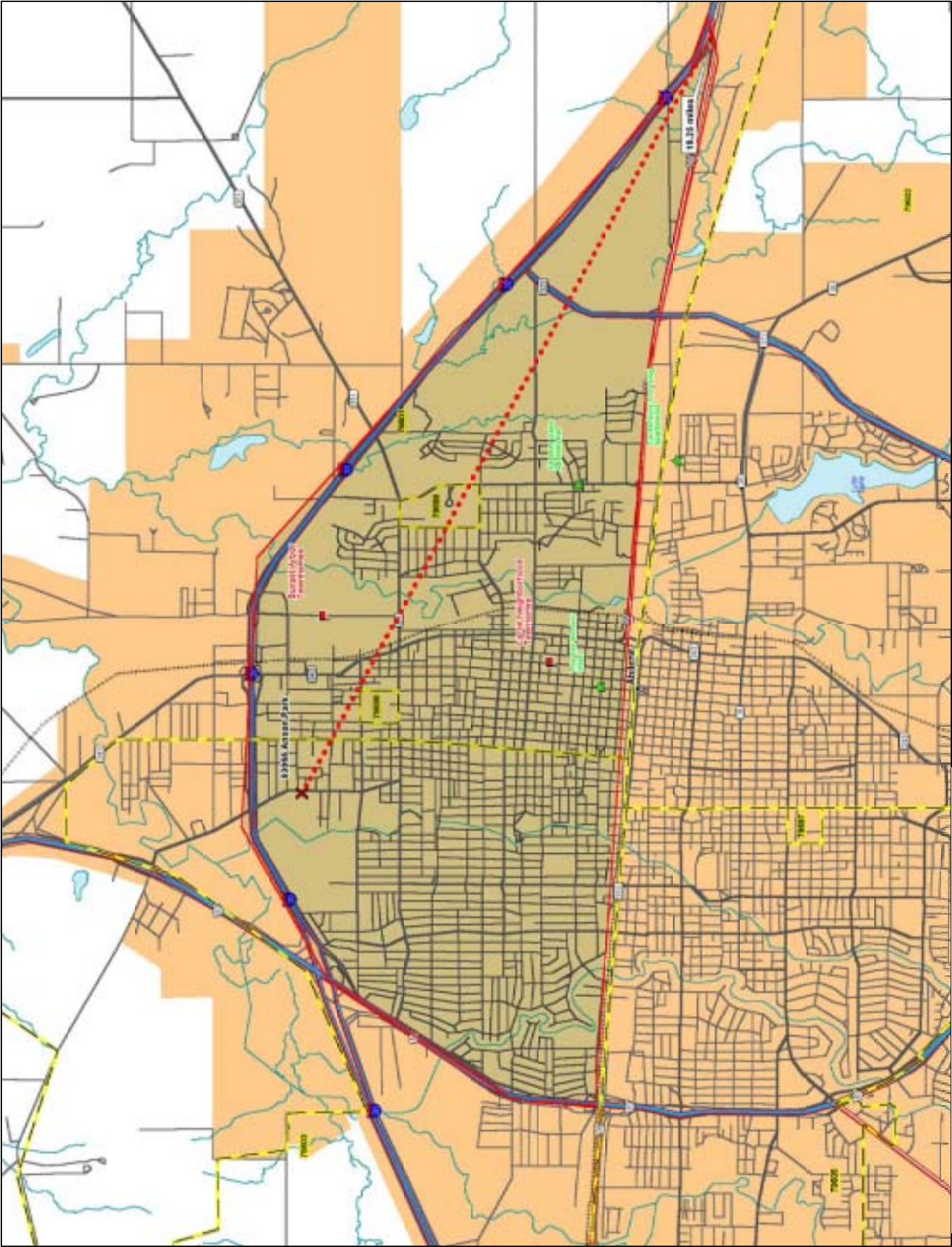
**LIHTC Allocation Calculation - Anson Park, Abilene, LIHTC #03066**

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	\$162,500	\$162,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$416,000	\$416,000	\$416,000	\$416,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,342,800	\$2,931,304	\$3,342,800	\$2,931,304
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$74,896	\$66,946	\$74,896	\$66,946
Contractor profit	\$224,688	\$200,838	\$224,688	\$200,838
General requirements	\$224,688	\$200,838	\$224,688	\$200,838
<b>(5) Contingencies</b>	\$153,792	\$153,792	\$153,792	\$153,792
<b>(6) Eligible Indirect Fees</b>	\$248,400	\$248,400	\$248,400	\$248,400
<b>(7) Eligible Financing Fees</b>	\$179,457	\$179,457	\$179,457	\$179,457
<b>(8) All Ineligible Costs</b>	\$50,897	\$50,897		
<b>(9) Developer Fees</b>			\$729,708	
Developer overhead	\$198,589	\$113,517		\$113,517
Developer fee	\$546,119	\$546,119		\$546,119
<b>(10) Development Reserves</b>	\$66,784	\$71,195		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,889,610</b>	<b>\$5,341,804</b>	<b>\$5,594,429</b>	<b>\$5,057,212</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>			\$5,594,429	\$5,057,212
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$7,272,758	\$6,574,376
Applicable Fraction			93.75%	93.75%
<b>TOTAL QUALIFIED BASIS</b>			\$6,818,211	\$6,163,477
Applicable Percentage			8.07%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$550,230	\$514,034

Syndication Proceeds	0.7899	\$4,346,379	\$4,060,462
<b>Total Credits (Eligible Basis Method)</b>		<b>\$550,230</b>	<b>\$514,034</b>
Syndication Proceeds		\$4,346,379	\$4,060,462
Requested Credits		\$561,000	
Syndication Proceeds		\$4,431,457	
<b>Gap of Syndication Proceeds Needed</b>			<b>\$3,960,064</b>
Credit Amount			\$501,324





5,000 ft

Scale: 1 : 62,500 Zoom Level: 11-6 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 6.9°E

# Developer Evaluation

Project ID # **03160**

Name: **Villas on Sixth Apartments**

City: **Austin**

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: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 3

### 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, July 18, 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 S Roth Date 7/11/2003

## 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 7/16/2003

## 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 \_\_\_\_\_ Date \_\_\_\_\_

## 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 7/17/2003

Executive Director: Edwina Carrington

Executed: Wednesday, July 23, 2003

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

**DATE:** July 20, 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03160

**DEVELOPMENT NAME**

Villas on Sixth

**APPLICANT**

**Name:** Villas on Sixth Housing Associates, LP      **Type:** For Profit  
**Address:** 505 Barton Springs Road, Suite 600      **City:** Austin      **State:** TX  
**Zip:** 78704      **Contact:** Martin Gonzalez      **Phone:** (512) 974-3103      **Fax:** (512) 974-3112

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Villas on Sixth Nonprofit Corporation      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Campbell-Hogue and Associates TX      **(%):** N/A      **Title:** Co-Developer  
**Name:** Austin Housing Finance Corporation      **(%):** N/A      **Title:** Co-Developer

**PROPERTY LOCATION**

**Location:** 1900 block of East 6<sup>th</sup> Street       **QCT**       **DDA**  
**City:** Austin      **County:** Travis      **Zip:** 78702

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,190,349	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

\*While the 100% General Partner appears to be a nonprofit instrumentality of the City of Austin, the Applicant did not select the nonprofit set aside in the application.

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,072,039 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of documentation indicating an Asbestos Sampling and Analytical program performed prior to demolition of the existing warehouse on the southern portion of the site and compliance with any recommendations of such program;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.



**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>8</u>	<b># Common Area Bldgs</b>	<u>2</u>	<b># of Floors</b>	<u>3</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u> at			
<b>Net Rentable SF:</b>	<u>143,998</u>	<b>Av Un SF:</b>	<u>900</u>	<b>Common Area SF:</b>	<u>4,475</u>	<b>Gross Bldg SF:</b>	<u>48,473</u>							

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 20% stone veneer 80% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, fitness & laundry facilities, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area, perimeter fencing with limited access gate(s)

**Uncovered Parking:** 223 spaces    **Carports:** 80 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villas on Sixth is a relatively dense 26 units per acre new construction development of 160 units of affordable housing located in east Austin. The development is comprised of eight garden style walk-up residential buildings as follows:

- One Building Type I with 12 one-bedroom/ one-bath units, 24 two- bedroom/ two-bath units, and eight three- bedroom/ two-bath units;
- One Building Type II with 24 one-bedroom/ one-bath units and 12 two- bedroom/ two-bath units;
- One Building Type III with ten one-bedroom/ one-bath units;
- Four Building Type IV with eight three- bedroom/ two-bath units; and
- One Building Type V with 30 two- bedroom/ two-bath units and eight three- bedroom/ two-bath units.

The site will include a centrally located community building attached by covered walkways to two residential Building Type IV. In addition, the northeast corner of the site will include a YMCA Learning Center, which will share two common walls with residential buildings. Finally, two separate laundry facilities will be located on a median in the center of each of two unconnected parking areas.

**Architectural Review:** The unit floorplans indicate typical multifamily units with adequate storage and living space. All units include a utility closet with space for full-size appliances. The elevation drawings for the residential buildings show simple, but attractive exteriors, also typical of new construction multifamily developments. The community building and YMCA Learning Center appear to house many tenant-accessible areas as well as offices for staff. The site plan lacks significant green space other than the area in which the pool and playscape are located adjacent to the community building.

**Supportive Services:** The YMCA of Austin will provide optional supportive services at no additional cost to residents including: an after school program, computer classes, English as a Second Language courses, financial planning, etc.

**Schedule:** The Applicant anticipates construction to begin in July of 2004, to be completed in July of 2005, to be placed in service in August of 2005, and to be substantially leased-up in June of 2006.

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SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	6.085	acres	265,063 square feet
<b>Zoning/ Permitted Uses:</b>	CS-MU-CO-NP		
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is located at the intersection of East 6<sup>th</sup> Street and Robert Martinez, Jr. Street, 0.9 miles east of Interstate Highway 35.

**Adjacent Land Uses:** The proposed apartment site is surrounded by a variety of commercial and residential land uses.

- **North:** 6<sup>th</sup> Street, Capital Area Rural Transportation Services station and US Post Office
- **South:** railroad, Pure Castings
- **East:** Robert Martinez Jr. Boulevard, Gulf Coast Papers
- **West:** CVE construction warehouse

The northeast corner of 6th Street and Robert Martinez is the site of a new UT Charter set to open in the fall of 2003. The east side of Robert Martinez between 5th and 6th Streets will be the Perry Lorenz/Larry Warsaw live/work for-sale units.

**Site Access:** The site can be accessed directly from 6<sup>th</sup> Street and Robert Martinez Jr. Boulevard. The Austin MSA is served by Interstate Highway 35 which provides access to San Antonio to the southwest and Dallas/Fort Worth to the north, Highway 290 which provides access to Houston to the southeast, Highway 183, and Mopac Expressway, an alternate north-south route for city commuters.

**Public Transportation:** Public transportation to the area is provided by Capital Metro with bus stops located regularly along 6<sup>th</sup> Street.

**Shopping & Services:** The subject neighborhood is served by the Austin Independent School District with all levels of schools located within 2 miles as well as a University of Texas at Austin Charter elementary school located across 6<sup>th</sup> street. In addition to the University of Texas, the Austin area is served by many smaller colleges and universities as well as a large community college system. Several large groceries are located within a three-mile radius as well as one located within walking distance. Several health clinics are also located within walking distance. The site is in close proximity to two major area hospitals.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 2, 2003. Despite the guidelines for rating of sites based on the percentage of ratings from very good to poor for various attributes which would roll up to a final acceptable rating score, the staff inspector concluded the site to be poor for the proposed multifamily development. Onsite underground storage tanks and railroad spurs, the industrial/warehouse use of surrounding properties, and substandard condition of the scattered single family homes in the area contributed to the inspector's final opinion. However, based on the ratings for linkage attributes, the site should be considered to be acceptable to maintain consistency with site inspections for other proposed developments throughout the state.

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

A Phase I Environmental Site Assessment report dated December 16, 2002 was prepared by HBC/Terracon and contained the following findings and recommendations:

Previous investigations indicated onsite soil had been impacted by Total Petroleum Hydrocarbons (TPH) and lead and groundwater had been impacted by TPH, but at concentrations below state action levels. Subsurface investigation subsequent to enrollment in the State Voluntary Cleanup Program (VCP) resulted in a Certificate of Completion (COC) from the TCEQ in July of 2002. The southern portion of the site contains monitor wells associated with the cleanup that were in the process of being plugged as of December 10, 2002.

The southern one-half of the site contains facilities associated with past railroad activity including tracks, AST foundation, concrete slabs, a shed, and valves of unknown use. An inaccessible warehouse, also

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

located on the southern portion of the site, may be a concern due to possible Asbestos Containing Materials (ACMs). Therefore, HBC/Terracon states, "An Asbestos Sampling and Analytical program should be conducted when access to the warehouse building on Tract 4 can be obtained or prior to any demolition activity. Additional recommendations may be necessary if ACM is identified in the building." The ESA conclusion states, "Based on the scope of services and limitations of this assessment, HBC/Terracon did not identify recognized environmental conditions in connection with the site, which in our opinion, require additional investigation at this time."

Receipt, review and acceptance of documentation indicating an Asbestos Sampling and Analytical program performed prior to demolition of the existing warehouse on the southern portion of the site and compliance with any recommendations of such program is a condition of this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and thirty-six of the units (85% of the total) will be reserved for low-income tenants. Sixty of the units (37.5%) will be reserved for households earning 40% or less of AMGI, 76 units (47.5%) will be reserved for households earning 50% or less of AMGI, and the remaining 24 units (15%) will be offered at market rents.

<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>50% of AMI</b>	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250

**MARKET HIGHLIGHTS**

A market feasibility study dated January 27, 2003 was prepared by Capitol Market Research and highlighted the following findings:

**Definition of Primary Market Area:** IH 35 to the west, US Highway 290 to the north, FM 973 to the east, and the Colorado River to the south. The Underwriter feels that the market analyst's defined primary market area is not necessarily the most appropriate for the subject development because it includes areas all the way to Manor 11.5 miles to the east and Del Valle 5 miles southeast while excluding more homogenous areas across the river that are one mile away. The Underwriter defined two alternate primary market areas for purposes of this underwriting analysis. In one the entire City of Austin with a 2001 population of 672,974 is considered. In the second, the area bound by IH 35 to the west, Highway 290 to the north, Highway 183 to the East and Highway 71 to the south (zip codes 78702, 78721, 78722, 78723 and 78741) with a 2001 population of 109,794 is considered.

**Population:** The estimated 2001 population of the primary market area as defined by the Market Analyst was 98,656 and is expected to increase to approximately 107,814 by 2006. Within the primary market area there were estimated to be 33,849 households in 2003.

**Total Primary Market Demand for Rental Units:** The Underwriter utilized the citywide population growth rate, targeted income eligible renter household ratio and turnover ratio estimated by the Market Analyst and demographic information presented on the HUD website to determine the annual demand figures presented in the chart below.

<b>ANNUAL INCOME-ELIGIBLE PRIMARY MARKET DEMAND SUMMARY</b>						
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>			
	<i>Defined Boundary</i>		<i>Zip Codes: 787-02, 21, 22, 23 &amp; 41</i>		<i>City of Austin</i>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	329	9.3%	95	2.3%	682	2.5%
Resident Turnover	3,205	90.7%	3,964	97.7%	26,699	97.5%

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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<b>TOTAL</b>	3,534	100%	4,059	100%	27,381	100%
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Ref: SUMMARY SHEET

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 19.3%. Based upon the Market Analyst’s definition of the primary market area for the subject and including an additional 240 income-restricted one- to three-bedroom family units to be constructed within the market area, the Underwriter has calculated an inclusive capture rate of 11%. However, as stated above, the Underwriter feels that the Market Analyst’s defined market area is not necessarily the most appropriate for the subject development. Based on a primary market area defined as areas encompassed within zip codes 78702, 78721, 78722, 78723, and 78741 and including an additional 1,024 income-restricted one- to three-bedroom family units to be constructed within the market area, the Underwriter has calculated an unacceptable inclusive capture rate of 24% due to the necessary inclusion of 846 units of unstabilized affordable housing across the river. If the entire City of Austin is considered the primary market area, the concentration capture rate would be reduced to 5%. A strong argument could be made that an affordable new construction development located in close proximity to the central business district would attract tenants from all areas of the City of Austin however the population of a primary market that large is more than double the Department’s guideline.

**Market Rent Comparables:** The Market Analyst surveyed 14 market rate apartment projects totaling 2,357 units in the market area. (p. 36)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (40%)</b>	\$433	\$469	-\$36	\$600	-\$167
<b>1-Bedroom (50%)</b>	\$559	\$602	-\$43	\$600	-\$41
<b>1-Bedroom (MR)</b>	\$600	N/A		\$600	\$0
<b>2-Bedroom (40%)</b>	\$518	\$558	-\$40	\$720	-\$202
<b>2-Bedroom (50%)</b>	\$669	\$718	-\$49	\$720	-\$51
<b>2-Bedroom (MR)</b>	\$720	N/A		\$720	\$0
<b>3-Bedroom (40%)</b>	\$596	\$642	-\$46	\$832	-\$236
<b>3-Bedroom (50%)</b>	\$770	\$827	-\$57	\$832	-\$62
<b>3-Bedroom (MR)</b>	\$832	N/A		\$832	\$0

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

**Primary Market Occupancy Rates:** “The most recent survey [of the Villas on Sixth market area] (November 2002) revealed an average occupancy of 89.4%, slightly lower than the Austin occupancy of 90.3%.” (p. 31)

**Absorption Projections:** The Market Analyst did not forecast an absorption rate specific to the subject development.

**Known Planned Development:** The Market Analyst lists several sites in the defined primary market area that may be competitive in the future. However, development on these sites is not guaranteed at completion of this underwriting report and, therefore, the potential comparable units will not be included in the Underwriter’s demand analysis. (p. 43)

Thought the Underwriter disagrees with the Market Analyst’s primary market area definition and the Market Analyst did not provide all of the required elements identified in the Department’s guidelines the Underwriter was able to locate sufficient additional information and incorporate it with the Market Analyst’s data in order to make a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections, which are \$36 to \$57 less than the 2003 LIHTC limits, are based upon the rent structure presented in the submitted market analysis. The market analysis implies that the maximum 40% and 50% rents can not be achieved because the market rents are so depressed. A tenant in

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

these income ranges, however, have few options of this quality available except at higher 50% and 60% income based rents. Although the underwriting analysis generally includes the maximum net rents for the set-asides selected, the monthly rent for the subject one-bedroom units affordable at 50% of AMGI was reduced by \$2 to reflect the market rent conclusion of the market analyst. The Applicant's secondary income and vacancy assumptions are inline with current underwriting guidelines. Due to the difference in potential gross rent, the Applicant's effective gross income projection is more than 5% lower than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,347 per unit is within 5% of the Underwriter's estimate. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to underwriting estimates, particularly: general and administrative (\$14K lower), management fee (\$14 lower), payroll (\$22K higher), utilities (\$16K higher) and water sewer trash (\$16K lower.) The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided. The Applicant is co-sponsored by the Austin Housing Finance Corporation, an instrumentality of the City of Austin. The application indicates that this non-profit entity will control 100% of the General Partner, and as such has assumed a property tax exempt status. The Applicant included an opinion from their legal counsel indicating that housing finance corporations are exempt from property taxes. Therefore, the Underwriter made this assumption as well. It should also be noted that the lender has indicated a replacement reserve of \$250 per unit which is above the minimum underwriting amount of \$200 per unit.

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

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
<b>Land: 6.09 acres</b>	\$729,042	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$0	<b>Valuation by:</b>	Travis County Appraisal District
<b>Total Assessed Value:</b>	\$729,042	<b>Tax Rate:</b>	2.5721
EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Earnest Money Contract		
<b>Contract Expiration Date:</b>	12/ 11/ 2003	<b>Anticipated Closing Date:</b>	11/ 11/ 2003
<b>Acquisition Cost:</b>	\$1,900,000	<b>Other Terms/Conditions:</b>	Up to \$500,000 in non-refundable earnest money will be paid by closing (based on roughly \$10,000 per month since execution of contract.) Seller will take back a note of 8% which matures and must be paid in full one year from the closing date.
<b>Seller:</b>	Perry Lorenz	<b>Related to Development Team Member:</b>	No

CONSTRUCTION COST ESTIMATE EVALUATION	
<b>Acquisition Value:</b>	The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.
<b>Off-Site Costs:</b>	The Applicant claimed off-site costs of \$200K for storm drains and devices, off-site utilities,

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sewer laterals and off-site paving and provided sufficient third party certification through a third party registered architect.

**Sitework Cost:** The Applicant's claimed eligible sitework costs of \$7,125 per unit are considered reasonable based upon 2003 sitework cost guidelines for multifamily projects. Although the Applicant chose to reduce site work costs included in eligible basis by \$60K, it is not clear if this sum is for demolition of the existing warehouse on the southern portion of the site or for other ineligible costs associated with sitework though no other demolition costs were identified.

**Direct Construction Cost:** The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated. The Applicant indicated reasons for the higher than normal cost to be extensive air conditioned interior corridors and stairs, additional commercial area space, city imposed design and infrastructure costs. The Underwriter has adopted the Applicant's costs or included adjustments for all these issues and included carports (in ineligible costs like commercial space per the Applicant) and identified and included other high cost features such as nine-foot ceilings and fire sprinklers in three story units.

**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 a total of \$61,074 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$9,161. These excesses are further exacerbated when compared to the Underwriter's lower direct construction costs.

**Conclusion:** Due to the Applicant's higher direct construction costs and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is significantly more than 5% higher than the Underwriter's costs. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible LIHTC allocation. As a result an eligible basis of \$11,644,193 is used to determine a credit allocation of \$1,072,039 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE					
INTERIM to PERMANENT FINANCING					
<b>Source:</b>	MuniMae Midland	<b>Contact:</b>	John Mullaney		
<b>Principal Amount:</b>	\$5,746,000	<b>Interest Rate:</b>	6.25% < 8.75%; 7.50% bank's underwriting rate		
<b>Additional Information:</b>	\$8,361,639 interim loan				
<b>Amortization:</b>	30 yrs	<b>Term:</b>	18 yrs	<b>Commitment:</b>	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$482,136	<b>Lien Priority:</b>	1 <sup>st</sup>	<b>Commitment Date</b>	02/ 14/ 2003
INTERIM to PERMANENT FINANCING					
<b>Source:</b>	Austin Housing Finance	<b>Contact:</b>	Martin Gonzalez		
<b>Principal Amount:</b>	\$500,000	<b>Interest Rate:</b>	Not specified; Applicant has indicated AFR		
<b>Additional Information:</b>	Gap financing through Rental Housing Development Assistance--CDBG and/or HOME Application received by AHF on July 11, 2002				
<b>Amortization:</b>	30 yrs	<b>Term:</b>	15 yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$32,209	<b>Lien Priority:</b>	2 <sup>nd</sup>	<b>Commitment Date</b>	/ /
LIHTC SYNDICATION					
<b>Source:</b>	MuniMae Midland Equity Corporation	<b>Contact:</b>	Ryan Luxon		

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<b>Address:</b>	13455 Noel Road, Suite 1430	<b>City:</b>	Dallas
<b>State:</b>	TX	<b>Zip:</b>	75240
		<b>Phone:</b>	(972) 404-1118
		<b>Fax:</b>	(972) 404-9133
<b>Net Proceeds:</b>	\$9,275,434	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	78¢
<b>Commitment</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
		<b>Date:</b>	02/ 24/ 2003
<b>Additional Information:</b>			

**APPLICANT EQUITY**

<b>Amount:</b>	\$658,056	<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.

The Applicant has applied for HOME/CDBG funds from the owner of the General Partner, the Austin Housing Finance Corporation. Despite the relationship of the financing source and the Applicant and likelihood of receiving these funds, this analysis will also take into consideration the long-term feasibility of the development should the request of \$500K be unavailable. It should also be noted that these funds are anticipated to be issued in the form of a loan at AFR in order to eliminate the potential risk of being characterized as below market federal funds and thereby affect eligible basis.

**LIHTC Syndication:** The Applicant's anticipated syndication proceeds are consistent with the agreement submitted at application. Sixty percent of the proceeds will be made available during the construction phase of the development.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 39% of total developer fees.

**Financing Conclusions:** As stated above, the Underwriter's total development cost estimate is used to determine the eligible annual tax credit allocation of \$1,072,039, which is \$118,310 less than the Applicant's request and the recommended amount is supported by the gap in need. The reduction in the anticipated syndication proceeds is offset by the Underwriter's lower anticipated total development cost estimate indicating a need to defer only \$274,584 in developer fees, or 18% of eligible developer fees. Deferred fees in this amount appear to be repayable from cashflow within two years of stabilized operation. In addition, the remaining developer fees are adequate to absorb a loss of \$500K in permanent funds should the development not receive gap financing from Austin Housing Finance corporation. An increase of \$500K in deferred fees does not cause the development to be categorized as infeasible in the long term. Moreover the developer and related party general contractor could defer sufficient repayable (within 15 years at zero percent) developer and contractor fees to support the transaction if the Applicant's significantly higher direct construction costs are ultimately realized.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

A Co-Developer, Campbell-Hogue, and the General Contractor are related entities. In addition, the second Co-Developer, Austin Housing Finance Corporation, will create a nonprofit entity to take on the role of General Partner. These relationships are not uncommon 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.
- A Co-Developer, Austin Housing Finance Corporation, will form the nonprofit General Partner and have the authority to appoint the board of directors, but board members will not have an individual ownership stake in nor guarantee financing for the development.
- A Co-Developer, Campbell-Hogue and Associates TX, submitted an unaudited financial statement as of December 20, 2003 reporting total assets of \$11.3M and consisting of cash, receivables, other current

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assets, real property, fixtures, long-term contracts, and investments. Liabilities totaled \$4.2M, resulting in a net worth of \$7.1M.

- The principals of Campbell-Hogue and Associates TX, Terry N. Campbell and James H. Hogue, submitted unaudited financial statements as of December 20, 2002.

**Background & Experience:**

- The Applicant and General Partner are entities to be formed for the purpose of developing the project.
- Mr. Campbell and Mr. Hogue have participated in numerous affordable housing developments within Texas and other states since 1982.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental/location risk exists regarding the possible presence of Asbestos Containing Materials in a warehouse structure located on the southern portion of the site.

**Underwriter:**

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

**Date:** July 20, 2003

**Director of Real Estate Analysis:**

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

**Date:** July 20, 2003



**MULTIFAMILY COMPARATIVE ANALYSIS**

*Villas on Sixth, Austin, 9% LIHTC 03160*

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr. Swr. Trsh
TC 40%	6	1	1	736	\$533	\$469	\$2,814	\$0.64	\$64.00	\$40.00
TC 50%	6	1	1	736	666	600	3,600	0.82	64.00	40.00
TC 40%	14	1	1	750	533	469	6,566	0.63	64.00	40.00
TC 50%	14	1	1	750	666	600	8,400	0.80	64.00	40.00
MR	6	1	1	750		600	3,600	0.80	64.00	40.00
TC 40%	8	2	2	901	640	558	4,464	0.62	82.00	46.00
TC 50%	14	2	2	901	800	718	10,052	0.80	82.00	46.00
TC 40%	16	2	2	915	640	558	8,928	0.61	82.00	46.00
TC 50%	16	2	2	915	800	718	11,488	0.78	82.00	46.00
MR	12	2	2	915		720	8,640	0.79	82.00	46.00
TC 40%	8	3	2	1,026	739	642	5,136	0.63	97.00	70.00
TC 50%	16	3	2	1,026	924	827	13,232	0.81	97.00	70.00
TC 40%	8	3	2	1,040	739	642	5,136	0.62	97.00	70.00
TC 50%	10	3	2	1,040	924	827	8,270	0.80	97.00	70.00
MR	6	3	2	1,040		832	4,992	0.80	97.00	70.00
<b>TOTAL:</b>	<b>160</b>		<b>AVERAGE:</b>	<b>900</b>	<b>\$620</b>	<b>\$658</b>	<b>\$105,318</b>	<b>\$0.73</b>	<b>\$81.33</b>	<b>\$51.48</b>

**INCOME**

Total Net Rentable Sq Ft: **143,998**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
 Other Support Income: Carport and Washer/Dryer rental income

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.65%	\$347	0.39
Management	5.00%	374	0.42
Payroll & Payroll Tax	13.73%	1,026	1.14
Repairs & Maintenance	5.11%	382	0.42
Utilities	3.44%	257	0.29
Water, Sewer, & Trash	5.74%	429	0.48
Property Insurance	2.29%	171	0.19
Property Tax	0.00%	0	0.00
Reserve for Replacements	3.35%	250	0.28
Other Expenses:	2.42%	181	0.20
<b>TOTAL EXPENSES</b>	<b>45.72%</b>	<b>\$3,417</b>	<b>\$3.80</b>
<b>NET OPERATING INC</b>	<b>54.28%</b>	<b>\$4,056</b>	<b>\$4.51</b>

**DEBT SERVICE**

First Lien Mortgage	40.32%	\$3,013	\$3.35
Additional Financing	2.69%	\$201	\$0.22
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>11.26%</b>	<b>\$842</b>	<b>\$0.94</b>

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		13.96%	\$12,984	\$14.43	\$2,077,500	\$2,077,500	\$14.43	\$12,984	12.86%
Off-Sites		1.34%	1,250	1.39	200,000	200,000	1.39	1,250	1.24%
Sitework		7.66%	7,125	7.92	1,140,000	1,140,000	7.92	7,125	7.06%
Direct Construction		41.06%	38,193	42.44	6,110,811	7,027,746	48.80	43,923	43.50%
Contingency	4.41%	2.15%	2,000	2.22	320,000	320,000	2.22	2,000	1.98%
General Req'ts	6.00%	2.92%	2,719	3.02	435,049	516,239	3.59	3,226	3.20%
Contractor's G & A	2.00%	0.97%	906	1.01	145,016	172,080	1.20	1,076	1.07%
Contractor's Profit	6.00%	2.92%	2,719	3.02	435,049	516,239	3.59	3,226	3.20%
Indirect Construction		6.36%	5,919	6.58	947,000	947,000	6.58	5,919	5.86%
Ineligible Costs		3.87%	3,598	4.00	575,673	575,673	4.00	3,598	3.56%
Developer's G & A	2.00%	1.36%	1,266	1.41	202,508	250,000	1.74	1,563	1.55%
Developer's Profit	13.00%	8.85%	8,227	9.14	1,316,300	1,434,765	9.96	8,967	8.88%
Interim Financing		3.98%	3,703	4.11	592,461	592,461	4.11	3,703	3.67%
Reserves		2.58%	2,402	2.67	384,287	384,287	2.67	2,402	2.38%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$93,010</b>	<b>\$103.35</b>	<b>\$14,881,653</b>	<b>\$16,153,990</b>	<b>\$112.18</b>	<b>\$100,962</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>57.69%</b>	<b>\$53,662</b>	<b>\$59.63</b>	<b>\$8,585,924</b>	<b>\$9,692,304</b>	<b>\$67.31</b>	<b>\$60,577</b>	<b>60.00%</b>

**SOURCES OF FUNDS**

			TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	38.61%	\$35,913	\$39.90	\$5,746,000	\$5,746,000	Developer Fee Available
Additional Financing	3.36%	\$3,125	\$3.47	500,000	500,000	\$1,518,808
LIHTC Syndication Proceeds	62.33%	\$57,971	\$64.41	9,275,434	9,275,434	% of Dev. Fee Deferred
Deferred Developer Fees	4.42%	\$4,113	\$4.57	658,056	658,056	18%
Additional (excess) Funds Required	-8.72%	(\$8,111)	(\$9.01)	(1,297,837)	(25,500)	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$14,881,653</b>	<b>\$16,153,990</b>	<b>\$3,631,992.68</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Villas on Sixth, Austin, 9% LIHTC 03160*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.41	\$5,962,714
<b>Adjustments</b>				
Exterior Wall Finish	2.40%		\$0.99	\$143,105
9' Ceilings	3.00%		1.24	178,881
Roofing			0.00	0
Subfloor			(0.81)	(116,350)
Floor Cover			1.92	276,476
Porches/Balconies	\$29.24	5,728	1.16	167,487
Plumbing	\$615	408	1.74	250,920
Built-In Appliances	\$1,625	160	1.81	260,000
Exterior Stairs	\$1,625	32	0.36	52,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	211,677
Interior Corridors	\$41.41	17,405	5.00	720,699
Comm &/or Aux Bldgs	\$56.80	4,475	1.77	254,200
Other: Fire Sprinklers	\$2.55	35,824	0.63	91,351
<b>SUBTOTAL</b>			<b>58.70</b>	<b>8,453,161</b>
Current Cost Multiplier	1.03		1.76	253,595
Local Multiplier	0.86		(8.22)	(1,183,442)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.25</b>	<b>\$7,523,313</b>
Plans, specs, survy, bld prn	3.90%		(\$2.04)	(\$293,409)
Interim Construction Interest	3.38%		(1.76)	(253,912)
Contractor's OH & Profit	11.50%		(6.01)	(865,181)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.44</b>	<b>\$6,110,811</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$5,746,000	Term	360
Int Rate	7.50%	DCR	1.35

<b>Secondary</b>	\$500,000	Term	360
Int Rate	5.00%	Subtotal DCR	1.26

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.26

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$482,122
Secondary Debt Service	28,957
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$137,904</b>

<b>Primary</b>	\$5,746,000	Term	360
Int Rate	7.50%	DCR	1.35

<b>Secondary</b>	\$500,000	Term	360
Int Rate	4.09%	Subtotal DCR	1.27

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.27

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,263,816	\$1,301,730	\$1,340,782	\$1,381,006	\$1,422,436	\$1,648,993	\$1,911,635	\$2,216,109	\$2,978,265
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income: Carport	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,292,616	1,331,394	1,371,336	1,412,476	1,454,851	1,686,571	1,955,198	2,266,610	3,046,134
Vacancy & Collection Loss	(96,946)	(99,855)	(102,850)	(105,936)	(109,114)	(126,493)	(146,640)	(169,996)	(228,460)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,195,670	\$1,231,540	\$1,268,486	\$1,306,541	\$1,345,737	\$1,560,078	\$1,808,558	\$2,096,614	\$2,817,674
EXPENSES at 4.00%									
General & Administrative	\$55,568	\$57,791	\$60,102	\$62,506	\$65,007	\$79,091	\$96,226	\$117,073	\$173,297
Management	59,783	61,577	63,424	65,327	67,287	78,004	90,428	104,831	140,884
Payroll & Payroll Tax	164,158	170,724	177,553	184,655	192,041	233,648	284,268	345,856	511,951
Repairs & Maintenance	61,110	63,555	66,097	68,741	71,491	86,979	105,823	128,750	190,582
Utilities	41,108	42,752	44,462	46,240	48,090	58,509	71,185	86,608	128,200
Water, Sewer & Trash	68,639	71,385	74,240	77,210	80,298	97,695	118,861	144,613	214,063
Insurance	27,360	28,454	29,592	30,776	32,007	38,941	47,378	57,643	85,325
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	28,960	30,118	31,323	32,576	33,879	41,219	50,149	61,014	90,316
TOTAL EXPENSES	\$546,686	\$567,956	\$590,058	\$613,027	\$636,894	\$771,018	\$933,586	\$1,130,662	\$1,659,364
NET OPERATING INCOME	\$648,983	\$663,584	\$678,428	\$693,514	\$708,843	\$789,059	\$874,972	\$965,953	\$1,158,310
DEBT SERVICE									
First Lien Financing	\$482,122	\$482,122	\$482,122	\$482,122	\$482,122	\$482,122	\$482,122	\$482,122	\$482,122
Second Lien	28,957	28,957	28,957	28,957	28,957	28,957	28,957	28,957	28,957
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$137,904	\$152,504	\$167,348	\$182,435	\$197,763	\$277,980	\$363,892	\$454,873	\$647,231
DEBT COVERAGE RATIO	1.27	1.30	1.33	1.36	1.39	1.54	1.71	1.89	2.27

**LIHTC Allocation Calculation - Villas on Sixth, Austin, 9% LIHTC 03160**

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	\$2,077,500	\$2,077,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,140,000	\$1,140,000	\$1,140,000	\$1,140,000
Off-site improvements	\$200,000	\$200,000		
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,027,746	\$6,110,811	\$7,027,746	\$6,110,811
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$172,080	\$145,016	\$163,355	\$145,016
Contractor profit	\$516,239	\$435,049	\$490,065	\$435,049
General requirements	\$516,239	\$435,049	\$490,065	\$435,049
<b>(5) Contingencies</b>				
	\$320,000	\$320,000	\$320,000	\$320,000
<b>(6) Eligible Indirect Fees</b>				
	\$947,000	\$947,000	\$947,000	\$947,000
<b>(7) Eligible Financing Fees</b>				
	\$592,461	\$592,461	\$592,461	\$592,461
<b>(8) All Ineligible Costs</b>				
	\$575,673	\$575,673		
<b>(9) Developer Fees</b>				
			\$1,675,604	
Developer overhead	\$250,000	\$202,508		\$202,508
Developer fee	\$1,434,765	\$1,316,300		\$1,316,300
<b>(10) Development Reserves</b>				
	\$384,287	\$384,287		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$16,153,990</b>	<b>\$14,881,653</b>	<b>\$12,846,295</b>	<b>\$11,644,193</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				
Commercial Space Cost				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$12,846,295	\$11,644,193
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$16,700,184	\$15,137,451
Applicable Fraction			85%	85%
<b>TOTAL QUALIFIED BASIS</b>			\$14,181,204	\$12,854,187
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$1,182,712	\$1,072,039

Syndication Proceeds	0.7799	\$9,224,235	\$8,361,070
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,182,712</b>	<b>\$1,072,039</b>
Syndication Proceeds		\$9,224,235	\$8,361,070
Requested Credits		\$1,190,349	
Syndication Proceeds		\$9,283,794	
<b>Gap of Syndication Proceeds Needed</b>			<b>\$8,635,653</b>
Credit Amount			\$1,107,246



# Developer Evaluation

Project ID # **03168/03827** Name: **Kingsland Trails Apartments** City: **Kingsland**

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: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # 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 Friday, July 18, 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 S Roth Date 7 /11/2003

## 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 7 /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 \_\_\_\_\_ Date \_\_\_\_\_

## 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 7 /17/2003

Executive Director: Edwina Carrington

Executed: Wednesday, July 23, 2003





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

**CONDITIONS**

1. Should the SECO funds not be awarded to the Development the recommended tax credits would increase by \$14,253. Likewise should the HTF funds not be awarded to this Development the recommended tax credits would increase by \$42,008. Thus if neither SECO or HTF funds are awarded to this Development the recommended tax credit allocation would increase to \$444,394.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports. However the site is immediately adjacent to a 76 unit development by a related partnership funded with Low Income Housing Tax Credits from the year 2000. The acquisition price of \$125,000 for 16.32 acres (11.32 used) was reduced \$34,465 by the underwriter at the time to account for the value of the unused five acres. Those five acres represent the site of the current proposed development.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>76</u>	<b># Rental Buildings</b>	<u>10</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>67,600</u>	<b>Av Un SF:</b>	<u>889</u>	<b>Common Area SF:</b>	<u>2,230</u>	<b>Gross Bldg SF:</b>	<u>69,830</u>					

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% stone veneer 25% Hardiplank 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

2,230 square foot community building with activity room, management offices, laundry facilities, kitchen, restrooms, central mailroom, swimming pool and equipped children's play area are located at the entrance to the property.

**Uncovered Parking:** 152 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Kingsland Trails Apartments is a relatively dense 15.2 units per acre new construction development of 76 units of mixed income housing located in Kingsland. The development is comprised of 10 evenly distributed medium garden style walk-up residential buildings as follows:

- (3) Building Type A with eight one-bedroom/one-bath units;
- (2) Building Type B with eight two-bedroom/two-bath units;
- (4) Building Type C with four two-bedroom/two-bath units and four three-bedroom/two-bath units; and
- (1) Building Type D with four two-bedroom/two-bath units;

**Existing Subsidies:** The Applicant submitted a letter from the Marble Falls Housing Authority dated February 25, 2003 indicating that Housing Authority will allocate 16 Section 8 project-based vouchers for the use of extremely low and very-low income residents.

**Architectural Review:** The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units. Each unit will have a semi-private exterior entry that is off an interior breezeway and shared with another unit.

**Supportive Services:** The Applicant certified that the development will provide, at a minimum, three of the service options approved by the Department. The service provider has yet to be determined; however, the Applicant allocated \$2,660 in annual supportive service expenses.

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**Schedule:** The Applicant anticipates construction to begin in April of 2004, to be completed in April of 2005, to be placed in service in July of 2005, and to be substantially leased-up in June of 2005.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	5 acres	217,800	square feet <b>Zoning/ Permitted Uses:</b> No zoning
<b>Flood Zone Designation:</b>	Zone X500- eastern portion of property	<b>Status of Off-Sites:</b>	Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Kingsland is located in the Texas Hill Country, approximately 62 miles northwest of Austin in Llano County. The site is an irregularly-shaped parcel located in the southwest area of Kingsland, approximately 12 miles from Marble Falls. Access to the site is off FM2900 and Big Oaks Drive, which turns to Amber Road.

**Adjacent Land Uses:**

- **North:** Amber Road (dirt road), 76 unit Towne Park in Kingsland (2000 LIHTC) and vacant land
- **South:** vacant land
- **East:** Kingsland Municipal Utility District water plant and two additional LIHTC/USDA developments beyond
- **West:** Multifamily residential property

**Site Access:** The development via FM 2900 to have one main entry, from the north or south from Amber Road. Access to FM 1431 is 0.1 miles north and State Highway 71 is 8.7 miles south via FM 2900 and Ranch 2233, which provides connections to all other major roads serving the Kingsland area.

**Public Transportation:** According to the property appraisal, there is no public transportation available.

**Shopping & Services:** “Marble Falls offers restaurants, gift shops, antique stores, a 24-hour Wal-Mart Super Store, a large HEB grocery store, realtors, auto dealers and repair shops. The nearest regional malls are located in Austin.” (p. 33) Schools are located within 20 miles of the subject and hospitals and health care facilities are located within 9 miles of in Burnet, Texas.

**Special Adverse Site Characteristics:**

- **Flood Plain:** According to the Phase I ESA performed by Phase Engineering, Inc., the east portion of the subject site lies in Zone X500. This zone is defined as: “Areas of 500 year flood; areas of 100 year flood with average depths of less than one foot or drainage areas less than one square mile; and areas protected by levees from 100 year flood.” In addition, the ESA states that “during a flood event, the potential exists for the migration of hazardous substances and/or petroleum products to and/or from the subject site.” (p. 8) The Applicant did not include a mitigation plan for the findings of the ESA report. However, the Applicant’s engineer submitted a letter dated July 2, 2003 stating that the definition of the X500 designation “does not imply that a particular site lies within the 100 year flood plain. The site with an X500 designation lies within a 500 year flood plain that may receive slight inundation during a 100 year flood event. A site that is located in a designated 100 year flood plain will be totally inundated during a 100 year flood event.” Since the Applicant’s engineer has verified that this site does not lie within the 100 year floodplain, no further mitigation is required.
- **Concentration of Multifamily housing:** The subject site is located adjacent to or very near at least four other multifamily developments three of which are tax credit funded and contain 144 units (all elderly). Specific information on the fourth property was not available but the property was referred to in the Phase I ESA. The 144 units represent 31% of the renter occupied housing units on the City of Kingsland.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 17, 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 March 13, 2003 was prepared by Phase Engineering, Inc and contained the following findings and recommendations:



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MULTIFAMILY UNDERWRITING ANALYSIS**

**Findings:**

“Known or suspect environmental conditions associated with the subject site and the environmental professional’s opinion(s) of the impact on the property of known or suspect environmental conditions identified are as follows:

- A search of federal, state and local records indicate that one state Superfund site and one leaking underground storage tank site are located within the standard ASTM search radius (one mile and one half mile respectively). There is no indication that the sites identified in the ASTM Standard Environmental Record Sources search have had or will have an environmental impact to the subject site.” (p. 17)

**Conclusions:**

“This assessment has revealed no evidence of recognized environmental conditions in connection with the property.” (p. 2)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 60 of the units (79% of the total) will be reserved for low-income tenants. Eleven of the units (14%) will be reserved for households earning 30% or less of AMGI, seven units (9%) will be reserved for households earning 40% or less of AMGI, twelve units (16%) will be reserved for households earning 50% or less of AMGI, thirty units (39%) will be reserved for households earning 60% or less of AMGI and the remaining 16 units (21%) will be offered at market rents.

<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>	\$19,800	\$22,620	\$25,440	\$28,260	\$30,540	\$32,760

**MARKET HIGHLIGHTS**

A market feasibility study dated March 31, 2003 was prepared by Apartment Market Data Research Services and highlighted the following findings:

**Definition of Market/Submarket:** “For this analysis we utilized a “primary market area” comprising a 276 square mile Trade Area, which is equivalent to a 10 mile radius, around the city of Kingsland.” (p. 30)

**Population:** The estimated 2002 population of the primary market area was 29,185 and is expected to increase by 3.2% to approximately 33,849 by 2007. Within the primary market area there were estimated to be 12,409 households in 2002.

**Total Local/Submarket Demand for Rental Units:** “Demand for new rental apartment units is considered to be moderate, and market conditions have created a need for new “affordable” housing as existing supply is limited.” (p. 10)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	12	1%	23	5%
Resident Turnover	1,069	99%	456	95%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>1,081</b>	<b>100%</b>	<b>479</b>	<b>100%</b>

Ref: p. 45

**Inclusive Capture Rate:** The Market Analyst calculated a concentration capture rate of 5.6% based upon a supply of unstabilized comparable affordable units of 60 (the subject) divided by a demand of 1,081. The Underwriter calculated a concentration capture rate of 28% based upon a revised supply of unstabilized

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MULTIFAMILY UNDERWRITING ANALYSIS**

comparable affordable units of 136 (the subject's 60 rent restricted units plus 76 units from TownePark in Kingsland) divided by a revised demand of 479. The Underwriter's calculation of demand and capture rate is based upon the information provided in the market study. The Towne Park in Kingsland units were added to the Underwriter's capture rate as a result of confirmation that this property has not yet stabilized however the adjacent property is a seniors only development.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 99 units in the market area. (p. 85)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$174	\$236	+62	\$685	-\$511
<b>1-Bedroom (40%)</b>	\$242	\$324	+82	\$685	-\$443
<b>1-Bedroom (50%)</b>	\$309	\$412	+103	\$685	-\$376
<b>1-Bedroom (60%)</b>	\$377	\$501	+124	\$685	-\$308
<b>1-Bedroom (MR)</b>	\$500	N/A	N/A	\$685	-\$185
<b>2-Bedroom (30%)</b>	\$206	\$280	+74	\$709	-\$503
<b>2-Bedroom (40%)</b>	\$288	\$387	+99	\$709	-\$421
<b>2-Bedroom (50%)</b>	\$369	\$493	+124	\$709	-\$340
<b>2-Bedroom (60%)</b>	\$450	\$599	+149	\$709	-\$259
<b>2-Bedroom (MR)</b>	\$600	N/A	N/A	\$709	-\$109
<b>3-Bedroom (30%)</b>	\$235	\$321	+86	\$819	-\$584
<b>3-Bedroom (40%)</b>	\$329	\$444	+115	\$819	-\$490
<b>3-Bedroom (50%)</b>	\$423	\$566	+143	\$819	-\$396
<b>3-Bedroom (60%)</b>	\$517	\$689	+172	\$819	-\$302
<b>3-Bedroom (MR)</b>	\$700	N/A	N/A	\$819	-\$119

(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 current occupancy of the market area is 94.6% as a result of stable demand." (p. 80)

**Absorption Projections:** "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction." (p. 78) The Underwriter contacted the management company for Towne Park in Kingsland and confirmed that only 50 of the 76 units are occupied after a year of leasing activity and this suggests a much lower 4 unit per month absorption rate. It should be noted that all 76 units at Towne Park are two-bedroom units, and dedicated as elderly units. Thus absorption may be hampered by lack of a diversification of unit type.

**Known Planned Development:** The Analyst did not cite any new or proposed planned developments for the primary market area. The Market Analyst did not discuss the absorption history or include as a comparable the units at the adjacent Towne Park in Kingsland despite being owned and operated by a related party. The Underwriter contacted the property manager who indicated that average market rate for a two-bedroom in the area is around \$300 and therefore there was not much of a rent benefit to tenants at the Towne Park property (all of those units are 50% and/or 60% units).

**Effect on Existing Housing Stock:** "...the proposed project would not have a dramatically detrimental effect on the balance of supply and demand in this market. Also, based on an analysis of the affordable housing market, there is a shortage of newer affordable housing in this market." (p. 11) Of the proposed 76 units 28 are two bedroom and 20 of those would compete indirectly with Towne Park in targeting tenants with incomes at 50% or 60% of AMI. These 20 combined with the 26 to be leased at Towne Park would represent fewer units than had been absorbed in the last year and therefore it is reasonable to assume that the new units will not have an adverse impact.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** At the time of application, the 2003 rent limits had not been released and thus the Applicant used

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MULTIFAMILY UNDERWRITING ANALYSIS**

estimated 2002 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$87,948 in potential gross rent. Additionally, if the Applicant's market rate units were rented at the current market rents, as concluded by the Market Analyst, the Applicant would achieve an additional \$25,848 in rental income. The Applicant's proposed market rents are \$500, 600 and \$700 for the one, two and three-bedroom units, respectively. The Market Analyst's adjusted market rents are \$685, \$709 and \$819 for these units. It should be noted that the Applicant indicated that 2003 rents for Llano County were raised significantly and does not feel confident that the 2003 rents will be achievable in this rural community. However, based on the market study for the proposed project, the 2003 rents are achievable. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,200 per unit is more than 5% higher than a TDHCA database-derived estimate of \$3,005 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$6K lower), repairs and maintenance (\$10K higher), and utilities (\$6K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. In addition, the Applicant claimed a CHDO tax exemption. According to the Applicant, a commitment from the taxing authority will not be available until the proposed development is constructed. However, the Applicant did submit a letter from the taxing authority granting a CHDO tax exemption on a similar property, Towne Park Kingsland, which is located one mile north of the subject site in Kingsland, Texas. Ironically the anticipated expenses for Towne Park were estimated with property taxes to be \$3,200 per unit with property taxes representing approximately \$600 per unit resulting in a net anticipated operating expense estimate of \$2,800 for Towne Park. The largest item of difference between the Towne Park projection and the Applicants current Kingsland Trail expenses is approximately \$300 per unit in additional payroll expense for Kingsland Trail.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in rental income and operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 2.12 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$53K annually using the Applicant's estimated debt service and \$65,655 or a total debt service of \$163,101 based upon the Underwriter's analysis. This results in an additional potential serviceable debt of at least \$709,000, and may reduce the need for other funds.

ACQUISITION VALUATION INFORMATION			
APPRAISED VALUE			
Land Only: 5.00 acres	\$75,000	Date of Valuation:	/ /
Appraiser: Donna Lollar Green	City: Marble Falls	Phone:	(830) 693-2503
APPRAISED ANALYSIS/CONCLUSIONS			
<p><b>Analysis:</b> The land appraisal report for the subject 5 acre property indicates a mean value of \$73,056 and a median value of \$75,734, and a concluded land value of \$75,734. The Appraiser used only three comparables ranging from \$5,800/per acre to \$13,495 per acre, however the only comparable in Kingsland was the larger 16.32 acre original fall of 2000 acquisition of the property of which the subject is the remaining undeveloped portion. Adjustments were made on a whole dollar cost versus a per acre. The appraiser adjusted the original sale by \$3,800 per acre of land over the subject five acres and made a \$6,250 reduction due to the larger site having a small portion in the flood plain. No adjustments were made regarding the subject's inferior access and visibility (the larger site is on FM 2900 while the subject five acres is to the rear of the larger site with access to FM 2900 from a dirt road.) The concluded value of \$15,000 per acre is 10% higher than the highest unadjusted comparable and almost 200%, on a per acre basis, the cost of the original acquisition, and over 250% more than the adjusted lowest comparable which is closest in size to the subject. The Underwriter found the Appraisal to be insufficient in justification and detail to substantiate its conclusion.</p>			
ASSESSED VALUE			

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MULTIFAMILY UNDERWRITING ANALYSIS**

<b>Land: 5.00 acres</b>	\$18,100	<b>Assessment for the Year of:</b>	2003
<b>Building:</b>	N/A	<b>Valuation by:</b>	Llano County Appraisal District
<b>Total Assessed Value:</b>	\$18,100	<b>Tax Rate:</b>	2.3065
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>			
<b>Type of Site Control:</b>	Unimproved Property Contract		
<b>Contract Expiration Date:</b>	03/ 31/ 2004	<b>Anticipated Closing Date:</b>	03/ 31/ 2004
<b>Acquisition Cost:</b>	\$50,000	<b>Other Terms/Conditions:</b>	\$500 earnest money
<b>Seller:</b>	Highland Lakes Housing Opportunities Corporation	<b>Related to Development Team Member:</b>	yes

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The seller, Highland Lakes Housing Opportunities Corporation, is 51% owner of the General Partner and acquired the site as part of a larger 16.32 acre parcel on October 31, 2000 at a cost of \$125,000. This amounts to a prorated cost of \$7,660 per acre or \$38,300 for the subject five acres. While the Appraiser concluded an unsubstantiated \$15K per acre value the assessed value for the subject five acres is a much lower \$3,620 per acre. The Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for a high non-arm's-length sale. Therefore, the Underwriter used a proration of the original purchase price as the appropriate transfer price to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,367 per unit is within the safe harbour underwriting limit of \$7,500 for new for multifamily developments.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$84,739K or 3.1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant also used a slightly overstated 80% applicable fraction instead of the lower square footage applicable fraction of 78.95%.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. It should be noted that the Applicant's cost are less than the Underwriter's costs even when the excess land cost is taken out of the Underwriter's costs. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation from this method. As a result an eligible basis of \$5,131,441 is used to determine a credit allocation of \$439,224 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

<b>Source:</b>	Lend Lease Mortgage Capital	<b>Contact:</b>	Christopher Tawa
<b>Principal Amount:</b>	\$1,100,000	<b>Interest Rate:</b>	6.62% underwritten rate
<b>Additional Information:</b>	The Applicant indicated a rate of 7.5% however the lower 6.62% was quoted in the term sheet		
<b>Amortization:</b>	30 yrs	<b>Term:</b>	18 yrs
<b>Annual Payment:</b>	\$84,477	<b>Lien Priority:</b>	1st
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input checked="" type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Commitment Date</b>	02/ 25/ 2003		

**LIHTC SYNDICATION**

<b>Source:</b>	3,568,000	<b>Contact:</b>	Marie Keutmann
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**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS**

**Address:** 101 Arch Street **City:** Boston  
**State:** MA **Zip:** 02110 **Phone:** (202) 508-8410 **Fax:** (202) 508-7924  
**Net Proceeds:** \$3,568,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 24/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$245,441 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The commitment letter states that the mortgage loan term is 18 years with a 30 year amortization period. The commitment indicates an underwritten interest rate is 6.62% however the Applicant anticipates a 7.50% interest rate per the sources and uses submitted. For purposes of this analysis, the Underwriter used the lenders quoted all-in underwritten rate of 6.62%. The term sheet anticipates a minimum NOI of \$120,750 but based upon the increase in rent limits the Underwriter's anticipated NOI is \$211,925 providing significantly more debt service capacity.

**HTF Request:** The Applicant has also requested Housing Trust Funds in the form of a \$336,000 loan with a 30-year amortization at 1% and a SECO grant in the amount of \$114,000 to support the development. The Underwriting analysis reflects the recommendation that the Housing Trust Fund loan be awarded with a higher 6% interest rate. This would help to lower the development's debt coverage ratio to an acceptable 1.30 maximum based on the 2003 maximum rents. If these funds are not awarded, this development would be eligible for additional tax credits as a result of an increase in the gap based method discussed below.

**LIHTC Syndication:** Lend Lease has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,568,000 based on a syndication factor of 80%. With the significant increase in serviceable debt the need for this level of syndication proceeds is in doubt and a reduction in the credit amount is recommended.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fee of \$245,441 amounts to 37% of the total fees. Prior to reducing credits these deferred fees will be recaptured as the anticipated debt amount increases.

**Financing Conclusions:** The Underwriter's analysis reflects a significantly enhanced debt service capacity resulting from rent limit rents. The Underwriter used maximum net tax credit rents which were less than or equal to the Applicant's anticipated market rents, for example the 60% net rents were \$110 to \$185 less than the Market Analyst's concluded rents. To account for this increased debt service capacity the Underwriter first increased the interest rate on the HTF loan to a maximum 6% and then increased the primary debt amount at the committed rates and terms to absorb the excess debt service capacity until a maximum 1.30 DCR was reached. This methodology provides an additional \$709,000 in primary debt thereby eliminating the need for any deferred developer fee. Since the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, the Applicant's total development cost is used to calculate the tax credit allocation. As a result, an eligible basis of \$5,131,441 is used to calculate a tax credit allocation of \$439,224, resulting in syndication proceeds of approximately \$3,513,092. However, this is \$408,651 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this development should be reduced to not more than \$388,133 or \$58,015 less than requested. The gap method of determining a recommended credit allocation would result in additional recommended credits if the HTF and/or SECO funds are not awarded to the development. If SECO funds are not awarded the recommended tax credit allocation would increase by \$14,253 to \$402,386, if the HTF loan is not approved the recommended tax credit allocation would increase by \$42,008 to \$430,141, and if neither HTF or SECO funds are allocated the tax credit recommendation would increase by \$56,261 to \$444,394.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer and Property Manager firm are all related entities. These are common relationships

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

for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and Co-General Partner, HLHOC Kingsland, Inc., are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Managing General Partner, Highland Lakes Housing Opportunity Corporation, submitted an unaudited financial statement as of February 15, 2003 reporting total assets of \$397K and consisting of \$26K in cash, \$6K in receivables, \$63K in other current assets and \$302K in land, structures and equipment. Liabilities totaled \$424K, resulting in a negative net worth of \$27,854.
- The co-developer, Kilday Development LP, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$13K all consisting of cash. Liabilities and equity totaled \$13K.
- The Special Limited Partner, Kilday Realty Corporation, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$201K and consisting of \$116K in cash, \$56K in work in process, \$78K in other current assets and \$7K in fixed assets. Liabilities totaled \$141K, resulting in a net worth of \$60K.
- The principals of Kilday Development LP, the co-developer, submitted unaudited financial statements as of December 31, 2002.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer, Kilday Development LP, has completed six LIHTC housing developments totaling 826 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** July 20, 2003

**Director of Real Estate Analysis:**

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

**Date:** July 20, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Kingsland Trails Apartments, Kingsland, LIHTC #03168**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
TC30%	4	1	1	675	\$265	\$236	\$944	\$0.35	\$29.00	\$12.00
TC40%	2	1	1	675	353	\$324	\$648	\$0.48	29.00	12.00
TC50%	4	1	1	675	441	\$412	\$1,648	\$0.61	29.00	12.00
TC60%	9	1	1	675	530	\$500	\$4,500	\$0.74	29.00	12.00
MR	5	1	1	675		\$500	\$2,500	\$0.74	29.00	12.00
TC30%	5	2	2	930	317	\$280	\$1,400	\$0.30	37.00	15.00
TC40%	3	2	2	930	424	\$387	\$1,161	\$0.42	37.00	15.00
TC50%	6	2	2	930	530	\$493	2,958	0.53	37.00	15.00
TC60%	14	2	2	930	636	\$599	8,386	0.64	37.00	15.00
MR	8	2	2	930		\$600	4,800	0.65	37.00	15.00
TC30%	2	3	2	1,120	367	\$321	642	0.29	46.00	20.00
TC40%	2	3	2	1,120	490	\$444	888	0.40	46.00	20.00
TC50%	2	3	2	1,120	612	\$566	1,132	0.51	46.00	20.00
TC60%	7	3	2	1,120	735	\$689	4,823	0.62	46.00	20.00
MR	3	3	2	1,120		\$700	2,100	0.63	46.00	20.00
<b>TOTAL:</b>	<b>76</b>		<b>AVERAGE:</b>	<b>889</b>	<b>\$412</b>	<b>\$507</b>	<b>\$38,530</b>	<b>\$0.57</b>	<b>\$36.37</b>	<b>\$15.11</b>

**INCOME**

Total Net Rentable Sq Ft: **67,600**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.78%	\$393	0.44
Management	5.00%	290	0.33
Payroll & Payroll Tax	15.97%	925	1.04
Repairs & Maintenance	6.13%	355	0.40
Utilities	3.28%	190	0.21
Water, Sewer, & Trash	5.92%	343	0.39
Property Insurance	3.84%	222	0.25
Property Tax Exempt	0.00%	0	0.00
Reserve for Replacements	3.45%	200	0.22
Other Expenses: Compliance	1.50%	87	0.10
<b>TOTAL EXPENSES</b>	<b>51.87%</b>	<b>\$3,005</b>	<b>\$3.38</b>
<b>NET OPERATING INC</b>	<b>48.13%</b>	<b>\$2,788</b>	<b>\$3.13</b>

**DEBT SERVICE**

Lend Lease	19.18%	\$1,112	\$1.25
HTF Loan	2.95%	\$171	\$0.19
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>26.00%</b>	<b>\$1,506</b>	<b>\$1.69</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)		0.70%	\$504	\$0.57
Off-Sites		0.00%	0	0.00
Sitework		10.22%	7,367	8.28
Direct Construction		49.72%	35,832	40.28
Contingency	4.36%	2.61%	1,882	2.12
General Req'ts	5.83%	3.50%	2,520	2.83
Contractor's G & A	1.94%	1.16%	839	0.94
Contractor's Profit	5.83%	3.50%	2,520	2.83
Indirect Construction		8.43%	6,076	6.83
Ineligible Costs		2.78%	2,000	2.25
Developer's G & A	2.94%	2.44%	1,761	1.98
Developer's Profit	11.77%	9.77%	7,042	7.92
Interim Financing		3.88%	2,795	3.14
Reserves		1.29%	928	1.04
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$72,066</b>	<b>\$81.02</b>	

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

Lend Lease	20.08%	\$14,474	\$16.27
HTF Loan	6.13%	\$4,421	\$4.97
HTF/SECO Grant			
LIHTC Syndication Proceeds	65.15%	\$46,947	\$52.78
Deferred Developer Fees	4.48%	\$3,229	\$3.63
Additional (excess) Funds Required	2.07%	\$1,494	\$1.68
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$462,360	\$374,520
Secondary Income	13,680	13,680
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$476,040	\$388,200
Vacancy & Collection Loss	(35,703)	(29,112)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$440,337	\$359,088
General & Administrative	\$29,854	\$23,730
Management	22,017	\$18,000
Payroll & Payroll Tax	70,310	\$75,800
Repairs & Maintenance	27,013	\$36,625
Utilities	14,462	\$20,750
Water, Sewer, & Trash	26,056	\$23,720
Property Insurance	16,900	\$22,800
Property Tax Exempt	0	\$0
Reserve for Replacements	15,200	\$15,200
Other Expenses: Compliance	6,600	\$6,600
TOTAL EXPENSES	\$228,412	\$243,225
NET OPERATING INC	\$211,925	\$115,863
Lend Lease	\$84,477	\$92,297
HTF Loan	12,969	17,364
Additional Financing	0	0
NET CASH FLOW	\$114,479	\$6,202
AGGREGATE DEBT COVERAGE RATIO	2.17	1.06
RECOMMENDED DEBT COVERAGE RATIO	1.30	

	PER SQ FT	PER UNIT	% OF EGI
POTENTIAL GROSS RENT	\$0.35	\$312	6.61%
Secondary Income	0.27	237	5.01%
Other Support Income	1.12	997	21.11%
POTENTIAL GROSS INCOME	0.54	482	10.20%
Vacancy & Collection Loss	0.31	273	5.78%
Employee or Other Non-Rental Units or Concessions	0.35	312	6.61%
EFFECTIVE GROSS INCOME	0.34	300	6.35%
General & Administrative	0.00	0	0.00%
Management	0.22	200	4.23%
Payroll & Payroll Tax	0.10	87	1.84%
Repairs & Maintenance	\$3.60	\$3,200	67.73%
Utilities	\$1.71	\$1,525	32.27%
Water, Sewer, & Trash	\$1.37	\$1,214	25.70%
Property Insurance	\$0.26	\$228	4.84%
Property Tax Exempt	\$0.00	\$0	0.00%
Reserve for Replacements	\$0.09	\$82	1.73%
Other Expenses: Compliance			

	TDHCA	APPLICANT
Acquisition Cost (site or bldg)	\$38,300	\$50,000
Off-Sites	0	0
Sitework	559,900	559,900
Direct Construction	2,723,239	2,638,500
Contingency	143,004	143,004
General Req'ts	191,500	191,500
Contractor's G & A	63,800	63,800
Contractor's Profit	191,500	191,500
Indirect Construction	461,800	461,800
Ineligible Costs	152,000	152,000
Developer's G & A	133,800	133,800
Developer's Profit	535,200	535,200
Interim Financing	212,437	212,437
Reserves	70,510	30,000
<b>TOTAL COST</b>	<b>\$5,476,990</b>	<b>\$5,363,441</b>

	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$0.74	\$658	0.93%
Off-Sites	0.00	0	0.00%
Sitework	8.28	7,367	10.44%
Direct Construction	39.03	34,717	49.19%
Contingency	2.12	1,882	2.67%
General Req'ts	2.83	2,520	3.57%
Contractor's G & A	0.94	839	1.19%
Contractor's Profit	2.83	2,520	3.57%
Indirect Construction	6.83	6,076	8.61%
Ineligible Costs	2.25	2,000	2.83%
Developer's G & A	1.98	1,761	2.49%
Developer's Profit	7.92	7,042	9.98%
Interim Financing	3.14	2,795	3.96%
Reserves	0.44	395	0.56%
<b>TOTAL COST</b>	<b>\$79.34</b>	<b>\$70,572</b>	<b>100.00%</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

Lend Lease	20.08%	\$14,474	\$16.27
HTF Loan	6.13%	\$4,421	\$4.97
HTF/SECO Grant			
LIHTC Syndication Proceeds	65.15%	\$46,947	\$52.78
Deferred Developer Fees	4.48%	\$3,229	\$3.63
Additional (excess) Funds Required	2.07%	\$1,494	\$1.68
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
Lend Lease	\$1,100,000	\$1,100,000
HTF Loan	336,000	336,000
HTF/SECO Grant	114,000	114,000
LIHTC Syndication Proceeds	3,568,000	3,568,000
Deferred Developer Fees	245,441	245,441
Additional (excess) Funds Required	113,549	0
<b>TOTAL SOURCES</b>	<b>\$5,476,990</b>	<b>\$5,363,441</b>

	RECOMMENDED	
Lend Lease	\$1,809,000	Developer Fee Available
HTF Loan	336,000	\$669,000
HTF/SECO Grant	114,000	
LIHTC Syndication Proceeds	3,104,441	% of Dev. Fee Deferred
Deferred Developer Fees	0	0%
Additional (excess) Funds Required	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>	<b>\$5,363,441</b>	<b>\$1,178,517.38</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Kingsland Trails Apartments, Kingsland, LIHTC #03168*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.03	\$2,908,796
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.69	\$181,800
9' Ceiling	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(68,276)
Floor Cover			1.92	129,792
Porches/Balconies	\$15.83	6,669	1.56	105,564
Plumbing	\$615	156	1.42	95,940
Built-In Appliances	\$1,625	76	1.83	123,500
Stairs	\$1,400	36	0.75	50,400
Floor Insulation			0.00	0
Heating/Cooling			1.47	99,372
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$62.87	2,230	2.07	140,202
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.73</b>	<b>3,767,090</b>
Current Cost Multiplier	1.03		1.67	113,013
Local Multiplier	0.86		(7.80)	(527,393)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.60</b>	<b>\$3,352,710</b>
Plans, specs, survy, bld prn	3.90%		(\$1.93)	(\$130,756)
Interim Construction Interest	3.38%		(1.67)	(113,154)
Contractor's OH & Profit	11.50%		(5.70)	(385,562)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.28</b>	<b>\$2,723,239</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,100,000	Term	360
Int Rate	6.62%	DCR	2.51

<b>Secondary</b>	\$336,000	Term	360
Int Rate	1.00%	Subtotal DCR	2.17

<b>Additional</b>	\$0	Term	
Int Rate		Aggregate DCR	2.17

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$138,927
Secondary Debt Service	24,174
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$48,824</b>

<b>Primary</b>	\$1,809,000	Term	360
Int Rate	6.62%	DCR	1.53

<b>Secondary</b>	\$336,000	Term	360
Int Rate	6.00%	Subtotal DCR	1.30

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

**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	\$462,360	\$476,231	\$490,518	\$505,233	\$520,390	\$603,275	\$699,361	\$810,751	\$1,089,582
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>476,040</b>	<b>490,321</b>	<b>505,031</b>	<b>520,182</b>	<b>535,787</b>	<b>621,124</b>	<b>720,053</b>	<b>834,739</b>	<b>1,121,819</b>
Vacancy & Collection Loss	(35,703)	(36,774)	(37,877)	(39,014)	(40,184)	(46,584)	(54,004)	(62,605)	(84,136)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$440,337</b>	<b>\$453,547</b>	<b>\$467,154</b>	<b>\$481,168</b>	<b>\$495,603</b>	<b>\$574,540</b>	<b>\$666,049</b>	<b>\$772,134</b>	<b>\$1,037,683</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$29,854	\$31,048	\$32,290	\$33,581	\$34,925	\$42,491	\$51,697	\$62,897	\$93,103
Management	22,017	22,677	23,358	24,058	24,780	28,727	33,302	38,607	51,884
Payroll & Payroll Tax	70,310	73,123	76,048	79,089	82,253	100,073	121,755	148,133	219,273
Repairs & Maintenance	27,013	28,094	29,217	30,386	31,601	38,448	46,778	56,912	84,244
Utilities	14,462	15,040	15,642	16,268	16,918	20,584	25,044	30,469	45,102
Water, Sewer & Trash	26,056	27,098	28,182	29,309	30,482	37,086	45,121	54,896	81,260
Insurance	16,900	17,576	18,279	19,010	19,771	24,054	29,265	35,606	52,705
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	6,600	6,864	7,139	7,424	7,721	9,394	11,429	13,905	20,583
<b>TOTAL EXPENSES</b>	<b>\$228,412</b>	<b>\$237,328</b>	<b>\$246,594</b>	<b>\$256,225</b>	<b>\$266,233</b>	<b>\$322,491</b>	<b>\$390,712</b>	<b>\$473,450</b>	<b>\$695,558</b>
<b>NET OPERATING INCOME</b>	<b>\$211,925</b>	<b>\$216,219</b>	<b>\$220,559</b>	<b>\$224,944</b>	<b>\$229,370</b>	<b>\$252,049</b>	<b>\$275,338</b>	<b>\$298,684</b>	<b>\$342,125</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$138,927	\$138,927	\$138,927	\$138,927	\$138,927	\$138,927	\$138,927	\$138,927	\$138,927
Second Lien	24,174	24,174	24,174	24,174	24,174	24,174	24,174	24,174	24,174
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$48,824</b>	<b>\$53,118</b>	<b>\$57,458</b>	<b>\$61,843</b>	<b>\$66,269</b>	<b>\$88,948</b>	<b>\$112,237</b>	<b>\$135,583</b>	<b>\$179,024</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.33</b>	<b>1.35</b>	<b>1.38</b>	<b>1.41</b>	<b>1.55</b>	<b>1.69</b>	<b>1.83</b>	<b>2.10</b>

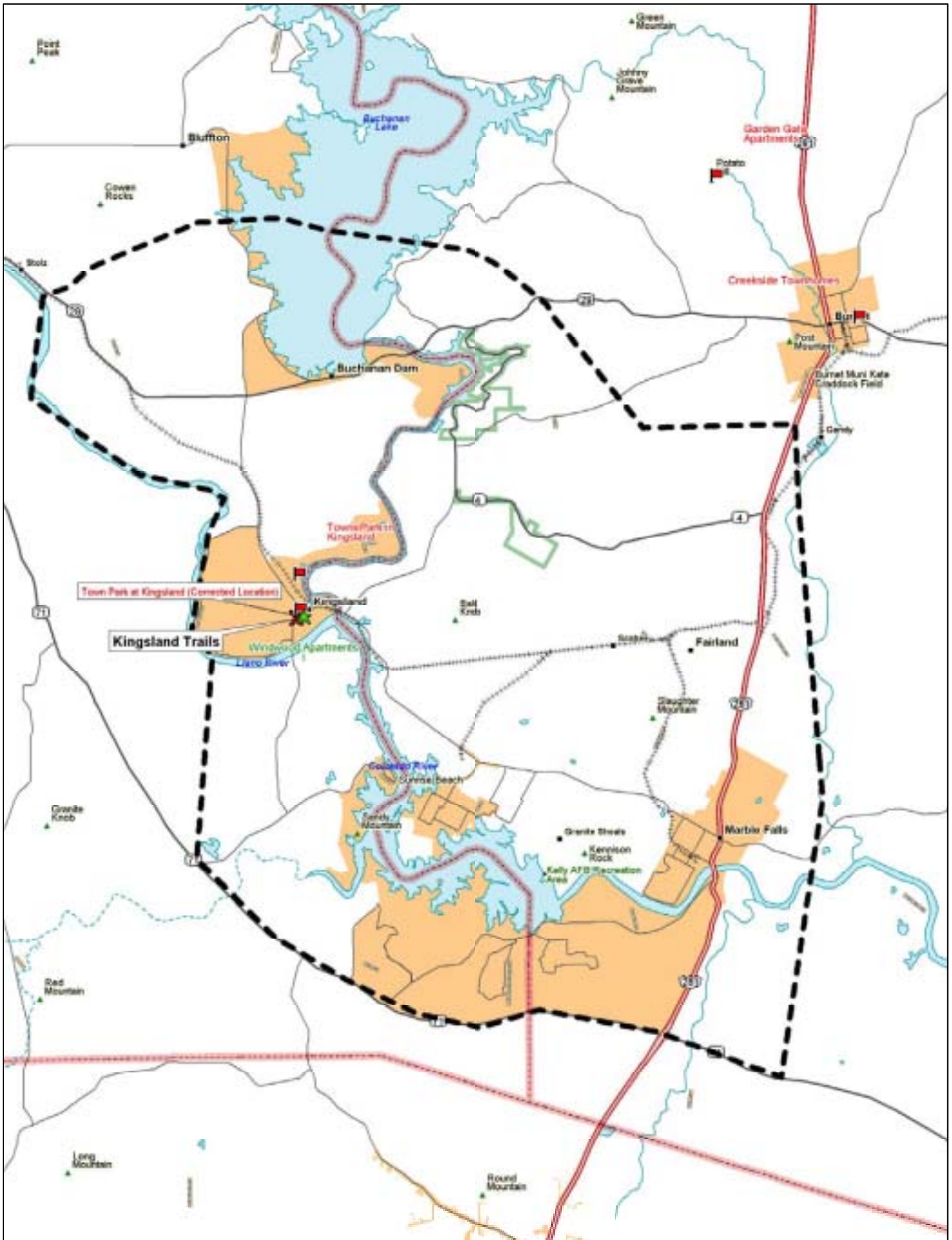


**LIHTC Allocation Calculation - Kingsland Trails Apartments, Kingsland, LIHTC #03168**

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	\$50,000	\$38,300		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$559,900	\$559,900	\$559,900	\$559,900
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$2,638,500	\$2,723,239	\$2,638,500	\$2,723,239
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$63,800	\$63,800	\$63,800	\$63,800
Contractor profit	\$191,500	\$191,500	\$191,500	\$191,500
General requirements	\$191,500	\$191,500	\$191,500	\$191,500
<b>(5) Contingencies</b>				
	\$143,004	\$143,004	\$143,004	\$143,004
<b>(6) Eligible Indirect Fees</b>				
	\$461,800	\$461,800	\$461,800	\$461,800
<b>(7) Eligible Financing Fees</b>				
	\$212,437	\$212,437	\$212,437	\$212,437
<b>(8) All Ineligible Costs</b>				
	\$152,000	\$152,000		
<b>(9) Developer Fees</b>				
Developer overhead	\$133,800	\$133,800	\$133,800	\$133,800
Developer fee	\$535,200	\$535,200	\$535,200	\$535,200
<b>(10) Development Reserves</b>				
	\$30,000	\$70,510		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,363,441</b>	<b>\$5,476,990</b>	<b>\$5,131,441</b>	<b>\$5,216,180</b>

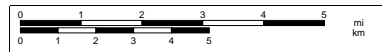
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$5,131,441</b>	<b>\$5,216,180</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$6,670,873</b>	<b>\$6,781,034</b>
Applicable Fraction			78.95%	78.95%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$5,266,479</b>	<b>\$5,353,448</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$439,224</b>	<b>\$446,478</b>

Syndication Proceeds	0.7998	\$3,513,092	\$3,571,106
<b>Total Credits (Eligible Basis Method)</b>		<b>\$439,224</b>	<b>\$446,478</b>
Syndication Proceeds		\$3,513,092	\$3,571,106
Requested Credits		\$446,148	
Syndication Proceeds		\$3,568,470	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$3,104,441</b>	
Credit Amount		<b>\$388,133</b>	



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 Zoom Level: 10-0 Datum: WGS84

Scale: 1" = 200,000  
 1" = 3.16 miles



# Developer Evaluation

Project ID # **03189/03829**

Name: **The Village at Morningstar**

City: **Texas City**

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: 3 Projects grouped by score 0-9 3 10-19 0 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 5

### 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 ADDENDUM**

**DATE:** July 20 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03189

**DEVELOPMENT NAME**

The Village at Morningstar

**APPLICANT**

**Name:** Texas City DMA Housing, L.P.      **Type:** For Profit  
**Address:** 5121 Bee Caves Road, Suite 201      **City:** Austin      **State:** TX  
**Zip:** 78746      **Contact:** Diana McIver      **Phone:** (512) 328-3232      **Fax:** (512) 328-4584

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** The Village at Morningstar, LLC      **(%):** .01      **Title:** Managing General Partner  
**Name:** DMA Community Partners II, Inc.      **(%):** .75 of MGP      **Title:** 75% owner of MGP  
**Name:** Diana McIver      **(%):** .25 of MGP      **Title:** 100% owner of GP & Dev.

**PROPERTY LOCATION**

**Location:** 3401 Magnolia Avenue       **QCT**       **DDA**  
**City:** Texas City      **County:** Galveston      **Zip:** 77590

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$418,179	N/A	N/A	N/A
2) \$350,000	1%	30 yrs	30 yrs
3) \$105,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) Housing Trust Fund Loan  
3) HTF/SECO Grant

**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 \$415,954 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$105,000 IN THE FORM OF A SECO GRANT, AND A HTF AWARD NOT TO EXCEED \$350,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 20 YEARS AT 1% INTEREST AFTER A 10 YEAR NON-AMORTIZING PERIOD AT 0% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HTF FUNDS NOT BE APPROVED, THE TAX CREDITS WOULD NOT BE RECOMMENDED.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from HUD indicating approval of the 25 Section 8

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

- project-based vouchers for this development by close of construction loan;
2. Receipt, review, and acceptance of evidence of final approval for rezoning of the site to a conforming use by execution of commitment;
  3. Receipt, review and acceptance of a third party CPA or tax attorney opinion on the eligibility of the claimed existing site work improvement costs. Should none of the already improved site work costs be eligible a reduction in credits of \$11,685 and review of the HTF repayment structure would be warranted;
  4. Receipt, review and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed \$179,831; and
  5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**ADDENDUM**

The original underwriting report indicated that both the SECO funds HTF funds are required in order for the development to be characterized as financially feasible. This conclusion should be based upon the ability of additional developer fee to be deferred and repaid to fill the additional gap that would be exposed in the absence of the SECO and HTF funds. The original report actually reflected that an additional \$157,178 in developer fees could be repaid if deferred and therefore the original underwriting reports recommendation statement is true of the \$350,000 Housing Trust Fund loan but the \$105,000 SECO grant could be absorbed by deferral of additional developer fee.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Without the HTF funds, the recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** July 20, 2003

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

**DATE:** June 14 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03189

**DEVELOPMENT NAME**

The Village at Morningstar

**APPLICANT**

<b>Name:</b>	Texas City DMA Housing, L.P.	<b>Type:</b>	For Profit
<b>Address:</b>	5121 Bee Caves Road, Suite 201	<b>City:</b>	Austin <b>State:</b> TX
<b>Zip:</b>	78746	<b>Contact:</b>	Diana McIver
<b>Phone:</b>	(512) 328-3232	<b>Fax:</b>	(512) 328-4584
<b>PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS</b>			
<b>Name:</b>	The Village at Morningstar, LLC	<b>(%):</b>	.01 <b>Title:</b> Managing General Partner
<b>Name:</b>	DMA Community Partners II, Inc.	<b>(%):</b>	.75 of MGP <b>Title:</b> 75% owner of MGP
<b>Name:</b>	Diana McIver	<b>(%):</b>	.25 of MGP <b>Title:</b> 100% owner of GP & Dev.

**PROPERTY LOCATION**

**Location:** 3401 Magnolia Avenue       **QCT**       **DDA**  
**City:** Texas City      **County:** Galveston      **Zip:** 77590

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$418,179	N/A	N/A	N/A
2) \$350,000	1%	30 yrs	30 yrs
3) \$105,000	N/A	N/A	N/A
<b>Other Requested Terms:</b>	1) Annual ten-year allocation of low-income housing tax credits 2) Housing Trust Fund Loan 3) HTF/SECO Grant		
<b>Proposed Use of Funds:</b>	New Construction	<b>Property Type:</b>	Multifamily
<b>Set-Aside(s):</b>	<input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> At Risk		

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$415,954 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$105,000 IN THE FORM OF A SECO GRANT, AND A HTF AWARD NOT TO EXCEED \$350,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 20 YEARS AT 1% INTEREST AFTER A 10 YEAR NON-AMORTIZING PERIOD AT 0% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HTF/SECO FUNDS NOT BE APPROVED, THE TAX CREDITS WOULD NOT BE RECOMMENDED.

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

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from HUD indicating approval of the 25 Section 8 project-based vouchers for this development by close of construction loan;
2. Receipt, review and acceptance of documentation that the entire subject property has been successfully rezoned to allow for multi-family development;
3. Receipt, review and acceptance of a third party CPA or tax attorney opinion on the eligibility of the claimed existing site work improvement costs. Should none of the already improved site work costs be eligible a reduction in credits of \$11,685 and review of the HTF repayment structure would be warranted;
4. Receipt, review and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed \$179,831; and
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>78</u>	<b># Rental Buildings</b>	<u>7</u>	<b># Common Area Bldngs</b>	<u>0</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>N/A</u> yrs
<b>Net Rentable SF:</b>	<u>59,112</u>	<b>Av Un SF:</b>	<u>758</u>	<b>Common Area SF:</b>	<u>5,683</u>	<b>Gross Bldg SF:</b>	<u>64,795</u>		

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% stucco/25% Hardiplank 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters and high speed internet access.

**ON-SITE AMENITIES**

A two-story, 5,683-SF community area will be located within one of the residential buildings. The first floor of the community area consists of 2,987-SF and will contain the management offices, kitchen, restrooms, health room, central mailroom, a work room and maintenance and storage rooms. The second floor consists of 2,696-SF and will contain the community room, a TV/game room, fitness and laundry facilities, storage and a library/computer room. Also, perimeter fencing with limited access gate is also planned for the site.

<b>Uncovered Parking:</b>	<u>156</u>	spaces	<b>Carpports:</b>	<u>N/A</u>	spaces	<b>Garages:</b>	<u>N/A</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Village at Morningstar is a relatively dense 15 units per acre new construction development of 78 units of mixed income housing located in northwest Texas City. The development is comprised of six medium garden style walk-up residential buildings and one large elevator served two story residential building, evenly disbursed as follows:

- € (1) Building Type A with six one-bedroom/ one-bath units at 700 square foot;
- € (1) Building Type B with six two-bedroom/ two-bath units at 946 square foot;
- € (1) Building Type C with six two-bedroom/ one-bath units at 892 square foot;
- € (2) Building Type D with eight one-bedroom/ one-bath units at 700 square foot;
- € (1) Building Type E with four two-bedroom/ two-bath units at 946 square foot; and
- € (1) Building Type F with eight one-bedroom/ one-bath units at 663 square foot, twenty-eight one-bedroom/ one-bath units at 713 square foot, and four two-bedroom/ one-bath units at 908 square foot;

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**Architectural Review:** The exterior elevations are functional with varied rooflines. All units are of average size for LIHTC and market rate units. Each unit has a semi-private exterior entry area that is shared with another unit.

**Supportive Services:** The Applicant has indicated that DMA Properties, LLC, will provide supportive services to the tenants and has budgeted \$6,000/year for these services.

**Schedule:** The Applicant anticipates construction to begin in May of 2004, to be completed in May of 2005, to be placed in service in May of 2005, and to be substantially leased-up in August of 2005.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	5.3 acres	230,868	square feet <b>Zoning/ Permitted Uses:</b> C and A-2
<b>Flood Zone Designation:</b>	Zone B	<b>Status of Off-Sites:</b>	Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Texas City is located in the Gulf Coast region of Texas, approximately 35 miles southeast of Houston in Galveston County. The site is a rectangularly-shaped parcel located in the northeast area of Texas City, approximately 3 miles from the central business district. The site is situated on the southwest corner of 34th Street North and Magnolia Avenue.

**Adjacent Land Uses:**

- € **North:** park and single-family residential
- € **South:** vacant grocery store
- € **East:** vacant land
- € **West:** vacant land

**Site Access:** Access to the property is from the east or west along Magnolia Avenue. The development is to have one main entry from Magnolia Avenue. Access to Interstate Highway 45 is 5 miles west, which provides direct connections to the Houston and Galveston areas.

**Public Transportation:** "Transportation is available from Connect Transit, a low-cost shared-ride system. Additionally, the Nessler Senior Citizen's Center has two vans for transportation of seniors to the center, for shopping, and for medical reasons." (p. 26)

**Shopping & Services:** The site is within one mile of an Albertson's grocery store and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:**

- € **Zoning:** Currently, the entire proposed property has two zoning classifications of C (Multi-family Residential) and A-2 (Zero Lot Line Residential). In order to accommodate the entire 78-unit development as proposed the land zoned A-2 will have to be rezoned to C-1 (Multi-family Residential). A letter to the Applicant from the City of Texas City Inspections Department dated March 18, 2003 states that DMA has successfully obtained a recommendation of approval for the rezoning of the property and has been forwarded to the City Commission for final approval. Therefore, this report's recommendation is conditioned upon receipt, review and acceptance of documentation that the entire subject property has been successfully rezoned to allow for multi-family development.
- € **Floodplain:** The property is located in flood insurance Zone B which is a slightly elevated flood zone risk area subject to the 500-year flood. No further action regarding steps to mitigate this risk are required.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 30, 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 14, 2003 was prepared by STC Environmental Services, Inc. and contained the following findings and recommendations:



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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“Based on the results of this Phase I Environmental Site Assessment, a low potential for environmental concern is considered to exist for the subject site. This low potential for concern is considered to exist due to the presence of the regulated facilities in the area of the site. There was no evidence of an environmental impact noted as a result of previous on-site or off-site activities.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 70 of the units (90% of the total) will be reserved for low-income tenants. 14 of the units (18%) will be reserved for households earning 30% or less of AMGI, 7 units (9%) will be reserved for households earning 40% or less of AMGI, 14 units (18%) will be reserved for households earning 50% or less of AMGI, 35 units (45%) will be reserved for households earning 60% or less of AMGI and the remaining 8 units (10%) will be offered at market rents. The Applicant proposes the same rent restrictions for LIHTC and HTF.

**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>	\$24,180	\$27,600	\$31,080	\$34,500	\$37,260	\$40,020

**MARKET HIGHLIGHTS**

A market feasibility study dated February 4, 2003 was prepared by Patrick O’Connor & Associates and highlighted the following findings:

**Definition of Market/Submarket:** “For purposes of this report, the subject’s primary market area includes those properties bound by Kemah and FM 1266 on the north, the Galveston/Brazoria County line and Cloud Bayou on the west, Galveston Bay on the east, and the West Bay on the south. This geographic area essentially is contained within the following zip codes: 77518, 77539, 77563, 77568, 77590 and 77591.” (p. 35)

**Population:** The estimated 2001 population of the primary market area was 97,829 and is expected to increase by 2.8% to approximately 100,613 by 2006. Within the primary market area there were estimated to be 36,591 households in 2001.

**Total Local/Submarket Demand for Rental Units:** “The two existing subsidized seniors facilities in Texas City both are 100% occupied and have waiting lists...This indicates strong demand for new rental units in the subject’s defined market area.” (p. 42)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	7	2%	17	1%
Resident Turnover	408	89%	1,549	99%
Other Sources: HH moving from outside PMA	42	9%	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>457</b>	<b>100%</b>	<b>1,566</b>	<b>100%</b>

Ref: p. 66

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 15.33% based upon a supply of unstabilized comparable affordable units of 70 (the subject) divided by a demand of 457. Based on the information provided in the market study, the Underwriter calculated an inclusive capture rate of 4% using the same supply of unstabilized comparable affordable units of 70 (the subject) divided by a revised demand of 1,566. This demand was calculated using the same growth plus turnover methodology that has been used on all 2003 applications. It should also be noted that the Market Analyst did not mention the Applicant’s use of Section 8 vouchers for this project, as proposed in the application. Thus, the market analyst’s demand calculation considers an income band that will not apply to 25 of the subject units should

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MULTIFAMILY UNDERWRITING ANALYSIS**

the development receive a commitment for 25 Section 8 vouchers as proposed.

**Local Housing Authority Waiting List Information:** “According to George Fuller of the Texas City Authority, the waiting list in their office is over 300 persons, with an estimated 20% being seniors.” (p. 42)

**Market Rent Comparables:** The Market Analyst surveyed 5 comparable apartment projects totaling 1,008 units in the market area. (p. 45-50)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)- 663sf</b>	\$472	\$271	\$201	\$650	-\$178
<b>1-Bedroom (50%)- 700sf</b>	\$487	\$487	\$0	\$660	-\$173
<b>1-Bedroom (60%)-700sf</b>	\$595	\$595	\$0	\$660	-\$65
<b>1-Bedroom (MR)- 700sf</b>	\$615	N/A	N/A	\$660	-\$45
<b>1-Bedroom (30%)-713sf</b>	\$472	\$271	\$201	\$670	-\$198
<b>1-Bedroom (40%)-713sf</b>	\$472	\$379	\$93	\$670	-\$198
<b>1-Bedroom (50%)-713sf</b>	\$487	\$487	\$0	\$670	-\$183
<b>1-Bedroom (60%)-713sf</b>	\$595	\$595	\$0	\$670	-\$75
<b>1-Bedroom (MR)- 713sf</b>	\$600	N/A	N/A	\$670	-\$70
<b>2-Bedroom (30%)- 892sf</b>	\$592	\$325	\$267	\$790	-\$198
<b>2-Bedroom (50%)- 892sf</b>	\$592	\$584	\$8	\$790	-\$198
<b>2-Bedroom (40%)- 908sf</b>	\$592	\$455	\$137	\$800	-\$208
<b>2-Bedroom (60%)- 946sf</b>	\$714	\$714	\$0	\$850	-\$136
<b>2-Bedroom (MR)- 946sf</b>	\$725	N/A	N/A	\$850	-\$125

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

**Submarket Vacancy Rates:** “Average occupancy in the primary market area has remained strong (94.38%+ to 95.22%+) over the past few years. Based on our analysis of the market, moderate increases in occupancy are projected for this market.” (p. 38)

**Absorption Projections:** “We anticipate that the subject property will achieve stabilized occupancy within 6-8 months following completion.” (p. 75)

**Known Planned Development:** “Presently, there are no projects under construction or proposed (excluding the subject) in this market area...According to the 2003 Pre-application list, there is one affordable housing projects (besides the subject property) currently proposed, under construction or approved or construction in the subject’s primary market (Amburn Ranch). It is our understanding, that this project has been put on hold and an application will not be submitted.” (p. 32)

**Effect on Existing Housing Stock:** “Based on high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market.” (p. 75)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections for 45 of the rent restricted units are the maximum rents allowed under LIHTC guidelines. According to the Applicant, the Texas City Housing Authority has provided a commitment for 25 Section 8 vouchers to be project-based at the proposed development for a minimum of ten years. Thus, the Applicant’s rent projections for the remaining 25 rent restricted units are significantly higher than the maximum rents, indicating that these rents will be set at the Section 8 payment standard set by the housing authority. Section 8 vouchers are intended to be portable for qualified tenants and only under specific conditions may a PHA apply to HUD to attach up to 20% of their vouchers to a specific property. Charging the Section 8 payment standard for 25 of the units would result in an additional \$47,774 in rental income for the Applicant. For purposes of this analysis, the Underwriter utilized the Applicant’s proposed

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

rent structure. However, this report's recommendation is conditioned upon receipt, review and acceptance of documentation from HUD indicating approval of the 25 Section 8 project-based vouchers for this development and approval of the rents for these units as proposed by the Applicant. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,522 per unit is more than 5% lower than a TDHCA database-derived estimate of \$3,943 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$14K lower), and payroll (\$14K lower). 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 total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the current terms for permanent financing, the development's initial debt coverage ratio is below the Department's guideline of 1.10 to 1.30. However, if the debt service for the permanent loan were limited to \$179,831 and should the Board approve a HTF award in the amount requested, but structured with an initial ten-year non-amortizing period as recommended, the development's debt coverage ratio increases to an acceptable 1.10. In Year 10 of operation, the development can support debt service for repayment of the HTF loan based on an amortization period over the remaining 20 year term of the HTF loan. It should also be noted, however, that this analysis is based on the Applicant receiving the 25 project-based HUD Section 8 vouchers as proposed by the Applicant. Should the Applicant not receive these vouchers, the maximum tax credit rents would be charged and, thus, the project would be infeasible even with the HTF award because the deferred developer fees would not be repayable within 15 years.

ACQUISITION VALUATION INFORMATION						
ASSESSED VALUE						
<b>Land: 5.328 acres</b>	\$326,490	<b>Assessment for the Year of:</b>	2002			
<b>Building:</b>	N/A	<b>Valuation by:</b>	Galveston County Appraisal District			
<b>Total Assessed Value:</b>	\$326,490	<b>Tax Rate:</b>	2.846			
EVIDENCE of SITE or PROPERTY CONTROL						
<b>Type of Site Control:</b>	Purchase Option					
<b>Contract Expiration Date:</b>	10/	26/	2003	<b>Anticipated Closing Date:</b>	10/	26/ 2003
<b>Acquisition Cost:</b>	\$300,000			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	City of Texas City Public Facilities Development Corp.			<b>Related to Development Team Member:</b>	No	

CONSTRUCTION COST ESTIMATE EVALUATION
<p><b>Acquisition Value:</b> The acquisition price listed in the Purchase Option is \$300,000 and is substantiated by the tax assessed value of \$326,490. According to the Applicant the City of Texas City Public Facilities Development Corporation acquired the land, built water, sewer and drainage systems and paved the circular drive in 1998 with the intention of building affordable senior housing on the site. After having made these improvements the City decided to enlist an experienced housing developer to help complete the project. The site is being acquired by DMA Community Partners II, Inc. with all improvements for \$300,000. However, the improvements already made to the property are valued at \$180,000 according to the cost estimator for the project. Therefore, the Applicant's claimed acquisition cost includes the \$120,000 in site acquisition cost and \$2,500 in closing costs. It is unclear that the improvements made in previous years can now be included as a construction cost and qualify as eligible basis as proposed by the Applicant. The Applicant included \$130,000 of the \$180,000 estimated site work costs to date as eligible site work costs. Receipt, review and acceptance of third party CPA or tax attorney opinion regarding acceptance of this treatment of the acquisition cost is a condition of this report. Should the opinion reflect that none of the claimed site work</p>

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improvement can be considered eligible, the development would lose \$11,655 in credits resulting in a \$91K decrease in syndication proceeds.

**Sitework Cost:** Except for the comments regarding eligibility discussed above, the Applicant's claimed sitework costs of \$6,805 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's costs are slightly more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant exceeded the 5% contingency maximum allowed by LIHTC guidelines. Consequently the Applicant's eligible costs in this area have been reduced by \$27,988 with the excess included as ineligible. As a result, the Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$1,655.

**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, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$5,587,813 is used to determine a credit allocation of \$415,954 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. Should the existing site work improvements be found to not be eligible an \$11,655 reduction in the eligible basis conclusion of credits would be warranted.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

**Source:** JP Morgan Chase **Contact:** Dennis Zulkowski  
**Principal Amount:** \$2,070,925 **Interest Rate:** 8%  
**Additional Information:**  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$186,123 **Lien Priority:** 1st **Commitment Date** 02/ 26/ 2003

**LIHTC SYNDICATION**

**Source:** Apollo Housing Capital, LLC **Contact:** Bryan Kilbane  
**Address:** 600 Superior Avenue, Suite 2300 **City:** Columbus  
**State:** OH **Zip:** 44114 **Phone:** (216) 875-2624 **Fax:** (216) 875-2612  
**Net Proceeds:** \$3,261,470 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 27/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$216,601 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. In particular, the commitment letter states that the term of the construction loan is two years. The permanent loan will be structured as an 18-year term loan, amortizing over 30 years with an 8% interest rate. The quoted interest rate is at the high end of reasonableness in the current interest rate environment and a 100 basis point reduction or more is likely. This would free up a

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significant amount (\$16,778) of interest expense for potential additional debt service. The Underwriter's analysis reflects that the debt service must be reduced to not more than \$179,831 in order to meet the Department's minimum DCR of 1.10. At the proposed 8% interest rate the debt amount would be reduced by \$28,588 to \$2,042,337.

**HTF Request:** The Applicant has also requested Housing Trust Funds in the form of a \$350,000 loan with a 30-year amortization at 1% and a SECO grant in the amount of \$105,000 to support the development. The Underwriting analysis reflects the conclusion that the award of the Housing Trust Funds is critical to the financial feasibility of the development. Without the HTF and with the Underwriter's limit on debt of \$2,042,337 the deferred developer fee would increase to \$717,597 which would not be predicted to be repaid within the initial 15 years. This would lead to a characterization of the development as infeasible. Moreover, the HTF repayment structure recommended includes a deferral for the first ten years of operation followed by full amortization over the remaining 20 years at 1% interest. By the tenth year cash flow from the development is sufficient to support such a payment. If the interest rate is reduced by more than 70 basis points, the HTF loan could be fully amortized at zero percent over 30 years as proposed.

**LIHTC Syndication:** Apollo Housing Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,261,470 based on a syndication factor of 78%. The Underwriter's analysis reflects that total net proceeds are anticipated to decrease to \$3,244,116 using the Applicant's adjusted eligible basis to calculate credits. Removing the existing site work cost from eligible basis would cause a further reduction to \$3,152,983.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fee of \$216,601 amounts to 30% of the total fees. However, based on the Underwriter's analysis the developer will have to defer 36% of the developer fees.

**Financing Conclusions:** The Applicant's eligible basis is used to determine an LIHTC allocation of \$415,954 resulting in total syndication proceeds of \$3,244,116. It should be reiterated that the development is not financially feasible without the requested HTF funds of \$105,000 structured as a grant and \$350,000 structured as recommended with a ten-year non-amortizing period followed by repayment in full based on a 20-year amortization schedule at zero percent interest. Without an HTF award, or an alternate source of secondary financing with similar terms or reduction in the permanent loan interest rate, the resulting anticipated deferred developer fees are not repayable within 15 years. Therefore, Board approval of an HTF/SECO grant of \$105,000 in conjunction with an award of \$350,000 with the recommended terms is a condition of recommending a LIHTC award. Similarly, if the Section 8 vouchers are not approved by HUD to be project based, or if the pre-existing site work cannot be included in eligible basis this transaction would be infeasible.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and Property Manager firm are all related entities. 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 Managing Member of the General Partner, DMA Community Partners II, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$14K and consisting of \$439 in cash and \$13K in real property. Liabilities totaled \$3K, resulting in a net worth of \$11K.
- € The Developer, DMA Development Company, LLC, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$902K and consisting of \$115K in cash, \$580 in receivables and \$141K in real property. Liabilities totaled \$124K, resulting in a net worth of \$778K.
- € The principal of the General Partner, Diana McIver, submitted an unaudited financial statement as of December 31, 2002 and is anticipated to be guarantor of the development.

**Background & Experience:**

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- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € The managing member of the GP, DMA Community Partners II, Inc., has completed five HTF and LIHTC housing developments totaling 240 units since 2001.
- € DMA Development Company, the developer, has completed six HTF and LIHTC housing developments totaling 338 units since 1999.
- € Diana McIver, the principal of the General Partner, has completed eight HTF and LIHTC housing developments totaling 418 units since 1998.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- € Without the HTF/SECO funds, the recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- € The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** June 14, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 14, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Village at Morningstar Apartments, Texas City, LIHTC #03189**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wr, Swr, Trsh
>TC/HTF30%	8	1	1	663	\$323	\$472	\$3,776	\$0.71	\$52.38	\$22.60
TC/HTF50%	2	1	1	700	539	\$487	973	0.70	52.38	22.60
TC/HTF60%	16	1	1	700	647	\$595	9,514	0.85	52.38	22.60
MR	4	1	1	700		615	2,460	0.88	52.38	22.60
>TC/HTF30%	4	1	1	713	323	\$472	1,888	0.66	52.38	22.60
>TC/HTF40%	3	1	1	713	431	\$472	1,416	0.66	52.38	22.60
TC/HTF50%	8	1	1	713	539	\$487	3,893	0.68	52.38	22.60
TC/HTF60%	12	1	1	713	647	\$595	7,135	0.83	52.38	22.60
MR	1	1	1	713		600	600	0.84	52.38	22.60
>TC/HTF30%	2	2	1	892	388	\$592	1,184	0.66	63.38	22.60
>TC/HTF50%	4	2	1	892	647	\$592	2,368	0.66	63.38	22.60
>TC/HTF40%	4	2	1	908	518	\$592	2,368	0.65	63.38	22.60
TC/HTF60%	7	2	2	946	777	\$714	4,995	0.75	63.38	22.60
MR	3	2	2	946		725	2,175	0.77	63.38	22.60
<b>TOTAL:</b>	<b>78</b>		<b>AVERAGE:</b>	<b>758</b>	<b>\$507</b>	<b>\$574</b>	<b>\$44,746</b>	<b>\$0.76</b>	<b>\$55.20</b>	<b>\$22.60</b>

**INCOME** Total Net Rentable Sq Ft: 59,112

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

Employee or Other Non-Rental Units or Concessions

	TDHCA	APPLICANT	USS Region	IREM Region
	\$536,951	\$536,616	6	Houston
	9,360	9,360	\$10.00	Per Unit Per Month
	0	0		
	\$546,311	\$545,976		
	(40,973)	(40,944)	-7.50%	of Potential Gross Rent
	0	0		
	\$505,337	\$505,032		

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.27%	\$342	0.45
Management	5.00%	324	0.43
Payroll & Payroll Tax	12.64%	819	1.08
Repairs & Maintenance	4.88%	316	0.42
Utilities	4.41%	286	0.38
Water, Sewer, & Trash	5.40%	350	0.46
Property Insurance	8.58%	556	0.73
Property Tax 2.846	9.28%	601	0.79
Reserve for Replacements	3.86%	250	0.33
Other Expenses: supp svcs & complianc	1.53%	99	0.13
<b>TOTAL EXPENSES</b>	<b>60.85%</b>	<b>\$3,943</b>	<b>\$5.20</b>
<b>NET OPERATING INC</b>	<b>39.15%</b>	<b>\$2,536</b>	<b>\$3.35</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	26,653	\$12,700	\$0.21	\$163	2.51%
	25,267	\$25,251	0.43	324	5.00%
	63,888	\$50,043	0.85	642	9.91%
	24,639	\$22,380	0.38	287	4.43%
	22,274	\$18,200	0.31	233	3.60%
	27,279	\$27,500	0.47	353	5.45%
	43,359	\$43,359	0.73	556	8.59%
	46,908	\$48,036	0.81	616	9.51%
	19,500	\$19,500	0.33	250	3.86%
	7,750	\$7,750	0.13	99	1.53%
<b>TOTAL EXPENSES</b>	<b>\$307,517</b>	<b>\$274,719</b>	<b>\$4.65</b>	<b>\$3,522</b>	<b>54.40%</b>
<b>NET OPERATING INC</b>	<b>\$197,821</b>	<b>\$230,313</b>	<b>\$3.90</b>	<b>\$2,953</b>	<b>45.60%</b>

**DEBT SERVICE**

First Lien Mortgage	36.08%	\$2,338	\$3.08
HTF Loan	2.67%	\$173	\$0.23
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>0.39%</b>	<b>\$25</b>	<b>\$0.03</b>

	\$182,349	\$199,685	\$3.38	\$2,560	39.54%
	13,509		\$0.00	\$0	0.00%
	0		\$0.00	\$0	0.00%
	\$1,963	\$30,628	\$0.52	\$393	6.06%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

	1.01	1.15
	1.10	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		4.92%	\$3,878	\$5.12
Off-Sites		0.00%	0	0.00
Sitework		6.52%	5,138	6.78
Direct Construction		49.89%	39,299	51.86
Contingency	5.00%	2.82%	2,222	2.93
General Req'ts	5.71%	3.22%	2,539	3.35
Contractor's G & A	1.90%	1.07%	846	1.12
Contractor's Profit	5.71%	3.22%	2,539	3.35
Indirect Construction		6.05%	4,766	6.29
Ineligible Costs		1.13%	889	1.17
Developer's G & A	2.98%	2.38%	1,873	2.47
Developer's Profit	11.93%	9.51%	7,492	9.89
Interim Financing		6.89%	5,428	7.16
Reserves		2.36%	1,855	2.45
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$78,765</b>	<b>\$103.93</b>
<b>Recap-Hard Construction Costs</b>		<b>66.76%</b>	<b>\$52,583</b>	<b>\$69.38</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$302,500	\$122,500	\$2.07	\$1,571	2.04%
	0	0	0.00	0	0.00%
	400,766	530,766	8.98	6,805	8.84%
	3,065,347	2,899,465	49.05	37,173	48.29%
	173,306	199,500	3.37	2,558	3.32%
	198,014	198,014	3.35	2,539	3.30%
	66,005	66,005	1.12	846	1.10%
	198,014	198,014	3.35	2,539	3.30%
	371,775	371,775	6.29	4,766	6.19%
	69,350	119,350	2.02	1,530	1.99%
	146,100	146,100	2.47	1,873	2.43%
	584,400	584,400	9.89	7,492	9.73%
	423,417	423,417	7.16	5,428	7.05%
	144,690	144,690	2.45	1,855	2.41%
<b>TOTAL COST</b>	<b>\$6,143,684</b>	<b>\$6,003,996</b>	<b>\$101.57</b>	<b>\$76,974</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$4,101,452</b>	<b>\$4,091,764</b>	<b>\$69.22</b>	<b>\$52,459</b>	<b>68.15%</b>

**SOURCES OF FUNDS**

First Lien Mortgage	33.71%	\$26,550	\$35.03
HTF Loan			
SECO Grant	1.71%	\$1,346	\$1.78
LIHTC Syndication Proceeds	53.09%	\$41,814	\$55.17
Deferred Developer Fees	3.53%	\$2,777	\$3.66
Additional (excess) Funds Required	2.27%	\$1,791	\$2.36
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED	
	\$2,070,925	\$2,070,925	\$2,042,337	Developer Fee Available
	350,000	350,000	350,000	
	105,000	105,000	105,000	\$730,500
	3,261,470	3,261,470	3,244,116	% of Dev. Fee Deferred
	216,601	216,601	262,542	36%
	139,688	0	0	15-Yr Cumulative Cash Flow
	\$6,143,684	\$6,003,996	\$6,003,996	\$419,720.09

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Village at Morningstar Apartments, Texas City, LIHTC #03189*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SO FT	PER SF	AMOUNT
Base Cost			\$ 52.39	\$3,096,912
<b>Adjustments</b>				
Exterior Wall Finish	0.25%		\$0.13	\$ 7,742
Elderly	5.00%		2.62	154,846
Roofing			0.00	0
Subfloor			(1.50)	(88,789)
Floor Cover			1.92	113,495
Porches/Balconies	\$21.01	7,502	2.67	157,625
Plumbing	\$700	(126)	(1.49)	(88,200)
Built-In Appliances	\$1,625	78	2.14	126,750
Corridors	\$52.39	1,974	1.75	103,419
Stairs	\$1,575	3	0.08	4,725
Heating/Cooling			1.47	86,895
Elevator	\$36,000	1	0.61	36,000
Comm &/or Aux Bldgs	\$52.39	5,683	5.04	297,736
Other: 9" Ceiling	3.00%		1.57	92,907
<b>SUBTOTAL</b>			<b>69.39</b>	<b>4,102,061</b>
Current Cost Multiplier	1.03		2.08	123,062
Local Multiplier	0.89		(7.63)	(451,227)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$63.84</b>	<b>\$3,773,897</b>
Plans, specs, survy, bld prnt	3.90%		(\$2.49)	(\$147,182)
Interim Construction Interest	3.38%		(2.15)	(127,369)
Contractor's OH & Profit	11.50%		(7.34)	(433,998)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$51.86</b>	<b>\$3,065,347</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,070,925	Term	360
Int Rate	8.00%	DCR	1.08

<b>Secondary</b>	\$350,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.01

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.01

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$179,831
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$17,989</b>

<b>Primary</b>	\$2,042,337	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$350,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$536,951	\$553,059	\$569,651	\$586,741	\$604,343	\$700,599	\$812,186	\$941,546	\$1,265,360
Secondary Income	9,360	9,641	9,930	10,228	10,535	12,213	14,158	16,413	22,057
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>546,311</b>	<b>562,700</b>	<b>579,581</b>	<b>596,969</b>	<b>614,878</b>	<b>712,812</b>	<b>826,344</b>	<b>957,959</b>	<b>1,287,417</b>
Vacancy & Collection Loss	(40,973)	(42,203)	(43,469)	(44,773)	(46,116)	(53,461)	(61,976)	(71,847)	(96,556)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$505,337</b>	<b>\$520,498</b>	<b>\$536,113</b>	<b>\$552,196</b>	<b>\$568,762</b>	<b>\$659,351</b>	<b>\$764,368</b>	<b>\$886,112</b>	<b>\$1,190,861</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$26,653	\$27,719	\$28,828	\$29,981	\$31,181	\$37,936	\$46,155	\$56,154	\$83,122
Management	25,267	26,025	26,806	27,610	28,438	32,968	38,218	44,306	59,543
Payroll & Payroll Tax	63,888	66,444	69,101	71,865	74,740	90,933	110,633	134,603	199,245
Repairs & Maintenance	24,639	25,625	26,650	27,716	28,824	35,069	42,667	51,911	76,841
Utilities	22,274	23,165	24,092	25,056	26,058	31,703	38,572	46,929	69,466
Water, Sewer & Trash	27,279	28,370	29,505	30,685	31,912	38,826	47,238	57,472	85,073
Insurance	43,359	45,093	46,897	48,773	50,724	61,713	75,084	91,351	135,222
Property Tax	46,908	48,784	50,735	52,765	54,875	66,764	81,229	98,827	146,288
Reserve for Replacements	19,500	20,280	21,091	21,935	22,812	27,755	33,768	41,084	60,814
Other	7,750	8,060	8,382	8,718	9,066	11,031	13,420	16,328	24,170
<b>TOTAL EXPENSES</b>	<b>\$307,517</b>	<b>\$319,565</b>	<b>\$332,087</b>	<b>\$345,103</b>	<b>\$358,631</b>	<b>\$434,697</b>	<b>\$526,984</b>	<b>\$638,964</b>	<b>\$939,783</b>
<b>NET OPERATING INCOME</b>	<b>\$197,821</b>	<b>\$200,933</b>	<b>\$204,025</b>	<b>\$207,093</b>	<b>\$210,131</b>	<b>\$224,653</b>	<b>\$237,384</b>	<b>\$247,148</b>	<b>\$251,078</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$179,831	\$179,831	\$179,831	\$179,831	\$179,831	\$179,831	\$179,831	\$179,831	\$179,831
Second Lien	0	0	0	0	0	19,316	19,316	19,316	19,316
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$17,989</b>	<b>\$21,101</b>	<b>\$24,194</b>	<b>\$27,262</b>	<b>\$30,300</b>	<b>\$25,506</b>	<b>\$38,237</b>	<b>\$48,001</b>	<b>\$51,931</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.13</b>	<b>1.15</b>	<b>1.17</b>	<b>1.13</b>	<b>1.19</b>	<b>1.24</b>	<b>1.26</b>



**LIHTC Allocation Calculation - Village at Morningstar Apartments, Texas City, LIHTC #03189**

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	\$122,500	\$302,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$530,766	\$400,766	\$530,766	\$400,766
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$2,899,465	\$3,065,347	\$2,899,465	\$3,065,347
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$66,005	\$66,005	\$66,005	\$66,005
Contractor profit	\$198,014	\$198,014	\$198,014	\$198,014
General requirements	\$198,014	\$198,014	\$198,014	\$198,014
<b>(5) Contingencies</b>				
	\$199,500	\$173,306	\$171,512	\$173,306
<b>(6) Eligible Indirect Fees</b>				
	\$371,775	\$371,775	\$371,775	\$371,775
<b>(7) Eligible Financing Fees</b>				
	\$423,417	\$423,417	\$423,417	\$423,417
<b>(8) All Ineligible Costs</b>				
	\$119,350	\$69,350		
<b>(9) Developer Fees</b>				
			\$728,845	
Developer overhead	\$146,100	\$146,100		\$146,100
Developer fee	\$584,400	\$584,400		\$584,400
<b>(10) Development Reserves</b>				
	\$144,690	\$144,690		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,003,996</b>	<b>\$6,143,684</b>	<b>\$5,587,813</b>	<b>\$5,627,144</b>

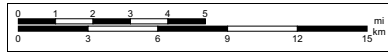
<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$5,587,813	\$5,627,144
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$5,587,813	\$5,627,144
Applicable Fraction		89.26%	89.26%
<b>TOTAL QUALIFIED BASIS</b>		\$4,987,457	\$5,022,563
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$415,954	\$418,882

Syndication Proceeds	0.7799	\$3,244,116	\$3,266,951
<b>Total Credits (Eligible Basis Method)</b>		<b>\$415,954</b>	<b>\$418,882</b>
Syndication Proceeds		\$3,244,116	\$3,266,951
Requested Credits		\$418,179	
Syndication Proceeds		\$3,261,470	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$3,506,659</b>	
Credit Amount		\$449,617	



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 Zoom Level: 9-3 Datum: WGS84

Scale 1 : 325 000  
 1" = 1.3 mi



# Developer Evaluation

Project ID # **03207**

Name: **Palacio Del Sol**

City: **San Antonio**

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

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

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: 1

### 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 nday, May 08, 2033

## 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:** July 20, 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03207

**DEVELOPMENT NAME**

Palacio del Sol

**APPLICANT**

**Name:** Texas Palacio Housing, LP      **Type:** For Profit  
**Address:** 2300 W Commerce      **City:** San Antonio      **State:** TX  
**Zip:** 78207      **Contact:** Fernando S Godinez      **Phone:** (210) 978-0500      **Fax:** (210) 978-0547

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Texas Palacio Development, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Mexican American Unity Council (MAUC)      **(%):** N/A      **Title:** Owner of MGP  
**Name:** Southwest Housing Development      **(%):** N/A      **Title:** Consultant

**PROPERTY LOCATION**

**Location:** 400 North Frio       **QCT**       **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78207

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,173,902	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>1) Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Property Type:</b> <u>Multifamily</u>			
<b>Set-Aside(s):</b> <input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input checked="" type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Elderly <input checked="" type="checkbox"/> At Risk			

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,096,828 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of documentation from HUD indicating the acceptance of prepayment of the existing Section 202 loan;
2. Receipt, review and acceptance of the most current permanent transaction register from HUD indicating the outstanding balance of the Section 202 funds;
3. Receipt, review and acceptance of documentation from HUD indicating at a minimum a total of 106 project-based vouchers will remain with the proposed development upon prepayment of the Section 202 loan regardless of unit type and regardless of the number of households with "mobile" vouchers that choose to return to the property;
4. Receipt, review and acceptance of documentation from the appropriate local authority indicating that the existing two-story single family home is not of historical value and may be demolished;
5. Receipt, review and acceptance of an asbestos survey and an estimate of the effect on demolition costs of the two-story single family home from an independent contractor if asbestos containing materials are found;

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

6. The recommendations of this report should be re-evaluated if the rental rate structure of the development and/or the terms of the syndication/permanent financing should change from the assumptions made in this analysis.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>200</u>	<b># Rental Buildings</b>	<u>5</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>4</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>	<b>at</b>	<u>/</u>	<b>/</b>	<u>/</u>
<b>Net Rentable SF:</b>	<u>156,800</u>	<b>Av Un SF:</b>	<u>784</u>	<b>Common Area SF:</b>	<u>4,782</u>	<b>Gross Bldg SF:</b>	<u>161,582</u>								

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 25% stone veneer/65% stucco exterior wall covering with wood trim, 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, cable, ceiling fans, laminated counter tops, 4-stop elevator in each residential building.

**ON-SITE AMENITIES**

Community room, management offices, laundry facilities, kitchen, restrooms, computer/business center, central mailroom, and swimming pool, are located at the entrance to the property. In addition a picnic area and perimeter fencing with limited access gate(s) is planned for the site.

<b>Uncovered Parking:</b>	<u>222</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:** Palacio del Sol is an existing development of 106 one-bedroom units constructed with funds from HUD's Section 202 program and completed in 1981 to be demolished and replaced with 200 mixed income units. The new one- and two-bedroom units would be housed in five four story buildings, each served by a four-stop elevator. The buildings will be identical with lobbies on each floor and interior stairways at each end.

According to the appraiser, the site also includes an existing two-story single family home that the owner has stated may have some historical significance. A revised site plan indicating the location of this house was requested and received. It appears that the house must be demolished to make way for a second entrance to the site and parking. Receipt, review and acceptance of documentation from the appropriate local authority indicating that the existing two-story single family home is not of historical value and may be demolished or a revised site plan marking the home is a condition of this report.

**Existing Subsidies:** The Section 202 program provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, and the program provides rent subsidies for the projects to help make them affordable. The capital advance bears no interest and does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project rental assistance is used to cover the difference between HUD-approved operating cost per unit and the tenant's rent. Project rental assistance contracts can be approved for up to 5 year intervals and are renewable based on the availability of funds.

The existing 106 units are occupied by households with at least one elderly (62 years and older) member receiving project-based Section 8 assistance. The Section 8 contract rents as of June 2000 were \$473 per month. However, a 2003 rent roll indicates contract rents of \$488 per unit per month. HUD requires the development to maintain affordability for very low-income elderly households for at least 40 years to avoid repayment of the Section 202 capital advance. However, the development's cash advance appears to have started amortization with monthly payments of \$17,315.81 and, subsequent to receipt of the 9% LIHTC application, the Applicant has indicated a desire to prepay the Section 202 loan. It should be noted the

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

financing plan submitted at application initially indicated the Applicant would request a subordination of the existing Section 202 loan rather than prepayment.

**Development Plan:** As stated above, the existing units will be demolished and replaced by new construction. The existing development, constructed through Section 202 funding, was limited to no more than 125 efficiency and/or one-bedroom units. The unit sizes were fixed at no larger than 415 square feet for efficiencies and 540 square feet for one-bedroom units. The only unit permitted to include two-bedrooms at 800 square feet was a designated manager's unit. However, no unit could have more than one bathroom. In addition, restrictions on amenities included: no individual unit balconies and decks, atriums, bowling alleys, swimming pools, saunas, Jacuzzis, spas, dishwashers, trash compactors, and washers/dryers in individual units. Community space could not exceed 10% of the gross square foot area.

The proposed development will include only 60 one-bedroom units, 10 of which will be market rate units, and 140 two-bedroom units. The unit square footages exceed those stipulated in HUD Handbook 4571.3 for Section 202 developments. The amenities include individual balconies, washer/dryer closets with space for full-sized appliances, dishwashers, and a heated swimming pool, which are restricted amenities under Section 202. Although large at 4,782 square feet, the community space does not exceed 10% of the proposed development's total gross square foot area. However, it is not clear if the limitation is based on gross square footage of only Section 202-specific construction.

It should be noted a site plan included in a Butler Burgher appraisal shows the location of the existing buildings and the proposed location of two new buildings. In addition, the Applicant provided a firm commitment dated August 21, 2000 for Capital Advance Financing in the amount of \$1,187,400 for Palacio del Sol, II consisting of 102,141 square feet. The portions of the site on which the additional units are located in the original site plan are not included within the fenced boundary of the current proposed development. The Applicant has stated Palacio del Sol, II is a separate project with separate meters for utilities and owned by a separate non-profit formed for that purpose. A telephone conversation with Pat Byrd of the San Antonio office of HUD indicated the two buildings are completed, but unoccupied due to pending litigation. The owner has accused the contractor of "shoddy" construction. Ms. Byrd stated the disagreement will likely be settled within the next month with tenant occupancy to follow shortly thereafter.

According to the relocation plan submitted to HUD, the purpose is "to create a smooth and informed transition for the residents of Palacio del Sol Apartments during renovation and new construction of the low income housing tax credit project, developing through Texas Palacio Housing LP... This development is desperately in need of total rehabilitation or replacement. Additionally, there are no two (2) bedroom units for life partners or care givers." The construction will be phased to allow residents to be relocated in groups of 30. The total budget includes \$248,050 for moving costs and utility deposits for 106 units. The Applicant has also indicated that relocated tenants will be given a "mobile voucher" to pay for their temporary accommodations. The household then has a choice of staying in their new residence or returning to Palacio del Sol and returning their "mobile voucher" to a project-based voucher. Research on the HUD website has revealed that this is acceptable. Upon request, the Applicant provided an explanation of how the project-based vouchers would be affected in the event that current tenants do not choose to return to the development. It was stated that the project-based vouchers would be reduced by the number of unreturned "mobile" vouchers. To correct the statement made in a supplemental packet dated July 1, 2003, a representative of the Applicant stated HUD has agreed to maintain all 106 Section 8 project-based vouchers whether or not all households with "mobile" vouchers return to the development.

The probability of transfer of the project-based Section 8 vouchers from the existing development to the new development is also unclear. HUD Notice H 2002-16, which is effective through August 31, 2003, outlines the requirements for prepayment of direct loans on Section 202 and Section 202 with Section 8 rental assistance projects. Although the sources and uses of funds form submitted at application includes the existing Section 202 loan as a source of funds, the Applicant has indicated that prepayment of the loan is an option they are exploring. The Notice indicates that "Upon approval of the refinancing of a project under this Notice and recordation of the Section 202 Use Agreement, the Secretary shall make available at least 50% of the annual savings resulting from reduced Section 8 or other rental housing assistance contracts in a manner that is advantageous to the tenants..." but "At the time of prepayment processing, the existing project-based



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Section 8 contract rents will not be increased.” The Notice does not mention the consequences of demolishing the existing units for which the project-based vouchers apply.

In addition to the uncertainty surrounding the number of project-based vouchers that will remain with the property, HUD’s acceptance of transfer of project-based vouchers from one-bedroom units to two-bedroom units is unknown. Receipt, review and acceptance of documentation from HUD indicating at a minimum a total of 106 project-based vouchers will remain with the proposed development upon prepayment of the Section 202 loan regardless of unit type and regardless of the number of households with “mobile” vouchers that choose to return to the property is a condition of this report.

**Architectural Review:** The current development is inferior compared to the proposed development with regard to unit size, heating and cooling systems, appliance package and overall amenities. The proposed units will provide larger square footages, a choice in number of bedrooms for households that are larger than 2 persons, and amenities not currently available. The amenities will include air conditioning, a heated swimming pool and a community building with many tenant-accessible areas as well as leasing/management offices. Although the proposed development will be a vast improvement to the existing development, the extreme changes proposed do not appear to be allowed under the HUD Section 202 program and, therefore, receipt, review and acceptance of HUD’s approval for prepayment of the existing Section 202 loan is a condition of this report.

**Supportive Services:** The Applicant plans to contract with Housing Services of Texas to provide optional supportive services at no additional charge to tenants.

**Schedule:** The Applicant anticipates construction to begin in March of 2004, to be completed in September of 2005, to be placed in service in January of 2006, and to be substantially leased-up in December of 2005.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	6.9	acres	300,564 square feet
<b>Zoning/ Permitted Uses:</b>	MF33		
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject site is located at 400 North Frio, San Antonio, on the western edge of the central business district.

**Adjacent Land Uses:**

- **North:** Martin Street and University Health Center Downtown
- **South:** Motel 6
- **East:** Vista Verde Office Complex (Bexar County office)
- **West:** Frio Street, Bexar County Appraisal District, and Kidney Disease Clinic

**Site Access:** The subject has access via Interstate 10 to Loop 410, US Highway 90, and all other major thoroughfares around the San Antonio Metro Area.

**Public Transportation:** Although general knowledge indicates that San Antonio operates a public transportation system, the market analysis does not provide information on the route closest to the subject. The appraiser has confirmed that San Antonio’s Metro system (VIA) provides a number of routes on neighborhood thoroughfares including stops along West Martin Street and North Frio Street.

**Shopping & Services:** The subject is served by the San Antonio Independent School District which operates a high school, middle school and two elementary schools within a one mile radius. Four institutes of higher learning are located within 13 miles. Santa Rosa Hospital is located within ½ mile and the South Texas Medical center is within 8 miles. San Antonio offers many local attractions and recreational activities.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 19, 2003 and found the location to be acceptable for the proposed development. Staff noted the existing units are very small and in need of air conditioning.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated March 10, 2003 was prepared by Butler-Burgher, Inc. and contained the following findings and conclusions:

- No potentially significant on-site environmental concerns or recognized environmental conditions (RECs) were observed during the site visit;
- Several leaking underground storage tanks (LUST) sites were identified during the review of current regulatory databases. Most of these sites have received closure. However, two LUST sites have not been closed that are located over 0.25 miles from the Subject property;
- The Subject property was not listed on the solid waste landfills database, nor were any landfills identified that would have any impact on the Subject property;
- The site reconnaissance did not identify adjacent or off-site RECs in the immediate vicinity of the Subject property;
- The historical review did not reveal any prior uses that indicate the presence of RECs; and
- A National Environmental Report was reviewed, and there were no issues identified in the NEPA Report that impact the Subject property.

Based on the above findings and conclusions of the Phase I ESA, Butler Burgher makes no further recommendations. (p. 19)

However, the body of the report states, “Butler Burgher did not inspect the structures for lead based paint issues, which is beyond the scope of the ASTM standard.” and, “If any renovation and/or demolition activities are planned, a limited asbestos survey must be performed prior to these activities. An asbestos survey is beyond the scope of this standard.”

Upon request, the Applicant provided a comprehensive needs assessment performed by The Quadratex Group in 1997. At that time, there was no lead-based paint or asbestos containing materials observed in the existing multifamily buildings. However, it does not appear that the single family home that may be demolished was observed. Receipt, review and acceptance of an asbestos survey and, if necessary, an estimate of the effect on demolition costs of the single family house from an independent contractor if asbestos containing materials are found is a condition of this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and sixty of the units (80% of the total) will be reserved for low-income/elderly tenants. Ten of the units (5%) will be reserved for households earning 30% or less of AMGI, 15 units (7.5%) will be reserved for households earning 40% or less of AMGI, 55 of the units (27.5%) will be reserved for households earning 50% or less of AMGI, 80 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 40 units (20%) will be offered at market rents.

<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>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

**MARKET HIGHLIGHTS**

A market feasibility study dated March 25, 2003 was prepared by Apartment MarketData and highlighted the following findings:

**Definition of Primary Market:** “For this analysis we used a ‘primary market area’ comprising a 44 square mile Trade Area in central San Antonio.” (p. 3) – this is equal to a 3.75-mile radius

**Population:** The estimated 2002 population of elderly households (age 55+) in the primary market area was



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49,436 and is expected to increase to approximately 50,275 by 2007.

**Total Local/Submarket Demand for Rental Units:** It should be noted that the development to be replaced is occupied and the Applicant plans to relocate existing tenants during construction. At construction completion, the existing tenants will be offered residency in the new 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	14	0.5%	17	0.5%
Resident Turnover	2,533	99.5%	3,465	99.5%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,547</b>	<b>100%</b>	<b>3,482</b>	<b>100%</b>

Ref: p. 9

**Inclusive Capture Rate:** The market analyst has calculated a capture rate for the 160 subject affordable units of 6.28%. (p. 9)

**Market Rent Comparables:** “The competitive sub-market supply and demand analysis conducted by Apartment MarketData Services included 928 existing ‘senior’ income restricted units and 1,185 conventional units within the Primary Trade Area.” (p. 89)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (40%)</b>	\$247	\$347	-\$100	\$547	-\$300
<b>1-Bedroom (50%)</b>	\$342	\$441	-\$99	\$547	-\$205
<b>1-Bedroom (60%)</b>	\$436	\$536	-\$100	\$547	-\$111
<b>1-Bedroom (MR)</b>	\$531	N/A		\$547	-\$16
<b>2-Bedroom (30%)</b>	\$295	\$305	-\$10	\$829	-\$534
<b>2-Bedroom (40%)</b>	\$409	\$419	-\$10	\$829	-\$420
<b>2-Bedroom (50%)</b>	\$522	\$532	-\$10	\$829	-\$307
<b>2-Bedroom (60%)</b>	\$636	\$646	-\$10	\$829	-\$193
<b>2-Bedroom (MR)</b>	\$636	N/A		\$829	-\$193

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

**Primary Market Occupancy Rates:** “The current occupancy of the market area is 92.4%...” (p. 11)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its unit per month as they come on line for occupancy from construction.” (p. 81)

**Known Planned Development:** No other proposed or currently unstabilized seniors’ development was identified in the primary market area by the market analyst and Underwriter.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** Due to the uncertainties related to the maintenance of project-based Section 8 rental assistance, the Underwriter has evaluated the property based on two scenarios: non-renewal of the HAP Contract and therefore rental rates set at the maximum LIHTC limit for the selected set-asides, and renewal of the HAP Contract with 100% of the project-based Section 8 vouchers returned to the development regardless of unit type. Despite differences in rental rates based on the 2003 LIHTC rent limits and the HAP contract rents as indicated in the submitted 2003 rent roll, the Applicant’s use of secondary income and vacancy loss assumptions that are consistent with Department guidelines result in an effective gross income that is within 5% of the Underwriter’s estimate.

As stated above, the 106 existing one-bedroom units receive project-based rental assistance due to A HAP

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Contract related to the HUD Section 202 program. It is not known if the rental assistance will transfer to the new development in whole or in part due to the differences in unit type and possible loss to conversion to tenant-based vouchers. Therefore, the actual rental income the property may produce cannot be accurately estimated at this time and the recommendations of this report should be re-evaluated if the rental rate structure of the development should change from the assumptions made in this analysis.

**Expenses:** The Applicant's total expense estimate of \$2,966 per unit is within 5% of the Underwriter's estimate. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$12K lower) repairs and maintenance (\$47K lower), and utilities (\$16K higher).

The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided.

It should be noted the Underwriter's expense estimate assumes that the development will continue to receive a 100% tax exemption despite the demolition of the current units and construction of mixed-income units. Upon request the Applicant provided a letter dated June 12, 2003 from the Bexar County Appraisal District stating the property would continue with the "Charitable Property Tax Exemption" even with the proposed addition of market rate units.

**Conclusion:** Assuming the development will charge the maximum LIHTC rent limits or assuming the 106 units serving the lowest income households regardless of number of bedrooms will continue to operate with rental assistance with a contract rent of \$488 per month, the Applicant's effective gross income, operating expense, and net operating income projections are all within 5% of the Underwriter's estimate. Therefore, the Applicant's proforma is used to determine the development's debt service capacity.

Under both scenarios, the Applicant's proforma indicates the development will be able to support the proposed conventional loan, while the Underwriter's proforma indicates a need to reduce the annual debt service. However, as stated above, the Applicant's proforma is considered to be acceptable as presented.

Note: HUD Notice H 2002-16, which outlines the requirements for prepayment of direct loans on Section 202 and Section 202 with Section 8 rental assistance projects, indicates, "The maximum annual distribution from surplus cash that may be taken is 6% of the owner's equity that was paid at the refinancing of the project. Funds provided from LIHTC equity, other government funds (i.e., HOME funds, CDBG funds, etc.) will not be considered owner's equity." Thus the return on equity to pay the deferred developer fee may be limited to 6% of the deferred portion of the fee itself. This limitation would make the transaction infeasible based on Underwriting guidelines since the maximum 6% per year multiplied by the maximum 15 year payback only allows 90% of the deferred developer fee to be repaid.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 6.9367 acres	\$1,600,000		Date of Valuation:	03/ 24/	2003
Existing Building(s): "as is"	\$850,000		Date of Valuation:	03/ 24/	2003
Total Development: "as is"	\$2,450,000		Date of Valuation:	03/ 24/	2003
Appraiser: Butler Burgher, Inc.	City: Dallas		Phone:	(214) 739-0700	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** According to the appraiser, the highest and best use as vacant is future residential or commercial development (assuming property is rezoned). The highest and best use as improved is continued utilization as a multi-family rental community for the interim period until a more intensive land use is feasible.

The estimate of the underlying land value was based on four land sales to be used for multifamily construction in the immediate vicinity of the subject with prices per developable unit ranging from \$5,903 to \$7,897 and four commercial land sales to be used for commercial construction with prices per square foot ranging from 7.28 to \$15.10. The subject's land-only appraised value assuming use as multifamily ranges from \$1,370,000 to \$1,600,000 and the land-only appraised value assuming commercial use (requiring a zoning change) ranges

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from \$2,120,000 to \$2,420,000.

The appraiser used only the sales comparison and income capitalization approaches in estimating the value of the development as a whole. The cost approach was not considered applicable due to the age of the improvements and the inaccuracy in estimating depreciation for older buildings.

The six sales comparables selected are multifamily developments with 104 to 477 units. All of the comparable properties were considered to be in the same physical condition as the subject and, therefore, adjustments were made based on location, construction quality and overall appeal including density, and average unit size. Overall adjustments ranged from 0% to 43% for per square foot prices and -28% to 9% for per unit prices. The final sales comparison value conclusions are \$2,280,000 based on \$46.00 per square foot based, \$2,438,000 based on a per unit price of \$23,000, and \$2,676,303 based on an effective gross income multiplier of 4.50. The effective gross income assumed by the appraiser for the subject development is \$594,734, based on monthly rent of \$488. Overall, the Sales comparison Value indication is \$2,440,000.

The Appraiser has assumed a reconstructed net operating income of \$234,000 and an overall capitalization rate of 9.50%. The capitalization rate is based on the six comparable developments sold during 2002. The reconciled value indicated by the income capitalization approach is \$2,460,000.

**Conclusion:** Assuming that the information provided in the appraisal is accurate, the appraiser's methodology provides for an acceptable estimate of the property's "as-is" value.

**ASSESSED VALUE**

<b>Land: 7.8215 acres</b>	\$0	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$0	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Assessed Value:</b>	\$0	<b>Tax Rate:</b>	3.001605

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest Money Contract		
<b>Contract Expiration Date:</b>	08/ 30/ 2003	<b>Anticipated Closing Date:</b>	08/ 30/ 2003
<b>Acquisition Cost:</b> \$2,200,000	<b>Other Terms/Conditions:</b>		Brian Potashnik is the manager of the entity assigning the sales contract back to MAUC; \$200,000 cash to seller/buyer and \$2,000,000 note to HUD.
<b>Seller:</b> Mexican American Unity Council	<b>Related to Development Team Member:</b>		Yes

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The seller, Mexican American Unity Council, is 100% owner of the General Partner and constructed the existing development in 1981 at a cost of \$2,594,800 based on the Section 202 cash advance/direct loan received. The outstanding balance of the Section 202 funds as of June 18, 2002 was \$2,022,501.27. The Applicant has included only \$2,000,000 (assured to be the balance on the existing HUD 202 loan) plus closing costs as the cost of the acquisition. The Underwriter used the same amount, however, receipt, review and acceptance of the most current permanent transaction register from HUD indicating the outstanding balance of the Section 202 funds is a condition of this report.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,250 per unit are considered reasonable compared to historical sitework costs for multifamily projects. An additional \$275K (\$1,375 per unit) has been budgeted for demolition of the existing buildings.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$633K or 9% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as overstated. The Underwriter has considered the extensive interior corridors, balconies, elevators, made upward adjustments for elderly construction and added a 5% contingency for hard construction costs to reduce the estimated cost differences. As a result, the Applicant's total hard costs are only 3% higher than the Underwriter's estimate.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and

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profit are all within the maximums allowed by TDHCA guidelines.

The housing consultant fee of \$160,000 was added to the total developer fees. HUD Notice H 2002-16, which outlines the requirements for prepayment of direct loans on Section 202 and Section 202 with Section 8 rental assistance projects, indicates, "If LIHTC are used as a source of equity and to assure that the greatest amount of tax credit equity will be used for construction purposes, the following limitation applies: a maximum developer's fee of 9% of the acceptable development costs for developer fee calculation under a State's LIHTC program." Therefore, the eligible portion of the total housing consultant and developer fees was limited to 9% of all other eligible costs. As a result, the Applicant's eligible basis calculation was reduced by \$870,481.

**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 for overstated housing consultant and developer fees, is used to calculate eligible basis and determine the eligible tax credits. As a result an eligible basis of \$12,679,963 is used to determine eligible annual tax credits of \$1,096,828. 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**

**Source:** GMAC Commercial Mortgage **Contact:** Lloyd Griffin  
**Principal Amount:** \$6,860,000 **Interest Rate:** 7.25%  
**Additional Information:** Fannie Mae Forward Commitment; 24 month interim period with a six month extension  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$561,568 **Lien Priority:** 1st **Commitment Date** 02/ 26/ 2003

**INTERIM to PERMANENT FINANCING**

**Source:** HUD **Contact:** Elva Castillo [210.475.6832]  
**Principal Amount:** \$2,000,000 **Interest Rate:** 7.63%  
**Additional Information:** HUD Section 202 -- existing (Balance as of June 2002 was \$2,022,501)  
**Amortization:** Unknown yrs **Term:** 40 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$207,802 **Lien Priority:** 2<sup>nd</sup> **Commitment Date** / /

**LIHTC SYNDICATION**

**Source:** Paramount Financial Group **Contact:** Dale Cook  
**Address:** 150 E Main Street, Suite 301 **City:** Fredericksburg  
**State:** Texas **Zip:** 78624 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939  
**Net Proceeds:** \$9,391,200 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 26/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$899,011 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment from GMAC is inconsistent with the terms reflected in the sources and uses listed in the application, but consistent with current plans to prepay the existing Section 202 loan.

The Applicant initially planned to request transfer of the existing Section 202 note with a 2nd lien. However,

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it now appears that the Applicant is discussing the option of prepaying the Section 202 loan. Receipt, review and acceptance of documentation from HUD indicating the acceptance of prepayment of the existing Section 202 loan is a condition of this report.

HUD Notice H 2002-16, which is effective through August 31, 2003, outlines the requirements for prepayment of direct loans on Section 202 and Section 202 with Section 8 rental assistance projects. It states, "The Secretary shall allow a project sponsor that is prepaying and refinancing a project under this Notice to: 1. use any residual receipts held for the project in excess of \$500 per individual dwelling unit...2. use any reserve for replacement in excess of \$1,000 per individual units..." Documentation from HUD indicating that the proposed development will not have access to these funds has yet to be provided, and therefore, upon request, the Applicant submitted the most current audited financial statements indicating the balance in residual receipts and reserve for replacements. Assuming acceptance and following HUD guidelines, funds available from these accounts were included as a source of funds in determining the gap in need of permanent funds for the proposed development. The residual receipt balance as of September 30, 2002 indicates that this will not be a likely source of additional funds. In contrast, the reserve for replacement balance as of May 31, 2003 indicates that approximately \$435,031, which is net of \$1,000 per 106 units, may be available. An additional source of permanent funds in this amount was included in the underwriting analysis.

**LIHTC Syndication:** The syndication commitment is consistent with the terms reflected in the sources and uses listed in the application. Forty percent of the net proceeds will be made available to the Applicant during the construction stage of development.

**Deferred Developer's Fees:** The Applicants anticipated deferred fees amount to 47% percent of their estimated total developer fees.

**Financing Conclusions:** Under both rent scenarios, the Applicant's proforma indicates the development will be able to support the total conventional loan of \$6,860,000 at the terms proposed. As stated above, the Applicant's total cost breakdown, as adjusted for overstated housing consultant and developer fees, is used to calculate eligible basis and determine the eligible tax credits of \$1,096,828. This amount is supported by the development's gap in need and is \$77,074 less than the Applicant's request due to the HUD development fee limit. The effect of the lower anticipated syndication proceeds is an increase in the projected deferred developer fees. Under both rent scenarios (see Operating Proforma Analysis section), the anticipated deferred developer fees are repayable from cashflow within 10 years of stabilized operation though a portion of related party general contractor fees may also need to be deferred. Moreover if the \$870,481 developer fee over 9% is not allowed even as ineligible fee the total deferred fee (and total cost) would be reduced by this amount to \$210,966.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The general contractor, cost estimator, property manager, and entity assigning site control to the Applicant are related entities. The appraiser is also prepared the Phase I Environmental Site Assessment. These are common relationships for LIHTC-funded developments. The general partner is also the current owner of the development. This identity of interest 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 single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Mexican American Unity Council, submitted an unaudited balance sheet dated as of December 2002 indicating total assets of \$3.9M comprised of cash, receivables, property plat & equipment, investments, prepaid expenses and deposits, and reserves. Total liabilities equaled \$2.6M for total equity of \$1.3M.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has participated in one LIHTC housing development totaling 160 units since 2001.

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The Mexican American Unity Council has also received a Certificate of Experience from the Department.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental/locational risks exist regarding asbestos and the impact of an existing single family home with possible historic value.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** July 20, 2003

**Director of Real Estate Analysis:**

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

**Date:** July 20, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Palacio del Sol, San Antonio, 9% LIHTC 03207 (TC Rents)**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Other Util
TC 40%	5	1	1	665	\$379	\$347	\$1,737	\$0.52	\$31.61	\$31.37
TC 50%	15	1	1	665	473	441	6,621	0.66	31.61	31.37
TC 60%	30	1	1	665	568	536	16,092	0.81	31.61	31.37
MR	10	1	1	665		536	5,360	0.81	31.61	31.37
TC 30%	10	2	1	835	341	305	3,046	0.36	36.45	36.59
TC 40%	10	2	1	835	455	419	4,186	0.50	36.45	36.59
TC 50%	40	2	1	835	568	532	21,262	0.64	36.45	36.59
TC 60%	50	2	1	835	682	646	32,278	0.77	36.45	36.59
MR	30	2	1	835		646	19,380	0.77	36.45	36.59
<b>TOTAL:</b>	<b>200</b>		<b>AVERAGE:</b>	<b>784</b>	<b>\$454</b>	<b>\$550</b>	<b>\$109,960</b>	<b>\$0.70</b>	<b>\$35.00</b>	<b>\$35.02</b>

**INCOME**

Total Net Rentable Sq Ft: 156,800

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: Cable, Telephone, Interest Income

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.95%	\$248	0.32
Management	5.00%	313	0.40
Payroll & Payroll Tax	13.22%	829	1.06
Repairs & Maintenance	9.54%	598	0.76
Utilities	1.71%	107	0.14
Water, Sewer, & Trash	5.44%	341	0.44
Property Insurance	3.75%	235	0.30
Property Tax 3.001605	0.00%	0	0.00
Reserve for Replacements	3.19%	200	0.26
Other Expenses:	2.71%	170	0.22

**TOTAL EXPENSES**

**NET OPERATING INC**

**DEBT SERVICE**

First Lien Mortgage 31.73% \$1,989 \$2.54  
HUD Section 202 Funds 16.57% \$1,039 \$1.33  
LIHTC Syndication Proceeds 0.00% \$0 \$0.00  
NET CASH FLOW 3.17% \$199 \$0.25

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		12.18%	\$10,300	\$13.14
Off-Sites		0.00%	0	0.00
Sitework		8.57%	7,250	9.25
Direct Construction		42.25%	35,723	45.57
Contingency	5.00%	2.54%	2,149	2.74
General Req'ts	6.00%	3.05%	2,578	3.29
Contractor's G & A	2.00%	1.02%	859	1.10
Contractor's Profit	6.00%	3.05%	2,578	3.29
Indirect Construction		3.26%	2,753	3.51
Ineligible Costs		9.11%	7,699	9.82
Developer's G & A	2.00%	1.34%	1,134	1.45
Developer's Profit	13.00%	8.72%	7,371	9.40
Interim Financing		3.33%	2,812	3.59
Reserves		1.59%	1,347	1.72

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

First Lien Mortgage 40.57% \$34,300 \$43.75  
HUD Section 202 Funds 0.00% \$0 \$0.00  
LIHTC Syndication Proceeds 55.53% \$46,956 \$59.89  
Existing Replacement Reserves 2.57% \$2,175 \$2.77  
Deferred Developer Fees 5.32% \$4,495 \$5.73  
Additional (excess) Funds Required -3.99% (\$3,373) (\$4.30)  
**TOTAL SOURCES**

	TDHCA	APPLICANT	USS Region	IREM Region
POTENTIAL GROSS RENT	\$1,319,520	\$1,311,504	9	San Antonio
Secondary Income	36,000	26,400	\$11.00	Per Unit Per Month
Other Support Income	0	9,600	\$4.00	Per Unit Per Month
POTENTIAL GROSS INCOME	\$1,355,520	\$1,347,504		
Vacancy & Collection Loss	(101,664)	(101,064)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
EFFECTIVE GROSS INCOME	\$1,253,856	\$1,246,440		
General & Administrative	\$49,570	\$37,400	PER SQ FT	PER UNIT
Management	62,693	62,322	\$0.24	\$187
Payroll & Payroll Tax	165,808	176,000	0.40	312
Repairs & Maintenance	119,667	73,000	1.12	880
Utilities	21,419	37,000	0.47	365
Water, Sewer, & Trash	68,220	70,000	0.24	185
Property Insurance	47,040	53,392	0.45	350
Property Tax	0	0	0.34	267
Reserve for Replacements	40,000	50,000	0.00	0
Other Expenses:	34,000	34,000	0.32	250
TOTAL EXPENSES	\$608,416	\$593,114	0.22	170
NET OPERATING INC	\$645,440	\$653,326	\$3.78	\$2,966
First Lien Mortgage	\$397,845	\$561,568	47.58%	47.58%
HUD Section 202 Funds	207,802	0	\$4.17	\$3,267
LIHTC Syndication Proceeds	0	0	52.42%	52.42%
NET CASH FLOW	\$39,793	\$91,759		
AGGREGATE DEBT COVERAGE RATIO	1.07	1.16		
RECOMMENDED DEBT COVERAGE RATIO		1.16		

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$2,060,000	\$2,060,000	\$13.14	\$10,300	12.01%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,450,000	1,450,000	9.25	7,250	8.45%
Direct Construction	7,144,645	7,778,196	49.61	38,891	45.35%
Contingency	429,732	0	0.00	0	0.00%
General Req'ts	515,679	553,692	3.53	2,768	3.23%
Contractor's G & A	171,893	184,564	1.18	923	1.08%
Contractor's Profit	515,679	553,692	3.53	2,768	3.23%
Indirect Construction	550,500	550,500	3.51	2,753	3.21%
Ineligible Costs	1,539,783	1,539,783	9.82	7,699	8.98%
Developer's G & A	226,810	0	0.00	0	0.00%
Developer's Profit	1,474,262	1,917,450	12.23	9,587	11.18%
Interim Financing	562,350	562,350	3.59	2,812	3.28%
Reserves	269,342	0	0.00	0	0.00%
TOTAL COST	\$16,910,675	\$17,150,227	\$109.38	\$85,751	100.00%
Recap-Hard Construction Costs	\$10,227,627	\$10,520,144	\$67.09	\$52,601	61.34%

**RECOMMENDED**

First Lien Mortgage	\$6,860,000	\$4,860,000	\$6,860,000	Developer Fee Available
HUD Section 202 Funds	0	2,000,000	0	\$1,046,969
LIHTC Syndication Proceeds	9,391,219	9,391,219	8,773,749	% of Dev. Fee Deferred
Existing Replacement Reserves	435,031	0	435,031	103%
Deferred Developer Fees	899,011	899,011	1,081,447	15-Yr Cumulative Cash Flow
Additional (excess) Funds Required	(674,587)	(3)	0	\$2,895,099.23
<b>TOTAL SOURCES</b>	<b>\$16,910,675</b>	<b>\$17,150,227</b>	<b>\$17,150,227</b>	

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Palacio del Sol, San Antonio, 9% LIHTC 03207 (TC Rents)*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.55	\$6,515,230
<b>Adjustments</b>				
Exterior Wall Finish	2.00%		\$0.83	\$130,305
Elderly	5.00%		2.08	325,761
Interior Corridors	\$41.55	32,775	8.69	1,361,841
Subfloor			(0.51)	(79,184)
Floor Cover			1.92	301,056
Balconies	\$29.24	14,380	2.68	420,471
Plumbing	\$615	0	0.00	0
Built-In Appliances	\$1,625	200	2.07	325,000
Stairs	\$1,575	30	0.30	47,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	230,496
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.25	4,782	1.72	269,002
4-stop elevator	\$52,650.00	5	1.68	263,250
<b>SUBTOTAL</b>			<b>64.48</b>	<b>10,110,478</b>
Current Cost Multiplier	1.03		1.93	303,314
Local Multiplier	0.84		(10.32)	(1,617,676)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$56.10</b>	<b>\$8,796,116</b>
Plans, specs, survy, bid prm	3.90%		(\$2.19)	(\$343,049)
Interim Construction Interes	3.38%		(1.89)	(296,869)
Contractor's OH & Profit	11.50%		(6.45)	(1,011,553)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$45.57</b>	<b>\$7,144,645</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,860,000	Term	360
Int Rate	7.25%	DCR	1.62

<b>Secondary</b>	\$2,000,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.07

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.07

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC**

Primary Debt Service	\$561,568
Secondary Debt Service	\$0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$91,759</b>

<b>Primary</b>	\$6,860,000	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	\$1,311,504	\$1,350,849	\$1,391,375	\$1,433,116	\$1,476,109	\$1,711,215	\$1,983,767	\$2,299,730	\$3,090,645
Secondary Income	26,400	27,192	28,008	28,848	29,713	34,446	39,932	46,293	62,213
Contractor's Profit	9,600	9,888	10,185	10,490	10,805	12,526	14,521	16,834	22,623
<b>POTENTIAL GROSS INCOME</b>	<b>1,347,504</b>	<b>1,387,929</b>	<b>1,429,567</b>	<b>1,472,454</b>	<b>1,516,628</b>	<b>1,758,187</b>	<b>2,038,221</b>	<b>2,362,856</b>	<b>3,175,481</b>
Vacancy & Collection Loss	(101,064)	(104,095)	(107,218)	(110,434)	(113,747)	(131,864)	(152,867)	(177,214)	(238,161)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,246,440</b>	<b>\$1,283,834</b>	<b>\$1,322,349</b>	<b>\$1,362,020</b>	<b>\$1,402,881</b>	<b>\$1,626,323</b>	<b>\$1,885,354</b>	<b>\$2,185,642</b>	<b>\$2,937,320</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$37,400	\$38,896	\$40,452	\$42,070	\$43,753	\$53,232	\$64,765	\$78,796	\$116,638
Management	62,322	64,191	66,117	68,101	70,144	81,316	94,267	109,282	146,865
Payroll & Payroll Tax	176,000	183,040	190,362	197,976	205,895	250,503	304,775	370,805	548,883
Repairs & Maintenance	73,000	75,920	78,957	82,115	85,400	103,902	126,412	153,800	227,662
Utilities	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Water, Sewer & Trash	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Insurance	53,392	55,528	57,749	60,059	62,461	75,993	92,458	112,489	166,511
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
<b>TOTAL EXPENSES</b>	<b>\$593,114</b>	<b>\$616,215</b>	<b>\$640,222</b>	<b>\$665,170</b>	<b>\$691,095</b>	<b>\$836,798</b>	<b>\$1,013,427</b>	<b>\$1,227,580</b>	<b>\$1,802,221</b>
<b>NET OPERATING INCOME</b>	<b>\$653,326</b>	<b>\$667,619</b>	<b>\$682,128</b>	<b>\$696,850</b>	<b>\$711,785</b>	<b>\$789,525</b>	<b>\$871,927</b>	<b>\$958,062</b>	<b>\$1,135,100</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568
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>\$91,759</b>	<b>\$106,052</b>	<b>\$120,560</b>	<b>\$135,283</b>	<b>\$150,218</b>	<b>\$227,957</b>	<b>\$310,359</b>	<b>\$396,494</b>	<b>\$573,532</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.16</b>	<b>1.19</b>	<b>1.21</b>	<b>1.24</b>	<b>1.27</b>	<b>1.41</b>	<b>1.55</b>	<b>1.71</b>	<b>2.02</b>



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Palacio del Sol, San Antonio, 9% LIHTC 03207 (HAP Rents)**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Other Util
TC 40%	5	1	1	665	\$379	\$488	\$2,440	\$0.73	\$31.61	\$31.37
TC 50%	15	1	1	665	473	488	7,320	0.73	31.61	31.37
TC 60%	30	1	1	665	568	488	14,640	0.73	31.61	31.37
MR	10	1	1	665		531	5,310	0.80	31.61	31.37
TC 30%	10	2	1	835	341	488	4,880	0.58	36.45	36.59
TC 40%	10	2	1	835	455	488	4,880	0.58	36.45	36.59
TC 50%	36	2	1	835	568	488	17,568	0.58	36.45	36.59
TC 50%	4	2	1	835	568	532	2,128	0.64	36.45	36.59
TC 60%	50	2	1	835	682	646	32,278	0.77	36.45	36.59
MR	30	2	1	835		646	19,380	0.77	36.45	36.59
<b>TOTAL:</b>	<b>200</b>		<b>AVERAGE:</b>	<b>784</b>	<b>\$454</b>	<b>\$554</b>	<b>\$110,824</b>	<b>\$0.71</b>	<b>\$35.00</b>	<b>\$35.02</b>

<b>INCOME</b>				Total Net Rentable Sq Ft: <u>156,800</u>		<b>TDHCA</b>	<b>APPLICANT</b>	USS Region <b>9</b>			
<b>POTENTIAL GROSS RENT</b>						\$1,329,882	\$1,311,504	IREM Region <b>San Antonio</b>			
Secondary Income		Per Unit Per Month:	\$15.00			36,000	26,400	\$11.00	Per Unit Per Month		
Other Support Income: Cable, Telephone, Interest Income						0	9,600	\$4.00	Per Unit Per Month		
<b>POTENTIAL GROSS INCOME</b>						\$1,365,882	\$1,347,504				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(102,441)	(101,064)	-7.50%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$1,263,441	\$1,246,440				
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>	<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative		3.92%	\$248	0.32		\$49,570	\$37,400	\$0.24	\$187	3.00%	
Management		4.96%	313	0.40		62,693	62,322	0.40	312	5.00%	
Payroll & Payroll Tax		13.12%	829	1.06		165,808	176,000	1.12	880	14.12%	
Repairs & Maintenance		9.47%	598	0.76		119,667	73,000	0.47	365	5.86%	
Utilities		1.70%	107	0.14		21,419	37,000	0.24	185	2.97%	
Water, Sewer, & Trash		5.40%	341	0.44		68,220	70,000	0.45	350	5.62%	
Property Insurance		3.72%	235	0.30		47,040	53,392	0.34	267	4.28%	
Property Tax	3.001605	0.00%	0	0.00		0	0	0.00	0	0.00%	
Reserve for Replacements		3.17%	200	0.26		40,000	50,000	0.32	250	4.01%	
Other Expenses:		2.69%	170	0.22		34,000	34,000	0.22	170	2.73%	
<b>TOTAL EXPENSES</b>		<b>48.16%</b>	<b>\$3,042</b>	<b>\$3.88</b>		<b>\$608,416</b>	<b>\$593,114</b>	<b>\$3.78</b>	<b>\$2,966</b>	<b>47.58%</b>	
<b>NET OPERATING INC</b>		<b>51.84%</b>	<b>\$3,275</b>	<b>\$4.18</b>		<b>\$655,025</b>	<b>\$653,326</b>	<b>\$4.17</b>	<b>\$3,267</b>	<b>52.42%</b>	
<b>DEBT SERVICE</b>						<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>	
First Lien Mortgage		31.49%	\$1,989	\$2.54		\$397,845	\$561,568	\$3.58	\$2,808	45.05%	
HUD Section 202 Funds		16.45%	\$1,039	\$1.33		207,802	0	\$0.00	\$0	0.00%	
LIHTC Syndication Proceeds		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>		<b>3.91%</b>	<b>\$247</b>	<b>\$0.31</b>		<b>\$49,378</b>	<b>\$91,759</b>	<b>\$0.59</b>	<b>\$459</b>	<b>7.36%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>						<b>1.08</b>	<b>1.16</b>				
<b>RECOMMENDED DEBT COVERAGE RATIO</b>							<b>1.16</b>				

<b>CONSTRUCTION COST</b>										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		12.18%	\$10,300	\$13.14	\$2,060,000	\$2,060,000	\$13.14	\$10,300	\$10,300	12.01%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0	0.00%
Sitework		8.57%	7,250	9.25	1,450,000	1,450,000	9.25	7,250	7,250	8.45%
Direct Construction		42.25%	35,723	45.57	7,144,645	7,778,196	49.61	38,891	38,891	45.35%
Contingency	0.00%	2.54%	2,149	2.74	429,732	0	0.00	0	0	0.00%
General Req'ts	6.00%	3.05%	2,578	3.29	515,679	553,692	3.53	2,768	2,768	3.23%
Contractor's G & A	2.00%	1.02%	859	1.10	171,893	184,564	1.18	923	923	1.08%
Contractor's Profit	6.00%	3.05%	2,578	3.29	515,679	553,692	3.53	2,768	2,768	3.23%
Indirect Construction		3.26%	2,753	3.51	550,500	550,500	3.51	2,753	2,753	3.21%
Ineligible Costs		9.11%	7,699	9.82	1,539,783	1,539,783	9.82	7,699	7,699	8.98%
Developer's G & A	2.00%	1.34%	1,134	1.45	226,810	0	0.00	0	0	0.00%
Developer's Profit	13.00%	8.72%	7,371	9.40	1,474,262	1,917,450	12.23	9,587	9,587	11.18%
Interim Financing		3.33%	2,812	3.59	562,350	562,350	3.59	2,812	2,812	3.28%
Reserves		1.59%	1,347	1.72	269,342	0	0.00	0	0	0.00%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$84,553</b>	<b>\$107.85</b>	<b>\$16,910,675</b>	<b>\$17,150,227</b>	<b>\$109.38</b>	<b>\$85,751</b>	<b>\$85,751</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>60.48%</b>	<b>\$51,138</b>	<b>\$65.23</b>	<b>\$10,227,627</b>	<b>\$10,520,144</b>	<b>\$67.09</b>	<b>\$52,601</b>	<b>\$52,601</b>	<b>61.34%</b>

<b>SOURCES OF FUNDS</b>										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
First Lien Mortgage		40.57%	\$34,300	\$43.75	\$6,860,000	\$4,860,000	\$6,860,000	\$4,860,000	Developer Fee Available	
HUD Section 202 Funds		0.00%	\$0	\$0.00	0	2,000,000	0	2,000,000	\$1,046,969	
LIHTC Syndication Proceeds		55.53%	\$46,956	\$59.89	9,391,219	9,391,219	8,773,749	8,773,749	% of Dev. Fee Deferred	
Existing Replacement Reserves		2.57%	\$2,175	\$2.77	435,031	0	435,031	435,031	103%	
Deferred Developer Fees		5.32%	\$4,495	\$5.73	899,011	899,011	1,081,447	1,081,447	15-Yr Cumulative Cash Flow	
Additional (excess) Funds Required		-3.99%	(\$3,373)	(\$4.30)	(674,587)	(3)	0	0	\$2,895,099.23	
<b>TOTAL SOURCES</b>					<b>\$16,910,675</b>	<b>\$17,150,227</b>	<b>\$17,150,227</b>	<b>\$17,150,227</b>		

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Palacio del Sol, San Antonio, 9% LIHTC 03207 (HAP Rents)*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.55	\$6,515,230
<b>Adjustments</b>				
Exterior Wall Finish	2.00%		\$0.83	\$130,305
Elderly	5.00%		2.08	325,761
Interior Corridors	\$41.55	32,775	8.69	1,361,841
Subfloor			(0.51)	(79,184)
Floor Cover			1.92	301,056
Balconies	\$29.24	14,380	2.68	420,471
Plumbing	\$615	0	0.00	0
Built-In Appliances	\$1,625	200	2.07	325,000
Stairs	\$1,575	30	0.30	47,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	230,496
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.25	4,782	1.72	269,002
4-stop elevator	\$52,650.00	5	1.68	263,250
<b>SUBTOTAL</b>			<b>64.48</b>	<b>10,110,478</b>
Current Cost Multiplier	1.03		1.93	303,314
Local Multiplier	0.84		(10.32)	(1,617,676)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$56.10</b>	<b>\$8,796,116</b>
Plans, specs, survy, bld prm	3.90%		(\$2.19)	(\$343,049)
Interim Construction Interest	3.38%		(1.89)	(296,869)
Contractor's OH & Profit	11.50%		(6.45)	(1,011,553)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$45.57</b>	<b>\$7,144,645</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,860,000	Term	360
Int Rate	7.25%	DCR	1.65

<b>Secondary</b>	\$2,000,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.08

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.08

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

Primary Debt Service	\$561,568
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$91,759</b>

<b>Primary</b>	\$6,860,000	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)**

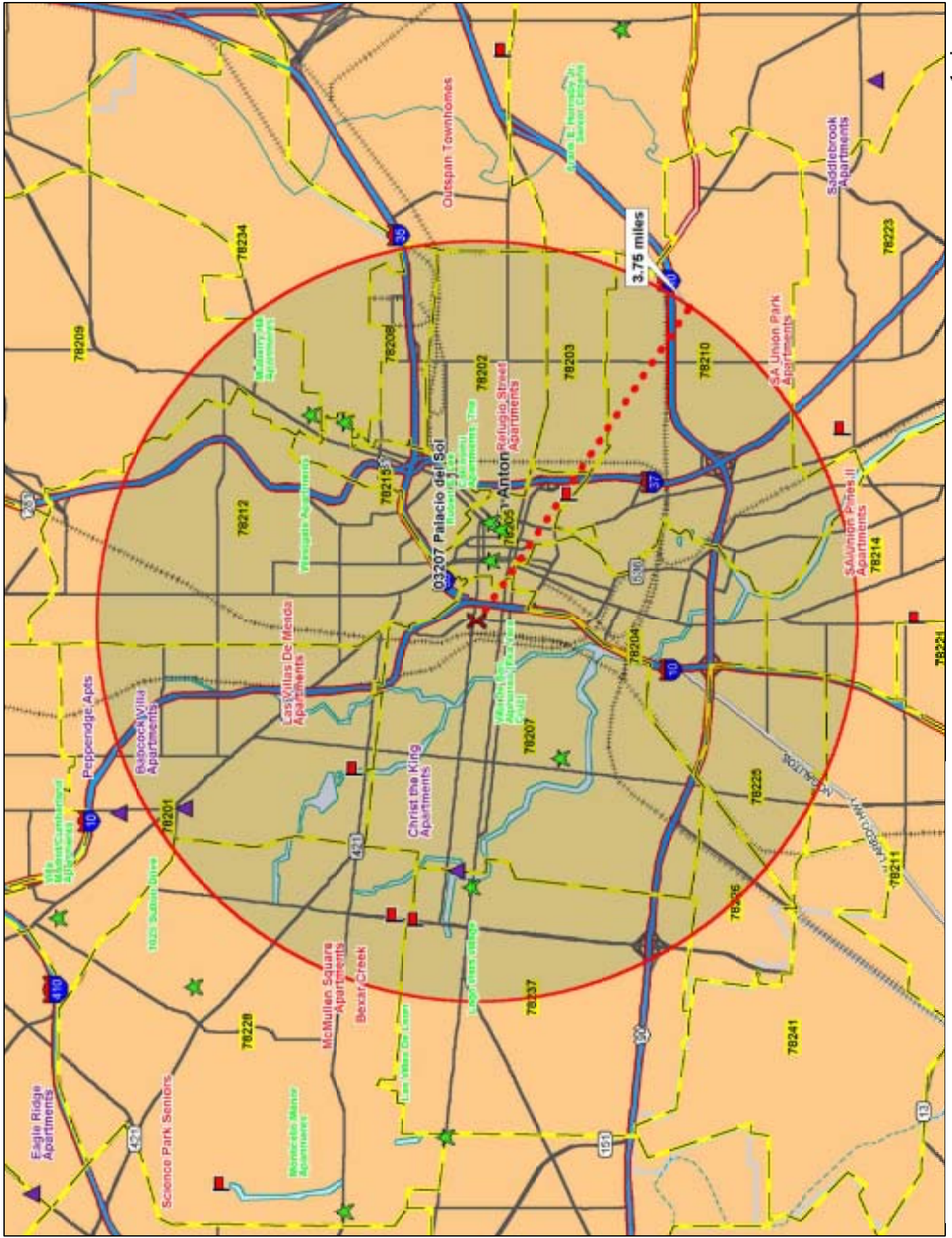
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,311,504	\$1,350,849	\$1,391,375	\$1,433,116	\$1,476,109	\$1,711,215	\$1,983,767	\$2,299,730	\$3,090,645
Secondary Income	26,400	27,192	28,008	28,848	29,713	34,446	39,932	46,293	62,213
Contractor's Profit	9,600	9,888	10,185	10,490	10,805	12,526	14,521	16,834	22,623
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Vacancy & Collection Loss	(101,064)	(104,095)	(107,218)	(110,434)	(113,747)	(131,864)	(152,867)	(177,214)	(238,161)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,246,440	\$1,283,834	\$1,322,349	\$1,362,020	\$1,402,881	\$1,626,323	\$1,885,354	\$2,185,642	\$2,937,320
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$37,400	\$38,896	\$40,452	\$42,070	\$43,753	\$53,232	\$64,765	\$78,796	\$116,638
Management	62,322	64,191	66,117	68,101	70,144	81,316	94,267	109,282	146,865
Payroll & Payroll Tax	176,000	183,040	190,362	197,976	205,895	250,503	304,775	370,805	548,883
Repairs & Maintenance	73,000	75,920	78,957	82,115	85,400	103,902	126,412	153,800	227,662
Utilities	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Water, Sewer & Trash	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Insurance	53,392	55,528	57,749	60,059	62,461	75,993	92,458	112,489	166,511
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
TOTAL EXPENSES	\$593,114	\$616,215	\$640,222	\$665,170	\$691,095	\$836,798	\$1,013,427	\$1,227,580	\$1,802,221
NET OPERATING INCOME	\$653,326	\$667,619	\$682,128	\$696,850	\$711,785	\$789,525	\$871,927	\$958,062	\$1,135,100
<b>DEBT SERVICE</b>									
First Lien Financing	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568	\$561,568
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$91,759	\$106,052	\$120,560	\$135,283	\$150,218	\$227,957	\$310,359	\$396,494	\$573,532
DEBT COVERAGE RATIO	1.16	1.19	1.21	1.24	1.27	1.41	1.55	1.71	2.02

**LIHTC Allocation Calculation - Palacio del Sol, San Antonio, 9% LIHTC 03207 (HAP Rents)**

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	\$2,060,000	\$2,060,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,450,000	\$1,450,000	\$1,450,000	\$1,450,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$7,778,196	\$7,144,645	\$7,778,196	\$7,144,645
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$184,564	\$171,893	\$184,564	\$171,893
Contractor profit	\$553,692	\$515,679	\$553,692	\$515,679
General requirements	\$553,692	\$515,679	\$553,692	\$515,679
<b>(5) Contingencies</b>				
		\$429,732		
<b>(6) Eligible Indirect Fees</b>				
	\$550,500	\$550,500	\$550,500	\$550,500
<b>(7) Eligible Financing Fees</b>				
	\$562,350	\$562,350	\$562,350	\$562,350
<b>(8) All Ineligible Costs</b>				
	\$1,539,783	\$1,539,783		
<b>(9) Developer Fees</b>				
			\$1,046,969	\$981,967
Developer overhead		\$226,810		
Developer fee	\$1,917,450	\$1,474,262		
<b>(10) Development Reserves</b>				
		\$269,342		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$17,150,227</b>	<b>\$16,910,675</b>	<b>\$12,679,963</b>	<b>\$11,892,712</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>			\$12,679,963	\$11,892,712
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$16,483,952	\$15,460,526
Applicable Fraction			79.78%	79.78%
<b>TOTAL QUALIFIED BASIS</b>			\$13,151,418	\$12,334,897
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$1,096,828	\$1,028,730

Syndication Proceeds	0.7999	\$8,773,749	\$8,229,020
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,096,828</b>	<b>\$1,028,730</b>
Syndication Proceeds		\$8,773,749	\$8,229,020
Requested Credits		\$1,173,902	
Syndication Proceeds		\$9,390,277	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$10,290,227</b>	
Credit Amount		\$1,286,407	



Scale: 1 : 81,250 Zoom Level: 11-3 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 6.2°E



**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**BOARD ACTION REQUEST**

**July 30, 2003**

**Action Item**

Request for a second extension of deadline to close construction loan for Meadows of Oakhaven, #02131.

**Required Action**

Make determination regarding the request for extension associated with a 2002 commitment.

**Background**

**Original Appeal Request:** The Applicant, in their first request, stated that the extension was needed to estimate the development cost and execute a construction contract. Architectural plans were released in the week ending May 31 and engineering plans were expected to be complete by June 6. The lender required a new market study, environmental study and appraisal by providers chosen by the lender. The additional documentation was a cause of delay in closing and added \$20,000 to development costs. While the Applicant requested more than a 30 day extension, §49.11(d)(4) of the 2002 QAP requires that all 2002 awardees close their construction loans no later than June 13, 2003 and further limits extensions on the construction loan closing to a one-time 30 day extension. The Board approved the staff recommended 30 day extension, allowing the deadline to be extended to July 13, 2003.

**Current Request:** The Applicant now states that the engineer has failed to deliver completed plans and the syndicator has not yet made a firm decision about the development, delaying completion of the partnership agreement needed for closing. The Applicant attests to having spent \$234,000 and to having incurred additional costs of \$328,000.

Applicant:	Pleasanton Apartment Ventures, LP
General Partner:	Pleasanton Apartments GP Corporation
Principals/Interested Parties:	Lacy & Mike Gilbert
Syndicator:	Midland Equity Corporation
Construction Lender:	MuniMae Midland Construction Finance, LLC
City/County:	Pleasanton/Atascosa
Set-Aside:	Rural/Family
Type of Project:	New Construction
Units:	72 LIHTC and 4 market rate units
2002 Allocation:	\$407,934
Allocation per LIHTC Unit:	\$5,666
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction loan closing (second request)
Current Deadline:	July 13, 2003
New Deadline Requested:	September 11, 2003
<b>New Deadline Recommended:</b>	<b>No extension recommended – remain at July 13, 2003.</b>
Prior Extensions:	Construction loan closing extended from 6/13/03 to 7/13/03 Carryover extended from 12/6/02 to 12/17/02
<b>Staff Recommendation:</b>	<b>Deny extension consistent with §49.11(d)(4) of the 2002 QAP</b>

**PLEASANTON APARTMENT VENTURE, L.P.**

100 Methodist Encampment Road

Kerrville, Texas 78028

830-895-4548

Facsimile 830-896-9553

Email: spirit1@ktc.com

July 9, 2003

Mr. Ben Sheppard  
Texas Department of Housing and Community Affairs  
507 Sabine, Suite 400  
Austin, Texas 78701

Re: TDHCA #02131, Meadows of Oakhaven, Pleasanton, Texas

Dear Mr. Sheppard:

We respectfully request a 60-day extension to Department's deadline date in mid-September, 2003 for closing on construction loans.

The reasons we need this extension are as follows:

- € The engineer failed to complete the plans as promised, which was approximately June 5. As of this date, he has not produced a complete set of plans although we have advanced him \$3,500.
- € The Midland Companies, the syndicator and permanent/construction lender, has not yet made a firm decision regarding the project. Consequently, the partnership agreement has not been finalized.

When granted extensions in the past we have always closed construction loans and commenced construction as agreed per the extensions. Dependent upon a successful resolution of the Midland Companies issues, we believe that Meadows of Oakhaven construction loan will be closed and construction commenced in sufficient time to allow for an appropriate completion date.

Sincerely,

Lacy M. Gilbert,  
President, Pleasanton Apartment GP Corporation  
General Partner

**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD ACTION REQUEST**  
**July 30, 2003**

**Action Items**

Request approval of six HOME Rental Preservation awards.

**Required Action**

Approve HOME Rental Preservation award recommendations.

**Background and Recommendations**

Six HOME Preservation Applications were submitted by the April 1, 2003 deadline. The Multifamily Finance Production staff reviewed the applications utilizing the threshold and scoring criteria outlined in the 2003 HOME Rental Housing Development Application.

In accordance with §53.56 of Title 10 of the Texas Administrative Code, \$4,000,000 in HOME funds are available for eligible Applications under the Preservation set-aside. It should be noted that the Regional Allocation Formula is not applied to the HOME Rental Preservation funds. Staff is recommending all financially feasible and eligible HOME Preservation Applications for funding in the amount of \$1,615,000. The information on the following pages describes each of these applications.

**2003 HOME Rental Housing Preservation Award Recommendations  
In Order By Score  
July 30, 2003**

TDHCA #	Development Name	Development Address	City	County	Zip	HOME Set-Aside	Final Score	Amount Request	Additional Programs			Total LI Units	Total Units	Applicant Contact	
									UW Rec	LIHTC	HTF				
20030020	Pine Meadows Apartments	20968 Pine Island Road	Prairie View	Waller	77446	Preservation	95	\$250,000	\$250,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	60	60	James W. Fieser	
20030153	Mira Vista Apartments	Lee & Jefferson Streets (600 Block)	Santa Anna	Coleman	76878	Preservation	94	\$220,000	\$220,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24	24	Patrick A. Barbolla	
20030150	Pecan Creek Apartments	1815 Old Brandon Road	Hillsboro	Hill	76645	Preservation	90	\$515,000	\$515,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	48	48	Patrick A. Barbolla	
20030019	Willowchase Apartments	1845 5th Street	Hempstead	Waller	77445	Preservation	90	\$180,000	\$180,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	57	57	James W. Fieser	
20030018	Bayou Bend Apartments	3025 Waller Street	Waller	Waller	77484	Preservation	90	\$250,000	\$250,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	56	56	James W. Fieser	
20030017	Green Manor Apartments	2000 4th Street	Hempstead	Waller	77445	Preservation	90	\$200,000	\$200,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	40	40	James W. Fieser	
<b>6 Eligible Developments in the 2003 HOME Rental Preservation Application Cycle</b>						<b>Funds Recommended</b>			<b>\$1,615,000</b>			<b>Total LI Units</b>		<b>Total Units</b>	
						<b>Preservation Funds Available: \$4,000,000</b>					<b>285</b>		<b>285</b>		

Note: All Applications were determined to be eligible.



**TDHCA #**

**20030017**

**Preservation  
Set Aside**



MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Green Manor Apartments**

TDHCA #: **20030017**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 2000 4th Street  
 City: Hempstead County: Waller Zip Code: 77445  
 Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:   
**Targeted Units:** Family: 40 Elderly: 0 Handicapped/Disabled: 3 Total Special Needs<sup>2</sup>: 3

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: FDI-SM 2003, LTD.

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$200,000**  
 HOME Amount Requested by Applicant: **\$200,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	8	0	0	0	8
60%	0	0	32	0	0	32
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	8	32	0	0	
Total LI Units:						40
Owner/Employee Units:						0
Total Development Units:						40

**BUILDING INFORMATION**

Total Development Cost:	\$1,853,676
Gross Building Square Feet:	32,204
Total Net Rentable Area Square Feet:	30,576
Average Square Feet/Unit:	764

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$157,354
Total Expenses:	\$119,835
Net Operating Income:	\$37,519
Estimated 1st Year Debt Coverage Ratio:	1.11

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$200,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 3%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$986,105, USDA, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren, & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	Midland Equity Corporation	Permanent Lender:	USDA-Rural Development

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

**DEPARTMENT EVALUATION**

Final Home Score: 90 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 5% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

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

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

\_\_\_\_\_  
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 Award Amount:

Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03253**

Name: **Green Manor Apartments**

City: **Hempstead**

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: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 0

### 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 9, 2003      **PROGRAM:** 9% LIHTC HOME      **FILE NUMBER:** 03253  
03253      2003-017

**DEVELOPMENT NAME**

Green Manor

**APPLICANT**

**Name:** FDI-GM 2003, Ltd.      **Type:** For Profit  
**Address:** 26735 Stockdick School Road      **City:** Katy      **State:** TX  
**Zip:** 77493      **Contact:** James W Fieser      **Phone:** (281) 371-7320      **Fax:** (281) 371-2470

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Fieser Real Estate Investments      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** James W Fieser      **(%):** n/a      **Title:** Developer

**PROPERTY LOCATION**

**Location:** 2000 4<sup>th</sup> Street       **QCT**       **DDA**  
**City:** Hempstead      **County:** Waller      **Zip:** 77445

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$85,495	n/a	n/a	n/a
2) \$200,000	3%	30 yrs	30 yrs

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

**Proposed Use of Funds:** Acquisition/ Rehab      **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 \$84,481 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$200,000, STRUCTURED AS A FULLY-AMORTIZING LOAN TO BE REPAYED AT AN INTEREST RATE OF 3% OVER A TERM OF 30 YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 5% in the Basic Rents prior to construction close
2. Receipt, review and acceptance prior to carryover of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes;

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

4. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed; and,
5. Should the terms of the proposed rent, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Green Manor was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- ∅ Receipt, review, and acceptance of confirmation that TXRD/USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested \$87,971 annually in tax credits. The project received an allocation of \$63,915 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>40</u>	<b># Rental Buildings</b>	<u>5</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>20</u> yrs	<b>Vacant:</b>	<u>4</u>	<b>at</b>	<u>08/ 01/ 2002</u>
<b>Net Rentable SF:</b>	<u>30,576</u>	<b>Av Un SF:</b>	<u>764</u>	<b>Common Area SF:</b>	<u>1628</u>	<b>Gross Bldg SF:</b>	<u>32204</u>						

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% masonry brick veneer 25% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile tub/shower, individual water heaters, heat pump, evaporative cooling.

**ON-SITE AMENITIES**

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area.

**Uncovered Parking:** 65 spaces    **Carpports:** n/a spaces    **Garages:** n/a spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Green Manor is a proposed acquisition and rehabilitation development of 40 units of affordable housing located in Hempstead. The development was built in 1984 and is comprised of five residential buildings as follows:

- ∅ One Building Style A with eight one-bedroom units and
- ∅ Four Building Style B with eight two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and mailboxes located at the southwest corner of the site. The community building appears to include a large common room with kitchen and leasing/management offices.

**Existing Subsidies:** The property currently operates under TX-USDA-RHS rent restrictions. All 40 units have rents restricted to the 2003 approved Basic Rent for the property: \$280 per month for one-bedroom units and \$340 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limits to \$294 per month and \$357 per month. The requested rent level represents a moderate 5% increase. According to the rental assistance worksheet provided in the Application, only one unit is currently receiving rental assistance.

**Development Plan:** The work write-up, signed by the architect, includes: new parking signs and striping, landscaping, playground work, repair of stair treads, handrails, toilets, fixtures, doors and drywall,

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

replacement of weather stripping, insulation, gutters, electrical, toilets, sinks, lavatories, fixtures, air conditioners, doors, carpeting, cabinets, range, hood/fan and refrigerator, and install solar screens, ceiling fans and bathroom vent fans as well as interior and exterior painting. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 90% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

**Architectural Review:** The elevations are typical of 1980's construction with majority brick exteriors and breezeways. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The units are in two-story walk-up structures and each unit has a single entry that is off an interior breezeway shared with three other units on each floor.

**Supportive Services:** The Applicant does not plan to provide supportive services.

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

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	1.434	acres	62,465 square feet
			<b>Zoning/ Permitted Uses:</b> R3/Multifamily
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on the city block bound by 4<sup>th</sup> Street to the east, McDade Street to the north, 3<sup>rd</sup> Street to the west and Baker Street to the south in the southeastern quadrant of the City of Hempstead. Hempstead is located approximately 9-10 miles northwest of the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 50 miles northwest of the Gulf of Mexico in southeast Texas.

**Population:** Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 11,076 in 2000, projected at 11,913 for 2005. This equates to 3,150 households in 200 and 3,440 households in 2005.

**Adjacent Land Uses:** The area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, vacant SFR lots, mobile homes and the Hempstead High School campus. Adjacent land uses include:

**Site Access:** Immediate access to the site is from 4<sup>th</sup> Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** Shopping and services within the subject area was not directly addressed by the submitted market study.

**Site Inspection Findings:** The site was inspected by an ORCA staff member on April 23, 2003 and found to be acceptable for the proposed development. The inspector noted a conversation with the site manager who indicated the property is hard to keep up with and in need of lots of rehabilitation.

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

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]..."

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Eight of the units (20%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (80%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition, due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

<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>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required..."

**OPERATING PROFORMA ANALYSIS**

**Income:** The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 5% increase in the Basic Rents. The Applicant's secondary income projection of \$10 per unit per month and vacancy and collection loss assumption of 7.5% is inline with Department guidelines and the development's operating history. Due to the difference in potential gross rent estimates, the Applicant's effective gross income figure is lower than the Underwriter's estimate, but within 5% and considered to be generally acceptable.

The Applicant's secondary income projection of \$10 per unit per month and vacancy and collection loss assumption of 7.5% is consistent with Department guidelines and the development's operating history. The Applicant's effective gross income figure is identical to the Underwriter's estimate and considered to be generally acceptable.

**Expenses:** The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of \$2,941 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 – property tax (more than 10% lower).

**Conclusion:** The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, but the Applicant's net operating income does not differ by less than 5% as compared to the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Even with the proposed increase of 5% in Basic Rents, the Underwriter's estimated debt coverage ratio (DCR) is below the program minimum standard of 1.10 thus an adjustment to the HOME loan rate to 1% is required. An increase in Basic Rents less than that proposed by the Applicant, results in a DCR that is below



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

the Department's minimum standard. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 5% in the Basic Rents is a condition of this report.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 1.55 acres</b>	\$30,000	<b>Date of Valuation:</b>	02/ 25/ 2003
<b>Existing Building(s): "as is"</b>	\$1,270,000	<b>Date of Valuation:</b>	02/ 25/ 2003
<b>Total Development: "as is"</b>	\$1,300,000	<b>Date of Valuation:</b>	02/ 25/ 2003
<b>Appraiser:</b> The Gerald A Teel Company	<b>City:</b> Houston	<b>Phone:</b>	(713) 467-5858

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rents of \$280 per month for one-bedroom units and \$340 per month for two-bedroom units, total annual expenses of a \$2,751 per unit, and an extremely low capitalization rate of 3.4%.

**Conclusion:** The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

**ASSESSED VALUE**

<b>Land:</b>	\$50,000	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$280,000	<b>Valuation by:</b>	Waller County Appraisal District
<b>Total Assessed Value:</b>	\$330,000	<b>Tax Rate:</b>	2.88339

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	One to Four Family Residential Contract (Resale)					
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003			
<b>Acquisition Cost:</b>	\$1,186,105	<b>Other Terms/Conditions:</b>	">\$200K cash to seller			
<b>Seller:</b>	Green Manor Apartments, Ltd. (Donald W Sowell)		<b>Related to Development Team Member:</b>	No		

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of \$30,000 and a total appraised value of \$1,300,000, the ratio of land cost to total cost is 23.1%. Applying this ratio to the sales price of \$1,186,105 results in a land cost of \$27,372 and an acquisition eligible basis of \$1,158,733. This actually provides a slightly higher acquisition value than claimed by the Applicant and thus the Applicant's value is acceptable. It should be noted that this amount of acquisition basis is \$196,067 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases, the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price

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

appears to be \$200,000 more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition, it is not known what will become of the \$39K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

**Site work Cost:** The Applicant's claimed sitework costs of \$473 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

**Fees:** 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 \$529. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

**Other:** The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by \$3,528 and a reduction of equal amount from eligible basis was required.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments, therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$2,931,616.

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 contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$1,750,821 is used to determine a credit allocation of \$84,481 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE			
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>			
<b>Source:</b>	MuniMae Midland	<b>Contact:</b>	Stacey Kulyk
<b>Principal Amount:</b>	\$438,674	<b>Interest Rate:</b>	6% as of commitment, set at closing
<b>Additional Information:</b>	Subject to RD commitment		
<b>Amortization:</b>	n/a yrs	<b>Term:</b>	1 yrs
<b>Commitment:</b>	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional		
<b>LONG TERM/PERMANENT FINANCING</b>			
<b>Source:</b>	TX-USDA-RHS	<b>Contact:</b>	William Taylor
<b>Original Principal Amount:</b>	\$1,020,000	<b>Unpaid Principal: (12/2002)</b>	\$986,104
<b>Interest Rate:</b>	10.75%, subsidized to 1%	<b>Additional Information:</b>	Assumption of existing loan
<b>Amortization:</b>	50 yrs	<b>Term:</b>	30 yrs
<b>Commitment:</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
<b>Annual Payment:</b>	\$36,050	<b>Lien Priority:</b>	1 <sup>st</sup>
<b>Commitment Date</b>	/ /		
<b>LIHTC SYNDICATION</b>			
<b>Source:</b>	Midland Equity Corporation	<b>Contact:</b>	Ryan Luxon
<b>Address:</b>	Two Galleria Tower, 13455 Noel Road, Suite 1430		<b>City:</b> Dallas

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

**State:** TX      **Zip:** 75240      **Phone:** (888) 223-5794      **Fax:** (972) 404-9133  
**Net Proceeds:** \$657,770      **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 77¢  
**Commitment**       None       Firm       Conditional      **Date:** 02/ 18/ 2003

**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$9,801      **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Interim Financing:** MuniMae Midland will provide a construction loan of \$438,674 at an interest rate of 6.00% and term of twelve months.

**Permanent Financing:** The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates \$1,020,000 at an interest rate of 10.75% and a final installment date of August 11, 2033. These notes are paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was \$986,104.84. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating the actual remaining principle and terms is a condition of this report.

**LIHTC Syndication:** MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of \$657,770. The tax credits allocated to the partnership will be purchased at a rate of \$0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

**Deferred Developer's Fees:** The Applicant plans to defer \$9,801 in fees, which amounts to 4% of total proposed developer fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of \$84,481. This amount is supported by the gap in need and is equal to the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, the annual debt service should not exceed \$34,108. The current USDA note payments have been estimated to be \$28.3K, though documentation from USDA was not provided to confirm this. The Underwriter calculated a slightly lower \$25.9K which given the requested increase in rent would allow the HOME loan to achieve only a 1% interest rate return. Without the HOME loan the resulting gap could be absorbed by deferral of additional developer fee, however, such fee would not be repayable in 15 years and the transaction would be characterized as infeasible.

The requested HOME funds of \$200,000 are recommended to be allocated but the requested terms of 3% interest amortized over a term of 30 years should be reduced to 1% in order to maintain a DCR above 1.10. Alternatively a larger USDA rent increase could be sought.

The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 5% increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees and the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years. The reason for the failure is the high expense to income ration resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis must be, and generally is, more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

**Return on Equity:** Since the Applicant is projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required.

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

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

**Financial Highlights:** The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

**Background & Experience:** James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € Items identified in previous reports have not been satisfactorily addressed.
- € The Applicant's estimated 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.
- € Significant inconsistencies in the application could affect the financial feasibility of the project.

**Underwriter:**

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

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 9, 2003



**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Green Manor, Hempstead, LIHTC 03253/HOME 2003-0017**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,020,000	Term	600
Int Rate	1.00%	DCR	1.45

<b>Secondary</b>	\$200,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.04

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.04

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$25,932
Secondary Debt Service	7,719
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$3,868</b>

<b>Primary</b>	\$1,020,000	Term	600
Int Rate	1.00%	DCR	1.45

<b>Secondary</b>	\$200,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.11

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.11

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

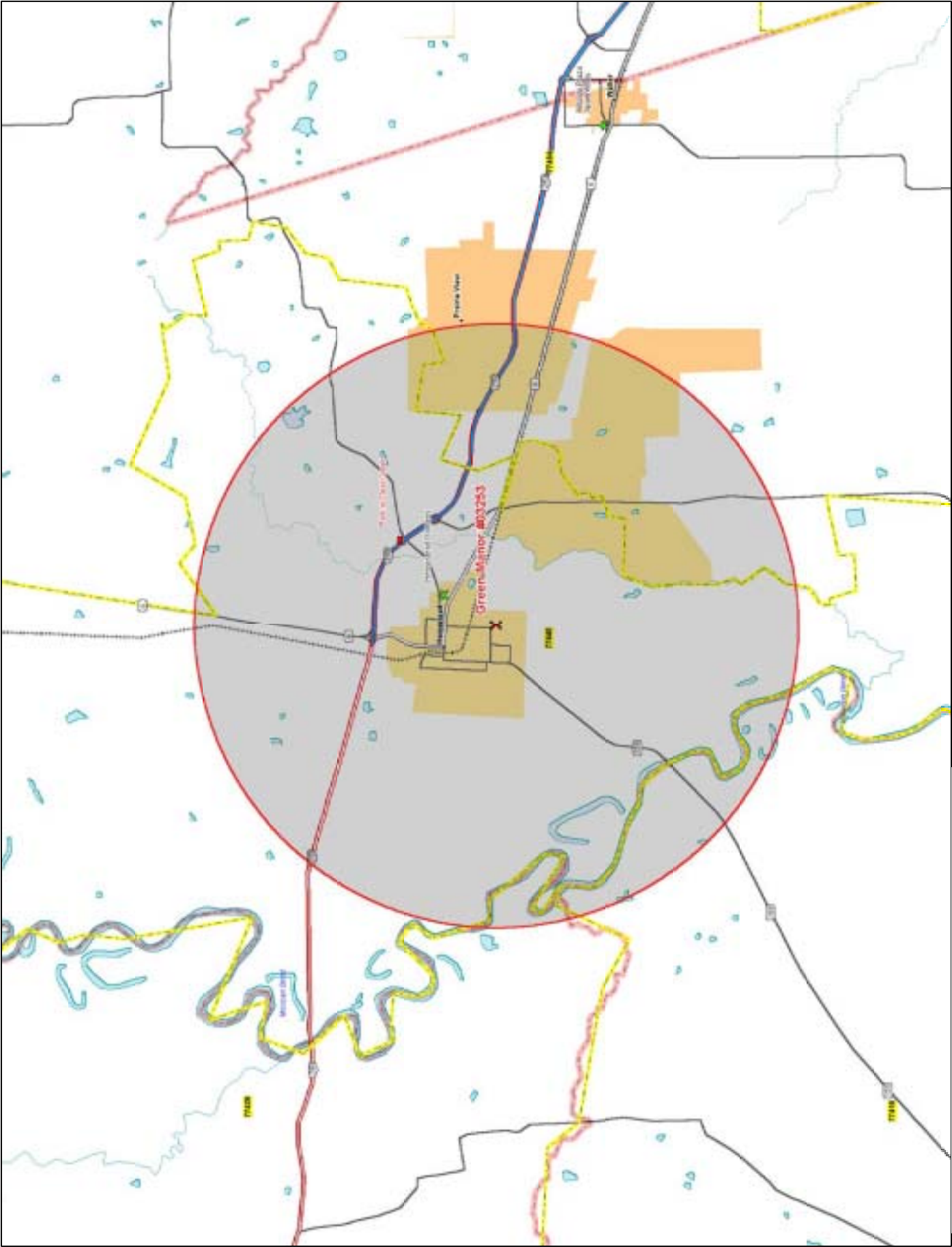
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$165,312	\$170,271	\$175,380	\$180,641	\$186,060	\$215,695	\$250,049	\$289,876	\$389,569
Secondary Income	4,800	4,944	5,092	5,245	5,402	6,263	7,260	8,417	11,312
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	170,112	175,215	180,472	185,886	191,463	221,958	257,310	298,292	400,880
Vacancy & Collection Loss	(12,758)	(13,141)	(13,535)	(13,941)	(14,360)	(16,647)	(19,298)	(22,372)	(30,066)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$157,354	\$162,074	\$166,936	\$171,945	\$177,103	\$205,311	\$238,011	\$275,920	\$370,814
EXPENSES at 4.00%									
General & Administrative	\$9,085	\$9,448	\$9,826	\$10,219	\$10,628	\$12,931	\$15,732	\$19,141	\$28,333
Management	13,276	13,675	14,085	14,508	14,943	17,323	20,082	23,280	31,287
Payroll & Payroll Tax	27,361	28,456	29,594	30,778	32,009	38,944	47,381	57,646	85,330
Repairs & Maintenance	21,346	22,200	23,088	24,011	24,972	30,382	36,964	44,973	66,570
Utilities	5,084	5,287	5,499	5,719	5,948	7,236	8,804	10,711	15,855
Water, Sewer & Trash	11,727	12,196	12,684	13,191	13,719	16,691	20,307	24,707	36,572
Insurance	7,644	7,950	8,268	8,598	8,942	10,880	13,237	16,105	23,839
Property Tax	11,534	11,995	12,475	12,974	13,493	16,416	19,972	24,299	35,969
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	778	809	841	875	910	1,107	1,347	1,639	2,426
TOTAL EXPENSES	\$119,835	\$124,496	\$129,339	\$134,372	\$139,601	\$168,989	\$204,607	\$247,783	\$363,606
NET OPERATING INCOME	\$37,519	\$37,578	\$37,598	\$37,573	\$37,502	\$36,322	\$33,405	\$28,137	\$7,208
DEBT SERVICE									
First Lien Financing	\$25,932	\$25,932	\$25,932	\$25,932	\$25,932	\$25,932	\$25,932	\$25,932	\$25,932
Second Lien	7,719	7,719	7,719	7,719	7,719	7,719	7,719	7,719	7,719
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$3,868	\$3,928	\$3,947	\$3,922	\$3,851	\$2,671	(\$246)	(\$5,514)	(\$26,443)
DEBT COVERAGE RATIO	1.11	1.12	1.12	1.12	1.11	1.08	0.99	0.84	0.21

**LIHTC Allocation Calculation - Green Manor, Hempstead, LIHTC 03253/HOME 2003-0017**

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	\$50,000	\$27,372				
Purchase of buildings	\$1,136,105	\$1,158,733	\$1,136,105	\$1,158,733		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$18,905	\$18,905			\$18,905	\$18,905
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$233,095	\$233,095			\$233,095	\$233,095
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$5,040	\$5,040			\$5,040	\$5,040
Contractor profit	\$15,120	\$15,120			\$15,120	\$15,120
General requirements	\$15,120	\$15,120			\$15,120	\$15,120
<b>(5) Contingencies</b>	\$28,728	\$25,200			\$25,200	\$25,200
<b>(6) Eligible Indirect Fees</b>	\$44,800	\$44,800			\$44,800	\$44,800
<b>(7) Eligible Financing Fees</b>	\$29,068	\$29,068			\$29,068	\$29,068
<b>(8) All Ineligible Costs</b>	\$9,586	\$9,586				
<b>(9) Developer Fees</b>			\$170,416		\$57,952	
Developer overhead	\$45,779	\$45,779		\$34,332		\$11,447
Developer fee	\$183,118	\$183,118		\$137,329		\$45,789
<b>(10) Development Reserves</b>	\$39,212	\$39,212				
<b>TOTAL DEVELOPMENT COSTS</b>	\$1,853,676	\$1,850,148	\$1,306,521	\$1,330,395	\$444,300	\$443,584

<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>			\$1,306,521	\$1,330,395	\$444,300	\$443,584
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$1,306,521	\$1,330,395	\$444,300	\$443,584
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,306,521	\$1,330,395	\$444,300	\$443,584
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$47,427	\$48,293	\$37,055	\$36,995

Syndication Proceeds	0.7699	\$365,149	\$371,821	\$285,292	\$284,832
<b>Total Credits (Eligible Basis Method)</b>				<b>\$84,481</b>	<b>\$85,288</b>
Syndication Proceeds				\$650,441	\$656,654
Requested Credits				\$85,495	
Syndication Proceeds				\$658,246	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$667,571</b>	
Credit Amount				\$86,706	



Scale: 1 : 137,500 Zoom Level: 10-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E



**TDHCA #**

**20030018**

**Preservation  
Set Aside**



MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Bayou Bend Apartments**

TDHCA #: **20030018**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 3025 Waller Street  
 City: Waller County: Waller Zip Code: 77484  
 Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:   
**Targeted Units:** Family: 56 Elderly: 0 Handicapped/Disabled: 5 Total Special Needs<sup>2</sup>: 5

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: FDI-BB 2003, LTD.

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments	James W. Fisher	.01% of GP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$250,000**  
 HOME Amount Requested by Applicant: **\$250,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	12	0	0	0	12
60%	0	1	43	0	0	44
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	13	43	0	0	
Total LI Units:						56
Owner/Employee Units:						0
Total Development Units:						56

**BUILDING INFORMATION**

Total Development Cost:	\$2,610,391
Gross Building Square Feet:	46,206
Total Net Rentable Area Square Feet:	44,957
Average Square Feet/Unit:	749

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$228,026
Total Expenses:	\$175,015
Net Operating Income:	\$53,011
Estimated 1st Year Debt Coverage Ratio:	1.12

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$250,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 3%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,430,114, USDA, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	Midland Equity Corporation	Permanent Lender:	USDA-Rural Development

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

**DEPARTMENT EVALUATION**

Final Home Score: 90 Site Finding: Acceptable Underwriting Finding: Approved

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6.0% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the outstanding loan balance of the USDA notes.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Receipt, review, and acceptance of documentation clarifying the unit mix discrepancy prior to Carryover.

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

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

\_\_\_\_\_  
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 Award Amount:

Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03254**

Name: **Bayou Bend Apartments**

City: **Waller**

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: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 0

### 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 10, 2003      **PROGRAM:** 9% LIHTC HOME      **FILE NUMBER:** 03254  
03254  
2003-0018

**DEVELOPMENT NAME**

Bayou Bend

**APPLICANT**

**Name:** FDI-BB 2003, Ltd.      **Type:** For Profit  
**Address:** 26735 Stockdick School Road      **City:** Katy      **State:** TX  
**Zip:** 77493      **Contact:** James W Fieser      **Phone:** (281) 371-7320      **Fax:** (281) 371-2470

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Fieser Real Estate Investments      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** James W Fieser      **(%):** n/a      **Title:** Developer

**PROPERTY LOCATION**

**Location:** 3025 Waller Street       **QCT**       **DDA**  
**City:** Waller      **County:** Waller      **Zip:** 77484

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$120,931	n/a	n/a	n/a
2) \$250,000	3%	30 yrs	30 yrs

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

**Proposed Use of Funds:** Acquisition/ Rehab      **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 \$119,812 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$250,000, STRUCTURED AS A 30-YEAR FULLY-AMORTIZING LOAN AT 1% INTEREST, SUBJECT TO CONDITIONS

**CONDITIONS**

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6.0% in the Basic Rents prior to construction close;
2. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review, and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than outstanding loan balance of the USDA notes;

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4. Receipt, review, and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting there use as proposed;
5. Receipt, review, and acceptance of documentation clarifying the unit mix discrepancy prior to carryover;
6. Should the terms of the proposed rents, debt or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Bayou Bend was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- Receipt, review, and acceptance of confirmation that TXRD/ USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted; and,
- Receipt review and acceptance of documentation clarifying this discrepancy in the number of one-bedroom and two-bedroom units. Documentation should include revised building plans and rent roll if there are less than 14 one-bedroom units or reschedule and TXRD/USDA budgets if there are 14 one-bedroom units.

The Applicant requested \$123,808 annually in tax credits. The project received an allocation of \$96,390 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>56</u>	<b># Rental Buildings:</b>	<u>8</u>	<b># Common Area Bldgs:</b>	<u>1</u>	<b># of Floors:</b>	<u>2</u>	<b>Age:</b>	<u>20</u> yrs	<b>Vacant:</b>	<u>7</u>	<b>at</b>	<u>01/16/2003</u>
<b>Net Rentable SF:</b>	<u>44,957</u>	<b>Av Un SF:</b>	<u>749</u>	<b>Common Area SF:</b>	<u>1,249</u>	<b>Gross Bldg SF:</b>	<u>46,206</u>						

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% masonry brick veneer 25% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile tub/shower, individual water heaters, heat pump.

**ON-SITE AMENITIES**

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area.

**Uncovered Parking:** 92 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bayou Bend is a proposed acquisition and rehabilitation development of 56 units of affordable housing located in Waller. The development was built in 1984 and is comprised of eight residential buildings as follows:

- Six Building Style A with two one-bedroom units and six two-bedroom units;
- One Building Style B with two one-bedroom units and two two-bedroom units; and
- One Building Style C with four two-bedroom units.

The above building configuration suggests a total of 14 one-bedroom units and 42 two-bedroom units, while the rent schedule indicates 13 one-bedroom units and 43 two-bedroom units. The current rent roll confirms 14 one-bedroom units but the latest TXRD/USDA budget reflects 13 one-bedroom units. The rehabilitation plan does not indicate conversion of any units to accommodate this difference. Receipt review and acceptance of documentation clarifying this discrepancy in the number of one-bedroom and two-bedroom

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MULTIFAMILY UNDERWRITING ANALYSIS**

units is a condition of this report. Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building located at the entrance. A floor plan for the community building was not provided.

**Existing Subsidies:** The property currently operates under TX-USDA-RHS rent restrictions. All 56 units have rents restricted to the 2003 approved basic rent for the property: \$293 per month for one-bedroom units and \$350 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the basic rent limits to \$310 per month and \$371 per month. The requested rent level represents a moderate 6% increase. According to the rental assistance worksheet provided in the Application, 16 units are currently receiving rental assistance.

**Development Plan:** The work write-up, signed by the architect, includes: rough grading, flush site sanitary lines, new signage, parking striping, landscaping, work to the playground area, dumpster screens, porch repair, stair tread, replace doors, install insulation, new roofing, replace gutters, electrical work, repair/replace toilets and sinks, upgrade water heaters, replace air conditioners, install ceiling fans and vent fans, replace doors, new solar screens, repair drywall, replace flooring, power wash building, interior and exterior paint, and replace range, hood/fan and refrigerator. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 87.5% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

**Architectural Review:** The elevations are typical of 1980's construction with majority brick exteriors and breezeways. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The buildings are in two-story walk-up structures and each unit has a single entry that is off an interior breezeway shared with other units on each floor.

**Supportive Services:** The Applicant does not plan to provide supportive services.

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

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b>	<u>3.458</u>	acres	<u>150,630</u>	square feet	<b>Zoning/ Permitted Uses:</b>	<u>R3/Multifamily</u>
<b>Flood Zone Designation:</b>	<u>Zone X</u>		<b>Status of Off-Sites:</b>	<u>Fully Improved</u>		

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on the east line of Waller Street between Old US Highway 290 and Reinke Road in the northwest quadrant of the City of Waller. Waller is located on the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 40 miles northwest of the Gulf of Mexico in southeast Texas.

**Population:** Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 9,821 in 2000, projected at 11,660 for 2005. This equates to 2,643 households in 2000 and 3,299 households in 2005.

**Adjacent Land Uses:** The area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, vacant SFR lots, duplexes and mobile homes.

**Site Access:** Immediate access to the site is from Waller Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** Shopping and services within the subject area was not directly addressed by the submitted market study.

**Site Inspection Findings:** The site was inspected by an ORCA staff member on April 24, 2003, and found to

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be acceptable for the proposed development.

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

Section 49.9(e)(13)(A) of the 2003 QAP states, “Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]...”

**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 tenants. Twelve of the units (21%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (79%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development’s rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition. Due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

<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>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

Section 49.9(e)(13)(B) of the 2003 QAP states, “For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required...”

**OPERATING PROFORMA ANALYSIS**

**Income:** The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 6% increase in the basic rents.

The Applicant’s secondary income projection of \$10 per unit per month appears to be overstated compared to the property’s actual secondary income in 2002 despite which the Underwriter used the Applicant’s \$10 estimate. The Applicant’s vacancy and collection loss assumption of 7.5% is inline with Department guidelines. The Applicant’s effective gross income figure is identical to the Underwriter’s estimate.

**Expenses:** The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development’s actual operating expenses for 2002. The Applicant’s total annual operating expense estimate of \$3,064 per unit is within 5% of the Underwriter’s estimate.

**Conclusion:** The Applicant’s income and expense are consistent with the Underwriter’s estimate; however, net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity.

Due to the difference in net operating income estimates, the Underwriter’s estimated debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to \$48,192 by reducing the HOME loan interest rate to 1%, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 6.0% increased as proposed by the Applicant. An increase of less than ≈6.0% results in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6% in the Basic Rents is a condition of this report.



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**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 3.46 acres</b>	\$70,000	<b>Date of Valuation:</b>	02/ 27/ 2003
<b>Existing Building(s): "as is"</b>	\$2,040,000	<b>Date of Valuation:</b>	02/ 27/ 2003
<b>Total Development: "as is"</b>	\$2,110,000	<b>Date of Valuation:</b>	02/ 27/ 2003
<b>Appraiser:</b> The Gerald A Teel Company	<b>City:</b> Houston	<b>Phone:</b> (713) 467-5858	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized basic rents of \$293 per month for one-bedroom units and \$350 per month for two-bedroom units, total annual expenses of a \$2,764 per unit, and an extremely low capitalization rate of 3.0%.

**Conclusion:** The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

**ASSESSED VALUE**

<b>Land: 3.46 acres</b>	\$55,360	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$392,620	<b>Valuation by:</b>	Waller County Appraisal District
<b>Total Assessed Value:</b>	\$447,980	<b>Tax Rate:</b>	2.88339

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	One to Four Family Residential Contract (Resale)					
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003			
<b>Acquisition Cost:</b>	\$1,605,044	<b>Other Terms/Conditions:</b>	\$175K cash to seller			
<b>Seller:</b> Willowchase Apartments, Ltd. (Donald W Sowell)	<b>Related to Development Team Member:</b>		No			

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of \$70,000 and a total appraised value of \$2,110,000, the ratio of land cost to total cost is 33.2%. Applying this ratio to the sales price of \$1,605,044 results in a land cost of \$53,248 and an acquisition eligible basis of \$1,551,797. This actually provides a slightly higher acquisition value than claimed by the Applicant, thus the Applicant's value is acceptable. It should be noted that this amount of acquisition basis is \$169,724 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be \$175K more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the \$102K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established.

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The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

**Site work Cost:** The Applicant's claimed sitework costs of \$612 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

**Fees:** 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 \$812. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

**Other:** The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by \$5,410 and a reduction of an equal amount from eligible basis was required.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$4,079,966.

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 contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$2,434,067 is used to determine a credit allocation of \$119,812 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE										
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>										
<b>Source:</b>	MuniMae Midland				<b>Contact:</b>	Stacey Kulyk				
<b>Principal Amount:</b>	\$612,047		<b>Interest Rate:</b>	6% as of commitment, set at closing						
<b>Additional Information:</b>	Subject to RD commitment									
<b>Amortization:</b>	n/a	yrs	<b>Term:</b>	1	yrs	<b>Commitment:</b>	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional			
<b>LONG TERM/PERMANENT FINANCING</b>										
<b>Source:</b>	TX-USDA-RHS				<b>Contact:</b>	William Taylor				
<b>Original Principal Amount:</b>	\$1,475,000		<b>Unpaid Principal: (12/2002)</b>	\$1,430,044						
<b>Interest Rate:</b>	10.75%, subsidized to 1%				<b>Additional Information:</b>	Assumption of existing loan				
<b>Amortization:</b>	50	yrs	<b>Term:</b>	31	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional			
<b>Annual Payment:</b>	\$37,254		<b>Lien Priority:</b>	1 <sup>st</sup>		<b>Commitment Date</b>	/ /			
<b>LIHTC SYNDICATION</b>										
<b>Source:</b>	Midland Equity Corporation				<b>Contact:</b>	Ryan Luxon				
<b>Address:</b>	Two Galleria Tower, 13455 Noel Road, Suite 1430				<b>City:</b>	Dallas				
<b>State:</b>	TX	<b>Zip:</b>	75240		<b>Phone:</b>	(888) 223-5794		<b>Fax:</b>	(972) 404-9133	
<b>Net Proceeds:</b>	\$930,346		<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	77¢						
<b>Commitment</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional			<b>Date:</b>	02/ 18/ 2003					

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

**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:**   n/a                        **Source:**   n/a  

**FINANCING STRUCTURE ANALYSIS**

**Interim Financing:** MuniMae Midland will provide a construction loan of \$612,047 at an interest rate of 6.00% and term of twelve months.

**Permanent Financing:** The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates \$1,475,000 at an interest rate of 10.75% and a final installment date of August 26, 2034. These notes are paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was \$1,430,044.56. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual remaining principle and terms is a condition of this report.

**LIHTC Syndication:** MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of \$930,346. The tax credits allocated to the partnership will be purchased at a rate of \$0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of \$119,812. This amount is supported by the gap in need and is slightly less than the gap and the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, it was determined that the total annual debt service should be limited to no more than \$48,192. The current USDA note payments have been estimated to be \$46K, though documentation from USDA was not provided to confirm this. It is not likely that a reduction will be approved by TX-USDA-RHS. The Underwriter calculated USDA debt service to be \$37,498 however. Even at this lower amount there is very limited room for additional debt service. Therefore, it is suggested that the annual debt service for the requested HOME funds be reduced by lowering the interest rate from the requested 3% to 1%. The term of the HOME loan would remain at 30 years. The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 6% increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and a 6% increase in the Basic Rents, the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years even with the increase in Basic Rents and award of HOME funds. The reason for the failure is the high expense to income ratio resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis must be more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

**Return on Equity:** Since the Applicant is projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

**Financial Highlights:** The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

**Background & Experience:** James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Items identified in previous reports have not been satisfactorily addressed.

**Credit Underwriting Supervisor:**

*Lisa Vecchietti*

**Date:** June 10, 2003

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 10, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018**

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 Util	Wtr, Swr, Trsh
TC 50%/LH	12	1	1	693	\$558	\$310	\$3,720	\$0.45	\$76.00	n/a
TC 60%/HH	1	1	1	693	670	310	310	0.45	76.00	n/a
TC 60%/HH	43	2	1	836	804	371	15,953	0.44	84.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 23 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
<b>TOTAL:</b>	<b>56</b>		<b>AVERAGE:</b>	<b>803</b>	<b>\$749</b>	<b>\$357</b>	<b>\$19,983</b>	<b>\$0.44</b>	<b>\$82.14</b>	<b>n/a</b>

<b>INCOME</b>				Total Net Rentable Sq Ft:	44,957	<b>TDHCA</b>		<b>APPLICANT</b>		USS Region	6
<b>POTENTIAL GROSS RENT</b>						\$239,795	\$239,796			IREM Region	Houston
Secondary Income		Per Unit Per Month:	\$10.00			6,720	6,720	\$10.00		Per Unit Per Month	
Other Support Income: (describe)						0	0				
<b>POTENTIAL GROSS INCOME</b>						\$246,515	\$246,516				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(18,489)	(18,492)	-7.50%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$228,026	\$228,024				
<b>EXPENSES</b>				% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative				4.32%	\$176	0.22	\$9,855	\$10,852	\$0.24	\$194	4.76%
Management				8.35%	340	0.42	19,039	\$19,520	0.43	349	8.56%
Payroll & Payroll Tax				17.64%	718	0.89	40,230	\$37,183	0.83	664	16.31%
Repairs & Maintenance				13.42%	546	0.68	30,603	\$28,045	0.62	501	12.30%
Utilities				1.52%	62	0.08	3,471	\$3,096	0.07	55	1.36%
Water, Sewer, & Trash				11.33%	461	0.57	25,831	\$28,700	0.64	513	12.59%
Property Insurance				4.93%	201	0.25	11,239	\$10,495	0.23	187	4.60%
Property Tax	2.88339			7.08%	288	0.36	16,147	\$15,108	0.34	270	6.63%
Reserve for Replacements				7.37%	300	0.37	16,800	\$16,800	0.37	300	7.37%
Other Expenses: Compliance				0.79%	32	0.04	1,800	\$1,800	0.04	32	0.79%
<b>TOTAL EXPENSES</b>				<b>76.75%</b>	<b>\$3,125</b>	<b>\$3.89</b>	<b>\$175,015</b>	<b>\$171,599</b>	<b>\$3.82</b>	<b>\$3,064</b>	<b>75.25%</b>
<b>NET OPERATING INC</b>				<b>23.25%</b>	<b>\$947</b>	<b>\$1.18</b>	<b>\$53,012</b>	<b>\$56,425</b>	<b>\$1.26</b>	<b>\$1,008</b>	<b>24.75%</b>
<b>DEBT SERVICE</b>											
USDA-RHS existing loan				16.45%	\$670	\$0.83	\$37,499	\$49,902	\$1.11	\$891	21.88%
TDHCA HOME				5.55%	\$226	\$0.28	12,648		\$0.00	\$0	0.00%
TDHCA HOME				0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>				<b>1.26%</b>	<b>\$51</b>	<b>\$0.06</b>	<b>\$2,865</b>	<b>\$6,523</b>	<b>\$0.15</b>	<b>\$116</b>	<b>2.86%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>							1.06	1.13			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>							1.12				

<b>CONSTRUCTION COST</b>							<b>TDHCA</b>	<b>APPLICANT</b>	PER SQ FT	PER UNIT	% of TOTAL
<b>Description</b>	<b>Factor</b>	<b>% of TOTAL</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>							
Acquisition Cost (site or bldg)		61.61%	\$28,662	\$35.70	\$1,605,045	\$1,605,045	\$35.70	\$28,662	61.49%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		1.32%	612	0.76	34,260	34,260	0.76	612	1.31%		
Direct Construction		13.52%	6,288	7.83	352,140	352,140	7.83	6,288	13.49%		
Contingency	10.00%	1.48%	690	0.86	38,640	44,050	0.98	787	1.69%		
General Req'ts	6.00%	0.89%	414	0.52	23,184	23,184	0.52	414	0.89%		
Contractor's G & A	2.00%	0.30%	138	0.17	7,728	7,728	0.17	138	0.30%		
Contractor's Profit	6.00%	0.89%	414	0.52	23,184	23,184	0.52	414	0.89%		
Indirect Construction		2.22%	1,031	1.28	57,727	57,727	1.28	1,031	2.21%		
Ineligible Costs		0.65%	303	0.38	16,957	16,957	0.38	303	0.65%		
Developer's G & A	2.99%	2.44%	1,137	1.42	63,660	63,660	1.42	1,137	2.44%		
Developer's Profit	11.94%	9.78%	4,547	5.66	254,639	254,639	5.66	4,547	9.75%		
Interim Financing		1.68%	783	0.98	43,872	43,872	0.98	783	1.68%		
Reserves		3.22%	1,499	1.87	83,945	83,945	1.87	1,499	3.22%		
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$46,518</b>	<b>\$57.94</b>	<b>\$2,604,981</b>	<b>\$2,610,391</b>	<b>\$58.06</b>	<b>\$46,614</b>	<b>100.00%</b>		
<b>Recap-Hard Construction Costs</b>		<b>18.39%</b>	<b>\$8,556</b>	<b>\$10.66</b>	<b>\$479,136</b>	<b>\$484,546</b>	<b>\$10.78</b>	<b>\$8,653</b>	<b>18.56%</b>		

<b>SOURCES OF FUNDS</b>						<b>RECOMMENDED</b>			
USDA-RHS existing loan		54.90%	\$25,537	\$31.81	\$1,430,045	\$1,430,045	\$1,430,114	Developer fee Available	
TDHCA HOME		9.60%	\$4,464	\$5.56	250,000	250,000	250,000	\$318,299	
LIHTC Syndication Proceeds		35.71%	\$16,613	\$20.69	930,346	930,346	922,461	% of Dev. Fee Deferred	
Deferred Developer Fees		0.00%	\$0	\$0.00	0	0	7,816	2%	
Additional (excess) Funds Required		-0.21%	(\$97)	(\$0.12)	(5,410)	0	0	Dev Fee Repayable in 15 yrs	
<b>TOTAL SOURCES</b>					<b>\$2,604,981</b>	<b>\$2,610,391</b>	<b>\$2,610,391</b>	<b>\$57,800.49</b>	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018*

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,475,000	Term	600
Int Rate	1.00%	DCR	1.41
<b>Secondary</b>	\$250,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.06
<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.06

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$37,499
Secondary Debt Service	9,649
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$5,863</b>

<b>Primary</b>	\$1,475,000	Term	600
Int Rate	1.00%	DCR	1.41
<b>Secondary</b>	\$250,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.12
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

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

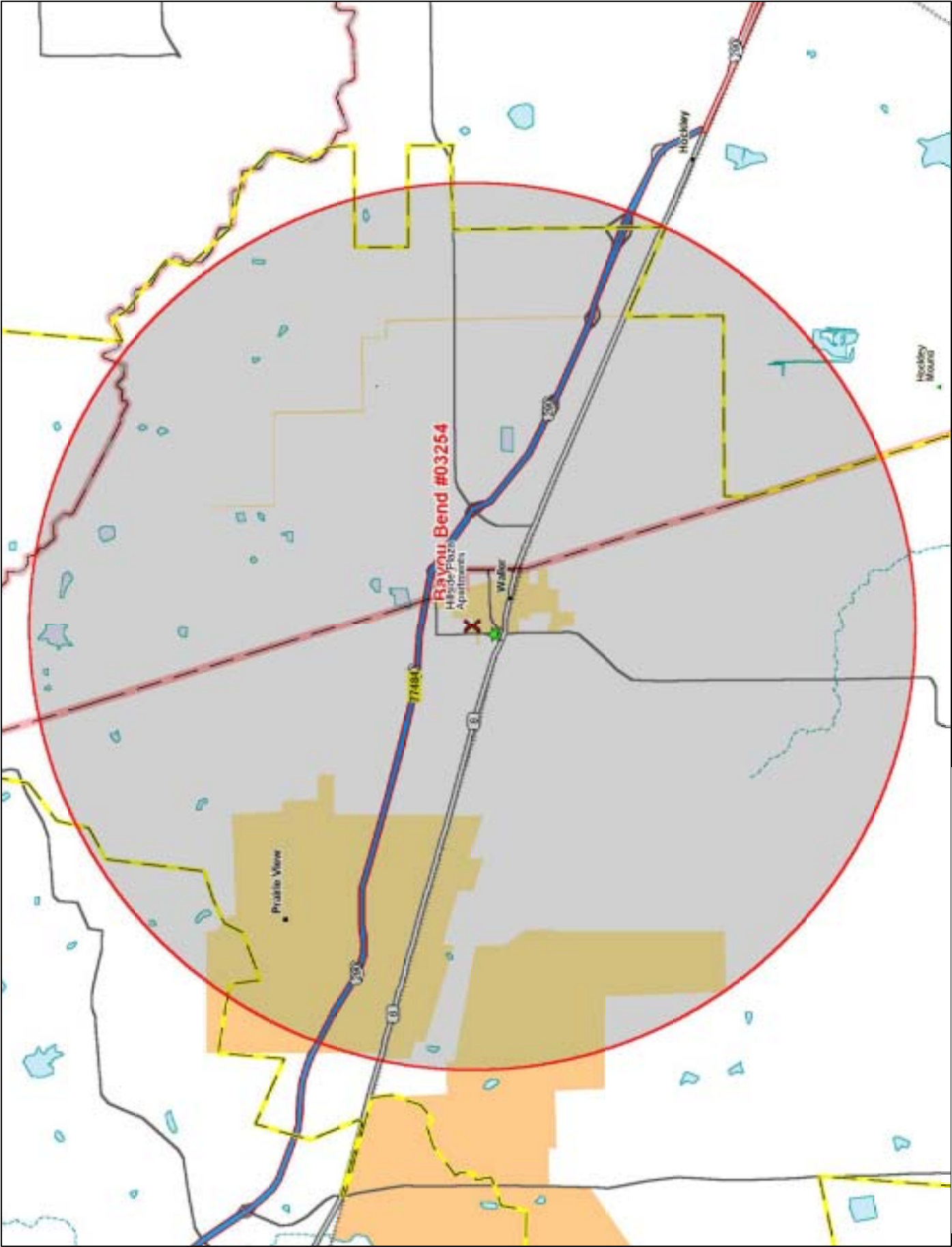
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$239,795	\$246,989	\$254,399	\$262,031	\$269,891	\$312,878	\$362,712	\$420,482	\$565,093
Secondary Income	6,720	6,922	7,129	7,343	7,563	8,768	10,165	11,784	15,836
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	246,515	253,911	261,528	269,374	277,455	321,646	372,876	432,266	580,929
Vacancy & Collection Loss	(18,489)	(19,043)	(19,615)	(20,203)	(20,809)	(24,123)	(27,966)	(32,420)	(43,570)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$228,026	\$234,867	\$241,913	\$249,171	\$256,646	\$297,523	\$344,910	\$399,846	\$537,359
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$9,855	\$10,249	\$10,659	\$11,086	\$11,529	\$14,027	\$17,066	\$20,763	\$30,734
Management	19,039	19,610	20,198	20,804	21,428	24,841	28,797	33,384	44,866
Payroll & Payroll Tax	40,230	41,839	43,513	45,253	47,064	57,260	69,666	84,759	125,464
Repairs & Maintenance	30,603	31,827	33,100	34,424	35,801	43,557	52,994	64,475	95,439
Utilities	3,471	3,610	3,754	3,904	4,061	4,940	6,011	7,313	10,825
Water, Sewer & Trash	25,831	26,864	27,939	29,056	30,219	36,766	44,731	54,422	80,558
Insurance	11,239	11,689	12,156	12,643	13,148	15,997	19,463	23,679	35,051
Property Tax	16,147	16,793	17,465	18,163	18,890	22,982	27,961	34,019	50,357
Reserve for Replacements	16,800	17,472	18,171	18,898	19,654	23,912	29,092	35,395	52,393
Other	1,800	1,872	1,947	2,025	2,106	2,562	3,117	3,792	5,614
TOTAL EXPENSES	\$175,015	\$181,825	\$188,902	\$196,256	\$203,898	\$246,844	\$298,898	\$362,002	\$531,301
NET OPERATING INCOME	\$53,012	\$53,042	\$53,011	\$52,915	\$52,748	\$50,679	\$46,013	\$37,843	\$6,058
<b>DEBT SERVICE</b>									
First Lien Financing	\$37,499	\$37,499	\$37,499	\$37,499	\$37,499	\$37,499	\$37,499	\$37,499	\$37,499
Second Lien	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$5,863	\$5,894	\$5,863	\$5,766	\$5,599	\$3,531	(\$1,136)	(\$9,305)	(\$41,090)
DEBT COVERAGE RATIO	1.12	1.13	1.12	1.12	1.12	1.07	0.98	0.80	0.13

LIHTC Allocation Calculation - Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018

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	\$69,200	\$53,248				
Purchase of buildings	\$1,535,845	\$1,551,797	\$1,535,845	\$1,551,797		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$34,260	\$34,260			\$34,260	\$34,260
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$352,140	\$352,140			\$352,140	\$352,140
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$7,728	\$7,728			\$7,728	\$7,728
Contractor profit	\$23,184	\$23,184			\$23,184	\$23,184
General requirements	\$23,184	\$23,184			\$23,184	\$23,184
<b>(5) Contingencies</b>						
	\$44,050	\$38,640			\$38,640	\$38,640
<b>(6) Eligible Indirect Fees</b>						
	\$57,727	\$57,727			\$57,727	\$57,727
<b>(7) Eligible Financing Fees</b>						
	\$43,872	\$43,872			\$43,872	\$43,872
<b>(8) All Ineligible Costs</b>						
	\$16,957	\$16,957				
<b>(9) Developer Fees</b>						
			\$230,377		\$87,110	
Developer overhead	\$63,660	\$63,660		\$46,324		\$17,336
Developer fee	\$254,639	\$254,639		\$185,295		\$69,344
<b>(10) Development Reserves</b>						
	\$83,945	\$83,945				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,610,391</b>	<b>\$2,604,981</b>	<b>\$1,766,222</b>	<b>\$1,783,416</b>	<b>\$667,845</b>	<b>\$667,415</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>\$1,766,222</b>	<b>\$1,783,416</b>	<b>\$667,845</b>	<b>\$667,415</b>
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$1,766,222</b>	<b>\$1,783,416</b>	<b>\$667,845</b>	<b>\$667,415</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$1,766,222</b>	<b>\$1,783,416</b>	<b>\$667,845</b>	<b>\$667,415</b>
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$64,114</b>	<b>\$64,738</b>	<b>\$55,698</b>	<b>\$55,662</b>

Syndication Proceeds	0.7699	\$493,627	\$498,433	\$428,834	\$428,558
Total Credits (Eligible Basis Method)				\$119,812	\$120,400
Syndication Proceeds				\$922,461	\$926,990
Requested Credits				\$120,931	
Syndication Proceeds				\$931,076	
Gap of Syndication Proceeds Needed				\$930,277	
Credit Amount				\$120,827	



1 mi

Scale: 1 : 93,750 Zoom Level: 11-1 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.8°E



**TDHCA #**

**20030019**

**Preservation  
Set Aside**



MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Willowchase Apartments**

TDHCA #: **20030019**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 1845 5th Street  
 City: Hempstead County: Waller Zip Code: 77445  
 Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:   
**Targeted Units:** Family: 0 Elderly: 0 Handicapped/Disabled: 4 Total Special Needs<sup>2</sup>: 4

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: FDI-WC 2003, LTD.

Principal Names	Principal Contact	Percentage Ownership
Fieser Estate Investments, Inc.	James W. Fieser	100% of the MGP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$180,000**  
 HOME Amount Requested by Applicant: **\$180,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	12	0	0	0	12
60%	0	4	41	0	0	45
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	16	41	0	0	
Total LI Units:						57
Owner/Employee Units:						0
Total Development Units:						57

**BUILDING INFORMATION**

Total Development Cost:	\$2,607,548
Gross Building Square Feet:	44,374
Total Net Rentable Area Square Feet:	43,505
Average Square Feet/Unit:	763

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$206,200
Total Expenses:	\$156,714
Net Operating Income:	\$49,486
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$180,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 1%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,467,162, USDA, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Gorem & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	Midland Equity Corporation	Permanent Lender:	USDA-Rural Development

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

**DEPARTMENT EVALUATION**

Final Home Score: 90 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

- Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 9.25% in the Basic Rent.
- Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.
- Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA loans.
- Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation of the development and documentation from USDA accepting their use as proposed.
- Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

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

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

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

Approved Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03256**

Name: **Willowchase Apartments**

City: **Hempstead**

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: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 0

### 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**

4. Receipt, review, and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed;
5. Should the terms of the proposed debt be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Willowchase was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions.

- € Receipt, review, and acceptance of confirmation that TXRD/ USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested \$126,135 annually in tax credits. The project received an allocation of \$91,616 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>57</u>	<b># Rental Buildings</b>	<u>7</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>20</u> yrs	<b>Vacant:</b>	<u>1</u>	<b>at</b>	<u>12/ 01/ 2002</u>
<b>Net Rentable SF:</b>	<u>43,505</u>	<b>Av Un SF:</b>	<u>763</u>	<b>Common Area SF:</b>	<u>869</u>	<b>Gross Bldg SF:</b>	<u>44,374</u>						

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 80% masonry brick veneer 20% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave  
 Carpeting and vinyl flooring, range and oven, hood and fan, refrigerator, fiberglass tub/shower, and heat pump.

**ON-SITE AMENITIES**

Management office, laundry facility, equipped children's play area.

<b>Uncovered Parking:</b>	<u>106</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:** Willow Chase is a proposed acquisition and rehabilitation development of 57 units of affordable housing located on two separate sites in Hempstead. The development was built in 1984 and is comprised of seven residential buildings as follows:

- € Two Building Style A with eight one-bedroom units; and
- € Five Building Style B with eight two-bedroom units.
- € One common area building with one two-bedroom unit attached

Based on the site plan the apartment buildings are distributed evenly throughout the two sites with the community building located at the corner of 5<sup>th</sup> and Allen Streets.

**Existing Subsidies:** The property currently operates under TX-USDA-RHS rent restrictions. All 57 units have rents restricted to the 2003 approved basic rent for the property: \$251 per month for one-bedroom units and \$304 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the basic rent limits to \$270 per month and \$320 per month. The requested rent level represents a moderate 5-7% increase. According to the rental assistance worksheet, provided in the application, only two units currently are receiving rental assistance.

**Development Plan:** The work write-up, signed by the architect, includes: add dirt in low places, flush sanitary lines, new sign, parking lot striping, landscaping, add sand border and equipment to playground, dumpster screens, repair masonry, replace exterior door hardware, ceiling insulation, new roofing, replace

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gutters/vinyl siding, upgrade electrical, install water saving shower heads, replace lavatories, replace water heaters, replace air conditioners, add new fans, bathroom vents, replace doors, repair windows, repair drywall, replace flooring, interior and exterior painting, replace range, fan and hood, and refrigerator. In addition, work will be done to convert three units to allow for handicapped accessibility.

The development is currently 98% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

**Architectural Review:** The elevations are typical of 1980's construction with majority brick exteriors. All units are of average size for market rate units in the area, and they have functional Floorplans with adequate storage space. The buildings are two-story walk-up structures and each unit has a single entry that is off common balconies shared with other units on each floor.

**Supportive Services:** The Applicant does not plan to provide supportive services.

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

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b>	2.152	acres	93,741	square feet	<b>Zoning/ Permitted Uses:</b>	R-3
<b>Flood Zone Designation:</b>	Zone X		<b>Status of Off-Sites:</b>	Fully Improved		

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** A portion of the site is situated on a city block bound by 5<sup>th</sup> Street, 6<sup>th</sup> Street, Baker Street and McDade Street. The remainder of the site is located one block south of the primary subject site on the western half of a city block bound by 5<sup>th</sup> Street, 4<sup>th</sup> Street and McDade Street. Both of these locations are in the southeast quadrant of the City of Hempstead. Hempstead is located 9-10 miles northwest of the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 40 miles northwest of the Gulf of Mexico in southeast Texas.

**Population:** Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 11,076 in 2000, projected at 11,913 for 2005. This equates to 3,150 households in 2000 and 3,440 households in 2005.

**Adjacent Land Uses:** Abutting the subject property to the west is single family residential. Single family residential is also to the east. To the north and south are vacant tracts of land. The predominate land use in the immediate vicinity consist of older detached single-family residences, mobile homes, and apartments.

**Site Access:** Immediate access to both sites is from 5th Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** Shopping and services within the subject area was not directly addressed by the submitted market study.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 23, 2003 and found the location to be acceptable for the proposed development.

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

Section 49.9(e) (13) (A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]..."

**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 tenants. Twelve of the units

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(21%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (79%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition, due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

<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>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

Section 49.9(e) (13) (B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11) (A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required..."

**OPERATING PROFORMA ANALYSIS**

**Income:** The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 5-7% increase in the basic rents. However, for reasons explained in the conclusions of this section and the Financing Structure Analysis section, the Underwriter has estimated the development's potential gross rent assuming a net rent of \$274 per month for one-bedroom units and \$332 per month for two-bedroom units. This represents a 9.25% increase in the basic rents, which are still significantly less than the LIHTC rent limits for the set-asides chosen. The result is a potential gross rent estimate that is \$6,798 higher than the Applicant's figure.

The Applicant's secondary income projection of \$10 per unit per month and vacancy and collection loss assumption of 7.5% is inline with Department guidelines and the development's operating history. Due to the difference in potential gross rent estimates, the Applicant's effective gross income figure is lower than the Underwriter's estimate, but within 5% and considered to be generally acceptable.

**Expenses:** The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of \$2,573 per unit is more than 5% lower than the Underwriter's estimate. In addition, 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 –payroll (more than 10% lower) and property tax (more than 10% lower).

**Conclusion:** The Applicant's estimated operating expense and net operating income are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due to the difference in net operating income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to \$44,987, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 9.25% in the basic rents for the development rather than 5-7% as proposed by the Applicant. A 5-7% increase results in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 9.25% in the Basic Rents is a condition of this report.



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**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 2.1522 acres</b>	\$40,000	<b>Date of Valuation:</b>	02/ 13/ 2003
<b>Existing Building(s): "as is"</b>	\$1,860,000	<b>Date of Valuation:</b>	02/ 13/ 2003
<b>Total Development: "as is"</b>	\$1,900,000	<b>Date of Valuation:</b>	02/ 13/ 2003
<b>Appraiser:</b> The Gerald A Teel Company	<b>City:</b> Houston	<b>Phone:</b> (713)	467-5858

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized basic rents of \$270 per month for one-bedroom units and \$320 per month for two-bedroom units, total annual expenses of a \$2,604 per unit, and an extremely low capitalization rate of 3.0%.

**Conclusion:** The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

**ASSESSED VALUE**

<b>Land:</b>	\$75,000	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$395,190	<b>Valuation by:</b>	Waller County Appraisal District
<b>Total Assessed Value:</b>	\$470,190	<b>Tax Rate:</b>	2.88339

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	One to Four Family Residential Contract (Resale)					
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003			
<b>Acquisition Cost:</b>	\$1,637,162	<b>Other Terms/Conditions:</b>	">\$170K cash to seller			
<b>Seller:</b> Willowchase Apartments, Ltd. (Donald W Sowell)	<b>Related to Development Team Member:</b> No					

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of \$40,000 and a total appraised value of \$1,900,000, the ratio of land cost to total cost is 21.0%. Applying this ratio to the sales price of \$1,637,162 results in a land cost of \$34,467 and an acquisition eligible basis of \$1,602,695. This actually provides a slightly higher acquisition value than the \$1,587,162 claimed by the Applicant and thus the Applicant's value is acceptable. It should be noted however, that this amount is \$210,242 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit tax can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases, the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be \$170K more than the outstanding loan balance. Therefore, receipt, review, and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the \$106K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires

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annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt, review, and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

**Sitework Cost:** The Applicant's claimed sitework costs of \$366 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

**Fees:** 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 \$814. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

**Other:** The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by \$5,426 and a reduction of an equal amount of eligible basis is required.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments, generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d) (3) HOME subsidy limit of \$4,115,462.

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 contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$2,489,482 is used to determine a credit allocation of \$121,654 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE			
INTERIM CONSTRUCTION or GAP FINANCING			
<b>Source:</b> MuniMae Midland	<b>Contact:</b> Stacey Kulyk		
<b>Principal Amount:</b> \$684,857	<b>Interest Rate:</b> 6% as of commitment, set at closing		
<b>Additional Information:</b> Subject to RD commitment			
<b>Amortization:</b> n/a yrs	<b>Term:</b> 1 yrs	<b>Commitment:</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
LONG TERM/PERMANENT FINANCING			
<b>Source:</b> TX-USDA-RHS	<b>Contact:</b> William Taylor		
<b>Original Principal Amount:</b> \$1,496,250	<b>Unpaid Principal: (12/2002)</b> \$1,467,162		
<b>Interest Rate:</b> 11.875%, subsidized to 1%	<b>Additional Information:</b> Assumption of existing loan		
<b>Amortization:</b> 50 yrs	<b>Term:</b> 32 yrs	<b>Commitment:</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
<b>Annual Payment:</b> \$38,544	<b>Lien Priority:</b> 1 <sup>st</sup>	<b>Commitment Date</b> / /	

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LIHTC SYNDICATION										
<b>Source:</b>	Midland Equity Corporation					<b>Contact:</b>	Ryan Luxon			
<b>Address:</b>	Two Galleria Tower, 13455 Noel Road, Suite 1430					<b>City:</b>	Dallas			
<b>State:</b>	TX	<b>Zip:</b>	75240	<b>Phone:</b>	(888) 223-5794	<b>Fax:</b>	(972)	404-9133		
<b>Net Proceeds:</b>	\$945,244			<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>				77¢		
<b>Commitment</b>	<input checked="" type="checkbox"/>	None	<input type="checkbox"/>	Firm	<input type="checkbox"/>	Conditional	<b>Date:</b>	02/	18/ 2003	
<b>Additional Information:</b>										

APPLICANT EQUITY			
<b>Amount:</b>	\$15,142	<b>Source:</b>	Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Interim Financing:** MuniMae Midland will provide a construction loan of \$684,857 at an interest rate of 6.00% and term of twelve months.

**Permanent Financing:** The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates \$1,496,250 at an interest rate of 11.875% and a final installment date of September 6, 2035. This note is paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was \$1,467,462. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual remaining principle and terms is a condition of this report.

**LIHTC Syndication:** MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of \$945,244. The tax credits allocated to the partnership will be purchased at a rate of \$0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

**Deferred Developer's Fees:** The Applicant plans to defer \$15,142 in fees, which amounts to 5% of total proposed developer fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of \$121,654. This amount is supported by the gap in need and is equal to the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, it was determined that the total annual debt service should be limited to no more than \$44,987. The current USDA note payments have been estimated to be \$48,773, though documentation from USDA was not provided to confirm this. The Underwriter calculated a much lower payment of \$38,039, and the explanation of the difference is unknown. It is not likely that a reduction will be approved by TX-USDA-RHS. Therefore, it is suggested that the annual debt service for the requested HOME funds be reduced by lowering the interest rate from the requested 3% to mirror the USDA 1% loan. The term of the HOME loan would remain at 30 years. Again, the recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 9.25% increase in basic rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and a 9.25% increase in the basic rents, the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years. The reason for the failure is the high expense to income ratio resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis is more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

**Return on Equity:** Since the Applicant is projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required.

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**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

**Financial Highlights:** The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

**Background & Experience:** James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's estimated operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- ⊘ 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.
- ⊘ Significant inconsistencies in the application could affect the financial feasibility of the project.
- ⊘ Items identified in previous reports have not been satisfactorily addressed.

**Underwriter:**

*Lisa Vecchietti*

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 9, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
<TC 50%/LH	12	1	1	687	\$558	\$274	\$3,291	\$0.40	\$53.00	n/a
<TC 60%/HH	4	1	1	687	670	274	1,097	0.40	53.00	n/a
<TC 60%/HH	41	2	2	793	804	332	13,619	0.42	56.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 23 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
<b>TOTAL:</b>	<b>57</b>		<b>AVERAGE:</b>	<b>763</b>	<b>\$743</b>	<b>\$316</b>	<b>\$18,007</b>	<b>\$0.41</b>	<b>\$55.16</b>	<b>n/a</b>

<b>INCOME</b>				Total Net Rentable Sq Ft:	43,505	<b>TDHCA</b>	<b>APPLICANT</b>	USS Region	6	
<b>POTENTIAL GROSS RENT</b>						\$216,079	\$209,280	IREM Region	Houston	
Secondary Income		Per Unit Per Month:	\$10.00			6,840	6,840	Per Unit Per Month		
Other Support Income: (describe)						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$222,919	\$216,120			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(16,719)	(16,212)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$206,200	\$199,908			
<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		3.46%	\$125	0.16		\$7,143	\$6,625	\$0.15	\$116	3.31%
Management		9.17%	332	0.43		18,905	\$20,160	0.46	354	10.08%
Payroll & Payroll Tax		16.36%	592	0.78		33,728	\$28,394	0.65	498	14.20%
Repairs & Maintenance		14.10%	510	0.67		\$29,081	\$25,500	0.59	447	12.76%
Utilities		1.74%	63	0.08		3,594	\$3,700	0.09	65	1.85%
Water, Sewer, & Trash		9.63%	348	0.46		19,852	\$20,170	0.46	354	10.09%
Property Insurance		5.27%	191	0.25		10,876	\$12,000	0.28	211	6.00%
Property Tax	2.88339	7.97%	288	0.38		16,435	\$13,000	0.30	228	6.50%
Reserve for Replacements		8.29%	300	0.39		17,100	\$17,100	0.39	300	8.55%
Other Expenses:		0.00%	0	0.00		0	\$0	0.00	0	0.00%
<b>TOTAL EXPENSES</b>		<b>76.00%</b>	<b>\$2,749</b>	<b>\$3.60</b>		<b>\$156,714</b>	<b>\$146,649</b>	<b>\$3.37</b>	<b>\$2,573</b>	<b>73.36%</b>
<b>NET OPERATING INC</b>		<b>24.00%</b>	<b>\$868</b>	<b>\$1.14</b>		<b>\$49,485</b>	<b>\$53,259</b>	<b>\$1.22</b>	<b>\$934</b>	<b>26.64%</b>
<b>DEBT SERVICE</b>										
USDA-RHS existing loan		18.45%	\$667	\$0.87		\$38,039	\$47,645	\$1.10	\$836	23.83%
TDHCA HOME		4.42%	\$160	\$0.21		9,107	0	\$0.00	\$0	0.00%
TDHCA HOME		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>		<b>1.13%</b>	<b>\$41</b>	<b>\$0.05</b>		<b>\$2,339</b>	<b>\$5,614</b>	<b>\$0.13</b>	<b>\$98</b>	<b>2.81%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.05	1.12			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>						1.10				

<b>CONSTRUCTION COST</b>					<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		62.92%	\$28,722	\$37.63	\$1,637,162	\$1,637,162	\$37.63	\$28,722	62.79%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.80%	366	0.48	20,880	20,880	0.48	366	0.80%
Direct Construction		14.09%	6,434	8.43	366,720	366,720	8.43	6,434	14.06%
Contingency	10.00%	1.49%	680	0.89	38,760	44,186	1.02	775	1.69%
General Req'ts	6.00%	0.89%	408	0.53	23,256	23,256	0.53	408	0.89%
Contractor's G & A	2.00%	0.30%	136	0.18	7,752	7,752	0.18	136	0.30%
Contractor's Profit	6.00%	0.89%	408	0.53	23,256	23,256	0.53	408	0.89%
Indirect Construction		2.20%	1,005	1.32	57,302	57,302	1.32	1,005	2.20%
Ineligible Costs		0.50%	227	0.30	12,924	12,924	0.30	227	0.50%
Developer's G & A	2.99%	2.50%	1,142	1.50	65,106	65,106	1.50	1,142	2.50%
Developer's Profit	11.94%	10.01%	4,569	5.99	260,423	260,423	5.99	4,569	9.99%
Interim Financing		1.52%	696	0.91	39,679	39,679	0.91	696	1.52%
Reserves		1.88%	858	1.12	48,902	48,902	1.12	858	1.88%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$45,651</b>	<b>\$59.81</b>	<b>\$2,602,122</b>	<b>\$2,607,548</b>	<b>\$59.94</b>	<b>\$45,746</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>18.47%</b>	<b>\$8,432</b>	<b>\$11.05</b>	<b>\$480,624</b>	<b>\$486,050</b>	<b>\$11.17</b>	<b>\$8,527</b>	<b>18.64%</b>

<b>SOURCES OF FUNDS</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>RECOMMENDED</b>	
USDA-RHS existing loan	56.38%	\$25,740	\$33.72	\$1,467,162	\$1,467,162	\$1,467,162	Developer fee Available
TDHCA HOME	6.92%	\$3,158	\$4.14	180,000	180,000	180,000	\$325,529
LIHTC Syndication Proceeds	36.33%	\$16,583	\$21.73	945,244	945,244	936,643	% of Dev. Fee Deferred
Deferred Developer Fees	0.58%	\$266	\$0.35	15,142	15,142	23,743	7%
Additional (excess) Funds Required	-0.21%	(\$95)	(\$0.12)	(5,426)	0	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>				<b>\$2,602,122</b>	<b>\$2,607,548</b>	<b>\$2,607,548</b>	<b>\$49,918.45</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019*

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,496,250	Term	600
Int Rate	1.00%	DCR	1.30

<b>Secondary</b>	\$180,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.05

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.05

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$38,039
Secondary Debt Service	6,947
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$4,499</b>

<b>Primary</b>	\$1,496,250	Term	600
Int Rate	1.00%	DCR	1.30

<b>Secondary</b>	\$180,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

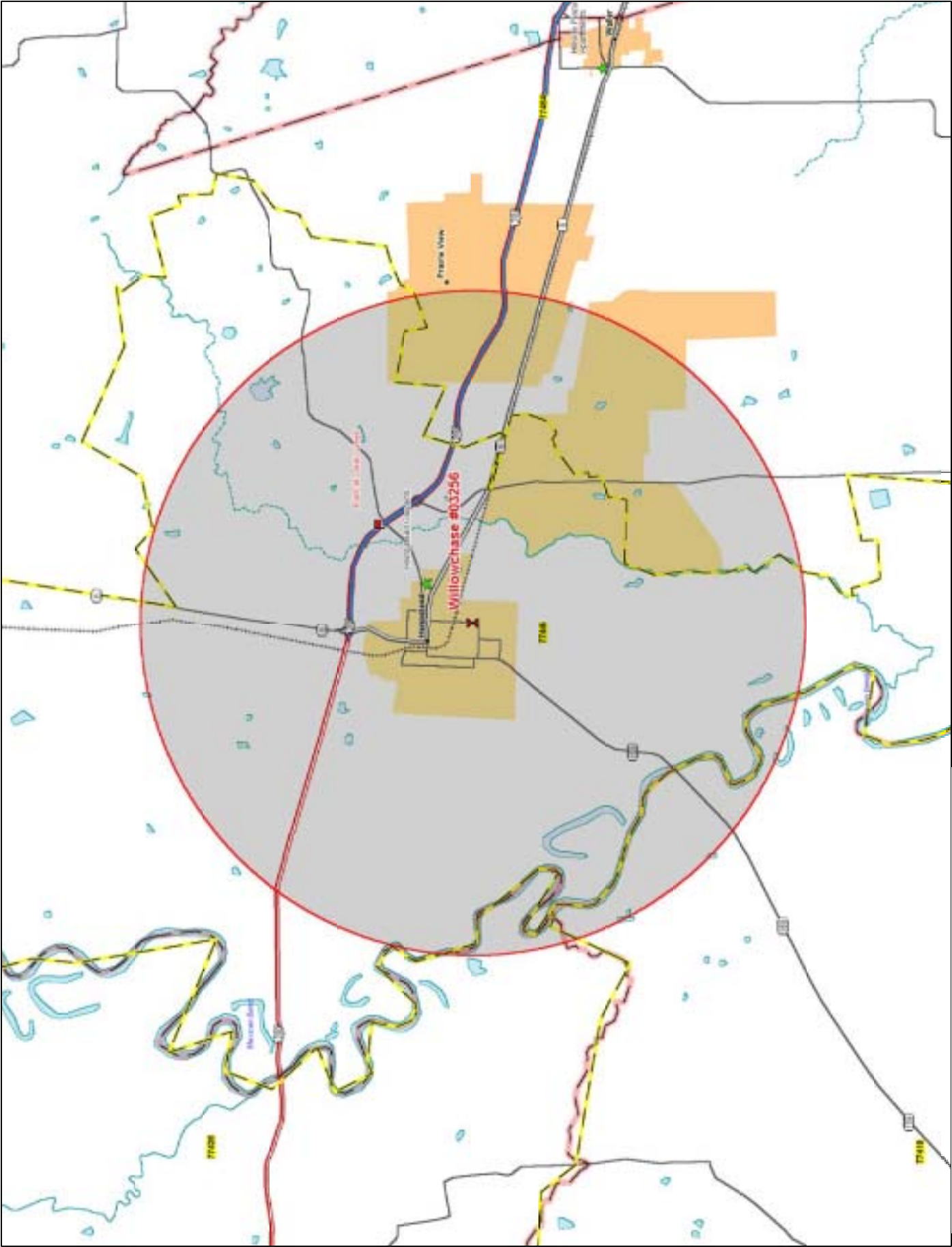
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$216,079	\$222,561	\$229,238	\$236,115	\$243,198	\$281,934	\$326,838	\$378,895	\$509,204
Secondary Income	6,840	7,045	7,257	7,474	7,698	8,925	10,346	11,994	16,119
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	222,919	229,606	236,494	243,589	250,897	290,858	337,184	390,889	525,322
Vacancy & Collection Loss	(16,719)	(17,220)	(17,737)	(18,269)	(18,817)	(21,814)	(25,289)	(29,317)	(39,399)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$206,200	\$212,386	\$218,757	\$225,320	\$232,080	\$269,044	\$311,896	\$361,573	\$485,923
EXPENSES at 4.00%									
General & Administrative	\$7,143	\$7,429	\$7,726	\$8,035	\$8,356	\$10,167	\$12,369	\$15,049	\$22,277
Management	18,905	19,472	20,056	20,658	21,278	24,667	28,596	33,150	44,551
Payroll & Payroll Tax	33,728	35,077	36,480	37,939	39,457	48,005	58,406	71,060	105,186
Repairs & Maintenance	29,081	30,244	31,454	32,712	34,020	41,391	50,358	61,269	90,692
Utilities	3,594	3,738	3,887	4,043	4,204	5,115	6,224	7,572	11,208
Water, Sewer & Trash	19,852	20,646	21,472	22,331	23,224	28,256	34,377	41,825	61,911
Insurance	10,876	11,311	11,764	12,234	12,724	15,480	18,834	22,915	33,919
Property Tax	16,435	17,093	17,776	18,488	19,227	23,393	28,461	34,627	51,256
Reserve for Replacements	17,100	17,784	18,495	19,235	20,005	24,339	29,612	36,027	53,329
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$156,714	\$162,794	\$169,111	\$175,675	\$182,495	\$220,812	\$267,237	\$323,494	\$474,330
NET OPERATING INCOME	\$49,485	\$49,592	\$49,646	\$49,645	\$49,584	\$48,232	\$44,659	\$38,079	\$11,593
DEBT SERVICE									
First Lien Financing	\$38,039	\$38,039	\$38,039	\$38,039	\$38,039	\$38,039	\$38,039	\$38,039	\$38,039
Second Lien	6,947	6,947	6,947	6,947	6,947	6,947	6,947	6,947	6,947
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$4,499	\$4,605	\$4,660	\$4,659	\$4,598	\$3,245	(\$328)	(\$6,908)	(\$33,394)
DEBT COVERAGE RATIO	1.10	1.10	1.10	1.10	1.10	1.07	0.99	0.85	0.26

**LIHTC Allocation Calculation - Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019**

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	\$50,000	\$34,467				
Purchase of buildings	\$1,587,162	\$1,602,695	\$1,587,162	\$1,602,695		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$20,880	\$20,880			\$20,880	\$20,880
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$366,720	\$366,720			\$366,720	\$366,720
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$7,752	\$7,752			\$7,752	\$7,752
Contractor profit	\$23,256	\$23,256			\$23,256	\$23,256
General requirements	\$23,256	\$23,256			\$23,256	\$23,256
<b>(5) Contingencies</b>						
	\$44,186	\$38,760			\$38,760	\$38,760
<b>(6) Eligible Indirect Fees</b>						
	\$57,302	\$57,302			\$57,302	\$57,302
<b>(7) Eligible Financing Fees</b>						
	\$39,679	\$39,679			\$39,679	\$39,679
<b>(8) All Ineligible Costs</b>						
	\$12,924	\$12,924				
<b>(9) Developer Fees</b>						
			\$238,074		\$86,641	
Developer overhead	\$65,106	\$65,106		\$47,858		\$17,248
Developer fee	\$260,423	\$260,423		\$191,432		\$68,991
<b>(10) Development Reserves</b>						
	\$48,902	\$48,902				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,607,548</b>	<b>\$2,602,122</b>	<b>\$1,825,236</b>	<b>\$1,841,985</b>	<b>\$664,246</b>	<b>\$663,844</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>\$1,825,236</b>	<b>\$1,841,985</b>	<b>\$664,246</b>	<b>\$663,844</b>
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$1,825,236</b>	<b>\$1,841,985</b>	<b>\$664,246</b>	<b>\$663,844</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$1,825,236</b>	<b>\$1,841,985</b>	<b>\$664,246</b>	<b>\$663,844</b>
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$66,256</b>	<b>\$66,864</b>	<b>\$55,398</b>	<b>\$55,365</b>

Syndication Proceeds	0.7699	\$510,121	\$514,802	\$426,523	\$426,265
<b>Total Credits (Eligible Basis Method)</b>				<b>\$121,654</b>	<b>\$122,229</b>
Syndication Proceeds				\$936,643	\$941,067
Requested Credits				\$122,822	
Syndication Proceeds				\$945,635	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$960,386</b>	
Credit Amount				\$124,738	



Scale: 1 : 125,000 Zoom Level: 10-6 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E



**TDHCA #**

**20030020**

**Preservation  
Set Aside**



MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Pine Meadows Apartments**

TDHCA #: **20030020**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 20968 Pine Island Road  
 City: Prairie View County: Waller Zip Code: 77446

Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:

**Targeted Units:** Family: 60 Elderly: 0 Handicapped/Disabled: 5 Total Special Needs<sup>2</sup>: **5**

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: FDI-PM 2003, LTD.

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate investments, Inc.	James W. Fieser	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$250,000**  
 HOME Amount Requested by Applicant: **\$250,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	0	12	0	0	12
60%	0	0	48	0	0	48
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	0	60	0	0	60
Total LI Units:						60
Owner/Employee Units:						0
Total Development Units:						60

**BUILDING INFORMATION**

Total Development Cost:	\$1,908,020
Gross Building Square Feet:	49,039
Total Net Rentable Area Square Feet:	47,755
Average Square Feet/Unit:	796

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$219,780
Total Expenses:	\$169,291
Net Operating Income:	\$50,489
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$250,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 1%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$905,475, TX-USDA-RHS, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	Midland Equity Corporation	Permanent Lender:	TX-USDA-RHS

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

**DEPARTMENT EVALUATION**

Final Home Score: 95 Site Finding: Poor Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 7.5% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes.

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

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

\_\_\_\_\_  
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 Award Amount:

Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03252/2003-0020** Name: **Pine Meadows Apartments** City: **Prairie View**

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: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 0

## 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**

- transfer sales price of this property of more than the current outstanding loan balance of the USDA notes;
5. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed; and,
  6. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	60	<b># Rental Buildings:</b>	15	<b># Common Area Bldgs:</b>	1	<b># of Floors:</b>	1	<b>Age:</b>	20	yrs	<b>Vacant:</b>	4	at	12/ 24/ 2002	
<b>Net Rentable SF:</b>	47,755	<b>Av Un SF:</b>	796	<b>Common Area SF:</b>	1,284	<b>Gross Bldg SF:</b>	49,039								

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 90% masonry brick veneer 10% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, refrigerator, microwave oven, tile tub/shower, ceiling fans, laminated counter tops, individual water heaters, heat pump, evaporative cooling.

**ON-SITE AMENITIES**

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area, perimeter fencing with limited access gate(s)

**Uncovered Parking:** 128 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Pine Meadows is a proposed acquisition and rehabilitation development of 60 units of affordable housing located in Prairie View. The development was built in two phases and completed in 1982. The total property is comprised of nine residential buildings entirely consisting of two-bedroom units. An office/laundry building is located at the entrance to the site.

**Existing Subsidies:** The property currently operates under TX-USDA-RHS rent restrictions. All 60 units have rents restricted to the 2003 approved Basic Rent for the property of \$296 per month. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limit to \$320 per month. The requested rent level represents a moderate 7.5% increase. According to the rent roll, 11 units currently receive rental assistance.

**Development Plan:** The work write-up, signed by the architect, includes: demolition work on sidewalks and curbs; repair of ramps, paving, fencing, mailbox area, addition of trees, safety surfacing and curbs for playground area, foundation repair, installation of insulation, gutter & downspouts, exterior security lights, tubs/showers, air conditioners, ceiling fans, new doors, carpeting, counter tops, cabinets, and ranges and refrigerators, the roofs will be replaced, and the plumbing fixtures will be resurfaced. In addition, work will be done to convert three units to allow for handicapped accessibility.

The development is currently 95% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

**Architectural Review:** The construction of the single-story buildings is typical for the time period. The unit floor plan appears to offer adequate living and storage space.

**Supportive Services:** The Applicant does not plan to provide supportive services.

**Schedule:** The Applicant anticipates construction to begin in November of 2003 and to be completed, placed

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

in service, and substantially leased-up in May of 2004.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 5.0 acres 217,800 square feet **Zoning/ Permitted Uses:** MF  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Fully improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on the west line of Pine Island Road, approximately 500 feet south of Old US Highway 290. The City of Prairie View is located approximately 9-10 miles northwest of the Harris/Waller County line. As the crow flies, it is approximately 45-55 miles northwest of the Houston Central Business District.

**Adjacent Land Uses:** Surrounding land uses are residential in nature. Predominate land use in the immediate vicinity consist of older detached single-family residences, mobile homes, and open or pasture land.

**Site Access:** The subject immediate area is accessed via US Highway 290, which runs to Houston to the south and Austin to the north. State Highway 6 provides access to Bryan/College Station.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The availability of shopping and services was not discussed in the appraisal.

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

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

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]..."

**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 tenants. Twelve of the units (20%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (80%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition. Due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because this property is located within the Houston MSA the maximum tax credit and HOME rents are significantly (\$296 for 50% units) higher then the proposed USDA 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>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required..."

**OPERATING PROFORMA ANALYSIS**

**Income:** The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a

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

7.5% increase in the Basic Rents.

The Applicant's secondary income projection of \$10 per unit per month appears to be overstated compared to the property's actual secondary income in 2002 of \$5.43 per unit per month despite which the Underwriter used the Applicant's \$10 estimate. The Applicant's vacancy and collection loss assumption of 7.5% is inline with Department guidelines. The Applicant's effective gross income figure is identical to the Underwriter's estimate and considered to be generally acceptable.

**Expenses:** The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of \$2,742 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 – utilities (more than 30% lower) and property tax (more than 10% lower).

**Conclusion:** The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, but the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due to the difference in net operating income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum total annual debt service for this development should be limited to \$46,080, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 7.5% as proposed by the Applicant. Failure to garner the proposed 7.5% increase will result in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 7.5% in the Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 5.0 acres	\$90,000	Date of Valuation:	02/	25/	2003
Existing Building(s): "as is"	\$1,940,000	Date of Valuation:	02/	25/	2003
Total Development: "as is"	\$2,030,000	Date of Valuation:	02/	25/	2003
Appraiser:	The Gerald A Teel Company	City:	Houston	Phone:	(713) 467-5858
APPRAISED ANALYSIS/CONCLUSIONS					
<p><b>Analysis:</b> The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rent of \$305 per month for the units, total annual expenses of a \$2,620 per unit, and an extremely low capitalization rate of 2.8%.</p> <p><b>Conclusion:</b> The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.</p>					
ASSESSED VALUE					
Land: 5.0 acres	\$50,000	Assessment for the Year of:	2002		
Building:	\$430,020	Valuation by:	Waller County Appraisal District		
Total Assessed Value:	\$480,020	Tax Rate:	2.88339		
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	One to Four Family Residential Contract (Resale)				
Contract Expiration Date:	10/	31/	2003	Anticipated Closing Date:	10/ 31/ 2003



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

<b>Acquisition Cost:</b>	\$1,055,476	<b>Other Terms/Conditions:</b>	\$150K cash to seller
<b>Seller:</b>	Pine Meadows I & Pine Meadows II (Donald W. Sowell)	<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of \$90,000 and a total appraised value of \$2,030,000, the ratio of land cost to total cost is 44.3%. Applying this ratio to the sales price of \$1,055,476 results in a land cost of \$46,795 and an acquisition eligible basis of \$1,008,681. This actually provides a slightly higher acquisition value than claimed by the Applicant thus the Applicant's estimate is acceptable. The Department understands from previous discussions with USDA staff that the transfer of a USDA property can not occur for more than the existing debt without USDA approval. USDA has been willing to allow such transfers if the seller's exit taxes can be proven to be more as a result of the transfer than through a USDA foreclosure. In this case, the proposed sales price appears to be \$150,000 more than the outstanding loan balance. Therefore receipt, review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition, it is not known what will become of the \$90K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. USDA considers reserves to be fully funded at 10% of the outstanding loan balance and requires annual reserve contributors of 1% until that balance is met. Receipt, review and acceptance of a reconciliation of the reserve account with regard to how it will be used in the proposed acquisition and rehabilitation is a condition of this report.

**Site work Cost:** The Applicant's claimed site work costs of \$547 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

**Fees:** 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 \$782. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the rehabilitation credit and understating the acquisition credit.

**Other:** The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by \$5,208 and a reduction of equal amount from eligible basis was required.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$4,559,400.

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 contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$1,780,102 is used to determine a credit allocation of \$94,324 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, however these errors were offset by the Applicant's use of low applicable percentages which resulted in a request of only \$94,120. The resulting syndication proceeds based on the requested amount will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

<b>Source:</b>	MuniMae Midland	<b>Contact:</b>	Stacey Kulyk
<b>Principal Amount:</b>	\$519,574	<b>Interest Rate:</b>	6% as of commitment, set at closing
<b>Additional Information:</b>	Subject to RD commitment		



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

lowering the interest rate from the requested 3% to 1%. The term of the HOME loan would remain at 30 years. The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of the proposed increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and the increase in the Basic Rents, the development appears to be infeasible. The long term feasibility of the development is measured by a standard 30 year proforma with 3% income growth and 4% expense growth reflects the developments failure after even with the rent increase and HOME funds 20 years. The reason for this is the high expense to income ratio caused by the low rents and tight monitoring of performance by USDA. The 100 basis point spread between growth in expenses and growth in income must be and is controlled by USDA at less than 60 basis points in order to maintain long term feasibility.

**Return on Equity:** Since the Applicant is not projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

**Financial Highlights:** The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

**Background & Experience:** James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the Application could affect the financial feasibility of development.
- The development could potentially achieve an excess profit level (i.e. a DCR over 1.30) if the maximum tax credit rents could be achieved.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 9, 2003
	<i>Lisa Vecchietti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 9, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
TC 50%/LH	12	2	1	793	\$670	\$320	\$3,840	\$0.40	\$54.00	n/a
TC 60%/HH	23	2	1	793	804	320	7,360	0.40	54.00	n/a
TC 60%/HH	25	2	1	800	804	320	8,000	0.40	54.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 24 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
<b>TOTAL:</b>	<b>60</b>		<b>AVERAGE:</b>	<b>796</b>	<b>\$777</b>	<b>\$320</b>	<b>\$19,200</b>	<b>\$0.40</b>	<b>\$54.00</b>	<b>n/a</b>

				TDHCA	APPLICANT	USS Region 6		
Total Net Rentable Sq Ft: 47,755				\$230,400	\$230,400	IREM Region Houston		
POTENTIAL GROSS RENT				7,200	7,200	\$10.00	Per Unit Per Month	
Secondary Income		Per Unit Per Month:	\$10.00	0	0			
Other Support Income: (describe)				\$237,600	\$237,600			
POTENTIAL GROSS INCOME				(17,820)	(17,820)	-7.50%	of Potential Gross Rent	
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	0	0			
Employee or Other Non-Rental Units or Concessions				\$219,780	\$219,780			
EFFECTIVE GROSS INCOME								
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	2.98%	\$109	0.14	\$6,555	\$5,650	\$0.12	\$94	2.57%
Management	9.24%	339	0.43	20,312	\$21,240	0.44	354	9.66%
Payroll & Payroll Tax	14.39%	527	0.66	31,622	\$33,700	0.71	562	15.33%
Repairs & Maintenance	14.86%	544	0.68	32,651	\$27,800	0.58	463	12.65%
Utilities	1.45%	53	0.07	3,195	\$1,500	0.03	25	0.68%
Water, Sewer, & Trash	12.59%	461	0.58	27,660	\$30,550	0.64	509	13.90%
Property Insurance	5.43%	199	0.25	11,939	\$12,300	0.26	205	5.60%
Property Tax	2.88339	7.87%	288	17,300	\$13,700	0.29	228	6.23%
Reserve for Replacements	8.19%	300	0.38	18,000	\$18,000	0.38	300	8.19%
Other Expenses: Security	0.03%	1	0.00	58	\$58	0.00	1	0.03%
TOTAL EXPENSES	77.03%	\$2,822	\$3.54	\$169,291	\$164,498	\$3.44	\$2,742	74.85%
NET OPERATING INC	22.97%	\$841	\$1.06	\$50,489	\$55,282	\$1.16	\$921	25.15%
DEBT SERVICE								
TX-USDA-RHS (existing notes)	16.58%	\$607	\$0.76	\$36,431	\$49,116	\$1.03	\$819	22.35%
TDHCA HOME	5.75%	\$211	\$0.26	12,648	0	\$0.00	\$0	0.00%
TDHCA HOME	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	0.64%	\$23	\$0.03	\$1,409	\$6,166	\$0.13	\$103	2.81%
AGGREGATE DEBT COVERAGE RATIO				1.03	1.13			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	55.47%	\$17,591	\$22.10	\$1,055,476	\$1,055,476	\$22.10	\$17,591	55.32%
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	1.72%	547	0.69	32,800	32,800	0.69	547	1.72%
Direct Construction	17.83%	5,653	7.10	339,200	339,200	7.10	5,653	17.78%
Contingency	10.00%	1.96%	620	37,200	42,408	0.89	707	2.22%
General Req'ts	6.00%	1.17%	372	22,320	22,320	0.47	372	1.17%
Contractor's G & A	2.00%	0.39%	124	7,440	7,440	0.16	124	0.39%
Contractor's Profit	6.00%	1.17%	372	22,320	22,320	0.47	372	1.17%
Indirect Construction		2.75%	872	52,324	52,324	1.10	872	2.74%
Ineligible Costs		0.58%	185	11,095	11,095	0.23	185	0.58%
Developer's G & A	2.99%	2.45%	777	46,594	46,594	0.98	777	2.44%
Developer's Profit	11.97%	9.79%	3,106	186,375	186,375	3.90	3,106	9.77%
Interim Financing		1.83%	581	34,835	34,835	0.73	581	1.83%
Reserves		2.88%	914	54,833	54,833	1.15	914	2.87%
TOTAL COST	100.00%	\$31,714	\$39.85	\$1,902,812	\$1,908,020	\$39.95	\$31,800	100.00%
Recap-Hard Construction Costs	24.24%	\$7,688	\$9.66	\$461,280	\$466,488	\$9.77	\$7,775	24.45%

				TDHCA	APPLICANT	RECOMMENDED	
TX-USDA-RHS (existing notes)	47.59%	\$15,091	\$18.96	\$905,476	\$905,476	\$905,475	Developer fee Available
TDHCA HOME	13.14%	\$4,167	\$5.24	250,000	250,000	250,000	\$232,969
LIHTC Syndication Proceeds	38.06%	\$12,069	\$15.16	724,137	724,137	724,652	% of Dev. Fee Deferred
Deferred Developer Fees	1.49%	\$473	\$0.59	28,406	28,406	27,893	12%
Additional (excess) Funds Required	-0.27%	(\$87)	(\$0.11)	(5,207)	1	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				\$1,902,812	\$1,908,020	\$1,908,020	\$36,824.81

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020*

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,433,000	Term	600
Int Rate	1.00%	DCR	1.39
<b>Secondary</b>	\$250,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.03
<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.03

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$36,431
Secondary Debt Service	9,649
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$4,408</b>

<b>Primary</b>	\$1,433,000	Term	600
Int Rate	1.00%	DCR	1.39
<b>Secondary</b>	\$250,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.10
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

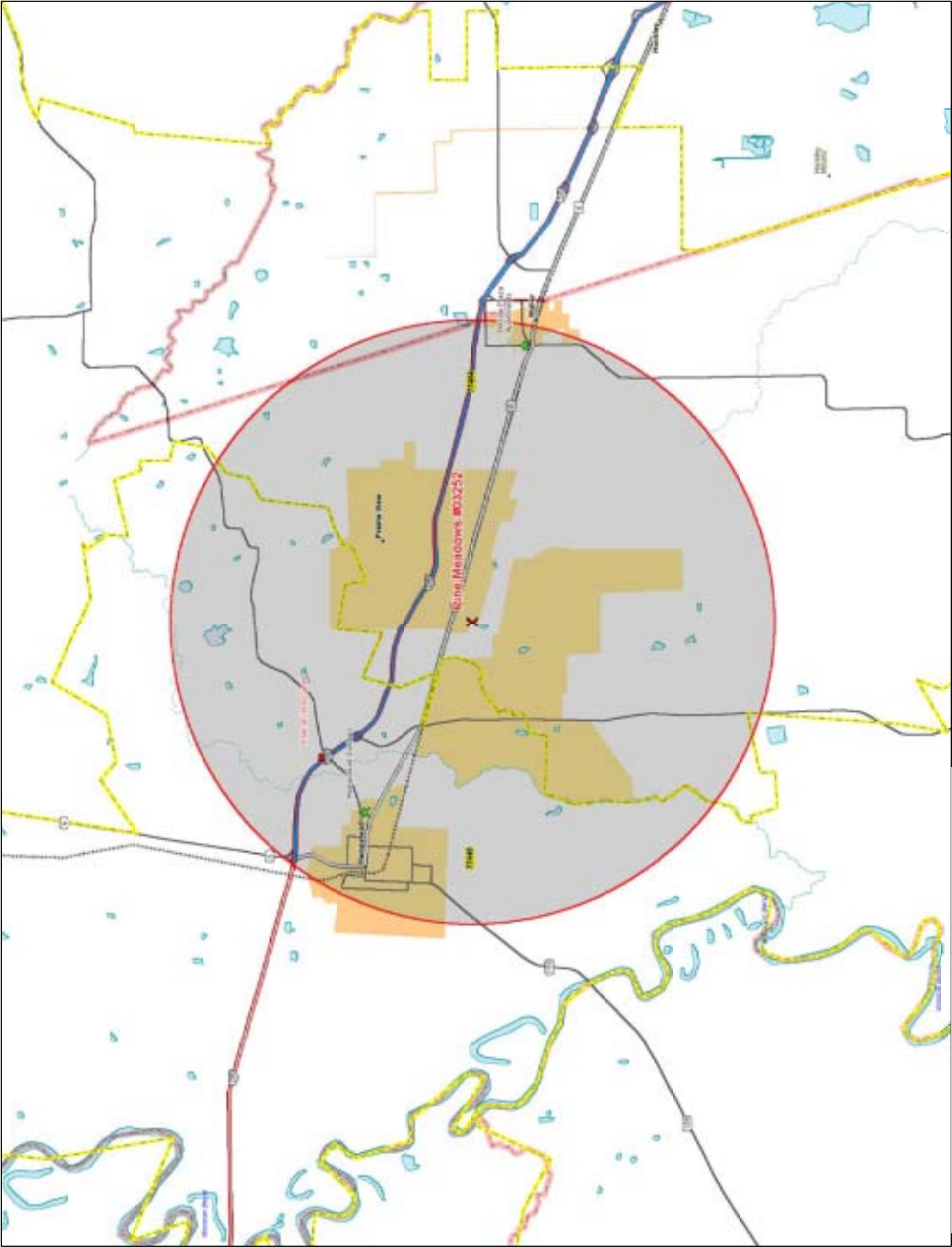
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$230,400	\$237,312	\$244,431	\$251,764	\$259,317	\$300,620	\$348,501	\$404,008	\$542,953
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	237,600	244,728	252,070	259,632	267,421	310,014	359,391	416,633	559,920
Vacancy & Collection Loss	(17,820)	(18,355)	(18,905)	(19,472)	(20,057)	(23,251)	(26,954)	(31,247)	(41,994)
Employee or Other Non-Rental t	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$219,780	\$226,373	\$233,165	\$240,160	\$247,364	\$286,763	\$332,437	\$385,386	\$517,926
EXPENSES at 4.00%									
General & Administrative	\$6,555	\$6,817	\$7,090	\$7,373	\$7,668	\$9,330	\$11,351	\$13,810	\$20,443
Management	20,312	20,921	21,549	22,195	22,861	26,502	30,723	35,617	47,866
Payroll & Payroll Tax	31,622	32,887	34,202	35,570	36,993	45,008	54,759	66,623	98,618
Repairs & Maintenance	32,651	33,957	35,315	36,728	38,197	46,472	56,540	68,790	101,826
Utilities	3,195	3,323	3,456	3,594	3,738	4,547	5,533	6,731	9,964
Water, Sewer & Trash	27,660	28,766	29,917	31,114	32,358	39,369	47,898	58,275	86,262
Insurance	11,939	12,416	12,913	13,429	13,967	16,993	20,674	25,153	37,233
Property Tax	17,300	17,992	18,712	19,461	20,239	24,624	29,959	36,449	53,954
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	58	60	63	65	68	83	100	122	181
TOTAL EXPENSES	\$169,291	\$175,860	\$182,685	\$189,777	\$197,146	\$238,547	\$288,708	\$349,494	\$512,482
NET OPERATING INCOME	\$50,489	\$50,513	\$50,479	\$50,383	\$50,218	\$48,216	\$43,729	\$35,891	\$5,444
DEBT SERVICE									
First Lien Financing	\$36,431	\$36,431	\$36,431	\$36,431	\$36,431	\$36,431	\$36,431	\$36,431	\$36,431
Second Lien	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$4,408	\$4,433	\$4,399	\$4,302	\$4,138	\$2,136	(\$2,351)	(\$10,189)	(\$40,636)
DEBT COVERAGE RATIO	1.10	1.10	1.10	1.09	1.09	1.05	0.95	0.78	0.12

LIHTC Allocation Calculation - Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020

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	\$56,000	\$46,795				
Purchase of buildings	\$999,476	\$1,008,681	\$999,476	\$1,008,681		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$32,800	\$32,800			\$32,800	\$32,800
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$339,200	\$339,200			\$339,200	\$339,200
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$7,440	\$7,440			\$7,440	\$7,440
Contractor profit	\$22,320	\$22,320			\$22,320	\$22,320
General requirements	\$22,320	\$22,320			\$22,320	\$22,320
<b>(5) Contingencies</b>	\$42,408	\$37,200			\$37,200	\$37,200
<b>(6) Eligible Indirect Fees</b>	\$52,324	\$52,324			\$52,324	\$52,324
<b>(7) Eligible Financing Fees</b>	\$34,835	\$34,835			\$34,835	\$34,835
<b>(8) All Ineligible Costs</b>	\$11,095	\$11,095				
<b>(9) Developer Fees</b>			\$149,921		\$82,266	
Developer overhead	\$46,594	\$46,594		\$30,183		\$16,411
Developer fee	\$186,375	\$186,375		\$120,731		\$65,644
<b>(10) Development Reserves</b>						
	\$54,833	\$54,833				
<b>TOTAL DEVELOPMENT COSTS</b>	\$1,908,020	\$1,902,812	\$1,149,397	\$1,159,596	\$630,705	\$630,494

<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>			\$1,149,397	\$1,159,596	\$630,705	\$630,494
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$1,149,397	\$1,159,596	\$630,705	\$630,494
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,149,397	\$1,159,596	\$630,705	\$630,494
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$41,723	\$42,093	\$52,601	\$52,583

Syndication Proceeds	0.7699	\$321,236	\$324,086	\$404,986	\$404,850
<b>Total Credits (Eligible Basis Method)</b>				\$94,324	\$94,677
Syndication Proceeds				\$726,221	\$728,936
Requested Credits				\$94,120	
Syndication Proceeds				\$724,652	
<b>Gap of Syndication Proceeds Needed</b>				\$752,545	
Credit Amount				\$97,743	



Scale: 1 : 137,500 Zoom Level: 10-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.8°E

**TDHCA #**

**20030150**

**Preservation  
Set Aside**





MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Pecan Creek Apartments**

TDHCA #: **20030150**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: 1815 Old Brandon Road  
 City: Hillsboro County: Hill Zip Code: 76645  
 Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:   
**Targeted Units:** Family: 48 Elderly: 0 Handicapped/Disabled: 4 Total Special Needs<sup>2</sup>: 4

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Hillsboro Fountainhead, L.P.

Principal Names	Principal Contact	Percentage Ownership
Fountainhead Affiliates, Inc.	Patrick A. Barbolla	.01% of Owner (GP)
Patrick A. Barbolla	Patrick A. Barbolla	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$515,000**  
 HOME Amount Requested by Applicant: **\$515,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	5	4	0	0	9
40%	0	4	4	0	0	8
50%	0	1	2	0	0	3
60%	0	14	14	0	0	28
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	24	24	0	0	
Total LI Units:						48
Owner/Employee Units:						0
Total Development Units:						48

**BUILDING INFORMATION**

Total Development Cost:	\$2,723,349
Gross Building Square Feet:	37,760
Total Net Rentable Area Square Feet:	36,720
Average Square Feet/Unit:	765

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$185,059
Total Expenses:	\$125,816
Net Operating Income:	\$59,243
Estimated 1st Year Debt Coverage Ratio:	1.14

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$515,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 1%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,100,000, USDA-RD, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fountainhead Affiliates, Inc.	Market Analyst:	NA
Housing GC:	Fountainhead Construction, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	Sherrill & Associates, Inc.
Cost Estimator:	NA	Attorney:	McDonald Sanders, PC
Architect:	J. Douglas Cain Associates	Accountant:	Gwen Ward, PC, CPA
Property Manager:	Fountainhead Management, Inc.	Supp Services:	NA
Syndicator:	Boston Capital Corp.	Permanent Lender:	USDA Rural Development

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

**DEPARTMENT EVALUATION**

Final Home Score: 90 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of TX-USDA-RHS approval of an increase in the Basic Rents up to at least \$294 for the one-bedroom units and \$380 for the two-bedroom units prior to construction loan closing.

Receipt, review and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos containing materials in public buildings.

Receipt, review and acceptance of TX-USDA-RHS approval prior to Carryover of the transfer sales price exceeding the current outstanding loan balance of the USDA loan.

Receipt, review and acceptance of TX-USDA-RHS approval prior to Carryover of the extension of the amortization term of the restructured USDA loan to 41 years or other such accommodation to allow for consistency with the projected annual debt service of \$32,313.

Receipt, review and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to Carryover.

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

Should the HOME award not be approved, the tax credits are not recommended as the development would no longer be feasible.

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

\_\_\_\_\_  
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 Award Amount:

Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03259**

Name: **Pecan Creek Apartments**

City: **Hillsboro**

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: 12 Projects grouped by score 0-9 12 10-19 0 20-29 0

Total # monitored with a score less than 30: 12 # not yet monitored or pending review: 7

### 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 15, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03259

**DEVELOPMENT NAME**

Pecan Creek Apartments

**APPLICANT**

**Name:** Hillsboro Fountainhead, L.P. **Type:** For Profit  
**Address:** 4000 Old Benbrook Road **City:** Fort Worth **State:** Texas  
**Zip:** 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Fountainhead Affiliates, Inc. **(%):** 0.01 **Title:** Managing General Partner  
**Name:** Patrick Barbolla **(%):** N/A **Title:** 100% owner of MGP

**PROPERTY LOCATION**

**Location:** 1815 Old Brandon Road  **QCT**  **DDA**  
**City:** Hillsboro **County:** Hill County **Zip:** 76645

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$145,350	N/A	N/A	15 years
2) \$515,000	2.00%	30 yrs	30 yrs

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

**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 \$145,850 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$515,000, STRUCTURED AS A LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HOME AWARD NOT BE APPROVED, THE TAX CREDITS ARE NOT RECOMMENDED AS THE DEVELOPMENT WOULD NO LONGER BE FEASIBLE.

**CONDITIONS**

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase in Basic Rents up to at least \$294 for one-bedroom units and \$380 for two-bedroom units prior to construction loan closing;
2. Receipt, review and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos containing materials in public

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

buildings;

3. Receipt, review and acceptance of TX-USDA-RHS approval prior to carryover of the transfer sales price exceeding the current outstanding loan balance of the USDA loan;
4. Receipt, review and acceptance of TX-USDA-RHS approval prior to carryover of the extension of the amortization term of the restructured USDA loan to 41 years or other such accommodation to allow for consistency with the projected annual debt service of \$32,313;
5. Receipt, review and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to carryover; and
6. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b> <u>48</u>	<b># Rental Buildings:</b> <u>4</u>	<b># Common Area Bldgs:</b> <u>1</u>	<b># of Floors:</b> <u>2</u>	<b>Age:</b> <u>18</u> yrs	<b>Vacant:</b> <u>13%</u> at 02/ 21/ 2003
<b>Net Rentable SF:</b> <u>36,546</u>	<b>Av Un SF:</b> <u>761</u>	<b>Common Area SF:</b> <u>1040</u>	<b>Gross Bldg SF:</b> <u>37586</u>		

**STRUCTURAL MATERIALS**

Wood frame, concrete slab on grade, 85% brick veneer and 15% wood siding exterior wall covering, with drywall interior wall surfaces and composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpet & vinyl flooring, range & oven, hood & fan, refrigerator, tile and fiberglass tubs showers, laminated counter tops, and individual water heaters.

**ON-SITE AMENITIES**

1,040 SF common building housing the management offices, mechanical and storage rooms and laundry facilities, equipped children's play area, and a picnic area.

**Uncovered Parking:** 64 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Pecan Creek Apartments is a proposed acquisition and rehabilitation of 48 units of affordable housing located in Hillsboro, Texas. The development was built in 1984 and is comprised of four (4) residential buildings as follows:

- € (1) Building Type A with 16 one-bedroom/ one-bath units;
- € (2) Building Type B with 8 two- bedroom/ one-bath units; and
- € (1) Building Type C with 8 one-bedroom/ one-bath units, 8 two- bedroom/ one-bath units.

The extensive rehabilitation consists of foundation repairs for two buildings, replacement of doors and storm windows in most units, new carpet and vinyl flooring, new appliances in most units, refinish or replacement of cabinets in kitchen and bath, new toilets in all units, conversion of three units to accessible units, replace damaged sheet rock and tape, bed, texture and paint all units, repair of curbs and resurface parking and drives.

**Existing Subsidies:** The financing plan calls for the assumption of the current USDA loan on the property, along with its associated interest reduction payments. Currently, USDA also provides rental assistance for twenty units. The Applicant plans to request a rent increase of 21% in order to support the proposed additional HOME debt service.

**Architectural Review:** The project is a plain-looking, two-story, garden style apartment complex dating from 1985.

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

SITE ISSUES					
SITE DESCRIPTION					
<b>Size:</b>	4.00	acres	172,240	square feet	<b>Zoning/ Permitted Uses:</b> Residential Multiple Family Highest Density district
<b>Flood Zone Designation:</b>	Zone X		<b>Status of Off-Sites:</b>	Partially Improved	

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Hillsboro is located on Interstate 35, north of Waco, and south of Dallas and Fort Worth in Hill County. The site is an irregularly-shaped parcel located in the east side of the city, within three miles of the central business district. The site is situated on the north side of Old Brandon Road, or Ranch Road 286.

**Adjacent Land Uses:**

- ∅ **North:** Vacant land
- ∅ **South:** Shopping center
- ∅ **East:** Church
- ∅ **West:** Nursing home

**Site Access:** Access to the property is from the south from Old Brandon Road. Brandon Road provides access into Hillsboro, and access to Interstate Highway 35 is within half of a mile to the west.

**Public Transportation:** The availability of public transportation is unknown.

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

**Site Inspection Findings:** ORCA staff performed a site inspection on May 5, 2003 and found the location to be acceptable for the proposed development.

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

Because the project is financed by the USDA, a Phase I Environmental Site Assessment is not required in accordance with Section 49.9(e)(13)(A) of the Texas Administrative Code. The applicant has included \$4,000 in the construction budget for environmental assessments. At the time of cost certification, the applicant should submit evidence of compliance with Texas Department of Health requirements pertaining to the testing and handling of asbestos containing materials in public buildings. Lead based paint became prohibited in 1978, and should, therefore, not be of a concern.

**POPULATIONS TARGETED**

**Income Set-Aside:** For tax-credit purposes, the Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units, however, will be restricted to households earning 60% of AMGI or less, out of which three units (6.3% of the total) will be made available to households earning 50% of AMI or less, eight units (17%) will be made available to households earning 40% of AMGI or less, and nine units (19%) will be made available to households earning 30% of AMGI or less. For purposes of the HOME loan, only the 20 units (42%) targeted at 50% or below will be considered Low-HOME units.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$17,580	\$20,100	\$22,620	\$25,140	\$27,180	\$29,160
<b>50% of AMI</b>	14,650	16,750	18,850	20,950	22,650	24,300
<b>40% of AMI</b>	11,720	13,400	15,080	16,760	18,120	19,440

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<b>30% of AMI</b>	8,800	10,050	11,300	12,550	13,600	14,600
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**MARKET HIGHLIGHTS**

A market feasibility study provided by Ipser and Associates, Inc. and dated March 26, 2003 was provided as part of the HOME application. This study was not required for the LIHTC application due to the property's existing USDA loan, and further is of limited value given that the property is over 85% occupied and the tenancy is not expected to change significantly. The Market Analyst concludes 500 units of demand in this market as defined as all of Hill County. Adjusted market comparable rent conclusions were \$355 for the one bedroom units and \$420 for the two-bedroom units. The inclusive capture rate was calculated at 25% including all 48 subject units and the proposed second phase of Rosemont of Hillsboro. The inclusive capture rate in a rural market may be as high as 100% and, again, the 48 units at Pecan Creek are not at risk of having an oversaturation effect on the market as the units already exist and are over 85% occupied.

**OPERATING PROFORMA ANALYSIS**

**Income:** Tax credit rent restrictions for households earning thirty percent (30%), forty percent (40%), fifty percent (50%), and sixty percent (60%) of Area Median Income, and Low HOME rents all apply to the property. All except for the thirty percent (30%) AMI tax credit rents exceed the market rents as determined by the appraisal, but only the 60% rents exceed the Market Analyst's market rent conclusion. The Applicant's income projections are based on rental subsidies provided by the USDA, which are in excess of 30%, 40% and Low HOME rental restrictions, for both unit sizes. This is allowed under both the tax credit program and HOME program rules (for Low HOME units) as long as the portion of rent paid by tenants does not exceed the maximum rent restrictions.

The Applicant included an estimate of approximately \$10.33 per unit in secondary income, and vacancy and collection losses of 7.50% of potential gross income. These estimates are consistent with TDHCA's underwriting criteria, and therefore, were also used by the Underwriter.

**Expenses:** The Applicant's total expense estimate of \$2,517 per unit is within 5% of a TDHCA database-derived estimate of \$2,621 per unit for comparably-sized developments and based upon historical operating data for this property.

**Conclusion:** The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations; however the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

The Underwriter's estimated debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$53,857 by a reduction of the HOME loan interest rate to 1%.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 4.00 acres</b>	\$60,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Existing Building(s): "as is"</b>	\$785,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>USDA Subsidy:</b>	\$265,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Total Development: "as is"</b>	\$1,110,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Appraiser:</b> Jerry Sherrill	<b>City:</b> Arlington	<b>Phone:</b>	(817)	557-1791	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser notes that current employment in the area appears stable, that there are no apparent factors that would negatively affect the future employment stability of the area, and that there are no economic or social changes anticipated that would have an impact on rental rates in the area. However, the appraiser further mentions that, although the population of the city has been increasing by about one percent (1%) annually, there does not appear to be a need for any additional low income housing units at this time.

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Current vacancies are cited to range from 5% to 15% on properties that are well managed and maintained. The appraiser concludes that market rents for the project would likely be approximately \$279 per unit per month for the one bedroom units and \$361 per unit per month for the two bedroom units.

**Conclusion:** The conclusions of the appraisal found the market value of the property to be approximately \$845,000 (including the land valued at \$60,000), and added to this the present value of the USDA interest rate subsidy to come to a final value of \$1,110,000.

**ASSESSED VALUE**

<b>Land: 4.00 acres</b>	\$92,570	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$442,000	<b>Valuation by:</b>	Hill County Appraisal District
<b>Total Assessed Value:</b>	\$534,570	<b>Tax Rate:</b>	\$3.07

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Purchase And Sale Agreement					
<b>Contract Expiration Date:</b>	12/	01/	2003	<b>Anticipated Closing Date:</b>	11/	01/ 2003
<b>Acquisition Cost:</b>	\$1,350,000	<b>Other Terms/Conditions:</b>	Assumption of USDA Note + \$280K cash			
<b>Seller:</b>	Pecan Creek Apts., Ltd.			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition contract specifically identifies the cost of the land to be \$60,000, and the Applicant has excluded this cost from eligible basis. The terms of the agreement stipulate that the seller of the property is to be paid \$250,000, with the remainder of the purchase price to be financed by the assumption of the USDA loan. While the Applicant's approach to determining the acquisition basis has been accepted in the past, a more consistent approach would be to apply the percentage of building value as established by the Appraisal to the purchase price. This approach would result in a \$36.5K reduction in the acquisition basis and a subsequent reduction in the credit allocation. While the latter approach has become more standard in Texas for underwriting, either approach could be justified in this instance and thus the Applicant's estimate was not adjusted.

It is the Underwriter's understanding that USDA allows a property to be transferred at a cost higher than the appraised value only if the seller can document that the exit tax liability to transfer the property is more than the tax liability that would result from a foreclosure. In this case, the sales price appears to be approximately \$385K more than the debt after the debt is resized based on the appraised value. The Applicant indicated that \$135K of the \$156K in existing replacement reserve will be used to pay down the debt to the appraised value and \$250K in cash will be paid to the seller at closing. Therefore, receipt, review and acceptance of USDA approval of the transfer and sale of the property for more than the existing or revise debt is a condition of this report.

**Sitework Cost:** Sitework, including the construction of a sign for the property, the provision of a playground, and repairs and improvements to sidewalks, the parking lot, drainage, landscaping and fencing, totals \$107,933, according to the applicant's estimates, or \$2,248 per unit. This is a reasonable cost for a rehabilitation development.

**Direct Construction Cost:** According to the Applicant's scope of work and cost estimate, repairs are required to most components of the property to one degree or another. The total rehabilitation direct costs are \$645,557, or \$13,449/unit.

While the scope of work/needs assessment is quite detailed and thorough, it was prepared by the principal of the Applicant and not a third party. The underwriting evaluation must rely on this report as its verification that the Applicant's scope and costs are acceptable. Thus, a third party architect, engineer or contractor able to make such a review and determination is necessary. Therefore, this report is conditioned upon receipt, review and acceptance of such a third party review by carryover.

**Fees:** The Applicant's contractor and developer fees appear to be within the TDHCA guidelines.



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**Conclusion:** The Applicant's total development costs are accepted subject to a third party review of the scope of work. As a result, a total eligible basis of \$2,596,364 results in a credit allocation of \$145,850. The resulting syndication proceeds will be compared to the gap in need to determine the total credit recommendation.

**FINANCING STRUCTURE**

**LONG TERM/PERMANENT FINANCING**

**Source:** U.S.D.A. note assumption **Contact:** Scotter Brockett  
**Principal Amount:** \$1,100,000 **Interest Rate:** 1.00%  
**Additional Information:** Assumption of existing note with balance of approximately \$1,235,000 to be paid down with \$135K in existing reserve funds prior to closing  
**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$32,313 **Lien Priority:** 1st **Commitment Date** / /

**LIHTC SYNDICATION**

**Source:** Boston Capital **Contact:** Jennifer Robichaud  
**Address:** One Boston Place **City:** Boston  
**State:** Mass. **Zip:** 02108 **Phone:** (617) 624-8868 **Fax:** (617) 624-8999  
**Net Proceeds:** \$1,108,349 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 21/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** N/A **Source:** N/A

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The primary financing will be the assumption of an existing USDA loan. The loan originated in 1984, and matures in 2034. The original principal of \$1,271,000 has or will be reduced to \$1,100,000. Through interest reduction subsidies, the stated interest rate of 10.75% is reduced to 1.00%, resulting in annual debt service estimated by the Applicant of \$32,313. The Underwriter's estimated payment based on the 31 year remaining amortization anticipated by the Applicant reflects an annual debt service of \$41,282. The USDA loan amortization would need to be extended an additional ten years for the proposed payment to be correct. Therefore, this report is conditioned upon receipt, review and acceptance of the Applicant's re-evaluation of the annual USDA payment and potential USDA agreement to extend the amortization period to 41 years.

The proposed HOME loan will be used in conjunction with tax-credit proceeds to finance the remaining acquisition cost, the rehabilitation of the property, and the various associated transaction costs. The Applicant requested HOME repayment terms of 30 ears at 2%; however, the Underwriter's analysis reflects that even with the undersized USDA debt service payment the HOME loan at 2% interest does not allow for an acceptable debt coverage ratio of at least 1.10. Thus, the Underwriter recommends the interest rate on this loan be reduced to 1%. Without the HOME loan the transaction would no longer be feasible and the amount of developer fee and related party contractor fees would be insufficient to fill the gap. Even if they were augmented by developer debt, the total would not be repayable within 15 years as required by current department guidelines.

**LIHTC Syndication:** The first page of the Application reflects requested credits of \$145,350 and is probably an error. Elsewhere in the application, the credit request is calculated to be \$145,850. The syndicator's letter indicates \$145,850 in credits which is confirmed by the Underwriter's eligible basis calculation.

Boston Capital proposes to invest in the limited partnership at the rate of \$0.76 per each dollar of tax-credits

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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acquired, resulting in the provision of \$1,108,349 in equity to be paid at various stages for the development of the project. The investment proceeds will be used to pay for the various direct and indirect costs of rehabilitation, as well as other soft costs associated with the transaction.

**Financing Conclusions:** The Applicant's costs, subject to third party scope of work verification, are used to derive the total development costs for this property. The requested credits in this case are identical to the recalculated credits and the gap determination of credits, only the Underwriter's calculation of credits using the lower acquisition basis provides a lower credit amount. The credit amount of \$145,850 is recommended, which will result in no deferred developer fee. Should the HOME funds not be awarded to this development, the tax credits are not recommended since there would be insufficient deferred developer fee available to absorb the gap. Moreover, even if contractor fees were deferred there would not be sufficient net cash flow over 15 years to repay the gap and in that case the transaction would be infeasible.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The developer, general contractor and property manager are all related parties owned by the principal of the Applicant. These are typical LIHTC relationships.

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

**Financial Highlights:** Patrick A. Barbolla, the principal of the general partner, submitted unaudited personal financial statements dated December 31, 2002.

**Background & Experience:** Mr. Barbolla, principal of the general partner, has had experience in developing affordable multifamily rental housing since 1982. Through affiliated entities, he currently has ownership interest in seven (7) projects throughout Texas, and is responsible for managing fifteen (15) others. These projects fall under the scope of various governmental housing programs including those of Rural Development, the Section 8 program, the Low Income Housing Tax Credit program, and the HOME program.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

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

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Pecan Creek Apartments, , Hillsboro, LIHTC #03259**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>30%TC,>LH	5	1	1	667	\$235	\$294	\$1,470	\$0.44	\$52.00	\$21.00
>40%TC,>LH	4	1	1	667	314	294	1,176	0.44	52.00	21.00
<50%TC,>LH	1	1	1	667	341	294	294	0.44	52.00	21.00
<60%TC	14	1	1	667	471	294	4,116	0.44	52.00	21.00
>30%TC,>LH	4	2	1	863	282	380	1,520	0.44	67.00	23.00
>40%TC,>LH	4	2	1	863	377	380	1,520	0.44	67.00	23.00
<50%TC,>LH	2	2	1	863	412	380	760	0.44	67.00	23.00
<60%TC	14	2	1	863	565	380	5,320	0.44	67.00	23.00
<b>TOTAL:</b>	<b>48</b>		<b>AVERAGE:</b>	<b>765</b>	<b>\$432</b>	<b>\$337</b>	<b>\$16,176</b>	<b>\$0.44</b>	<b>\$59.50</b>	<b>\$22.00</b>

**INCOME**

Total Net Rentable Sq Ft: **36,720**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.33  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.07%	\$118	0.15	\$5,687	\$5,760	\$0.16	\$120	3.11%
Management	8.48%	327	0.43	15,685	\$17,050	0.46	355	9.21%
Payroll & Payroll Tax	17.05%	657	0.86	\$31,544	\$29,100	0.79	606	15.72%
Repairs & Maintenance	7.65%	295	0.39	14,150	\$11,915	0.32	248	6.44%
Utilities	1.63%	63	0.08	\$3,015	\$3,050	0.08	64	1.65%
Water, Sewer, & Trash	6.85%	264	0.35	12,672	\$11,740	0.32	245	6.34%
Property Insurance	5.27%	203	0.27	9,754	\$11,847	0.32	247	6.40%
Property Tax 3.0746	9.57%	369	0.48	17,710	\$16,436	0.45	342	8.88%
Reserve for Replacements	7.78%	300	0.39	14,400	\$12,710	0.35	265	6.87%
Other Expenses:	0.65%	25	0.03	1,200	\$1,200	0.03	25	0.65%
<b>TOTAL EXPENSES</b>	<b>67.99%</b>	<b>\$2,621</b>	<b>\$3.43</b>	<b>\$125,816</b>	<b>\$120,808</b>	<b>\$3.29</b>	<b>\$2,517</b>	<b>65.28%</b>
<b>NET OPERATING INC</b>	<b>32.01%</b>	<b>\$1,234</b>	<b>\$1.61</b>	<b>\$59,243</b>	<b>\$64,256</b>	<b>\$1.75</b>	<b>\$1,339</b>	<b>34.72%</b>

**DEBT SERVICE**

USDA Loan Assumption	22.31%	\$860	\$1.12	\$41,282	\$32,313	\$0.88	\$673	17.46%
HOME Loan	12.34%	\$476	\$0.62	22,842	22,200	\$0.60	\$463	12.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>-2.64%</b>	<b>(\$102)</b>	<b>(\$0.13)</b>	<b>(\$4,881)</b>	<b>\$9,743</b>	<b>\$0.27</b>	<b>\$203</b>	<b>5.26%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>				<b>0.92</b>	<b>1.18</b>			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>				<b>1.14</b>				

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		49.98%	\$28,300	\$36.99	\$1,358,386	\$1,358,386	\$36.99	\$28,300	49.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.97%	2,249	2.94	107,933	107,933	2.94	2,249	3.96%
Direct Construction		23.75%	13,449	17.58	645,558	645,557	17.58	13,449	23.70%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	6.00%	1.66%	942	1.23	45,209	45,209	1.23	942	1.66%
Contractor's G & A	2.00%	0.55%	314	0.41	15,069	15,069	0.41	314	0.55%
Contractor's Profit	6.00%	1.66%	942	1.23	45,209	45,209	1.23	942	1.66%
Indirect Construction		2.96%	1,675	2.19	80,395	80,395	2.19	1,675	2.95%
Ineligible Costs		0.27%	153	0.20	7,350	7,350	0.20	153	0.27%
Developer's G & A	2.80%	2.29%	1,297	1.70	62,264	67,731	1.84	1,411	2.49%
Developer's Profit	12.20%	9.97%	5,644	7.38	270,924	270,924	7.38	5,644	9.95%
Interim Financing		0.73%	416	0.54	19,951	19,951	0.54	416	0.73%
Reserves		2.19%	1,242	1.62	59,635	59,635	1.62	1,242	2.19%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$56,623</b>	<b>\$74.02</b>	<b>\$2,717,883</b>	<b>\$2,723,349</b>	<b>\$74.17</b>	<b>\$56,736</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>31.60%</b>	<b>\$17,895</b>	<b>\$23.39</b>	<b>\$858,978</b>	<b>\$858,977</b>	<b>\$23.39</b>	<b>\$17,895</b>	<b>31.54%</b>

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED	
USDA Loan Assumption	40.47%	\$22,917	\$29.96	\$1,100,000	\$1,100,000	\$1,100,000	Developer fee Available
HOME Loan	18.95%	\$10,729	\$14.03	515,000	515,000	515,000	\$333,188
LIHTC Syndication Proceeds	40.78%	\$23,091	\$30.18	1,108,349	1,108,349	1,108,349	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (excess) Funds Required	-0.20%	(\$114)	(\$0.15)	(5,466)	0	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>				<b>\$2,717,883</b>	<b>\$2,723,349</b>	<b>\$2,723,349</b>	<b>\$159,286.32</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST**(continued)  
**Pecan Creek Apartments, , Hillsboro, LIHTC #03259**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,100,000	Term	372
Int Rate	1.00%	DCR	1.44

<b>Secondary</b>	\$515,000	Term	360
Int Rate	2.00%	Subtotal DCR	0.92

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	0.92

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$32,313
Secondary Debt Service	19,877
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$7,053</b>

<b>Primary</b>	\$1,100,000	Term	500
Int Rate	1.00%	DCR	1.83

<b>Secondary</b>	\$515,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.14

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

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

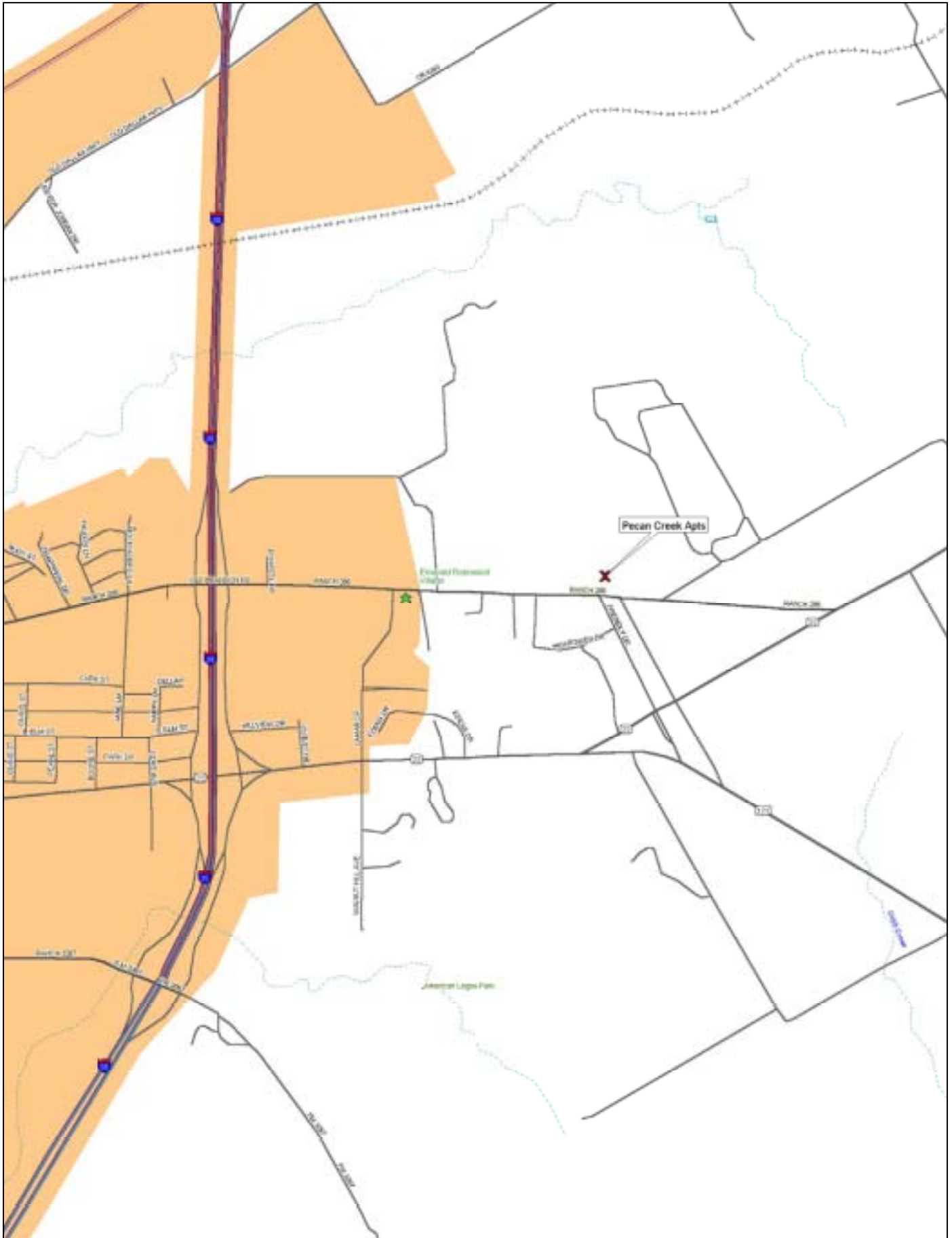
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$194,112	\$199,935	\$205,933	\$212,111	\$218,475	\$253,272	\$293,612	\$340,377	\$457,438
Secondary Income	5,952	6,131	6,314	6,504	6,699	7,766	9,003	10,437	14,026
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	200,064	206,066	212,248	218,615	225,174	261,038	302,615	350,813	471,464
Vacancy & Collection Loss	(15,005)	(15,455)	(15,919)	(16,396)	(16,888)	(19,578)	(22,696)	(26,311)	(35,360)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$185,059</b>	<b>\$190,611</b>	<b>\$196,329</b>	<b>\$202,219</b>	<b>\$208,286</b>	<b>\$241,460</b>	<b>\$279,919</b>	<b>\$324,502</b>	<b>\$436,104</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$5,687	\$5,914	\$6,151	\$6,397	\$6,653	\$8,094	\$9,848	\$11,981	\$17,735
Management	15,685	16,155	16,640	17,139	17,653	20,465	23,725	27,503	36,962
Payroll & Payroll Tax	31,544	32,805	34,118	35,482	36,902	44,896	54,623	66,458	98,374
Repairs & Maintenance	14,150	14,716	15,305	15,917	16,553	20,140	24,503	29,812	44,129
Utilities	3,015	3,136	3,261	3,392	3,527	4,291	5,221	6,352	9,403
Water, Sewer & Trash	12,672	13,179	13,706	14,254	14,824	18,036	21,944	26,698	39,520
Insurance	9,754	10,144	10,550	10,972	11,411	13,883	16,891	20,550	30,419
Property Tax	17,710	18,418	19,155	19,921	20,718	25,206	30,667	37,312	55,230
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
<b>TOTAL EXPENSES</b>	<b>\$125,816</b>	<b>\$130,692</b>	<b>\$135,758</b>	<b>\$141,022</b>	<b>\$146,491</b>	<b>\$177,216</b>	<b>\$214,436</b>	<b>\$259,533</b>	<b>\$380,423</b>
<b>NET OPERATING INCOME</b>	<b>\$59,243</b>	<b>\$59,919</b>	<b>\$60,572</b>	<b>\$61,198</b>	<b>\$61,795</b>	<b>\$64,244</b>	<b>\$65,483</b>	<b>\$64,969</b>	<b>\$55,681</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313
Second Lien	19,877	19,877	19,877	19,877	19,877	19,877	19,877	19,877	19,877
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$7,053</b>	<b>\$7,729</b>	<b>\$8,381</b>	<b>\$9,007</b>	<b>\$9,604</b>	<b>\$12,054</b>	<b>\$13,292</b>	<b>\$12,779</b>	<b>\$3,491</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.15</b>	<b>1.16</b>	<b>1.17</b>	<b>1.18</b>	<b>1.23</b>	<b>1.25</b>	<b>1.24</b>	<b>1.07</b>

LIHTC Allocation Calculation - Pecan Creek Apartments, Hillsboro, LIHTC #03259

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	\$60,000	\$96,453				
Purchase of buildings	\$1,298,386	\$1,261,933	\$1,298,386	\$1,261,933		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$107,933	\$107,933			\$107,933	\$107,933
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$645,557	\$645,558			\$645,557	\$645,558
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$15,069	\$15,069			\$15,069	\$15,069
Contractor profit	\$45,209	\$45,209			\$45,209	\$45,209
General requirements	\$45,209	\$45,209			\$45,209	\$45,209
<b>(5) Contingencies</b>						
<b>(6) Eligible Indirect Fees</b>	\$80,395	\$80,395	\$6,650	\$6,650	\$73,745	\$73,745
<b>(7) Eligible Financing Fees</b>	\$19,951	\$19,951			\$19,951	\$19,951
<b>(8) All Ineligible Costs</b>	\$7,350	\$7,350				
<b>(9) Developer Fees</b>						
				\$190,287		\$142,901
Developer overhead	\$67,731	\$62,264	\$39,151		\$28,580	
Developer fee	\$270,924	\$270,924	\$156,604		\$114,320	
<b>(10) Development Reserves</b>						
	\$59,635	\$59,635				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,723,349</b>	<b>\$2,717,883</b>	<b>\$1,500,791</b>	<b>\$1,458,870</b>	<b>\$1,095,573</b>	<b>\$1,095,575</b>

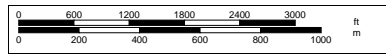
<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$54,479	\$52,957	\$91,371	\$91,371

Syndication Proceeds	0.7599	\$413,997	\$402,433	\$694,349	\$694,350
<b>Total Credits (Eligible Basis Method)</b>				\$145,850	\$144,328
Syndication Proceeds				\$1,108,346	\$1,096,783
Requested Credits				\$145,850	
Syndication Proceeds				\$1,108,349	
<b>Gap of Syndication Proceeds Needed</b>				\$1,108,349	
Credit Amount				\$145,850	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
 Zoom Level: 13-0 Datum: WGS84

Scale: 1" = 25,000  
 1" = 7620 ft



**TDHCA #**

**20030153**

**Preservation  
Set Aside**



MULTIFAMILY FINANCE PRODUCTION DIVISION  
 2003 DEVELOPMENT BOARD SUMMARY FOR RECOMMENDED HOME PRESERVATION APPLICATIONS  
 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Mira Vista Apartments**

TDHCA #: **20030153**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 2 Site Address: Lee & Jefferson Streets (600 Block)  
 City: Santa Anna County: Coleman Zip Code: 76878  
 Purpose / Activity: Acquisition/Rehab Participating Jurisdiction (PJ)<sup>1</sup>:   
**Targeted Units:** Family: 24 Elderly: 0 Handicapped/Disabled: 2 Total Special Needs<sup>2</sup>: 2

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Coleman Fountainhead, L.P.

Principal Names	Principal Contact	Percentage Ownership
Fountainhead Affiliates, Inc.	Patrick A. Barbolla	99% of Owner
Patrick A. Barbolla	Patrick A. Barbolla	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HOME PRESERVATION FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$220,000**  
 HOME Amount Requested by Applicant: **\$220,000** Affordability Period: 30 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	3	2	0	0	5
40%	0	1	2	0	0	3
50%	0	2	2	0	0	4
60%	0	8	4	0	0	12
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	14	10	0	0	
Total LI Units:						24
Owner/Employee Units:						0
Total Development Units:						24

**BUILDING INFORMATION**

Total Development Cost:	\$1,074,576
Gross Building Square Feet:	17,017
Total Net Rentable Area Square Feet:	16,664
Average Square Feet/Unit:	694

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$105,541
Total Expenses:	\$80,555
Net Operating Income:	\$24,986
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$220,000  
 HOME Amortization Rate: 30 Years  
 HOME Amortization Term: 30 Years  
 HOME Interest Rate: 1.25%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$320,000, USDA, 1st Lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fountainhead Affiliates, Inc.	Market Analyst:	NA
Housing GC:	Fountainhead Construction, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	Sherrill & Associates, Inc
Cost Estimator:	NA	Attorney:	McDonald Sanders, PC
Architect:	J. Douglas Cain Associates, Inc.	Accountant:	Gwen Ward, P.C., CPA
Property Manager:	Fountainhead Management, Inc.	Supp Services:	NA
Syndicator:	Boston Capitol Corp.	Permanent Lender:	USDA Rural Development

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.

2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.



**DEPARTMENT EVALUATION**

Final Home Score: 94 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance, prior to construction loan closing, of a fully-executed HAP contract reflecting contract rents of at least \$352 for one-bedroom units and \$421 for two bedroom units.

Receipt, review, and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos containing materials in public buildings.

Receipt, review, and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to Carryover.

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

Should the HOME award not be approved, the tax credits are not recommended as the development would no longer be feasible.

**Alternate Recommendation:**

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

Score

Explanation: Needed to allocate funds available.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03258**

Name: **Mira Vista Apartments**

City: **Santa Anna**

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: 12 Projects grouped by score 0-9 12 10-19 0 20-29 0

Total # monitored with a score less than 30: 12 # not yet monitored or pending review: 7

### 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:** 03258

**DEVELOPMENT NAME**

Mira Vista Apartments

**APPLICANT**

**Name:** Coleman Fountainhead, L.P. **Type:** For Profit  
**Address:** 4000 Old Benbrook Road **City:** Fort Worth **State:** TX  
**Zip:** 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Fountainhead Affiliates, Inc. **(%):** 0.0001 **Title:** Managing General Partner  
**Name:** Patrick Barbolla **(%):** N/A **Title:** 100% owner of MGP

**PROPERTY LOCATION**

**Location:** Lee and Jefferson Streets (600 Block)  **QCT**  **DDA**  
**City:** Santa Anna **County:** Coleman **Zip:** 76878

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$70,346	N/A	N/A	15 years
2) \$220,000	1.75%	30 yrs	30 yrs

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

**Proposed Use of Funds:** Acquisition/ Rehab **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 \$70,346 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$220,000, STRUCTURED AS A LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1.25% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HOME AWARD NOT BE APPROVED, THE TAX CREDITS ARE NOT RECOMMENDED AS THE DEVELOPMENT WOULD NO LONGER BE FEASIBLE.

**CONDITIONS**

1. Receipt, review, and acceptance, prior to construction loan closing, of a fully-executed HAP contract reflecting contract rents of at least \$352 for one-bedroom units and \$421 for two-bedroom units;
2. Receipt, review, and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos-containing materials in public buildings;

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3. Receipt, review, and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to carryover; and
4. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>24</u>	<b># Rental Buildings:</b>	<u>12</u>	<b># Common Area Bldgs:</b>	<u>1</u>	<b># of Floors:</b>	<u>1</u>	<b>Age:</b>	<u>23</u> yrs	<b>Vacant:</b>	<u>10</u>	<b>at</b>	<u>02/ 27/ 2003</u>
<b>Net Rentable SF:</b>	<u>16,652</u>	<b>Av Un SF:</b>	<u>694</u>	<b>Common Area SF:</b>	<u>365</u>	<b>Gross Bldg SF:</b>	<u>17017</u>						

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 80% brick veneer/20% wood siding exterior wall covering with drywall interior wall surfaces and composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpet & vinyl flooring, range & oven, hood & fan, laminated counter tops, tile and fiberglass tubs and showers, washer & dryer connections, central heating and air conditioning, ceiling fans, and individual water heaters.

**ON-SITE AMENITIES**

Management office, equipped children's play area, and picnic area.

<b>Uncovered Parking:</b>	<u>48</u>	spaces	<b>Carports:</b>	<u>0</u>	spaces	<b>Garages:</b>	<u>0</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Mira Vista Apartments is the proposed acquisition and rehabilitation of 24 units of affordable housing located in Santa Anna, Texas, approximately 50 miles south by southeast of Abilene, Texas. The development was built in 1980 and is comprised of 12 residential buildings as follows:

- € Six Building Type A with 2 one-bedroom/one-bath units;
- € Four Building Type B with 2 two-bedroom/one-bath units;
- € One Building Type D with 2 one-bedroom/one-bath units, one of which is handicapped-accessible; and
- € One Building Type E with 2 two-bedroom/one-bath units, one of which is handicapped-accessible.

In addition to rehabilitating the existing 12 duplexes, the development plan includes adding an office building, a playground, and new parking spaces.

**Existing Subsidies:** The property is currently owned by U.S.D.A., through foreclosure, and is under contract for sale to the Applicant. In conjunction with this sale, it is expected that U.S.D.A. will provide the primary financing which will include interest reduction payments.

There is also a project-based Section 8 Housing Assistance Payments contract (HAP contract) on the property provided by HUD. Currently the contract rents are \$317 for one-bedroom units and \$438 for two-bedroom units. The Applicant plans to ask for an increase in the one-bedroom contract rent to \$352 and anticipates a decrease in the contract rent for two-bedroom units to \$421. The reason for the conflicting anticipated adjustments in rent is not clear. Receipt, review, and acceptance of a fully-executed HAP contract reflecting contract rents of \$352 for one-bedroom units and \$421 for two-bedroom units is a condition of this report.

**Architectural Review:** The buildings are inconspicuous, single story, red-brick veneer duplexes with front and back entrances and a generous amount of yard space. The general style is typical of inexpensive, rural, subsidized housing.

**Schedule:** The Applicant anticipates construction to begin in January of 2004, to be completed in July of

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2004, to be placed in service in July of 2004, and to be substantially leased-up in August of 2004.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 4.72 acres 205,603 square feet **Zoning/ Permitted Uses:** Multifamily  
**Flood Zone Designation:** Zone C **Status of Off-Sites:** Fully improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The Mira Vista Apartments are located in Santa Anna, Texas, approximately 50 miles south by southeast from Abilene in Coleman County. The site is a rectangularly-shaped parcel located on the south side of the city, approximately six blocks from the central business district. The site is situated on the north side of Clark Street.

**Adjacent Land Uses:**

- € **North:** Vacant land and public elementary, middle, and high Schools.
- € **South:** Residential and vacant land.
- € **East:** Residential and pasture land.
- € **West:** Residential and vacant land.

**Site Access:** The development is accessible from the south by Clark Street and from the east and west by Lee and Jefferson Streets, respectively. Access to the intersection of U.S. Highways 67 and 84, which provide connections to Abilene and San Angelo, is 1.2 miles from the site.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within one mile of a grocery store, post office, library, fire station, health clinic, churches, and schools.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 11, 2003 and found the location to be acceptable for the proposed development.

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

Because the project is financed by the USDA, a Phase I Environmental Site Assessment is not required in accordance with Section 49.9(e)(13)(A) of the Texas Administrative Code.

However, the project's original construction dates to 1980; therefore, the possibility of the presence of asbestos-containing materials may be of some concern. Lead-based paint became prohibited in 1978, and should, therefore, not be a concern. The Applicant has included \$1,800 in the construction budget for environmental assessments, so it appears that some testing will be conducted prior to construction. Receipt, review, and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos-containing materials in public buildings is a condition of this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** For tax-credit purposes, the Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units, however, will be restricted to households earning 60% of AMI or less, out of which five units (21% of the total) will be made available to households earning 50% of AMI or less, two units (8%) will be made available to households earning 40% of AMI or less, and five units (21%) will be made available to households earning 30% of AMI or less. For purposes of the HOME loan, the units reserved for households earning 50% of AMGI or less (12 units) will also be considered Low HOME units.

**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

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**MARKET HIGHLIGHTS**

A market feasibility study provided by Ipser and Associates, Inc. and dated March 26, 2003 was provided as part of the HOME application. This study was not required for the LIHTC application due to the property's financing through USDA. However, the study provides some value given that the property is over 45% vacant. The market analyst concludes 182 units of demand in this market, defined as all of Coleman County. Adjusted market comparable rent conclusions were \$348 for the one-bedroom units and \$400 for the two-bedroom units. The inclusive capture rate was calculated at 13.2% including all 24 subject units.

**OPERATING PROFORMA ANALYSIS**

**Income:** Tax credit rent restrictions for households earning 30%, 40%, 50%, and 60% of Area Median Income, and Low HOME rents all apply to the property. Many of the units' restricted rents exceed the market rents as estimated by the appraiser and Market Analyst. In addition, the Applicant's income projections, based on expected changes in the Section 8 HAP contract rents, exceed the market rent conclusions and many of the restricted rents under the LIHTC and HOME programs. However, this is allowed under both the tax credit program and HOME program rules as long as the portion of rent paid by tenants does not exceed the maximum rent restrictions. The HAP contract allows tenants to pay only 30% of their monthly income for rental expenses with the difference provided directly to the subject development in the form of a subsidy.

Currently the HAP contract rents are \$317 for one-bedroom units and \$438 for two-bedroom units. The Applicant plans to ask for an increase in the one-bedroom contract rent to \$352 and anticipates a decrease in the contract rent for two-bedroom units to \$421. This underwriting analysis assumes that HUD will approve the Applicant's proposed rent changes. Receipt, review, and acceptance of a fully-executed HAP contract reflecting contract rents of \$352 for one-bedroom units and \$421 for two-bedroom units is a condition of this report.

The Applicant included an estimate of approximately \$3.00 per unit in secondary income. The Underwriter has assumed a secondary income at the Department's minimum guideline of \$5.00 per unit per month. The Applicant also utilized a vacancy and collection loss rate of 5%, which is less than the Department guideline of 7.5%. However, due to the existence of a HAP contract and the development improvements proposed, the Underwriter has also assumed the lower vacancy rate of 5% of effective gross income. Overall, the Applicant's effective gross income projection is comparable to the Underwriter's estimate.

**Expenses:** Overall, the Applicant's total operating expense estimate of \$3,273 per unit is within 5% of the Underwriter's estimate. However, both the Applicant's general and administrative and repairs and maintenance line item expense figures are more than 20% less than the Underwriter's estimates, exceeding the guidelines presented in Section 1.32(d)(5) of the Texas Administrative Code.

**Conclusion:** Although the Applicant's effective income projection and total operating expense estimate are within 5% of the Underwriter's estimates, their resulting net operating income is not. Therefore, the Underwriter's proforma is used to determine the development's debt service capacity. Based on the proposed permanent financing structure, the development's debt coverage ratio (DCR) is less than the Department's minimum guideline of 1.10. In order to reach a DCR of 1.10, the total annual debt service must be reduced by \$633. The effect of a reduction in the development's annual debt service on the permanent sources of funds is discussed in the conclusion of the Financing Structure Analysis section of this report.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 4.72 acres</b>	\$5,100	<b>Date of Valuation:</b>	06/ 28/ 2002
<b>Existing Building(s): "as is"</b>	\$257,000	<b>Date of Valuation:</b>	06/ 28/ 2002
<b>USDA Subsidy:</b>	\$63,000	<b>Date of Valuation:</b>	06/ 28/ 2002
<b>Total Development: "as is"</b>	\$320,000	<b>Date of Valuation:</b>	06/ 28/ 2002



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that the Applicant's scope and costs are acceptable. Thus, a third party architect, engineer, or contractor able to make such a review and determination is necessary. Therefore, this report is conditioned upon receipt, review, and acceptance of such a third party review by carryover.

**Fees:** The Applicant's contractor and developer fees appear to be within the TDHCA guidelines.

**Conclusion:** The Applicant's total development costs are accepted subject to a third party review of the scope of work. As a result, a total eligible basis of \$1,048,440 results in eligible credits of \$70,346. The resulting syndication proceeds will be compared to the gap in need and the Applicant's request to determine the total credit recommendation

**FINANCING STRUCTURE**

**LONG TERM/PERMANENT FINANCING**

<b>Source:</b> <u>USDA Rural Development</u>	<b>Contact:</b> <u>Scott Brockette</u>
<b>Principal Amount:</b> <u>\$320,000</u>	<b>Interest Rate:</b> <u>Nominal rate of 6.0% reduced to approximately 1.81% through interest rate subsidies.</u>
<b>Additional Information:</b> _____	
<b>Amortization:</b> <u>30</u> yrs	<b>Term:</b> <u>30</u> yrs
<b>Commitment:</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
<b>Annual Payment:</b> <u>\$13,835</u>	<b>Lien Priority:</b> <u>1<sup>st</sup></u> <b>Commitment Date</b> <u> / /</u>

**LIHTC SYNDICATION**

<b>Source:</b> <u>Boston Capital Corp.</u>	<b>Contact:</b> <u>Jennifer Robichaud</u>
<b>Address:</b> <u>One Boston Place</u>	<b>City:</b> <u>Boston</u>
<b>State:</b> <u>Mass.</u>	<b>Zip:</b> <u>02108</u>
<b>Phone:</b> <u>(617) 624-8868</u>	<b>Fax:</b> <u>(617) 624-8999</u>
<b>Net Proceeds:</b> <u>\$534,576</u>	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b> <u>76¢</u>
<b>Commitment</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional <b>Date:</b> <u> / /</u>	
<b>Additional Information:</b> _____	

**APPLICANT EQUITY**

<b>Amount:</b> <u>N/A</u>	<b>Source:</b> <u>N/A</u>
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**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The primary financing will be the assumption of an existing USDA loan. The loan originated in 1980, and matures in 2030. The original principal of \$480,100 has or will be reduced to \$320,000. A letter from the USDA, dated April 24, 2003, indicates that the budgeted annual mortgage payments will be \$13,835. The letter confirms that interest credit will reduce the stated interest rate on the loan to not less than 1%. Under Rural Development regulations, the actual interest rate to be paid will be slightly higher than 1% since project-based HUD Section 8 assistance is involved. Based on the debt service and term, the Underwriter has calculated an effective interest rate of 1.81%.

The proposed HOME loan will be used in conjunction with tax credit proceeds to finance the remaining acquisition cost, the rehabilitation of the property, and the various associated transaction costs. The Applicant requested HOME repayment terms of 30 years at 1.75%; however, the Underwriter's analysis reflects that even with the undersized USDA debt service payment the HOME loan at 1.75% interest does not allow for an acceptable debt coverage ratio of at least 1.10. Thus, the Underwriter recommends the interest rate on this loan be reduced to 1.25%. Without the HOME loan the transaction would no longer be feasible and the amount of developer fee and related party contractor fees would be insufficient to fill the gap. Even if they were augmented by developer debt, the total would not be repayable within 15 years as required by current department guidelines.

**LIHTC Syndication:** Boston Capital proposes to invest in the limited partnership at the rate of \$0.76 per each dollar of tax credits, resulting in the provision of \$534,576 in equity to be paid at various stages for the development of the project. The investment proceeds will be used to pay for the various direct and indirect



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costs of rehabilitation, as well as other soft costs associated with the transaction.

**Financing Conclusions:** The Applicant's costs, subject to third party scope of work verification, are used to derive the total development costs for this property. The requested credits in this case are identical to the gap determination of credits; however, the Underwriter's revised calculation of credits using the Applicant's total costs results in a slightly lower credit amount. Should the HOME funds not be awarded to this development, the tax credits are not recommended since there would be insufficient deferred developer fee available to fill the gap. Moreover, even if contractor fees were deferred there would not be sufficient net cash flow over 15 years to repay the gap and in that case the transaction would be infeasible.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The developer, general contractor and property manager are all related parties owned by the principal of the Applicant. These are typical LIHTC relationships.

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

**Financial Highlights:** Patrick A. Barbolla, the principal of the general partner, submitted unaudited personal financial statements dated December 31, 2002.

**Background & Experience:** Mr. Barbolla, principal of the general partner, has had experience in developing affordable multifamily rental housing since 1982. Through affiliated entities, he currently has ownership interest in seven projects throughout Texas, and is responsible for managing 15 others. These projects fall under the scope of various governmental housing programs including those of Rural Development, the Section 8 program, the Low Income Housing Tax Credit program, and the HOME program.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

<b>Underwriter:</b>	<i>Stephen Apple</i>	<b>Date:</b>	June 16, 2003
<b>Underwriter:</b>	<i>Lisa Vecchiotti</i>	<b>Date:</b>	June 16, 2003
<b>Director of Real Estate Analysis:</b>	<i>Tom Gouris</i>	<b>Date:</b>	June 16, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Mira Vista Apartments, Santa Anna, LIHTC # 03258, HOME TBD**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Proposed HAP Rent	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>30%TC, >LH	3	1	1	641	\$231	\$352	\$1,056	\$0.55	\$56.00	\$18.00
>40%TC, >LH	1	1	1	641	309	352	352	0.55	56.00	18.00
<50%TC, >LH	2	1	1	641	341	352	704	0.55	56.00	18.00
<60%TC	8	1	1	641	463	352	2,816	0.55	56.00	18.00
>30%TC, >LH	2	2	1	769	277	421	842	0.55	57.00	20.00
>40%TC, >LH	2	2	1	769	371	421	842	0.55	57.00	20.00
>50%TC, >LH	2	2	1	769	412	421	842	0.55	57.00	20.00
<60%TC	4	2	1	769	556	421	1,684	0.55	57.00	20.00
<b>TOTAL:</b>	<b>24</b>		<b>AVERAGE:</b>	<b>694</b>	<b>\$406</b>	<b>\$381</b>	<b>\$9,138</b>	<b>\$0.55</b>	<b>\$56.42</b>	<b>\$18.83</b>

<b>INCOME</b>				<b>TOTAL NET RENTABLE SQ FT: 16,664</b>		<b>TDHCA</b>	<b>APPLICANT</b>					
<b>POTENTIAL GROSS RENT</b>						\$109,656	\$109,656	USS Region	2			
Secondary Income				Per Unit Per Month: \$5.00		1,440	852	IREM Region	6			
Other Support Income: (describe)						0	0	\$2.96	Per Unit Per Month			
<b>POTENTIAL GROSS INCOME</b>						\$111,096	\$110,508					
Vacancy & Collection Loss				% of Potential Gross Income: -5.00%		(5,555)	(5,520)	-5.00%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions						0						
<b>EFFECTIVE GROSS INCOME</b>						\$105,541	\$104,988					
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>	<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>	
General & Administrative				4.83%	\$213	0.31	\$5,100	\$3,880	\$0.23	\$162	3.70%	
Management				6.77%	297	0.43	7,140	\$9,504	0.57	396	9.05%	
Payroll & Payroll Tax				18.29%	804	1.16	19,307	\$20,495	1.23	854	19.52%	
Repairs & Maintenance				14.69%	646	0.93	15,504	\$11,700	0.70	488	11.14%	
Utilities				3.08%	135	0.20	3,250	\$2,350	0.14	98	2.24%	
Water, Sewer, & Trash				7.50%	330	0.48	7,920	\$9,133	0.55	381	8.70%	
Property Insurance				3.95%	174	0.25	4,166	\$4,420	0.27	184	4.21%	
Property Tax				3.24	9.82%	432	0.62	10,368	\$10,370	0.62	432	9.88%
Reserve for Replacements				6.82%	300	0.43	7,200	\$6,100	0.37	254	5.81%	
Compliance Fee				0.57%	25	0.04	600	\$600	0.04	25	0.57%	
<b>TOTAL EXPENSES</b>				<b>76.33%</b>	<b>\$3,356</b>	<b>\$4.83</b>	<b>\$80,555</b>	<b>\$78,552</b>	<b>\$4.71</b>	<b>\$3,273</b>	<b>74.82%</b>	
<b>NET OPERATING INC</b>				<b>23.67%</b>	<b>\$1,041</b>	<b>\$1.50</b>	<b>\$24,986</b>	<b>\$26,436</b>	<b>\$1.59</b>	<b>\$1,102</b>	<b>25.18%</b>	
<b>DEBT SERVICE</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>	<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>	
USDA Loan				13.11%	\$576	\$0.83	\$13,835	\$13,835	\$0.83	\$576	13.18%	
TDHCA HOME Loan				8.94%	\$393	\$0.57	9,431	9,451	\$0.57	\$394	9.00%	
TDHCA HOME Loan				0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>				<b>1.63%</b>	<b>\$72</b>	<b>\$0.10</b>	<b>\$1,720</b>	<b>\$3,150</b>	<b>\$0.19</b>	<b>\$131</b>	<b>3.00%</b>	

AGGREGATE DEBT COVERAGE RATIO	1.07	1.14
RECOMMENDED DEBT COVERAGE RATIO	1.10	

<b>CONSTRUCTION COST</b>										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		29.88%	\$13,433	\$19.35	\$322,382	\$322,382	\$19.35	\$13,433	30.00%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		4.36%	1,962	2.83	47,078	47,078	2.83	1,962	4.38%	
Direct Construction		39.43%	17,725	25.53	425,393	425,393	25.53	17,725	39.59%	
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%	
General Req'ts	6.00%	2.63%	1,181	1.70	28,348	28,348	1.70	1,181	2.64%	
Contractor's G & A	2.00%	0.88%	394	0.57	9,449	9,449	0.57	394	0.88%	
Contractor's Profit	6.00%	2.63%	1,181	1.70	28,348	28,348	1.70	1,181	2.64%	
Indirect Construction		4.42%	1,989	2.86	47,730	47,730	2.86	1,989	4.44%	
Ineligible Costs		0.51%	231	0.33	5,550	5,550	0.33	231	0.52%	
Developer's G & A	2.99%	2.53%	1,139	1.64	27,334	27,334	1.64	1,139	2.54%	
Developer's Profit	11.97%	10.14%	4,559	6.57	109,418	109,418	6.57	4,559	10.18%	
Interim Financing		1.20%	540	0.78	12,960	12,960	0.78	540	1.21%	
Reserves		1.37%	615	0.89	14,754	10,586	0.64	441	0.99%	
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$44,948</b>	<b>\$64.74</b>	<b>\$1,078,744</b>	<b>\$1,074,576</b>	<b>\$64.48</b>	<b>\$44,774</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>		<b>49.93%</b>	<b>\$22,442</b>	<b>\$32.32</b>	<b>\$538,616</b>	<b>\$538,616</b>	<b>\$32.32</b>	<b>\$22,442</b>	<b>50.12%</b>	

<b>SOURCES OF FUNDS</b>				<b>RECOMMENDED</b>			
USDA Loan	29.66%	\$13,333	\$19.20	\$320,000	\$320,000	\$320,000	Developer fee Available
TDHCA HOME Loan	20.39%	\$9,167	\$13.20	220,000	220,000	220,000	\$136,651
LIHTC Syndication Proceeds	49.56%	\$22,274	\$32.08	534,576	534,576	534,576	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (excess) Funds Required	0.39%	\$174	\$0.25	4,168	0	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>				<b>\$1,078,744</b>	<b>\$1,074,576</b>	<b>\$1,074,576</b>	<b>\$21,229.80</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST** (continued)  
**Mira Vista Apartments, Santa Anna, LIHTC # 03258, HOME TBD**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$320,000	Term	360
Int Rate	1.81%	DCR	1.81

<b>Secondary</b>	\$220,000	Term	360
Int Rate	1.75%	Subtotal DCR	1.07

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.07

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$13,835
Secondary Debt Service	8,798
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$2,353</b>

<b>Primary</b>	\$320,000	Term	360
Int Rate	1.81%	DCR	1.81

<b>Secondary</b>	\$220,000	Term	360
Int Rate	1.25%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

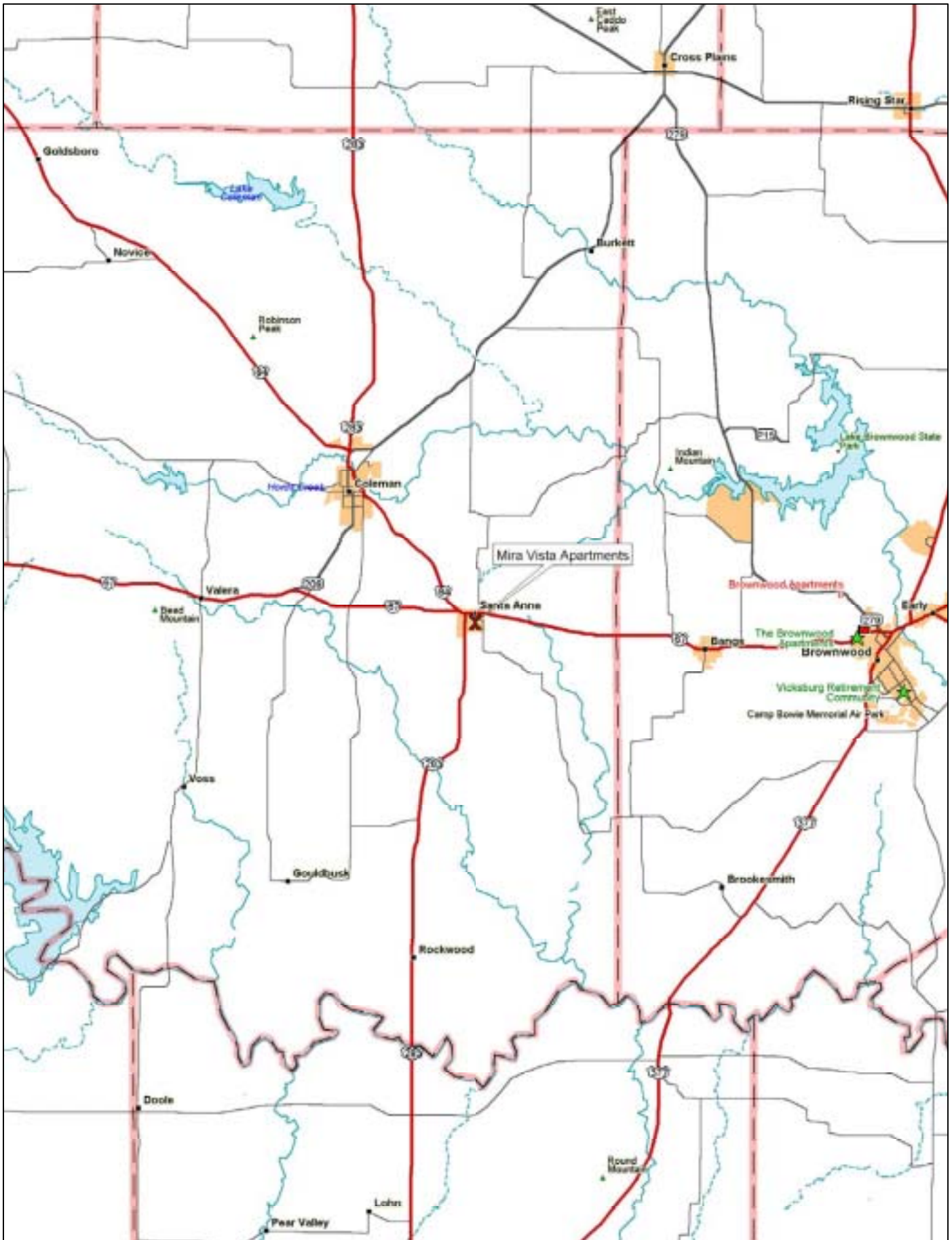
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$109,656	\$112,946	\$116,334	\$119,824	\$123,419	\$143,076	\$165,865	\$192,282	\$258,412
Secondary Income	1,440	1,483	1,528	1,574	1,621	1,879	2,178	2,525	3,393
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	111,096	114,429	117,862	121,398	125,040	144,955	168,043	194,808	261,805
Vacancy & Collection Loss	(5,555)	(5,721)	(5,893)	(6,070)	(6,252)	(7,248)	(8,402)	(9,740)	(13,090)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$105,541	\$108,707	\$111,969	\$115,328	\$118,788	\$137,707	\$159,641	\$185,067	\$248,715
EXPENSES at 4.00%									
General & Administrative	\$5,100	\$5,304	\$5,516	\$5,737	\$5,966	\$7,259	\$8,832	\$10,745	\$15,905
Management	7,140	7,354	7,575	7,802	8,036	9,316	10,800	12,520	16,826
Payroll & Payroll Tax	19,307	20,080	20,883	21,718	22,587	27,480	33,434	40,677	60,213
Repairs & Maintenance	15,504	16,124	16,769	17,440	18,137	22,067	26,848	32,665	48,352
Utilities	3,250	3,380	3,515	3,655	3,802	4,625	5,627	6,846	10,134
Water, Sewer & Trash	7,920	8,237	8,566	8,909	9,265	11,273	13,715	16,686	24,700
Insurance	4,166	4,333	4,506	4,686	4,874	5,930	7,214	8,777	12,992
Property Tax	10,368	10,783	11,214	11,663	12,129	14,757	17,954	21,844	32,334
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	600	624	649	675	702	854	1,039	1,264	1,871
TOTAL EXPENSES	\$80,555	\$83,706	\$86,980	\$90,384	\$93,921	\$113,808	\$137,931	\$167,194	\$245,781
NET OPERATING INCOME	\$24,986	\$25,002	\$24,988	\$24,944	\$24,866	\$23,899	\$21,710	\$17,873	\$2,934
DEBT SERVICE									
First Lien Financing	\$13,835	\$13,835	\$13,835	\$13,835	\$13,835	\$13,835	\$13,835	\$13,835	\$13,835
Second Lien	8,798	8,798	8,798	8,798	8,798	8,798	8,798	8,798	8,798
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$2,353	\$2,369	\$2,355	\$2,311	\$2,234	\$1,266	(\$923)	(\$4,760)	(\$19,699)
DEBT COVERAGE RATIO	1.10	1.10	1.10	1.10	1.10	1.06	0.96	0.79	0.13

**LIHTC Allocation Calculation - Mira Vista Apartments, Santa Anna, LIHTC # 03258, HOME TBD**

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	\$10,000	\$7,482				
Purchase of buildings	\$312,382	\$314,900	\$312,382	\$314,900		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$47,078	\$47,078			\$47,078	\$47,078
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$425,393	\$425,393			\$425,393	\$425,393
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$9,449	\$9,449			\$9,449	\$9,449
Contractor profit	\$28,348	\$28,348			\$28,348	\$28,348
General requirements	\$28,348	\$28,348			\$28,348	\$28,348
<b>(5) Contingencies</b>						
<b>(6) Eligible Indirect Fees</b>	\$47,730	\$47,730	\$3,200	\$3,200	\$44,530	\$44,530
<b>(7) Eligible Financing Fees</b>	\$12,960	\$12,960			\$12,960	\$12,960
<b>(8) All Ineligible Costs</b>	\$5,550	\$5,550				
<b>(9) Developer Fees</b>				\$47,235		\$89,416
Developer overhead	\$27,334	\$27,334	\$9,462		\$17,872	
Developer fee	\$109,418	\$109,418	\$37,875		\$71,543	
<b>(10) Development Reserves</b>	\$10,586	\$14,754				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$1,074,576</b>	<b>\$1,078,744</b>	<b>\$362,919</b>	<b>\$365,335</b>	<b>\$685,521</b>	<b>\$685,522</b>

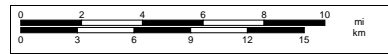
<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$362,919	\$365,335	\$685,521	\$685,522
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$362,919	\$365,335	\$685,521	\$685,522
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$362,919	\$365,335	\$685,521	\$685,522
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$13,174	\$13,262	\$57,172	\$57,173

<b>Syndication Proceeds</b>	<b>0.7599</b>	<b>\$100,112</b>	<b>\$100,779</b>	<b>\$434,467</b>	<b>\$434,468</b>
<b>Total Credits (Eligible Basis Method)</b>				<b>\$70,346</b>	<b>\$70,434</b>
<b>Syndication Proceeds</b>				<b>\$534,579</b>	<b>\$535,246</b>
<b>Requested Credits</b>				<b>\$70,346</b>	
<b>Syndication Proceeds</b>				<b>\$534,576</b>	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$534,576</b>	
<b>Credit Amount</b>				<b>\$70,346</b>	



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 Zoom Level: 9-0 Datum: WGS84

Scale: 1" = 400,000  
 1" = 6.21 miles



**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD ACTION REQUEST**  
**July 30, 2003**

**Action Items**

Request approval of thirteen Housing Trust Fund Development awards.

**Required Action**

Approve Housing Trust Fund Development award recommendations.

**Background and Recommendations**

Thirty Housing Trust Fund Development Applications were submitted by the February 28, 2003 deadline. The Multifamily Finance Production staff reviewed the applications utilizing the threshold and scoring criteria outlined in the 2003 Housing Trust Fund Application. Of those submitted, staff determined that twenty-five of the applications submitted were eligible.

Pursuant to §2306.202, Subchapter 1 of the Texas Government Code (the Code), the first \$2.6 million of the \$8,677,984 Housing Trust Fund dollars for the biennium must be made exclusively available to units of local government, public housing authorities, and non-profit organizations. At least 45% of any additional funds must be made available to non-profit organizations. The first \$2.6 million was satisfied during the 2002 allocation and an additional \$788,658 was committed to non-profit organizations. The 45% figure for the biennium, beyond the \$2.6 million, is \$2,735,092, from which the \$788,658 is then deducted. Therefore, out of the \$3,726,007 total Housing Trust Fund Development funding available in 2003, \$1,946,434 must be targeted for eligible Non-Profits and CHDO's. Therefore, the Department is recommending that all of the Non-Profit Applications that are found to be eligible and feasible be funded for a total award to non-profits of \$1,119,741.

After initial recommendations were made for all regions, each region was again reviewed. No applications were submitted for regions 1, 10 and 12. Regions 3, 6 and 9 were each under-allocated and were the only regions that continued to have additional qualified applications. Therefore, the next highest scoring development in each region was recommended. This step still left a balance of funds. In determining which region should receive those funds staff calculated the percentage by which each region was exceeding its regional allocation. Region 9 had no additional qualified applications, Region 3 was exceeding its allocation by 21%, and Region 6 was only exceeding its allocation by 3%. Therefore, the balance of funds were awarded to the next highest scoring development in Region 6. It should be noted that the development that was added in Region 3 had already been underwritten as it also has tax credits, but the development that was added for an award in Region 6, The Peninsula Apartments (#03826), has not yet been underwritten for the funds. Therefore, it still must be found to be Acceptable, or Acceptable with Conditions, by the Real Estate Analysis Division. The loan amount, terms and conditions are still subject to change. The application also remains subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist. Furthermore, if the Village at Morningstar is granted tax credits (either a 2003 allocation or a 2004 Forward Commitment, the Village of Morningstar would be granted the HTF award in lieu of The Peninsula.

In total, staff is recommending Housing Trust Fund Development awards in the amount of \$3,724,741 to thirteen developments.

**Waiting List**

In the event of de-obligation of funds or that local funds become available, funds will be returned to the applicable region, or the region that will have received the least proportional amount of its regional allocation. All Waiting List recommendations within regions are based on score and are identified below.

Developments not yet underwritten must still be found to be Acceptable, or Acceptable with Conditions, by Underwriting. Loan amounts, terms and conditions are still subject to change. Awards remain subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist. In the event that the available funds are insufficient to fund the full loan recommendation on the next Waiting List development, the applicant will be given an option to accept the reduced loan amount (still meeting all scoring requirements) to fit within the funds available, or to decline the credits.

**Region 1**

No Waiting List recommendation is made for Region 1 because no Applications were submitted.

**Region 2**

No Waiting List recommendation is made for Region 2 since all applications are recommended for an award.

**Region 3**

Project Name	Project #	Award Amount
Grace Townhomes*	03811	\$274,434

\* All other developments in the region are infeasible because they are not recommended for tax credits. In the case of Willow Bend, the requested funds are being recommended from HOME funds and HTF is not needed for the Development.

**Region 4**

No Waiting List recommendation is made for Region 4 since all applications received an award.

**Region 5**

No Waiting List recommendation is made for Region 5 since all applications received an award.

**Region 6**

Project Name	Project #	Credit Amount
Fallbrook Ranch*	03817	\$240,000

\* However, if Village of Morningstar is recommended by the Board for Tax Credits or a forward commitment, then it will receive the HTF award and Peninsula Apartments (#03826) would be made first on the waiting list for funds, ahead of Fallbrook Ranch.

**Region 7**

No Waiting List recommendation is made for Region 7. The only remaining Application in the region that is not recommended is layered with a Tax Credit Application that is not recommended for an allocation. However, if the Tax Credit development is recommended by the Board for 2003 tax credits or as a 2004 Forward Commitment, then this development will be listed on the Waiting List for Region 7.

**Region 8**

No Waiting List recommendation is made for Region 8 since all applications received an award.

**Region 9**

No Waiting List recommendation is made for Region 8 since all applications received an award.

**Region 10**

No Waiting List recommendation is made for Region 10 because no Applications were submitted.

**Region 11**

No Waiting List recommendation is made for Region 11 since all applications received an award.

**Region 12**

No Waiting List recommendation is made for Region 12 because no Applications were submitted.

**Region 13**

No Waiting List recommendation is made for Region 13. The only Application in the region is a Tax Credit Application that was not recommended for Tax Credits and the Development is infeasible without Tax Credits.

**Requested Board Action**

In summary, staff is seeking action on the following:

- 1. Approval of the recommendation for the award of Housing Trust Fund Development Funds as recommended.**
- 2. Approval of a Waiting List that is composed of all eligible and feasible applications that have not been recommended for an award and as further prioritized in this memo.**

The Multi-Family Finance Production Division, Portfolio Management and Compliance Division, and the Real Estate Analysis Division staff are available to address any questions or comments the Board may have.



**2003 HTF Nonprofit Development Recommendations**  
**Sorted by Recommendation Status**  
**July 30, 2003**

TDHCA #	(1) Rec.	Region	Development Name	Development Address	City	County	Zip	(2)		HTF Dev Amount Request	HTF Dev Amount Rec.	Non-Profit	Purpose Activity	(3) Other Funding		Total LI Units	Total Units	Applicant Contact	Score	Description
								Dev	SECO					HOME	LIHTC					
03818	A	3	Estates of Bridgeport	317 Cuba Rd.	Bridgeport	Wise	76426	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$477,998	\$477,998	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10	10	Al Swan	127	Needed to meet Nonprofit Set-Aside.
03820	A	7	Villa Elaina	1318 Lamar Square Dr.	Austin	Travis	78704	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$116,743	\$116,743	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	<input type="checkbox"/>	22	22	Wesla Liao Fletcher	147	Needed to meet Nonprofit Set-Aside.
03828	A	9	Bentley Place Apartments	8004 Bentley Drive	San Antonio	Bexar	78218	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$525,000	\$525,000	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	166	208	Sandra Williams	137	Needed to meet Nonprofit Set-Aside. Tax Credit Application is recommended for allocation.
										<b>\$1,119,741</b>				<b>198</b>	<b>240</b>					
03805		3	Willow Bend Creek Apartments	4812 Albert Avenue	Fort Worth	Tarrant	76116	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$218,171	\$0	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	22	22	Jesse Seawell	107	Being recommended entirely for HOME CHDO funds. No Housing Trust Funds needed.
03808		6	Canal Street Apartments	2800 Canal St.	Houston	Harris	77003	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$250,000	\$0	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	133	133	Joy Horak-Brown	117	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
03831		7	Green Pond	895 St. John Road	Lockhart	Caldwell	78616	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$200,000	\$0	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	24	24	Gilson Westbrook	90	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
										<b>\$0</b>				<b>179</b>	<b>179</b>					
<b>6 Total Submissions</b>		<b>Targeted Nonprofit Award Amount: \$1,946,435</b>								<b>\$1,119,741</b>				<b>377</b>	<b>419</b>					

1: If an Application is being recommended for an award, an "A" is indicated.  
2: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
3: Other funding that the applicant has applied for within TDHCA  
Note: This reflects all eligible Nonprofits.

**2003 HTF Development Award Recommendations**  
**Sorted by Region, Recommendation Status and Score**  
**July 30, 2003**

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3)		HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding		Total LI Units	Total Applicant Units	Applicant Contact	Score	Description
								Dev	SECO					HOME	LIHTC					
<u>Projects Located in Region 2</u>																				
03822	A	2	Anson Park	2800 Block Old Anson Rd.	Abilene	Taylor	79603	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$375,000	\$375,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	60	64	R.J. Collins	120	Needed for regional allocation. Tax Credit application is recommended for an allocation.
----- 1 -----										\$375,000	\$375,000			60	64	-----				
1 Projects in Region			Targeted Regional Allocation		\$115,248			\$375,000	\$375,000			60	64	-----						

Comments specific to region: N/A

1: If an Application is being recommended for an award, an "A" is indicated.  
2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA.

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3)		HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding		Total LI Units	Total Units	Applicant Contact	Score	Description
								Dev	SECO					HOME	LIHTC					
<b>Projects Located in Region 3</b>																				
03830	A	3	Cedar View Apartments	1617 West Highway 180 at Barker Street	Mineral Wells	Palo Pinto	76067	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$140,000	\$140,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	72	72	Leslie Donaldson	140	The Application had a competitive score in its region.
03818	A	3	Estates of Bridgeport	317 Cuba Rd.	Bridgeport	Wise	76426	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$477,998	\$477,998	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10	10	Al Swan	127	Needed to meet Nonprofit Set-Aside.
										<b>\$617,998</b>	<b>\$617,998</b>			<b>82</b>	<b>82</b>					
<b>2</b>																				
03803		3	Churchill at Commerce	SEC at Culver and Magnum	Commerce	Hunt	75428	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$250,000	\$0	<input type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	72	76	Lewis Foley/Anthony Sisk	126	Score is not competitive enough in region.
03802		3	Churchill at Pinnacle Park	1400 Block of N. Cockrell Hill Rd.	Dallas	Dallas	75211	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$350,000	\$0	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	160	200	Betts Hoover/Brad E. Forslund	112	Score is not competitive enough in region.
03811		3	Grace Townhomes	1212 Grace Circle	Ennis	Ellis	75119	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$274,434	\$0	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	112	112	Barry Halla	108	Score is not competitive enough in region.
03805		3	Willow Bend Creek Apartments	4812 Albert Avenue	Fort Worth	Tarrant	76116	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$218,171	\$0	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	22	22	Jesse Seawell	107	Being recommended entirely for HOME CHDO funds. No Housing Trust Funds needed.
03801		3	Churchill At Brookhaven	6839 Harry Hines	Dallas	Dallas	75235	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$300,000	\$0	<input type="checkbox"/>	Rehab Only	<input type="checkbox"/>	<input checked="" type="checkbox"/>	120	150	Betts Hoover/Anthony Sisk	89	Score is not competitive enough in region.
										<b>\$1,392,605</b>	<b>\$0</b>			<b>486</b>	<b>560</b>					
<b>7 Projects in Region</b>		<b>Targeted Regional Allocation</b>		<b>\$485,776</b>						<b>\$2,010,603</b>	<b>\$617,998</b>			<b>568</b>	<b>642</b>					
Comments specific to region: N/A																				
<b>Projects Located in Region 4</b>																				
03804	A	4	Churchill at Longview	1500 Block E. Whaley	Longview	Gregg	75601	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	160	160	Betts Hoover/Brad Forslund	117	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
										<b>\$350,000</b>	<b>\$350,000</b>			<b>160</b>	<b>160</b>					
<b>1 Projects in Region</b>		<b>Targeted Regional Allocation</b>		<b>\$215,700</b>						<b>\$350,000</b>	<b>\$350,000</b>			<b>160</b>	<b>160</b>					
Comments specific to region: N/A																				

1: If an Application is being recommended for an award, an "A" is indicated.  
2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA.

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3)		HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding		Total LI Units	Total Units	Applicant Contact	Score	Description
								Dev	SECO					HOME	LIHTC					
<u>Projects Located in Region 5</u>																				
03809	A	5	Cole Creek Apartments	Near 1400 Block of East Loop 304	Crockett	Houston	75835	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$50,000	\$50,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	60	64	Michael Lankford	164	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
1										\$50,000	\$50,000			60	64					
1 Projects in Region			Targeted Regional Allocation		\$175,144				\$50,000	\$50,000			60	64						

Comments specific to region: N/A

1: If an Application is being recommended for an award, an "A" is indicated.  
2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA.

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3)		HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding		Total LI Units	Total Units	Applicant Contact	Score	Description	
								Dev	SECO					HOME	LIHTC						
<b>Projects Located in Region 6</b>																					
03824	A	6	Villas at Park Grove	600 Park Grove Drive	Katy	Harris	77450	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$175,000	\$175,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	120	150	Ignacio Grillo	127	The Application had a competitive score in its region.	
03825	A	6	Reading Road Apartments	5525 Reading Road	Rosenberg	Fort Bend	77471	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	252	252	Sally Gaskin	127	The Application had a competitive score in its region.	
03826	A	6	The Peninsula Apartments	5100 block of West Fuqua	Houston	Harris	77053	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	280	280	J. Steve Ford	122	The Application had a competitive score in its region.	
									<b>3</b>												
										<b>\$875,000</b>	<b>\$875,000</b>					<b>652</b>	<b>682</b>				
03829		6	The Village @ Morningstar	3401 Magnolia Avenue	Texas City	Galveston	77590	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	70	78	Diana Mclver	153	Tax Credit Application for this Development was not recommended for Tax Credits and the Development is infeasible without Tax Credits.	
03808		6	Canal Street Apartments	2800 Canal St.	Houston	Harris	77003	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$250,000	\$0	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	133	133	Joy Horak-Brown	117	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.	
03817		6	Fallbrook Ranch, Ltd.	500 Block of West Rd.	Houston	Harris	77038	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$240,000	\$0	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	156	196	W. Barry Kahn	117	Score is not competitive enough in region.	
03823		6	Meadows on Airport Apartments	2500 Block of Airport Blvd.	Houston	Harris	77051	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$0	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	280	280	Michael Robinson	116	Score is not competitive enough in region.	
									<b>4</b>												
										<b>\$1,190,000</b>	<b>\$350,000</b>					<b>639</b>	<b>687</b>				
<b>7 Projects in Region</b>			<b>Targeted Regional Allocation</b>	<b>\$511,351</b>						<b>\$2,065,000</b>	<b>\$1,225,000</b>					<b>1,291</b>	<b>1,369</b>				

Comments specific to region: The Peninsula is pending underwriting and must be found to be acceptable by the Real Estate Analysis and Portfolio Management and Compliance Divisions. Loan amount, terms and conditions may change. Additionally, if Village at Morningstar is recommended for tax credits, then it will be recommended for an HTF award in lieu of The Peninsula, #03826.

1: If an Application is being recommended for an award, an "A" is indicated.  
2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA.

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3)		HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding		Total LI Units	Total Units	Applicant Contact	Score	Description
								Dev	SECO					HOME	LIHTC					
<u>Projects Located in Region 7</u>																				
03820	A	7	Villa Elaina	1318 Lamar Square Dr.	Austin	Travis	78704	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$116,743	\$116,743	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	<input type="checkbox"/>	22	22	Wesla Liao Fletcher	147	Needed to meet Nonprofit Set-Aside.
										\$116,743	\$116,743			22	22					
03827		7	Kingsland Trails Apartments	4800 Block of Hwy. 2900	Kingsland	Llano	78639	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$336,000	\$336,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	60	76	Mark Mayfield	157	Tax Credit Application for this Development was not recommended for Tax Credits and the Development is infeasible without Tax Credits.
03831		7	Green Pond	895 St. John Road	Lockhart	Caldwell	78616	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$200,000	\$0	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	24	24	Gilson Westbrook	90	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
										\$536,000	\$336,000			84	100					
3 Projects in Region		Targeted Regional Allocation		\$138,951						\$652,743	\$452,743			106	122					

Comments specific to region: N/A

Projects Located in Region 8

03810	A	8	Stone Ranch Apartments	4400 Block East Rancier Ave.	Killeen	Bell	76543	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$136,000	\$136,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	129	152	Michael Lankford	147	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
										\$136,000	\$136,000			129	152					
1 Projects in Region		Targeted Regional Allocation		\$243,294						\$136,000	\$136,000			129	152					

Comments specific to region: N/A

1: If an Application is being recommended for an award, an "A" is indicated.  
 2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
 3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
 4: Other funding that the applicant has applied for within TDHCA.

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3) Dev	SECO	HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding HOME LIHTC	Total LI Units	Total Units	Applicant Contact	Score	Description	
<b>Projects Located in Region 9</b>																				
03821	A	9	Tuscany Court	2208 14th St.	Hondo	Medina	78861	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$329,000	\$329,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	72	76	Ronette Hodges	140	The Application had a competitive score in its region. Tax Credit application is recommended for an allocation.
03828	A	9	Bentley Place Apartments	8004 Bentley Drive	San Antonio	Bexar	78218	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$525,000	\$525,000	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	166	208	Sandra Williams	137	Needed to meet Nonprofit Set-Aside. Tax Credit Application is recommended for allocation.
										\$854,000	\$854,000			238	284					
2		Projects in Region		Targeted Regional Allocation		\$473,534				\$854,000	\$854,000			238	284					
Comments specific to region: The region's allocation would have been over by the least amount compared to other regions.																				
<b>Projects Located in Region 11</b>																				
03813	A	11	La Villita Apartments	600 block Old Port Isabel Road	Brownsville	Cameron	78521	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$175,000	\$175,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	128	128	Mark Musemeche	134	Needed for regional allocation. Tax Credit application is recommended for an allocation.
										\$175,000	\$175,000			128	128					
1		Projects in Region		Targeted Regional Allocation		\$561,936				\$175,000	\$175,000			128	128					
Comments specific to region: N/A																				
<b>Projects Located in Region 13</b>																				
03819		13	Mission Trail Apartments	9730 Galilee Dr.	El Paso	El Paso	79927	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$200,000	\$0	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	49	62	Valerie Funk	124	Tax Credit Application for this Development was not recommended for Tax Credits and the Development is infeasible without Tax Credits.
										\$200,000	\$0			49	62					
1		Projects in Region		Targeted Regional Allocation		\$268,128				\$200,000	\$0			49	62					
Comments specific to region: The only Application in the region is not recommended for tax credits and the development is infeasible without Tax Credits.																				
25		Total Submissions		Total Available Funding: \$3,726,007		Total Awards Recommended:				\$4,235,741				2,789	3,047					

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2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA.

**2003 HTF Development Recommendations - Awards Only**  
**Sorted by Region and Score**  
**July 30, 2003**

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3) Dev	SECO	HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding HOME LIHTC	Total LI Units	Total Units	Applicant Contact	Score	Description	
<u>Projects Located in Region 2</u>																				
03822	A	2	Anson Park	2800 Block Old Anson Rd.	Abilene	Taylor	79603	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$375,000	\$375,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	60	64	R.J. Collins	120	Needed for regional allocation. Tax Credit application is recommended for an allocation.
										\$375,000	\$375,000			60	64					
1		1 Projects in Region		Targeted Regional Allocation		\$115,248	Total Recommended Awards:		\$375,000			60	64							
Comments specific to region: N/A																				
<u>Projects Located in Region 3</u>																				
03830	A	3	Cedar View Apartments	1617 West Highway 180 at Barker Street	Mineral Wells	Palo Pinto	76067	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$140,000	\$140,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	72	72	Leslie Donaldson	140	The Application had a competitive score in its region.
03818	A	3	Estates of Bridgeport	317 Cuba Rd.	Bridgeport	Wise	76426	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$477,998	\$477,998	<input checked="" type="checkbox"/>	New Construction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10	10	Al Swan	127	Needed to meet Nonprofit Set-Aside.
										\$617,998	\$617,998			82	82					
2		2 Projects in Region		Targeted Regional Allocation		\$485,776	Total Recommended Awards:		\$617,998			82	82							
Comments specific to region: N/A																				
<u>Projects Located in Region 4</u>																				
03804	A	4	Churchill at Longview	1500 Block E. Whaley	Longview	Gregg	75601	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	160	160	Betts Hoover/Brad Forslund	117	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
										\$350,000	\$350,000			160	160					
1		1 Projects in Region		Targeted Regional Allocation		\$215,700	Total Recommended Awards:		\$350,000			160	160							
Comments specific to region: N/A																				

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3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA



TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3) Dev	SECO	HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding HOME LIHTC	Total LI Units	Total Units	Applicant Contact	Score	Description	
<b>Projects Located in Region 5</b>																				
03809	A	5	Cole Creek Apartments	Near 1400 Block of East Loop 304	Crockett	Houston	75835	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$50,000	\$50,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	60	64	Michael Lankford	164	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
										\$50,000	\$50,000			60	64					
1		Projects in Region		Targeted Regional Allocation		\$175,144	Total Recommended Awards:		\$50,000			60	64							
Comments specific to region: N/A																				
<b>Projects Located in Region 6</b>																				
03825	A	6	Reading Road Apartments	5525 Reading Road	Rosenberg	Fort Bend	77471	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	252	252	Sally Gaskin	127	The Application had a competitive score in its region.
03824	A	6	Villas at Park Grove	600 Park Grove Drive	Katy	Harris	77450	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$175,000	\$175,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	120	150	Ignacio Grillo	127	The Application had a competitive score in its region.
03826	A	6	The Peninsula Apartments	5100 block of West Fuqua	Houston	Harris	77053	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$350,000	\$350,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input type="checkbox"/>	280	280	J. Steve Ford	122	The Application had a competitive score in its region.
										\$875,000	\$875,000			652	682					
3		Projects in Region		Targeted Regional Allocation		\$511,351	Total Recommended Awards:		\$875,000			652	682							
Comments specific to region: The Peninsula is pending underwriting and must be found to be acceptable by the Real Estate Analysis and Portfolio Management and Compliance Divisions. Loan amount, terms and conditions may change. Additionally, if Village at Morningstar is recommended for tax credits, then it will be recommended for an HTF award in lieu of The Peninsula, #03826.																				
<b>Projects Located in Region 7</b>																				
03820	A	7	Villa Elaina	1318 Lamar Square Dr.	Austin	Travis	78704	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$116,743	\$116,743	<input checked="" type="checkbox"/>	Rehab Only	<input type="checkbox"/>	<input type="checkbox"/>	22	22	Wesla Liao Fletcher	147	Needed to meet Nonprofit Set-Aside.
										\$116,743	\$116,743			22	22					
1		Projects in Region		Targeted Regional Allocation		\$138,951	Total Recommended Awards:		\$116,743			22	22							
Comments specific to region: N/A																				

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2: Note: There are no HTF Development Applications submitted in Regions 1, 10 and 12.  
3: HTF Set-Aside: Dev= Housing Development SECO= Energy Assistance  
4: Other funding that the applicant has applied for within TDHCA

TDHCA #	(1) Rec.	(2) Region	Development Name	Development Address	City	County	Zip	(3) Dev	SECO	HTF Dev Amount Request	HTF Dev Amount UW Rec.	Non-Profit	Purpose Activity	(4) Other Funding HOME LIHTC	Total LI Units	Total Units	Applicant Contact	Score	Description	
<b>Projects Located in Region 8</b>																				
03810	A	8	Stone Ranch Apartments	4400 Block East Rancier Ave.	Killeen	Bell	76543	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$136,000	\$136,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	129	152	Michael Lankford	147	Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.
										\$136,000	\$136,000			129	152					
1		Projects in Region		Targeted Regional Allocation		\$243,294	Total Recommended Awards:		\$136,000			129	152							
Comments specific to region: N/A																				
<b>Projects Located in Region 9</b>																				
03821	A	9	Tuscany Court	2208 14th St.	Hondo	Medina	78861	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$329,000	\$329,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	72	76	Ronette Hodges	140	The Application had a competitive score in its region. Tax Credit application is recommended for an allocation.
03828	A	9	Bentley Place Apartments	8004 Bentley Drive	San Antonio	Bexar	78218	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$525,000	\$525,000	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	166	208	Sandra Williams	137	Needed to meet Nonprofit Set-Aside. Tax Credit Application is recommended for allocation.
										\$854,000	\$854,000			238	284					
2		Projects in Region		Targeted Regional Allocation		\$473,534	Total Recommended Awards:		\$854,000			238	284							
Comments specific to region: The region's allocation would have been over by the least amount compared to other regions.																				
<b>Projects Located in Region 11</b>																				
03813	A	11	La Villita Apartments	600 block Old Port Isabel Road	Brownsville	Cameron	78521	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	\$175,000	\$175,000	<input type="checkbox"/>	New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	128	128	Mark Musemeche	134	Needed for regional allocation. Tax Credit application is recommended for an allocation.
										\$175,000	\$175,000			128	128					
1		Projects in Region		Targeted Regional Allocation		\$561,936	Total Recommended Awards:		\$175,000			128	128							
Comments specific to region: N/A																				
13		Total Awards		Total Available Funding: \$3,726,007		Total Recommended Awards:		\$3,549,741			1,531	1,638								

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4: Other funding that the applicant has applied for within TDHCA

**TDHCA #**

**03822**

**Region 2**



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

Development Name: **Anson Park**

TDHCA #: **03822**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 2 Site Address: 2800 Block Old Anson Rd.  
 City: Abilene County: Taylor Zip Code: 79603  
**Targeted Units:** Family: 64 Elderly: 0 Handicapped/Disabled: 5 Total Special Needs\*: 6  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Anson Park Limited Partnership

Principal Names	Principal Contact	Percentage Ownership
EM Texas, Inc.	R.J. Collins	90% of Owner
Valentine Realtors, Inc	Ronnie Hodges	10% of Owner

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$375,000**  
 HTF Loan Amount Requested by Applicant: **\$375,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	3	6	0	9
40%	0	0	0	0	0	0
50%	0	0	3	6	0	9
60%	0	0	9	33	0	42
65%	0	0	0	0	0	0
MR	0	0	1	3	0	4
Total	0	0	16	48	0	
Total LI Units:	60					
Owner/Employee Units:	0					
Total Development Units:	64					

**BUILDING INFORMATION**

Total Development Cost:	\$5,341,804
Gross Building Square Feet:	75,192
Total Net Rentable Area Square Feet:	72,192
Average Square Feet/Unit:	1,128

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$378,244
Total Expenses:	\$234,456
Net Operating Income:	\$143,788
Estimated 1st Year Debt Coverage Ratio:	1.30

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$375,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 5.75%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,005,740, Collateral Mortgage Corp, 1st.

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Tejas Housing & Development, Inc.	Market Analyst:	Novogradac & Company
Housing GC:	Charter Builders	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	Charter Builders	Attorney:	Kuperman, Orr, Mouer, Albers
Architect:	L.K. Travis & Associates	Accountant:	Novogradac & Company, LLC
Property Manager:	Orion Real Estate Services, Inc.	Supp Services:	Texas Inter-Faith Housing Co.
Syndicator:	Simpson Housing Solutions	Permanent Lender:	Collateral Mortgage Corporation

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 120 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a survey determining whether the proposed improvements do or do not lie within the 100-year flood plain, and if so, the receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.

Should the HTF funds not be awarded the recommended credit allocation would be increased to \$514,034.

Should the terms of the permanent financing or syndication change or the the proposed rental rates for the units change, the development should be reevaluated.

**Alternate Recommendation:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed for regional allocation. Tax Credit application is recommended for an allocation.

\_\_\_\_\_  
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 Award Amount:       Date of Determination:

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

# Developer Evaluation

Project ID # **03066/03822**

Name: **Anson Park**

City: **Abilene**

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 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**

2. Should the HTF funds not be awarded the recommended credit allocation would be increased to \$514,034.
3. Should the terms of the permanent financing or syndication change or the proposed rental rates for the units change, the development should be reevaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 64    **# Rental Buildings:** 8    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 72,192    **Av Un SF:** 1,128    **Common Area SF:** 3,000    **Gross Bldg SF:** 75,192

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 65% brick veneer 35% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpet & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

The 3,000 SF community building will house an activity room, management offices, exercise room, laundry facilities, kitchen, restrooms, computer/business center. There will also be a swimming pool, playground, and a volleyball court.

**Uncovered Parking:** 158 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Anson Park Apartments is a proposed, new, mixed-income development comprising 64 garden-style apartment units located in the northern part of Abilene, Texas. The proposed site plan lays out a low-density community of eight (8) residential buildings clustered in a circle on higher ground at the front of the property, with an ample amount of open space approaching a creek crossing the back end of the tract. The number and type of residential buildings is as follows:

- (2) Building Type A with 8 two-bedroom/ two-bath units; and
- (6) Building Type B with 8 three-bedroom/ two-bath units.

**Architectural Review:** The buildings have an overall attractive appearance, with gabled windows and entry doors, and a combination of brick veneer and hardiplank siding. Each of the unit floor plans appears to have well arranged living, dining, and kitchen areas, with sufficient space in the bedrooms and a sufficient number of closets and windows.

**Supportive Services:** The Applicant has entered into a supportive services contract with Texas Interfaith Management Corporation for a term of five years. Supportive services under the contract may include team sports for children and youth, classes to foster drug and alcohol awareness, gang prevention, and fire prevention, youth self-esteem programs, neighborhood pride and safety programs, parenting classes, cooking classes, household budgeting and check writing classes, religious studies, activities to develop respect between individuals and among families, English as a second language, job training, computer literacy, mentoring, individual and group tutoring, bingo parties, dances and dinners, bus trips to local grocery stores and shopping centers, citizenship and voting programs, home maintenance programs, common area maintenance programs, and neighborhood enrichment programs. The Applicant has certified that it will coordinate its tenant services programs with state workforce development and welfare programs, and that it will provide at least three of the tenant services from among TDHCA's tenant services options.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in January of 2005, to be placed in service in November of 2004, and to be substantially leased-up in April of 2005.



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

SITE ISSUES	
<b>SITE DESCRIPTION</b>	
<b>Size:</b> 13 acres	566,280 square feet <b>Zoning/ Permitted Uses:</b> Multifamily
<b>Flood Zone Designation:</b> Zone C and A	<b>Status of Off-Sites:</b> Partially Improved
<b>SITE and NEIGHBORHOOD CHARACTERISTICS</b>	
<p><b><u>Location:</u></b> The site is a rectangular-shaped parcel located in the northern area of Abilene, approximately 2.5 miles from the central business district. The site is situated on the west side of Old Anson Road.</p> <p><b><u>Adjacent Land Uses:</u></b></p> <ul style="list-style-type: none"> <li>• <b>North:</b> vacant property, vacant land</li> <li>• <b>South:</b> vacant land, residential, nursing home</li> <li>• <b>East:</b> Old Anson Road, residential</li> <li>• <b>West:</b> vacant property</li> </ul> <p><b><u>Site Access:</u></b> Access to the property is from the north or south from Old Anson Road. The development is to have one main entry from the west on Old Anson Road. Access to Interstate Highway 20 is approximately a quarter of a mile to the north, which provides connections to all other major roads serving the Abilene area.</p> <p><b><u>Public Transportation:</u></b> A municipal bus stop is located on Old Anson Road at the location of the site.</p> <p><b><u>Shopping &amp; Services:</u></b> The site is within one mile of a grocery store, a library, a fire station, an elementary school, and a medical center. Schools, churches, and shopping centers are located within a short driving distance from the site.</p> <p><b><u>Special Adverse Site Characteristics:</u></b></p> <ul style="list-style-type: none"> <li>• <b>Flood Plain:</b> A portion of the site may lie within the 100-year flood plain. It does not appear that this will affect any of the proposed improvements based on the preliminary site plan. However, receipt, review, and acceptance of a survey determining whether the proposed improvements do or do not lie within the 100-year flood plain, and if so, then receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.</li> </ul> <p><b><u>Site Inspection Findings:</u></b> TDHCA staff performed a site inspection on May 23, 2003 and found the location to be acceptable for the proposed development.</p>	
<b>HIGHLIGHTS of SOILS &amp; HAZARDOUS MATERIALS REPORT(S)</b>	
<p>A Phase I Environmental Site Assessment report dated February 2003 was prepared by Matrix Environmental Sciences, Inc., and revealed no indications of any recognized environmental conditions.</p> <p>The report also contains the following statement, “The subject property is in a flood zone just on either side of the Catclaw Creek only, which is typical and the creek only is a designated wetland on the subject property. There are no other flood zones north, west and south of the property.” (p. 9)</p>	

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**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Sixty (60) of the units (93.75% of the total) will be reserved for low-income tenants. Nine (9) of the units (14%) will be reserved for households earning 30% or less of AMGI, nine (9) units (14%) will be reserved for households earning 50% or less of AMGI, forty-two (42) units (66%) will be reserved for households earning 60% or less of AMGI, and the remaining four (4) units (6.25%) 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>	\$19,560	\$22,320	\$25,140	\$27,900	\$30,120	\$32,340

**MARKET HIGHLIGHTS**

A market feasibility study dated February 2003 was prepared by Novogradac & Company and highlighted the following findings:

**Definition of Market/Submarket:** “For the purpose of this study, the Subject’s Primary Market Area (PMA) will be generally defined as the northern half of the City of Abilene...This area is bounded by Interstate 20 to the north and east, State Highway 84 to the south and Highway 83 to the west.” (p. 13)

**Population:** The estimated 2001 population of Abilene was 36,786 and is expected to increase by 00.1% annually to approximately 37,032 by 2006. Within the primary market area there were estimated to be 13,378 households in 2001.

**Total Local/Submarket Demand for Rental Units:** “Dividing the subject’s 57 units required for stabilized occupancy into the total demand of 394 households indicates a penetration of only 14.47 percent.” (p. 58)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	3	0.8%	2	0.5%
Resident Turnover	352	99.2%	357	95.5%
<b>TOTAL ANNUAL DEMAND</b>	<b>355</b>	<b>100%</b>	<b>359</b>	<b>100%</b>

Ref: p. 58

**Inclusive Capture Rate:** The Market Analyst calculated a capture rate of 14.47% assuming 5% vacancy of the LIHTC units and no other unstabilized or proposed affordable units in the market area. (p. 58) The Underwriter calculated an inclusive capture rate of 22% based upon a revised supply of unstabilized comparable affordable units of 78 including the subject divided by a revised demand of 359. The Market Analyst failed to include Carver Neighborhood Townhomes, which was awarded tax credits in 2001 for 18 affordable units, as a possible unstabilized comparable development.

**Local Housing Authority Waiting List Information:** “According to Ms. Roberta Thompson, Executive Director of Housing for Abilene, there is very strong demand for affordable housing projects in Abilene. At present, families in Abilene are utilizing between 850 and 900 Section 8 vouchers, which is at more than 100 percent of capacity. Ms. Thompson reports there are an estimated 750 families on a waiting list for available Section 8 housing units. However, at the present time, no additional funds are available to support these families in need and the waiting list will be closed indefinitely. Moreover, Abilene has 213 project-based public housing units, which are also operating at full capacity. The waiting list for public housing is approximately 160 families.” (p. 27)

**Market Rent Comparables:** The Market Analyst surveyed eight (8) comparable apartment projects totaling 1,507 units in the market area. (p. 30)

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<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$176	\$215	-\$39	\$575	-\$399
<b>2-Bedroom (50%)</b>	\$361	\$425	-\$64	\$575	-\$214
<b>2-Bedroom (60%)</b>	\$454	\$530	-\$76	\$575	-\$121
<b>2-Bedroom (MR)</b>	\$499	N/A		\$575	-\$76
<b>3-Bedroom (30%)</b>	\$192	\$237	-\$45	\$750	-\$558
<b>3-Bedroom (50%)</b>	\$406	\$479	-\$73	\$750	-\$344
<b>3-Bedroom (60%)</b>	\$513	\$600	-\$87	\$750	-\$237
<b>3-Bedroom (MR)</b>	\$564	N/A		\$750	-\$186

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

**Primary Market Occupancy Rates:** Occupancy among the comparable properties selected for the market analysis averaged between 94 and 95 percent, with ranges from 89% to 100% (p. 34).

**Absorption Projections:** “Based on the results of our market survey, one comparable LIHTC property was identified in the PMA that could provide insight into potential absorption of the Subject’s 64 units. Sunset Arbor Townhomes (a 1999 LIHTC development) was constructed in 2001 and provides 220 two and three-bedroom units. According to property management at this property, the initial absorption period was approximately 12 months, corresponding to an absorption rate of 18 units per month. Since the subject will be very comparable to Sunset Arbor Townhomes in terms of location, condition, tenancy, and amenities, we conservatively estimate an absorption pace of four months for the Subject, or an average rate of approximately 16 units per month.” (p. 34)

**Known Planned Development:** “Base on interviews with local property managers and conversations with Mr. Jeff Armstrong at the Planning Department, there are no known new market rate properties proposed for the PMA.” (p. 27)

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

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**OPERATING PROFORMA ANALYSIS**

**Income:** Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Market Analyst's determination that higher than maximum program rents are achievable, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$56,532 in potential gross rent. For four (4) market rate units, the Applicant used rents which were below the rents supported by the market study and below the revised maximum program rents for restricted units of the same size. The Underwriter has increased the market rents for these units to the maximum 60% of AMGI program rents.

**Expenses:** The Applicant's total expense estimate of \$3,313 per unit is not within 5% of the Underwriter's estimate. Moreover, the Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly: payroll (\$11K higher), and utilities (\$5K lower). In addition, the Applicant has assumed a management fee of 5.5% which is greater than the industry rule of thumb of 5% but less than the average management fee for developments of this size in Region 2 utilized by the Underwriter.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due primarily to the difference in effective gross rent estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.48 exceeds the Department's maximum standard of 1.30. This suggests that the project could support additional debt service of \$13,761 annually. The effect of this increase in annual debt service on the permanent sources of funds will be discussed in the conclusion to the Financing Structure Analysis section of this report.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 13 acres</b>	\$21,707 (approximately)	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Taylor County Appraisal District
<b>Total Assessed Value:</b>	\$21,707 (approximately)	<b>Tax Rate:</b>	\$2.7084

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Commercial Contract—Unimproved Property		
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003
<b>Acquisition Cost:</b>	\$162,500	<b>Other Terms/Conditions:</b>	Buyer must build fence.
<b>Seller:</b>	Robert Curtis Raspberry	<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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

**Direct Construction Cost:** The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are overstated. The Applicant acknowledged that the original cost breakdown was overstated in a June 30, 2003 letter indicating a \$100,000 overestimation, but also attempting to justify the remaining costs. A further indication that the Applicant's direct costs per unit of \$52,231 may be excessive comes from an application submitted by the same principals of the Applicant for townhome units in Waco with costs per unit of \$49,410. Townhomes are typically more expensive to build than apartment flats. The

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Applicant cited the different locations of the projects, their differing sizes, and the additional cost of energy efficient measures required under the Housing Trust Fund program as the basis for the higher cost estimates. Each of these considerations, however, has already been included in the cost estimation methods employed by the Underwriter.

**Fees:** The Applicant's revised contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines based on their total development cost estimate. The Applicant's developer's fees were \$15,000 in excess of program guidelines and this amount was removed from eligible basis.

**Conclusion:** Due to the Applicant's higher direct construction and the subsequently higher developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to determine the eligible tax credits. As a result an eligible basis of \$5,057,212 is used to determine eligible tax credits of \$514,034. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE	
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>	
<b>Source:</b> Collateral Mortgage Corporation	<b>Contact:</b> Philip Melton
<b>Principal Amount:</b> \$1,182,998	<b>Interest Rate:</b> To be determined.
<b>Additional Information:</b>	
<b>Amortization:</b> N/A yrs	<b>Term:</b> 2 yrs
<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
<b>LONG TERM/PERMANENT FINANCING</b>	
<b>Source:</b> Collateral Mortgage Corporation	<b>Contact:</b> Philip Melton
<b>Principal Amount:</b> \$1,005,740	<b>Interest Rate:</b> 240 b.p. over 30-year Treasury (approx. 7.50%)
<b>Additional Information:</b>	
<b>Amortization:</b> 30 yrs	<b>Term:</b> 18 yrs
<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
<b>Annual Payment:</b> \$84,387	<b>Lien Priority:</b> 1st
<b>Commitment Date:</b> 02/ 10/ 2003	
<b>GRANT</b>	
<b>Source:</b> CDBG-Abilene	<b>Contact:</b> Kelly Cheek
<b>Amount:</b> \$1,000	<b>Commitment:</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
<b>Additional Information:</b> Application received by Abilene February 12, 2003	
<b>LIHTC SYNDICATION</b>	
<b>Source:</b> Simpson Housing Solutions	<b>Contact:</b> J. Michael Sugrue
<b>Address:</b> 720 East Park Boulevard	<b>City:</b> Plano
<b>State:</b> Texas	<b>Zip:</b> 75074
<b>Phone:</b> (888) 261-8390	<b>Fax:</b> (972) 442-0224
<b>Net Proceeds:</b> \$4,431,457	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC):</b> 79¢
<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
<b>Date:</b> 02/ 12/ 2003	
<b>Additional Information:</b>	
<b>APPLICANT EQUITY</b>	
<b>Amount:</b> \$176,413	<b>Source:</b> Deferred Developer Fee
<b>FINANCING STRUCTURE ANALYSIS</b>	
<b>Permanent Financing:</b> The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The Applicant has indicated the City of Abilene will supply a grant	

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of \$1,000. The City received an application on February 12, 2003.

**LIHTC Syndication:** The syndication commitment is consistent with the terms reflected in the sources and uses listed in the application. Forty percent of the funds will be available during the construction stage of the development. In addition, Simpson Housing Solutions will provide a bridge in a “to be determined” amount at a 9% interest rate.

**Deferred Developer’s Fees:** The Applicant’s estimated deferred fees amount to 10 % of total proposed developer fees.

**Financing Conclusions:** The Underwriter’s proforma resulted in a debt coverage ratio that exceeds the Department’s maximum guideline of 1.30 indicating the development’s ability to service an additional \$13,738 annually. In order to meet the Department’s guideline without affecting the permanent sources of funds and to better utilize the Department’s resources, the Underwriter recommends an increase in the interest rate requested for the HTF loan from 0% to 5.75 %. Should the development not receive an HTF award, the recommended credit amount would increase by \$12,710 to \$514,034.

As stated above, the Underwriter’s cost estimate is used to calculate eligible basis and determine the eligible tax credits of \$514,034. However, the gap in need based on the Underwriter’s total development cost estimate and award of HTF funds and results in a recommended annual tax credit allocation of \$501,324, which is \$59,676 less than the Applicant’s request.

Based on the Underwriter’s total development cost estimate and assuming the Applicant receives a HTF loan in the amount of \$375,000, there would be no need to defer developer fees and the difference between the Applicant’s and Underwriter’s direct construction cost estimates could be absorbed by deferring fees if such a gap materializes. Moreover, without the HTF funds, the project would have sufficient cashflow to support an increase in the primary debt and repayment of any deferred developer’s fees and possibly general contractor’s fees necessary to finance the potential \$375,000 gap, and still be feasible with an estimated debt coverage ratio of 1.24. The success or failure of the development to be awarded to \$1,000 local grant funds will have no impact on the overall feasibility of the development.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Unaudited consolidated financial statements were submitted for the Developer, Tejas Housing and Development, Inc. The financial statement, dated December 31, 2002, reports total assets of \$215,371, consisting of \$51,793 in cash, and \$163,578 in work in progress. Liabilities of \$192,001 in notes and accounts payable result in a net worth of \$23,370.
- Unaudited financial statements were submitted for Valentine Realtors, Inc. which has an interest in 10% of the General Partner. The financial statement, dated December 31, 2002, reports total assets of \$467,886 consisting of \$74,322 in cash, \$311,923 in various development projects, \$54,000 in receivables, and \$27,640 in equipment and furniture. Liabilities consisting of a \$53,220 note payable to the sole stockholder, and equity of \$107,798 result in a net worth of \$306,867.
- No financial statements were submitted for EM, Texas, Inc. which has an interest of 90% in the General Partner, and as the corporation was only formed in February 2003, it does not appear on the financial statements of the Developer, or the personal financial statements of the Principal, whose statements are dated as of December 31, 2002.
- Ronette Hodges and RJ Collins submitted unaudited personal financial statements dated as of December 31, 2002.

**Background & Experience:**

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- The two principals of the General Partner, between them, have two (2) LIHTC housing developments totaling 220 units currently under construction.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

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

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Anson Park, Abilene, LIHTC #03066**

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
HTF/TC30%	3	2	2	942	\$313	\$215	\$645	\$0.23	\$78.00	\$30.00
HTF/TC50%	3	2	2	942	523	425	1,275	0.45	78.00	30.00
HTF/TC60%	9	2	2	942	628	530	4,770	0.56	78.00	30.00
Market	1	2	2	942		530	530	0.56	78.00	30.00
HTF/TC30%	6	3	2	1,190	362	237	1,422	0.20	104.00	31.00
HTF/TC50%	6	3	2	1,190	604	479	2,874	0.40	104.00	31.00
HTF/TC60%	33	3	2	1,190	725	600	19,800	0.50	104.00	31.00
Market	3	3	2	1,190		600	1,800	0.50	104.00	31.00
<b>TOTAL:</b>	<b>64</b>		<b>AVERAGE:</b>	<b>1,128</b>	<b>\$592</b>	<b>\$517</b>	<b>\$33,116</b>	<b>\$0.46</b>	<b>\$97.50</b>	<b>\$30.75</b>

**INCOME**

Total Net Rentable Sq Ft: 72,192

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	
General & Administrative	5.65%	\$334	0.30	
Management	6.56%	388	0.34	
Payroll & Payroll Tax	15.70%	928	0.82	
Repairs & Maintenance	9.08%	536	0.48	
Utilities	3.16%	187	0.17	
Water, Sewer, & Trash	3.10%	183	0.16	
Property Insurance	3.82%	226	0.20	
Property Tax	2.7084%	9.17%	542	0.48
Reserve for Replacements	3.38%	200	0.18	
Supportive Services, Security	2.37%	140	0.12	
<b>TOTAL EXPENSES</b>	<b>61.99%</b>	<b>\$3,663</b>	<b>\$3.25</b>	
<b>NET OPERATING INC</b>	<b>38.01%</b>	<b>\$2,247</b>	<b>\$1.99</b>	

**DEBT SERVICE**

First Lien Mortgage	22.31%	\$1,319	\$1.17
HTF Loan	3.30%	\$195	\$0.17
Other Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>12.40%</b>	<b>\$733</b>	<b>\$0.65</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)		3.04%	\$2,539	\$2.25
Off-Sites		0.00%	0	0.00
Sitework		7.79%	6,500	5.76
Direct Construction		54.87%	45,802	40.60
Contingency	4.59%	2.88%	2,403	2.13
General Req'ts	6.00%	3.76%	3,138	2.78
Contractor's G & A	2.00%	1.25%	1,046	0.93
Contractor's Profit	6.00%	3.76%	3,138	2.78
Indirect Construction		4.65%	3,881	3.44
Ineligible Costs		0.95%	795	0.71
Developer's G & A	2.58%	2.13%	1,774	1.57
Developer's Profit	12.42%	10.22%	8,533	7.56
Interim Financing		3.36%	2,804	2.49
Reserves		1.33%	1,112	0.99
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$83,466</b>	<b>\$73.99</b>
<b>Recap-Hard Construction Costs</b>		<b>74.31%</b>	<b>\$62,027</b>	<b>\$54.99</b>

**SOURCES OF FUNDS**

First Lien Mortgage	18.83%	\$15,715	\$13.93
HTF Loan	7.02%	\$5,859	\$5.19
LIHTC Syndication Proceeds	82.96%	\$69,242	\$61.38
City of Abilene CDBG Grant	0.02%	\$16	\$0.01
Deferred Developer Fees	1.43%	\$1,194	\$1.06
Additional (excess) Funds Required	-10.26%	(\$8,559)	(\$7.59)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
	\$397,392	\$340,860
	11,520	11,520
	0	0
	\$408,912	\$352,380
	(30,668)	(26,424)
	0	0
	\$378,244	\$325,956
	\$21,378	\$24,780
	24,802	\$17,927
	59,389	\$48,873
	34,334	\$32,704
	11,944	\$7,360
	11,744	\$12,224
	14,438	\$14,400
	34,668	\$32,000
	12,800	\$12,800
	8,960	\$8,960
	\$234,456	\$212,028
	\$143,787	\$113,928
	\$84,387	\$84,387
	12,500	12,500
	0	0
	\$46,900	\$17,041
	1.48	1.18
	1.30	

USS Region	2
IREM Region	6
Per Unit Per Month	\$15.00
of Potential Gross Rent	-7.50%
PER SQ FT	\$0.34
PER UNIT	\$387
% OF EGI	7.60%
	0.25
	280
	5.50%
	0.68
	764
	14.99%
	0.45
	511
	10.03%
	0.10
	115
	2.26%
	0.17
	191
	3.75%
	0.20
	225
	4.42%
	0.44
	500
	9.82%
	0.18
	200
	3.93%
	0.12
	140
	2.75%
	\$2.94
	\$3,313
	65.05%
	\$1.58
	\$1,780
	34.95%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$162,500	\$162,500	\$2.25	\$2,539	2.76%
	0	0	0.00	0	0.00%
	416,000	416,000	5.76	6,500	7.06%
	2,931,304	3,342,800	46.30	52,231	56.76%
	153,792	153,792	2.13	2,403	2.61%
	200,838	224,688	3.11	3,511	3.81%
	66,946	74,896	1.04	1,170	1.27%
	200,838	224,688	3.11	3,511	3.81%
	248,400	248,400	3.44	3,881	4.22%
	50,897	50,897	0.71	795	0.86%
	113,517	198,589	2.75	3,103	3.37%
	546,119	546,119	7.56	8,533	9.27%
	179,457	179,457	2.49	2,804	3.05%
	71,195	66,784	0.93	1,044	1.13%
	\$5,341,804	\$5,889,610	\$81.58	\$92,025	100.00%
	\$3,969,719	\$4,436,864	\$61.46	\$69,326	75.33%

**RECOMMENDED**

	\$1,005,740	\$1,005,740	\$1,005,740	Developer Fee Available
	375,000	375,000	375,000	\$659,636
	4,431,457	4,431,457	3,960,064	% of Dev. Fee Deferred
	1,000	1,000	1,000	0%
	76,413	76,413	0	15-Yr Cumulative Cash Flow
	(547,806)	0	0	\$705,220.59
	\$5,341,804	\$5,889,610	\$5,341,804	



**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Anson Park, Abilene, LIHTC #03066*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.44	\$2,991,880
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.59	\$186,993
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(72,914)
Floor Cover			2.42	174,845
Porches/Balconies	\$29.24	2228	0.90	65,132
Plumbing	\$615	192	1.64	118,080
Built-In Appliances	\$1,625	64	1.44	104,000
Interior Stairs	\$865	32	0.38	27,680
Floor Insulation			0.00	0
Heating/Cooling			1.47	106,122
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$59.56	3,000	2.48	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>53.75</b>	<b>3,880,505</b>
Current Cost Multiplier	1.03		1.61	116,415
Local Multiplier	0.90		(5.38)	(388,050)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.99</b>	<b>\$3,608,869</b>
Plans, specs, survey, bld perm	3.90%		(\$1.95)	(\$140,746)
Interim Construction Interest	3.38%		(1.69)	(121,799)
Contractor's OH & Profit	11.50%		(5.75)	(415,020)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.60</b>	<b>\$2,931,304</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,005,740	Term	360
Int Rate	7.50%	DCR	1.70

<b>Secondary</b>	\$375,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.48

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.48

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$84,387
Secondary Debt Service	26,261
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$33,139</b>

<b>Primary</b>	\$1,005,740	Term	360
Int Rate	7.50%	DCR	1.70

<b>Secondary</b>	\$375,000	Term	360
Int Rate	5.75%	Subtotal DCR	1.30

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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

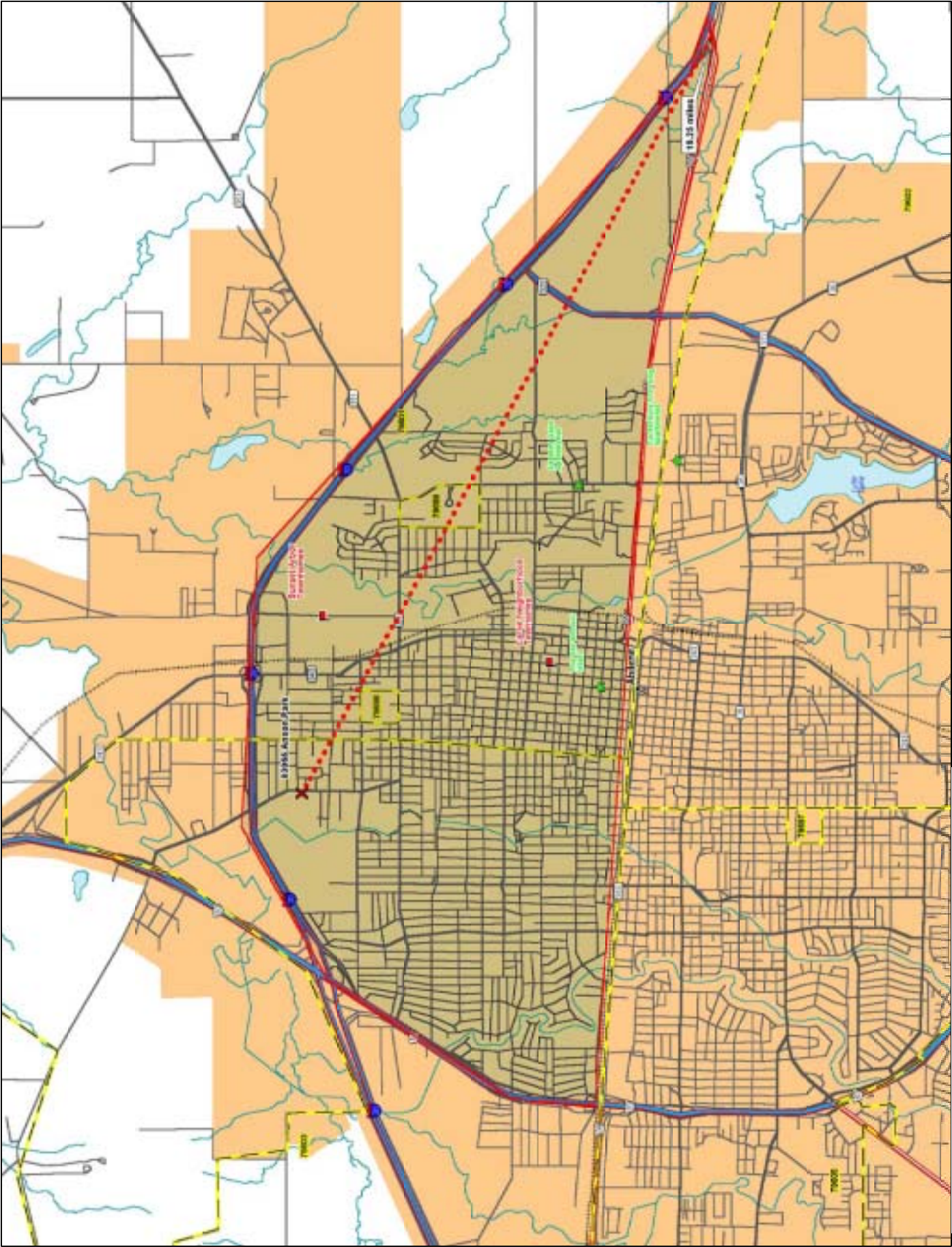
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$397,392	\$409,314	\$421,593	\$434,241	\$447,268	\$518,506	\$601,091	\$696,829	\$936,480
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	408,912	421,179	433,815	446,829	460,234	533,537	618,516	717,030	963,628
Vacancy & Collection Loss	(30,668)	(31,588)	(32,536)	(33,512)	(34,518)	(40,015)	(46,389)	(53,777)	(72,272)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$378,244	\$389,591	\$401,279	\$413,317	\$425,717	\$493,522	\$572,127	\$663,252	\$891,356
EXPENSES at 4.00%									
General & Administrative	\$21,378	\$22,233	\$23,122	\$24,047	\$25,009	\$30,427	\$37,019	\$45,039	\$66,669
Management	24,802	25,546	26,313	27,102	27,915	32,361	37,515	43,491	58,448
Payroll & Payroll Tax	59,389	61,764	64,235	66,804	69,477	84,529	102,842	125,123	185,213
Repairs & Maintenance	34,334	35,708	37,136	38,621	40,166	48,868	59,456	72,337	107,077
Utilities	11,944	12,422	12,919	13,435	13,973	17,000	20,683	25,164	37,249
Water, Sewer & Trash	11,744	12,213	12,702	13,210	13,738	16,715	20,336	24,742	36,624
Insurance	14,438	15,016	15,617	16,241	16,891	20,550	25,003	30,420	45,028
Property Tax	34,668	36,054	37,496	38,996	40,556	49,343	60,033	73,039	108,116
Reserve for Replacements	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Other	8,960	9,318	9,691	10,079	10,482	12,753	15,516	18,877	27,943
TOTAL EXPENSES	\$234,456	\$243,587	\$253,075	\$262,934	\$273,181	\$330,765	\$400,569	\$485,201	\$712,286
NET OPERATING INCOME	\$143,787	\$146,004	\$148,204	\$150,383	\$152,536	\$162,758	\$171,559	\$178,052	\$179,069
DEBT SERVICE									
First Lien Financing	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387	\$84,387
Second Lien	26,261	26,261	26,261	26,261	26,261	26,261	26,261	26,261	26,261
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$33,139	\$35,357	\$37,556	\$39,735	\$41,888	\$52,110	\$60,911	\$67,404	\$68,422
DEBT COVERAGE RATIO	1.30	1.32	1.34	1.36	1.38	1.47	1.55	1.61	1.62

**LIHTC Allocation Calculation - Anson Park, Abilene, LIHTC #03066**

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	\$162,500	\$162,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$416,000	\$416,000	\$416,000	\$416,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,342,800	\$2,931,304	\$3,342,800	\$2,931,304
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$74,896	\$66,946	\$74,896	\$66,946
Contractor profit	\$224,688	\$200,838	\$224,688	\$200,838
General requirements	\$224,688	\$200,838	\$224,688	\$200,838
<b>(5) Contingencies</b>	\$153,792	\$153,792	\$153,792	\$153,792
<b>(6) Eligible Indirect Fees</b>	\$248,400	\$248,400	\$248,400	\$248,400
<b>(7) Eligible Financing Fees</b>	\$179,457	\$179,457	\$179,457	\$179,457
<b>(8) All Ineligible Costs</b>	\$50,897	\$50,897		
<b>(9) Developer Fees</b>			\$729,708	
Developer overhead	\$198,589	\$113,517		\$113,517
Developer fee	\$546,119	\$546,119		\$546,119
<b>(10) Development Reserves</b>	\$66,784	\$71,195		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,889,610</b>	<b>\$5,341,804</b>	<b>\$5,594,429</b>	<b>\$5,057,212</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>			\$5,594,429	\$5,057,212
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$7,272,758	\$6,574,376
Applicable Fraction			93.75%	93.75%
<b>TOTAL QUALIFIED BASIS</b>			\$6,818,211	\$6,163,477
Applicable Percentage			8.07%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$550,230	\$514,034

Syndication Proceeds	0.7899	\$4,346,379	\$4,060,462
<b>Total Credits (Eligible Basis Method)</b>		<b>\$550,230</b>	<b>\$514,034</b>
Syndication Proceeds		\$4,346,379	\$4,060,462
Requested Credits		\$561,000	
Syndication Proceeds		\$4,431,457	
<b>Gap of Syndication Proceeds Needed</b>			<b>\$3,960,064</b>
Credit Amount			\$501,324



5,000 ft

Scale: 1 : 62,500 Zoom Level: 11-6 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 6.9°E

**TDHCA #**

**03830**

**Region 3**



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

Development Name: **Cedar View Apartments**

TDHCA #: **03830**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 Site Address: 1617 West Highway 180 at Barker Street  
 City: Mineral Wells County: Palo Pinto Zip Code: 76067  
**Targeted Units:** Family: 72 Elderly: 0 Handicapped/Disabled: 8 Total Special Needs\*: 8  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: DF Cedar View Apartments, LP

Principal Names	Principal Contact	Percentage Ownership
Leslie Donaldson	Leslie Donaldson	51% of GP
Beverly Funderburgh	Beverly Funderburgh	49% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$140,000**  
 HTF Loan Amount Requested by Applicant: **\$140,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	5	4	5	0	14
40%	0	2	3	2	0	7
50%	0	4	6	5	0	15
60%	0	5	15	16	0	36
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	16	28	28	0	
Total LI Units:	72					
Owner/Employee Units:	0					
Total Development Units:	72					

**BUILDING INFORMATION**

Total Development Cost:	\$5,632,693
Gross Building Square Feet:	74,499
Total Net Rentable Area Square Feet:	72,140
Average Square Feet/Unit:	1,002

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$345,565
Total Expenses:	\$234,025
Net Operating Income:	\$111,540
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$140,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 3%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,100,000, Bank One, N.A., 1st

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	DFAHP Development, L.P.	Market Analyst:	Mark C. Temple
Housing GC:	Alpha Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	NA
Architect:	Architettura. Inc.	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager:	UAH Property Management, L.P.	Supp Services:	NA
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender:	Bank One, N.A.

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 140 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of evidence of final approval for rezoning of the site to a conforming use prior to execution of 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:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** The Application had a competitive score in its region.

\_\_\_\_\_  
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 Award Amount:       Date of Determination:

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



# Developer Evaluation

Project ID # **03163/03830**

Name: **Cedar View Apartments**

City: **Mineral Wel**

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 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**

evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Cedar View Apartments was submitted and underwritten in the 2002 9% LIHTC and Housing Trust Fund cycles, but with 64 units and a different site in Mineral Wells. The underwriting analysis concluded the development was not recommended due to financial infeasibility caused by the following factors:

- € Insufficient projected cash flow to repay the anticipated deferred developer fee within 15 years.
- € Projected net operating income was insufficient to service the proposed permanent debt, and no feasible alternative source of financing was indicated by the Applicant.

The development did not receive an allocation in the 2002 year cycle.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b> <u>72</u>	<b># Rental Buildings:</b> <u>18</u>	<b># Common Area Bldgs:</b> <u>1</u>	<b># of Floors:</b> <u>1</u>	<b>Age:</b> <u>0</u> yrs	<b>Vacant:</b> <u>N/A</u> at / /
<b>Net Rentable SF:</b> <u>72,140</u>	<b>Av Un SF:</b> <u>1,002</u>	<b>Common Area SF:</b> <u>2,359</u>	<b>Gross Bldg SF:</b> <u>74,499</u>		

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 76% masonry/brick veneer 24% Hardiplank siding exterior wall covering with wood trim, 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, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

A 2,359-SF community building with activity room, management offices, fitness and laundry facilities, kitchen, restrooms, and computer/business center is located at the entrance to the site. There is also to be a children's playground in the center of the site and perimeter fencing with a limited access gate.

<b>Uncovered Parking:</b> <u>138</u> spaces	<b>Carpports:</b> <u>36</u> spaces	<b>Garages:</b> <u>0</u> spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Cedar View Apartments is a moderately dense (seven units per acre) new construction development of 72 units of affordable housing located in far west Mineral Wells. The development is comprised of 18 evenly spaced fourplex residential buildings as follows:

- € Eight Building Type I with two each one-bedroom/one-bath and two-bedroom/two-bath units;
- € Three Building Type II with four two-bedroom/ one-bath units; and
- € Seven Building Type III with four three-bedroom/two-bath units.

**Architectural Review:** The residential buildings are all one-story fourplexes, with pitched roofs and mixed brick veneer and cement fiber exterior wall finish. The community building features extensive fenestration, a standing seam metal roof, decorative dormer windows, and is designed to present the appearance of a two-story building.

**Supportive Services:** The Applicant did not specify a supportive services provider but committed to providing at least three of the services from the TDHCA list and estimated annual expenses at \$2,500.

**Schedule:** The Applicant anticipates construction to begin in April of 2004, to be completed and placed in service in April of 2005, and to be substantially leased-up in August of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b> <u>21.77</u> acres <u>948,301</u> square feet	<b>Zoning/ Permitted Uses:</b> <u>Commercial &amp; SF-9, Single Family, rezoning application submitted</u>
<b>Flood Zone Designation:</b> <u>Zone X</u>	<b>Status of Off-Sites:</b> <u>Partially improved</u>

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Mineral Wells is located in north central Texas, approximately 35 miles west of Fort Worth in Palo Pinto County. The site is a nearly rectangularly-shaped parcel located in the far western area of the city, approximately 1.5 miles from the central business district. The site is situated on the east side of Barker Road.

**Adjacent Land Uses:**

- € **North:** vacant land followed by U.S. Highway 180
- € **South:** vacant land and single-family residential
- € **East:** single-family residential and an athletic stadium
- € **West:** Barker Road with a convenience store and single-family residential beyond

**Site Access:** Access to the property is from the north or south from Barker Road. The development is to have a single main entry from Barker Road. Access to U.S. Highway 180 is adjacent to the site, which provides connections to all other major roads serving the Mineral Wells area as well as the DFW Metroplex to the east.

**Public Transportation:** Public transportation to the area is not available in Mineral Wells.

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

**Special Adverse Site Characteristics:**

- € The site is currently zoned for commercial and single-family residential uses and will require rezoning. A rezoning application has been submitted and the Applicant indicated that the rezoning is pending notification of an LIHTC allocation. Receipt, review, and acceptance of documentation verifying the rezoning of the site to a conforming use is a condition of this report.
- € There is a dilapidated 42-year-old house and garage on the northeast corner of the site fronting Highway 180 which will be removed during site clearance.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 7, 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 25, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings: "...we believe that significant surface or subsurface contamination on the subject property is unlikely. A Level II survey to further examine this area for contamination is not warranted." (p. 1)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units will be reserved for low-income tenants. Fourteen of the units (19%) will be reserved for households earning 30% or less of AMGI, seven units (10%) will be reserved for households earning 40% or less of AMGI, 15 units (21%) will be reserved for households earning 50% or less of AMGI, and the remaining 36 units (50%) 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>	\$17,250	\$20,040	\$22,500	\$25,020	\$27,000	\$29,040

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**MARKET HIGHLIGHTS**

A market feasibility study dated February 28, 2003, 2003 was prepared by Mark Temple and highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Cedar View apartments is considered Palo Pinto County which includes the city of Mineral Wells...In addition, it is viewed a very strong secondary market exists due to the proposed site’s proximity to the Parker County area.” (p. II-1)

**Population:** The estimated 2002 population of the primary market area was 27,716 and is expected to increase by 5.8% to approximately 29,312 by 2007. Within the primary market area there were estimated to be 10,899 households in 2002.

**Total Local/Submarket Demand for Rental Units:** “Between 2003 and 2007, it is projected there will be a total demand of 719 household units in the Mineral Wells market area [216 of which will be renter households].” (p. IV-2)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	26	4%	12	2%
Resident Turnover	673	96%	629	98%
Other Sources:	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>699</b>	<b>100%</b>	<b>641</b>	<b>100%</b>

Ref: Demand Summary

**Inclusive Capture Rate:** “Based upon the income qualification banding methodology, the 72 LIHTC units of the apartment project represent a 10.3% capture rate of all income-appropriate rental households within the market area, depending on management’s criteria for qualifying potential renters.” (p. IV-3) The Underwriter calculated an inclusive capture rate of 11.2% based upon the Market Analyst’s demographics which yielded a revised demand of 641 units.

**Local Housing Authority Waiting List Information:** “The Mineral Wells Housing Authority currently has a waiting list of approximately 150 persons.” (p. IV-5)

**Market Rent Comparables:** The Market Analyst surveyed two comparable apartment projects totaling 134 units in the market area. Although the Analyst stated, “The projected initial rents are well within and below the rental range for comparable projects within the market area” (certificate p. 2), in fact the 60% AMI rents for all unit types exceed the highest existing market rents.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$188	\$188	\$0	\$463	-\$275
<b>1-Bedroom (40%)</b>	\$267	\$267	\$0	\$463	-\$196
<b>1-Bedroom (50%)</b>	\$345	\$345	\$0	\$463	-\$118
<b>1-Bedroom (60%)</b>	\$423	\$423	-\$0	\$463	-\$40
<b>2-Bedroom (30%)</b>	\$221	\$222	-\$1	\$558	-\$337
<b>2-Bedroom (40%)</b>	\$315	\$316	-\$1	\$558	-\$243
<b>2-Bedroom (50%)</b>	\$408	\$409	-\$1	\$558	-\$150
<b>2-Bedroom (60%)</b>	\$502	\$503	-\$1	\$558	-\$56
<b>3-Bedroom (30%)</b>	\$255	\$255	\$0	\$613	-\$358
<b>3-Bedroom (40%)</b>	\$363	\$363	\$0	\$613	-\$250
<b>3-Bedroom (50%)</b>	\$471	\$471	\$0	\$613	-\$142
<b>3-Bedroom (60%)</b>	\$580	\$580	\$0	\$613	-\$33

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

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program max =\$600, differential = -\$100)

**Submarket Vacancy Rates:** The Analyst quoted two slightly different overall occupancy rates of 100% (p. III-1) and 98.5%. (certificate p. 2)

**Absorption Projections/Known Planned Development:** “Based on the current positive multifamily indicators and present absorption levels of five to ten units per month, it is estimated that a 95+% occupancy level can be achieved in a seven to 14 month time frame.” (p. IV-7) The analyst quoted absorption of 32-46 units annually from 1998-2002 (p. III-17) but also indicated that no multifamily building permits had been issued for the years 1998-2002 (p. III-15).

**Effect on Existing Housing Stock:** “Presently the two competitive/market rate apartments of the market area have an occupancy level of 98.5%. In addition, the three subsidized apartment [complexes] in the market area have 100% occupancy levels. Because of these strong trends, is viewed that the subject project will not create any adverse effects on the existing comparable units in the market area.” (certificate p. 2)

Although the Underwriter was able to use the market study’s demographic data to make a funding recommendation, the Underwriter found the report to be of poor quality overall and to contain numerous errors and contradictions. In addition to the issues mentioned above, the Analyst initially concluded lower estimated market rents for the proposed three-bedroom units than the two-bedroom units, indicated that the site was located in east (instead of far west) Mineral Wells, and stated that the site was (p. I-1) and was not (p. II-1) located in a QCT. This error rate and lack of attention to detail is unacceptable and brings all of the Market Analyst’s data and conclusions into question.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate agrees with the Underwriter’s.

**Expenses:** The Applicant’s estimate of total operating expense is 4% lower than the Underwriter’s database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$4.4K lower) Payroll, (\$701K lower) water, sewer, and trash (\$6.3K lower), and insurance (\$7.5K higher). The Underwriter discussed these differences with the Applicant but was unable to fully reconcile them with additional information provided by the Applicant.

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

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 21.77 acres</b>	\$60,802	<b>Assessment for the Year of:</b>	2002
<b>Buildings:</b>	\$18,090	<b>Valuation by:</b>	Palo Pinto County Appraisal District
<b>Total Assessed Value:</b>	\$78,892	<b>Tax Rate:</b>	3.1

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved property contract						
<b>Contract Expiration Date:</b>	10/	1/	2003	<b>Anticipated Closing Date:</b>	10/	1/	2003
<b>Acquisition Cost:</b>	\$110,000			<b>Other Terms/Conditions:</b>	\$5,000 earnest money		

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**Seller:** RWS Family Properties, LLC

**Related to Development Team Member:** No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$110,000 (\$0.12/SF or \$5,053/acre) is substantiated by the appraisal/tax assessed value of \$60,802 and is assumed to be reasonable since the acquisition is an arm's-length transaction. The development as depicted on the site plan appears to occupy only the southern ten acres of the 21.77-acre parcel, except for the access road which will traverse the northern portion from Barker Road. The Applicant indicated that the seller's were unwilling to subdivide or sell a smaller portion. The Applicant also stated that the entire tract will be fenced, deed-restricted, and that a walking trail and picnic pavilion may be placed in the northern portion (as has been done at previous properties). The entire site acquisition cost has therefore been included in the development costs.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,145 per unit are considered reasonable compared to historical sitework costs for multifamily projects. The Applicant included no cost for demolition of the existing house and garage due to their poor condition and ease of removal. Any such cost, however, would typically be ineligible.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$95K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant removed the cost of the 36 rental carports from eligible basis in order to be able to collect rent above the housing unit rent limits. This may be possible as long as the tenants have reasonable alternative parking available to them. The Underwriter treated these costs in a likewise manner.

**Ineligible Costs:** The Applicant included \$1,500 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$23,750 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Other:** The Applicant's contingency allowance exceeds the TDHCA 5% guideline by \$26,645, and therefore the Applicant's eligible basis is reduced by a similar amount.

**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 by \$5,640 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer's fees are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above they now exceed the maximum by \$5,067.

**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, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$5,283,982 is used to determine a credit allocation of \$572,889 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Bank One, N.A.

**Contact:** Mahesh Aiyer

**Principal Amount:** \$1,500,000

**Interest Rate:** Prime + .75%, floating

**Additional Information:** Interest-only payments

**Amortization:** N/A yrs

**Term:** 2 yrs

**Commitment:**  LOI  Firm  Conditional

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**LONG TERM/PERMANENT FINANCING**

**Source:** Bank One, N.A. **Contact:** Mahesh Aiyer  
**Principal Amount:** \$1,100,000 **Interest Rate:** Ten-year U.S. Treasury rate + 270 basis points, estimated & underwritten at 7.75%  
**Additional Information:** \_\_\_\_\_  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$94,566 **Lien Priority:** 1st **Commitment Date** 2/ 25/ 2003

**LIHTC SYNDICATION**

**Source:** Lend Lease Real Estate Investments **Contact:** Korbin Heiss  
**Address:** 101 Arch Street **City:** Boston  
**State:** MA **Zip:** 02110 **Phone:** (617) 772-0319 **Fax:** (617) 346-7861  
**Net Proceeds:** \$4,368,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢  
**Commitment**  LOI  Firm  Conditional **Date:** 2/ 24/ 2003  
**Additional Information:** The syndication amount appears to be derived from 100% rather than the 99.99% being acquired.

**APPLICANT EQUITY**

**Amount:** \$24,687 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

The Housing Trust Fund loan of \$140,000 is recommended to be structured as requested, with a 3% interest rate and a 30-year term and amortization schedule.

**LIHTC Syndication:** The LIHTC syndication commitment is generally consistent with the terms reflected in the sources and uses of funds listed in the application except for the slight difference in an acquisition percentage which results in a \$437 reduction in proceeds.

**Deferred Developer's Fees:** The Applicant's deferred developer's fees amount to 4% of the total eligible fee. The reduction in proceeds will be absorbed by deferred developer fees without changing the percentage deferred.

**Financing Conclusions:**

Since the Applicant's total development costs were within 5% of the Underwriter's estimate, the Applicant's adjusted development costs were used to determine an eligible basis of \$5,283,982, yielding a recommended tax credit allocation of \$572,889 per year. This amount, however, exceeds the gap-based allocation of \$563,222 and the Applicant's requested allocation of \$560,000, which will be used to determine the LIHTC allocation. The Housing Trust Fund loan of \$140,000 is recommended to be structured as requested, with a 3% interest rate and a 30-year term and amortization schedule. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased slightly to \$25,130, which represents approximately 4% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

The development remains feasible without the HTF loan, and the Applicant's requested LIHTC allocation remains the recommended amount. Based on the underwriting analysis, the Applicant's deferred developer fee without the HTF Loan would be increased by the amount of the HTF loan to \$165,130, which represents approximately 24% of the eligible fee and which should be repayable from cash flow within ten years.

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**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

Leslie Donaldson Holleman and Beverly Funderburgh are principals of the General Partner and the Developer. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- € The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- € The General Partner, DF Affordable Housing Partners, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$260, partners' capital of \$1,000, and retained earnings of (\$740).
- € The Developer, DFAHP Development, L.P., submitted an unaudited financial statement as of February 1, 2003 reporting total assets of \$457K and consisting of \$33K in cash, \$777K in receivables, and \$16K in other assets. Partners' capital totaled \$1K, resulting in net retained earnings of \$824K.
- € The principals of the General Partner and Developer, Leslie Donaldson Holleman and Beverly Funderburgh, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- € The Applicant is to be a new entity formed for the purpose of developing the project.
- € Leslie Donaldson Holleman and Beverly Funderburgh listed participation in two previous LIHTC and Housing Trust Fund housing developments totaling 104 units since 2001.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.

**Underwriter:**

*Jim Anderson*

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 9, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Cedar View Apartments, Mineral Wells, 9% LIHTC #03163**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr. Swr, Trsh
TC (30%)	5	1	1	748	\$234	\$188	\$940	\$0.25	\$45.62	\$34.76
TC (40%)	2	1	1	748	313	267	534	0.36	45.62	34.76
TC (50%)	4	1	1	748	391	345	1,380	0.46	45.62	34.76
TC (60%)	5	1	1	748	469	423	2,115	0.57	45.62	34.76
TC (30%)	4	2	1	949	281	221	884	0.23	59.35	37.72
TC (40%)	3	2	1	949	375	315	945	0.33	59.35	37.72
TC (50%)	5	2	1	949	468	408	2,040	0.43	59.35	37.72
TC (50%)	1	2	2	977	468	408	408	0.42	59.35	37.72
TC (60%)	15	2	2	977	562	502	7,530	0.51	59.35	37.72
TC (30%)	5	3	2	1,184	325	255	1,275	0.22	69.56	40.66
TC (40%)	2	3	2	1,184	433	363	726	0.31	69.56	40.66
TC (50%)	5	3	2	1,184	541	471	2,355	0.40	69.56	40.66
TC (60%)	16	3	2	1,184	650	580	9,280	0.49	69.56	40.66
<b>TOTAL:</b>	<b>72</b>		<b>AVERAGE:</b>	<b>1,002</b>	<b>\$483</b>	<b>\$422</b>	<b>\$30,412</b>	<b>\$0.42</b>	<b>\$60.27</b>	<b>\$38.21</b>

INCOME				Total Net Rentable Sq Ft: 72,140		TDHCA	APPLICANT	USS Region 3			
POTENTIAL GROSS RENT						\$364,944	\$364,944	IREM Region			
Secondary Income		Per Unit Per Month:	\$10.00			8,640	8,640	Per Unit Per Month			
Other Support Income:						0	0				
POTENTIAL GROSS INCOME						\$373,584	\$373,584				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(28,019)	(28,020)	-7.50% of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$345,565	\$345,564				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.10%	\$245	0.24		\$17,613	\$13,200	\$0.18	\$183	3.82%	
Management		5.00%	240	0.24		17,278	\$17,278	0.24	240	5.00%	
Payroll & Payroll Tax		15.94%	765	0.76		55,069	\$48,000	0.67	667	13.89%	
Repairs & Maintenance		7.90%	379	0.38		27,295	\$30,300	0.42	421	8.77%	
Utilities		3.84%	184	0.18		13,279	\$10,600	0.15	147	3.07%	
Water, Sewer, & Trash		7.62%	366	0.37		26,345	\$20,000	0.28	278	5.79%	
Property Insurance		4.59%	220	0.22		15,871	\$23,040	0.32	320	6.67%	
Property Tax	3.1	11.63%	558	0.56		40,176	\$41,796	0.58	581	12.10%	
Reserve for Replacements		4.17%	200	0.20		14,400	\$14,400	0.20	200	4.17%	
Other: spt svcs, compl fees, sec		1.94%	93	0.09		6,700	\$6,700	0.09	93	1.94%	
TOTAL EXPENSES				67.72%	\$3,250	\$3.24	\$234,025	\$225,314	\$3.12	\$3,129	65.20%
NET OPERATING INC				32.28%	\$1,549	\$1.55	\$111,540	\$120,250	\$1.67	\$1,670	34.80%
DEBT SERVICE											
Bank One		27.37%	\$1,313	\$1.31		\$94,566	\$94,566	\$1.31	\$1,313	27.37%	
Housing Trust Fund Loan		2.05%	\$98	\$0.10		7,083	7,083	\$0.10	\$98	2.05%	
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
NET CASH FLOW				2.86%	\$137	\$0.14	\$9,891	\$18,601	\$0.26	\$258	5.38%
AGGREGATE DEBT COVERAGE RATIO						1.10	1.18				
RECOMMENDED DEBT COVERAGE RATIO						1.10					

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldg)		2.01%	\$1,528	\$1.52		\$110,000	\$110,000	\$1.52	\$1,528	1.95%	
Off-Sites		0.00%	0	0.00		0	0	0.00	0	0.00%	
Sitework		8.07%	6,145	6.13		442,467	442,467	6.13	6,145	7.86%	
Direct Construction		54.06%	41,147	41.07		2,962,559	3,036,035	42.09	42,167	53.90%	
Contingency	5.00%	3.11%	2,365	2.36		170,251	200,570	2.78	2,786	3.56%	
General Req'ts	6.00%	3.73%	2,838	2.83		204,302	211,127	2.93	2,932	3.75%	
Contractor's G & A	2.00%	1.24%	946	0.94		68,101	70,376	0.98	977	1.25%	
Contractor's Profit	6.00%	3.73%	2,838	2.83		204,302	211,127	2.93	2,932	3.75%	
Indirect Construction		4.20%	3,199	3.19		230,350	230,350	3.19	3,199	4.09%	
Ineligible Costs		1.73%	1,315	1.31		94,709	109,618	1.52	1,522	1.95%	
Developer's G & A	2.00%	1.65%	1,252	1.25		90,147	92,571	1.28	1,286	1.64%	
Developer's Profit	13.00%	10.69%	8,138	8.12		585,953	601,711	8.34	8,357	10.68%	
Interim Financing		4.11%	3,125	3.12		225,000	225,000	3.12	3,125	3.99%	
Reserves		1.67%	1,274	1.27		91,741	91,741	1.27	1,274	1.63%	
TOTAL COST				100.00%	\$76,109	\$75.96	\$5,479,881	\$5,632,693	\$78.08	\$78,232	100.00%
Recap-Hard Construction Costs				73.94%	\$56,278	\$56.17	\$4,051,981	\$4,171,702	\$57.83	\$57,940	74.06%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Bank One	20.07%	\$15,278	\$15.25	\$1,100,000	\$1,100,000	\$1,100,000	Developer Fee Available
Housing Trust Fund Loan	2.55%	\$1,944	\$1.94	140,000	140,000	140,000	\$676,100
LIHTC Syndication Proceeds	79.71%	\$60,667	\$60.55	4,368,000	4,368,000	4,367,563	% of Dev. Fee Deferred
Deferred Developer Fees	0.45%	\$343	\$0.34	24,687	24,687	25,130	4%
Additional (excess) Funds Required	-2.79%	(\$2,122)	(\$2.12)	(152,806)	6	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,479,881	\$5,632,693	\$5,632,693	\$236,307.15



**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Cedar View Apartments, Mineral Wells, 9% LIHTC #03163*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.61	\$3,074,232
<b>Adjustments</b>				
Exterior Wall Finish	6.32%		\$2.69	\$194,291
9-Ft. Ceilings	3.76%		1.60	115,591
Roofing			0.00	0
Subfloor			(2.02)	(145,723)
Floor Cover			1.92	138,509
Porches/Balconies	\$15.97	6,328	1.40	101,058
Plumbing	\$615	132	1.13	81,180
Built-in Appliances	\$1,625	72	1.62	117,000
Fireplaces	\$2,200	1	0.03	2,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	106,046
Carports	\$7.83	3,240	0.35	25,369
Comm &/or Aux Bldgs	\$61.77	2,359	2.02	145,711
Other:			0.00	0
<b>SUBTOTAL</b>			54.83	3,955,465
Current Cost Multiplier	1.03		1.64	118,664
Local Multiplier	0.90		(5.48)	(395,546)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			\$50.99	\$3,678,582
Plans, specs, survy, bld prgm	3.90%		(\$1.99)	(\$143,465)
Interim Construction Interest	3.38%		(1.72)	(124,152)
Contractor's OH & Profit	11.50%		(5.86)	(423,037)
<b>NET DIRECT CONSTRUCTION COSTS</b>			\$41.42	\$2,987,928

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,100,000	Term	360
Int Rate	7.75%	DCR	1.18

<b>Secondary</b>	\$140,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.10

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.10

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$94,566
Secondary Debt Service	7,083
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$9,891</b>

<b>Primary</b>	\$1,100,000	Term	360
Int Rate	7.75%	DCR	1.18

<b>Secondary</b>	\$140,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

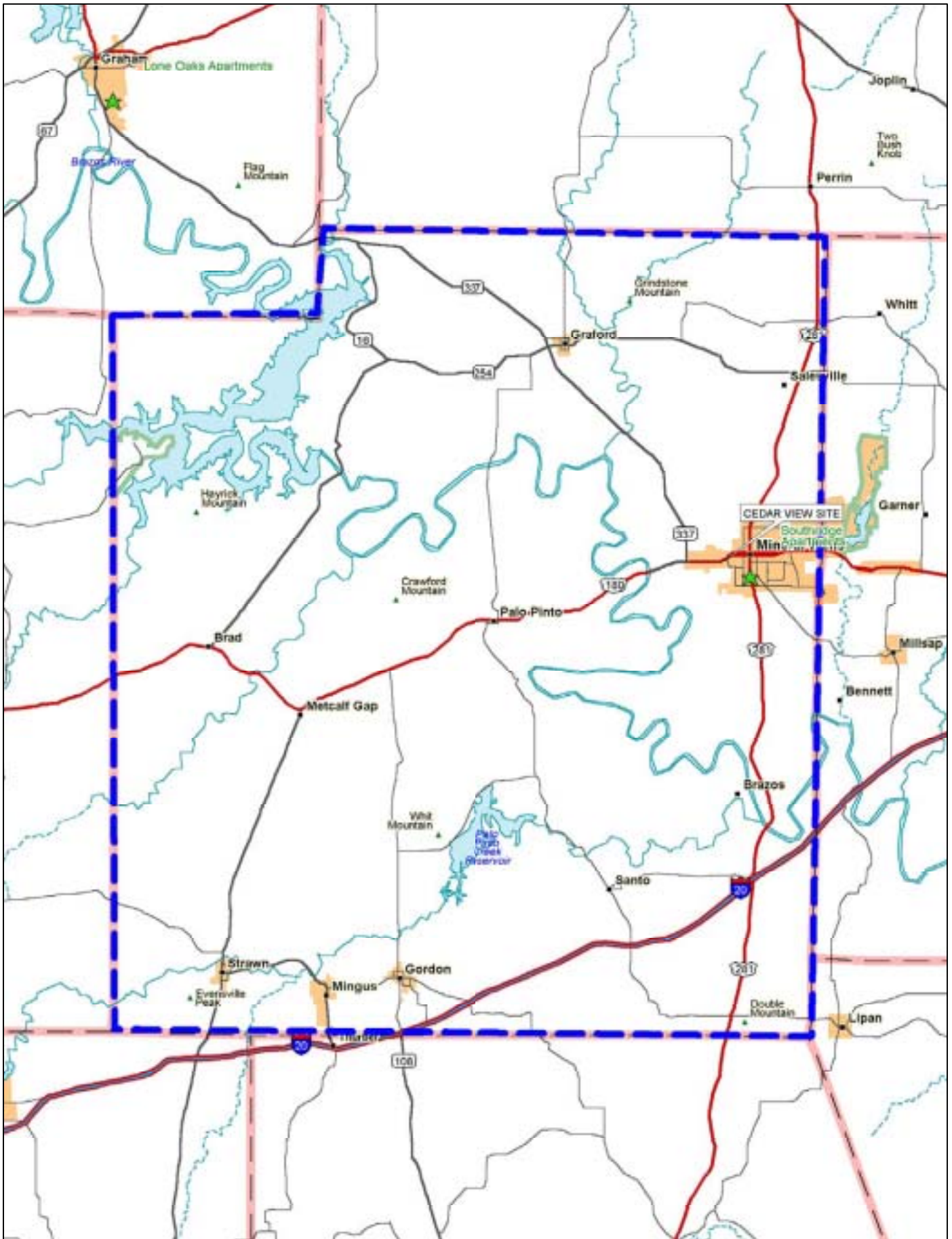
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$364,944	\$375,892	\$387,169	\$398,784	\$410,748	\$476,169	\$552,011	\$639,932	\$860,014
Secondary Income	8,640	8,899	9,166	9,441	9,724	11,273	13,069	15,150	20,361
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>373,584</b>	<b>384,792</b>	<b>396,335</b>	<b>408,225</b>	<b>420,472</b>	<b>487,442</b>	<b>565,079</b>	<b>655,082</b>	<b>880,375</b>
Vacancy & Collection Loss	(28,019)	(28,859)	(29,725)	(30,617)	(31,535)	(36,558)	(42,381)	(49,131)	(66,028)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$345,565</b>	<b>\$355,932</b>	<b>\$366,610</b>	<b>\$377,608</b>	<b>\$388,937</b>	<b>\$450,884</b>	<b>\$522,698</b>	<b>\$605,951</b>	<b>\$814,347</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$17,613	\$18,318	\$19,050	\$19,812	\$20,605	\$25,069	\$30,500	\$37,108	\$54,929
Management	17,278	17,797	18,331	18,880	19,447	22,544	26,135	30,298	40,717
Payroll & Payroll Tax	55,069	57,271	59,562	61,945	64,422	78,380	95,361	116,021	171,740
Repairs & Maintenance	27,295	28,387	29,522	30,703	31,931	38,849	47,266	57,506	85,123
Utilities	13,279	13,810	14,362	14,937	15,534	18,900	22,994	27,976	41,411
Water, Sewer & Trash	26,345	27,398	28,494	29,634	30,820	37,497	45,620	55,504	82,160
Insurance	15,871	16,506	17,166	17,852	18,567	22,589	27,483	33,437	49,495
Property Tax	40,176	41,783	43,454	45,193	47,000	57,183	69,572	84,645	125,295
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	6,700	6,968	7,247	7,537	7,838	9,536	11,602	14,116	20,895
<b>TOTAL EXPENSES</b>	<b>\$234,025</b>	<b>\$243,213</b>	<b>\$252,764</b>	<b>\$262,691</b>	<b>\$273,010</b>	<b>\$331,042</b>	<b>\$401,470</b>	<b>\$486,950</b>	<b>\$716,675</b>
<b>NET OPERATING INCOME</b>	<b>\$111,540</b>	<b>\$112,719</b>	<b>\$113,846</b>	<b>\$114,917</b>	<b>\$115,927</b>	<b>\$119,842</b>	<b>\$121,228</b>	<b>\$119,001</b>	<b>\$97,672</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$94,566	\$94,566	\$94,566	\$94,566	\$94,566	\$94,566	\$94,566	\$94,566	\$94,566
Second Lien	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$9,891</b>	<b>\$11,070</b>	<b>\$12,197</b>	<b>\$13,268</b>	<b>\$14,278</b>	<b>\$18,193</b>	<b>\$19,579</b>	<b>\$17,351</b>	<b>(\$3,977)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.11</b>	<b>1.12</b>	<b>1.13</b>	<b>1.14</b>	<b>1.18</b>	<b>1.19</b>	<b>1.17</b>	<b>0.96</b>

**LIHTC Allocation Calculation - Cedar View Apartments, Mineral Wells, 9% LIHTC #03163**

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	\$110,000	\$110,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$442,467	\$442,467	\$442,467	\$442,467
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,036,035	\$2,962,559	\$3,036,035	\$2,962,559
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$70,376	\$68,101	\$69,570	\$68,101
Contractor profit	\$211,127	\$204,302	\$208,710	\$204,302
General requirements	\$211,127	\$204,302	\$208,710	\$204,302
<b>(5) Contingencies</b>				
	\$200,570	\$170,251	\$173,925	\$170,251
<b>(6) Eligible Indirect Fees</b>				
	\$230,350	\$230,350	\$230,350	\$230,350
<b>(7) Eligible Financing Fees</b>				
	\$225,000	\$225,000	\$225,000	\$225,000
<b>(8) All Ineligible Costs</b>				
	\$109,618	\$94,709		
<b>(9) Developer Fees</b>				
			\$689,215	
Developer overhead	\$92,571	\$90,147		\$90,147
Developer fee	\$601,711	\$585,953		\$585,953
<b>(10) Development Reserves</b>				
	\$91,741	\$91,741		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,632,693</b>	<b>\$5,479,881</b>	<b>\$5,283,982</b>	<b>\$5,183,431</b>

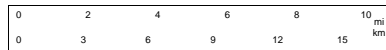
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$5,283,982	\$5,183,431
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$6,869,177	\$6,738,460
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$6,869,177	\$6,738,460
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$572,889	\$561,988

Syndication Proceeds	0.7799	\$4,468,090	\$4,383,065
<b>Total Credits (Eligible Basis Method)</b>		<b>\$572,889</b>	<b>\$561,988</b>
Syndication Proceeds		\$4,468,090	\$4,383,065
Requested Credits		\$560,000	
Syndication Proceeds		\$4,367,563	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,392,693</b>	
Credit Amount		\$563,222	



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 Zoom Level: 9-2 Datum: WGS84

Scale 1 : 350 000  
 1" = 6.2 mi



**TDHCA #**

**03818**

**Region 3**

**Non-Profit  
Set-Aside**



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

Development Name: **Estates of Bridgeport**

TDHCA #: **03818**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 Site Address: 317 Cuba Rd.  
 City: Bridgeport County: Wise Zip Code: 76426  
**Targeted Units:** Family: 0 Elderly: 10 Handicapped/Disabled: 2 Total Special Needs\*: 10  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Affordable Housing of Parker County, Inc.

Principal Names	Principal Contact	Percentage Ownership
Affordable Housing of Parker County, Inc.	Al Swan	100% of MGP

**Legal Form of Applicant:** Non-Profit Corporation

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$477,998**  
 HTF Loan Amount Requested by Applicant: **\$477,998** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	6	0	0	0	6
40%	0	0	0	0	0	0
50%	0	0	0	0	0	0
60%	0	4	0	0	0	4
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	10	0	0	0	10
Total LI Units:	10					
Owner/Employee Units:	0					
Total Development Units:	10					

**BUILDING INFORMATION**

Total Development Cost:	\$477,998
Gross Building Square Feet:	7,850
Total Net Rentable Area Square Feet:	7,850
Average Square Feet/Unit:	785

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$41,936
Total Expenses:	\$25,732
Net Operating Income:	\$16,204
Estimated 1st Year Debt Coverage Ratio:	1.30

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$477,998  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0%  
 TDHCA Lien Position: 1st  
 Other Funding Sources and Lien: HTF, \$104,142, 5 year term, NA

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Affordable Housing of Parker County	Market Analyst:	Jerry Watson
Housing GC:	Affordable Housing of Parker County	Originator/UW:	NA
Engineer:	Barnett Engineering	Appraiser:	Jerry Watson
Cost Estimator:	Al Sisk	Attorney:	Ed Zellers
Architect:	L.P. Carter	Accountant:	Charles Paul
Property Manager:	Affordable Housing of Parker County, Inc.	Supp Services:	NA
Syndicator:	NA	Permanent Lender:	TDHCA

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 127 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

The \$104,142 term note should be restructured at its maturity to determine the development's capacity for repayment based upon historical performance.

**Alternate Recommendation:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed to meet 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 Award Amount:       Date of Determination:

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

# Developer Evaluation

Project ID # **03818**

Name: **Estate of Bridgeport**

City: **Bridgeport**

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: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 3

### 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, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Wednesday, July 23, 2003

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

DATE: July 20, 2003

PROGRAM: HTF

FILE NUMBER: 03818

**DEVELOPMENT NAME**

Estates of Bridgeport

**APPLICANT**

**Name:** Affordable Housing of Parker County, Inc. **Type:** Non-Profit  
**Address:** 101 Swan Court **City:** Springtown **State:** TX  
**Zip:** 76082 **Contact:** Al Swan **Phone:** (817) 220-5585 **Fax:** (817) 220-7012

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Affordable Housing of Parker County, Inc **Title:** Managing General Partner  
**Name:** Hunter & Hunter Consultants, Inc. **Title:** Consultant

**PROPERTY LOCATION**

**Location:** 317 Cuba Road  **QCT**  **DDA**  
**City:** Bridgeport **County:** Wise **Zip:** 76426

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$286,799	N/A	N/A	N/A
2) \$191,199	0%	30 yrs	30 yrs

**Other Requested Terms:** a) 60% of the financing to be a forgivable loan  
b) 40% of the financing to be 30 yrs at 0% interest as a repayable loan

**Proposed Use of Funds:** New Construction **Property Type:** Single Family Duplex

**RECOMMENDATION**

RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$477,998, STRUCTURED AS TWO LOANS: A 30-YEAR TERM FULLY AMORTIZING LOAN AT ZERO PERCENT INTEREST IN THE AMOUNT OF \$373,856; AND A FIVE YEAR TERM LOAN AT ZERO PERCENT INTEREST IN THE AMOUNT OF \$104,142, SUBJECT TO CONDITIONS.

**CONDITIONS**

- The \$104,142 term note should be restructured at its maturity to determine the development's capacity for repayment based upon historical performance.



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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports. The development has a companion proposal for HOME to fund an additional phase (also 10 units) immediately adjacent to this site.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 10    **# Rental Buildings:** 5    **# Common Area Bldgs:** 0    **# of Floors:** 1    **Age:** N/A yrs  
**Net Rentable SF:** 7,850    **Av Un SF:** 785    **Common Area SF:** 0    **Gross Bldg SF:** 7,850

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 100% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

**Uncovered Parking:** 20 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Estates of Bridgeport is a moderately dense duplex development with 10 units per acre located in east Bridgeport and targeted toward seniors. The development is comprised of five evenly distributed single story structures as follows:

- (5) Duplexes with two one-bedroom/ one-bath units;

**Supportive Services:** A letter of support has been issued from the Wise County Committee on Aging as well as the Good News Block Nurse Organization has agreed to assist the Corporation's elderly tenants and provide the following services: transportation, meals on wheels, senior center activities, nurse assistants, pharmacy services, housekeeping assistance, lifeline phone service, readily accessible emergency services, section 8 rental assistance for affordable housing, and on-site advocacy services addressing social security, rental assistance and other issues.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 1.0 acres    43,560 square feet    **Zoning/ Permitted Uses:** Unincorporated Land with no zoning  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Bridgeport is located in the western part of Wise County in north central Texas, approximately 50 miles northwest from Fort Worth. The site is an irregularly-shaped parcel located in the far eastern area of Bridgeport. The site is situated on the north side of Cuba Road.

**Adjacent Land Uses:**

- **North:** new high school
- **South:** residential developments
- **East:** vacant land
- **West:** residential developments

**Site Access:** Access to the property is from the east or west along Cuba Road. The development is to have

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

one main entry from the south. Access to highways 380 and 114 provide access to all other major roads serving the Bridgeport area.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site has immediate access to shopping, churches and medical facilities.

**Special Adverse Site Characteristics:**

- **Zoning:** The property is located adjacent to the City of Bridgeport city limits. As the property is currently in the county and not the city, there is no zoning on the property. After or during construction, the property will be voluntarily annexed into the city of Bridgeport. At that time a zoning request will be made to conform to the development's then existing multi-family duplex use.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 7, 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 March 24,, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings and recommendations:

**Findings:** Based on the results of this reconnaissance, we believe that significant surface or subsurface contamination on the subject property is unlikely. A level II survey to further examine this area for contamination is not warranted.

**POPULATIONS TARGETED**

**Income Set-Aside:** AHPC will agree to maintain the rent and income restrictions on the property for an additional 25 years past the 30-year amortization period. All ten of the units (100% of the total) will be reserved for low-income/elderly tenants. Six of the units (60%) will be reserved for households earning 30% or less of AMGI, four units (40%) 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>	\$22,140	\$25,320	\$28,440	\$31,620	\$34,140	\$36,660

**MARKET HIGHLIGHTS**

A limited market feasibility study dated February 24, 2003 was prepared by Jerry Watson and highlighted the following findings:

**Definition of Market Area:** The city of Bridgeport was used to define the market area.

**Population:** The estimated 1990 population of Bridgeport was 3,581 and to increased by 20% to approximately 4,309 by 2000.

**Total Local Demand for Elderly Rental Units:** "There are no senior citizen facilities in Bridgeport. The nearest city with rental housing specifically designed for the elderly is Springtown which is approximately 18 miles away."

**Local Housing Authority Waiting List Information:** "For the past twenty years, the Springtown Spring Garden Apartments waiting list has averaged between 20 and 55 elderly applicants. The current number of persons on the waiting list is 54."

**Market Rent Comparables:** The Market Analyst states that there is a limited supply of these units available; therefore, market comparables are limited.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$254	\$254	\$0	\$500	-\$246
<b>1-Bedroom (60%)</b>	\$551	\$551	\$0	\$500	+\$51

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

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

**Submarket Occupancy Rates:** “When Springtown Spring Garden Apartments Phase II and Phase III opened, the apartments leased out in one day each and the properties have been fully occupied since.”

**Other Relevant Information:** “Based on the owner’s previous twenty plus years of records, few, if any vacancies are expected to occur. In fact, none of the owner’s properties have had any vacancy or collection loss since 1978.”

The Underwriter found the market study to be limited in narratives, but provided sufficient information to make a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Applicant’s intention to charge maximum program rents and the Market Analyst’s confirmation that the maximum program rents can be achieved, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$8.7K in potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$2,419 per unit is within 6% of a TDHCA database-derived estimate of \$2,573 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, that deviate significantly when compared to the database averages, particularly payroll (\$6.9K lower), management fee (\$3K lower) repairs and maintenance (\$2K lower), utilities (\$1K lower), water, sewer, and trash (\$2.7K higher) and property insurance (\$2.6K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further with the additional information provided by the Applicant.

**Conclusion:** The Applicant’s estimated income and total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in income and total estimated operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 2.54 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$6,089 annually.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

**Total Development: “as completed”** \$524,000 **Date of Valuation:** 2/ 23/ 2003  
**Appraiser:** Jerry Watson **City:** Decatur **Phone:** (940) 627-6630

**ASSESSED VALUE**

**Land: (6.0) acres** \$30,500 **Assessment for the Year of:** 2003  
**1 acre:** \$5,083 **Valuation by:** Wise County Appraisal District  
**Tax Rate:** 2.42842

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract  
**Contract Expiration Date:** 7/ 31/ 2003 **Anticipated Closing Date:** 7/ 31/ 2003  
**Acquisition Cost:** \$59,000 **Other Terms/Conditions:** Earnest Money \$1,000  
**Seller:** John M. Willoughby **Related to Development Team Member:** No  
**Additional Information:** Contract price covers a total of 6 acres, but only one acre will be used for this development the remaining five acres will be used for future development

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

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The overall acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction though the Applicant is purchasing a total of 6.0 acres for \$59,000 and will only be developing 1 acre of this acreage for this development. Due to the fact that the one acre being developed is all frontage land with Cuba Road the acquisition cost of \$21,500 estimated by the Applicant, is not unreasonable. Moreover, even if a prorata amount was used the Applicant's overall costs are still less than the Underwriter's costs. Also, the Applicant has requested a minimal 5.5% or \$23.5K developer fee. Thus, the additional land acquisition cost could be allowed as developer fee without additional documentation.

**Off-Site Costs:** The Applicant claimed off-site costs of \$7,500 for storm drains, water and fire hydrant, and off site utilities and provided sufficient third party certification through a registered engineer to justify these costs.

**Sitework Cost:** The Applicant's claimed sitework costs of \$3,310 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$17.3K or 4.9% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate using the fair quality costs. This is lower than the typical standard for multifamily construction funded by the Department due to the proposed development's simple design and limited ornamentation. In addition, the Director of the Application also operates the general contractor and has experience with the Department in developing similar styled units in the area at lower than Marshall and Swift average costs.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

<b>Source:</b> North Star Bank of Texas	<b>Contact:</b> Lee Shanklin
<b>Principal Amount:</b> \$400,000	<b>Interest Rate:</b> 7.0%
<b>Amortization:</b> N/A yrs	<b>Term:</b> _____ yrs
<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The HTF funds will replace the interim funds and fund contractor and developer fees, housing consultant fees and indirect costs initially funded by the developer. Based upon the additional debt service capacity resulting from the higher achievable 2003 rents, an increase in the repayable debt to \$373,856 could be achieved and still yield a 1.30 DCR.

**Financing Conclusions:** The development can support an increase in the repayable portion of debt to \$373,856 and still provide a 1.30 debt coverage ratio (DCR). The remaining \$104,142 funds requested should be structured as a five-year term loan at zero percent interest. This portion of the debt should be restructured at maturity based upon the operating performance history of the development at that time.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor and Property Manager firms are all related entities or have related principals. These are common relationships for rural multifamily developments.

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

**Financial Highlights:**

- The Applicant, Affordable Housing of Parker County, Inc., submitted an unaudited financial statement as of October 31, 2002 reporting total assets of \$1.4M and consisting of \$92K in cash, \$7K in receivables, and \$1.3M in property, plant and equipment. Liabilities totaled \$1.3M, resulting in a net worth of \$57K.

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

**Background & Experience:**

- The General Partner Affordable Housing of Parker County, Inc. formerly known as Springtown Spring Garden Apartments, Inc. has completed three affordable housing developments totaling 53 units since 2001. The entity converted from a for profit to a non-profit community housing development organization in order to better fulfill its organizational mission.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Underwriter's direct construction costs are based upon *Marshall and Swift's* fair quality costs.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** July 20, 2003  
\_\_\_\_\_

**Director of Real Estate Analysis:**

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

**Date:** July 20, 2003  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Estates of Bridgeport, Bridgeport, HTF #03818**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
HTF (30%)	6	1	1	785	\$296	\$254	\$1,524	\$0.32	\$42.00	\$39.00
HTF (60%)	4	1	1	785	593	551	2,204	0.70	42.00	39.00
<b>TOTAL:</b>	<b>10</b>		<b>AVERAGE:</b>	<b>785</b>	<b>\$415</b>	<b>\$373</b>	<b>\$3,728</b>	<b>\$0.47</b>	<b>\$42.00</b>	<b>\$39.00</b>

<b>INCOME</b>				Total Net Rentable Sq Ft:	7,850	<b>TDHCA</b>		<b>APPLICANT</b>		USS Region	3
<b>POTENTIAL GROSS RENT</b>						\$44,736	\$36,048			IREM Region	
Secondary Income		Per Unit Per Month:	\$5.00			600	0	\$0.00		Per Unit Per Month	
Other Support Income: (describe)						0					
<b>POTENTIAL GROSS INCOME</b>						\$45,336	\$36,048				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(3,400)	(2,700)	-7.49%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0					
<b>EFFECTIVE GROSS INCOME</b>						\$41,936	\$33,348				
<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			2.77%	\$116	0.15	\$1,161	\$1,250	\$0.16	\$125	3.75%	
Management			12.58%	527	0.67	5,274	\$2,223	0.28	222	6.67%	
Payroll & Payroll Tax			17.68%	741	0.94	7,413	\$500	0.06	50	1.50%	
Repairs & Maintenance			7.95%	333	0.42	3,335	\$5,640	0.72	564	16.91%	
Utilities			3.06%	129	0.16	1,285	\$300	0.04	30	0.90%	
Water, Sewer, & Trash			5.01%	210	0.27	2,101	\$4,800	0.61	480	14.39%	
Property Insurance			4.68%	196	0.25	1,963	\$4,528	0.58	453	13.58%	
Property Tax	2.03892		0.00%	0	0.00	0	\$0	0.00	0	0.00%	
Reserve for Replacements			4.77%	200	0.25	2,000	\$3,750	0.48	375	11.25%	
Other Expenses: Security			2.86%	120	0.15	1,200	\$1,200	0.15	120	3.60%	
<b>TOTAL EXPENSES</b>			<b>61.36%</b>	<b>\$2,573</b>	<b>\$3.28</b>	<b>\$25,732</b>	<b>\$24,191</b>	<b>\$3.08</b>	<b>\$2,419</b>	<b>72.54%</b>	
<b>NET OPERATING INC</b>			<b>38.64%</b>	<b>\$1,620</b>	<b>\$2.06</b>	<b>\$16,204</b>	<b>\$9,157</b>	<b>\$1.17</b>	<b>\$916</b>	<b>27.46%</b>	
<b>DEBT SERVICE</b>											
TDHCA-HTF/Term			0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%	
TDHCA-HTF/Amortized			15.20%	\$637	\$0.81	6,373	6,373	\$0.81	\$637	19.11%	
TDHCA-HTF/Amortized			0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>			<b>23.44%</b>	<b>\$983</b>	<b>\$1.25</b>	<b>\$9,831</b>	<b>\$2,784</b>	<b>\$0.35</b>	<b>\$278</b>	<b>8.35%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>						2.54	1.44				
<b>RECOMMENDED DEBT COVERAGE RATIO</b>						1.30					

<b>CONSTRUCTION COST</b>					<b>TDHCA</b>		<b>APPLICANT</b>		<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldg)		2.33%	\$1,133	\$1.44	\$11,333	\$21,500	\$2.74	\$2,150	4.50%		
Off-Sites		1.54%	750	0.96	7,500	7,500	0.96	750	1.57%		
Sitework		6.80%	3,310	4.22	33,100	33,100	4.22	3,310	6.92%		
Direct Construction		73.16%	35,615	45.37	356,151	338,836	43.16	33,884	70.89%		
Contingency	2.78%	2.22%	1,081	1.38	10,808	10,808	1.38	1,081	2.26%		
General Req'ts	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%		
Contractor's G & A	2.00%	1.60%	779	0.99	7,785	9,003	1.15	900	1.88%		
Contractor's Profit	2.57%	2.05%	1,000	1.27	10,000	10,000	1.27	1,000	2.09%		
Indirect Construction		3.37%	1,639	2.09	16,391	16,391	2.09	1,639	3.43%		
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%		
Developer's G & A	5.36%	4.83%	2,350	2.99	23,500	23,500	2.99	2,350	4.92%		
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%		
Interim Financing		0.90%	436	0.56	4,360	4,360	0.56	436	0.91%		
Reserves		1.21%	591	0.75	5,908	3,000	0.38	300	0.63%		
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$48,684</b>	<b>\$62.02</b>	<b>\$486,836</b>	<b>\$477,998</b>	<b>\$60.89</b>	<b>\$47,800</b>	<b>100.00%</b>		
<b>Recap-Hard Construction Costs</b>		<b>85.83%</b>	<b>\$41,784</b>	<b>\$53.23</b>	<b>\$417,844</b>	<b>\$401,747</b>	<b>\$51.18</b>	<b>\$40,175</b>	<b>84.05%</b>		

<b>SOURCES OF FUNDS</b>				<b>TDHCA</b>		<b>APPLICANT</b>		<b>RECOMMENDED</b>	
TDHCA-HTF/Term	58.91%	\$28,680	\$36.53	\$286,799	\$286,799	\$104,142		Developer Fee Available	\$0
TDHCA-HTF/Amortized	39.27%	\$19,120	\$24.36	191,199	191,199	373,856		% of Dev. Fee Deferred	0
		\$0	\$0.00	0	0	0		#DIV/0!	0
		\$0	\$0.00	0	0	0		15-Yr Cumulative Cash Flow	\$83,897.89
Additional (excess) Funds Required	1.82%	\$884	\$1.13	8,838	0	0			
<b>TOTAL SOURCES</b>				<b>\$486,836</b>	<b>\$477,998</b>	<b>\$477,998</b>			

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Estates of Bridgeport, Bridgeport, HTF #03818*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Fair Quality Duplex Basis

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.46	\$364,711
<b>Adjustments</b>				
Exterior Wall Finish	7.00%		\$3.25	\$25,530
Elderly	5.00%		2.32	18,236
Roofing			0.00	0
Subfloor			2.23	17,506
Floor Cover			2.43	19,076
Porches/Balconies	\$19.43	240	0.59	4,663
Plumbing	\$700	(20)	(1.78)	(14,000)
Built-In Appliances	\$2,100	10	2.68	21,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.88	14,758
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
<b>SUBTOTAL</b>			60.06	471,479
Current Cost Multiplier	1.03		1.80	14,144
Local Multiplier	0.90		(6.01)	(47,148)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			\$55.86	\$438,475
Plans, specs, survy, bld prm	3.90%		(\$2.18)	(\$17,101)
Interim Construction Interes	3.38%		(1.89)	(14,799)
Contractor's OH & Profit	11.50%		(6.42)	(50,425)
<b>NET DIRECT CONSTRUCTION COSTS</b>			\$45.37	\$356,151

<b>Primary</b>	\$286,799	Term	0
Int Rate	0.00%	DCR	#DIV/0!

<b>Secondary</b>	\$191,199	Term	360
Int Rate	0.00%	Subtotal DCR	2.54

<b>Additional</b>	\$0	Term	
Int Rate		Aggregate DCR	2.54

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$0
Secondary Debt Service	12,462
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$3,742</b>

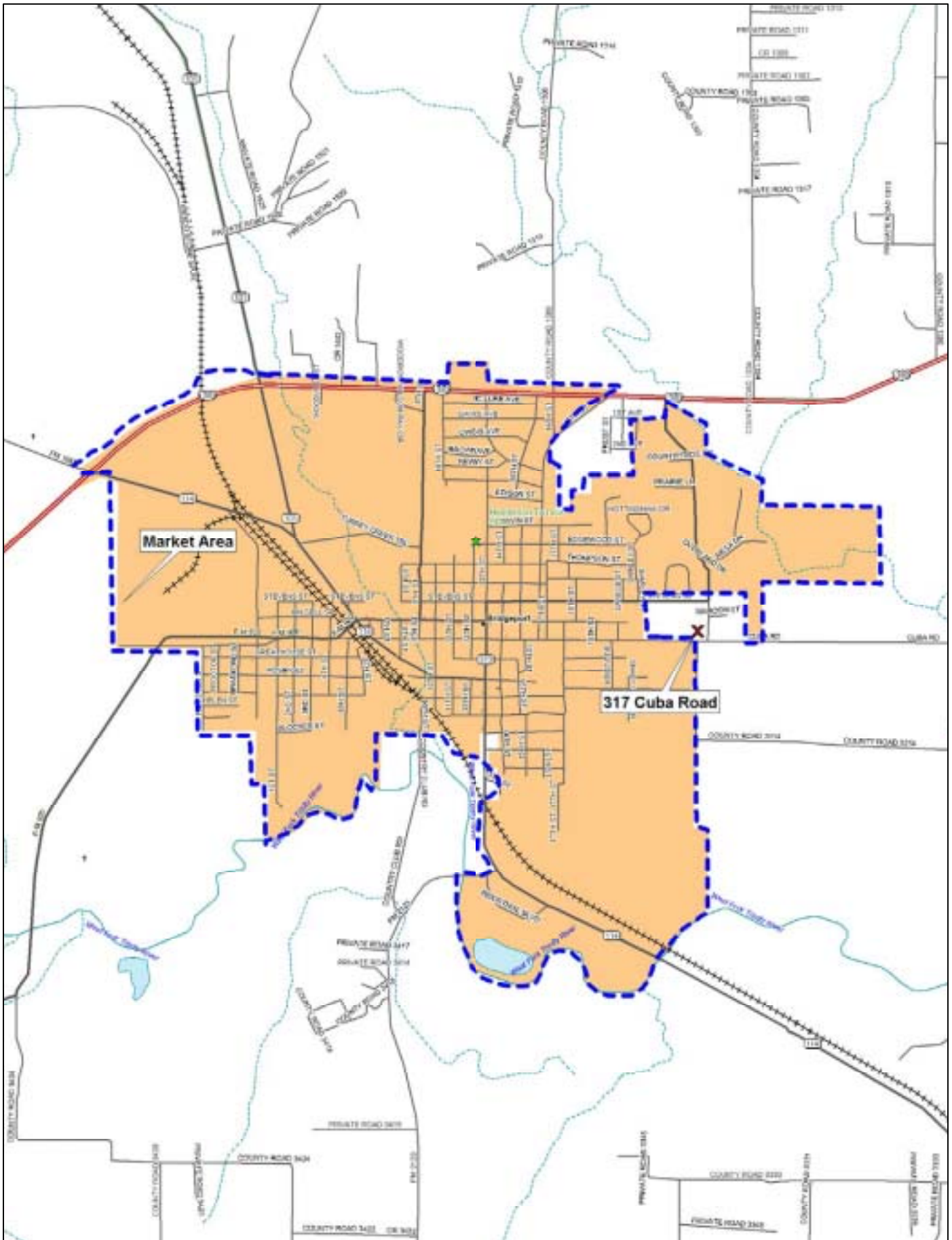
<b>Primary</b>	\$104,142	Term	0
Int Rate	0.00%	DCR	#DIV/0!

<b>Secondary</b>	\$373,856	Term	360
Int Rate	0.00%	Subtotal DCR	1.30

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

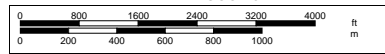
**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME at 3.00%</b>									
POTENTIAL GROSS RENT	\$44,736	\$46,078	\$47,460	\$48,884	\$50,351	\$58,370	\$67,667	\$78,445	\$105,423
Secondary Income	600	618	637	656	675	783	908	1,052	1,414
Other Support Income: (descri	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>45,336</b>	<b>46,696</b>	<b>48,097</b>	<b>49,540</b>	<b>51,026</b>	<b>59,153</b>	<b>68,575</b>	<b>79,497</b>	<b>106,837</b>
Vacancy & Collection Loss	(3,400)	(3,502)	(3,607)	(3,715)	(3,827)	(4,436)	(5,143)	(5,962)	(8,013)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$41,936</b>	<b>\$43,194</b>	<b>\$44,490</b>	<b>\$45,824</b>	<b>\$47,199</b>	<b>\$54,717</b>	<b>\$63,432</b>	<b>\$73,535</b>	<b>\$98,824</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$1,161	\$1,207	\$1,255	\$1,306	\$1,358	\$1,652	\$2,010	\$2,445	\$3,620
Management	5,274	5,432	5,595	5,763	5,936	6,881	7,977	9,248	12,428
Payroll & Payroll Tax	7,413	7,710	8,018	8,339	8,673	10,552	12,838	15,619	23,120
Repairs & Maintenance	3,335	3,468	3,607	3,751	3,901	4,746	5,774	7,025	10,399
Utilities	1,285	1,337	1,390	1,446	1,504	1,829	2,226	2,708	4,008
Water, Sewer & Trash	2,101	2,185	2,273	2,364	2,458	2,991	3,639	4,427	6,553
Insurance	1,963	2,041	2,123	2,208	2,296	2,793	3,398	4,135	6,120
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	2,000	2,080	2,163	2,250	2,340	2,847	3,463	4,214	6,237
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
<b>TOTAL EXPENSES</b>	<b>\$25,732</b>	<b>\$26,708</b>	<b>\$27,722</b>	<b>\$28,775</b>	<b>\$29,868</b>	<b>\$35,999</b>	<b>\$43,403</b>	<b>\$52,349</b>	<b>\$76,228</b>
<b>NET OPERATING INCOME</b>	<b>\$16,204</b>	<b>\$16,486</b>	<b>\$16,768</b>	<b>\$17,049</b>	<b>\$17,331</b>	<b>\$18,718</b>	<b>\$20,028</b>	<b>\$21,186</b>	<b>\$22,596</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Second Lien	12,462	12,462	12,462	12,462	12,462	12,462	12,462	12,462	12,462
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$3,742</b>	<b>\$4,024</b>	<b>\$4,306</b>	<b>\$4,588</b>	<b>\$4,869</b>	<b>\$6,256</b>	<b>\$7,567</b>	<b>\$8,724</b>	<b>\$10,134</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.32</b>	<b>1.35</b>	<b>1.37</b>	<b>1.39</b>	<b>1.50</b>	<b>1.61</b>	<b>1.70</b>	<b>1.81</b>



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Scale 1 : 31 250  
 1" = 2600 ft





**TDHCA #**

**03804**

**Region 4**



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

Development Name: **Churchill at Longview**

TDHCA #: **03804**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 4 Site Address: 1500 Block E. Whaley  
 City: Longview County: Gregg Zip Code: 75601  
**Targeted Units:** Family: 160 Elderly: 0 Handicapped/Disabled: 12 Total Special Needs\*: 16  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Churchill at Longview, L.P.

Principal Names	Principal Contact	Percentage Ownership
LCBHGP, LLC	Betts Hoover	50% of MGP
Life Net Community Behavioral Healthcare	Betts Hoover	100% of MGP
Churchill Residential, Inc	Brad Forslund	50% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$350,000**  
 HTF Loan Amount Requested by Applicant: **\$350,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	8	6	18	0	32
40%	0	4	3	9	0	16
50%	0	18	3	11	0	32
60%	0	26	12	42	0	80
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	56	24	80	0	
Total LI Units:						160
Owner/Employee Units:						0
Total Development Units:						160

**BUILDING INFORMATION**

Total Development Cost:	\$12,435,000
Gross Building Square Feet:	156,904
Total Net Rentable Area Square Feet:	153,680
Average Square Feet/Unit:	961

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$846,268
Total Expenses:	\$558,004
Net Operating Income:	\$288,264
Estimated 1st Year Debt Coverage Ratio:	1.30

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$350,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 6%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$400,000, City of Longview CDBG, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Churchill Residential, L.P.	Market Analyst:	Ipser and Associates, Inc.
Housing GC:	ICI Construction	Originator/UW:	NA
Engineer:	Freese and Nichols	Appraiser:	NA
Cost Estimator:	ICI Construction	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	HLR Architects	Accountant:	Novogradac & Company, LLC
Property Manager:	Alpha Barnes Real Estate Services	Supp Services:	Texas Inter-Faith Management Co.
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender:	JP Morgan Chase

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 117 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$271,214, or any combination of additional debt plus initial deferred developer fee totaling the same amount.

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:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.

\_\_\_\_\_  
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 Award Amount:       Date of Determination:

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

# Developer Evaluation

Project ID # **03100/03804** Name: **Churchill @ Longview Apts.** City: **Longview**

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: 3

## 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 iday, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 9, 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03100  
HTF      03804

**DEVELOPMENT NAME**  
Churchill at Longview

**APPLICANT**

**Name:** Churchill at Longview, L.P.      **Type:** For Profit  
**Address:** 2811 McKinney Avenue, Suite 354, LB101      **City:** Dallas      **State:** TX  
**Zip:** 75204      **Contact:** Betts Hoover      **Phone:** (214) 720-0430      **Fax:** (214) 720-0434

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** LCBH GP, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Churchill Residential, Inc.      **(%):** 0.01      **Title:** Co-General Partner  
**Name:** LifeNet Community Behavioral Healthcare      **Title:** 100% Owner of LCBH GP  
**Name:** Brad Forslund      **Title:** 50% Owner of Churchill Residential, Inc.  
**Name:** Tony Sisk      **Title:** 50% Owner of Churchill Residential, Inc.

**PROPERTY LOCATION**

**Location:** 1500 Block of East Whaley       **QCT**       **DDA**  
**City:** Longview      **County:** Gregg      **Zip:** 75601

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,150,000	N/A	N/A	N/A
2) \$350,000	1%	30 yrs	30 yrs

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

**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 \$1,150,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$350,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 6.0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

- Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$271,214, or any combination of additional debt plus initial deferred developer fee totaling the same amount.
- 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.

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**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 160    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 153,680    **Av Un SF:** 961    **Common Area SF:** 3,224    **Gross Bldg SF:** 156,904

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% masonry brick veneer 25% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters and high speed internet access.

**ON-SITE AMENITIES**

A 3,224 SF community building with activity room, management offices, fitness center, kitchen, restrooms and work/classroom center will be located at the entrance to the site. Adjacent to this building will be a swimming pool and equipped children's play area. Perimeter fencing with limited access gate is also planned for the site. In addition, two 750 SF laundry/mail room buildings will be disbursed throughout the site.

**Uncovered Parking:** 348 spaces    **Carpports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Churchill at Longview is a relatively dense 15 units per acres new construction development of 160 units of affordable income housing located in east central Longview. The development is comprised of ten evenly distributed medium garden style walk-up low-rise residential buildings as follows:

- € (7) Building Type A with 8 one-bedroom/ one-bath units, 8 three- bedroom/ two-bath units;
- € (3) Building Type B with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

**Architectural Review:** The building elevations and unit floor plans are attractive and functional. The units all have covered balconies or patios with storage closets.

**Supportive Services:** Supportive Services will be optional to the tenants and the cost will be included in the rent. These services will be provided by Texas Interfaith Housing and will consist of: after school programs, computer labs, ESL, community gardens and financial planning.

**Schedule:** The Applicant anticipates construction to begin in December of 2003, to be completed in March of 2005, to be placed in service in September of 2004, and to be substantially leased-up in September of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 10.6 acres    461,736 square feet    **Zoning/ Permitted Uses:** C-1  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Longview is located in the northeastern part of the state, approximately 125 miles east from Dallas and 60 miles west of Shreveport, LA in Gregg County. The site is a rectangularly-shaped parcel located in the east central part of Longview approximately 1.5 miles from the central business district. The site is situated on the north side of East Whaley Street between American Legion Boulevard and Shelton Street.

**Adjacent Land Uses:**

- € **North:** commercial with some light industrial

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- ∉ **South:** dense pine wooded area with a large park immediately to its south
- ∉ **East:** commercial with some light industrial
- ∉ **West:** older single family among commercial and institutional

**Site Access:** Access to the property is from the east or west along East Whaley Street. The development is to have one main entry from the south side. Access to Marshall Avenue (old U.S. Highway 80) is just north of the subject site which is the main route through Longview.

**Public Transportation:** Longview is beginning a new fixed route, scheduled transportation system on March 17, 2003. It is unknown where the closest stop will be in proximity to the site.

**Shopping & Services:** Much of Longview's shopping, medical facilities, churches and other community facilities are located along or near Marshall Avenue located just north of the subject site.

**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 March 16, 2003 was prepared by Butler Burgher and contained the following findings and recommendations:

**Findings:** In the professional opinion of Butler Burgher, no evidence or indication of recognized environmental conditions has been revealed.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 160 of the units (100% of the total) will be reserved for low-income tenants. 32 of the units (20%) will be reserved for households earning 30% or less of AMGI, 16 of the units (10%) will be reserved for households earning 40% or less of AMGI, 32 of the units (20%) will be reserved for households earning 50% or less of AMGI, 80 units (50%) 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>	\$19,260	\$21,960	\$24,720	\$27,480	\$29,700	\$31,860

**MARKET HIGHLIGHTS**

A market feasibility study dated March 17, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** "The primary market area for the proposed family housing complex is considered to be Gregg County." (p. 2-5)

**Population:** The estimated 2000 population of Gregg County was 111,379 and is expected to increase by 3% to approximately 115,000 by 2005. Within the primary market area there were estimated to be 42,687 households in 2000.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	32	1%	31	1%
Resident Turnover	2,237	90%	2,211	99%
Other Sources: 10% of Growth+Turnover	227	9%		%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,495</b>	<b>100%</b>	<b>2,242</b>	<b>100%</b>

Ref: p. 3-4

**Inclusive Capture Rate:** "The proposed project's 160 units represent a 6.4% capture of the estimated total

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2,495 income-qualified households. There are no other comparable developments that are newly opened or under development to consider along with the proposed project.” (p. 3-3) The Underwriter included the supply of two other proposed developments applying for low-income housing tax credits in Longview but still calculated an acceptable inclusive capture rate of 17.89% if all developments were awarded funds.

**Local Housing Authority Waiting List Information:** “Waiting lists were found at 8 of the 13 complexes surveyed, for a total of 80 applicants. Properties with a waiting list include 4 private market, conventional locations, the LIHTC and HOME elderly projects, and both rental-assisted complexes. According to the Longview Housing Assistance Program, the Section 8 Voucher waiting list has 609 names, 29 of which are elderly/disabled applicants.” (p. 2-20)

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects in the market area. “These five projects were selected because they are the most comparable among the conventional complexes in Longview.” (p. 2-22)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$211	\$210	+\$1	\$490	-\$279
<b>1-Bedroom (40%)</b>	\$296	\$296	\$0	\$490	-\$194
<b>1-Bedroom (50%)</b>	\$382	\$382	\$0	\$490	-\$108
<b>1-Bedroom (60%)</b>	\$428	\$468	-\$40	\$490	-\$62
<b>2-Bedroom (30%)</b>	\$248	\$247	+\$1	\$625	-\$377
<b>2-Bedroom (40%)</b>	\$351	\$351	\$0	\$625	-\$274
<b>2-Bedroom (50%)</b>	\$454	\$454	\$0	\$625	-\$171
<b>2-Bedroom (60%)</b>	\$557	\$557	\$0	\$625	-\$68
<b>3-Bedroom (30%) - 1,115 ft</b>	\$284	\$283	+\$1	\$725	-\$441
<b>3-Bedroom (40%) - 1,115 ft</b>	\$403	\$402	+\$1	\$725	-\$322
<b>3-Bedroom (50%) - 1,115 ft</b>	\$496	\$521	-\$25	\$725	-\$229
<b>3-Bedroom (60%) - 1,115 ft</b>	\$562	\$640	-\$78	\$725	-\$163
<b>3-Bedroom (30%) - 1,196 ft</b>	\$284	\$283	+\$1	\$740	-\$456
<b>3-Bedroom (40%) - 1,196 ft</b>	\$403	\$402	+\$1	\$740	-\$337
<b>3-Bedroom (50%) - 1,196 ft</b>	\$522	\$521	+\$1	\$740	-\$218
<b>3-Bedroom (60%) - 1,196 ft</b>	\$601	\$640	-\$39	\$740	-\$139

(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:** “Among multi-family units in 2000, occupancy was 89.0% in Longview and 89.7% throughout the county. According to 100% count data, the number of vacant units decreased in Longview between 1990 and 2000 by 724 (3,087 to 2,363), while in the county, there were 1,000 fewer vacant units in 2000 than in 1990.” (p. 2-7)

**Absorption Projections:** “Average absorption for the subject is estimated at 16 to 18 units per month. It is expected that about 9 months will be required to achieve 92.5% occupancy of the 160 units.” (p. 2-22)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant utilized rents that in some cases were well below the maximum achievable rent that was substantiated by the Market Analyst. Generally the Applicant understated the 60% rents but also the 50% rent on the smaller three-bedroom unit. Most of the remaining units are either under or over the maximum by \$1. The Underwriter utilized the maximum tax credit rents except where the Market Analyst indicated such rents were not achievable. It should be noted that the Market Analyst for two competing developments in Longview this funding cycle concluded slightly lower market rents on a per unit basis but higher on a per foot basis except for the one bedroom units which were lower on both accounts. Nonetheless, the Underwriter accepted the Market Analyst’s rent conclusions for this development. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,464 per unit compares favorably with a TDHCA



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database-derived estimate of \$3,488 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly management fee (\$11.6K lower) repairs and maintenance (\$35K higher), utilities (\$10.6K lower) and property tax (\$18.2K lower). 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 estimated income and the Applicant's net operating income are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.52 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$32,200 annually. This results in an additional potential \$271,214 in serviceable 1<sup>st</sup> lien debt, and allows the HTF debt to increase the interest rate to 6.0%

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: (22.9) acres:</b>	\$112,820	<b>Assessment for the Year of:</b>	2002
<b>1 acre:</b>	\$4,927	<b>Valuation by:</b>	Gregg County Appraisal District
<b>Prorated (10.6) acres:</b>	\$52,226	<b>Tax Rate:</b>	2.27167

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest Money Contract						
<b>Contract Expiration Date:</b>	11/	1/	2003	<b>Anticipated Closing Date:</b>	11/	1/	2003
<b>Acquisition Cost:</b>	\$346,000			<b>Other Terms/Conditions:</b>	\$2,000 Earnest Money		
<b>Seller:</b>	Keystone Park of Longview Joint Venture			<b>Related to Development Team Member:</b>	No		

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,367 per unit are within the safe harbor limit for site work costs without requiring additional documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$211K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$25.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$7,273.

**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, is used to size the award recommendation and calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$11, 5,590 is used to determine a credit allocation of \$1,252,749; however this is greater than the \$1,150,000 requested. The resulting syndication proceeds based upon the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

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**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** JP MorganChase **Contact:** Mike McPherson  
**Principal Amount:** \$2,325,000 **Interest Rate:** JP MorganChase Prime + 1%  
**Additional Information:** Interest only during construction  
**Amortization:** N/A yrs **Term:** 2 yrs **Commitment:**  LOI  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** Lend Lease **Contact:** Yvette Ingram  
**Principal Amount:** \$2,325,000 **Interest Rate:** 6.48%  
**Additional Information:** \_\_\_\_\_  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$175,980 **Lien Priority:** 1st **Commitment Date** 2/ 26/ 2003

**CDBG FUNDS**

**Source:** City of Longview **Principal Amount:** \$100,000

**LIHTC SYNDICATION**

**Source:** Lend Lease **Contact:** Marie Keutmann  
**Address:** 101 Arch Street **City:** Boston  
**State:** MA **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 439-9978  
**Net Proceeds:** \$9,200,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢  
**Commitment**  LOI  Firm  Conditional **Date:** 2/ 25/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$460,000 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application.

**CDBG Funds:** The Applicant indicated that a \$100,000 application was made to the City of Longview Community Development Block Grant Program. The documentation provided identifies the purpose of the funding to be for construction of the development but does not identify the type of financing structure. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds required will meet this requirement, but it is also uncertain if the application will be successfully awarded these funds. The Applicant included no infrastructure off site costs in the budget. The Underwriter removed the funds from basis which resulted in a small decline in the eligible basis derived credit amount; however the Applicant requested an even lower credit amount. If the funds are ultimately not awarded to benefit this development, it will still be feasible without such funds and the difference will be made up with additional deferred develop fees.

**LIHTC Syndication:** Lend Lease Real Estate Investments has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$9,346,000 based on a syndication factor of 80%. The funds would be disbursed in a six-phased pay-in schedule:

1. 30% paid upon the latest of: (a) admission date, (b) close of construction loan, or (c) receipt of permanent loan commitment;
2. 20% paid upon the latest of the following: (a) admission + 90 days, or (b) 25% construction completion;
3. 20% paid upon the latest of: (a) admission + 180 days, or (b) 50% construction completion;

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4. 10% paid upon completion;
5. 10% paid upon the latest of the following: (a) final closing of the permanent loan, or (b) tax credit determination;
6. 10% paid upon the latest of the following: (a) 115% debt service coverage for 3 consecutive months, or (b) receipt of form 8609.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$460,000 amounts to 30% of the total fees.

**Financing Conclusions:** Based on the Applicant's lower requested LIHTC allocation of \$1,150,000 annually for ten years, syndication proceeds of approximately \$9,198,160 will result. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$190,626 if CBDG funds are awarded for \$100,000. Should both the CDBG and HTF funds not be awarded to this development, additional first lien debt and/or deferred developer's fee will be available to fund those source losses and any development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- € The Applicant and General Partner LCBH GP, LLC are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The Co-General Partner, Churchill Residential, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$4.8K and no liabilities, resulting in a net worth of \$4.8K.
- € The 100% Owner of the General Partner LCBH G.P, LLC, LifeNet Community Behavioral Healthcare, submitted an unaudited financial statement as of January 31, 2003 reporting total assets of \$1.7M and consisting of \$730K in current assets, \$695K in property and equipment, and \$304K in other assets. Liabilities totaled \$261K, resulting in a net worth of \$1.5M.
- € The principals of the General Partner, Bradley E. Forslund and Anthony Sisk, submitted unaudited financial statements as of February 10, 2003 and December 31 respectively 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.
- € Anthony Sisk, the principal of the Co-General Partner, Churchill Residential, Inc. has been involved as a primary participant in two affordable housing developments totaling 498 units since 2002.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 9, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Churchill at Longview, Longview, LIHTC #03100

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC/HTF(30%)	8	1	1	701	\$257	\$210	\$1,682	\$0.30	\$46.69	\$45.14
TC/HTF (40%)	4	1	1	701	343	296	1,185	0.42	46.69	45.14
TC/HTF (50%)	18	1	1	701	429	382	6,882	0.55	46.69	45.14
TC/HTF (60%)	26	1	1	701	515	468	12,176	0.67	46.69	45.14
TC/HTF (30%)	6	2	2	970	308	247	1,485	0.26	60.54	52.78
TC/HTF (40%)	3	2	2	970	412	351	1,054	0.36	60.54	52.78
TC/HTF (50%)	3	2	2	970	515	454	1,363	0.47	60.54	52.78
TC/HTF (60%)	12	2	2	970	618	557	6,690	0.57	60.54	52.78
TC/HTF (30%)	14	3	2	1,115	357	283	3,962	0.25	74.00	56.60
TC/HTF (40%)	6	3	2	1,115	476	402	2,412	0.36	74.00	56.60
TC/HTF (50%)	5	3	2	1,115	595	521	2,605	0.47	74.00	56.60
TC/HTF (60%)	31	3	2	1,115	714	640	19,840	0.57	74.00	56.60
TC/HTF (30%)	4	3	2	1,196	357	283	1,132	0.24	74.00	56.60
TC/HTF (40%)	3	3	2	1,196	476	402	1,206	0.34	74.00	56.60
TC/HTF (50%)	6	3	2	1,196	595	521	3,126	0.44	74.00	56.60
TC/HTF (60%)	11	3	2	1,196	714	640	7,040	0.54	74.00	56.60
	160		<b>AVERAGE:</b>	961	\$524	\$462	\$73,840	\$0.48	\$62.42	\$52.02

INCOME		Total Net Rentable Sq Ft:	TDHCA		APPLICANT		USS Region		4
POTENTIAL GROSS RENT									
Secondary Income		Per Unit Per Month:	\$15.00	\$886,085	\$838,068	\$15.00	Per Unit Per Month	IREM Region	
Other Support Income: (describe)									
POTENTIAL GROSS INCOME									
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	\$914,885	\$866,868	-7.50%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions									
EFFECTIVE GROSS INCOME									
<b>EXPENSES</b>									
	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	5.29%	\$280	0.29	\$44,809	\$43,000	\$0.28	\$269	5.36%	
Management	6.11%	323	0.34	51,672	40,093	0.26	251	5.00%	
Payroll & Payroll Tax	17.90%	947	0.99	151,499	144,000	0.94	900	17.96%	
Repairs & Maintenance	6.74%	356	0.37	57,039	92,000	0.60	575	11.47%	
Utilities	3.61%	191	0.20	30,562	20,000	0.13	125	2.49%	
Water, Sewer, & Trash	4.76%	252	0.26	40,310	44,000	0.29	275	5.49%	
Property Insurance	4.54%	240	0.25	38,420	45,600	0.30	285	5.69%	
Property Tax	2.27167	8.59%	454	72,693	54,497	0.35	341	6.80%	
Reserve for Replacements		3.78%	200	32,000	32,000	0.21	200	3.99%	
Other Expenses: Supp.Serv, Compl.Fr		4.61%	244	39,000	39,000	0.25	244	4.86%	
TOTAL EXPENSES	65.94%	\$3,488	\$3.63	\$558,004	\$554,190	\$3.61	\$3,464	69.11%	
NET OPERATING INC	34.06%	\$1,802	\$1.88	\$288,264	\$247,662	\$1.61	\$1,548	30.89%	
<b>DEBT SERVICE</b>									
JP MorganChase	20.79%	\$1,100	\$1.15	\$175,980	\$204,720	\$1.33	\$1,280	25.53%	
TDHCA-HTF	1.60%	\$84	\$0.09	13,509	13,509	\$0.09	\$84	1.68%	
CDBG	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
NET CASH FLOW	11.67%	\$617	\$0.64	\$98,775	\$29,433	\$0.19	\$184	3.67%	
AGGREGATE DEBT COVERAGE RATIO				1.52	1.13				
RECOMMENDED DEBT COVERAGE RATIO				1.30					

CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.83%	\$2,144	\$2.23	\$343,035	\$343,035	\$2.23	\$2,144	2.76%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.71%	7,367	7.67	1,178,794	1,178,794	7.67	7,367	9.48%
Direct Construction		52.32%	39,685	41.32	6,349,675	6,560,615	42.69	41,004	52.76%
Contingency	5.00%	3.10%	2,353	2.45	376,423	386,970	2.52	2,419	3.11%
General Req'ts	6.00%	3.72%	2,823	2.94	451,708	464,364	3.02	2,902	3.73%
Contractor's G & A	2.00%	1.24%	941	0.98	150,569	154,788	1.01	967	1.24%
Contractor's Profit	6.00%	3.72%	2,823	2.94	451,708	464,364	3.02	2,902	3.73%
Indirect Construction		5.51%	4,181	4.35	668,977	668,977	4.35	4,181	5.38%
Ineligible Costs		0.95%	719	0.75	115,002	115,002	0.75	719	0.92%
Developer's G & A	7.27%	5.92%	4,492	4.68	718,792	763,718	4.97	4,773	6.14%
Developer's Profit	7.73%	6.29%	4,773	4.97	763,719	763,719	4.97	4,773	6.14%
Interim Financing		2.11%	1,597	1.66	255,554	255,554	1.66	1,597	2.06%
Reserves		2.57%	1,953	2.03	312,411	315,100	2.05	1,969	2.53%
TOTAL COST		100.00%	\$75,852	\$78.97	\$12,136,368	\$12,435,000	\$80.91	\$77,719	100.00%
Recap-Hard Construction Costs		73.82%	\$55,993	\$58.30	\$8,958,878	\$9,209,895	\$59.93	\$57,562	74.06%

SOURCES OF FUNDS									
					TDHCA	APPLICANT	RECOMMENDED		
JP MorganChase	19.16%	\$14,531	\$15.13		\$2,325,000	\$2,325,000	\$2,596,214	Developer Fee Available	
TDHCA-HTF	2.88%	\$2,188	\$2.28		350,000	350,000	350,000	\$1,482,511	
CDBG	0.82%	\$625	\$0.65		100,000	100,000	100,000	% of Dev. Fee Deferred	
LIHTC Syndication Proceeds	75.81%	\$57,500	\$59.86		9,200,000	9,200,000	9,198,160	12%	
Deferred Developer Fees	3.79%	\$2,875	\$2.99		460,000	460,000	190,626	15-Yr Cumulative Cash Flow	
Additional (excess) Funds Required	-2.46%	(\$1,866)	(\$1.94)		(298,632)	0	0	\$1,299,017.69	
TOTAL SOURCES					\$12,136,368	\$12,435,000	\$12,435,000		

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Churchill at Longview, Longview, LIHTC #03100*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.17	\$6,480,686
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.64	\$405,043
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(155,217)
Floor Cover			1.92	295,066
Porches/Balconies	\$24.67	19,248	3.09	474,848
Plumbing	\$615	448	1.79	275,520
Built-In Appliances	\$1,625	160	1.69	260,000
Stairs/Fireplaces	\$1,625	40	0.42	65,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	225,910
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.01	3,224	1.24	190,250
Other: Laundry Buildings	\$48.96	1,500	0.48	73,433
<b>SUBTOTAL</b>			<b>55.90</b>	<b>8,590,538</b>
Current Cost Multiplier	1.03		1.68	257,716
Local Multiplier	0.88		(6.71)	(1,030,865)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.87</b>	<b>\$7,817,390</b>
Plans, specs, survy, bld prmt	3.90%		(\$1.98)	(\$304,878)
Interim Construction Interest	3.38%		(1.72)	(263,837)
Contractor's OH & Profit	11.50%		(5.85)	(899,000)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.32</b>	<b>\$6,349,675</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,325,000	Term	360
Int Rate	6.48%	DCR	1.64

<b>Secondary</b>	\$350,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.52

<b>Additional</b>	\$100,000	Term	
Int Rate		Aggregate DCR	1.52

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$196,508
Secondary Debt Service	25,181
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$66,574</b>

<b>Primary</b>	\$2,596,214	Term	360
Int Rate	6.48%	DCR	1.47

<b>Secondary</b>	\$350,000	Term	360
Int Rate	6.00%	Subtotal DCR	1.30

<b>Additional</b>	\$100,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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

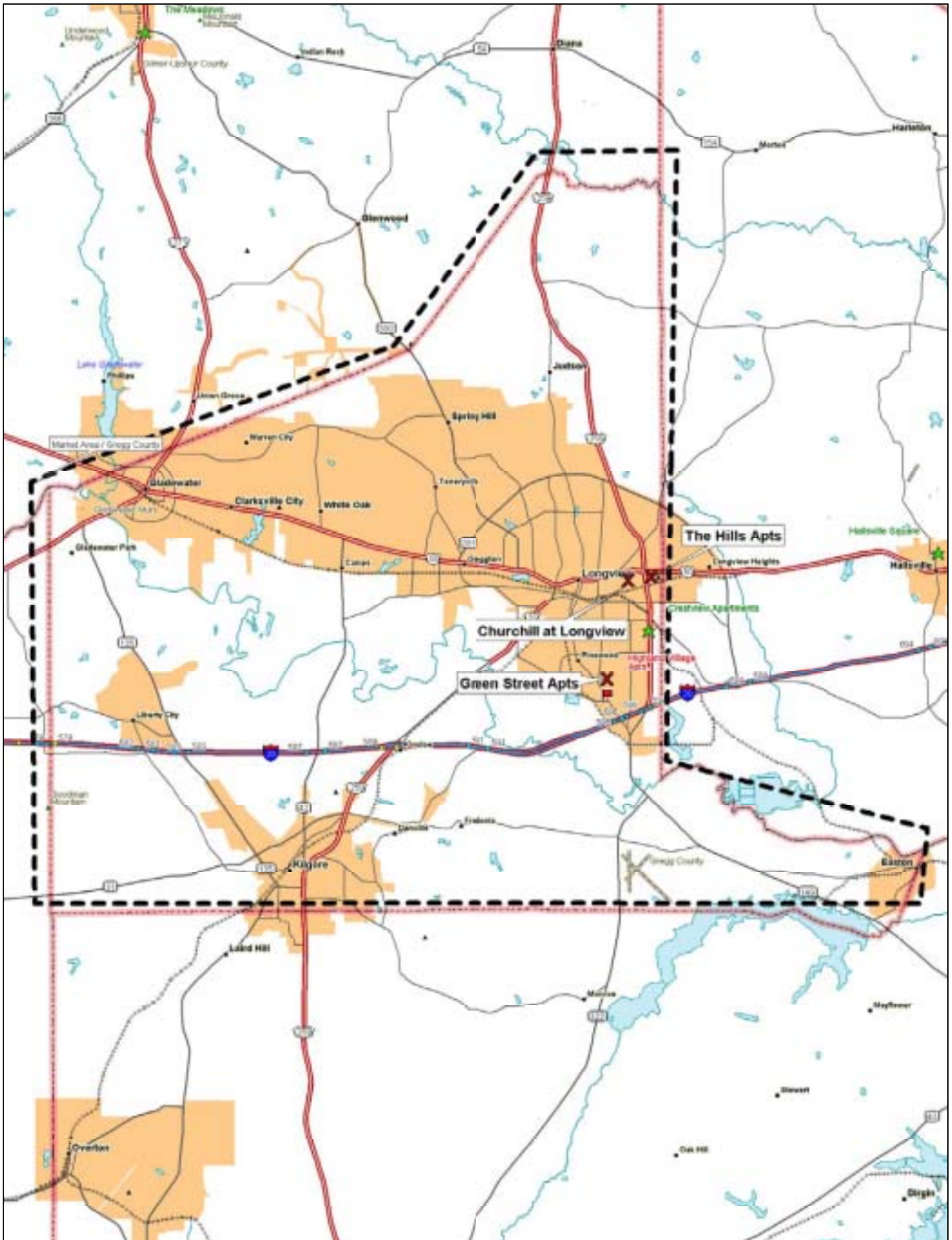
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$886,085	\$912,667	\$940,047	\$968,249	\$997,296	\$1,156,140	\$1,340,283	\$1,553,755	\$2,088,117
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>914,885</b>	<b>942,331</b>	<b>970,601</b>	<b>999,719</b>	<b>1,029,711</b>	<b>1,193,717</b>	<b>1,383,845</b>	<b>1,604,256</b>	<b>2,155,986</b>
Vacancy & Collection Loss	(68,616)	(70,675)	(72,795)	(74,979)	(77,228)	(89,529)	(103,788)	(120,319)	(161,699)
Employee or Other Non-Rental Ur	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$846,268</b>	<b>\$871,656</b>	<b>\$897,806</b>	<b>\$924,740</b>	<b>\$952,483</b>	<b>\$1,104,188</b>	<b>\$1,280,057</b>	<b>\$1,483,937</b>	<b>\$1,994,287</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$44,809	\$46,602	\$48,466	\$50,404	\$52,421	\$63,778	\$77,595	\$94,406	\$139,744
Management	51,672	53,222	54,819	56,463	58,157	67,420	78,158	90,607	121,768
Payroll & Payroll Tax	151,499	157,559	163,861	170,416	177,232	215,630	262,347	319,185	472,472
Repairs & Maintenance	57,039	59,321	61,694	64,161	66,728	81,185	98,773	120,173	177,885
Utilities	30,562	31,785	33,056	34,378	35,753	43,499	52,924	64,390	95,312
Water, Sewer & Trash	40,310	41,922	43,599	45,343	47,157	57,374	69,804	84,927	125,712
Insurance	38,420	39,957	41,555	43,217	44,946	54,684	66,531	80,945	119,819
Property Tax	72,693	75,601	78,625	81,770	85,041	103,465	125,882	153,154	226,706
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	39,000	40,560	42,182	43,870	45,624	55,509	67,535	82,167	121,627
<b>TOTAL EXPENSES</b>	<b>\$558,004</b>	<b>\$579,808</b>	<b>\$602,468</b>	<b>\$626,019</b>	<b>\$650,495</b>	<b>\$788,089</b>	<b>\$954,963</b>	<b>\$1,157,373</b>	<b>\$1,700,843</b>
<b>NET OPERATING INCOME</b>	<b>\$288,264</b>	<b>\$291,849</b>	<b>\$295,338</b>	<b>\$298,722</b>	<b>\$301,988</b>	<b>\$316,099</b>	<b>\$325,094</b>	<b>\$326,563</b>	<b>\$293,444</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508
Second Lien	25,181	25,181	25,181	25,181	25,181	25,181	25,181	25,181	25,181
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$66,574</b>	<b>\$70,159</b>	<b>\$73,649</b>	<b>\$77,032</b>	<b>\$80,298</b>	<b>\$94,410</b>	<b>\$103,405</b>	<b>\$104,874</b>	<b>\$71,754</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.32</b>	<b>1.33</b>	<b>1.35</b>	<b>1.36</b>	<b>1.43</b>	<b>1.47</b>	<b>1.47</b>	<b>1.32</b>

**LIHTC Allocation Calculation - Churchill at Longview, Longview, LIHTC #03100**

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	\$343,035	\$343,035		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,178,794	\$1,178,794	\$1,178,794	\$1,178,794
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$6,560,615	\$6,349,675	\$6,560,615	\$6,349,675
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$154,788	\$150,569	\$154,788	\$150,569
Contractor profit	\$464,364	\$451,708	\$464,364	\$451,708
General requirements	\$464,364	\$451,708	\$464,364	\$451,708
<b>(5) Contingencies</b>				
	\$386,970	\$376,423	\$386,970	\$376,423
<b>(6) Eligible Indirect Fees</b>				
	\$668,977	\$668,977	\$668,977	\$668,977
<b>(7) Eligible Financing Fees</b>				
	\$255,554	\$255,554	\$255,554	\$255,554
<b>(8) All Ineligible Costs</b>				
	\$115,002	\$115,002		
<b>(9) Developer Fees</b>				
			\$1,520,164	
Developer overhead	\$763,718	\$718,792		\$718,792
Developer fee	\$763,719	\$763,719		\$763,719
<b>(10) Development Reserves</b>				
	\$315,100	\$312,411		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$12,435,000</b>	<b>\$12,136,368</b>	<b>\$11,654,590</b>	<b>\$11,365,920</b>

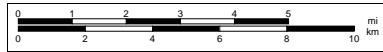
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis			\$100,000	\$100,000
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$11,554,590</b>	<b>\$11,265,920</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$15,020,967</b>	<b>\$14,645,696</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$15,020,967</b>	<b>\$14,645,696</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,252,749</b>	<b>\$1,221,451</b>

Syndication Proceeds	0.7998	\$10,019,985	\$9,769,654
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,252,749</b>	<b>\$1,221,451</b>
Syndication Proceeds		\$10,019,985	\$9,769,654
Requested Credits		\$1,150,000	
Syndication Proceeds		\$9,198,160	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$9,488,786</b>	
Credit Amount		\$1,186,335	



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 Zoom Level: 9-7 Datum: WGS84

Scale 1 : 225 000  
 1" = 2.55 mi



**TDHCA #**

**03809**

**Region 5**





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

Development Name: **Cole Creek Apartments**

TDHCA #: **03809**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 5 Site Address: Near 1400 Block of East Loop 304  
 City: Crockett County: Houston Zip Code: 75835  
**Targeted Units:** Family: 64 Elderly: 0 Handicapped/Disabled: 6 Total Special Needs\*: 13  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Crockett Cole Creek Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
Lankford Interests, LLC	Michael G. Lankford	49% of GP
Crockett Cole Creek Apartments I LLC	Michael G. Lankford	100% of GP
Hill Country Community Housing Corporation	Tama Shaw	51% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$50,000**  
 HTF Loan Amount Requested by Applicant: **\$50,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	2	6	3	0	11
40%	0	1	2	2	0	5
50%	0	4	3	6	0	13
60%	0	1	18	12	0	31
65%	0	0	0	0	0	0
MR	0	0	3	1	0	4
Total	0	8	32	24	0	
Total LI Units:	60					
Owner/Employee Units:	0					
Total Development Units:	64					

**BUILDING INFORMATION**

Total Development Cost:	\$5,115,803
Gross Building Square Feet:	65,081
Total Net Rentable Area Square Feet:	61,792
Average Square Feet/Unit:	966

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$354,157
Total Expenses:	\$226,909
Net Operating Income:	\$127,248
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$50,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,427,805, Key Bank, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Lankford Interests, LLC	Market Analyst:	Allen and Associates Consulting
Housing GC:	JDP Group	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	JDP Group	Attorney:	J. Michael Pruitt Law Office
Architect:	Hill & Frank Architects	Accountant:	Reznick, Fedder & Silverman
Property Manager:	Greater Coastal Management, LLC	Supp Services:	Hill Country Community Action Association
Syndicator:	Columbia Housing Partners	Permanent Lender:	Key Bank

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 164 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a revised permanent loan commitment by close of construction loan that reflects an annual debt service payment of not more than \$115,657 less than the HTF loan payment of \$1,667 if awarded.

Should the terms or rates of the proposed debt or syndication change or the HTF/SECO funds not be allocated to this development, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**Alternate Recommendation:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03069/03809**

Name: **Cole Creek Apartments**

City: **Crockett**

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: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 1

### 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 iday, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: \_\_\_\_\_

Executed: \_\_\_\_\_

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

**DATE:** June 11, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03069

**DEVELOPMENT NAME**

Crockett Cole Creek Apartments

**APPLICANT**

<b>Name:</b>	Crockett Cole Creek Apartments, LP	<b>Type:</b>	For Profit
<b>Address:</b>	4900 Woodway, Suite 970	<b>City:</b>	Houston
<b>State:</b>	TX	<b>Phone:</b>	(713) 626-9655
<b>Zip:</b>	77056	<b>Contact:</b>	Michael Lankford
<b>Fax:</b>	(713) 621-4947		

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	Crockett Cole Creek Apartments I, LLC	<b>(%):</b>	.01	<b>Title:</b>	Managing General Partner
<b>Name:</b>	Hill Country Community Housing Corporation	<b>(%):</b>	.51 of MGP	<b>Title:</b>	Co-owner of GP
<b>Name:</b>	Lankford Interests, LLC	<b>(%):</b>	.49 of MGP	<b>Title:</b>	Co-owner of GP & Dev.
<b>Name:</b>	Michael G. Lankford	<b>(%):</b>	N/A	<b>Title:</b>	Owner of Lankford Interests
<b>Name:</b>	Hill Country Community Action Assoc., Inc.	<b>(%):</b>	N/A	<b>Title:</b>	100% owner of HCCHC
<b>Name:</b>	Tama Shaw	<b>(%):</b>	N/A	<b>Title:</b>	Exec. Director of HCCHC

**PROPERTY LOCATION**

**Location:** Near 1400 Block of East Loop 304  **QCT**  **DDA**  
**City:** Crockett **County:** Houston **Zip:** 75835

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$477,317	N/A	N/A	N/A
2) \$50,000	0%	30yrs	30 yrs
2) \$96,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) HTF  
3) HTF/SECO Grant

**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 \$437,327 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$50,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, AND SECO GRANT NOT TO EXCEED \$96,000 SUBJECT TO CONDITIONS.

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

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
2. Receipt, review, and acceptance of a revised permanent loan commitment by close of construction loan that reflects an annual debt service payment of not more than \$115,657 less than the HTF loan payment of \$1,667 if awarded.
3. Should the terms or rates of the proposed debt or syndication change or the HTF/SECO funds not be allocated to this development, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>64</u>	<b># Rental Buildings:</b>	<u>8</u>	<b># Common Area Bldgs:</b>	<u>3</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>61,792</u>	<b>Av Un SF:</b>	<u>966</u>	<b>Common Area SF:</b>	<u>3,289</u>	<b>Gross Bldg SF:</b>	<u>65,081</u>					

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 25% stone veneer 75% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Amenities include a 2,016-SF community building with club and lounge room, management offices, fitness facilities, kitchen, restrooms, computer/business center, and central mailroom; swimming pool and equipped children's play area located at the entrance to the property. A 700-SF daycare facility and 573-SF laundry and maintenance building are also planned for the site. In addition perimeter fencing with limited access gate is also planned.

**Uncovered Parking:** 40 spaces    **Carpports:** 64 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Crockett Cole Creek Apartments is a moderately dense nine units per acre new construction development of 64 units of mixed income housing located in southeast Crockett. The development is comprised of eight evenly distributed medium garden style walk-up residential buildings as follows:

- € (1) Building Type A with eight one-bedroom/one-bath units;
- € (4) Building Type B with eight two-bedroom/two-bath units; and
- € (3) Building Type C with eight three-bedroom/two-bath units;

**Architectural Review:** The exterior elevations are functional with gabled roofs. All units are of average size for LIHTC units. Each unit has a semi-private exterior entry area that is shared with another unit.

**Supportive Services:** The Applicant has indicated that Texas Inter-Faith Management Corporation (TIMC) will provide supportive services to the tenants. A contract between the Applicant and TIMC was not provided; however, the Applicant budgeted \$7,680 for supportive services annually.

**Schedule:** The Applicant anticipates construction to begin in January of 2004, to be completed in January of 2005, to be placed in service in January of 2005, and to be substantially leased-up in December of 2004.

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SITE ISSUES					
SITE DESCRIPTION					
<b>Size:</b>	7.17	acres	312,325	square feet	<b>Zoning/ Permitted Uses:</b> R-3
<b>Flood Zone Designation:</b>	Zone C		<b>Status of Off-Sites:</b>	Fully Improved	

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Crockett is located in southeast Texas, approximately 42 miles west of Lufkin in Houston County. The site is an irregularly-shaped parcel located in the southeast area of Crockett, approximately 2 miles from the central business district. The site is situated on the west side of Loop 304.

**Adjacent Land Uses:**

- ∅ **North:** commercial and vacant land
- ∅ **South:** commercial
- ∅ **East:** commercial and vacant land
- ∅ **West:** commercial and single family homes

**Site Access:** Access to the property is from the northeast or southeast from Loop 304. The development is to have one main entry from Loop 304. The subject is located on the west side of Loop 304, which provides is the major beltway around Crockett.

**Public Transportation:** The availability of public transportation is unknown.

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

**Special Adverse Site Characteristics:**

- ∅ **Zoning:** A memorandum dated February 25, 2003 from the City of Crockett indicates that on February 24, 2003 the Crockett City Council considered and approved a zoning change request for the subject property to be changed from R2 and C2 to R3. Therefore the proposed development meets the Department's zoning requirement.

**Site Inspection Findings:** TDHCA staff performed 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 March, 2003 was prepared by Carroll & Associates Consulting and contained the following findings and recommendations:

“This assessment has revealed no recognized environmental conditions in connection with the subject property.” (p. 25)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 60 of the units (94% of the total) will be reserved for low-income tenants. 11 of the units (17%) will be reserved for households earning 30% or less of AMGI, 5 units (8%) will be reserved for households earning 40% or less of AMGI, 13 of the units (20%) will be reserved for households earning 50% or less of AMGI, 31 of the units (48%) will be reserved for households earning 60% or less of AMGI and the remaining 4 units (6%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$18,480	\$21,120	\$23,760	\$26,400	\$28,500	\$30,600

**MARKET HIGHLIGHTS**

A market feasibility study dated February 19, 2003 was prepared by Allen & Associates Consulting and

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MULTIFAMILY UNDERWRITING ANALYSIS**

highlighted the following findings:

**Definition of Market/Submarket:** “Based on our review of the local market area, we define the Primary Market Area for the subject property as parts of Houston County...The Primary Market Area consists of the following census tracts: 9501.00, 9502.00, 9503.00, 9504.00, 9505.00, 9506.00, and 9507.00,...The site is located in Houston County Census Tract 9504.00.” (p. 30) This is a very large market area encompassing over 1,200 square miles, including all of Houston County and half of Davy Crockett National Forest. This is a reasonable market designation for a rural development however due to the limited population in the area.

**Population:** The estimated 2002 population of the primary market area was 23,745 and is expected to increase by 5% to approximately 24,921 by 2007. Within the primary market area there were estimated to be 8,519 households in 2002.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	15	1%	3	3%
Movership (turnover 30.4%)	376	32%	91	97%
Overburdened HH	637	54%	N/A	N/A
Substandard HH	152	13%	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>1,180</b>	<b>100%</b>	<b>94</b>	<b>100%</b>

Ref: p. 94

**Inclusive Capture Rate:** The Market Analyst used household growth, overburdened households and substandard households in estimating demand for the market area. Additionally, the Market Analyst indicated a percentage of renter movership, which the Underwriter interpreted to be the turnover percentage, for the calculation. The Market Analyst concluded an inclusive capture rate of 14.4% for the rent restricted units. This is based on a demand of 417 divided by 60 unstabilized comparable units. However, the Underwriter’s interpretation of the data presented in the market study concludes total demand of 1,180 which would result in a much lower capture rate. The Underwriter’s recalculated demand based on the broader demographic data in the study and determined an inclusive capture rate for the subject of 64%. All of the methods used to calculate the demand and capture rate result in a capture rate of less than the 100% maximum for rural developments.

**Market Rent Comparables:** The Market Analyst surveyed 6 comparable apartment projects totaling 245 units in the market area. (p. 58)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$218	\$218	\$0	\$500	-\$282
<b>1-Bedroom (40%)</b>	\$301	\$301	\$0	\$500	-\$199
<b>1-Bedroom (50%)</b>	\$383	\$383	\$0	\$500	-\$117
<b>1-Bedroom (60%)</b>	\$466	\$466	\$0	\$500	-\$34
<b>2-Bedroom (30%)</b>	\$259	\$259	\$0	\$580	-\$321
<b>2-Bedroom (40%)</b>	\$358	\$358	\$0	\$580	-\$222
<b>2-Bedroom (50%)</b>	\$457	\$457	\$0	\$580	-\$123
<b>2-Bedroom (60%)</b>	\$556	\$556	\$0	\$580	-\$24
<b>2-Bedroom (MR)</b>	\$550	N/A	N/A	\$580	-\$30
<b>3-Bedroom (30%)</b>	\$296	\$296	\$0	\$620	-\$324
<b>3-Bedroom (40%)</b>	\$410	\$410	\$0	\$620	-\$210
<b>3-Bedroom (50%)</b>	\$524	\$524	\$0	\$620	-\$96
<b>3-Bedroom (60%)</b>	\$573	\$638	-\$65	\$620	-\$47
<b>3-Bedroom (MR)</b>	\$620	N/A	N/A	\$620	\$0

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

**Submarket Vacancy Rates:** “Overall market occupancies currently stand at 99.2% (245 units in sample).”

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(p. 83)

**Absorption Projections:** “We estimate an overall lease up period of 19 months for the subject property.” (p. 102)

**Known Planned Development:** “There are no other known proposed competing affordable multifamily developments in the market area.” (p. 83)

**Effect on Existing Housing Stock:** “Based on our assessment of market rental rates, in our opinion the proposed development will compete directly with only restricted multifamily properties...Because of the current undersupply of and pent-up demand for multifamily units in the region, we believe the impact of the proposed development on other projects will be minimal.” (p. 84)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines due to the Applicant’s use of utility allowances which were derived from a study performed by Oliver Associates. These allowances are somewhat lower than those used by the Crockett Housing Authority. The Oliver study used electric rates from TXU Energy Services, however the electric service provider identified in the application was Oncor Electric. The Applicant indicated that natural gas fueled heating, and water heating would be provided by the owner, therefore the Underwriter accepted the Oliver Study allowances and added the difference between them and the housing authority allowances as a part of the utility operating expense for the heating and water heating expense for the entire development. The Applicant artificially reduced the rent on the 60% three bedroom unit by \$47 below the market rate rent indicated by the Market Analyst which resulted \$6,768 less in potential gross rent that calculated by the Underwriter. If the maximum 60% tax credit rents could be achieved for the three bedroom units an additional \$2,964 in gross potential income could be projected. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,301 is more than 5% lower than the TDHCA database-derived estimate of \$3,545 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$10K lower), repairs and maintenance (\$7K lower), utilities (\$10K lower), insurance (\$17K higher) and property tax (\$6K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** Although the Applicant’s estimated income is consistent with the Underwriter’s expectations, the Applicant’s operating expenses and net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.06 is slightly lower than the minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$115,657 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 29.786 acres</b>	\$205,920	<b>Assessment for the Year of:</b>	2002
<b>Land- prorated:</b>	\$6,913/acre	<b>Valuation by:</b>	Houston County Appraisal District
<b>Total Assessed Value (7.17 acres):</b>	\$49,568	<b>Tax Rate:</b>	2.32

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Unimproved Property Contract



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<b>Contract Expiration Date:</b>	<u>09/ 01/ 2003</u>	<b>Anticipated Closing Date:</b>	<u>09/ 01/ 2003</u>
<b>Acquisition Cost:</b>	<u>\$165,000</u>	<b>Other Terms/Conditions:</b>	<u></u>
<b>Seller:</b>	<u>Grady Grounds and wife, Carol</u>	<b>Related to Development Team Member:</b>	<u>No</u>

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,710 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's costs are less than 5% different than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant's additional justifications were considered. Therefore, the Applicant's direct construction costs are acceptable as submitted.

**Ineligible Costs:** The Applicant included \$52,500 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$55,219 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer 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 \$11,808.

**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, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$4,605,454 is used to determine a credit allocation of \$468,116 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

<b>Source:</b>	<u>Key Bank</u>	<b>Contact:</b>	<u>Craig Hackett</u>
<b>Principal Amount:</b>	<u>\$1,487,168</u>	<b>Interest Rate:</b>	<u>7%</u>
<b>Additional Information:</b>			
<b>Amortization:</b>	<u>30</u> yrs	<b>Term:</b>	<u>18</u> yrs
<b>Commitment:</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Annual Payment:</b>	<u>\$118,730</u>	<b>Lien Priority:</b>	<u>1<sup>st</sup></u>
<b>Commitment Date</b>	<u>06/ 10/ 2003</u>		

**LIHTC SYNDICATION**

<b>Source:</b>	<u>Columbia Housing Partners</u>	<b>Contact:</b>	<u>Bradley Bullock</u>
<b>Address:</b>	<u>111 SW Fifth Avenue, Suite 3200</u>	<b>City:</b>	<u>Portland</u>
<b>State:</b>	<u>OR</u>	<b>Zip:</b>	<u>97204</u>
<b>Phone:</b>	<u>(503) 808-1300</u>	<b>Fax:</b>	<u>(503) 808-1301</u>
<b>Net Proceeds:</b>	<u>\$3,865,881</u>	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	<u>81¢</u>
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Date:</b>	<u>01/ 31/ 2003</u>		
<b>Additional Information:</b>	<u>The letter anticipated credits to be \$477,317; the Applicant submitted a revised sources and uses indicating a lower amount of \$3,482,635.</u>		



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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developments totaling 156 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- € The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** June 11, 2003  
\_\_\_\_\_

**Director of Real Estate Analysis:**

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

**Date:** June 11, 2003  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Cole Creek Apartments, Crockett, LIHTC #03069**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC30%	2	1	1	706	\$247	\$218	\$436	\$0.31	\$29.00	\$12.36
TC40%	1	1	1	706	330	\$301	301	0.43	29.00	12.36
TC50%	4	1	1	706	412	\$383	1,532	0.54	29.00	12.36
TC60%	1	1	1	706	495	\$466	466	0.66	29.00	12.36
TC30%	6	2	2	904	297	\$259	1,554	0.29	38.00	12.36
TC40%	2	2	2	904	396	\$358	716	0.40	38.00	12.36
TC50%	3	2	2	904	495	\$457	1,371	0.51	38.00	12.36
TC60%	18	2	2	904	594	\$556	10,008	0.62	38.00	12.36
MR	3	2	2	904		\$550	1,650	0.61	38.00	12.36
TC30%	3	3	2	1,134	343	\$296	888	0.26	47.00	12.36
TC40%	2	3	2	1,134	457	\$410	820	0.36	47.00	12.36
TC50%	6	3	2	1,134	571	\$524	3,144	0.46	47.00	12.36
TC60%	12	3	2	1,134	686	\$620	7,440	0.55	47.00	12.36
MR	1	3	2	1,134		\$620	620	0.55	47.00	12.36
<b>TOTAL:</b>	<b>64</b>		<b>AVERAGE:</b>	<b>966</b>	<b>\$489</b>	<b>\$484</b>	<b>\$30,946</b>	<b>\$0.50</b>	<b>\$40.25</b>	<b>\$12.36</b>

**INCOME**

Total Net Rentable Sq Ft: **61,792**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.75%	\$263	0.27	\$16,816	\$7,090	\$0.11	\$111	2.04%
Management	6.42%	355	0.37	22,731	\$17,395	0.28	272	5.00%
Payroll & Payroll Tax	15.65%	866	0.90	55,424	\$51,432	0.83	804	14.78%
Repairs & Maintenance	6.71%	371	0.38	23,771	\$16,554	0.27	259	4.76%
Utilities	7.65%	423	0.44	27,080	\$17,275	0.28	270	4.97%
Water, Sewer, & Trash	4.72%	261	0.27	16,725	\$14,304	0.23	224	4.11%
Property Insurance	4.19%	232	0.24	14,830	\$31,514	0.51	492	9.06%
Property Tax 2.32	8.09%	448	0.46	28,648	\$34,800	0.56	544	10.00%
Reserve for Replacements	3.61%	200	0.21	12,800	\$12,800	0.21	200	3.68%
Other Expenses: Supp Svcs & Security	2.28%	126	0.13	8,084	\$8,084	0.13	126	2.32%
<b>TOTAL EXPENSES</b>	<b>64.07%</b>	<b>\$3,545</b>	<b>\$3.67</b>	<b>\$226,909</b>	<b>\$211,248</b>	<b>\$3.42</b>	<b>\$3,301</b>	<b>60.72%</b>
<b>NET OPERATING INC</b>	<b>35.93%</b>	<b>\$1,988</b>	<b>\$2.06</b>	<b>\$127,248</b>	<b>\$136,644</b>	<b>\$2.21</b>	<b>\$2,135</b>	<b>39.28%</b>

**DEBT SERVICE**

First Lien Mortgage	33.52%	\$1,855	\$1.92	\$118,730	\$118,825	\$1.92	\$1,857	34.16%
HTF/SECO Grant	0.47%	\$26	\$0.03	1,667		\$0.00	\$0	0.00%
HTF/SECO Grant	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>1.93%</b>	<b>\$107</b>	<b>\$0.11</b>	<b>\$6,851</b>	<b>\$17,819</b>	<b>\$0.29</b>	<b>\$278</b>	<b>5.12%</b>

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.30%	\$2,655	\$2.75	\$169,950	\$169,950	\$2.75	\$2,655	3.32%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.34%	6,710	6.95	429,454	429,454	6.95	6,710	8.39%
Direct Construction		51.56%	41,461	42.94	2,653,511	2,596,499	42.02	40,570	50.75%
Contingency	2.94%	1.76%	1,418	1.47	90,779	90,779	1.47	1,418	1.77%
General Req'ts	5.89%	3.53%	2,837	2.94	181,557	181,557	2.94	2,837	3.55%
Contractor's G & A	1.96%	1.18%	946	0.98	60,519	60,519	0.98	946	1.18%
Contractor's Profit	5.89%	3.53%	2,837	2.94	181,557	181,557	2.94	2,837	3.55%
Indirect Construction		2.89%	2,327	2.41	148,900	148,900	2.41	2,327	2.91%
Ineligible Costs		2.98%	2,400	2.49	153,591	153,591	2.49	2,400	3.00%
Developer's G & A	2.00%	1.58%	1,269	1.31	81,235	0	0.00	0	0.00%
Developer's Profit	13.00%	10.26%	8,250	8.55	528,028	612,519	9.91	9,571	11.97%
Interim Financing		6.13%	4,929	5.11	315,478	315,478	5.11	4,929	6.17%
Reserves		2.95%	2,373	2.46	151,845	175,000	2.83	2,734	3.42%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$80,413</b>	<b>\$83.29</b>	<b>\$5,146,404</b>	<b>\$5,115,803</b>	<b>\$82.79</b>	<b>\$79,934</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>69.90%</b>	<b>\$56,209</b>	<b>\$58.22</b>	<b>\$3,597,377</b>	<b>\$3,540,365</b>	<b>\$57.29</b>	<b>\$55,318</b>	<b>69.20%</b>

**SOURCES OF FUNDS**

				WITH HTF	WITHOUT HTF
First Lien Mortgage	28.90%	\$23,237	\$24.07	\$1,487,168	\$1,427,805
HTF/SECO Grant				\$50,000	\$0
HTF/SECO Grant	1.87%	\$1,500	\$1.55	96,000	96,000
LIHTC Syndication Proceeds	67.67%	\$54,416	\$56.36	3,482,635	3,541,998
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0
Additional (excess) Funds Required	1.57%	\$1,259	\$1.30	80,601	0
<b>TOTAL SOURCES</b>				<b>\$5,146,404</b>	<b>\$5,115,803</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Cole Creek Apartments, Crockett, LIHTC #03069**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.46	\$2,623,695
<b>Adjustments</b>				
Exterior Wall Finish	2.75%		\$1.17	\$72,152
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(62,410)
Floor Cover			1.92	118,641
Porches/Balconies	\$18.19	17,362	5.11	315,736
Plumbing	\$615	168	1.67	103,320
Built-In Appliances	\$1,625	64	1.68	104,000
Stairs	\$1,400	24	0.54	33,600
Floor Insulation			0.00	0
Heating/Cooling			1.47	90,834
Garages/Carports	\$7.83	9,600	1.22	75,168
Comm &/or Aux Bldgs	\$59.56	3,289	3.17	195,899
Other:			0.00	0
<b>SUBTOTAL</b>			<b>59.40</b>	<b>3,670,634</b>
Current Cost Multiplier	1.03		1.78	110,119
Local Multiplier	0.86		(8.32)	(513,889)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.87</b>	<b>\$3,266,864</b>
Plans, specs, survy, bld prm	3.90%		(\$2.06)	(\$127,408)
Interim Construction Interest	3.38%		(1.78)	(110,257)
Contractor's OH & Profit	11.50%		(6.08)	(375,689)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.94</b>	<b>\$2,653,511</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,487,168	Term	360
Int Rate	7.00%	DCR	1.07

<b>Secondary</b>	\$50,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.06

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.06

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$113,991
Secondary Debt Service	1,667
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$11,590</b>

<b>Primary</b>	\$1,427,805	Term	360
Int Rate	7.00%	DCR	1.12

<b>Secondary</b>	\$50,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

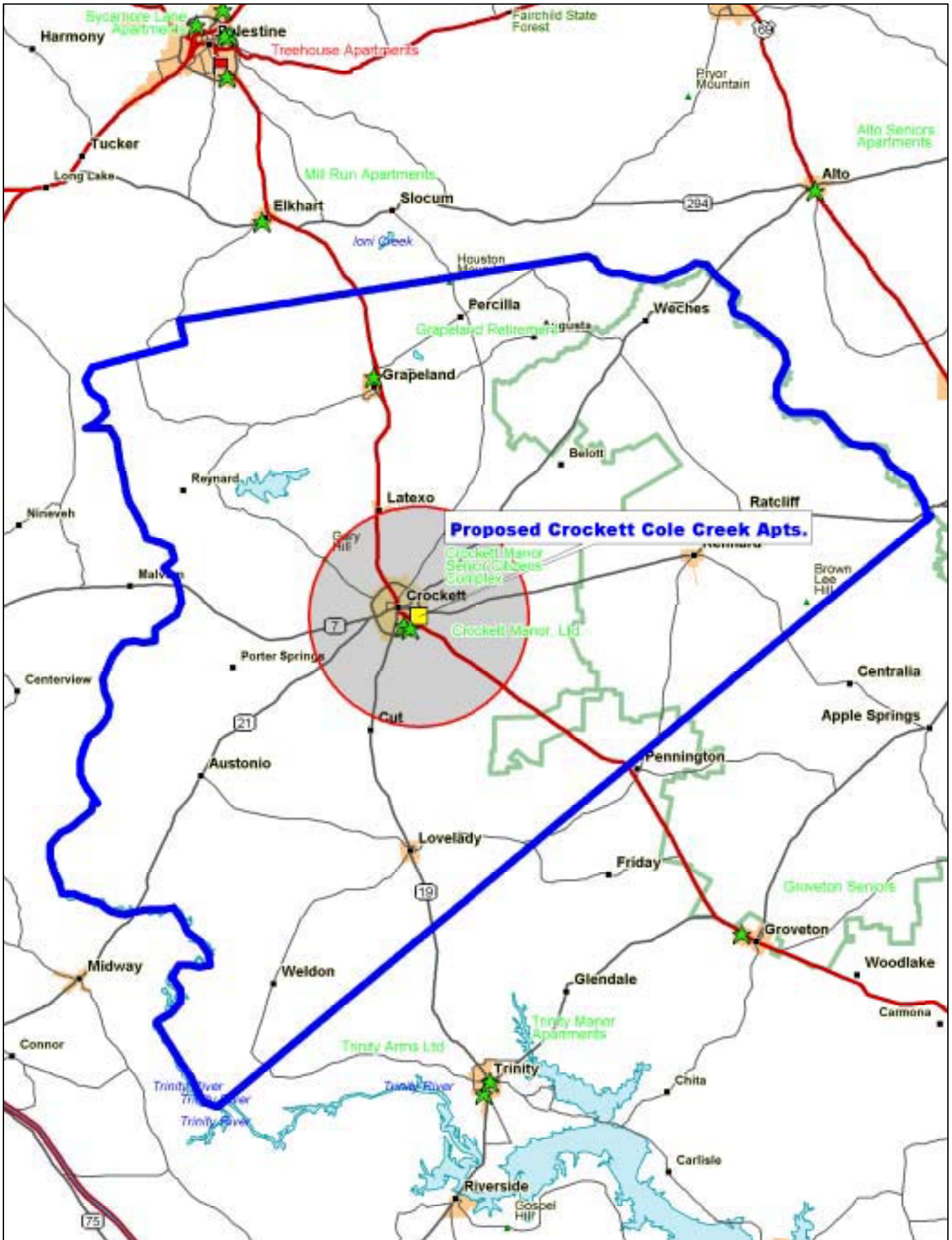
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$371,352	\$382,493	\$393,967	\$405,786	\$417,960	\$484,530	\$561,703	\$651,168	\$875,115
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	382,872	394,358	406,189	418,375	430,926	499,561	579,128	671,368	902,263
Vacancy & Collection Loss	(28,715)	(29,577)	(30,464)	(31,378)	(32,319)	(37,467)	(43,435)	(50,353)	(67,670)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$354,157	\$364,781	\$375,725	\$386,996	\$398,606	\$462,094	\$535,694	\$621,016	\$834,593
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$16,816	\$17,488	\$18,188	\$18,915	\$19,672	\$23,934	\$29,119	\$35,428	\$52,442
Management	22,731	23,413	24,115	24,838	25,584	29,658	34,382	39,858	53,566
Payroll & Payroll Tax	55,424	57,641	59,947	62,344	64,838	78,886	95,976	116,770	172,848
Repairs & Maintenance	23,771	24,722	25,711	26,740	27,809	33,834	41,164	50,083	74,135
Utilities	27,080	28,163	29,290	30,461	31,680	38,543	46,894	57,053	84,453
Water, Sewer & Trash	16,725	17,394	18,090	18,814	19,566	23,805	28,963	35,238	52,160
Insurance	14,830	15,423	16,040	16,682	17,349	21,108	25,681	31,245	46,250
Property Tax	28,648	29,794	30,985	32,225	33,514	40,775	49,609	60,356	89,342
Reserve for Replacements	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Other	8,084	8,407	8,744	9,093	9,457	11,506	13,999	17,032	25,211
TOTAL EXPENSES	\$226,909	\$235,758	\$244,954	\$254,511	\$264,443	\$320,268	\$387,953	\$470,031	\$690,327
NET OPERATING INCOME	\$127,248	\$129,023	\$130,771	\$132,485	\$134,163	\$141,826	\$147,741	\$150,985	\$144,266
<b>DEBT SERVICE</b>									
First Lien Financing	\$113,991	\$113,991	\$113,991	\$113,991	\$113,991	\$113,991	\$113,991	\$113,991	\$113,991
Second Lien	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$11,590	\$13,366	\$15,113	\$16,828	\$18,506	\$26,169	\$32,084	\$35,327	\$28,609
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.16	1.23	1.28	1.31	1.25

**LIHTC Allocation Calculation - Cole Creek Apartments, Crockett, LIHTC #03069**

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	\$169,950	\$169,950		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$429,454	\$429,454	\$429,454	\$429,454
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$2,596,499	\$2,653,511	\$2,596,499	\$2,653,511
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$60,519	\$60,519	\$60,519	\$60,519
Contractor profit	\$181,557	\$181,557	\$181,557	\$181,557
General requirements	\$181,557	\$181,557	\$181,557	\$181,557
<b>(5) Contingencies</b>				
	\$90,779	\$90,779	\$90,779	\$90,779
<b>(6) Eligible Indirect Fees</b>				
	\$148,900	\$148,900	\$148,900	\$148,900
<b>(7) Eligible Financing Fees</b>				
	\$315,478	\$315,478	\$315,478	\$315,478
<b>(8) All Ineligible Costs</b>				
	\$153,591	\$153,591		
<b>(9) Developer Fees</b>				
			\$600,711	
Developer overhead		\$81,235		\$81,235
Developer fee	\$612,519	\$528,028		\$528,028
<b>(10) Development Reserves</b>				
	\$175,000	\$151,845		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,115,803</b>	<b>\$5,146,404</b>	<b>\$4,605,454</b>	<b>\$4,671,018</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>		\$4,605,454	\$4,671,018
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		\$5,987,090	\$6,072,323
Applicable Fraction		93.75%	93.75%
<b>TOTAL QUALIFIED BASIS</b>		\$5,612,897	\$5,692,803
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$468,116	\$474,780

Syndication Proceeds	0.8099	\$3,791,357	\$3,845,331
<b>Total Credits (Eligible Basis Method)</b>		<b>\$468,116</b>	<b>\$474,780</b>
Syndication Proceeds		\$3,791,357	\$3,845,331
Requested Credits		\$477,317	
Syndication Proceeds		\$3,865,881	
<b>Gap of Syndication Proceeds Needed With HTF &amp; SECO</b>		<b>\$3,541,998</b>	
Credit Amount		\$437,327	
<b>Gap of Syndication Proceeds Needed Without HTF &amp; SECO</b>		<b>\$3,667,122</b>	
Credit Amount		\$452,776	



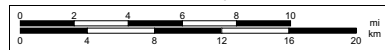
**Proposed Crockett Cole Creek Apts.**

Crockett Manor Senior Fitness Complex  
Crockett Manor Ltd



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
Zoom Level: 8-7 Datum: WGS84

Scale 1 : 450 000  
1" = 7.30 mi



**TDHCA #**

**03824**

**Region 6**





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

Development Name: **Villas at Park Grove**

TDHCA #: **03824**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 600 Park Grove Drive  
 City: Katy County: Harris Zip Code: 77450  
**Targeted Units:** Family: 150 Elderly: 0 Handicapped/Disabled: 11 Total Special Needs\*: 30  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Villas of Park Grove, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Park Grove Apartments, LLC	Ignacio Grillo	100% of Owner
IEG Interests, Inc.	Ignacio Grillo	34% of GP
John B. Hunt	John B. Hunt	33% of GP
James R. Hunt	James R. Hunt	33% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$175,000**  
 HTF Loan Amount Requested by Applicant: **\$175,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	1	1	0	0	2
40%	0	5	7	0	0	12
50%	0	19	29	0	0	48
60%	0	23	35	0	0	58
65%	0	0	0	0	0	0
MR	0	12	18	0	0	30
Total	0	60	90	0	0	
Total LI Units:						120
Owner/Employee Units:						0
Total Development Units:						150

**BUILDING INFORMATION**

Total Development Cost:	\$10,709,191
Gross Building Square Feet:	123,500
Total Net Rentable Area Square Feet:	115,500
Average Square Feet/Unit:	770

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$1,072,982
Total Expenses:	\$533,265
Net Operating Income:	\$539,717
Estimated 1st Year Debt Coverage Ratio:	1.09

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$175,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0%  
 TDHCA Lien Position: 1st.  
 Other Funding Sources and Lien:

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Americor Development, LLC	Market Analyst:	O'Connor & Associates
Housing GC:	M. Myers Development, Inc.	Originator/UW:	NA
Engineer:	Henkel Engineering	Appraiser:	O'Connor & Associates
Cost Estimator:	M. Myers Development, Inc.	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	Corgan Associates	Accountant:	Novogradac & Company, LLC
Property Manager:	Orion Real Estate Services, Inc.	Supp Services:	My Gait, LLC
Syndicator:	Sun America Affordable Housing Partners, Inc	Permanent Lender:	Sun America Affordable Housing

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 127 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Should the terms of the first lien or syndication change this allocation should be re-evaluated.

Alternate Recommendation:

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

Explanation: The Application had a competitive score in its region.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03824**

Name: **The Villas of Park Grove**

City: **Katy**

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: 0

### 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, July 18, 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 S Roth Date 7 /11/2003

## 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 7 /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 \_\_\_\_\_ Date \_\_\_\_\_

## 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 7 /17/2003

Executive Director: Edwina Carrington

Executed: 'ednesday, July 23, 2003

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

**DATE:** July 22, 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02123  
HTF      03824

**DEVELOPMENT NAME**

Villas at Park Grove

**APPLICANT**

**Name:** Villas at Park Grove, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 9446 Old Katy Road, Suite 104      **City:** Houston      **State:** TX  
**Zip:** 77055      **Contact:** John Hunt, Ignacio Grillo      **Phone:** (713) 984-0222      **Fax:** (713) 782-0999

**PRINCIPALS of the APPLICANT**

**Name:** Park Grove Apartments, LLC      **(%):** .01      **Title:** General Partner  
**Name:** Sun America      **(%):** 99.99      **Title:** Limited Partner  
**Name:** IEG Interests, Inc.      **(%):** n/a      **Title:** 34% owner of GP & Dev  
**Name:** John B. Hunt      **(%):** n/a      **Title:** 33% owner of GP & Dev  
**Name:** James R. Hunt      **(%):** n/a      **Title:** 33% owner of GP and Dev

**GENERAL PARTNER**

**Name:** Park Grove Apartments, LLC      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 9446 Old Katy Road, Suite 104      **City:** Houston      **State:** TX  
**Zip:** 77055      **Contact:** John Hunt, Ignacio Grillo      **Phone:** (713) 984-0222      **Fax:** (713) 782-0999

**PROPERTY LOCATION**

**Location:** 600 Park Grove Drive       QCT     DDA  
**City:** Katy      **County:** Harris      **Zip:** 77450

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
① \$175,000	0%	30	30
② \$180,000	N/A	N/A	N/A
③ \$627,566	N/A	N/A	N/A

**Other Requested Terms:**    ① Housing Trust Fund Loan  
   ② HTF/SECO Grant  
   ③ Annual ten-year allocation of low-income housing tax credits; allocated \$626,148

**Proposed Use of Funds:**    New Construction      **Set-Aside:**  General     Rural     Non-Profit

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

SITE DESCRIPTION			
<b>Size:</b>	<u>6.97</u> acres	<u>303,613</u> square feet	<b>Zoning/ Permitted Uses:</b> <u>No zoning</u>
<b>Flood Zone Designation:</b>	<u>not in 100-yr zone</u>	<b>Status of Off-Sites:</b>	<u>Fully Improved</u>

**ADDENDUM**

Villas at Park Grove is a new construction development that was originally underwritten for the 2002 9% LIHTC application cycle. The underwriting report recommended an annual allocation of tax credits in the amount of \$626,148, subject to the following condition: (1) receipt, review and acceptance of a satisfactory TDHCA site inspection. While the development did not receive an allocation of tax credits from the Department's 2002 housing credit ceiling, the development did receive a 2003 Forward Commitment for Tax Credits. The Applicant is now requesting Housing Trust Funds in the amount of \$175,000 structured as a loan amortizing over 30 years with a 0% interest rate and \$180,000 structured as a HTF/SECO grant.

Since the initial LIHTC application, several changes to the application include changing the development plan and unit mix in each residential building, an increase in the site acquisition cost, and an increase in the total development costs for the project. At the time of the 2002 LIHTC application cycle, the Applicant proposed the development to be comprised of two residential buildings as follows:

- (1) Building Type A with 36 one-bedroom units and 42 two-bedroom units; and
- (1) Building Type B with 24 one-bedroom units and 48 two-bedroom units.

The Applicant has changed the development plan slightly to be comprised of two residential buildings as follows:

- (1) Building Type A with 12 one-bedroom units and 42 two-bedroom units; and
- (1) Building Type B with 48 one-bedroom units and 48 two-bedroom units.

The Applicant also indicated an increased site acquisition cost for the subject 6.97 acres. In the original LIHTC application the property contract indicated a sales price of \$759,033. The Applicant's HTF application cites a site acquisition cost of \$885,000. When asked about the increase in price, the Applicant indicated that the increase was due to holding costs. The HTF application included a copy of a Special Warranty Deed with Vendor's Lien for the subject property wherein American Realty Trust (the "Grantor"), granted, sold and conveyed the property to Villas of Park Grove, Ltd. (the "Grantee") for an original principal amount of \$1,250,000. The lender for this note was JP Morgan Chase. When asked about the original principal amount the Applicant indicated that the \$1,250,000 was a predevelopment loan for the land and, in addition to the actual purchase price of \$885,000, the money was used for surveys, architectural services, etc. for the property prior to closing. Closing on the subject property occurred on November of 2002.

The total development costs for the proposed development have also increased since the initial LIHTC application from \$10,689,127 to \$10,709,191. As mentioned above an increase in the site acquisition cost is partly responsible for the increase but an increase in indirect construction costs by \$8,000 also attributed to the overall increase. The Applicant indicated that construction costs in the Houston area increased slightly since the time of the LIHTC application, however, according to the HTF application construction contracts in the process of final negotiation. The Underwriter used the 2003 Marshall & Swift *Residential Cost Handbook* to derive an estimate of the total development cost for this project as currently proposed. The Applicant's new construction cost estimate is still within 5% of the Underwriter's revised 2003 Marshall & Swift-derived estimate. Therefore, the Applicant's total development costs will be used to evaluate this transaction.

As stated above, the Applicant is requesting Housing Trust Funds in the amount of \$175,000 structured as a loan and \$180,000 structured as a HTF/SECO grant. It should be noted that the Applicant's sources and uses statement indicates syndication proceeds based on the original requested amount of tax credits; however, the Underwriter utilized total syndication proceeds based on the actual amount of tax credits committed, which is slightly less. Thus, based on the Applicant's sources and uses for this project, there is an excess of funds in the amount of \$81,243. The Underwriter deducted this excess amount of funds from the Applicant's requested HTF loan amount of \$175,000. Therefore, the Underwriter's analysis is based on a request of Housing Trust Funds in the amount of \$93,757, structured as a loan amortizing over 30 years with 0% interest and \$180,000 structured as a HTF/SECO grant. The Underwriter asked the Applicant why the sources and uses statement submitted reflected an excess of funds, and the Applicant indicated that at the time

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

it was believed that the excess funds would be used for any overage in construction costs. The Applicant is aware that the HTF loan will be reduced by the overage amount for purposes of this analysis and agreed to this fact.

Based on the financing structure proposed for the subject, which is similar to what was proposed during the LITHC application cycle, the development could support the proposed permanent loan amount and additional HTF loan at an acceptable debt coverage ratio.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$93,757, STRUCTURED AS A 30 YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, AND \$180,000, STRUCTURED AS A HTF/SECO GRANT.

**Underwriter:**

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

**Date:** July 22, 2003

**Director of Credit Underwriting:**

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

**Date:** July 22, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Villas at Park Grove, Katy, LIHTC #02123- ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 30%	1	1	1	650	\$335	\$279	\$279	\$0.43	56.00	25.00
TC 40%	5	1	1	650	\$447	\$391	1,955	0.60	56.00	25.00
TC 50%	19	1	1	650	\$558	\$502	9,538	0.77	56.00	25.00
TC 60%	23	1	1	650	\$670	\$614	14,122	0.94	56.00	25.00
MR	12	1	1	650	\$780	\$724	8,688	1.11	56.00	25.00
TC 30%	1	2	1	850	\$402	\$332	332	0.39	70.00	25.00
TC 40%	7	2	1	850	\$536	\$466	3,262	0.55	70.00	25.00
TC 50%	29	2	1	850	\$670	\$600	17,400	0.71	70.00	25.00
TC 60%	35	2	1	850	\$804	\$734	25,690	0.86	70.00	25.00
MR	18	2	1	850	\$939	\$869	15,642	1.02	70.00	25.00
<b>TOTAL:</b>	<b>150</b>		<b>AVERAGE:</b>	<b>770</b>	<b>\$710</b>	<b>\$646</b>	<b>\$96,908</b>	<b>\$0.84</b>	<b>\$64.40</b>	<b>\$25.00</b>

<b>INCOME</b>				<b>Totals</b>		<b>TDHCA</b>	<b>APPLICANT</b>				
Total Net Rentable Sq Ft: 115,500						\$1,162,896	\$1,113,168				
<b>POTENTIAL GROSS RENT</b>						\$18,000	\$18,000	\$10.00		Per Unit Per Month	
Secondary Income				Per Unit Per Month:	\$10.00	0	0				
Other Support Income: (describe)											
<b>POTENTIAL GROSS INCOME</b>						\$1,180,896	\$1,131,168				
Vacancy & Collection Loss				% of Potential Gross Income:	-7.50%	(88,567)	(84,840)	-7.50%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$1,092,329	\$1,046,328				
<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				4.30%	\$313	\$0.41	\$47,016	\$41,000	\$0.35	\$273	3.92%
Management				5.00%	364	0.47	54,616	52,300	0.45	349	5.00%
Payroll & Payroll Tax				11.59%	844	1.10	126,615	90,000	0.78	600	8.60%
Repairs & Maintenance				4.94%	360	0.47	54,003	100,350	0.87	669	9.59%
Utilities				3.18%	232	0.30	34,776	25,000	0.22	167	2.39%
Water, Sewer, & Trash				4.12%	300	0.39	45,000	50,000	0.43	333	4.78%
Property Insurance				1.92%	140	0.18	20,948	23,100	0.20	154	2.21%
Property Tax 2.75				9.44%	688	0.89	103,125	93,750	0.81	625	8.96%
Reserve for Replacements				2.75%	200	0.26	30,000	30,000	0.26	200	2.87%
Other Expenses:				0.41%	30	0.04	4,500	4,500	0.04	30	0.43%
<b>TOTAL EXPENSES</b>				<b>47.66%</b>	<b>\$3,471</b>	<b>\$4.51</b>	<b>\$520,598</b>	<b>\$510,000</b>	<b>\$4.42</b>	<b>\$3,400</b>	<b>48.74%</b>
<b>NET OPERATING INC</b>				<b>52.34%</b>	<b>\$3,812</b>	<b>\$4.95</b>	<b>\$571,731</b>	<b>\$536,328</b>	<b>\$4.64</b>	<b>\$3,576</b>	<b>51.26%</b>
<b>DEBT SERVICE</b>											
First Lien Mortgage				44.63%	\$3,250	\$4.22	\$487,543	\$487,543	\$4.22	\$3,250	46.60%
HTF Loan				0.29%	\$21	\$0.03	3,125		\$0.00	\$0	0.00%
Additional Financing				0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>				<b>7.42%</b>	<b>\$540</b>	<b>\$0.70</b>	<b>\$81,063</b>	<b>\$48,785</b>	<b>\$0.42</b>	<b>\$325</b>	<b>4.66%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>							1.17	1.10			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>							1.17				

<b>CONSTRUCTION COST</b>						<b>TDHCA</b>	<b>APPLICANT</b>			
Acquisition Cost (site or bldg)						\$900,000	\$900,000	\$7.79	\$6,000	8.40%
Off-Sites						0	0	0.00	0	0.00%
Sitework						972,100	972,100	8.42	6,481	9.08%
Direct Construction						5,264,672	5,225,690	45.24	34,838	48.80%
Contingency						0	0	0.00	0	0.00%
General Requireme						313,541	313,541	2.71	2,090	2.93%
Contractor's G & I						104,513	104,513	0.90	697	0.98%
Contractor's Prof:						313,541	313,541	2.71	2,090	2.93%
Indirect Construction						722,000	722,000	6.25	4,813	6.74%
Ineligible Costs						203,668	203,668	1.76	1,358	1.90%
Developer's G & A						87,979	0	0.00	0	0.00%
Developer's Profit						1,061,229	1,149,208	9.95	7,661	10.73%
Interim Financing						472,930	472,930	4.09	3,153	4.42%
Reserves						332,000	332,000	2.87	2,213	3.10%
<b>TOTAL COST</b>						<b>\$10,748,173</b>	<b>\$10,709,191</b>	<b>\$92.72</b>	<b>\$71,395</b>	<b>100.00%</b>

<b>Recap-Hard Construction Costs</b>						<b>TDHCA</b>	<b>APPLICANT</b>			
<b>SOURCES OF FUNDS</b>										
First Lien Mortgage						\$5,537,000	\$5,537,000	\$5,537,000		
HTF Loan						\$175,000	\$175,000	\$93,757		
HTF/SBCO Grant						\$180,000	\$180,000	\$180,000		
LIHTC Syndication Proceeds						4,898,434	4,898,434	4,898,434		
Deferred Developer Fees						0				
Additional (excess) Funds Require						(42,261)	(81,243)	0		
<b>TOTAL SOURCES</b>						<b>\$10,748,173</b>	<b>\$10,709,191</b>	<b>\$10,709,191</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Villas at Park Grove, Katy, LIHTC #02123- ADDENDUM**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.79	\$4,941,688
<b>Adjustments</b>				
Exterior Wall Finish	8.00%		\$3.42	\$395,335
Elderly	5.00%		2.14	247,084
Roofing			0.00	0
Subfloor			(0.67)	(77,770)
Floor Cover			1.92	221,760
Porches/Balconies	\$29.24	11,066	2.80	323,573
Plumbing	\$585	0	0.00	0
Built-In Appliances	\$1,625	150	2.11	243,750
Stairs	\$1,400	18	0.22	25,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	169,785
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$52.94	8,000	3.67	423,552
Other: Elevator	\$43,750	3	1.14	131,250
<b>SUBTOTAL</b>			<b>61.00</b>	<b>7,045,207</b>
Current Cost Multiplier	1.03		1.83	211,356
Local Multiplier	0.89		(6.71)	(774,973)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$56.12</b>	<b>\$6,481,590</b>
Plans, specs, survy, bld	3.90%		(\$2.19)	(\$252,782)
Interim Construction Inte	3.38%		(1.89)	(218,754)
Contractor's OH & Profit	11.50%		(6.45)	(745,383)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$45.58</b>	<b>\$5,264,672</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$5,537,000	Term	360
Int Rate	8.00%	DCR	1.17

<b>Secondary</b>	\$93,757	Term	360
Int Rate	0.00%	Subtotal DCR	1.17

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.17

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$487,543
Secondary Debt Service	3,125
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$81,063</b>

<b>Primary</b>	\$5,537,000	Term	360
Int Rate	8.00%	DCR	1.17

<b>Secondary</b>	\$93,757	Term	360
Int Rate	0.00%	Subtotal DCR	1.17

<b>Additional</b>		Term	0
Int Rate	0.00%	Aggregate DCR	1.17

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,162,896	\$1,197,783	\$1,233,716	\$1,270,728	\$1,308,850	\$1,517,316	\$1,758,985	\$2,039,145	\$2,740,441
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income: (desc)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,180,896	1,216,323	1,252,813	1,290,397	1,329,109	1,540,801	1,786,211	2,070,708	2,782,859
Vacancy & Collection Loss	(88,567)	(91,224)	(93,961)	(96,780)	(99,683)	(115,560)	(133,966)	(155,303)	(208,714)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,092,329	\$1,125,099	\$1,158,852	\$1,193,617	\$1,229,426	\$1,425,241	\$1,652,245	\$1,915,405	\$2,574,144
EXPENSES at 4.00%									
General & Administrative	\$47,016	\$48,896	\$50,852	\$52,886	\$55,002	\$66,918	\$81,416	\$99,055	\$146,625
Management	54,616	56,255	57,943	59,681	61,471	71,262	82,612	95,770	128,707
Payroll & Payroll Tax	126,615	131,680	136,947	142,425	148,122	180,213	219,256	266,759	394,868
Repairs & Maintenance	54,003	56,163	58,409	60,745	63,175	76,862	93,515	113,775	168,415
Utilities	34,776	36,167	37,614	39,118	40,683	49,497	60,221	73,268	108,454
Water, Sewer & Trash	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Insurance	20,948	21,786	22,657	23,563	24,506	29,815	36,275	44,134	65,329
Property Tax	103,125	107,250	111,540	116,002	120,642	146,779	178,579	217,269	321,611
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	4,500	4,680	4,867	5,062	5,264	6,405	7,793	9,481	14,034
TOTAL EXPENSES	\$520,598	\$540,876	\$561,949	\$583,847	\$606,604	\$734,500	\$889,542	\$1,077,524	\$1,581,942
NET OPERATING INCOME	\$571,731	\$584,223	\$596,903	\$609,770	\$622,822	\$690,742	\$762,703	\$837,881	\$992,202
DEBT SERVICE									
First Lien Financing	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543
Second Lien	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$81,063	\$93,555	\$106,235	\$119,102	\$132,154	\$200,074	\$272,035	\$347,214	\$501,534
DEBT COVERAGE RATIO	1.17	1.19	1.22	1.24	1.27	1.41	1.55	1.71	2.02



**LIHTC Allocation Calculation - Villas at Park Grove, Katy, LIHTC #02123-**

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	\$900,000	\$900,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$972,100	\$972,100	\$972,100	\$972,100
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$5,225,690	\$5,264,672	\$5,225,690	\$5,264,672
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$104,513	\$104,513	\$104,513	\$104,513
Contractor profit	\$313,541	\$313,541	\$313,541	\$313,541
General requirements	\$313,541	\$313,541	\$313,541	\$313,541
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$722,000	\$722,000	\$722,000	\$722,000
<b>(7) Eligible Financing Fees</b>				
	\$472,930	\$472,930	\$472,930	\$472,930
<b>(8) All Ineligible Costs</b>				
	\$203,668	\$203,668		
<b>(9) Developer Fees</b>				
Developer overhead		\$87,979		\$87,979
Developer fee	\$1,149,208	\$1,061,229	\$1,149,208	\$1,061,229
<b>(10) Development Reserves</b>				
	\$332,000	\$332,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$10,709,191</b>	<b>\$10,748,173</b>	<b>\$9,273,523</b>	<b>\$9,312,505</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>		\$9,273,523	\$9,312,505
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$9,273,523	\$9,312,505
Applicable Fraction		80%	80%
<b>TOTAL QUALIFIED BASIS</b>		\$7,418,818	\$7,450,004
Applicable Percentage		8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$626,148	\$628,780

Syndication Proceeds	0.7823	\$4,898,434	\$4,919,025
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**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: July 22, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02123

**DEVELOPMENT NAME**

Villas at Park Grove

**APPLICANT**

**Name:** Villas at Park Grove, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 9446 Old Katy Road, Suite 104      **City:** Houston      **State:** TX  
**Zip:** 77055      **Contact:** John Hunt, Ignacio Grillo      **Phone:** (713) 984-0222      **Fax:** (713) 782-0999

**PRINCIPALS of the APPLICANT**

**Name:** Park Grove Apartments, LLC      **(%):** .01      **Title:** General Partner  
**Name:** Sun America      **(%):** 99.99      **Title:** Limited Partner  
**Name:** IEG Interests, Inc.      **(%):** n/a      **Title:** 34% owner of GP & Dev  
**Name:** John B. Hunt      **(%):** n/a      **Title:** 33% owner of GP & Dev  
**Name:** James R. Hunt      **(%):** n/a      **Title:** 33% owner of GP and Dev

**GENERAL PARTNER**

**Name:** Park Grove Apartments, LLC      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 9446 Old Katy Road, Suite 104      **City:** Houston      **State:** TX  
**Zip:** 77055      **Contact:** John Hunt, Ignacio Grillo      **Phone:** (713) 984-0222      **Fax:** (713) 782-0999

**PROPERTY LOCATION**

**Location:** 600 Park Grove Drive       QCT     DDA  
**City:** Katy      **County:** Harris      **Zip:** 77450

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$627,566	n/a	n/a	n/a
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New Construction <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 6.97 acres      303,613 square feet      **Zoning/ Permitted Uses:** No zoning  
**Flood Zone Designation:** not in 100-yr zone      **Status of Off-Sites:** Fully Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 150    **# Rental Buildings:** 2    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** n/a yrs

Number	Bedrooms	Bathroom	Size in SF
60	1	1	650
90	2	1	850

**Net Rentable SF:** 115,500    **Av Un SF:** 770    **Common Area SF:** 8,000    **Gross Bldg SF** 123,500

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 100% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

8,000-SF community building with furnished community room, game/recreation room, management offices, exercise room, kitchen, restrooms, computer room, swimming pool, perimeter fencing, limited access gate, community garden/walk trail

**Uncovered Parking:** 265 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Sun America Affordable Housing Partners    **Contact:** Lee Stevens

**Principal Amount:** \$5,537,000    **Interest Rate:** 7%

**Additional Information:** \_\_\_\_\_

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Sun America Affordable Housing Partners    **Contact:** Lee Stevens

**Principal Amount:** \$5,537,000    **Interest Rate:** 8%

**Additional Information:** \_\_\_\_\_

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

**Annual Payment:** \$487,543    **Lien Priority:** 1st    **Commitment Date**    02/ 26/ 2002

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

**LIHTC SYNDICATION**

<b>Source:</b>	<u>Sun America Affordable Housing Partners</u>	<b>Contact:</b>	<u>Lee Stevens</u>
<b>Address:</b>	<u>8144 Walnut Hill, Ste. 450</u>	<b>City:</b>	<u>Dallas</u>
<b>State:</b>	<u>TX</u>	<b>Zip:</b>	<u>75231</u>
		<b>Phone:</b>	<u>(214) 932-2505</u>
		<b>Fax:</b>	<u>(214) 932-2505</u>
<b>Net Proceeds:</b>	<u>\$4,909,525</u>	<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC)	<u>78¢</u>
<b>Commitment</b>	<input type="checkbox"/> None	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
		<b>Date:</b>	<u>02/ 26/ 2002</u>
<b>Additional Information:</b>	<u>Based on a credit amount of \$6,275,660</u>		

**APPLICANT EQUITY**

<b>Amount:</b>	<u>\$262,666</u>	<b>Source:</b>	<u>Deferred developer fee</u>
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**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	<u>\$573,580</u>	<b>Assessment for the Year of:</b>	<u>2001</u>
<b>Building:</b>	<u>n/a</u>	<b>Valuation by:</b>	<u>Harris County Appraisal District</u>
<b>Total Assessed Value:</b>	<u>\$573,580</u>	<b>Tax Rate:</b>	<u>2.75</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	<u>Earnest Money Contract</u>		
<b>Contract Expiration Date:</b>	<u>08/ 31/ 2002</u>	<b>Anticipated Closing Date:</b>	<u>08/ 31/ 2002</u>
<b>Acquisition Cost:</b>	<u>\$ 759,033</u>	<b>Other Terms/Conditions:</b>	<u></u>
<b>Seller:</b>	<u>American Realty Trust, Inc.</u>	<b>Related to Development Team Member:</b>	<u>no</u>

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villas at Park Grove is a proposed new construction development of 120 units of mixed income housing and 30 market rate units located in Katy. The development is comprised of 2 residential buildings as follows:

- (1) Building Type A with 36 one-bedroom units and 42 two- bedroom units; and
- (1) Building Type B with 24 one-bedroom units and 48 two-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the clubhouse, mailboxes, and swimming pool located near the entrance to the site. The 8,000-square foot community building plan includes the management office, a community room, game/recreation room, exercise room, computer facility, kitchen and restrooms. Other special features include a community garden/walk trail.

**Supportive Services:** The Applicant has contracted with MyGait LLC to provide the following supportive services to tenants: basic adult education, information on counseling services, schedules of social and recreational programs provided by Owner, information on welfare services and referral services. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, and to pay a one-time startup fee of \$750, plus \$730 per month for these support services.

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

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 120 of the units (80% of the total) will be reserved for low-income tenants. Two of the units (1%) will be reserved for households earning 30% or less of AMGI, twelve units (8%) will be reserved for households earning 40% or less of AMGI, forty-eight units (32%) will be reserved for households earning 50% or less of AMGI, fifty-eight units (39%) will be reserved for households earning 60% or less of AMGI and the remaining 30 units (20%) will be offered at market rents.

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

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 25, 2002 was prepared by O'Connor & Associates and highlighted the following findings:

**Definition of Market/Submarket:** “For purposes of this report, the subject’s primary market area includes those properties located in zip codes 77493, 77449, 77084, 77494, 77450, 77094, 77433, 77040, 77095, 77043, 77079, 77077, 77082 and 77083. The “Far West, “Bear Creek/Northwest,” and “Katy/Northwest” submarkets includes these zip codes.” (p. 25)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	109	17%
Resident Turnover	462	74%
Other Sources	57	9%
<b>TOTAL ANNUAL DEMAND*</b>	<b>628</b>	<b>100%</b>

Ref: p. 38

\*The market analyst calculated two different demand figures based on the rent-restricted units and the market rent units. The information represented above is total demand for the rent-restricted units. The market analyst calculated a total annual demand for 1,616 units for market rent units. The proposed development is to have 30 market rent units available.

**Capture Rate:** The market analyst calculated two separate capture rates, one for the rent-restricted units and another for the market rent units. “The subject will contain 120 rent-restricted units and 30 market rent units. Thus, based on our analysis, there are 120 rent-restricted units that are under construction, approved or proposed in the subject’s primary market (including the subject). As indicated earlier, there are approximately 628 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject’s primary market.” (p. 39) Based on this information, the market analyst calculated a capture rate of 19.10% for the rent-restricted units. The market analyst further explains that “there is a 248-unit project, the Millstone Apartments, located at the southeast corner of West Fernhurst Drive and proposed Cobia Drive. This project will be a LIHTC apartment complex, but is not a senior project and will cater to garden style apartment dwellers...If the rent restricted units in this project were included in the capture rate analysis indicated above, the capture rate would be 58.06%. However, we consider that the above referenced LIHTC project would not be direct competition for the subject seniors project...therefore, the 19.10% capture rate calculated above is considered to be more representative of competition for a senior project.” (p. 39)

As stated before, the analyst also calculated a second capture rate for the market rent units that will be available at the subject development. “There are 1,462 market rate units that are under construction, approved or proposed in the subject’s primary market (including the subject). We have utilized only the subject’s market units, as these units are being developed for senior use. As indicated earlier, there are approximately 1,616 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject’s primary market.” (p. 42) Based on this information the market analyst calculated a capture rate of 1.86% for the market rent units. Additionally, the analyst explains that “there are no seniors projects proposed in the subject primary market area. If we considered all of the

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proposed in this market area and included them in the capture rate analysis indicated above, the capture rate would be 90.48%. However, we consider that the 1,432 proposed market rate units would not be direct competition for the subject seniors project...therefore, the 1.86% capture rate calculated above is considered to be more representative of competition for a seniors project.” (p. 42)

**Local Housing Authority Waiting List Information:** “There are thousands of families in the City of Houston currently on the growing waiting lists for low-rent public housing, apartment rental subsidies, or Section 8 vouchers administered by the Houston Housing Authority.” (p. 34)

**Market Rent Comparables:** The market analyst surveyed six comparable apartment projects totaling 2,051 units in the market area. (p. 53)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$254	\$279	-\$25	\$750	-\$496
<b>1-Bedroom (40%)</b>	\$363	\$391	-\$28	\$750	-\$387
<b>1-Bedroom (50%)</b>	\$473	\$502	-\$29	\$750	-\$277
<b>1-Bedroom (60%)</b>	\$583	\$614	-\$31	\$750	-\$167
<b>1-Bedroom (MR)</b>	\$724	\$724	\$0	\$750	-\$26
<b>2-Bedroom (30%)</b>	\$300	\$332	-\$32	\$850	-\$550
<b>2-Bedroom (40%)</b>	\$431	\$466	-\$35	\$850	-\$419
<b>2-Bedroom (50%)</b>	\$563	\$600	-\$37	\$850	-\$287
<b>2-Bedroom (60%)</b>	\$695	\$734	-\$39	\$850	-\$155
<b>2-Bedroom (MR)</b>	\$869	\$869	\$0	\$850	-\$19

(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 occupancy of the comparable rentals included in this study range from 82% to 95%, with the recently-constructed properties all between 82% and 93%.” (p. 29)

**Absorption Projections:** “Absorption in the subject’s submarket over the past four quarters ending December 2001 totals a positive 2,097 units...Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months.” (p. 29)

**Known Planned Development:** “Over the past 15 months, three new apartment projects, containing 993 units were constructed. Presently, there is one project under construction in this market area and four proposed projects...The closest project is Willow Lake II Apartments, a Class A project which will be located on Willow Lake, near the subject property, and will consist of 220 market units. The closest proposed project is the Ashley House, a Class A project which is located at 3903 South Mason and will contain 328 units. Additionally, there is a 248-unit project, the Millstone Apartments, located at the southeast corner of West Fernhurst Drive and proposed Cobia Drive currently under construction. This project will be a LIHTC apartment complex, but is not a seniors project. According to the Houston HUD office, there is one project in the subject’s primary market area in which the rents are based on income or otherwise restricted. This property is located at 13830 Canyon Hills, and is a senior housing project. Based on our research, the newer low-income housing projects in this market are highly occupied; therefore, there is a shortage of low-income housing in the subject’s primary market area, which is consistent with the Houston area in general.” (p. 27-28)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Katy is located in east Texas within the Houston MSA in Harris County. The site is a rectangular-shaped parcel located in the west area of Harris County. The site is situated on the southwest corner of Kingsland Boulevard and Park Grove Drive.

**Population:** The estimated 2001 population of the primary market area was 465,327 and is expected to

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increase by 2.5% to approximately 526,556 by 2006. Within the primary market area there were estimated to be 164,312 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly mixed. Adjacent land uses include:

- **North:** commercial service development
- **South:** Harris County Flood Control Easement
- **East:** vacant land
- **West:** commercial service development

**Site Access:** Access and entry to the property is from the north or south from Park Grove Drive and from the east or west from Kingsland Boulevard.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within 1-2 miles of grocery stores, shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

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

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

A Phase I Environmental Site Assessment report dated March 18, 2002 was prepared by Criterium Engineers and contained the following findings and recommendations:

“No evidence of hazardous chemical release or spills was found on-site...it is our opinion that there are no findings as related to this Phase I Environmental Site Assessment (ESA) of the subject property.” (p. 3)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are slightly lower than the maximum rents allowed under LIHTC guidelines. The Underwriter used the 2002 maximum rents in this analysis, which results in an increase of \$50K in potential gross rent. The Applicant’s estimate of secondary income and vacancy and collection losses are in line with TDHCA guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,400 per unit is slightly less than a TDHCA database-derived estimate of \$3,471 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$6K lower), payroll (\$37K lower), repairs and maintenance (\$46K higher), utilities (\$10K lower), water, sewer, and trash (\$5K higher), and property tax (\$9K lower).

**Conclusion:** The Applicant’s estimated income and total estimated operating expense is consistent with the Underwriter’s expectations however the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Based on the proposed debt structure and under both the Applicant’s and Underwriter’s projections, the development would have a debt coverage ratio (DCR) within 1.10 to 1.25, allowed under LIHTC guidelines.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant submitted an original Contract of Sale between American Realty Trust, Inc. (seller) and Ginter Family Investments, Ltd. (purchaser). The original contract states that the purchase price for the subject property, 6.95 acres, is \$756,855, or \$2.50/SF or \$108,900/acre. A legal description of the property indicates that the actual acreage of the subject property is 6.97 acres. The subject property has been assigned under the rights of the contract to JBH 1970 Corporation from Ginter Family Investments, Ltd. Therefore, the earnest money contract shows the purchaser as JBH 1970 Corporation of which John Hunt is 100% owner and also principle of the applicant, The Villas of Park Grove, Ltd. Another Assignment of Contract assigns the property under rights of the contract to the Applicant, Villas of Park Grove, Ltd., from JBH 1970 Corporation. In a letter dated January 2, 2002 from John B. Hunt, he explains that “JBH 1970 Corporation was used as the purchaser of the contract because the Villas of Grove Park, Ltd. had not yet been formed.” Additionally, he explains that paragraph 11 of the earnest money contract allows the contract to be assigned to an affiliated or related party, as is the case with the assignment.

After a verbal inquiry with Ignacio Grillo regarding the total site acquisition cost as stated in the project

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cost schedule, Mr. Grillo informed the Underwriter that an agreement between Ginter Family Investments, Ltd. And JBH 1970 Corporation indicates that if at any time JBH consummates the purchase of the property, JBH shall pay Ginter an amount equal to twenty-five cents (\$.25) per square foot contained in the property, which translates into \$75,903 for the subject property. Per Mr. Grillo, Ginter Family Investments, Ltd. was the original purchaser of the land, however, Ginter agreed to transfer the sale of the property to the Applicant if the Applicant agreed to pay Ginter a \$.25 premium for allowing the Applicant to take over the purchase of the property. Also, the correct purchase price of the subject property is \$759,033. This amount reflects the correct acreage of the subject property (6.97 acres) multiplied by the cost per square foot as indicated above. Also included in the site acquisition cost is \$30,000 in non-applicable extensions that the Applicant has already paid in order to extend the closing of the contract to August 31, 2002. The Applicant provided a revised cost breakdown to reflect these facts. 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 \$6,481 per unit are considered reasonable compared to historical sitework costs for multifamily projects and is slightly under the \$6,500 per unit maximum allowed.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$7K lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. According to the site and floor plans for the development, the residential buildings are to be 3-story buildings and the Applicant has indicated on the application that elevator service will be available. However, there were no costs included for elevators in the Applicant's project cost schedule.

**Ineligible Costs:** The Applicant incorrectly included \$10,000 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Fees:** Housing consulting fees of \$8,000 were moved from indirect construction costs to developer fees. The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$9,273,523 is used to determine a credit allocation of \$626,148 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

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

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through SunAmerica Affordable Housing Partners in the amount of \$5,537,000 during the interim period and \$5,537,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 30 years for the permanent. The interest rate will be 7% for the construction portion and 7% for the permanent.

**LIHTC Syndication:** SunAmerica Affordable Housing Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,909,525 based on a syndication factor of 78%. The funds would be disbursed in a 3-phased pay-in schedule:

1. \$77,750 concurrently with closing of the Amended Partnership Agreement;
2. \$3,945,233 upon (a) substantial completion of the Apartment Complex, (b) repayment of the bridge loan, (c) issuance of final certificates of occupancy, and (d) such other standard terms as set forth in SunAmerica's standard form partnership agreements;
3. \$886,543 upon (a) commencement of amortization of the permanent loan, (b) receipt of an audited cost certification of eligible basis, (c) receipt of Form(s) 8609 for the entire Apartment Complex, and (d) such other standard terms as set forth in SunAmerica's standard form partnership agreements.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$262,666 amount to 23% of the total fees.



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**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$626,148 annually for ten years, resulting in syndication proceeds of approximately \$898,434. This is \$1,418 less than the credits requested but, due to an overstatement of sources of funds, will result in a lower than anticipated deferred developer fee. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to \$253,693, which appears to be repayable from cashflow between 2-3 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with other units. The units are in three-story structures with stucco exterior finish and pitched roofs.

**IDENTITIES of INTEREST**

None noted by the Applicant.

**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, John Hunt, James Hunt and Ignacio Grillo, submitted unaudited financial statements as of February 28, 2002, January 1, 2002 and February 28, 2002, respectively.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable range.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$626,148 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.

**Associate Underwriter:**

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

**Date:** July 22, 2002

**Director of Credit Underwriting:**

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

**Date:** July 22, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Villas at Park Grove, Katy, LIHTC #02123**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 30%	1	1	1	650	\$335	\$279	\$279	\$0.43	56.00	25.00
TC 40%	5	1	1	650	\$447	\$391	1,955	0.60	56.00	25.00
TC 50%	19	1	1	650	\$558	\$502	9,538	0.77	56.00	25.00
TC 60%	23	1	1	650	\$670	\$614	14,122	0.94	56.00	25.00
MR	12	1	1	650	\$780	\$724	8,688	1.11	56.00	25.00
TC 30%	1	2	1	850	\$402	\$332	332	0.39	70.00	25.00
TC 40%	7	2	1	850	\$536	\$466	3,262	0.55	70.00	25.00
TC 50%	29	2	1	850	\$670	\$600	17,400	0.71	70.00	25.00
TC 60%	35	2	1	850	\$804	\$734	25,690	0.86	70.00	25.00
MR	18	2	1	850	\$939	\$869	15,642	1.02	70.00	25.00
<b>TOTAL:</b>	<b>150</b>		<b>AVERAGE:</b>	<b>770</b>	<b>\$710</b>	<b>\$646</b>	<b>\$96,908</b>	<b>\$0.84</b>	<b>\$64.40</b>	<b>\$25.00</b>

<b>INCOME</b>				Total Net Rentable Sq Ft: 115,500		<b>TDHCA</b>	<b>APPLICANT</b>			
POTENTIAL GROSS RENT						\$1,162,896	\$1,113,168			
Secondary Income		Per Unit Per Month:	\$10.00			18,000	18,000	\$10.00	Per Unit Per Month	
Other Support Income: (describe)						0	0			
POTENTIAL GROSS INCOME						\$1,180,896	\$1,131,168			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(88,567)	(84,840)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$1,092,329	\$1,046,328			
<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	4.30%	\$313	\$0.41		\$47,016	\$41,000	\$0.35	\$273	3.92%	
Management	5.00%	364	0.47		54,616	52,300	0.45	349	5.00%	
Payroll & Payroll Tax	11.59%	844	1.10		126,615	90,000	0.78	600	8.60%	
Repairs & Maintenance	4.94%	360	0.47		54,003	100,350	0.87	669	9.59%	
Utilities	3.18%	232	0.30		34,776	25,000	0.22	167	2.39%	
Water, Sewer, & Trash	4.12%	300	0.39		45,000	50,000	0.43	333	4.78%	
Property Insurance	1.92%	140	0.18		20,948	23,100	0.20	154	2.21%	
Property Tax	9.44%	688	0.89		103,125	93,750	0.81	625	8.96%	
Reserve for Replacements	2.75%	200	0.26		30,000	30,000	0.26	200	2.87%	
Other Expenses:	0.41%	30	0.04		4,500	4,500	0.04	30	0.43%	
TOTAL EXPENSES	47.66%	\$3,471	\$4.51		\$520,598	\$510,000	\$4.42	\$3,400	48.74%	
NET OPERATING INC	52.34%	\$3,812	\$4.95		\$571,731	\$536,328	\$4.64	\$3,576	51.26%	
<b>DEBT SERVICE</b>										
First Lien Mortgage	44.63%	\$3,250	\$4.22		\$487,543	\$487,543	\$4.22	\$3,250	46.60%	
Additional Financing	0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
Additional Financing	0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
NET CASH FLOW	7.71%	\$561	\$0.73		\$84,188	\$48,785	\$0.42	\$325	4.66%	
AGGREGATE DEBT COVERAGE RATIO					1.17	1.10				
ALTERNATIVE DEBT COVERAGE RATIO					1.17					

<b>CONSTRUCTION COST</b>				<b>TDHCA</b>	<b>APPLICANT</b>				
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		8.23%	\$5,866	\$7.62	\$879,936	\$879,936	\$7.62	\$5,866	8.23%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.09%	6,481	8.42	972,100	972,100	8.42	6,481	9.09%
Direct Construction		48.92%	34,884	45.30	5,232,600	5,225,690	45.24	34,838	48.89%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Requirement	5.05%	2.93%	2,090	2.71	313,541	313,541	2.71	2,090	2.93%
Contractor's G & A	1.68%	0.98%	697	0.90	104,513	104,513	0.90	697	0.98%
Contractor's Profit	5.05%	2.93%	2,090	2.71	313,541	313,541	2.71	2,090	2.93%
Indirect Construction		6.68%	4,760	6.18	714,000	714,000	6.18	4,760	6.68%
Ineligible Costs		1.90%	1,358	1.76	203,668	203,668	1.76	1,358	1.91%
Developer's G & A	1.25%	0.95%	675	0.88	101,189	0	0.00	0	0.00%
Developer's Profit	13.00%	9.87%	7,040	9.14	1,056,019	1,157,208	10.02	7,715	10.83%
Interim Financing		4.42%	3,153	4.09	472,930	472,930	4.09	3,153	4.42%
Reserves		3.10%	2,213	2.87	332,000	332,000	2.87	2,213	3.11%
TOTAL COST		100.00%	\$71,307	\$92.61	\$10,696,037	\$10,689,127	\$92.55	\$71,261	100.00%
Recap-Hard Construction Costs		64.85%	\$46,242	\$60.05	\$6,936,295	\$6,929,385	\$59.99	\$46,196	64.83%

<b>SOURCES OF FUNDS</b>				<b>RECOMMENDED</b>		
First Lien Mortgage	51.77%	\$36,913	\$47.94	\$5,537,000	\$5,537,000	\$5,537,000
LIHTC Syndication Proceeds	45.90%	\$32,730	\$42.51	4,909,525	4,909,525	4,898,434
Deferred Developer Fees	2.46%	\$1,751	\$2.27	262,666	262,666	253,693
Additional (excess) Funds Require	-0.12%	(\$88)	(\$0.11)	(13,154)	(20,064)	0
TOTAL SOURCES				\$10,696,037	\$10,689,127	\$10,689,127

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Villas at Park Grove, Katy, LIHTC #02123**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.01	\$4,737,124
<b>Adjustments</b>				
Exterior Wall Finish	8.00%		\$3.28	\$378,970
Elderly	5.00%		2.05	236,856
Roofing			0.00	0
Subfloor			(0.65)	(75,460)
Floor Cover			1.82	210,210
Porches/Balconies	\$28.10	12276	2.99	344,956
Plumbing	\$585	0	0.00	0
Built-In Appliances	\$1,550	150	2.01	232,500
Stairs	\$1,350	18	0.21	24,300
Floor Insulation			0.00	0
Heating/Cooling			1.41	162,855
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$50.54	8,000	3.50	404,352
Other: Elevator	\$41,500	3	1.08	124,500
<b>SUBTOTAL</b>			<b>58.71</b>	<b>6,781,163</b>
Current Cost Multiplier	1.04		2.35	271,247
Local Multiplier	0.91		(5.28)	(610,305)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$55.78</b>	<b>\$6,442,105</b>
Plans, specs, survy, bld	3.90%		(\$2.18)	(\$251,242)
Interim Construction Inte	3.38%		(1.88)	(217,421)
Contractor's OH & Profit	11.50%		(6.41)	(740,842)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$45.30</b>	<b>\$5,232,600</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$5,537,000	Term	360
Int Rate	8.00%	DCR	1.17

<b>Secondary</b>	\$262,666	Term	
Int Rate		Subtotal DCR	1.17

<b>Additional</b>	\$4,909,525	Term	
Int Rate		Aggregate DCR	1.17

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$487,543
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$84,188</b>

<b>Primary</b>	\$5,537,000	Term	360
Int Rate	8.00%	DCR	1.17

<b>Secondary</b>	\$262,666	Term	0
Int Rate	0.00%	Subtotal DCR	1.17

<b>Additional</b>	\$4,909,525	Term	0
Int Rate	0.00%	Aggregate DCR	1.17

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,162,896	\$1,197,783	\$1,233,716	\$1,270,728	\$1,308,850	\$1,517,316	\$1,758,985	\$2,039,145	\$2,740,441
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income: (desc)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,180,896	1,216,323	1,252,813	1,290,397	1,329,109	1,540,801	1,786,211	2,070,708	2,782,859
Vacancy & Collection Loss	(88,567)	(91,224)	(93,961)	(96,780)	(99,683)	(115,560)	(133,966)	(155,303)	(208,714)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,092,329	\$1,125,099	\$1,158,852	\$1,193,617	\$1,229,426	\$1,425,241	\$1,652,245	\$1,915,405	\$2,574,144
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$47,016	\$48,896	\$50,852	\$52,886	\$55,002	\$66,918	\$81,416	\$99,055	\$146,625
Management	54,616	56,255	57,943	59,681	61,471	71,262	82,612	95,770	128,707
Payroll & Payroll Tax	126,615	131,680	136,947	142,425	148,122	180,213	219,256	266,759	394,868
Repairs & Maintenance	54,003	56,163	58,409	60,745	63,175	76,862	93,515	113,775	168,415
Utilities	34,776	36,167	37,614	39,118	40,683	49,497	60,221	73,268	108,454
Water, Sewer & Trash	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Insurance	20,948	21,786	22,657	23,563	24,506	29,815	36,275	44,134	65,329
Property Tax	103,125	107,250	111,540	116,002	120,642	146,779	178,579	217,269	321,611
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	4,500	4,680	4,867	5,062	5,264	6,405	7,793	9,481	14,034
TOTAL EXPENSES	\$520,598	\$540,876	\$561,949	\$583,847	\$606,604	\$734,500	\$889,542	\$1,077,524	\$1,581,942
NET OPERATING INCOME	\$571,731	\$584,223	\$596,903	\$609,770	\$622,822	\$690,742	\$762,703	\$837,881	\$992,202
<b>DEBT SERVICE</b>									
First Lien Financing	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543	\$487,543
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$84,188	\$96,680	\$109,361	\$122,228	\$135,279	\$203,199	\$275,161	\$350,339	\$504,660
DEBT COVERAGE RATIO	1.17	1.20	1.22	1.25	1.28	1.42	1.56	1.72	2.04

**LIHTC Allocation Calculation - Villas at Park Grove, Katy, LIHTC #02123**

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	\$879,936	\$879,936		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$972,100	\$972,100	\$972,100	\$972,100
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$5,225,690	\$5,232,600	\$5,225,690	\$5,232,600
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$104,513	\$104,513	\$104,513	\$104,513
Contractor profit	\$313,541	\$313,541	\$313,541	\$313,541
General requirements	\$313,541	\$313,541	\$313,541	\$313,541
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$714,000	\$714,000	\$714,000	\$714,000
<b>(7) Eligible Financing Fees</b>				
	\$472,930	\$472,930	\$472,930	\$472,930
<b>(8) All Ineligible Costs</b>				
	\$203,668	\$203,668		
<b>(9) Developer Fees</b>				
Developer overhead		\$101,189		\$101,189
Developer fee	\$1,157,208	\$1,056,019	\$1,157,208	\$1,056,019
<b>(10) Development Reserves</b>				
	\$332,000	\$332,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$10,689,127</b>	<b>\$10,696,037</b>	<b>\$9,273,523</b>	<b>\$9,280,433</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>\$9,273,523</b>	<b>\$9,280,433</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$9,273,523</b>	<b>\$9,280,433</b>
Applicable Fraction			80%	80%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$7,418,818</b>	<b>\$7,424,346</b>
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$626,148</b>	<b>\$626,615</b>

Syndication Proceeds                      0.7823                      \$4,898,434                      \$4,902,084

**TDHCA #**

**03825**

**Region 6**



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

Development Name: **Reading Road Apartments**

TDHCA #: **03825**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 5525 Reading Road  
 City: Rosenberg County: Fort Bend Zip Code: 77471  
**Targeted Units:** Family: 252 Elderly: 0 Handicapped/Disabled: 18 Total Special Needs\*: 52  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Reading Road Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
Reading Road Development, LLC	William D. Henson	100% of Owner
SGI Ventures Inc.	Sally Gaskin	20% of GP
Dwayne Henson Investments, Inc.	William D. Henson	40% of GP
Resolution Real Estate Services, LLC	J. Steve Ford	40% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$350,000**  
 HTF Loan Amount Requested by Applicant: **\$350,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	2	0	0	0	2
40%	0	0	0	0	0	0
50%	0	0	0	0	0	0
60%	0	74	104	72	0	250
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	76	104	72	0	
Total LI Units:						252
Owner/Employee Units:						0
Total Development Units:						252

**BUILDING INFORMATION**

Total Development Cost:	\$20,144,060
Gross Building Square Feet:	243,896
Total Net Rentable Area Square Feet:	238,896
Average Square Feet/Unit:	948

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$1,930,490
Total Expenses:	\$975,645
Net Operating Income:	\$954,845
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$350,000  
 HTF Amortization Rate: NA  
 HTF Term: NA  
 HTF Interest Rate: NA  
 TDHCA Lien Position: NA  
 Other Funding Sources and Lien: NA

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Reading Road Developers, LLC	Market Analyst:	O'Connor & Associates
Housing GC:	Dwayne Henson Investments, Inc.	Originator/UW:	NA
Engineer:	David Brown Engineering Services DBA Lott & Brown	Appraiser:	NA
Cost Estimator:	Dwayne Henson Investments, Inc.	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	Mucasey & Associates	Accountant:	Reznick, Fedder & Silverman
Property Manager:	Orion Real Estate Services, Inc.	Supp Services:	Texas Inter-Faith Housing Co.
Syndicator:	NA	Permanent Lender:	NA

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 127 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of the revised final financing commitment provided to be executed by all principals of the Applicant. Should the terms of the proposed debt be altered, the previous condition and recommendations herein should be re-evaluated.

**Alternate Recommendation:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** The Application had a competitive score in its region.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03825**

Name: **Reading Road Apartments**

City: **Rosenberg**

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: 11 Projects grouped by score 0-9 11 10-19 0 20-29 0

Total # monitored with a score less than 30: 11 # not yet monitored or pending review: 5

### 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 iday, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Wednesday, July 23, 2003



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS 2<sup>nd</sup> ADDENDUM**

**DATE:** July 21, 2003      **PROGRAM:** Multifamily Bond 4%      **FILE NUMBER:** 2002-061  
 LIHTC      02462  
 HTF      03825

**DEVELOPMENT NAME**

Reading Road Apartments

**APPLICANT**

**Name:** Reading Road Apartments, L.P.      **Type:** For Profit  
**Address:** 1800 Bering Drive, Suite 850      **City:** Houston      **State:** TX  
**Zip:** 77057      **Contact:** Sally Gaskin      **Phone:** (713) 334-5514      **Fax:** (713) 334-5614

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Reading Road Development, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Sun America      **(%):** 99.99      **Title:** Limited Partner  
**Name:** J. Steven Ford      **(%):**      **Title:** Manager of G.P.  
**Name:** Sally Gaskin      **(%):**      **Title:** Manager of G.P.  
**Name:** William Henson      **(%):**      **Title:** Manager of G.P.

**PROPERTY LOCATION**

**Location:** 6000 Block of Reading Road near FM2218       QCT       DDA  
**City:** Rosenberg      **County:** Fort Bend      **Zip:** 77471

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$10,250,000	5.865%	30 yrs	30 yrs
2) \$1,950,000	6.75%	30 yrs	30 yrs
3) \$624,757	N/A	N/A	N/A
4) \$325,000	N/A	N/A	N/A
5) \$350,000	0%	N/A	N/A

**Other Requested Terms:**

- 1) Senior tax-exempt private activity mortgage revenue bonds-actual amount allocated has not changed but new terms are 5.865% interest rate and 30-year amortization (previously approved)
- 2) Subordinate tax-exempt private activity mortgage revenue bonds- allocated and previously placed (previously approved)
- 3) Annual ten-year allocation of low-income housing tax credits- previously allocated (previously approved)
- 4) HTF SECO grant
- 5) HTF loan

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

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTIFAMILY UNDERWRITING ANALYSIS 2<sup>nd</sup> ADDENDUM**

**RECOMMENDATION**

- RECOMMEND CONTINUED APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$624,757 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- RECOMMEND CONTINUED APPROVAL OF SENIOR TAX-EXEMPT BONDS NOT TO EXCEED \$10,500,000, STRUCTURED AS FULLY AMORTIZING OVER 30 YEARS AT 5.865 INTEREST, SUBJECT TO CONDITIONS:
  
- RECOMMEND CONTINUED APPROVAL OF SUBORDINATE TAX-EXEMPT BONDS NOT TO EXCEED \$1,950,000, WITH POSSIBLE MANDATORY REDEMPTION TO \$1,818,000, STRUCTURED AS FULLY AMORTIZING OVER 30 YEARS AT 6.75% INTEREST, SUBJECT TO CONDITIONS:
  
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$350,000, STRUCTURED AS A NONAMORTIZING LOAN WITH DEFERRED PAYMENT FOR FIVE YEARS, AT WHICH TIME THE REPAYMENT STRUCTURE SHOULD BE REEVALUATED, SUBJECT TO CONDITIONS.
  
- RECOMMEND SECO GRANT NOT TO EXCEED \$325,000.

**CONDITIONS**

1. Receipt, review, and acceptance of the revised final financing commitment provided to be executed by all principals of the Applicant;
2. Should the terms of the proposed debt be altered, the previous condition and recommendations herein should be re-evaluated.

**ADDENDUM**

Reading Road Apartments is a 4% LIHTC/MRB project that was originally underwritten in December of 2002. The Applicant received an annual allocation of tax credits in the amount of \$624,757 and a tax-exempt bond award of \$12,200,000 structured as fully amortizing over not less than 35 years at not more than 6.75% interest. Subsequent to completion of the original underwriting report, the Applicant submitted a request to change the financing structure as follows: bonds issued by TDHCA in an amount equal to \$10,250,000 will be placed with Capri Capital at an underwritten interest rate of 5.865% amortized over a term of 30 years, and \$1,950,000 in subordinate lien tax-exempt bonds at an all-in interest rate of 6.90%, also fully amortizing over a term of 30 years. A recommendation to accept the proposed changes was conditioned upon receipt, review and acceptance of a revised financing commitment executed by all principals of the Applicant.

In February of 2003, an application was submitted requesting a SECO grant in the amount of \$325,000 and a HTF loan in the amount of \$350,000 at 0% interest. No term was indicated on the Funding Request form of the Uniform Application. The application packet includes revised architectural plans, cost schedule, and operating expenses. In addition, due to HTF program rules, the rent schedule was changed to reflect two one-bedroom units set-aside to be affordable to households earning 30% or less of AMGI. As a result of the change in income set-asides, the development's effective gross rent estimate has decreased by \$7,437.

While the Applicant's total annual operating expense estimate has also decreased by \$32,256, the Underwriter's estimate has increased due to the change in net rentable area as reflected in the revised architectural plans. The changes to the design of the development also resulted in an increase of \$300K in the Underwriter's direct construction cost estimates. Overall, the Applicant's total development cost figure is \$497K higher than presented at the time of their request for restructure, but still within 5% of the Underwriter's current estimate.

Because the Applicant's total operating expense and net operating income projections do not fall within 5% of the Underwriter's estimates, the Underwriter's proforma is used to determine the development's debt service capacity. The current analysis indicates the development cannot support the bond debt service and related fees without resulting in a debt coverage ratio that is below the Department's minimum guideline of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**MULTIFAMILY UNDERWRITING ANALYSIS 2<sup>nd</sup> ADDENDUM**

1.10. It also appears that the development will have difficulty meeting the bonds-only debt service in the first year of stabilized operation. In order to achieve an initial debt coverage ratio of 1.10, the Underwriter predicts that up to \$132,000 in subordinate bonds may need to be redeemed at the time of conversion to permanent.

If the Applicant is required to redeem a portion of the bonds, it is likely the subordinate bonds will be reduced to an estimated total of \$1,818,000. Despite the possibility of a reduction in the total bond amount, and regardless of an award of HTF and/or SECO funds, projected deferred fees appear to be repayable from operating cashflow within 15 years of stabilized operation based on only the debt service and fees related to the bond financing and tax credit allocation.

Due to the large deferred developer fee, the initial debt service capacity for the HTF loan is minimal. It is recommended that the Applicant receive a HTF award structured with deferred payments through year five of operation. The development should be re-evaluated at maturity and the repayment terms of the HTF loan structured in accordance with historical cash flow at that time. Although the requested HTF and SECO funds are not needed to guarantee the feasibility of the development, an award would result in two units targeting households with income at or below 30% of AMGI.

<b>Underwriter:</b>	_____	<b>Date:</b>	July 21, 2003
	<i>Lisa Vecchietti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	July 21, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462, HTF # 03825 2nd ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Trash
HTF/TC30%	2	1	1	684	\$335	\$249	\$498	\$0.36	86.00	\$11.00
HTF/TC60%	54	1	1	684	670	584	31,536	0.85	86.00	11.00
HTF/TC60%	18	1	1	697	670	584	10,512	0.84	86.00	11.00
HTF/TC60%	2	1	1	791	670	584	1,168	0.74	86.00	11.00
HTF/TC60%	56	2	2	975	804	677	37,912	0.69	127.00	11.00
HTF/TC60%	48	2	2	1,077	804	677	32,496	0.63	127.00	11.00
HTF/TC60%	68	3	2	1,183	930	778	52,904	0.66	152.00	11.00
HTF/TC60%	4	3	2	1,295	930	778	3,112	0.60	152.00	11.00
<b>TOTAL:</b>	<b>252</b>		<b>AVERAGE:</b>	<b>970</b>	<b>\$797</b>	<b>\$675</b>	<b>\$170,138</b>	<b>\$0.70</b>	<b>\$121.78</b>	<b>\$11.00</b>

<b>INCOME</b>				<b>TOTAL Net Rentable Sq Ft: 244,352</b>		<b>TDHCA</b>	<b>APPLICANT</b>				
<b>POTENTIAL GROSS RENT</b>						\$2,041,656	\$2,041,656				
Secondary Income		Per Unit Per Month:	\$15.00			45,360	45,360	\$15.00	Per Unit Per Month		
Other Support Income						0	0				
<b>POTENTIAL GROSS INCOME</b>						\$2,087,016	\$2,087,016				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(156,526)	(146,088)	-7.00%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$1,930,490	\$1,940,928				
<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		4.11%	\$315	\$0.32	\$79,287	\$62,000	\$0.25	\$246	3.19%		
Management		5.00%	383	0.40	96,524	104,351	0.43	414	5.38%		
Payroll & Payroll Tax		11.38%	872	0.90	219,744	184,000	0.75	730	9.48%		
Repairs & Maintenance		5.74%	440	0.45	110,878	144,478	0.59	573	7.44%		
Utilities		4.07%	311	0.32	78,489	37,500	0.15	149	1.93%		
Water, Sewer, & Trash		2.52%	193	0.20	48,680	61,500	0.25	244	3.17%		
Property Insurance		2.53%	194	0.20	48,870	59,771	0.24	237	3.08%		
Property Tax	2.84038	10.20%	781	0.81	196,838	150,211	0.61	596	7.74%		
Reserve for Replacements		2.61%	200	0.21	50,400	50,400	0.21	200	2.60%		
Other: Security, Compliance, Supportive S		2.38%	182	0.19	45,933	45,933	0.19	182	2.37%		
<b>TOTAL EXPENSES</b>				<b>50.54%</b>	<b>\$3,872</b>	<b>\$3.99</b>	<b>\$975,645</b>	<b>\$900,144</b>	<b>\$3.68</b>	<b>\$3,572</b>	<b>46.38%</b>
<b>NET OPERATING INC</b>				<b>49.46%</b>	<b>\$3,789</b>	<b>\$3.91</b>	<b>\$954,845</b>	<b>\$1,040,784</b>	<b>\$4.26</b>	<b>\$4,130</b>	<b>53.62%</b>
<b>DEBT SERVICE</b>											
Total Bond Financing		45.51%	\$3,486	\$3.60	\$878,577	\$939,092	\$3.84	\$3,727	48.38%		
Trustee Fee		0.18%	\$14	\$0.01	\$3,500	3,500	\$0.01	\$14	0.18%		
TDHCA Admin. Fees		0.53%	\$41	\$0.04	10,250	13,650	\$0.06	\$54	0.70%		
Asset Oversight & Compliance Fees		0.65%	\$50	\$0.05	12,600	12,600	\$0.05	\$50	0.65%		
<b>NET CASH FLOW</b>				<b>2.59%</b>	<b>\$198</b>	<b>\$0.20</b>	<b>\$49,918</b>	<b>\$71,942</b>	<b>\$0.29</b>	<b>\$285</b>	<b>3.71%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>							1.06	1.07			
<b>BONDS &amp; TRUSTEE FEE-ONLY DEBT COVERAGE RATIO</b>							1.08	1.10			
<b>ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO</b>							1.10				

<b>CONSTRUCTION COST</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF TOTAL</b>			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldng)		6.10%	\$5,101	\$5.26	\$1,285,524	\$1,285,524	\$5.26	\$5,101	6.38%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		7.41%	6,200	6.39	1,562,500	1,562,500	6.39	6,200	7.76%		
Direct Construction		48.95%	40,955	42.24	10,320,734	9,292,500	38.03	36,875	46.13%		
Contingency	2.52%	1.42%	1,190	1.23	300,000	300,000	1.23	1,190	1.49%		
General Req'ts	6.00%	3.38%	2,829	2.92	712,994	880,250	3.60	3,493	4.37%		
Contractor's G & A	1.89%	1.06%	890	0.92	224,250	224,250	0.92	890	1.11%		
Contractor's Profit	5.66%	3.19%	2,670	2.75	672,750	672,750	2.75	2,670	3.34%		
Indirect Construction		3.44%	2,879	2.97	725,500	725,500	2.97	2,879	3.60%		
Ineligible Costs		5.28%	4,420	4.56	1,113,913	1,113,913	4.56	4,420	5.53%		
Developer's G & A	1.87%	1.43%	1,197	1.23	301,684	301,684	1.23	1,197	1.50%		
Developer's Profit	12.41%	9.48%	7,930	8.18	1,998,444	1,998,444	8.18	7,930	9.92%		
Interim Financing		7.53%	6,297	6.49	1,586,746	1,586,746	6.49	6,297	7.88%		
Reserves		1.33%	1,109	1.14	279,580	200,000	0.82	794	0.99%		
<b>TOTAL COST</b>				<b>100.00%</b>	<b>\$83,669</b>	<b>\$86.29</b>	<b>\$21,084,618</b>	<b>\$20,144,060</b>	<b>\$82.44</b>	<b>\$79,937</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>				<b>65.42%</b>	<b>\$54,735</b>	<b>\$56.45</b>	<b>\$13,793,228</b>	<b>\$12,932,250</b>	<b>\$52.92</b>	<b>\$51,318</b>	<b>64.20%</b>

<b>SOURCES OF FUNDS</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>RECOMMENDED</b>	
1st tier bonds		48.61%	\$40,675	\$41.95	\$10,250,000	\$10,250,000	Developer Fee Available
Second tier bonds		9.25%	\$7,738	\$7.98	1,950,000	1,950,000	\$2,300,128
HTF Loan		1.66%	\$1,389	\$1.43	350,000	350,000	% of Dev. Fee Deferred
HTF/SECO Grant		1.54%	\$1,290	\$1.33	325,000	325,000	102%
LIHTC Syndication Proceeds		25.14%	\$21,033	\$21.69	5,300,358	5,300,358	15-Yr Cumulative Cash Flow
Deferred Contractor's/Developer's Fee		11.21%	\$9,377	\$9.67	2,363,074	2,363,074	\$2,938,747
Additional (excess) Funds Required		2.59%	\$2,167	\$2.24	546,186	(394,372)	0
<b>TOTAL SOURCES</b>					<b>\$21,084,618</b>	<b>\$20,144,060</b>	<b>\$20,144,060</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462, HTF # 03825 2nd ADDENDUM**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.16	\$10,300,966
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.90	\$463,543
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(246,796)
Floor Cover			1.92	469,156
Porches/Balconies	\$21.41	25,245	2.21	540,369
Plumbing	\$615	600	1.51	369,000
Built-In Appliances	\$1,625	252	1.68	409,500
Interior Stairs	\$865	108	0.38	93,420
Floor Insulation			0.00	0
Heating/Cooling			1.47	359,197
Garages	\$12.01	50,400	2.48	605,304
Comm &/or Aux Bldgs	\$53.18	5,441	1.18	289,333
Exterior Stairs	\$1,625.00	6	0.04	9,750
<b>SUBTOTAL</b>			<b>55.91</b>	<b>13,662,744</b>
Current Cost Multiplier	1.02		1.12	273,255
Local Multiplier	0.91		(5.03)	(1,229,647)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.00</b>	<b>\$12,706,352</b>
Plans, specs, survy, bld prm	3.90%		(\$2.03)	(\$495,548)
Interim Construction Interes	3.38%		(1.76)	(428,839)
Contractor's OH & Profit	11.50%		(5.98)	(1,461,230)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.24</b>	<b>\$10,320,734</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$10,250,000	Amort	360
Int Rate	5.865%	DCR	1.09

<b>Secondary</b>	\$1,950,000	Amort	360
Int Rate	6.75%	Subtotal DCR	1.07

<b>Additional</b>	\$350,000	Amort	
Int Rate	0.00%	Aggregate DCR	1.06

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$726,806
Subordinate Debt Service	141,498
TDHCA Fees	26,350
<b>NET CASH FLOW</b>	<b>\$146,130</b>

<b>Primary</b>	\$10,250,000	Amort	360
Int Rate	5.865%	DCR	1.31

<b>Debt plus Trustee Fee</b>	\$1,818,000	Amort	360
Int Rate	6.75%	Subtotal DCR	1.10

<b>All-in Debt Costs</b>	\$350,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.07

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,041,656	\$2,102,906	\$2,165,993	\$2,230,973	\$2,297,902	\$2,663,898	\$3,088,188	\$3,580,056	\$4,811,296
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,087,016	2,149,626	2,214,115	2,280,539	2,348,955	2,723,083	3,156,799	3,659,595	4,918,190
Vacancy & Collection Loss	(156,526)	(161,222)	(166,059)	(171,040)	(176,172)	(204,231)	(236,760)	(274,470)	(368,864)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,930,490	\$1,988,404	\$2,048,057	\$2,109,498	\$2,172,783	\$2,518,851	\$2,920,039	\$3,385,126	\$4,549,326
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$79,287	\$82,459	\$85,757	\$89,187	\$92,755	\$112,851	\$137,300	\$167,046	\$247,270
Management	96,524	99,420	102,403	105,475	108,639	125,943	146,002	169,256	227,466
Payroll & Payroll Tax	219,744	228,534	237,675	247,182	257,069	312,764	380,526	462,967	685,305
Repairs & Maintenance	110,878	115,313	119,925	124,722	129,711	157,814	192,004	233,603	345,789
Utilities	78,489	81,629	84,894	88,289	91,821	111,714	135,918	165,364	244,780
Water, Sewer & Trash	48,680	50,627	52,653	54,759	56,949	69,287	84,298	102,562	151,817
Insurance	48,870	50,825	52,858	54,973	57,171	69,558	84,628	102,963	152,410
Property Tax	196,838	204,712	212,900	221,416	230,273	280,162	340,860	414,709	613,870
Reserve for Replacements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other	45,933	47,770	49,681	51,668	53,735	65,377	79,541	96,774	143,249
TOTAL EXPENSES	\$975,645	\$1,013,705	\$1,053,259	\$1,094,365	\$1,137,085	\$1,377,205	\$1,668,354	\$2,021,430	\$2,969,136
NET OPERATING INCOME	\$954,845	\$974,699	\$994,797	\$1,015,133	\$1,035,698	\$1,141,647	\$1,251,685	\$1,363,696	\$1,580,190
<b>DEBT SERVICE</b>									
Total Bond Financing	\$868,304	\$868,304	\$868,304	\$868,304	\$868,304	\$868,304	\$868,304	\$868,304	\$868,304
HTF Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	10,250	10,121	9,984	9,839	9,685	8,765	7,533	5,881	704
Asset Oversight & Compliance F	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Cash Flow	60,192	79,671	99,382	119,317	139,469	243,144	350,530	459,465	668,387
AGGREGATE DCR	1.07	1.09	1.11	1.13	1.16	1.27	1.39	1.51	1.73
BONDS & TRUSTEE FEE-ONLY D	1.10	1.12	1.14	1.16	1.19	1.31	1.44	1.56	1.81
BONDS-ONLY DCR	1.10	1.12	1.15	1.17	1.19	1.31	1.44	1.57	1.82
						191,306	296,837	404,997	563,926

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

**DATE:** June 17, 2003      **PROGRAM:** Multifamily Bond 4% LIHTC      **FILE NUMBER:** 2002-061 02462

**DEVELOPMENT NAME**

Reading Road Apartments

**APPLICANT**

**Name:** Reading Road Apartments, L.P.      **Type:** For Profit  
**Address:** 1800 Bering Drive, Suite 850      **City:** Houston      **State:** TX  
**Zip:** 77057      **Contact:** Sally Gaskin      **Phone:** (713) 334-5514      **Fax:** (713) 334-5614

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Reading Road Development, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Sun America      **(%):** 99.99      **Title:** Limited Partner  
**Name:** J. Steven Ford      **(%):**      **Title:** Manager of G.P.  
**Name:** Sally Gaskin      **(%):**      **Title:** Manager of G.P.  
**Name:** William Henson      **(%):**      **Title:** Manager of G.P.

**PROPERTY LOCATION**

**Location:** 6000 Block of Reading Road near FM2218       **QCT**       **DDA**  
**City:** Rosenberg      **County:** Fort Bend      **Zip:** 77471

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$10,250,000	5.865%	30 yrs	30 yrs
2) \$1,950,000	6.75%	30 yrs	30 yrs
3) \$624,757	N/A	N/A	N/A
<b>Other Requested Terms:</b>	1. Senior tax-exempt private activity mortgage revenue bonds-actual amount allocated has not changed but new terms are 5.865% interest rate and 30-year amortization 2. Subordinate tax-exempt private activity mortgage revenue bonds- allocated and previously placed 2. Annual ten-year allocation of low-income housing tax credits- previously allocated		
<b>Proposed Use of Funds:</b>	New Construction		

**RECOMMENDATION**

- RECOMMEND CONTINUED APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$624,757 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF SENIOR TAX-EXEMPT BONDS NOT TO EXCEED \$10,500,000, STRUCTURED AS FULLY AMORTIZING OVER 30 YEARS AT 5.865 INTEREST, SUBJECT TO CONDITIONS:
- RECOMMEND APPROVAL OF SUBORDINATE TAX-EXEMPT BONDS NOT TO EXCEED

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

\$1,950,000, STRUCTURED AS FULLY AMORTIZING OVER 30 YEARS AT 6.75% INTEREST,  
SUBJECT TO CONDITIONS:

**CONDITIONS**

1. Receipt, review, and acceptance of the revised financing commitment provided to be executed by all principals of the Applicant;
2. Should the terms of the proposed debt be altered, the previous condition and recommendations herein should be re-evaluated.

**ADDENDUM**

Reading Road Apartments is a new construction project that was originally underwritten in December of 2002 for the 4% LIHTC/Tax-Exempt bond cycle. The Applicant received an annual allocation of tax credits in the amount of \$624,757 and a tax-exempt bond award of \$12,200,000 structured as fully amortizing over not less than 35 years at not more than 6.75% interest, subject to the following conditions: (1) receipt, review and acceptance of an executed financing commitment not to exceed \$12,200,000 reflecting the terms as outlined above; and (2) should the terms of the proposed debt be altered, the previous conditions and recommendations herein should be re-evaluated.

The original recommendation was conditioned upon receiving the items listed above because the original commitment provided was not an executed agreement. In response to the conditions listed above, the Applicant submitted an original loan commitment from Capri Capital with a commitment from Freddie Mac for credit enhancement and an amendment to the original loan commitment. The commitment letter reflects that the bonds are to be issued by the TDHCA and placed with Capri Capital in an amount of \$10,250,000. The underwritten interest rate on the senior lien bonds, per the commitment letter from Capri Capital, is 5.865% based upon the fixed rate payment plus the bond fee component, the credit enhancement fee and the servicing spread. The bond mortgage loan term will be 2.5 years for the construction phase plus 6 months extension and 30 years for the permanent phase. The amortization for the bond mortgage loan will be 30 years. This development will also receive \$1,950,000 in subordinate lien tax-exempt bonds which were previously placed with Kirk Patrick Pettis. A commitment letter for the subordinate lien bonds was not provided at the time of this addendum, but information was provided by Jerry Wright, Managing Director for Newman & Associates which is the underwriter for Capri Capital. According to Mr. Wright, the subordinate lien tax-exempt bonds will have a total interest rate of 6.90%, consisting of a 6.75% bond rate plus an issuer fee of 10 basis points and a trustee fee of 5 basis points. The overall permanent loan rate for the senior lien tax exempt bonds is anticipated to be 4.965% consisting of a swap rate of 3.60%, construction credit enhancement fee of 30 basis points, permanent credit enhancement fee of 70 basis points, Freddie liquidity fee of 15 basis points, Freddie swap enhancement fee of 15 basis points, remarketing fee of 12.50 basis points, issuer fee of 10 basis points, trustee fee of 5 basis points and Capri servicing fee of 9 basis points.

The original underwriting analysis recommended an award of tax-exempt bonds not to exceed \$12,200,000 structured as fully amortizing over not less than 35 years at not more than 6.75% interest. However, based on the information provided by the Applicant the loan at the proposed terms will provide a debt coverage ratio that is within the acceptable TDHCA underwriting guidelines of 1.10 to 1.30. Additionally, the first condition stated that the Applicant was to provide an executed financing commitment in order to receive the recommended tax credit and tax-exempt bond award. While the Applicant provided this information, the commitment was only executed by one of the three principals of the Applicant, J. Steven Ford. The other two guarantors of the development, Sally Gaskin and William Henson, did not execute the financing commitment provided. Therefore, this addendum is conditioned upon receipt, review and acceptance of the revised financing commitment provided executed by all principals of the Applicant.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 17, 2003
	<i>Raquel Morales</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 17, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462 Addendum**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash
TC60%	76	1	1	684	\$670	\$584	\$44,384	\$0.85	\$86.00	\$11.00
TC60%	56	2	2	975	804	677	37,912	0.69	127.00	11.00
TC60%	48	2	2	982	804	677	32,496	0.69	127.00	11.00
TC60%	72	3	2	1,183	930	778	56,016	0.66	152.00	11.00
<b>TOTAL:</b>	<b>252</b>		<b>AVERAGE:</b>	<b>948</b>	<b>\$800</b>	<b>\$678</b>	<b>\$170,808</b>	<b>\$0.71</b>	<b>\$121.78</b>	<b>\$11.00</b>

**INCOME** Total Net Rentable Sq Ft: **238,896**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: **\$15.00**

Other Support Income

POTENTIAL GROSS INCOME

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

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

**EXPENSES**

General & Administrative **% OF EGI** **PER UNIT** **PER SQ FT**

Management 4.04% \$311 \$0.33

Payroll & Payroll Tax 5.00% 385 0.41

Repairs & Maintenance 11.34% 872 0.92

Utilities 5.65% 435 0.46

Water, Sewer, & Trash 3.56% 274 0.29

Property Insurance 3.00% 231 0.24

Property Tax 2.47% 190 0.20

Property Tax 2.84038 10.16% 781 0.82

Reserve for Replacements 2.60% 200 0.21

Other: Security, Compliance, Sup 2.73% 210 0.22

**TOTAL EXPENSES** **50.55%** **\$3,888** **\$4.10**

**NET OPERATING INC** **49.45%** **\$3,803** **\$4.01**

**DEBT SERVICE**

1st tier bonds 37.50% \$2,884 \$3.04

Trustee Fee 0.18% \$14 \$0.01

TDHCA Admin. Fees 0.53% \$41 \$0.04

Asset Oversight & Compliance Fee 0.65% \$50 \$0.05

**NET CASH FLOW** **10.58%** **\$814** **\$0.86**

AGGREGATE DEBT COVERAGE RATIO

BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO

ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldng) 5.95% \$4,841 \$5.11

Off-Sites 0.00% 0 0.00

Sitework 7.62% 6,200 6.54

Direct Construction 49.61% 40,394 42.61

Contingency 5.00% 2,330 2.46

General Req'ts 5.73% 3.28% 2,670 2.82

Contractor's G & A 1.91% 1.09% 890 0.94

Contractor's Prof: 5.73% 3.28% 2,670 2.82

Indirect Construction 2.99% 2,433 2.57

Ineligible Costs 4.66% 3,797 4.00

Developer's G & A 1.91% 1.47% 1,197 1.26

Developer's Profit 12.39% 9.56% 7,782 8.21

Interim Financing 6.40% 5,210 5.50

Reserves 1.24% 1,007 1.06

**TOTAL COST** **100.00%** **\$81,419** **\$85.89**

**Recap-Hard Construction Costs** **67.74%** **\$55,153** **\$58.18**

**SOURCES OF FUNDS**

1st tier bonds 49.96% \$40,675 \$42.91

Second tier bonds 9.50% \$7,738 \$8.16

LIHTC Syndication Proceeds 26.87% \$21,880 \$23.08

Deferred Developer's Fee 10.22% \$8,322 \$8.78

Additional (excess) Funds Required 3.44% \$2,804 \$2.96

**TOTAL SOURCES**

	TDHCA	APPLICANT			
	\$2,049,696	\$2,049,696			
	45,360	45,360	\$15.00	Per Unit Per Month	
	0	0			
	\$2,095,056	\$2,095,056			
	(157,129)	(157,128)	-7.50%	of Potential Gross Income	
	0	0			
	\$1,937,927	\$1,937,928			
	\$78,316	\$64,490	\$0.27	\$256	3.33%
	96,896	96,896	0.41	385	5.00%
	219,744	180,200	0.75	715	9.30%
	109,526	160,000	0.67	635	8.26%
	68,948	38,500	0.16	153	1.99%
	58,221	67,000	0.28	266	3.46%
	47,779	71,669	0.30	284	3.70%
	196,838	150,258	0.63	596	7.75%
	50,400	50,400	0.21	200	2.60%
	52,987	52,987	0.22	210	2.73%
	\$979,656	\$932,400	\$3.90	\$3,700	48.11%
	\$958,271	\$1,005,528	\$4.21	\$3,990	51.89%
	\$726,806	\$811,774	\$3.40	\$3,221	41.89%
	\$3,500	3,500	\$0.01	\$14	0.18%
	10,250	13,650	\$0.06	\$54	0.70%
	12,600	12,600	\$0.05	\$50	0.65%
	\$205,115	\$164,004	\$0.69	\$651	8.46%
	1.27	1.19			
	1.31	1.23			
		1.14			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,220,000	\$1,220,000	\$5.11	\$4,841	6.21%
	0		0.00	0	0.00%
	1,562,500	1,562,500	6.54	6,200	7.95%
	10,179,222	9,292,500	38.90	36,875	47.30%
	587,086	657,500	2.75	2,609	3.35%
	672,750	672,750	2.82	2,670	3.42%
	224,250	224,250	0.94	890	1.14%
	672,750	672,750	2.82	2,670	3.42%
	613,000	613,000	2.57	2,433	3.12%
	956,744	956,744	4.00	3,797	4.87%
	301,684	301,684	1.26	1,197	1.54%
	1,960,944	1,960,944	8.21	7,782	9.98%
	1,312,914	1,312,914	5.50	5,210	6.68%
	253,819	200,000	0.84	794	1.02%
	\$20,517,663	\$19,647,536	\$82.24	\$77,966	100.00%
	\$13,898,558	\$13,082,250	\$54.76	\$51,914	66.58%

	TDHCA	APPLICANT	RECOMMENDED
	\$10,250,000	\$10,250,000	\$10,250,000
	1,950,000	1,950,000	1,950,000
	5,513,798	5,513,798	5,055,473
	2,097,173	2,097,173	2,392,063
	706,692	(163,435)	0
	\$20,517,663	\$19,647,536	\$19,647,536



**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462 Addendum**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$10,117,873
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.91	\$455,304
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(241,285)
Floor Cover			1.92	458,680
Porches/Balconies	\$21.41	25,245	2.26	540,369
Plumbing	\$615	528	1.36	324,720
Built-In Appliances	\$1,625	252	1.71	409,500
Stairs	\$1,625	114	0.78	185,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	351,177
Garages	\$12.01	50,400	2.53	605,304
Comm &/or Aux Bldg	\$53.70	5,000	1.12	268,515
Other:			0.00	0
<b>SUBTOTAL</b>			<b>56.41</b>	<b>13,475,408</b>
Current Cost Multiplier	1.02		1.13	269,508
Local Multiplier	0.91		(5.08)	(1,212,787)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.46</b>	<b>\$12,532,130</b>
Plans, specs, survy, b	3.90%		(\$2.05)	(\$488,753)
Interim Construction I	3.38%		(1.77)	(422,959)
Contractor's OH & Prof	11.50%		(6.03)	(1,441,195)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.61</b>	<b>\$10,179,222</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$10,250,000	Amort	360
Int Rate	5.865%	DCR	1.32

<b>Secondary</b>	\$1,950,000	Amort	360
Int Rate	6.75%	Subtotal DCR	1.30

<b>Additional</b>		Amort	
Int Rate		Aggregate DCR	1.27

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$726,806
Subordinate Debt Service	151,772
TDHCA Fees	26,350
<b>NET CASH FLOW</b>	<b>\$100,601</b>

<b>Primary</b>	\$10,250,000	Amort	360
Int Rate	5.865%	DCR	1.38

<b>Debt plus Trustee</b>	\$1,950,000	Amort	360
Int Rate	6.75%	Subtotal DCR	1.14

<b>All-in Debt Costs</b>	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.11

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,049,696	\$2,111,187	\$2,174,522	\$2,239,758	\$2,306,951	\$2,674,388	\$3,100,349	\$3,594,154	\$4,830,243
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Developer's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,095,056	2,157,908	2,222,645	2,289,324	2,358,004	2,733,573	3,168,960	3,673,693	4,937,137
Vacancy & Collection Los:	(157,128)	(161,843)	(166,698)	(171,699)	(176,850)	(205,018)	(237,672)	(275,527)	(370,285)
TOTAL COST	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,937,928	\$1,996,065	\$2,055,947	\$2,117,625	\$2,181,154	\$2,528,555	\$2,931,288	\$3,398,166	\$4,566,851
EXPENSES at 4.00%									
General & Administrative	\$64,490	\$67,070	\$69,752	\$72,542	\$75,444	\$91,789	\$111,676	\$135,871	\$201,122
Management	96,896	99,803	102,797	105,881	109,058	126,428	146,564	169,908	228,343
Payroll & Payroll Tax	180,200	187,408	194,904	202,700	210,809	256,481	312,048	379,654	561,981
Repairs & Maintenance	160,000	166,400	173,056	179,978	187,177	227,730	277,068	337,096	498,984
Utilities	38,500	40,040	41,642	43,307	45,040	54,798	66,670	81,114	120,068
Water, Sewer & Trash	67,000	69,680	72,467	75,366	78,381	95,362	116,022	141,159	208,950
Insurance	71,669	74,536	77,517	80,618	83,843	102,007	124,108	150,996	223,511
Property Tax	150,258	156,268	162,519	169,020	175,781	213,864	260,198	316,571	468,602
Reserve for Replacements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other	52,987	55,106	57,311	59,603	61,987	75,417	91,756	111,636	165,248
TOTAL EXPENSES	\$932,400	\$968,727	\$1,006,478	\$1,045,710	\$1,086,479	\$1,315,610	\$1,593,387	\$1,930,189	\$2,833,988
NET OPERATING INCOME	\$1,005,528	\$1,027,337	\$1,049,468	\$1,071,915	\$1,094,674	\$1,212,944	\$1,337,901	\$1,467,977	\$1,732,863
DEBT SERVICE									
First Lien Financing	\$726,806	\$726,806	\$726,806	\$726,806	\$726,806	\$726,806	\$726,806	\$726,806	\$726,806
Adjustments	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Trustee Fee	10,250	10,121	9,984	9,839	9,685	8,765	7,533	5,881	704
TDHCA Admin. Fees	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Cash Flow	252,372	273,807	295,550	317,598	339,944	455,940	578,244	705,244	962,558
AGGREGATE DCR	1.34	1.36	1.39	1.42	1.45	1.60	1.76	1.92	2.25

LIHTC Allocation Calculation - Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462 Adde

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	\$1,220,000	\$1,220,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,562,500	\$1,562,500	\$1,562,500	\$1,562,500
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$9,292,500	\$10,179,222	\$9,292,500	\$10,179,222
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$224,250	\$224,250	\$217,100	\$224,250
Contractor profit	\$672,750	\$672,750	\$651,300	\$672,750
General requirements	\$672,750	\$672,750	\$651,300	\$672,750
<b>(5) Contingencies</b>	\$657,500	\$587,086	\$542,750	\$587,086
<b>(6) Eligible Indirect Fees</b>	\$613,000	\$613,000	\$613,000	\$613,000
<b>(7) Eligible Financing Fees</b>	\$1,312,914	\$1,312,914	\$1,312,914	\$1,312,914
<b>(8) All Ineligible Costs</b>	\$956,744	\$956,744		
<b>(9) Developer Fees</b>			\$2,226,505	
Developer overhead	\$301,684	\$301,684		\$301,684
Developer fee	\$1,960,944	\$1,960,944		\$1,960,944
<b>(10) Development Reserves</b>	\$200,000	\$253,819		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$19,647,536</b>	<b>\$20,517,663</b>	<b>\$17,069,869</b>	<b>\$18,087,100</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>			\$17,069,869	\$18,087,100
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$17,069,869	\$18,087,100
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$17,069,869	\$18,087,100
Applicable Percentage			3.66%	3.66%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$624,757	\$661,988
Syndication Proceeds	0.8092	\$5,055,473		\$5,356,740

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

DATE: December 30, 2002    PROGRAM: Multifamily Bond 4%    FILE NUMBER: 2002-061  
LIHTC    02462

**DEVELOPMENT NAME**

Reading Road Apartments

**APPLICANT**

Name: Reading Road Apartments, L.P.    Type:  For Profit     Non-Profit     Municipal     Other  
Address: 1800 Bering Drive, Suite 850    City: Houston    State: Texas  
Zip: 77057    Contact: Sally Gaskin    Phone: (713) 334-5514    Fax: (713) 334-5614

**PRINCIPALS of the APPLICANT**

Name: Reading Road Development, LLC    (%): 0.01    Title: Managing General Partner  
Name: Sun America    (%): 99.99    Title: Limited Partner  
Name: J. Steven Ford    (%): \_\_\_\_\_    Title: Manager of G.P.  
Name: Sally Gaskin    (%): \_\_\_\_\_    Title: Manager of G.P.  
Name: William Henson    (%): \_\_\_\_\_    Title: Manager of G.P.

**GENERAL PARTNER**

Name: Reading Road Development, LLC    Type:  For Profit     Non-Profit     Municipal     Other  
Address: 1800 Bering Drive, Suite 850    City: Houston    State: Texas  
Zip: 77057    Contact: Sally Gaskin    Phone: (713) 334-5514    Fax: (713) 334-5614

**PROPERTY LOCATION**

Location: 6000 Block of Reading Road near FM 2218     QCT     DDA  
City: Rosenberg    County: Fort Bend    Zip: 77471

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$13,650,000	5.25%	30 yrs	30 yrs
2. \$635,826	N/A	N/A	N/A

**Other Requested Terms:**    1. Tax-exempt private activity mortgage revenue bonds. This is the requested amount per the application; however the Applicant provided a new commitment for \$12,200,000 at a 6.75% interest rate and a 35-year amortization.  
2. Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:**    New Construction

**SITE DESCRIPTION**

Size: 14.0 acres    609,840 square feet    Zoning/ Permitted Uses: No Zoning in Rosenberg  
Flood Zone Designation: X    Status of Off-Sites: Raw Land

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 252    **# Rental Buildings:** 27    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
76	1	1	684
56	2	2	975
48	2	2	982
72	3	2	1,183

**Net Rentable SF:** 238,896    **Av Un SF:** 948    **Common Area SF:** 5,000    **Gross Bldng SF** 243,896

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 50% masonry brick 50% Hardiplank 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, game room, central mailroom, swimming pool, equipped children's play area and perimeter fencing.

**Uncovered Parking:** 262 spaces    **Carpports:** 0 spaces    **Garages:** 252 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION AND LONG TERM/PERMANENT FINANCING**

**Source:** Sun America Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**Principal Amount:** \$12,200,000    **Interest Rates:** 6.75%

**Additional Information:**    These terms are for indicate they will receive a new commitment from Sun America for \$12,200,000 with a 6.75% interest rate, 35 year term and 35 year amortization and anticipate a refunding under a FHLMC credit enhanced structure within six months of initial bond closing.

**Amortization:** 35 yrs    **Term:** 35 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$853,000    **Lien Priority:** 1st    **Commitment Date**    12/ 24/ 2002

**LIHTC SYNDICATION**

**Source:** Sun America Affordable Housing Partners, Inc.    **Contact:** Michael Fowler

**Address:** 1 SunAmerica Center, Century City    **City:** Los Angeles

**State:** CA    **Zip:** 90067    **Phone:** (310) 772-6000    **Fax:** (310) 772-6179

**Net Proceeds:** \$5,300,358    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81¢

**Commitment**     None     Firm     Conditional    **Date:** 12/ 18/ 2002

**Additional Information:** Based upon total credits of \$6,550,202. Revised draft commitment not signed

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

**APPLICANT EQUITY**

**Amount:** \$1,147,173                      **Source:** Deferred developer fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:** 166,350                      **Assessment for the Year of:** 2002  
**Building:** 0                      **Valuation by:** Fort Bend County Appraisal District  
**Total Assessed Value:** 166,350

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract  
**Contract Expiration Date:** 3/ 31/ 2003      **Anticipated Closing Date:** 1/ 25/ 2003  
**Acquisition Cost:** \$ 1,219,680      **Other Terms/Conditions:** The buyer is Salley Gaskin, Trustee. However the Trust has assigned it over to the Applicant  
**Seller:** RLB Ventures, Inc.                      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Reading Road Apartments is a proposed new construction development of 252 units of affordable income housing located in east Rosenberg. The development is comprised of 27 residential buildings as follows:

- (13) Building Type/Style A with eight 2-bedroom units;
- (9) Building Type/Style B with eight 3- bedroom units;
- (2) Building Type/Style C with eight 1- bedroom units; and
- (3) Building Type/Style D with 20, 1- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,000-square foot community building plan includes the management office, a 600-square foot community room, computer center, game room, exercise room, kitchen, restrooms, laundry facilities, mailroom, and the maintenance room.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: Personal Growth Opportunities, Family Skills Development, Education Programs, Fun Activities, and Neighborhood Advancement Programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of \$1,000, plus \$7.33 per unit per month for these support services.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All the units will be reserved for households earning 60% or less of AMGI.

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

<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>	<b>\$20,020</b>	<b>\$28,620</b>	<b>\$32,160</b>	<b>\$35,760</b>	<b>\$38,640</b>	<b>\$41,460</b>

**Special Needs Set-Asides:** 18 units (7%) will be handicapped-accessible.

**Compliance Period Extension:** The intended length of the compliance period was not specified in the application.

**MARKET HIGHLIGHTS**

A market feasibility study dated November 14, 2002 was prepared by Patrick O'Connor & Associates and highlighted the following findings:

**Definition of Market/Submarket:** The market study provided a primary market area consisting of "...properties located within zip codes 77469, 77471, 77479, 77494, and 77450." The secondary market added zip codes 77464, 77417, 77461, 77435, 77485, and 77423. (p. 14) The analyst provided an addendum on December 6, 2002, indicating a new primary market consisting of an area using the U.S. Highway 59 corridor encompassing Rosenberg, Richmond, Sugar Land, First Colony, New Territory, Greatwood and Pecan Grove.

**Total Local/Submarket Demand for Rental Units:** In the market study, the primary market area consisted of a total demand of 805 income-eligible households and in the secondary market area there is a total demand of 1,112 income-eligible households. (p. 41) In the addendum, the analyst determined a demand of 1,285 units based on the U.S. Highway 59 corridor, which is a market area the Underwriter accepts.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	67	5%	75	4%
Resident Turnover	1,168	86%	1,679	96%
Other Sources	117	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,285</b>	<b>100%</b>	<b>1,754</b>	<b>100%</b>

Ref: Addendum

**Capture Rate:** According to the market study, there is a capture rate of 31.30% in the primary market for the tax credit units and 22.66% in the secondary market. (p. 42) However, O'Conner & Associates provided an updated market analysis dated December 6, 2002 with an expanded market area indicating a demand of 1,285 households and a capture rate of 19.61%. This calculation was determined by using a market area that followed the U.S. Highway 59 corridor from Rosenberg to Sugar Land. The Underwriter believes this revised market area is more appropriate and will support the demand for the development more accurately than the entire county, which was an alternative market area provided by the analyst in the analyst's first addendum, or the various zip codes utilized in the original market analysis. The Underwriter determined a demand of 1,754 units and a capture rate of 14%. The main difference between the analyst's final demand and the Underwriter's demand was that the Underwriter used the Houston IREM turnover of 63.3%, while the analyst used an undocumented turnover rate of 50%. There are no other proposed or unstabilized LIHTC units in the US Highway 59 corridor defined market area.

**Local Housing Authority Waiting List Information:** "The waiting list for Section 8 Vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in *the Houston Chronicle*, the waiting list for Section 8 vouchers is approximately six years....The Rosenberg Housing Authority reports a waiting list of over 200 families. The list was closed to new applicants in October 2001 and may be opened during 2003..."(p. 35)

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling

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

1,544 units in the market area. (p. 55) There are a total of 9,489 units in the submarket. (p. 28)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (60%)</b>	\$584	\$584	\$0	\$700	-\$116
<b>2-Bedroom (60%)</b>	\$677	\$677	\$0	\$930	-\$253
<b>3-Bedroom (60%)</b>	\$778	\$778	\$0	\$1,200	-\$422

(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 for the projects in the submarket is currently 95.43%.” (p. 28)

**Absorption Projections:** “Absorption in the subject’s primary market area over the past eight quarters ending September 2002 totals a positive 842 units....” (p. 30) Although a number of new projects were constructed in the subject’s primary market area in 1999 and 2000, all these appear to be operating at stabilized occupancy....an absorption rate of approximately 20 units per month should be achievable. (p. 30)

**Known Planned Development:** There are two properties currently under construction and leasing units. The Club of the Brazos began pre-leasing in July 2002 and is averaging 22 leases per month. The Fountains of Rosenberg began pre-leasing in June 2002 averaging 20 units per month (p. 30). Neither of these are LIHTC properties.

**Effect on Existing Housing Stock:** Falcon Pointe, located one mile northwest, is an LIHTC property completed in 1999. The property is 98% leased and reportedly has a waiting list equivalent to 110% occupancy. (p. 30)

**Other Relevant Information:** According to the analyst, Falcon Pointe has an average rent of \$0.70 with an occupancy rate of 98%. The property was built in 1999 and has been stabilized for over a year. (p. 36) The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Rosenberg is located approximately 30 miles southwest of Houston in Fort Bend County. The site is an irregularly-shaped parcel located on the eastern side of Rosenberg, approximately one mile from the central business district. The site is situated on the northern side of Reading Road.

**Population:** The estimated 2000 population of Fort Bend County was 354,452, an increase of 57.2% from 1990 to 2000. The new primary market area’s population in 2001 was 162,258. Within the primary market area there were estimated to be 61,203 households in 2006.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly vacant land and single family. Adjacent land uses include vacant land to the north, west, and east, with the South Texas Medical Clinic located to the south. The vacant land to the north and west is currently being improved with residential subdivision lots.

**Site Access:** Access to the property is from the east or west along Reading Road from FM 2218. The development has one main entry and an exit located on Reading Road. Access to FM 2218 is 0.25 miles south.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is near numerous shopping centers, including Wal-Mart, Office Depot, Home Depot and several grocery-anchored shopping centers. The site is also close to schools and Brazos Park with the South Texas Medical Clinic located across the street.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member on November 25, 2002 and the inspector found the site to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated November 15, 2002 was prepared by the Murillo Company and contained the following findings and recommendations:

**Findings:** One leaking underground storage tank was located 0.50 miles northwest that is occupied by Stop-

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

n-Go. The site is listed as Final Concurrence Issued, implying acceptable cleanup. Two Underground Storage Tanks are located 0.25 miles southwest.

**Recommendations:** The Murillo Company believes no direct evidence of any recognized environmental conditions exist at the subject site.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Both the Underwriter and the Applicant are assuming \$15 per unit per month in secondary income and a vacancy and collection loss of 7.5%.

**Expenses:** The Applicant's estimate of total operating expense is 4% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's total expense estimate of \$3,700 per unit compares favorably with a TDHCA database-derived estimate of \$3,888 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly repairs and maintenance (50K higher), property taxes (47K lower), payroll (40K lower), utilities (30K lower), and property insurance (24K higher) than the Underwriter's estimate.

**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. The Applicant's proposed debt service appears to provide a bonds only debt coverage ratio of just above the Department's minimum of 1.10. It should be noted, however, that TCHCA Administration and Issuer fees may be required to be paid out of cash flow for the first two years as the aggregate DCR is 1.07.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$1,220,000 (\$2.00/SF or \$87,143/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,488 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$886,722, or 8.7%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. As a result, the Applicant's total costs may be underestimated.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$391,044 to reflect an apparent overestimation of eligible fees. Of this amount, \$104,375 is being reduced for construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. The Applicant also included as eligible the full amount of tax counsel and underwriting fees for the bonds when only the portion attributable to the construction period is eligible. As a result, the Underwriter reduced \$68,250 as eligible from tax counsel and \$218,419 as eligible from underwriting fees. This issue was clarified in correspondence with the Applicant as the Underwriter prorated these fees by including as eligible only 9% of the total fees.

**Fees:** The Applicant included \$150,000 in field supervision, \$201,000 in field overhead and \$6,500 in punch-out. The Underwriter moved these amounts to contingency, to allow for the maximization in fees, resulting in a net overestimation of \$114,750. The Applicant's contractor's profit and general requirements were each above the 6% threshold by \$21,450, while the contractor overhead was \$7,150 above the 2% threshold allowed under the TDHCA guidelines. The Applicant's developer fee was also overestimated by \$36,123, as a result of the higher contractor fees.

**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, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$17,069,869 is used to determine a credit allocation of \$624,757 from this method based upon the underwriting applicable percentage of 3.66 effective the month the Application was submitted (October 2002). The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the



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

recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on tax-exempt private activity mortgage revenue bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

**Bonds and Conventional Interim to Permanent Loan:** The commitment letter provided with the application reflects that the bonds are tax-exempt private activity mortgage revenue bonds to be issued by the TDHCA and placed with Sun America. The Underwriter received a permanent loan commitment in the application for \$9,760,000 in Series A tax-exempt bonds and \$2,440,000 in Series B tax-exempt bonds. The interest rate on the bonds was estimated to be 6.75%, exclusive of credit enhancement, issuer and trustee fees. The bonds will have a three year interest-only period followed by a 35-year amortization period. Such loan amount will provide a debt coverage ratio above TDHCA's 1.10 minimum. The proposed structure would be subject to a refunding within six months of the original bond closing. At the time of the refunding, the transaction would be re-underwritten based upon a FHLMC credit enhancement permanent loan structure. Since the commitment was not an executed agreement, this report is conditioned upon an executed copy of the revised commitment.

**LIHTC Syndication:** Sun America Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,508,835 based on a 99.9% interest in the Partnership and a syndication factor of 81%. Sun America will also offer a Bridge Loan not to exceed \$3,794,711. All funds under \$3,305,301 will be interest free. Interest will accrue on any amount beyond that at a rate of 1% over prime. The syndication funds would be disbursed in a four-phased pay-in schedule:

1. 3% upon admission to the partnership;
2. 76% upon last Certificate of Occupancy;
3. 17% upon 3 months at 90% occupancy;
4. 4% upon 8609's.

Although, according to the Applicant, Sun America will be a 99.99% owner in the Partnership and will disperse \$5,513,798 in funds.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,147,173 amount to 50% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$624,757 annually for ten years, resulting in syndication proceeds of approximately \$5,055,473. Based on this analysis, the total fee deferred would be \$2,708,285, which represents all of the developer fee and \$165,558 of the contractor fee. The total fee is not repayable in 10 years however it appears to be repayable out of cash flow in less than 15 years.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are attractive, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies interior utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The buildings also contain eight attached garages that are entered via an additional door or a set of interior stairs. The units are in two- and three-story walk-up structures with mixed brick veneer and hardiboard siding exterior finish and pitched roofs.

**IDENTITIES of INTEREST**

The Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC-funded developments. The executed agreement of limited partnership identifies Sun America, the General Partner, as comprising 99.9% of the partnership and the Limited Partner as comprising 0.1%. This partnership structure will not facilitate syndication of the tax credit allocation for which the Applicant has applied. Therefore, the partnership must be reorganized in order to make use of the allocation requested. However, the analysis performed by both the Underwriter and the Applicant indicate a 99.99% ownership by the limited partner.

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

**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.
- Dwayne Henson Investments, Inc., 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$8,392,974 and consisting of \$261,047 in cash, \$5,509,555 in receivables, \$110,000 in real property, \$12,372 in machinery, equipment, and fixtures, and \$2,500,000 in partnership interests. Liabilities totaled \$213,347, resulting in a net worth of \$8,179,627.
- Resolution Real Estate Services, LLC, 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$898,000 and consisting of \$140,000 in cash, \$700,000 in receivables, \$30,000 in stocks and securities, and \$28,000 in machinery, equipment, and fixtures. Liabilities totaled \$95,000, resulting in a net worth of \$803,000.
- SGI Ventures, Inc., 20% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$601,305 and consisting of \$20,000 in cash, \$322,500 in receivables, \$5,000 in machinery, equipment, and fixtures, and \$253,805 in fees receivables. Liabilities totaled \$2,500, resulting in a net worth of \$598,805.
- The principals of the General Partner, J. Steve Ford, Sally Gaskin, and William D. Henson, submitted unaudited financial statements as of October 15, 2002 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.
- Sally Gaskin has completed five affordable housing developments totaling 403 units since 1997.
- William Henson has completed 14 affordable housing developments totaling 2,191 units since 1995, and will be the General Contractor for the development.
- J. Steve Ford has completed eight affordable housing developments totaling 1,464 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$624,757 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF TAX-EXEMPT BONDS NOT TO EXCEED \$12,200,000, STRUCTURED AS FULLY AMORTIZING OVER NOT LESS THAN 35 YEARS AT NOT MORE THAN 6.75% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of an executed financing commitment not to exceed \$12,200,000 reflecting the terms as outlined above;
2. Should the terms of the proposed debt be altered, the previous conditions and recommendations herein should be re-evaluated.

**Underwriter:**

\_\_\_\_\_  
*Mark Fugina*

**Date:** December 30, 2002

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

**Director of Credit Underwriting:** \_\_\_\_\_

*Tom Gouris*

**Date:** December 30, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Trash
TC60%	76	1	1	684	\$670	\$584	\$44,384	\$0.85	\$86.00	\$11.00
TC60%	56	2	2	975	804	677	37,912	0.69	127.00	11.00
TC60%	48	2	2	982	804	677	32,496	0.69	127.00	11.00
TC60%	72	3	2	1,183	930	778	56,016	0.66	152.00	11.00
<b>TOTAL:</b>	<b>252</b>		<b>AVERAGE:</b>	<b>948</b>	<b>\$800</b>	<b>\$678</b>	<b>\$170,808</b>	<b>\$0.71</b>	<b>\$121.78</b>	<b>\$11.00</b>

<b>INCOME</b>				<b>TDHCA</b>	<b>APPLICANT</b>				
Total Net Rentable Sq Ft: <b>238,896</b>									
<b>POTENTIAL GROSS RENT</b>				<b>\$2,049,696</b>	<b>\$2,049,696</b>				
Secondary Income		Per Unit Per Month:	\$15.00	45,360	45,360	\$15.00		Per Unit Per Month	
Other Support Income				0	0				
<b>POTENTIAL GROSS INCOME</b>				<b>\$2,095,056</b>	<b>\$2,095,056</b>				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(157,129)	(157,128)	-7.50%		of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0				
<b>EFFECTIVE GROSS INCOME</b>				<b>\$1,937,927</b>	<b>\$1,937,928</b>				
<b>EXPENSES</b>									
	% OF RGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF RGI	
General & Administrative	4.04%	\$311	\$0.33	\$78,316	\$64,490	\$0.27	\$256	3.33%	
Management	5.00%	385	0.41	96,896	96,896	0.41	385	5.00%	
Payroll & Payroll Tax	11.34%	872	0.92	219,744	180,200	0.75	715	9.30%	
Repairs & Maintenance	5.65%	435	0.46	109,526	160,000	0.67	635	8.26%	
Utilities	3.56%	274	0.29	68,948	38,500	0.16	153	1.99%	
Water, Sewer, & Trash	3.00%	231	0.24	58,221	67,000	0.28	266	3.46%	
Property Insurance	2.47%	190	0.20	47,779	71,669	0.30	284	3.70%	
Property Tax 2.84038	10.16%	781	0.82	196,838	150,258	0.63	596	7.75%	
Reserve for Replacements	2.60%	200	0.21	50,400	50,400	0.21	200	2.60%	
Other: Security, Compliance, Sup	2.73%	210	0.22	52,987	52,987	0.22	210	2.73%	
<b>TOTAL EXPENSES</b>	<b>50.55%</b>	<b>\$3,888</b>	<b>\$4.10</b>	<b>\$979,656</b>	<b>\$932,400</b>	<b>\$3.90</b>	<b>\$3,700</b>	<b>48.11%</b>	
<b>NET OPERATING INC</b>	<b>49.45%</b>	<b>\$3,803</b>	<b>\$4.01</b>	<b>\$958,271</b>	<b>\$1,005,528</b>	<b>\$4.21</b>	<b>\$3,990</b>	<b>51.89%</b>	
<b>DEBT SERVICE</b>									
1st tier bonds	46.94%	\$3,610	\$3.81	\$909,754	\$918,110	\$3.84	\$3,643	47.38%	
Trustee Fee	0.18%	\$14	\$0.01	\$3,500	3,500	\$0.01	\$14	0.18%	
TDHCA Admin. Fees	0.63%	\$48	\$0.05	12,200	13,650	\$0.06	\$54	0.70%	
Asset Oversight & Compliance Fee	0.65%	\$50	\$0.05	12,600	12,600	\$0.05	\$50	0.65%	
<b>NET CASH FLOW</b>	<b>1.04%</b>	<b>\$80</b>	<b>\$0.08</b>	<b>\$20,217</b>	<b>\$57,668</b>	<b>\$0.24</b>	<b>\$229</b>	<b>2.98%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>				<b>1.02</b>	<b>1.06</b>				
<b>BONDS &amp; TRUSTEE FEE-ONLY DEBT COVERAGE RATIO</b>				<b>1.05</b>	<b>1.09</b>				
<b>ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO</b>					<b>1.11</b>				

<b>CONSTRUCTION COST</b>									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)		5.94%	\$4,841	\$5.11	\$1,220,000	\$1,220,000	\$5.11	\$4,841	6.21%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		7.60%	6,200	6.54	1,562,500	1,562,500	6.54	6,200	7.95%
Direct Construction		49.54%	40,394	42.61	10,179,222	9,292,500	38.90	36,875	47.30%
Contingency	5.00%	2.86%	2,330	2.46	587,086	657,500	2.75	2,609	3.35%
General Req'ts	5.73%	3.27%	2,670	2.82	672,750	672,750	2.82	2,670	3.42%
Contractor's G & i	1.91%	1.09%	890	0.94	224,250	224,250	0.94	890	1.14%
Contractor's Prof:	5.73%	3.27%	2,670	2.82	672,750	672,750	2.82	2,670	3.42%
Indirect Construction		2.98%	2,433	2.57	613,000	613,000	2.57	2,433	3.12%
Ineligible Costs		4.66%	3,797	4.00	956,744	956,744	4.00	3,797	4.87%
Developer's G & A	1.91%	1.47%	1,197	1.26	301,684	301,684	1.26	1,197	1.54%
Developer's Profi'	12.39%	9.54%	7,782	8.21	1,960,944	1,960,944	8.21	7,782	9.98%
Interim Financing		6.39%	5,210	5.50	1,312,914	1,312,914	5.50	5,210	6.68%
Reserves		1.38%	1,129	1.19	284,512	200,000	0.84	794	1.02%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$81,541</b>	<b>\$86.01</b>	<b>\$20,548,356</b>	<b>\$19,647,536</b>	<b>\$82.24</b>	<b>\$77,966</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>					<b>\$13,898,558</b>	<b>\$13,082,250</b>	<b>\$54.76</b>	<b>\$51,914</b>	<b>66.58%</b>
<b>SOURCES OF FUNDS</b>									
<b>RECOMMENDED</b>									
1st tier bonds		49.44%	\$40,317	\$42.53	\$10,160,000	\$10,160,000	\$9,760,000		
Second tier bonds		12.36%	\$10,079	\$10.63	2,540,000	2,540,000	2,440,000		
LIHTC Syndication Proceeds		26.83%	\$21,880	\$23.08	5,513,798	5,513,798	5,055,473		
Deferred Developer's Fee		10.21%	\$8,322	\$8.78	2,097,173	2,097,173	2,392,063		
Additional (excess) Funds Required		1.16%	\$942	\$0.99	237,385	(663,435)	0		
<b>TOTAL SOURCES</b>					<b>\$20,548,356</b>	<b>\$19,647,536</b>	<b>\$19,647,536</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$10,117,873
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.91	\$455,304
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(241,285)
Floor Cover			1.92	458,680
Porches/Balconies	\$21.41	25,245	2.26	540,369
Plumbing	\$615	528	1.36	324,720
Built-In Appliances	\$1,625	252	1.71	409,500
Stairs	\$1,625	114	0.78	185,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	351,177
Garages	\$12.01	50,400	2.53	605,304
Comm &/or Aux Bldgs	\$53.70	5,000	1.12	268,515
Other:			0.00	0
<b>SUBTOTAL</b>			<b>56.41</b>	<b>13,475,408</b>
Current Cost Multiplier	1.02		1.13	269,508
Local Multiplier	0.91		(5.08)	(1,212,787)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.46</b>	<b>\$12,532,130</b>
Plans, specs, survy, b	3.90%		(\$2.05)	(\$488,753)
Interim Construction I	3.38%		(1.77)	(422,959)
Contractor's OH & Prof	11.50%		(6.03)	(1,441,195)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.61</b>	<b>\$10,179,222</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.05

<b>Secondary</b>		Amort	
Int Rate		Subtotal DCR	1.04

<b>Additional</b>		Amort	
Int Rate	(1.01)	Aggregate DCR	1.02

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$909,754
Trustee Fee	3,500
TDHCA Fees	24,800
<b>NET CASH FLOW</b>	<b>\$67,474</b>

<b>Primary</b>	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.11

<b>Debt plus Trustee</b>	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>All-in Debt Cost</b>	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.07

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,049,696	\$2,111,187	\$2,174,522	\$2,239,758	\$2,306,951	\$2,674,388	\$3,100,349	\$3,594,154	\$4,830,243
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Developer's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,095,056	2,157,908	2,222,645	2,289,324	2,358,004	2,733,573	3,168,960	3,673,693	4,937,137
Vacancy & Collection Loss	(157,128)	(161,843)	(166,698)	(171,699)	(176,850)	(205,018)	(237,672)	(275,527)	(370,285)
TOTAL COST	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,937,928	\$1,996,065	\$2,055,947	\$2,117,625	\$2,181,154	\$2,528,555	\$2,931,288	\$3,398,166	\$4,566,851
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$64,490	\$67,070	\$69,752	\$72,542	\$75,444	\$91,789	\$111,676	\$135,871	\$201,122
Management	96,896	99,803	102,797	105,881	109,058	126,428	146,564	169,908	228,343
Payroll & Payroll Tax	180,200	187,408	194,904	202,700	210,809	256,481	312,048	379,654	561,981
Repairs & Maintenance	160,000	166,400	173,056	179,978	187,177	227,730	277,068	337,096	498,984
Utilities	38,500	40,040	41,642	43,307	45,040	54,798	66,670	81,114	120,068
Water, Sewer & Trash	67,000	69,680	72,467	75,366	78,381	95,362	116,022	141,159	208,950
Insurance	71,669	74,536	77,517	80,618	83,843	102,007	124,108	150,996	223,511
Property Tax	150,258	156,268	162,519	169,020	175,781	213,864	260,198	316,571	468,602
Reserve for Replacements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other	52,987	55,106	57,311	59,603	61,987	75,417	91,756	111,636	165,248
TOTAL EXPENSES	\$932,400	\$968,727	\$1,006,478	\$1,045,710	\$1,086,479	\$1,315,610	\$1,593,387	\$1,930,189	\$2,833,988
NET OPERATING INCOME	\$1,005,528	\$1,027,337	\$1,049,468	\$1,071,915	\$1,094,674	\$1,212,944	\$1,337,901	\$1,467,977	\$1,732,863
<b>DEBT SERVICE</b>									
First Lien Financing	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754
Adjustments	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Trustee Fee	12,200	12,111	12,016	11,914	11,805	11,136	10,199	8,887	4,478
TDHCA Admin. Fees	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Cash Flow	67,474	88,868	110,570	132,574	154,875	270,621	392,629	519,290	775,836
AGGREGATE DCR	1.07	1.09	1.12	1.14	1.16	1.29	1.42	1.55	1.81

LIHTC Allocation Calculation - Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

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	\$1,220,000	\$1,220,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,562,500	\$1,562,500	\$1,562,500	\$1,562,500
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$9,292,500	\$10,179,222	\$9,292,500	\$10,179,222
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$224,250	\$224,250	\$217,100	\$224,250
Contractor profit	\$672,750	\$672,750	\$651,300	\$672,750
General requirements	\$672,750	\$672,750	\$651,300	\$672,750
<b>(5) Contingencies</b>	\$657,500	\$587,086	\$542,750	\$587,086
<b>(6) Eligible Indirect Fees</b>	\$613,000	\$613,000	\$613,000	\$613,000
<b>(7) Eligible Financing Fees</b>	\$1,312,914	\$1,312,914	\$1,312,914	\$1,312,914
<b>(8) All Ineligible Costs</b>	\$956,744	\$956,744		
<b>(9) Developer Fees</b>			\$2,226,505	
Developer overhead	\$301,684	\$301,684		\$301,684
Developer fee	\$1,960,944	\$1,960,944		\$1,960,944
<b>(10) Development Reserves</b>	\$200,000	\$284,512		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$19,647,536</b>	<b>\$20,548,356</b>	<b>\$17,069,869</b>	<b>\$18,087,100</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>			\$17,069,869	\$18,087,100
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$17,069,869	\$18,087,100
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$17,069,869	\$18,087,100
Applicable Percentage			3.66%	3.66%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$624,757	\$661,988
Syndication Proceeds	0.8092	\$5,055,473		\$5,356,740

**TDHCA #**

**03826**

**Region 6**



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

Development Name: **The Peninsula Apartments**

TDHCA #: **03826**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 6 Site Address: 5100 block of West Fuqua  
 City: Houston County: Harris Zip Code: 77053  
**Targeted Units:** Family: 280 Elderly: 0 Handicapped/Disabled: 20 Total Special Needs\*: 56  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: The Peninsula Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
Resolution Housing	J. Steve Ford	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$350,000**  
 HTF Loan Amount Requested by Applicant: **\$350,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	2	0	0	0	2
40%	0	0	0	0	0	0
50%	0	94	120	64	0	278
60%	0	0	0	0	0	0
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	96	120	64	0	
Total LI Units:						280
Owner/Employee Units:						0
Total Development Units:						280

**BUILDING INFORMATION**

Total Development Cost:	\$0
Gross Building Square Feet:	0
Total Net Rentable Area Square Feet:	0
Average Square Feet/Unit:	0

**INCOME AND EXPENSE INFORMATION**

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

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$0  
 HTF Amortization Rate: TBD  
 HTF Term: TBD  
 HTF Interest Rate: TBD  
 TDHCA Lien Position: TBD  
 Other Funding Sources and Lien: TBD

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	NA	Market Analyst:	O'Connor & Associates
Housing GC:	Dwayne Henson Investments, Inc.	Originator/UW:	NA
Engineer:	Lott & Brown Engineering Services	Appraiser:	O'Connor & Associates
Cost Estimator:	Dwayne Henson Investments	Attorney:	NA
Architect:	Mucasay & Associates	Accountant:	Reznick, Fedder, & Silverman
Property Manager:	Orion Real Estate Services, Inc.	Supp Services:	Texas Inter-Faith Housing Co.
Syndicator:	Boston Capital	Permanent Lender:	TBD

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.



**DEPARTMENT EVALUATION**

Points Awarded 122 Site Finding: Acceptable Underwriting Finding: Underwriting Pending

**CONDITIONS TO COMMITMENT**

The application will be conditioned on acceptable Underwriting and conditions made at that time.

Alternate Recommendation:

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

Explanation: The Application had a competitive score in its region.

\_\_\_\_\_  
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 Award Amount:       Date of Determination:

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

\_\_\_\_\_  
Date

**TDHCA #**

**03820**

**Region 7**

**Non-Profit  
Set-Aside**



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

Development Name: **Villa Elaina**

TDHCA #: **03820**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 7 Site Address: 1318 Lamar Square Dr.  
 City: Austin County: Travis Zip Code: 78704  
**Targeted Units:** Family: 22 Elderly: 0 Handicapped/Disabled: 2 Total Special Needs\*: 22  
**Set Aside:**  Non-Profit Purpose / Activity: Rehab Only

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Mary Lee Foundation

Principal Names	Principal Contact	Percentage Ownership
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**Legal Form of Applicant:** Non-Profit Corporation

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$116,743**  
 HTF Loan Amount Requested by Applicant: **\$116,743** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	10	1	0	11	22
40%	0	0	0	0	0	0
50%	0	4	1	0	5	10
60%	0	4	2	0	6	12
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	18	4	0	22	
Total LI Units:						22
Owner/Employee Units:						0
Total Development Units:						22

**BUILDING INFORMATION**

Total Development Cost:	\$374,137
Gross Building Square Feet:	14,228
Total Net Rentable Area Square Feet:	14,128
Average Square Feet/Unit:	642

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$119,425
Total Expenses:	\$81,120
Net Operating Income:	\$38,305
Estimated 1st Year Debt Coverage Ratio:	1.14

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$116,743  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: Washington Mutual, 1st

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Mary Lee Foundation	Market Analyst:	Aegis Group, Inc.
Housing GC:	NA	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Aegis Group, Inc.
Cost Estimator:	Cornerstone Group Architects	Attorney:	Armbrust & Brown, LLP
Architect:	Cornerstone Group Architects	Accountant:	Brown, Graham & Company
Property Manager:	Mary Lee Foundation	Supp Services:	Mary Lee Foundation
Syndicator:	NA	Permanent Lender:	NA

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 147 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:

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

Explanation: Needed to meet 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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03820**

Name: **Villa Elaina**

City: **Austin**

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: 1

## 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 iday, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Wednesday, July 23, 2003

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

DATE: July 20, 2003

PROGRAM: HTF

FILE NUMBER: 03820

**DEVELOPMENT NAME**

Villa Elaina Apartments

**APPLICANT**

**Name:** Mary Lee Foundation **Type:** Non Profit  
**Address:** P.O. Box 3174 **City:** Austin **State:** TX  
**Zip:** 78764 **Contact:** Wesla Liao Fletcher **Phone:** (512) 443-5777 **Fax:** (512) 443-5807

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Charlene Crump **(%):** N/A **Title:** Executive Director

**PROPERTY LOCATION**

**Location:** 1318 Lamar Square Drive  **QCT**  **DDA**  
**City:** Austin **County:** Travis **Zip:** 78704

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$116,743	0%	30 yrs	30 yrs
2) \$28,000	NA	NA	NA
<b>Other Requested Terms:</b> 1) HTF Loan 2) SECO Grant			
<b>Proposed Use of Funds:</b> <u>Rehab</u>		<b>Property Type:</b> <u>Multifamily</u>	
<b>Set-Aside(s):</b> <input type="checkbox"/> General <input 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 A HTF AWARD NOT TO EXCEED \$116,743, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A \$28,000 SECO GRANT AS REQUESTED, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 22    **# Rental Buildings:** 3    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 14,128    **Av Un SF:** 642    **Common Area SF:** 100    **Gross Bldg SF:** 14,228

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% brick veneer/25% 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, tile tub/shower, laminated counter tops.

**ON-SITE AMENITIES**

100 square foot laundry facility is available at the site.

**Uncovered Parking:** 30 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villa Elaina Apartments is a relatively dense 22 units per acre acquisition and rehabilitation development of 22 units of affordable housing located in south central Austin. The development is part of a larger affordable housing community of seven small apartment buildings housing a total of 111 units. The Applicant also owns the other buildings located in the small campus and provides services to those tenants. Villa Elaina is comprised of 3 two story, medium garden style walk-up residential buildings that are located adjacent to each other in the shape of a triangle as follows:

- (2) Building Type A with four one-bedroom/ one-bath units and two two- bedroom/ two-bath units; and
- (1) Building Type B with ten one-bedroom/ one-bath units;

**Development Plan:** The scope of work includes rough carpentry for installing a new roof, replacement of flat roof with pitched roof, installing new heaters and air conditions and move air conditioners to the ground from roof, installing new tile flooring in all units, patching sheet rock, painting interior walls, ceilings, exterior wood siding, fascia and soffit, installing new kitchen and bathroom cabinets and counter tops, installing new appliances in all units including dishwasher, refrigerator, range and fan hood, and installing ramps, widening doors in bedroom and bath and lower counter tops and cabinets for two of the units to make fully ADA accessible. The Applicant has indicated that no displacement of any of the tenants is planned and that all of the renovations can be accomplished with the tenant staying in his/her apartment. Additionally, several of the units are already vacant due to water damage, thus, these units will be renovated first.

**Architectural Review:** The exterior elevations are average with flat roofs. Each unit has a semi-private exterior entry that is shared with another unit.

**Supportive Services:** The Applicant will provide supportive services to the tenants at no extra cost. According to the Supportive Service Plan, the Mary Lee Foundation will directly serve 22 families with assistance in money management, job training and, in some cases, independent living skills. The Applicant has budgeted \$1,500 annually for supportive services. In addition to these supportive services, the Applicant also included copies of agreements with the Austin Travis County Mental Health Mental Retardation Center, the Texas Department of Protective and Regulatory Services and the Texas Rehabilitation Commission to provide other services including adult group community support services, 24-hour residential childcare and post acute brain injury services.

**Schedule:** The Applicant anticipates construction to begin in September of 2003, to be completed in November of 2003, to be placed in service and substantially leased up in November of 2003.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 0.60 acres 26,136 square feet **Zoning/ Permitted Uses:** CS  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Villa Elaina Apartments is located in south central Austin and is within 2 miles from the central business district. The site is situated on the north side of Lamar Square Drive.

**Adjacent Land Uses:**

- **Northeast:** commercial properties
- **Southeast:** residential and MLF office properties
- **East:** Lamar Boulevard
- **West:** residential and MLF office properties

**Site Access:** Access to the property is from the east or west from Lamar Square Drive. The development has one main entry from Lamar Square Drive. Access to Interstate Highway 35 is 1.6 miles west, which provides connections to all other major roads serving the Austin area.

**Public Transportation:** Public transportation to the area is provided by Capital Metro bus service, though proximity to the nearest stop along Lamar Boulevard is not known.

**Shopping & Services:** “The neighborhood contains and is in proximity to support facilities such as schools, places of worship, shopping areas, civic, recreational and cultural facilities.” (p. 9-3)

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

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

A Phase I Environmental Site Assessment report dated February 22, 2003 was prepared by William D. Green, PG and contained the following findings and recommendations:

“This assessment has revealed no evidence of recognized environmental conditions in connection with the property.” (p. 25)

**POPULATIONS TARGETED**

**Income Set-Aside:** 22 of the units (100% of the total) will be reserved for low-income tenants. 11 of the units (50%) will be reserved for households earning 30% or less of AMGI, 5 units (23%) will be reserved for households earning 50% or less of AMGI, and 6 units (27%) will be reserved for households earning 60% or less of AMGI.

**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>	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

**MARKET HIGHLIGHTS**

A market feasibility study dated February 14, 2003 was prepared by The Aegis Group, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** “For purposes of this analysis, the subject’s neighborhood boundaries have been defined as follows: Town Lake to the north; IH-35 to the east; Ben White Boulevard to the south; and Loop One and Zilker Park to the west... We estimated a 2-mile radius for the subject’s market area. This boundary includes primarily the south central sector which includes the previously described neighborhood boundaries.” (p. 9-1 and 9-4) “The subject’s secondary market area is Austin, Texas which is located within



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

Travis and Williamson Counties.” (p. 7-1)

**Population:** The estimated 2001 population of subject’s market area was 63,095 and is expected to increase by 2.4% to approximately 70,765 by 2005. Within the primary market area there were estimated to be 29,859 households in 2001.

**Total Local/Submarket Demand for Rental Units:** “The subject primary market area is a mostly built-out area with older housing stock than the newer, developing areas of town. The majority of newer multi-family housing has been constructed in the north central, far northwest, and northwest areas of town...” (p. 10-1)

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	322	100%	245	3%
Resident Turnover	N/A	N/A	6,773	97%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>322</b>	<b>100%</b>	<b>7,018</b>	<b>100%</b>

Ref: p. 11-4 thru 11-5

**Inclusive Capture Rate:** The Underwriter calculated an inclusive capture rate of 4% based upon a revised supply of unstabilized comparable affordable units of 302 (the subject’s plus 280 units from Blunn Creek Apartments) divided by a revised demand of 7,018. The market analyst calculated an inclusive capture rate of 9.3% based upon a total supply of unstabilized comparable affordable units of 30 (the subject plus 8 units from an adjacent property, the Enclave Apartments) divided by a demand of 322. The market analyst noted that the recently constructed Blunn Creek Apartments was not included because its units would be restricted to 60% of median family income, thus “it will not directly compete with the subject.” However, it should be noted that the market study for the proposed subject indicates that all units of the subject will be restricted to 50% of AMFI. The proposed rent schedule submitted by the Applicant, however, indicates that units will be restricted to 30%, 50% and 60% of AMFI. Therefore, the Underwriter included the 280 units from Blunn Creek in calculating the inclusive capture rate. As the units are currently occupied with no displacement expected, an inclusive capture rate calculation is not terribly relevant.

**Local Housing Authority Waiting List Information:** “As of January 24, 2003, there is a waiting list for 3,257 units.” (p. 10-9)

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 301 units in the market area. (p. 10-2 thru 10-3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (30%)</b>	\$565	\$359	+\$206	\$530	+\$35
<b>1-Bedroom (50%)</b>	\$565	\$625	-\$60	\$530	+\$35
<b>1-Bedroom (60%)</b>	\$565	\$759	-\$194	\$530	+\$35
<b>2-Bedroom (30%)</b>	\$705	\$424	+\$281	\$710	-\$5
<b>2-Bedroom (50%)</b>	\$705	\$744	-\$39	\$710	-\$5
<b>2-Bedroom (60%)</b>	\$705	\$904	-\$199	\$710	-\$5

(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 occupancy rates of the comparable unrestricted rental units ranged from 78% to 98%. “The subject typically has occupancy rates that range from 90 percent to 93 percent and current occupancy rates reflect the water damaged conditions of the four vacant units.” (p. 10-7)

**Absorption Projections:** “We surveyed one new apartment complex in the subject’s market for rent and absorption indications. The newest project, Blunn Creek Apartments, is a 280 unit affordable housing project. Since they began leasing in September 2002, they have leased 100 units or an average of 20 units per

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

month... This project is considered to be the best indicator of absorption; however, the subject is an already stabilized project.” (p. 10-8) “Between the subject’s affordability and the lack of new competition in that market segment, the subject should experience rapid absorption and demand for the four remaining units.” (p. 11-5)

**Known Planned Development:** “Within the subject’s primary market area, a subset of the SC market area, there have been two new projects completed, Alexan Congress with 253 units and Blunn Creek properties with 280 units. Additionally, adjacent to the subject, the Enclave Apartments, owned by the same property owner as the subject, is renovating and expanding their project by eight units.” (p. 10-1)

**Effect on Existing Housing Stock:** “The four units are expected to have an insignificant effect on the Primary Market Occupancy Rates.” (p. 11-6)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections for the one and two-bedroom units are higher than the maximum HTF rents allowed for the 30% units, but are less than the maximum rents for the 50% and 60% units. Based on the rent roll submitted as of February 2003, the current rents being charged for the one-bedroom units are \$595 and \$565 while the current rent charged for the two-bedroom units is \$675. The rent roll indicates that ten of the units currently have a Section 8 subsidy. According to the Applicant, however, this assistance is not project-based assistance. For purposes of this analysis, the Underwriter used the maximum HTF rent for the 30% units since the Applicant’s proposed rents were higher and used the Applicant’s proposed rents for the remaining units since the Applicant is currently collecting this amount per the rent roll submitted so it is the effective market rate rent. It should be noted that the Market Analyst indicates a lower adjusted market rent for the one and two-bedroom units in the primary market area. However, since the Applicant is already collecting the higher proposed rents the Underwriter regards the proposed rents to be achievable. The Applicant indicated that the owner pays for gas heating and gas water heat and rents and expenses were calculated accordingly. The Applicant’s estimate of secondary income is in line with TDHCA underwriting guidelines. The Applicant’s vacancy and collection loss estimate, 15%, is significantly higher than the TDHCA underwriting guideline of 7.50%. The Applicant indicated that this was due mainly to the fact that last year this project had three or four renters that were not paying rent and refused to move out when asked to. The Applicant indicated that evictions were difficult to enforce in these cases, thus causing a high vacancy and collection loss rate. Excluding this type of scenario, the Applicant anticipates that the property would more likely experience a 4-5 percent vacancy and collection loss rate.

**Expenses:**

The Applicant’s total expense estimate of \$4,561 per unit is more than 5% higher than a TDHCA database-derived estimate of \$3,687 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s estimate, particularly general and administrative (\$4K higher), repairs and maintenance (\$13K higher) and insurance (\$2K lower). The Underwriter discussed these differences with the Applicant. The Applicant indicated that the maintenance portion of the repairs and maintenance estimate is what drives this to such a high amount. The Applicant explained that the tenants who occupy this transitional housing do not tend to take much care of the units, therefore, the maintenance for the units will likely remain high. Additionally, the Applicant’s property insurance estimate is based upon historical operating statements for the property and indicated that a quote from the insurance company was forthcoming.

**Conclusion:** The Applicant’s estimated income and total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.46 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service.

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

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 0.60 acres	\$123,000		Date of Valuation:	02/ 06/ 2003	
Existing Building(s): "as is"	\$377,000		Date of Valuation:	02/ 06/ 2003	
Total Development: "as is"	\$500,000		Date of Valuation:	02/ 06/ 2003	
Appraiser: The Aegis Group, Inc.	City: Austin		Phone: (512)	346-9983	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser concludes that the highest and best use of this property is for multifamily development/use. The appraiser's estimated land value is based on three comparable land sales within the same area as the subject property. Land sales ranged in price per square foot from \$2.56 to \$8.70. Adjustments to the comparable land sales were made based on variables which were considered to impact the per unit sales prices of the properties. Based on the information presented, the estimated land value of the subject property is \$4.70 per square foot or 123,000.

In estimating the "As Is" and "As Renovated" value of the development as a whole, the appraiser used the sales comparison approach and the income approach. The cost approach was not used because according to the Applicant, the subject's age would not produce a meaningful value indication. Based on the information

**Conclusion:** Based on the information presented, the appraiser's estimate of the property's value, "As Is", appears to be a reliable estimate.

ASSESSED VALUE					
Land: 0.60 acres	Tax-exempt		Assessment for the Year of:	2002	
Building:	Tax-exempt		Valuation by:	Travis County Appraisal District	
Total Assessed Value:	Tax-exempt		Tax Rate:	2.57	

**EVIDENCE of SITE or PROPERTY CONTROL**

Type of Site Control:	Warranty Deed				
Contract Expiration Date:	N/A		Anticipated Closing Date:	N/A	
Acquisition Cost:	N/A		Other Terms/Conditions:	N/A	
Seller:	N/A		Related to Development Team Member:	N/A	

**CONSTRUCTION COST ESTIMATE EVALUATION**

The Applicant is not claiming an acquisition cost but does have an existing first lien through Frost Bank covering five properties on which they pay approximately \$112,069 or \$22,414 annually for this development. The Applicant's project cost schedule consists of \$353,984 in direct construction costs and \$20,153 in indirect construction costs. The proposed work write-up is detailed and generally consistent with the Applicant's cost breakdown and has been certified by a third party contractor. Line item costs appear to be well documented and thus the costs are regarded as reasonable as submitted. No contractor fees, developer fees or contingency costs have been considered by the Applicant, leaving no margin for error.

**APPLICANT EQUITY**

Amount:	N/A	Source:	N/A
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**FINANCING STRUCTURE ANALYSIS**

The Applicant's sources of funds for the proposed rehabilitation consists of loans and grants from a variety of sources.

**Existing Frost Bank Loan:** The Applicant has indicated that a first lien of \$713,358 as of July 16, 2003 exists on the property and its four sister developments. The Applicant uses a straight proration (one-fifth) of

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

the loan amount to account for the debt service attributable to this property. The first lien is said to be based upon an amortization lasting another eight years but is set to mature in January of 2005. The interest rate on the Frost Bank loan appears to be a floating rate as it was recently reduced according to the Applicant to 5%. Receipt, review and acceptance of original note documentation of this loan is a condition of this report.

**HTF Loan and SECO Grant:** The Applicant has applied for a HTF loan in the amount of \$116,743 with a 30-year amortization and 0% interest rate. Additionally, the Applicant has also applied for a SECO grant in the amount of \$28,000.

**Washington Mutual Grant:** A grant from Washington Mutual has already been committed in the amount of \$28,000 for support of low income housing.

**HTF Predevelopment Loan:** A HTF Predevelopment Loan in the amount of \$19,244 from Ark-Tex Council of Governments is also listed as a source of funds. According to the promissory note, the entire principal balance matures upon closing of the permanent financing on the completed development. The Applicant indicated that this will be paid by the Mary Lee Foundation in addition to a contribution from the MLF.

**Federal Home Loan Bank:** The Applicant has submitted an application to the Federal Home Loan Bank of Dallas requesting a grant in the amount of \$88,000. The Applicant indicated that a decision on the requested grant is not expected until July or August of this year.

**Mary Lee Foundation:** The Applicant initially indicated that the Mary Lee Foundation will make a contribution in the amount of \$56,743 to fund gap of need for the rehabilitation. The Applicant has since realized the gap in the application is actually \$93,950 and has indicated a willingness and ability to fund this higher amount. In addition, the repayment terms of the Predevelopment loan call for it to be repaid upon securing permanent financing so that this additional \$19,244 will need to be funded by the Applicant's equity. The Applicant appears to have the financial wherewithal to fund this amount as even an expansion of the current debt that could be re-amortized as a 5% interest rate and allow the additional equity required to be repaid in full.

**Financing Conclusions:** In order to efficiently size the HTF request, the Underwriter assumed that the Applicant could get a loan for the total amount of contribution that the Mary Lee Foundation will make of \$113,394, which consists of the Ark-Tex/HTF Predevelopment Loan and the MLF contribution. Assuming that the Applicant could get a loan for this amount at a 5% interest rate, the same rate as its current Frost Bank loan, the Applicant is qualified to receive the requested Housing Trust Fund loan at 0% interest with a 30-year amortization period at a debt coverage ratio that is within the underwriting guidelines.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTF-funded developments.

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

**Financial Highlights:**

- The Applicant, Mary Lee Foundation, submitted an unaudited financial statement as of February 14, 2003 reporting total assets of \$5.2M and consisting of \$605K in cash, \$554K in receivables, \$146K in current assets, and \$3.8M in real property. Liabilities totaled \$1.9M, resulting in a net worth of \$3.2M.

**Background & Experience:**

- Over the past 20 years the Applicant has acquired almost all of the property on Lamar Square Drive and has turned the complexes into affordable housing. The Applicant owns over 100 units of affordable housing units in the square. The Applicant listed participation in completing two affordable housing developments totaling 46 units since 2001, but it is unclear if these units are a part of the community on Lamar Square Drive.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Villa Elaina Apartments, Austin, HTF #03820**

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
HTF30%	10	1	1	596	\$400	\$359	\$3,590	\$0.60	\$41.00	\$40.00
HTF50%	4	1	1	596	666	\$565	2,260	0.95	41.00	40.00
HTF60%	4	1	1	596	800	\$565	2,260	0.95	41.00	40.00
HTF30%	1	2	2	850	480	\$424	424	0.50	56.00	46.00
HTF50%	1	2	2	850	800	\$705	705	0.83	56.00	46.00
HTF60%	2	2	2	850	960	\$705	1,410	0.83	56.00	46.00
<b>TOTAL:</b>	<b>22</b>		<b>AVERAGE:</b>	<b>642</b>	<b>\$594</b>	<b>\$484</b>	<b>\$10,649</b>	<b>\$0.75</b>	<b>\$43.73</b>	<b>\$41.09</b>

INCOME				TDHCA		APPLICANT		USS Region 7		
Total Net Rentable Sq Ft: 14,128				\$127,788	\$155,880	IREM Region Austin				
POTENTIAL GROSS RENT				1,320	1,200	\$4.55	Per Unit Per Month			
Secondary Income	Per Unit Per Month:	\$5.00		0						
Other Support Income: (describe)										
POTENTIAL GROSS INCOME				\$129,108	\$157,080					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(9,683)	(23,556)	-15.00%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0						
EFFECTIVE GROSS INCOME				\$119,425	\$133,524					
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	6.23%	\$338	0.53	\$7,440	\$11,851	\$0.84	\$539	8.88%		
Management	5.46%	296	0.46	6,515	5,000	0.35	\$227	3.74%		
Payroll & Payroll Tax	16.81%	913	1.42	20,081	20,000	1.42	\$909	14.98%		
Repairs & Maintenance	10.01%	543	0.85	11,949	24,600	1.74	\$1,118	18.42%		
Utilities	6.46%	350	0.55	7,711	7,929	0.56	\$360	5.94%		
Water, Sewer, & Trash	7.67%	416	0.65	9,161	9,912	0.70	\$451	7.42%		
Property Insurance	8.51%	462	0.72	10,164	8,560	0.61	\$389	6.41%		
Property Tax Tax Exempt	0.00%	0	0.00	0	0	0.00	\$0	0.00%		
Reserve for Replacements	5.53%	300	0.47	6,600	11,000	0.78	\$500	8.24%		
Other Expenses: supportive services	1.26%	68	0.11	1,500	1,500	0.11	68	1.12%		
TOTAL EXPENSES	67.93%	\$3,687	\$5.74	\$81,120	\$100,352	\$7.10	\$4,561	75.16%		
NET OPERATING INC	32.07%	\$1,741	\$2.71	\$38,305	\$33,172	\$2.35	\$1,508	24.84%		
DEBT SERVICE										
HTF Loan	3.26%	\$177	\$0.28	\$3,891	\$0	\$0.00	\$0	0.00%		
Existing Mortgage- Frost Bank	18.65%	\$1,012	\$1.58	22,275		\$0.00	\$0	0.00%		
Additional Financing	0.00%	\$0	\$0.00		26,500	\$1.88	\$1,205	19.85%		
NET CASH FLOW	10.16%	\$552	\$0.86	\$12,139	\$6,672	\$0.47	\$303	5.00%		
AGGREGATE DEBT COVERAGE RATIO				1.46	1.25					
RECOMMENDED DEBT COVERAGE RATIO				1.14						

CONSTRUCTION COST				TDHCA		APPLICANT		PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%	
Off-Sites		0.00%	0	0.00	0	0	0.00	\$0	0.00%	
Sitework		0.00%	0	0.00	0	0	0.00	\$0	0.00%	
Direct Construction		94.61%	16,090	25.06	353,984	353,984	25.06	\$16,090	94.61%	
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	\$0	0.00%	
General Req'ts	0.00%	0.00%	0	0.00	0	0	0.00	\$0	0.00%	
Contractor's G & A	0.00%	0.00%	0	0.00	0	0	0.00	\$0	0.00%	
Contractor's Profit	0.00%	0.00%	0	0.00	0	0	0.00	\$0	0.00%	
Indirect Construction		5.39%	916	1.43	20,153	20,153	1.43	\$916	5.39%	
Ineligible Costs		0.00%	0	0.00	0		0.00	\$0	0.00%	
Developer's G & A	0.00%	0.00%	0	0.00	0		0.00	\$0	0.00%	
Developer's Profit	0.00%	0.00%	0	0.00	0		0.00	\$0	0.00%	
Interim Financing		0.00%	0	0.00	0		0.00	\$0	0.00%	
Reserves		0.00%	0	0.00	0		0.00	0	0.00%	
TOTAL COST		100.00%	\$17,006	\$26.48	\$374,137	\$374,137	\$26.48	\$17,006	100.00%	
Recap-Hard Construction Costs		94.61%	\$16,090	\$25.06	\$353,984	\$353,984	\$25.06	\$16,090	94.61%	

SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED		
HTF Loan	31.20%	\$5,307	\$8.26	\$116,743	\$116,743	\$116,743		Developer Fee Available		
SECO Grant		\$1,273		\$28,000	\$28,000	\$28,000				
Federal Home Loan Bank- Grant		\$4,000		\$88,000	\$88,000	\$88,000				
Washington Mutual Grant		\$1,273		\$28,000	\$28,000	\$28,000				
Ark-Tex COG	5.14%	\$875	\$1.36	19,244	19,244	0		\$0		
Mary Lee Foundation	15.17%	\$2,579	\$4.02	56,743	56,743	113,394		% of Dev. Fee Deferred		
Deferred Developer Fees	9.94%	\$1,691	\$2.63	37,207	37,207			#DIV/0!		
Additional (excess) Funds Required	0.05%	\$9	\$0.01	200	200	0		15-Yr Cumulative Cash Flow		
TOTAL SOURCES				\$374,137	\$374,137	\$374,137		\$102,480.37		

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Villa Elaina Apartments, Austin, HTF #03820*

**PAYMENT COMPUTATION**

<b>Primary</b>	\$116,743	Term	360
Int Rate	0.00%	DCR	9.84

<b>Secondary</b>	\$142,872	Term	93
Int Rate	5.00%	Subtotal DCR	1.46

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.46

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$3,891
Secondary Debt Service	22,275
Additional Debt Service	7,305
<b>NET CASH FLOW</b>	<b>\$4,834</b>

<b>Primary</b>	\$116,743	Term	360
Int Rate	0.00%	DCR	9.84

<b>Secondary</b>	\$142,872	Term	93
Int Rate	5.00%	Subtotal DCR	1.46

<b>Additional</b>	\$113,394	Term	360
Int Rate	5.00%	Aggregate DCR	1.14

**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	\$127,788	\$131,622	\$135,570	\$139,637	\$143,827	\$166,734	\$193,291	\$224,077	\$301,141
Secondary Income	1,320	1,360	1,400	1,442	1,486	1,722	1,997	2,315	3,111
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>129,108</b>	<b>132,981</b>	<b>136,971</b>	<b>141,080</b>	<b>145,312</b>	<b>168,457</b>	<b>195,287</b>	<b>226,392</b>	<b>304,251</b>
Vacancy & Collection Loss	(9,683)	(9,974)	(10,273)	(10,581)	(10,898)	(12,634)	(14,647)	(16,979)	(22,819)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$119,425</b>	<b>\$123,008</b>	<b>\$126,698</b>	<b>\$130,499</b>	<b>\$134,414</b>	<b>\$155,822</b>	<b>\$180,641</b>	<b>\$209,412</b>	<b>\$281,433</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$7,440	\$7,737	\$8,047	\$8,369	\$8,703	\$10,589	\$12,883	\$15,674	\$23,202
Management	6,515	6,710	6,912	7,119	7,332	8,500	9,854	11,424	15,352
Payroll & Payroll Tax	20,081	20,884	21,719	22,588	23,492	28,581	34,774	42,307	62,625
Repairs & Maintenance	11,949	12,427	12,924	13,441	13,979	17,007	20,692	25,175	37,266
Utilities	7,711	8,019	8,340	8,674	9,020	10,975	13,352	16,245	24,047
Water, Sewer & Trash	9,161	9,527	9,908	10,304	10,717	13,038	15,863	19,300	28,569
Insurance	10,164	10,571	10,993	11,433	11,890	14,467	17,601	21,414	31,698
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	6,600	6,864	7,139	7,424	7,721	9,394	11,429	13,905	20,583
Other	1,500	1,560	1,622	1,687	1,755	2,135	2,598	3,160	4,678
<b>TOTAL EXPENSES</b>	<b>\$81,120</b>	<b>\$84,300</b>	<b>\$87,604</b>	<b>\$91,040</b>	<b>\$94,610</b>	<b>\$114,687</b>	<b>\$139,046</b>	<b>\$168,605</b>	<b>\$248,020</b>
<b>NET OPERATING INCOME</b>	<b>\$38,305</b>	<b>\$38,708</b>	<b>\$39,093</b>	<b>\$39,459</b>	<b>\$39,804</b>	<b>\$41,136</b>	<b>\$41,595</b>	<b>\$40,807</b>	<b>\$33,413</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$3,891	\$3,891	\$3,891	\$3,891	\$3,891	\$3,891	\$3,891	\$3,891	\$3,891
Second Lien	22,275	22,275	22,275	22,275	22,275	22,275	22,275	22,275	22,275
Other Financing	7,305	7,305	7,305	7,305	7,305	7,305	7,305	7,305	7,305
<b>NET CASH FLOW</b>	<b>\$4,834</b>	<b>\$5,237</b>	<b>\$5,622</b>	<b>\$5,988</b>	<b>\$6,333</b>	<b>\$7,665</b>	<b>\$8,124</b>	<b>\$7,336</b>	<b>(\$58)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.16</b>	<b>1.17</b>	<b>1.18</b>	<b>1.19</b>	<b>1.23</b>	<b>1.24</b>	<b>1.22</b>	<b>1.00</b>

**TDHCA #**

**03810**

**Region 8**





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

Development Name: **Stone Ranch Apartments**

TDHCA #: **03810**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: 4400 Block East Rancier Ave.  
 City: Killeen County: Bell Zip Code: 76543  
**Targeted Units:** Family: 0 Elderly: 152 Handicapped/Disabled: 12 Total Special Needs\*: 31  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Killeen Stone Ranch Apartments, LP.

Principal Names	Principal Contact	Percentage Ownership
Hill Country Community Housing Corporation	Tama Shaw	51% of GP
Lankford Interests, LLC	Michael G. Lankford	49% of GP
Killeen Stone Ranch Apartment Homes I, LLC	Michael G. Lankford	100% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$136,000**  
 HTF Loan Amount Requested by Applicant: **\$136,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	6	8	0	0	14
40%	0	8	9	0	0	17
50%	0	10	15	0	0	25
60%	0	35	38	0	0	73
65%	0	0	0	0	0	0
MR	0	13	10	0	0	23
Total	0	72	80	0	0	
Total LI Units:						129
Owner/Employee Units:						0
Total Development Units:						152

**BUILDING INFORMATION**

Total Development Cost:	\$9,204,970
Gross Building Square Feet:	119,015
Total Net Rentable Area Square Feet:	114,800
Average Square Feet/Unit:	755

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$861,732
Total Expenses:	\$507,030
Net Operating Income:	\$354,702
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$136,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$3,489,43, Key Bank, 1st lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Lankford Interests, LLC	Market Analyst:	Allen and Associates Consulting
Housing GC:	JDP Group	Originator/UW:	NA
Engineer:	Mitchell & Associates	Appraiser:	NA
Cost Estimator:	JDP Group	Attorney:	J. Michael Pruitt Law Office
Architect:	Hill & Frank Architects	Accountant:	Reznick, Fedder & Silverman
Property Manager:	Greater Coastal Management, LLC	Supp Services:	Hill Country Community Action Association
Syndicator:	Columbia Housing Partners	Permanent Lender:	Key Bank

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 147 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of revised loan commitments prior to Carryover reflecting total permanent debt service of not more \$322,661, and should the HTF loan be approved, the remaining debt service should not exceed \$318,128.

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:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed for regional allocation. Tax Credit Application for this development is recommended for allocation.

\_\_\_\_\_  
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 Award Amount:       Date of Determination:

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

# Developer Evaluation

Project ID # **03068/03810**

Name: **Stone Ranch Apartments Ho**

City: **Killeen**

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: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 1

### 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, June 06, 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 14 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03068

**DEVELOPMENT NAME**

Killeen Stone Ranch Apartments

**APPLICANT**

**Name:** Killeen Stone Ranch Apartments, L.P.      **Type:** For Profit  
**Address:** 4900 Woodway, Suite 970      **City:** Houston      **State:** TX  
**Zip:** 77056      **Contact:** Michael G. Lankford      **Phone:** (713) 626-9655      **Fax:** (713) 621-4947

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name :</b>	Killeen Stone Ranch Apartment Homes I, LLC	<b>(%):</b>	.01	<b>Title:</b>	Managing General Partner
<b>Name :</b>	Hill Country Community Housing Corporation	<b>(%):</b>	.51 of MGP	<b>Title:</b>	Co-owner of MGP
<b>Name :</b>	Lankford Interests, LLC	<b>(%):</b>	.49 of MGP	<b>Title:</b>	Co-owner of MGP & Dev.
<b>Name :</b>	Michael G. Lankford	<b>(%):</b>	N/A	<b>Title:</b>	Owner of Lankford Interests
<b>Name :</b>	Hill Country Community Action Association, Inc.	<b>(%):</b>	N/A	<b>Title:</b>	100% owner of HCCHC
<b>Name :</b>	Tama Shaw	<b>(%):</b>	N/A	<b>Title:</b>	Exec. Director of HCCAA

**PROPERTY LOCATION**

**Location:** 4400 Block East Rancier Avenue       **QCT**       **DDA**  
**City:** Killeen      **County:** Bell      **Zip:** 76543

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$583,608	N/A	N/A	N/A
2) \$136,000	0%	30 yrs	30 yrs
2) \$114,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) HTF loan  
3) HTF/SECO grant

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

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

**RECOMMENDATION**

- APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$568,718 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF/SECO GRANT NOT TO EXCEED \$114,000 AND A HTF

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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AWARD NOT TO EXCEED \$136,000, STRUCTURED AS A 30 YEAR TERM LOAN, FULLY AMORTIZING OVER 30YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of revised loan commitments prior to carryover reflecting total permanent debt service of not more than \$322,661, and should the HTF loan be approved, the remaining debt service should not exceed \$318,128;
2. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Killeen Stone Ranch Apartments, a 128 unit development on the same site, was submitted and underwritten in the 2002 LIHTC cycle. The underwriting analysis recommended the project be declined due to the following:

- € The anticipated deferred development fee can not be reasonably foreseeable to be repaid and no viable source of funds has been indicated to fill the gap.
- € The development is not reasonably foreseeable to be built for the estimated cost anticipated by the Applicant.
- € The proposed debt is not serviceable and the reduction in debt that is anticipated adds to the gap of funds for which no sources have been identified.

The analysis also included an alternative recommendation that any award of tax credits for this development should be limited to \$481,024 and be allocated in conjunction with a HTF grant of \$175,000 and SECO grant of \$192,000 subject to the following conditions:

1. Board acceptance of a revised rent schedule/low income targeting schedule or documentation of additional operating subsidy to significantly improve the expense to income ratio.
2. Receipt, review and acceptance of a revised application pursuant to the item above and to a complete re-evaluation by the Underwriting Division.
3. Receipt, review and acceptance of documentation showing HUD approval of the proposed voucher program, CDBG funding program, and HOME funding program for this development.
4. Receipt, review and acceptance of a fixed price contract to contract the proposed development at a price consistent with the project cost schedule provided in the application or higher if new sources of additional financing can be documented to cover the difference.

The project did not receive the recommended award in the 2002 year cycle. The previous application also had a significantly high percentage of units dedicated to 40 and 50% tenants.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>152</u>	<b># Rental Buildings:</b>	<u>38</u>	<b># Common Area Bldgs:</b>	<u>3</u>	<b># of Floors:</b>	<u>1</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at	/	/
<b>Net Rentable SF:</b>	<u>114,800</u>	<b>Av Un SF:</b>	<u>755</u>	<b>Common Area SF:</b>	<u>4,215</u>	<b>Gross Bldg SF:</b>	<u>119,015</u>							

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 25% stone veneer/75% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle and galvanized metal roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Amenities include 3500 square foot community building with activity room, management offices, fitness facilities, kitchen, restrooms, computer/business center and central mailroom and an adjacent swimming pool located at the entrance to the property. In addition a 715 square foot laundry and maintenance building is

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

also planned for the site to be located at the entrance to the property. Additionally, perimeter fencing with limited access gate is also planned for the site.

**Uncovered Parking:** 66 spaces    **Carpports:** 152 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Killeen Stone Ranch Apartments is a relatively dense 13.8 units per acre new construction development of 152 units of mixed income housing located in northeast Killeen. The development is comprised of 38 evenly distributed small garden style residential buildings as follows:

- € (18) Building Type A with four one-bedroom/ one-bath units; and
- € (20) Building Type B with four two-bedroom/ two-bath units;

**Architectural Review:** The exterior elevations are functional with gabled roofs. All units are of average size for LIHTC and market rate units. Each unit has a semi-private exterior entry area that is shared with another unit. The site plan is slightly more dense this year as there are six more fourplex buildings.

**Supportive Services:** The Applicant has indicated that Hill Country Community Action Association, Inc. will provide supportive services to the tenants. A contract between the Applicant and Hill Country Community Action Association, Inc. was not provided. The Applicant included \$18,240 in annual supportive services expenses for this project.

**Schedule:** The Applicant anticipates construction to begin in January of 2004, to be completed in May of 2005, to be placed in service in June of 2005, and to be substantially leased-up in April of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 11.04 acres    480,902 square feet    **Zoning/ Permitted Uses:** R-3  
**Flood Zone Designation:** Zone C    **Status of Off-Sites:** Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Killeen is located in central Texas, approximately 13 miles west from Interstate 35 in Bell County. The site is an irregularly-shaped parcel located in the northeast area of Killeen, approximately 3 miles from the central business district. The site is situated on the north side of Rancier Street.

**Adjacent Land Uses:**

- € **North:** vacant land and single-family residential
- € **South:** vacant land and commercial
- € **East:** vacant land
- € **West:** multi-family residential (The Veranda)

**Site Access:** Access to the property is from the east or west along Rancier Avenue (FM 439). The development is to have one main entry from the south. Access to Interstate Highway 35 is 13 miles east, which provides direct access to Waco, Dallas, Austin and San Antonio.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within one mile of one major grocer, one department store, within two miles of a movie theatre 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:** The site has not been inspected by a TDHCA staff member this year but was inspected last year on May 17, 2002 and found to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report updated February 11, 2003 was prepared by Turley Associates, Inc. and contained the following findings and recommendations:

“Based on the information obtained and site observations made, it is our opinion that the environmental risks associated with the 11.014 acres, J.S. Wilder Survey, Abstract No. 912, Killeen, Bell County, Texas are

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minimal at this time.” (p. 4)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 129 of the units (85% of the total) will be reserved for low-income/elderly tenants. 14 of the units (9%) will be reserved for households earning 30% or less of AMGI, 17 units (11%) will be reserved for households earning 40% or less of AMGI, 25 units (16%) will be reserved for households earning 50% or less of AMGI, 73 units (48%) will be reserved for households earning 60% or less of AMGI and the remaining 23 units (15%) 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>	\$19,200	\$21,960	\$24,660	\$27,420	\$29,640	\$31,800

**MARKET HIGHLIGHTS**

A market feasibility study dated March 8, 2003 was prepared by Allen & Associates Consulting and highlighted the following findings:

**Definition of Market/Submarket:** “Based on conversations we had with managers of similar elderly multifamily properties, we define the Primary Market Area for the subject property as the Killeen-Temple, TX MSA (Bell and Coryell Counties).” (p. 30) This is an extremely large market area containing over 2,000 square miles. The Underwriter believes that including Coryell County is somewhat superfluous in that the 1,000 square miles only adds 75,000 persons most of which live in the southern and central portion of the county. Killeen and Bell county are east of Coryell County.

**Population:** The estimated 2002 population of the primary market area was 321,694 and is expected to increase by 7.18% to approximately 344,809 by 2007. Bell County’s 2000 population was 237,974. Within the primary market area there were estimated to be 15,901 households consisting of persons aged 65+ in 2002.

**Total Local/Submarket Demand for Rental Units:** “In our opinion, the local economy is fairly strong, exhibiting modest job growth (1.5%) and fairly low unemployment (5.0%). While new supply is continually being completed, growth has outpaced supply resulting in upward pressure on rents and occupancies. This trend is anticipated to continue for the foreseeable future resulting in low regional vacancy rates (5-7%) and fairly strong anticipated annual rent increase potential (2.9%).” (p. 46)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Growth	N/A	N/A	15	4%
Turnover	N/A	N/A	374	96%
Total adjusted demand (1-bedroom)	406	56%	N/A	N/A
Total adjusted demand (2-bedroom)	314	44%	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>720</b>	<b>100%</b>	<b>389</b>	<b>100%</b>

Ref: p. 111

**Inclusive Capture Rate:** The Market Analyst defines demand as “...the sum of the number of overburdened households, the number of householders residing in substandard housing units, and income-qualified household formation within the specified market area...” (p. 106) Therefore, the analyst used household growth, overburdened households and substandard households in estimating demand for the market area. Additionally, the Market Analyst used a factor of 30% for demand from the secondary market and used a 30% capped factor to account for elderly owner households converting to renter households. The

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analyst also indicated a percentage of renter movership, which the Underwriter interpreted to be the turnover percentage, for the calculation. The Market Analyst concluded an inclusive capture rate of 32.2% for the rent restricted units. This is based on a total of 232 unstabilized comparable units (including the subject) divided by a total demand of 720. However, the Underwriter’s interpretation of the data presented in the market study and census figures of only Bell County concludes total demand of 389 which would result in a lower capture rate. The Underwriter’s recalculated demand based on the broader demographic data in the study and determined an inclusive capture rate for the subject of 33%. All of the methods used to calculate the demand and capture rate result in a capture rate of less than the 100% maximum for rural developments.

**Market Rent Comparables:** The Market Analyst surveyed 25 comparable apartment projects totaling 3,296 units in the market area. (p. 61)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$229	\$229	\$0	\$650	-\$421
1-Bedroom (40%)	\$316	\$316	\$0	\$650	-\$334
1-Bedroom (50%)	\$401	\$401	\$0	\$650	-\$249
1-Bedroom (60%)	\$487	\$487	\$0	\$650	-\$163
1-Bedroom (MR)	\$640	N/A	\$N/A	\$650	-\$10
2-Bedroom (30%)	\$271	\$271	\$0	\$750	-\$479
2-Bedroom (40%)	\$374	\$374	\$0	\$750	-\$376
2-Bedroom (50%)	\$476	\$476	\$0	\$750	-\$274
2-Bedroom (60%)	\$579	\$579	\$0	\$750	-\$171
2-Bedroom (MR)	\$740	N/A	N/A	\$750	-\$10

(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:** “Overall market occupancies currently stand at 95.0% (3,296 units in sample).” (p. 104)

**Absorption Projections:** “We estimate an overall lease up period of 11 months for the subject property.” (p. 118)

**Known Planned Development:** “There are no other known proposed competing affordable multifamily developments in the market area.” (p. 105)

**Effect on Existing Housing Stock:** “Based on our assessment of market rental rates, in our opinion the proposed development will compete directly with only restricted multifamily properties. Because the subject property will not utilize project-based rental assistance, it will not compete directly with other subsidized properties in the marketplace. Because of the current undersupply of and pent-up demand for multifamily units in the region, we believe the impact of the proposed development on other projects will be minimal.” (p. 105)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant initially provided income projections based upon 2002 rents but was allowed the opportunity to revise these rents. The Applicant’s revised rent projections are the maximum rents allowed under LIHTC guidelines. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,336 per unit compares favorably with a TDHCA database-derived estimate of \$3,424 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$6K lower), payroll (\$23K lower), water, sewer, and trash (\$8K lower), and property tax (\$14K higher). The Underwriter discussed these differences with the



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Applicant but was unable to fully reconcile them with the additional information provided by the Applicant.

**Conclusion:** The Applicant's total estimated income and operating expenses are consistent with the Underwriter's expectations and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. In both the Underwriter's and Applicant's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the acceptable TDHCA underwriting guidelines. However, there is not enough income to service the additional non-profit HOME/CDBG loan and the requested HTF loan at an acceptable debt coverage ratio. Therefore, the maximum debt service for this project should be limited to \$322,661 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 11.04 acres</b>	\$192,361	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Bell County Appraisal District
<b>Total Assessed Value:</b>	\$192,361	<b>Tax Rate:</b>	2.7201

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Property Commercial Contact					
<b>Contract Expiration Date:</b>	07/	31/	2002	<b>Anticipated Closing Date:</b>	07/	31/ 2002
<b>Acquisition Cost:</b>	\$165,600			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	M. Allen Powers			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The total site acquisition cost of \$165,826, which is comprised of \$165,600 site cost plus \$226 closing costs, is substantiated by the tax assessed value of \$192,361. It should be noted that in 2002 the City of Killeen granted \$165,826 in HOME funds to Hill Country Community Housing Corporation, 51% owner of the Managing General Partner, in order to acquire the 11.04 acre development site. HCCHC will contribute the land to the partnership. Since federal HOME funds were used to purchase the land, and the purchase of the site is regarded by the Applicant as a development cost and not a gift or least, the total site cost via the HOME/CDBG loan will be deducted from eligible basis as a below market federal loan.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,597 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$127K or 2.6% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant included \$52,500 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$130,430 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer 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 \$27,440.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable

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estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. In addition to the adjustment described earlier, the Underwriter also deducted \$550,600 in financing from eligible basis that will be provided by Hill Country Community Housing Corporation. This amount consists of HOME and CDBG funds from the City of Killeen which were awarded previously and are being applied for. As a result an eligible basis of \$8,034,985 is used to determine a credit allocation of \$568,718 from this method. The resulting syndication proceeds will be used to compare to the gap of funds needed to determine a final allocation recommendation. It should be noted that when this development was underwritten for the 2002 LIHTC cycle, the Applicant's total development costs were understated by \$577K or 8% when compared to the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. The Applicant appealed the Underwriter's recommendation that a fixed price contract to construct the proposed development at a price consistent with the project cost schedule provided last year be a condition of the report, indicating that the Underwriter's cost estimate was too high. Last year the Underwriter's per square foot hard costs were \$57.92 while the Applicant's estimate was at \$51.91. This year, the Applicant's cost schedule indicates hard costs of \$57.95 per square foot for the same project while the Underwriter's estimate is at \$59.06 per square foot. While the Board initially upheld the cost difference last year they subsequently added the development to the waiting list which as since expired.

FINANCING STRUCTURE									
<b>INTERIM TO PERMANENT FINANCING</b>									
<b>Source:</b>	Key Bank				<b>Contact:</b>	Craig Hackett			
<b>Principal Amount:</b>	\$3,860,223		<b>Interest Rate:</b>	7%					
<b>Additional Information:</b>									
<b>Amortization:</b>	30	yrs	<b>Term:</b>	18	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$308,186		<b>Lien Priority:</b>	1 <sup>st</sup>		<b>Commitment Date</b>	06/ 10/ 2003		
<b>PERMANENT FINANCING</b>									
<b>Source:</b>	Hill Country Community Housing Corporation				<b>Contact:</b>	Tama Shaw			
<b>Principal Amount:</b>	\$550,000		<b>Interest Rate:</b>	1%					
<b>Additional Information:</b>									
<b>Amortization:</b>	0	yrs	<b>Term:</b>	15	yrs	<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$39,544		<b>Lien Priority:</b>			<b>Commitment Date</b>	/ /		
<b>LIHTC SYNDICATION</b>									
<b>Source:</b>	Columbia Housing Partners				<b>Contact:</b>	Bradley Bullock			
<b>Address:</b>	111 SW Fifth Avenue, Suite 3200				<b>City:</b>	Portland			
<b>State:</b>	OR	<b>Zip:</b>	97204	<b>Phone:</b>	(503) 808-1300	<b>Fax:</b>	(503) 808-1301		
<b>Net Proceeds:</b>	\$4,544,146		<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	81¢					
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional	<b>Date:</b>	03/ 31/ 2003				
<b>Additional Information:</b>	The letter states total proceeds are anticipated to be \$5,042,394, based on \$622,580 in credits, however, the Applicant submitted a revised sources and uses indicating a lower amount.								
<b>APPLICANT EQUITY</b>									
<b>Amount:</b>	\$0		<b>Source:</b>	Deferred Developer Fee					
<b>FINANCING STRUCTURE ANALYSIS</b>									
<b>Permanent Financing:</b>	The permanent financing commitment is consistent with the terms reflected in the								

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sources and uses listed in the application. In particular, the commitment letter indicates that the term of the construction is two years. The permanent loan term is 18 years and will have a 30 year amortization period. Based on a conversation with Mr. Craig Hackett from Key Bank, the interest rate on the permanent loan will be 7.00%.

**Non-Profit HOME/CDBG Loan:** The Applicant's sources and uses indicate a private loan or grant from its General Partner, Hill Country Community Housing Corporation, funded through the city of Killeen HOME and CDBG funds in the amount of \$550,600. The financing narrative describes a property contribution in the amount of \$165,826 and a BMR loan in the amount of \$384,774. The initial \$165,826 was awarded and spent on the acquisition of the site. \$204,174 in HOME and \$80,600 in CDBG grants have been previously committed from the City of Killeen and are in the form of a 1% loan. HCCHC will also request an additional \$100,000 in City of Killeen HOME funds. The Applicant also indicated that while the \$100K HOME grant had not yet been approved the General Partner was confident they would be successful in obtaining this award.

**HTF Request:** The Applicant has also requested funding through the Housing Trust Fund Program in the form of a SECO grant of \$114,000 and a loan in the amount of \$136,000 structured as a 30 year term loan, fully amortizing over 30 years with an interest rate of 0%. Neither this loan or the HOME fund loans are repayable at the stated rates within a 1.10 DCR without a reduction in the permanent loan debt service.

**LIHTC Syndication:** Columbia Housing Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,042,394 based on a syndication factor of 81%. However, the Applicant submitted a revised sources and uses and estimates a lower \$4,544,146 in net proceeds and a revised credit request of \$583,608 which implies a 77.86% syndication rate. The Underwriter's analysis reflects that the development qualifies for \$568,718 in credits resulting in syndication proceeds of \$4,606,158. The syndication commitment reflects that any adjustment of credits will be made at the 81% syndication rate.

**Deferred Developer's Fees:** The Applicant is not anticipating the need to defer any fees. Based on the Underwriter's analysis, the Applicant will need to defer a minimum of \$308,769 and a maximum of \$504,809 in developer fees both of which appear to be repayable within 10 years.

**Financing Conclusions:** Based on the Applicant's proforma, the proposed debt cannot be adequately serviced at a debt coverage ratio that is within the acceptable TDHCA underwriting guidelines. Therefore, the development's debt service capacity should be limited to no more than 322,661 with no HTF allocation and \$318,128 for the remaining repayable debt service if the HTF loan is approved by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. The Applicant did not include debt service for either the HOME/CDBG loan or the HTF loan but assumed they would be deferred or payable out of cash flow. In order to allow these secondary notes to be fully repayable above the line the principal of the primary loan must be reduced to \$3,489,443 with the HTF loan or \$3,543,402 without the HTF loan. The Applicant's cost breakdown, as adjusted, is used to calculate eligible basis and a credit allocation of \$568,718.

The credit recommendation would not be affected by the lack of the HTF/SECO award but the percentage of deferred developer fee would rise from 28% to 45%.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant and Developer firms are related entities. 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 principal of the General Partner, Michael G. Lankford, submitted an unaudited financial statement as of January 30, 2003 and is anticipated to be guarantor of the development.

**Background & Experience:**

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

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Michael G. Lankford, the principal of the General Partner has completed 2 LIHTC housing developments totaling 156 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € Significant inconsistencies in the application could affect the financial feasibility of the project.

<b>Underwriter:</b>	<i>Raquel Morales</i>	<b>Date:</b>	June 14, 2003
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<b>Director of Real Estate Analysis:</b>	<i>Tom Gouris</i>	<b>Date:</b>	June 14, 2003
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**MULTIFAMILY COMPARATIVE ANALYSIS**

**Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
HH/30%	5	1	1	650	\$256	\$229	\$1,145	\$0.35	\$27.08	\$35.10
TC30%	1	1	1	650	256	\$229	229	0.35	\$27.08	\$35.10
TC40%	8	1	1	650	343	\$316	2,527	0.49	\$27.08	\$35.10
TC50%	10	1	1	650	428	\$401	4,009	0.62	\$27.08	\$35.10
TC60%	35	1	1	650	514	\$487	17,042	0.75	\$27.08	\$35.10
MR	13	1	1	650		640	8,320	0.98	\$27.08	\$35.10
HH/30%	6	2	2	850	308	\$271	1,627	0.32	\$36.80	\$39.88
TC30%	2	2	2	850	308	\$271	542	0.32	\$36.80	\$39.88
TC40%	9	2	2	850	411	\$374	3,368	0.44	\$36.80	\$39.88
TC50%	15	2	2	850	513	\$476	7,143	0.56	\$36.80	\$39.88
TC60%	38	2	2	850	616	\$579	22,010	0.68	\$36.80	\$39.88
MR	10	2	2	850		740	7,400	0.87	\$36.80	\$39.88
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>755</b>	<b>\$420</b>	<b>\$496</b>	<b>\$75,362</b>	<b>\$0.66</b>	<b>\$32.20</b>	<b>\$37.62</b>

**INCOME**

Total Net Rentable Sq Ft: 114,800

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.43%	\$251	0.33
Management	5.00%	283	0.38
Payroll & Payroll Tax	14.56%	825	1.09
Repairs & Maintenance	5.77%	327	0.43
Utilities	3.50%	199	0.26
Water, Sewer, & Trash	6.50%	369	0.49
Property Insurance	5.29%	300	0.40
Property Tax 2.7201	9.59%	544	0.72
Reserve for Replacements	3.53%	200	0.26
Other Expenses: Supp Svcs & Security	2.21%	125	0.17
<b>TOTAL EXPENSES</b>	<b>60.38%</b>	<b>\$3,424</b>	<b>\$4.53</b>
<b>NET OPERATING INC</b>	<b>39.62%</b>	<b>\$2,246</b>	<b>\$2.97</b>

**DEBT SERVICE**

PNC Bank	35.76%	\$2,028	\$2.68
Non-Profit HOME/CDBG Loan	4.59%	\$260	\$0.34
HTF Loan	0.53%	\$30	\$0.04
HTF	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>-1.26%</b>	<b>(\$71)</b>	<b>(\$0.09)</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)		1.77%	\$1,091	\$1.44
Off-Sites		0.00%	0	0.00
Sitework		9.10%	5,597	7.41
Direct Construction		53.12%	32,652	43.23
Contingency	2.93%	1.83%	1,122	1.49
General Req'ts	5.87%	3.65%	2,244	2.97
Contractor's G & A	1.96%	1.22%	748	0.99
Contractor's Profit	5.87%	3.65%	2,244	2.97
Indirect Construction		3.00%	1,843	2.44
Ineligible Costs		2.69%	1,652	2.19
Developer's G & A	2.00%	1.63%	999	1.32
Developer's Profit	13.00%	10.57%	6,494	8.60
Interim Financing		5.70%	3,506	4.64
Reserves		2.08%	1,276	1.69
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$61,469</b>	<b>\$81.39</b>	
<b>Recap-Hard Construction Costs</b>	<b>72.57%</b>	<b>\$44,608</b>	<b>\$59.06</b>	

**SOURCES OF FUNDS**

PNC Bank	41.32%	\$25,396	\$33.63
Non-Profit HOME/CDBG Loan	5.89%	\$3,622	\$4.80
HTF Loan	1.46%	\$895	\$1.18
HTF/SECO Grant	1.22%	\$750	\$0.99
LIHTC Syndication Proceeds	48.64%	\$29,896	\$39.58
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Required	1.48%	\$910	\$1.20
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
	\$904,347	\$904,236
	27,360	27,360
	0	0
	\$931,707	\$931,596
	(69,878)	(69,864)
	0	0
	\$861,829	\$861,732
	\$38,178	\$32,280
	43,091	\$43,086
	125,461	\$102,622
	49,735	\$49,264
	30,181	\$32,749
	56,021	\$47,944
	45,576	\$52,808
	82,691	\$96,829
	30,400	\$30,400
	19,048	\$19,048
	\$520,383	\$507,030
	\$341,447	\$354,702
	\$308,186	\$308,432
	39,544	
	4,533	
	0	
	(\$10,817)	\$46,270
	0.97	1.15
		1.10

	TDHCA	APPLICANT
	\$165,826	\$165,826
	0	0
	850,668	850,668
	4,963,080	4,835,376
	170,581	170,581
	341,163	341,163
	113,721	113,721
	341,163	341,163
	280,200	280,200
	251,118	251,118
	151,869	0
	987,146	1,147,299
	532,855	532,855
	193,893	175,000
	\$9,343,283	\$9,204,970
	\$6,780,376	\$6,652,672

USS Region	8	
IREM Region	6	
\$15.00 Per Unit Per Month		
-7.50% of Potential Gross Rent		
PER SQ FT	PER UNIT	% OF EGI
\$0.28	\$212	3.75%
0.38	283	5.00%
0.89	675	11.91%
0.43	324	5.72%
0.29	215	3.80%
0.42	315	5.56%
0.46	347	6.13%
0.84	637	11.24%
0.26	200	3.53%
0.17	125	2.21%
\$4.42	\$3,336	58.84%
\$3.09	\$2,334	41.16%
\$2.69	\$2,029	35.79%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.40	\$304	5.37%

	WITH HTF	WITHOUT HTF
	\$3,860,223	\$3,860,223
	550,601	550,601
	136,000	136,000
	114,000	114,000
	4,544,146	4,544,146
	0	0
	138,313	0
	\$9,343,283	\$9,204,970

	WITH HTF	WITHOUT HTF
	\$3,489,443	\$3,543,402
	550,601	550,601
	136,000	0
	114,000	0
	4,606,158	4,606,158
	308,769	504,809
	0	0
	\$9,204,970	\$9,204,970

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.15	\$5,183,445
<b>Adjustments</b>				
Exterior Wall Finish	2.75%		\$1.24	\$142,545
Elderly	5.00%		2.26	259,172
Roofing			0.00	0
Subfloor			(2.02)	(231,896)
Floor Cover			1.92	220,416
Porches/Balconies	\$14.81	20,552	2.65	304,373
Plumbing	\$615	240	1.29	147,600
Built-In Appliances	\$1,625	152	2.15	247,000
Stairs/Fireplaces	\$1,475	1	0.01	1,475
Floor Insulation			0.00	0
Heating/Cooling			1.47	168,756
Carports	\$7.83	22,800	1.56	178,524
Comm &/or Aux Bldgs	\$57.91	4,215	2.13	244,080
Other:			0.00	0
<b>SUBTOTAL</b>			<b>59.80</b>	<b>6,865,490</b>
Current Cost Multiplier	1.03		1.79	205,965
Local Multiplier	0.86		(8.37)	(961,169)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.23</b>	<b>\$6,110,286</b>
Plans, specs, survy, bld prrr	3.90%		(\$2.08)	(\$238,301)
Interim Construction Interes	3.38%		(1.80)	(206,222)
Contractor's OH & Profit	11.50%		(6.12)	(702,683)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.23</b>	<b>\$4,963,080</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$3,860,223	Term	360
Int Rate	7.00%	DCR	1.11
<b>Secondary</b>	\$550,601	Term	180
Int Rate	1.00%	Subtotal DCR	0.98
<b>Additional</b>	\$136,000	Term	360
Int Rate	0.00%	Aggregate DCR	0.97
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	0.97

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

Primary Debt Service	\$278,584
Secondary Debt Service	39,544
Additional Debt Service	4,533
<b>NET CASH FLOW</b>	<b>\$32,041</b>

<b>Primary</b>	\$3,489,443	Term	360
Int Rate	7.00%	DCR	1.27
<b>Secondary</b>	\$550,601	Term	180
Int Rate	1.00%	Subtotal DCR	1.11
<b>Additional</b>	\$136,000	Term	360
Int Rate	0.00%	Aggregate DCR	1.10
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$904,236	\$931,363	\$959,304	\$988,083	\$1,017,726	\$1,179,823	\$1,367,738	\$1,585,583	\$2,130,891
Secondary Income	27,360	28,181	29,026	29,897	30,794	35,699	41,384	47,976	64,476
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	931,596	959,544	988,330	1,017,980	1,048,520	1,215,521	1,409,123	1,633,559	2,195,367
Vacancy & Collection Loss	(69,864)	(71,966)	(74,125)	(76,349)	(78,639)	(91,164)	(105,684)	(122,517)	(164,653)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$861,732</b>	<b>\$887,578</b>	<b>\$914,205</b>	<b>\$941,632</b>	<b>\$969,881</b>	<b>\$1,124,357</b>	<b>\$1,303,438</b>	<b>\$1,511,042</b>	<b>\$2,030,714</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$32,280	\$33,571	\$34,914	\$36,311	\$37,763	\$45,945	\$55,899	\$68,009	\$100,670
Management	43,086	44,378,2865	45,709,63505	47,080,9241	48,493,35182	56,217,08554	65,171,0098	75,551,06206	101,534,3098
Payroll & Payroll Tax	102,622	106,727	110,996	115,436	120,053	146,063	177,708	216,209	320,042
Repairs & Maintenance	49,264	51,235	53,284	55,415	57,632	70,118	85,309	103,792	153,637
Utilities	32,749	34,059	35,421	36,838	38,312	46,612	56,711	68,997	102,133
Water, Sewer & Trash	47,944	49,862	51,856	53,930	56,088	68,239	83,023	101,011	149,521
Insurance	52,808	54,920	57,117	59,402	61,778	75,162	91,446	111,258	164,690
Property Tax	96,829	100,702	104,730	108,919	113,276	137,818	167,676	204,004	301,975
Reserve for Replacements	30,400	31,616	32,881	34,196	35,564	43,269	52,643	64,048	94,807
Other	19,048	19,810	20,602	21,426	22,283	27,111	32,985	40,131	59,404
<b>TOTAL EXPENSES</b>	<b>\$607,030</b>	<b>\$526,880</b>	<b>\$547,511</b>	<b>\$568,955</b>	<b>\$591,242</b>	<b>\$716,554</b>	<b>\$868,571</b>	<b>\$1,053,011</b>	<b>\$1,548,413</b>
<b>NET OPERATING INCOME</b>	<b>\$354,702</b>	<b>\$360,698</b>	<b>\$366,694</b>	<b>\$372,677</b>	<b>\$378,639</b>	<b>\$407,804</b>	<b>\$434,867</b>	<b>\$458,032</b>	<b>\$482,301</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584
Second Lien	39,544	39,544	39,544	39,544	39,544	39,544	39,544	39,544	39,544
Other Financing	4,533	4,533	4,533	4,533	4,533	4,533	4,533	4,533	4,533
<b>NET CASH FLOW</b>	<b>\$32,041</b>	<b>\$38,037</b>	<b>\$44,033</b>	<b>\$50,016</b>	<b>\$55,977</b>	<b>\$85,142</b>	<b>\$112,206</b>	<b>\$135,370</b>	<b>\$159,640</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.16</b>	<b>1.17</b>	<b>1.26</b>	<b>1.35</b>	<b>1.42</b>	<b>1.49</b>

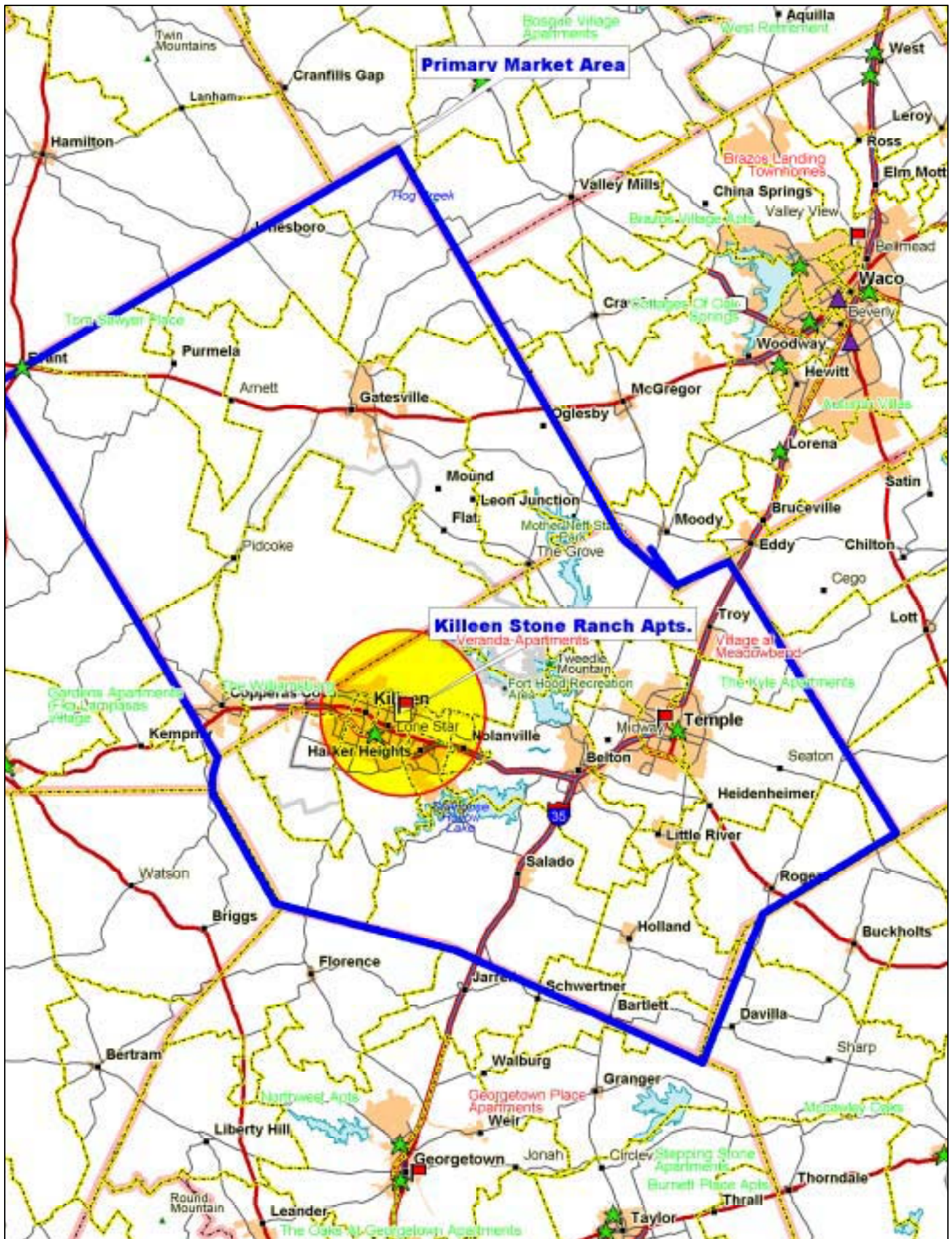
**LIHTC Allocation Calculation - Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

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	\$165,826	\$165,826		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$850,668	\$850,668	\$850,668	\$850,668
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$4,835,376	\$4,963,080	\$4,835,376	\$4,963,080
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$113,721	\$113,721	\$113,721	\$113,721
Contractor profit	\$341,163	\$341,163	\$341,163	\$341,163
General requirements	\$341,163	\$341,163	\$341,163	\$341,163
<b>(5) Contingencies</b>				
	\$170,581	\$170,581	\$170,581	\$170,581
<b>(6) Eligible Indirect Fees</b>				
	\$280,200	\$280,200	\$280,200	\$280,200
<b>(7) Eligible Financing Fees</b>				
	\$532,855	\$532,855	\$532,855	\$532,855
<b>(8) All Ineligible Costs</b>				
	\$251,118	\$251,118		
<b>(9) Developer Fees</b>				
			\$1,119,859	
Developer overhead		\$151,869		\$151,869
Developer fee	\$1,147,299	\$987,146		\$987,146
<b>(10) Development Reserves</b>				
	\$175,000	\$193,893		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$9,204,970</b>	<b>\$9,343,283</b>	<b>\$8,585,585</b>	<b>\$8,732,445</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis			\$550,600	\$550,600
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>\$8,034,985</b>	<b>\$8,181,845</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$8,034,985</b>	<b>\$8,181,845</b>
Applicable Fraction			84.87%	84.87%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$6,819,165</b>	<b>\$6,943,803</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$568,718</b>	<b>\$579,113</b>

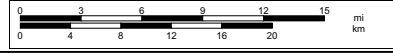
Syndication Proceeds	0.8099	\$4,606,158	\$4,690,347
<b>Total Credits (Eligible Basis Method)</b>		<b>\$568,718</b>	<b>\$579,113</b>
Syndication Proceeds		\$4,606,158	\$4,690,347
Requested Credits		\$583,608	
Syndication Proceeds		\$4,726,752	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$5,164,926</b>	
Credit Amount		\$637,709	





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 Zoom Level: 8-4 Datum: WGS84

Scale 1 : 600 000  
 1" = 0.47 mi





**TDHCA #**

**03821**

**Region 9**



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

Development Name: **Tuscany Court**

TDHCA #: **03821**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 2208 14th St.  
 City: Hondo County: Medina Zip Code: 78861  
**Targeted Units:** Family: 76 Elderly: 0 Handicapped/Disabled: 6 Total Special Needs\*: 8  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Hanbeck, LTD

Principal Names	Principal Contact	Percentage Ownership
Alsace Developers, Inc.	Ronette Hodges	90% of GP
Valentine Realtors, Inc	Ronnie Hodges	10% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$329,000**  
 HTF Loan Amount Requested by Applicant: **\$329,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	6	7	0	13
40%	0	0	2	3	0	5
50%	0	0	2	2	0	4
60%	0	0	9	41	0	50
65%	0	0	0	0	0	0
MR	0	0	1	3	0	4
Total	0	0	20	56	0	
Total LI Units:	72					
Owner/Employee Units:	0					
Total Development Units:	76					

**BUILDING INFORMATION**

Total Development Cost:	\$6,112,030
Gross Building Square Feet:	93,608
Total Net Rentable Area Square Feet:	90,608
Average Square Feet/Unit:	1,192

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$397,188
Total Expenses:	\$243,656
Net Operating Income:	\$153,532
Estimated 1st Year Debt Coverage Ratio:	1.14

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$329,000  
 HTF Amortization Rate: 26 Years, 4 Years  
 HTF Term: 30 Years  
 HTF Interest Rate: 0%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$1,650,000, Collateral Mortgage, 1st Lien

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Alsace Developers	Market Analyst:	Novogradac & Company
Housing GC:	Charter Builders	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	Charter Builders	Attorney:	Kuperman, Orr, Mouer, Albers
Architect:	L.K. Travis & Associates	Accountant:	Novogradac & Company, LLC
Property Manager:	Orion Real Estate Services, Inc.	Supp Services:	Texas Inter-Faith Housing Co.
Syndicator:	Simpson Housing Solutions	Permanent Lender:	Collateral Mortgage Capital

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 140 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Should the HTF loan not be approved, the transaction would no longer be financially feasible and no Low Income Housing Tax Credits would be recommended.

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 the Non-Profit Set Aside
- Meeting the Regional Allocation

Explanation: The Application had a competitive score in its region. Tax Credit application is recommended for an allocation.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03067/03821**

Name: **Tuscany Court**

City: **Hondo**

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: 1

### 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 iday, June 06, 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 6/5/2003

## 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 6/4/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003



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

**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.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>76</u>	<b># Rental Buildings:</b>	<u>19</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>90,608</u>	<b>Av Un SF:</b>	<u>1,192</u>	<b>Common Area SF:</b>	<u>3,000</u>	<b>Gross Bldg SF:</b>	<u>93,608</u>					

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & ceramic flooring, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, heat pump.

**ON-SITE AMENITIES**

Community room, management offices, laundry facility, restrooms, computer/business center, daycare facility, central mailroom, swimming pool, equipped children's play area are located toward the rear of the property. In addition sports courts and picnic areas are planned for the site.

**Uncovered Parking:** 114 spaces    **Carpports:** N/A spaces    **Garages:** 76 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Tuscany Court is a new moderately dense 6.8 units/acre mixed income housing development located in Hondo, Texas. The development is comprised of 19 evenly distributed four unit residential buildings comprised of townhomes as follows:

- Nine Building Type A with two two- bedroom units and two three- bedroom units;
- One Building Type B with two ADA two-bedroom units and two three- bedroom units;
- Six Building Type C with four three- bedroom units; and
- Three Building Type D with two ADA three- bedroom units and two three- bedroom units.

**Architectural Review:** The unit floorplans include ample storage space and adequate living areas. Each unit also includes an attached garage and utility closet with space for full-size appliances. The simple combination Hardiplank/brick veneer buildings have pitched roofs and gabled entrances.

**Supportive Services:** The Applicant plans to contract with Texas Interfaith Management Corporation to provide optional resident services. The application indicates that tenants will be responsible for an additional charge in an unspecified amount. The Applicant also included \$9,120 in supportive services expense in the Annual Operating Budget.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in June of 2005, to be placed in service in April of 2005, and to be substantially leased-up in August of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

<b>Size:</b>	<u>11.25</u> acres	<u>490,050</u> square feet	<b>Zoning/ Permitted Uses:</b>	<u>Multi-Family</u>
<b>Flood Zone Designation:</b>	<u>Zone C</u>	<b>Status of Off-Sites:</b>	<u>Partially Improved</u>	

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject property is located on 14<sup>th</sup> Street, east of Avenue Y in the City of Hondo, Medina County. Hondo is located 40 miles west of San Antonio.

**Adjacent Land Uses:** The neighborhood is characterized predominantly residential developments including single family detached homes and mobile home parks. “The adjoining properties are either vacant or residential properties with the exception of the City of Hondo’s Volunteer Fire Department to the west.” (p. 11, Phase I ESA) As of 1995 the adjacent land uses included:

- **North:** mobile home subdivision, vacant land
- **South:** mobile homes, other residential dwellings
- **East:** vacant portion of former airbase
- **West:** Hondo Volunteer Fire department, Avenue Y

**Site Access:** Access to the site will be via 14<sup>th</sup> Street, the primary east/west artery through this section of Hondo. Avenue Y, the main north/south artery, provides access to State highway 90, which runs to San Antonio.

**Public Transportation:** No local public bus transportation services are available.

**Shopping & Services:** The Hondo Independent School District includes an elementary, intermediate, middle and high school. College level courses are available locally and major universities can be found within 40 miles of the city. Medina Community Hospital located in the southeastern portion of the city serves Hondo and the surrounding areas. A grocery and public library are located within one mile of the site. The city offers six parks with sport courts, a youth center, community/senior center, and a convention center along with other gathering/event areas.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 16, 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 13, 2003 was prepared by Matrix Environmental Sciences, Inc. and contained the following findings and recommendations: “...small piles of trash, used tires, equipment, small portable tanks, paint cans, two drums of (used) oil, hoses and old metal and stained concrete, should be removed and disposed of in a TCEQ Approved Landfill or recycled with a TCEQ Approved Recycling Company. No other recognized environmental concerns were noted.” (executive summary)

Although the property was part of a former US Airbase, the environmental firm’s research revealed that this portion of the airbase were not used “for activities that would have used hazardous chemicals or explosives...the environmental lien search indicated that no environmental liens have been filed for public record.” (p. 2)

It should be noted the ESA identified a wooden storage building on a concrete slab and several other concrete slabs and foundations remaining from former buildings that were on the subject property. In response to a request, the Applicant provided a letter from the City of Hondo, the current owner of the property, indicating the storage building has been demolished, the site has been “cleaned,” and the slabs will be removed upon receipt of a tax credit reservation for the subject property.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Seventy-two of the units (95% of the total) will be reserved for low-income tenants. Thirteen of the units (17%) will be reserved for households earning 30% or less of AMGI, five units (7%) will be reserved for households earning 40% or less of AMGI, four of the units (5%) will be reserved for households earning 50% or less of AMGI, 50 units (66%) will be reserved for households earning 60% or less of AMGI, and the remaining four units (5%) will be offered at market rents. All seventy-two of the low-income units will be restricted by HTF.

<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>	\$18,720	\$21,360	\$24,060	\$26,700	\$28,860	\$30,960

**MARKET HIGHLIGHTS**

A market feasibility study dated February 5, 2003 was prepared by Novogradac & Company, LLP and highlighted the following findings:

**Definition of Primary Market:** "For purposes of this Study, the Subject's Primary Market Area (PMA) will be defined as Medina County." (p. 14)

**Population:** The estimated 2001 population of Medina County was 40,552 and is expected to increase to approximately 46,602 by 2006. Within the primary market area there were estimated to be 13,296 households in 2001.

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	29	10%	29	11%
Resident Turnover	220	80%	227	89%
Other Sources:	28	10%	N/A	
<b>TOTAL ANNUAL DEMAND</b>	<b>277</b>	<b>100%</b>	<b>255</b>	<b>100%</b>

Ref: p. 61

**Inclusive Capture Rate:** Based on the market analyst's total demand figure, the inclusive capture rate for the property is 26%. The Underwriter calculated an inclusive capture rate of 28% based upon a revised demand of 255. In both instances, the capture rate is below the 100% limit allowed for rural developments under the Department's current Market Analysis rules.

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 339 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$191	\$191	\$0	\$525	-\$334
<b>2-Bedroom (40%)</b>	\$292	\$292	\$0	\$525	-\$233
<b>2-Bedroom (50%)</b>	\$392	\$392	\$0	\$525	-\$133
<b>2-Bedroom (60%)</b>	\$492	\$492	\$0	\$525	-\$33
<b>2-Bedroom (MR)</b>	\$541	N/A		\$525	+\$16
<b>3-Bedroom (30%)</b>	\$195	\$194	+\$1	\$650	-\$455



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

<b>3-Bedroom (40%)</b>	\$311	\$311	\$0	\$650	-\$339
<b>3-Bedroom (50%)</b>	\$426	\$426	\$0	\$650	-\$224
<b>3-Bedroom (60%)</b>	\$542	\$542	\$0	\$650	-\$108
<b>3-Bedroom (MR)</b>	\$596	N/A		\$650	-\$54

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

**Primary Market Occupancy Rates:** “Occupancy rates reported in the market ranged from 96 to 100 percent, with an average occupancy of approximately 98 percent.” (p. 36)

**Absorption Projections:** “...we conservatively estimate an annual turnover rate of approximately 20 percent for the subject.” (p. 36)

**Known Planned Development:** “Based on interviews with local property managers and the Planning Department, there are no known new market rate or LIHTC properties proposed for the PMA (other than the subject). Moreover, no new LIHTC developments targeted for the PMA were allocated tax credits in 2002.” (p. 28)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are equal to the maximum rents allowed under LIHTC guidelines. The Applicant included a two bedroom unrestricted rent that was \$16 higher than the Market Analyst’s conclusion of market rent, therefore the Underwriter used the lower Market Analyst’s rent for this unit. The Applicant’s vacancy and collection loss and secondary income assumptions are in line with Department guidelines.

**Expenses:** The Applicant’s estimate of total operating expense is 2% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. In addition, each of the Applicant’s specific expense line items compare well to the Underwriter’s estimates.

**Conclusion:** The Applicant’s effective gross income, operating expense, and net operating income projections are all within 5% of the Underwriter’s estimate. Therefore, the Applicant’s proforma is used to determine the development’s debt service capacity. Based on the current terms for permanent financing, the development’s initial debt coverage ratio is below the Department’s guideline of 1.10 to 1.30. However, should the Board approve a HTF award in the amount requested, but structured with an initial four-year non-amortizing period as recommended, the development’s debt coverage ratio increases to an acceptable 1.14. In Year 5 of operation, the development can support debt service for repayment of the HTF loan based on an amortization period over the remaining 26 year term of the HTF loan.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	\$0 currently city owned	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Medina County Appraisal District
<b>Total Assessed Value:</b>	\$0	<b>Tax Rate:</b>	2.815

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract					
<b>Contract Expiration Date:</b>	10/	31/	2003	<b>Anticipated Closing Date:</b>	10/	30/ 2003
<b>Acquisition Cost:</b>	\$110,300			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	City of Hondo			<b>Related to Development Team Member:</b>	No	



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

feasibility of the development. Without the HTF the developments deferred developer fee would increase to \$689,415 and would not be predicted to be repaid within the initial 15 years which would lead to a characterization of the development as infeasible. Moreover, the HTF repayment structure recommended includes a deferral for the first four years of operation followed by full amortization over the remaining 26 years at 0% interest, by the fifth year cash flow from the development is sufficient to support such a payment and cash flow prior to that than is needed to repay the anticipated deferred developer fee.

**LIHTC Syndication:** The Applicant's revised sources and uses are consistent with the submitted offer to acquire a limited partnership interest. The resulting syndication proceeds will be dispersed in three payments with 40% available during the course of construction.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 44% of total developer fees.

**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 \$360,415 (47% of total). Deferred fees in this amount do not appear to be repayable from development cash flow within ten years of stabilized operation, but appear to be repayable within 15 years.

It should be reiterated that the development is not financially feasible without the requested HTF funds of \$329,000 structured as recommended with a four-year non-amortizing period followed by repayment in full based on a 26-year amortization schedule. Without an HTF award, or an alternate source of secondary financing with similar terms, the resulting anticipated deferred developer fees are not repayable within 15 years. Therefore, Board approval of an HTF award of \$329,000 with the recommended terms is a condition of recommending a LIHTC award.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and Managing General Partner are newly-formed entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Co-General Partner, Valentine Realtors, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$468K consisting of cash, work in progress, commissions, investments and equipment/furniture. Liabilities totaled \$161K, resulting in a net worth of \$307K.

**Background & Experience:** Ronette Hodges, owner of the co-general partners, has reported participation in one LIHTC/HTF development totaling 76 units since 2002.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

<b>Underwriter:</b>		<b>Date:</b>	June 3, 2003
	<hr/> <i>Lisa Vecchietti</i>		<hr/>
<b>Director of Real Estate Analysis:</b>		<b>Date:</b>	June 3, 2003
	<hr/> <i>Tom Gouris</i>		<hr/>

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Tuscany Court, Hondo, 9% LIHTC 03067**

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%	6	2	2	980	\$300	\$191	\$1,145	\$0.19	\$74.52	\$34.70
TC 40%	2	2	2	980	401	292	584	0.30	74.52	34.70
TC 50%	2	2	2	980	501	392	784	0.40	74.52	34.70
TC 60%	9	2	2	980	601	492	4,426	0.50	74.52	34.70
MR	1	2	2	980		525	525	0.54	74.52	34.70
TC 30%	7	3	2	1,268	346	194	1,355	0.15	109.10	43.29
TC 40%	3	3	2	1,268	463	311	932	0.24	109.10	43.29
TC 50%	2	3	2	1,268	578	426	851	0.34	109.10	43.29
TC 60%	41	3	2	1,268	694	542	22,206	0.43	109.10	43.29
MR	3	3	2	1,268		596	1,788	0.47	109.10	43.29
<b>TOTAL:</b>	<b>76</b>		<b>AVERAGE:</b>	<b>1,192</b>	<b>\$558</b>	<b>\$455</b>	<b>\$34,595</b>	<b>\$0.38</b>	<b>\$100.00</b>	<b>\$41.03</b>

**INCOME** Total Net Rentable Sq Ft: 90,608

	TDHCA	APPLICANT	USS Region	9
POTENTIAL GROSS RENT	\$415,142	\$415,716	IREM Region	San Antonio
Secondary Income Per Unit Per Month: \$15.00	13,680	10,920	\$11.97	Per Unit Per Month
Other Support Income: Interest on Reserves	0	2,760	\$3.03	Per Unit Per Month

POTENTIAL GROSS INCOME	TDHCA	APPLICANT		
Vacancy & Collection Loss % of Potential Gross Income: -7.50%	(\$32,162)	(\$32,208)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
<b>EFFECTIVE GROSS INCOME</b>	<b>\$396,660</b>	<b>\$397,188</b>		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.57%	\$238	0.20	\$18,122	\$19,913	\$0.22	\$262	5.01%
Management	5.00%	261	0.22	19,833	\$19,860	0.22	261	5.00%
Payroll & Payroll Tax	15.90%	830	0.70	63,067	\$56,747	0.63	747	14.29%
Repairs & Maintenance	11.46%	598	0.50	45,474	\$45,220	0.50	595	11.39%
Utilities	2.13%	111	0.09	8,436	\$6,840	0.08	90	1.72%
Water, Sewer, & Trash	3.14%	164	0.14	12,473	\$13,376	0.15	176	3.37%
Property Insurance	4.34%	227	0.19	17,216	\$17,480	0.19	230	4.40%
Property Tax 2.815	9.44%	493	0.41	37,440	\$38,000	0.42	500	9.57%
Reserve for Replacements	3.83%	200	0.17	15,200	\$15,200	0.17	200	3.83%
Compliance, Supportive Services	2.78%	145	0.12	11,020	\$11,020	0.12	145	2.77%
<b>TOTAL EXPENSES</b>	<b>62.59%</b>	<b>\$3,267</b>	<b>\$2.74</b>	<b>\$248,279</b>	<b>\$243,656</b>	<b>\$2.69</b>	<b>\$3,206</b>	<b>61.35%</b>
<b>NET OPERATING INC</b>	<b>37.41%</b>	<b>\$1,952</b>	<b>\$1.64</b>	<b>\$148,381</b>	<b>\$153,532</b>	<b>\$1.69</b>	<b>\$2,020</b>	<b>38.65%</b>

DEBT SERVICE	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
First Lien Mortgage	\$134,266	\$139,506	\$1.54	\$1,836	35.12%
Housing Trust Fund	10,967	0	\$0.00	\$0	0.00%
Housing Trust Fund	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$3,149</b>	<b>\$14,026</b>	<b>\$0.15</b>	<b>\$185</b>	<b>3.53%</b>

AGGREGATE DEBT COVERAGE RATIO	TDHCA	APPLICANT
	1.02	1.10
<b>RECOMMENDED DEBT COVERAGE RATIO</b>		<b>1.14</b>

CONSTRUCTION COST	Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)			1.76%	\$1,451	\$1.22	\$110,300	\$110,300	\$1.22	\$1,451	1.80%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			6.41%	5,275	4.42	400,925	400,925	4.42	5,275	6.56%
Direct Construction			61.80%	50,825	42.63	3,862,715	3,765,483	41.56	49,546	61.61%
Contingency	2.93%		2.00%	1,646	1.38	125,059	125,059	1.38	1,646	2.05%
General Req'ts	3.91%		2.67%	2,194	1.84	166,745	166,745	1.84	2,194	2.73%
Contractor's G & A	1.96%		1.33%	1,097	0.92	83,373	83,373	0.92	1,097	1.36%
Contractor's Profit	3.91%		2.67%	2,194	1.84	166,745	166,745	1.84	2,194	2.73%
Indirect Construction			3.26%	2,679	2.25	203,620	203,620	2.25	2,679	3.33%
Ineligible Costs			0.95%	784	0.66	59,607	59,607	0.66	784	0.98%
Developer's G & A	3.92%		3.28%	2,698	2.26	205,061	205,061	2.26	2,698	3.36%
Developer's Profit	10.79%		9.02%	7,420	6.22	563,921	563,921	6.22	7,420	9.23%
Interim Financing			3.45%	2,837	2.38	215,591	215,591	2.38	2,837	3.53%
Reserves			1.39%	1,143	0.96	86,865	45,600	0.50	600	0.75%
<b>TOTAL COST</b>			<b>100.00%</b>	<b>\$82,244</b>	<b>\$68.98</b>	<b>\$6,250,527</b>	<b>\$6,112,030</b>	<b>\$67.46</b>	<b>\$80,421</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>			<b>76.88%</b>	<b>\$63,231</b>	<b>\$53.04</b>	<b>\$4,805,562</b>	<b>\$4,708,330</b>	<b>\$51.96</b>	<b>\$61,952</b>	<b>77.03%</b>

SOURCES OF FUNDS	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	26.40%	\$21,711	\$18.21		\$1,650,000	\$1,650,000	\$1,650,000	Developer Fee Available
Cityof Hondo Grant	0.02%	\$13	\$0.01		\$1,000	\$1,000	\$0	\$768,982
Housing Trust Fund	5.26%	\$4,329	\$3.63		329,000	329,000	329,000	% of Dev. Fee Deferred
LIHTC Syndication Proceeds	60.54%	\$49,787	\$41.76		3,783,796	3,783,796	3,772,615	47%
Deferred Developer Fees	5.41%	\$4,450	\$3.73		338,234	338,234	360,415	15-Yr Cumulative Cash Flow
Additional (excess) Funds Required	2.38%	\$1,954	\$1.64		148,497	10,000	0	\$372,176.90
<b>TOTAL SOURCES</b>					<b>\$6,250,527</b>	<b>\$6,112,030</b>	<b>\$6,112,030</b>	

**MULTIFAMILY COMPARATIVE ANALYSIS**(continued)  
**Tuscany Court, Hondo, 9% LIHTC 03067**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Basis with some Average Quality Multiple Residence Adjustments

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.60	\$4,222,709
<b>Adjustments</b>				
Exterior Wall Finish	4.00%		\$1.86	\$168,908
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.49)	(134,704)
Floor Cover			1.92	173,967
Porches/Balconies	\$29.24	2410	0.78	70,468
Plumbing	\$615	228	1.55	140,220
Built-In Appliances	\$1,625	76	1.36	123,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.73	156,752
Garages	\$14.06	21,590	3.35	303,555
Comm &/or Aux Bldgs	\$59.56	3,000	1.97	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>59.64</b>	<b>5,404,062</b>
Current Cost Multiplier	1.03		1.79	162,122
Local Multiplier	0.85		(8.95)	(810,609)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.49</b>	<b>\$4,755,575</b>
Plans, specs, survy, bld prnt	3.90%		(\$2.05)	(\$185,467)
Interim Construction Interes	3.38%		(1.77)	(160,501)
Contractor's OH & Profit	11.50%		(6.04)	(546,891)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.63</b>	<b>\$3,862,715</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,650,000	Term	360
Int Rate	7.19%	DCR	1.11

<b>Secondary</b>	\$329,000	Term	360
Int Rate		Subtotal DCR	1.02

<b>Additional</b>	\$3,783,796	Term	
Int Rate		Aggregate DCR	1.02

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S N**

Primary Debt Service	\$134,266
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$19,266</b>

<b>Primary</b>	\$1,650,000	Term	360
Int Rate	7.19%	DCR	1.14

<b>Secondary</b>	\$329,000	Term	312
Int Rate	0.00%	Subtotal DCR	1.05

<b>Additional</b>	\$3,783,796	Term	0
Int Rate	0.00%	Aggregate DCR	1.05

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

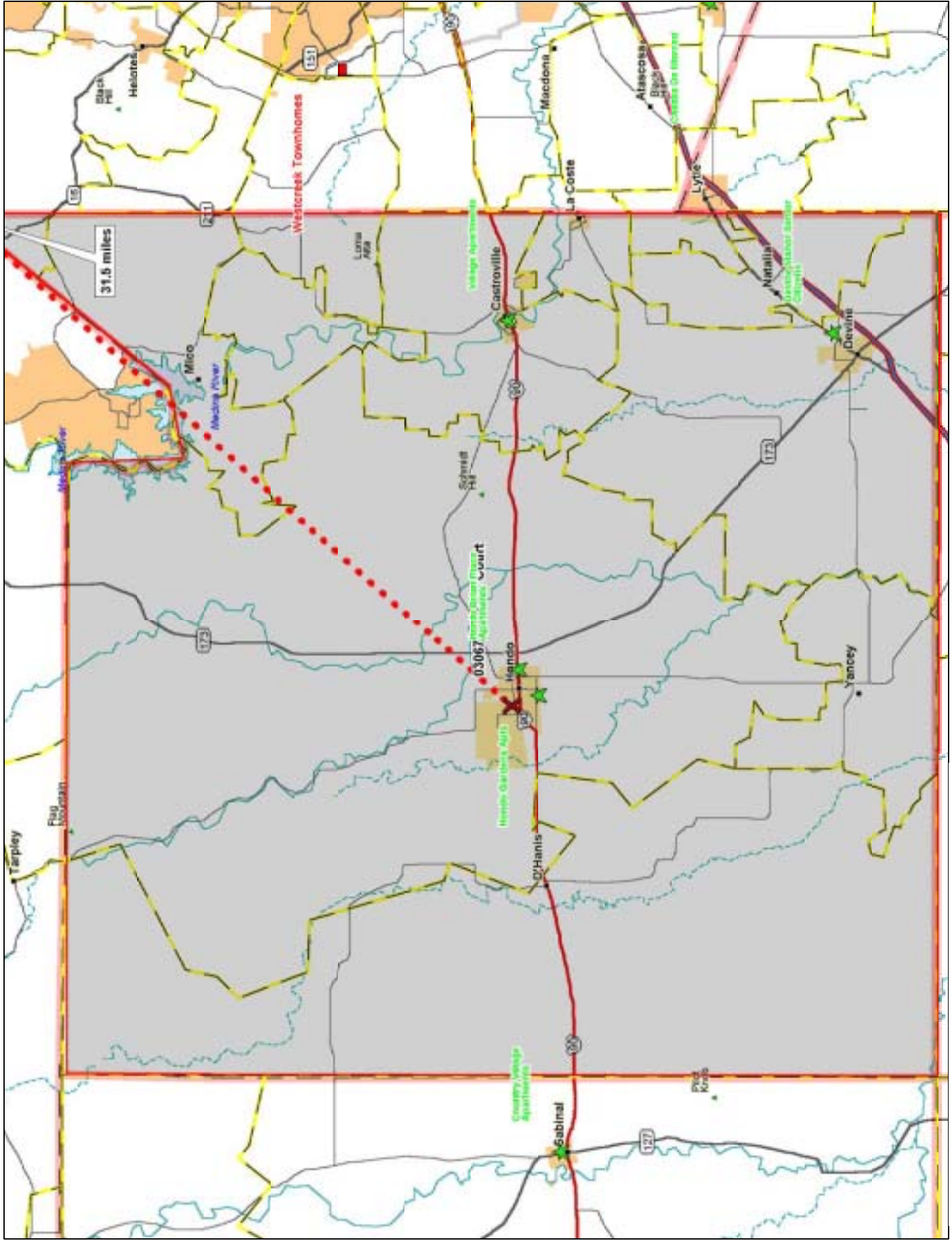
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$415,716	\$428,187	\$441,033	\$454,264	\$467,892	\$542,415	\$628,808	\$728,961	\$979,662
Secondary Income	10,920	11,248	11,585	11,933	12,291	14,248	16,517	19,148	25,734
Contractor's Profit	2,760	2,843	2,928	3,016	3,106	3,601	4,175	4,840	6,504
<b>POTENTIAL GROSS INCOME</b>	<b>429,396</b>	<b>442,278</b>	<b>455,546</b>	<b>469,213</b>	<b>483,289</b>	<b>560,264</b>	<b>649,500</b>	<b>752,948</b>	<b>1,011,900</b>
Vacancy & Collection Loss	(32,208)	(33,171)	(34,166)	(35,191)	(36,247)	(42,020)	(48,712)	(56,471)	(75,892)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$397,188</b>	<b>\$409,107</b>	<b>\$421,380</b>	<b>\$434,022</b>	<b>\$447,042</b>	<b>\$518,245</b>	<b>\$600,787</b>	<b>\$696,477</b>	<b>\$936,007</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$19,913	\$20,710	\$21,538	\$22,399	\$23,295	\$28,342	\$34,483	\$41,954	\$62,102
Management	19,860	20,456	21,070	21,702	22,353	25,913	30,040	34,825	46,802
Payroll & Payroll Tax	56,747	59,017	61,378	63,833	66,386	80,769	98,267	119,557	176,974
Repairs & Maintenance	45,220	47,029	48,910	50,866	52,901	64,362	78,306	95,272	141,025
Utilities	6,840	7,114	7,398	7,694	8,002	9,735	11,845	14,411	21,332
Water, Sewer & Trash	13,376	13,911	14,467	15,046	15,648	19,038	23,163	28,181	41,715
Insurance	17,480	18,179	18,906	19,663	20,449	24,879	30,270	36,828	54,514
Property Tax	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	11,020	11,461	11,919	12,396	12,892	15,685	19,083	23,217	34,368
<b>TOTAL EXPENSES</b>	<b>\$243,656</b>	<b>\$253,204</b>	<b>\$263,127</b>	<b>\$273,442</b>	<b>\$284,162</b>	<b>\$344,445</b>	<b>\$417,583</b>	<b>\$506,329</b>	<b>\$744,744</b>
<b>NET OPERATING INCOME</b>	<b>\$153,532</b>	<b>\$155,903</b>	<b>\$158,253</b>	<b>\$160,580</b>	<b>\$162,880</b>	<b>\$173,800</b>	<b>\$183,205</b>	<b>\$190,148</b>	<b>\$191,264</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266
Second Lien	0	0	0	0	12,654	12,654	12,654	12,654	12,654
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$19,266</b>	<b>\$21,637</b>	<b>\$23,987</b>	<b>\$26,314</b>	<b>\$15,960</b>	<b>\$26,880</b>	<b>\$36,285</b>	<b>\$43,228</b>	<b>\$44,344</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.16</b>	<b>1.18</b>	<b>1.20</b>	<b>1.11</b>	<b>1.18</b>	<b>1.25</b>	<b>1.29</b>	<b>1.30</b>

**LIHTC Allocation Calculation - Tuscany Court, Hondo, 9% LIHTC 03067**

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	\$110,300	\$110,300		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$400,925	\$400,925	\$400,925	\$400,925
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,765,483	\$3,862,715	\$3,765,483	\$3,862,715
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$83,373	\$83,373	\$83,328	\$83,373
Contractor profit	\$166,745	\$166,745	\$166,745	\$166,745
General requirements	\$166,745	\$166,745	\$166,745	\$166,745
<b>(5) Contingencies</b>				
	\$125,059	\$125,059	\$125,059	\$125,059
<b>(6) Eligible Indirect Fees</b>				
	\$203,620	\$203,620	\$203,620	\$203,620
<b>(7) Eligible Financing Fees</b>				
	\$215,591	\$215,591	\$215,591	\$215,591
<b>(8) All Ineligible Costs</b>				
	\$59,607	\$59,607		
<b>(9) Developer Fees</b>				
Developer overhead	\$205,061	\$205,061	\$205,061	\$205,061
Developer fee	\$563,921	\$563,921	\$563,921	\$563,921
<b>(10) Development Reserves</b>				
	\$45,600	\$86,865		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,112,030</b>	<b>\$6,250,527</b>	<b>\$5,896,478</b>	<b>\$5,993,755</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>\$5,896,478</b>	<b>\$5,993,755</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$5,896,478</b>	<b>\$5,993,755</b>
Applicable Fraction			95%	95%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$5,585,151</b>	<b>\$5,677,292</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$465,802</b>	<b>\$473,486</b>

<b>Syndication Proceeds</b>	<b>0.8099</b>	<b>\$3,772,615</b>	<b>\$3,834,854</b>
<b>Total Credits (Eligible Basis Method)</b>		<b>\$465,802</b>	<b>\$473,486</b>
<b>Syndication Proceeds</b>		<b>\$3,772,615</b>	<b>\$3,834,854</b>
<b>Requested Credits</b>		<b>\$467,182</b>	
<b>Syndication Proceeds</b>		<b>\$3,783,796</b>	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,133,030</b>	
<b>Credit Amount</b>		<b>\$510,302</b>	



Scale: 1 : 350,000 Zoom Level: 9-2 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 6.5°E

**TDHCA #**

**03828**

**Region 9**

**Non-Profit  
Set-Aside**





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

Development Name: **Bentley Place Apartments**

TDHCA #: **03828**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 8004 Bentley Drive  
City: San Antonio County: Bexar Zip Code: 78218

**Targeted Units:** Family: 208 Elderly: 0 Handicapped/Disabled: 36 Total Special Needs\*: 42

**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Alamo Area Mutual Housing Association, Inc.

Principal Names	Principal Contact	Percentage Ownership
Alamo Area Mutual Housing Association	Sandra Williams	100% of GP
AAMHA Bentley Place, LLC	Sandra Williams	.01% of Owner and GP

**Legal Form of Applicant:** Non-Profit Corporation

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$525,000**  
HTF Loan Amount Requested by Applicant: **\$525,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	10	17	5	0	32
40%	0	6	8	3	0	17
50%	0	10	14	10	0	34
60%	0	17	51	15	0	83
65%	0	0	0	0	0	0
MR	0	13	18	11	0	42
Total	0	56	108	44	0	
Total LI Units:						166
Owner/Employee Units:						0
Total Development Units:						208

**BUILDING INFORMATION**

Total Development Cost:	\$16,377,304
Gross Building Square Feet:	215,451
Total Net Rentable Area Square Feet:	209,864
Average Square Feet/Unit:	1,009

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$1,261,900
Total Expenses:	\$764,728
Net Operating Income:	\$497,172
Estimated 1st Year Debt Coverage Ratio:	1.10

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$525,000  
HTF Amortization Rate: 30 Years  
HTF Term: 30 Years  
HTF Interest Rate: 1%  
TDHCA Lien Position: 3rd  
Other Funding Sources and Lien: \$5,831,061, D. Ansley Company, Inc. 1st; \$400,000, City of San Antonio, 2nd.

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Alamo Area Mutual Housing Assoc.	Market Analyst:	Apartment Market Data Research
Housing GC:	C.F. Jordon	Originator/UW:	NA
Engineer:	Maestas & Bailey	Appraiser:	LandAmerica Financial Group, Inc.
Cost Estimator:	NA	Attorney:	Holland & Knight LLP
Architect:	Hensley Lamkin Rachel	Accountant:	Novogradac & Company, LLC
Property Manager:	Alpha-Barnes Real Estate Services	Supp Services:	Alamo Area Mutual Housing Assoc.
Syndicator:	Enterprise Social Investment Corp.	Permanent Lender:	D. Ansley Company, Inc.

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 137 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property.

Receipt, review, and acceptance of revised financing structure commitments wherein total annual debt service does not exceed \$429,685 by construction loan closing.

Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated.

Should the HTF/SECO funds, or City of San Antonio HOME funds not be awarded, an alternative third party source must be provided or, the tax credits would not be recommended.

At the end of the five-year loan term of the recommended \$525,000 HTF loan, the performance of the project should be reviewed and the potential for repayment should be re-evaluated.

**Alternate Recommendation:**

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

**Explanation:** Needed to meet Nonprofit Set-Aside. Tax Credit Application is recommended for allocation.

\_\_\_\_\_  
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 Award Amount:

Date of Determination:

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

\_\_\_\_\_  
Date

# Developer Evaluation

Project ID # **03828**

Name: **Bentley Place Apartments**

City: **San Antonio**

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

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

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: 0

### 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 \_\_\_\_\_ Date \_\_\_\_\_

## 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 S Roth Date 6/10/2003

## 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 6/5/2003

## 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 \_\_\_\_\_ Date \_\_\_\_\_

Executive Director: \_\_\_\_\_

Executed: \_\_\_\_\_

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

**DATE:** June 16, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03191

**DEVELOPMENT NAME**

Bentley Place Apartments

**APPLICANT**

**Name:** AAMHA BPA San Antonio, L.P. **Type:** For Profit  
**Address:** 4502 Centerview Street, Suite 233 **City:** San Antonio **State:** TX  
**Zip:** 78228 **Contact:** Sandra Williams **Phone:** (210) 731-8030 **Fax:** (210) 731-8025

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b> <u>AAMHA Bentley Place, LLC</u>	<b>(%):</b> <u>0.01</u>	<b>Title:</b> <u>Managing General Partner</u>
<b>Name:</b> <u>Southern Affordable Housing, Inc.</u>	<b>(%):</b> <u>.01</u>	<b>Title:</b> <u>Special Limited Partner</u>
<b>Name:</b> <u>Alamo Area Mutual Housing Association</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Developer &amp; owner of MGP</u>
<b>Name:</b> <u>Stephen Barnes</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>49% owner of SLP</u>
<b>Name:</b> <u>Debra Clark</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>51% owner of SLP</u>
<b>Name:</b> <u>Diana McIver &amp; Associates, Inc.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Consultant</u>

**PROPERTY LOCATION**

**Location:** 8004 Bentley Drive  **QCT**  **DDA**  
**City:** San Antonio **County:** Bexar **Zip:** 78218

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,006,759	N/A	N/A	N/A
2) \$525,000	1%	30 yrs	30 yrs
3) \$249,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) Housing Trust Fund loan  
3) SECO grant

**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 \$981,468 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$525,000, STRUCTURED AS A 40-YEAR TERM LOAN, FULLY AMORTIZING OVER 40 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A GRANT OF SECO FUNDS NOT TO EXCEED \$249,000,

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

SUBJECT TO CONDITIONS.

- SHOULD EITHER THE HTF LOAN OR SECO GRANT NOT BE AWARDED, THE LIHTC ALLOCATION IS NOT RECOMMENDED

**CONDITIONS**

1. Receipt, review, and acceptance, prior to carryover, of a commitment for soft financing in the amount of at least \$350,000.
2. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property;
3. Receipt, review, and acceptance of revised financing structure commitments wherein total annual debt service does not exceed \$435,359 by construction loan closing.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>208</u>	<b># Rental Buildings</b>	<u>13</u>	<b># Common Area Bldgs</b>	<u>2</u>	<b># of Floors</b>	<u>3</u>	<b>Age:</b>	<u>0</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at / /
<b>Net Rentable SF:</b>	<u>209,864</u>	<b>Av Un SF:</b>	<u>1,009</u>	<b>Common Area SF:</b>	<u>5,587</u>	<b>Gross Bldg SF:</b>	<u>215,451</u>					

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% stucco/25% masonry veneer 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, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high-speed internet access.

**ON-SITE AMENITIES**

A 5,229-SF community building with activity rooms, management offices, maintenance facilities, kitchen, restrooms, computer/business center, & covered patio with outdoor fireplace will be located near the entrance to the property. A 358-SF laundry and central mailroom is to be located at the middle of the property.

**Uncovered Parking:** 353 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bentley Place Apartments is a relatively dense (15.25 units per acre) new construction development of 208 units of mixed income housing located in northeast San Antonio. The development is comprised of 13 evenly distributed medium to large garden style, walk-up residential buildings as follows:

- € Four Building Type I with eight two-bedroom/1.5-bath units and four three-bedroom/two-bath units;
- € One Building Type IA with four two-bedroom/1.5-bath units and four three-bedroom/two-bath units;
- € Four Building Type II with eight one-bedroom/one-bath units and eight two-bedroom/one-bath units;
- € Two Building Type III with 12 one-bedroom/one-bath units and eight two-bedroom/one-bath units; and
- € Two Building Type IV with 12 two-bedroom/two-bath units and 12 three-bedroom/two-bath units.

**Architectural Review:** The elevations are simple and functional, with a significant amount of limestone veneer and pitched roofs. The units are well laid out, and each features a balcony or patio.

**Supportive Services:** Supportive services will be provided by the nonprofit owner of the Managing General Partner, and \$15,000/year has been budgeted for these services.

**Schedule:** The Applicant anticipates construction to begin in May of 2004, to be completed in July of 2005,

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and to be placed in service and substantially leased-up in September of 2005.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	13.636 acres	593,984 square feet	<b>Zoning/ Permitted Uses:</b> C-3, Business District (rezoning required & application submitted) & MF33, Multiple Family Residence District
<b>Flood Zone Designation:</b>	Zo ne X	<b>Status of Off-Sites:</b>	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the northeast area of San Antonio, approximately nine miles from the central business district. The site is situated on the south and east sides of Bentley Drive (a cul-de-sac).

**Adjacent Land Uses:**

- ∉ **North:** vacant land and commercial fronting on Walzem Road , with commercial and single-family residential beyond
- ∉ **South:** vacant land
- ∉ **East:** vacant land, including a creek
- ∉ **West:** multifamily residential and a public middle school

**Site Access:** Access to the property is from the north from Bentley Drive, from which the development is to have two entries. Access to Interstate Highway 35 is 1.25 miles west, which provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by the city bus system.

**Shopping & Services:** The site is within one-half mile of a major grocery/pharmacy and two miles of a shopping centers and a variety of other retail establishments and restaurants. Public elementary, middle, and high schools are located within a mile, and churches, hospitals, and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The title commitment lists a vendor’s lien that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 7, 2003 and found the location to be acceptable for the proposed development. The inspectors noted the site is in a major growth corridor, with plentiful shopping nearby.

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

A Phase I Environmental Site Assessment Update report dated February 25, 2003 was prepared by Drash Consulting Engineers, Inc. and contained the following findings and recommendations: “Based on the available data obtained for this Phase I ESA Update, there does not appear to be evidence that suggests environmental concerns currently exist or have existed at the site. No further investigation is recommended.” (p. 12)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 166 of the units (80% of the total) will be reserved for low-income tenants. 32 of the units (15%) will be reserved for households earning 30% or less of AMGI, 17 units (8%) will be reserved for households earning 40% or less of AMGI, 34 units (16%) will be reserved for households earning 50% or less of AMGI 83 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 42 units will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

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	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

**MARKET HIGHLIGHTS**

A market feasibility study dated February 27, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "...we utilized a primary market area comprising a trade area known as the "E2" submarket area in northeast San Antonio." This area is defined by Interstate Highway 35 on the north and west, Interstate Highway 10 on the south, and Loop 1604 on the east. (p. 31)

**Population:** The estimated 2002 population of the primary market area was 103,324 and is expected to increase by 7.9% to approximately 111,530 by 2007. Within the primary market area there were estimated to be 35,672 households in 2002.

**Total Local/Submarket Demand for Rental Units:** "In the primary market area we have determined that there is a demand for a minimum of 171 rental units per year, based on the household growth analysis." (p. 17)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	32	1%	53	2%
Resident Turnover	4,780	99%	2,371	98%
Other Sources:	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,812</b>	<b>100%</b>	<b>2,425</b>	<b>100%</b>

Ref: p. 44

**Inclusive Capture Rate:** The analyst calculated an inclusive capture rate of 3.5%. (p. 44) The Underwriter calculated an inclusive capture rate of 6.8% based upon a revised demand of 2,425 units.

**Local Housing Authority Waiting List Information:** No information provided.

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 1,012 units in the market area. "The level of rent being [proposed] is below that which is currently charged on existing market rate projects." (p. 17)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (30%)</b>	\$223	\$221	+\$2	\$631	-\$408
<b>1-Bedroom (40%)</b>	\$317	\$317	\$0	\$631	-\$314
<b>1-Bedroom (50%)</b>	\$412	\$411	+\$1	\$631	-\$219
<b>1-Bedroom (60%)</b>	\$507	\$506	+\$1	\$631	-\$124
<b>1-Bedroom (MR)</b>	\$550	N/A	N/A	\$631	-\$81
<b>2-Bedroom (30%)</b>	\$263	\$265	-\$2	\$782	-\$519
<b>2-Bedroom (40%)</b>	\$377	\$379	-\$2	\$782	-\$405
<b>2-Bedroom (50%)</b>	\$490	\$492	-\$2	\$782	-\$292
<b>2-Bedroom (60%)</b>	\$604	\$606	-\$2	\$782	-\$178
<b>2-Bedroom (MR)</b>	\$780	N/A	N/A	\$782	-\$2
<b>3-Bedroom (30%)</b>	\$300	\$294	+\$6	\$877	-\$577
<b>3-Bedroom (40%)</b>	\$432	\$426	+\$6	\$877	-\$445
<b>3-Bedroom (50%)</b>	\$563	\$557	+\$6	\$877	-\$314
<b>3-Bedroom (60%)</b>	\$694	\$688	+\$6	\$877	-\$183
<b>3-Bedroom (MR)</b>	\$875	N/A	N/A	\$877	-\$2

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(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 current occupancy of the market area is 92.6% as a result of ever-increasing demand. Demand for new rental apartment units is considered to be stable.” (p. 94)

**Absorption Projections:** “...we estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period].” (p. 78)

**Known Planned Development:** The analyst identified one 208-unit conventional property in lease-up and two conventional properties totaling 476 units in the planning stage, but noted that the latter developments have a low probability of proceeding. No affordable properties were identified. (p. 53)

**Effect on Existing Housing Stock:** “The subject should not have a detrimental effect on any existing projects, as occupancies are stable throughout northeast San Antonio.” (p. 79)

The Underwriter found the market study to provide sufficient information to make a funding determination.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant miscalculated (understated) tenant-paid utility allowances by \$2-\$6 on some units, which results in the Underwriter’s potential gross rent estimate being \$820 lower than the Applicant’s. The Applicant stated that tenants will pay water in this development, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the minor difference in tenant-paid utility allowances, the Underwriter’s estimated effective gross income is \$764 less than the Applicant’s.

**Expenses:** The Applicant’s total expense estimate of \$3,401 per unit is 10% lower than the Underwriter’s database-derived estimate of \$3,764 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$19.5K lower), payroll (\$36K lower), and repairs and maintenance (\$21K lower). The Underwriter was unable to reconcile these differences even with additional information provided by the Applicant.

**Conclusion:** The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 0.97 is less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$435,310 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only:</b> 13.636 acres	\$742,000	<b>Date of Valuation:</b>	2/	12/	2003
<b>Appraiser:</b> T.C. Doctor & Associates, Inc.	<b>City:</b> San Antonio	<b>Phone:</b>	(210)	493-3132	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The Appraiser selected and considered four comparable land sales in the determination of value, all of which were used for multifamily residential developments following the sales. The adjustments made to the comparable properties were reasonable.

**Conclusion:** The appraised value is considered reasonable as submitted.

**ASSESSED VALUE**



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<b>Land: 13.636 acres</b>	\$593,300	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Assessed Value:</b>	\$593,300	<b>Tax Rate:</b>	2.96987
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>			
<b>Type of Site Control:</b>	Purchase option		
<b>Contract Expiration Date:</b>	9/ 30/ 2003	<b>Anticipated Closing Date:</b>	9/ 30/ 2003
<b>Acquisition Cost:</b>	\$600,000	<b>Other Terms/Conditions:</b>	
<b>Seller:</b>	AAMHA Bentley Place Apartments, Inc.		<b>Related to Development Team Member:</b> Yes

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** Alamo Area Mutual Housing Association, Inc. (AAMHA), the purchaser and the owner of the Managing General Partner, acquired the site in 2000 at a cost of \$593,287.20. AAMHA subsequently transferred control of the land to an affiliate, AAMHA Bentley Place Apartments, Inc., which is the current seller. The current sales price of \$600,000 is supported by the original purchase price plus property taxes of approximately \$18K/year, and the Applicant also provided an appraisal stating the market value to be \$742,000. Therefore, the acquisition cost of \$600,000 is regarded as reasonable.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,733 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$258K or 3% 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 and contractor's general and administrative fees exceed the 6% and 2% 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 effectively moved to ineligible costs. The Underwriter placed the \$85K housing consultant fee in developer's fees which cause them to exceed 15% of the Applicant's adjusted eligible basis, and therefore the eligible portion of the Applicant's developer fee must be reduced by \$15,108.

**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, is used to calculate eligible basis and determine the LIHTC allocation. Although the Applicant did not remove the \$400,000 City of San Antonio HOME loan from eligible basis, the Underwriter has done so as it appears that the development will be unable to service any additional debt, and even so the proposed unit mix calls for less than 40% of the units to be restricted for residents at or below 50% of AMGI, and thus the property cannot escape the below market rate taint associated with federal funds. Ironically, the unit mix reflects 39.9% and only one more unit would have needed to be at or below the 50% threshold to have avoided removal from eligible basis. As a result an eligible basis of \$15,151,648 is used to determine a credit allocation of \$1,008,081 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

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FINANCING STRUCTURE									
INTERIM CONSTRUCTION or GAP FINANCING									
<b>Source:</b>	Enterprise Foundation				<b>Contact:</b>	Jeffrey Balloutine			
<b>Principal Amount:</b>	\$3,563,931			<b>Interest Rate:</b>	6%				
<b>Additional Information:</b>	Construction phase bridge loan								
<b>Amortization:</b>	N/A	yrs	<b>Term:</b>	2	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
INTERIM to PERMANENT FINANCING									
<b>Source:</b>	D. Ansley Company, Inc.				<b>Contact:</b>	Randall Mason			
<b>Principal Amount:</b>	\$6,528,000			<b>Interest Rate:</b>	Estimated & underwritten at 6.75%				
<b>Additional Information:</b>	FHA Section 221(d)(4) program loan								
<b>Amortization:</b>	40	yrs	<b>Term:</b>	40	yrs	<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$472,700			<b>Lien Priority:</b>	1st		<b>Commitment Date</b>	2/ 26/ 2003	
LONG TERM/PERMANENT FINANCING									
<b>Source:</b>	City of San Antonio HOME funds				<b>Contact:</b>	Andrew Cameron			
<b>Principal Amount:</b>	\$400,000			<b>Interest Rate:</b>	Applicable Federal Rate				
<b>Additional Information:</b>	Unconfirmed, application only, requesting soft second lien with 5-year debt service deferral								
<b>Amortization:</b>	40	yrs	<b>Term:</b>	40	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> None	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Annual Payment:</b>	None provided, estimated at \$21,889 at current AFR			<b>Lien Priority:</b>	2nd		<b>Commitment Date</b>	2/ 18/ 2003	
LIHTC SYNDICATION									
<b>Source:</b>	Enterprise Social Investment Corporation				<b>Contact:</b>	Diana Helms-Morreale			
<b>Address:</b>	8419 Emmett F. Lowry Expressway				<b>City:</b>	Texas City			
<b>State:</b>	Texas		<b>Zip:</b>	77591		<b>Phone:</b>	(409) 908-9400		<b>Fax:</b> (409) 908-9404
<b>Net Proceeds:</b>	\$8,003,137			<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	79.5¢				
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional	<b>Date:</b>	2/ 18/ 2003				
<b>Additional Information:</b>									
APPLICANT EQUITY									
<b>Amount:</b>	\$672,167			<b>Source:</b>	Deferred developer fee				
FINANCING STRUCTURE ANALYSIS									

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

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

**City of San Antonio HOME Loan:** The Applicant has applied for a loan of HOME funds but this source of funds and the financing terms thereof remain unconfirmed. As discussed above this loan must be shown to be repayable at AFR or the unit mix must reflect at least 40% of the units restricted to tenants at or below 50% of AMGI, or the proceeds must be reduced from basis. Both the Applicant's proforma and the underwriting analysis reflect the inability to service all of the proposed debt and the deferral of the HOME loan in this case is quite speculative, thus the HOME funds were excluded from eligible basis. Even if the HOME funds had not been sought the higher tax credit conclusion would have not been sufficient to fill the gap and the resulting deferred developer fees would not have been repayable within 15 years.

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**Deferred Developer's Fees:** The proposed deferred developer's fees of \$672,167 amount to approximately 34% of the total eligible fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$981,468 annually for ten years, resulting in syndication proceeds of approximately \$7,787,062. The Housing Trust Fund loan of \$525,000, if approved, should be structured with a term and amortization period of 40 years and a 0% interest rate to minimize debt service. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,251,574, which represents approximately 65% of the eligible fee and which should be repayable from cash flow within 15 years. If the HTF, SECO, or City of San Antonio HOME funds are not awarded, it is projected that insufficient cumulative cash flow would exist to permit repayment within 15 years of the additional deferred developer fee required to substitute for any of those funds, and therefore the development as structured would be deemed infeasible. It is therefore necessary that an LIHTC allocation be conditioned on the award of the requested HTF and SECO funds and that the Applicant also provide a firm commitment for soft funding in the amount of at least \$350,000. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Developer, Alamo Area Mutual Housing Association, Inc. owns the Managing General Partner and the land seller and will be the supportive services provider. Debra Clark, 51% owner of the Special Limited Partner, is the spouse of Mike Clark, a principal of the Property Manager. These are permissible relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- € The Applicant and Managing General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The Special Limited Partner, Southern Affordable Housing, Inc., submitted an unaudited financial statement as of February 20, 2003 reporting total assets of \$335 and consisting entirely of cash. No liabilities were reported.
- € The Alamo Area Mutual Housing Association, owner of the Managing General Partner, submitted an audited financial statement as of December 31, 2002 reporting total assets of \$12.6M and consisting of \$835K in cash, \$1.7M in receivables and other current assets, \$8.8M in fixed assets, and \$1.3M in deposits, reserves, and prepaids. Liabilities totaled \$7.5M, resulting in a net fund balance of \$5.1M.
- € The principals of the Special Limited Partner, Stephen Barnes and Debra Clark, submitted unaudited financial statements as of January and February 2003, respectively.

**Background & Experience:**

- € The Applicant and Managing General Partner are new entities formed for the purpose of developing the project.
- € The principals of Alamo Area Mutual Housing Association listed participation in two LIHTC-funded housing developments totaling 224 units since 2001.
- € Stephen Barnes listed participation in four LIHTC-funded housing developments totaling 854 units since 1989.
- € Debra Clark listed participation in one nine-unit LIHTC-funded housing development since 1998.

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**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- ⊘ The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- ⊘ The seller of the property has an identity of interest with the Applicant.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 16, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 16, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Bentley Place Apartments, San Antonio, 9% LIHTC #03191**

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. Pk Unit	Stair & Trsh
TC (30%)	10	1	1	729	\$283	\$221	\$2,212	\$0.30	\$61.77	\$20.77
TC (40%)	6	1	1	729	379	\$317	1,903	0.44	61.77	20.77
TC (50%)	8	1	1	729	473	\$411	3,290	0.56	61.77	20.77
TC (50%)	2	1	1	761	473	\$411	822	0.54	61.77	20.77
TC (60%)	17	1	1	761	568	\$506	8,606	0.67	61.77	20.77
MR	13	1	1	761		550	7,150	0.72	61.77	20.77
TC (60%)	14	2	1	1,019	682	\$606	8,483	0.59	76.07	22.51
MR	10	2	1	1,019		780	7,800	0.77	76.07	22.51
TC (30%)	17	2	1	1,048	341	\$265	4,504	0.25	76.07	22.51
TC (40%)	8	2	1	1,048	455	\$379	3,031	0.36	76.07	22.51
TC (50%)	14	2	1	1,048	568	\$492	6,887	0.47	76.07	22.51
TC (60%)	9	2	1	1,048	682	\$606	5,453	0.58	76.07	22.51
TC (60%)	28	2	1.5	1,065	682	\$606	16,966	0.57	76.07	22.51
MR	8	2	1.5	1,065		780	6,240	0.73	76.07	22.51
TC (30%)	3	3	2	1,187	393	\$294	881	0.25	99.21	26.16
TC (40%)	1	3	2	1,187	525	\$426	426	0.36	99.21	26.16
TC (50%)	6	3	2	1,187	656	\$557	3,341	0.47	99.21	26.16
TC (60%)	6	3	2	1,187	787	\$688	4,127	0.58	99.21	26.16
MR	4	3	2	1,187		875	3,500	0.74	99.21	26.16
TC (30%)	2	3	2	1,299	393	\$294	588	0.23	99.21	26.16
TC (40%)	2	3	2	1,299	525	\$426	852	0.33	99.21	26.16
TC (50%)	4	3	2	1,299	656	\$557	2,227	0.43	99.21	26.16
TC (60%)	9	3	2	1,299	787	\$688	6,190	0.53	99.21	26.16
MR	7	3	2	1,299		875	6,125	0.67	99.21	26.16
<b>TOTAL:</b>	<b>208</b>		<b>AVERAGE:</b>	<b>1,009</b>	<b>\$450</b>	<b>\$537</b>	<b>\$111,605</b>	<b>\$0.53</b>	<b>\$77.12</b>	<b>\$22.81</b>

INCOME		Total Net Rentable Sq Ft:	209,864		TDHCA	APPLICANT	USS Region	9	
POTENTIAL GROSS RENT					\$1,339,256	\$1,340,076	IREM Region	San Antonio	
Secondary Income	Per Unit Per Month:	\$10.00			24,960	24,960	Per Unit Per Month		
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					\$1,364,216	\$1,365,036			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%			(102,316)	(102,372)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$1,261,900	\$1,262,664			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.33%	\$323	0.32	\$67,272	\$47,760	\$0.23	\$230	3.78%
Management		4.50%	273	0.27	56,785	\$56,910	0.27	274	4.51%
Payroll & Payroll Tax		15.62%	948	0.94	197,156	\$161,150	0.77	775	12.76%
Repairs & Maintenance		7.33%	445	0.44	92,461	\$71,500	0.34	344	5.66%
Utilities		3.89%	236	0.23	49,082	\$46,800	0.22	225	3.71%
Water, Sewer, & Trash		4.51%	274	0.27	56,943	\$66,000	0.31	317	5.23%
Property Insurance		4.09%	248	0.25	51,584	\$60,000	0.29	288	4.75%
Property Tax	2.96987	11.88%	721	0.71	149,921	\$135,400	0.65	651	10.72%
Reserve for Replacements		3.30%	200	0.20	41,600	\$41,600	0.20	200	3.29%
Others: spt svcs, compl fees		1.60%	97	0.10	20,200	\$20,200	0.10	97	1.60%
TOTAL EXPENSES		62.05%	\$3,764	\$3.73	\$783,005	\$707,320	\$3.37	\$3,401	56.02%
NET OPERATING INC		37.95%	\$2,302	\$2.28	\$478,895	\$555,344	\$2.65	\$2,670	43.98%
DEBT SERVICE									
D. Ansley Company, Inc.		37.46%	\$2,272	\$2.25	\$472,646	\$472,700	\$2.25	\$2,273	37.44%
Housing Trust Fund Loan		1.61%	\$97	\$0.10	20,263	20,343	\$0.10	\$98	1.61%
Additional Financing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW		-1.11%	(\$67)	(\$0.07)	(\$14,014)	\$62,301	\$0.30	\$300	4.93%
AGGREGATE DEBT COVERAGE RATIO					0.97	1.13			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST		Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)				3.80%	\$2,933	\$2.91	\$610,000	\$610,000	\$2.91	\$2,933	3.72%
Off-Sites				0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework				8.73%	6,733	6.67	1,400,449	1,400,449	6.67	6,733	8.55%
Direct Construction				50.43%	38,897	38.55	8,090,519	8,348,265	39.78	40,136	50.97%
Contingency	4.21%			2.49%	1,923	1.91	400,017	400,017	1.91	1,923	2.44%
General Req'ts	6.00%			3.55%	2,738	2.71	569,458	593,764	2.83	2,855	3.63%
Contractor's G & A	2.00%			1.18%	913	0.90	189,819	197,921	0.94	952	1.21%
Contractor's Profit	5.92%			3.50%	2,702	2.68	561,915	561,915	2.68	2,702	3.43%
Indirect Construction				3.98%	3,067	3.04	638,000	638,000	3.04	3,067	3.90%
Ineligible Costs				1.66%	1,280	1.27	266,170	266,170	1.27	1,280	1.63%
Developer's G & A	2.00%			1.61%	1,240	1.23	257,940	293,600	1.40	1,412	1.79%
Developer's Profit	13.00%			10.45%	8,061	7.99	1,676,608	1,684,400	8.03	8,098	10.28%
Interim Financing				6.52%	5,033	4.99	1,046,803	1,046,803	4.99	5,033	6.39%
Reserves				2.09%	1,615	1.60	336,000	336,000	1.60	1,615	2.05%
TOTAL COST				100.00%	\$77,133	\$76.45	\$16,043,698	\$16,377,304	\$78.04	\$78,737	100.00%
<b>Recap-Hard Construction Costs</b>				<b>69.89%</b>	<b>\$53,905</b>	<b>\$53.43</b>	<b>\$11,212,178</b>	<b>\$11,502,331</b>	<b>\$54.81</b>	<b>\$55,300</b>	<b>70.23%</b>

SOURCES OF FUNDS						RECOMMENDED			
D. Ansley Company, Inc.	40.69%	\$31,385	\$31.11	\$6,528,000	\$6,528,000	\$5,831,061	Developer Fee Available		
Housing Trust Fund Loan	3.27%	\$2,524	\$2.50	525,000	525,000	525,000	\$1,934,547		
SECO Grant				249,000	249,000	249,000			
City of San Antonio HOME Loan				400,000	400,000	400,000			
LIHTC Syndication Proceeds	49.88%	\$38,477	\$38.13	8,003,137	8,003,137	7,787,062	% of Dev. Fee Deferred	65%	
Deferred Developer Fees	4.19%	\$3,232	\$3.20	672,167	672,167	1,251,574			
Additional (excess) Funds Required	-2.08%	(\$1,604)	(\$1.59)	(333,606)	0	0	15-Yr Cumulative Cash Flow		
TOTAL SOURCES				\$16,043,698	\$16,377,304	\$16,043,698			\$1,308,993

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Bentley Place Apartments, San Antonio, 9% LIHTC #03191*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.77	\$8,765,313
<b>Adjustments</b>				
Exterior Wall Finish	2.00%		\$0.84	\$175,306
9-Ft. Ceilings	3.25%		1.36	284,873
Roofing			0.00	0
Subfloor			(0.90)	(188,411)
Floor Cover			1.92	402,939
Porches/Balconies	\$29.24	23.404	3.26	684,333
Plumbing	\$615	276	0.81	169,740
Built-in Appliances	\$1,625	208	1.61	338,000
Stairs	\$1,625	120	0.93	195,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	308,500
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$55.70	5,587	1.48	311,204
Other: Fireplace	\$2,200.00	1	0.01	2,200
<b>SUBTOTAL</b>			54.55	11,448,997
Current Cost Multiplier	1.03		1.64	343,470
Local Multiplier	0.84		(8.73)	(1,831,839)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			\$47.46	\$9,960,627
Plans, specs, survy, bld prm	3.90%		(\$1.85)	(\$388,464)
Interim Construction Interest	3.38%		(1.60)	(336,171)
Contractor's OH & Profit	11.50%		(5.46)	(1,145,472)
<b>NET DIRECT CONSTRUCTION COSTS</b>			\$38.55	\$8,090,519

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,528,000	Term	480
Int Rate	6.75%	DCR	1.01

<b>Secondary</b>	\$525,000	Term	360
Int Rate	1.00%	Subtotal DCR	0.97

<b>Additional</b>	\$8,003,137	Term	
Int Rate		Aggregate DCR	0.97

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$422,185
Secondary Debt Service	13,125
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$43,585</b>

<b>Primary</b>	\$5,831,061	Term	480
Int Rate	6.75%	DCR	1.13

<b>Secondary</b>	\$525,000	Term	480
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$400,000	Term	0
Int Rate	4.60%	Aggregate DCR	1.10

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

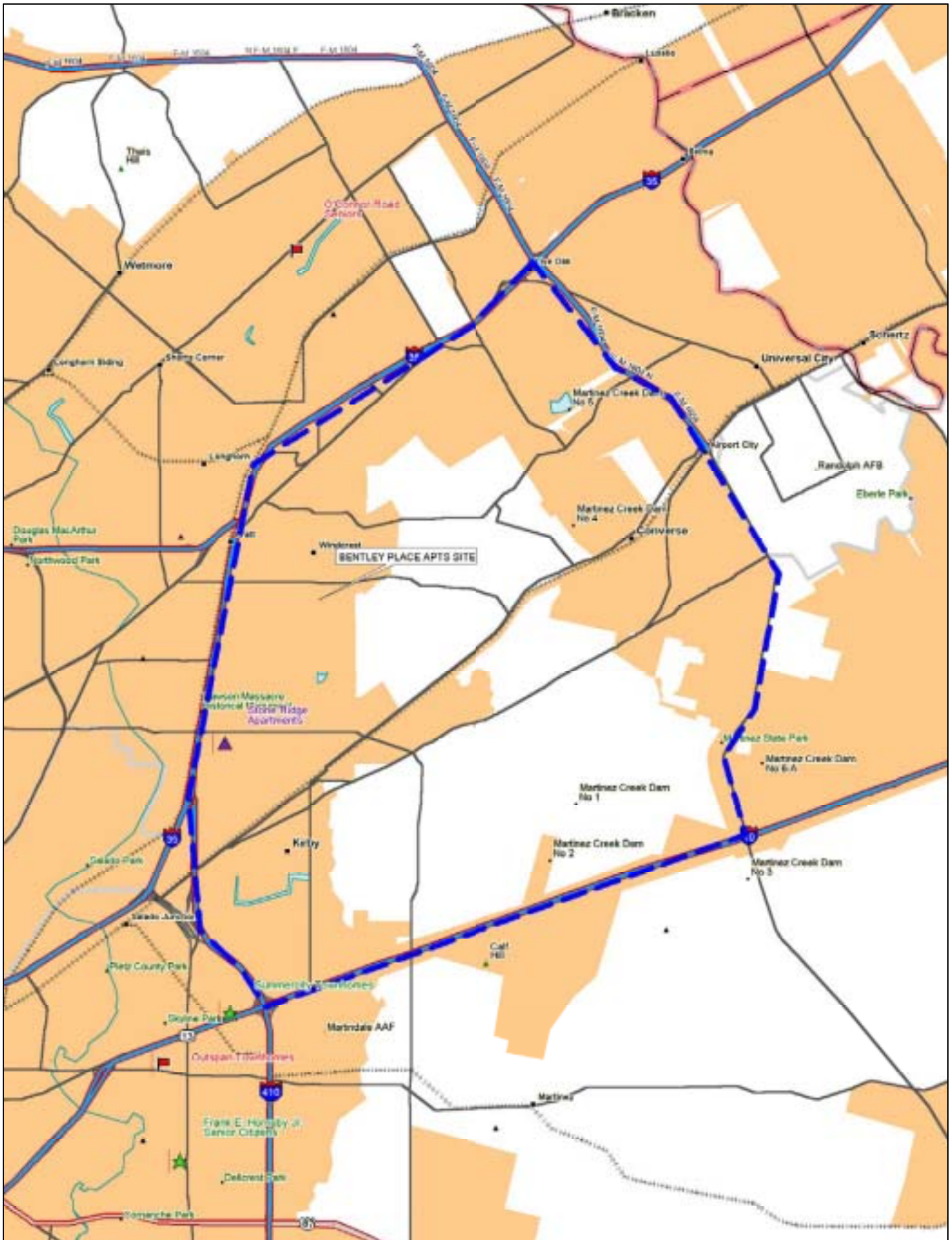
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,339,256	\$1,379,434	\$1,420,817	\$1,463,441	\$1,507,344	\$1,747,425	\$2,025,745	\$2,348,393	\$3,156,044
Secondary Income	24,960	25,709	26,480	27,274	28,093	32,567	37,754	43,768	58,820
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,364,216</b>	<b>1,405,142</b>	<b>1,447,297</b>	<b>1,490,716</b>	<b>1,535,437</b>	<b>1,779,992</b>	<b>2,063,499</b>	<b>2,392,161</b>	<b>3,214,864</b>
Vacancy & Collection Loss	(102,316)	(105,386)	(108,547)	(111,804)	(115,158)	(133,499)	(154,762)	(179,412)	(241,115)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,261,900</b>	<b>\$1,299,757</b>	<b>\$1,338,749</b>	<b>\$1,378,912</b>	<b>\$1,420,279</b>	<b>\$1,646,493</b>	<b>\$1,908,737</b>	<b>\$2,212,749</b>	<b>\$2,973,749</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$67,272	\$69,963	\$72,762	\$75,672	\$78,699	\$95,750	\$116,494	\$141,733	\$209,799
Management	56,785	58,489	60,244	62,051	63,913	74,092	85,893	99,574	133,819
Payroll & Payroll Tax	197,156	205,043	213,244	221,774	230,645	280,615	341,411	415,379	614,862
Repairs & Maintenance	92,461	96,159	100,006	104,006	108,166	131,601	160,112	194,801	288,353
Utilities	49,082	51,045	53,087	55,211	57,419	69,859	84,994	103,409	153,070
Water, Sewer & Trash	56,943	59,221	61,589	64,053	66,615	81,047	98,607	119,970	177,585
Insurance	51,584	53,647	55,793	58,025	60,346	73,420	89,327	108,680	160,873
Property Tax	149,921	155,917	162,154	168,640	175,386	213,384	259,614	315,860	467,550
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	20,200	21,008	21,848	22,722	23,631	28,751	34,980	42,558	62,997
<b>TOTAL EXPENSES</b>	<b>\$783,005</b>	<b>\$813,757</b>	<b>\$845,722</b>	<b>\$878,949</b>	<b>\$913,486</b>	<b>\$1,107,729</b>	<b>\$1,343,470</b>	<b>\$1,629,608</b>	<b>\$2,398,644</b>
<b>NET OPERATING INCOME</b>	<b>\$478,895</b>	<b>\$486,000</b>	<b>\$493,027</b>	<b>\$499,963</b>	<b>\$506,793</b>	<b>\$538,764</b>	<b>\$565,267</b>	<b>\$583,141</b>	<b>\$575,106</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185
Second Lien	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$43,585</b>	<b>\$50,689</b>	<b>\$57,717</b>	<b>\$64,653</b>	<b>\$71,483</b>	<b>\$103,454</b>	<b>\$129,956</b>	<b>\$147,830</b>	<b>\$139,796</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.13</b>	<b>1.15</b>	<b>1.16</b>	<b>1.24</b>	<b>1.30</b>	<b>1.34</b>	<b>1.32</b>

LIHTC Allocation Calculation - Bentley Place Apartments, San Antonio, 9% LIHTC #0319

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	\$610,000	\$610,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,400,449	\$1,400,449	\$1,400,449	\$1,400,449
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$8,348,265	\$8,090,519	\$8,348,265	\$8,090,519
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$197,921	\$189,819	\$194,974	\$189,819
Contractor profit	\$561,915	\$561,915	\$561,915	\$561,915
General requirements	\$593,764	\$569,458	\$584,923	\$569,458
<b>(5) Contingencies</b>	\$400,017	\$400,017	\$400,017	\$400,017
<b>(6) Eligible Indirect Fees</b>	\$638,000	\$638,000	\$638,000	\$638,000
<b>(7) Eligible Financing Fees</b>	\$1,046,803	\$1,046,803	\$1,046,803	\$1,046,803
<b>(8) All Ineligible Costs</b>	\$266,170	\$266,170		
<b>(9) Developer Fees</b>			\$1,976,302	
Developer overhead	\$293,600	\$257,940		\$257,940
Developer fee	\$1,684,400	\$1,676,608		\$1,676,608
<b>(10) Development Reserves</b>				
	\$336,000	\$336,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$16,377,304</b>	<b>\$16,043,698</b>	<b>\$15,151,648</b>	<b>\$14,831,528</b>

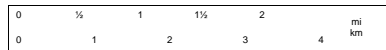
<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		\$400,000	\$400,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$14,751,648	\$14,431,528
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$14,751,648	\$14,431,528
Applicable Fraction		79.78%	79.78%
<b>TOTAL QUALIFIED BASIS</b>		\$11,768,197	\$11,512,820
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		<b>\$981,468</b>	<b>\$960,169</b>

Syndication Proceeds	0.7934	\$7,787,062	\$7,618,078
<b>Total Credits (Eligible Basis Method)</b>		<b>\$981,468</b>	<b>\$960,169</b>
Syndication Proceeds		\$7,787,062	\$7,618,078
Requested Credits		\$1,006,759	
Syndication Proceeds		\$7,987,727	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$10,021,243</b>	
Credit Amount		\$1,263,060	



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 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000  
 1" = 1.58 mi





**TDHCA #**

**03813**

**Region 11**



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

Development Name: **La Villita Apartments**

TDHCA #: **03813**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 11 Site Address: 600 block Old Port Isabel Road  
 City: Brownsville County: Cameron Zip Code: 78521  
**Targeted Units:** Family: 128 Elderly: 0 Handicapped/Disabled: 13 Total Special Needs\*: 13  
**Set Aside:**  Non-Profit Purpose / Activity: New Construction

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Housing Associates of Brownsville, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Texas Housing Associates, Inc.	Laura Musemeche	1% of MGP
Housing Associates, Inc.	Dan Allgeier	1% of GP
Neighbors in Need of Services, Inc.	Manuela Rendon	.05% of GP

**Legal Form of Applicant:** Limited Partnership

**HTF DEVELOPMENT FUNDING INFORMATION**

Award Recommendation (Loan Amount): **\$175,000**  
 HTF Loan Amount Requested by Applicant: **\$175,000** Affordability Period: 55 Years

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	5	0	0	5
40%	0	0	4	0	0	4
50%	0	0	5	0	0	5
60%	0	32	50	32	0	114
65%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	32	64	32	0	
Total LI Units:	128					
Owner/Employee Units:	0					
Total Development Units:	128					

**BUILDING INFORMATION**

Total Development Cost:	\$8,779,421
Gross Building Square Feet:	126,780
Total Net Rentable Area Square Feet:	119,360
Average Square Feet/Unit:	933

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$647,047
Total Expenses:	\$448,119
Net Operating Income:	\$198,928
Estimated 1st Year Debt Coverage Ratio:	1.13

**RECOMMENDED FINANCING**

Permanent Principal Amount: \$175,000  
 HTF Amortization Rate: 30 Years  
 HTF Term: 18 Years  
 HTF Interest Rate: 1%  
 TDHCA Lien Position: 2nd  
 Other Funding Sources and Lien: \$2,036,754 Muniemae Midland, LLC, 1st.

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Kingsway Development Group, LLC	Market Analyst:	Ipser and Associates, Inc.
Housing GC:	Alpha Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	NA
Architect:	Holcomb, Musemeche, & Associates, Inc.	Accountant:	Novogradac & Company, LLC
Property Manager:	Integrity Management	Supp Services:	Neighbors in Need of Services
Syndicator:	Midland Equity Corporation	Permanent Lender:	MunieMae Midland, LLC

\* Special Needs Definition: A person or family of low, very low, or extremely low income who: (A) is considered disabled under state or federal law; (B) is elderly (age 60+); (C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise.

**DEPARTMENT EVALUATION**

Points Awarded 134 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:

**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 the Non-Profit Set Aside
- Meeting the Regional Allocation

Explanation: Needed for regional allocation. Tax Credit application is recommended for an allocation.

\_\_\_\_\_  
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 Award Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03029/03813**

Name: **La Villita Apartments**

City: **Brownsville**

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: 3 Projects grouped by score 0-9 1 10-19 0 20-29 2

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 5

### 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 iday, June 06, 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 6 /4 /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 6 /4 /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 6 /6 /2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 10, 2003      **PROGRAM:** 9% LIHTC  
HTF      **FILE NUMBER:** 03029  
03813

**DEVELOPMENT NAME**

La Villita Apartments

**APPLICANT**

**Name:** Housing Associates of Brownsville, Ltd.      **Type:** For Profit  
**Address:** 1013 Van Buren      **City:** Houston      **State:** TX  
**Zip:** 77019      **Contact:** Mark Musemeche      **Phone:** (713) 522-4141      **Fax:** (713) 522-9775

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	<u>Texas Housing Associates, Inc. (THAI)</u>	<b>(%):</b>	<u>1%</u>	<b>Title:</b>	<u>Managing General Partner</u>
<b>Name:</b>	<u>Daniel Allgeier</u>	<b>(%):</b>	<u></u>	<b>Title:</b>	<u>100% owner of HAI</u>
<b>Name:</b>	<u>Housing Associates, Inc. (HAI)</u>	<b>(%):</b>	<u>1%</u>	<b>Title:</b>	<u>Co-General Partner</u>
<b>Name:</b>	<u>Laura Musemeche</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>President &amp; 75% owner of THAI</u>
<b>Name:</b>	<u>Mark Musemeche</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Vice president &amp; 25% owner of THAI</u>
<b>Name:</b>	<u>Neighbors in Need of Services (NINOS)</u>	<b>(%):</b>	<u>.05</u>	<b>Title:</b>	<u>Nonprofit Co-General Partner</u>
<b>Name:</b>	<u>Albert Garcia</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>President of NINOS</u>
<b>Name:</b>	<u>Kingsway Development Group, LLC</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Developer</u>

**PROPERTY LOCATION**

**Location:** 600 block of Old Port Isabel Road       **QCT**       **DDA**  
**City:** Brownsville      **County:** Cameron      **Zip:** 78521

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$856,933	N/A	N/A	N/A
2) \$175,000	1%	30 yrs	18 yrs
3) \$50,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) Housing Trust Fund loan  
3) SECO grant

**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 \$851,428**

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ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$170,000, STRUCTURED AS AN 18-YEAR TERM LOAN (AS REQUESTED), AMORTIZING OVER 30 YEARS AT 1% INTEREST, AND A GRANT OF SECO FUNDS IN THE AMOUNT OF \$50,000, SUBJECT TO CONDITIONS.

**CONDITIONS**

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>128</u>	<b># Rental Buildings</b>	<u>8</u>	<b># Common Area Bldgs</b>	<u>2</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>0</u> yrs	<b>Vacant:</b>	<u>N/A</u>	<b>at</b>	<u>/</u>	<b>/</b>	<u>/</u>
<b>Net Rentable SF:</b>	<u>119,360</u>	<b>Av Un SF:</b>	<u>933</u>	<b>Common Area SF:</b>	<u>7,420</u>	<b>Gross Bldg SF:</b>	<u>126,780</u>								

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% brick veneer 25% cementitious fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A 3,120-SF community building with activity rooms, management offices, fitness facilities, kitchen, restrooms, & conference room, along with a swimming pool, are to be located at the eastern entrance to the site. A 3,500-SF daycare & learning center & equipped children's play area are to be located at the western entrance of the property. In addition, another play area and an 800-SF maintenance building are also planned for the site.

<b>Uncovered Parking:</b>	<u>288</u>	spaces	<b>Carports:</b>	<u>0</u>	spaces	<b>Garages:</b>	<u>0</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** La Villita Apartments is a moderately dense (10.43 units per acre) new construction development of 128 units of affordable housing located in north central Brownsville. The development is comprised of eight fairly evenly distributed medium sized, garden style, walk-up residential buildings as follows:

- Four Building Type I with eight one-bedroom/one-bath units and eight two- bedroom/two-bath units; and
- Four Building Type II with eight two-bedroom/one-bath units and eight three-bedroom/two-bath units.

**Architectural Review:** The residential building elevations are attractive, with pitched and hipped roofs and 75% brick veneer exterior wall finishes. The three unit types are well laid out and feature built-in computer work areas and covered patios with storage closets. There are both one- and two-bath versions of the 940-SF, two-bedroom units, which are used interchangeably.

**Supportive Services:** The Applicant proposes to use Neighbors in Need of Services, one of the Co-General Partners, as the supportive services provider to provide Head Start and adult learning classes. The Applicant states that the services will be provided at no cost to the property.

**Schedule:** The Applicant anticipates construction to begin in February of 2004, to be completed in February

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of 2005, and to be placed in service and substantially leased-up in May of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 12.28 acres 534,917 square feet **Zoning/ Permitted Uses:** Apartment "F"  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Brownsville is located in far south Texas, on the Mexican border in Cameron County. The site is an irregularly-shaped parcel located in the north central area of the city, approximately 2.5 miles from the central business district. The site is situated on the west side of Old Port Isabel Road and the east side of Rockwell Drive.

**Adjacent Land Uses:**

- **North:** vacant land and single-family residential with a Catholic school beyond
- **South:** single-family residential
- **East:** Old Port Isabel Road with single-family residential beyond
- **West:** Rockwell Road with residential beyond

**Site Access:** Access to the property is from the northeast or southwest from Old Port Isabel Road or Rockwell Drive. The development is to have two entries, one each from Old Port Isabel Road and Rockwell Drive. Access to State Highway 48 is one mile south, which provides connections to all other major roads serving the Brownsville area.

**Public Transportation:** The Applicant indicates that a public bus stop is located adjacent to the site.

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

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

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

A Phase I Environmental Site Assessment report dated February 12, 2003 was prepared by Raba-Kistner Consultants, Inc. and contained the following findings and recommendations:

**Findings:** "Based on the information reviewed, there was no evidence that the site or adjoining properties are currently under environmental regulatory review or enforcement action. The site reconnaissance and interview sources did not reveal any recognized environmental conditions involving the site and adjoining properties." (p. 13)

**Recommendations:** "Based on the information presented herein, no further environmental related actions are deemed warranted for the site at this time." (p. 14)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 128 of the units will be reserved for low-income tenants. Five units (4% of the total) will be reserved for households earning 30% or less of AMGI, four units (3%) will be reserved for households earning 40% or less of AMGI, five units (4%) will be reserved for households earning 50% or less of AMGI, and the remaining 114 (89%) 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 10, 2003, 2003 was prepared by Ipser & Associates, Inc. and

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highlighted the following findings:

**Definition of Market/Submarket:** “The primary market area for the proposed family housing complex is considered to be the City of Brownsville.” (p. 2-5)

**Population:** The estimated 2000 population of Brownsville was 139,722 and is expected to increase by 12.1% to approximately 156,622 by 2005. Within the primary market area there were estimated to be 38,174 households in 2000.

**Total Local/Submarket Demand for Rental Units:** “Our demand analysis..., based solely on projected household growth and a very low replacement rate (units lost by demolition or catastrophic losses and substandard units), in effect considers the market in balance and looks only on future needs. The figures from these analysis methods indicate a need for 1,076 rental units in Brownsville over the two-year time frame from 2003 to 2005, and a continuing demand for 2,663 rental units between 2005 and 2010. An alternate approach to a demand analysis (based on projected growth, existing households, income limits, and turnover) indicates a figure of 1,624 income-qualified renter households in the next year in Brownsville.” (p. 3-3)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	85	5%	80	6%
Resident Turnover	1,391	86%	1,322	94%
Other Sources: 10% of growth & turnover demand	148	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,624</b>	<b>100%</b>	<b>1,402</b>	<b>100%</b>

Ref: Ex. N-1

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 15.5%. (Ex. N-1) The Underwriter calculated an inclusive capture rate of 18% based upon a revised demand of 1,402 units. The supply of unstablized units includes 124 restricted units from the 2001 LIHTC funded development known as El Dorado Village.

**Local Housing Authority Waiting List Information:** “According to the Brownsville Housing Authority, the wait for a vacant public housing unit is one year..., and the Section 8 waiting list has 710 names...” (p. 2-20)

**Market Rent Comparables:** “The comparable market data used in this report consists of 2,953 total units, including 1,645 private market units at 12 locations (55.7% of all units) and 1,308 rental-assisted units at three locations (44.3%). The 12 private market projects consist of eight conventional complexes with 961 units and four LIHTC properties with 684 units (23.2% of all units). Two of the three rental-assisted complexes are project-based Section 8 complexes (228 units), while the remaining 1,080 units are managed by the Brownsville Housing Authority.” (p. 2-19)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential*	Market	Differential
<b>1-Bedroom (60%)</b>	\$404	\$391	+\$13	\$490	-\$86
<b>2-Bedroom (30%)</b>	\$202	\$189	+\$13	\$580	-\$378
<b>2-Bedroom (40%)</b>	\$295	\$283	+\$13	\$580	-\$285
<b>2-Bedroom (50%)</b>	\$387	\$375	+\$13	\$580	-\$193
<b>2-Bedroom (60%)</b>	\$480	\$468	+\$13	\$580	-\$100
<b>3-Bedroom (60%)</b>	\$549	\$537	+\$13	\$635	-\$86

(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)

\*Combined amount of Brownsville Housing Authority’s miscellaneous and electrical flat fees.

**Submarket Vacancy Rates:** “The current survey of apartments in Brownsville found 95% economic occupancy in the private market locations, and 99% occupancy in LIHTC projects...and 100% in the rental-



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assisted units. Based on the survey reports, at least 353 applicants are on waiting lists, including more than 305 in LIHTC family projects...” (p. 3-2)

**Absorption Projections:** “Absorption of the subject’s competitively priced affordable units is estimated at approximately 12 to 14 units per month. It is expected that an eight- to nine-month lease-up period will be required to achieve 92.5% occupancy of the 128 units. Acceptance of Section 8 certificates and vouchers will accelerate the absorption, but Section 8 tenants should be limited to 15% to 20% of the total units.” (p. 3-4)

**Known Planned Development:** No information was provided by the Market Analyst other than inclusion of El Dorado Village (a 146 total, 124 unit restricted LIHTC development funded in 2001) in the inclusive capture rate calculation.

**Effect on Existing Housing Stock:** “The addition of the proposed 128 units to the Brownsville/Cameron County market is expected to have little impact on existing rental properties, since occupancy is over 95% and many projects report waiting lists.” (p. 3-3)

The Underwriter found the market study to be acceptable.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the Market Analyst. The utility allowances published by the Brownsville Housing Authority include an electricity flat fee of \$4.75 per unit and a “miscellaneous fee” of \$8.20 per unit. When queried by the Underwriter, the Housing Authority stated that the flat fees are environmental and maintenance fees which are charged to all users. The Applicant, however, did not include these fees in the tenant-paid utility allowance and informed the Underwriter that these fees are not paid by the Developer’s other properties in the area. In light of this discrepancy the Underwriter has elected to conservatively increase the tenant paid utility allowances by the amount of these fees, which has the effect of reducing potential gross rent by \$18,713. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the Underwriter’s increased tenant-paid utility allowances and commensurately decreased net rents, the Underwriter’s effective gross income estimate is \$17,849 less than the Applicant’s. This amount also represents the amount of additional effective gross income the development could achieve if the miscellaneous utility allowance fees were ignored.

**Expenses:** The Applicant’s estimate of total operating expense is 2% lower than the Underwriter’s database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$20K lower), repairs and maintenance (\$24K higher, utilities (\$20K lower), and insurance (\$16K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** Although the Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate, the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. This would also be the case if the additional income resulting from the Applicant’s higher net rents were combined with the Underwriter’s higher expenses.

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ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
<b>Land: 12.153 acres</b>	\$145,836	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Cameron County Appraisal District
<b>Total Assessed Value:</b>	\$145,836	<b>Tax Rate:</b>	2.691661
EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Option agreement		
<b>Contract Expiration Date:</b>	Earlier of carryover deadline or 9/15/2003	<b>Anticipated Closing Date:</b>	10/                      7/      2003
<b>Acquisition Cost:</b>	\$636,000	<b>Other Terms/Conditions:</b>	\$500/month earnest money
<b>Seller:</b>	Henry A. Willms		<b>Related to Development Team Member:</b> No

CONSTRUCTION COST ESTIMATE EVALUATION	
<b><u>Acquisition Value:</u></b>	The site cost of \$636,000 (\$1.19/SF or \$51.8K/acre), although over four times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.
<b><u>Site work Cost:</u></b>	The Applicant's claimed site work costs of \$7,148 per unit are considered reasonable compared to the Department's safe harbor guidelines for site work costs for multifamily projects.
<b><u>Direct Construction Cost:</u></b>	The Applicant's costs are \$404K (9%) lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.
<b><u>Ineligible Costs:</u></b>	The Applicant included \$20K in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.
<b><u>Interim Financing Fees:</u></b>	The Underwriter reduced the Applicant's eligible interim financing fees by \$15,918 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.
<b><u>Fees:</u></b>	The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by \$5,387.
<b><u>Conclusion:</u></b>	The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$7,853,055 is used to determine a credit allocation of \$851,428 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE	
INTERIM CONSTRUCTION or GAP FINANCING	
<b>Source:</b> MuniMae Midland, LLC	<b>Contact:</b> John Mullaney
<b>Principal Amount:</b> \$2,545,943	<b>Interest Rate:</b> 6%
<b>Additional Information:</b> _____	
<b>Amortization:</b> N/A      yrs	<b>Term:</b> 2      yrs
<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	

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LONG TERM/PERMANENT FINANCING			
<b>Source:</b> MuniMae Midland, LLC			<b>Contact:</b> John Mullaney
<b>Principal Amount:</b> \$2,036,754	<b>Interest Rate:</b>	40 basis points over unspecified index rate, 6.125% minimum, 8.625% maximum, underwritten at 7.375%	
<b>Additional Information:</b>			
<b>Amortization:</b> 30 yrs	<b>Term:</b> 18 yrs	<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
<b>Annual Payment:</b> \$168,276	<b>Lien Priority:</b> 1st	<b>Commitment Date</b> 2/ 11/ 2003	
LONG TERM/PERMANENT FINANCING			
<b>Source:</b> City of Brownsville CDBG funds			<b>Contact:</b> Charlie Cabler
<b>Principal Amount:</b> \$1,500	<b>Interest Rate:</b>	(Grant)	
<b>Additional Information:</b> Application only, uses restricted to city-approved utility infrastructure			
<b>Amortization:</b> N/A yrs	<b>Term:</b> N/A yrs	<b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
<b>Annual Payment:</b> (None)	<b>Lien Priority:</b> N/A	<b>Commitment Date</b> 2/ 25/ 2003	
LIHTC SYNDICATION			
<b>Source:</b> Midland Equity Corporation			<b>Contact:</b> Mark George
<b>Address:</b> 33 N. Garden Avenue, #1200	<b>City:</b> Clearwater		
<b>State:</b> FL	<b>Zip:</b> 33755	<b>Phone:</b> (727) 461-4801	<b>Fax:</b> (727) 443-6067
<b>Net Proceeds:</b> \$6,506,177	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>		76¢
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional <b>Date:</b> 2/ 26/ 2003
<b>Additional Information:</b>			
APPLICANT EQUITY			
<b>Amount:</b> \$9,989	<b>Source:</b> Deferred Developer Fee		
FINANCING STRUCTURE ANALYSIS			
<p><b><u>Permanent Financing:</u></b> The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p>The Housing Trust Fund loan of \$175,000 is recommended to be structured as requested, with a 1% interest rate, an 18-year term, and a 30-year amortization schedule, and the SECO grant is recommended in the full amount of \$50,000.</p> <p><b><u>LIHTC Syndication:</u></b> The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p><b><u>Deferred Developer's Fees:</u></b> The anticipated deferred developer's fees of \$9,989 amount to 1% of the total eligible fees.</p> <p><b><u>Financing Conclusions:</u></b> Since the Applicant's total development costs were within 5% of the Underwriter's estimate, the Applicant's adjusted development costs were used to determine an eligible basis of \$7,853,055, yielding a recommended tax credit allocation of \$851,428 per year. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$51,784, which represents approximately 5% of the eligible fee and which should be repayable from cash flow within three years.</p> <p>The development remains feasible without the HTF and SECO funds, and the Applicant's eligible basis-driven LIHTC allocation remains the recommended amount. Based on the underwriting analysis, the Applicant's deferred developer fee would be increased to \$276,784 the amount of the HTF and SECO funds if they are not approved. This represents approximately 27% of the eligible fee, should be repayable from cash flow within ten years.</p>			

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**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

- Mark Musemeche is a principal of both Texas Housing Associates, Inc. and the project architect.
- Daniel Allgeier is a principal of both Housing Associates, Inc. and the General Contractor.
- Neighbors in Need of Services, Inc. will also be the supportive services provider.

These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- Housing Associates, Inc., a Co-General Partner, submitted an unaudited financial statement as of February 9, 2003 reporting total assets of \$2.36M and consisting of \$80K in cash, \$513K in receivables, \$1.8M in real property, and \$6K in machinery, equipment, and fixtures. Liabilities totaled \$108K, resulting in a net worth of \$2.26M.
- Neighbors in Need of Services, Inc., the nonprofit Co-General Partner, submitted an audited financial statement as of March 31, 2002 reporting total assets of \$3.66M and consisting of \$266K in cash, \$1.32M in receivables and prepaids, and \$2.1M in property and equipment. Liabilities totaled \$1.29M, resulting in net assets of \$2.1M.
- Texas Housing Associates, Inc. the remaining Co-General Partner, submitted an unaudited financial statement as of February 11, 2003 reporting total assets of \$1.88M and consisting of \$34K in cash, \$735K in receivables, \$1.1M in real property, and \$42K in other assets. Liabilities totaled \$20K, resulting in a net worth of \$1.86M.
- The principals of the for-profit General Partners, Daniel Allgeier and Laura and Mark Musemeche, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- Laura and Mark Musemeche listed participation in eight previous LIHTC-funded affordable housing developments totaling 830 units since 1997.
- Daniel Allgeier listed participation in nine previous LIHTC-funded affordable housing developments totaling 904 units since 1997.
- The principals of Neighbors in Need of Services, Inc. claimed no previous experience in the development of affordable housing.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 10, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 10, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**La Villita Apartments, Brownsville, 9% LIHTC #03029**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	32	1	1	725	\$463	\$391	\$12,519	\$0.54	\$71.77	\$44.62
TC (30%)	5	2	1 or 2	940	277	189	943	0.20	88.50	48.02
TC (40%)	4	2	1 or 2	940	371	283	1,130	0.30	88.50	48.02
TC (50%)	5	2	1 or 2	940	463	375	1,873	0.40	88.50	48.02
TC (60%)	50	2	1 or 2	940	556	468	23,375	0.50	88.50	48.02
TC (60%)	32	3	2	1,125	642	537	17,173	0.48	105.34	54.86
<b>TOTAL:</b>	<b>128</b>		<b>AVERAGE:</b>	<b>933</b>	<b>\$534</b>	<b>\$445</b>	<b>\$57,012</b>	<b>\$0.48</b>	<b>\$88.53</b>	<b>\$48.88</b>

<b>INCOME</b>				<b>TOTAL Net Rentable Sq Ft: 119,360</b>		<b>TDHCA</b>	<b>APPLICANT</b>			
<b>POTENTIAL GROSS RENT</b>						\$684,150	\$703,452	USS Region 11		
Secondary Income	Per Unit Per Month:	\$10.00				15,360	15,360	\$10.00	IREM Region	
Other Support Income:						0	0		Per Unit Per Month	
<b>POTENTIAL GROSS INCOME</b>						\$699,510	\$718,812			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%				(52,463)	(53,916)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$647,047	\$664,896			
<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		6.99%	\$353	0.38		\$45,200	\$38,600	\$0.32	\$302	5.81%
Management		5.00%	253	0.27		32,367	\$33,245	0.28	260	5.00%
Payroll & Payroll Tax		13.81%	698	0.75		89,352	\$69,180	0.58	540	10.40%
Repairs & Maintenance		6.50%	329	0.35		42,069	\$65,600	0.55	513	9.87%
Utilities		5.36%	271	0.29		34,674	\$15,000	0.13	117	2.26%
Water, Sewer, & Trash		8.45%	427	0.46		54,684	\$58,000	0.49	453	8.72%
Property Insurance		4.61%	233	0.25		29,840	\$46,000	0.39	359	6.92%
Property Tax	2.691661	13.31%	673	0.72		86,133	\$79,170	0.66	619	11.91%
Reserve for Replacements		4.45%	225	0.24		28,800	\$28,800	0.24	225	4.33%
Other: compliance fees		0.77%	39	0.04		5,000	\$5,000	0.04	39	0.75%
<b>TOTAL EXPENSES</b>		<b>69.26%</b>	<b>\$3,501</b>	<b>\$3.75</b>		<b>\$448,119</b>	<b>\$438,595</b>	<b>\$3.67</b>	<b>\$3,427</b>	<b>65.96%</b>
<b>NET OPERATING INC</b>		<b>30.74%</b>	<b>\$1,554</b>	<b>\$1.67</b>		<b>\$198,927</b>	<b>\$226,301</b>	<b>\$1.90</b>	<b>\$1,768</b>	<b>34.04%</b>
<b>DEBT SERVICE</b>										
Midland Mortgage		26.09%	\$1,319	\$1.41		\$168,808	\$168,276	\$1.41	\$1,315	25.31%
Housing Trust Fund Loan		1.04%	\$53	\$0.06		6,754	6,781	\$0.06	\$53	1.02%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>		<b>3.61%</b>	<b>\$183</b>	<b>\$0.20</b>		<b>\$23,364</b>	<b>\$51,244</b>	<b>\$0.43</b>	<b>\$400</b>	<b>7.71%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.13	1.29			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>						1.13				

<b>CONSTRUCTION COST</b>					<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		7.12%	\$5,117	\$5.49	\$655,000	\$655,000	\$5.49	\$5,117	7.46%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.95%	7,148	7.67	915,000	915,000	7.67	7,148	10.42%
Direct Construction		50.22%	36,078	38.69	4,618,022	4,214,000	35.30	32,922	48.00%
Contingency	4.36%	2.62%	1,883	2.02	241,059	241,059	2.02	1,883	2.75%
General Req'ts	5.48%	3.30%	2,369	2.54	303,240	303,240	2.54	2,369	3.45%
Contractor's G & A	1.83%	1.10%	790	0.85	101,080	101,080	0.85	790	1.15%
Contractor's Profit	5.48%	3.30%	2,369	2.54	303,240	303,240	2.54	2,369	3.45%
Indirect Construction		5.03%	3,612	3.87	462,284	462,284	3.87	3,612	5.27%
Ineligible Costs		1.50%	1,078	1.16	137,978	137,978	1.16	1,078	1.57%
Developer's G & A	1.24%	0.97%	699	0.75	89,439	0	0.00	0	0.00%
Developer's Profit	13.00%	10.23%	7,346	7.88	940,260	1,029,699	8.63	8,045	11.73%
Interim Financing		3.14%	2,257	2.42	288,841	288,841	2.42	2,257	3.29%
Reserves		1.52%	1,089	1.17	139,379	128,000	1.07	1,000	1.46%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$71,835</b>	<b>\$77.03</b>	<b>\$9,194,822</b>	<b>\$8,779,421</b>	<b>\$73.55</b>	<b>\$68,589</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>70.49%</b>	<b>\$50,638</b>	<b>\$54.30</b>	<b>\$6,481,641</b>	<b>\$6,077,619</b>	<b>\$50.92</b>	<b>\$47,481</b>	<b>69.23%</b>

<b>SOURCES OF FUNDS</b>					<b>TDHCA</b>	<b>APPLICANT</b>	<b>RECOMMENDED</b>		
Midland Mortgage		22.15%	\$15,912	\$17.06	\$2,036,754	\$2,036,754	\$2,036,754	Developer Fee Available	
Housing Trust Fund Loan		1.90%	\$1,367	\$1.47	175,000	175,000	175,000	\$1,029,699	
SECO Grant					50,000	50,000	50,000		
City Of Brownsville CDBG Funds					1,500	1,500	1,500		
LIHTC Syndication Proceeds		70.76%	\$50,830	\$54.51	6,506,177	6,506,177	6,464,383	% of Dev. Fee Deferred	
Deferred Developer Fees		0.11%	\$78	\$0.08	9,989	9,989	51,784	5%	
Additional (excess) Funds Required		4.52%	\$3,245	\$3.48	415,402	1	0	15-Yr Cumulative Cash Flow	
<b>TOTAL SOURCES</b>					<b>\$9,194,822</b>	<b>\$8,779,421</b>	<b>\$8,779,421</b>	<b>\$467,650.10</b>	

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)  
**La Villita Apartments, Brownsville, 9% LIHTC #03029**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$5,055,240
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.65	\$315,952
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(120,554)
Floor Cover			1.92	229,171
Porches/Balconies	\$18.37	23,188	3.57	425,964
Plumbing	\$615	192	0.99	118,080
Built-In Appliances	\$1,625	128	1.74	208,000
Stairs	\$1,625	32	0.44	52,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	175,459
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.01	6,620	3.27	390,650
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.39</b>	<b>6,849,962</b>
Current Cost Multiplier	1.03		1.72	205,499
Local Multiplier	0.80		(11.48)	(1,369,992)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$47.63</b>	<b>\$5,685,469</b>
Plans, specs, survy, bld prm	3.90%		(\$1.86)	(\$221,733)
Interim Construction Interest	3.38%		(1.61)	(191,885)
Contractor's OH & Profit	11.50%		(5.48)	(653,829)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$38.69</b>	<b>\$4,618,022</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,036,754	Term	360
Int Rate	7.375%	DCR	1.18

<b>Secondary</b>	\$175,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.13

<b>Additional</b>	\$6,506,177	Term	
Int Rate		Aggregate DCR	1.13

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$168,808
Secondary Debt Service	6,754
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$23,364</b>

<b>Primary</b>	\$2,036,754	Term	360
Int Rate	7.38%	DCR	1.18

<b>Secondary</b>	\$175,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.13

<b>Additional</b>	\$6,506,177	Term	0
Int Rate	0.00%	Aggregate DCR	1.13

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

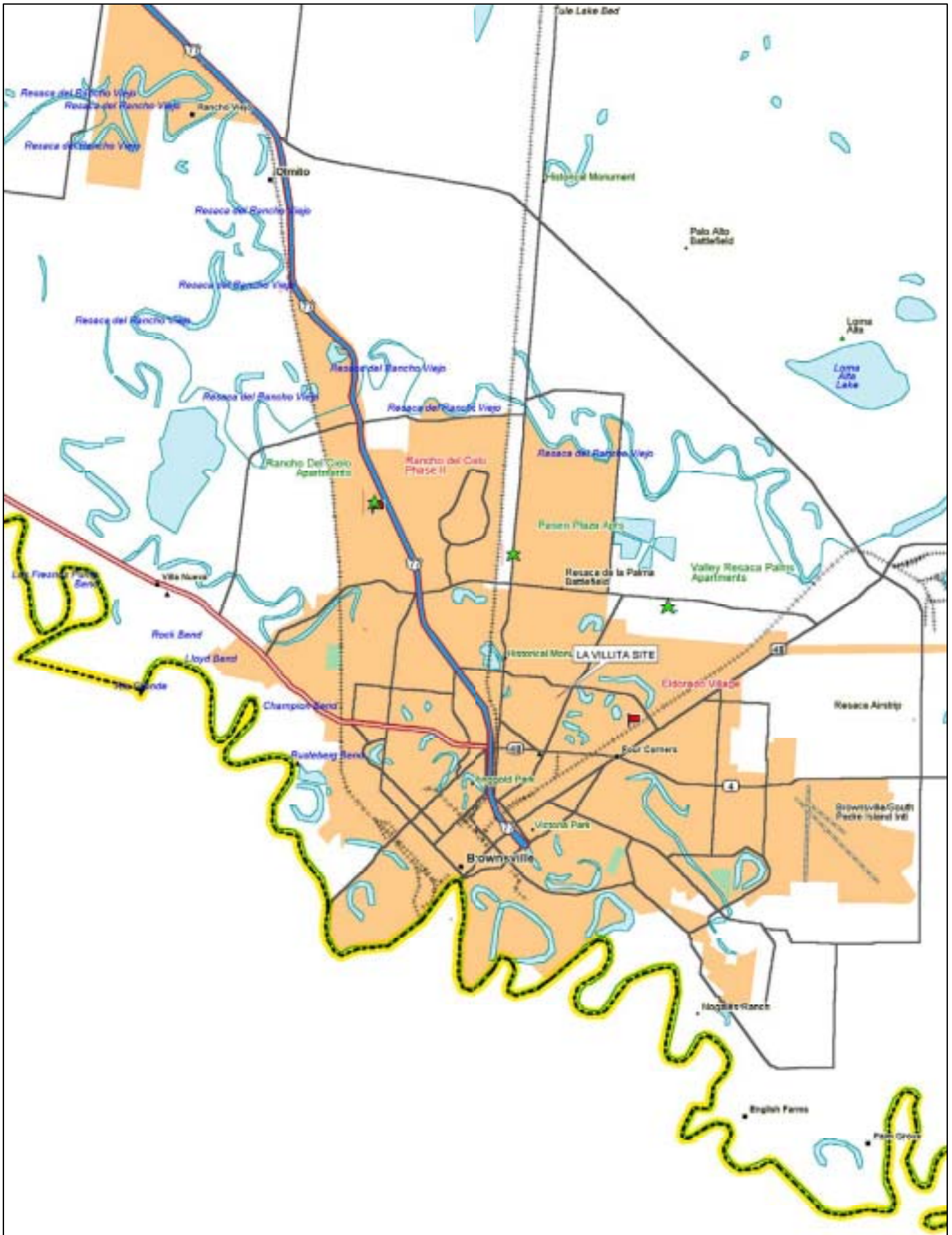
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME at 3.00%</b>									
POTENTIAL GROSS RENT	\$684,150	\$704,674	\$725,814	\$747,589	\$770,017	\$892,660	\$1,034,838	\$1,199,661	\$1,612,244
Secondary Income	15,360	15,821	16,295	16,784	17,288	20,041	23,233	26,934	36,197
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	699,510	720,495	742,110	764,373	787,304	912,702	1,058,071	1,226,595	1,648,441
Vacancy & Collection Loss	(52,463)	(54,037)	(55,658)	(57,328)	(59,048)	(68,453)	(79,355)	(91,995)	(123,633)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$647,047</b>	<b>\$666,458</b>	<b>\$686,452</b>	<b>\$707,045</b>	<b>\$728,257</b>	<b>\$844,249</b>	<b>\$978,716</b>	<b>\$1,134,600</b>	<b>\$1,524,808</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$45,200	\$47,008	\$48,888	\$50,844	\$52,877	\$64,333	\$78,272	\$95,229	\$140,963
Management	32,367	33,338	34,338	35,368	36,429	42,231	48,957	56,755	76,274
Payroll & Payroll Tax	89,352	92,926	96,644	100,509	104,530	127,176	154,729	188,252	278,659
Repairs & Maintenance	42,069	43,752	45,502	47,322	49,215	59,877	72,850	88,633	131,198
Utilities	34,674	36,061	37,504	39,004	40,564	49,353	60,045	73,054	108,138
Water, Sewer & Trash	54,684	56,872	59,146	61,512	63,973	77,833	94,695	115,211	170,541
Insurance	29,840	31,034	32,275	33,566	34,909	42,472	51,673	62,868	93,061
Property Tax	86,133	89,578	93,162	96,888	100,764	122,594	149,155	181,470	268,619
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
<b>TOTAL EXPENSES</b>	<b>\$448,119</b>	<b>\$465,721</b>	<b>\$484,016</b>	<b>\$503,033</b>	<b>\$522,801</b>	<b>\$633,977</b>	<b>\$768,907</b>	<b>\$932,684</b>	<b>\$1,372,862</b>
<b>NET OPERATING INCOME</b>	<b>\$198,927</b>	<b>\$200,737</b>	<b>\$202,436</b>	<b>\$204,012</b>	<b>\$205,456</b>	<b>\$210,272</b>	<b>\$209,809</b>	<b>\$201,917</b>	<b>\$151,945</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808
Second Lien	6,754	6,754	6,754	6,754	6,754	6,754	6,754	6,754	6,754
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$23,364</b>	<b>\$25,175</b>	<b>\$26,873</b>	<b>\$28,449</b>	<b>\$29,893</b>	<b>\$34,709</b>	<b>\$34,247</b>	<b>\$26,354</b>	<b>(\$23,617)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.13</b>	<b>1.14</b>	<b>1.15</b>	<b>1.16</b>	<b>1.17</b>	<b>1.20</b>	<b>1.20</b>	<b>1.15</b>	<b>0.87</b>

**LIHTC Allocation Calculation - La Villita Apartments, Brownsville, 9% LIHTC #03029**

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	\$655,000	\$655,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$915,000	\$915,000	\$915,000	\$915,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$4,214,000	\$4,618,022	\$4,214,000	\$4,618,022
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$101,080	\$101,080	\$101,080	\$101,080
Contractor profit	\$303,240	\$303,240	\$303,240	\$303,240
General requirements	\$303,240	\$303,240	\$303,240	\$303,240
<b>(5) Contingencies</b>				
	\$241,059	\$241,059	\$241,059	\$241,059
<b>(6) Eligible Indirect Fees</b>				
	\$462,284	\$462,284	\$462,284	\$462,284
<b>(7) Eligible Financing Fees</b>				
	\$288,841	\$288,841	\$288,841	\$288,841
<b>(8) All Ineligible Costs</b>				
	\$137,978	\$137,978		
<b>(9) Developer Fees</b>			\$1,024,312	
Developer overhead		\$89,439		\$89,439
Developer fee	\$1,029,699	\$940,260		\$940,260
<b>(10) Development Reserves</b>				
	\$128,000	\$139,379		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$8,779,421</b>	<b>\$9,194,822</b>	<b>\$7,853,055</b>	<b>\$8,262,464</b>

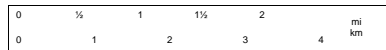
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$7,853,055	\$8,262,464
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$10,208,972	\$10,741,204
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$10,208,972	\$10,741,204
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$851,428	\$895,816

Syndication Proceeds	0.7592	\$6,464,383	\$6,801,395
<b>Total Credits (Eligible Basis Method)</b>		<b>\$851,428</b>	<b>\$895,816</b>
Syndication Proceeds		\$6,464,383	\$6,801,395
Requested Credits		\$856,933	
Syndication Proceeds		\$6,506,177	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$6,567,667</b>	
Credit Amount		\$865,032	



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 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000  
 1" = 158 mi





**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 30, 2003**

**BACKGROUND**

In February 2002, the Department's Board approved the issuance of \$10,000,000 in Taxable Junior Lien Bonds. Because the Junior Lien bonds are repaid by revenue from the senior bonds, mortgage loans made from the Junior Lien proceeds can be made with flexible terms and low interest rates. At the same board meeting, an allocation of \$2,000,000 from the Junior Lien proceeds was approved for the preservation of affordable multifamily housing, constituting the initial funding to establish the Preservation Incentives Program.

In May 2002, the Department published a notice of available funds ("NOFA") for a Preservation Incentive Program, a pilot program funded with the \$2,000,000 in Junior Lien Proceeds, and began to accept applications. Because of the nature of timing preservation transactions, the funds are made available through an open cycle, on a first-come-first-considered basis, with fallback provisions to prioritize transactions in case of an over-subscription. To date, this approach has worked well. In July 2002, the Board approved the first four transactions under the program, and allocated an additional \$2,000,000 of Junior Lien bond proceeds to the program.

**CURRENT STATUS**

Below is a summary of funding activity under the Preservation Incentive Program:

<b>Fund Allocations</b>	<b>Date</b>	<b>Amount</b>
Board Allocation (2002 Jr. Lien Proceeds)	2/21/2002	2,000,000
Board Allocation (2002 Jr. Lien Proceeds)	7/29/2002	2,000,000
<b>Total</b>		<b>\$4,000,000</b>

<b>Project Awards</b>	<b>Date</b>	<b>Amount</b>
Award (Walnut Hills Apts.) Baird, Callahan Co.	7/29/2002	282,355
Award (Colony Park Apts.) Eastland, Eastland Co.	7/29/2002	633,078
Award (Briarwood Apts.)	7/29/2002	540,000
Declination by Applicant (Briarwood Apts.)	10/11/2002	(540,000)
Award (La Mirage Apts.)	7/29/2002	540,000
Declination by Applicant (La Mirage Apts.)	10/11/2002	(540,000)
Award (Cedar Ridge Apts.) Dayton, Liberty Co	11/14/2002	1,000,000
Award (Cameron Apts.) Cameron, Milam Co.	8/26/2002	852,240
Award (Country Club Village Apts.) San Antonio, Bexar Co.	4/10/2003	909,657
<b>Total Committed to Date</b>		<b>\$2,767,673</b>

<b>Requested Award</b>		
Cedar Cove Apts., Sealy, Texas	7/30/2003	200,000
<b>Total Committed after Award Made</b>		<b>3,877,300</b>

<b>Funds Available after Award Made</b>	<b>7/30/2003</b>	<b>\$122,700</b>
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## Development Information

**Development:** Cedar Cove Apartments  
**Applicant:** FDI-CC 2003, Ltd.  
**Principals:** Fieser Real Estate Investments  
**City/County Location of Project:** Sealy, Austin County, Texas  
**Year of Construction:** 1986  
**Activity:** Acquisition/Rehab  
**Total # Units in Project:** 54 Units  
**Existing Affordable Use Restrictions:** All 54 units operate under the TX-USDA-RHS rent restrictions. Current Rents \$286 per month for one bedroom and \$346 per month for two-bedroom  
**Existing Loan:** Original Principal Amount \$1,441,800  
Interest Rate 9.50% subsidized to 1%  
Amortization 50 years  
Term 33 years  
Lien Position - first lien

## Recommended Loan Terms for Preservation Funds

**Award Amount:** \$200,000  
**Interest Rate:** 3% (interest only during the construction period)  
**Amortization:** 30 years  
**Term:** 31 years  
**Construction Period:** 1 year  
**Lien Position:** Second lien  
**Commitment Fee:** 1% of the loan amount  
**Escrows:** Provisions will be made for the escrow of taxes and insurance payments.  
**Prepayment Provisions:** No prepayment restrictions.  
**Guarantee:** Generally non-recourse. All obligations of the Borrower to indemnify the issuer, to pay certain fees and expenses, and to comply with appropriate tax covenants will be full recourse obligations of the Borrower.  
**Reserve and Replacement Account:** Adequate reserve and replacement reserves will be a requirement.  
**Compliance and Inspection Fees:** To be determined.

**Regulatory Terms**

***Occupancy and Rent Restrictions:***

60% AMFI for Rent and Income restrictions; however, USDA restrictions are more stringent and will take precedence over Department restrictions.

***Special Needs:***

5% of the units are, or will be designed to be accessible to persons with mobility impairments. 2% of the units are or will be designed to be accessible to persons with sight or hearing impairments.

**Recommendations**

Staff recommends approval subject to the conditions of TDHCA's underwriting report.



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

4. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed;
5. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Cedar Cove was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- € Receipt, review, and acceptance of confirmation that TXRD/USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested \$123,035 annually in tax credits. The project received an allocation of \$93,636 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>54</u>	<b># Rental Buildings</b>	<u>7</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>2</u>	<b>Age:</b>	<u>20</u> yrs	<b>Vacant:</b>	<u>7</u>	<b>at</b>	<u>12/ 01/ 2002</u>
<b>Net Rentable SF:</b>	<u>41,646</u>	<b>Av Un SF:</b>	<u>771</u>	<b>Common Area SF:</b>	<u>781</u>	<b>Gross Bldg SF:</b>	<u>42,427</u>						

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 70% masonry brick veneer 30% plywood/composite exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, individual water heaters, heat pump.

**ON-SITE AMENITIES**

Management office, laundry facility, equipped children's play area.

**Uncovered Parking:** 88 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Cedar Cove is a proposed acquisition and rehabilitation development of 54 units of affordable housing located in Sealy. The development was built in 1986 and is comprised of seven residential buildings as follows:

- € Two Building Style A with eight one-bedroom units;
- € One Building Style B with two two-bedroom units;
- € Three Building Style C with eight two-bedroom units; and
- € One Building Style D with twelve two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the office/laundry building located near the center.

**Existing Subsidies:** The property currently operates under TX-USDA-RHS rent restrictions. All 54 units have rents restricted to the 2003 approved Basic Rent for the property: \$265 per month for one-bedroom units and \$325 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limits to \$310 per month and \$363 per month. The requested rent level represents a 12-17% increase. According to rental assistance worksheet provided in the Application, 25 units currently are receiving rental assistance.

**Development Plan:** The work write-up, signed by the architect, includes: revise grading, site drainage, new sign, parking stripes, landscaping, add sand, border and equipment to playground, repair fencing, carpentry

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work on stairs, repair exterior door frame and replace hardware, ceiling insulation, replace gutters and downspouts, electrical work, install water saving shower heads, repair/replace toilets, replace fittings, replace water heaters, replace air conditioners, install new ceiling fans, replace doors, miscellaneous window repairs, install solar screens, patch drywall, replace flooring, interior and exterior painting, repair and replace cabinetry, replace range, hood and fan, and refrigerators. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 87% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

**Architectural Review:** The elevations are typical of 1980's construction with majority brick exteriors. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The buildings are two-story walk-up structures and the units have single entries off common balconies shared with other units on each floor.

**Supportive Services:** The Applicant does not plan to provide supportive services.

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

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	3.948 acres	171,975	square feet <b>Zoning/ Permitted Uses:</b> n/a (Sealy)
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject site is located on the south line of Eagle Lake Drive, just east of US Highway 90 in the southwest quadrant of the City of Sealy. Sealy is located in Austin County, in the Coastal Bend area about 75 miles northwest of the Gulf of Mexico.

**Population:** Currently, 5,248 people are estimated to live in Sealy. The immediate neighborhood had a population of 5,953 in 2000, projected at 6,279 for 2005. This equates to 2,173 households in 2000 and 2,309 households in 2005.

**Adjacent Land Uses:** This area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, duplexes and a new nursing home across the street from the subject.

**Site Access:** Immediate access is from Eagle Lake Drive. The subject area is accessed via IH 10, which effectively is the southern neighborhood boundary and is the primary intercoastal route from California to Florida. Access to this interstate freeway is via State Highway 36, which extends through the central portion of the City of Sealy.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** Shopping and services within the subject area was not directly addressed by the submitted market study.

**Site Inspection Findings:** The site was inspected by an ORCA staff member on April 23, 2003 and found to be poor for the proposed development. The inspector also noted the interior rehabilitation needed is extensive. Even though the Overall Site Assessment conclusion by the inspector was poor the site inspection report reflects less than 85% of the individual ratings were poor, in fact only seventeen or 25% were rated as poor and twelve or 18% were rated as good; therefore, the overall rating would be classified as acceptable.

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

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]..."

**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 tenants with incomes at or

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below 60% of AMGI.

As stated above, the development’s rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. There are no specific requirements under the Preservation Incentives Demonstration Program other than requiring that affordable units remain affordable and encouraging owner’s to maintain the current funding and a current or greater affordability level. Because the property is located within the Houston MSA, the maximum tax credit rents are significantly higher than the proposed USDA rents.

<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>	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

**MARKET HIGHLIGHTS**

Section 49.9(e)(13)(B) of the 2003 QAP states, “For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required...”

**OPERATING PROFORMA ANALYSIS**

**Income:** The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 12-17% increase in the Basic Rents.

The Applicant’s secondary income projection of \$10 per unit per month and vacancy and collection loss assumption of 7.5% is consistent with Department guidelines and the development’s operating history. The Applicant’s effective gross income figure is identical to the Underwriter’s estimate

**Expenses:** The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development’s actual operating expenses for 2002. The Applicant’s total annual operating expense estimate of \$3,031 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 – property tax (more than 10% lower).

**Conclusion:** The Applicant’s overall proforma is consistent with the Underwriter’s expectations, thus the Applicant’s NOI will be used to evaluate debt service capacity.

Applying the proposed Basic Rent increase and the proposed debt service as recalculated by the Underwriter results in a debt coverage ratio that is below the Department’s minimum debt coverage ratio guideline of 1.10. Therefore, the Underwriter believes that the Preservation loan rate needs to be reduced to 2%. Without the increase in rents as proposed, the Preservation loan at the higher rate cannot be repaid and the transaction becomes infeasible.

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of Basic Rents is a condition of this report.

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ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 3.95 acres	\$50,000		Date of Valuation:	02/ 27/	2003
Existing Building(s): "as is"	\$2,050,000		Date of Valuation:	02/ 27/	2003
Total Development: "as is"	\$2,100,000		Date of Valuation:	02/ 27/	2003
Appraiser:	The Gerald A Teel Company	City:	Houston	Phone:	(713) 467-5858
APPRAISED ANALYSIS/CONCLUSIONS					
<p><b>Analysis:</b> The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rents of \$286 per month for one-bedroom units and \$346 per month for two-bedroom units, total annual expenses of a \$2,690 per unit, and an extremely low capitalization rate of 3.0%.</p> <p><b>Conclusion:</b> The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.</p>					
ASSESSED VALUE					
Land: 3.9486 acres	\$31,790		Assessment for the Year of:	2002	
Building:	\$496,865		Valuation by:	Austin County Appraisal District	
Total Assessed Value:	\$528,655		Tax Rate:	2.6118	
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	One to Four Family Residential Contract (Resale)				
Contract Expiration Date:	10/ 31/	2003	Anticipated Closing Date:	10/ 31/	2003
Acquisition Cost:	\$1,548,389		Other Terms/Conditions:	\$149K cash to seller	
Seller:	Cedar Cove Apartments, Ltd. (Donald W Sowell)			Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION
<p><b>Acquisition Value:</b> The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of \$50,000 and a total appraised value of \$2,100,000, the ratio of land cost to total cost is 24%. Applying this ratio to the sales price of \$1,548,389 results in a land cost of \$36,866 and an acquisition eligible basis of \$1,511,523. This actually provides a slightly lower acquisition value than claimed by the Applicant and thus the Applicant's value is overstated using this method. It should be noted that this amount of acquisition basis is \$143,726 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be \$149,000 more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the \$23.5K existing replacement reserve account.</p>



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These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

**Site work Cost:** The Applicant's claimed sitework costs of \$741 per unit are considered reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

**Fees:** 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 \$851. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

**Other:** The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by \$6,521 and a reduction of equal amount from eligible basis was required.

**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 acquisition basis contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. Aside from these differences the Underwriter's costs are identical so in this case it appears that the Underwriter's costs are being used when in fact they are the Applicant's adjusted costs. As a result an eligible basis of \$2,431,686 is used to determine a credit allocation of \$120,931 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE							
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>							
<b>Source:</b>	MuniMae Midland			<b>Contact:</b>	Stacey Kulyk		
<b>Principal Amount:</b>	\$620,326		<b>Interest Rate:</b>	6% as of commitment, set at closing			
<b>Additional Information:</b>	Subject to RD commitment						
<b>Amortization:</b>	n/a	yrs	<b>Term:</b>	1	yrs	<b>Commitment:</b>	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>LONG TERM/PERMANENT FINANCING</b>							
<b>Source:</b>	TX-USDA-RHS			<b>Contact:</b>	William Taylor		
<b>Original Principal Amount:</b>	\$1,441,800		<b>Unpaid Principal: (12/2002)</b>	\$1,399,389			
<b>Interest Rate:</b>	9.50%, subsidized to 1%			<b>Additional Information:</b>	Assumption of existing loan		
<b>Amortization:</b>	50	yrs	<b>Term:</b>	33	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$36,780		<b>Lien Priority:</b>	1 <sup>st</sup>		<b>Commitment Date</b>	/ /
<b>LIHTC SYNDICATION</b>							
<b>Source:</b>	Midland Equity Corporation			<b>Contact:</b>	Ryan Luxon		
<b>Address:</b>	Two Galleria Tower, 13455 Noel Road, Suite 1430			<b>City:</b>	Dallas		
<b>State:</b>	TX	<b>Zip:</b>	75240	<b>Phone:</b>	(888) 223-5794	<b>Fax:</b>	(972) 404-9133
<b>Net Proceeds:</b>	\$939,115		<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	77¢			



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MULTIFAMILY UNDERWRITING ANALYSIS**

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

**Financial Highlights:** The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

**Background & Experience:** James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € 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.
- € Significant inconsistencies in the application could affect the financial feasibility of the project.
- € Items identified in previous reports have not been satisfactorily addressed.

**Credit Underwriting Supervisor:**

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

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 9, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 60%	16	1	1	634	\$670	\$310	\$4,960	\$0.49	\$69.00	n/a
TC 60%	38	2	1	829	804	363	13,794	0.44	104.00	n/a
<b>TOTAL:</b>	<b>54</b>		<b>AVERAGE:</b>	<b>771</b>	<b>\$764</b>	<b>\$347</b>	<b>\$18,754</b>	<b>\$0.45</b>	<b>\$93.63</b>	<b>n/a</b>

<b>INCOME</b>				<b>Total Net Rentable Sq Ft: 41,646</b>		<b>TDHCA</b>	<b>APPLICANT</b>			
<b>POTENTIAL GROSS RENT</b>						\$225,048	\$225,048	USS Region	6	
Secondary Income	Per Unit Per Month:	\$10.00				6,480	6,480	IREM Region	Houston	
Other Support Income: (describe)						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$231,528	\$231,528			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%				(17,365)	(17,364)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$214,163	\$214,164			
<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	4.16%	\$165	0.21		\$8,910	\$5,885		\$0.14	\$109	2.75%
Management	8.41%	333	0.43		18,001	\$19,080		0.46	353	8.91%
Payroll & Payroll Tax	17.40%	690	0.89		37,267	\$35,598		0.85	659	16.62%
Repairs & Maintenance	13.51%	536	0.69		28,940	\$32,721		0.79	606	15.28%
Utilities	1.33%	53	0.07		2,859	\$2,300		0.06	43	1.07%
Water, Sewer, & Trash	10.81%	429	0.56		23,143	\$26,020		0.62	482	12.15%
Property Insurance	4.86%	193	0.25		10,412	\$11,158		0.27	207	5.21%
Property Tax	8.23%	326	0.42		17,630	\$14,700		0.35	272	6.86%
Reserve for Replacements	7.56%	300	0.39		16,200	\$16,200		0.39	300	7.56%
Other Expenses:	0.00%	0	0.00		0	\$0		0.00	0	0.00%
<b>TOTAL EXPENSES</b>	<b>76.28%</b>	<b>\$3,025</b>	<b>\$3.92</b>		<b>\$163,361</b>	<b>\$163,662</b>		<b>\$3.93</b>	<b>\$3,031</b>	<b>76.42%</b>
<b>NET OPERATING INC</b>	<b>23.72%</b>	<b>\$941</b>	<b>\$1.22</b>		<b>\$50,802</b>	<b>\$50,502</b>		<b>\$1.21</b>	<b>\$935</b>	<b>23.58%</b>
<b>DEBT SERVICE</b>										
USDA-RHS existing note	17.12%	\$679	\$0.88		\$36,655	\$45,651		\$1.10	\$845	21.32%
TDHCA HOME	4.72%	\$187	\$0.24		10,118	0		\$0.00	\$0	0.00%
TDHCA HOME	0.00%	\$0	\$0.00		0	0		\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>1.88%</b>	<b>\$75</b>	<b>\$0.10</b>		<b>\$4,029</b>	<b>\$4,851</b>		<b>\$0.12</b>	<b>\$90</b>	<b>2.27%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>										
						1.09			1.11	
<b>RECOMMENDED DEBT COVERAGE RATIO</b>										
						1.12			1.11	

<b>CONSTRUCTION COST</b>										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bid)		61.17%	\$28,674	\$37.18	\$1,548,389	\$1,548,389	\$37.18	\$28,674	61.00%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		1.58%	741	0.96	40,000	40,000	0.96	741	1.58%	
Direct Construction		14.42%	6,759	8.76	365,000	365,000	8.76	6,759	14.38%	
Contingency	10.00%	1.60%	750	0.97	40,500	46,170	1.11	855	1.82%	
General Req'ts	6.00%	0.96%	450	0.58	24,300	24,300	0.58	450	0.96%	
Contractor's G & A	2.00%	0.32%	150	0.19	8,100	8,100	0.19	150	0.32%	
Contractor's Profit	6.00%	0.96%	450	0.58	24,300	24,300	0.58	450	0.96%	
Indirect Construction		2.23%	1,044	1.35	56,394	56,394	1.35	1,044	2.22%	
Ineligible Costs		0.46%	217	0.28	11,743	11,743	0.28	217	0.46%	
Developer's G & A	2.94%	2.46%	1,151	1.49	62,145	63,758	1.53	1,181	2.51%	
Developer's Profit	12.06%	10.08%	4,723	6.12	255,031	255,031	6.12	4,723	10.05%	
Interim Financing		1.75%	822	1.07	44,393	44,393	1.07	822	1.75%	
Reserves		2.01%	943	1.22	50,926	50,926	1.22	943	2.01%	
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$46,874</b>	<b>\$60.78</b>	<b>\$2,531,221</b>	<b>\$2,538,504</b>	<b>\$60.95</b>	<b>\$47,009</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>		<b>19.84%</b>	<b>\$9,300</b>	<b>\$12.06</b>	<b>\$502,200</b>	<b>\$507,870</b>	<b>\$12.19</b>	<b>\$9,405</b>	<b>20.01%</b>	

<b>SOURCES OF FUNDS</b>										
					TDHCA	APPLICANT	RECOMMENDED			
USDA-RHS existing note	55.29%	\$25,915	\$33.60		\$1,399,389	\$1,399,389	\$1,399,389	Developer fee Available		
TDHCA HOME	7.90%	\$3,704	\$4.80		200,000	200,000	200,000	\$317,938		
LIHTC Syndication Proceeds	37.10%	\$17,391	\$22.55		939,115	939,115	931,076	% of Dev. Fee Deferred		
Deferred Developer Fees	0.00%	\$0	\$0.00		0	0	8,039	3%		
Additional (excess) Funds Required	-0.29%	(\$135)	(\$0.17)		(7,283)	0	0	Dev Fee Repayable in 15 yrs		
<b>TOTAL SOURCES</b>					<b>\$2,531,221</b>	<b>\$2,538,504</b>	<b>\$2,538,504</b>	<b>\$51,354.96</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,441,800	Term	600
Int Rate	1.00%	DCR	1.39

<b>Secondary</b>	\$200,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.09

<b>Additional</b>	\$939,115	Term	
Int Rate		Aggregate DCR	1.09

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S I**

Primary Debt Service	\$36,655
Secondary Debt Service	8,871
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$5,276</b>

<b>Primary</b>	\$1,441,800	Term	600
Int Rate	1.00%	DCR	1.39

<b>Secondary</b>	\$200,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.12

<b>Additional</b>	\$939,115	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

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

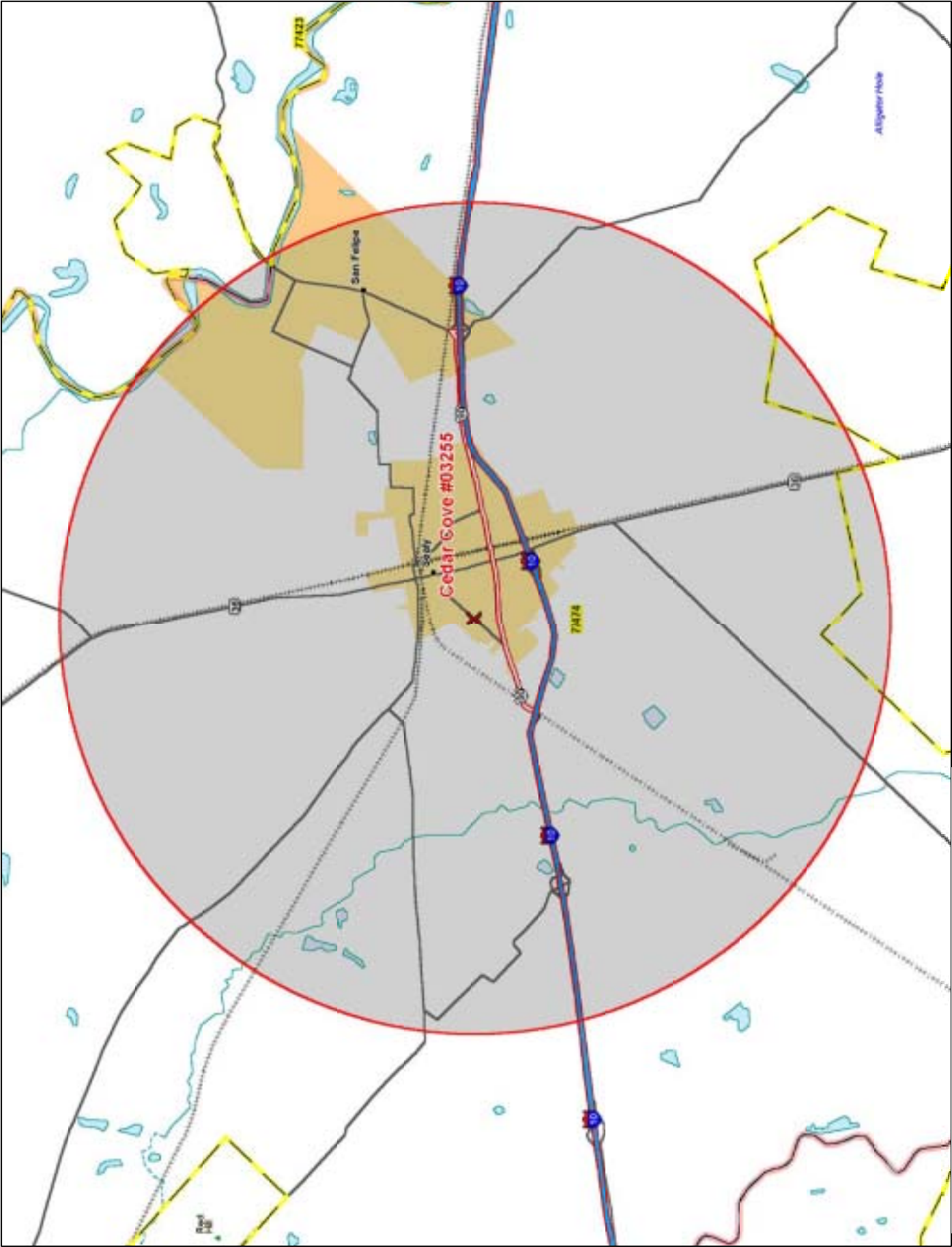
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$225,048	\$231,799	\$238,753	\$245,916	\$253,294	\$293,637	\$340,405	\$394,623	\$530,340
Secondary Income	6,480	6,674	6,875	7,081	7,293	8,455	9,802	11,363	15,271
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	231,528	238,474	245,628	252,997	260,587	302,092	350,207	405,986	545,611
Vacancy & Collection Loss	(17,365)	(17,886)	(18,422)	(18,975)	(19,544)	(22,657)	(26,266)	(30,449)	(40,921)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$214,163	\$220,588	\$227,206	\$234,022	\$241,043	\$279,435	\$323,941	\$375,537	\$504,690
EXPENSES at 4.00%									
General & Administrative	\$8,910	\$9,266	\$9,637	\$10,023	\$10,423	\$12,682	\$15,429	\$18,772	\$27,787
Management	18,001	18,541	19,097	19,670	20,260	23,487	27,227	31,564	42,419
Payroll & Payroll Tax	37,267	38,758	40,308	41,921	43,597	53,043	64,535	78,517	116,224
Repairs & Maintenance	28,940	30,098	31,302	32,554	33,856	41,191	50,115	60,972	90,254
Utilities	2,859	2,973	3,092	3,216	3,345	4,069	4,951	6,023	8,916
Water, Sewer & Trash	23,143	24,069	25,031	26,033	27,074	32,940	40,076	48,759	72,175
Insurance	10,412	10,828	11,261	11,712	12,180	14,819	18,029	21,935	32,470
Property Tax	17,630	18,335	19,068	19,831	20,624	25,092	30,529	37,143	54,981
Reserve for Replacements	16,200	16,848	17,522	18,223	18,952	23,058	28,053	34,131	50,522
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$163,361	\$169,715	\$176,319	\$183,180	\$190,311	\$230,380	\$278,945	\$337,817	\$495,748
NET OPERATING INCOME	\$50,802	\$50,873	\$50,887	\$50,842	\$50,732	\$49,055	\$44,997	\$37,720	\$8,942
DEBT SERVICE									
First Lien Financing	\$36,655	\$36,655	\$36,655	\$36,655	\$36,655	\$36,655	\$36,655	\$36,655	\$36,655
Second Lien	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$5,276	\$5,347	\$5,361	\$5,316	\$5,206	\$3,529	(\$529)	(\$7,806)	(\$36,584)
DEBT COVERAGE RATIO	1.12	1.12	1.12	1.12	1.11	1.08	0.99	0.83	0.20

**LIHTC Allocation Calculation - Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds**

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	\$31,790	\$36,866				
Purchase of buildings	\$1,516,599	\$1,511,523	\$1,516,599	\$1,511,523		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$40,000	\$40,000			\$40,000	\$40,000
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$365,000	\$365,000			\$365,000	\$365,000
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$8,100	\$8,100			\$8,100	\$8,100
Contractor profit	\$24,300	\$24,300			\$24,300	\$24,300
General requirements	\$24,300	\$24,300			\$24,300	\$24,300
<b>(5) Contingencies</b>	\$46,170	\$40,500			\$40,500	\$40,500
<b>(6) Eligible Indirect Fees</b>	\$56,394	\$56,394			\$56,394	\$56,394
<b>(7) Eligible Financing Fees</b>	\$44,393	\$44,393			\$44,393	\$44,393
<b>(8) All Ineligible Costs</b>	\$11,743	\$11,743				
<b>(9) Developer Fees</b>			\$227,490	\$226,728	\$90,448	\$90,448
Developer overhead	\$63,758	\$62,145				
Developer fee	\$255,031	\$255,031				
<b>(10) Development Reserves</b>	\$50,926	\$50,926				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,538,504</b>	<b>\$2,531,221</b>	<b>\$1,744,089</b>	<b>\$1,738,251</b>	<b>\$693,435</b>	<b>\$693,435</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>\$1,744,089</b>	<b>\$1,738,251</b>	<b>\$693,435</b>	<b>\$693,435</b>
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$1,744,089</b>	<b>\$1,738,251</b>	<b>\$693,435</b>	<b>\$693,435</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$1,744,089</b>	<b>\$1,738,251</b>	<b>\$693,435</b>	<b>\$693,435</b>
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$63,310</b>	<b>\$63,099</b>	<b>\$57,832</b>	<b>\$57,832</b>

Syndication Proceeds	0.7699	\$487,442	\$485,810	\$445,266	\$445,266
<b>Total Credits (Eligible Basis Method)</b>				<b>\$121,143</b>	<b>\$120,931</b>
Syndication Proceeds				\$932,707	\$931,076
Requested Credits				\$122,045	
Syndication Proceeds				\$939,653	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$939,115</b>	
Credit Amount				\$121,975	



1 mi

Scale: 1 : 100,000 Zoom Level: 11-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E