



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Carpenter's Point, TDHCA Number 07101

BASIC DEVELOPMENT INFORMATION

Site Address: 3326 Mingo St. Development #: 07101
 City: Dallas Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75223 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Carpenter's Point, L.P.
 Owner Contact and Phone: George King, Jr. (469) 693-5113
 Developer: National Housing Advisors, LLC
 Housing General Contractor: Carleton Construction, Ltd
 Architect: Beeler, Guest, Owens Architects, L.P.
 Market Analyst: Integra Realty Resources
 Syndicator: Apollo Housing Capital LLC
 Supportive Services: Hebron Development, LLC
 Consultant: Carleton Development, Ltd

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	145
	15 0 0 130	Market Rate Units:	5
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 126 24 0 0 0	Total Development Units:	150
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



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Carpenter's Point, TDHCA Number 07101

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: West, District 23, S	Points: 7	US Representative: Johnson, District 30, NC
TX Representative: Hodge, District 100, NC	Points: 0	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC	Resolution of Support from Local Government <input checked="" type="checkbox"/>
S, Jerry Killingsworth, Director Housing Department	S, John Wiley Price, Dallas County Commissioner
S, Mavis B. Knight, Member, Texas State Board of Education	S, Timothy J. Lott, Chief Projects Officer, Dallas Housing Authority

Individuals and Businesses In Support: **14** In Opposition **0**

Quantifiable Community Participation Input:

Dolphin Heights Neighborhood Crime Watch Association, Anna Hill Letter Score: 24 S or O: S

This project will be an asset to elderly person, and it is an asset to the community and will improve the overall community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Broad support received from elected official, non-officials and a qualified neighborhood organization. Multiple supportive comments received during the public comment portion of the June and July Board meetings. Commenters requested forward commitments of 2008 tax credits.

CONDITIONS OF COMMITMENT



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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Tree Village, TDHCA Number 07103

BASIC DEVELOPMENT INFORMATION

Site Address: 2700 Blk of FM 1266 Development #: 07103
 City: Dickinson Region: 6 Population Served: Elderly
 County: Galveston Zip Code: 77539 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Community Retirement Center of Galveston County, L.P.
 Owner Contact and Phone: Charles Holcomb (713) 522-4141
 Developer: OTV Development Group, LLC
 Housing General Contractor: To Be Determined
 Architect: Joseph Hoover
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Column Capital, LLC
 Supportive Services: Mainland Medical Center
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36
	4	0	0	32	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	30	6	0	0	0
Type of Building:					Total Development Units:	36
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building				Total Development Cost*:	\$4,126,115
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence				Number of Residential Buildings:	9
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy				HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional				HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$373,082	\$371,883			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Tree Village, TDHCA Number 07103

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, S Points: 7 US Representative: Paul, District 14, S
 TX Representative: Taylor, District 24, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
 S, Stephen Holmes, Commissioner Precinct 3

Individuals and Businesses In Support: **4** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
 Greater New Hope Missionary Baptist Church S or O: S
 Dickinson Economic Environmental Dev. "DEEDS" S or O: S
 New Hope Baptist Church S or O: S
 Texas City-La Marque Chamber of Commerce S or O: S

General Summary of Comment:

Support received from elected officials and non-officials

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, before carryover, of an amended title policy consistent with the acquisition cost.

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

Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation in the amount of \$212,000, or a commitment from a qualifying substitute source in an amount not less than \$206,306, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Tree Village, TDHCA Number 07103

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

Competitive Housing Tax Credits: Score: **202** Meeting a Required Set-Aside Credit Amount*: \$371,883

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/20/07

PROGRAM: 9% HTC

FILE NUMBER: 07103

DEVELOPMENT	
Oak Tree Village	
Location: <u>2700 block of FM 1266</u>	Region: <u>6</u>
City: <u>Dickinson</u> County: <u>Galveston</u> Zip: <u>77539</u>	<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, New Construction, Elderly, Urban/Exurban</u>	

ALLOCATION						
	REQUEST *			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program	\$373,082			\$371,883		
Housing Tax Credit (Annual)						

* The Application originally requested an allocation of \$393,048; this was reduced by the Applicant to \$373,082 with revised information submitted June 6, 2007.

CONDITIONS
1 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted. 2 Receipt, review, and acceptance, before carryover, of an amended title policy consistent with the acquisition cost.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
60% of AMI	60% of AMI	32

PROS

This is the first HTC property in Dickenson proper and the market study suggests the subject will provide much-needed senior housing in the area.

CONS

The Applicant's high expense to income ratio is within 1% of the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable.

The number of one-bedroom units targeting 60% households may be more than needed based upon the unit capture rate calculated by the Market Analyst.

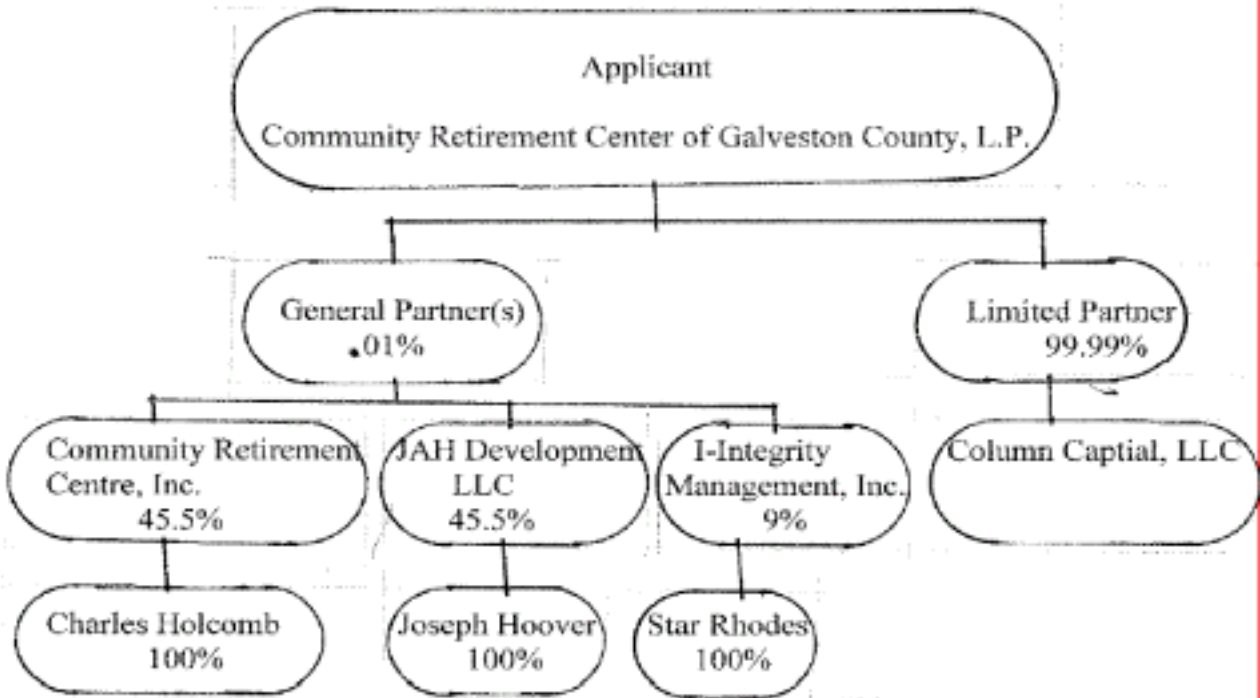
The evaluation of the market suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

No previous reports

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Charles Holcomb Phone: (713) 522-4141 Fax: (936) 566-4646
 Email: crhjah@cebridge.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Community Retirement Centre, Inc.	\$89,686	\$8,236	none
JAH Development LLC	newly formed entity		none
I-Integrity Management, Inc.	\$36,052	\$36,052	none
Charles Holcomb	confidential	confidential	Live Oak Village (02011), Courts of Las Palomas (97027), Dayton Retirement Center (94146)
Joseph Hoover	confidential	confidential	none
Star Rhodes	confidential	confidential	Live Oak Village (02011), Azalea Gardens (00015)

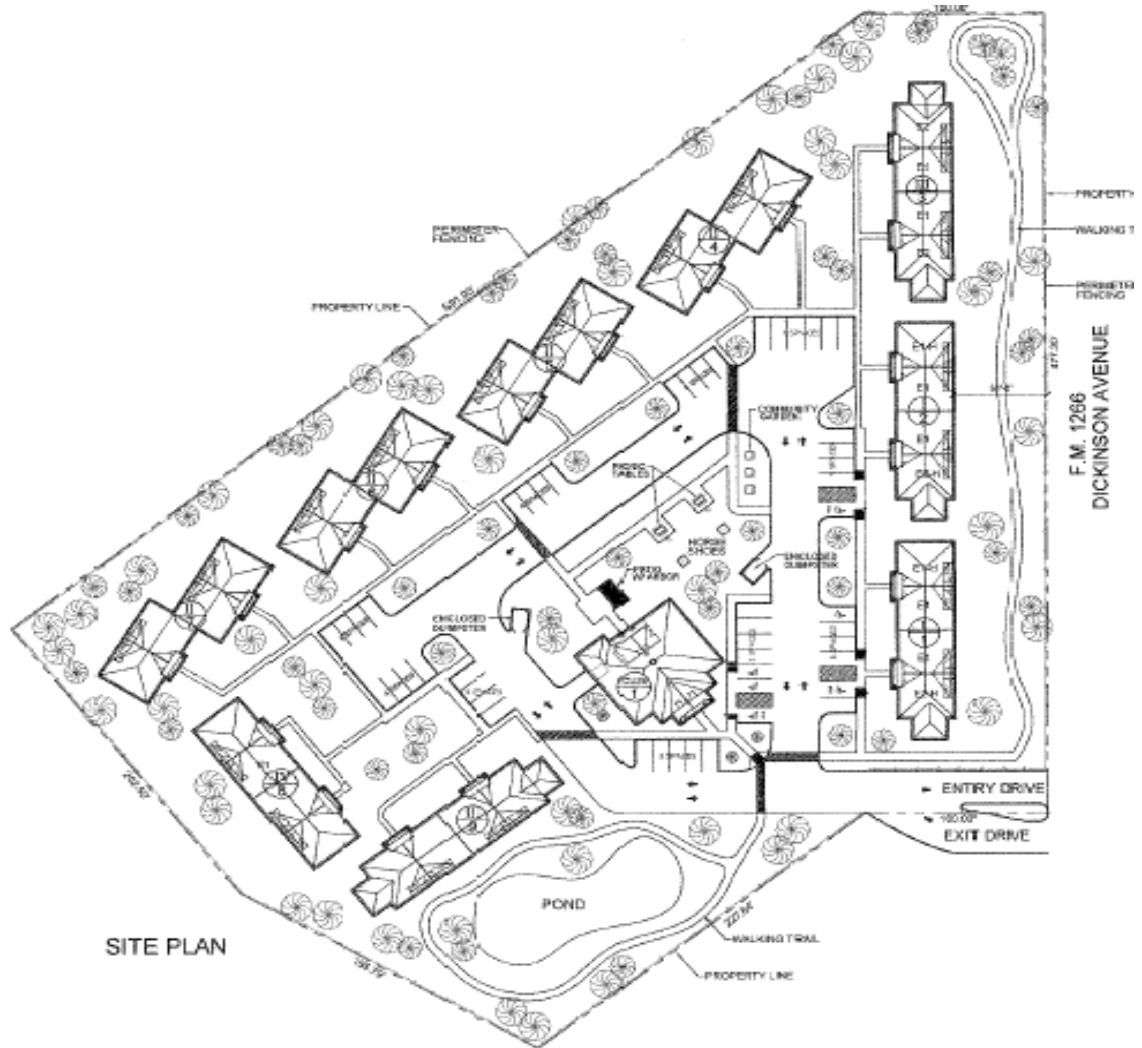
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, Architect, and Property Manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



SITE PLAN

BUILDING CONFIGURATION

Building Type	I	II	III	IV											Total Buildings
Floors/Stories	1	1	1	1											
Number	2	4	2	1											9

BR/BA	SF	Units										Total Units	Total SF	
1/1	667	3	4	2	4								30	20,010
2/1	880	1		2									6	5,280
Units per Building		4	4	4	4								36	25,290

SITE ISSUES

Total Size:	<u>4.78</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>C</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>N/A</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/24/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: residential East: school, residential
 South: residential West: residential, undeveloped land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Associated Testing Laboratories, Inc. Date: 3/19/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 none

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc. Date: 3/13/2007
 Contact: Edward A. Ipser, Sr. Phone: (817) 927-2838 Fax: (817) 927-0032
 Number of Revisions: N/A Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 39 square miles ¹ 3.5 mile radius
 "The market area for the subject is defined by 8 census tracts ... covering an area roughly bounded by IH-45 on the (west), FM 518 on the north, the Gulf of Mexico on the (east), and Dickinson Bayou on the south." (p. 2-11) This primary market area (PMA) encompasses 39 square miles, and is equivalent to a radius of approximately 3.5 miles.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units <small>25%</small>
None				N/A			

INCOME LIMITS						
Galveston						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	4	1	0	5	2	0	40%
1 BR / 60%	5	1	0	6	28	0	467%
2 BR / 30%	6	1	0	7	2	0	29%
2 BR / 60%	14	0	0	14	4	0	29%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p.	5,079	100%	5,079	28%	1,422	16%	232	24%	56
Underwriter	17% 5,211	100%	5,211	28%	1,438	16%	233	24%	56
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p.	5,079	3%	132	28%	37	16%	6	100%	6
Underwriter	5,211	3%	135	28%	37	16%	6	100%	6
INCLUSIVE CAPTURE RATE									
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate			
Market Analyst ex N-1	36	0	0	36	62	58.39%			
Underwriter	36	0	0	36	62	58.14%			

Primary Market Occupancy Rates:

"Although Dickinson had no independent living location for elderly, (the Analyst) surveyed 2 elderly-designated Housing Tax Credit (HTC) properties in the area, and these two projects were 90% occupied and 93.5% economically leased ... Maplewood Crossing, a 100-unit elderly-designated HTC in League City (about 6 miles northwest of the subject), opened in June 2006. Still in lease-up, occupancy was 80% and 87% leased ... Village at Morningstar, a 100-unit elderly-designated HTC in Texas City (11 miles southeast of the subject) opened in March 2006. Morningstar was 100% occupied." (p. 3-2)

Absorption Projections:

"Absorption information was obtained from the two elderly-designated HTC properties ... Maplewood Crossing ... absorption rate has ranged from 9 to 10 units per month. Village at Morningstar ... achieved 100% occupancy (with) a monthly absorption rate of 13 units. Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that a 9 to 10 month lease-up period will be required to achieve 92.5% occupancy of the 36 units." (p. 2-20)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 667 SF 30%	\$213	\$213	\$610	\$213	\$397		
1 BR 667 SF 60%	\$556	\$556	\$610	\$556	\$54		
2 BR 880 SF 30%	\$245	\$245	\$710	\$245	\$465		
2 BR 880 SF 60%	\$657	\$657	\$710	\$657	\$53		

Market Impact:

"The only elderly facility in Dickinson is La Vita Bella, a Type A assisted living home, about 2.9 miles southwest of the site. La Vita was 100% occupied ... a small private room rents for \$2,550 a month ... including 3 daily meals, housekeeping, all utilities, personal laundry, weekly linen service, medication monitoring, and personal care assistance. Because this is the only facility in the city, the contact at La Vita Bella indicated that Dickinson needs an independent living complex for its seniors." (p. 2-19)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Texas City / Galveston submarket within the Houston MSA, but also within a mile of the boundary of the Friendswood / Clear Lake submarket. The PMA identified in the subject application straddles the boundary line, and the PMA is significantly smaller than either submarket (a population of 48K as compared to 176K and 309K). In the Texas City submarket, the Vogt, Williams study identifies one-year growth-based demand for 151 units from senior households below 30% of AMI, and negative demand (-14 units) from senior households between 51-60% of AMI. In the Friendswood submarket, the study identifies demand for 47 units from seniors below 30% of AMI and negative demand (-41 units) from seniors between 51-60% of AMI.

The Market Analyst for the subject application reviewed the Houston MSA study, in particular the Texas City / Galveston Submarket as it relates to Oak Tree Village. The Analyst notes that "the survey data discussed in the (Houston MSA study) did not include any developments within the Dickinson community". The Analyst goes on to state "the proposed 36-unit Oak Tree Village ... is less than the demand indicated for elderly housing in 2008, the earliest the subject would come on-line. Therefore, the proposed Oak Tree Village is within the scope of demand indicated in the (Houston MSA study). However, in our opinion, the study understates the potential demand for elderly housing in the Texas City / Galveston Submarket."

Comments:

The Market Analyst calculated an Inclusive Capture Rate of 58%. This capture rate was confirmed by the Underwriter. TDHCA underwriting guidelines allow an inclusive capture rate up to 75% for developments targeting the elderly. The Market Study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

The Applicant's projected income is based on the 2007 maximum HTC program rents for Galveston County, adjusted for the utility allowance maintained by the Housing Authority of Texas City, dated 12/18/2006. The Applicant projects secondary income of \$3 per unit per month from laundry, while the underwriter included secondary income of \$10 per unit per month. In the revised rent schedule submitted June 6, the Applicant made allowance for losses due to vacancy and collection at a total of 5% of potential income based on experience that these losses at senior developments tend to be less than at family developments. The Underwriter applied the standard guideline of 7.5% of potential income. The Applicant's projected effective gross income is within 1% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

The Applicant's revised projection for total annual operating expenses of \$3,952 per unit is within 3% of the Underwriter's estimate of \$3,879 per unit. The Applicant's claimed expense for property insurance is relatively high at \$24,077 per year, or \$669 per unit, but this was supported by an insurance company quote; the Underwriter applied this amount. Other specific line items with significant variances include: general & administrative expense (the Applicant's projection is \$4K lower than the Underwriter's estimate); and water, sewer, and trash (the Applicant's projection is higher by \$4K).

Conclusion:

The application as submitted indicated a first year expense ratio (total operating expense divided by effective gross income) of 70%, which exceeds the underwriting guideline limit of 65%. As a result of other clarifications needed with regard to expenses, the Applicant reviewed overall expenses with the Property Manager and made a number of adjustments, notably including a reduced manager's salary, and management fee limited to 4%, based on shared resources with a common property nearby in LaMarque. The Applicant's revised projection of total annual operating expenses provides a first year expense ratio below 65%. Since the Applicant's projected effective gross income, annual expenses, and net operating income (NOI) are each within 5% of the Underwriter's estimates, the Applicant's figures will be used to determine debt capacity.

The Applicant projected debt service on a permanent mortgage of \$600,000 at 7.5% APR; however, the lender's commitment indicates the interest rate shall be the greater of (i) a spread (currently at 225 bps) added to a current T-Note Yield (currently at 4.78%), producing a current total of 7.03%, or (ii) a Floor Rate of 7.10%. The Underwriter's recommended financing structure will include debt service calculated at 7.10%. The revised income, expenses, development cost, and financing documentation submitted on June 6 included an increase in the primary mortgage amount to \$660,000 and a reduction to the requested tax credit allocation to \$373,082 per year.

However, the first year debt service is overstated at \$57K. Years two through fifteen indicate a more accurate estimate of \$53K. The revised amount results in a debt coverage ratio (DCR) of 1.44, which exceeds the underwriting guideline range of 1.15 to 1.35, indicating the development has sufficient cash flow to support additional permanent debt. The Underwriter's recommended financing structure will therefore include an increase in the permanent debt suggested by the Applicant. This is discussed further under "Conclusions" below.

Feasibility:

The Applicant's estimated NOI and the recommended financing structure are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis, which includes a revised total annual debt service, indicates continued positive cash flow, providing a first year DCR of 1.35, and maintaining a DCR above 1.15; the project can therefore be considered financially feasible.

ACQUISITION INFORMATION			
ASSESSED VALUE			
Land Only: 20.1 acres	\$250,750	Tax Year:	2006
Assessed Value per acre:	\$12,506	Valuation by:	Galveston County CAD
pro rata 4.78 acres:	\$59,780	Tax Rate:	2.5562
EVIDENCE of PROPERTY CONTROL			
Type: <u>Option Agreement</u>			Acreage: <u>4.78</u>
Contract Expiration: <u>9/30/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Acquisition Cost: <u>\$312,325</u>	Other: <u>\$1.50 per gross square foot</u>		
Seller: <u>W. J. Wasko</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
TITLE			
<p>Comments:</p> <p>The title insurance policy is only for \$208K, significantly less than the acquisition cost of \$312K. Receipt, review, and acceptance, before carryover, of an amended title policy consistent with the acquisition cost, will be a condition of this report.</p>			

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/6/2007

Acquisition Value:

The acquisition cost of \$312,325, or \$1.50 per square foot, is assumed to be reasonable because the purchase is an arm's-length transaction.

Sitework Cost:

The Applicant has claimed sitework costs of \$13,276 per unit, exceeding the guideline of \$9,000. The Applicant provided a statement of site work activity certified by a Registered Architect; however, the architect is a 45.5% owner of the General Partner. The QAP requires certification by a third party architect or engineer; the Applicant subsequently provided certification by a third party engineer. The Applicant also provided a letter from a third party CPA confirming that the claimed sitework costs should be included in eligible basis.

Direct Construction Cost:

The Applicant's projected direct construction cost of \$1,393,787 is within 1% of the Underwriter's estimate of \$1,383,135.

Contingency & Fees:

The Applicant initially included \$207,800 for "soft cost & hard cost contingency" under financing costs. After further review of overall costs, this item was not included in the final submitted development cost schedule.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's cost schedule will be used to determine eligible basis and the total financing required. An eligible basis of \$3,587,330 is increased by 30% because Brazoria County has been designated a Difficult Development Area. The resulting adjusted basis of \$4,663,530 supports an annual tax credit allocation of \$398,732. This figure will be compared to the Applicant's request and the tax credits resulting from the Development's gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

Source: Mainland Bank Type: Interim Financing

Principal: \$1,287,343 Interest Rate: 9.25% Fixed Term: 24 months

Comments:

Wall Street Journal Prime Rate plus a floating spread (currently 1.00%), minimum rate 8.25%; Guarantors: Charles Holcomb and Joseph Hoover

Source: Southeast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$212,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

For predevelopment soft costs and acquisition closing costs; applied for, not yet committed

Source: Peterson Construction Company Type: Interim Financing

Principal: \$85,000 Interest Rate: 8.0% Fixed Term: 6 months

Comments:

For Architectural and Engineering Fees, Survey, Soil Test; commitment contingent on HTC award

Source: Column Capital Type: Permanent Financing

Principal: \$660,000 Interest Rate: 7.1% Fixed Amort: 360 months

Comments:

interest rate will be the greater of T-Note Yield plus spread, or Floor rate of 7.10%.

Source: Column Capital Type: Syndication

Proceeds: \$3,431,668 Syndication Rate: 92% Anticipated HTC: \$ 373,082

Comments:

Replacement reserve requirement of \$250 per unit per year. The syndication price is at the mid to low end of current market prices however any increase in rate could reduce the final allocation of credits since there would be no more deferred developer fee to absorb excess syndication proceeds.

Amount: \$34,445 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$705,473 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the revised permanent loan indicates the need for \$3,420,642 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$371,883 annually is required to fill this gap in financing. There are three possible tax credit allocation amounts:

Applicant's Requested Credits	<u>\$373,082</u>
Credits determined by gap in financing	<u>\$371,883</u>
Credits determined by eligible basis	<u>\$398,732</u>

The Tax Credit allocation determined by the gap in financing is recommended because this amount is sufficient to make the development financially feasible. An annual allocation of \$371,883 for ten years results in proceeds of \$3,420,642 at a syndication rate of 92%. The recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: June 20, 2007

Thomas Cavanagh

Reviewing Underwriter: _____ Date: June 20, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 20, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Oak Tree Village, Dickinson, 9% HTC #07103

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	667	\$343	\$213	\$426	\$0.32	\$130.00	\$47.00
TC 60%	28	1	1	667	\$686	556	15,568	0.83	130.00	47.00
TC 30%	2	2	1	880	\$411	245	490	0.28	166.00	56.00
TC 60%	4	2	1	880	\$823	657	2,628	0.75	166.00	56.00
TOTAL:	36		AVERAGE:	703		\$531	\$19,112	\$0.76	\$136.00	\$48.50

INCOME

Total Net Rentable Sq Ft: 25,290

POTENTIAL GROSS RENT

Laundry Per Unit Per Month: \$10.00

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

	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.87%	\$352	0.50	\$12,687	\$8,400	\$0.33	\$233	3.83%
Management	4.00%	240	0.34	8,646	8,764	0.35	243	4.00%
Payroll & Payroll Tax	14.26%	856	1.22	30,816	30,200	1.19	839	13.78%
Repairs & Maintenance	7.72%	463	0.66	16,681	18,697	0.74	519	8.53%
Utilities	3.05%	183	0.26	6,595	7,200	0.28	200	3.29%
Water, Sewer, & Trash	4.82%	289	0.41	10,409	14,866	0.59	413	6.78%
Property Insurance	11.14%	669	0.95	24,077	24,077	0.95	669	10.99%
Property Tax 2.5562	8.52%	511	0.73	18,405	18,745	0.74	521	8.56%
Reserve for Replacements	4.16%	250	0.36	9,000	9,000	0.36	250	4.11%
TDHCA Compliance Fees	0.67%	40	0.06	1,440	1,440	0.06	40	0.66%
Other: sup svcs	0.42%	25	0.04	900	900	0.04	25	0.41%
TOTAL EXPENSES	64.61%	\$3,879	\$5.52	\$139,654	\$142,289	\$5.63	\$3,952	64.94%
NET OPERATING INC	35.39%	\$2,125	\$3.02	\$76,485	\$76,819	\$3.04	\$2,134	35.06%

DEBT SERVICE

Column Capital	24.63%	\$1,478	\$2.10	\$53,225	\$57,327	\$2.27	\$1,592	26.16%
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	10.76%	\$646	\$0.92	\$23,261	\$19,492	\$0.77	\$541	8.90%

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)		7.90%	\$9,023	\$12.84	\$324,825	\$324,825	\$12.84	\$9,023	7.87%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.62%	13,276	18.90	477,945	477,945	18.90	13,276	11.58%
Direct Construction		33.64%	38,420	54.69	1,383,135	1,393,787	55.11	38,716	33.78%
Contingency 3.52%		1.59%	1,820	2.59	65,511	65,511	2.59	1,820	1.59%
Contractor's Fees 14.00%		6.34%	7,238	10.30	260,551	262,043	10.36	7,279	6.35%
Indirect Construction		9.27%	10,589	15.07	381,207	381,207	15.07	10,589	9.24%
Ineligible Costs		3.41%	3,897	5.55	140,295	140,295	5.55	3,897	3.40%
Developer's Fees 20.00%		14.48%	16,541	23.55	595,460	597,888	23.64	16,608	14.49%
Interim Financing		9.95%	11,360	16.17	408,950	408,950	16.17	11,360	9.91%
Reserves		1.79%	2,046	2.91	73,664	73,664	2.91	2,046	1.79%
TOTAL COST		100.00%	\$114,210	\$162.58	\$4,111,543	\$4,126,115	\$163.15	\$114,614	100.00%
Construction Cost Recap		53.20%	\$60,754	\$86.48	\$2,187,142	\$2,199,286	\$86.96	\$61,091	53.30%

SOURCES OF FUNDS

						RECOMMENDED	
Column Capital	16.05%	\$18,333	\$26.10	\$660,000	\$660,000	\$705,473	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$597,888
HTC: Column Capital	83.46%	\$95,324	\$135.69	3,431,668	3,431,668	3,420,642	% of Dev. Fee Deferred
Deferred Developer Fees	0.84%	\$957	\$1.36	34,445	34,445	0	0%
Additional (Excess) Funds Req'd	-0.35%	(\$405)	(\$0.58)	(14,570)	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,111,543	\$4,126,115	\$4,126,115	\$284,406

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Oak Tree Village, Dickinson, 9% HTC #07103

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$59.50	\$1,504,825
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	3.00%		1.79	45,145
8-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(62,466)
Floor Cover			2.43	61,455
Breezeways/Balconies	\$19.81	5,006	3.92	99,169
Plumbing Fixtures	\$680	0	0.00	0
Rough-ins	\$400	36	0.57	14,400
Built-In Appliances	\$1,850	36	2.63	66,600
Exterior Stairs	\$1,650	0	0.00	0
Enclosed Corridors	\$49.58	0	0.00	0
Heating/Cooling			1.90	48,051
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$69.10	2,592	7.08	179,101
Hurricane wind adj	\$0.94	25,290	0.94	23,773
SUBTOTAL			78.29	1,980,051
Current Cost Multiplier	0.98		(1.57)	(39,601)
Local Multiplier	0.88		(9.40)	(237,606)
TOTAL DIRECT CONSTRUCTION COSTS			\$67.33	\$1,702,844
Plans, specs, survy, bld prm	3.90%		(2.63)	(\$66,411)
Interim Construction Interest	3.38%		(2.27)	(57,471)
Contractor's OH & Profit	11.50%		(7.74)	(195,827)
NET DIRECT CONSTRUCTION COSTS			\$54.69	\$1,383,135

PAYMENT COMPUTATION

Primary	\$660,000	Amort	360
Int Rate	7.10%	DCR	1.44

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.44

Additional		Amort	
Int Rate		Aggregate DCR	1.44

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$56,892
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$19,927

Primary	\$705,473	Amort	360
Int Rate	7.10%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$229,344	\$236,224	\$243,311	\$250,610	\$258,129	\$299,242	\$346,903	\$402,156	\$540,464
Secondary Income	1,296	1,335	1,375	1,416	1,459	1,691	1,960	2,273	3,054
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	230,640	237,559	244,686	252,027	259,587	300,933	348,864	404,429	543,518
Vacancy & Collection Loss	(11,532)	(17,817)	(18,351)	(18,902)	(19,469)	(22,570)	(26,165)	(30,332)	(40,764)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$219,108	\$219,742	\$226,335	\$233,125	\$240,118	\$278,363	\$322,699	\$374,096	\$502,754
EXPENSES at 4.00%									
General & Administrative	\$8,400	\$8,736	\$9,085	\$9,449	\$9,827	\$11,956	\$14,546	\$17,698	\$26,197
Management	8,764	8,789	9,053	9,325	9,604	11,134	12,907	14,963	20,109
Payroll & Payroll Tax	30,200	31,408	32,664	33,971	35,330	42,984	52,297	63,627	94,183
Repairs & Maintenance	18,697	19,445	20,223	21,032	21,873	26,612	32,377	39,392	58,309
Utilities	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Water, Sewer & Trash	14,866	15,460	16,079	16,722	17,391	21,158	25,742	31,320	46,361
Insurance	24,077	25,040	26,042	27,083	28,167	34,269	41,694	50,727	75,088
Property Tax	18,745	19,495	20,275	21,086	21,929	26,680	32,460	39,493	58,459
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	2,340	2,434	2,531	2,632	2,737	3,331	4,052	4,930	7,298
TOTAL EXPENSES	\$142,289	\$147,655	\$153,473	\$159,522	\$165,809	\$201,181	\$244,129	\$296,280	\$436,526
NET OPERATING INCOME	\$76,819	\$72,087	\$72,861	\$73,603	\$74,309	\$77,182	\$78,570	\$77,817	\$66,228
DEBT SERVICE									
First Lien Financing	\$56,892	\$56,892	\$56,892	\$56,892	\$56,892	\$56,892	\$56,892	\$56,892	\$56,892
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	\$19,927	\$15,195	\$15,969	\$16,711	\$17,417	\$20,290	\$21,678	\$20,925	\$9,336
DEBT COVERAGE RATIO	1.35	1.27	1.28	1.29	1.31	1.36	1.38	1.37	1.16

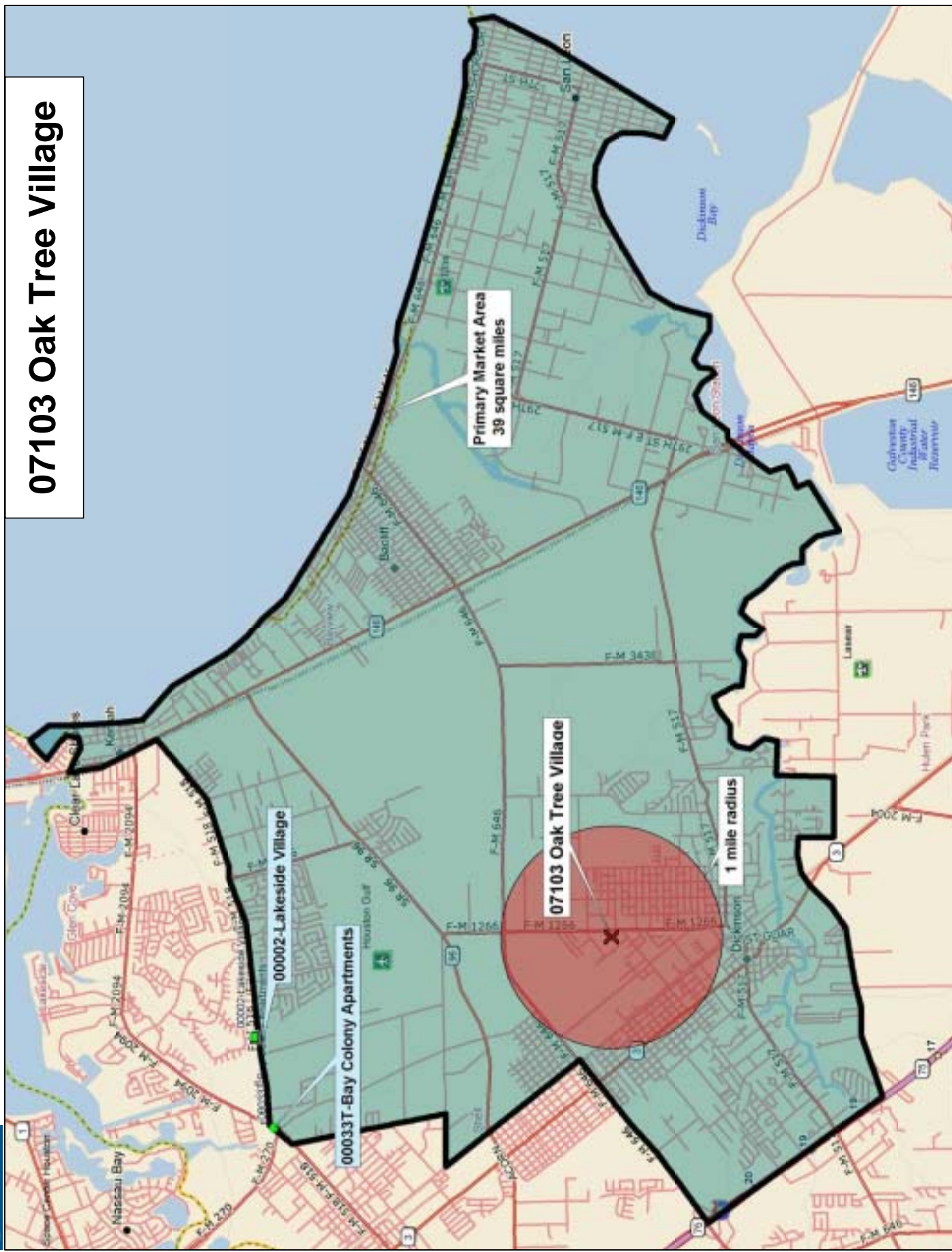
HTC ALLOCATION ANALYSIS -Oak Tree Village, Dickinson, 9% HTC #07103

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$324,825	\$324,825		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$477,945	\$477,945	\$477,945	\$477,945
Construction Hard Costs	\$1,393,787	\$1,383,135	\$1,393,787	\$1,383,135
Contractor Fees	\$262,043	\$260,551	\$262,042	\$260,551
Contingencies	\$65,511	\$65,511	\$65,511	\$65,511
Eligible Indirect Fees	\$381,207	\$381,207	\$381,207	\$381,207
Eligible Financing Fees	\$408,950	\$408,950	\$408,950	\$408,950
All Ineligible Costs	\$140,295	\$140,295		
Developer Fees				
Developer Fees	\$597,888	\$595,460	\$597,888	\$595,460
Development Reserves	\$73,664	\$73,664		
TOTAL DEVELOPMENT COSTS	\$4,126,115	\$4,111,543	\$3,587,330	\$3,572,759

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$3,587,330	\$3,572,759
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$4,663,530	\$4,644,587
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$4,663,530	\$4,644,587
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$398,732	\$397,112

Syndication Proceeds	0.9198	\$3,667,599	\$3,652,701
Total Tax Credits (Eligible Basis Method)		\$398,732	\$397,112
Syndication Proceeds		\$3,667,599	\$3,652,701
Requested Tax Credits		\$373,082	
Syndication Proceeds		\$3,431,668	
Gap of Syndication Proceeds Needed		\$3,420,642	
Total Tax Credits (Gap Method)		\$371,883	

07103 Oak Tree Village



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TN

G.M.E

Scale 1 : 75,000



1" = 1.18 mi Data Zoom 11-4

Applicant Evaluation

Project ID # **07103**

Name: **Oak Tree Village**

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

Total # of Projects monitored: 5

Projects grouped by score
 zero to nine: 4
 ten to nineteen: 1
 twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 5

Projects not reported in application Yes No

not yet monitored or pending review: 2

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/10/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/9/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer M. Tynan

Date 5/9/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/10/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 5/15/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Raul Gonzales

Date 5/9/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 5/9/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Country Lane Seniors-Greenville Community, TDHCA Number 07104

BASIC DEVELOPMENT INFORMATION

Site Address: W side of O'Neal St., N. of U.S. Hwy 69 (Joe Ramsey Blvd.) Development #: 07104
City: Greenville Region: 3 Population Served: Elderly
County: Hunt Zip Code: 75401 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Two Country Lane-Greenville, Ltd.
Owner Contact and Phone: Kenneth H. Mitchell (817) 249-6886
Developer: Kenneth H. Mitchell
Housing General Contractor: To Be Determined
Architect: Gailer Tolson French
Market Analyst: Ed Ipser & Associates, Inc.
Syndicator: Bank of America
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 98
11 0 0 87 Market Rate Units: 4
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 12 90 0 0 0 Total Development Units: 102
Type of Building: Total Development Cost*: \$12,225,213
Number of Residential Buildings: 1
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,118,156 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Country Lane Seniors-Greenville Community, TDHCA Number 07104

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S Points: 7 US Representative: Hall, District 4, NC
TX Representative: Flynn, District 2, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Thomas B. (Tom) Oliver, Mayor Resolution of Support from Local Government
S, Sally Bird, President/CEO, Greenville Chamber

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

West Hill Neighborhood Association, Dr. Myrna Gilstrap Letter Score: 24 S or O: S

The neighborhood association supports the project because the rental rates are affordable for senior citizens and the project is a quality development. The project will also serve seniors who are mobility impaired. The development is located close to Presbyterian hospital and our medical district.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization. There were comments of general support for this development as well as two others in Greenville at the public hearing. The support was generally focused on the two rehabilitation developments and revitalizing older areas of the city more so than this new construction.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by commitment of documentation verifying the appropriate rezoning of the site for the use as planned.

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

Receipt of a commitment of funding from the City of Greenville in the amount of \$675,000, or a commitment from a qualifying substitute source in an amount not less than \$611,261, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Compass Bank in the amount of \$310,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$244,505, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Country Lane Seniors-Greenville Community, TDHCA Number 07104

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9% HTC FILE NUMBER: 07104

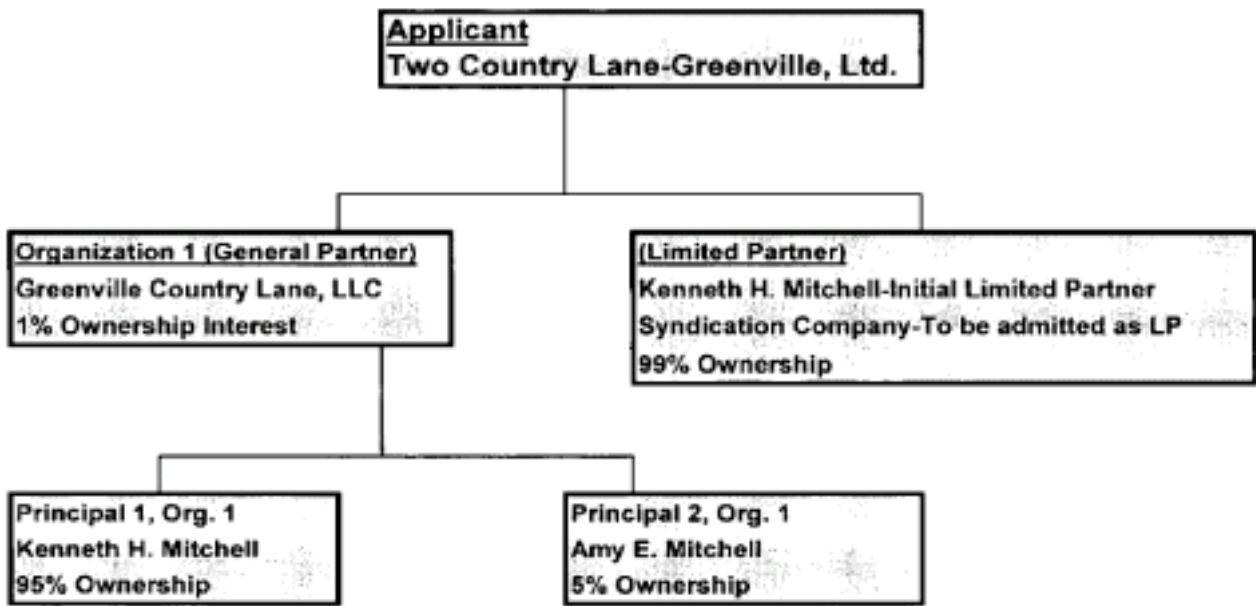
DEVELOPMENT																		
Country Lane Seniors- Greenville Community																		
Location: <u>West Side of O'Neal Street, North of US Highway 69 (Joe Ramsey Blvd)</u>					Region: <u>3</u>													
City: <u>Greenville</u>		County: <u>Hunt</u>		Zip: <u>75401</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Elderly, New Construction, Urban/Exurban</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,118,156			\$1,118,156														
CONDITIONS																		
1 Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned. 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 allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">11</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">87</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	11	60% of AMI	60% of AMI	87
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	11																
60% of AMI	60% of AMI	87																
PROS			CONS															
<p>The subject represents the first elderly tax credit development in Greenville in 7 years and will be one of only two elderly developments in Hunt County.</p>			<p>The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).</p> <p>The anticipated syndication proceeds as a percentage of total cost (82%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting and the QCT 130% boost.</p> <p>The number of 2 bedroom units targeting 60% units may be more than needed based upon the unit capture rate calculated by the Market Analyst.</p>															

PREVIOUS UNDERWRITING REPORTS

Country Lane Seniors- Greenville Community Apartments (#05015) was submitted and underwritten in July 2005 for 9% Tax Credits. The previously submitted application proposed a total of 150 units and a slightly smaller site of 9 acres. Moreover, the previously proposed site was located adjacent to the subject site, just north of Industrial Drive. The underwriting analysis recommended the project be approved for Housing Tax Credits in the amount of \$1,100,988 subject to the following conditions: Receipt, review, and acceptance of a copy of the release of all liens on the property or an updated title commitment showing clear title, prior to the initial closing on the property. According to the Applicant, the application was withdrawn due to the loss of points as a result of not being able to obtain the anticipated project-based vouchers; consequently, the development was no longer considered competitive enough to receive a funding allocation. The subject application represents the second attempt at tax credits for this development.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Kenneth H. Mitchell Phone: (817) 249-6886 Fax: (817) 249-1010
 Email: Kenmitchell@kennethmitchellpc.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Greenville Country Lane, LLC	N/A		Newly formed
Two Country Lane-Greenville, Ltd	N/A		Newly formed
Kenneth Mitchell	CONFIDENTIAL		17
Amy Mitchell	CONFIDENTIAL		n/a

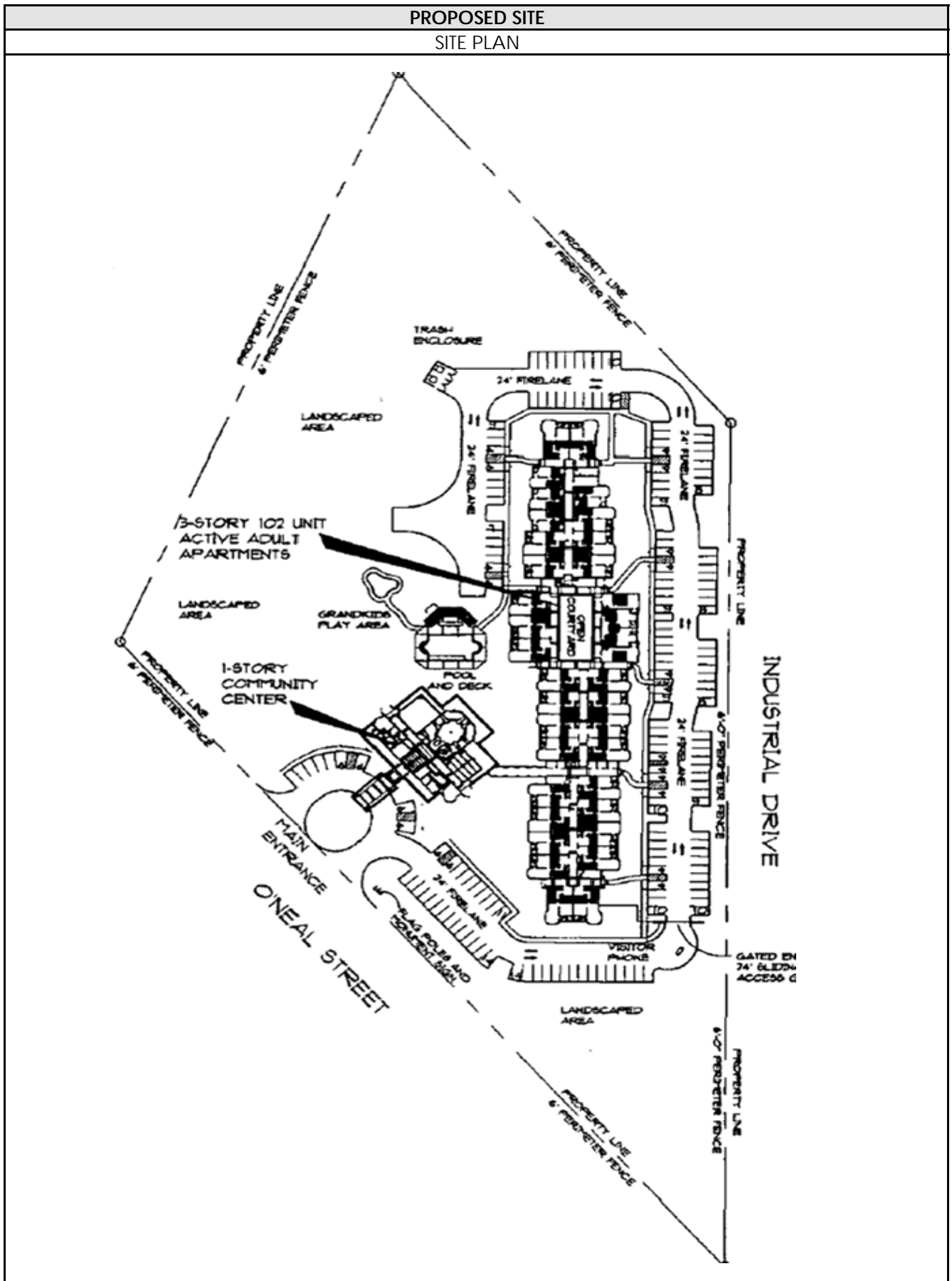
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A		Total Buildings
Floors/Stories	3		1
Number	1		

BR/BA	SF	Units		Total Units	Total SF
1/1	700	12		12	8,400
2/1	950	84		84	79,800
2/2	1,135	6		6	6,810
Units per Building	102			102	95,010

SITE ISSUES

Total Size: 9.713 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: Comrcl & Light Industrl Needs to be re-zoned? Yes No N/A

Comments:

Tract 1 (3.646 acre parcel) of the subject site is presently zoned Light Industrial, while Tract 2 (8.061 acre parcel) is presently zoned Commercial. The applicant is requesting a change in zoning to Multifamily for both tracts. Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

It should be noted, the total amount of land purchased is equal to the sum of the two tracts, 11.707 acres; however, the Applicant has indicated that they plan to build only on 9.713 acres, and the remaining 1.994 acres are to be donated back to the church. Furthermore, the site currently incorporates a public Right-of-Way (Industrial Street). The Applicant has indicated that they do not intend to include the public Right-of-Way (ROW) in the development site. Therefore, as indicated in the submitted site plan, the site acreage of 9.713 does not assume the public ROW, which is 0.63 acres.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Industrial Dr, an electrical substation, vacant/undeveloped land and residential uses.
 South: Joe Ramsey Blvd (US Hwy 69), residential and industrial uses, and a church.
 East: O'Neal Street, vacant/undeveloped land and residential uses.
 West: A railroad track, vacant/undeveloped land.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: MAC TEC ENGINEERING AND CONSULTING, INC. Date: 1/5/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
 None.

MARKET HIGHLIGHTS

Provider: Ipser & Associates Date: 2/6/2007
 Contact: Edward Ipser Phone: (817) 927-2838 Fax: (817) 927-0032
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 887.60 square miles ~ 16.79 mile radius

"The primary market area for the proposed elderly housing complex is considered to be Hunt County..."
(p. 2-5)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Churchill at Commerce	04118/07032	100	Family	No secondary market			
Austin School Apartments	07190	36	Family				
Washington Hotel Lofts	07191	36	Family				

INCOME LIMITS						
Hunt						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	24	2		26	11		42%
1 BR/60% Rent Limit	21	3		24	1		4%
2 BR/60% Rent Limit	56	6		62	86		139%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. N-1A	12,100	100%	12,100	38%	4,562	17%	753	24%	178
Underwriter	23% 12,301	100%	12,301	31%	3,819	17%	636	24%	151
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. N-1A			201	38%	76	17%	13	100%	13
Underwriter		100%	211	31%	65	17%	11	100%	11
DEMAND from OTHER SOURCES									
Market Analyst p. N-1A									11
Underwriter									0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. N-1A	98	0	0	98	202	48.54%
Underwriter	98	0	0	98	162	60.59%

Primary Market Occupancy Rates:

In a letter dated June 28, 2007, the Market Analyst indicates, "...overall physical occupancy rates within the subject's defined market area [are as follows]: Efficiency - 100% occupancy based on no vacancies in 4 units in one project that provided both the number of units and vacancies by unit type; 1Bd - 98.6% occupancy based on 3 vacancies in 210 units in five projects that provided both the number of units and vacancies by unit type; 2Bd - 99.4% occupancy based on 2 vacancies in 327 units in six projects that provided both the number of units and vacancies by unit type; 3Bd - 97.5% occupancy based on 1 vacancy in 40 units in the two projects that offered three-bedroom floor plans and provided both the number of units and vacancies by unit type."

Absorption Projections:

"Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that a 9 to 10 month lease-up period will be required to achieve 92.5% occupancy of the 102 units." (p. 3-6)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 700 SF 30%	\$295	\$295	\$595	\$295	\$300	
1 BR 700 SF 60%	\$575	\$670	\$595	\$595	\$0	
2 BR 950 SF 60%	\$660	\$798	\$670	\$670	\$0	
2 BR 1,135 SF 60%	\$690	\$798	\$740	\$740	\$0	
2 BR 1,135 SF MR	\$750	N/A	\$740	\$740	\$0	

Market Impact:

"The addition of 102 units for householders aged 55 and over is not expected to have any significant long-term impact on the existing rental market for elderly housing. Elderly tenants, who are currently rent-burdened, in the conventional apartments, are expected to relocate to the new affordable housing, and any vacancies created by, such moves should be readily filled in this area with very high occupancy." (p. 3-5)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances as of January 1, 2006, maintained by the City of Greenville, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. While the market rents are much lower than the 60% rents in the area, they are still higher than the calculated 50% rents would be and therefore the Underwriter used the market rents.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and despite the Applicant's use of slightly lower rents for the 60% and slightly higher rents for the Market rate units, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$4,513 per unit is within 5% of the Underwriter's estimate of \$4,444, derived from the TDHCA database, and third-party data sources. It appears the Applicant may have slightly overestimated TDHCA compliance fees based on the total number of LIHTC units.

Conclusion:

The Applicant's effective gross income and total operating expenses are consistent with the Underwriter's estimates; however, the Applicant's net operating income varies by more than 5% of the Underwriter's estimate. Therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate at 64.65%, is marginally below the 65% Department guideline. The Underwriter's analysis however, reflects a slightly lower expense to income ratio of 62.75%.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and positive cash flow. Therefore, the development can be characterized as feasible for the long term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 16.4 acres	\$1,242,590	Tax Year:	2006
1 acre (Tract 1):	\$265,120	Valuation by:	Hunt CAD
1 acre (Tract 2):	\$118,825	Valuation by:	Hunt CAD
Total Prorata: 9.71 acres	\$383,945	Tax Rate:	3.059788

EVIDENCE of PROPERTY CONTROL

Type: <u>Commercial Property Contract</u>	Acreage: <u>11.707</u>
Contract Expiration: <u>8/30/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$378,570</u>	Other: <u>The acreage on the contracts total 11.647</u>
Seller: <u>Iglesia Bautista Hispana Ridgecrest & Ridgecrest Baptist Church</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant is acquiring 11.707 acres as referenced in the boundary survey included as Exhibit B of the contract; however, the contract itself references a total of 11.647 acres. Since the contract indicates that the final acreage will be determined by the survey, the surveyed acreage has been utilized in this analysis. Based on the Underwriter's calculations, the final acquisition price may be approximately \$1,900 higher based on this discrepancy. This additional amount has not been included in the sales price used by the Underwriter or the Applicant. In addition, the Applicant has indicated that they are only including 9.713 acres in the site.

As noted previously, the Applicant plans to donate the remaining 1.994 acres back to the church; however, this contribution by the Applicant is not included in the contract. Instead, the Applicant has prorated the 11.707 down to the 9.713 acres to obtain a net acquisition cost of \$314,090.

Off-Site Cost:

The Applicant claimed off-site costs of \$850K for off-site concrete, storm drains and devices, water & fire hydrants, and off-site utilities and provided sufficient third party certification through a professional engineer to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,990 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$385K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

It should be noted, upon a request from the Underwriter for additional information to support the development budget presented in the application, the Applicant submitted a copy of the construction contract for Country Lane Seniors-Waxahachie Community, indicating construction costs of approximately \$83.39 per rentable square foot, and a book detailing the extra features provided in the other Country Lane Senior Communities. Extra features provided in the other senior communities include furnishings and a card access entry system for the clubhouse, automatic door openers, 16 security camera stations, and extra lighting and walk-in showers in every unit. The Underwriter took this information into consideration.

Contingency & Fees:

The Applicant's contractor's and developer 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 is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$10,626,640 supports annual tax credits of \$1,124,710. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Greenville Board of Development Type: Interim Financing

Principal: \$675,000 Interest Rate: 4.7% Fixed Term: 24 months

Comments:

The term of the loan will commence upon the issuance of the building permit and extend for one year

Source: Compass Bank Type: Interim Financing

Principal: \$310,000 Interest Rate: 9.3% Fixed Term: 24 months

Comments:

Application made.

Source: Bank of America Type: Interim to Permanent Financing

Interim: \$3,300,000 Interest Rate: 7.32% Fixed Amort 24 months

Permanent: \$2,000,000 Interest Rate: 8.70% Fixed Amort 360 months

Source: Bank of America Type: Syndication

Proceeds: \$10,062,398 Syndication Rate: 90% Anticipated HTC: \$ 1,118,156

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$162,815 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$2,120,781 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$2,120,781 indicates the need for \$10,104,432 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,122,827 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,118,156), the gap-driven amount (\$1,122,827), and eligible basis-derived estimate (\$1,124,710), the Applicant's request of \$1,118,156 is recommended resulting in proceeds of \$10,062,398 based on a syndication rate of 90%.

The Underwriter's recommended financing structure indicates the need for \$42,034 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cash flow within one year of stabilized operation.

Underwriter:	<u>Diamond Unique Thompson</u>	Date:	<u>7/8/2007</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>7/8/2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>7/8/2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Country Lane Seniors- Greenville Community, Greenville, 9% HTC #07104

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%		11	1	1	700	\$373	\$295	\$3,250	\$0.42	\$77.52	\$72.58
TC 60%		1	1	1	700	\$748	595	595	0.85	77.52	72.58
TC 60%		84	2	1	950	\$898	670	56,280	0.71	99.67	90.36
TC 60%		2	2	2	1,135	\$898	740	1,480	0.65	99.67	90.36
MR		4	2	2	1,135		740	2,960	0.65	99.67	90.36
TOTAL:		102		AVERAGE:	931		\$633	\$64,565	\$0.68	\$97.06	\$88.27

INCOME		Total Net Rentable Sq Ft:			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					\$774,783	\$763,680	Hunt		3
Secondary Income		Per Unit Per Month:	\$5.00		6,120	6,120	\$5.00	Per Unit Per Month	
Other Support Income:					0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$780,903	\$769,800			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(58,568)	(57,732)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					\$722,336	\$712,068			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.59%	\$396	0.43	\$40,398	\$42,000	\$0.44	\$412	5.90%
Management		5.00%	354	0.38	36,117	35,603	0.37	349	5.00%
Payroll & Payroll Tax		14.28%	1,012	1.09	103,174	102,000	1.07	1,000	14.32%
Repairs & Maintenance		7.29%	517	0.55	52,684	46,000	0.48	451	6.46%
Utilities		3.92%	278	0.30	28,309	36,000	0.38	353	5.06%
Water, Sewer, & Trash		5.53%	392	0.42	39,957	44,000	0.46	431	6.18%
Property Insurance		3.60%	255	0.27	26,038	30,090	0.32	295	4.23%
Property Tax	3.059788	11.23%	796	0.85	81,146	79,050	0.83	775	11.10%
Reserve for Replacements		3.53%	250	0.27	25,500	25,500	0.27	250	3.58%
TDHCA Compliance Fees		0.54%	38	0.04	3,920	4,080	0.04	40	0.57%
Other: Sup. Servs, security		2.22%	157	0.17	16,000	16,000	0.17	157	2.25%
TOTAL EXPENSES		62.75%	\$4,444	\$4.77	\$453,243	\$460,323	\$4.84	\$4,513	64.65%
NET OPERATING INC		37.25%	\$2,638	\$2.83	\$269,093	\$251,745	\$2.65	\$2,468	35.35%

DEBT SERVICE		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage		26.02%	\$1,843	\$1.98	\$187,952	\$187,952	\$1.98	\$1,843	26.40%
Additional Financing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW		11.23%	\$796	\$0.85	\$81,141	\$63,793	\$0.67	\$625	8.96%
AGGREGATE DEBT COVERAGE RATIO					1.43	1.34			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

CONSTRUCTION COST		Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)			2.69%	\$3,079	\$3.31	\$314,090	\$314,090	\$3.31	\$3,079	2.57%
Off-Sites			7.28%	8,333	8.95	850,000	850,000	8.95	8,333	6.95%
Sitework			7.86%	8,990	9.65	916,980	916,980	9.65	8,990	7.50%
Direct Construction			46.95%	53,729	57.68	5,480,342	5,865,000	61.73	57,500	47.97%
Contingency	5.00%		2.74%	3,136	3.37	319,866	339,099	3.57	3,325	2.77%
Contractor's Fees	14.00%		7.67%	8,781	9.43	895,625	949,478	9.99	9,309	7.77%
Indirect Construction			6.70%	7,672	8.24	782,500	782,500	8.24	7,672	6.40%
Ineligible Costs			1.10%	1,256	1.35	128,148	128,148	1.35	1,256	1.05%
Developer's Fees	15.00%		11.29%	12,916	13.87	1,317,422	1,386,084	14.59	13,589	11.34%
Interim Financing			3.32%	3,799	4.08	387,500	387,500	4.08	3,799	3.17%
Reserves			2.40%	2,743	2.95	279,829	306,334	3.22	3,003	2.51%
TOTAL COST			100.00%	\$114,434	\$122.85	\$11,672,302	\$12,225,213	\$128.67	\$119,855	100.00%
Construction Cost Recap			65.22%	\$74,635	\$80.13	\$7,612,813	\$8,070,557	\$84.94	\$79,123	66.02%

SOURCES OF FUNDS		Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
First Lien Mortgage			17.13%	\$19,608	\$21.05	\$2,000,000	\$2,000,000	\$21.05	\$19,608	17.13%
Additional Financing			0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
HTC Syndication Proceeds			86.21%	\$98,651	\$105.91	10,062,398	10,062,398	\$105.91	\$98,651	86.21%
Deferred Developer Fees			1.39%	\$1,596	\$1.71	162,815	162,815	\$1.71	\$1,596	1.39%
Additional (Excess) Funds Req'd			-4.74%	(\$5,421)	(\$5.82)	(\$52,911)	0	0	(\$5,421)	-4.74%
TOTAL SOURCES						\$11,672,302	\$12,225,213	\$128.67	\$119,855	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Country Lane Seniors- Greenville Community, Greenville, 9% HTC #07104

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$52.72	\$5,008,815
Adjustments				
Exterior Wall Finish	3.20%		\$1.69	\$160,282
Elderly	3.00%		1.58	150,264
9-Ft. Ceilings	3.40%		1.79	170,300
Roofing			0.00	0
Subfloor			(0.82)	(78,225)
Floor Cover			2.43	230,874
Breezeways/Balconies	\$22.27	37,860	8.87	843,150
Plumbing Fixtures	\$805	18	0.15	14,490
Rough-ins	\$400	204	0.86	81,600
Built-In Appliances	\$1,850	102	1.99	188,700
Exterior Stairs	\$1,800	6	0.11	10,800
Enclosed Corridors	\$42.80		0.00	0
Heating/Cooling			1.90	180,519
Elevators	\$52,750.00	2	1.11	105,500
Comm &/or Aux Bldgs	\$61.01	6,800	4.37	414,834
Other: fire sprinkler	\$1.95	95,010	1.95	185,270
SUBTOTAL			80.70	7,667,173
Current Cost Multiplier	0.98		(1.61)	(153,343)
Local Multiplier	0.90		(8.07)	(766,717)
TOTAL DIRECT CONSTRUCTION COSTS			\$71.01	\$6,747,112
Plans, specs, survy, bid prmts	3.90%		(\$2.77)	(\$263,137)
Interim Construction Interest	3.38%		(2.40)	(227,715)
Contractor's OH & Profit	11.50%		(8.17)	(775,918)
NET DIRECT CONSTRUCTION COSTS			\$57.68	\$5,480,342

PAYMENT COMPUTATION

Primary	\$2,000,000	Amort	360
Int Rate	8.70%	DCR	1.43

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.43

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$199,302
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$69,791

Primary	\$2,120,781	Amort	360
Int Rate	8.70%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

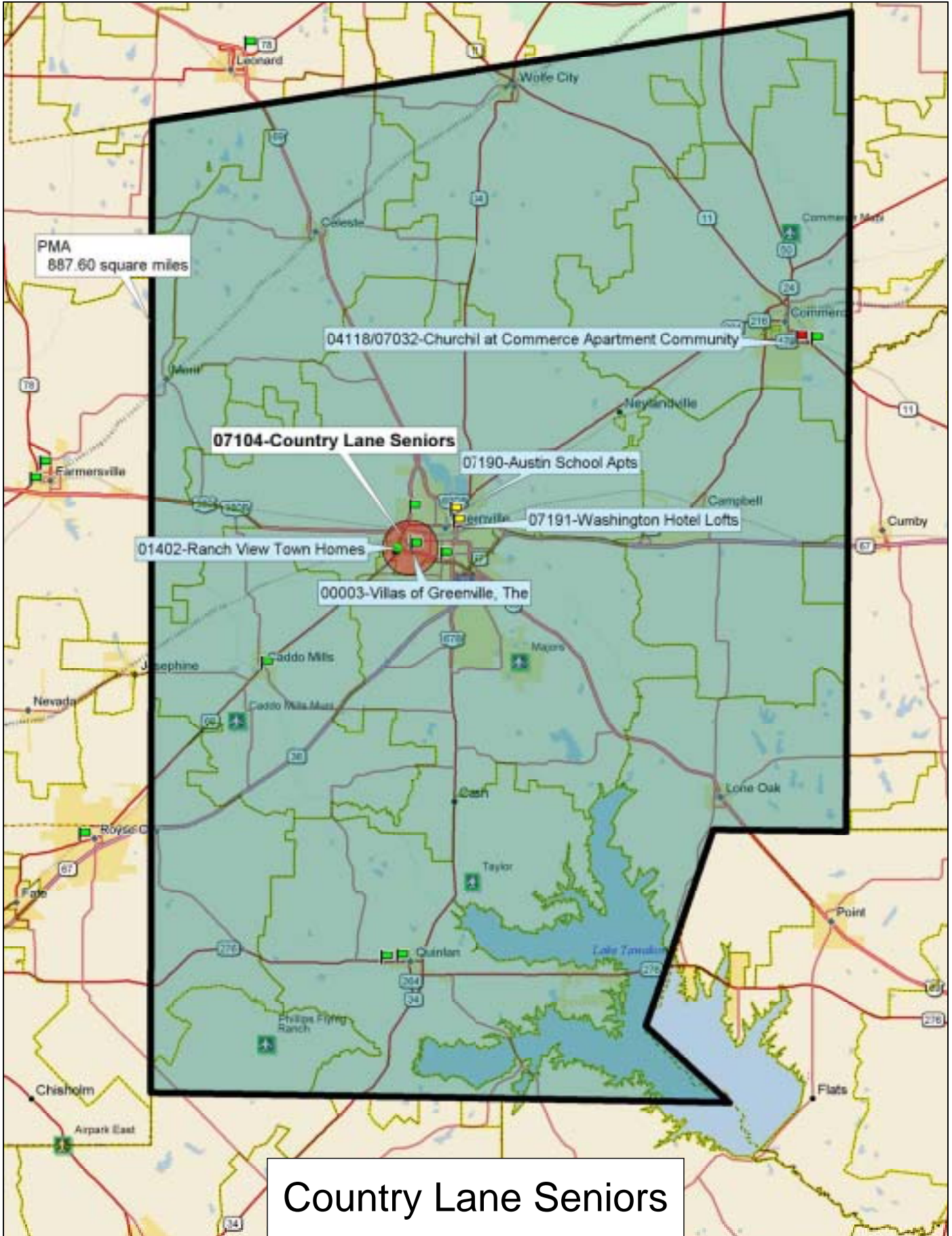
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$774,783	\$798,027	\$821,968	\$846,627	\$872,025	\$1,010,917	\$1,171,929	\$1,358,587	\$1,825,828
Secondary Income	6,120	6,304	6,493	6,687	6,888	7,985	9,257	10,731	14,422
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	780,903	804,330	828,460	853,314	878,914	1,018,902	1,181,186	1,369,319	1,840,250
Vacancy & Collection Loss	(58,568)	(60,325)	(62,135)	(63,999)	(65,919)	(76,418)	(88,589)	(102,699)	(138,019)
Employee or Other Non-Rental Units or Concess:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$722,336	\$744,006	\$766,326	\$789,316	\$812,995	\$942,484	\$1,092,597	\$1,266,620	\$1,702,231
EXPENSES at 4.00%									
General & Administrative	\$40,398	\$42,014	\$43,694	\$45,442	\$47,260	\$57,499	\$69,956	\$85,112	\$125,987
Management	36,117	37,200	38,316	39,466	40,650	47,124	54,630	63,331	85,112
Payroll & Payroll Tax	103,174	107,301	111,593	116,057	120,699	146,849	178,665	217,373	321,765
Repairs & Maintenance	52,684	54,791	56,983	59,262	61,633	74,985	91,231	110,997	164,302
Utilities	28,309	29,441	30,619	31,843	33,117	40,292	49,021	59,642	88,285
Water, Sewer & Trash	39,957	41,556	43,218	44,947	46,744	56,872	69,193	84,184	124,613
Insurance	26,038	27,080	28,163	29,290	30,461	37,061	45,090	54,859	81,205
Property Tax	81,146	84,391	87,767	91,278	94,929	115,495	140,518	170,961	253,065
Reserve for Replacements	25,500	26,520	27,581	28,684	29,831	36,294	44,158	53,725	79,526
Other	19,920	20,717	21,545	22,407	23,304	28,352	34,495	41,968	62,124
TOTAL EXPENSES	\$453,243	\$471,011	\$489,480	\$508,676	\$528,628	\$640,825	\$776,957	\$942,153	\$1,385,982
NET OPERATING INCOME	\$269,093	\$272,994	\$276,846	\$280,640	\$284,367	\$301,660	\$315,640	\$324,467	\$316,249
DEBT SERVICE									
First Lien Financing	\$199,302	\$199,302	\$199,302	\$199,302	\$199,302	\$199,302	\$199,302	\$199,302	\$199,302
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	\$69,791	\$73,692	\$77,544	\$81,338	\$85,065	\$102,357	\$116,338	\$125,165	\$116,947
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.51	1.58	1.63	1.59

TC ALLOCATION ANALYSIS -Country Lane Seniors- Greenville Community, Greenville, 9% HTC #0710

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$314,090	\$314,090		
Purchase of buildings				
Off-Site Improvements	\$850,000	\$850,000		
Sitework	\$916,980	\$916,980	\$916,980	\$916,980
Construction Hard Costs	\$5,865,000	\$5,480,342	\$5,865,000	\$5,480,342
Contractor Fees	\$949,478	\$895,625	\$949,477	\$895,625
Contingencies	\$339,099	\$319,866	\$339,099	\$319,866
Eligible Indirect Fees	\$782,500	\$782,500	\$782,500	\$782,500
Eligible Financing Fees	\$387,500	\$387,500	\$387,500	\$387,500
All Ineligible Costs	\$128,148	\$128,148		
Developer Fees			\$1,386,083	
Developer Fees	\$1,386,084	\$1,317,422		\$1,317,422
Development Reserves	\$306,334	\$279,829		
TOTAL DEVELOPMENT COSTS	\$12,225,213	\$11,672,302	\$10,626,640	\$10,100,235

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,626,640	\$10,100,235
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,814,632	\$13,130,306
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		\$13,154,507	\$12,502,881
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,124,710	\$1,068,996

Syndication Proceeds	0.8999	\$10,121,381	\$9,620,005
Total Tax Credits (Eligible Basis Method)		\$1,124,710	\$1,068,996
Syndication Proceeds		\$10,121,381	\$9,620,005
Requested Tax Credits		\$1,118,156	
Syndication Proceeds		\$10,062,398	
Gap of Syndication Proceeds Needed		\$10,104,432	
Total Tax Credits (Gap Method)		\$1,122,827	

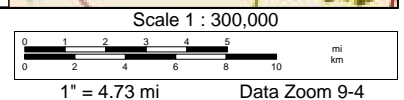
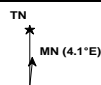


Country Lane Seniors

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Applicant Evaluation

Project ID # **07104**

Name: **Country Lane Seniors - Greenville**

City: **Greenville**

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

Total # of Projects monitored: 31

Projects zero to nine: 29
grouped ten to nineteen: 2
by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 31

not yet monitored or pending review: 0

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 6/27/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer S. Gamble
Date 6/27/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 6/29/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 6/28/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 7/3/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES
Date 6/29/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 7/9/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Paseo Palms, TDHCA Number 07108

BASIC DEVELOPMENT INFORMATION

Site Address: 3000' E. of Joe Battle Near Pellicano Dr. Development #: 07108
City: El Paso Region: 13 Population Served: General
County: El Paso Zip Code: 79936 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Paseo Palms, LTD
Owner Contact and Phone: R.L. (Bobby) Bowling IV (915) 821-3550
Developer: Tropicana Building Corporation
Housing General Contractor: Tropicana Building Corporation
Architect: ARTchitecture
Market Analyst: Powers Group
Syndicator: Richman Group Capital Corporation
Supportive Services: YWCA
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 180
18 0 0 162 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 28 68 72 12 0 Total Development Units: 180
Type of Building: Total Development Cost*: \$15,154,976
Number of Residential Buildings: 45
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$1,200,000
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Paseo Palms, TDHCA Number 07108

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S	Points: 7	US Representative: Reyes, District 16, NC
TX Representative: Quintanilla, District 75, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Jerry Patterson, Commissioner, General Land Office

Individuals and Businesses In Support: **6** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7	
El Paso Alliance	S or O: S
YMCA of Greater El Paso	S or O: S
Center Against Family Violence	S or O: S
Project Vida	S or O: S
Lower Valley Housing Corporation	S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT

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

Receipt of a commitment of funding from the El Paso Housing Finance Corporation in the amount of \$30,000, and from the El Paso Department of Parks and Recreation in the amount of \$122,400, or a commitment from a qualifying substitute source(s) in an amount not less than \$151,795, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Paseo Palms, TDHCA Number 07108

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

Competitive Housing Tax Credits: Score: **173** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



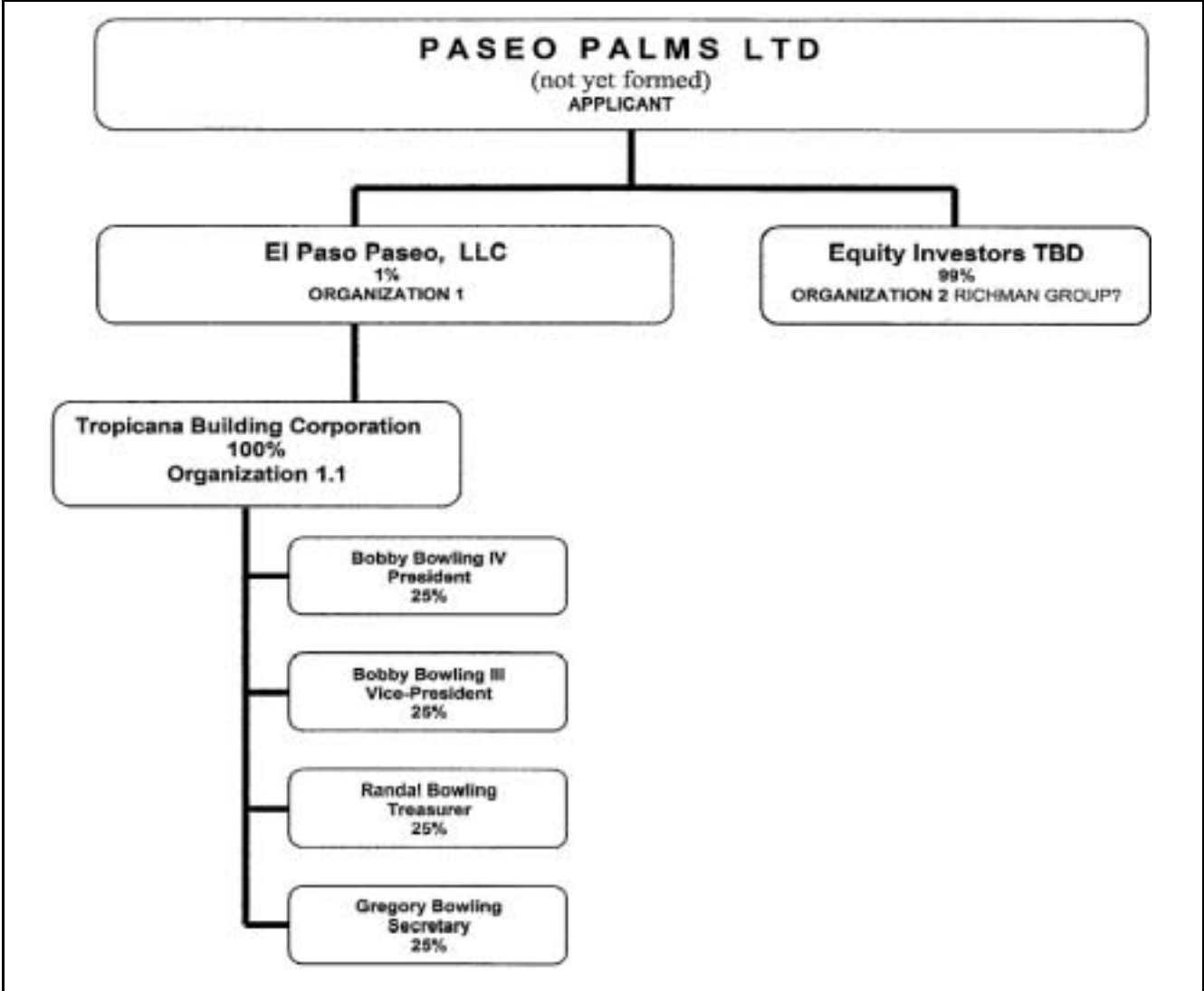
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/28/07 PROGRAM: 9% HTC FILE NUMBER: 07108

DEVELOPMENT																																	
Paseo Palms																																	
Location: <u>3,000 feet east of Joe Battle/loop 375 off Pellicano Drive</u>					Region: <u>13</u>																												
City: <u>El Paso</u>		County: <u>El Paso</u>		Zip: <u>79936</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA																											
Key Attributes: <u>Multifamily, Family, Urban/Exurban, New Construction</u>																																	
ALLOCATION																																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 35%;"></th> <th colspan="3" style="text-align: center;">REQUEST</th> <th colspan="3" style="text-align: center;">RECOMMENDATION</th> </tr> <tr> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Interest</th> <th style="text-align: center;">Amort/Term</th> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Interest</th> <th style="text-align: center;">Amort/Term</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">TDHCA Program</td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> </tr> <tr> <td style="padding: 2px;">Housing Tax Credit (Annual)</td> <td style="padding: 2px; text-align: center;">\$1,200,000</td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> <td style="padding: 2px; text-align: center;">\$1,200,000</td> <td style="padding: 2px;"></td> <td style="padding: 2px;"></td> </tr> </tbody> </table>								REQUEST			RECOMMENDATION			Amount	Interest	Amort/Term	Amount	Interest	Amort/Term	TDHCA Program							Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		
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PROS			CONS																														
<p>The non-conventional sources of local financing for this development could be safely replaced by deferral of developer fees if needed.</p> <p>The Developer has a strong history of development in the El Paso area.</p>			<p>Half of the one mile radius surrounding the site exists outside the Market Analyst's primary market area suggesting that the site is at the edge of existing development for the area.</p> <p>The Development's high expense to income ratio is within 3% of the maximum guideline, reflecting extensive deep rent targeting, but is below the Department's maximum.</p> <p>The site plan reflects an extraordinarily tight building layout with very little open space.</p>																														
PREVIOUS UNDERWRITING REPORTS																																	
No previous reports.																																	

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: RL "Bobby" Bowling IV Phone: (915) 821-3550 Fax: (915)821-3556
 Email: bbowling4@aol.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Tropicana Building Corp	\$4,634,420	(\$3,768,031)	N/A
RL "Bobby" Bowling IV	Confidential		15 LIHTC Developments
Bobby Bowling III	Confidential		15 LIHTC Developments
Randal Bowling	Confidential		15 LIHTC Developments
Gregory Bowling	Confidential		15 LIHTC Developments

¹ Liquidity = Current Assets - Current Liabilities

The negative liquidity of Tropicana Building Corp. is offset by the financial capacity of the principals of that entity.

IDENTITIES of INTEREST

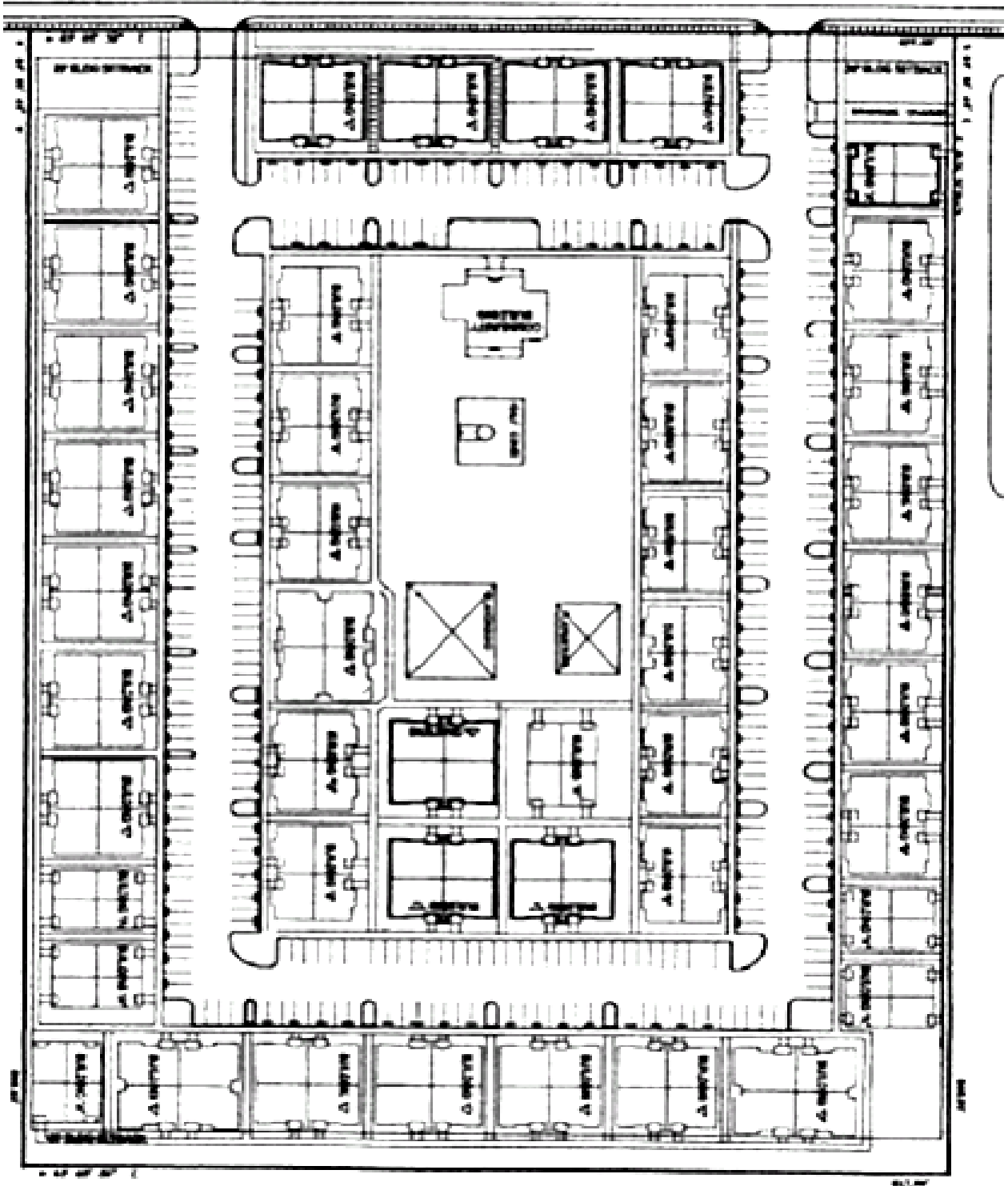
The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

The principals of Tropicana Building Corporation are also members of the seller, Americas Loop 375, LP. This will be addressed in the acquisition cost section of this report.

PROPOSED SITE

SITE PLAN

SUN FIRE ST.



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	1	1	1	1							
Number	7	17	18	3							45

BR/BA	SF	Units									Total Units	Total SF
1/1	706	4									28	19768
2/1	967		4								68	65756
3/2	1,083			4							72	77976
4/2	1,201				4						12	14412
Units per Building		4	4	4	4						180	177912

SITE ISSUES

Total Size: 12.379 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: A-2 Apartment Needs to be re-zoned? Yes No N/A

Comments:

The Applicant's proposed development includes 180 units in 45 one story structures on 12.379 acres. Compared to typical properties with one story structures, the subject property will have a very high density of 14.54 units per acre, particularly since the site is in a relatively undeveloped area.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/25/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant desert land East: vacant desert land
 South: vacant desert land West: public school/vacant desert land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Soil Mechanics International Date: 3/14/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The ESA found no evidence of recognized environmental concerns.

MARKET HIGHLIGHTS

Provider: The Powers Group Date: 3/28/2007

Contact: Linda M Powers Phone: (915) 479-2093 Fax: (915) 613-2354

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 21.03 square miles (1 2.5 mile radius)

The Primary Market Area is located in the East Planning area of El Paso, Texas. The geographic boundaries are described generally as: West - Lee Trevino Drive; North - Montana Ave; East - City limits boundary; and South - Interstate Highway 10 (p. 54). The site is located at the southeastern edge of the market area such that half of the one mile radius surrounding the site is outside of the market area. This market area is still acceptable because of the very limited population east of the site and the likely competition the site will face from areas north which will also use IH10 as the primary corridor to get to downtown.

Secondary Market Area (SMA):

The Market Analyst did not include a Secondary Market Area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Cedar Oaks Townhomes	04070	160	93	N/A			
Americas Palms	04196	112	79				

INCOME LIMITS						
El Paso						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST PMA DEMAND by UNIT TYPE*							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	31	0		31	2	0	6%
1 BR/ 60% Rent Limit	66	0		66	26	0	39%
2 BR/ 30% Rent Limit	37	0		37	4	0	11%
2 BR/ 60% Rent Limit	81	-4		77	64	0	83%
3 BR/ 30% Rent Limit	36	0		36	6	0	17%
3 BR/ 60% Rent Limit	53	0		53	66	0	125%
4 BR/ 30% Rent Limit	23	0		23	6	0	26%
4 BR/ 60% Rent Limit	67	0		67	6	0	9%

*The Market Analyst did not include unstabilized units from the two comparable properties in the PMA.

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 95	100%	29,365	97%	28,513	100%	28,513	12%	3,387	65%	2,185
Underwriter	100%	29,887	97%	29,021	100%	29,021	8%	2,463	65%	1,588
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 96			97%	507	100%	507	12%	60	100%	60
Underwriter			97%	516	100%	501	8%	42	100%	42

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 97	180	0	0	352	2,245	15.68%
Underwriter	180	172	0	352	1,631	21.58%

Primary Market Occupancy Rates:

The market study indicates that the current overall occupancy in the market is 96.7% for comparable market rate properties. Furthermore, the occupancy rates based on unit type are: 97.1% for one bedroom units; 96.5% for two bedroom units; 92.0% for three bedroom units; and no data was available for four bedroom units. LIHTC properties within the PMA have an overall occupancy of 96.5%.

Absorption Projections:

The market study indicates that other LIHTC properties constructed between 2004 and 2006 in the PMA have had absorption rates of 10 to 15 units per month.

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR/ 30% Rent Limit	\$131	\$137	\$500	\$137	\$363
1 BR/ 60% Rent Limit	\$374	\$380	\$500	\$380	\$120
2 BR/ 30% Rent Limit	\$163	\$171	\$575	\$171	\$404
2 BR/ 60% Rent Limit	\$454	\$462	\$575	\$462	\$113
3 BR/ 30% Rent Limit	\$186	\$197	\$650	\$197	\$453
3 BR/ 60% Rent Limit	\$522	\$533	\$650	\$533	\$117
4 BR/ 30% Rent Limit	\$200	\$214	\$750	\$214	\$536
4 BR/ 60% Rent Limit	\$575	\$589	\$750	\$589	\$161

Market Impact:

The Market Analyst does not provide an opinion concerning the impact on the market. However, the Analyst indicates that rising rental rates within the PMA indicates "the ability to absorb new apartment units" (p. 67).

Comments:

The market study submitted provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of July 1, 2006, maintained by the El Paso Housing Authority, from the 2007 program gross rent limits. During subsequent correspondence, the Underwriter became aware of the availability of updated utility allowances that will be effective July 1, 2007. The Underwriter has used the updated allowances to determine the rent collected, which results in a slight difference between the Applicant's potential gross rent figure and the Underwriter's figure.

Tenants will be required to pay electric, natural gas, water, and sewer costs. The Underwriter's proforma analysis has been adjusted to reflect the proposed utility structure.

The Applicant's secondary income and vacancy and collection loss estimates are in line with the Department's standards. Despite the difference in potential gross rent, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/30/2007

The Applicant's total annual operating expense projection at \$3,128 per unit is within 5% of the Underwriter's estimate of \$3,252, derived from the TDHCA database, third-party data sources, and operating history for two comparable Tropicana Building Corp properties.

The Applicant's estimate of payroll and payroll tax is 10% or \$13K higher than the Underwriter's estimate. Additionally, the Underwriter's overall expense estimate is \$275 per unit lower than the TDHCA database estimate. It should be emphasized that the Underwriter relied on actual 2006 operating history for two comparable Tropicana properties to derive the general and administrative, payroll and payroll tax, and property insurance expense estimates.

Conclusion:

The Applicant's estimates of effective gross income, total expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's Year One proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The Underwriter's and Applicant's expense to income ratios are below the Department's 65% maximum. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's minimum 15 year period. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Powers Group Date: 2/16/2007
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 12.4 acres \$540,000 As of: 2/16/2007

ASSESSED VALUE

Land Only: 279 acres \$2,543,049 Tax Year: 2006
1 Acre: \$9,100 Valuation by: El Paso CAD
Prorata: 12.4 acres \$112,649 Tax Rate: 2.475782

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract Unimproved Property Acreage: 12.379
Contract Expiration: 12/30/2007 Valid Through Board Date? Yes No
Acquisition Cost: \$500,000 Other: _____
Seller: Americas Loop 375, LP Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject site for \$500,000, which equates to \$40K per acre or \$3K per unit. The property is a 12.379 acre portion of a larger 279 acre tract. Members of the owner of the General Partner are also members of the current owner of the property, Americas Loop 375, LP. The Applicant has included the costs for a dedicated roadway and utilities for the property and has provided documentation of holding costs, including taxes, and return on investment, that support a value of \$475,536. Therefore, the Underwriter's development cost schedule reflects an acquisition cost of \$475,536. If the Applicant's costs are used in the final analysis, the sources and uses of funds will be adjusted by the difference in acquisition costs to ensure that tax credit proceeds are not used to fund a potential excess of profit on the identity of interest transfer to the partnership.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,444 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$173K or 2% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

While the Applicant's fees are within the Department's guidelines, the Applicant included no contingency leaving less margin for error in cost estimation than the typical transaction.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,475,440 supports annual tax credits of \$1,237,650. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 3/28/2007

Source: El Paso Housing Finance Corporation Type: Interim Financing

Principal: \$30,000 Interest Rate: 5.0% Fixed Term: 24 months

Comments:

The Applicant has submitted an intent to apply for a \$30,000 loan at 5%, ballooned after 24 months. The Applicant included this source of funds as both an interim and permanent source. However, the loan terms indicate that the funds will be an interim source repaid after completion of construction. Therefore, the Underwriter's recommended financing structure does not include this source of funds, which results in a comparable increase in deferred developer fees.

Source: Bank of America Type: Interim to Permanent Financing

Interim: \$5,100,000 Interest Rate: 7.32% Fixed Term: 24 months

Permanent: \$3,400,000 Interest Rate: 7.50% Fixed Term: 360 months

Comments:

The Underwriter's assumed interim interest rate of 7.32% is the 30-day LIBOR rate for March plus 2%, in line with the term sheet provided. Tropicana Building Inc., Robert Bowling III, Robert Bowling IV, Randall J Bowling, and Gregory Bowling are listed as guarantors.

Source: City of El Paso Waiver of Park fees Type: In Kind Donation

Amount: \$122,400 Conditions: _____

Comments:

The Applicant has submitted an intent to apply for waiver of \$680 per unit in park fees from the City of El Paso. The Applicant also submitted a letter indicating that such park fees were waived for another Tropicana development that received an allocation of 9% credits in 2006.

Source: Franklin Building Materials Type: Grant

Amount: \$303,600 Conditions: Receipt of 9% HTC allocation.

Source: The Richman Group Type: Syndication

Proceeds: \$11,160,000 Syndication Rate: 93% Anticipated HTC: \$ 1,200,000

Amount: \$163,440 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,400,000, grant of \$303,600, and \$122,400 in fee waivers indicates the need for \$11,353,440 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,220,922 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,220,922), and eligible basis-derived estimate (\$1,237,650), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$11,158,884 based on a syndication rate of 93%.

The Underwriter's recommended financing structure indicates the need for \$170,092 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation. Should the Applicant ultimately not receive the \$303,600 grant and/or \$122,400 in park waivers, the resulting deferred developer fee is repayable within 15 years of stabilized operation.

Underwriter:

Cameron Dorsey

Date:

_____ May 28, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date:

_____ May 28, 2007

Director of Real Estate Analysis:

Tom Gouris

Date:

_____ May 28, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Paseo Palms, El Paso, 9% HTC #07108

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	2	1	1	706	\$242	\$137	\$274	\$0.19	\$105.00	\$15.00
TC 60%	26	1	1	706	\$485	380	9,880	0.54	105.00	15.00
TC 30%	4	2	1	967	\$291	171	684	0.18	120.00	15.00
TC 60%	64	2	1	967	\$582	462	29,568	0.48	120.00	15.00
TC 30%	6	3	2	1,083	\$336	197	1,182	0.18	139.00	15.00
TC 60%	66	3	2	1,083	\$672	533	35,178	0.49	139.00	15.00
TC 30%	6	4	2	1,201	\$375	214	1,284	0.18	161.00	15.00
TC 60%	6	4	2	1,201	\$750	589	3,534	0.49	161.00	15.00
TOTAL:	180			AVERAGE: 988		\$453	\$81,584	\$0.46	\$128.00	\$15.00

INCOME

Total Net Rentable Sq Ft: 177,912

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.86%	\$301	0.30
Management	6.00%	309	0.31
Payroll & Payroll Tax	13.31%	685	0.69
Repairs & Maintenance	6.56%	337	0.34
Utilities	5.48%	282	0.28
Water, Sewer, & Trash	4.85%	250	0.25
Property Insurance	4.13%	213	0.22
Property Tax 2.475782	10.97%	564	0.57
Reserve for Replacements	4.86%	250	0.25
TDHCA Compliance Fees	0.78%	40	0.04
Other: Support Services	0.43%	22	0.02
TOTAL EXPENSES	63.24%	\$3,252	\$3.29

NET OPERATING INC

DEBT SERVICE

	%	PER UNIT	PER SQ FT
First Lien Mortgage	30.82%	\$1,585	\$1.60
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	5.94%	\$305	\$0.31

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.10%	\$2,642	\$2.67
Off-Sites		0.00%	0	0.00
Sitework		8.73%	7,444	7.53
Direct Construction		60.47%	51,551	52.16
Contingency	0.00%	0.00%	0	0.00
Contractor's Fees	13.77%	9.53%	8,125	8.22
Indirect Construction		2.50%	2,128	2.15
Ineligible Costs		0.61%	522	0.53
Developer's Fees	14.78%	12.29%	10,478	10.60
Interim Financing		1.94%	1,656	1.67
Reserves		0.82%	703	0.71
TOTAL COST		100.00%	\$85,248	\$86.25

Construction Cost Recap

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
Construction Cost Recap	78.74%	\$67,120	\$67.91

TDHCA	APPLICANT
\$979,008	\$958,944
21,600	21,600
0	0
\$1,000,608	\$980,544
(75,046)	(73,541)
0	0
\$925,562	\$907,003
\$585,313	\$563,000
\$340,250	\$344,003
\$285,280	\$283,508
0	0
0	0
\$54,970	\$60,495
1.19	1.21
	1.21

COUNTY IREM REGION COMPT. REGION

El Paso El Paso 13

\$10.00 Per Unit Per Month

\$0.00 Per Unit Per Month

-7.50% of Potential Gross Income

PER SQ FT PER UNIT % OF EGI

\$0.36	\$356	7.06%
0.25	250	4.96%
0.76	756	14.99%
0.30	294	5.84%
0.21	211	4.19%
0.22	222	4.41%
0.21	211	4.19%
0.53	528	10.47%
0.25	250	4.96%
0.03	28	0.55%
0.02	22	0.44%
\$3.16	\$3,128	62.07%
\$1.93	\$1,911	37.93%
\$1.59	\$1,575	31.26%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.34	\$336	6.67%

TDHCA	APPLICANT
\$475,536	\$500,000
0	0
1,340,000	1,340,000
9,279,208	9,106,000
0	0
1,462,440	1,462,440
383,000	383,000
94,000	94,000
1,886,000	1,886,000
298,000	298,000
126,476	110,000
\$15,344,661	\$15,179,440
\$12,081,648	\$11,908,440

RECOMMENDED

\$3,400,000	Developer Fee Available
0	\$1,886,000
303,600	
122,400	% of Dev. Fee Deferred
11,160,000	9%
163,440	
170,092	
195,221	15-Yr Cumulative Cash Flow
\$15,154,976	\$1,356,495

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Paseo Palms, El Paso, 9% HTC #07108

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$66.38	\$11,809,642
Adjustments				
Exterior Wall Finish	0.10%		\$0.07	\$11,810
Elderly	0.00%		0.00	0
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(329,137)
Floor Cover			3.08	547,969
Breezeways/Balconies	\$21.65	9,560	1.16	206,974
Plumbing Fixtures	\$965	(108)	(0.59)	(104,220)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	180	2.45	436,500
Exterior Stairs	\$1,650	0	0.00	0
Enclosed Corridors	\$56.46	0	0.00	0
Heating/Cooling			2.82	501,712
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$67.23	3,013	1.14	202,564
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			74.67	13,283,813
Current Cost Multiplier	0.98		(1.49)	(265,676)
Local Multiplier	0.88		(8.96)	(1,594,058)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.21	\$11,424,079
Plans, specs, survy, bld prm	3.90%		(\$2.50)	(\$445,539)
Interim Construction Interest	3.38%		(2.17)	(385,563)
Contractor's OH & Profit	11.50%		(7.38)	(1,313,769)
NET DIRECT CONSTRUCTION COSTS			\$52.16	\$9,279,208

PAYMENT COMPUTATION

Primary	\$3,400,000	Amort	360
Int Rate	7.50%	DCR	1.19

Secondary		Amort	
Int Rate		Subtotal DCR	1.19

Additional		Amort	
Int Rate		Aggregate DCR	1.19

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	\$285,280
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$58,724

Primary	\$3,400,000	Amort	360
Int Rate	7.50%	DCR	1.21

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.21

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.21

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$958,944	\$987,712	\$1,017,344	\$1,047,864	\$1,079,300	\$1,251,204	\$1,450,489	\$1,681,514	\$2,259,814
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	980,544	1,009,960	1,040,259	1,071,467	1,103,611	1,279,388	1,483,161	1,719,390	2,310,716
Vacancy & Collection Loss	(73,541)	(75,747)	(78,019)	(80,360)	(82,771)	(95,954)	(111,237)	(128,954)	(173,304)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$907,003	\$934,213	\$962,240	\$991,107	\$1,020,840	\$1,183,433	\$1,371,924	\$1,590,436	\$2,137,412
EXPENSES at 4.00%									
General & Administrative	\$64,000	\$66,560	\$69,222	\$71,991	\$74,871	\$91,092	\$110,827	\$134,838	\$199,594
Management	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Payroll & Payroll Tax	136,000	141,440	147,098	152,982	159,101	193,570	235,508	286,531	424,137
Repairs & Maintenance	53,000	55,120	57,325	59,618	62,003	75,436	91,779	111,663	165,289
Utilities	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Water, Sewer & Trash	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Insurance	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Property Tax	95,000	98,800	102,752	106,862	111,137	135,215	164,509	200,151	296,272
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
TOTAL EXPENSES	\$663,000	\$685,070	\$708,009	\$731,852	\$756,635	\$919,990	\$1,118,075	\$1,362,256	\$1,912,507
NET OPERATING INCOME	\$244,003	\$249,143	\$254,230	\$259,255	\$264,205	\$268,443	\$273,849	\$278,180	\$284,905
DEBT SERVICE									
First Lien Financing	\$285,280	\$285,280	\$285,280	\$285,280	\$285,280	\$285,280	\$285,280	\$285,280	\$285,280
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	\$58,724	\$63,864	\$68,951	\$73,975	\$78,926	\$102,164	\$121,569	\$134,900	\$130,626
DEBT COVERAGE RATIO	1.21	1.22	1.24	1.26	1.28	1.36	1.43	1.47	1.46

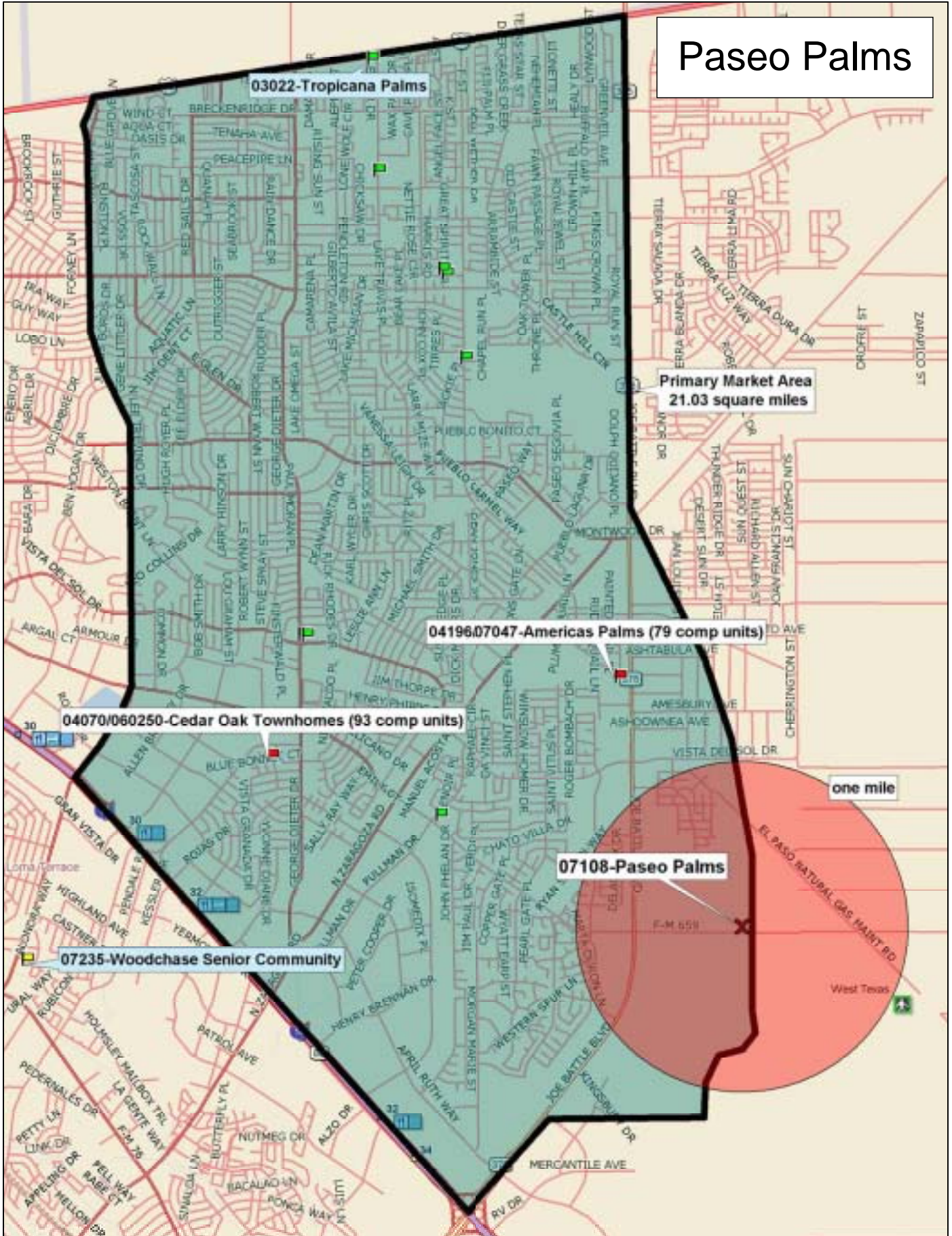
HTC ALLOCATION ANALYSIS -Paseo Palms, El Paso, 9% HTC #07108

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$500,000	\$475,536		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000
Construction Hard Costs	\$9,106,000	\$9,279,208	\$9,106,000	\$9,279,208
Contractor Fees	\$1,462,440	\$1,462,440	\$1,462,440	\$1,462,440
Contingencies				
Eligible Indirect Fees	\$383,000	\$383,000	\$383,000	\$383,000
Eligible Financing Fees	\$298,000	\$298,000	\$298,000	\$298,000
All Ineligible Costs	\$94,000	\$94,000		
Developer Fees				
Developer Fees	\$1,886,000	\$1,886,000	\$1,886,000	\$1,886,000
Development Reserves	\$110,000	\$126,476		
TOTAL DEVELOPMENT COSTS	\$15,179,440	\$15,344,661	\$14,475,440	\$14,648,648

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$14,475,440	\$14,648,648
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$14,475,440	\$14,648,648
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$14,475,440	\$14,648,648
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$1,237,650	\$1,252,459

Syndication Proceeds	0.9299	\$11,508,995	\$11,646,708
Total Tax Credits (Eligible Basis Method)		\$1,237,650	\$1,252,459
Syndication Proceeds		\$11,508,995	\$11,646,708
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$11,158,884	
Gap of Syndication Proceeds Needed		\$11,353,440	
Total Tax Credits (Gap Method)		\$1,220,922	

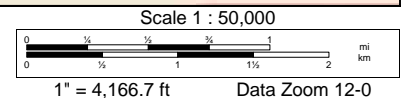
Paseo Palms



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Applicant Evaluation

Project ID # **07108**

Name: **Paseo Palms**

City: **El Paso**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 11

Projects zero to nine: 11
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 11

not yet monitored or pending review: 3

Projects not reported Yes
 in application No

of projects not reported 1

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/30/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Elrod Place, TDHCA Number 07109

BASIC DEVELOPMENT INFORMATION

Site Address: W side of Approx. 3700 Blk Elrod Development #: 07109
City: Katy Region: 6 Population Served: Intg
County: Harris Zip Code: 77449 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Elrod Place, Ltd.
Owner Contact and Phone: Barry Kahn (713) 871-0063
Developer: HK/Elrod Development, Ltd.
Housing General Contractor: Hettig Construction Corp.
Architect: JRM Architects, Inc.
Market Analyst: O' Conner & Associates
Syndicator: Hudson Housing Capital, LLC
Supportive Services: Child & Adult Development Center of Houston, Inc.
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 123
13 0 0 110 Market Rate Units: 3
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 1
0 26 24 0 77 0 Total Development Units: 127
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 82
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Elrod Place, TDHCA Number 07109

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Janek, District 17, O Points: 0 US Representative: McCaul, District 10, NC
TX Representative: Callegari, District 132, O Points: -7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
O, Leonard E. Merrell, Ed. D., Superintendent, Katy ISD
O, Rick Lawler, Board Member, Harris County Emergency
Services District #48

Individuals and Businesses In Support: 6 In Opposition 277

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Child and Adult Development Center of Houston, Inc. S or O: S
Families Under Urban & Social Attack S or O: S
Credit Services Unlimited S or O: S
Volunteers of America, Texas S or O: S
Greater Houston Builders Association S or O: S
Sheltering Arms Senior Services S or O: S

General Summary of Comment:

The only support received was from six civic organizations that agreed that this development integrates single family homes with elderly units, a concept our society needs and wants more of.

Broad opposition was received from non-officials and from elected officials. The primary reasons cited for opposition to the development are: the development will pose a financial burden on the school district and local tax base; the development will lower the property values in our neighborhoods, increase crime in the community, and create an additional burden on the already overloaded fire and emergency services; information presented to the community by a representative of the applicant in three separate meetings was different than, or incomplete when compared to, the application; the role of the Harris County Housing Authority was not disclosed to the public; the right of first refusal provision was not disclosed to the public; the development site may have negative site features such as chlorine gas and close proximity to power lines; the area in which the development will be located already has a high concentration of low income individuals; and the Applicant represented in the application that the development is located in a MUD that it is not actually located in.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Elrod Place, TDHCA Number 07109

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

Competitive Housing Tax Credits: Score: **169** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Poteet Housing Authority Farm Labor, TDHCA Number 07110

BASIC DEVELOPMENT INFORMATION

Site Address: Ave. N at 4th St. Development #: 07110
City: Poteet Region: 9 Population Served: Family
County: Atascosa Zip Code: 78065 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: CHDO Preservation General Acquisition: [checked]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Poteet HA Farm Labor, Ltd.
Owner Contact and Phone: Gary M. Driggers (210) 684-0679
Developer: Legacy Renewal, Inc.
Housing General Contractor: Hoover Construction, Inc
Architect: ADA, Inc.
Market Analyst: N/A
Syndicator: WNC & Associates
Supportive Services: Poteet Housing Authority
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 30
3 0 0 27 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 5 17 4 4 0 Total Development Units: 30
Type of Building: Total Development Cost*: \$1,535,753
Number of Residential Buildings: 8
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$121,601 \$87,371
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Poteet Housing Authority Farm Labor, TDHCA Number 07110

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Zaffirini, District 21, S Points: 7 US Representative: Cuellar, District 28, NC

TX Representative: Gonzalez Toureilles, District 35, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Diana J. Bautista, County Judge Resolution of Support from Local Government

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Poteet Housing Authority Farm Labor Resident Council, Jesse Robles Letter Score: 12 S or O: S

Will be able to make needed improvements to property such as new flooring, installation of central heat and air, new cabinetry, etc.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials, some non-officials and an unqualified neighborhood organization.

CONDITIONS OF COMMITMENT

- Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the rental assisted contract rents, the rehabilitation scope and budget, and the transfer price.
- Receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines that supports the proper determination of eligible building basis.
- Receipt, review, and acceptance, by carryover, of a legal opinion or letter from the county appraisal district and back up documentation indicating that the development will qualify for a property tax exemption.
- Receipt, review, and acceptance, by carryover, of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor or title attorney indicating that the said ROW will not have an adverse impact on the subject property.
- Should the terms and rates of the proposed debt or syndication change or should the Board reinstate the Applicant's acquisition price and accept the Applicant's appraisal, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Poteet Housing Authority Farm Labor, TDHCA Number 07110

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

Competitive Housing Tax Credits: Score: **186** Meeting a Required Set-Aside Credit Amount*: \$87,371

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report **Addendum**

REPORT DATE: 07/20/07 PROGRAM: 9% HTC FILE NUMBER: 07110

DEVELOPMENT																		
Poteet Housing Authority Farm Labor																		
Location: <u>Corner of Avenue N and 4th Street</u>				Region: <u>9</u>														
City: <u>Poteet</u>		County: <u>Atascosa</u>		Zip: <u>78065</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Rural, Acquisition/Rehab., USDA</u>																		
ALLOCATION																		
	REQUEST*			REVISED RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$121,601			\$87,371														
*The original recommendation was \$79,605.																		
CONDITIONS																		
1 Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the rental assisted contract rents, the rehabilitation scope and budget, and the transfer price. 2 Receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines and that supports the proper determination of eligible building basis. 3 Receipt, review, and acceptance, by carryover, of a legal opinion or letter from the county appraisal district and back up documentation indicating that the development will qualify for a property tax exemption. 4 Receipt, review, and acceptance, by carryover, of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor or title attorney indicating that the said ROW will not have an adverse impact on the subject property. 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 allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">27</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	3	60% of AMI	60% of AMI	27
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	3																
60% of AMI	60% of AMI	27																

PROS

The development plan calls for the continuation of the USDA rental subsidy to potentially help serve the lowest income levels in the community.

This application represents an opportunity to revitalize a 28 year old Housing Authority owned property.

CONS

The Applicant has not justified the overstated transfer price which would significantly inflate the tax credit amount. USDA has indicated that they too would have an issue with transfer amount that was more than twice the outstanding debt.

Based on the information provided, the property has been operating in a very inefficient manner compared to other tax credit properties of similar size across the State.

The original scope of work was revised significantly in response to loss of the 30% boost indicating needed improvements may have been scaled back.

The appraisal provided was not performed in accordance with Department guidelines and could not be relied upon in the analysis.

The development has an expense to income ratio over 65%, but this is mitigated by the ongoing Rental Assistance subsidy.

ADDENDUM

This addendum report has been issued in response to the TDHCA Board's action at the Board meeting held on July 12, 2007. Specifically, the Applicant appealed the original underwriting recommendation on the basis that (1.) the Underwriter's reduction in the acquisition cost was unnecessary and that the Applicant's acquisition cost was derived in line with Department guidelines, and (2.) the recommended credit amount, below \$100K, results in a reduction in the syndication rate from \$0.90 per dollar of credit to \$0.82 per dollar of credit.

The TDHCA Board denied item number one of the Applicant's appeal regarding the acquisition price. The Board approved the second appeal item regarding the syndication price. Information supporting the said reduction in the syndication rate was not provided to staff until the TDHCA Board meeting on July 12, 2007; therefore, such information was not considered in the original underwriting report or the appeal response.

The original HTC recommendation was derived based upon the development's gap in financing. While the development's gap in funding has not changed, a reduction in the syndication rate associated with the HTC allocation effectively reduces the syndication proceeds and increases the tax credit allocation needed to fill the gap. Because the Board has approved the Applicant's appeal concerning the reduction in the syndication rate, this addendum re-evaluates the development's gap in funding based on the new syndication commitment provided. The following analysis includes discussion of only those portions of the transaction that have been materially affected by syndication rate reduction and should be read in conjunction with the original report.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 7/12/2007

Source: Stearns Bank Type: Interim Financing

Principal: \$1,200,000 Interest Rate: 7.5% [] Fixed Term: 18 months

Source: USDA 515 Type: Assumed Permanent Financing

Principal: \$505,000 Interest Rate: 1.0% [X] Fixed Amort: 600 months

Source: Poteet Housing Authority Type: Interim to Permanent Financing
 Principal: \$400,000 Interest Rate: 7.80% Fixed Amort: 360 months
 Source: Poteet Housing Authority Type: Grant
 Principal: \$400,000 Conditions: Can be structured as a loan.
 Source: WNC & Associates, Inc. Type: Syndication

Revised Terms Accepted during Board Appeal:

Proceeds: \$716,371 Syndication Rate: 82% Anticipated HTC: \$ 87,371

Original Terms:

Proceeds: \$1,094,516 Syndication Rate: 90% Anticipated HTC: \$ 121,625

Comments:

As indicated above, the Applicant has submitted a new commitment based upon the reduction in the tax credit recommendation below \$100K. The commitment indicates, "Overall equity pricing in the market since the original dated letter has dropped across the country. Additionally, this property is under \$1,000,000 in equity [or \$100,000 annual HTC allocation] which is problematic for corporate investors." The rate reduction from 90% to 82% reflects a significant drop and a price that is lower than any other proposed syndication price for applications submitted in 2007.

Moreover, the revised syndication price is at the extreme low end of current market prices and any increase in rate could reduce the final allocation of credits since there would be no deferred developer fee to absorb excess syndication proceeds. Of note, the revised syndication commitment appears to have anticipated the increase in the allocation that would result from the rate reduction.

CONCLUSIONS

Revised Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$505,000 and adjusted loan from the Housing Authority of \$314,382 indicates the need for \$716,371 in gap funds. Based on the submitted revised syndication terms, a tax credit allocation of \$87,371 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$121,601), the revised gap-driven amount (\$87,371), and eligible basis-derived estimate (\$93,364), the gap derived amount of \$87,371 is recommended resulting in proceeds of \$716,371 based on a revised syndication rate of 82%. This amounts to \$200K or 38% more funds than the total hard cost with contractor fees and sitework included. Should additional information concerning the details of the transaction be sought, the original underwriting report should be referenced.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter: _____ Date: July 20, 2007
Cameron Dorsey
 Director of Real Estate Analysis: _____ Date: July 20, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110 -- ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	5	1	1	646	\$504	\$440	\$2,200	\$0.68	\$53.00	\$38.00
TC 30%	3	2	1	747	\$302	501	1,503	0.67	63.00	44.00
TC 60%	14	2	1	747	\$604	501	7,014	0.67	63.00	44.00
TC 60%	4	3	1	987	\$699	631	2,524	0.64	76.00	50.00
TC 60%	4	4	2	1,126	\$780	688	2,752	0.61	87.00	50.00
TOTAL:	30		AVERAGE:	813		\$533	\$15,993	\$0.66	\$66.27	\$44.60

INCOME

Total Net Rentable Sq Ft: 24,381

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	8.40%	\$501	0.62
Management	5.00%	299	0.37
Payroll & Payroll Tax	14.67%	876	1.08
Repairs & Maintenance	10.27%	614	0.75
Utilities	9.37%	560	0.69
Water, Sewer, & Trash	8.96%	535	0.66
Property Insurance	3.95%	236	0.29
Property Tax 2.9772	0.00%	0	0.00
Reserve for Replacements	5.02%	300	0.37
TDHCA Compliance Fees	0.67%	40	0.05
Other: Supp. Serv., Cable	3.07%	183	0.23
TOTAL EXPENSES	69.38%	\$4,144	\$5.10
NET OPERATING INC	30.62%	\$1,829	\$2.25

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
	\$191,916	\$189,720	Atascosa		9
	1,800	1,440	\$4.00	Per Unit Per Month	
	0	0	\$0.00	Per Unit Per Month	
	\$193,716	\$191,160			
	(14,529)	(14,340)	-7.50%	of Potential Gross Income	
	0	0			
	\$179,187	\$176,820			
			PER SQ FT	PER UNIT	% OF EGI
	\$15,044	\$10,500	\$0.43	\$350	5.94%
	8,959	10,000	0.41	333	5.66%
	26,291	24,000	0.98	800	13.57%
	18,407	15,000	0.62	500	8.48%
	16,789	17,000	0.70	567	9.61%
	16,056	18,000	0.74	600	10.18%
	7,078	5,000	0.21	167	2.83%
	0	0	0.00	0	0.00%
	9,000	9,000	0.37	300	5.09%
	1,200	3,000	0.12	100	1.70%
	5,500	5,500	0.23	183	3.11%
	\$124,324	\$117,000	\$4.80	\$3,900	66.17%
	\$54,863	\$59,820	\$2.45	\$1,994	33.83%
	\$13,459	\$13,459	\$0.55	\$449	7.61%
	33,317	33,296	\$1.37	\$1,110	18.83%
	0	0	\$0.00	\$0	0.00%
	\$8,088	\$13,065	\$0.54	\$436	7.39%
	1.17	1.28			
	1.35				

DEBT SERVICE

USDA 515	7.51%	\$449	\$0.55
Poteet Housing Auth-Loan	18.59%	\$1,111	\$1.37
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.51%	\$270	\$0.33

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		32.88%	\$16,833	\$20.71
Off-Sites		0.00%	0	0.00
Sitework		1.33%	679	0.84
Direct Construction		26.92%	13,779	16.95
Contingency	4.61%	1.30%	667	0.82
Contractor's Fees	12.22%	3.45%	1,767	2.17
Indirect Construction		7.10%	3,637	4.48
Ineligible Costs		7.06%	3,617	4.45
Developer's Fees	13.88%	10.74%	5,500	6.77
Interim Financing		7.62%	3,900	4.80
Reserves		1.59%	814	1.00
TOTAL COST		100.00%	\$51,192	\$62.99
Construction Cost Recap		33.00%	\$16,891	\$20.78

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$505,000	\$1,305,000	\$53.53	\$43,500	56.15%
	0	0	0.00	0	0.00%
	20,372	27,000	1.11	900	1.16%
	413,364	419,540	17.21	13,985	18.05%
	20,000	20,000	0.82	667	0.86%
	53,000	53,000	2.17	1,767	2.28%
	109,110	109,110	4.48	3,637	4.69%
	108,500	108,500	4.45	3,617	4.67%
	165,000	165,000	6.77	5,500	7.10%
	117,000	117,000	4.80	3,900	5.03%
	24,407	0	0.00	0	0.00%
	\$1,535,753	\$2,324,150	\$95.33	\$77,472	100.00%
	\$506,736	\$519,540	\$21.31	\$17,318	22.35%

SOURCES OF FUNDS

USDA 515	32.88%	\$16,833	\$20.71
Poteet Housing Auth-Loan	26.05%	\$13,333	\$16.41
Poteet Housing Auth-Grant	0.00%	\$0	\$0.00
HTC Syndication Proceeds	71.28%	\$36,488	\$44.90
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (Excess) Funds Req'd	-30.20%	(\$15,462)	(\$19.03)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED	
	\$505,000	\$505,000	\$505,000	Developer Fee Available
	400,000	385,678	314,382	\$165,000
	0	338,847	0	
	1,094,625	1,094,625	716,371	% of Dev. Fee Deferred
	0	0	0	0%
	(463,872)	0	0	15-Yr Cumulative Cash Flow
	\$1,535,753	\$2,324,150	\$1,535,753	\$245,059

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110 -- ADDENDUM

PAYMENT COMPUTATION

Primary	\$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	\$385,678	Amort	360
Int Rate	7.80%	Subtotal DCR	1.17

Additional	\$1,094,625	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$13,459
Secondary Debt Service	27,158
Additional Debt Service	0
NET CASH FLOW	\$14,246

Primary	\$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	\$314,382	Amort	360
Int Rate	7.80%	Subtotal DCR	1.35

Additional	\$1,094,625	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$191,916	\$197,673	\$203,604	\$209,712	\$216,003	\$250,407	\$290,290	\$336,526	\$452,263
Secondary Income	1,800	1,854	1,910	1,967	2,026	2,349	2,723	3,156	4,242
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	193,716	199,527	205,513	211,679	218,029	252,755	293,013	339,682	456,504
Vacancy & Collection Loss	(14,529)	(14,965)	(15,413)	(15,876)	(16,352)	(18,957)	(21,976)	(25,476)	(34,238)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$179,187	\$184,563	\$190,100	\$195,803	\$201,677	\$233,799	\$271,037	\$314,206	\$422,267
EXPENSES at 4.00%									
General & Administrative	\$15,044	\$15,646	\$16,272	\$16,923	\$17,600	\$21,413	\$26,052	\$31,696	\$46,918
Management	8,959	9,228	9,505	9,790	10,084	11,690	13,552	15,710	21,113
Payroll & Payroll Tax	26,291	27,342	28,436	29,574	30,756	37,420	45,527	55,391	81,992
Repairs & Maintenance	18,407	19,143	19,909	20,705	21,534	26,199	31,875	38,781	57,405
Utilities	16,789	17,461	18,159	18,886	19,641	23,896	29,074	35,372	52,360
Water, Sewer & Trash	16,056	16,698	17,366	18,061	18,783	22,853	27,804	33,828	50,073
Insurance	7,078	7,361	7,655	7,962	8,280	10,074	12,256	14,912	22,073
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	6,700	6,968	7,247	7,537	7,838	9,536	11,602	14,116	20,895
TOTAL EXPENSES	\$124,324	\$129,208	\$134,284	\$139,560	\$145,045	\$175,890	\$213,327	\$258,767	\$380,897
NET OPERATING INCOME	\$54,863	\$55,355	\$55,816	\$56,243	\$56,632	\$57,908	\$57,710	\$55,439	\$41,370
DEBT SERVICE									
First Lien Financing	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459
Second Lien	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$14,246	\$14,739	\$15,199	\$15,626	\$16,016	\$17,292	\$17,094	\$14,822	\$753
DEBT COVERAGE RATIO	1.35	1.36	1.37	1.38	1.39	1.43	1.42	1.36	1.02

HTC ALLOCATION ANALYSIS -Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110 -- ADDENDUM

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
Acquisition Cost						
Purchase of land	\$90,000	\$49,000				
Purchase of buildings	\$1,215,000	\$456,000	\$1,215,000	\$456,000		
Off-Site Improvements						
Sitework	\$27,000	\$20,372			\$27,000	\$20,372
Construction Hard Costs	\$419,540	\$413,364			\$419,540	\$413,364
Contractor Fees	\$53,000	\$53,000			\$53,000	\$53,000
Contingencies	\$20,000	\$20,000			\$20,000	\$20,000
Eligible Indirect Fees	\$109,110	\$109,110			\$109,110	\$109,110
Eligible Financing Fees	\$117,000	\$117,000			\$117,000	\$117,000
All Ineligible Costs	\$108,500	\$108,500				
Developer Fees						
Developer Fees	\$165,000	\$165,000	\$90,746		\$74,254	\$165,000
Development Reserves		\$24,407				
TOTAL DEVELOPMENT COSTS	\$2,324,150	\$1,535,753	\$1,305,746	\$456,000	\$819,904	\$897,846

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$47,529	\$16,598	\$70,102	\$76,766

Syndication Proceeds	0.8199	\$389,700	\$136,093	\$574,778	\$629,417
Total Tax Credits (Eligible Basis Method)				\$117,631	\$93,364
Syndication Proceeds				\$964,477	\$765,510
Requested Tax Credits				\$121,601	
Syndication Proceeds				\$997,028	
Gap of Syndication Proceeds Needed				\$1,504,768	\$716,371
Total Tax Credits (Gap Method)				\$183,527	\$87,371
Original Recommendation				\$79,605	
Syndication Proceeds				\$652,696	



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: 07110

DEVELOPMENT

Poteet Housing Authority Farm Labor

Location: Corner of Avenue N and 4th Street Region: 9
 City: Poteet County: Atascosa Zip: 78065 QCT DDA
 Key Attributes: Multifamily, Family, Rural, Acquisition/Rehab., USDA

ALLOCATION

TDHCA Program	REQUEST*			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$121,601			\$79,605		

*The Applicant originally requested \$287,596 but submitted a whole new economic/financing structure on 3/24/07 in order to address the loss of the 30% boost.

CONDITIONS

- 1 Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the rental assisted contract rents, the rehabilitation scope and budget, and the transfer price.
- 2 Receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines that supports the proper determination of eligible building basis.
- 3 Receipt, review, and acceptance, by carryover, of a legal opinion or letter from the county appraisal district and back up documentation indicating that the development will qualify for a property tax exemption.
- 4 Receipt, review, and acceptance, by carryover, of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor or title attorney indicating that the said ROW will not have an adverse impact on the subject property.
- 5 Should the terms and rates of the proposed debt or syndication change or should the Board reinstate the Applicant's acquisition price and accept the Applicant's appraisal, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
60% of AMI	60% of AMI	27

PROS

The development plan calls for the continuation of the USDA rental subsidy to potentially help serve the lowest income levels in the community.

This application represents an opportunity to revitalize a 28 year old Housing Authority owned property.

CONS

The Applicant has not justified the overstated transfer price which would significantly inflate the tax credit amount. USDA has indicated that they too would have an issue with transfer amount that was more than twice the outstanding debt.

Based on the information provided, the property has been operating in a very inefficient manner compared to other tax credit properties of similar size across the State.

The original scope of work was revised significantly in response to loss of the 30% boost indicating needed improvements may have been scaled back.

The appraisal provided was not performed in accordance with Department guidelines and could not be relied upon in the analysis.

The development has an expense to income ratio over 65%, but this is mitigated by the ongoing Rental Assistance subsidy.

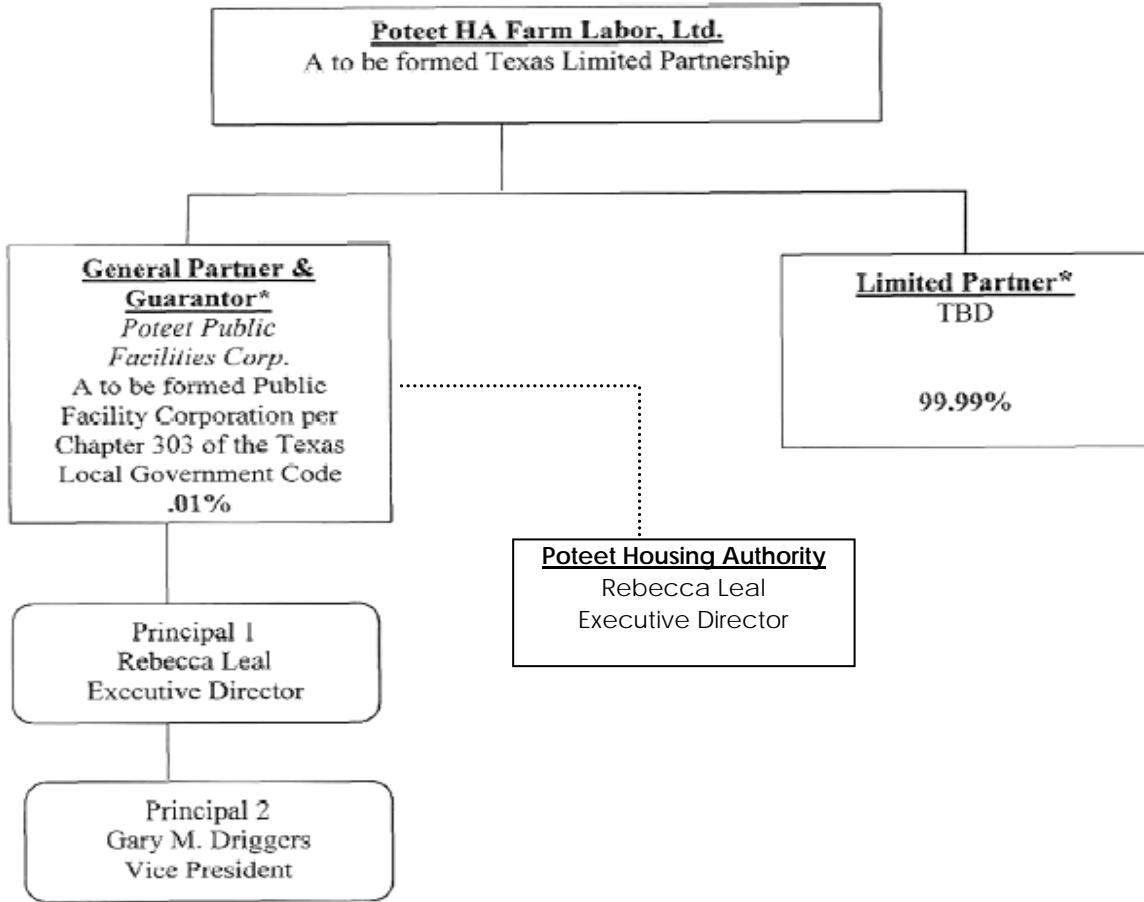
PREVIOUS UNDERWRITING REPORTS

No previous reports.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



Sponsor

CONTACT

Contact: Gary M. Driggers Phone: (210) 684-0679 Fax: (210) 521-7121
 Email: gary.driggers@legacy-renewal.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
HA of Poteet	\$1,192,710	\$339,683	No Prior HTC Experience
Legacy Renewal, Inc.	\$328,832	\$320,567	3
Gary M. Diggers	Confidential	Confidential	3

¹ Liquidity = Current Assets - Current Liabilities

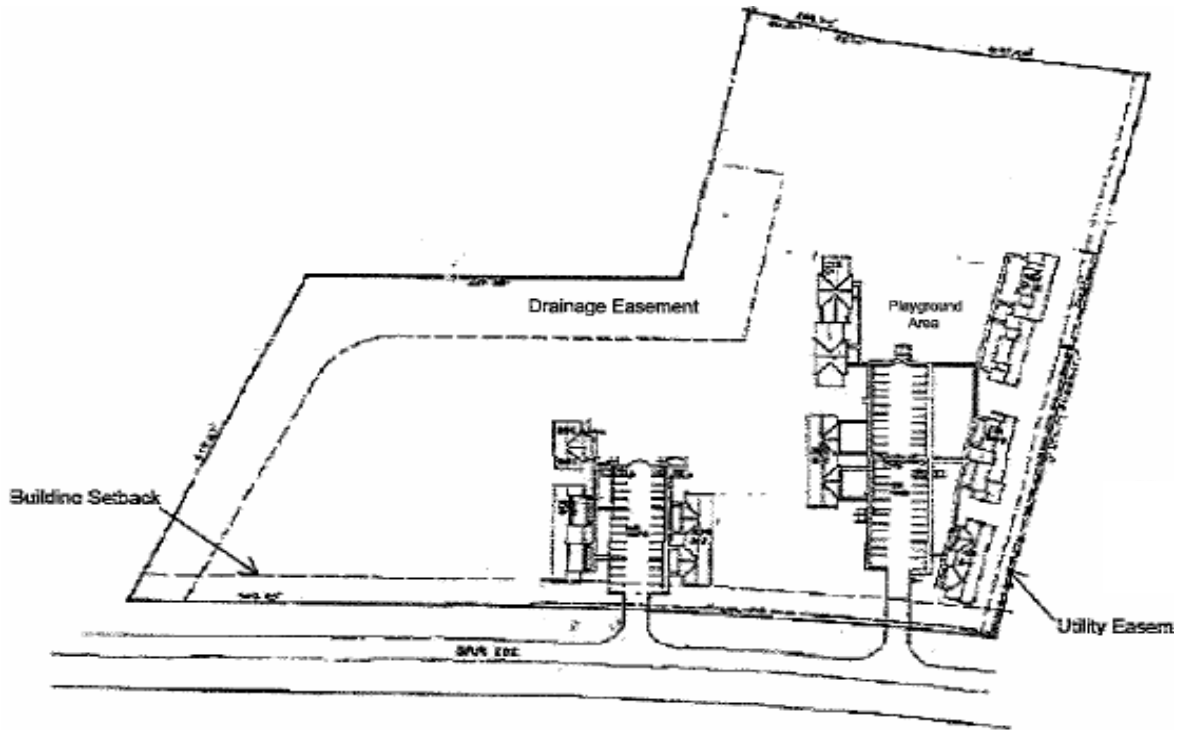
IDENTITIES of INTEREST

The Applicant, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The seller is regarded as a related party. Moreover, as discussed below, the purchase contract was revised after loss of the 30% boost to include a much higher price, and additional seller financing was included to cover the inflated cost. The use of a higher acquisition price enables the proposed use of a higher eligible building basis and ultimately a higher HTC allocation.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V	VI						Total Buildings
Floors/Stories	1	1	1	1	1	1						
Number	1	1	1	3	1	1						8

BR/BA	SF	Units										Total Units	Total SF
1/1	646	4	1									5	3,230
2/1	747		3	2	4							17	12,699
3/1	987					4						4	3,948
4/2	1,126						4					4	4,504
Units per Building		4	4	2	4	4	4					30	24,381

Rehabilitation summary:

The 28 year old buildings are 97% occupied as of January 2007 and in good condition per the Capital Needs Assessment. Most of the units will not require 100% access by the contractor or complete evacuation by the tenants. In situations where this may be needed the contractor will work with the Poteet Housing Authority to use vacant units available at their other properties. The repairs will consist of overlaying new asphalt and seal coating the entire driveway, replacement or repair of all damaged walkways and trash slabs, replacement of all windows, replacement of all door hardware, replacement of all vinyl tile, painting of all of the units, replacement of all sink faucets, replacement of 25% of all cabinets, replacement of sinks and laminate countertops, and installation of 30 new heating and cooling units, including new duct work, installation of a compressor, and updating the electrical to accompany the additional HVAC units.

The original plan included construction of a new community building; however, with removal of the QCT designation, the Applicant cut costs by eliminating the new community building from the development plan and cutting back significantly on the original proposed scope of work. The CNA provided was submitted on March 30, 2007 which is subsequent to the revisions to the development plan. As a result, staff cannot provide an evaluation of what components of the original development plan have been scaled back. Moreover, and particularly of concern, it is unclear whether needed improvements have been removed in the revised scope of work in response to loss of the 30% boost.

SITE ISSUES

Total Size: 10.861 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: Multi-Family Needs to be re-zoned? Yes No N/A
 Comments:

The acreage of the subject may be decreased based on final survey. A railroad easement and drainage easement have caused the title company to question the total acreage. This is discussed in more detail below in the Title section.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/1/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Vacant Land East: Vacant Land
 South: Vacant Land West: Commercial Building

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A Market Study report was not included, as USDA financed projects are not required to submit this report. An "As Is" appraisal dated February 6, 2007 prepared by Coastal Bend Real Estate Services.

Contact: Raulie Irwin Phone: (361) 645-2111 Fax: (361) 645-2118
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Market Area:

Poteet is located on State Highway 16, approximately 25 miles south of San Antonio. The general neighborhood is the City of Poteet, Texas. (p. 19)

INCOME LIMITS						
Atascosa						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,400	\$10,750	\$12,100	\$13,450	\$14,550	\$15,600
60	\$18,840	\$21,480	\$24,180	\$26,880	\$29,040	\$31,200

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1BR	646 SF	(60%)	\$451	\$451	Not Provided	\$440	N/A
2BR	747 SF	(30%)	\$239	\$239	Not Provided	\$501	N/A
2BR	747 SF	(60%)	\$541	\$541	Not Provided	\$501	N/A
3BR	987 SF	(60%)	\$623	\$623	Not Provided	\$631	N/A
4BR	1126 SF	(60%)	\$693	\$693	Not Provided	\$688	N/A

Comments:

The subject development is currently 100% occupied and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of November 2006 from the 2007 program gross rent limits. The Underwriter's rents are equal to the current USDA-RD net contract rents effective November 1, 2006. The property receives rental assistance to achieve the contract rents for all the units. The Applicant has not indicated that an increase in the rents will be requested and the appraisal does not provide comparable rents within the market. As such, the Underwriter cannot speculate about what rent increases may be reasonable or achievable.

Based on information in the application, USDA-RD approved a 3% to 4% rent increase as recently as November of 2006, which indicates that USDA-RD's approval of yet another increase may be unlikely. Despite the difference in rents, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be required to pay for electric service.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,900 per unit is not within 5% of the Underwriter's estimate of \$4,144, derived from the TDHCA database and actual operating history of the development. In addition, the following line items in the Applicant's budget deviate significantly from the Underwriter's estimates: general and administrative (\$5K or 30% lower); compliance fees (\$2K or 150% higher). The Applicant's total expense estimates appear to be on the high end of reasonable expense levels, particularly considering the property's assumed 100% tax exempt status. However, the 2006 FYE expenses for the property provided indicate an even higher expense level. Based on the information provided, the property appears to operate very inefficiently particularly with regard to utilities including water, sewer and trash and may continue to do so, which is of concern to the Underwriter.

The Applicant has indicated that the property will achieve a property tax exemption due to the Housing Authority's ownership of the GP. However, staff's experience with such transactions suggests that this alone is not sufficient to reasonably assume a 100% exemption. Typically a lease structure can be used but no such structure was proposed by the applicant nor was any evidence of an agreement with the local taxing authorities. Receipt, review, and acceptance of a legal opinion or letter from the county appraisal district indicating that the development will qualify for a property tax exemption is a condition of this report. Without the 100% exemption, basic rents would have to increase by at least 3% in order to maintain minimum feasibility.

Conclusion:

The Applicant's total operating expense estimate and net operating income (NOI) estimate are each not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma will be used to evaluate the development's debt capacity and debt coverage ratio. 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 and proposed loan from the Housing Authority, as adjusted.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and adjusted loan amount were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. The expense to income ratio is above 65% however this is mitigated by the rental assistance that is available a the property.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Coastal Bend Real Estate Services</u>	Date:	<u>2/6/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	10.1 acres	\$49,000	As of: <u>2/6/2007</u>
Existing Buildings: (as-is)		\$831,000	As of: <u>2/6/2007</u>
Favorable Financing:		\$375,000	As of: <u>2/6/2007</u>
Total Development: (as-is)		\$1,255,000	As of: <u>2/6/2007</u>

Comments:

The 2007 Real Estate Analysis Rules and Guidelines § 1.34(d)(9) state, "It is mandatory for all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property." The appraisal submitted relies solely on the income and cost approaches to contemplate the "as-is as-restricted" value of the property. This value is exceedingly important particularly for identity of interest acquisition/rehabilitation applications. In such applications, the "as-is as-restricted" value establishes both the ceiling for the related party transfer and basis for determining the eligible building basis. While the Appraisal includes a copy of the Department's appraisal guidelines, the Appraiser failed to comply with these guidelines. Due to this and additional reasons clarified below, the Underwriter has not relied upon the provided appraisal for the underwriting analysis.

The Appraiser notes, "Due to the lack of comparable sales data, the Sales Comparison Approach will not be used in determining the "AS IS" value of the subject property" (p. 33). However, it is routine for an appraiser to rely on sales that occur outside of the immediate market in cases where there are an absence of comparable sales in the immediate area. While it is true that few USDA-RD 515 sales have occurred, staff is aware of a few transfers due to foreclosures and outright sales from other parts of the state that could have been used for comparison purposes.

Due to the Appraiser's primary reliance on the Income Approach to derive the development's value and a discounted cashflow analysis to derive the value of USDA-RD's continued subsidy payments, the Underwriter has taken a close look at the appraisal. The Appraiser did not include any analysis of the appropriate market rent, but instead used the existing contract rents at face value. This lack of justification for the current rents is a flaw in the study but also makes the analysis of the potential to increase rents impossible to complete.

The Appraiser used annual operating expenses of \$67,133 or \$2,238 per unit including property taxes, which results in an NOI of \$105,591. However, based on the 2006 FYE financial statement provided to the Department, the property's 2006 expenses were approximately \$5,011 per unit, which resulted in an actual NOI of \$31,367. Moreover, based on the underwriting analysis, the Underwriter estimates that the property will operate at an expense level of \$4,144 per unit which results in an NOI of \$54,863. Based on the information available, the Appraiser's value is based upon expenses that are below any reasonably expected level for USDA-RD properties in Texas. Moreover, it is highly unlikely that USDA-RD would continue to subsidize the property at the current level if the appraisal's assumed expense level could be achieved. As such, the appraised value is based on an over-subsidy of the property.

As stated above, the underwriting analysis does not rely on the appraisal provided due to a failure to generally comply with the Department's guidelines and the appraisal's use of extremely low expenses to derive the value from the Income Approach. It is not known whether the appraisal will be accepted by USDA -RD but if it is accepted it would technically meet the Department's requirement despite its limited usefulness for the underwriting process. Therefore, receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines and that supports the proper determination of eligible building basis is a condition of this report.

ASSESSED VALUE

Land Only: 10.867 acres	\$0	Tax Year:	2006
Existing Buildings:	\$0	Valuation by:	Atascosa CAD
Total Assessed Value:	Currently Tax Exempt	Tax Rate:	2.9772

EVIDENCE of PROPERTY CONTROL

Type: <u>Commercial Contract - Improved Property & Amendment</u>	Acreage: <u>10.067</u>
Contract Expiration: <u>3/1/2008</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,255,000</u>	Other: <u>Amendment to contract dated 3/23/2007</u>
Seller: <u>Poteet Housing Authority</u>	Related to Development Team? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TITLE

Comments:

Item "p" in Schedule B of the title commitment indicates that a portion of the subject property lies within an abandoned railroad right-of-way, of which there appears to be no record title into the Housing Authority of the City of Poteet. The said right-of-way does not appear to be indicated on the provided survey. Therefore, receipt, review, and acceptance of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor indicating that the said ROW will not have an adverse impact on the subject property is a condition of this report.

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/24/2007

Acquisition Value:

The original application included a Contract for the purchase of the property that indicates a purchase price of \$850,000. However, subsequent to submission of the application, the Applicant was informed that the development was not eligible for the 30% boost in eligible basis and was asked to revise the appropriate documentation in the application. Included in the Applicant's response was an Amendment to Contract that increased the purchase price from \$850,000 to \$1,255,000. To fund this increase and the loss of the 130% boost in credits, the Applicant has provided commitment for a \$400,000 grant and a \$400,000 loan from the Housing Authority which is the current owner of the property and proposed owner of the GP. This further calls into question the appropriateness of the transfer price.

The revised purchase price is effectively the existing USDA-RD 515 loan balance plus these sources of seller funds (\$505,000 + \$400,000 + \$400,000 = \$1,255,000). Based on the information available to staff, it appears that the purchase price has been inflated in order to recover eligible basis resulting from a loss of the boost and the inflated transfer price is being bolstered by the related seller's funds that are effectively recycled through the transaction to fill the increase in gap as a result of the higher transfer price. The higher transfer price of \$1,255,000 does not appear to be the market value of the property.

The Applicant claimed eligible building basis using a building value of \$1,215,000 which is 97% of the contract price of \$1,255,000. The appraisal concluded the "as-is" market value of the land to be \$49,000 or 6% of the appraised value of the land and buildings of \$880,000 (excludes favorable financing value). However, as discussed above, the appraisal was not performed in accordance with Department guidelines, it is based on data that is not supported by the actual operations of the property, and it is based on an over-subsidy of the property. Discussions with USDA staff suggest that USDA-RD is unlikely to approve the Applicant's transfer price or the proposed additional debt.

Moreover, staff's experience with USDA-RD 515 transactions suggests that transfer prices are typically equal to the remaining 515 loan balance plus (in some cases) exit taxes and cash to outgoing owners. As such, the Underwriter has reduced to purchase price to the estimated USDA-RD 515 loan balance that will remain outstanding at the time of transfer (\$505,000). The Underwriter has determined the eligible building basis as the existing debt less the appraised value of the land, which is \$456,000. This adjustment will result in a significant reduction in eligible basis.

As the appraisal district appears to have no assessment of the land and building values on record, the Underwriter has no alternative method of determining the eligible building basis and relied upon the loan balance less appraised value of the land despite the clear deficiencies in the appraisal. However, as discussed above, this report has been conditioned upon USDA-RD's acceptance of the appraisal or a new appraisal that is performed in accordance with Department guidelines and upon which a recalculation of eligible building basis will be made.

If the appraisal were used to determine the eligible building basis, the Applicant has still grossly overstated the building value by \$384,000 due to the inclusion of the value of favorable financing (\$345,000) as part of the building value.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$900 per unit, which is consistent with the estimate in the capital needs assessment.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is \$66.8K or 14% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value. The Applicant dramatically revised downward the scope of work and direct construction cost estimate from \$1,130,000 to \$419,540 when the loss of the 30% boost was identified by staff. The Applicant has indicated that the original plan included reconstruction of the community building; however, it is unclear what other parts of the original scope of work have been scaled back because a CNA was not provided until after the revised development cost schedule was submitted. Nevertheless, the revised development cost schedule is generally consistent with the CNA submitted. It is of concern for the Underwriter that the direct construction costs were reduced by over 60% or \$24K per unit in response to the loss of the 30% boost. This indicates that the plan may have been revised to fit programmatic constraints rather than utilizing a program that appropriately fits the needs of the development.

Contingency & Fees:

The Applicant's contractor's fees, contingencies, and developer fees are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant and based on a thorough evaluation of the appraisal provided. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$1,353,846 supports annual tax credits of \$93,364. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/24/2007

Source: Stearns Bank Type: Interim Financing

Principal: \$1,200,000 Interest Rate: 7.5% Fixed Term: 18 months

Comments:

The commitment indicates a variable interest rate equal to 0.75% over the WSJ Prime Rate (the index) at the time of closing; the floor rate is indicated above.

Source: USDA 515 Type: Assumed Permanent Financing

Principal: \$505,000 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

The application indicates that the Applicant plans to transfer the existing USDA-RD 515 loan with the same rates and terms. USDA-RD provided a letter indicating that the remaining principal on the loan as of March 22, 2007 was \$507,217. The transaction has been underwritten using the estimated future balance at the time the property is transferred of \$505,000. The development was refinanced with a USDA-RD 515 loan in January of 1989. The refinanced note carries an interest rate of 9.5% with a subsidy that reduces the effective rate to approximately 1% and a maturity date of February 1, 2039. The original loan principal was \$672,160 (October 18, 1979).

This section intentionally left blank.

Source: Poteet Housing Authority Type: Interim to Permanent Financing

Principal: \$400,000 Interest Rate: 7.80% Fixed Amort: 360 months

Comments:

The Applicant has provided a commitment from the Housing Authority to provide a \$400,000 loan that essentially constitutes seller financing of the inflated acquisition. The commitment identifies an interest rate of 4%. When the approximate USDA loan balance at transfer (\$505,000) is added to the funding sources provided by the Housing Authority, the total amount is equal to the contract purchase price. This is discussed in more detail in the construction cost section above. Of note, in order to ensure that the gap remains large enough to maximize the tax credit allocation, the Applicant has indicated a slightly lesser amount in the sources and uses of funds.

As indicated above, the Underwriter has reduced the transfer price to the existing USDA-RD loan balance, which in turn eliminates the need for this source of funds. Staff's experience and conversations with USDA-RD staff suggest that inclusion of an additional source of debt for the purpose of shoring up an inflated sales price is unlikely to be approved. Despite this concern, the both the Applicant's and Underwriter's operating proforma reflect that the development can support additional debt. Given that the Housing Authority is willing to make a contribution and that the development may have received points for local funding, the recommended financing structure for the local funds is adjusted to \$314,382, which results in a debt coverage ratio of 1.35. If the recommended financing structure was based on the fully committed \$400,000 loan, the gap in financing would decrease further, thereby resulting in a reduction in recommended tax credit allocation.

Source: Poteet Housing Authority Type: Grant

Principal: \$400,000 Conditions: Can be structured as a loan.

Comments:

The grant amount committed is shown above; however, the Applicant has indicated that only a portion will be used. As stated above, the Underwriter is concerned that this source of funds is contributing to the ability of the applicant overstate the transfer price. In addition, the Underwriter requested that the Applicant provide documentation that this source of funds is not federally-sourced. The Applicant responded that the grant is federally-sourced but could be converted to a loan if needed in order to avoid the risk of losing eligibility for the 9% HTC's. Based upon the proforma analysis, converting this grant to a loan at AFR would needlessly burden the property by to an amount that cannot be serviced based on the proposed rent structure and operating proforma.

As indicated above, the Underwriter has reduced the transfer price to the existing USDA-RD loan balance, which in turn eliminates the need for this source of funds. As such, the development is not at risk of losing eligibility for 9% HTC's. This adjustment is reflected in the recommended financing structure. Should these funds end up being contributed to the development, documentation from an attorney and/or CPA explaining how these funds would not taint the developments ability to qualify for higher 9% credits would be required.

Source: WNC & Associates, Inc. Type: Syndication

Proceeds: \$1,094,516 Syndication Rate: 90% Anticipated HTC: \$ 121,625

Comments:

The syndication price is at the low end of current market prices however any increase in rate could reduce the final allocation of credits since there would be no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$505,000 and adjusted loan from the Housing Authority of \$314,382 indicates the need for \$716,371 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$79,605 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$121,601), the gap-driven amount (\$79,605), and eligible basis-derived estimate (\$93,364), the gap derived amount of \$79,605 is recommended resulting in proceeds of \$716,371 based on a syndication rate of 90%. This amounts to \$200K or 38% more funds than the total hard cost with contractor fees and sitework included.

There has been considerable movement in the development and financing plan for this development during the application review process none of which has been vetted through USDA-RD. Therefore, receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the contract rents, the rehabilitation scope and budget, and the transfer price, is a condition of this report.

It should be noted that the use of the grant funds committed by the Housing Authority, as discussed above, could result in loss of eligibility for 9% tax credit due to the inclusion of Below-Market Federal Funds. Therefore, this source of financing has not been included in the recommended financing structure and due to the reduction of the acquisition cost, this source of funds may not be needed. However, should the Board's actions result in reinstatement of the Applicant's transfer price, the development would be characterized as infeasible due to the following issues:

The federal subsidized grant would cause a loss of eligibility for 9% HTC's or a reduction of a like amount from eligible basis resulting in a lack of sufficient funds to complete the rehabilitation proposed.

Restructuring the grant as an above AFR loan would significantly increase the development's annual debt service. However, the development would not generate sufficient NOI to service the substantial increase in debt.

As a result, should the Board reinstate the Applicant's acquisition price and accept the Applicant's appraisal, the transaction should be fully reevaluated and alternative financing structures would be anticipated.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		June 22, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchiatti</i>		June 22, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 22, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	5	1	1	646	\$504	\$440	\$2,200	\$0.68	\$53.00	\$38.00
TC 30%	3	2	1	747	\$302	501	1,503	0.67	63.00	44.00
TC 60%	14	2	1	747	\$604	501	7,014	0.67	63.00	44.00
TC 60%	4	3	1	987	\$699	631	2,524	0.64	76.00	50.00
TC 60%	4	4	2	1,126	\$780	688	2,752	0.61	87.00	50.00
TOTAL:	30		AVERAGE:	813		\$533	\$15,993	\$0.66	\$66.27	\$44.60

INCOME

Total Net Rentable Sq Ft: 24,381

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 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

% OF EGI PER UNIT PER SQ FT

General & Administrative	8.40%	\$501	0.62
Management	5.00%	299	0.37
Payroll & Payroll Tax	14.67%	876	1.08
Repairs & Maintenance	10.27%	614	0.75
Utilities	9.37%	560	0.69
Water, Sewer, & Trash	8.96%	535	0.66
Property Insurance	3.95%	236	0.29
Property Tax 2.9772	0.00%	0	0.00
Reserve for Replacements	5.02%	300	0.37
TDHCA Compliance Fees	0.67%	40	0.05
Other: Supp. Serv., Cable	3.07%	183	0.23
TOTAL EXPENSES	69.38%	\$4,144	\$5.10
NET OPERATING INC	30.62%	\$1,829	\$2.25

DEBT SERVICE

USDA 515	7.51%	\$449	\$0.55
Poteet Housing Auth-Loan	18.59%	\$1,111	\$1.37
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.51%	\$270	\$0.33

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		32.88%	\$16,833	\$20.71
Off-Sites		0.00%	0	0.00
Sitework		1.33%	679	0.84
Direct Construction		26.92%	13,779	16.95
Contingency	4.61%	1.30%	667	0.82
Contractor's Fees	12.22%	3.45%	1,767	2.17
Indirect Construction		7.10%	3,637	4.48
Ineligible Costs		7.06%	3,617	4.45
Developer's Fees	13.88%	10.74%	5,500	6.77
Interim Financing		7.62%	3,900	4.80
Reserves		1.59%	814	1.00
TOTAL COST		100.00%	\$51,192	\$62.99
Construction Cost Recap		33.00%	\$16,891	\$20.78

SOURCES OF FUNDS

USDA 515	32.88%	\$16,833	\$20.71
Poteet Housing Auth-Loan	26.05%	\$13,333	\$16.41
Poteet Housing Auth-Grant	0.00%	\$0	\$0.00
HTC Syndication Proceeds	71.28%	\$36,488	\$44.90
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (Excess) Funds Req'd	-30.20%	(\$15,462)	(\$19.03)
TOTAL SOURCES			

TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
\$191,916	\$189,720	Atascosa		9
1,800	1,440	\$4.00	Per Unit Per Month	
0	0	\$0.00	Per Unit Per Month	
\$193,716	\$191,160			
(14,529)	(14,340)	-7.50%	of Potential Gross Income	
0	0			
\$179,187	\$176,820			
PER SQ FT	PER UNIT	PER SQ FT	PER UNIT	% OF EGI
\$15,044	\$10,500	\$0.43	\$350	5.94%
8,959	10,000	0.41	333	5.66%
26,291	24,000	0.98	800	13.57%
18,407	15,000	0.62	500	8.48%
16,789	17,000	0.70	567	9.61%
16,056	18,000	0.74	600	10.18%
7,078	5,000	0.21	167	2.83%
0	0	0.00	0	0.00%
9,000	9,000	0.37	300	5.09%
1,200	3,000	0.12	100	1.70%
5,500	5,500	0.23	183	3.11%
\$124,324	\$117,000	\$4.80	\$3,900	66.17%
\$54,863	\$59,820	\$2.45	\$1,994	33.83%
\$13,459	\$13,459	\$0.55	\$449	7.61%
33,317	33,296	\$1.37	\$1,110	18.83%
0	0	\$0.00	\$0	0.00%
\$8,088	\$13,065	\$0.54	\$436	7.39%
1.17	1.28			
1.35				

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$505,000	\$1,305,000	\$53.53	\$43,500	56.15%
0	0	0.00	0	0.00%
20,372	27,000	1.11	900	1.16%
413,364	419,540	17.21	13,985	18.05%
20,000	20,000	0.82	667	0.86%
53,000	53,000	2.17	1,767	2.28%
109,110	109,110	4.48	3,637	4.69%
108,500	108,500	4.45	3,617	4.67%
165,000	165,000	6.77	5,500	7.10%
117,000	117,000	4.80	3,900	5.03%
24,407	0	0.00	0	0.00%
\$1,535,753	\$2,324,150	\$95.33	\$77,472	100.00%
\$506,736	\$519,540	\$21.31	\$17,318	22.35%

RECOMMENDED

\$505,000	\$505,000	\$505,000	Developer Fee Available
400,000	385,678	314,382	\$165,000
0	338,847	0	
1,094,625	1,094,625	716,371	% of Dev. Fee Deferred
0	0	0	0%
(463,872)	0	0	15-Yr Cumulative Cash Flow
\$1,535,753	\$2,324,150	\$1,535,753	\$245,059

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

PAYMENT COMPUTATION

Primary	\$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	\$385,678	Amort	360
Int Rate	7.80%	Subtotal DCR	1.17

Additional	\$1,094,625	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$13,459
Secondary Debt Service	27,158
Additional Debt Service	0
NET CASH FLOW	\$14,246

Primary	\$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	\$314,382	Amort	360
Int Rate	7.80%	Subtotal DCR	1.35

Additional	\$1,094,625	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$191,916	\$197,673	\$203,604	\$209,712	\$216,003	\$250,407	\$290,290	\$336,526	\$452,263
Secondary Income	1,800	1,854	1,910	1,967	2,026	2,349	2,723	3,156	4,242
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	193,716	199,527	205,513	211,679	218,029	252,755	293,013	339,682	456,504
Vacancy & Collection Loss	(14,529)	(14,965)	(15,413)	(15,876)	(16,352)	(18,957)	(21,976)	(25,476)	(34,238)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$179,187	\$184,563	\$190,100	\$195,803	\$201,677	\$233,799	\$271,037	\$314,206	\$422,267
EXPENSES at 4.00%									
General & Administrative	\$15,044	\$15,646	\$16,272	\$16,923	\$17,600	\$21,413	\$26,052	\$31,696	\$46,918
Management	8,959	9,228	9,505	9,790	10,084	11,690	13,552	15,710	21,113
Payroll & Payroll Tax	26,291	27,342	28,436	29,574	30,756	37,420	45,527	55,391	81,992
Repairs & Maintenance	18,407	19,143	19,909	20,705	21,534	26,199	31,875	38,781	57,405
Utilities	16,789	17,461	18,159	18,886	19,641	23,896	29,074	35,372	52,360
Water, Sewer & Trash	16,056	16,698	17,366	18,061	18,783	22,853	27,804	33,828	50,073
Insurance	7,078	7,361	7,655	7,962	8,280	10,074	12,256	14,912	22,073
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	6,700	6,968	7,247	7,537	7,838	9,536	11,602	14,116	20,895
TOTAL EXPENSES	\$124,324	\$129,208	\$134,284	\$139,560	\$145,045	\$175,890	\$213,327	\$258,767	\$380,897
NET OPERATING INCOME	\$54,863	\$55,355	\$55,816	\$56,243	\$56,632	\$57,908	\$57,710	\$55,439	\$41,370
DEBT SERVICE									
First Lien Financing	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459	\$13,459
Second Lien	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$14,246	\$14,739	\$15,199	\$15,626	\$16,016	\$17,292	\$17,094	\$14,822	\$753
DEBT COVERAGE RATIO	1.35	1.36	1.37	1.38	1.39	1.43	1.42	1.36	1.02

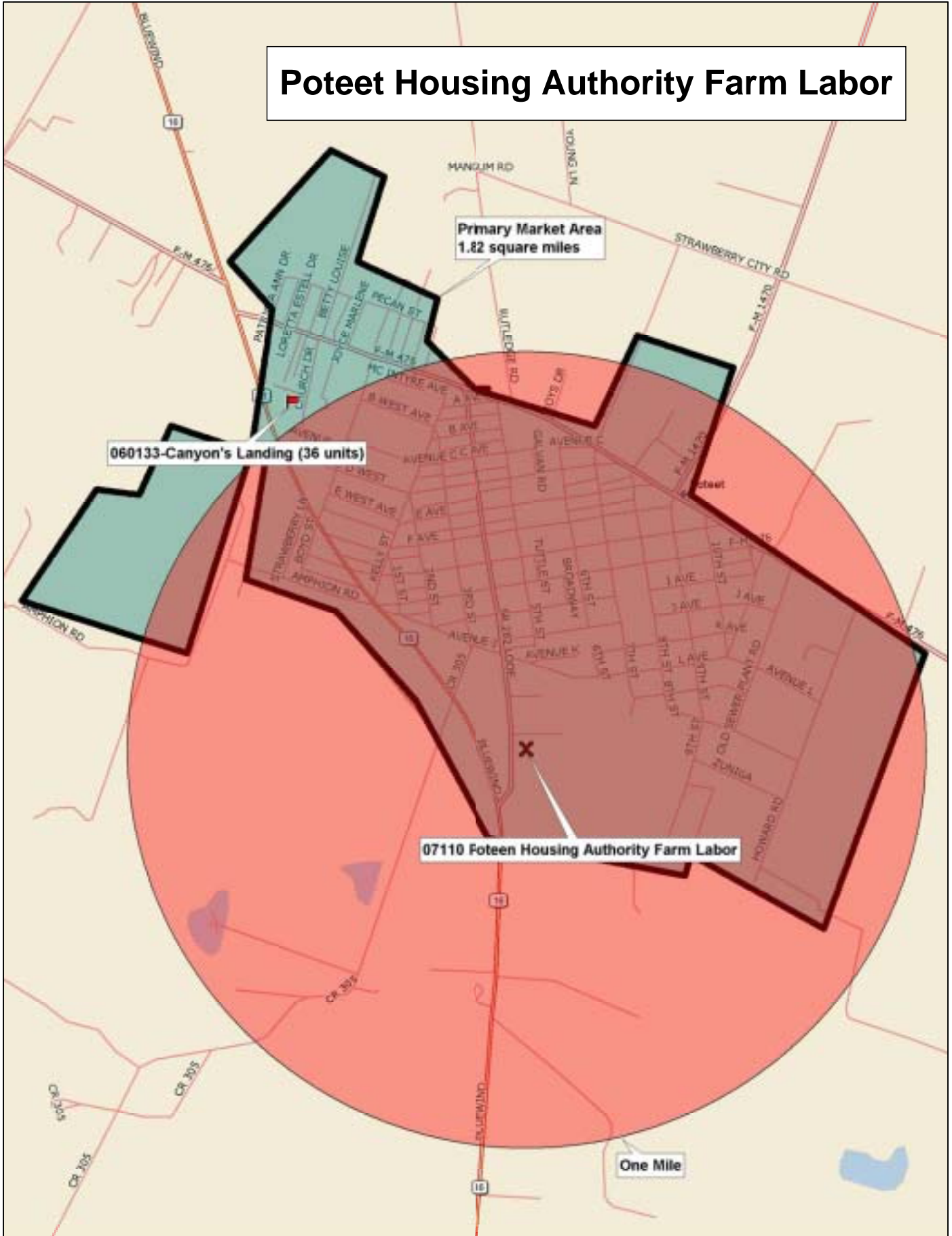
HTC ALLOCATION ANALYSIS -Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

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
Acquisition Cost						
Purchase of land	\$90,000	\$49,000				
Purchase of buildings	\$1,215,000	\$456,000	\$1,215,000	\$456,000		
Off-Site Improvements						
Sitework	\$27,000	\$20,372			\$27,000	\$20,372
Construction Hard Costs	\$419,540	\$413,364			\$419,540	\$413,364
Contractor Fees	\$53,000	\$53,000			\$53,000	\$53,000
Contingencies	\$20,000	\$20,000			\$20,000	\$20,000
Eligible Indirect Fees	\$109,110	\$109,110			\$109,110	\$109,110
Eligible Financing Fees	\$117,000	\$117,000			\$117,000	\$117,000
All Ineligible Costs	\$108,500	\$108,500				
Developer Fees						
Developer Fees	\$165,000	\$165,000	\$90,746		\$74,254	\$165,000
Development Reserves		\$24,407				
TOTAL DEVELOPMENT COSTS	\$2,324,150	\$1,535,753	\$1,305,746	\$456,000	\$819,904	\$897,846

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,305,746	\$456,000	\$819,904	\$897,846
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$47,529	\$16,598	\$70,102	\$76,766

Syndication Proceeds	0.8999	\$427,720	\$149,371	\$630,854	\$690,824
Total Tax Credits (Eligible Basis Method)				\$117,631	\$93,364
Syndication Proceeds				\$1,058,573	\$840,195
Requested Tax Credits				\$121,601	
Syndication Proceeds				\$1,094,300	
Gap of Syndication Proceeds Needed				\$1,504,768	\$716,371
Total Tax Credits (Gap Method)				\$167,213	\$79,605

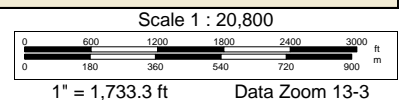
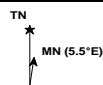
Poteet Housing Authority Farm Labor



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Applicant Evaluation

Project ID # **07110**

Name: **Poteet HA Farm Labor**

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

Total # of Projects monitored: 2
 Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 2
 # not yet monitored or pending review: 1

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/10/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/9/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer M. Tynan

Date 5/9/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/10/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/15/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Raul Gonzales

Date 5/9/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/6/2007

Applicant Evaluation

Project ID # **07111**

Name: **Alaniz Circle**

City: **Beeville**

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

Total # of Projects monitored: 2

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 2
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 2

Projects not reported Yes
in application No

not yet monitored or pending review: 2

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer M. Tynan

Reviewer D. Burrell

Date 5/18/2007

Date 5/18/2007

Date 5/21/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 5/23/2007

Date 5/18/2007

Date 6/6/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Village Apartments, TDHCA Number 07114

BASIC DEVELOPMENT INFORMATION

Site Address: 600 Flood St. Development #: 07114
 City: Wichita Falls Region: 2 Population Served: General
 County: Wichita Zip Code: 76301 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Washington Village, Ltd.
 Owner Contact and Phone: Rick J. Deyoe (512) 306-9206
 Developer: Washington Village Development, LLC
 Housing General Contractor: Safari Construction, Inc.
 Architect: Northfield Design Associates
 Market Analyst: O' Conner & Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: Texas Inter-Faith Management Company
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	96
	10 0 0 86	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 24 40 32 0 0	Total Development Units:	96
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$877,338	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Village Apartments, TDHCA Number 07114

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, S	Points: 7	US Representative: Thornberry, District 13, NC
TX Representative: Farabee, District 69, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Lanham Lyne, Mayor	Resolution of Support from Local Government <input type="checkbox"/>
S, Woodrow W. "Woody" Gossom, Jr., County Judge	S, Darron J. Leiker, City Manager
S, Dawson R. Orr, Ph. D., Superintendent, Wichita Falls ISD	S, Linda Ammons, City Council District One

Individuals and Businesses In Support: 12 In Opposition 6

Quantifiable Community Participation Input:

Booker T. Washington Alumni & Neighborhood Association, Steve Clay Letter Score: 24 S or O: S

This project will create safe affordable housing within the boundaries of the organization. This project will upgrade a blighted area an help create a drug free environment and educational support services. This project will aid in the preservation of the historical significance of this neighborhood. This project will create jobs to the area during the construction and operational phases.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Broad support from elected officials and non-officials. Opposition from non-officials. Support from a qualified neighborhood organization. The primary reasons cited for opposition to the project is the desire to preserve the school building on the site.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Village Apartments, TDHCA Number 07114

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heights Apartments, TDHCA Number 07115

BASIC DEVELOPMENT INFORMATION

Site Address: MLK St., 1 Blk E. of FM 700 Development #: 07115
 City: Big Spring Region: 12 Population Served: General
 County: Howard Zip Code: 79720 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Big Spring Heights Apartments, L.P.
 Owner Contact and Phone: Justin Zimmerman (417) 883-1632
 Developer: Zimmerman Properties, LLC
 Housing General Contractor: Zimmerman Properties Construction, LLC
 Architect: Parker & Associates
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: CharterMac Capital
 Supportive Services: Texas Inter-Faith Housing Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	48
	5 0 0 43	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 24 8 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$4,356,731
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$377,886	\$377,886			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heights Apartments, TDHCA Number 07115

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31, NC Points: 0 US Representative: Neugebauer, District 19, NC
TX Representative: Heflin, District 85, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2
Big Springs Downtown Lions Club S or O: S

General Summary of Comment:

Support received from elected officials and a civic organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by Commitment of evidence of the appropriate zoning change or a variance for the proposed development from the City.

Receipt, review, and acceptance prior to start of construction of evidence that all Phase I ESA recommendations have been carried out.

Receipt, review, and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

Receipt of a commitment of funding from Great Southern Bank in the amount of \$95,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$87,135, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heights Apartments, TDHCA Number 07115

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

Competitive Housing Tax Credits: Score: **129** Meeting a Required Set-Aside Credit Amount*: \$377,886

Recommendation: Competitive in USDA Allocation, and has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/09/07 PROGRAM: 9% HTC FILE NUMBER: 07115

DEVELOPMENT

Heights Apartments Phase II

Location: MLK Street one-block east of FM-700 Region: 12
 City: Big Spring County: Howard Zip: 79720 QCT DDA
 Key Attributes: Multifamily, Family, Rural, USDA, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$377,886			\$377,886		

* Reduced from \$410,500 by the Applicant during the underwriting process on 6/5/07 and from \$392,074 on 6/11/07.

CONDITIONS

- 1 Receipt, review, and acceptance by carryover of evidence of the appropriate zoning change or a variance for the proposed development from the City.
- 2 Receipt, review, and acceptance prior to start of construction of evidence that all Phase I ESA recommendations have been carried out.
- 3 Receipt, review and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.
- 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
60% of AMI	60% of AMI	43

PROS

The Applicant is anticipating use of low interest USDA 538 funding to make this otherwise infeasible rural development viable.

Recently completed adjacent property in Big Spring, Knollwood Heights was approved in 2004 and is already +90% occupied.

CONS

The Applicant's high expense to income ratio only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.

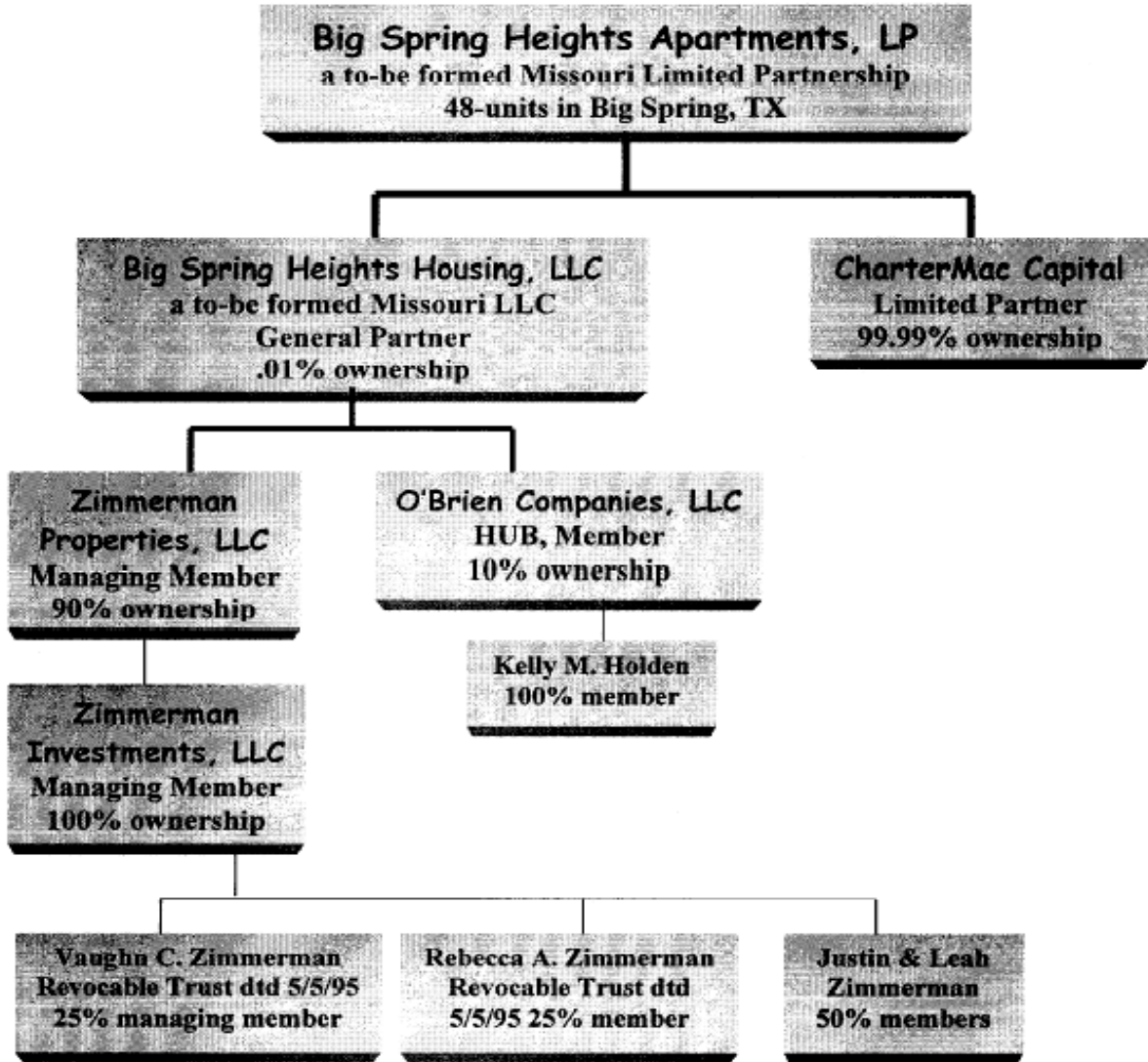
The multiple revisions to this application have lead to additional inconsistencies and unresolved concerns regarding the achievable rent. The proposed rents are just slightly above affordable rent for households earning 50% of the area median income potentially reflecting a limited demand for additional 60% units.

PREVIOUS UNDERWRITING REPORTS

There are no previous reports; however, the proposed development will be considered phase two of Knollwood Heights Apartments (TDHCA #04250) which is located next door.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Justin Zimmerman Phone: 417.883.1632 Fax: 417.883.6343
Email: jzimmerman@wilhoitproperties.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
Zimmerman Properties, LLC	\$10,930,411	\$325,616	N/A
Zimmerman Investments, LLC	Included with above		N/A
Vaughn & Rebecca Zimmerman	Confidential		9 HTC in TX
Justin & Leah Zimmerman	Confidential		9 HTC in TX
O'Brien Companies, LLC	\$16,000	\$16,000	N/A
Kelly M Holden	Confidential		9 HTC in TX

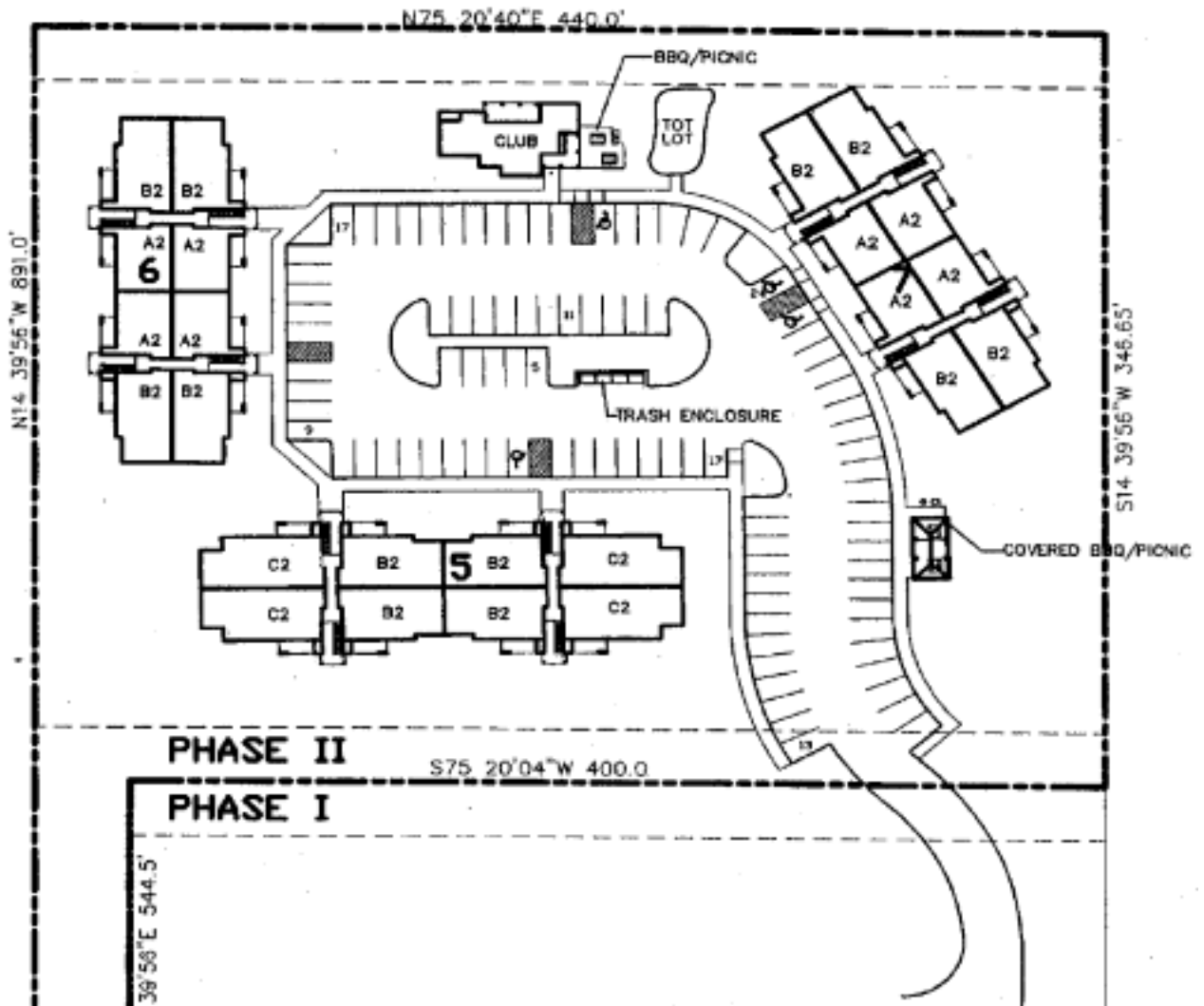
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B										Total Buildings
Floors/Stories	2	2										
Number	1	2										3

BR/BA	SF	Units										Total Units	Total SF
1/1	712		8									16	11,392
2/2	964	8	8									24	23,136
3/2	1,131	8										8	9,048
Units per Building	16	16										48	43,576

SITE ISSUES

Total Size: 4 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: Single Family Needs to be re-zoned? Yes No N/A

Comments:

The subject property is currently zoned for Single Family residential. The Applicant has made application to the city for a zoning change to Light Industrial, which allows for the proposed property. The Applicant also supplied the approved 2004 ordinance for the zoning change for Phase I.

Receipt, review, and acceptance by carryover of evidence of the appropriate zoning change or a variance for the proposed development from the City is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land East: vacant land
 South: Knollwood Heights Apts (Phase I) West: vacant land

Comments:

The site plan indicates that the subject development will be located on the north side of Phase I. The access drives for Phase I will provide access to the subject property. The GP of Phase I, Knollwood Heights Housing, LLC, has provided a signed letter indicating that all easements and ingress and egress necessary for development of the proposed property will be granted as well as rights for tenants of Phase II to use the facilities provided in Phase I.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Kaw Valley Engineering Date: 3/27/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"A few areas of trash dumping were observed on the south portion of the property" (p. 6).

"The...trash...should be cleaned up and disposed of properly prior to or with initial site preparation operations" (p. 10).

"No recognized environmental conditions or concerns are anticipated with the property" (p. 10).

Comments:

Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 10/31/2006
 Contact: Darrell G Jack Phone: 210.530.0040 Fax: 210.340.5830
 Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

Primary Market Area (PMA): 903.12 Square Miles ~ 16.93 Mile Radius
 The Market Analyst used Howard County as the Primary Market Area (p. 30).

Secondary Market Area (SMA):
 The Market Analyst did not utilize a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Knollwood Heights Phase	04250	64	63	N/A			

The Market Analyst did not include any unstabilized comparable units from the primary market area. However, Phase I of the development placed in service in December of 2005 and January of 2006 and reached stabilized occupancy in June of 2006. The Underwriter included 63 comparable units from Knollwood Heights Phase I in the demand analysis because the property had not been stabilized for 12 consecutive months prior to the 9% application deadline. The inclusion of these additional units has a limited effect on the demand calculations and does not yield a capture rate that exceeds the Department's maximum for rural properties.

INCOME LIMITS						
Howard						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,300	\$10,600	\$11,950	\$13,250	\$14,300	\$15,350
60	\$18,540	\$21,240	\$23,880	\$26,520	\$28,620	\$30,780

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	67	-1		66	2	0	3%
1 BR/ 60% Rent Limit	129	0		129	14	0	11%
2 BR/ 30% Rent Limit	22	-1		21	2	0	9%
2 BR/ 60% Rent Limit	76	-1		75	22	0	29%
3 BR/ 30% Rent Limit	22	-1		21	1	0	5%
3 BR/ 60% Rent Limit	82	-1		81	7	0	9%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 56	100%	10,059	96%	9,698	10%	994	100%	994	65%	641
Underwriter	100%	9,879	96%	9,525	28%	2,677	36%	960	65%	619
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 57			96%	-136	10%	-14	100%	-14	100%	-14
Underwriter			96%	-110	28%	-30	36%	-11	100%	-11

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 57	48	0	N/A	48	627	7.66%
Underwriter	48	63		111	609	18.24%

Primary Market Occupancy Rates:

Apartment MarketData surveyed 13 properties within the PMA that report an overall occupancy level of 96.1%. The two rent restricted properties Knollwood Heights Phase I (#04250) and Limestone Ridge Apartments (#01150) report an overall occupancy level of 98.5% (p. 35).

Absorption Projections:

"Within the PMA, there have only been two 'affordable' family rental projects built within recent times. Knollwood Heights is a 64 unit project, which began leasing in December 2005. The site reports that it reached stabilized occupancy of 90% by June 2006. This short lease-up time is indicative of the demand for affordable housing within the PMA" (p. 13).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Achievable Market Rent	Underwriting Rent	Savings Over Market
1 BR	712 SF	30%	\$192	\$192	\$390	\$192	\$198
1 BR	712 SF	60%	410	441	390	390	0
2 BR	964 SF	30%	232	232	475	232	243
2 BR	964 SF	60%	490	531	475	475	0
3 BR	1,131 SF	30%	262	262	525	262	263
3 BR	1,131 SF	60%	535	607	525	525	0

The Market Analyst indicates market rent for unrestricted properties are well above the program maximum 60% rents. However, the Market Analyst has documented significantly lower achievable rents for restricted properties on two occasions for separate rent levels. Knollwood Heights Phase I is currently achieving rental rates of \$385 for one bedroom 60% units, \$470 for two bedroom 60% units, and \$520 for three bedroom 60% units. Limestone Ridge is currently achieving rents of \$383 for one bedroom 60% units, \$456 for two bedroom 60% units, and \$520 for three bedroom 60% units. The Market Analyst states, "It is evident from our comparison of the subject's proforma rents to existing 60% of AMI units within the PMA that the maximum 60% of AMI rents are not achievable within the Big Spring market" (p. 16).

The Underwriter has used the rents supported by the Market Analyst's initial revision letter of \$390, \$475, and \$525 as the achievable market rents despite evidence that market rate properties are achieving substantially higher rents. When it was determined that the Applicant's original rents were too low to meet the 65% expense to income feasibility test, the Applicant raised rents on the existing Phase I property and asked the Market Analyst to restate his conclusions. In a second letter submitted to support the Applicant's revised slightly higher rents, the Market Analyst is more vague in describing the actual achievable rents. Moreover, multiple changes to the market rents decreases staff's confidence in the market study's conclusions. As a result, the Underwriter has assumed the achievable market rents to be rents \$5 higher than the rents on Phase I and supported by the Market Analyst's first letter as apposed to the Applicant's final rent estimate which are \$10 to \$20 per unit higher than the Underwriter's rents and \$20 to \$25 higher than what were the going rates for the units next door.

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market" (p. 100).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 4 Date of Last Applicant Revision: 6/1/2007

The Applicant's projected rents for the units restricted at 30% of AMI were calculated as the program gross rents less the property specific utility allowance estimates provided by TXU Energy. The Applicant's revised rents for the 60% of AMI units are \$20 to \$25 higher than the rents currently being achieved in Phase I of the development. As discussed above, the Market Analyst first suggested that a \$5 increase over existing Phase I rents was the maximum achievable and then revised their opinion when the Applicant needed more income to satisfy Department guidelines. Therefore, the Underwriter has used the lower rent levels for the 60% units, which are 86% to 89% of the maximum program net rents. The Applicant's estimates of secondary income and vacancy and collection loss are line with Department standards, and despite the rent differences, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be responsible for electric utility costs.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/1/2007

The Applicant's revised total operating expense estimate of \$3,270 per unit is within 5% of the Underwriter's estimate of \$3,196 per unit derived from the TDHCA database, IREM data, and the 2006 actual expenses for Phase I of the development. However, the Applicant's estimate of water, sewer, and trash is significantly different from the Underwriter's estimate and the historical data. It should also be noted that the payroll estimate for the subject is heavily influenced on anticipated savings (\$330 per unit) from the economies of scale that will be observed with the adjacent Phase I development.

After being informed that the Applicant's original expense estimate was lower than could be reasonably verified by the Department, the Applicant submitted three iterations of expense and income figures in order to address Department concerns. Ultimately, the Underwriter was able to obtain support for the underwritten expense levels; although, as discussed above, the underwriting report reflects rent levels slightly lower than the Applicant's final proforma. The Underwriter's expense to income ratio remains higher than the 65% expense to income ratio, which is generally an infeasibility conclusion pursuant to § 1.32(i)(4) of the 2007 Real Estate Analysis Rules and Guidelines. However, the Applicant's final expense to income ratio is slightly below this maximum threshold (64.85%) and because income expense and NOI are now within 5% of the Underwriter's estimates the Applicant's expense to income ratio will be used in the final evaluation. Nonetheless, the Underwriter is concerned about the viability of the deal over the long-term should the anticipated rent increases not be achieved.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense and net operating income each are within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's proforma results in a Year One DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 for the first 15 years and continued positive cashflow. As discussed above the Applicant's expense to income ratio is marginally below the Department's 65% guideline and is only able to get there by making slightly more aggressive rent assumptions than originally contemplated. These revised rent assumption are still acceptable; however, since the Market Analyst's original report projected unrestricted market rents for the area considerably higher still.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 88.9 acres	<u>\$17,751</u>	Tax Year:	<u>2006</u>
One Acre:	<u>\$200</u>	Valuation by:	<u>Howard CAD</u>
Prorata Value: 4 acres	<u>\$799</u>	Tax Rate:	<u>2.879458</u>

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Commercial Contract and Addendum Acreage: 4

Contract Expiration: 10/15/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$50,000 Other: _____

Seller: M & H Medical Properties, Ltd Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 5 Date of Last Applicant Revision: 6/11/2007

Acquisition Value:

The site cost of \$12,500 per acre or \$1,042 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,417 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is \$112K or 5% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

The Applicant was advised of the significant difference in costs and submitted multiple revisions of the cost schedule in order to attempt to address this and issues with an overstated reserve amount. The Underwriter has evaluated the actual construction costs submitted for Cost Certification of Knollwood Heights Phase I, which placed in service in December of 2005 and January of 2006. The Underwriter's hard cost estimate of \$61,719 per unit is 14% higher than the Phase I cost per unit, which equates to an 18% difference on a net rentable square foot basis.

Contingency & Fees:

The Applicant's contractor fees and contingencies (combined) are \$2,274 higher than the Department's maximums. Therefore, the Applicant's eligible basis has been reduced accordingly and the excess cost has been shifted to the ineligible costs line item.

Reserves:

As stated above, the Applicant has submitted multiple revisions of the development cost schedule to address reserve and cost issues. The Applicant indicated that as part of the financing for a USDA 538 loan the initial reserve requirement is significantly larger than the norm. After correspondence it was determined that the Applicant had added the USDA requirement to the TDHCA maximum guideline. The Applicant provided lender confirmation that reserves will include: a 2% of total cost lease-up reserve, a 2% of loan amount operating reserve and an initial reserve for replacement of \$1,000 per unit. The Applicant's calculations here are slightly higher than the Underwriter's based on the Applicant's higher anticipated development costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,918,295 supports annual tax credits of \$435,518. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/5/2007

Source: CharterMac Capital Type: Interim Financing

Principal: \$1,050,000 Interest Rate: 8.0% Fixed Amort: 24 months

Comments:

The CharterMac commitment letter is consistent with the Applicant's sources and uses of funds.

Source: Great Southern Bank Type: Interim Financing

Principal: \$95,000 Interest Rate: 6.0% Fixed Term: 12 months

Comments:

The Great Southern Bank commitment is consistent with the Applicant's sources and uses of funds. The loan will carry interest at the Great Southern Bank Prime Rate, floating daily, with a rate floor of 6% and a 12 month term. The Underwriter has assumed a rate of 6%.

Source: Lancaster-Pollard Type: Permanent Financing

Principal: \$1,050,000 Interest Rate: 5.00% Fixed Term: 480 months

Comments:

The Applicant's revised sources and uses of funds reflects a higher debt amount than the Lancaster-Pollard term sheet letter. This revision was made due to changes to the proforma resulting in the ability of the development to support more debt. Lancaster Pollard will provide a USDA Rural Development Section 538 Guaranteed Loan. The loan will carry a fixed rate of 7.50%. However, the lender and Applicant anticipate approval of an interest rate credit that will lower the interest rate to the Applicable Federal Rate. The lender has used a rate of 5%, while the underwriting report reflects the AFR as of the application deadline (4.90%). Also of note, the interest rate credit will be applied on a loan amount up to \$1,500,000 according to the lender's term sheet.

Source: CharterMac Capital Type: Syndication

Proceeds: \$3,530,000 Syndication Rate: 86% Anticipated HTC: \$ 410,500

Comments:

Due to changes to the cost schedule and an increase in the permanent debt amount, the Applicant's request was revised down on two separate occasions. As a result the Applicant's sources and uses is inconsistent with the syndication commitment. The syndication price is at the low end of current market prices and any increase in the rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$796 Type: Deferred Developer Fees

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,106,935 indicates the need for \$3,249,796 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$377,915 annually would be required to fill this gap in financing. Should the Board approve this award, of the three possible tax credit allocations, Applicant's revised request (\$377,886), the gap-driven amount (\$377,915), and eligible basis-derived estimate (\$435,518), the Applicant's revised request of \$377,886 is recommended resulting in proceeds of \$3,249,543 based on a syndication rate of 86%.

The Underwriter's recommended financing structure indicates the need for \$252 in additional permanent funds. Deferred developer fees in this amount appear to be repayable within one year of stabilized operation.

Underwriter:

Cameron Dorsey

Date: June 9, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: June 9, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 9, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Heights Apartments Phase II, Big Spring, 9% HTC #07115

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	712	\$248	\$192	\$384	\$0.27	\$56.00	\$55.00
TC 60%	14	1	1	712	\$497	390	5,460	0.55	56.00	55.00
TC 30%	2	2	2	964	\$298	232	464	0.24	66.00	59.00
TC 60%	22	2	2	964	\$597	475	10,450	0.49	66.00	59.00
TC 30%	1	3	2	1,131	\$344	262	262	0.23	82.00	64.00
TC 60%	7	3	2	1,131	\$689	525	3,675	0.46	82.00	64.00
TOTAL:	48		AVERAGE:	908		\$431	\$20,695	\$0.47	\$65.33	\$58.50

INCOME

Total Net Rentable Sq Ft: **43,576**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$9.00
 Other Support Income: Per Unit Per Month: \$0.00

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	6.02%	\$294	0.32	\$14,125	\$11,334	\$0.26	\$236	4.68%
Management	5.00%	244	0.27	11,725	12,103	0.28	252	5.00%
Payroll & Payroll Tax	13.40%	655	0.72	31,424	32,680	0.75	681	13.50%
Repairs & Maintenance	5.28%	258	0.28	12,384	14,310	0.33	298	5.91%
Utilities	4.01%	196	0.22	9,408	7,464	0.17	156	3.08%
Water, Sewer, & Trash	8.46%	413	0.46	19,843	26,736	0.61	557	11.05%
Property Insurance	4.68%	229	0.25	10,976	8,832	0.20	184	3.65%
Property Tax 2.879458	10.02%	490	0.54	23,496	23,472	0.54	489	9.70%
Reserve for Replacements	5.12%	250	0.28	12,000	12,000	0.28	250	4.96%
TDHCA Compliance Fees	0.82%	40	0.04	1,920	1,920	0.04	40	0.79%
Other: Supp Services	2.61%	128	0.14	6,120	6,120	0.14	128	2.53%
TOTAL EXPENSES	65.42%	\$3,196	\$3.52	\$153,421	\$156,971	\$3.60	\$3,270	64.85%
NET OPERATING INC	34.58%	\$1,689	\$1.86	\$81,088	\$85,081	\$1.95	\$1,773	35.15%

DEBT SERVICE

Lancaster-Pollard	27.31%	\$1,334	\$1.47	\$64,051	\$63,174	\$1.45	\$1,316	26.10%
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	7.26%	\$355	\$0.39	\$17,037	\$21,907	\$0.50	\$456	9.05%

AGGREGATE DEBT COVERAGE RATIO: 1.27 / 1.35
 RECOMMENDED DEBT COVERAGE RATIO: 1.35

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)		1.19%	\$1,042	\$1.15	\$50,000	\$50,000	\$1.15	\$1,042	1.15%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.18%	5,417	5.97	260,000	260,000	5.97	5,417	5.97%
Direct Construction		53.03%	46,448	51.16	2,229,513	2,341,450	53.73	48,780	53.74%
Contingency	5.00%	2.96%	2,593	2.86	124,476	132,000	3.03	2,750	3.03%
Contractor's Fees	14.00%	8.29%	7,261	8.00	348,532	364,550	8.37	7,595	8.37%
Indirect Construction		5.20%	4,552	5.01	218,500	218,500	5.01	4,552	5.02%
Ineligible Costs		5.19%	4,542	5.00	218,000	218,000	5.00	4,542	5.00%
Developer's Fees	15.50%	12.08%	10,583	11.66	508,000	508,000	11.66	10,583	11.66%
Interim Financing		2.29%	2,001	2.20	96,069	96,069	2.20	2,001	2.21%
Reserves		3.60%	3,150	3.47	151,200	168,162	3.86	3,503	3.86%
TOTAL COST		100.00%	\$87,589	\$96.48	\$4,204,290	\$4,356,731	\$99.98	\$90,765	100.00%
Construction Cost Recap		70.46%	\$61,719	\$67.99	\$2,962,520	\$3,098,000	\$71.09	\$64,542	71.11%

SOURCES OF FUNDS

				RECOMMENDED			
Lancaster-Pollard	24.97%	\$21,875	\$24.10	\$1,050,000	\$1,106,935	\$1,106,935	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$508,000
CharterMac Syndication Proceeds	83.96%	\$73,542	\$81.01	3,530,000	3,249,000	3,249,543	% of Dev. Fee Deferred
Deferred Developer Fees	0.02%	\$17	\$0.02	796	796	252	0%
Additional (Excess) Funds Req'd	-8.96%	(\$7,844)	(\$8.64)	(376,506)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,204,290	\$4,356,731	\$4,356,731	\$423,578

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Heights Apartments Phase II, Big Spring, 9% HTC #07115

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.18	\$2,404,649
Adjustments				
Exterior Wall Finish	0.64%		\$0.35	\$15,390
Elderly	0.00%		0.00	0
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.24)	(53,816)
Floor Cover			2.43	105,890
Breezeways/Balconies	\$21.66	10,778	5.36	233,398
Plumbing Fixtures	\$805	96	1.77	77,280
Rough-ins	\$400	96	0.88	38,400
Built-In Appliances	\$1,850	48	2.04	88,800
Exterior Stairs	\$1,800	12	0.50	21,600
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	82,794
Garages/Carports	\$0.00	0	0.00	0
Comm &/or Aux Bldgs	\$76.57	1,206	2.12	92,340
Other: Fire Sprinklers	\$1.95	43,576	1.95	84,973
SUBTOTAL			73.24	3,191,698
Current Cost Multiplier	0.98		(1.46)	(63,834)
Local Multiplier	0.88		(8.79)	(383,004)
TOTAL DIRECT CONSTRUCTION COSTS			\$62.99	\$2,744,860
Plans, specs, survy, bld prm	3.90%		(\$2.46)	(\$107,050)
Interim Construction Interes	3.38%		(2.13)	(92,639)
Contractor's OH & Profit	11.50%		(7.24)	(315,659)
NET DIRECT CONSTRUCTION COSTS			\$51.16	\$2,229,513

PAYMENT COMPUTATION

Primary	\$1,106,935	Amort	480
Int Rate	5.00%	DCR	1.27

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.27

Additional		Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NET CASH FLOW

Primary Debt Service	\$63,174
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$21,907

Primary	\$1,106,935	Amort	480
Int Rate	4.90%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$256,500	\$264,195	\$272,121	\$280,284	\$288,693	\$334,674	\$387,979	\$449,774	\$604,459
Secondary Income	5,184	5,340	5,500	5,665	5,835	6,764	7,841	9,090	12,216
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	261,684	269,535	277,621	285,949	294,528	341,438	395,821	458,864	616,675
Vacancy & Collection Loss	(19,632)	(20,215)	(20,822)	(21,446)	(22,090)	(25,608)	(29,687)	(34,415)	(46,251)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$242,052	\$249,319	\$256,799	\$264,503	\$272,438	\$315,830	\$366,134	\$424,450	\$570,425
EXPENSES at 4.00%									
General & Administrative	\$11,334	\$11,788	\$12,259	\$12,749	\$13,259	\$16,132	\$19,627	\$23,879	\$35,347
Management	12,103	12,466	12,840	13,225	13,622	15,792	18,307	21,223	28,522
Payroll & Payroll Tax	32,680	33,987	35,347	36,761	38,231	46,514	56,591	68,852	101,918
Repairs & Maintenance	14,310	14,882	15,478	16,097	16,741	20,368	24,780	30,149	44,628
Utilities	7,464	7,763	8,073	8,396	8,732	10,624	12,925	15,726	23,278
Water, Sewer & Trash	26,736	27,805	28,918	30,074	31,277	38,054	46,298	56,329	83,380
Insurance	8,832	9,185	9,553	9,935	10,332	12,571	15,294	18,608	27,544
Property Tax	23,472	24,411	25,387	26,403	27,459	33,408	40,646	49,452	73,201
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	8,040	8,362	8,696	9,044	9,406	11,443	13,923	16,939	25,074
TOTAL EXPENSES	\$156,971	\$163,129	\$169,530	\$176,182	\$183,097	\$221,984	\$269,172	\$326,438	\$480,315
NET OPERATING INCOME	\$85,081	\$86,190	\$87,269	\$88,321	\$89,341	\$93,846	\$96,962	\$98,011	\$90,110
DEBT SERVICE									
First Lien Financing	\$63,174	\$63,174	\$63,174	\$63,174	\$63,174	\$63,174	\$63,174	\$63,174	\$63,174
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	\$21,907	\$23,016	\$24,095	\$25,147	\$26,167	\$30,672	\$33,788	\$34,837	\$26,936
DEBT COVERAGE RATIO	1.35	1.36	1.38	1.40	1.41	1.49	1.53	1.55	1.43

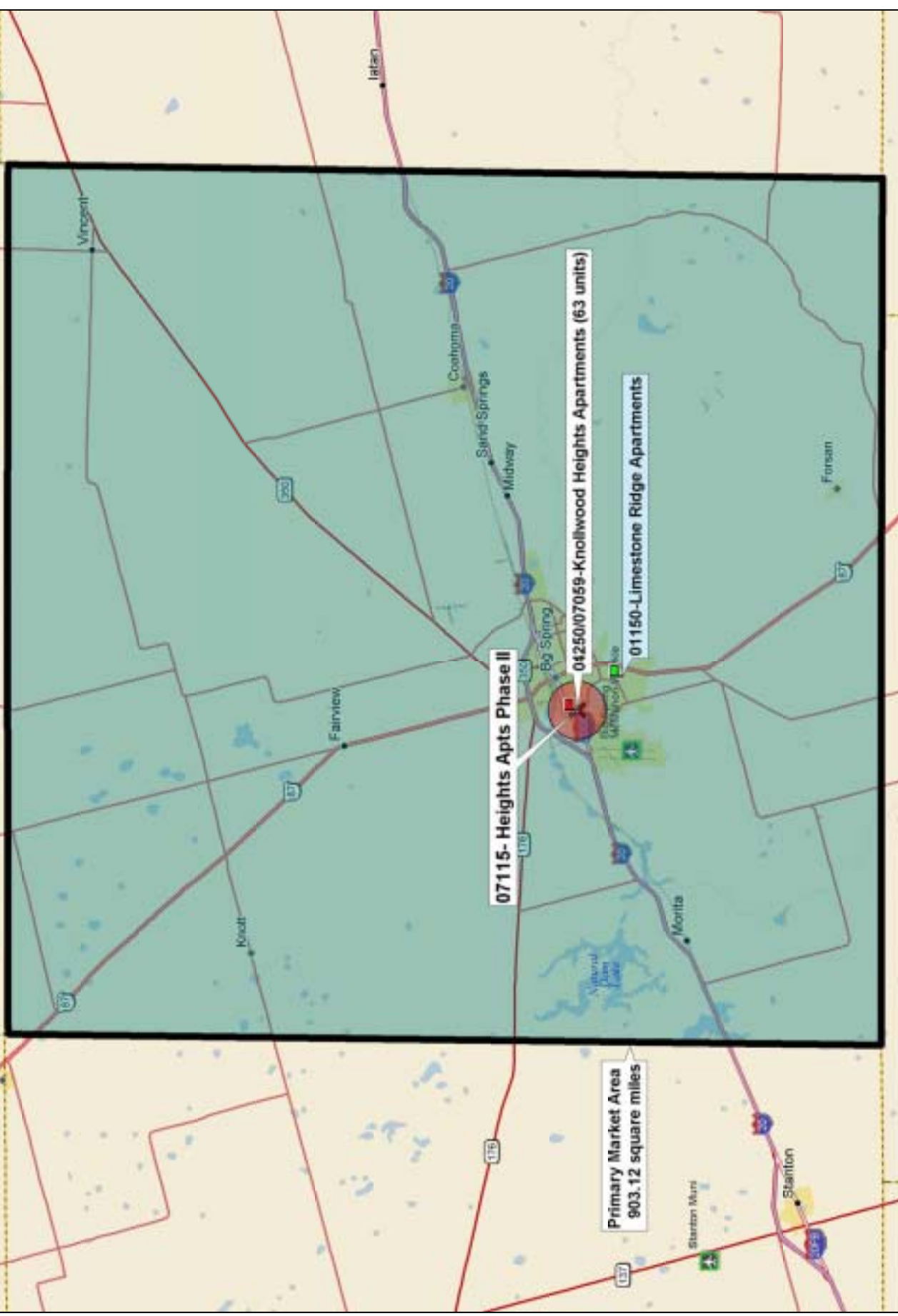
HTC ALLOCATION ANALYSIS -Heights Apartments Phase II, Big Spring, 9% HTC #07115

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$50,000	\$50,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$260,000	\$260,000	\$260,000	\$260,000
Construction Hard Costs	\$2,341,450	\$2,229,513	\$2,341,450	\$2,229,513
Contractor Fees	\$364,550	\$348,532	\$364,203	\$348,532
Contingencies	\$132,000	\$124,476	\$130,073	\$124,476
Eligible Indirect Fees	\$218,500	\$218,500	\$218,500	\$218,500
Eligible Financing Fees	\$96,069	\$96,069	\$96,069	\$96,069
All Ineligible Costs	\$218,000	\$218,000		
Developer Fees				
Developer Fees	\$508,000	\$508,000	\$508,000	\$508,000
Development Reserves	\$168,162	\$151,200		
TOTAL DEVELOPMENT COSTS	\$4,356,731	\$4,204,290	\$3,918,295	\$3,785,089

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$3,918,295	\$3,785,089
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$5,093,783	\$4,920,616
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$5,093,783	\$4,920,616
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$435,518	\$420,713

Syndication Proceeds	0.8599	\$3,745,140	\$3,617,821
Total Tax Credits (Eligible Basis Method)		\$435,518	\$420,713
Syndication Proceeds		\$3,745,140	\$3,617,821
Requested Tax Credits		\$377,886	
Syndication Proceeds		\$3,249,543	
Gap of Syndication Proceeds Needed		\$3,249,796	
Total Tax Credits (Gap Method)		\$377,915	

Heights Apartments Phase II



Primary Market Area
903.12 square miles

07115- Heights Apts Phase II

01150-Limestone Ridge Apartments

Applicant Evaluation

Project ID # **07115**

Name: **Big Spring Heights Apartments**

City: **Big Spring**

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

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 3

Projects not reported Yes
in application No

not yet monitored or pending review: 6

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer M. Tynan

Reviewer D. Burrell

Date 5/18/2007

Date 5/17/2007

Date 5/21/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 5/23/2007

Date 5/18/2007

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Deer Creek Apartments, TDHCA Number 07117

BASIC DEVELOPMENT INFORMATION

Site Address: SE Corner of W. Ellis St. & MLK St. Development #: 07117
 City: Levelland Region: 1 Population Served: General
 County: Hockley Zip Code: 79336 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Levelland Deer Creek Apartments, L.P
 Owner Contact and Phone: Justin Zimmerman (417) 883-1632
 Developer: Zimmerman Properties, LLC
 Housing General Contractor: Zimmerman Properties Construction, LLC
 Architect: Parker & Associates
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: CharterMac Capital
 Supportive Services: Texas Inter-Faith Housing Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	63
	7 0 0 56	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	1
	0 16 28 20 0 0	Total Development Units:	64
Type of Building:		Total Development Cost*:	\$5,877,051
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	4
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$508,375	\$507,059			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Deer Creek Apartments, TDHCA Number 07117

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, NC Points: 0 US Representative: Neugebauer, District 19, NC
TX Representative: Jones, District 83, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Levelland Noon Lions Club S or O: S
Levelland Noon Rotary Club S or O: S
Leadership Levelland S or O: S

General Summary of Comment:

Support received from three civic organizations.

CONDITIONS OF COMMITMENT

- Receipt, review and acceptance before commencement of construction of an environmental lien search.
- Receipt, review and acceptance by commitment of documentation indicating the pipeline listed in Schedule B, 9a of the title commitment is inactive or certification that no buildings will be constructed on the easement.
- Receipt, review and acceptance of documentation that the additional acreage has been transferred at no cost to the local government or is encumbered or is reduced from the acquisition cost on a prorata basis by cost certification.
- Receipt, review and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.
- Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit/allocation amount may be warranted.
- Receipt of a commitment of funding from Great Southern Bank in the amount of \$120,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$119,000, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Deer Creek Apartments, TDHCA Number 07117

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

Competitive Housing Tax Credits: Score: **149** Meeting a Required Set-Aside Credit Amount*: \$507,059

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/09/07

PROGRAM: HTC 9%

FILE NUMBER: 07117

DEVELOPMENT																		
Deer Creek Apartments																		
Location: <u>SE Corner of MLK Street & W. Ellis Street</u>				Region: <u>1</u>														
City: <u>Levelland</u>		County: <u>Hockley</u>		Zip: <u>79336</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, New Construction, Family, Rural, USDA-RD</u>																		
ALLOCATION																		
	REQUEST*			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$508,375			\$507,059														
* Reduced from \$516,000 by the Applicant during the underwriting process on 6/8/07																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance before commencement of construction of an environmental lien search. 2 Receipt, review and acceptance by commitment of documentation indicating the pipeline listed in Schedule B, 9a of the title commitment is inactive or certification that no buildings will be constructed on the easement. 3 Receipt, review and acceptance of documentation that the additional acreage has been transferred at no cost to the local government or is encumbered or is reduced from the acquisition cost on a prorata basis by cost certification. 4 Receipt, review and acceptance by TDHCA before commencement of construction of a written commitment from Great Southern Bank or acceptable alternative for the \$120,000 interim construction loan and listing the terms and conditions for such a loan. 5 Receipt, review and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 6 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">7</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">56</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	7	60% of AMI	60% of AMI	56
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	7																
60% of AMI	60% of AMI	56																
PROS			CONS															
<p>The Applicant is anticipating use of low interest USDA 538 funding to make this otherwise infeasible rural development viable.</p>			<p>The Applicant's high expense to income ratio is only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.</p>															

This is the first affordable housing development constructed in Levelland since 1992.

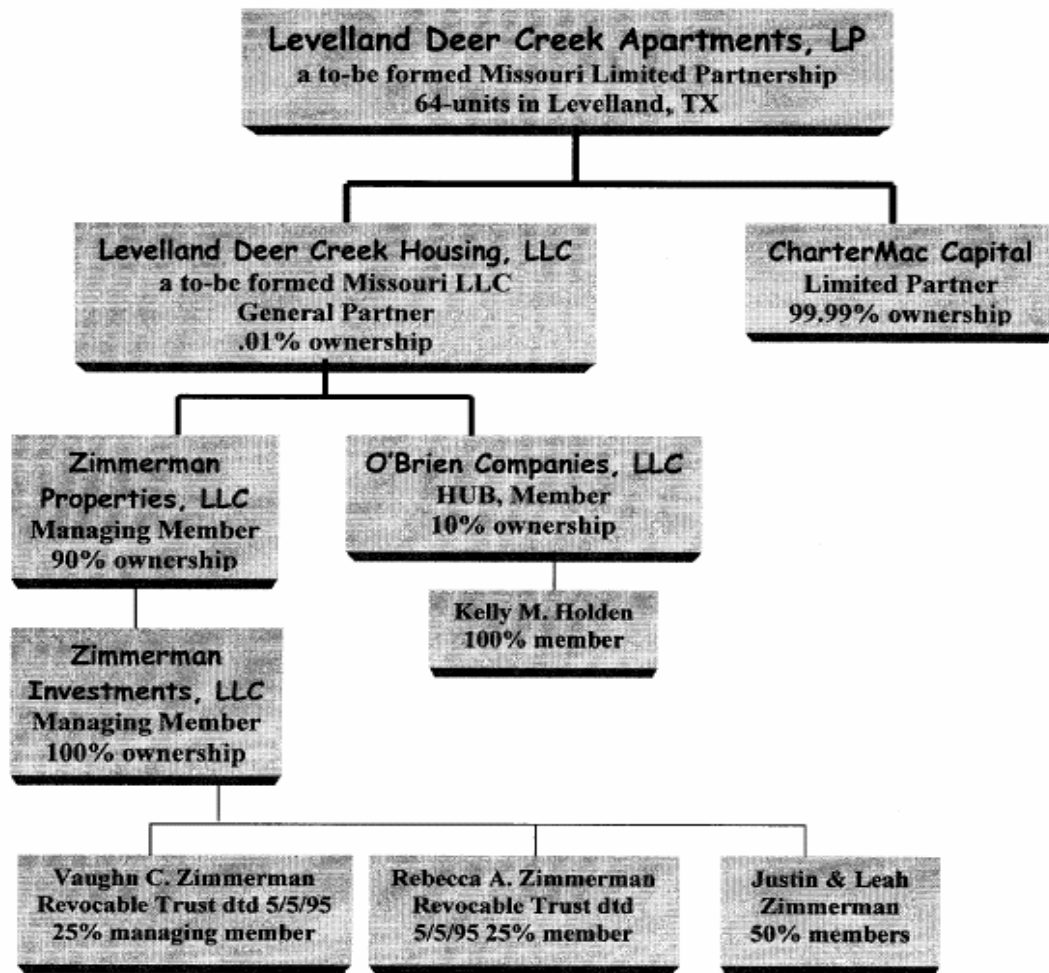
The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.

PREVIOUS UNDERWRITING REPORTS

The Applicant has previously applied for tax credit funds from the Department but did not score high enough to be underwritten or receive an allocation for this development.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Justin Zimmerman Phone: (417) 883-1632 Fax: (417) 883-6343
Email: Jzimmerman@wilhoitproperties.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Zimmerman Properties, LLC	\$10,930,411	\$325,616	N/A
Zimmerman Investments, LLC	Included with above		N/A
Vaughn & Rebecca Zimmerman	Confidential		9 HTC in TX
Justin & Leah Zimmerman	Confidential		9 HTC in TX
O'Brien Companies, LLC	\$16,000	\$16,000	N/A
Kelly M Holden	Confidential		9 HTC in TX

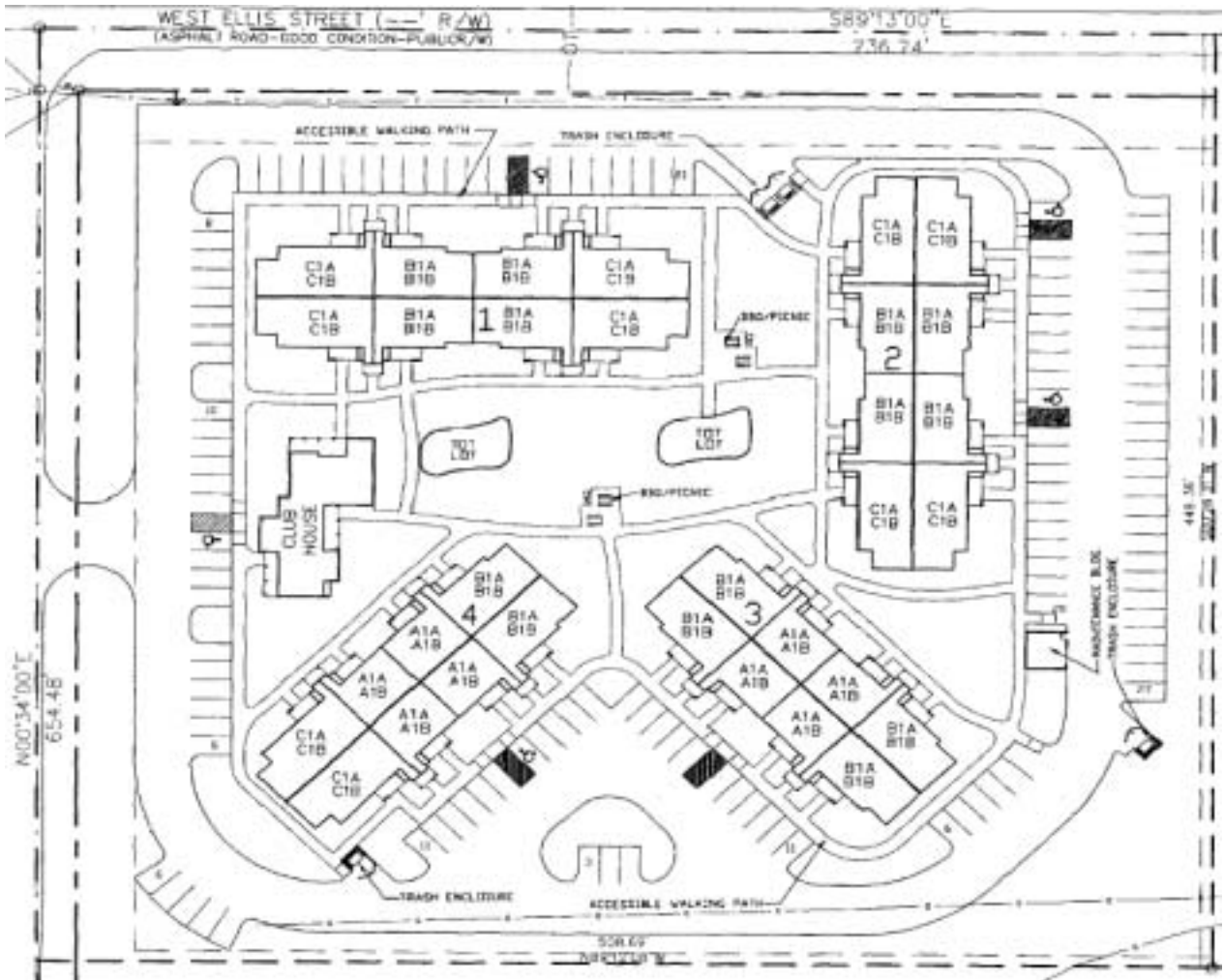
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor and property manager are related entities. These are common relationships for HTC-funded developments. The owner of the GP is also reselling the land to the Applicant and this identity of interest is discussed and mitigated in the acquisition cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	2	2	2								
Number	2	1	1								4

BR/BA	SF	Units									Total Units	Total SF
1/1	690		4	4							8	5,520
1/1	768		4	4							8	6,144
2/2	942	4	4	2							14	13,188
2/2	1,021	4	4	2							14	14,294
3/2	1,109	4		2							10	11,090
3/2	1,188	4		2							10	11,880
Units per Building	16	16	16								64	62,116

SITE ISSUES

Total Size: 5 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-2 Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/20/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: West Ellis Street, one homestead and farmland with oil wells
 East: Undeveloped land, residential housing, and small business
 South: Residential housing and a GED school
 West: Martin L. King Blvd., undeveloped land and a few homesteads

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Kaw Valley Engineering Date: 3/28/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 "This assessment has revealed surrounding regulated sites to exist within the prescribed radii...[but they] do not appear to be of environmental concern to the subject property." (p. 10)
 No recognized environmental conditions are anticipated with the property; however, the ESA provider recommends that an environmental lien search be obtained by the purchaser prior to purchase. Therefore, receipt, review and acceptance by TDHCA of an environmental lien search before commencement of construction is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC. Date: 3/21/2007
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 908.93 square miles (17 mile radius)
 "For this analysis, we utilized a "primary market area" utilizing the entire county of Hockley encompassing 908.93 square miles." (p. 30)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				None			

INCOME LIMITS						
Hockley						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR (30%)	31	0	0	31	2	0	7%
1 BR (60%)	51	0	0	51	14	0	27%
2 BR (30%)	19	0	0	19	3	0	16%
2 BR (60%)	28	0	0	28	24	0	85%
3 BR (30%)	15	0	0	15	2	0	13%
3 BR (60%)	49	0	0	48	18	0	37%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 55	100%	7,394	95%	7,024	8%	617	Included in Inc. Eliq %	65%	377
Underwriter	100%	7,312	95%	6,926	8%	578	Included in Inc. Eliq %	65%	373
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 55			95%	-62	8%	-6	Included in Inc. Eliq %	100%	-6
Underwriter			95%	-33	8%	-3	Included in Inc. Eliq %	100%	-3

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 58	63	0	0	63	371	17.00%
Underwriter	63	0	0	63	370	17.03%

Primary Market Occupancy Rates:

The primary market occupancy rates are 98.9% with demand for new rental apartment units considered to be growing. (p. 103)

Absorption Projections:

Absorption in the Primary Market Area is nearly impossible to calculate for the trade area. Only one new project has been built since 1992, Levelland Manor (LIHTC). As such, there has not been adequate new supply to determine a reasonable absorption rate for the submarket. We do know that Levelland Manor is 100% occupied today, indicating demand for newer rental units with modern amenities. 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." An 8% monthly lease-up rate would therefore indicate that the development will reach 93% occupancy approximately 12 months after the units are available for occupancy. (p. 101)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 689 SF (30%)	\$179	\$187	\$525	\$187	\$346	
1BR 689 SF (60%)	\$420	\$430	\$525	\$430	\$105	
1BR 768 SF (30%)	\$179	\$187	\$550	\$187	\$371	
1BR 768 SF (60%)	\$420	\$430	\$550	\$430	\$130	
2BR 942 SF (30%)	\$209	\$213	\$600	\$213	\$391	
2BR 942 SF (60%)	\$500	\$504	\$600	\$504	\$100	
2BR 1,020 SF (30%)	\$209	\$213	\$625	\$213	\$416	
2BR 1,020 SF (60%)	\$500	\$504	\$625	\$504	\$125	
3BR 1,109 SF (30%)	\$236	\$235	\$700	\$235	\$464	
3BR 1,109 SF (60%)	\$570	\$571	\$700	\$571	\$130	
3BR 1,187 SF (30%)	\$236	\$235	\$730	\$235	\$494	
3BR 1,187 SF (60%)	\$570	\$571	\$730	\$571	\$160	

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in the market. Existing "affordable" housing projects have an overall occupancy of 100%. The only affordable project built in the last three decades, Levelland Manor (1992), is 100% occupied. This demonstrates that the demand for new affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 101)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated based on the 2007 program gross rent limits and tenant-paid utility allowances that are not verifiable as they were handwritten without a Housing Authority staff signature. The Levelland Housing Authority contracts with Zeffert & Associates to determine the utility allowance for their public housing units. Although presented as natural gas allowances, conversations with staff of the Housing Authority indicate the utility allowances are applicable to all units including those with only electric utilities such as the Subject units. Therefore, the underwriting analysis is based on utility allowances that are less than the Applicant's estimates resulting in higher projected rents collected.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Despite of the difference in anticipated rents collected, the Applicant's effective gross income projection is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,400 per unit is within 5% of the Underwriter's estimate of \$3,527 per unit derived from the TDHCA database, other third party sources and historical operations from the developer's other properties. However, several of the Applicant's expenses deviate significantly from the Underwriter's figures, including: Payroll (\$15K lower), repairs and maintenance (\$3K higher) and insurance (\$6K lower). In addition, the Applicant has overstated TDHCA compliance fees.

Conclusion:

The Applicant's estimated income, total estimated operating expense and net operating income (NOI) estimate are all within 5% of the Underwriter's estimate. Therefore, the Applicant's Year 1 proforma will be used to evaluate debt service capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) slightly above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure will be adjusted based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application.

Feasibility:

The Underwriter's proforma reflects an expense to income ratio of over 65% as a result of the deep rent targeting proposed by the Applicant. The Applicant's estimate is similarly high at 64.97% but marginally below the 65% Department guideline. Because the Applicant's NOI is generally accepted, the Applicant's expense to income ratio is also used and is acceptable. The 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. The Applicant's base year effective gross income, expense and net operating income and adjusted recommended financing structure were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	34.2 acres	\$34,240	Tax Year:	2006
1 acre:		\$1,000	Valuation by:	Hockley County Tax Office
Prorata:	5 acres	\$5,000	Tax Rate:	2.712547

EVIDENCE of PROPERTY CONTROL

Type: Commercial & Industrial Real Estate Sales Contract Acreage: 5

Contract Expiration: 11/1/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$40,000 Other: _____

Seller: Zimmerman Properties Dev., LLC Related to Development Team? Yes No

Comments:

The subject 5-acres is part of a 10.22-acre tract that is under contract to be purchased by Wilhoit Properties or Assigns. The 10.22-acre tract is currently owned by a third party and will be purchased for \$65,000, or \$6,360 per acre. The Applicant has included the acquisition cost of \$65,000 for the full 10+ acres in the Subject's development cost schedule. The prorata value for the subject 5 acres is \$31,800. The Applicant indicated that the remaining land was flood plain impacted and of little or no value. Moreover, the Applicant indicated that they would be willing to deed the remaining property to the City for a park or encumber it under the LURA.

TITLE

Comments:

Schedule B, 9a of the title commitment lists a right of way easement for a pipeline. Receipt, review and acceptance of documentation indicating the pipeline is inactive or no buildings will be constructed on the easement is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 6/8/2007

Acquisition Value:

As stated above in the comment to the Evidence of Property Control Section, the land acquisition value could be prorated to \$31,800 for the 5-acre site that is to be used for the subject development, however the Applicant has indicated that the remaining tract has little value and is to be donated for park use. Receipt, review and acceptance of documentation that the additional acreage has been transferred at not cost to the local government or is encumbered or is reduced from the acquisition cost on a prorata basis by cost certification is a condition of this report.

Sitework Cost:

The Applicant's claimed sitework cost of \$4,375 per unit are within current Department guidelines. Therefore, no third party substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$171K or 6% higher than the Underwriter's estimate derived from the Marshall & Swift Residential Cost Handbook.

Contingency & Fees:

The Applicant's eligible contingency is overstated by \$19K and along with a slight \$100 overstatement in contractor fees the developer fee is overstated by \$2K. The Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

Reserves:

The Applicant indicated that as part of the financing for a USDA 538 loan the initial reserve requirement is significantly larger than the norm. After correspondence it was determined that the Applicant had added the USDA requirement to the TDHCA maximum guideline. The Applicant provided lender confirmation that reserves will include: a 2% of total cost lease-up reserve, a 2% of loan amount operating reserve and an initial reserve for replacement of \$1,000 per unit. The Applicant's calculations here are slightly higher than the Underwriter's based on the Applicant's higher anticipated development costs.

Conclusion:

While the Applicant's direct construction costs are more than 5% higher than the Underwriter's, their total development cost estimate is marginally within 5% of the Underwriter's verifiable estimate; therefore, the Applicant's development cost schedule will be used to calculate eligible basis and to determine the development's need for permanent funds. An eligible basis of \$5,198,325 supports annual tax credits of \$577,794. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 6/5/2007

Source: CharterMac Capital Type: Interim Financing

Principal: \$1,505,000 Interest Rate: 8.0% Fixed Term: 24 months

Source: Lubbock Housing Finance Corporation Type: Interim Financing

Principal: \$297,500 Interest Rate: AFR Fixed Amort: 12 months

Source: Great Southern Bank Type: Interim Financing

Principal: \$120,000 Interest Rate: 8.3% Fixed Amort: 12 months

Source: Lancaster Pollard Mortgage Corp. Type: Permanent Financing

Principal: \$1,500,000 Interest Rate: 5.00% Fixed Term: 480 months

Principal: \$5,000 Interest Rate: 7.50% Fixed Term: 480 months

Comments:

Rural Development Section 538 Guaranteed Financing; An interest rate credit will be required to lower the interest rate to the Long Term Applicable Federal Rate, which is currently 5% as of the date of the proposal for financing. This interest rate will be applicable on up to \$1,500,000 in debt; the remaining debt will carry an interest rate of 7.5%.

Source: CharterMac Capital Type: Syndication

Proceeds: \$4,371,987 Syndication Rate: 86% Anticipated HTC: \$ 508,375

Amount: \$464 Type: Deferred Developer Fees

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Condition:

The Applicant has not provided a written commitment from Great Southern Bank for the \$120,000 interim construction loan. The need for this source of funds from a financial feasibility stand point is unclear as the permanent sources could be altered to be more fully present during the construction period. Regardless, it is a condition of this report that prior to commencement of construction a written commitment acceptable to TDHCA be provided by Great Southern Bank or an acceptable alternative, for the purpose of interim construction funding and addressing the rates and terms stated in the application or at rates and terms acceptable to TDHCA.

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio that is slightly above the Department's maximum guideline of 1.35. However, the underwriting analysis does not assume an increase in the total combined permanent loan amount. Rather, the Underwriter has assumed the permanent lender will require a larger share of the permanent funds to bear interest at 7.5% rather than the lower 5%. This assumption effectively increase the total annual debt service projected and brings the development's debt coverage ratio down to an acceptable 1.35.

The Applicant's total development cost estimate less the permanent loan total of \$1,516,385 indicates the need for \$4,360,666 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$507,059 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$508,375), the gap-driven amount (\$507,059), and eligible basis-derived estimate (\$577,794), the gap-driven basis-derived estimate of \$507,059 is recommended.

The Underwriter's recommended financing structure does not indicate a need for additional permanent funds from Deferred developer fees. In the event that additional funds are needed, deferred developer fees are available for use.

Underwriter:	_____	Date:	_____
	<i>D. Burrell</i>		June 9, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		June 9, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 9, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Deer Creek Apartments, Levelland, HTC 9% #07117

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	690	\$242	\$187	\$187	\$0.27	\$55.00	\$23.00
TC 60%	7	1	1	690	\$485	\$430	3,010	0.62	55.00	23.00
TC 30%	1	1	1	768	\$242	\$187	187	0.24	55.00	23.00
TC 60%	7	1	1	768	\$485	\$430	3,010	0.56	55.00	23.00
TC 30%	1	2	2	942	\$291	\$213	213	0.23	78.00	25.00
TC 60%	12	2	2	942	\$582	\$504	6,048	0.54	78.00	25.00
EO	1	2	2	942		\$0	0	0.00	78.00	25.00
TC 30%	2	2	2	1,021	\$291	\$213	426	0.21	78.00	25.00
TC 60%	12	2	2	1,021	\$582	\$504	6,048	0.49	78.00	25.00
TC 30%	1	3	2	1,109	\$336	\$235	235	0.21	101.00	26.00
TC 60%	9	3	2	1,109	\$672	\$571	5,139	0.51	101.00	26.00
TC 30%	1	3	2	1,188	\$336	\$235	235	0.20	101.00	26.00
TC 60%	9	3	2	1,188	\$672	\$571	5,139	0.48	101.00	26.00
TOTAL:	64		AVERAGE:	971		\$467	\$29,877	\$0.48	\$79.44	\$24.81

INCOME

Total Net Rentable Sq Ft: 62,116

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$9.00

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.24%	\$277	0.29
Management	5.00%	264	0.27
Payroll & Payroll Tax	18.40%	972	1.00
Repairs & Maintenance	4.89%	258	0.27
Utilities	4.51%	238	0.25
Water, Sewer, & Trash	5.64%	298	0.31
Property Insurance	5.61%	296	0.31
Property Tax 2.712547	8.88%	469	0.48
Reserve for Replacements	4.73%	250	0.26
TDHCA Compliance Fees	0.75%	39	0.04
Supportive Services, security	3.13%	165	0.17
TOTAL EXPENSES	66.78%	\$3,527	\$3.63
NET OPERATING INC	33.22%	\$1,755	\$1.81

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$358,524	\$355,164
Secondary Income	6,912	6,912
Other Support Income:	0	0
POTENTIAL GROSS INCOME	\$365,436	\$362,076
Vacancy & Collection Loss	(27,408)	(27,156)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$338,028	\$334,920

COUNTY	IREM REGION	COMPT. REGION
Hockley		1
\$9.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

DEBT SERVICE

	% of EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of EGI
Lancaster Pollard @ 5%	25.68%	\$1,356	\$1.40	\$86,795	\$86,795	\$1.40	\$1,356	25.92%
Lancaster Pollard @ 7.5%	0.12%	\$6	\$0.01	395	396	\$0.01	\$6	0.12%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	7.43%	\$392	\$0.40	\$25,110	\$30,129	\$0.49	\$471	9.00%

AGGREGATE DEBT COVERAGE RATIO

1.29 1.35

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		1.16%	\$1,016	\$1.05	\$65,000	\$65,000	\$1.05	\$1,016	1.11%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.00%	4,375	4.51	280,000	280,000	4.51	4,375	4.76%
Direct Construction		54.23%	47,432	48.87	3,035,624	3,206,750	51.63	50,105	54.56%
Contingency	5.00%	2.96%	2,590	2.67	165,781	184,337	2.97	2,880	3.14%
Contractor's Fees	14.00%	8.29%	7,253	7.47	464,187	488,250	7.86	7,629	8.31%
Indirect Construction		4.08%	3,570	3.68	228,500	228,500	3.68	3,570	3.89%
Ineligible Costs		6.54%	5,722	5.90	366,200	366,200	5.90	5,722	6.23%
Developer's Fees	15.00%	11.57%	10,117	10.42	647,496	680,000	10.95	10,625	11.57%
Interim Financing		2.55%	2,227	2.29	142,550	142,550	2.29	2,227	2.43%
Reserves		3.61%	3,160	3.26	202,234	235,464	3.79	3,679	4.01%
TOTAL COST		100.00%	\$87,462	\$90.11	\$5,597,573	\$5,877,051	\$94.61	\$91,829	100.00%
Construction Cost Recap		70.49%	\$61,650	\$63.52	\$3,945,592	\$4,159,337	\$66.96	\$64,990	70.77%

SOURCES OF FUNDS

RECOMMENDED

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard @ 5%	26.80%	\$23,438	\$24.15	\$1,500,000	\$1,500,000	\$1,500,000	Developer Fee Available
Lancaster Pollard @ 7.5%	0.09%	\$78	\$0.08	5,000	5,000	16,385	\$678,042
HTC Syndication Proceeds	78.10%	\$68,306	\$70.38	4,371,587	4,371,587	4,360,666	% of Dev. Fee Deferred
Deferred Developer Fees	0.01%	\$7	\$0.01	464	464	0	0%
Additional (Excess) Funds Req'd	-4.99%	(\$4,367)	(\$4.50)	(279,478)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,597,573	\$5,877,051	\$5,877,051	\$585,644

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Deer Creek Apartments, Levelland, HTC 9% #07117

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ.FT	PER SF	AMOUNT
Base Cost			\$54.54	\$3,388,033
Adjustments				
Exterior Wall Finish	0.88%		\$0.48	\$29,815
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.24)	(76,713)
Floor Cover			2.43	150,942
Breezeways/Balconies	\$21.66	7,072	2.47	153,144
Plumbing Fixtures	\$805	144	1.87	115,920
Rough-ins	\$400	128	0.82	51,200
Built-In Appliances	\$1,850	64	1.91	118,400
Interior Stairs	\$1,089	32	0.56	34,848
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	118,020
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$69.10	2,780	3.09	192,091
Other: fire sprinkler	\$1.95	62,116	1.95	121,126
SUBTOTAL			70.78	4,396,826
Current Cost Multiplier	0.98		(1.42)	(87,937)
Local Multiplier	0.87		(9.20)	(571,587)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.17	\$3,737,302
Plans, specs, survy, bld prmt	3.90%		(\$2.35)	(\$145,755)
Interim Construction Interest	3.38%		(2.03)	(126,134)
Contractor's OH & Profit	11.50%		(6.92)	(429,790)
NET DIRECT CONSTRUCTION COSTS			\$48.87	\$3,035,624

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	480
Int Rate	5.00%	DCR	1.29

Secondary	\$5,000	Amort	480
Int Rate	7.50%	Subtotal DCR	1.29

Additional		Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

Primary Debt Service	\$85,607
Secondary Debt Service	1,294
Additional Debt Service	0
NET CASH FLOW	\$30,419

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	1.37

Secondary	\$16,385	Amort	480
Int Rate	7.50%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$355,164	\$365,819	\$376,793	\$388,097	\$399,740	\$463,408	\$537,217	\$622,782	\$836,967
Secondary Income	6,912	7,119	7,333	7,553	7,780	9,019	10,455	12,120	16,289
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	362,076	372,938	384,126	395,650	407,520	472,427	547,672	634,902	853,256
Vacancy & Collection Loss	(27,156)	(27,970)	(28,809)	(29,674)	(30,564)	(35,432)	(41,075)	(47,618)	(63,994)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$334,920	\$344,968	\$355,317	\$365,976	\$376,956	\$436,995	\$506,597	\$587,285	\$789,262
EXPENSES at 4.00%									
General & Administrative	\$17,106	\$17,790	\$18,502	\$19,242	\$20,012	\$24,347	\$29,622	\$36,040	\$53,348
Management	16,746	17,248	17,766	18,299	18,848	21,850	25,330	29,364	39,463
Payroll & Payroll Tax	47,500	49,400	51,376	53,431	55,568	67,607	82,255	100,075	148,136
Repairs & Maintenance	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Utilities	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Water, Sewer & Trash	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Insurance	12,500	13,000	13,520	14,061	14,623	17,791	21,646	26,336	38,983
Property Tax	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	18,748	19,498	20,278	21,089	21,933	26,684	32,465	39,499	58,468
TOTAL EXPENSES	\$217,600	\$226,137	\$235,010	\$244,232	\$253,819	\$307,728	\$373,144	\$452,533	\$665,857
NET OPERATING INCOME	\$117,320	\$118,831	\$120,307	\$121,744	\$123,137	\$129,267	\$133,453	\$134,751	\$123,405
DEBT SERVICE									
First Lien Financing	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607
Second Lien	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$30,419	\$31,931	\$33,407	\$34,844	\$36,237	\$42,367	\$46,552	\$47,851	\$36,504
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.42	1.49	1.54	1.55	1.42

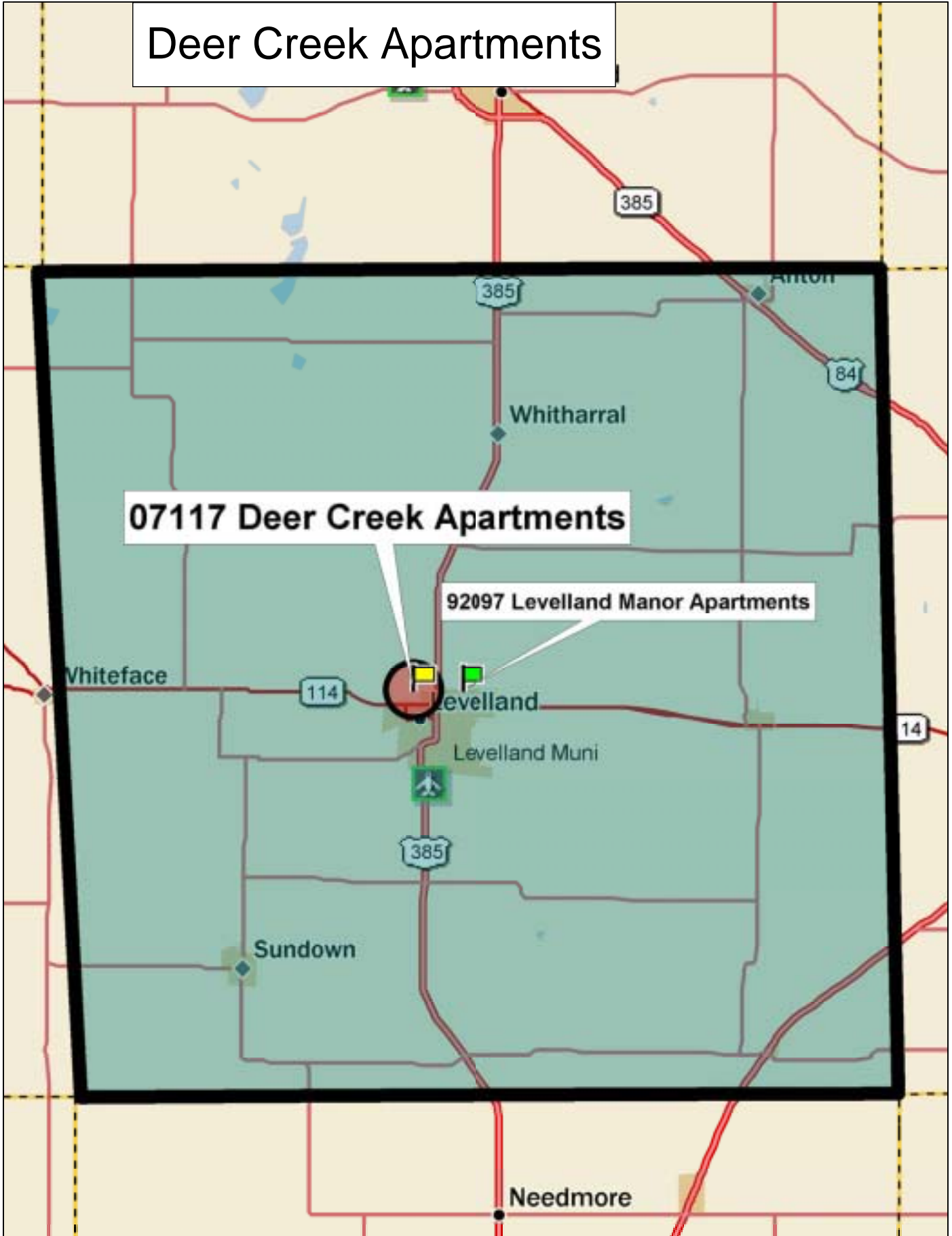
HTC ALLOCATION ANALYSIS -Deer Creek Apartments, Levelland, HTC 9% #07117

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$65,000	\$65,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$280,000	\$280,000	\$280,000	\$280,000
Construction Hard Costs	\$3,206,750	\$3,035,624	\$3,206,750	\$3,035,624
Contractor Fees	\$488,250	\$464,187	\$488,145	\$464,187
Contingencies	\$184,337	\$165,781	\$174,338	\$165,781
Eligible Indirect Fees	\$228,500	\$228,500	\$228,500	\$228,500
Eligible Financing Fees	\$142,550	\$142,550	\$142,550	\$142,550
All Ineligible Costs	\$366,200	\$366,200		
Developer Fees			\$678,042	
Developer Fees	\$680,000	\$647,496		\$647,496
Development Reserves	\$235,464	\$202,234		
TOTAL DEVELOPMENT COSTS	\$5,877,051	\$5,597,573	\$5,198,325	\$4,964,139

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,198,325	\$4,964,139
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$6,757,822	\$6,453,380
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$6,757,822	\$6,453,380
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$577,794	\$551,764

Syndication Proceeds	0.8600	\$4,968,984	\$4,745,129
Total Tax Credits (Eligible Basis Method)		\$577,794	\$551,764
Syndication Proceeds		\$4,968,984	\$4,745,129
Requested Tax Credits		\$508,375	
Syndication Proceeds		\$4,371,987	
Gap of Syndication Proceeds Needed		\$4,360,666	
Total Tax Credits (Gap Method)		\$507,059	

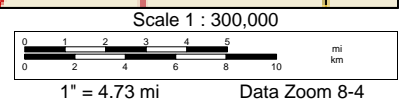
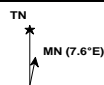
Deer Creek Apartments



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www.delorme.com



Applicant Evaluation

Project ID # **07117**

Name: **Levelland Deer Creek Apartments**

City: **Levelland**

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

Total # of Projects monitored: 3

Projects zero to nine: 3
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 3

not yet monitored or pending review: 6

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Lakeside Apartments, TDHCA Number 07118

BASIC DEVELOPMENT INFORMATION

Site Address: 1 Blk E. of S. Jefferson St. & Tennison Rd. Development #: 07118
 City: Mount Pleasant Region: 4 Population Served: General
 County: Titus Zip Code: 75455 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Mt. Pleasant Lakeside Apartments, L.P.
 Owner Contact and Phone: Justin Zimmerman (417) 883-1632
 Developer: Zimmerman Properties, LLC
 Housing General Contractor: Zimmerman Properties Construction, LLC
 Architect: Parker & Associates
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: CharterMac Capital
 Supportive Services: Texas Inter-Faith Housing Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	63
	7 0 0 56	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	1
	0 15 37 12 0 0	Total Development Units:	64
Type of Building:		Total Development Cost*:	\$6,059,996
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	4
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$520,342	\$520,342			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lakeside Apartments, TDHCA Number 07118

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S Points: 7 US Representative: Hall, District 4, NC
TX Representative: Homer, District 3, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Independent Order of Odd Fellows Lodge #66 of Mt. Pleasant S or O: S
Rebekah Lodge # 127 of Mt. Pleasant S or O: S
Mount Pleasant Rotary Club S or O: S
Trinity S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out and a third party engineer's determination with regard to the potential flood impact for the portion of the site that is outside the FEMA mapped area.

Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

Receipt of a commitment of funding from the Northeast Texas Housing Finance Corporation in the amount of \$310,000, or a commitment from a qualifying substitute source in an amount not less than \$303,000, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Great Southern Bank in the amount of \$125,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$121,200, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lakeside Apartments, TDHCA Number 07118

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$520,342

Recommendation: Competitive in USDA Allocation, and has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/09/07

PROGRAM: 9% HTC

FILE NUMBER: 07118

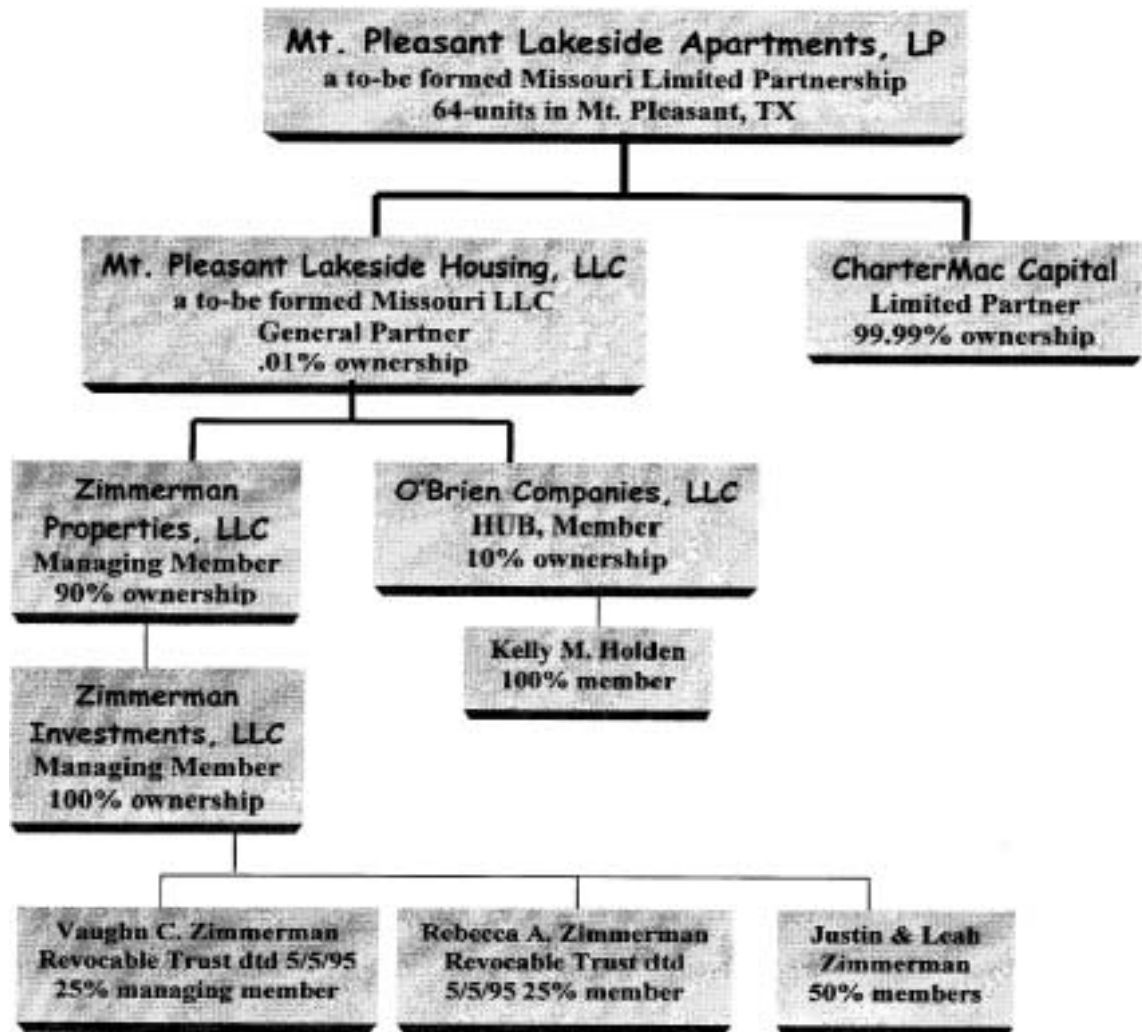
DEVELOPMENT																		
Lakeside Apartments																		
Location: 1 block East of South Jefferson Street and Tennison Road				Region: 4														
City: Mount Pleasant		County: Titus		Zip: 75455		<input checked="" type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: Multifamily, Family, New Construction, Rural, USDA																		
ALLOCATION																		
	REQUEST*			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$520,342			\$520,342														
* Reduced from \$522,100 by the Applicant during the underwriting process on 6/5/07																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out and a third party engineer's determination with regard to the potential flood impact for the portion of the site that is outside the FEMA mapped area. 2 Receipt, review and acceptance by TDHCA before commencement of construction of a written commitment from Great Southern Bank or acceptable alternative for the \$125,000 interim construction loan and listing the terms and conditions for such a loan. 3 Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">7</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">56</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	7	60% of AMI	60% of AMI	56
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	7																
60% of AMI	60% of AMI	56																
PROS			CONS															
<p>The application along with 07175 Austin Place represent the first new tax credit developments proposed in Mt. Pleasant and Titus County in 15 years.</p> <p>The Applicant is anticipating use of low interest USDA 538 funding to make this otherwise infeasible rural development viable.</p>			<p>The Applicant's high expense to income ratio only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.</p> <p>The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.</p>															

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Justin Zimmerman Phone: (417) 883-1632 Fax: (417) 883-6343
 Email: jzimmerman@wilhoitproperties.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
Zimmerman Properties, LLC	\$10,930,411	\$325,616	N/A
Zimmerman Investments, LLC	Included with above		N/A
Vaughn & Rebecca Zimmerman	Confidential		9 HTC in TX
Justin & Leah Zimmerman	Confidential		9 HTC in TX
O'Brien Companies, LLC	\$16,000	\$16,000	N/A
Kelly M Holden	Confidential		9 HTC in TX

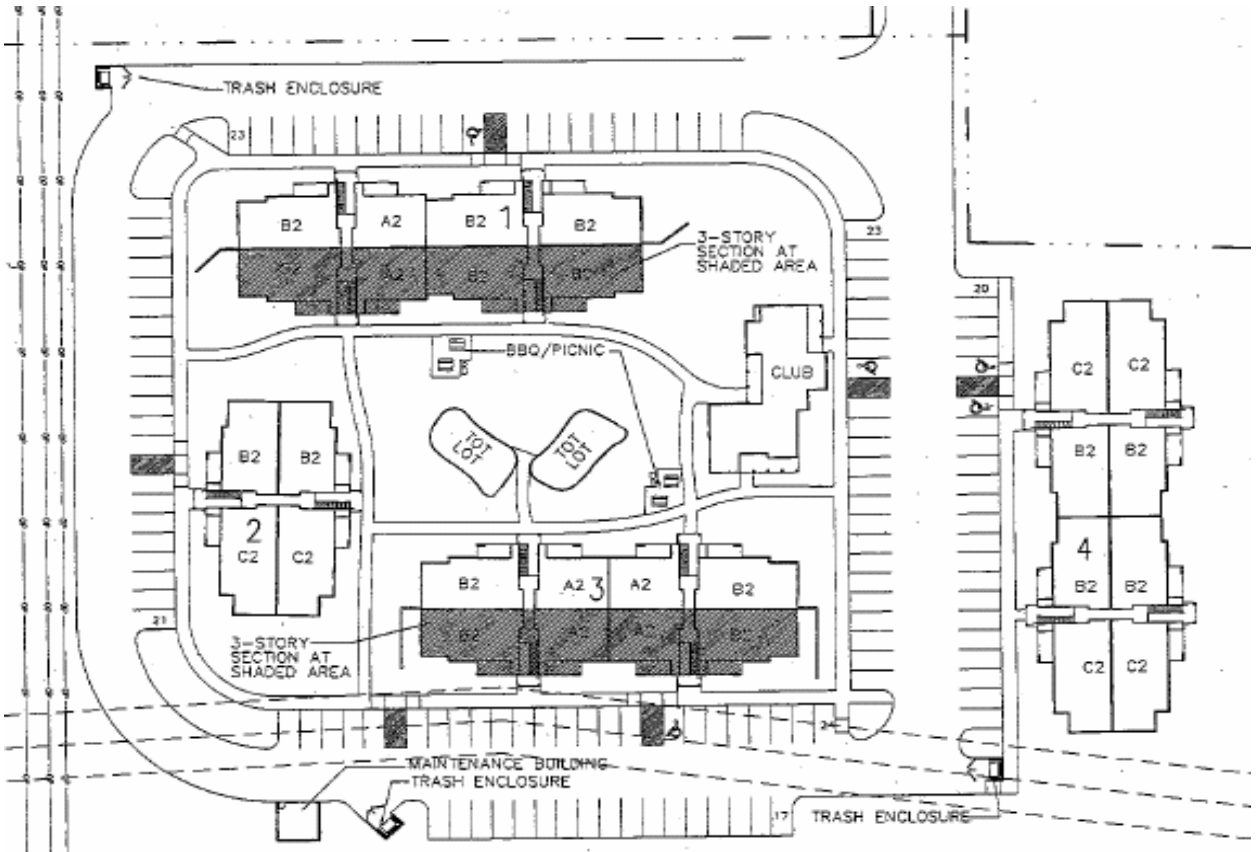
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV							Total Buildings
Floors/Stories	3	2	3	2							
Number	1	1	1	1							4

BR/BA	SF	Units								Total Units	Total SF
1/1	712	5		10						15	10,680
2/2	964	15	4	10	8					37	35,668
3/2	1,131		4		8					12	13,572
Units per Building		20	8	20	16					64	59,920

SITE ISSUES

Total Size: 5 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: C-Commercial Needs to be re-zoned? Yes No N/A

Comments:

According to the ESA provider, "A portion of the property is located in an area outside of the corporate limits, therefore whether or not the entire property is located outside the 100 and 500 year flood plains cannot be determined." (p.3)

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff, TDHCA Staff Date: 4/26/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant/undeveloped land and residential uses
 South: Hart Creek tributary and vacant/undeveloped land
 East: vacant/undeveloped land and residential uses
 West: vacant/undeveloped land, South Jefferson Avenue, and commercial uses

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Kaw Valley Engineering, Inc Date: 3/22/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"The areas of miscellaneous trash...should be cleaned up and disposed of properly prior to or with initial site preparation operations." (p.10)

Comments:

"A portion of the property is located in an area outside of the corporate limits, therefore whether or not the entire property is located outside the 100 and 500 year flood plains cannot be determined." (p.3)
 Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out and a third party engineer's determination with regard to the potential flood impact for the portion of the site that is outside the FEMA mapped area is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/12/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (201) 340-5830

Number of Revisions: 1 Date of Last Applicant Revision: 6/6/2007

Primary Market Area (PMA): 425.87 square miles ~ 11.69 mile radius

"For this analysis, we utilized a 'primary market area' encompassing 425.87 square miles. The Primary Market Area consists of all of Titus County." (p. 31)

Secondary Market Area (SMA):

The market analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Austin Place	07175	76	76	No Secondary market			

Austin Place is a proposed 9% HTC/HOME 76-unit development also targeting the general population, located within the defined PMA boundaries. While these units were not considered by the Market Analyst, the Underwriter has included these 76 units in the inclusive capture rate calculation. The inclusion of these additional units, however, does not yield a capture rate that exceeds the Department's maximum for rural properties.

INCOME LIMITS						
Titus						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,300	\$10,600	\$11,950	\$13,250	\$14,300	\$15,350
60	\$18,540	\$21,240	\$23,880	\$26,520	\$28,620	\$30,780

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	430	2		432	2	0	0%
1 BR/60% Rent Limit	430	2		432	13	0	3%
2 BR/30% Rent Limit	430	2		432	4	8	3%
2 BR/60% Rent Limit	430	2		432	32	24	13%
3 BR/30% Rent Limit	430	2		432	1	0	0%
3 BR/60% Rent Limit	430	2		432	11	44	13%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 56	9,365	96%	9,024	9%	802	100%	802	65%	517	
Underwriter		100%	9,334	93%	8,686	30%	2,569	26%	666	65%	430
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 56		96%	-31	9%	-3	100%	-3	100%	-3	
Underwriter			93%	29	30%	8	26%	2	100%	2	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 57	63	0	N/A	64	515	12.44%
Underwriter		63	76		139	432	32.18%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 95.4% as a result of growing demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p.10)

Absorption Projections:

"Today, the PMA is 95.4% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 76 units per year. We expect this to continue as the number of new households continue to grow and as additional rental units become available." (p.11)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	712 SF	30%	\$199	\$201	\$445	\$201	\$244
1 BR	712 SF	60%	\$445	\$450	\$460	\$450	\$10
2 BR	964 SF	30%	\$237	\$237	\$535	\$237	\$298
2 BR	964 SF	60%	\$535	\$536	\$545	\$536	\$9
3 BR	1,131 SF	30%	\$270	\$270	\$615	\$270	\$345
3 BR	1,131 SF	60%	\$615	\$615	\$620	\$615	\$5

It should be noted that the Market Analyst's market rents were based upon two units sizes for each bedroom size, as the original plan called for a private interior staircase that resulted in slightly larger square footage for the upstairs units compared to the downstairs units. The current square footages for each bedroom size are in between the two original square footages but approximately 17 square feet smaller than the average of the original units. The Market Analyst initially reflected a small difference in achievable market rent for the two different square footages but the Underwriter used the higher market rent conclusion as the current comparable market rent.

Market Impact:

"Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market." (p.98)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/27/2007

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the rents calculated by subtracting tenant-paid utility allowances as of October, 2006, maintained by Titus County, from the 2007 program gross rent limits. Tenants will be required to pay electric costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; however, the Applicant has assumed the maximum HTC rents for the 60% two- and three-bedroom units which the Market Analyst confirms are achievable. The Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/22/2007

The Applicant's revised total annual operating expense projection at \$3,580 per unit is within 5% of the Underwriter's estimate of \$3,539, derived from the TDHCA database, third-party data sources, and historical operating expenses for Mill Creek Village, TDHCA #03028, for year end December 2006.

Conclusion:

The Applicant's effective gross income total operating expense and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The Applicant's proforma results in a Year One DCR above the Department maximum of 1.35 when assuming their projected annual debt service figures. However, based on the Underwriter's calculated annual debt service, the development would achieve a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate is at 64.78%, marginally below the 65% Department guideline. Because the Applicant's NOI is generally accepted, the Applicant's expense to income ratio is also used and is acceptable. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and positive cashflow. Therefore, the development can be characterized as feasible for the long term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 15 acres	<u>\$38,155</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>N/A</u>	Valuation by:	<u>Titus CAD</u>
Total Assessed Value:	<u>\$38,155</u>	Tax Rate:	<u>2.33868</u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial and Industrial Real Estate Sale Contract Acreage: 5

Contract Expiration: 8/31/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$175,000 Other: _____

Seller: David Huffman & Jerry Moody Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/5/2007

Acquisition Value:

The site cost of \$35,000 per acre or \$2,734 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Cost:

The Applicant claimed off-site costs of \$45,000 for water and fire hydrants and offsite paving, and provided sufficient third party certification through an architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$4,375 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$26K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$34,413 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments; and contractor fees were reduced by \$105. The Applicant's developer's fees are within the maximums allowed by TDHCA guidelines.

Reserves:

The Applicant indicated that as part of the financing for a USDA 538 loan the initial reserve requirement is significantly larger than the norm. After correspondence it was determined that the Applicant had added the USDA requirement to the TDHCA maximum guideline. The Applicant provided lender confirmation that reserves will include: a 2% of total cost lease-up reserve, a 2% of loan amount operating reserve and an initial reserve for replacement of \$1,000 per unit. The Applicant's calculations are slightly higher than the Underwriter's based on the Applicant's higher anticipated development costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,264,484 supports annual tax credits of \$585,147. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/6/2007

Source: CharterMac Capital Type: Interim Financing

Principal: \$1,585,000 Interest Rate: 8.0% Fixed Term: 24 months

Source: Lancaster Pollard (USDA Loan) Type: Permanent Financing

Principal: \$1,500,000 Interest Rate: 4.7% Fixed Amort: 480 months

Principal: \$85,000 Interest Rate: 7.5% Fixed Amort: 480 months

Comments:

Interest rate: AFR for up to \$1.5M; 7.5% for the remaining debt (\$85K)

Source: Northeast Texas Housing Finance Corporation Type: LPS Loan Interim financing

Principal: \$310,000 Conditions: _____

Comments:

Application made for this loan and several other interim loans described below that will have no direct effect on the credit amount.

Amount: \$125,000 from Great Southern Bank (no comm) Type: Bridge Loan

Amount: \$125,000 from Kenneth A. Shwab Type: Private Interim Loan

Source: CharterMac Capital Type: Syndication

Proceeds: \$4,474,000 Syndication Rate: 86% Anticipated HTC: \$ 520,342

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Condition:

The Applicant has not provided a written commitment from Great Southern Bank for the \$125,000 interim construction loan. The need for this source of funds from a financial feasibility stand point is unclear as the permanent sources could be altered to be more fully present during the construction period. Regardless, it is a condition of this report that prior to commencement of construction, a written commitment acceptable to TDHCA be provided by Great Southern Bank or an acceptable alternative, for the purpose of interim construction funding and addressing the rates and terms stated in the application or at rates and terms acceptable to TDHCA.

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan funds of \$1,585,000 indicates the need for \$4,474,996 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$520,458 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$520,342), the gap-driven amount (\$520,458), and eligible basis-derived estimate (\$585,147), the Applicant's revised request of \$520,342 is recommended.

The Underwriter's recommended financing structure indicates the need for \$996 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: June 9, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: June 9, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 9, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Lakeside Apartments, Mount Pleasant, 9% HTC #07118

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	712	\$248	\$201	\$402	\$0.28	\$47.06	\$41.83
TC 60%	13	1	1	712	\$497	450	5,849	0.63	47.06	41.83
TC 30%	4	2	2	964	\$298	237	949	0.25	60.83	50.49
TC 60%	32	2	2	964	\$597	536	17,157	0.56	60.83	50.49
EO	1	2	2	964	#N/A	0	0	0.00	60.83	50.49
TC 30%	1	3	2	1,131	\$344	270	270	0.24	74.34	59.15
TC 60%	11	3	2	1,131	\$689	615	6,761	0.54	74.34	59.15
TOTAL:	64		AVERAGE:	936		\$490	\$31,388	\$0.52	\$60.14	\$50.08

INCOME

Total Net Rentable Sq Ft: 59,920

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$9.00

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.46%	\$303	0.32	\$19,361	\$16,937	\$0.28	\$265	4.79%
Management	5.00%	277	0.30	17,740	17,683	0.30	276	5.00%
Payroll & Payroll Tax	17.53%	972	1.04	62,196	62,196	1.04	972	17.59%
Repairs & Maintenance	4.66%	258	0.28	16,522	25,568	0.43	400	7.23%
Utilities	3.25%	180	0.19	11,546	18,000	0.30	281	5.09%
Water, Sewer, & Trash	7.09%	393	0.42	25,142	28,058	0.47	438	7.93%
Property Insurance	4.91%	272	0.29	17,404	14,997	0.25	234	4.24%
Property Tax 2.33868	8.44%	468	0.50	29,935	18,961	0.32	296	5.36%
Reserve for Replacements	4.51%	250	0.27	16,000	16,000	0.27	250	4.52%
TDHCA Compliance Fees	0.71%	39	0.04	2,520	2,560	0.04	40	0.72%
Other: Sup. Servs, cable	2.30%	128	0.14	8,160	8,160	0.14	128	2.31%
TOTAL EXPENSES	63.85%	\$3,539	\$3.78	\$226,525	\$229,120	\$3.82	\$3,580	64.78%
NET OPERATING INC	36.15%	\$2,004	\$2.14	\$128,277	\$124,544	\$2.08	\$1,946	35.22%
DEBT SERVICE								
USDA - Lancaster Pollard	23.46%	\$1,301	\$1.39	\$83,250	\$87,417	\$1.46	\$1,366	24.72%
Lancaster Pollard	1.89%	\$105	\$0.11	6,712	7,197	\$0.12	\$112	2.03%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	10.80%	\$599	\$0.64	\$38,315	\$29,930	\$0.50	\$468	8.46%
AGGREGATE DEBT COVERAGE RATIO				1.43	1.32			
RECOMMENDED DEBT COVERAGE RATIO					1.35			

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)		2.93%	\$2,734	\$2.92	\$175,000	\$175,000	\$2.92	\$2,734	2.89%
Off-Sites		0.75%	703	0.75	45,000	45,000	0.75	703	0.74%
Sitework		4.69%	4,375	4.67	280,000	280,000	4.67	4,375	4.62%
Direct Construction		53.31%	49,694	53.08	3,180,421	3,206,750	53.52	50,105	52.92%
Contingency	5.00%	2.90%	2,703	2.89	173,021	208,750	3.48	3,262	3.44%
Contractor's Fees	14.00%	8.12%	7,570	8.09	484,459	488,250	8.15	7,629	8.06%
Indirect Construction		4.12%	3,842	4.10	245,900	245,900	4.10	3,842	4.06%
Ineligible Costs		5.06%	4,719	5.04	302,000	302,000	5.04	4,719	4.98%
Developer's Fees	14.96%	11.41%	10,641	11.37	681,000	681,000	11.37	10,641	11.24%
Interim Financing		3.16%	2,943	3.14	188,350	188,350	3.14	2,943	3.11%
Reserves		3.53%	3,294	3.52	210,803	238,996	3.99	3,734	3.94%
TOTAL COST		100.00%	\$93,218	\$99.57	\$5,965,954	\$6,059,996	\$101.13	\$94,687	100.00%
Construction Cost Recap		69.02%	\$64,342	\$68.72	\$4,117,901	\$4,183,750	\$69.82	\$65,371	69.04%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
USDA - Lancaster Pollard	25.14%	\$23,438	\$25.03	\$1,500,000	\$1,500,000	\$1,500,000	Developer Fee Available
Lancaster Pollard	1.42%	\$1,328	\$1.42	85,000	85,000	85,000	\$681,000
HTC Syndication Proceeds	74.99%	\$69,906	\$74.67	4,474,000	4,474,000	4,474,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.02%	\$16	\$0.02	996	996	996	0%
Additional (Excess) Funds Req'd	-1.58%	(\$1,469)	(\$1.57)	(94,042)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,965,954	\$6,059,996	\$6,059,996	\$623,182

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Lakeside Apartments, Mount Pleasant, 9% HTC #07118

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.81	\$3,284,250
Adjustments				
Exterior Wall Finish	0.88%		\$0.48	\$28,901
Elderly			0.00	0
8-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.08)	(64,751)
Floor Cover			2.43	145,606
Breezeways/Balconies	\$21.89	8,483	3.10	185,699
Plumbing Fixtures	\$805	147	1.97	118,335
Rough-ins	\$400	128	0.85	51,200
Built-In Appliances	\$1,850	64	1.98	118,400
Exterior Stairs	\$1,800	18	0.54	32,400
Enclosed Corridors	\$44.89		0.00	0
Heating/Cooling			1.90	113,848
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$69.10	2,491	2.87	172,091
Other: fire sprinkler	\$1.95	59,920	1.95	116,844
SUBTOTAL			71.81	4,302,823
Current Cost Multiplier	0.98		(1.44)	(86,056)
Local Multiplier	0.93		(5.03)	(301,198)
TOTAL DIRECT CONSTRUCTION COSTS			\$65.35	\$3,915,569
Plans, specs, survy, bld prm	3.90%		(\$2.55)	(\$152,707)
Interim Construction Interes	3.38%		(2.21)	(132,150)
Contractor's OH & Profit	11.50%		(7.51)	(450,290)
NET DIRECT CONSTRUCTION COSTS			\$53.08	\$3,180,421

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	480
Int Rate	4.70%	DCR	1.54

Secondary	\$85,000	Amort	480
Int Rate	7.50%	Subtotal DCR	1.43

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$85,607
Secondary Debt Service	6,712
Additional Debt Service	0
NET CASH FLOW	\$32,225

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	1.45

Secondary	\$85,000	Amort	480
Int Rate	7.50%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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

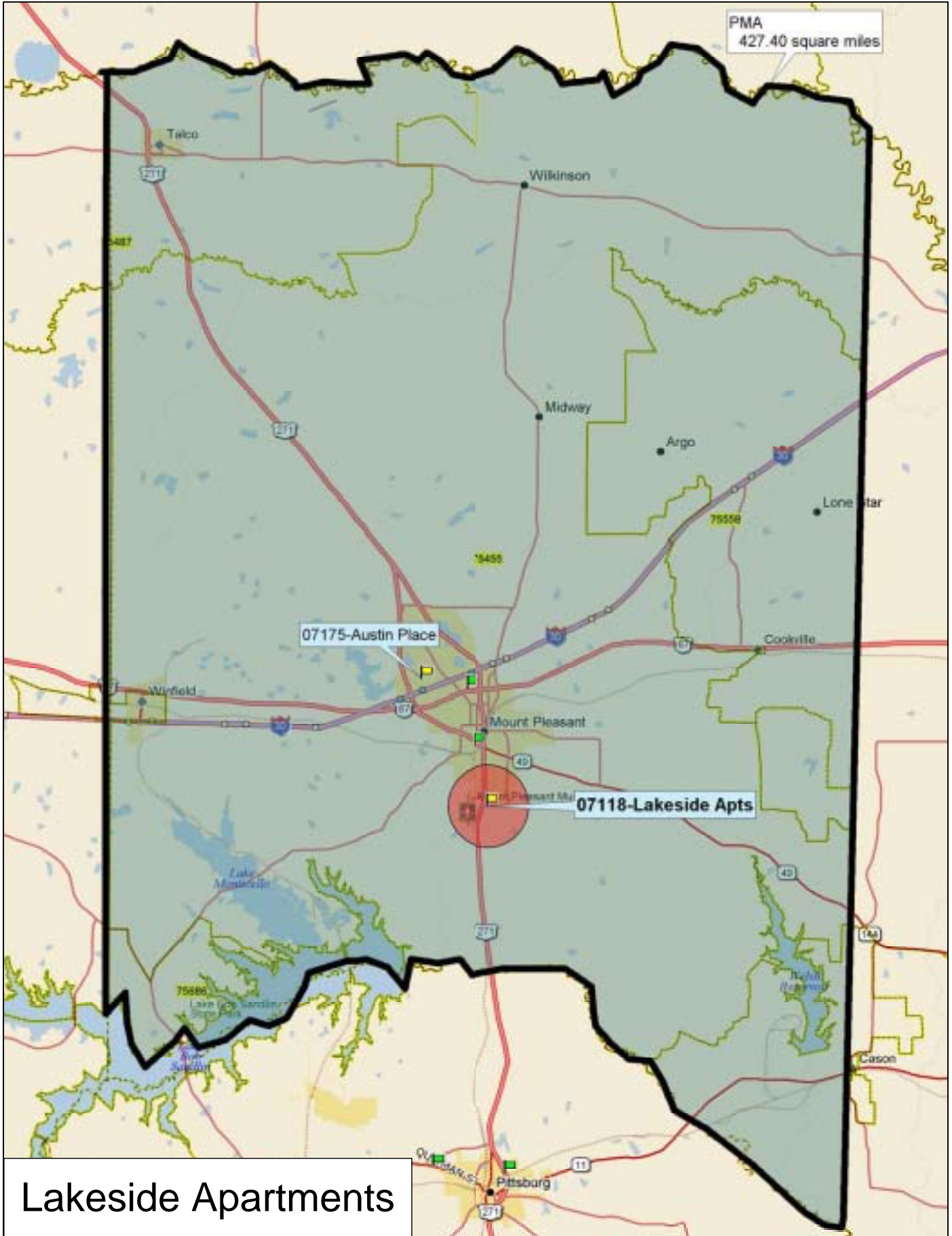
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$375,432	\$386,695	\$398,296	\$410,245	\$422,552	\$489,854	\$567,875	\$658,322	\$884,730
Secondary Income	6,912	7,119	7,333	7,553	7,780	9,019	10,455	12,120	16,289
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	382,344	393,814	405,629	417,798	430,332	498,872	578,330	670,443	901,019
Vacancy & Collection Loss	(28,680)	(29,536)	(30,422)	(31,335)	(32,275)	(37,415)	(43,375)	(50,283)	(67,576)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$353,664	\$364,278	\$375,207	\$386,463	\$398,057	\$461,457	\$534,955	\$620,159	\$833,442
EXPENSES at 4.00%									
General & Administrative	\$16,937	\$17,614	\$18,319	\$19,051	\$19,813	\$24,106	\$29,329	\$35,683	\$52,819
Management	17,683	18,214	18,761	19,323	19,903	23,073	26,748	31,008	41,673
Payroll & Payroll Tax	62,196	64,684	67,271	69,962	72,761	88,524	107,703	131,038	193,968
Repairs & Maintenance	25,568	26,591	27,654	28,761	29,911	36,391	44,276	53,868	79,738
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	28,058	29,180	30,348	31,561	32,824	39,935	48,587	59,114	87,503
Insurance	14,997	15,597	16,221	16,870	17,544	21,345	25,970	31,596	46,770
Property Tax	18,961	19,719	20,508	21,329	22,182	26,987	32,834	39,948	59,133
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	10,720	11,149	11,595	12,059	12,541	15,258	18,564	22,585	33,432
TOTAL EXPENSES	\$229,120	\$238,108	\$247,450	\$257,161	\$267,254	\$324,013	\$392,888	\$476,473	\$701,070
NET OPERATING INCOME	\$124,544	\$126,170	\$127,756	\$129,302	\$130,803	\$137,443	\$142,067	\$143,686	\$132,373
DEBT SERVICE									
First Lien Financing	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607
Second Lien	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$32,225	\$33,851	\$35,437	\$36,983	\$38,484	\$45,125	\$49,748	\$51,367	\$40,054
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.42	1.49	1.54	1.56	1.43

HTC ALLOCATION ANALYSIS -Lakeside Apartments, Mount Pleasant, 9% HTC #07118

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$175,000	\$175,000		
Purchase of buildings				
Off-Site Improvements	\$45,000	\$45,000		
Sitework	\$280,000	\$280,000	\$280,000	\$280,000
Construction Hard Costs	\$3,206,750	\$3,180,421	\$3,206,750	\$3,180,421
Contractor Fees	\$488,250	\$484,459	\$488,145	\$484,459
Contingencies	\$208,750	\$173,021	\$174,338	\$173,021
Eligible Indirect Fees	\$245,900	\$245,900	\$245,900	\$245,900
Eligible Financing Fees	\$188,350	\$188,350	\$188,350	\$188,350
All Ineligible Costs	\$302,000	\$302,000		
Developer Fees				
Developer Fees	\$681,000	\$681,000	\$681,000	\$681,000
Development Reserves	\$238,996	\$210,803		
TOTAL DEVELOPMENT COSTS	\$6,059,996	\$5,965,954	\$5,264,483	\$5,233,151

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,264,483	\$5,233,151
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$6,843,827	\$6,803,096
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$6,843,827	\$6,803,096
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$585,147	\$581,665

Syndication Proceeds	0.8598	\$5,031,208	\$5,001,264
Total Tax Credits (Eligible Basis Method)		\$585,147	\$581,665
Syndication Proceeds		\$5,031,208	\$5,001,264
Requested Tax Credits		\$520,342	
Syndication Proceeds		\$4,474,000	
Gap of Syndication Proceeds Needed		\$4,474,996	
Total Tax Credits (Gap Method)		\$520,458	

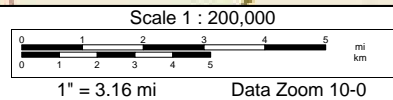


Lakeside Apartments

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Applicant Evaluation

Project ID # **07118**

Name: **Lakeside Apartments**

City: **Mt. Pleasant**

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

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

Projects not reported Yes
in application No

monitored with a score less than thirty: 3

not yet monitored or pending review: 6

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer M. Tynan

Reviewer D. Burrell

Date 5/18/2007

Date 5/17/2007

Date 5/21/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 5/23/2007

Date 5/18/2007

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tower Village, TDHCA Number 07123

BASIC DEVELOPMENT INFORMATION

Site Address: Park St. & Tower Rd. Development #: 07123
City: Nacogdoches Region: 5 Population Served: General
County: Nacogdoches Zip Code: 75961 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Housing Associates of Nacogdoches II, Ltd.
Owner Contact and Phone: Robert Crow (936) 569-1151
Developer: Mgroup, LLC
Housing General Contractor: To Be Determined
Architect: Mgroup & Architects, Inc
Market Analyst: Ed Ipser & Associates, Inc.
Syndicator: Wachovia Securities
Supportive Services: Nacogdoches Housing Authority
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 36
4 0 0 32 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 0 0 30 6 0 Total Development Units: 36
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 36
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$545,417 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tower Village, TDHCA Number 07123

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S Points: 7 US Representative: Gohmert, District 1, NC
TX Representative: Christian, District 9, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Larissa Philpot, Assistant City Planner

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Greater East Texas Community Action Program S or O: S
Nacogdoches Economic Development Corporation S or O: S
LOVE In the Name of Christ S or O: S
Kiwanis Club of Nacogdoches S or O: S
GODEL Ministries S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tower Village, TDHCA Number 07123

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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Due to forward commitments of credits made in 2006, funds available in sub-region are insufficient to award any Application in sub-region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

King's Crossing Phase II, TDHCA Number 07124

BASIC DEVELOPMENT INFORMATION

Site Address: 1505 E. Corral Development #: 07124
 City: Kingsville Region: 10 Population Served: General
 County: Kleberg Zip Code: 78363 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: King's Crossing Partners, Ltd.
 Owner Contact and Phone: Mark Musemeche (713) 522-4141
 Developer: Mgroup, LLC
 Housing General Contractor: To Be Determined
 Architect: Mgroup & Architects, Inc
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Wachovia Securities
 Supportive Services: Community Action Corporation of South Texas
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	72
	8	0	0	64	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	24	40	8	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	72
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	6
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	1
		HOME Low Total Units:	8

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$661,500	\$0			
HOME Activity Fund Amount:	\$125,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

King's Crossing Phase II, TDHCA Number 07124

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S	Points: 7	US Representative: Ortiz, District 27, NC
TX Representative: Escobar, District 43, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 8 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
Knights of Columbus St. Martin's Council #2623		S or O: S
South Texas Youth Development Council		S or O: S
Community Action Corporation of South Texas		S or O: S
Kleberg Hispanic Chamber of Commerce		S or O: S
Greater Kingsville Economic Development Corp		S or O: S
Kingsville Noon Lions Club		S or O: S
Kingsville Area Chamber of Commerce		S or O: S
St. Vincent De Paul Society		S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

King's Crossing Phase II, TDHCA Number 07124

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

Competitive Housing Tax Credits: Score: **185** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Timbers-Caplin Drive, TDHCA Number 07126

BASIC DEVELOPMENT INFORMATION

Site Address: 1301 Caplin Dr. & 4801 S. Collins St. Development #: 07126
City: Arlington Region: 3 Population Served: Elderly
County: Tarrant Zip Code: 76018 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Oak Timbers - Caplin Drive, L.P.
Owner Contact and Phone: A.V. Mitchell (817) 810-9337
Developer: A.V. Mitchell
Housing General Contractor: Cisco Construction
Architect: Southwest Architects, Inc.
Market Analyst: Ed Ipser & Associates, Inc.
Syndicator: SunAmerica Affordable Housing Partners
Supportive Services: Metroplex Senior Services
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 112
12 0 0 100 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 56 56 0 0 0 Total Development Units: 112
Type of Building: Total Development Cost*: \$12,574,000
Number of Residential Buildings: 28
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$897,393 \$897,393
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Timbers-Caplin Drive, TDHCA Number 07126

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Harris, District 9, S Points: 7 US Representative: Barton, District 6, NC
TX Representative: Zedler, District 96, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Robert N. Cluck, M.D., Mayor Resolution of Support from Local Government
O, Jerry McCullough, Deputy Superintendent, Arlington
ISD

Individuals and Businesses In Support: 1 In Opposition 1

Quantifiable Community Participation Input:

Fitzgerald Concerned Citizens, Pat Struble Letter Score: 24 S or O: S

The development will make the are more attractive and will help the neighborhood with crime prevention by providing additional lighting and fencing to the entrance of the neighborhood. The area is growing very quickly, and the senior apartments will bring more stable residential development to the area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization. Limited opposition. The primary reason cited for opposition to this development is overcrowding in the schools.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.

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

Receipt of a commitment of funding from the Arlington Housing Finance Corporation in the amount of \$650,000, or a commitment from a qualifying substitute source in an amount not less than \$628,700, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Forth Worth National Bank in the amount of \$300,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$251,480, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Timbers-Caplin Drive, TDHCA Number 07126

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$897,393

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/21/07

PROGRAM: 9% HTC

FILE NUMBER: 07126

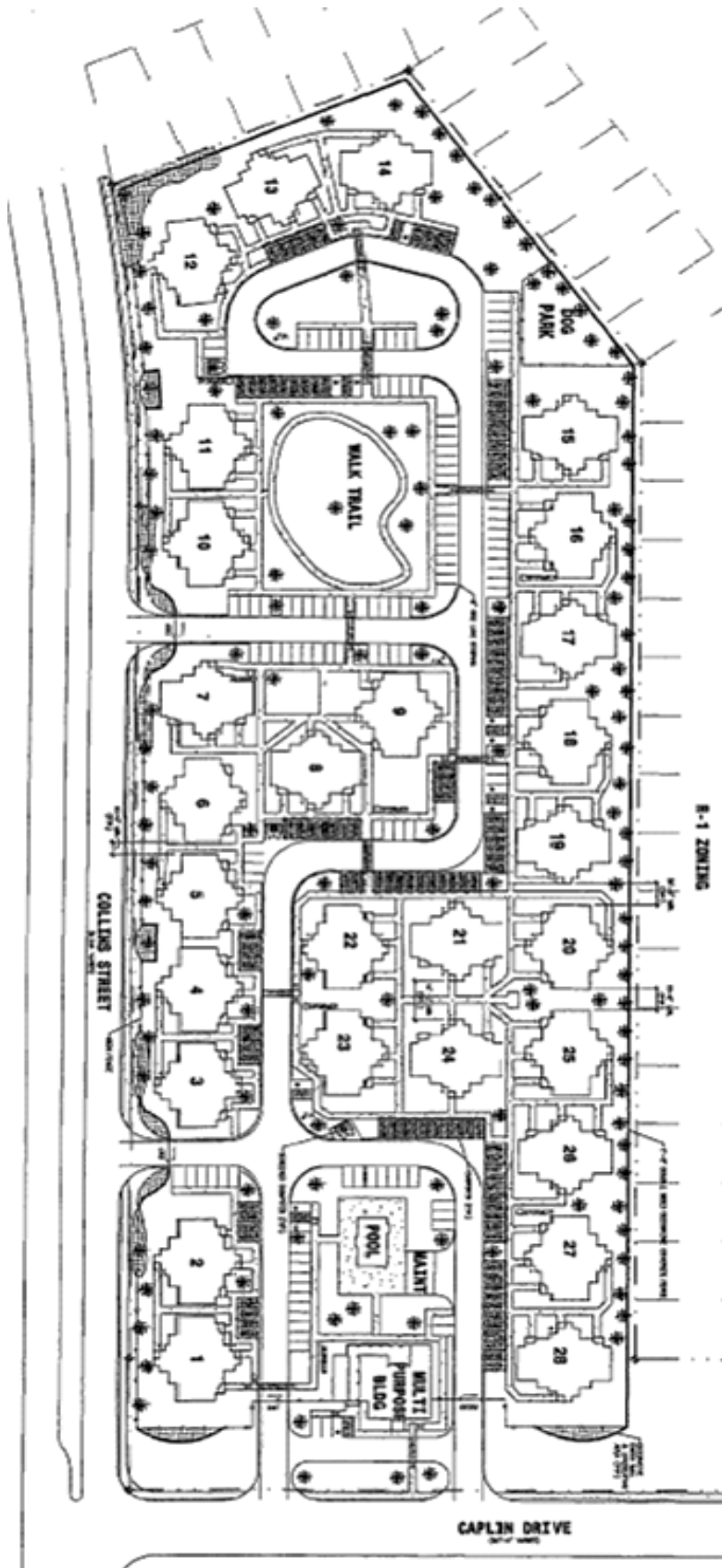
DEVELOPMENT																		
Oak Timbers-Caplin Drive																		
Location: <u>1301 Caplin Drive and 4801 South Collins Street</u>				Region: <u>3</u>														
City: <u>Arlington</u>		County: <u>Tarrant</u>		Zip: <u>76018</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Seniors, New Construction, Urban/Exurban</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$897,393			\$897,393														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned. 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/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center; padding: 5px;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center; padding: 5px;">Income Limit</th> <th style="text-align: center; padding: 5px;">Rent Limit</th> <th style="text-align: center; padding: 5px;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">30% of AMI</td> <td style="text-align: center; padding: 5px;">30% of AMI</td> <td style="text-align: center; padding: 5px;">12</td> </tr> <tr> <td style="text-align: center; padding: 5px;">60% of AMI</td> <td style="text-align: center; padding: 5px;">60% of AMI</td> <td style="text-align: center; padding: 5px;">100</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	12	60% of AMI	60% of AMI	100
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	12																
60% of AMI	60% of AMI	100																
PROS			CONS															
<p>There is relatively strong need for the proposed 2 bedroom elderly units targeted at the 60% income level</p>			<p>The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).</p>															
PREVIOUS UNDERWRITING REPORTS																		
None																		

DEVELOPMENT TEAM			
OWNERSHIP STRUCTURE			
<pre> graph TD A["Oak Timbers-Caplin Drive, L.P. (Owner)"] --- B["Caplin Drive Senior Living, LLC (General Partner) .01%"] A --- C["A.V. Mitchell (Limited Partner) 99.99%"] B --- D["A.V. Mitchell (Sole Member / Manager)"] </pre>			
CONTACT			
Contact: <u>A.V. Mitchell</u>		Phone: <u>(817) 810-9337</u>	Fax: <u>(817) 810-9239</u>
Email: <u>avm@oaktimbers.net</u>			
KEY PARTICIPANTS			
Name	Net Assets	Liquidity ¹	# of Complete Developments
A.V. Mitchell	CONFIDENTIAL	CONFIDENTIAL	6
¹ Liquidity = Current Assets - Current Liabilities			
IDENTITIES of INTEREST			
<p>The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for HTC-funded developments.</p>			

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	1										
Number	28										28

BR/BA	SF	Units									Total Units	Total SF
1/1	668	2									56	37,408
2/2	930	2									56	52,080
Units per Building	4										112	89,488

SITE ISSUES

Total Size: 12.017 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: O, NS, CS Needs to be re-zoned? Yes No N/A

Comments:

The property is presently zoned Office, (O), Neighborhood Service (NS) , and Community Service (CS). The applicant is requesting a change in zoning to Planned Development for Multifamily. Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/4/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Residential, commercial, and retail uses
 South: Vacant/undeveloped land
 East: Residential uses
 West: An Airport

Comments:

Inspector: Site is in good location, I-20 is within 1/2 mile and there are many fast food restaurants, convenience stores and some retail shops within 1/2 mile of site. Across I-20 and East and West on the service road of I-20 are many retail shops, car lots, restaurants, a hospital, a high school, church, etc. These are all within a two mile radius of the site. There is a signal light (non-operational at this time) at the intersection of Collins and Caplan making access safe. There is a senior assisted living facility South of the site about 3/4 mile. The closest apartment complex is North on I-20 and Arbrook, approximately 1.5 miles from the site. No safety hazards noted. Arlington airport is directly across the street on the west side which may present noise issues.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Honesty Environmental Services, Inc. Date: 2/17/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
 None

MARKET HIGHLIGHTS

Provider: Ipser & Associates Date: 2/10/2007
 Contact: Edward Ipser Phone: (817) 927-2838 Fax: (817) 927-0032
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"The Market Area...encompasses 34 census tracts covering the south central part of Arlington." (p. 2-13)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Arlington Villas (fka Hampton Villas)	03424	280	None comp. All are family units	N/A			
Parkview Townhomes	03455	248					
Addison Park Apartments	03461	224					
Providence @ Rush Creek	03463	144					
Prairie Ranch Apartments	05610	176					

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,300	\$15,200	\$17,100	\$19,000	\$20,500	\$22,050
60	\$26,640	\$30,420	\$34,260	\$38,040	\$41,100	\$44,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	138	13		151	12	12	8%
1 BR/60% Rent Limit	138	13		151	44	44	29%
2 BR/60% Rent Limit	138	13		151	56	56	37%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure		Demand			
PMA DEMAND from TURNOVER										
Market Analyst	Exb N-1	16,225	100%	16,225	20%	3,277	19%	623	26%	164
Underwriter		12% 17,148	100%	17,148	16%	2,762	19%	525	26%	138
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	Exb N-1			462	20%	93	19%	18	100%	18
Underwriter			100%	472	16%	76	19%	14	100%	14
DEMAND from OTHER SOURCES										
Market Analyst	Exb N-1									95
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparabl e (PMA)	Unstabilized Comparabl e (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 0	112	0	0	112	277	40.51%
Underwriter	112	0	0	112	152	73.46%

Primary Market Occupancy Rates:

In a letter dated June 19, 2007, the Market Analyst indicates, "...overall physical occupancy rates within the subject's defined market area [are as follows]: 1Bd - 96.8% occupancy based on 22 vacancies in 692 units in four projects that provided both the number of units and vacancies by unit type; 2Bd - 92.5% occupancy based on 29 vacancies in 386 units in four projects that provided both the number of units and vacancies by unit type; 3Bd - 89.1% occupancy based on 6 vacancies in 55 units in the two projects that offered three-bedroom floor plans and provided both the number of units and vacancies by unit type."

Absorption Projections:

"Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that an 9 to 10 month lease-up period will be required to achieve 92.5% occupancy of the 112 units." (p. 2-21)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	668 SF	30%	\$246	\$246	\$670	\$246	\$424
1 BR	668 SF	60%	\$603	\$603	\$670	\$603	\$67
2 BR	930 SF	60%	\$714	\$714	\$880	\$714	\$166

Market Impact:

In a letter dated June 19, 2007, the Market Analyst indicates, "The high occupancy in both the elderly [Independent Living Centers] and family complexes indicates that the proposed 112-unit Oak Timbers will not have any significant impact on the existing elderly ILC complexes, nor the family complexes where seniors may choose to relocate to a new elderly housing complex."

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of January 1, 2007, maintained by The City of Arlington, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; however, secondary income assumptions are not, as the Applicant included an additional \$5 per unit over the \$15 guideline. The Applicant indicated that this revenue would be from cable income and provided income statements for two other properties by the developer to support these additional amounts. The Underwriter's secondary income amount does not exceed the Department maximum of \$15 per unit. Despite this difference in secondary income, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,532 per unit is within 5% of the Underwriter's estimate of \$3,695, derived from the TDHCA database, third-party data sources, and actual operating history for Oak Timbers - White Settlement, TDHCA #01025, and Oak Timbers - Grand Prairie for year-end December 2006.

The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative (\$11K lower), Payroll and Payroll Tax (\$14K higher), Repairs & Maintenance (\$11K lower), and Utilities (\$14K lower). Additionally, it should be noted, the Applicant indicate that they are required by Fannie Mae to make monthly deposits to the reserve account in the amount of \$2,293, or approximately \$215 per unit. Current Department guidelines require a minimum of \$250 per unit for replacement reserves. Lastly, it appears the Applicant may have understated TDHCA compliance fees.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) within the current underwriting guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 12.0182 acres	<u>\$523,513</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Tarrant CAD</u>
Total Assessed Value:	<u>\$523,513</u>	Tax Rate:	<u>2.904277</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Unimproved Commercial Property Contract</u>	Acreage: <u>12.017</u>
Contract Expiration: <u>9/1/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,170,000</u>	Other: _____
Seller: <u>Landrith Family Ltd. Partnership</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$97,362 per acre or \$10,446 per unit is fairly high for an affordable multifamily development but it is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,004 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$66,725 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.

Contingency & Fees:

As a direct result of the adjustment to eligible interim interest expense, the Applicant's developer's fee exceeds the TDHCA maximum guideline. The Applicant's eligible basis was adjusted down by \$6,909 to account for this overage.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule adjusted for overstated eligible costs will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$10,910,366 supports annual tax credits of \$932,836. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Arlington HFC Type: Interim Financing (Bridge Loan)

Principal: \$650,000 Interest Rate: 4.9% Fixed Term: 12 months

Source: SunAmerica Type: Interim Financing (Bridge Loan)

Principal: \$300,000 Interest Rate: 8.25% Fixed Term: 12 months

Source: Fort Worth National Bank Type: Interim Financing

Principal: \$300,000 Interest Rate: 8.75% Fixed Term: 12 months

Comments:

Rate Index: Floating prime + 1/2 bps

Source: Stearns Bank Type: Interim Financing

Principal: \$7,339,000 Interest Rate: 7.5% Fixed Term: 18 months

Source: Stearns Bank Type: Permanent Financing

Principal: \$4,150,000 Interest Rate: 7.5% Fixed Amort: 480 months

Comments:

The loan will have a maturity of 180 months, with principal and interest payable monthly, beginning 30 days from date of closing.

Source: SunAmerica Type: Syndication

Proceeds: \$8,166,276 Syndication Rate: 91% Anticipated HTC: \$ 897,393

Comments:

The syndication price is at the low end of current market prices and an increase in rate of two cents could reduce the final allocation of credits since there is limited developer fee to absorb excess syndication proceeds.

Amount: \$257,724 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$4,150,000 indicates the need for \$8,424,000 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$925,807 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$897,393), the gap-driven amount (\$925,807), and eligible basis-derived estimate (\$932,836), the Applicant's request for \$897,393 is recommended.

The Underwriter's recommended financing structure indicates the need for \$258,541 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: June 21, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: June 21, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 21, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Oak Timbers-Caplin Drive, Arlington, 9% HTC #07126

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	12	1	1	668	\$356	\$246	\$2,952	\$0.37	\$110.00	\$49.00
TC 60%	44	1	1	668	\$713	603	26,532	0.90	110.00	49.00
TC 60%	56	2	2	930	\$856	714	39,984	0.77	142.00	53.00
TOTAL:	112		AVERAGE:	799		\$620	\$69,468	\$0.78	\$126.00	\$51.00

INCOME

Total Net Rentable Sq Ft: **89,488**

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	4.96%	\$349	0.44	\$39,133	\$28,000	Tarrant		3
Management	3.88%	274	0.34	30,656	31,863	\$20.00	Per Unit Per Month	
Payroll & Payroll Tax	12.80%	903	1.13	\$101,091	115,000	\$0.00	Per Unit Per Month	
Repairs & Maintenance	5.33%	376	0.47	42,096	31,000			
Utilities	3.64%	256	0.32	28,710	15,000			
Water, Sewer, & Trash	5.12%	361	0.45	40,462	51,000			
Property Insurance	3.35%	236	0.30	26,470	26,880			
Property Tax 2.904277	9.21%	650	0.81	72,760	70,000			
Reserve for Replacements	3.55%	250	0.31	28,000	24,080			
TDHCA Compliance Fees	0.57%	40	0.05	4,480	2,800			
Other:	0.00%	0	0.00	0	0			
TOTAL EXPENSES	52.40%	\$3,695	\$4.62	\$413,858	\$395,623	\$4.42	\$3,532	49.70%
NET OPERATING INC	47.60%	\$3,356	\$4.20	\$375,885	\$400,337	\$4.47	\$3,574	50.30%

DEBT SERVICE

First Lien Mortgage	41.50%	\$2,926	\$3.66	\$327,719	\$348,204	\$3.89	\$3,109	43.75%
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	6.10%	\$430	\$0.54	\$48,166	\$52,133	\$0.58	\$465	6.55%

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)		9.47%	\$10,670	\$13.35	\$1,195,000	\$1,195,000	\$13.35	\$10,670	9.50%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.10%	8,004	10.02	896,500	896,500	10.02	8,004	7.13%
Direct Construction		43.94%	49,513	61.97	5,545,435	5,500,000	61.46	49,107	43.74%
Contingency 4.94%		2.52%	2,839	3.55	318,000	318,000	3.55	2,839	2.53%
Contractor's Fees 13.83%		7.06%	7,955	9.96	891,000	891,000	9.96	7,955	7.09%
Indirect Construction		8.15%	9,183	11.49	1,028,500	1,028,500	11.49	9,183	8.18%
Ineligible Costs		2.47%	2,783	3.48	311,725	311,725	3.48	2,783	2.48%
Developer's Fees 15.00%		11.33%	12,767	15.98	1,429,907	1,430,000	15.98	12,768	11.37%
Interim Financing		6.76%	7,619	9.54	853,275	853,275	9.54	7,619	6.79%
Reserves		1.19%	1,339	1.68	150,000	150,000	1.68	1,339	1.19%
TOTAL COST		100.00%	\$112,673	\$141.02	\$12,619,342	\$12,574,000	\$140.51	\$112,268	100.00%
Construction Cost Recap		60.63%	\$68,312	\$85.50	\$7,650,935	\$7,605,500	\$84.99	\$67,906	60.49%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	32.89%	\$37,054	\$46.37	\$4,150,000	\$4,150,000	\$4,150,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,423,091
HTC Syndication Proceeds	64.71%	\$72,913	\$91.26	8,166,276	8,166,276	8,165,459	% of Dev. Fee Deferred
Deferred Developer Fees	2.04%	\$2,301	\$2.88	257,724	257,724	258,541	18%
Additional (Excess) Funds Req'd	0.36%	\$405	\$0.51	45,342	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$12,619,342	\$12,574,000	\$12,574,000	\$1,490,540

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Oak Timbers-Caplin Drive, Arlington, 9% HTC #07126

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$69.18	\$6,190,755
Adjustments				
Exterior Wall Finish	6.10%		\$4.22	\$377,636
Elderly	3.00%		2.08	185,723
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(165,553)
Floor Cover			3.08	275,623
Balconies	\$22.27	4,408	1.10	98,173
Plumbing Fixtures	\$965	0	0.00	0
Rough-ins	\$425	112	0.53	47,600
Built-In Appliances	\$2,425	112	3.04	271,600
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	217,456
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.36	3,966	2.90	259,228
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			86.70	7,758,240
Current Cost Multiplier	0.98		(1.73)	(155,165)
Local Multiplier	0.90		(8.67)	(775,824)
TOTAL DIRECT CONSTRUCTION COSTS			\$76.29	\$6,827,252
Plans, specs, survy, bld prnt	3.90%		(\$2.98)	(\$266,263)
Interim Construction Interest	3.38%		(2.57)	(230,420)
Contractor's OH & Profit	11.50%		(8.77)	(785,134)
NET DIRECT CONSTRUCTION COSTS			\$61.97	\$5,545,435

PAYMENT COMPUTATION

Primary	\$4,150,000	Amort	480
Int Rate	7.50%	DCR	1.15

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.15

Additional	\$8,166,276	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$327,719
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$48,166

Primary	\$4,150,000	Amort	480
Int Rate	7.50%	DCR	1.15

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$8,166,276	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

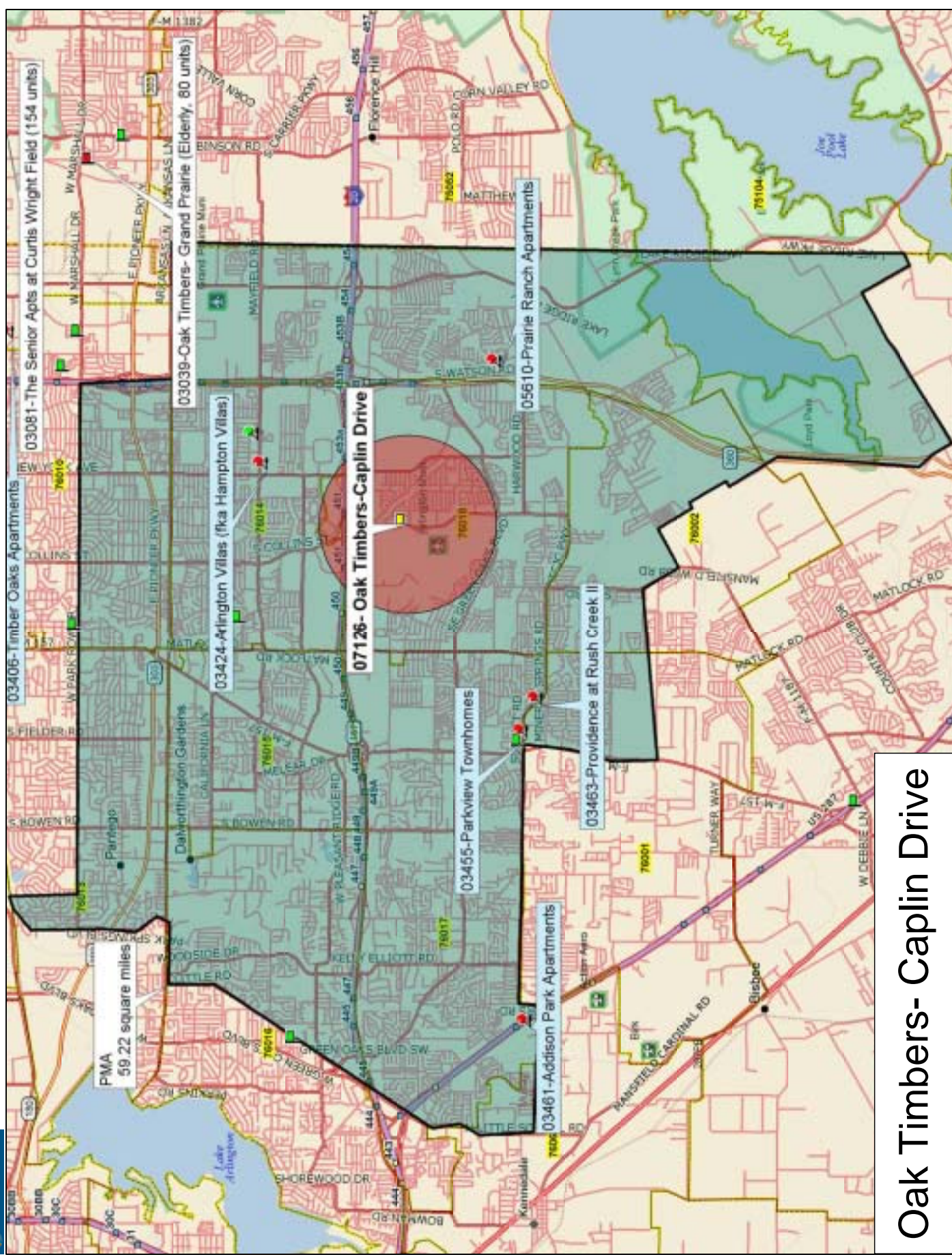
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$833,616	\$858,624	\$884,383	\$910,915	\$938,242	\$1,087,680	\$1,260,919	\$1,461,751	\$1,964,471
Secondary Income	20,160	20,765	21,388	22,029	22,690	26,304	30,494	35,351	47,508
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	853,776	879,389	905,771	932,944	960,932	1,113,984	1,291,413	1,497,101	2,011,979
Vacancy & Collection Loss	(64,033)	(65,954)	(67,933)	(69,971)	(72,070)	(83,549)	(96,856)	(112,283)	(150,898)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$789,743	\$813,435	\$837,838	\$862,973	\$888,862	\$1,030,435	\$1,194,557	\$1,384,819	\$1,861,081
EXPENSES at 4.00%									
General & Administrative	\$39,133	\$40,698	\$42,326	\$44,019	\$45,780	\$55,699	\$67,766	\$82,447	\$122,042
Management	30,656	31,576	32,523	33,499	34,503	39,999	46,370	53,755	72,243
Payroll & Payroll Tax	101,091	105,134	109,340	113,713	118,262	143,884	175,056	212,983	315,267
Repairs & Maintenance	42,096	43,780	45,531	47,353	49,247	59,916	72,897	88,690	131,283
Utilities	28,710	29,858	31,053	32,295	33,587	40,863	49,717	60,488	89,537
Water, Sewer & Trash	40,462	42,081	43,764	45,515	47,335	57,590	70,068	85,248	126,188
Insurance	26,470	27,529	28,630	29,775	30,967	37,675	45,838	55,769	82,552
Property Tax	72,760	75,670	78,697	81,845	85,118	103,560	125,996	153,293	226,912
Reserve for Replacements	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Other	4,480	4,659	4,846	5,039	5,241	6,376	7,758	9,439	13,972
TOTAL EXPENSES	\$413,858	\$430,106	\$446,994	\$464,549	\$482,796	\$585,415	\$709,952	\$861,104	\$1,267,317
NET OPERATING INCOME	\$375,885	\$383,329	\$390,844	\$398,424	\$406,067	\$445,020	\$484,605	\$523,714	\$593,764
DEBT SERVICE									
First Lien Financing	\$327,719	\$327,719	\$327,719	\$327,719	\$327,719	\$327,719	\$327,719	\$327,719	\$327,719
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	\$48,166	\$55,610	\$63,125	\$70,705	\$78,347	\$117,301	\$156,886	\$195,995	\$266,045
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.22	1.24	1.36	1.48	1.60	1.81

HTC ALLOCATION ANALYSIS -Oak Timbers-Caplin Drive, Arlington, 9% HTC #07126

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,195,000	\$1,195,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$896,500	\$896,500	\$896,500	\$896,500
Construction Hard Costs	\$5,500,000	\$5,545,435	\$5,500,000	\$5,545,435
Contractor Fees	\$891,000	\$891,000	\$891,000	\$891,000
Contingencies	\$318,000	\$318,000	\$318,000	\$318,000
Eligible Indirect Fees	\$1,028,500	\$1,028,500	\$1,028,500	\$1,028,500
Eligible Financing Fees	\$853,275	\$853,275	\$853,275	\$853,275
All Ineligible Costs	\$311,725	\$311,725		
Developer Fees			\$1,423,091	
Developer Fees	\$1,430,000	\$1,429,907		\$1,429,907
Development Reserves				
	\$150,000	\$150,000		
TOTAL DEVELOPMENT COSTS	\$12,574,000	\$12,619,342	\$10,910,366	\$10,962,617

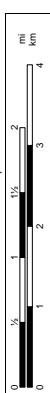
Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,910,366	\$10,962,617
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$10,910,366	\$10,962,617
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$10,910,366	\$10,962,617
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$932,836	\$937,304

Syndication Proceeds	0.9099	\$8,487,961	\$8,528,611
Total Tax Credits (Eligible Basis Method)		\$932,836	\$937,304
Syndication Proceeds		\$8,487,961	\$8,528,611
Requested Tax Credits		\$897,393	
Syndication Proceeds		\$8,165,459	
Gap of Syndication Proceeds Needed		\$8,424,000	
Total Tax Credits (Gap Method)		\$925,807	



PMA
59.22 square miles

Oak Timbers- Caplin Drive



Applicant Evaluation

Project ID # **07126**

Name: **Oak Timbers-Caplin Drive**

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

Total # of Projects monitored: 4
 Projects zero to nine: 4
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 4
 # not yet monitored or pending review: 2

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 5/30/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

StoneLeaf at Dalhart, TDHCA Number 07131

BASIC DEVELOPMENT INFORMATION

Site Address: 1719 E. 1st St. Development #: 07131
 City: Dalhart Region: 1 Population Served: General
 County: Dallam Zip Code: 79022 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Stoneleaf & Dalhart, LP
 Owner Contact and Phone: Mike Sugrue (903) 887-4344
 Developer: Stone Leaf Development, LLC
 Housing General Contractor: Stone Leaf Builders, LLC
 Architect: Architettura-Inc.
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Alliant Capital
 Supportive Services: To Be Determined
 Consultant: The Youngs Company

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	76
	8 0 0 68	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 44 16 0 0	Total Development Units:	76
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$707,970	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

StoneLeaf at Dalhart, TDHCA Number 07131

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31, S	Points: 7	US Representative: Thornberry, District 13, NC
TX Representative: Smithee, District 86, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, David Swinford, State Representative District 87

S, Todd Staples, Commissioner

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7

Dalhart Senior Citizens Association, Inc.	S or O: S
Dalhart Lions Club #646	S or O: S
Dalhart Elks Lodge #2390	S or O: S
Dalhart Rotary Club	S or O: S
Dalhart Area Chamber of Commerce	S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations. Received supportive comments during public comment period at June and July Board meetings. Commenters requested a forward commitment of 2008 tax credits.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

StoneLeaf at Dalhart, TDHCA Number 07131

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

Competitive Housing Tax Credits: Score: **185** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

StoneLeaf at Tye, TDHCA Number 07133

BASIC DEVELOPMENT INFORMATION

Site Address: 649 Scott St. Development #: 07133
 City: Tye Region: 2 Population Served: Intg
 County: Taylor Zip Code: 79563 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: StoneLeaf at Tye, LP
 Owner Contact and Phone: Mike Sugrue (903) 887-4344
 Developer: Stone Leaf Development, LLC
 Housing General Contractor: Stone Leaf Builders, LLC
 Architect: Architettura-Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Alliant Capital
 Supportive Services: To Be Determined
 Consultant: The Youngs Company

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	118
	12 0 0 106	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 40 62 16 0 0	Total Development Units:	118
Type of Building:		Total Development Cost*:	\$9,713,603
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	19
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$799,605	\$787,592			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

StoneLeaf at Tye, TDHCA Number 07133

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S Points: 7 US Representative: Neugebauer, District 19, NC
TX Representative: King, District 71, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Butch Schuman, Mayor City of Tye Resolution of Support from Local Government
S, Harold Boyd, Tye City Council Place 4

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Gardens of Tye Neighborhood Association, Johnny Warren Letter Score: 24 S or O: S

The Neighborhood Association supports the project because we are confident that we will have many more people in line for these rental units prior to the time the development opens. We also are in need of safe, modern, and affordable places for our seniors to live. We are in need of high quality multifamily housing.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Confirmation that StoneLeaf at Tye continues to have a higher score than 07285 Anson Park Seniors and that only one of these two developments is approved for funding. Should StoneLeaf at Tye not be the higher scoring application, it would not be recommended.

Receipt review and acceptance by carryover of a revised site plan reflecting the separate buildings for leasing, separate and specific security measures for seniors and any other documentation necessary to reflect that the subject meets the definition of an intergenerational housing development.

Receipt, review and acceptance by commitment of final approval of a change in zoning to allow for the development as proposed.

Receipt, review and acceptance of a noise assessment specific to the development site, indicating the acceptability of noise levels based on HUD guidelines for housing developments. Any recommendations of the report with regards to mitigating potential noise issues must be incorporated into a development plan also submitted by carryover. Regardless of the findings of the noise assessment, at minimum, installation of sound attenuation materials as recommended by the Air Force Civil Engineering study is required and evidence of plans to include such in construction of the proposed development must be received by carryover.

Receipt, review and acceptance of proof of abandonment of the two (2) pipeline easements, or proof that no structures or buildings will be constructed on the easements.

The entire 20.17 acres must be included in and restricted to all of the normal terms and conditions in the Land Use Restriction Agreement for this development.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

StoneLeaf at Tye, TDHCA Number 07133

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

Competitive Housing Tax Credits: Score: **198** Meeting a Required Set-Aside Credit Amount*: \$787,592

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed within Region 2.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07

PROGRAM: 9% HTC

FILE NUMBER: 07133

DEVELOPMENT						
StoneLeaf at Tye						
Location: <u>649 Scott Street</u>				Region: <u>2</u>		
City: <u>Tye</u>		County: <u>Taylor</u>		Zip: <u>79563</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Intergenerational, New Construction, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$799,605			\$787,592		
CONDITIONS						
<ol style="list-style-type: none"> 1 Confirmation that StoneLeaf at Tye continues to have a higher score than 07285 Anson Park Seniors and that only one of these two developments is approved for funding. Should StoneLeaf at Tye not be the higher scoring application, it would not be recommended. 2 Receipt review and acceptance by carryover of a revised site plan reflecting the separate buildings for leasing, separate and specific security measures for seniors and any other documentation necessary to reflect that the subject meets the definition of an intergenerational housing development. 3 Receipt, review and acceptance by commitment of final approval of a change in zoning to allow for the development as proposed. 4 Receipt, review and acceptance of a noise assessment specific to the development site, indicating the acceptability of noise levels based on HUD guidelines for housing developments. Any recommendations of the report with regards to mitigating potential noise issues must be incorporated into a development plan also submitted by carryover. Regardless of the findings of the noise assessment, at minimum, installation of sound attenuation materials as recommended by the Air Force Civil Engineering study is required and evidence of plans to include such in construction of the proposed development must be received by carryover. 5 Receipt, review and acceptance of proof of abandonment of the two (2) pipeline easements, or proof that no structures or buildings will be constructed on the easements. 6 The entire 20.17 acres must be included in and restricted to all of the normal terms and conditions in the Land Use Restriction Agreement for this development. 7 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 						

SALIENT ISSUES

TDHCA SET-ASIDES for LURA			
Income Limit	Rent Limit	Target Population	Number of Units
30% of AMI	30% of AMI	Elderly	6
30% of AMI	30% of AMI	Family	6
60% of AMI	60% of AMI	Elderly	48
60% of AMI	60% of AMI	Family	58

PROS

- The subject represents the first intergenerational development in Abilene that will put seniors units and family units in close proximity to each other.

CONS

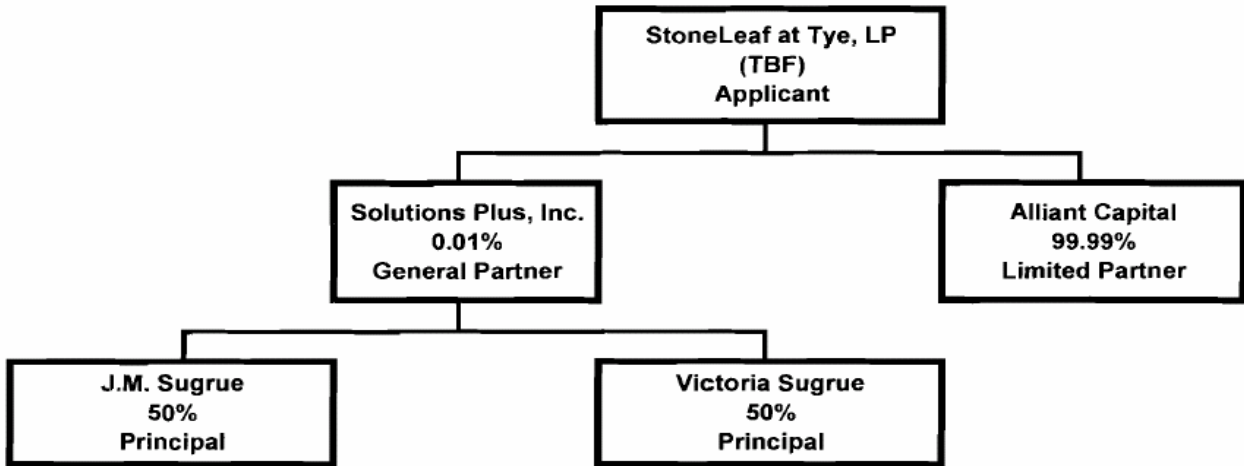
- The market for 2 bedroom seniors units at 60% AMI is somewhat saturated with a capture rate of 76%.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mike Sugrue Phone: (903) 887-4344 Fax: (903) 887-4355
 Email: MSurgue@Hotmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Solutions Plus, Inc.	\$103K	\$42K	0
J.M. Sugrue	Confidential	N/A	7
Victoria Sugrue	Confidential	N/A	0

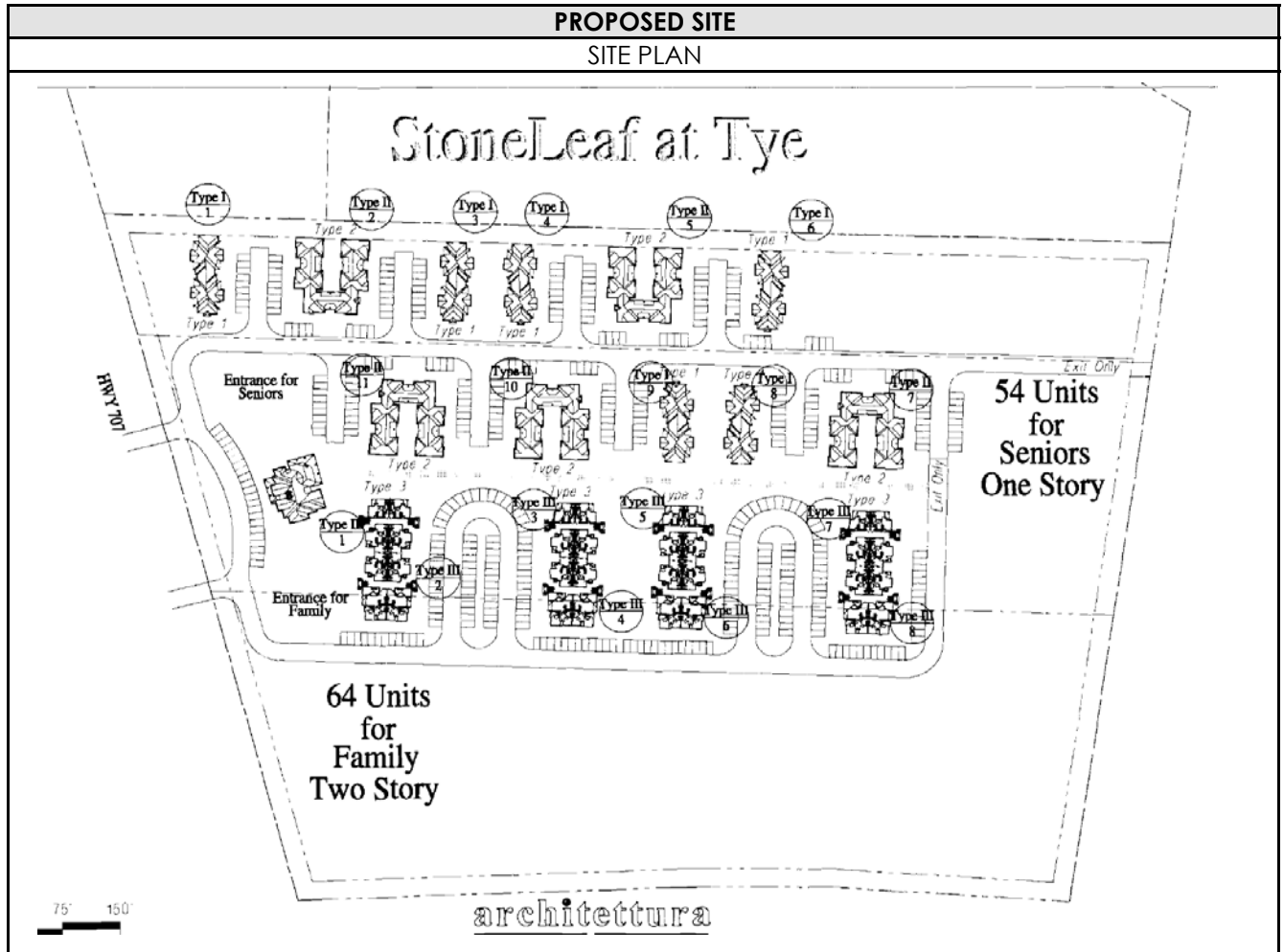
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D															Total Buildings
Floors/Stories	1	1	2	2															
Number	6	5	4	4															19

BR/BA	SF	Units														Total Units	Total SF			
1/1	700	4																	24	16,800
1/1	700				4														16	11,200
2/1	924		6																30	27,720
2/2	900			4	4														32	28,800
3/2	1,065			4															16	17,040
Units per Building		4	6	8	8														118	101,560

The site plan reflects one common area building and no additional or unique security to set off the age restricted units from the family units to meet the definition of Intergenerational housing in the QAP 10 TAC §49.3 (53). The building plans reflect that the single leasing building will be split into two parts with a seniors leasing office and a family leasing office. Receipt, review and acceptance of a revised site plan reflecting separate buildings for leasing, separate and specific security measures for seniors and any other documentation necessary to reflect that the subject meets the definition of an intergenerational housing development is a condition of this report that must be met by carryover.

SITE ISSUES

Total Size:	<u>20.17 acres</u>	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	
Zoning:	<u>Ag/Industrial</u>	Needs to be re-zoned?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/> N/A

Comments:

The Department received a letter from the 7th Civil Engineering Squadron of Dyess Air Force Base (AFB) stating, "The site for the proposed development lies within the 75-80 dB DNL noise contours associated with the flying mission of Dyess Air Force Base. The eastern edge of the property lies within Accident Potential Zone I...we cannot support the proposed project." Dyess AFB Air Installation Compatible Use Zone summary brochure dated November 2000 defines APZ I as "an area...that possesses a significant potential for accidents." and further states, "While aircraft accident potential in APZs I...does not warrant acquisition by the Air Force, land use planning and controls are strongly encouraged in these areas for the protection of the public." Suggested compatible land uses specifically exclude residential development.

The proposed site is not zoned for residential use and it is not known if the zoning commission takes into account the recommendations of Dyess Air Force Base in accepting or refusing zoning changes. Therefore, receipt, review and acceptance by commitment of final approval of a change in zoning to allow for the development as proposed is a condition of this report.

Receipt, review and acceptance of a noise assessment specific to the development site, indicating the acceptability of noise levels based on HUD guidelines for housing developments is also a condition of this report. Any recommendations of the report with regards to mitigating potential noise issues must be incorporated into the development plan. Regardless of the findings of the noise assessment, however, the recommendations of this report is conditioned on, at minimum, installation of sound attenuation materials as recommended by the Air Force Civil Engineering study for 70-75 dB contours (NOTE: the subject lies in the 75-80 dB contour) and evidence of plans to include such in construction of the proposed development must be received by carryover.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: City of Tye, residential, commercial & retail
 East: Mobile home park & abandoned railroad spur
 South: Commercial properties
 West: Commercial properties

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Enprotec/Hibbs & Todd Date: 3/1/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- The subject property has been used as cropland. In support of crop production, herbicides, pesticides, fertilizers, and other agricultural chemicals may have been applied to the Site soils and to the soils of neighboring properties. The historical use of such chemicals represents "conditions that indicate... a past release." The extent to which some residual contamination-if any may have resulted from the use of agricultural chemicals would be difficult to ascertain and could only be approximated by soil sampling and analysis. While use of agricultural chemicals may have taken place, similar land in the Taylor County area is routinely developed without posing health hazards.

- The Site is located in a commercial area. Adjacent properties do have the potential to impact the Subject Property if a release of hazardous or regulated material occurs. However, it is considered unlikely that the subject property would be held liable for groundwater contamination migrating from other properties. In such a case, the subject property owner/occupant will most likely be protected by current federal and state policies (Landowner Liability Protection (LLP) qualification) that exonerate contiguous property owners.

Comments:

It should be noted that the potential RECs identified by this assessment are based on the unconfirmed use of pesticides or herbicides at the Site or probability of a release occurring on adjacent property. A decision to conduct further investigation or research to confirm or eliminate the potential RECs must be based on several factors including the user's risk tolerance and the proposed future uses of the subject property.

No evidence was noted to suggest that deliberate, illegal, or environmentally unsound activities involving chemicals, petroleum products, or wastes were ever conducted on the subject property. This assessment did not disclose any conspicuous evidence of environmental liability or culpability on the part of the current or previous Site owners/occupants. This assessment did not disclose any findings or concerns that would preclude the development of the subject property." (p. 10)

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/20/2007
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 1 Date of Last Applicant Revision: 6/1/2007

Two separate Market Studies were submitted to address each of the target populations (elderly households and family households) of an intergenerational development. Therefore, this section also presents two separate demand, inclusive capture rate and market rent analyses and conclusions.

INCOME LIMITS						
Taylor						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,000	\$11,400	\$12,850	\$14,250	\$15,400	\$16,550
60	\$19,980	\$22,800	\$25,680	\$28,500	\$30,780	\$33,060

UNITS PROPOSED for ELDERLY HOUSEHOLDS

Primary Market Area (PMA): 180.58 square miles (≈7.5 mile radius)
 North: Taylor County Line
 East: Taylor County Line
 South: FM 707 South
 West: FM 707 West

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Anson Park	03066	64	0	N/A			
Anson Park II	04241	80	0				
Arbors-Rose Park	05141	80	77				
Anson Park Seniors	07285	80	80				

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	142	1	0	143	5	7	8%
1BR/60%	219	4	0	223	19	56	34%
2BR/30%	24	0	0	24	1	7	33%
2BR/60%	54	1	0	55	29	13	76%

OVERALL DEMAND									
		Target Households	Household Size	Income Eligible	Tenure	Demand			
PMA DEMAND from TURNOVER									
Market Analyst	p. 56	13,277	100%	13,277	4%	551	Included in Inc Elig %	65%	355
Underwriter		28% 13,442	100%	13,380	35%	4,712	35%	1,653	16% 265
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst	p. 56		100%	96	4%	4	Included in Inc Elig %	100%	4
Underwriter			100%	95	35%	33	35%	12	100% 12

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 56	54	77	0	131	359	36.49%
Underwriter		54	157	0	211	276	76.37%

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 700 SF (30%)	\$196	\$196	\$515	\$196	\$319	
1 BR 700 SF (60%)	\$463	\$463	\$515	\$463	\$52	
2 BR 924 SF (30%)	\$226	\$226	\$625	\$226	\$399	
2 BR 924 SF (60%)	\$548	\$547	\$625	\$547	\$78	

Elderly Market Comments:

The Market Analyst included 80 units from the 2005 award for Arbors-Rose Park but did not consider the 80 potential units from a competing application for 9% credits known as Anson Park Seniors (#07285). Anson Park Seniors currently has a lower score and therefore is not as high a priority transaction for funding as the subject. The Underwriter has included the proposed Anson Park Seniors units in the capture rate calculation for comparison purposes. As reflected above the inclusion of these additional comparable units results in a capture rate above the Department's threshold.

As such, staff recommends that despite the Market Analyst's likely conclusion that demand may be able to support two 2007 senior developments in Abilene, only one should be approved because the Underwriter's more complete analysis indicates an excessive inclusive capture rate with both transactions. Thus the StoneLeaf at Tye is recommended only if it continues to score higher and therefore be prioritized ahead of Anson Park Seniors. Moreover, the Underwriter recommends that only one of these two applications receive a 9% HTC allocation during the 2007 cycle and would strongly discourage additional TDHCA multifamily funding of elderly transactions in the Abilene market until the apartments currently under development are stabilized.

UNITS PROPOSED for FAMILY HOUSEHOLDS

Primary Market Area (PMA): 96.75 square miles (≈5.5 mile radius)

North: Taylor County Line
 East: Treadway Boulevard (US 83D)
 South: FM 707 South
 West: FM 707 West

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Units
Anson Park	03066	64	60	N/A			
Anson Park II	04241	80	65				
Arbors-Rose Park	05141	80	0				

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	183	-2	0	181	4	10	8%
1BR/60%	365	-3	0	362	12	19	9%
2BR/30%	106	-4	0	102	2	0	2%
2BR/60%	258	-7	0	251	59	21	32%
3BR/30%	68	-2	0	66	1	0	2%
3BR/60%	183	-6	0	177	15	18	19%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 57	100%	30,968	97%	29,906	14%	4,166	included in inc elig %	65%	2,687	
Underwriter	100%	30,449	97%	29,404	32%	9,301	39%	3,618	65%	2,334
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 57			97%	-503	14%	-70	included in inc elig %	100%	-70	
Underwriter			97%	-319	32%	-101	39%	-39	100%	-39

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 57	64	64	0	128	2,617	4.89%
Underwriter	64	125	0	189	2,294	8.24%

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 700 SF (30%)	\$196	\$196	\$505	\$196	\$309	
1 BR 700 SF (60%)	\$463	\$463	\$505	\$463	\$42	
2 BR 900 SF (30%)	\$226	\$226	\$600	\$226	\$374	
2 BR 900 SF (60%)	\$548	\$547	\$600	\$547	\$53	
3 BR 1,065 SF (30%)	\$250	\$250	\$695	\$250	\$445	
3 BR 1,065 SF (60%)	\$620	\$620	\$695	\$620	\$75	

MARKET DATA RELEVANT to the DEVELOPMENT as a WHOLE

Primary Market Occupancy Rates:

The current occupancy of the market area for family units is 96.5% and for seniors units 94.6%.

Absorption Projections:

It is estimated 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. At this rate, the project will reach 93% occupancy within one year after completion of construction.

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing "affordable" housing projects have an overall occupancy of 90.9%." (p. 99 of elderly unit market report & p. 101 of the family unit market report).

Comments:

The submitted market studies provide sufficient information upon which to base a funding recommendation. The Market Analyst concludes an overall inclusive capture rate of 6.95% for all 118 units. All inclusive capture rate figures are within current Department guidelines as long as the Anson Park Senior development is not simultaneously approved.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of 7/9/2006 from the program gross rent limits. Tenants will be required to pay electric utility costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. The Applicant's effective gross income is comparable to the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,211 per unit is not within 5% of the Underwriter's estimate of \$3,599, derived from the TDHCA database and third party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database and IREM averages, particularly: payroll and payroll taxes (\$23K lower), utilities (\$15K lower), water, sewer & trash (\$15K higher), and property taxes (\$9K lower).

Conclusion:

The Applicant's projected income is within 5% of the Underwriter's estimate and is considered consistent for the most part; however, expenses and net operating income (NOI) are 6% and 10% different respectively from the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Accordingly, using the Underwriter's NOI for evaluation of debt service capacity indicates a need to reduce debt service on the development. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 20.17 acres	<u> \$36,755 </u>	Tax Year:	<u> 2006 </u>
Existing Buildings:	<u> \$0 </u>	Valuation by:	<u> Taylor CAD </u>
Total Assessed Value:	<u> \$36,755 </u>	Tax Rate:	<u> 2.121 </u>

EVIDENCE of PROPERTY CONTROL

Type: Earnest Money Contract - Unimproved Property Acreage: 20.17

Contract Expiration: 12/31/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$100 Other: Upon receipt of tax credit allocation

Seller: Tye Industrial Development Corp. Related to Development Team? Yes No

Comments:

This property was purchased by the Tye Industrial Development Corporation (TIDC), an instrumentality of the City of Tye, from a third party at a price of \$5,000 per acre for a total of \$100,850. A letter dated 4/5/2007 states TIDC will transfer the site to the Applicant in the form of a grant for the construction of the subject units. An executed earnest money contract indicates a token price of \$100 for the land.

It appears granting of the site to the Applicant is an attempt to qualify for points attributed to funding from a local political subdivision under the 2007 QAP. The Applicant's cost schedule includes \$100,000 for the site plus \$5,000 for closing as the total acquisition cost. The sources and uses indicates a contribution by TIDC of \$100,850 in the form of a grant to offset this acquisition cost.

TITLE

Comments:

There is a pipeline easement dated 1/12/1956 executed by J.D. Thomas to Lone Star Gas Company, recorded in Volume 504, Page 230 of the Deed Records of Taylor County, and an easement dated 2/24/1956 executed by J.D. Thomas, et ux to Cosden Petroleum Corporation, recorded in Volume 526, Page 102 of the Deed Records of Taylor County. There does not appear to be pipelines currently crossing the subject property; however, there is no proof that the easements have been abandoned. Therefore it is a condition of this report that the Applicant provide proof of abandonment of the pipeline easements, or proof that no structures or buildings will be constructed on the easements.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Tye Industrial Development Corporation (TIDC) has purchased the subject site at a price of \$5,000 per acre for a total price of \$100,850. TIDC intends to grant the site to the Applicant for the construction of affordable housing subject to the receipt of housing tax credits. The earnest money contract indicates a nominal sales price of \$100. The 20.17acre site is rather large for the development of 118 units of multifamily housing; however, the Applicant has indicated that the entire tract is being granted for the construction of the subject units and has indicated that the development will have 5.9 units per acre for development. Accordingly, it is a condition of this report that the entire 20.17 acres be included and restricted to all of the normal terms and conditions in the Land Use Restriction Agreement for this development.

Both the Applicant's and the Underwriter's sources and uses reflect the original contract price of \$100,850 as the acquisition cost for the site and an offsetting grant as a source of funds.

Sitework Cost:

The Applicant's claimed sitework costs of \$3,814 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost is \$480K or 9% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contingency and fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines based on their submitted cost schedule.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$9,211,603 supports annual tax credits of \$787,592. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2007

Source: Tye Economic Development Corporation Type: Interim Financing
Principal: \$398,075 Interest Rate: AFR Fixed Term: ConstrCompletion

Source: Alliant Mortgage Corp. Type: Interim to Permanent Financing
Interim: \$4,500,000 Interest Rate: 10.25% Fixed Term: 24 months
Permanent: \$3,400,000 Interest Rate: 7.0% Fixed Amort: 360 months

Comments:

Interim Interest Rate: Prime plus 200 bps, lender estimate not provided, TDHCA Underwriter estimate at 10.25% as of March 2007.

Permanent Interest Rate: 30-yr T-Bill plus 240 bps, lender estimate of 7.0%.

\$250 per unit per month replacement reserve requirement; 1.15 debt coverage ratio requirement.

Source: Tye Industrial Development Corporation Type: Grant
Principal: \$100,850 Conditions: The Applicant must receive an award of tax credits.

Comments

Grant funds to offset cost of the land.

Source: Tye Economic Development Corporation Type: Grant
Principal: \$23,000 Conditions: The Applicant must receive an award of tax credits.

Comments:

\$3K of the grant was contributed by Taylor Electric Company

Source: Alliant Capital Corp. Type: Syndication
Proceeds: \$6,795,962 Syndication Rate: 85% Anticipated HTC: \$ 799,605

Comments:

The syndication price is below the low end of current market prices and an increase in rate of \$0.04 per dollar of syndicated credit could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$216,928 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to \$2,650,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the revised permanent loan of \$2,650,000 and grants totaling \$123,850 indicates the need for \$6,962,753 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$819,229 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$799,605), the gap-driven amount (\$819,229), and eligible basis-derived estimate (\$787,592), eligible basis-derived estimate of \$787,592 is recommended resulting in proceeds of \$6,693,862 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$245,891 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow in roughly seven years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>D. Burrell</i>		July 8, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		July 8, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 8, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

StoneLeaf at Tye, Tye, 9% HTC #07133

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	Elderly	5	1	1	700	\$267	\$196	\$980	\$0.28	\$71.00	\$31.00
TC 30%	Family	4	1	1	700	\$267	196	784	0.28	71.00	31.00
TC 60%	Elderly	19	1	1	700	\$534	463	8,797	0.66	71.00	31.00
TC 60%	Family	12	1	1	700	\$534	463	5,556	0.66	71.00	31.00
TC 30%	Family	1	2	2	900	\$321	226	226	0.25	95.00	33.00
TC 60%	Family	31	2	2	900	\$642	547	16,957	0.61	95.00	33.00
TC 30%	Elderly	1	2	1	924	\$321	226	226	0.24	95.00	33.00
TC 60%	Elderly	29	2	1	924	\$642	547	15,863	0.59	95.00	33.00
TC 30%	Family	1	3	2	1,065	\$371	250	250	0.23	121.00	37.00
TC 60%	Family	15	3	2	1,065	\$741	620	9,300	0.58	121.00	37.00
TOTAL:		118		AVERAGE:	861		\$499	\$58,939	\$0.58	\$90.39	\$32.86

INCOME		Total Net Rentable Sq Ft:	TDHCA		APPLICANT		COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT		101,560	\$707,268	\$706,548	Taylor			2	
Secondary Income	Per Unit Per Month:	\$10.00	14,160	14,160	\$10.00	Per Unit Per Month			
Other Support Income:			0	0	\$0.00	Per Unit Per Month			
POTENTIAL GROSS INCOME			\$721,428	\$720,708					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(54,107)	(54,048)	-7.50%	of Potential Gross Income			
Employee or Other Non-Rental Units or Concessions			0	0					
EFFECTIVE GROSS INCOME			\$667,321	\$666,660					
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative		4.78%	\$270	0.31	\$31,907	\$27,960	\$0.28	\$237	4.19%
Management		3.88%	220	0.26	25,904	27,301	0.27	231	4.10%
Payroll & Payroll Tax		17.33%	980	1.14	115,631	92,252	0.91	782	13.84%
Repairs & Maintenance		6.56%	371	0.43	43,791	40,500	0.40	343	6.08%
Utilities		4.71%	266	0.31	31,413	16,200	0.16	137	2.43%
Water, Sewer, & Trash		4.78%	270	0.31	31,870	46,800	0.46	397	7.02%
Property Insurance		4.47%	253	0.29	29,820	22,200	0.22	188	3.33%
Property Tax	2.121	8.80%	498	0.58	58,745	50,000	0.49	424	7.50%
Reserve for Replacements		4.42%	250	0.29	29,500	29,500	0.29	250	4.43%
TDHCA Compliance Fees		0.71%	40	0.05	4,720	4,800	0.05	41	0.72%
Cbl, suppserv, sec, misc		3.21%	181	0.21	21,400	21,400	0.21	181	3.21%
TOTAL EXPENSES		63.64%	\$3,599	\$4.18	\$424,700	\$378,913	\$3.73	\$3,211	56.84%
NET OPERATING INC		36.36%	\$2,056	\$2.39	\$242,621	\$287,747	\$2.83	\$2,439	43.16%
DEBT SERVICE									
Alliant Mortgage		38.46%	\$2,175	\$2.53	\$256,655	\$250,209	\$2.46	\$2,120	37.53%
Tye IDC Land Contribution		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		-2.10%	(\$119)	(\$0.14)	(\$14,034)	\$37,538	\$0.37	\$318	5.63%
AGGREGATE DEBT COVERAGE RATIO					0.95	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST		Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)			1.08%	\$890	\$1.03	\$105,000	\$105,000	\$1.03	\$890	1.01%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			4.63%	3,814	4.43	450,000	450,000	4.43	3,814	4.34%
Direct Construction			57.97%	47,718	55.44	5,630,747	6,111,200	60.17	51,790	58.98%
Contingency	5.00%		3.13%	2,577	2.99	304,037	325,000	3.20	2,754	3.14%
Contractor's Fees	14.00%		8.76%	7,214	8.38	851,305	914,000	9.00	7,746	8.82%
Indirect Construction			4.23%	3,483	4.05	411,000	411,000	4.05	3,483	3.97%
Ineligible Costs			1.82%	1,500	1.74	177,000	177,000	1.74	1,500	1.71%
Developer's Fees	15.00%		12.37%	10,182	11.83	1,201,513	1,285,300	12.66	10,892	12.40%
Interim Financing			3.74%	3,076	3.57	363,000	363,000	3.57	3,076	3.50%
Reserves			2.26%	1,864	2.17	220,000	220,000	2.17	1,864	2.12%
TOTAL COST			100.00%	\$82,319	\$95.64	\$9,713,603	\$10,361,500	\$102.02	\$87,809	100.00%
Construction Cost Recap			74.49%	\$61,323	\$71.25	\$7,236,089	\$7,800,200	\$76.80	\$66,103	75.28%

SOURCES OF FUNDS					RECOMMENDED		
Alliant Mortgage	35.00%	\$28,814	\$33.48	\$3,400,000	\$3,214,760	\$2,650,000	Developer Fee Available
Tye IDC Land Contribution	1.04%	\$855	\$0.99	100,850	100,850	100,850	\$1,285,300
Tye IDC Grant	0.24%	\$195	\$0.23	23,000	23,000	23,000	% of Dev. Fee Deferred
HTC Syndication Proceeds	69.96%	\$57,593	\$66.92	6,795,962	6,795,962	6,693,862	19%
Deferred Developer Fees	2.23%	\$1,838	\$2.14	216,928	216,928	245,891	15-Yr Cumulative Cash Flow
Additional (Excess) Funds Req'd	-8.47%	(\$6,976)	(\$8.10)	(823,137)	10,000	0	\$755,829
TOTAL SOURCES				\$9,713,603	\$10,361,500	\$9,713,603	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

StoneLeaf at Tye, Tye, 9% HTC #07133

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.61	\$6,155,680
Adjustments				
Exterior Wall Finish	1.60%		\$0.97	\$98,491
Elderly	1.32%		0.80	81,255
9-Ft. Ceilings	3.20%		1.94	196,982
Roofing			0.00	0
Subfloor			(1.65)	(167,235)
Floor Cover			2.43	246,791
Breezeways/Balconies	\$21.66	17,862	3.81	386,802
Plumbing Fixtures	\$805	144	1.14	115,920
Rough-ins	\$400	172	0.68	68,800
Built-In Appliances	\$1,850	118	2.15	218,300
Exterior Stairs	\$1,800	16	0.28	28,800
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	192,964
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$67.23	3,558	2.36	239,204
Other: fire sprinkler	\$1.95	101,560	1.95	198,042
SUBTOTAL			79.37	8,060,795
Current Cost Multiplier	0.98		(1.59)	(161,216)
Local Multiplier	0.88		(9.52)	(967,295)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.26	\$6,932,284
Plans, specs, survy, bld prmts	3.90%		(\$2.66)	(\$270,359)
Interim Construction Interest	3.38%		(2.30)	(233,965)
Contractor's OH & Profit	11.50%		(7.85)	(797,213)
NET DIRECT CONSTRUCTION COSTS			\$55.44	\$5,630,747

PAYMENT COMPUTATION

Primary	\$3,214,760	Amort	360
Int Rate	7.00%	DCR	0.95

Secondary	\$100,850	Amort	
Int Rate		Subtotal DCR	0.95

Additional		Amort	
Int Rate		Aggregate DCR	0.95

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$211,566
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$31,055

Primary	\$2,650,000	Amort	360
Int Rate	7.00%	DCR	1.15

Secondary	\$100,850	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$707,268	\$728,486	\$750,341	\$772,851	\$796,036	\$922,824	\$1,069,806	\$1,240,199	\$1,666,723
Secondary Income	14,160	14,585	15,022	15,473	15,937	18,476	21,418	24,830	33,369
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	721,428	743,071	765,363	788,324	811,974	941,300	1,091,225	1,265,028	1,700,092
Vacancy & Collection Loss	(54,107)	(55,730)	(57,402)	(59,124)	(60,898)	(70,597)	(81,842)	(94,877)	(127,507)
Employee or Other Non-Rental Units or Cor	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$667,321	\$687,341	\$707,961	\$729,200	\$751,076	\$870,702	\$1,009,383	\$1,170,151	\$1,572,585
EXPENSES at 4.00%									
General & Administrative	\$31,907	\$33,183	\$34,510	\$35,891	\$37,326	\$45,413	\$55,252	\$67,223	\$99,506
Management	25,904	26,681	27,481	28,306	29,155	33,799	39,182	45,422	61,044
Payroll & Payroll Tax	115,631	120,256	125,066	130,069	135,272	164,579	200,235	243,617	360,613
Repairs & Maintenance	43,791	45,542	47,364	49,258	51,229	62,328	75,831	92,260	136,567
Utilities	31,413	32,669	33,976	35,335	36,748	44,710	54,396	66,182	97,965
Water, Sewer & Trash	31,870	33,145	34,470	35,849	37,283	45,361	55,188	67,145	99,391
Insurance	29,820	31,013	32,254	33,544	34,886	42,444	51,639	62,827	92,999
Property Tax	58,745	61,095	63,539	66,081	68,724	83,613	101,728	123,768	183,207
Reserve for Replacements	29,500	30,680	31,907	33,183	34,511	41,988	51,084	62,152	92,000
Other	26,120	27,165	28,251	29,381	30,557	37,177	45,231	55,031	81,459
TOTAL EXPENSES	\$424,700	\$441,429	\$458,819	\$476,897	\$495,690	\$601,410	\$729,768	\$885,626	\$1,304,751
NET OPERATING INCOME	\$242,621	\$245,911	\$249,141	\$252,302	\$255,385	\$269,292	\$279,615	\$284,525	\$267,835
DEBT SERVICE									
First Lien Financing	\$211,566	\$211,566	\$211,566	\$211,566	\$211,566	\$211,566	\$211,566	\$211,566	\$211,566
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	\$31,055	\$34,345	\$37,575	\$40,736	\$43,819	\$57,726	\$68,048	\$72,959	\$56,268
DEBT COVERAGE RATIO	1.15	1.16	1.18	1.19	1.21	1.27	1.32	1.34	1.27

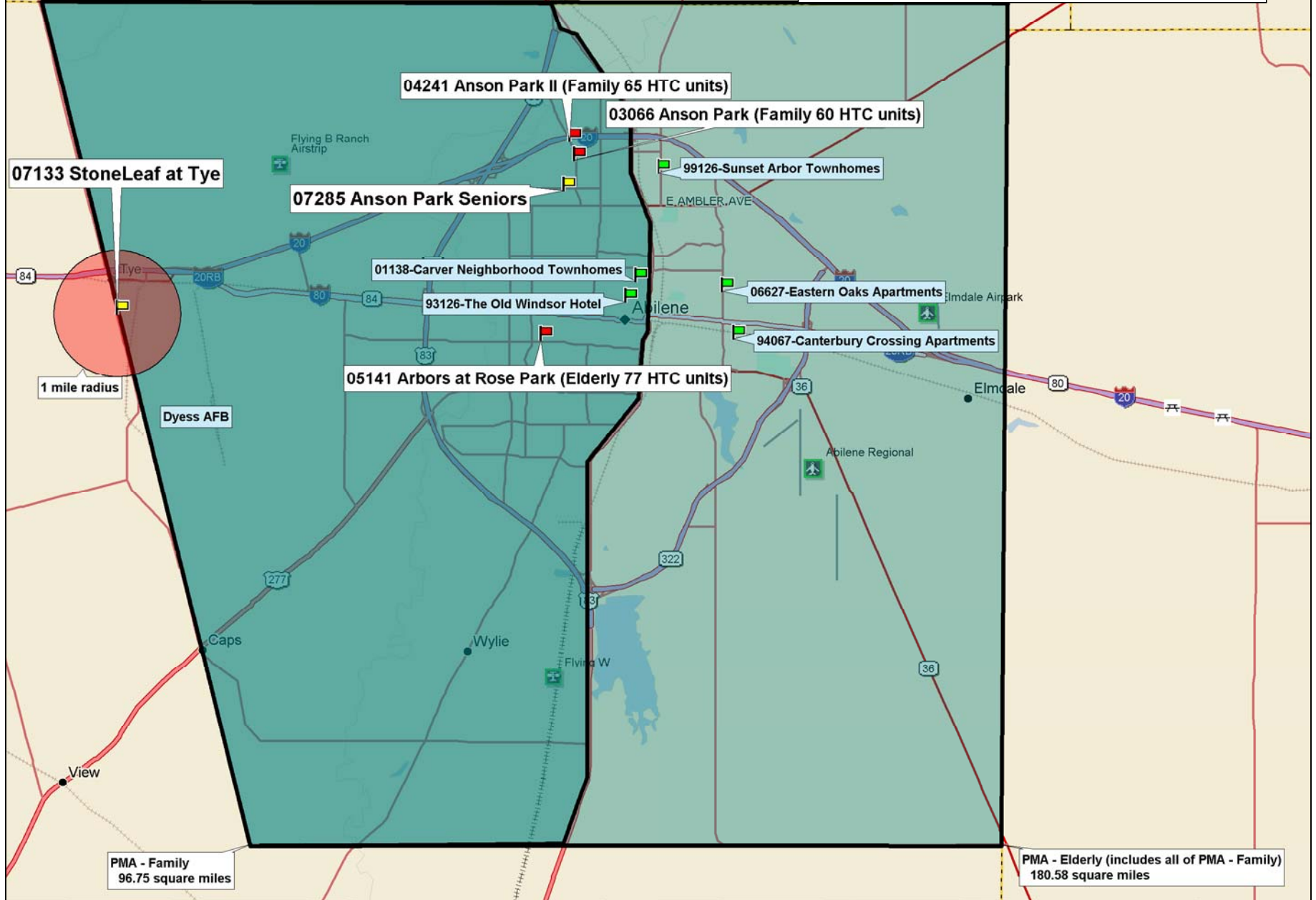
HTC ALLOCATION ANALYSIS -StoneLeaf at Tye, Tye, 9% HTC #07133

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$105,000	\$105,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$450,000	\$450,000	\$450,000	\$450,000
Construction Hard Costs	\$6,111,200	\$5,630,747	\$6,111,200	\$5,630,747
Contractor Fees	\$914,000	\$851,305	\$914,000	\$851,305
Contingencies	\$325,000	\$304,037	\$325,000	\$304,037
Eligible Indirect Fees	\$411,000	\$411,000	\$411,000	\$411,000
Eligible Financing Fees	\$363,000	\$363,000	\$363,000	\$363,000
All Ineligible Costs	\$177,000	\$177,000		
Developer Fees				
Developer Fees	\$1,285,300	\$1,201,513	\$1,285,300	\$1,201,513
Development Reserves	\$220,000	\$220,000		
TOTAL DEVELOPMENT COSTS	\$10,361,500	\$9,713,603	\$9,859,500	\$9,211,603

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$9,859,500	\$9,211,603
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$9,859,500	\$9,211,603
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,859,500	\$9,211,603
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$842,987	\$787,592

Syndication Proceeds	0.8499	\$7,164,674	\$6,693,862
Total Tax Credits (Eligible Basis Method)		\$842,987	\$787,592
Syndication Proceeds		\$7,164,674	\$6,693,862
Requested Tax Credits		\$799,605	
Syndication Proceeds		\$6,795,962	
Gap of Syndication Proceeds Needed			\$6,962,753
Total Tax Credits (Gap Method)			\$819,229

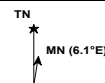
StoneLeaf at Tye



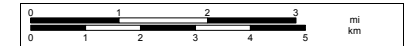
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Scale 1 : 137,500



1" = 2.17 mi

Data Zoom 10-5

Applicant Evaluation

Project ID # **07133**

Name: **Stoneleaf at Tye**

City: **Tye**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Hampton Villages, TDHCA Number 07137

BASIC DEVELOPMENT INFORMATION

Site Address: 1600 Blk of Alcock St. Development #: 07137
 City: Pampa Region: 1 Population Served: General
 County: Gray Zip Code: 79065 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Hampton Villages L.P.
 Owner Contact and Phone: Tim Lang (512) 249-9095
 Developer: Eagles Nest Enterprises LLC
 Housing General Contractor: Charter Contractors, LP
 Architect: Cross Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Raymond James
 Supportive Services: Newlife Housing Foundation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	76	
	8	0	0	68	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	0	14	40	22	0	
Type of Building:						Total Development Units:	76
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$10,487,232
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence					Number of Residential Buildings:	76
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,038,857	\$1,038,857			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Hampton Villages, TDHCA Number 07137

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, S Points: 7 US Representative: Thornberry, District 13, NC
TX Representative: Chisum, District 88, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Lonny Robbins, Mayor Resolution of Support from Local Government []
S, John Horst, City Manager
S, Barry Haenisch, Superintendent, Pampa ISD

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Greater Pampa Area Chamber of Commerce S or O: S
Pampa Economic Development Corporation S or O: S
Eastern Texas Panhandle Chapter American Red Cross S or O: S
Golden Spread Council Boy Scouts of America S or O: S
Pampa Meals on Wheels S or O: S

General Summary of Comment:

Broad support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance prior to commencement of construction of proof of removal of all household and commercial debris and plastic insulated pipe material from the development site.

Receipt, review and acceptance prior to commencement of construction of documentation that the five parcels have been replatted into one contiguous site as proposed .

Receipt, review and acceptance of evidence that judgment listed in title commitment is paid in full and released prior to commencement of construction.

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

Receipt of a commitment of funding from the Pampa Economic Development Corporation in the amount of \$525,000, or a commitment from a qualifying substitute source in an amount not less than \$523,632, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary.

Receipt of a commitment of funding from Donco Holding Group, LLC in the amount of \$259,697, or a commitment from a qualifying substitute source(s) in an amount not less than \$209,745, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Hampton Villages, TDHCA Number 07137

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$1,038,857

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/07 PROGRAM: 9% HTC FILE NUMBER: 07137

DEVELOPMENT																		
Hampton Villages																		
Location: 1600 Block of Alcock Street				Region: 1														
City: Pampa		County: Gray		Zip: 79065		<input checked="" type="checkbox"/> OCT <input type="checkbox"/> DDA												
Key Attributes: Multifamily, Family, New Construction, Rural																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,038,857			\$1,038,857														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance prior to commencement of construction of proof of removal of all household and commercial debris and plastic insulated pipe material from the development site. 2 Receipt, review and acceptance prior to commencement of construction of documentation that the five parcels have been replatted into one contiguous site as proposed . 3 Receipt, review and acceptance of a commitment with all terms and conditions of a grant to the Applicant in the minimum amount of \$82,098 (applied for \$259,697) from Donco Holding Group, LLC or some other alternative source. 4 Receipt, review and acceptance of evidence that judgment listed in title commitment is paid in full and released prior to commencement of construction. 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/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">68</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	68
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	68																
PROS			CONS															
<p>This subject represents the first new tax credit development in Pampa in 14 years.</p> <p>The subject represents a relatively unique site plan with a single family design.</p>			<p>The Applicant's high expense to income ratio is only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.</p> <p>The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.</p>															

The anticipated syndication proceeds as a percentage of total cost (83%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.

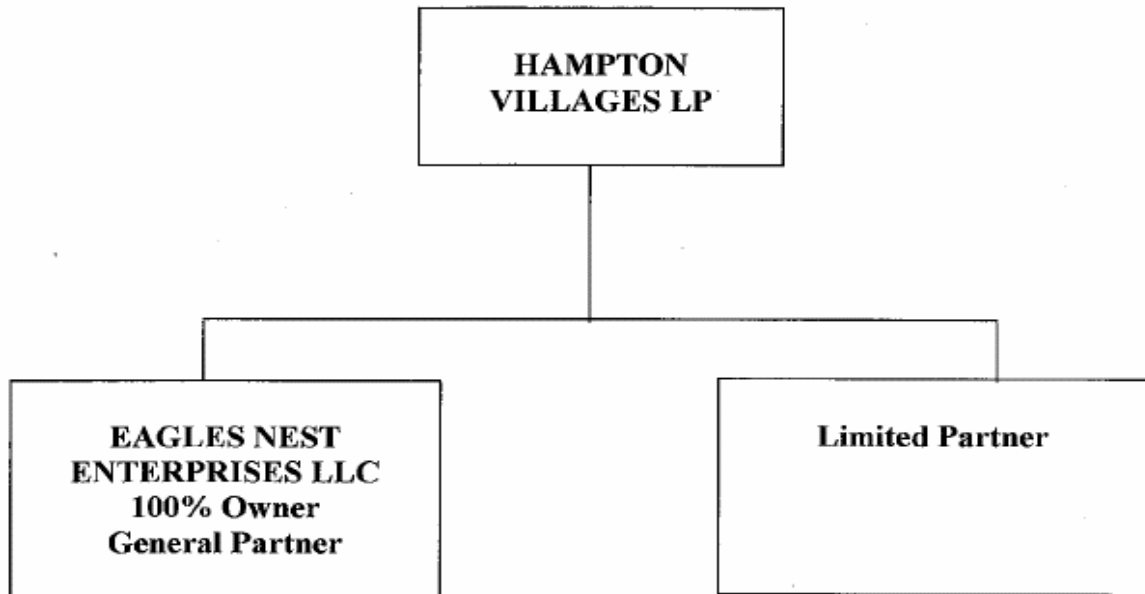
The number of 3 and 4 bedroom units targeting 60% units may be more than needed based upon the unit capture rate calculated by the Market Analyst.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



Tim Lang, President 100% Ownership

CONTACT

Contact: Tim Lang Phone: (512) 249-9095 Fax: (512) 249-6660
 Email: tlangtejas@austin.rr.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Developments
Eagles Nest Enterprises, LLC	\$3K	\$3K	None
Tim Lang	Confidential	N/A	None reported
Michael Hartman	Confidential	N/A	4

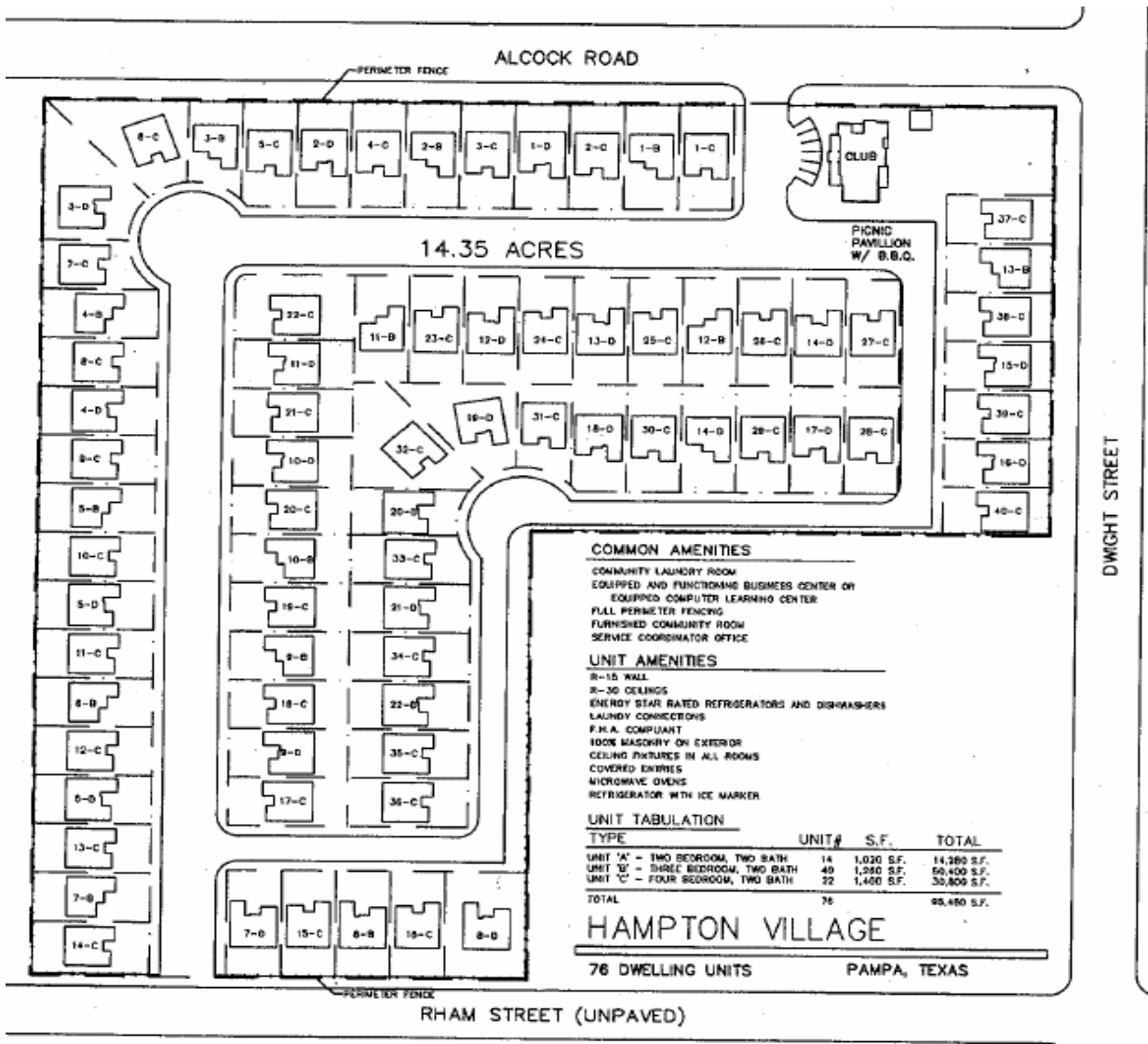
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C							Total Buildings
Floors/Stories	1	1	2							
Number	14	40	22							76

BR/BA	SF	Units								Total Units	Total SF
2/2	1,020	1								14	14,280
3/2	1,260		1							40	50,400
4/2	1,400			1						22	30,800
Units per Building		1	1	1						76	95,480

SITE ISSUES

Total Size:	<u>14.35 acres</u>	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>C</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>Commercial</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

N/A

Comments:

Flood Zone: According to the ESA provider "Flood maps were not available for the subject property. The Federal Emergency Management Agency (FEMA) has issued a Special Notice to Community Number 480256 which is the City of Pampa. Based on the available flood map data in this notice the adjacent property to the North and the adjacent property to the East of the subject property appear to be as Zone C. Since the subject property is outside the corporate limits of the City of Pampa the adjacent areas to the South and West are not classified." (p. 19)

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/20/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Alcock St, Commercial Properties and undeveloped land beyond

East: Single family residential

South: Single family residential and commercial

West: Single family residential

Comments:

Inspector: The site is somewhat isolated, but is still acceptable.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Matrix Environmental Sciences, Inc. Date: 3/3/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"At the time of the Phase I Environmental Site Assessment and based on current historical information reviewed no recognized environmental conditions were revealed in connection with the property." (p. 3) However, Maxtrix recommends the following:

"Remove all household and commercial debris prior to development. Most of this is concentrated on the southern portion of Lot 1 off Dwight Street." (p. 31)

"Remove the plastic insulated pipe material on the south portion of Lot 1 near the fence (property) line." (p. 31)

Comments:

Receipt, review and acceptance by TDHCA of proof of removal of all household and commercial debris and plastic insulated pipe material from the development site prior to commencement of construction is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/30/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 937.65 square miles (17.33 mile radius)

"For this analysis, we defined the "Trade Area" as Gray County, Texas." (p. 3)

Secondary Market Area (SMA):

The Market Analyst did not specify a Secondary Market Area (PMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				None			

INCOME LIMITS						
Gray						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,900	\$11,300	\$12,750	\$14,150	\$15,300	\$16,400
60	\$19,800	\$22,680	\$25,500	\$28,320	\$30,600	\$32,880

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2BR/30%	18	-1	0	17	2	0	12%
2BR/60%	27	-1	0	26	12	0	46%
3BR/30%	6	0	0	6	4	0	67%
3BR/60%	17	-1	0	16	36	0	225%
4BR/30%	2	0	0	2	2	0	100%
4BR/60%	10	0	0	10	20	0	200%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 53	100% 7,312	99% 7,239	7% 485	Included in Elig %	65% 315		
Underwriter	100% 7,125	99% 7,072	7% 474	100% 474	65% 306		
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 53		99% -148	7% -10	Included in Elig %	100% -10		
Underwriter		99% -140	7% -9	100% -9	100% -9		

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 55	76	0	0	76	305	24.93%
Underwriter	76	0	0	76	296	25.65%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 98.3% as a result of limited new supply." (p. 10)

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. 98). At this rate, and taking into account the fact that during months 1-6, the project will be under construction and no units will be occupied, the development should reach 93% occupancy by month 18 with 71 units leased.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
2BR 1,020 SF (30%)	\$204	204	\$600	204	396	
2BR 1,020 SF (60%)	\$493	493	\$600	493	107	
3BR 1,260 SF (30%)	\$231	231	\$750	231	519	
3BR 1,260 SF (60%)	\$550	550	\$750	550	201	
4BR 1,400 SF (30%)	\$239	239	\$850	239	611	
4BR 1,400 SF (60%)	\$590	590	\$850	590	260	

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. There is one existing "affordable" housing project, and it has an overall occupancy of 100%. The only affordable project in the last two decades, Pampa Manor (1993) is 100% occupied. This demonstrates that the demand for new affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 98)

Comments:

The Development is located in a rural area; therefore, an inclusive capture rate above 25%, but limited to no more than 75% is acceptable. The Underwriter found the market study provided sufficient information upon which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's restricted rents are at maximum program rents (less tenant paid utilities) on 6 units, but below maximum limits (less tenant paid utilities) on 68 units and above the rent limit by \$1 on one (1) unit. The Underwriter however, used maximum program rents less tenant paid utilities, supported by the market rent conclusions of the Market Study, for underwriting purposes. Tenants will be required to pay heating, cooling, water heater, cooking, water, sewer and general electricity.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Due to differences in the rent collected estimates, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,819 per unit is not within 5% of the Underwriter's estimate of \$4,090 derived from the TDHCA database and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: repairs and maintenance are \$10K lower, utilities are \$17K lower, water, sewer and trash is \$8K lower and real property taxes are \$10K higher. Finally, the Applicant has assumed a reserve for replacement of \$300 per unit per year, exceeding the underwriting requirement of \$250 per unit for new construction developments.

Conclusion:

The Applicant's effective gross income, total operating expense and net operating income are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's proforma will be used to determine the development's debt service capacity. The resulting debt coverage ratio (DCR) is above the current underwriting maximum of 1.35. The recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application to bring the DCR down to an acceptable 1.35. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section below.

Feasibility:

The Underwriter's proforma reflects an expense to income ratio slightly below 65% as a result of the deep rent targeting proposed by the Applicant. The Applicant's estimate is similarly high at 64.62% but marginally below the 65% Department guideline. Because both estimates are just below the maximum they are acceptable.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15% and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	13.1 acres	\$31,200	Tax Year:	2006
Existing Buildings:		\$0	Valuation by:	Gray CAD
Total Assessed Value:		\$31,200	Tax Rate:	2.588023

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 15 +/-

Contract Expiration: 9/1/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$265,780 Other: _____

Seller: Heathmore, Inc. Related to Development Team? Yes No

Comment:

The subject site is to consist of five total parcels that will be replatted to form one contiguous lot. Currently the site consists of five total parcels, four of which are normal platted lots and a fifth parcel that is a vacated street (Carter Street) and easements that will be converted and integrated into the final single parcel with the other four lots to form one contiguous lot. Accordingly, it is a condition of this report that the five parcels be replatted into one contiguous lot as proposed before commencement of construction.

TITLE

Comments:

Schedule B of the title commitment indicates that a judgment is outstanding against the subject property. The judgment is recorded in Volume 314, Page 190 of the Deed Records of Gray County. The Applicant has not been able to provide satisfactory information on the subject judgment. Therefore, it is a condition of this report that the judgment be paid in full or released before commencement of construction.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$18,521 per acre (or \$3,500 per unit) is assumed to be reasonable since the acquisition is an arm's length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are at the maximum of current Department guidelines, therefore further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate for single family homes.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$9,686,313 supports annual tax credits of \$1,076,634. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Raymond James Multifamily Finance Type: Interim to Permanent Financing

Interim: \$3,464,101 Interest Rate: 8.5% Fixed Term: 24 months

Permanent: \$1,324,699 Interest Rate: 8.5% Fixed Amort: 360 months

Comments:

Eagles Nest Enterprises, LLC and Tim Lang are listed as Guarantors. The interest rate on this debt is considerably higher than the average available sources of debt in the current market. This may be the case because of the additional risks such as size of market and developer experience associated with this transaction. If a lower interest rate is achieved additional debt could be serviced thereby reducing the need for tax credits.

Source: Pampa Economic Development Corp. Type: Interim Financing

Principal: \$525,000 Comments: Application for grant, loan or in-kind contribution

Source: Donco Housing Group, LLC Type: Grant

Principal: \$259,697 Conditions: Receipt of tax credit allocation

Comments:

The Donco Holding Group, LLC stated in a letter dated March 28, 2007 that it will provide a contribution of \$259,697 if the Applicant receives an allocation of tax credits; however, no other terms or conditions of the funding were stated. Therefore, it is a condition of this report that the Donco Holding Group, LLC or some other alternative source provide a firm commitment with all terms and conditions acceptable to TDHCA before commencement of construction.

Source: Raymond James Tax Credit Fund Type: Syndication

Proceeds: \$8,881,339 Syndication Rate: 85.5% Anticipated HTC: \$ 1,038,857

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$21,497 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,406,797 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease by \$82,098. The debt service on this amount could easily be absorbed by the \$259,697 Donco Housing Group second lien financing whose terms have not yet been provided. Therefore the afore referenced condition regarding the Donco Housing Group loan will at a minimum be required to fill an equivalent amount in terms of debt service based upon \$82,098 in debt and an 8.5% interest rate amortized over 30 years.

The Underwriter's total development cost estimate less the permanent loan and grant indicates the need for \$8,902,836 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,041,372 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,038,857), the gap-driven amount (\$1,041,372), and eligible basis-derived estimate (\$1,076,634), the requested amount of \$1,038,857 is recommended.

The Underwriter's recommended financing structure indicates need for \$21,497 in deferred fees which can easily be repaid in the first year of stabilized occupancy. It is worth noting again that the subject's syndication price is extremely low and the interest rate on the debt is extremely high. These factors combined with the marginal expense to income ratio help to set an allocation of credits for the subject to provide syndication proceeds at the remarkably high level of 83% of anticipated total cost.

Underwriter:	<i>D. Burrell</i>	Date:	July 1, 2007
Reviewing Underwriter:	<i>Lisa Vecchietti</i>	Date:	July 1, 2007
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 1, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Hampton Villages, Pampa, 9% HTC #07137

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	2	2	2	1,020	\$318	\$204	\$408	\$0.20	\$114.00	\$16.00
TC 60%	12	2	2	1,020	\$637	523	6,276	0.51	114.00	16.00
TC 30%	4	3	2	1,260	\$368	231	924	0.18	137.00	18.00
TC 60%	36	3	2	1,260	\$736	599	21,564	0.48	137.00	18.00
TC 30%	2	4	2	1,400	\$410	238	476	0.17	172.00	22.00
TC 60%	20	4	2	1,400	\$822	650	13,000	0.46	172.00	22.00
TOTAL:	76		AVERAGE:	1,256		\$561	\$42,648	\$0.45	\$142.89	\$18.79

INCOME

Total Net Rentable Sq Ft: **95,480**

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.40%	\$410	0.33	31,131	\$28,780	\$0.30	\$379	6.41%
Management	5.00%	320	0.25	24,311	22,459	0.24	296	5.00%
Payroll & Payroll Tax	13.68%	875	0.70	66,500	67,200	0.70	884	14.96%
Repairs & Maintenance	8.93%	571	0.45	43,428	33,440	0.35	440	7.44%
Utilities	4.57%	292	0.23	22,216	5,320	0.06	70	1.18%
Water, Sewer, & Trash	4.44%	284	0.23	21,602	13,376	0.14	176	2.98%
Property Insurance	4.55%	291	0.23	22,099	26,600	0.28	350	5.92%
Property Tax	2.588023	647	0.51	49,152	58,900	0.62	775	13.11%
Reserve for Replacements	3.91%	250	0.20	19,000	22,800	0.24	300	5.08%
TDHCA Compliance Fees	0.63%	40	0.03	3,040	3,040	0.03	40	0.68%
Other: Supportive Services	1.72%	110	0.09	8,360	8,360	0.09	110	1.86%
TOTAL EXPENSES	63.95%	\$4,090	\$3.26	\$310,838	\$290,275	\$3.04	\$3,819	64.62%
NET OPERATING INC	36.05%	\$2,305	\$1.84	\$175,209	\$158,897	\$1.66	\$2,091	35.38%

DEBT SERVICE

Raymond James	25.15%	\$1,608	\$1.28	\$122,229	\$122,230	\$1.28	\$1,608	27.21%
Donco - Grant	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	10.90%	\$697	\$0.55	\$52,979	\$36,667	\$0.38	\$482	8.16%

AGGREGATE DEBT COVERAGE RATIO

1.43 1.30

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		2.48%	\$3,497	\$2.78	\$265,780	\$265,780	\$2.78	\$3,497	2.53%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.37%	9,000	7.16	684,000	684,000	7.16	9,000	6.52%
Direct Construction		51.93%	73,339	58.38	5,573,750	5,328,740	55.81	70,115	50.81%
Contingency	4.80%	2.80%	3,956	3.15	300,637	300,637	3.15	3,956	2.87%
Contractor's Fees	13.45%	7.84%	11,076	8.82	841,783	841,783	8.82	11,076	8.03%
Indirect Construction		7.88%	11,128	8.86	845,720	845,720	8.86	11,128	8.06%
Ineligible Costs		1.25%	1,762	1.40	133,917	133,917	1.40	1,762	1.28%
Developer's Fees	14.58%	11.77%	16,624	13.23	1,263,434	1,263,434	13.23	16,624	12.05%
Interim Financing		3.93%	5,553	4.42	422,001	422,001	4.42	5,553	4.02%
Reserves		3.74%	5,279	4.20	401,220	401,220	4.20	5,279	3.83%
TOTAL COST		100.00%	\$141,214	\$112.40	\$10,732,242	\$10,487,232	\$109.84	\$137,990	100.00%
Construction Cost Recap		68.95%	\$97,371	\$77.50	\$7,400,170	\$7,155,160	\$74.94	\$94,147	68.23%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Raymond James	12.34%	\$17,430	\$13.87	\$1,324,699	\$1,324,699	\$1,324,699	Developer Fee Available
Additional debt	0.00%	\$0	\$0.00			\$82,098	
Donco - Grant	2.42%	\$3,417	\$2.72	259,697	259,697	177,599	\$1,263,432
HTC Syndication Proceeds	82.75%	\$116,860	\$93.02	8,881,339	8,881,339	8,881,339	% of Dev. Fee Deferred
Deferred Developer Fees	0.20%	\$283	\$0.23	21,497	21,497	21,497	2%
Additional (Excess) Funds Req'd	2.28%	\$3,224	\$2.57	245,010	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,732,242	\$10,487,232	\$10,487,232	\$892,479

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Hampton Villages, Pampa, 9% HTC #07137

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Single Family Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$84.73	\$8,089,758
Adjustments				
Exterior Wall Finish	<i>already included</i>		\$0.00	\$0
Subdivision Discount	-10.00%		(8.47)	(808,976)
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.51)	(239,655)
Floor Cover			3.20	305,536
Patio	\$5.54	6,080	0.35	33,683
Plumbing Fixtures	\$1,110	22	0.26	24,420
Rough-ins	\$450	76	0.36	34,200
Built-In Appliances	\$2,575	76	2.05	195,700
Exterior Stairs	\$1,650		0.00	0
Enclosed Corridors	\$74.81		0.00	0
Heating/Cooling			1.78	169,954
Garages	\$32.06	18,240	6.12	584,774
Comm &/or Aux Bldgs	\$67.23	2,800	1.97	188,244
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			89.84	8,577,639
Current Cost Multiplier	0.94		(5.39)	(514,658)
Local Multiplier	0.86		(12.58)	(1,200,870)
TOTAL DIRECT CONSTRUCTION COSTS			\$71.87	\$6,862,112
Plans, specs, survy, bld prm	3.90%		(2.80)	(267,622)
Interim Construction Interes	3.38%		(2.43)	(231,596)
Contractor's OH & Profit	11.50%		(8.27)	(789,143)
NET DIRECT CONSTRUCTION COSTS			\$58.38	\$5,573,750

PAYMENT COMPUTATION

Primary	\$1,324,699	Amort	360
Int Rate	8.50%	DCR	1.43

Secondary	\$259,697	Amort	0
Int Rate	0.00%	Subtotal DCR	1.43

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$122,229
Secondary Debt Service	0
Additional Debt Service	7,575
NET CASH FLOW	\$45,404

Primary	\$1,324,699	Amort	360
Int Rate	8.50%	DCR	1.43

Secondary	\$177,599	Amort	0
Int Rate	0.00%	Subtotal DCR	1.43

Additional	\$82,098	Amort	360
Int Rate	8.50%	Aggregate DCR	1.35

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	\$511,776	\$527,129	\$542,943	\$559,231	\$576,008	\$667,752	\$774,107	\$897,402	\$1,206,034
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	525,456	541,220	557,456	574,180	591,405	685,601	794,799	921,390	1,238,271
Vacancy & Collection Loss	(39,409)	(40,591)	(41,809)	(43,063)	(44,355)	(51,420)	(59,610)	(69,104)	(92,870)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$486,047	\$500,628	\$515,647	\$531,116	\$547,050	\$634,181	\$735,189	\$852,286	\$1,145,401
EXPENSES at 4.00%									
General & Administrative	\$31,131	\$32,376	\$33,671	\$35,018	\$36,419	\$44,309	\$53,909	\$65,588	\$97,087
Management	24,311	25,040	25,791	26,565	27,362	31,720	36,772	42,629	57,290
Payroll & Payroll Tax	66,500	69,160	71,926	74,803	77,796	94,650	115,156	140,105	207,390
Repairs & Maintenance	43,428	45,165	46,971	48,850	50,804	61,811	75,202	91,495	135,435
Utilities	22,216	23,104	24,028	24,990	25,989	31,620	38,470	46,805	69,283
Water, Sewer & Trash	21,602	22,466	23,365	24,300	25,272	30,747	37,408	45,513	67,370
Insurance	22,099	22,982	23,902	24,858	25,852	31,453	38,268	46,558	68,918
Property Tax	49,152	51,118	53,163	55,290	57,501	69,959	85,116	103,556	153,289
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	11,400	11,856	12,330	12,823	13,336	16,226	19,741	24,018	35,553
TOTAL EXPENSES	\$310,838	\$323,029	\$335,699	\$348,869	\$362,559	\$439,538	\$532,945	\$646,299	\$950,869
NET OPERATING INCOME	\$175,209	\$177,600	\$179,948	\$182,247	\$184,491	\$194,643	\$202,244	\$205,987	\$194,532
DEBT SERVICE									
First Lien Financing	\$122,229	\$122,229	\$122,229	\$122,229	\$122,229	\$122,229	\$122,229	\$122,229	\$122,229
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	7,575	7,575	7,575	7,575	7,575	7,575	7,575	7,575	7,575
NET CASH FLOW	\$45,404	\$47,795	\$50,143	\$52,442	\$54,687	\$64,838	\$72,440	\$76,182	\$64,727
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.40	1.42	1.50	1.56	1.59	1.50

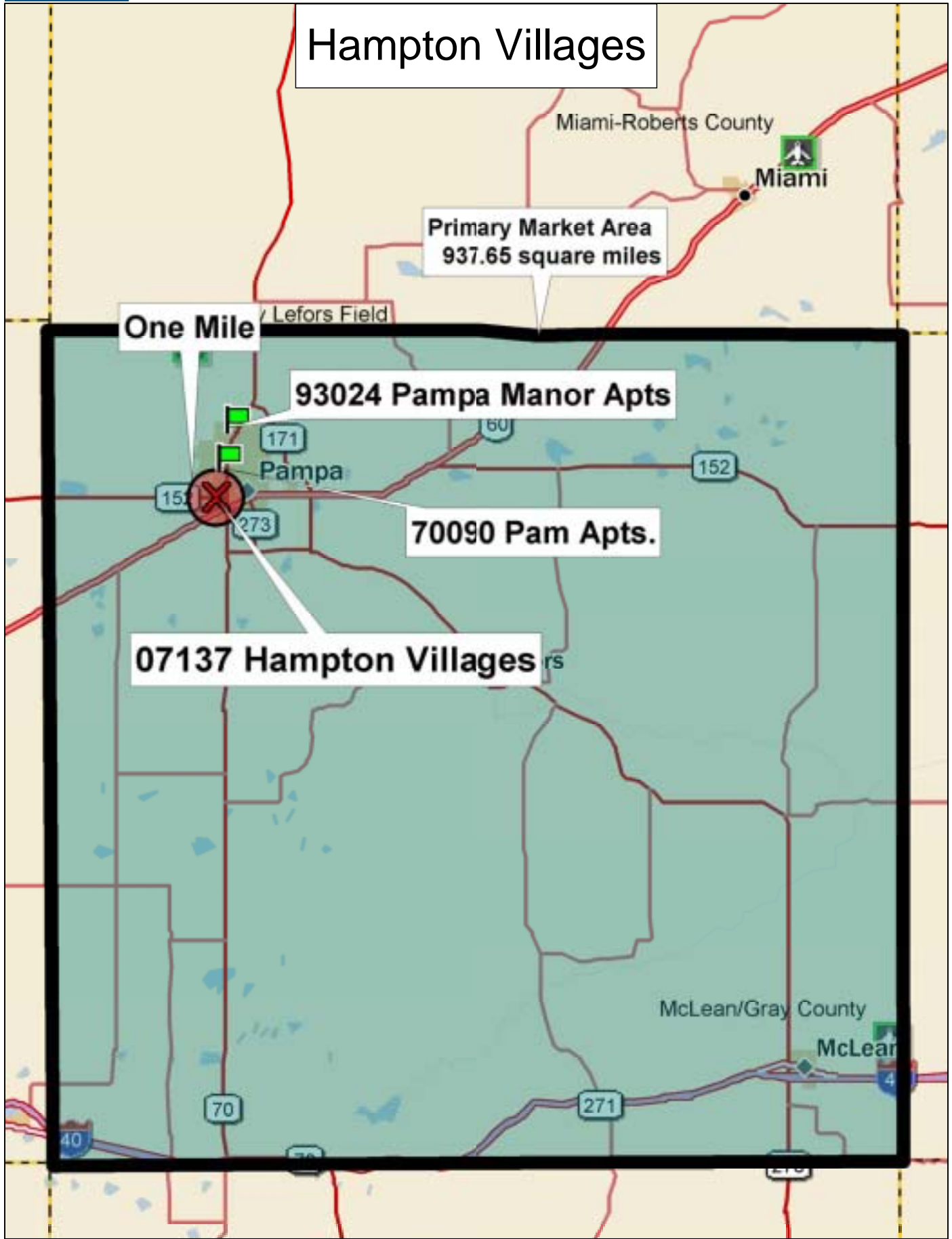
HTC ALLOCATION ANALYSIS -Hampton Villages, Pampa, 9% HTC #07137

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$265,780	\$265,780		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$684,000	\$684,000	\$684,000	\$684,000
Construction Hard Costs	\$5,328,740	\$5,573,750	\$5,328,740	\$5,573,750
Contractor Fees	\$841,783	\$841,783	\$841,783	\$841,783
Contingencies	\$300,637	\$300,637	\$300,637	\$300,637
Eligible Indirect Fees	\$845,720	\$845,720	\$845,720	\$845,720
Eligible Financing Fees	\$422,001	\$422,001	\$422,001	\$422,001
All Ineligible Costs	\$133,917	\$133,917		
Developer Fees			\$1,263,432	
Developer Fees	\$1,263,434	\$1,263,434		\$1,263,434
Development Reserves				
	\$401,220	\$401,220		
TOTAL DEVELOPMENT COSTS	\$10,487,232	\$10,732,242	\$9,686,313	\$9,931,325

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$9,686,313	\$9,931,325
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$12,592,207	\$12,910,723
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$12,592,207	\$12,910,723
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,076,634	\$1,103,867

Syndication Proceeds	0.8549	\$9,204,298	\$9,437,117
Total Tax Credits (Eligible Basis Method)		\$1,076,634	\$1,103,867
Syndication Proceeds		\$9,204,298	\$9,437,117
Requested Tax Credits		\$1,038,857	
Syndication Proceeds		\$8,881,339	
Gap of Syndication Proceeds Needed		\$8,902,836	
Total Tax Credits (Gap Method)		\$1,041,372	

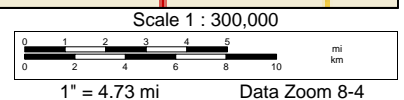
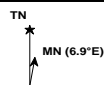
Hampton Villages



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Data Zoom 8-4

Applicant Evaluation

Project ID # **07137**

Name: **Hampton Villages**

City: **Pampa**

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

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 3

Projects not reported Yes
in application No

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer M. Tynan

Reviewer D. Burrell

Date 5/18/2007

Date 5/17/2007

Date 5/21/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 5/23/2007

Date 5/18/2007

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Pinnacle of Pleasant Humble, TDHCA Number 07141

BASIC DEVELOPMENT INFORMATION

Site Address: 1200 Blk of 1st Ave. E Development #: 07141
 City: Humble Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77338 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Pinnacle of Pleasant Humble, L.P.
 Owner Contact and Phone: Kenneth W. Fambro (817) 742-1851
 Developer: RES IHS, LLC
 Housing General Contractor: Integrated Construction and Development
 Architect: Architettura-Inc.
 Market Analyst: O' Conner & Associates
 Syndicator: Red Capital Markets, Inc.
 Supportive Services: Comunidad Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	147
	16 0 36 95	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 61 92 0 0 0	Total Development Units:	153
Type of Building:		Total Development Cost*:	\$14,750,000
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	8
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Pinnacle of Pleasant Humble, TDHCA Number 07141

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Whitmire, District 15, NC Points: 0 US Representative: Poe, District 2, NC
TX Representative: Thompson, District 141, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Humble Area Association Neighborhood Organization, Aaron Jelin Letter Score: 24 S or O: S

The development will provide quality affordable housing for the elderly population of Humble. The development fits within the community and will hopefully create value to surrounding area. This development is supported by the City and has received a resolution of support.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from an elected official and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, before cost certification of evidence that all Phase I ESA recommendations have been carried out, including recommendations with regard to disposal of containers of potentially hazardous material, and further testing of any potential contaminants related to past oil & gas exploration which are uncovered during development.

Receipt, review, and acceptance, before carryover, of documentation identifying any possible impact on the development from the pipeline easement, ingress/egress easement, and sulfur lease listed in Schedule B of the Title Commitment.

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

Receipt of a commitment of funding from the Harris County Housing Finance Corporation in the amount of \$737,500, or a commitment from a qualifying substitute source in an amount not less than \$737,500, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Pinnacle of Pleasant Humble, TDHCA Number 07141

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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/17/07 PROGRAM: 9% HTC FILE NUMBER: 07141

DEVELOPMENT																					
Pinnacle of Pleasant Humble																					
Location: <u>1200 block of 1st Ave East</u>				Region: <u>6</u>																	
City: <u>Humble</u>		County: <u>Harris</u>		Zip: <u>77338</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA															
Key Attributes: <u>Multifamily, Elderly, New Construction, Urban/Exurban</u>																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000																	
CONDITIONS																					
<p>1 Receipt, review, and acceptance, before cost certification of evidence that all Phase I ESA recommendations have been carried out, including recommendations with regard to disposal of containers of potentially hazardous material, and further testing of any potential contaminants related to past oil & gas exploration which are uncovered during development.</p> <p>2 Receipt, review, and acceptance, before carryover, of documentation identifying any possible impact on the development from the pipeline easement, ingress/egress easement, and sulfur lease listed in Schedule B of the Title Commitment.</p> <p>3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p>																					
SALIENT ISSUES																					
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">16</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">36</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">95</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	16	50% of AMI	50% of AMI	36	60% of AMI	60% of AMI	95
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	16																			
50% of AMI	50% of AMI	36																			
60% of AMI	60% of AMI	95																			
PROS			CONS																		
			<p>The market study for a higher scoring development in the same market as the subject suggests that there is sufficient demand for only one of the two developments.</p> <p>The market for 2 bedroom units at 50% and 60% AMI appears to be saturated with unit capture rates of over 125%.</p>																		

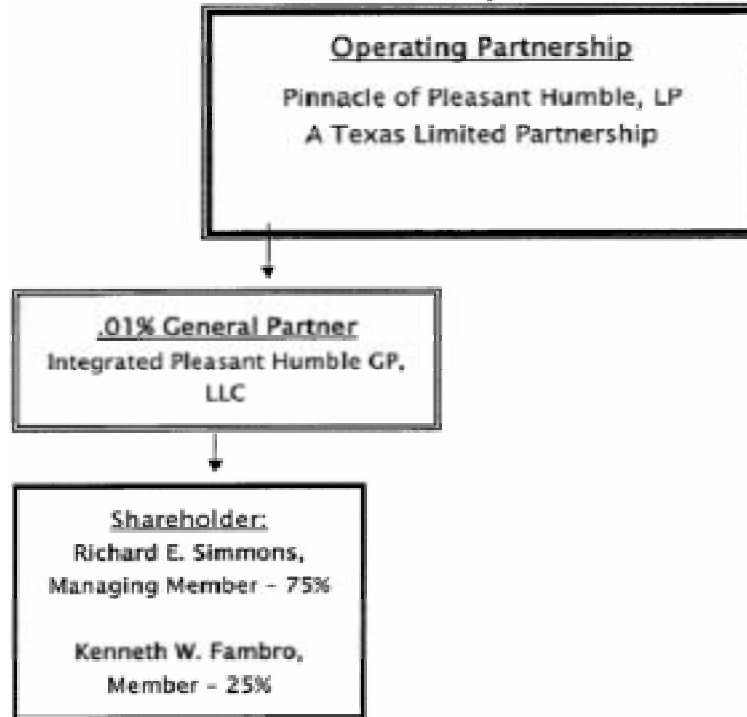
The Applicant's high expense to income ratio while only slightly less than the maximum guideline, reflects extensive deep rent targeting, but is still considered to be acceptable.

PREVIOUS UNDERWRITING REPORTS

This development was the subject of application # 060136 in the 2006 9% tax credit cycle, but did not score high enough to receive consideration.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Kenneth Fambro Phone: (817) 742-1851 Fax: (817) 742-1852
 Email: kfambro@integratedreg.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Richard E. Simmons	confidential		8 complete development
Kenneth W. Fambro II	confidential		1 complete development

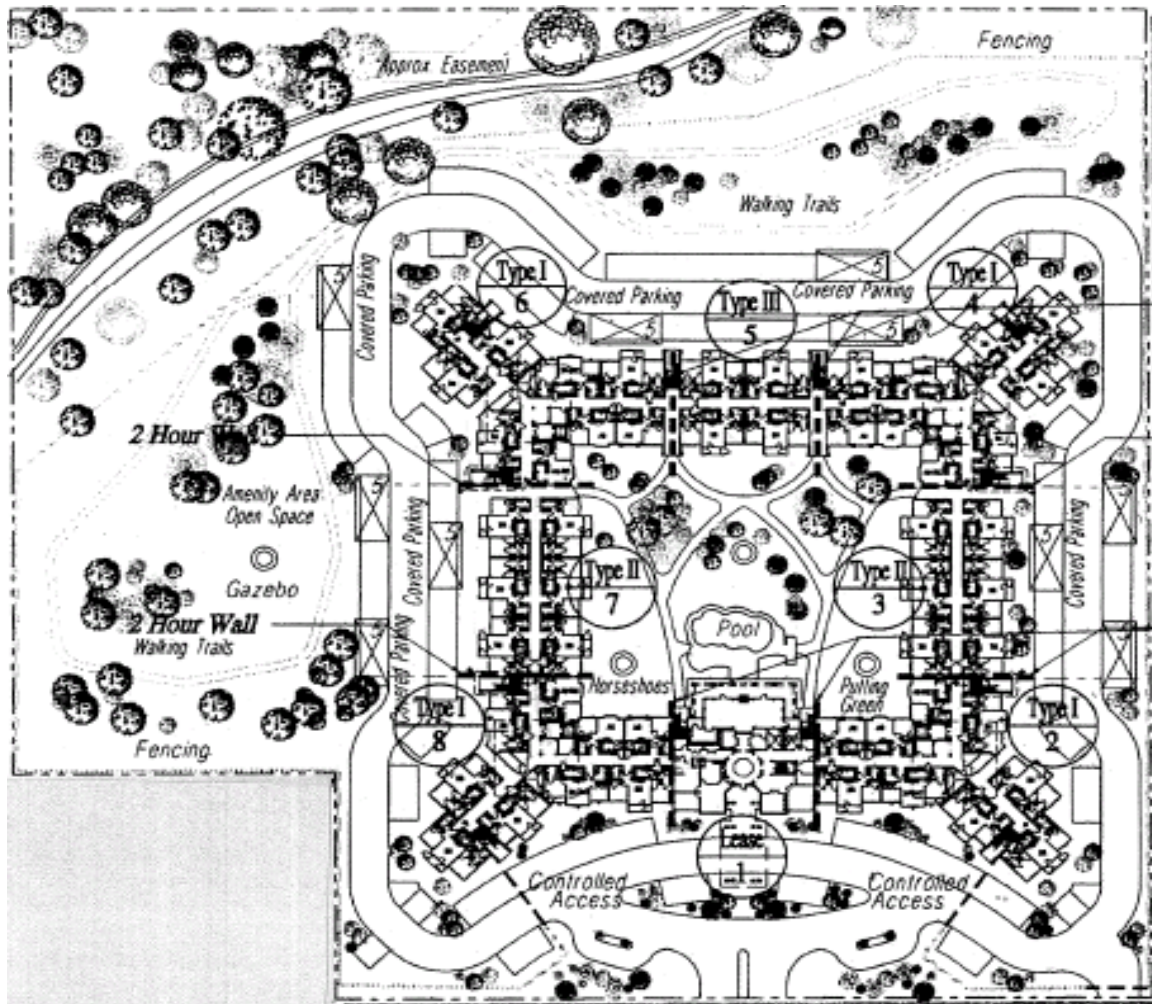
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	CH							Total Buildings
Floors/Stories	3	3	3								
Number	4	2	1	1							8

BR/BA	SF	Units									Total Units	Total SF
1/1	700	15			1						61	42,700
2/2	940	11	18	12							92	86,480
Units per Building		26	18	12	1						153	129,180

Comments:

The project includes one one-bedroom unit in the community building. This unit could be designated as a tax credit unit or a market rent unit.

This section intentionally left blank.

SITE ISSUES					
Total Size:	<u>10.22 acres</u>	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>N/A</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
Comments:					
<p>The application initially indicated the development site acreage would be 6.7 acres out of a total acquisition of 10.22 acres. The Applicant subsequently submitted a site plan which encompasses the entire 10.22 acre tract. All proposed improvements are contained within a roughly square area of approximately 6.7 acres. The remainder of the tract consists of green space, including a creek, along the north and west sides of the tract. It should be noted that as part of this application, the entire 10.22 acre tract must remain part of the development, subject to restrictions for the duration of the associated Land Use Restriction Agreement.</p>					
TDHCA SITE INSPECTION					
Inspector: <u>Manufactured Housing Staff</u>			Date: <u>5/1/2007</u>		
Overall Assessment:					
<input type="checkbox"/> Excellent <input checked="" type="checkbox"/> Acceptable <input type="checkbox"/> Questionable <input type="checkbox"/> Poor <input type="checkbox"/> Unacceptable					
Surrounding Uses:					
North: <u>vacant property, industrial buildings</u>		East: <u>restaurant, single family residential</u>			
South: <u>post office, school</u>		West: <u>pawn shop, commercial</u>			
HIGHLIGHTS of ENVIRONMENTAL REPORTS					
Provider: <u>Professional Service Industries, Inc.</u>			Date: <u>3/29/2007</u>		
Recognized Environmental Concerns (RECs) and Other Concerns:					
<p>"The historical information developed and reviewed for the subject property revealed evidence of recognized environmental conditions ... Aerial photographs were reviewed ... the 1957 and 1962 photographs indicate the presence of a water or drilling fluids pit. The 1986 photograph depicts the presence of a structure on the subject property. The historical review indicated there may have been oil or gas wells on the subject property ... Because of the likelihood of historic oil and gas exploration ... there is the possibility of environmental issues that could be observed during development ... If observations of oil and gas exploration contaminants are observed during development, PSI recommends that sampling of such potential contaminants be conducted to determine if hazardous materials are present." (pp. 4,13, 19)</p>					
<p>"The Phase I ESA revealed on-site conditions of containers of lamp oil and other hazardous materials ... recommendations included disposal of such containers in accordance with local and TCEQ regulations." (p. 13)</p>					
Comments:					
<p>Receipt, review, and acceptance, before carryover, that all Phase I ESA recommendations regarding the monitoring for and disposition of potential oil and gas exploration contaminants and lamp oil. etc. have been carried out, will be a condition of this report.</p>					

This section intentionally left blank.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/8/2007
 Contact: Daniel C. Hollander Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 2 Date of Last Applicant Revision: 7/16/2007

Primary Market Area (PMA): 283 square miles ¹ 9.5 mile radius

"For the purposes of this report, the subject's primary market area includes the city of Humble and parts of Huffman, Kingwood, Crosby, and Houston. This geographic area essentially is contained within the following zip codes 77044, 77336, 77338, 77339, 77345, 77346, 77396, and 77532 ... The PMA contains a population of 202,304 persons as of 2006 ... because the subject is a Seniors project, it is allowable to exceed the 100,000 population TDHCA guideline. Because of the limited number of existing Seniors HTC complexes in the Houston area, and the extensive transportation network, which allows for a larger drawing area for a Seniors project, it is considered appropriate to exceed the 100,000 population guideline" (p.10) ... Based on our research, there is one (additional) senior affordable housing project (the Wentworth Apartments with 90 units, 100% rent restricted) that has been submitted for tax credit financing ... There is one affordable senior housing project under construction (Knightsbridge with 120 units, 100% rent restricted), and no affordable senior housing projects currently approved for construction in the PMA.

One HTC senior complex, Kingwood Senior Village, is located approximately 4.6 radial miles north of the subject site, with 193 total units, 192 being rent restricted. The Underwriter believes that Kingwood Senior Village is located within the boundaries of the original PMA, and should have been included in the (Analyst's) capture rate calculations. Humble Memorial Gardens is a Senior HTC project, located approximately 1.25 radial miles west of the subject. It was reported that Humble Memorial Gardens opened in early 2005 and has a current overall occupancy of 99%. (p. 87)

However, in addition to crossing Lake Houston and including half of the PMA on the east side of the lake, the PMA originally defined by the Analyst was quite large (with a population over 200,000). Moreover, another proposed senior development, the Wentworth Apartments (#07300), is located a few miles east of the subject. A different market analyst who did the study for that development derived a much smaller market area that did not cross the lake to the east or the river to the north. It should be noted that the Wentworth Apartments application has a higher priority. The conclusions of the market analysis for Wentworth Apartments indicated there was insufficient demand to support two new senior developments in the area. On request from the Underwriter, the Market Analyst for the subject provided a revised PMA, and based upon the Underwriter's suggestion excluded the areas east and north of the lake. The analysis of both the original and revised market areas are reflected below.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Wentworth Apartments	07300	90	90	0	0	0	0
Knightsbridge	060225	120	120	0	0	0	0
Kingwood Senior Village	05222	192	192	0	0	0	0

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	102	18	0	120	10	0	8%
1BR / 50%	148	32	0	180	10	105	64%
1BR / 60%	169	42	0	211	39	0	19%
2 BR / 30%	14	2	0	16	6	0	38%
2BR / 50%	54	12	0	66	26	105	199%
2BR / 60%	58	12	0	70	56	0	128%

OVERALL DEMAND

	Target Households	Household Size	Income Eligible	Tenure	Demand
ORIGINAL PMA DEMAND from TURNOVER					
Market Analyst p. 74	25% 13,852	67% 9,303	100% 9,303	9% 859	65% 558
Underwriter	18% 18,268	100% 18,268	14% 2,613	62% 1,630	46% 755
ORIGINAL PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 74		67% 2,107	25% 531	9% 49	100% 49
Underwriter		100% 481	14% 69	62% 43	100% 43
DEMAND from OTHER SOURCES					
Market Analyst p. 74					188
Underwriter					0

ORIGINAL PMA INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 75	147	210	0	357	795	45%
Underwriter	147	402	0	549	798	69%

	Target Households	Household Size	Income Eligible	Tenure	Demand
REVISED PMA DEMAND from TURNOVER					
Market Analyst p. 74r	23% 8,647	100% 8,647	100% 8,647	11% 915	46% 421
Underwriter	15% 9,196	100% 9,196	16% 1,510	62% 942	46% 433
REVISED PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 74r		23% 555	100% 555	11% 59	100% 59
Underwriter		100% 631	16% 104	62% 65	100% 65
DEMAND from OTHER SOURCES					
Market Analyst p. 74r					103
Underwriter					13

REVISED PMA INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 75r	147	210	0	357	583	61%
Underwriter	147	210	0	357	511	70%

Inclusive Capture Rate Rates:

Based on the original PMA, the Analyst understates population by unnecessarily restricting the number of total households. The Analyst overstates turnover based on the IREM turnover rate of 65% for multifamily housing in Houston, and calculates an inclusive capture rate of 45%. The unstabilized comparable supply used by the Analyst included Wentworth and Knightsbridge, a senior development under construction located in the PMA. If the Analyst had included the third project, Kingwood Senior Village, their inclusive capture rate would have increased to 69% but they excluded Kingwood stating that it is outside the PMA.

The IREM turnover rate unquestionably overstates turnover for elderly households because it includes nonelderly households such as students and higher income households. The Underwriter has looked to the TDHCA database for more localized turnover information. The available data indicates the average turnover rate for all stabilized HTC developments in the vicinity to be 46%. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households. Since there are no stabilized senior developments operating in the vicinity of the PMA, it is difficult to obtain specific information to reflect the senior market in the area. The Underwriter therefore applied the overall average turnover rate of 46%.

The Underwriter also included Kingwood Senior Village in the supply because TDHCA data indicates that it is located inside the original PMA. The Analyst also included demand from Section 8 housing choice vouchers. The Underwriter did not consider Section 8 demand as it was not necessary to meet the capture rate guidelines. Based on the original PMA, the underwriting analysis calculates an inclusive capture rate of 67%.

The capture rates determined by both the Analyst and the Underwriter are within Department guidelines. However, due to the concerns about the PMA as discussed above, the Analyst submitted a revised PMA excluding the areas east and north of Lake Houston. The revised market area has an overall population of approximately 116,000. Wentworth and Knightsbridge are located within this area. Since Kingwood Senior Village is located north of the lake it is not a factor in the revised calculations. Based on the revised market area, the Analyst determined an inclusive capture rate of 61%; underwriting analysis concludes an inclusive capture rate of 70%, both of which are acceptable.

Primary Market Occupancy Rates:

"According to the 4th quarter 2006 O'Connor & Associates program, there were 64 projects in the primary market area, which contained a total of 11,541 units. The overall occupancy rate for the projects in this primary market area was reported to be 88.65%. Occupancy rates for Class B projects was the lowest of the four Classes at 86.42% ... occupancy rates and rental rates have remained strong over the past 14 quarters, with gradual increases in both categories. Rents in the area have been strengthened by the moderate level of new construction over the past several years. However, overall occupancy has trended down from reporting period. Overall, supply and demand are generally in balance." (pp. 39, 41)

"The majority of the apartment facilities in the subject's primary market are older, less appealing projects. It is our opinion that rental rates will show moderate increases over the next few years. With continued demand and negligible new construction, the supply of available apartment product is declining. This trend is expected to continue, which is likely to result in occupancies remaining high in the area. Although rents are slowly increasing, there are limited indications of external obsolescence in the market ..."

"Due to the overall lack of recently-constructed affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area. The newer projects in the primary market area report notably higher occupancy levels, along with higher rents. With average rental rates in the subject's submarket at \$0.843 psf, and occupancy rates averaging 88.65% overall, it is reasonable to project that a newly constructed affordable housing project with competitive amenities and an average rent of \$0.74 psf per month, such as the subject property, would perform favorably in this market." (p. 48)

Absorption Projections:

"Absorption in the subject's PMA over the past fourteen quarters ending December 2006 totals a negative 106 units. Absorption has ranged from negative 120 units to positive 437 units. Absorption over the past three years has averaged +/- 124 units per quarter, with the greatest amount of absorption taking place in the Class B Properties." (p. 41) "Considering the absorption history of similar properties and the available quality affordable units in this market, we project that the subject property will lease an average of 10-20 units per month until achieving stabilized occupancy ... within 6-12 months following completion." (p. 89)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 700 SF 30%	\$251	\$251	\$730	\$251	\$479		
1 BR 700 SF 50%	\$479	\$479	\$730	\$479	\$251		
1 BR 700 SF 60%	\$594	\$594	\$730	\$594	\$136		
1 BR 700 SF MR	\$720		\$730	\$720	\$10		
2 BR 940 SF 30%	\$303	\$303	\$920	\$303	\$617		
2 BR 940 SF 50%	\$578	\$578	\$920	\$578	\$342		
2 BR 940 SF 60%	\$714	\$715	\$920	\$715	\$205		
2 BR 940 SF MR	\$863		\$920	\$863	\$57		

Market Impact:

"Based on the 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 on the existing apartment market. Any negative impact ... should be of reasonable scope and limited duration." (p. 89)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the IAH/Lake Houston submarket within the Houston MSA. This submarket contains more than double the population of the subject PMA, and is three times the size in area. The subject PMA is similar in size to the Lake Houston submarket, but oriented more to the southeast (where there are less developments). In this submarket, the Vogt, Williams study determines total one year growth-based demand for 11 units from senior households below 30% AMI, and negative demand (-210 units) from senior households between 51-60% AMI. The Market Analyst for the subject application did not address the Vogt, Williams, Bowen study.

Comments:

By defining a large PMA, the Market Analyst was able to identify sufficient demand to support the subject property (Pinnacle) as well as another proposed development, Wentworth Apartments (07300) located less than 4 miles away. Conversely, the Analyst for Wentworth defined a much smaller PMA and did not consider Pinnacle in calculating the capture rate because Wentworth had a higher application score. Including Pinnacle in the supply for the capture rate for Wentworth leads to the conclusion that the demand is insufficient to support both developments. Wentworth has been recommended based on its higher priority and a market analysis indicating sufficient demand for one new development.

The subject application highlights the potential conflict and inconsistency in the Department's market analysis guidelines. Two applications located several miles apart have submitted market analyses from different providers with different conclusions. The analysis for the higher priority application is based on a very reasonable and defensible market area, and concludes that demand is sufficient for only one new development. The Underwriter determined that the original PMA defined for the lower priority application was not as defensible in comparison to the market area of the first application. By revising the market area to be more geographically reasonable, however, the Market Analyst was able to demonstrate sufficient demand to support both proposed developments and the Underwriter concurs with this finding based upon the numerical analysis.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected income is based on the maximum tax credit program rents for Harris County, adjusted for utility allowances dated April 2007 provided by the Harris County Housing Authority. For the six market rate units, the Applicant has projected rents higher than the 60% tax credit rent but slightly lower than the market rent reported by the Market Analyst.

The Applicant has included secondary income of \$10.26 per unit per month from vending, late fees, and deposits. The Applicant has also included income from the rental of 50 garages at \$50 per month each, but did not provide any documentation to support the likelihood that this income can be achieved. The Underwriter has therefore included a total of \$15 per unit per month, the maximum of the underwriting guideline range for secondary income. The Applicant's vacancy and collection loss assumption at 7.5% is acceptable under current underwriting guidelines. Despite the difference in secondary income assumptions, the Applicant's projected effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/9/2007

The Applicant's projection for total annual operating expenses, at \$4,496 per unit, is not within 5% of the Underwriter's estimate of \$4,163. Specific line items with significant variances include: payroll & payroll tax (the Applicant's projection is \$25K higher than the Underwriter's estimate); utilities (the Applicant's projection is \$14K lower); and property tax (the Applicant's projection is \$32K higher).

Conclusion:

The Applicant's projections for total annual operating expenses and net operating income (NOI) each differ from the Underwriter's estimates by more than 5%; the Underwriter's figures will therefore be used to determine debt capacity. The Underwriter's projected NOI and debt service provide a first year debt coverage ratio of 1.34, within the acceptable range of 1.15 to 1.35.

Feasibility:

The Applicant's expense to income ratio is marginally below the Department's 65% maximum while the Underwriter's estimate is slightly lower. A minor increase in Applicant's expenses would suggest that this development would not meet the expense to income standard and would not be predicted to sustain future periods of expense growth with flat rents. Nonetheless, the Underwriter's estimates are used in this case and are within the Department's tolerance standards; the development can therefore be characterized as feasible.

The Underwriter's projected NOI and debt service are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow providing a debt coverage ratio that remains above 1.15; the development can therefore be considered financially feasible.

ACQUISITION INFORMATION			
ASSESSED VALUE			
Land Only: 10.228 acres	<u>\$488,386</u>	Tax Year:	<u>2007</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Harris County CAD</u>
Total Assessed Value:	<u>\$488,386</u>	Tax Rate:	<u>2.60182</u>
EVIDENCE of PROPERTY CONTROL			
Type: <u>Commercial Contract -- Unimproved Property</u>	Acreage: <u>10.23</u>		
Contract Expiration: <u>8/15/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Acquisition Cost: <u>\$1,336,000</u>	Other: _____		
Seller: <u>MBS Joint Venture</u>	Related to Development Team?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
TITLE			
<p>Comments:</p> <p>Schedule B of the Title Commitment lists: 10.b) a pipeline right-of-way and easement over and across the subject tract, 10.c) An ingress and egress easement, and 10.h) Subject to Sulfur Lease in favor of Walter Thomas. Receipt, review, and acceptance, before carryover, of documentation identifying any possible impact these items may have on the development, and that any necessary corrective action has been completed, will be a condition of this report.</p>			
CONSTRUCTION COST ESTIMATE EVALUATION			
<p><i>COST SCHEDULE</i> Number of Revisions: <u>0</u> Date of Last Applicant Revision: <u>N/A</u></p> <p>Acquisition Value: The acquisition cost of \$1,336,000, or \$131K per acre, is assumed to be reasonable as the purchase is an arm's length transaction.</p> <p>Direct Construction Cost: The Applicant indicated \$262,500 in construction cost for 50 garages, but correctly excluded this amount from eligible direct costs. The Underwriter's estimate of \$198K for garage construction was also excluded from eligible cost. The Applicant's projected direct construction costs of \$7 million is 8% lower than the Underwriter's estimate of \$7.7 million.</p> <p>Conclusion: The Applicant's projection for total development cost is within 5% of the Underwriter's estimate; the Applicant's projection will therefore be used to calculate eligible basis and determine the need for permanent financing. The eligible basis indicated in the application is incorrect due to an arithmetic error. The correct calculated eligible basis of \$12,322,932 is increased by 30% because Harris County has been designated a Difficult Development Area. This is then reduced by 4% because 6 units of the total 153 units will not be subject to rent restrictions. (The Applicant used an Applicable Fraction of 100% rather than 96%, neglecting to exclude the market rent units from eligible basis.) The adjusted basis of \$15,379,911 supports a tax credit allocation of \$1,314,982 annually; however, the allocation to any development is limited to \$1,200,000. This amount will be compared to the Applicant's requested allocation, as well as the credit amount determined by the gap in financing, to determine any recommended allocation.</p>			

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Red Capital Markets Type: Interim to Permanent Financing

Interim: \$6,000,000 Interest Rate: 7.82% Fixed Term: 24 months

Permanent: \$3,500,000 Interest Rate: 8.00% Fixed Amort: 360 months

Source: Harris County HFC Type: Interim Financing

Principal: \$737,500 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

Applied for; Applicant has anticipated terms of floating rate at AFR, balloon payment at 12 months; requested amount adjusted up from \$650,000.

Source: Comunidad Corporation Type: Interim Financing

Principal: \$300,000 Interest Rate: Fixed Term: 9 months

Comments:

Floating interest rate at Prime rate + 1%.

Source: Red Capital Markets Type: Syndication

Proceeds: \$10,798,920 Syndication Rate: 90% Anticipated HTC: \$ 1,200,000

Comments:

The syndication price is at the low end of current market prices and an increase in rate of just over \$0.04 could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$451,080 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,500,000 indicates the need for \$11,250,000 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,250,125 annually would be required to fill this gap in financing. The Applicant requested an annual allocation of \$1,200,000, which is the maximum permitted. This amount is recommended as the other two possibilities, the amount determined by eligible basis and the amount determined by the gap in financing, both exceed the maximum. An allocation of \$1,200,000 annually for ten years results in proceeds of \$10,798,920 at a syndication rate of 90%. The anticipated deferred developer's fees of \$451,080 appears to be repayable within five years of stabilized operations.

Underwriter: _____ Date: July 17, 2007
Thomas Cavanagh

Reviewing Underwriter: _____ Date: July 17, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 17, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Pinnacle of Pleasant Humble, Humble, 9% HTC #07141

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	10	1	1	700	\$343	\$251	\$2,510	\$0.36	\$92.00	\$41.31
TC 50%	10	1	1	700	\$571	479	4,790	0.68	92.00	41.31
TC 60%	39	1	1	700	\$686	594	23,166	0.85	92.00	41.31
MR	2	1	1	700		720	1,440	1.03	92.00	41.31
TC 30%	6	2	2	940	\$411	303	1,818	0.32	108.00	41.31
TC 50%	26	2	2	940	\$686	578	15,028	0.61	108.00	41.31
TC 60%	56	2	2	940	\$823	715	40,040	0.76	108.00	41.31
MR	4	2	2	940		863	3,452	0.92	108.00	41.31
TOTAL:	153		AVERAGE:	844		\$603	\$92,244	\$0.71	\$101.62	\$41.31

INCOME Total Net Rentable Sq Ft: **129,180**

POTENTIAL GROSS RENT

2nd Income: vending, late fees, dep's, etc Per Unit Per Month: \$15.00

Other Income: 50 garages @ \$50

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

	TDHCA	APPLICANT
	\$1,106,928	\$1,106,256
	27,540	18,840
	0	30,000
	\$1,134,468	\$1,155,096
	(85,085)	(86,628)
	0	0
	\$1,049,383	\$1,068,468

COUNTY	IREM REGION	COMPT. REGION
Harris	Houston	6
\$10.26	Per Unit Per Month	
\$16.34	Per Unit Per Month	
-7.50%	of Potential Gross Income	

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.59%	\$383	0.45
Management	4.32%	296	0.35
Payroll & Payroll Tax	13.58%	931	1.10
Repairs & Maintenance	7.35%	504	0.60
Utilities	4.16%	285	0.34
Water, Sewer, & Trash	4.67%	321	0.38
Property Insurance	3.85%	264	0.31
Property Tax 2.60182	11.38%	781	0.92
Reserve for Replacements	3.64%	250	0.30
TDHCA Compliance Fees	0.56%	38	0.05
Other: sup srvc & security	1.60%	110	0.13
TOTAL EXPENSES	60.70%	\$4,163	\$4.93
NET OPERATING INC	39.30%	\$2,696	\$3.19

	TDHCA	APPLICANT
	\$58,618	\$59,000
	45,327	54,487
	142,492	167,703
	77,105	68,120
	43,627	29,236
	49,046	50,760
	40,393	46,315
	119,424	151,290
	38,250	38,250
	5,880	5,880
	16,780	16,780
	\$636,943	\$687,821
	\$412,440	\$380,647

PER SQ FT	PER UNIT	% OF EGI
\$0.46	\$386	5.52%
0.42	356	5.10%
1.30	1,096	15.70%
0.53	445	6.38%
0.23	191	2.74%
0.39	332	4.75%
0.36	303	4.33%
1.17	989	14.16%
0.30	250	3.58%
0.05	38	0.55%
0.13	110	1.57%
\$5.32	\$4,496	64.37%
\$2.95	\$2,488	35.63%

DEBT SERVICE

Red Capital Markets	29.37%	\$2,014	\$2.39
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	9.94%	\$681	\$0.81

	\$308,181	\$308,181
	0	0
	0	0
	\$104,259	\$72,466
	1.34	1.24
	1.34	

\$2.39	\$2,014	28.84%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.56	\$474	6.78%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.76%	\$8,732	\$10.34
Off-Sites		0.00%	0	0.00
Sitework		7.52%	7,500	8.88
Direct Construction		50.34%	50,203	59.46
Contingency	4.64%	2.69%	2,679	3.17
Contractor's Fees	13.00%	7.52%	7,502	8.88
Indirect Construction		3.84%	3,834	4.54
Ineligible Costs		4.06%	4,048	4.79
Developer's Fees	14.11%	10.50%	10,471	12.40
Interim Financing		2.48%	2,474	2.93
Reserves		2.29%	2,288	2.71
TOTAL COST		100.00%	\$99,731	\$118.12

	TDHCA	APPLICANT
	\$1,336,000	\$1,336,000
	0	0
	1,147,500	1,147,500
	7,681,091	7,050,590
	409,905	409,905
	1,147,732	1,147,732
	586,596	586,596
	619,393	741,068
	1,602,024	1,602,024
	378,585	378,585
	350,000	350,000
	\$15,258,826	\$14,750,000

PER SQ FT	PER UNIT	% of TOTAL
\$10.34	\$8,732	9.06%
0.00	0	0.00%
8.88	7,500	7.78%
54.58	46,082	47.80%
3.17	2,679	2.78%
8.88	7,502	7.78%
4.54	3,834	3.98%
5.74	4,844	5.02%
12.40	10,471	10.86%
2.93	2,474	2.57%
2.71	2,288	2.37%
\$114.18	\$96,405	100.00%

Construction Cost Recap 68.07% \$67,884 \$80.40 \$10,386,228 \$9,755,727 \$75.52 \$63,763 66.14%

SOURCES OF FUNDS

Red Capital Markets	22.94%	\$22,876	\$27.09
Additional Financing	0.00%	\$0	\$0.00
HTC: Red Capital Markets	70.77%	\$70,581	\$83.60
Deferred Developer Fees	2.96%	\$2,948	\$3.49
Additional (Excess) Funds Req'd	3.33%	\$3,326	\$3.94
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$3,500,000	\$3,500,000	\$3,500,000
	0	0	0
	10,798,920	10,798,920	10,798,920
	451,080	451,080	451,080
	508,826	0	0
	\$15,258,826	\$14,750,000	\$14,750,000

Developer Fee Available \$1,602,024

% of Dev. Fee Deferred 28%

15-Yr Cumulative Cash Flow \$2,174,141

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Pinnacle of Pleasant Humble, Humble, 9% HTC #07141

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.17	\$7,590,271
Adjustments				
Exterior Wall Finish	4.80%		\$2.65	\$342,069
Elderly	3.00%		1.65	213,793
9-Ft. Ceilings	3.60%		1.99	256,551
Elevators	\$43,500	5	1.68	217,500
Subfloor			(0.82)	(106,358)
Floor Cover			2.43	313,907
Breezeways/Balconies	\$22.15	34,152	5.86	756,467
Plumbing Fixtures	\$805	276	1.72	222,180
Rough-ins	\$400	306	0.95	122,400
Built-In Appliances	\$1,850	153	2.19	283,050
Exterior Stairs	\$1,800	24	0.33	43,200
Hurricane Wind Adj	\$0.94	129,180	0.94	121,429
Heating/Cooling			1.90	245,442
Garages	\$19.88	10,000	1.54	198,780
Comm &/or Aux Bldgs	\$59.76	7,700	3.56	460,152
Other: fire sprinkler	\$1.95	129,180	1.95	251,901
SUBTOTAL			85.69	11,068,893
Current Cost Multiplier	0.98		(1.71)	(221,378)
Local Multiplier	0.89		(9.43)	(1,217,578)
TOTAL DIRECT CONSTRUCTION COSTS			\$74.55	\$9,629,937
Plans, specs, survy, bld prm	3.90%		(\$2.91)	(\$375,568)
Interim Construction Interes	3.38%		(2.52)	(325,010)
Contractor's OH & Profit	11.50%		(8.57)	(1,107,443)
NET DIRECT CONSTRUCTION COSTS			\$60.55	\$7,821,916

PAYMENT COMPUTATION

Primary	\$3,500,000	Amort	360
Int Rate	8.00%	DCR	1.34

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.34

Additional	\$10,798,920	Amort	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$308,181
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$104,259

Primary	\$3,500,000	Amort	360
Int Rate	8.00%	DCR	1.34

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.34

Additional	\$10,798,920	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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	\$1,106,928	\$1,140,136	\$1,174,340	\$1,209,570	\$1,245,857	\$1,444,290	\$1,674,328	\$1,941,005	\$2,608,548
Secondary Income	27,540	28,366	29,217	30,094	30,997	35,933	41,657	48,292	64,900
Other Income: 50 garages @ \$t	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,134,468	1,168,502	1,203,557	1,239,664	1,276,854	1,480,223	1,715,985	1,989,297	2,673,448
Vacancy & Collection Loss	(85,085)	(87,638)	(90,267)	(92,975)	(95,764)	(111,017)	(128,699)	(149,197)	(200,509)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,049,383	\$1,080,864	\$1,113,290	\$1,146,689	\$1,181,090	\$1,369,207	\$1,587,286	\$1,840,099	\$2,472,940
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$58,618	\$60,963	\$63,402	\$65,938	\$68,575	\$83,432	\$101,508	\$123,500	\$182,810
Management	45,327	46,687	48,088	49,530	51,016	59,142	68,561	79,481	106,816
Payroll & Payroll Tax	142,492	148,192	154,120	160,284	166,696	202,811	246,750	300,210	444,383
Repairs & Maintenance	77,105	80,189	83,397	86,733	90,202	109,745	133,521	162,449	240,465
Utilities	43,627	45,372	47,187	49,074	51,037	62,095	75,548	91,915	136,057
Water, Sewer & Trash	49,046	51,008	53,049	55,170	57,377	69,808	84,932	103,333	152,959
Insurance	40,393	42,009	43,689	45,437	47,254	57,492	69,947	85,102	125,971
Property Tax	119,424	124,200	129,168	134,335	139,709	169,977	206,803	251,607	372,440
Reserve for Replacements	38,250	39,780	41,371	43,026	44,747	54,442	66,237	80,587	119,288
Other	22,660	23,566	24,509	25,489	26,509	32,252	39,240	47,741	70,669
TOTAL EXPENSES	\$636,943	\$661,967	\$687,979	\$715,017	\$743,123	\$901,195	\$1,093,048	\$1,325,926	\$1,951,859
NET OPERATING INCOME	\$412,440	\$418,897	\$425,311	\$431,672	\$437,967	\$468,012	\$494,238	\$514,173	\$521,080
DEBT SERVICE									
First Lien Financing	\$308,181	\$308,181	\$308,181	\$308,181	\$308,181	\$308,181	\$308,181	\$308,181	\$308,181
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	\$104,259	\$110,716	\$117,130	\$123,491	\$129,786	\$159,830	\$186,057	\$205,992	\$212,899
DEBT COVERAGE RATIO	1.34	1.36	1.38	1.40	1.42	1.52	1.60	1.67	1.69

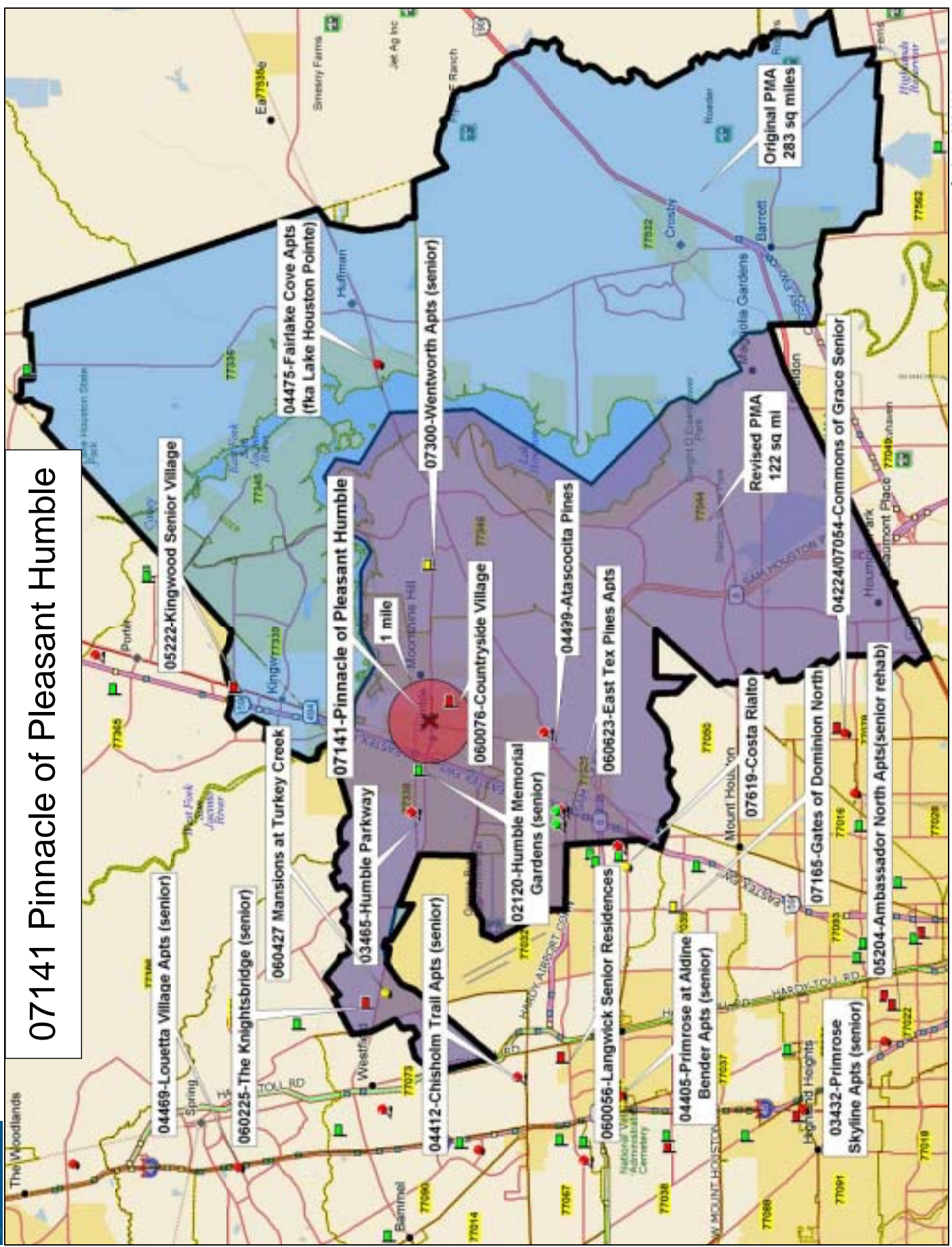
HTC ALLOCATION ANALYSIS -Pinnacle of Pleasant Humble, Humble, 9% HTC #07141

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,336,000	\$1,336,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,147,500	\$1,147,500	\$1,147,500	\$1,147,500
Construction Hard Costs	\$7,050,590	\$7,681,091	\$7,050,590	\$7,681,091
Contractor Fees	\$1,147,732	\$1,147,732	\$1,147,732	\$1,147,732
Contingencies	\$409,905	\$409,905	\$409,905	\$409,905
Eligible Indirect Fees	\$586,596	\$586,596	\$586,596	\$586,596
Eligible Financing Fees	\$378,585	\$378,585	\$378,585	\$378,585
All Ineligible Costs	\$741,068	\$619,393		
Developer Fees				
Developer Fees	\$1,602,024	\$1,602,024	\$1,602,024	\$1,602,024
Development Reserves	\$350,000	\$350,000		
TOTAL DEVELOPMENT COSTS	\$14,750,000	\$15,258,826	\$12,322,932	\$12,953,433

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,322,932	\$12,953,433
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$16,019,811	\$16,839,464
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$15,379,911	\$16,166,824
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,314,982	\$1,382,263

Syndication Proceeds	0.8999	\$11,833,658	\$12,439,127
Total Tax Credits (Eligible Basis Method)		\$1,314,982	\$1,382,263
Syndication Proceeds		\$11,833,658	\$12,439,127
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,798,920	
Gap of Syndication Proceeds Needed		\$11,250,000	
Total Tax Credits (Gap Method)		\$1,250,125	

07141 Pinnacle of Pleasant Humble



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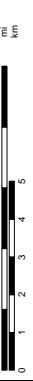
www.delorme.com

TN



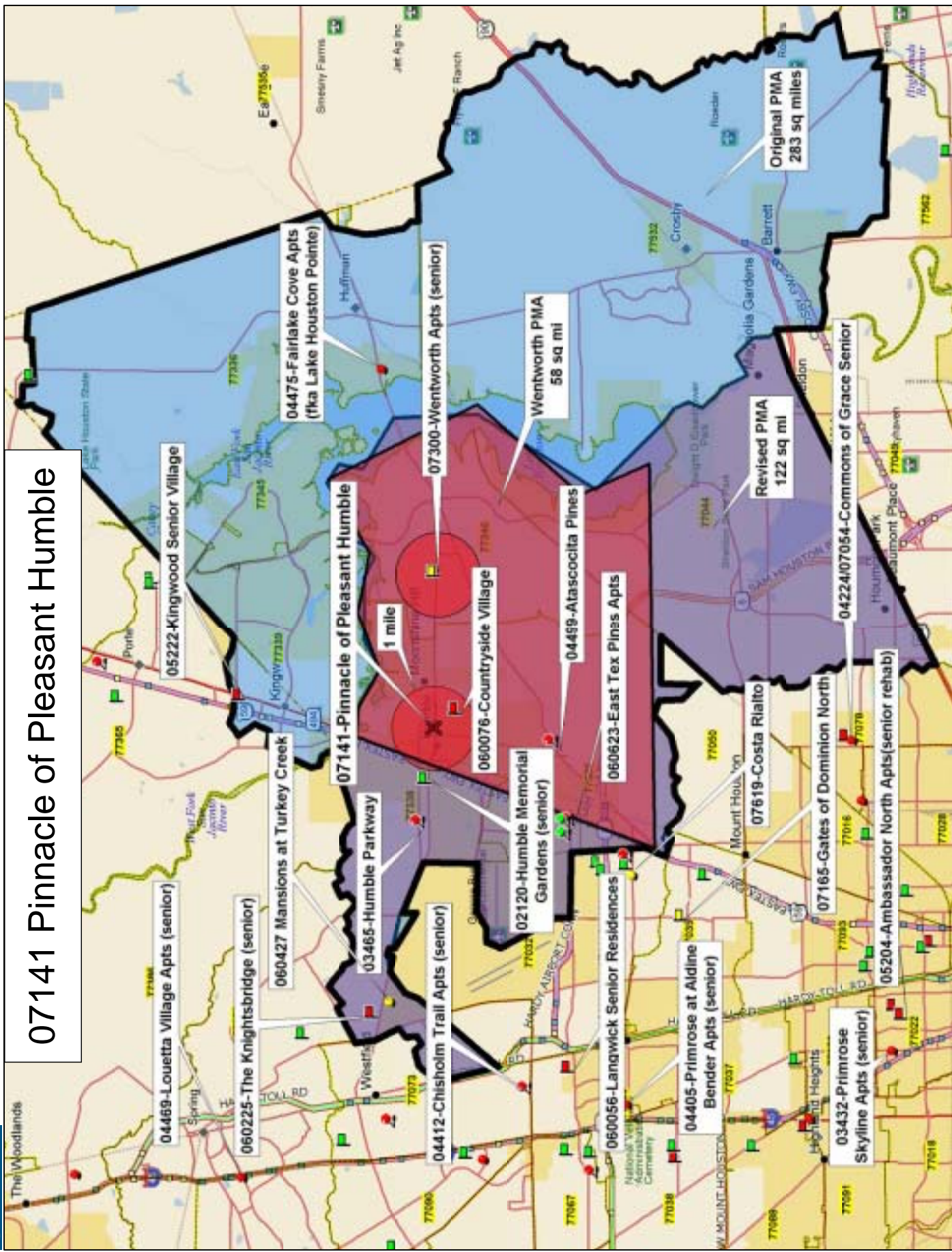
1" = 3.16 mi

Scale 1 : 200,000



Data Zoom 10-0

07141 Pinnacle of Pleasant Humble



Applicant Evaluation

Project ID # **07141**

Name: **Pinnacle of Pleasant Humble**

City: **Humble**

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

Total # of Projects monitored: 8

Projects zero to nine: 6
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 8

not yet monitored or pending review: 0

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/18/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer M. Tynan
Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/21/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 5/23/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES
Date 5/18/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Residences at Eastland, TDHCA Number 07149

BASIC DEVELOPMENT INFORMATION

Site Address: 5500 Eastland St. Development #: 07149
 City: Fort Worth Region: 3 Population Served: General
 County: Tarrant Zip Code: 76119 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FW-Eastland Housing Partners, Ltd.
 Owner Contact and Phone: Dan Allgeier (972) 745-0756
 Developer: NuRock Development Group, Inc.
 Housing General Contractor: NuRock Construction, LLC
 Architect: GTF Design Associates
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Provident Tax Credit Funds IX, LLC
 Supportive Services: NuRock Housing Foundation I, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	140
	15 0 0 125	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 80 60 6 0	Total Development Units:	146
Type of Building:		Total Development Cost*:	\$16,459,946
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	31
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Residences at Eastland, TDHCA Number 07149

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/21/07 PROGRAM: 9% HTC FILE NUMBER: 07149

DEVELOPMENT						
Residences at Eastland						
Location: <u>5500 Eastland Street</u>				Region: <u>3</u>		
City: <u>Fort Worth</u>		County: <u>Tarrant</u>		Zip: <u>76119</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, New Construction, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of a revised rent schedule and commitment to restrict 125 units to 50% rents but allow households earning up to 60% of AMI in accordance with 10 TAC §1.32 (i)(3) and the allowable mitigation therein. 2 Receipt, review, and acceptance of documentation by cost certification verifying no buildings and/or improvements to include drives are located in the 100-year floodplain. Should buildings or improvements be found to be in the floodplain, a flood hazard mitigation plan must be provided to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs. 3 Receipt, review, and acceptance by cost certification of documentation verifying the title issue with regards to clear ownership of an adjacent lot proposed for purchase has been resolved or that the property can be developed around the lot if clear title cannot be obtained. In addition, evidence that all liens including, but not limited to several minor labor liens, a paving lien, two city liens, and a tax suit lien, have been cleared. 4 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper plugging of the water wells, removal of the vehicles, a confirmation soil sampling and testing, and a survey for asbestos containing materials and lead based paint after existing structures are demolished or removed. 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 allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit		Number of Units			
30% of AMI	30% of AMI		15			
60% of AMI	50% of AMI		125			

PROS

The development will have a competitive price advantage over other typical tax credit properties in the area since it can serve up to 60% households with 50% rents.

The economics of the transaction work with rents restricted to the 50% level.

CONS

The originally proposed rents and Market Analyst's concluded market rents for 60% units were below the 50% calculated rent reflecting limited need for additional units at 60% in this market.

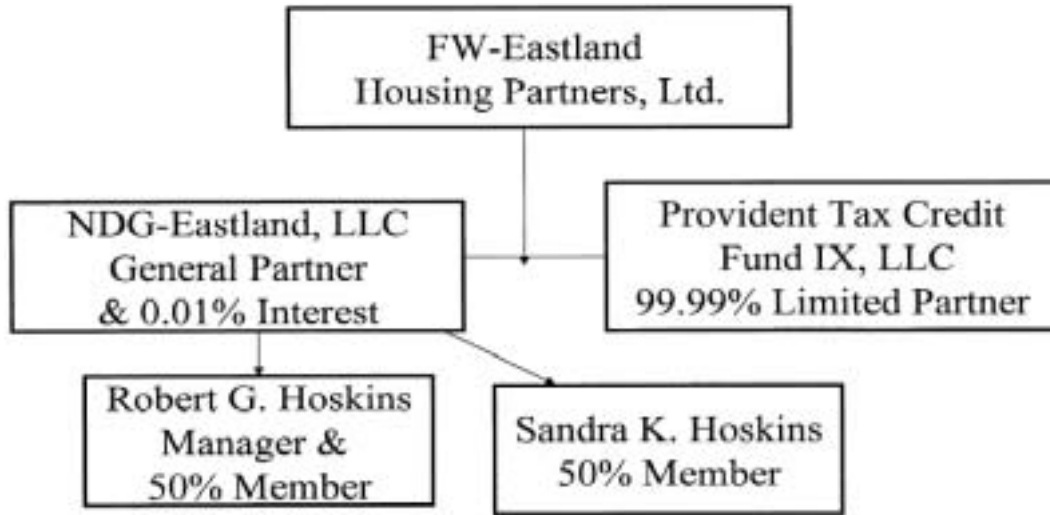
A portion of the property may be within the 100-year floodplain.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Daniel Allgeier Phone: 972-745-0756 Fax: 678-218-1496
 Email: dallgeier@nurock.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Developments
Robert & Sandra Hoskins	CONFIDENTIAL		
NuRock Develop. Group, Inc.	\$27,830,573	\$27,812,073	16+

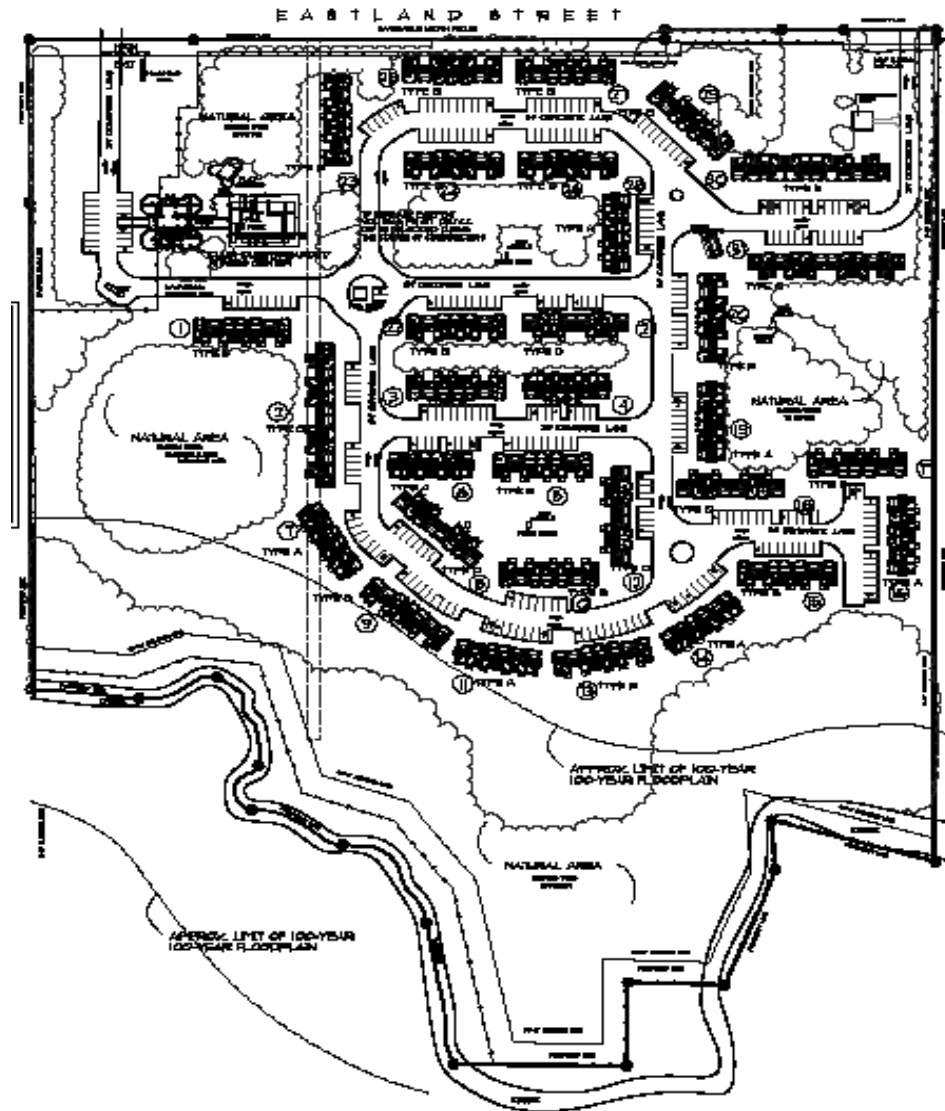
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E							Total Buildings
Floors/Stories	2	2	2	2	2							
Number	8	16	2	4	1							31

BR/BA	SF	Units										Total Units	Total SF
2/2	1,015	2										16	16,240
2/2.5	1,095	2	3									64	70,080
3/2.5	1,350		2	4	4	4						60	81,000
4/2.5	1,489			2		2						6	8,934
Units per Building		4	5	6	4	6						146	176,254

SITE ISSUES

Total Size:	<u>28.54 acres</u>	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Flood Zone:	<u>Zones AE & X</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Zoning:	<u>CR & B</u>	Needs to be re-zoned?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

N/A

Comments:

According to the ESA provider, a portion of the Subject Property is located within the 100- to 500-year flood zone. This is discussed in more detail in the "Highlights of Environmental Reports" section (below).

Also, it should be noted, the site is bordered on the South by a creek and vacant, undeveloped land, that lies within the limits of the 100-year floodplain. According to the site plan, it appears that the Applicant plans to maintain the "natural area" of the floodplain.

Receipt, review, and acceptance of documentation by cost certification verifying no buildings and/or improvements to include drives are located in the 100-year floodplain. Should buildings or improvements be found to be in the floodplain, a flood hazard mitigation plan should be provided to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/15/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Eastland Street, residential uses, and a church
 South: Vacant/undeveloped land
 East: Zeppeline Mobile Homes and vacant Green Heaven Nursery
 West: Public park and vacant/undeveloped land

Comments:

The site inspector considered the site questionable because a "low end" apartment is located across the street from the site and a run-down small ranch barns is next to site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Rone Engineering Services, Ltd. Date: 3/24/2006

Recognized Environmental Concerns (RECs) and Other Concerns:

"A small fringe area located near the southern fringe of the Subject Property from east to west is located within the 100 to 500-year flood zone. The remaining area of the Subject Property, adjacent to the creek, is located within special hazard areas inundated by a 100-year flood zone or where base flood elevations are determined." (p.10)

"Based upon observations made during the Subject Property visit, the horse stable area on the Subject Property does not appear to contain areas suspected of containing asbestos. All but one of the structures on the property consist of wood and the other one metal. Insulation materials were not observed. Therefore, asbestos testing is not required or warranted for these structures. Based on the age of the one residence on the Subject Property, a Confirmation Asbestos Survey should be conducted." (p. 13)

"Based on the age of a majority of the painted structures on the Subject Property, lead based paint testing should be conducted by the party that will demolish or remove these structures. Rone understands that the current property owner will be responsible for removing the painted structures." (p.14)

Comments:

"Both water wells should be properly plugged and abandoned by a State of Texas licensed well driller as both wells are inoperable.

Based on the age of a majority of the painted structures on the Subject Property, lead based paint testing should be conducted by the party that will demolish or remove these structures. Rone understands that the current property owner will be responsible for removing painted structures.

Numerous vehicles are stored on the Subject Property. Since vehicles may drip or leak oils, and metals have over time leach into the soil, confirmation soil sampling and testing for metals and total petroleum hydrocarbons should be conducted after the vehicles and equipment have been removed from the Subject Property to determine if the remaining soil meets current TCEQ Residential Criteria. Rone understands that the current property owner is removing the vehicles and equipment from the Subject Property after which, FW-Eastland Housing Partners, Ltd. will authorize the recommended confirmation soil sampling and testing.

Prior to renovation or demolition of the residence, a Confirmation Asbestos Survey should be conducted." (p.16)

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper plugging of the water wells, removal of the vehicles, a confirmation soil sampling and testing, and a survey for asbestos containing materials and lead based paint after existing structures are demolished or removed is a condition of this report.

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc. Date: 3/16/2006
 Contact: Edward Ipser Phone: (817) 927-2838 Fax: (817) 927-0032
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 28.51 square miles ~ 3.02 mile radius

"The market area...is generally defined as east and southeast Fort Worth. This area is south of Interstate 30, west of Lake Arlington, north of US *Bus) Highway 287 and east of Sycamore Creek which flow through the chain of park land comprising Sycamore Park and Cobb Park. The eastern boundary along Lake Arlington is extended northward along Sandy Lane Road and includes the three census tracts directly north of the lake."

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Village Creek	06415	252	252	No secondary market			

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,300	\$15,200	\$17,100	\$19,000	\$20,500	\$22,050
60	\$26,640	\$30,420	\$34,260	\$38,040	\$41,100	\$44,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2 BR/30% Rent Limit	111	1		112	15	0	13%
2 BR/50% Rent Limit	375	5		380	64	0	17%
3 BR/50% Rent Limit	381	6		387	57	0	15%
4 BR/50% Rent Limit	6	0		6	4	0	67%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. Ex N-1	30,558	100%	30,558	41%	12,620	34%	4,304	45%	1,924
Underwriter		30,955	100%	30,955	45%	14,013	34%	4,779	45%	2,136
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. Ex N-1			198	41%	82	34%	28	100%	28
Underwriter				216	45%	98	34%	33	100%	33
DEMAND from OTHER SOURCES										
Market Analyst	p. 3-6									99
Underwriter										0

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 2-19 & Ex N-1	140	252	0	392	2,051	19.12%
Underwriter		140	252	0	392	2,170	18.07%

Primary Market Occupancy Rates:

"The nearest complexes to the subject were 2 rental-assisted locations that had a physical occupancy rate of 96.2% and an economic or leased occupancy rate of 97.6% ... Cobb Park Townhomes, [the closest new tax credit development] about 4.4 miles northwest and rated in good condition, was 70.9% occupied."(p.2-16) The Market Analyst also produced the following chart on occupancies in the area reflecting a 79% occupancy rate for tax credit transaction surveyed:

APARTMENT SURVEY Fort Worth, Texas	Non-subsidized			Subsidized			Total Housing Units
	Conventional	HTC	Total	Prj-Bsd Sec 8	PHA	Total	
Number of Units	1,955	548	2,503	348	300	648	3,151
Number of Vacancies	316	120	436	10	31	41	477
Vacant, but Leased Units	19	8	27	5	0	5	32
Number of Off-line Units	203	2	205	1	0	1	206
Physical Occupancy	83.8%	78.1%	82.6%	97.1%	89.7%	93.7%	84.9%
Occupancy minus off-line units	93.6%	78.4%	89.9%	97.4%	89.7%	93.8%	90.8%
Leased Occupancy	84.8%	79.6%	83.7%	98.6%	89.7%	94.4%	85.9%
Occupancy minus off-line units	94.6%	79.9%	91.1%	98.8%	89.7%	94.6%	91.9%

Source: I&A Survey in March 2007

Absorption Projections:

"Average absorption for the subject is estimated at 15 to 16 units per month. It is expected that about 8 to 9 months will be required to achieve 92.5% occupancy of the 146 units. Absorption could be accelerated by the acceptance of Section 8 Vouchers." (p.3-7)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
2 BR 1,015 SF 30%	\$343	\$343	\$600	\$343	\$257		
2 BR 1,015 SF 50%	\$594	\$629	\$600	\$600	\$0		
2 BR 1,015 SF 60%	\$594	\$772	\$600	\$600	\$0		
2 BR 1,015 SF MR	\$594	N/A	\$600	\$600	\$0		
2 BR 1,095 SF 30%	\$343	\$343	\$620	\$343	\$277		
2 BR 1,095 SF 50%	\$594	\$629	\$620	\$620	\$0		
2 BR 1,095 SF 60%	\$594	\$772	\$620	\$620	\$0		
3 BR 1,350 SF 50%	\$687	\$728	\$740	\$728	\$12		
3 BR 1,350 SF 60%	\$687	\$893	\$740	\$740	\$0		
3 BR 1,350 SF MR	\$687	N/A	\$740	\$740	\$0		
4 BR 1,489 SF 50%	\$770	\$811	\$790	\$790	\$0		
4 BR 1,489 SF 60%	\$770	\$995	\$790	\$790	\$0		
4 BR 1,489 SF MR	\$770	N/A	\$790	\$790	\$0		

The underwriting rents are typically derived from the lesser of the market study achievable rent or the maximum tax credit income restricted rent. In this case the Market Analyst derived a market rent for similarly restricted units that are \$18 to \$38 below the maximum net program rent for units targeting 50% of AMGI households. Initially this development was considered infeasible for lack of demand for 60% units pursuant to 10 TAC § 1.32 (i)(3) and was not recommended for funding. After being informed of the Department's concern in this regard, the Applicant provided an updated utility allowance from the Fort Worth Housing Authority dated April 2, 2007 which increased from \$6 to \$10. In addition, the Applicant provided a revised rent schedule where all of the 60% units were converted to units restricted to rents at the 50% of AMGI level, while income limits remained at 60%. As this is an acceptable mitigation under the rule; therefore, the development can be recommended for funding.

Market Impact:

The Market Analyst does not explicitly comment on the impact the proposed development will have on the market area.

Comments:

The Underwriter found the market study provided sufficient information on the market area but it leads to a conclusion that the subject should not be recommended for funding.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/21/2007

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the 30% or 50% rents calculated by subtracting "Total Electric Units Only" tenant-paid utility allowances as of April 2, 2007, maintained by the Housing Authority of the City of Fort Worth, from the 2007 program gross rent limits. Tenants will be required to pay electric costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. Furthermore, despite the Applicant's use of slightly lower rents for the units with rents restricted at the 50% level, and incomes restricted at the 60% level, as well as the Market rate units, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/22/2007

The Applicant's revised total annual operating expense projection at \$4,070 per unit is within 5% of the Underwriter's adjusted estimate of \$4,146, derived from the TDHCA database, third-party data sources, and historical operating expenses for Residences at Diamond Hill, TDHCA #01025, for year end December 2006 provided by the Applicant.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.27, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	32.9 acres	<u>\$164,315</u>	Tax Year:	<u>2006</u>
1 acre:		<u>\$5,000</u>	Valuation by:	<u>Tarrant CAD</u>
Total Prorata:	28.5 acres	<u>\$142,700</u>	Tax Rate:	<u>2.727382</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Purchase and Sale Agreement</u>	Acreage:	<u>28.541</u>
Contract Expiration:	<u>8/30/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$802,000</u>	Other:	<u></u>
Seller:	<u>Eastland Real Estate Investors, LP</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Schedule C, items 12-14 of the title commitment appears to question the legal ownership of a portion of the property. The Underwriter has asked the Applicant for clarification on this item. The Applicant indicated that the title company is working to address this issue but at this time no improvements are planned for the property. The Applicant has indicated that they are acquiring this lot because it is currently an eyesore and needs to be removed from the front of the future development. This report is conditioned upon receipt, review, and acceptance by cost certification of documentation verifying the title issue has been resolved or that the property can be developed around the lot if clear title cannot be obtained.

Also, it should be noted, Schedule C of the title commitment lists a number of liens including several minor labor liens, a paving lien, two city liens, and a tax suit lien all of which must be cleared as a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

Acquisition Value:

The site cost of \$28,100 per acre or \$5,493 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,692 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$801K or 8% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contractor fees exceed the 14% maximum allowed by HTC guidelines by a total of \$926 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fee also exceeds 15% of the Applicant's adjusted eligible basis by \$11,304 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,748,336 supports annual tax credits of \$1,564,472. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: City of Fort Worth Type: Interim Financing

Principal: \$900,000 Interest Rate: AFR Fixed Term: 24 months

Comments:

Application made to Fort Worth Housing Development Fund

Source: Red Capital Group Type: Interim to Permanent Financing

Interim: \$4,700,000 Interest Rate: 7.10% Fixed Term: 24 months

Permanent: \$4,700,000 Interest Rate: 6.65% Fixed Amort: 360 months

Comments:

Construction interest rate: Fannie-Mae construction pass-through rate plus 1.25%

Source: Trinity Victory Family Ministries Type: Grant

Principal: \$360,000 Comments: Application submitted

Conditions:

1. Grant funds are to be used for land acquisition upon receipt of low income housing tax credits.
2. The subject development shall have at least 3% of all LIHTC units designated @ 30% of AMI.

Source: Red Capital Group Type: Syndication

Proceeds: \$10,798,920 Syndication Rate: 90% Anticipated HTC: \$ 1,200,000

Amount: \$601,026 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$4,700,000 and \$360,000 in grant funds indicates the need for \$11,399,946 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,266,787 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,266,787), and eligible basis-derived estimate (\$1,564,472), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$10,798,920 based on a syndication rate of 90%.

The Underwriter's recommended financing structure indicates the need for \$601,026 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within six years of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: June 21, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: June 21, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 21, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Residences at Eastland, Fort Worth, 9% HTC #07149

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS,T & WH
TC 30%	12	2	2	1,015	\$427	\$343	\$4,116	\$0.34	\$84.00	\$39.00
TC50%r60%l	3	2	2	1,015	\$713	600	1,800	0.59	84.00	39.00
MR	1	2	2	1,015		600	600	0.59	84.00	39.00
TC 30%	3	2	2.5	1,095	\$427	343	1,029	0.31	84.00	39.00
TC50%r60%l	61	2	2.5	1,095	\$713	620	37,820	0.57	84.00	39.00
TC50%r60%l	57	3	2.5	1,350	\$824	728	41,496	0.54	96.00	46.00
MR	3	3	2.5	1,350		740	2,220	0.55	96.00	46.00
TC50%r60%l	4	4	2.5	1,489	\$918	790	3,160	0.53	107.00	48.00
MR	2	4	2.5	1,489		790	1,580	0.53	107.00	48.00
TOTAL:	146		AVERAGE:	1,207		\$643	\$93,821	\$0.53	\$89.88	\$42.25

INCOME				Total Net Rentable Sq Ft:	176,254	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$1,125,852	\$1,075,140	Tarrant	Fort Worth	3
Secondary Income		Per Unit Per Month:	\$15.00			26,280	26,280	\$15.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$1,152,132	\$1,101,420			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(86,410)	(82,608)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$1,065,722	\$1,018,812			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.27%	\$385	0.32		\$56,179	\$55,228	\$0.31	\$378	5.42%
Management		4.00%	292	0.24		42,629	40,812	0.23	280	4.01%
Payroll & Payroll Tax		13.30%	971	0.80		141,735	139,815	0.79	958	13.72%
Repairs & Maintenance		4.40%	321	0.27		46,904	46,850	0.27	321	4.60%
Utilities		5.38%	393	0.33		57,347	57,347	0.33	393	5.63%
Water, Sewer, & Trash		5.55%	405	0.34		59,177	59,170	0.34	405	5.81%
Property Insurance		3.57%	261	0.22		38,051	32,615	0.19	223	3.20%
Property Tax	2.727382	11.05%	806	0.67		117,740	116,887	0.66	801	11.47%
Reserve for Replacements		3.42%	250	0.21		36,500	36,500	0.21	250	3.58%
TDHCA Compliance Fees		0.53%	38	0.03		5,600	5,600	0.03	38	0.55%
Other: Sup Servs		0.32%	23	0.02		3,391	3,391	0.02	23	0.33%
TOTAL EXPENSES		56.79%	\$4,146	\$3.43		\$605,253	\$594,216	\$3.37	\$4,070	58.32%
NET OPERATING INC		43.21%	\$3,154	\$2.61		\$460,470	\$424,596	\$2.41	\$2,908	41.68%
DEBT SERVICE										
Red Capital		33.97%	\$2,480	\$2.05		\$362,068	\$362,068	\$2.05	\$2,480	35.54%
Trinity Victory Family Ministries Gran		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		9.23%	\$674	\$0.56		\$98,401	\$62,528	\$0.35	\$428	6.14%
AGGREGATE DEBT COVERAGE RATIO						1.27	1.17			
RECOMMENDED DEBT COVERAGE RATIO						1.27				

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)		4.65%	\$5,493	\$4.55	\$802,000	\$802,000	\$4.55	\$5,493	4.87%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		4.81%	5,692	4.71	831,000	831,000	4.71	5,692	5.05%	
Direct Construction		57.33%	67,780	56.15	9,895,908	9,095,000	51.60	62,295	55.26%	
Contingency	4.61%	2.87%	3,390	2.81	495,000	495,000	2.81	3,390	3.01%	
Contractor's Fees	12.96%	8.06%	9,524	7.89	1,390,566	1,390,566	7.89	9,524	8.45%	
Indirect Construction		2.84%	3,363	2.79	491,000	491,000	2.79	3,363	2.98%	
Ineligible Costs		4.35%	5,146	4.26	751,380	751,380	4.26	5,146	4.56%	
Developer's Fees	14.20%	11.21%	13,253	10.98	1,935,000	1,935,000	10.98	13,253	11.76%	
Interim Financing		3.03%	3,582	2.97	523,000	523,000	2.97	3,582	3.18%	
Reserves		0.85%	1,004	0.83	146,533	146,000	0.83	1,000	0.89%	
TOTAL COST		100.00%	\$118,229	\$97.93	\$17,261,388	\$16,459,946	\$93.39	\$112,739	100.00%	
Construction Cost Recap		73.07%	\$86,387	\$71.56	\$12,612,474	\$11,811,566	\$67.01	\$80,901	71.76%	

SOURCES OF FUNDS				RECOMMENDED			
Red Capital	27.23%	\$32,192	\$26.67	\$4,700,000	\$4,700,000	\$4,700,000	Developer Fee Available
Trinity Victory Family Ministries Gran	2.09%	\$2,466	\$2.04	360,000	360,000	360,000	\$1,923,696
HTC Syndication Proceeds	62.56%	\$73,965	\$61.27	10,798,920	10,798,920	10,798,920	% of Dev. Fee Deferred
Deferred Developer Fees	3.48%	\$4,117	\$3.41	601,026	601,026	601,026	31%
Additional (Excess) Funds Req'd	4.64%	\$5,489	\$4.55	801,442	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$17,261,388	\$16,459,946	\$16,459,946	\$2,290,316

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Residences at Eastland, Fort Worth, 9% HTC #07149

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Town Home Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.92	\$10,737,660
Adjustments				
Exterior Wall Finish	6.00%		\$3.66	\$644,260
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.28	402,662
Roofing			0.00	0
Subfloor			(0.98)	(172,486)
Floor Cover			2.97	523,474
Balconies	\$31.31	6,844	1.22	214,244
Plumbing Fixtures	\$805	472	2.16	379,960
Rough-ins	\$400	0	0.00	0
Built-In Appliances	\$1,850	146	1.53	270,100
Interior Stairs	\$1,089	130	0.80	141,570
Enclosed Corridors	\$51.00		0.00	0
Heating/Cooling			2.43	428,297
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$64.74	4,247	1.56	274,951
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			78.55	13,844,691
Current Cost Multiplier	0.98		(1.57)	(276,894)
Local Multiplier	0.90		(7.85)	(1,384,469)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.12	\$12,183,328
Plans, specs, survy, bld prn	3.90%		(\$2.70)	(\$475,150)
Interim Construction Interes	3.38%		(2.33)	(411,187)
Contractor's OH & Profit	11.50%		(7.95)	(1,401,083)
NET DIRECT CONSTRUCTION COSTS			\$56.15	\$9,895,908

PAYMENT COMPUTATION

Primary	\$4,700,000	Amort	360
Int Rate	6.65%	DCR	1.27

Secondary	\$360,000	Amort	
Int Rate		Subtotal DCR	1.27

Additional	\$10,798,920	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$362,068
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$98,401

Primary	\$4,700,000	Amort	360
Int Rate	6.65%	DCR	1.27

Secondary	\$360,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27

Additional	\$10,798,920	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

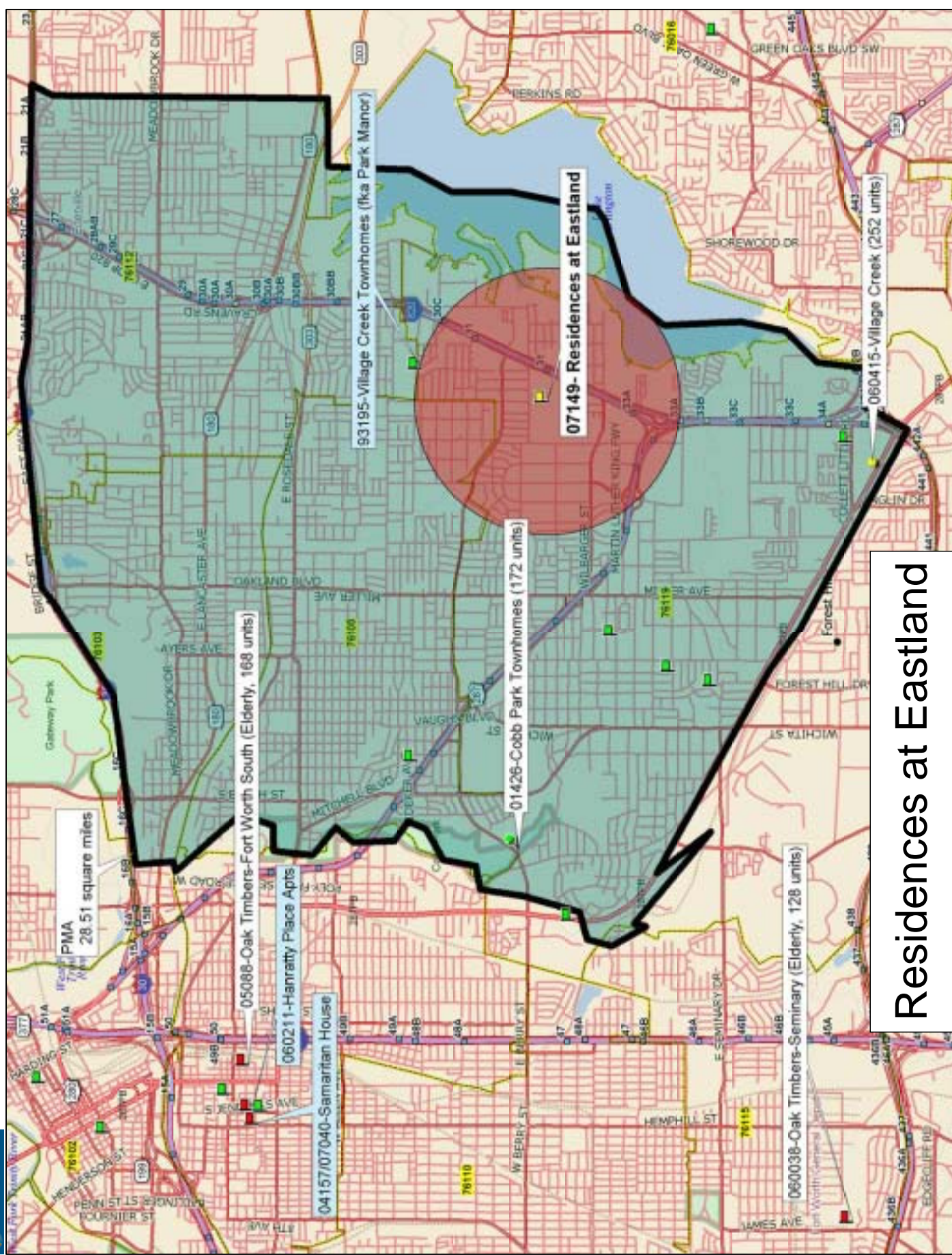
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,125,852	\$1,159,628	\$1,194,416	\$1,230,249	\$1,267,156	\$1,468,981	\$1,702,952	\$1,974,188	\$2,653,144
Secondary Income	26,280	27,068	27,880	28,717	29,578	34,289	39,751	46,082	61,931
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,152,132	1,186,696	1,222,297	1,258,966	1,296,735	1,503,271	1,742,703	2,020,270	2,715,075
Vacancy & Collection Loss	(86,410)	(89,002)	(91,672)	(94,422)	(97,255)	(112,745)	(130,703)	(151,520)	(203,631)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,065,722	\$1,097,694	\$1,130,625	\$1,164,543	\$1,199,480	\$1,390,526	\$1,612,000	\$1,868,750	\$2,511,444
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$56,179	\$58,426	\$60,763	\$63,193	\$65,721	\$79,960	\$97,283	\$118,360	\$175,202
Management	42,629	43,908	45,225	46,582	47,979	55,621	64,480	74,750	100,458
Payroll & Payroll Tax	141,735	147,404	153,300	159,432	165,810	201,733	245,439	298,614	442,021
Repairs & Maintenance	46,904	48,780	50,731	52,761	54,871	66,759	81,222	98,820	146,277
Utilities	57,347	59,641	62,027	64,508	67,088	81,623	99,307	120,822	178,846
Water, Sewer & Trash	59,177	61,544	64,006	66,566	69,229	84,228	102,476	124,678	184,553
Insurance	38,051	39,573	41,156	42,802	44,514	54,158	65,892	80,167	118,667
Property Tax	117,740	122,450	127,348	132,441	137,739	167,581	203,887	248,060	367,190
Reserve for Replacements	36,500	37,960	39,478	41,058	42,700	51,951	63,206	76,900	113,831
Other	8,991	9,351	9,725	10,114	10,518	12,797	15,569	18,943	28,040
TOTAL EXPENSES	\$605,253	\$629,036	\$653,759	\$679,457	\$706,169	\$856,410	\$1,038,762	\$1,260,113	\$1,855,085
NET OPERATING INCOME	\$460,470	\$468,657	\$476,866	\$485,086	\$493,310	\$534,116	\$573,238	\$608,637	\$656,359
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$362,068	\$362,068	\$362,068	\$362,068	\$362,068	\$362,068	\$362,068	\$362,068	\$362,068
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	\$98,401	\$106,589	\$114,798	\$123,018	\$131,242	\$172,048	\$211,170	\$246,569	\$294,291
DEBT COVERAGE RATIO	1.27	1.29	1.32	1.34	1.36	1.48	1.58	1.68	1.81

HTC ALLOCATION ANALYSIS -Residences at Eastland, Fort Worth, 9% HTC #07149

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$802,000	\$802,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$831,000	\$831,000	\$831,000	\$831,000
Construction Hard Costs	\$9,095,000	\$9,895,908	\$9,095,000	\$9,895,908
Contractor Fees	\$1,390,566	\$1,390,566	\$1,389,640	\$1,390,566
Contingencies	\$495,000	\$495,000	\$495,000	\$495,000
Eligible Indirect Fees	\$491,000	\$491,000	\$491,000	\$491,000
Eligible Financing Fees	\$523,000	\$523,000	\$523,000	\$523,000
All Ineligible Costs	\$751,380	\$751,380		
Developer Fees			\$1,923,696	
Developer Fees	\$1,935,000	\$1,935,000		\$1,935,000
Development Reserves	\$146,000	\$146,533		
TOTAL DEVELOPMENT COSTS	\$16,459,946	\$17,261,388	\$14,748,336	\$15,561,474

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,748,336	\$15,561,474
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$19,172,837	\$20,229,917
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		\$18,297,923	\$19,306,765
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,564,472	\$1,650,728

Syndication Proceeds	0.8999	\$14,078,843	\$14,855,070
Total Tax Credits (Eligible Basis Method)		\$1,564,472	\$1,650,728
Syndication Proceeds		\$14,078,843	\$14,855,070
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,798,920	
Gap of Syndication Proceeds Needed		\$11,399,946	
Total Tax Credits (Gap Method)		\$1,266,787	



Residences at Eastland

Applicant Evaluation

Project ID # **07149**

Name: **Residences at Eastland**

City: **Ft. Worth**

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

Total # of Projects monitored: 4

Projects zero to nine: 4
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 4

not yet monitored or pending review: 4

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/6/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Key West Village Phase II, TDHCA Number 07151

BASIC DEVELOPMENT INFORMATION

Site Address: 1600 W. Clements Development #: 07151
 City: Odessa Region: 12 Population Served: Elderly
 County: Ector Zip Code: 79763 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Odessa Senior Housing Partnership II, Ltd.
 Owner Contact and Phone: Bernadine Spears (432) 333-1088
 Developer: Rocky Ridge Developer, LP
 Housing General Contractor: To Be Determined
 Architect: Beeler, Guest, Owens Architects, L.P.
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: MMA Financial
 Supportive Services: Odessa Housing Authority
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36
	4	0	0	32	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	28	8	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Total Development Units:	36
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	9
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$237,938	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Key West Village Phase II, TDHCA Number 07151

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31, S	Points: 7	US Representative: Conaway, District 11, NC
TX Representative: West, District 81, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Larry L. Melton, Mayor	Resolution of Support from Local Government <input type="checkbox"/>
S, Michael Sanchez, Council member District 5	S, Wendell Sollis, Superintendent, Ector County ISD
S, Armando S. Rodriguez, Commissioner Precinct #4	S, Susan M. Redford, County Judge Ector County

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Key West Neighborhood Association, A. Faye Biggers	Letter Score: 24	S or O: S
Community Desperately Needs Additional Approved Senior Citizen Housing.		

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Broad support from elected officials, non-officials and a qualified neighborhood organization. Received supportive comments during public comment period of June and July Board meetings. Commenters requested forward commitments of 2008 tax credits.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Key West Village Phase II, TDHCA Number 07151

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Los Ebanos Apartments, TDHCA Number 07153

BASIC DEVELOPMENT INFORMATION

Site Address: 300 Yards S. of 5 Mile Line Rd. on E. Side of Los Ebanos Rd. Development #: 07153
City: Alton Region: 11 Population Served: General
County: Hidalgo Zip Code: 78573 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Alton Los Ebanos, LP
Owner Contact and Phone: Alyssa Carpenter (512) 789-1295
Developer: Fortuna Enterprises DBA
Housing General Contractor: Fortuna Ace Builders LLC
Architect: Art Ayala Architects Inc.
Market Analyst: Apartment Market Data Research Services, LLC
Syndicator: Apollo Housing Capital, LLC
Supportive Services: To Be Determined
Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
8 0 0 68 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 6 38 32 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$8,467,475
Number of Residential Buildings: 19
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$764,747 \$738,251
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Los Ebanos Apartments, TDHCA Number 07153

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, NC Points: 0 US Representative: Cuellar, District 28, NC
TX Representative: Gonzales, District 41, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Los Ebanos Apartment Neighborhood Organization, Maria R. Gonzalez Letter Score: 24 S or O: S

This project will bring life back to our area. It will cause more city and county officials to take note of the improvements needed to serve this community and will increase property values.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support was received from a qualified neighborhood organization but no other comment was received.

CONDITIONS OF COMMITMENT

Confirmation that Los Ebanos Apartments continues to have a higher score than 07302 Casa Alton and that only one of these two developments is approved for funding. Should Los Ebanos Apartments not be the higher scoring application, it would not be recommended.

Receipt, review, and acceptance, by carryover, that the Applicant has taken on an experienced partner for the development and ownership of the proposed property or confirmation from the lenders and syndicator that they have fully evaluated the capacity of the General Partner and will require no other guarantors.

Receipt, review, and acceptance, by cost certification, of evidence that the completed development meets the 2007 QAP §49.6(a) guideline for new construction in the floodplain.

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I environmental site assessment recommendations, including an asbestos inspection and detection and proper removal of any existing septic systems, and subsequent report recommendations have been carried out.

Receipt, review, and acceptance, by carryover, of a recommendation from the Phase I ESA provider concerning the potential need for a noise survey.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

Receipt of a commitment of funding from the City of Alton in the amount of \$435,000, or a commitment from a qualifying substitute source in an amount not less than \$423,374, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Los Ebanos Apartments, TDHCA Number 07153

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

Competitive Housing Tax Credits: Score: **179** Meeting a Required Set-Aside Credit Amount*: \$738,251

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/07 PROGRAM: 9% HTC FILE NUMBER: 07153

DEVELOPMENT						
Los Ebanos Apartments						
Location: 300 yards south of 5 Mile Line Rd on the east side of Los Ebanos Rd				Region: 11		
City: Alton		County: Hidalgo		Zip: 78573		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: Multifamily, Family, Rural, USDA Set-Aside, New Construction						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$764,747			\$738,251		
*Applicant's original request of \$847,135 was reduced by the Applicant during the underwriting process						
CONDITIONS						
<ol style="list-style-type: none"> 1 Confirmation that Los Ebanos Apartments continues to have a higher score than 07302 Casa Alton and that only one of these two developments is approved for funding. Should Los Ebanos Apartments not be the higher scoring application, it would not be recommended. 2 Receipt, review, and acceptance, by carryover, that the Applicant has taken on an experienced partner for the development and ownership of the proposed property or confirmation from the lenders and syndicator that they have fully evaluated the capacity of the General Partner and will require no other guarantors. 3 Receipt, review, and acceptance, by cost certification, of evidence that the completed development meets the 2007 QAP §49.6(a) guideline for new construction in the floodplain. 4 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I environmental site assessment recommendations, including an asbestos inspection and detection and proper removal of any existing septic systems, and subsequent report recommendations have been carried out. 5 Receipt, review, and acceptance, by carryover, of a recommendation from the Phase I ESA provider concerning the potential need for a noise survey. 6 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit		Number of Units			
30% of AMI	30% of AMI		8			
60% of AMI	60% of AMI		68			

PROS

The entire Rio Grande Valley is a fast growing area where safe decent and affordable housing is a key concern.

CONS

The same development team received an allocation for 76 HTC units in Alton during the 2006 9% cycle. Approval of the subject would result in 128 pending units within a mile and a half of each other in this rural designated area.

The Developer has little experience with HTC programs and has received one other allocation from 2006 but has not yet completed an HTC development and has another application for funding in 2007.

The development will be located within the 100-year floodplain.

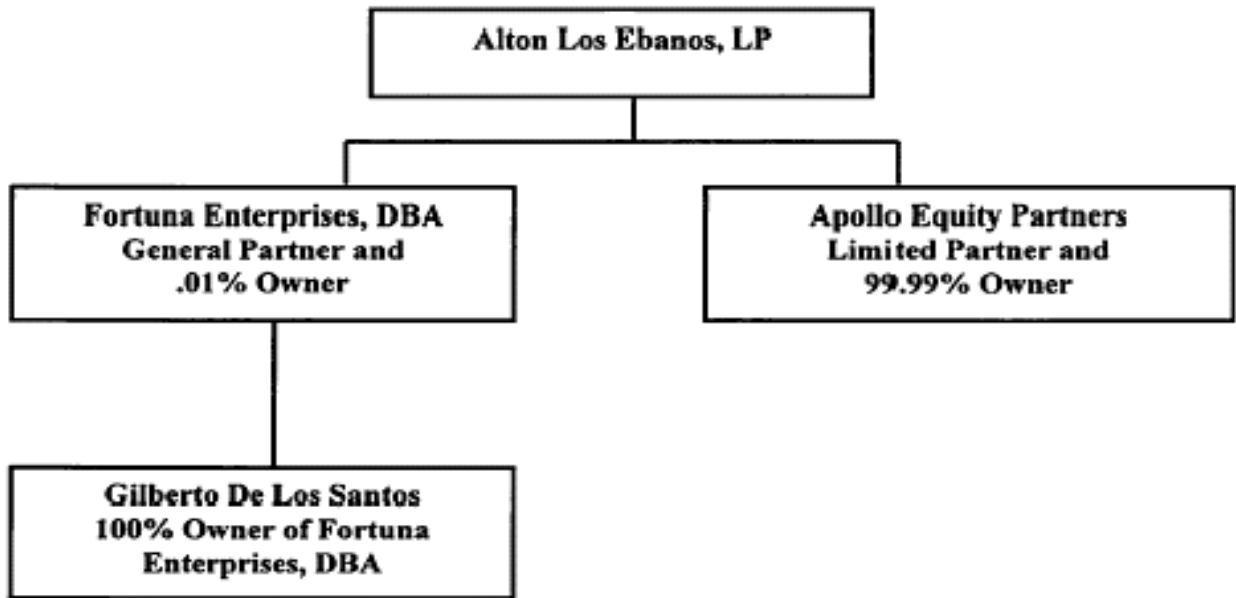
The Applicant's high expense to income ratio is within .01% of the maximum guideline, reflecting extensive deep rent targeting, but it still an acceptable ratio.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: 512.789.1295 Fax: 512.233.2269
 Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Fortuna Enterprises DBA	Same as Mr. de Los Santos		N/A
Gilberto de los Santos	Confidential		1 LIHTC Allocation in Texas
Sarah Anderson Consulting	Consultant		N/A

¹ Liquidity = Current Assets - Current Liabilities

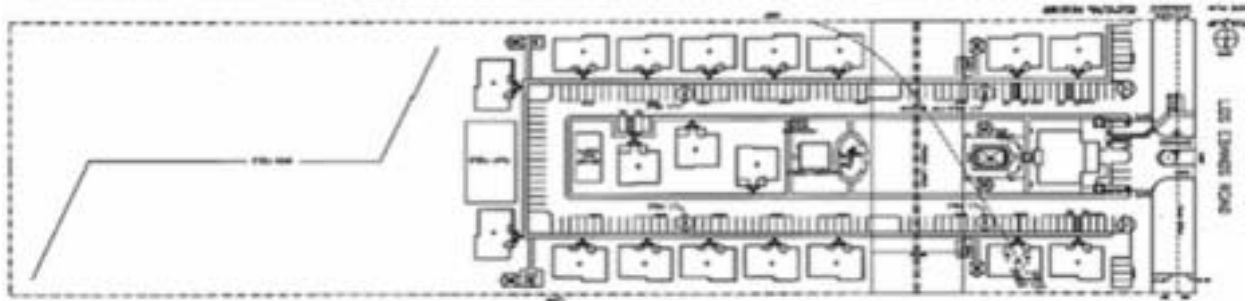
Based on personal financials of the General Partner and Developer, Mr. Gilberto de los Santos, a substantial portion of assets is in the form of receivables for the La Villa de Alton development, which received a 9% HTC allocation during the 2006 cycle. Moreover, the subject is his first LIHTC development in which no other partners will balance his relative inexperience and limited financial capacity. Therefore, receipt, review, and acceptance, by carryover, that the Applicant has taken on an experienced partner for the development and ownership of the proposed property or confirmation from the lenders and syndicator that they have fully evaluated the capacity of the General Partner and will require no other guarantors is a condition of this report.

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Architect are related entities. These are common relationships for HTC-funded developments. The Applicant did not disclose the identity of interest (family) relationship between the Architect and Gilberto de los Santos on the application. The Underwriter recalled the nature of this relationship from last year's application confirmed this with the Applicant.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	2	2									
Number	16	3									19

BR/BA	SF	Units									Total Units	Total SF
1/1	750		2								6	4,500
2/2	1,054	2	2								38	40,052
3/2	1,187	2									32	37,984
Units per Building		4	4								76	82,536

SITE ISSUES

Total Size:	<u>7</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>Zone B / Zone AH</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Zoning:	<u>No Zoning</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

N/A

Comments:

Floodplain: A significant portion of the site including proposed residential buildings will be located within the 100 year flood zone (Zone AH), which is defined as "Areas of 100-year shallow flooding where depths are between one(1) foot and three (3) feet."

According to the 2007 QAP §49.6(a) "Floodplain. Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction."

The Applicant has indicated their intention to comply with the QAP floodplain guidelines. However, receipt, review, and acceptance, by cost certification, of evidence that the completed development meets the 2007 QAP §49.6(a) guideline for new construction in the floodplain is a condition of this report.

Natural Gas Transmission Line: The Phase I ESA, survey, and siteplan indicate a buried, 8.63" Kinder Morgan gas line that runs directly through the middle of the site. The same portion of land includes a utility easement for above ground power lines. However, based on the siteplan, no structures are planned on a one hundred wide area stretching across the site where the said gas and power lines are located.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land
South: two single-family homes
East: irrigation ditch / citrus orchards
West: Los Ebanos Blvd / elementary school / junior high school

Comments:

The site inspector noted, "Although the site is on a section of Los Ebanos Street that has not been developed, it is close to two major schools and the streets are improved. The area has the potential for further development."

The Applicant has indicated that 7 of the ten acres being purchased will be dedicated to the proposed development. The remaining three acres is located at the rear of the property and does not have direct access to dedicated roadways. The Applicant has indicated that this portion of the property will be used as a park area but will not be restricted and development of this property is not included in the application.

This section intentionally left blank.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Environmental Risk Management, Inc

Date: 3/10/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Asbestos containing materials (ACM) may be present in the derelict house" (p.6). "The subject property has only one structure; a dilapidated former home. A formal survey for ACM was not conducted as part of the Phase I environmental site assessment (ESA) because of safety concerns related to the apparent weak structural condition of the house. Due to the apparent age of the house, ACMs may be present. Although single family residences are exempt from the regulations requiring formal asbestos survey prior to material disturbance, the change in property status from residential to commercial (assuming that a "for rent" apartment complex is a commercial endeavor) would require an asbestos inspection. A licensed asbestos inspector should be retained to determine if the building is safe for inspection and then proceed accordingly" (addendum).

"The Phase I ESA site inspection found no visual evidence of the existence of a septic tank system on the site. However, the age and location of the house presupposes the necessary existence of a septic tank system. A licensed plumbing contractor should be contracted to find and properly remove the system" (addendum).

"Testing for lead based paint was not within the scope of services of the Phase I ESA. Due to the age and wood construction of the house, the presence of lead based paint is considered possible. However, the house is to be demolished, not occupied, and normal demolition and disposal should be able to proceed as planned" (addendum).

Comments:

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I environmental site assessment recommendations, including an asbestos inspection and detection and proper removal of any existing septic systems, and subsequent report recommendations have been carried out is a condition of this report.

The ESA Provider did not provide a recommendation concerning a noise survey. Therefore, receipt, review, and acceptance, by carryover, of a recommendation from the Phase I ESA provider concerning the potential need for a noise survey is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC

Date: 3/10/2007

Contact: Darrell Jack

Phone: 210.530.0040

Fax: 210.340.5830

Number of Revisions: 0

Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 51.04 Square Miles (1 4.03 Mile Radius)

The boundaries of the Primary Market Area are as follows: (p. 3)

North: East University Drive

East: North Taylor Road

South: Highway 83

West: East Goodwin Road

The Primary market area encompasses the majority of the City of Mission where most of the population in the PMA exists.

Secondary Market Area (SMA):

The Market Analyst did not use a Secondary Market Area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
La Villa de Alton	060095	76	76	N/A			
Casa Alton	07302	76	73				

Comments

The Market Analyst did not include the comparable units from the other 2007 9% HTC application for Casa Alton (07302) in the demand calculations. Casa Alton is a proposed 76 unit development targeting families and is located within 3,500 feet of the subject development. The Underwriter has included the comparable units from Casa Alton in the capture rate calculation. As indicated below, inclusion of these additional comparable units does not result in a capture rate above the Department's threshold. As of the date of this report, the subject would have priority over Casa Alton due to scoring.

However, approval of both transactions would result in three 9% allocations within two years for proposed developments in Alton. The Board approved an allocation of 9% HTCs for La Villa de Alton (060095), a 76 unit development targeting families, during the 2006 cycle. Both the subject development and La Villa de Alton have the same GP, the same developer, and are located within 1.5 miles of each other. In addition, the Board approved an allocation for a 30 unit elderly rehab property in 2001 in the same part of Alton. Therefore, approval of both of the 2007 Alton applications would result in four approved developments since 2001 within the same one mile radius (i.e. less than two miles from each other).

While awards for two rural developments within 3,500 feet of each other during the same 9% HTC cycle does not explicitly violate the 2007 QAP limits on density or development size, the underwriting staff believe that approval of both transactions would run against the intent of the QAP guidelines which state:

§ 49.3(81) Rural Development--A Development located within a Rural Area. A Rural Development may not exceed 76 Units if involving any New Construction (excluding New Construction of non-residential buildings).

§ 49.6(e)(4) For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to provide replacement of previously existing affordable multifamily units on its site (in a number not to exceed the original units being replaced, unless a market study supports the absorption of additional units) or that were originally located within a one mile radius from the proposed Development, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and has attained Sustaining Occupancy (as defined in §1.31 of this title) for at least six months.

Despite the fact that the market study suggests that sufficient demand exists to develop 228 new units within a one-year period in a rural city with 4,384 residents is a significant concern for the Underwriter. In the 2000 census the City of Alton and Alton North CPD had a total of 430 rental housing units and no single development with more than 30 units. The 228 units proposed would represent a 53% increase in the number of rental units in the area. The above QAP rules were developed to prevent the development of significant numbers of units in a limited area during a short period of time. Development of all 228 units could result in unnecessary financial strain on one or all of the developments in the area, particularly during the initial years of operations.

The Market Analyst anticipates an absorption level of 56 units per year (p. 11). At this rate, it will take more than four years to absorb 228 new units. Moreover, over the previous sixteen years the subject market (which is much greater than the City limits of Alton) absorbed 577 units, which is two and a half times the number that would be approved within just two years if both 2007 applications are awarded. Preventing such a rapid concentration of affordable housing is the reason for the 76 unit limit per development for rural areas.

As such, staff recommends that despite the Market Analyst's conclusion that demand could support two 2007 developments in Alton only one should be approved. Thus, the Los Ebanos is recommended only if it continues to score higher and therefore be prioritized ahead of Casa Alton. Moreover, the Underwriter recommends that one of these two applications receive a 9% HTC allocation during the 2007 cycle and would strongly discourage additional TDHCA multifamily funding in Alton and North Alton until the apartments currently under development are stabilized.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	78	4	0	82	2	2	5%
1 BR/60% Rent Limit	63	4	0	67	4	18	33%
2 BR/30% Rent Limit	55	3	0	58	3	3	10%
2 BR/60% Rent Limit	69	7	0	76	35	28	85%
3 BR/30% Rent Limit	97	3	0	100	3	3	6%
3 BR/60% Rent Limit	80	7	0	87	29	22	59%

OVERALL DEMAND												
			Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER												
Market Analyst	p.	57	100%	27,416	85%	23,405	9%	2,031	100%	2,031	65%	1,310
Underwriter			100%	28,315	85%	24,175	30%	7,236	29%	2,108	65%	1,360
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	57			85%	766	9%	67	100%	67	100%	67
Underwriter					85%	894	30%	228	29%	67	100%	67

INCLUSIVE CAPTURE RATE								
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst	p.	58	76	76	0	152	1,377	11.00%
Underwriter			76	149	0	225	1,427	15.77%

Primary Market Occupancy Rates:

"Today, the PMA is 96.4% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units" (p. 11). "Within the PMA, there has only been one "affordable" family rental project built within recent times. Pueblo de Paz is a 200 unit project, which began leasing in December 2003. The site reports that it reached a stabilized occupancy of 90% by August 2004 and is currently 95% occupied" (p. 109). It should be noted that Pueblo de Paz is located over three miles south of the subject in the northern portion of the City of Mission.

Absorption Projections:

"Absorption over the previous sixteen years for all unit types is estimated to be 56 units per year. We expect new units to be absorbed as the number of new household continues to grow" (p. 11). "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. 104).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$191	\$201	\$615	\$201	\$414
1 BR	750 SF	60%	\$434	\$444	\$615	\$444	\$171
2 BR	1,054 SF	30%	\$226	\$236	\$720	\$236	\$484
2 BR	1,054 SF	60%	\$517	\$527	\$720	\$527	\$193
3 BR	1,187 SF	30%	\$250	\$266	\$805	\$266	\$539
3 BR	1,187 SF	60%	\$586	\$602	\$805	\$602	\$203

Market Impact:

The Market Analyst believes that, "The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market" (p. 104).

Comments:

As discussed above, the subject development is one of two applications for Alton. While the market study does comply with all of the Department's guidelines, staff has identified an issue of significant concern with respect to two 76 unit rural developments within 3,500 feet of each other being approved for funding during the same cycle. The subject application has scored higher than the Casa Alton development and therefore has priority in consideration for funding. The Underwriter has reviewed the Casa Alton application and it reflects that the savings, attributed to the use of a USDA 538 loan (which is also being use in the subject), are being used more effectively in the Casa Alton application by including more deep rent targeting than the subject (with 10 units at 30% x units at 40% and 8 units at 50% 17 compared tot he subjects 8 units at 30%).

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/22/2007

The Applicant's projected net rent collected is equal to the gross program rent less utility allowances maintained by the La Joya Housing Authority. However, the Applicant included allowances for "range/microwave" and "refrigerator." These allowances are typically used only when the tenant is responsible for providing these appliances, which will not be the case for the subject property. The Applicant chose not to change this despite the discrepancy being brought to their attention during correspondence.

Also of note, the Applicant's original rent schedule indicated only \$5 per unit in secondary income, vacancy and collection loss of 8%, and rent concession of over \$10K per year. However, the Applicant's revised schedule indicates \$15 per unit in secondary income, 7.5% vacancy and collection loss, and no rent concessions. The Applicant has indicated that the development was originally intended to be a Public Housing Authority transaction, and that this is the reason these changes were made. This is discussed further in the Expense section below.

Despite the difference in the utility allowances, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

This section intentionally left blank.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/22/2007

The Applicant's revised expense estimate of \$3,740 per unit is within 5% of the Underwriter's estimate of \$3,628 per unit derived from the TDHCA expense database, IREM, and other sources. However, the Applicant's estimate of general and administrative expense is \$4K higher than the Underwriter's estimate. Additionally, the Applicant's original supportive service estimate was decreased significantly in response to concerns from the Underwriter regarding the high expense to income ratio in the originally submitted operating proforma. The Applicant stated, "The services line has dropped significantly, we do not propose any changes to the services initially proposed. Our initial estimate was based on how generous we could afford to be, and not on actual contracts. Our revision proposes less extravagant costs. Also, we still have budgeted for tenant education in addition to support services" (email dated 6/22/07).

The Applicant revised the operating expenses in response to a letter indicating that the original rent schedule and operating proforma resulted in an expense to income ratio of 80%, which is significantly in excess of the Department's 65% maximum. Additionally, the Applicant's original income estimate was substantially lower but unjustifiably so. In addition to a high expense to income ratio, understating income and overstating expenses results in an artificially low debt coverage ratio (DCR). The low debt coverage ratio in the application resulted in a lower debt amount which was even lower than it should have been given the proposed USDA section 538 funding, which is intended to reduce the interest burden and increase the amount debt that can be serviced by an affordable housing development in a rural area.

The result was that the original proforma suggested a much lower debt amount than it should have and suggested a gap amount that was larger than it should have been. The larger gap suggested, again unrealistically, that more tax credits would be needed. The original application indicated syndication proceeds amounting to 87% of the development costs as compared to the typical 9% transaction which is funded with syndication proceeds of 70% or less. Because the 65% expense to income ratio limit exists, the Applicant was motivated to reconcile income and expenses closer to reality and as a result voluntarily decreased their credit request by \$82K.

Conclusion:

The Applicant's revised estimate of net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a DCR above the Department's maximum of 1.35. Therefore, the recommended financing structure will reflect an increase the permanent debt and a decrease in the gap in financing. This is discussed in more detail in the "Recommended Financing Structure" section.

Feasibility:

The Applicant's revised operating proforma estimates and initial expense to income ratio is 0.01% below the Department's 65% maximum and no mitigating circumstances exist in the application to support such a high figure. The Underwriter's analysis, reflects a slightly lower expense estimate and a lower expense to income ratio. In both cases, however, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense, net operating income, and revised debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	10 acres	<u>\$90,000</u>	Tax Year:	<u>2006</u>
One Acre:		<u>\$9,000</u>	Valuation by:	<u>Hidalgo CAD</u>
Prorata Value:	7 acres	<u>\$63,000</u>	Tax Rate:	<u>2.2435</u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property (w/Amendment) Acreage: 10
 Contract Expiration: 8/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$275,000 Other: _____
 Seller: Maria R Gonzales Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 6/22/2007

Acquisition Value:

The site cost of \$27,500 per acre or \$2,533 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. However, only 7 of the 10 acres to be purchased will be used for the subject development. As a result the Applicant has used a prorata value of \$192,500 plus closing costs. The Underwriter also has determined a prorata value of \$192,500 plus closing costs.

Off-Site Cost:

The Applicant has included off-site costs of \$100,000 for off-site concrete, storm drains, hydrants, off-site utilities, sewer laterals, off-site paving, off-site electrical, and other. The Architect provided a sealed verification of the Applicant's off-site estimate.

Sitework Cost:

The Applicant's claimed sitework costs of \$10,915 per unit are higher than the current Department maximum. The Applicant provided verification of the sitework costs from a third-party Architect and a letter from a PCA supporting the Applicant's estimate of the eligible costs. It is likely that the sitework costs are higher as a result of the marshy soils and need to elevate the buildings and parking per the Department's floodplain requirements.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$51K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant overstated eligible interim interest by including more than three years of fully drawn construction interest as eligible. The excess interest has been reallocated to ineligible costs, which results in a reduction in eligible basis.

Contingency & Fees:

The Applicant's eligible developer fees exceed the 15% maximum by \$57,133 and contingencies exceed the 5% maximum by \$205; therefore, the excess fees and contingencies will effectively be reallocated to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule as adjusted above will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,228,646 supports annual tax credits of \$803,464. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

This section intentionally left blank.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/22/2007

Source: City of Alton Type: Interim Financing

Principal: \$435,000 Interest Rate: _____ Fixed Term: _____ months

Comments:

The Applicant has indicated their intent to apply for a "low-interest" loan from the City of Alton. No other anticipated terms were provided. The Underwriter has assumed a rate equal to AFR as of March 1, 2007 and a term of at least 12 months in order to calculated eligible interim interest.

Source: BEY, LLC Type: Interim to Permanent Financing

Principal: \$170,000 Interest Rate: 7.8% Fixed Term: 18 months

Source: Lancaster-Pollard (USDA Section 538) Type: Interim to Permanent Financing

Interim: \$1,500,000 Interest Rate: 4.90% Fixed Term: 24 months

Permanent: \$1,500,000 Interest Rate: 4.90% Fixed Amort: 480 months

Permanent: \$250,000 Interest Rate: 7.40% Fixed Amort: 480 months

Comments:

The Lancaster-Pollard commitment indicates the permanent first lien mortgage will be a Section 538 USDA-RD loan. The loan will carry a fixed rate of 7.4% with an interest rate credit to bring the effective rate down to the Applicable Federal Rate (AFR), estimated by the lender to be 4.9%. The commitment indicates the interest rate credit will be available on a debt amount up to \$1,500,000. Any additional debt would carry the 7.4% rate, and the maximum loan amount is indicted to be \$1,750,000.

The revised sources and uses indicates a total loan amount of \$1,805,000 which is higher than the maximum identified by the lender. As a result, the Applicant may be required to defer developer fees or seek an additional source of funds for \$55K (the difference between the Applicant's amount and the lender's maximum). Any such deferral of developer fee will be repayable from available cashflow within two years of stabilized operation.

Source: RBC Capital Markets/Apollo Equity Partners Type: Syndication

Proceeds: \$7,380,240 Syndication Rate: 88% Anticipated HTC: \$ 847,135

Comments:

The syndicator will require reserve for replacements of \$250 per unit per year. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little or no deferred developer fee to absorb excess syndication proceeds.

Amount: \$0 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the Lancaster-Pollard unsubsidized permanent loan amount to \$535,835 (\$2,035,835 including both the rate subsidized and non-subsidized portions) based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

This section intentionally left blank.

The Applicant's total development cost estimate less the total Lancaster-Pollard permanent loan of \$2,035,835 indicates the need for \$6,431,640 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$738,251 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$764,747), the gap-driven amount (\$738,251), and eligible basis-derived estimate (\$803,464), the gap-driven amount of \$738,251 is recommended resulting in proceeds of \$6,431,640 based on a syndication rate of 88%.

The Underwriter's recommended financing structure indicates no need for additional permanent funds. However, as indicated above, the lender's commitment indicates a maximum loan amount of \$1,750,000, while the recommended financing structure indicates a permanent loan amount of \$2,035,538. As a result, the Applicant may be required to defer developer fee equal to the difference between the loan maximum and the recommended loan amount (\$285,835). Deferred developer fees in this amount appear to be repayable in just over five years of stabilized operations.

Underwriter:	_____	Date:	July 7, 2007
	<i>Cameron Dorsey</i>		
Reviewing Underwriter:	_____	Date:	July 7, 2007
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	July 7, 2007
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Los Ebanos Apartments, Alton, 9% HTC #07153

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	750	\$242	\$201	\$402	\$0.27	\$41.00	\$26.00
TC 60%	4	1	1	750	\$485	444	1,776	0.59	41.00	26.00
TC 30%	3	2	2	1,054	\$291	236	708	0.22	55.00	32.00
TC 60%	35	2	2	1,054	\$582	527	18,445	0.50	55.00	32.00
TC 30%	3	3	2	1,187	\$336	266	798	0.22	70.00	44.00
TC 60%	29	3	2	1,187	\$672	602	17,458	0.51	70.00	44.00
TOTAL:	76		AVERAGE:	1,086		\$521	\$39,587	\$0.48	\$60.21	\$36.58

INCOME

Total Net Rentable Sq Ft: **82,536**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.64%	\$273	0.25	\$20,758	\$25,100	\$0.30	\$330	5.74%
Management	5.00%	295	0.27	22,393	21,500	0.26	283	4.92%
Payroll & Payroll Tax	12.83%	756	0.70	57,471	60,500	0.73	796	13.84%
Repairs & Maintenance	6.90%	407	0.37	30,914	28,950	0.35	381	6.62%
Utilities	3.07%	181	0.17	13,728	16,218	0.20	213	3.71%
Water, Sewer, & Trash	6.90%	406	0.37	30,886	28,299	0.34	372	6.47%
Property Insurance	6.45%	380	0.35	28,888	32,896	0.40	433	7.52%
Property Tax 2.2435	7.61%	449	0.41	34,101	34,164	0.41	450	7.81%
Reserve for Replacements	4.24%	250	0.23	19,000	19,000	0.23	250	4.34%
TDHCA Compliance Fees	0.68%	40	0.04	3,040	3,040	0.04	40	0.70%
Other: Cbl/SuppServ/Secur/Educ	3.25%	191	0.18	14,550	14,550	0.18	191	3.33%
TOTAL EXPENSES	61.57%	\$3,628	\$3.34	\$275,729	\$284,217	\$3.44	\$3,740	64.996%
NET OPERATING INC	38.43%	\$2,265	\$2.09	\$172,122	\$153,068	\$1.85	\$2,014	35.00%

DEBT SERVICE

Lancaster-Pollard w/ Rate Subsidy	19.11%	\$1,126	\$1.04	\$85,607	\$113,278	\$1.37	\$1,491	25.90%
Lancaster-Pollard w/o Rate Subsidy	5.32%	\$313	\$0.29	23,815	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	14.00%	\$825	\$0.76	\$62,700	\$39,790	\$0.48	\$524	9.10%
AGGREGATE DEBT COVERAGE RATIO				1.57	1.35			
RECOMMENDED DEBT COVERAGE RATIO				1.35				

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)		2.40%	\$2,632	\$2.42	\$200,000	\$200,000	\$2.42	\$2,632	2.36%
Off-Sites		1.20%	1,316	1.21	100,000	100,000	1.21	1,316	1.18%
Sitework		9.95%	10,915	10.05	829,574	829,574	10.05	10,915	9.80%
Direct Construction		45.55%	49,984	46.03	3,798,753	3,850,141	46.65	50,660	45.47%
Contingency	5.00%	2.77%	3,045	2.80	231,416	234,191	2.84	3,081	2.77%
Contractor's Fees	14.00%	7.77%	8,526	7.85	647,966	654,703	7.93	8,615	7.73%
Indirect Construction		5.49%	6,030	5.55	458,300	458,300	5.55	6,030	5.41%
Ineligible Costs		6.91%	7,578	6.98	575,901	575,901	6.98	7,578	6.80%
Developer's Fees	15.00%	11.20%	12,286	11.31	933,763	1,000,000	12.12	13,158	11.81%
Interim Financing		3.11%	3,409	3.14	259,075	259,075	3.14	3,409	3.06%
Reserves		3.66%	4,021	3.70	305,590	305,590	3.70	4,021	3.61%
TOTAL COST		100.00%	\$109,741	\$101.05	\$8,340,337	\$8,467,475	\$102.59	\$111,414	100.00%
Construction Cost Recap		66.04%	\$72,470	\$66.73	\$5,507,709	\$5,568,609	\$67.47	\$73,271	65.76%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Lancaster-Pollard w/ Rate Subsidy	17.98%	\$19,737	\$18.17	\$1,500,000	\$1,500,000	\$1,500,000	Developer Fee Available
Lancaster-Pollard w/o Rate Subsidy	3.00%	\$3,289	\$3.03	250,000	305,000	535,835	\$942,867
Apollo Syndication Proceeds	88.49%	\$97,108	\$89.42	7,380,240	6,662,476	6,431,640	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	-9.47%	(\$10,393)	(\$9.57)	(789,903)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,340,337	\$8,467,475	\$8,467,475	\$916,070

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Los Ebanos Apartments, Alton, 9% HTC #07153

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.42	\$4,491,388
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.24)	(101,932)
Floor Cover			2.43	200,562
Breezeways/Balconies	\$24.01	6,110	1.78	146,671
Plumbing Fixtures	\$805	210	2.05	169,050
Rough-ins	\$400	152	0.74	60,800
Built-In Appliances	\$1,850	76	1.70	140,600
Exterior Stairs	\$1,800	29	0.62	51,300
Enclosed Corridors	\$44.50		0.00	0
Heating/Cooling			1.90	156,818
Garages/Carports	\$10.15	12,768	1.57	129,595
Comm &/or Aux Bldgs	\$63.50	4,949	3.81	314,237
Other: fire sprinkler	\$1.95	82,536	1.95	160,945
SUBTOTAL			71.73	5,920,034
Current Cost Multiplier	0.98		(1.43)	(118,401)
Local Multiplier	0.81		(13.63)	(1,124,806)
TOTAL DIRECT CONSTRUCTION COSTS			\$56.66	\$4,676,827
Plans, specs, survy, bld prm	3.90%		(\$2.21)	(\$182,396)
Interim Construction Interes	3.38%		(1.91)	(157,843)
Contractor's OH & Profit	11.50%		(6.52)	(537,835)
NET DIRECT CONSTRUCTION COSTS			\$46.03	\$3,798,753

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.01

Secondary	\$305,000	Amort	480
Int Rate	7.40%	Subtotal DCR	1.57

Additional		Amort	
Int Rate		Aggregate DCR	1.57

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$85,607
Secondary Debt Service	41,840
Additional Debt Service	0
NET CASH FLOW	\$44,676

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.01

Secondary	\$535,835	Amort	480
Int Rate	7.40%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$475,044	\$489,295	\$503,974	\$519,093	\$534,666	\$619,825	\$718,547	\$832,993	\$1,119,472
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	484,164	498,689	513,650	529,059	544,931	631,724	732,341	848,985	1,140,964
Vacancy & Collection Loss	(36,312)	(37,402)	(38,524)	(39,679)	(40,870)	(47,379)	(54,926)	(63,674)	(85,572)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$447,852	\$461,287	\$475,126	\$489,380	\$504,061	\$584,345	\$677,416	\$785,311	\$1,055,392
EXPENSES at 4.00%									
General & Administrative	\$20,758	\$21,589	\$22,452	\$23,350	\$24,284	\$29,545	\$35,947	\$43,734	\$64,738
Management	22,393	23,064	23,756	24,469	25,203	29,217	33,871	39,266	52,770
Payroll & Payroll Tax	57,471	59,770	62,161	64,648	67,234	81,800	99,522	121,084	179,234
Repairs & Maintenance	30,914	32,151	33,437	34,775	36,166	44,001	53,534	65,132	96,412
Utilities	13,728	14,277	14,848	15,442	16,060	19,539	23,772	28,923	42,813
Water, Sewer & Trash	30,886	32,121	33,406	34,742	36,132	43,960	53,484	65,071	96,322
Insurance	28,888	30,043	31,245	32,495	33,794	41,116	50,024	60,862	90,090
Property Tax	34,101	35,465	36,884	38,359	39,894	48,537	59,052	71,846	106,350
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	17,590	18,294	19,025	19,786	20,578	25,036	30,460	37,059	54,857
TOTAL EXPENSES	\$275,729	\$286,534	\$297,765	\$309,438	\$321,571	\$389,794	\$472,568	\$573,008	\$842,838
NET OPERATING INCOME	\$172,122	\$174,753	\$177,361	\$179,941	\$182,490	\$194,551	\$204,848	\$212,303	\$212,554
DEBT SERVICE									
First Lien Financing	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607
Second Lien	41,840	41,840	41,840	41,840	41,840	41,840	41,840	41,840	41,840
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$44,676	\$47,306	\$49,914	\$52,495	\$55,044	\$67,104	\$77,402	\$84,857	\$85,107
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.53	1.61	1.67	1.67

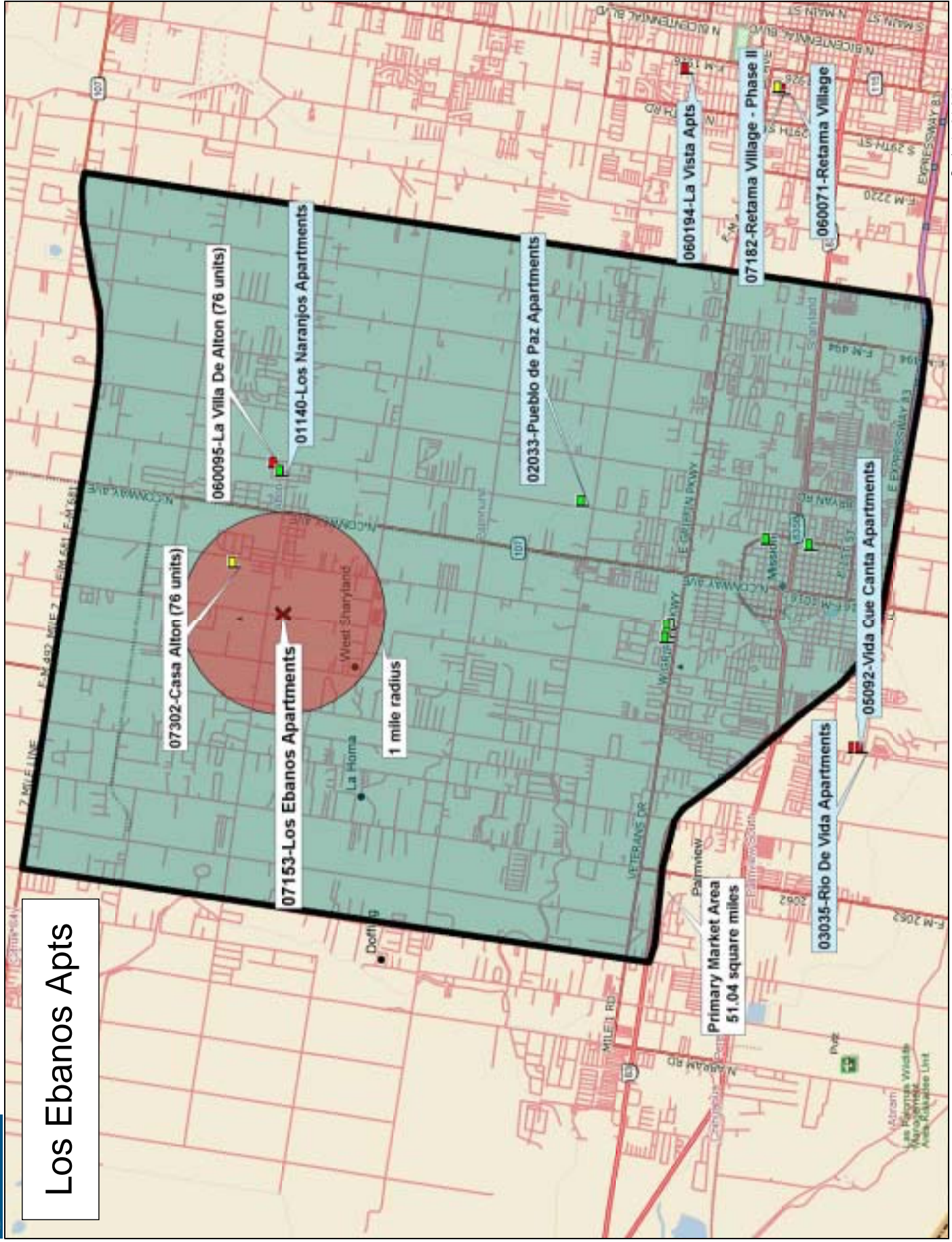
HTC ALLOCATION ANALYSIS -Los Ebanos Apartments, Alton, 9% HTC #07153

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$200,000	\$200,000		
Purchase of buildings				
Off-Site Improvements	\$100,000	\$100,000		
Sitework	\$829,574	\$829,574	\$829,574	\$829,574
Construction Hard Costs	\$3,850,141	\$3,798,753	\$3,850,141	\$3,798,753
Contractor Fees	\$654,703	\$647,966	\$654,703	\$647,966
Contingencies	\$234,191	\$231,416	\$233,986	\$231,416
Eligible Indirect Fees	\$458,300	\$458,300	\$458,300	\$458,300
Eligible Financing Fees	\$259,075	\$259,075	\$259,075	\$259,075
All Ineligible Costs	\$575,901	\$575,901		
Developer Fees			\$942,867	
Developer Fees	\$1,000,000	\$933,763		\$933,763
Development Reserves	\$305,590	\$305,590		
TOTAL DEVELOPMENT COSTS	\$8,467,475	\$8,340,337	\$7,228,646	\$7,158,846

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,228,646	\$7,158,846
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,397,239	\$9,306,500
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,397,239	\$9,306,500
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$803,464	\$795,706

Syndication Proceeds	0.8712	\$6,999,778	\$6,932,189
Total Tax Credits (Eligible Basis Method)		\$803,464	\$795,706
Syndication Proceeds		\$6,999,778	\$6,932,189
Requested Tax Credits		\$764,747	
Syndication Proceeds		\$6,662,476	
Gap of Syndication Proceeds Needed		\$6,431,640	
Total Tax Credits (Gap Method)		\$738,251	

Los Ebanos Apts

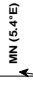


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TN



Scale 1 : 81,250



1" = 1.28 mi Data Zoom 11-3

Applicant Evaluation

Project ID # **07153**

Name: **Los Ebanos Apartments**

City: **Alton**

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

Total # of Projects monitored: 1

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 1

Projects not reported Yes
in application No

not yet monitored or pending review: 0

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 6/27/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer S. Gamble

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 6/27/2007

Date 6/29/2007

Date 6/28/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 7/3/2007

Date 6/29/2007

Date 7/13/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Pointe North, TDHCA Number 07162

BASIC DEVELOPMENT INFORMATION

Site Address: 3710 Magnolia Development #: 07162
 City: Beaumont Region: 5 Population Served: General
 County: Jefferson Zip Code: 77703 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: 158 Pointe North, L.P.
 Owner Contact and Phone: Robert Reyna (409) 951-7200
 Developer: Carleton Development, Ltd./ Golden Triangle Redevelopment Corp.
 Housing General Contractor: Carleton Construction, Ltd
 Architect: KAI
 Market Analyst: Integra Realty Resources
 Syndicator: Red Capital Group, Inc.
 Supportive Services: Housing Authority of the City of Beaumont
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	158
	79 0 0 79	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 24 74 60 0 0	Total Development Units:	158
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	39
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis*</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Pointe North, TDHCA Number 07162

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, S Points: 7 US Representative: Poe, District 2, NC
TX Representative: Deshotel, District 22, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC, Guy N. Goodson, Mayor Resolution of Support from Local Government
S, Kyle Hayes, City Manager
S, Robert L. Reyna, Executive Director, Beaumont
Housing Authority

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Magnolia Fairgrounds Neighborhood, Eva Westbrooks Letter Score: 12 S or O: S
Due to the shortage of housing in the area and the Beaumont Housing Authority is filling that gap.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials, some non officials and a qualified neighborhood organization. Comment received during the public hearing requested a forward commitment of 2008 tax credits.

CONDITIONS OF COMMITMENT

Pending completion of feasibility analysis.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Pointe North, TDHCA Number 07162

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

Competitive Housing Tax Credits: Score: **193** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Covington Townhomes, TDHCA Number 07164

BASIC DEVELOPMENT INFORMATION

Site Address: E Side of Milam St. Between 13th & 11th St. Development #: 07164
 City: Texarkana Region: 4 Population Served: General
 County: Bowie Zip Code: 75501 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Texarkana Two Neighborhood Ventures Limited
 Owner Contact and Phone: Richard Herrington (903) 838-8548
 Developer: Braziel and Associates
 Housing General Contractor: Carleton Construction, Ltd.
 Architect: Beeler, Guest, Owens Architects, L.P.
 Market Analyst: Integra Realty Resources
 Syndicator: Red Capital Group, Inc.
 Supportive Services: Housing Authority of the City of Texarkana Texas
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	126
	14 0 0 112	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 32 62 32 0 0	Total Development Units:	126
Type of Building:		Total Development Cost*:	\$13,956,919
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	17
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Covington Townhomes, TDHCA Number 07164

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S Points: 7 US Representative: Hall, District 4, NC
TX Representative: Frost, District 1, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, James Bramlett, Mayor Resolution of Support from Local Government
S, Derrick McGary, Council Member Ward 1
S, Larry Sullivan Ed. D., Superintendent, Texarkana ISD

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Rosehill Neighborhood Improvement Association, Inc., Erma Stenson Letter Score: 12 S or O: S

The proposed project will replace old public housing units constructed in 1941. The development will be a welcome source of nice new housing for low-income residents of this historic neighborhood.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and an unqualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition.

Receipt, review, and acceptance, by the 10% test, of documentation of a Development Based Operating Subsidy Agreement from the Housing Authority.

Receipt, review, and acceptance by carryover of a revised ground lease, clearly indicating an upfront payment equal to the purchase price.

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

Receipt of a commitment of funding from the City of Texarkana in the amount of \$750,000, or a commitment from a qualifying substitute source in an amount not less than \$707,346, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Covington Townhomes, TDHCA Number 07164

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

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Due to a forward commitment of credits made in 2006, funds available in sub-region are insufficient to award any Application in sub-region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/10/07

PROGRAM: 9% HTC

FILE NUMBER: 07164

DEVELOPMENT																		
Covington Townhomes																		
Location: <u>East Side of Milam Street Between 13th and 11th Streets</u>					Region: <u>4</u>													
City: <u>Texarkana</u>		County: <u>Bowie</u>		Zip: <u>75501</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Reconstruction, Urban/Exurban</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water. 2 Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition. 3 Receipt, review, and acceptance, by the 10% test, of documentation of a Development Based Operating Subsidy Agreement from the Housing Authority. 4 Receipt, review, and acceptance by carryover of a revised ground lease, clearly indicating an upfront payment equal to the purchase price. 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 allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">14</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">112</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	14	60% of AMI	60% of AMI	112
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	14																
60% of AMI	60% of AMI	112																
PROS			CONS															
<p>Development represents the reconstruction of 67 year old public housing development</p> <p>The development plan calls for the continuation of the public housing subsidy for some units to potentially help serve the lowest income levels in the community.</p>			<p>The acquisition is an identity of interest.</p> <p>The anticipated syndication proceeds as a percentage of total cost (78%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p>															

The development will result in the elimination of funding for 112 public housing units on the site.

The market for 2 and 3 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 150%.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Richard Herrington Phone: (903) 838-8548 Fax: (903) 832-2899
 Email: rherrington@texarkanaha.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Texarkana Two Neighborhood Ventures, Ltd	N/A		
Texarkana Two Neighborhood Ventures GP, LLC	N/A		1
Melvin Braziel	CONFIDENTIAL		

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

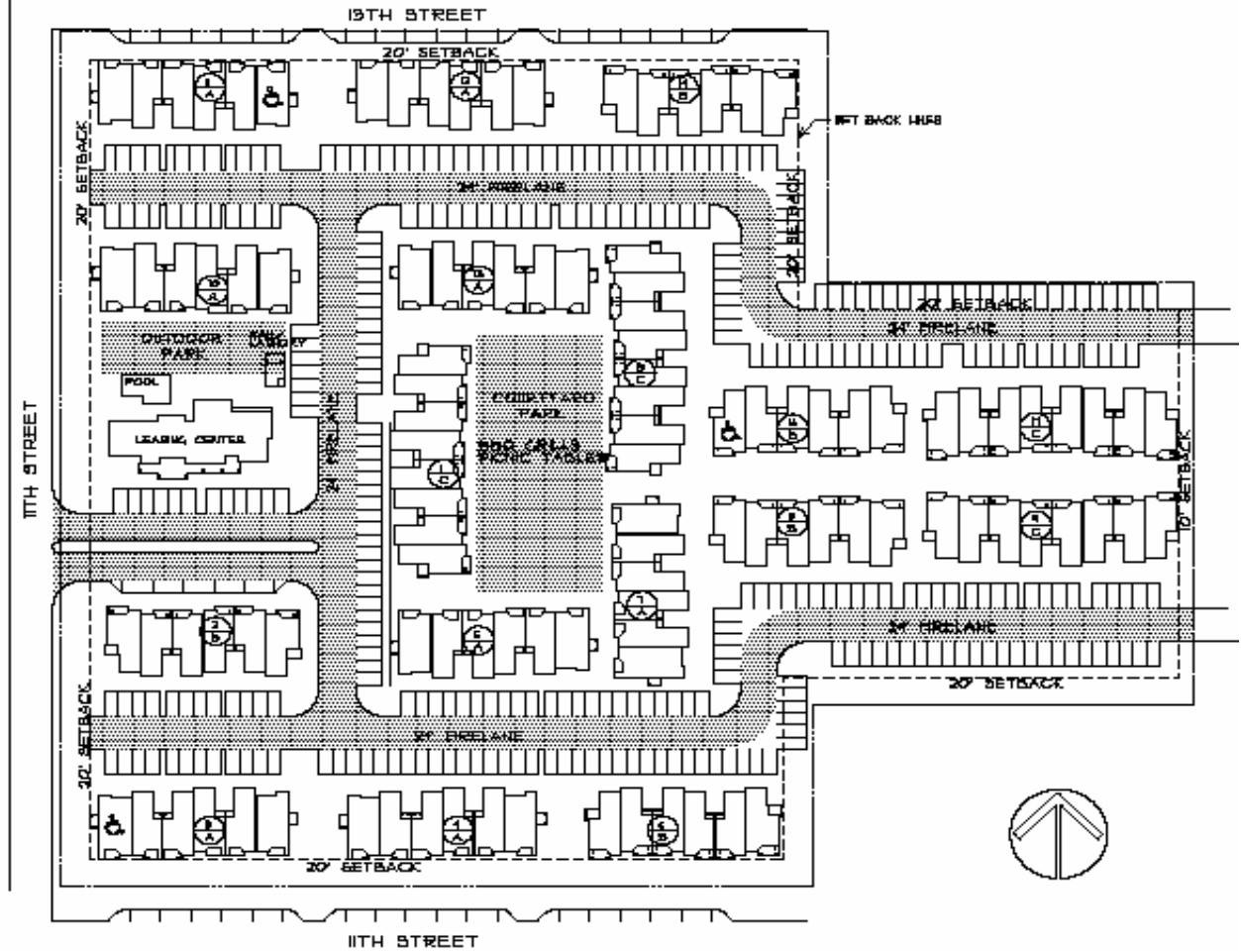
The Applicant and General Contractor are related entities. These are common relationships for HTC-funded developments.

The seller is also regarded as a related party to the General Partner. The acquisition price will be based upon the lesser of the declared price, the appraised value, and the original acquisition and holding cost. This is discussed at greater length in the construction cost section of this report.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C																Total Buildings
Floors/Stories	2	2	2																
Number	8	5	4																17

BR/BA	SF	Units										Total Units	Total SF	
1/1	758	2											16	12,128
1/1	845	2											16	13,520
2/1	1,041		6	8									62	64,542
3/2	1,239	4											32	39,648
Units per Building		8	6	8									126	129,838

This section intentionally left blank.

The property is currently composed of 126 units constructed in 1940 and operated by the Housing Authority of the City of Texarkana (HATT) with all units at 30% AMI. The Applicant has proposed demolition of the existing structures and construction of 17 new residential buildings each with six to eight one and two story townhome units. The outer units of the 9 buildings containing the proposed two bedroom units will be the one story units. Fourteen of the 126 proposed units will be public housing units (PHUs) receiving an operating subsidy. The Applicant did not provide a Development Based Operating Subsidy Agreement, but rather indicates that the Housing Authority will not enter into any type of agreement on the subject until they are able to know for sure that the deal will go forward. Furthermore, the Applicant has indicated, upon HUD approval of the demolition application, the Housing Authority will request Housing Choice Vouchers for the relocation of all current tenants. The Applicant has not included the value of this in-kind assistance as a use of funds in the development cost schedule or as a source of funds.

SITE ISSUES

Total Size:	<u>8.764</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>Zone X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>MF-1</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/22/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: West 13th Street and residential uses
 South: West 11th Street and residential uses
 East: Residential uses
 West: Milam Street and residential uses

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc. Date: 3/13/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
 "Based on the date of construction of the multifamily apartment complex (1940), asbestos is considered to present a REC for the Site." (p. 21)
 "Based on the date of construction of the multifamily apartment complex (1940), lead-based paint is considered to present a REC for the Site." (p. 22)
 "Based on the date of construction of the multifamily apartment complex (1940), lead in drinking water is considered to present a REC for the Site." (p.22)

Comments:
 "If the onsite structures are scheduled for renovation or demolition, a comprehensive asbestos survey must be performed by a State of Texas licensed and EPA accredited asbestos inspector in accordance with Texas Asbestos Health Protection Rules and the EPA's NESHAP regulation (40 CFR Part 61) prior to the initiation of renovation or demolition in activities.
 In order to evaluate the presence or absence of lead-based paint at the Site, a lead-based paint inspection would be required.
 In order to evaluate the presence or absence of lead in the onsite drinking water supply, a lead in drinking water assessment would be required." (p. 24)
 Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 2/19/2007
 Contact: Keri Curtis Phone: (972) 960-1222 Fax: (972) 960-2922
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 163.08 square miles ~7.24 mile radius

"Because of the small size of the city and the lack of physical and psychological barriers, we consider the market area to be the area within the city limits of Texarkana, Texas." (p.17)

It should be noted, the Market Analyst further explains the reasoning behind the drawn PMA boundaries is "due to a previous request by a TDHCA reviewer that only the Texas side is included. However, according to a letter written by the Executive Director of the Housing Authority of the City of Texarkana, Texas (Richard Herrington, Jr.) to Texas Department of Housing and Community Affairs (Ms. Audrey Martin) dated June 19, 2006, Mr. Herrington states that persons in need of clean, safe, affordable housing are willing to move the short distance from the Arkansas side of the border. He also states that the Housing Authority for the City of Texarkana, Texas works closely with the Housing Authority for the City of Texarkana, Arkansas and that the Section 8 vouchers from each authority area are portable to each state." (p. 18)

Secondary Market Area (SMA):

The market analyst did not explicitly define a secondary market; however, the analysts notes that a 15-minute and 20-minute drive to the center of Texarkana, was considered.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Renaissance Plaza	060050	120	Elderly	No secondary market			

INCOME LIMITS						
Bowie						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,800	\$11,200	\$12,600	\$14,000	\$15,100	\$16,250
60	\$19,560	\$22,380	\$25,140	\$27,960	\$30,180	\$32,460

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	237	7	0	244	4	0	2%
1 BR/60% Rent Limit	133	2	0	135	28	0	21%
2 BR/30% Rent Limit	56	2	0	58	6	0	10%
2 BR/60% Rent Limit	26	0	0	26	56	0	215%
3 BR/30% Rent Limit	38	1	0	39	4	0	10%
3 BR/60% Rent Limit	16	1	0	17	28	0	165%

This section intentionally left blank.

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 52	100%	14,156								506
Underwriter	100%	14,259	97%	13,864	26%	3,665	41%	1,487	65%	967
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 53										13
Underwriter			97%	97	26%	25	41%	10	100%	10

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 54	126	0	0	126	519	24.28%
Underwriter	126	0	0	126	977	12.90%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the inclusive capture rate to be acceptable at 12.9%.

Primary Market Occupancy Rates:

"The subject is located in an area with above average occupancy levels, below average rents, and one other new project, other than the subject, forecast to come online within the PMA during the next 24 months. 100% of the subject's proposed 126 units are LIHTC units. The overall average occupancy within the PMA is 94%. The average occupancy for LIHTC properties is 96%." (p.39)

Absorption Projections:

"The subject is forecast to reach stabilized occupancy within 11 months of opening, equating to an absorption pace of approximately 12 units per month." (p. 69)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 758 SF 30%	\$257	\$215	\$525	\$215	\$310		
1 BR 758 SF 60%	\$477	\$477	\$525	\$477	\$48		
1 BR 845 SF 30%	\$257	\$215	\$550	\$215	\$335		
1 BR 845 SF 60%	\$477	\$477	\$550	\$477	\$73		
2 BR 1,041 SF 30%	\$257	\$255	\$625	\$255	\$370		
2 BR 1,041 SF 60%	\$568	\$568	\$625	\$568	\$57		
3 BR 1,239 SF 30%	\$257	\$289	\$700	\$289	\$411		
3 BR 1,239 SF 60%	\$652	\$652	\$700	\$652	\$48		

Market Impact:

The Market Analyst does not explicitly comment on the impact the proposed development will have on the market area.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

As stated above, the Applicant has not provided an Operating Subsidy Agreement as it does not currently exist for the subject development. Therefore, there is nothing to substantiate the anticipated operating subsidy. Generally, under such an agreement, the Housing Authority agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent paid by tenants but in no event shall it exceed the operating subsidy paid to the Housing Authority by HUD. However, based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs' prorated share of expenses less the tenant contribution and that no debt can be serviced by the PHUs.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition and documentation of a Development Based Operating Subsidy Agreement from the Housing Authority are conditions of this report.

For the non-PHU 60% tax credit units, the Underwriter utilized projected rents calculated by subtracting tenant-paid utility allowances as of October 1, 2006, maintained by Bowie County, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. However, as indicated above, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in a total vacancy and collection loss rate of 6.98% of the development's potential gross income. In addition, the Underwriter's assumptions include an additional monthly operating subsidy which allows these units to cover only operating expenses. This calculation is in accordance with methodology used by other Texas Housing Authorities proposing mixed public housing and tax credit units. Despite these differences, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/27/2007

The Applicant's total annual operating expense projection at \$3,718 per unit is not within 5% of the Underwriter's estimate of \$3,494, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows repairs & maintenance to be \$16K higher and property insurance to be \$31K higher than the database averages.

Furthermore, the Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Texarkana Housing Authority.

Conclusion:

The Applicant's operating expenses and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) just above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a slight increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION			
APPRAISED VALUE			
Provider: <u>Integra Realty</u>			Date: <u>2/15/2007</u>
Number of Revisions: <u>0</u>	Date of Last Applicant Revision: <u>N/A</u>		
Land Only: <u>8.75 acres</u>	<u>\$310,000</u>	As of: <u>2/8/2007</u>	
ASSESSED VALUE			
Land Only: <u>9.33 acres</u>	<u>\$186,600</u>	Tax Year: <u>2006</u>	
Existing Buildings:	<u>\$1,378,800</u>	Valuation by: <u>Bowie CAD</u>	
Total Assessed Value:	<u>\$1,565,400</u>	Tax Rate: <u>2.50236</u>	
EVIDENCE of PROPERTY CONTROL			
Type: <u>Contract for Lease</u>			Acreage: <u>8.764</u>
Contract Expiration: <u>12/31/2007</u>	Valid Through Board Date?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Lease Cost: <u>\$100 per year</u>	Term: <u>99 years</u>		
Seller: <u>Housing Authority of Texarkana</u>	Related to Development Team?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
CONSTRUCTION COST ESTIMATE EVALUATION			
<i>COST SCHEDULE</i> Number of Revisions: <u>1</u>	Date of Last Applicant Revision: <u>6/14/2007</u>		
Acquisition Value:			
<p>The controlling Housing Authority is the current owner of the property, therefore the transaction represents an identity of interest. Because the acquisition of the subject property took place in 1953, the Applicant was not able to provide a settlement statement; however, The Applicant did submit original property ledgers used in the audited financials for the property, and a return on equity calculation for the land at a rate of 8% of the original purchase price.</p> <p>The submitted Option Agreement for Ground Lease executed December 29, 2000 indicates the owner (Housing Authority of the City of Texarkana) grants an option to lease the subject site to Texarkana Two Neighborhood Ventures, Ltd (the Applicant) at a price of \$100 per year for 99 years. Furthermore, the Applicant indicates that an one time upfront payment equal to the Purchase price of \$500K will be provided to the Housing Authority in return for the lease. Receipt, review, and acceptance of a revised ground lease, clearly indicating an upfront payment equal to the purchase price is a condition of this report.</p> <p>The value of the subject 8.764-acre site (not including site improvements) based on a return of 8% per year is well in excess of the Applicant's claim of \$500K; however, per §1.32(e)(1)(B)(iii)(II) of the 2007 REA Rules and Guidelines, the Underwriter's acquisition cost has exceeded the "as is" appraised value of \$310K. Therefore the appraised value will be used as the acquisition price by the Underwriter, and if the Applicant's development schedule is used, an adjustment to the sources of funds will be made to ensure that tax credit proceeds are not funding the excess transfer price over the appraised value.</p>			
Sitework Cost:			
<p>The Applicant's claimed sitework costs of \$8,992 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.</p>			
Direct Construction Cost:			
<p>The Applicant's direct construction cost estimate is consistent with the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.</p>			

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$95,369 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the proposed developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$172,896. Therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$12,953,116 supports annual tax credits of \$1,439,739. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: City of Texarkana Type: Interim Financing

Principal: \$750,000 Interest Rate: 4.9% Fixed Amort: 24 months

Source: Red Capital (Fannie Mae DUS) Type: Interim to Permanent Financing

Interim: \$6,405,473 Interest Rate: 7.82% Fixed Term: 24 months

Permanent: \$2,835,905 Interest Rate: 7.39% Fixed Amort: 360 months

Comments:

\$250 per unit annual replacement reserve requirement.

Source: Red Capital Type: Syndication

Proceeds: \$10,798,920 Syndication Rate: 90% Anticipated HTC: \$ 1,200,000

Comments:

The syndication price is at the low end of current market prices and an increase in the rate of \$0.03 per dollar of tax credits could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$512,094 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$2,875,730 based on the terms reflected in the application materials. As a result, the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$2,875,730 indicates the need for \$11,099,189 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,233,367 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,233,367), and eligible basis-derived estimate (\$1,439,739), the requested amount of \$1,200,000 is recommended resulting in proceeds of \$10,798,920 based on a syndication rate of 90%.

MULTIFAMILY COMPARATIVE ANALYSIS

Covington Townhomes, Texarkana, 9% HTC #07164

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	PH	2	1	1	758	\$262	215	\$430	\$0.28	\$47.06	\$33.36
TC 60%		14	1	1	758	\$524	477	6,677	0.63	47.06	33.36
TC 30%	PH	2	1	1	845	\$262	215	430	0.25	47.06	33.36
TC 60%		14	1	1	845	\$524	477	6,677	0.56	47.06	33.36
TC 30%	PH	6	2	1	1,041	\$315	255	1,528	0.24	60.28	38.97
TC 60%		56	2	1	1,041	\$628	568	31,792	0.55	60.28	38.97
TC 30%	PH	4	3	2	1,239	\$363	289	1,156	0.23	73.91	44.59
TC 60%		28	3	2	1,239	\$726	652	18,259	0.53	73.91	44.59
TOTAL:		126		AVERAGE:	1,030		\$531	\$66,950	\$0.52	\$60.38	\$38.97

INCOME

Total Net Rentable Sq Ft: 129,838

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 Other Support Income: PHU Operating Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -6.98%
 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	7.79%	\$470	0.46	\$59,200	\$65,460	\$0.50	\$520	8.72%
Management	5.00%	302	0.29	38,012	37,545	0.29	298	5.00%
Payroll & Payroll Tax	16.47%	994	0.96	125,238	105,000	0.81	833	13.98%
Repairs & Maintenance	9.69%	584	0.57	73,632	90,000	0.69	714	11.99%
Utilities	3.00%	181	0.18	22,825	31,360	0.24	249	4.18%
Water, Sewer, & Trash	6.03%	364	0.35	45,851	32,640	0.25	259	4.35%
Property Insurance	5.12%	309	0.30	38,951	69,892	0.54	555	9.31%
Property Tax	2.50236 0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	4.14%	250	0.24	31,500	31,500	0.24	250	4.20%
TDHCA Compliance Fees	0.66%	40	0.04	5,040	5,040	0.04	40	0.67%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	57.91%	\$3,494	\$3.39	\$440,249	\$468,437	\$3.61	\$3,718	62.38%
NET OPERATING INC	42.09%	\$2,540	\$2.46	\$319,987	\$282,451	\$2.18	\$2,242	37.62%

DEBT SERVICE

First Lien Mortgage	30.96%	\$1,868	\$1.81	\$235,391	\$235,380	\$1.81	\$1,868	31.35%
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	11.13%	\$671	\$0.65	\$84,596	\$47,071	\$0.36	\$374	6.27%
AGGREGATE DEBT COVERAGE RATIO				1.36	1.20			
RECOMMENDED DEBT COVERAGE RATIO				1.35				

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)		2.23%	\$2,460	\$2.39	\$310,000	\$500,000	\$3.85	\$3,968	3.53%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.15%	8,992	8.73	1,133,025	1,133,025	8.73	8,992	8.01%
Direct Construction		52.05%	57,418	55.72	7,234,626	7,059,590	54.37	56,028	49.90%
Contingency	5.00%	3.01%	3,320	3.22	418,383	505,000	3.89	4,008	3.57%
Contractor's Fees	13.63%	8.20%	9,049	8.78	1,140,235	1,140,235	8.78	9,049	8.06%
Indirect Construction		7.13%	7,869	7.64	991,500	991,500	7.64	7,869	7.01%
Ineligible Costs		1.98%	2,187	2.12	275,538	275,538	2.12	2,187	1.95%
Developer's Fees	15.00%	12.35%	13,628	13.22	1,717,105	1,862,433	14.34	14,781	13.16%
Interim Financing		3.81%	4,203	4.08	529,598	529,598	4.08	4,203	3.74%
Reserves		1.08%	1,190	1.16	150,000	150,000	1.16	1,190	1.06%
TOTAL COST		100.00%	\$110,318	\$107.06	\$13,900,009	\$14,146,919	\$108.96	\$112,277	100.00%
Construction Cost Recap		71.41%	\$78,780	\$76.45	\$9,926,268	\$9,837,850	\$75.77	\$78,078	69.54%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	20.40%	\$22,507	\$21.84	\$2,835,905	\$2,835,905	\$2,857,730	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,689,537
HTC Syndication Proceeds	77.69%	\$85,706	\$83.17	10,798,920	10,798,920	10,798,920	% of Dev. Fee Deferred
Deferred Developer Fees	3.68%	\$4,064	\$3.94	512,094	512,094	300,269	18%
Additional (Excess) Funds Req'd	-1.78%	(\$1,960)	(\$1.90)	(246,910)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$13,900,009	\$14,146,919	\$13,956,919	\$1,878,625

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Covington Townhomes, Texarkana, 9% HTC #07164

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$61.32	\$7,962,245
Adjustments				
Exterior Wall Finish	7.00%		\$4.29	\$557,357
Elderly			0.00	0
9-Ft. Ceilings	4.00%		2.45	318,490
Roofing			0.00	0
Subfloor			(0.93)	(120,100)
Floor Cover			3.08	399,901
Patios	\$31.31	11,625	2.80	363,910
Plumbing Fixtures	\$965	(282)	(2.10)	(272,130)
Rough-ins	\$425	126	0.41	53,550
Built-In Appliances	\$2,425	126	2.35	305,550
Stairs	\$1,089	76	0.64	82,764
Exterior Stairs	\$1,800.00	34	0.47	61,200
Heating/Cooling			1.90	246,692
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$64.74	4,300	2.14	278,382
Other: fire sprinkler			0.00	0
SUBTOTAL			78.85	10,237,810
Current Cost Multiplier	0.98		(1.58)	(204,756)
Local Multiplier	0.89		(8.67)	(1,126,159)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.60	\$8,906,895
Plans, specs, survy, bld prmts	3.90%		(\$2.68)	(\$347,369)
Interim Construction Interest	3.38%		(2.32)	(300,608)
Contractor's OH & Profit	11.50%		(7.89)	(1,024,293)
NET DIRECT CONSTRUCTION COSTS			\$55.72	\$7,234,626

PAYMENT COMPUTATION

Primary	\$2,835,905	Amort	360
Int Rate	7.39%	DCR	1.36

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.36

Additional	\$10,798,920	Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$237,202
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$82,785

Primary	\$2,857,730	Amort	360
Int Rate	7.39%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$10,798,920	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

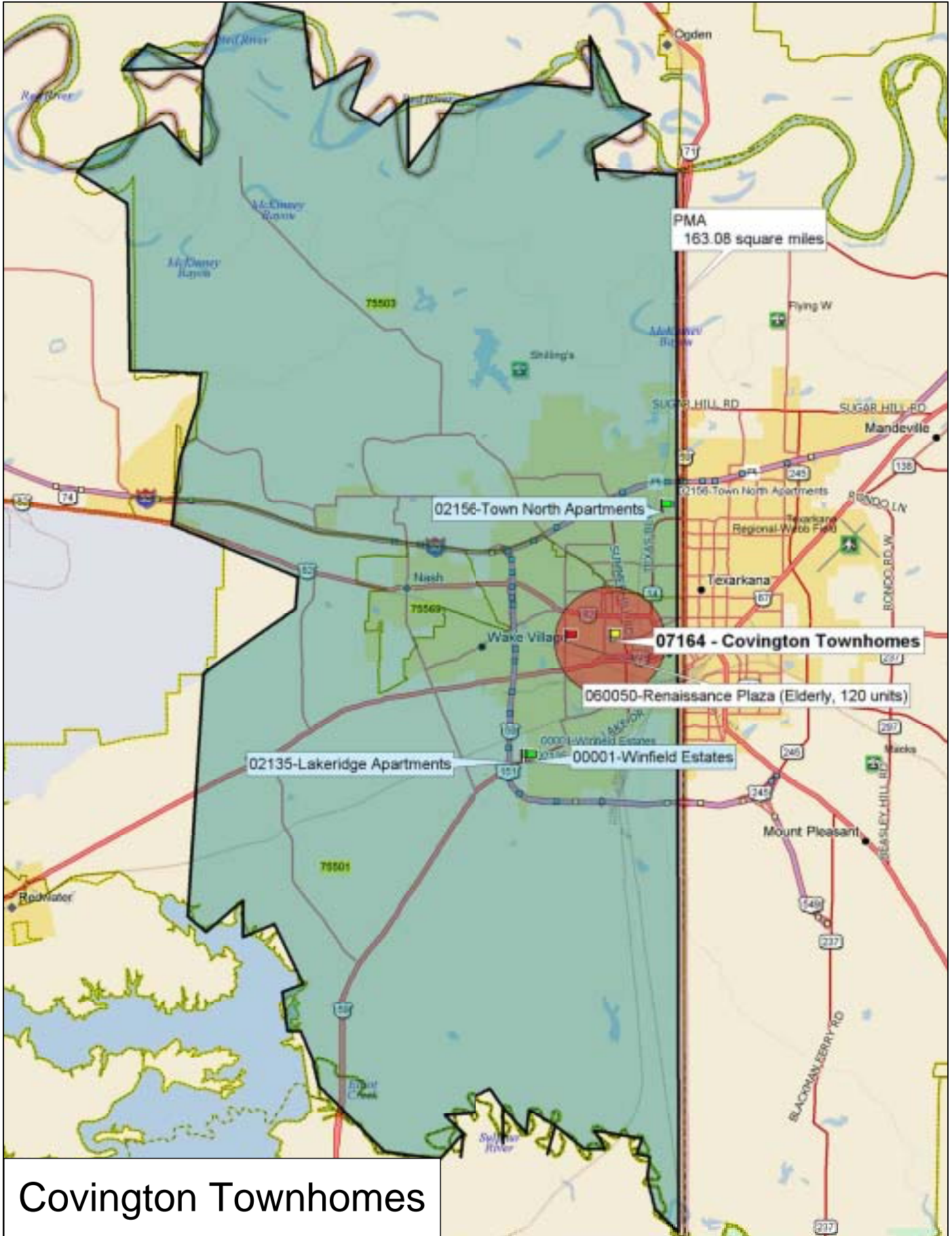
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$803,395	\$827,497	\$852,322	\$877,892	\$904,228	\$1,048,249	\$1,215,207	\$1,408,758	\$1,893,253
Secondary Income	7,560	7,787	8,020	8,261	8,509	9,864	11,435	13,257	17,816
Other Support Income: PHU Operating Su	6,345	6,597	6,817	7,045	7,281	17,422	30,070	45,775	91,521
POTENTIAL GROSS INCOME	817,300	841,881	867,159	893,198	920,018	1,075,535	1,256,713	1,467,790	2,002,590
Vacancy & Collection Loss	(57,065)	(58,781)	(60,546)	(62,364)	(64,237)	(75,095)	(87,745)	(102,482)	(139,823)
Employee or Other Non-Rental Units or Cc	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$760,236	\$783,100	\$806,614	\$830,834	\$855,782	\$1,000,440	\$1,168,968	\$1,365,307	\$1,862,767
EXPENSES at 4.00%									
General & Administrative	\$59,200	\$61,568	\$64,031	\$66,592	\$69,256	\$84,260	\$102,515	\$124,726	\$184,624
Management	38,012	39,155	40,331	41,542	42,789	50,022	58,448	68,265	93,138
Payroll & Payroll Tax	125,238	130,247	135,457	140,875	146,510	178,252	216,871	263,857	390,572
Repairs & Maintenance	73,632	76,577	79,640	82,826	86,139	104,801	127,507	155,131	229,632
Utilities	22,825	23,738	24,688	25,675	26,702	32,487	39,526	48,089	71,184
Water, Sewer & Trash	45,851	47,685	49,592	51,576	53,639	65,260	79,399	96,600	142,992
Insurance	38,951	40,509	42,130	43,815	45,568	55,440	67,451	82,065	121,476
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	31,500	32,760	34,070	35,433	36,851	44,834	54,548	66,366	98,238
Other	5,040	5,242	5,451	5,669	5,896	7,173	8,728	10,619	15,718
TOTAL EXPENSES	\$440,249	\$457,481	\$475,390	\$494,003	\$513,349	\$622,530	\$754,992	\$915,718	\$1,347,575
NET OPERATING INCOME	\$319,987	\$325,619	\$331,224	\$336,830	\$342,433	\$377,909	\$413,975	\$449,590	\$515,193
DEBT SERVICE									
First Lien Financing	\$237,202	\$237,202	\$237,202	\$237,202	\$237,202	\$237,202	\$237,202	\$237,202	\$237,202
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	\$82,785	\$88,416	\$94,021	\$99,628	\$105,230	\$140,707	\$176,773	\$212,388	\$277,991
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.42	1.44	1.59	1.75	1.90	2.17

HTC ALLOCATION ANALYSIS -Covington Townhomes, Texarkana, 9% HTC #07164

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$500,000	\$310,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,133,025	\$1,133,025	\$1,133,025	\$1,133,025
Construction Hard Costs	\$7,059,590	\$7,234,626	\$7,059,590	\$7,234,626
Contractor Fees	\$1,140,235	\$1,140,235	\$1,140,235	\$1,140,235
Contingencies	\$505,000	\$418,383	\$409,631	\$418,383
Eligible Indirect Fees	\$991,500	\$991,500	\$991,500	\$991,500
Eligible Financing Fees	\$529,598	\$529,598	\$529,598	\$529,598
All Ineligible Costs	\$275,538	\$275,538		
Developer Fees			\$1,689,537	
Developer Fees	\$1,862,433	\$1,717,105		\$1,717,105
Development Reserves				
	\$150,000	\$150,000		
TOTAL DEVELOPMENT COSTS	\$14,146,919	\$13,900,009	\$12,953,116	\$13,164,471

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,953,116	\$13,164,471
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$16,839,050	\$17,113,812
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$16,839,050	\$17,113,812
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,439,739	\$1,463,231

Syndication Proceeds	0.8999	\$12,956,353	\$13,167,762
Total Tax Credits (Eligible Basis Method)		\$1,439,739	\$1,463,231
Syndication Proceeds		\$12,956,353	\$13,167,762
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,798,920	
Gap of Syndication Proceeds Needed		\$11,099,189	
Total Tax Credits (Gap Method)		\$1,233,367	

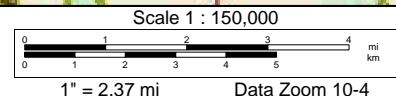


Covington Townhomes

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Applicant Evaluation

Project ID # **07164**

Name: **Covington Townhomes**

City: **Texarkana**

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

Total # of Projects monitored: 2

Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 2

not yet monitored or pending review: 1

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/7/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gates of Dominion North, TDHCA Number 07165

BASIC DEVELOPMENT INFORMATION

Site Address: NW Corner of JFK Blvd. & Lauder Rd. Development #: 07165
City: Houston Region: 6 Population Served: General
County: Harris Zip Code: 77039 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: JFK Lauder Limited
Owner Contact and Phone: Daniel Williams (713) 957-2789
Developer: Dominion CDC
Housing General Contractor: Carleton Construction, Ltd.
Architect: Beeler, Guest, Owens Architects, L.P.
Market Analyst: Integra Realty Resources
Syndicator: Hudson Housing Capital, LLC
Supportive Services: Dominion CDC
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 150
15 0 0 135 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
28 78 44 0 0 Total Development Units: 150
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 24
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gates of Dominion North, TDHCA Number 07165

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6, O Points: -7 US Representative: Green, District 29, O
TX Representative: Bailey, District 140, O Points: -7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
O, Nadine Kujawa, Superintendent, Aldine ISD
S, Peter Brown, Houston City Council Member At-Large
Position 1

Individuals and Businesses In Support: 0 In Opposition 1

Quantifiable Community Participation Input:

Aldine Communities Together, Inc., Shirley Reed Letter Score: 0 S or O: O

The area drains poorly, and even moderate rains cause persistent, serious flooding. The development will increase the amount of pedestrian traffic in an area not designed for pedestrian use. The area lacks sufficient public transportation.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Significant opposition received from elected officials. A letter of opposition was received from a qualified neighborhood organization. The only letter of support was from an At-Large City Council Member.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gates of Dominion North, TDHCA Number 07165

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

Competitive Housing Tax Credits: Score: **141** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Jeremiah Seniors, TDHCA Number 07166

BASIC DEVELOPMENT INFORMATION

Site Address: 909 W. Hurst Blvd. Development #: 07166
City: Hurst Region: 3 Population Served: Elderly
County: Tarrant Zip Code: 76053 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Hurst-Jeremiah 29:11, L.P.
Owner Contact and Phone: Tim Valentine (888) 354-4631
Developer: Rumsey Development, LLC
Housing General Contractor: Carleton Construction, Ltd
Architect: Beeler, Guest, Owens Architects, L.P.
Market Analyst: Integra Realty Resources
Syndicator: Red Capital Group, Inc.
Supportive Services: Jeremiah 29:11, Inc.
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 135
14 0 0 121 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 81 54 0 0 0 Total Development Units: 135
Type of Building: Total Development Cost*: \$12,668,448
Number of Residential Buildings: 2
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,061,170 \$989,447
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jeremiah Seniors, TDHCA Number 07166

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, S Points: 7 US Representative: Burgess, District 26, NC
TX Representative: Smith, District 92, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
United Way of Tarrant County S or O: S
North Pointe Baptist Church S or O: S
Rotary Club of Hurst Euless Bedford S or O: S
Mid-Cities Care Corps S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to an Environmental Site Investigation of onsite soil and groundwater, proper closing and abandonment of the septic tank, proper plugging of the water well, and an onsite rare species and potential jurisdictional waters of the U.S. and wetlands survey.

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

Receipt of a commitment of funding from Tarrant County Community Development and Housing in the amount of \$750,000, or a commitment from a qualifying substitute source in an amount not less than \$704,112, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding for Tarrant County HOME Funds in the amount of \$750,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$281,645, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jeremiah Seniors, TDHCA Number 07166

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

Competitive Housing Tax Credits: Score: **193** Meeting a Required Set-Aside Credit Amount*: \$989,447

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: 07166

DEVELOPMENT

Jeremiah Seniors

Location: 909 W Hurst Blvd Region: 3
 City: Hurst County: Tarrant Zip: 76053 QCT DDA
 Key Attributes: Multifamily, Elderly, New Construction, Urban/Exurban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,061,170			\$989,447		

CONDITIONS

- 1 Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.
- 2 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to an Environmental Site Investigation of onsite soil and groundwater, proper closing and abandonment of the septic tank, proper plugging of the water well, and an onsite rare species and potential jurisdictional waters of the U.S. and wetlands survey.
- 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	14
60% of AMI	60% of AMI	121

PROS

The subject represents the first elderly tax credit development in the Hurst-Eules-Bedford Market.

CONS

Multiple Recognized Environmental Concerns were identified in the submitted Environmental Site Assessment.

Large portions of the property are located in the 100-year floodplain; it appears there is no way to configure the proposed buildings to avoid construction in this floodplain. As a result, higher than average site and direct construction costs are likely to meet QAP requirements.

The Underwriter's analysis suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing. The anticipated syndication proceeds as a percentage of total cost (76%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.

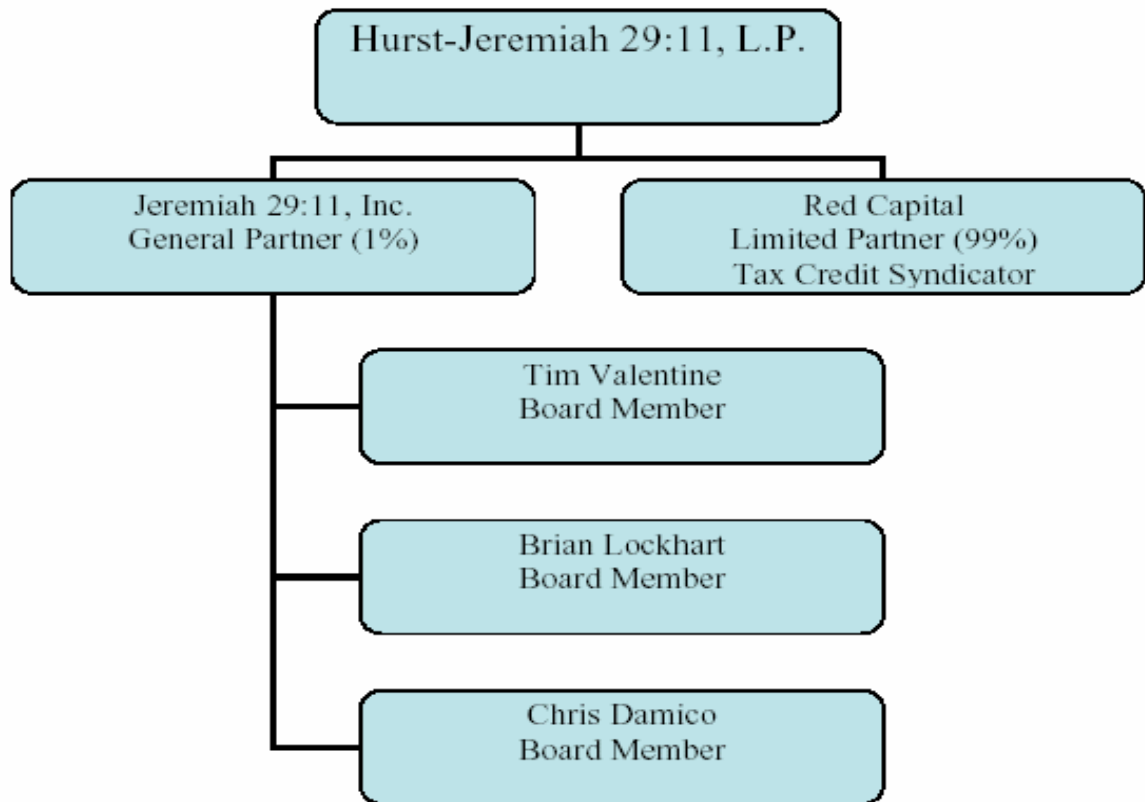
The Applicant's expense to income ratio exceeds the Department maximum but the Underwriter's ratio is somewhat less than the maximum guideline and therefore considered to be acceptable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Tim Valentine Phone: (888) 354-4631 Fax: (512) 334-6936
 Email: tim@timcoonline.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Developments
Jeremiah 29:11, Inc	\$3,454,909	\$3,104,861	
Rumsey Development, LLC	\$71,447	\$11,610	
Robert Rumsey	CONFIDENTIAL		
Brian Rumsey	CONFIDENTIAL		
Steve Rumsey	CONFIDENTIAL		

¹ Liquidity = Current Assets - Current Liabilities

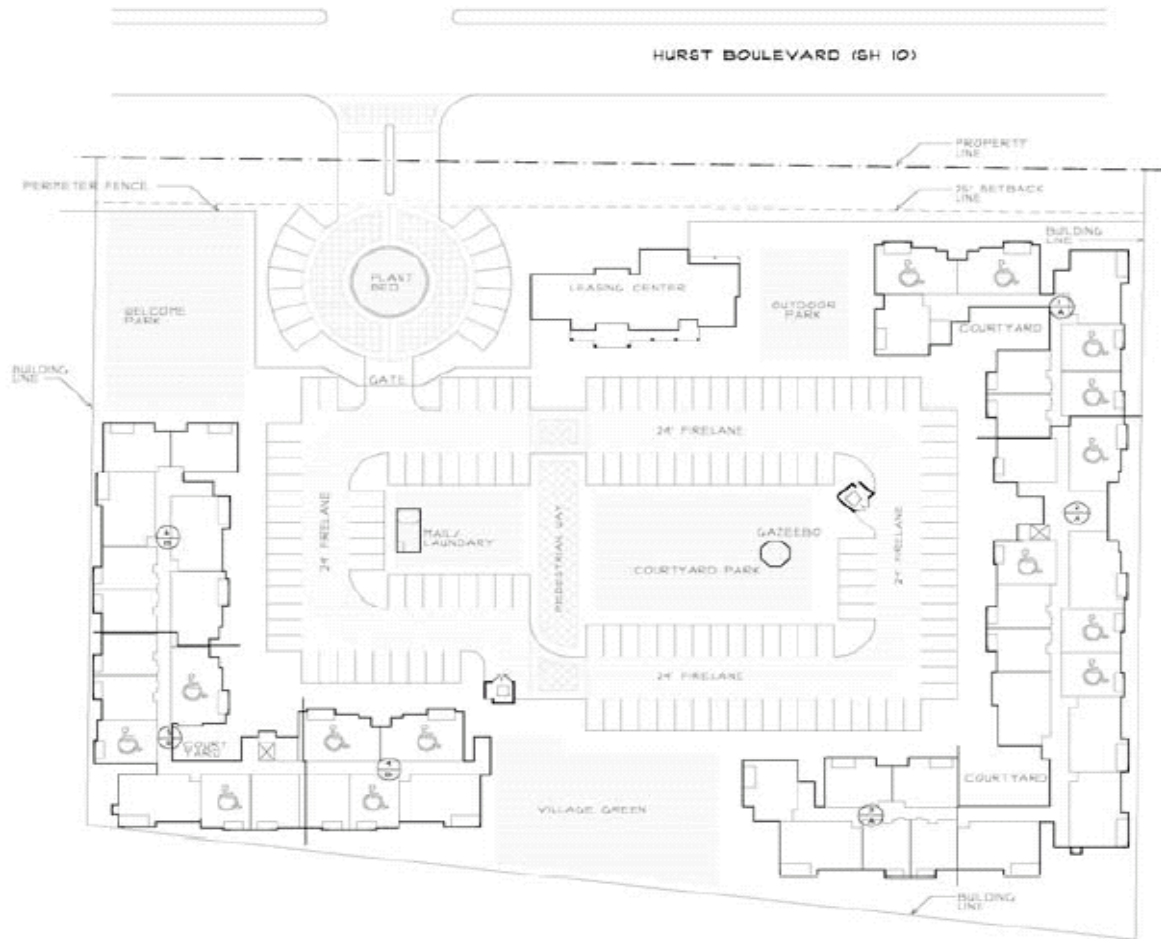
IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The seller is also regarded as a related party to the General Partner. The acquisition price will be based upon the lesser of the declared price, the appraised value, and the original acquisition and holding cost. This is discussed at greater length in the construction cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B										Total Buildings
Floors/Stories	3	3										
Number	1	1										2

BR/BA	SF	Units										Total Units	Total SF
1/1	654	18	12									30	19,620
1/1	709	18	15									33	23,397
1/1	800	12	6									18	14,400
2/2	1,002	12	12									24	24,048
2/2	1,032	18	12									30	30,960
Units per Building	78	57										135	112,425

SITE ISSUES

Total Size: 15.99 acres Scattered site? Yes No
 Flood Zone: AE & X Within 100-yr floodplain? Yes No
 Zoning: TX10 Multi-Use Needs to be re-zoned? Yes No N/A
 Comments:

According to the ESA provider, a portion of the Subject Property is located within the 100-year flood zone. This is discussed in more detail in the "Highlights of Environmental Reports" section (below).
 Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/10/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: State Highway 10 (Hurst Blvd), vacant/undeveloped land and residential and commercial uses.
 South: Trinity Railway Express and residential and commercial uses
 East: Precinct Line, vacant/undeveloped land, and industrial uses
 West: Vacant/undeveloped land and commercial uses

Comments:
 Inspector: property directly to east has water utility equipment for the City of Hurst; high voltage towers are visible from site; concrete and lime plants and recycling facility located within one mile; proposed site would sit on Highway 10 and Precinct Line, both very busy and heavily traveled roads.

This section intentionally left blank.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc.

Date: 3/15/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"A current gasoline station facility (Penny Saver/Citgo) appears to have been located on a northeast near vicinity property since at least 1963 (44 years). The facility is located approximately 600 feet northeast and topographically upgradient to the Site. The facility was formerly occupied by Sunny Mart Foods from at least 1985 through 1990, Jack's Fina Service in at least 1978, M&M Oil Co. Fina Station in at least 1972, Hurst Shell Service gasoline station in at least 1966 and Bogard Shell Service gasoline station in at least 1963. Based on distance, the apparent topographic gradient relative to the Site, Site geology (Alluvium and Quaternary deposits), and the age and use of the facility, the current Penny Saver/Citgo gasoline station facility is considered to present a REC for the Site." (p.18)

"A current dry cleaner facility (Daisy Patch Cleaners and Laundry) appears to have been located on a northeast near vicinity property since at least 1985 (22 years). The facility is located approximately 700 feet northeast and topographically upgradient to the Site. The Daisy Patch Cleaners and Laundry facility conducts dry cleaning operations onsite. Based on distance, the apparent topographic gradient relative to the Site, Site geology (Alluvium and Quaternary deposits), and the age and use of the facility, the dry cleaner facility is considered to present a REC for the Site." (p.18)

"Based on a review of the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Map (FIRM) Number 48439CO312 J, Panels 312 of 595, revised August 23, 2000, the majority of the Site appears to be located within Zone AE, which is within a 100 year floodplain zone and for which base flood elevations have been determined. A portion of the Site located on the eastern side of the Site is located in Zone X (shaded), which is within a 100year floodplain zone with an average depth of less than 1 foot or with drainage areas less than 1 square mile. A portion of the Site located within Zone X (shaded) is located in Zone X, which is outside the 500 year floodplain zone." (p.31)

Comments:

"This assessment has revealed evidence of recognized environmental conditions (RECs) in connection with the Site. The presence of a former large gravel mining operation located on the south adjoining property, an underground high-pressure petroleum pipeline located in close proximity to the southern boundary of the Site, and a current automotive repair/former gasoline station/LUST facility, a current dry cleaner facility and a current gasoline station facility located in close proximity and topographically upgradient to the Site constitute RECs.

ALPHA recommends an Environmental Site Investigation (ESI) be performed to evaluate the presence of petroleum hydrocarbons, volatile organic compounds (VOCs), semi volatile organic compounds (SVOCs) and RCRA metals in the onsite soil and groundwater as a result of potential release from the offsite former large gravel mining operation, underground petroleum product pipeline, current automotive/former gasoline station/LUST facility, current dry cleaner facility and current gasoline station facility located in close vicinity and topographically upgradient to the Site.

If a septic tank system is identified onsite and is not intended for future use, ALPHA recommends the septic tank system be closed and abandoned in accordance with local, state and federal regulations.

If a water well is identified onsite and is not intended for future use, ALPHA recommends the water well be plugged and abandoned in accordance with 30 TAC Chapter 338.

In order to further evaluate the presence or absence of the identified State listed rare species located on the Site, an onsite rare species survey would be required.

In order to further evaluate the presence or absence of the identified potential jurisdictional waters of the U.S. and wetlands as defined and regulated by federal authority under 33 CFR Parts 320330, an onsite potential jurisdictional waters of the U.S. and wetlands survey would be required." (p.34)

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to an Environmental Site Investigation of onsite soil and groundwater, proper closing and abandonment of the septic tank, proper plugging of the water well, and an onsite rare species and potential jurisdictional waters of the U.S. and wetlands survey is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 2/26/2007
 Contact: Jon Cruse Phone: (972) 960-1222 Fax: (972) 960-2922
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 49.85 square miles ~ 4 mile radius

" For this analysis, we concluded the subject's primary market area (PMA) to consist of the cities of Hurst, Euless and Bedford, i.e. the H-E-B area." (p. 17)

Secondary Market Area (SMA):

The market analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Post Oak East	04433	262	Family	No secondary market defined			
Cobblestone Manor Sr.	05441	220	Outside PMA				

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,300	\$15,200	\$17,100	\$19,000	\$20,500	\$22,050
60	\$26,640	\$30,420	\$34,260	\$38,040	\$41,100	\$44,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	104	9	0	113	8	0	7%
1 BR/60% Rent Limit	309	27	0	336	73	0	22%
2 BR/30% Rent Limit	84	7	0	91	6	0	7%
2 BR/60% Rent Limit	259	23	0	282	48	0	17%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 62	17,210				672
Underwriter	20% 18,810	100% 18,810	20% 3,755	20% 750	24% 182
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 60					66
Underwriter		100% 805	20% 161	20% 32	100% 32

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 63	135	0	0	135	738	18.29%
Underwriter	135	0	0	135	214	63.01%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the inclusive capture rate to be high but still acceptable at 63%.

Primary Market Occupancy Rates:

"...the simple average occupancy rate for LIHTC properties within the PMA is 95%." (p. 44)

Absorption Projections:

"We forecast a lease up period of 9 months for the subject, equating to an absorption pace of 15 units per month." (p. 85)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 654 SF 30%	\$264	\$264	\$725	\$264	\$461		
1 BR 654 SF 60%	\$621	\$621	\$725	\$621	\$104		
1 BR 709 SF 30%	\$264	\$264	\$770	\$264	\$506		
1 BR 709 SF 60%	\$621	\$621	\$770	\$621	\$149		
1 BR 800 SF 30%	\$264	\$264	\$820	\$264	\$556		
1 BR 800 SF 60%	\$621	\$621	\$820	\$621	\$199		
2 BR 1,002 SF 30%	\$309	\$309	\$1,050	\$309	\$741		
2 BR 1,002 SF 60%	\$738	\$738	\$1,050	\$738	\$312		
2 BR 1,032 SF 30%	\$309	\$309	\$1,075	\$309	\$766		
2 BR 1,032 SF 60%	\$738	\$738	\$1,075	\$738	\$337		

Market Impact:

Per a letter dated June 20, 2007, the Market Analyst indicates, "There are currently six LIHTC properties located within the subject's PMA. Occupancy rates for the properties range from 90% to 100%. Of the six properties, none are restricted to seniors. We found there to be no new projects, other than the subject, forecast to come online within the PMA during the next 24 months. The subject is the only known "seniors only" LIHTC project forecast to come online within the PMA. All of the subject's 135 units are LIHTC units. Based upon our Market Study, demand for "seniors only" LIHTC units on an annual basis is 738 units. Thus, we conclude there to be more than sufficient unmet demand to support the development of the subject without negatively impacting the existing supply."

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of February 9, 2006, maintained by Tarrant Count, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 6/7/2007

The Applicant's total annual operating expense projection at \$4,625 per unit is not within 5% of the Underwriter's estimate of \$4,160, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows several line item figures that deviate significantly when compared to the Underwriter's estimates, specifically: General & Administrative (\$13K lower), Water, Sewer & Trash (\$18K lower), and Property Tax (\$83K higher). In particular, the Applicant's property tax estimate would suggest an assessed value of over \$50K per unit when the capped value based on the NOI is less than \$30K per unit.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.42, which exceeds the Department's maximum DCR guideline of 1.35.

Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The Applicant's operating proforma estimates and initial expense to income ratio exceeds the departments 65% maximum and no mitigating circumstances exist in the application to support such a high figure. As indicated above, the Applicant's operating expenses (particularly property taxes) are significantly overstated which allow the projected debt coverage ratio to appear to be below 1.35 and therefore does not require additional debt. The Underwriter's analysis however, reflects a lower expense estimate and an expense to income ratio below 65%; therefore the development can be characterized as feasible under this criteria.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Integra Realty</u>	Date:	<u>2/26/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>16 acres</u>	As of:	<u>1/24/2007</u>
Existing Buildings: (as-is)	<u>N/A</u>	As of:	<u>1/24/2007</u>
Total Development: (as-is)	<u>\$1,000,000</u>	As of:	<u>1/24/2007</u>

ASSESSED VALUE

Land Only:	<u>15.981 acres</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Tarrant CAD</u>
Total Assessed Value:	<u>\$34,807</u>	Tax Rate:	<u>2.761867</u>

EVIDENCE of PROPERTY CONTROL

Type: Contract of Sale Acreage: 15.99
Contract Expiration: 10/31/2007 Valid Through Board Date? Yes No
Acquisition Cost: \$800,000 Other: _____
Seller: Jeremiah 29:11 Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 4 Date of Last Applicant Revision: 6/11/2007

Acquisition Value:

The current owner, Jeremiah 29:11 is the General Partner; therefore, the transaction represents an identity of interest. The proposed acquisition price presented in the application materials for the subject 15.99-acres between Jeremiah 29:11 and the Applicant is set at \$800,000.

The current owner, Jeremiah 29:11 was granted title of the ownership of the land via a gift deed valued at \$1.2M. The Applicant submitted evidence of holding costs totaling \$56,418 for property tax costs for 2000 through 2003 and a floodplain study. Since there is no value attributed to the original acquisition, the improvement costs at \$56,418 is the acquisition cost included in this underwriting analysis so as to not unnecessarily inflate the total development cost and the tax credit allocation. This restriction on identity of interest acquisitions is required under 10 TAC §1.32(e)(1)(B).

It should be noted, The Applicant also submitted documentation of two loans from Liberty Bank as evidence of additional holding costs. However, it appears that the subject property was utilized as collateral and interest on the loans would only be allowable as evidence of holding costs if the proceeds of the loan were used to improve the site. In this case, and from the evidence submitted, it does not appear that the proceeds of the loan were used to improve the site; therefore, the interest for the two Liberty Bank loans was not considered in the acquisition cost included in this underwriting analysis.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,950 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$479K or 8% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$59,390 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.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$21,847 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

This section intentionally left blank.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$12,111,508 supports annual tax credits of \$1,035,534. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007

Source: Tarrant County HOME Funds Type: Interim Financing

Principal: \$750,000 Interest Rate: AFR Fixed Amort: months

Source: Red Capital Group (Fannie Mae) Type: Interim to Permanent Financing

Interim: \$6,567,275 Interest Rate: 7.82% Fixed Term: 24 months

Permanent: \$3,454,999 Interest Rate: 6.78% Fixed Amort: 360 months

Comments:

\$250 per unit per year replacement reserve requirement; 1.20 minimum debt coverage ratio

Source: Red Capital Group Type: Syndication

Proceeds: \$9,655,690 Syndication Rate: 91% Anticipated HTC: \$ 1,061,171

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$971,537 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$3,655,380 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Underwriter's total development cost estimate less the adjusted permanent loan of \$3,655,380 indicates the need for \$9,003,068 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$989,447 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,061,170), the gap-driven amount (\$989,447) and eligible basis-derived estimate (\$1,035,534), the gap-driven amount of \$989,447 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter:	<u>Diamond Unique Thompson</u>	Date:	<u>June 22, 2007</u>
Reviewing Underwriter:	<u>Lisa Vecchietti</u>	Date:	<u>June 22, 2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>June 22, 2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Jeremiah Seniors, Hurst, 9% HTC #07166

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	654	\$356	\$264	\$792	\$0.40	\$92.00	\$51.00
TC 60%	27	1	1	654	\$713	621	16,767	0.95	92.00	51.00
TC 30%	3	1	1	709	\$356	264	792	0.37	92.00	51.00
TC 60%	30	1	1	709	\$713	621	18,630	0.88	92.00	51.00
TC 30%	2	1	1	800	\$356	264	528	0.33	92.00	51.00
TC 60%	16	1	1	800	\$713	621	9,936	0.78	92.00	51.00
TC 30%	2	2	2	1,002	\$427	309	618	0.31	118.00	63.00
TC 60%	22	2	2	1,002	\$856	738	16,236	0.74	118.00	63.00
TC 30%	4	2	2	1,032	\$427	309	1,236	0.30	118.00	63.00
TC 60%	26	2	2	1,032	\$856	738	19,188	0.72	118.00	63.00
TOTAL:	135		AVERAGE:	833		\$628	\$84,723	\$0.75	\$102.40	\$55.80

INCOME				Total Net Rentable Sq Ft:	112,425	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION			
POTENTIAL GROSS RENT						\$1,016,676	\$1,016,676	Tarrant		3			
Secondary Income		Per Unit Per Month:	\$5.00			8,100	8,100	\$5.00	Per Unit Per Month				
Other Support Income:						0	0	\$0.00	Per Unit Per Month				
POTENTIAL GROSS INCOME						\$1,024,776	\$1,024,776						
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(76,858)	(76,860)	-7.50%	of Potential Gross Income				
Employee or Other Non-Rental Units or Concessions						0	0						
EFFECTIVE GROSS INCOME						\$947,918	\$947,916						
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI			
General & Administrative		5.33%	\$374	0.45		\$50,555	\$37,352	\$0.33	\$277	3.94%			
Management		5.00%	351	0.42		47,396	47,396	0.42	351	5.00%			
Payroll & Payroll Tax		13.61%	956	1.15		129,029	140,000	1.25	1,037	14.77%			
Repairs & Maintenance		6.95%	488	0.59		65,875	70,000	0.62	519	7.38%			
Utilities		3.73%	262	0.31		35,336	27,956	0.25	207	2.95%			
Water, Sewer, & Trash		5.26%	369	0.44		49,820	31,910	0.28	236	3.37%			
Property Insurance		3.43%	241	0.29		32,558	36,200	0.32	268	3.82%			
Property Tax	2.761867	11.80%	829	0.99		111,856	194,466	1.73	1,440	20.52%			
Reserve for Replacements		3.56%	250	0.30		33,750	33,750	0.30	250	3.56%			
TDHCA Compliance Fees		0.57%	40	0.05		5,400	5,400	0.05	40	0.57%			
Other:		0.00%	0	0.00		0	0	0.00	0	0.00%			
TOTAL EXPENSES						59.24%	\$4,160	\$5.00	\$561,574	\$624,430	\$5.55	\$4,625	65.87%
NET OPERATING INC						40.76%	\$2,862	\$3.44	\$386,344	\$323,486	\$2.88	\$2,396	34.13%
DEBT SERVICE													
First Lien Mortgage		28.46%	\$1,998	\$2.40		\$269,736	\$269,490	\$2.40	\$1,996	28.43%			
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						12.30%	\$864	\$1.04	\$116,608	\$53,996	\$0.48	\$400	5.70%
AGGREGATE DEBT COVERAGE RATIO						1.43	1.20						
RECOMMENDED DEBT COVERAGE RATIO						1.35							

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)		0.45%	\$418	\$0.50	\$56,418	\$800,000	\$7.12	\$5,926	5.68%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		9.54%	8,950	10.75	1,208,250	1,208,250	10.75	8,950	8.58%	
Direct Construction		50.33%	47,228	56.71	6,375,729	6,854,799	60.97	50,776	48.68%	
Contingency	5.00%	2.99%	2,809	3.37	379,199	400,000	3.56	2,963	2.84%	
Contractor's Fees	14.00%	8.38%	7,865	9.44	1,061,757	1,125,668	10.01	8,338	7.99%	
Indirect Construction		5.85%	5,493	6.60	741,500	741,500	6.60	5,493	5.27%	
Ineligible Costs		2.37%	2,226	2.67	300,522	300,522	2.67	2,226	2.13%	
Developer's Fees	15.00%	12.47%	11,702	14.05	1,579,762	1,686,176	15.00	12,490	11.97%	
Interim Financing		6.04%	5,669	6.81	765,311	765,311	6.81	5,669	5.43%	
Reserves		1.58%	1,481	1.78	200,000	200,000	1.78	1,481	1.42%	
TOTAL COST		100.00%	\$93,840	\$112.68	\$12,668,448	\$14,082,226	\$125.26	\$104,313	100.00%	
Construction Cost Recap		71.24%	\$66,851	\$80.28	\$9,024,936	\$9,588,717	\$85.29	\$71,028	68.09%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
First Lien Mortgage	27.27%	\$25,593	\$30.73		\$3,454,999	\$3,454,999	\$3,665,380	Developer Fee Available		
Additional Financing	0.00%	\$0	\$0.00		0	0	0	\$1,664,329		
HTC Syndication Proceeds	76.22%	\$71,524	\$85.89		9,655,690	9,655,690	9,003,068	% of Dev. Fee Deferred		
Deferred Developer Fees	7.67%	\$7,197	\$8.64		971,537	971,537	0	0%		
Additional (Excess) Funds Req'd	-11.16%	(\$10,472)	(\$12.58)		(1,413,778)	0	0	15-Yr Cumulative Cash Flow		
TOTAL SOURCES					\$12,668,448	\$14,082,226	\$12,668,448	\$2,128,741		

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Jeremiah Seniors, Hurst, 9% HTC #07166

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.87	\$6,280,962
Adjustments				
Exterior Wall Finish	2.40%		\$1.34	\$150,743
Elderly	3.00%		1.68	188,429
9-Ft. Ceilings	3.30%		1.84	207,272
Roofing			0.00	0
Subfloor			(0.82)	(92,563)
Floor Cover			2.43	273,193
Breezeways/Balconies	\$22.27	25,960	5.14	578,135
Plumbing Fixtures	\$805	162	1.16	130,410
Rough-ins	\$400	270	0.96	108,000
Built-In Appliances	\$1,850	135	2.22	249,750
Exterior Stairs	\$1,800	16	0.26	28,800
Enclosed Corridors	\$45.95		0.00	0
Heating/Cooling			1.90	213,608
Elevators	\$52,750.00	2	0.94	105,500
Comm &/or Aux Bldgs	\$64.74	4,300	2.48	278,382
Other: fire sprinkler	\$1.95	112,425	1.95	219,229
SUBTOTAL			79.34	8,919,849
Current Cost Multiplier	0.98		(1.59)	(178,397)
Local Multiplier	0.90		(7.93)	(891,985)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.82	\$7,849,467
Plans, specs, survy, bld prm	3.90%		(\$2.72)	(\$306,129)
Interim Construction Interes	3.38%		(2.36)	(264,920)
Contractor's OH & Profit	11.50%		(8.03)	(902,689)
NET DIRECT CONSTRUCTION COSTS			\$56.71	\$6,375,729

PAYMENT COMPUTATION

Primary	\$3,454,999	Amort	360
Int Rate	6.78%	DCR	1.43

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.43

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$286,161
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$100,184

Primary	\$3,665,380	Amort	360
Int Rate	6.78%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

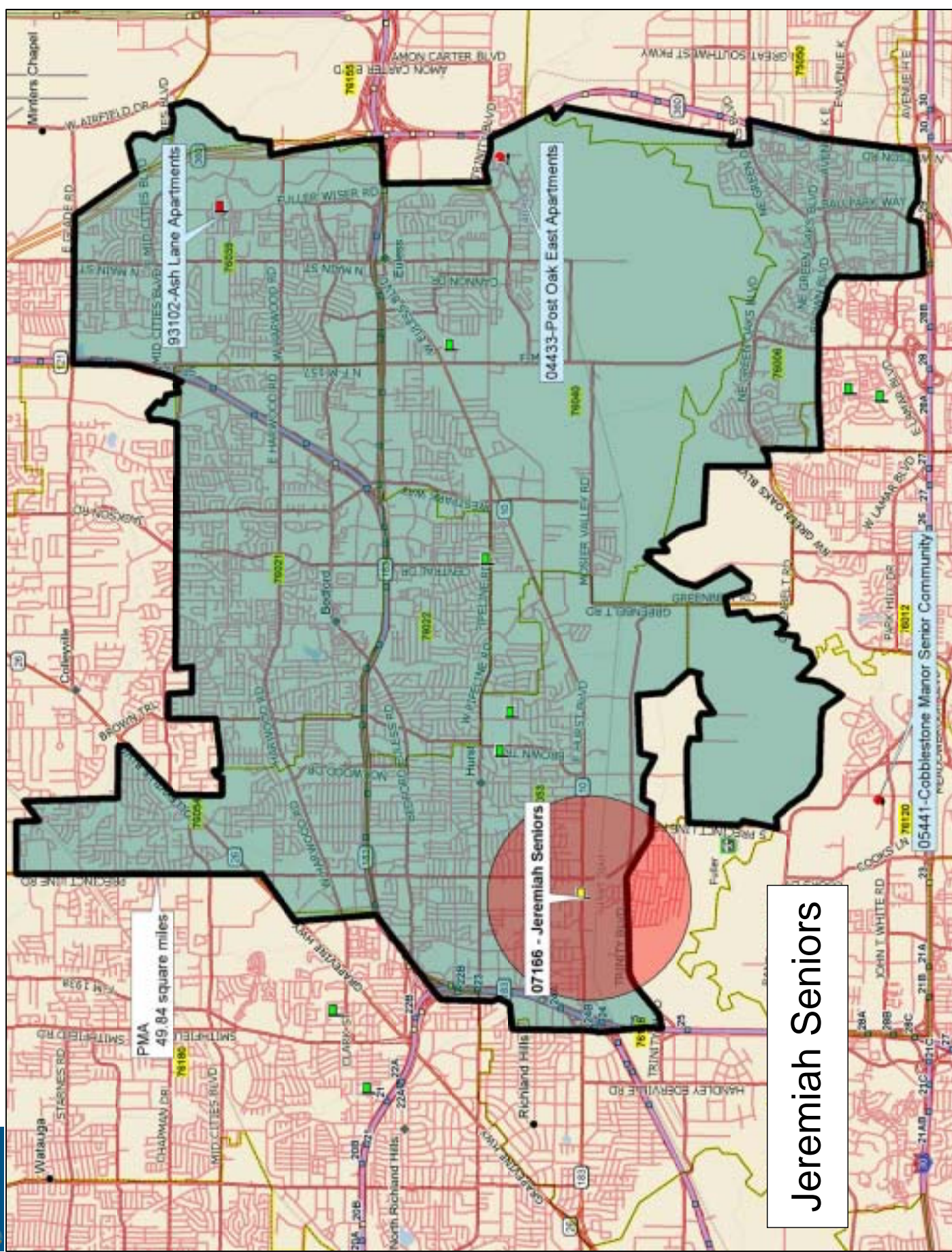
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,016,676	\$1,047,176	\$1,078,592	\$1,110,949	\$1,144,278	\$1,326,532	\$1,537,814	\$1,782,748	\$2,395,864
Secondary Income	8,100	8,343	8,593	8,851	9,117	10,569	12,252	14,203	19,088
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,024,776	1,055,519	1,087,185	1,119,800	1,153,394	1,337,100	1,550,066	1,796,951	2,414,952
Vacancy & Collection Loss	(76,858)	(79,164)	(81,539)	(83,985)	(86,505)	(100,283)	(116,255)	(134,771)	(181,121)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$947,918	\$976,355	\$1,005,646	\$1,035,815	\$1,066,890	\$1,236,818	\$1,433,811	\$1,662,180	\$2,233,830
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$50,555	\$52,577	\$54,680	\$56,867	\$59,142	\$71,955	\$87,544	\$106,511	\$157,663
Management	47,396	48,818	50,282	51,791	53,344	61,841	71,691	83,109	111,692
Payroll & Payroll Tax	129,029	134,190	139,558	145,140	150,946	183,648	223,436	271,844	402,396
Repairs & Maintenance	65,875	68,510	71,250	74,100	77,064	93,760	114,074	138,788	205,440
Utilities	35,336	36,749	38,219	39,748	41,338	50,293	61,190	74,447	110,199
Water, Sewer & Trash	49,820	51,813	53,886	56,041	58,283	70,910	86,273	104,964	155,372
Insurance	32,558	33,860	35,215	36,623	38,088	46,340	56,380	68,595	101,537
Property Tax	111,856	116,330	120,983	125,822	130,855	159,205	193,698	235,663	348,839
Reserve for Replacements	33,750	35,100	36,504	37,964	39,483	48,037	58,444	71,106	105,254
Other	5,400	5,616	5,841	6,074	6,317	7,686	9,351	11,377	16,841
TOTAL EXPENSES	\$561,574	\$583,563	\$606,417	\$630,171	\$654,860	\$793,676	\$962,080	\$1,166,404	\$1,715,233
NET OPERATING INCOME	\$386,344	\$392,793	\$399,229	\$405,645	\$412,030	\$443,142	\$471,731	\$495,776	\$518,598
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$286,161	\$286,161	\$286,161	\$286,161	\$286,161	\$286,161	\$286,161	\$286,161	\$286,161
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	\$100,184	\$106,632	\$113,068	\$119,484	\$125,869	\$156,981	\$185,570	\$209,615	\$232,437
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.42	1.44	1.55	1.65	1.73	1.81

HTC ALLOCATION ANALYSIS -Jeremiah Seniors, Hurst, 9% HTC #07166

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$800,000	\$56,418		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,208,250	\$1,208,250	\$1,208,250	\$1,208,250
Construction Hard Costs	\$6,854,799	\$6,375,729	\$6,854,799	\$6,375,729
Contractor Fees	\$1,125,668	\$1,061,757	\$1,125,668	\$1,061,757
Contingencies	\$400,000	\$379,199	\$400,000	\$379,199
Eligible Indirect Fees	\$741,500	\$741,500	\$741,500	\$741,500
Eligible Financing Fees	\$765,311	\$765,311	\$765,311	\$765,311
All Ineligible Costs	\$300,522	\$300,522		
Developer Fees			\$1,664,329	
Developer Fees	\$1,686,176	\$1,579,762		\$1,579,762
Development Reserves	\$200,000	\$200,000		
TOTAL DEVELOPMENT COSTS	\$14,082,226	\$12,668,448	\$12,759,857	\$12,111,508

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,759,857	\$12,111,508
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$12,759,857	\$12,111,508
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$12,759,857	\$12,111,508
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,090,968	\$1,035,534

Syndication Proceeds	0.9099	\$9,926,814	\$9,422,416
Total Tax Credits (Eligible Basis Method)		\$1,090,968	\$1,035,534
Syndication Proceeds		\$9,926,814	\$9,422,416
Requested Tax Credits		\$1,061,170	
Syndication Proceeds		\$9,655,681	
Gap of Syndication Proceeds Needed			\$9,003,068
Total Tax Credits (Gap Method)			\$989,447



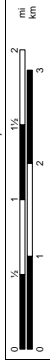
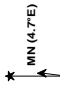
Jeremiah Seniors

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www.delorme.com

Scale 1 : 81,250



1" = 1.28 mi Data Zoom 11-3

Applicant Evaluation

Project ID # **07166**

Name: **Jeremiah Seniors**

City: **Hurst**

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

Total # of Projects monitored: 1

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

Projects not reported Yes
in application No

monitored with a score less than thirty: 1

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer M. Tynan

Reviewer D. Burrell

Date 5/18/2007

Date 5/17/2007

Date 5/21/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 5/23/2007

Date 5/18/2007

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Meadowlake Village Apartments, TDHCA Number 07167

BASIC DEVELOPMENT INFORMATION

Site Address: 209 Grand Ave. Development #: 07167
 City: Mabank Region: 3 Population Served: General
 County: Kaufman Zip Code: 75147 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Mabank Residential Apartments, LP
 Owner Contact and Phone: Warren Maupin (254) 982-4243
 Developer: Warren Maupin Development, Inc.
 Housing General Contractor: Warren Maupin Development, Inc.
 Architect: James M. Faulk FARA
 Market Analyst: N/A
 Syndicator: Raymond James Tax Credit Funds, Inc
 Supportive Services: N/A
 Consultant: Mary Graves

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	40
	0 0 0 40	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 24 0 0 0	Total Development Units:	40
Type of Building:		Total Development Cost*:	\$2,960,982
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$174,797	\$174,797			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Meadowlake Village Apartments, TDHCA Number 07167

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, NC	Points: 0	US Representative: Hensarling, District 5, NC
TX Representative: Brown, District 4, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Larry Teague, Mayor	Resolution of Support from Local Government	<input checked="" type="checkbox"/>
S, Judy Junell, City Council		

Individuals and Businesses In Support: **2** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4	
Greater Cedar Creek Lake Area Chamber of Commerce	S or O: S
The American Legion Cedar Creek Post 310	S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.

CONDITIONS OF COMMITMENT

- Receipt, review and acceptance by 10% Test of a commitment by USDA to approve the transfer of the loan; and should a restructure of the existing loan take place, an opinion letter from the syndicator's attorney or CPA with regards to continued qualification of the rehabilitation credits at the 9% level.
- Receipt, review, and acceptance by cost certification of documentation from USDA to confirm rent increase to levels as proposed or an alternative that allows continued financial feasibility.
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Meadowlake Village Apartments, TDHCA Number 07167

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

Competitive Housing Tax Credits: Score: **113** Meeting a Required Set-Aside Credit Amount*: \$174,797

Recommendation: Competitive in At-Risk Set-Aside.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/16/07

PROGRAM: 9% HTC

FILE NUMBER: **07167**

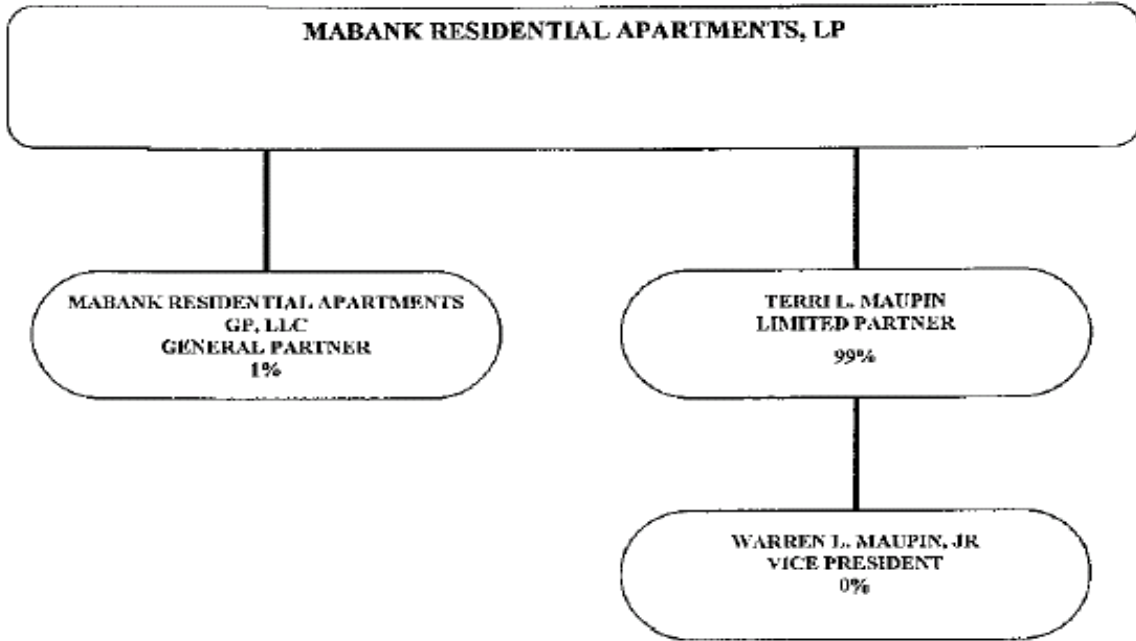
DEVELOPMENT															
Meadowlake Village Apartments															
Location: <u>209 Grand Avenue</u>				Region: <u>3</u>											
City: <u>Mabank</u>		County: <u>Kaufman</u>		Zip: <u>75147</u>		<input type="checkbox"/> OCT <input type="checkbox"/> DDA									
Key Attributes: <u>Multifamily, Family, Acquisition/Rehabilitation, Rural, At-Risk/Preservation, USDA-RD</u>															
ALLOCATION															
	REQUEST			RECOMMENDATION											
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term									
Housing Tax Credit (Annual)	\$174,797			\$174,797											
CONDITIONS															
<ol style="list-style-type: none"> 1 Receipt, review and acceptance by 10% Test of a commitment by USDA to approve the transfer of the loan; and should a restructure of the existing loan take place, an opinion letter from the syndicator's attorney or CPA with regards to continued qualification of the rehabilitation credits at the 9% level. 2 Receipt, review, and acceptance by cost certification of documentation from USDA to confirm rent increase to levels as proposed or an alternative that allows continued financial feasibility. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted. 															
SALIENT ISSUES															
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">40</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	60% of AMI	60% of AMI	40
TDHCA SET-ASIDES for LURA															
Income Limit	Rent Limit	Number of Units													
60% of AMI	60% of AMI	40													
<u>PROS</u>			<u>CONS</u>												
<p>The proposal provides for the rehabilitation of a 22 year old USDA/rural development.</p> <p>The proposed rents are well below the maximum tax credit rent and could serve families at the 40% of area median income level.</p> <p>At the proposed rents, the additional proposed debt could be sourced from a developer fee note if needed.</p>			<p>The proposed rents are more than the appraiser's market rent and therefore might not be accepted by USDA.</p> <p>The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.</p> <p>The proposed additional debt at a conventional interest rate will add a significant burden to this heavily subsidized development.</p> <p>The acquisition is an identity of interest</p>												

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Warren Maupin Phone: (254) 982-4243 Fax: (254) 771-3122
 Email: twinoaksvlg@earthlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Terri & Warren Maupin	CONFIDENTIAL		5
Mary Graves	CONFIDENTIAL		

¹ Liquidity = Current Assets - Current Liabilities

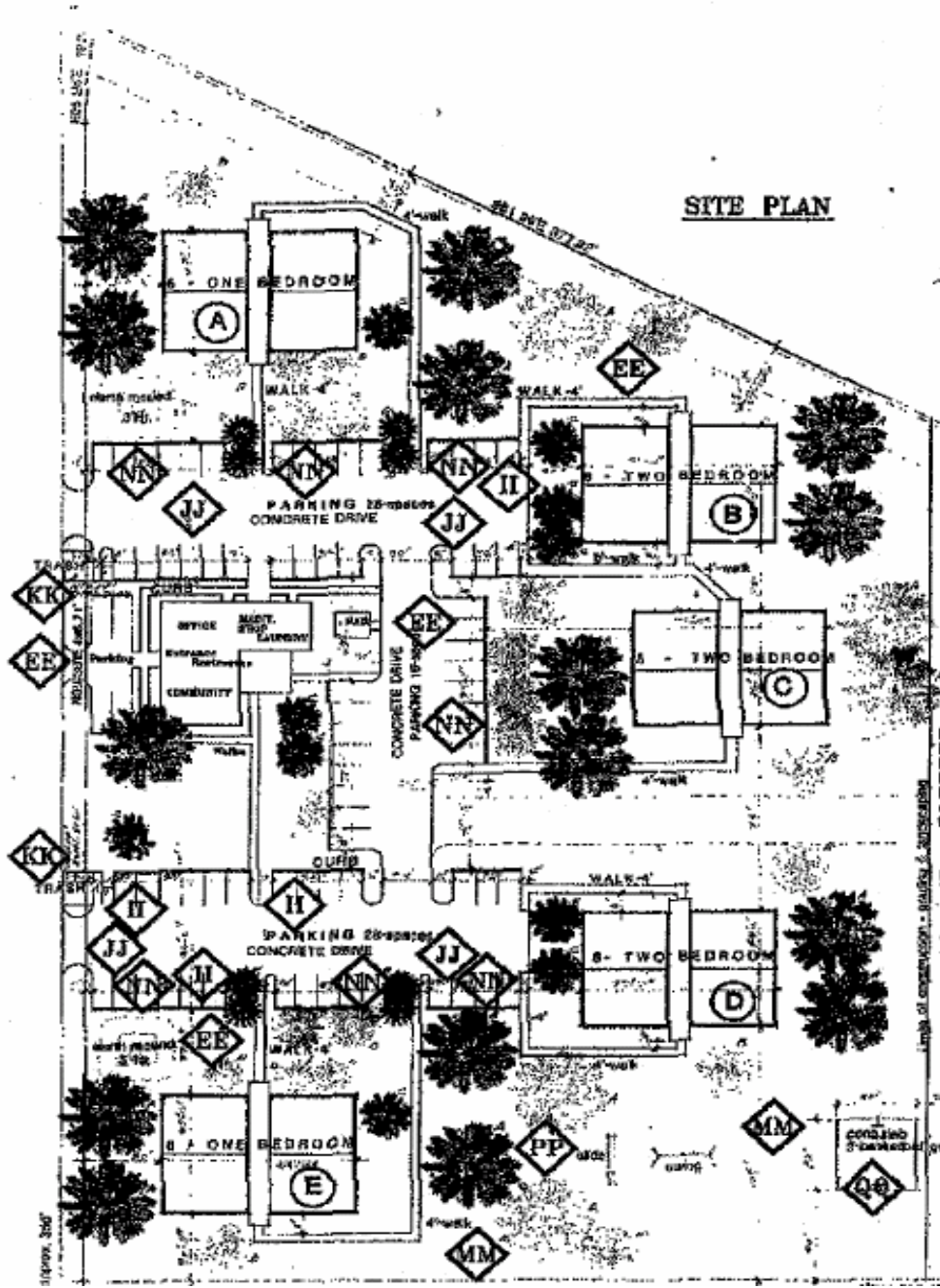
IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

The seller is also regarded as a related party to the General Partner and therefore no developer fee for the acquisition is allowed. The acquisition price will be based upon the lesser of the declared price, the appraised value, and the original acquisition and holding cost. This is discussed at greater length in the construction cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B												Total Buildings
Floors/Stories	2	2												
Number	2	3												5

BR/BA	SF	Units										Total Units	Total SF
1/1	644	8										16	10304
2/1	877		8									24	21048
Units per Building		8	8									40	31352

Rehabilitation summary:

The plan calls for converting/upgrading two units for ADA compliance; the replacement/refurbishment of roofs, windows, doors, exterior siding, stairs, interior flooring, cabinets, faucets, tub/showers, appliances, HVAC, landscaping, drives and parking, fencing, and interior and exterior painting. The Applicant provided a Capital Needs Assessment (CNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the CNA confirms these improvements.

SITE ISSUES

Total Size:	<u>5</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>MFH - Multifamily</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/20/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant land and residential uses
South: Vacant land, residential and light industrial uses
East: Vacant land and residential uses
West: South Grand Avenue and vacant land

Comments:

Staff Inspector: The Apartment complex is well-kept, clean and nicely landscaped. Interiors need remodeling and the HVAC system is very old.
General: Existing improvements constructed in 1984; a shallow pond with unrestricted access exists onsite

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal dated March 22, 2007 prepared by Rafael C. Luebbert, MAI, SRA ("Appraiser") included the following market highlights:

The Appraiser identified the market area to be the "geographical region enveloped by the community of Mabank, in Kaufman County, Texas" (p.21); however, none of the comparable properties used were from within Mabank.

The subject development is currently 90% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. A capture rate was not calculated but is of limited value given the low vacancy at the property and limited anticipated turnover as a result of the rehabilitation.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
The Bluestone	07295	76	73	None			

INCOME LIMITS						
Kaufman						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract	
1 BR 644 SF (60%)	\$365	\$420	\$369	\$420	-\$55	
2 BR 877 SF (60%)	\$440	\$515	\$469	\$515	-\$75	

Comments:

The Underwriter noted the 36 unit Gardens of Mabank approved in 2006 is also located in this market; however, that transaction targets seniors. The Appraisal fulfills the Department's market study requirement and allows staff to make a funding recommendation for the Subject development.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2007

The Applicant's rent projections are based on a contract rent increase proposed by the Applicant under an existing USDA-RD agreement. The terms of the Rental Assistance agreement includes only 15 units. However, under current USDA-RD guidelines, like units at the development without rental assistance cannot have rents that exceed the contract rents. The proposed contract rents are less than current Housing Tax Credit program rent limits but \$55 higher and \$75 higher than current approved rents for one and two bedroom units, respectively. If the development were able to achieve the maximum HTC program rents, an additional \$122K in income would be available. Conversely if the proposed rent increases are not approved, a loss of \$32K in income (16%) would result. The underwriting analysis assumes the development will be restricted to the proposed USDA-RD contract rents, and recommendations of this report are conditioned upon documentation of USDA's approval of the proposed increase.

The Applicant has included secondary income in excess of the Department guideline of \$15 per unit per month. However, since operating history of the development appears to justify this income, the Underwriter made an exception. The Underwriter's secondary income estimate was adjusted to reflect the actual 2006 figure of \$18.63 per unit per month.

Finally, the Applicant's vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, bringing effective gross income within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2007

The Applicant's total annual operating expense projection at \$4,270 per unit is not within 5% of the Underwriter's estimate of \$3,938, derived from actual operating history of the development, the TDHCA database and other third party sources. In addition, both the Applicant's and Underwriter's expense estimates result in an expense to income ratio over 65%. However, this is acceptable due to the project-based USDA rental subsidy. The Applicant's budget shows two line item estimates that deviate when compared to the Underwriter's estimates, specifically: general and administrative (\$1.7K higher) and property tax (\$4.3K higher). Also, it should be noted the Applicant included a statement indicating that USDA/TXRD requires a stated reserve for replacement of \$11,680 (\$292/unit). The underwriting minimum for rehabilitation developments is \$300/unit.

Conclusion:

The Applicant's effective gross income is consistent with the Underwriter's estimate; however, annual operating expense and net operating income vary by more than 5% when compared to the Underwriter's estimates. Therefore, the Underwriter's proforma is used to determine the development's debt capacity.

The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.30, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized. The resulting debt coverage ratio becomes negative after year 20 which typically would be a risk factor for a development. In this case, the development has project based rental assistance and is closely monitored for minimal but positive cashflow annually by USDA. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert Date: 3/22/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Land Only: 5 acres \$142,562 As of: 3/22/2007
 Existing USDA interest subsidy \$753,000 As of: 3/22/2007
 Existing Buildings: (as-is) \$949,438 As of: 3/22/2007
 Total: (as-is with subsidy) \$1,845,000

Comments:

The Appraiser concluded an "as is" value without the interest rate subsidy of \$1,092,000 and the existing building value above was imputed from that "as is" amount less the land value. The appraiser also provided an "as completed" value of \$1,198,000 excluding the investment value of the interest subsidy and proposed tax credits.

ASSESSED VALUE

Land Only: 5 acres \$35,000 Tax Year: 2006
 Existing Buildings: \$315,790 Valuation by: Kaufman CAD
 Total Assessed Value: \$350,790 Tax Rate: 2.7157

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 5
 Contract Expiration: 1/24/2008 Valid Through Board Date? Yes No
 Acquisition Cost: balance due on loans Other: currently estimated at \$1,126,135
 Seller: Mabank 1983, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2007

Acquisition Value:

The site control document indicates the development will be purchased at a price equivalent to the remaining balance of the existing Section 515 Permanent Loan, referenced in a letter dated February 2, 2006 (\$1,126,135 as of April 1, 2006). This is less than the original acquisition/development cost and less than the "as is" appraised value with the interest rate subsidy. Therefore, the current acquisition price used in the Underwriting analysis was determined to be \$1,126,135 plus projected closing costs of \$5K.

The Applicant's claimed land value of \$30,000, is comparable to the tax assessed value, but is significantly less than the appraised value of \$142,562. The underwriting rules require the proportionate land and building values from the appraisal also be considered and applied to the verifiable total acquisition cost to determine the most conservative acquisition eligible basis. In this case, \$979,117 is the proportionate value for the existing buildings.

Sitework Cost:

The Applicant's sitework cost estimate is \$56K or 25% less than the estimate provided in the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$42K or 5% less than the estimate provided in the CNA. The underwriting analysis will reflect the CNA value.

Reserves

The Applicant included \$110,000 in reserves which is more than the current balance but less than the 10% of principal balance typically required for a "same rates and terms transfer" of a USDA Section 515 loan. Therefore, the Underwriter included the slightly higher amount as a use of funds and included the updated existing balance as a source of funds.

Conclusion:

The Underwriter's cost schedule was derived from the CNA and information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guideline adherence rather than the Underwriter's calculation of Marshall and Swift derived costs. Therefore, the Underwriter's development cost schedule is merely a correction of the Applicant's costs and, as such, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$2,632,107 supports annual tax credits of \$178,554. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2007

Source: Raymond James MFI Type: Interim Financing

Principal: \$350,000 Interest Rate: 8.75% Fixed

Source: Raymond James MFI Type: Permanent Financing

Principal: \$165,000 Interest Rate: 7.50% Fixed Amort: 360 months

Comments:

A letter dated April 27, 2007 from the permanent lender indicates that a parity lien position by USDA-RD will be acceptable. However, USDA-RD was not able to comment on the agency's lien position at the time of Underwriting. Should the full rent increase not be approved, this new additional debt may not be serviceable as proposed.

Source: USDA-RD Type: Permanent Financing

Principal: \$1,130,000 Interest Rate: 1.00% Fixed Amort: 480 months

Comments:

Interest rate: 11.875%, subsidized to 1%, from promissory note dated 4/26/1985; The original balance was \$1,163,000, with a current balance projected by the Applicant of \$1,130,000 but reported to be \$1,126,135 by USDA as of 2/28/2007.

The remaining term appears to be 28 years, however, the Applicant plans to request a term extension to 40 years. Such a request would not be considered a "same rates and terms transfer" and may jeopardize the ability of the Applicant to claim no new federal subsidy and the development's eligibility for 9% credits on the rehabilitation portion of the development. Receipt, review and acceptance by 10% Test of a commitment by USDA to approve the transfer of the loan; and should a restructure of the existing loan take place, an opinion letter from the syndicator's attorney or CPA with regards to continued qualification of the rehabilitation credits at the 9% level is required.

Source:	<u>Reserve Account</u>	Type:	<u>Equity</u>
Balance	<u>\$87,103</u>	Conditions:	<u></u>
Source:	<u>Raymond James</u>	Type:	<u>Syndication</u>
Proceeds:	<u>\$1,555,534</u>	Syndication Rate:	<u>89%</u> Anticipated HTC: <u>\$ 174,797</u>
Amount:	<u>\$0</u>	Type:	<u>Deferred Developer Fees</u>

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the (adjusted) USDA permanent loan of \$1,126,135, the \$165,000 permanent loan from RJMFI, released reserves estimated at \$88,786, and in-kind contributions valued at \$10,000 indicates the need for \$1,571,062 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$176,542 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$174,797), the gap-driven amount (\$176,542), and eligible basis-derived estimate (\$178,554), the requested amount of \$174,797 is recommended.

The Underwriter's recommended financing structure indicates the need for \$15,528 in deferred developer fee which is projected to be repaid in less than 2 years.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter:	<u>Diamond Unique Thompson</u>	Date:	<u>5/16/2007</u>
Reviewing Underwriter:	<u>Lisa Vecchietti</u>	Date:	<u>5/16/2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>5/16/2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Meadowlake Village Apartments, Mabank, 9% HTC #07167

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	RD	16	1	1	644	\$748	\$420	\$6,720	\$0.65	\$80.00	\$20.00
TC 60%	RD	24	2	1	877	\$898	515	12,360	0.59	125.00	32.00
TOTAL:		40		AVERAGE:	784		\$477	\$19,080	\$0.61	\$107.00	\$27.20

INCOME				Total Net Rentable Sq Ft:	31,352	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$228,960	\$228,960	Kaufman		3
Secondary Income			Per Unit Per Month:	\$18.63	8,940	9,600	\$20.00	Per Unit Per Month		
Other Support Income:					0	0	\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$237,900	\$238,560			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(17,843)	(17,892)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions					0	0				
EFFECTIVE GROSS INCOME						\$220,058	\$220,668			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative			3.66%	\$201	0.26	\$8,045	\$9,700	\$0.31	\$243	4.40%
Management			6.65%	366	0.47	14,626	16,964	0.54	424	7.69%
Payroll & Payroll Tax			14.25%	784	1.00	31,366	33,000	1.05	825	14.95%
Repairs & Maintenance			11.60%	638	0.81	25,529	28,700	0.92	718	13.01%
Utilities			6.38%	351	0.45	14,049	14,000	0.45	350	6.34%
Water, Sewer, & Trash			14.61%	804	1.03	32,152	31,500	1.00	788	14.27%
Property Insurance			3.62%	199	0.25	7,974	9,200	0.29	230	4.17%
Property Tax	2.7157		4.34%	239	0.30	9,561	13,840	0.44	346	6.27%
Reserve for Replacements			5.45%	300	0.38	12,000	11,680	0.37	292	5.29%
TDHCA Compliance Fees			0.73%	40	0.05	1,600	1,600	0.05	40	0.73%
Other: insurance/tax consultant			0.27%	15	0.02	600	600	0.02	15	0.27%
TOTAL EXPENSES			71.57%	\$3,938	\$5.02	\$157,502	\$170,784	\$5.45	\$4,270	77.39%
NET OPERATING INC			28.43%	\$1,564	\$2.00	\$62,555	\$49,884	\$1.59	\$1,247	22.61%
DEBT SERVICE										
USDA			15.58%	\$857	\$1.09	\$34,287	\$29,567	\$0.94	\$739	13.40%
Raymond James Multifamily Finance			6.29%	\$346	\$0.44	13,844	13,844	\$0.44	\$346	6.27%
Additional Financing			0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW			6.55%	\$361	\$0.46	\$14,423	\$6,473	\$0.21	\$162	2.93%
AGGREGATE DEBT COVERAGE RATIO						1.30	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.27				

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)		38.20%	\$28,278	\$36.08	\$1,131,135	\$1,135,000	\$36.20	\$28,375	38.50%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.59%	5,619	7.17	224,770	168,100	5.36	4,203	5.70%
Direct Construction		30.47%	22,557	28.78	902,268	944,500	30.13	23,613	32.04%
Contingency	2.22%	0.84%	625	0.80	25,000	25,000	0.80	625	0.85%
Contractor's Fees	13.31%	5.07%	3,750	4.78	150,000	150,000	4.78	3,750	5.09%
Indirect Construction		4.49%	3,324	4.24	132,950	132,950	4.24	3,324	4.51%
Ineligible Costs		1.08%	800	1.02	31,996	31,996	1.02	800	1.09%
Developer's Fees	8.89%	7.26%	5,375	6.86	215,000	215,000	6.86	5,375	7.29%
Interim Financing		1.19%	881	1.12	35,250	35,250	1.12	881	1.20%
Reserves		3.80%	2,815	3.59	112,613	110,000	3.51	2,750	3.73%
TOTAL COST		100.00%	\$74,025	\$94.44	\$2,960,982	\$2,947,796	\$94.02	\$73,695	100.00%
Construction Cost Recap		43.97%	\$32,551	\$41.53	\$1,302,038	\$1,287,600	\$41.07	\$32,190	43.68%

SOURCES OF FUNDS				RECOMMENDED			
USDA	38.03%	\$28,153	\$35.92	\$1,126,135	\$1,130,000	\$1,126,135	Developer Fee Available
Raymond James Multifamily Finance	5.57%	\$4,125	\$5.26	165,000	165,000	165,000	\$215,000
HTC Syndication Proceeds	52.53%	\$38,888	\$49.62	1,555,534	1,555,693	1,555,534	% of Dev. Fee Deferred
Reserve Account	3.00%	\$2,220	\$2.83	88,786	87,103	88,786	
City of Mabank (In-Kind)	0.34%	\$250	\$0.32	10,000	10,000	10,000	
Deferred Developer Fee	0.00%	\$0	\$0.00	0	0	15,528	7%
Additional (Excess) Funds Req'd	0.52%	\$388	\$0.50	15,528	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$2,960,982	\$2,947,796	\$2,960,982	\$221,691

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Meadowlake Village Apartments, Mabank, 9% HTC #07167

PAYMENT COMPUTATION

Primary	\$1,130,000	Amort	480
Int Rate	1.00%	DCR	1.82

Secondary	\$165,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.30

Additional		Amort	
Int Rate		Aggregate DCR	1.30

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$35,289
Secondary Debt Service	13,844
Additional Debt Service	0
NET CASH FLOW	\$13,422

Primary	\$1,163,000	Amort	480
Int Rate	1.00%	DCR	1.77

Secondary	\$165,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.27

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

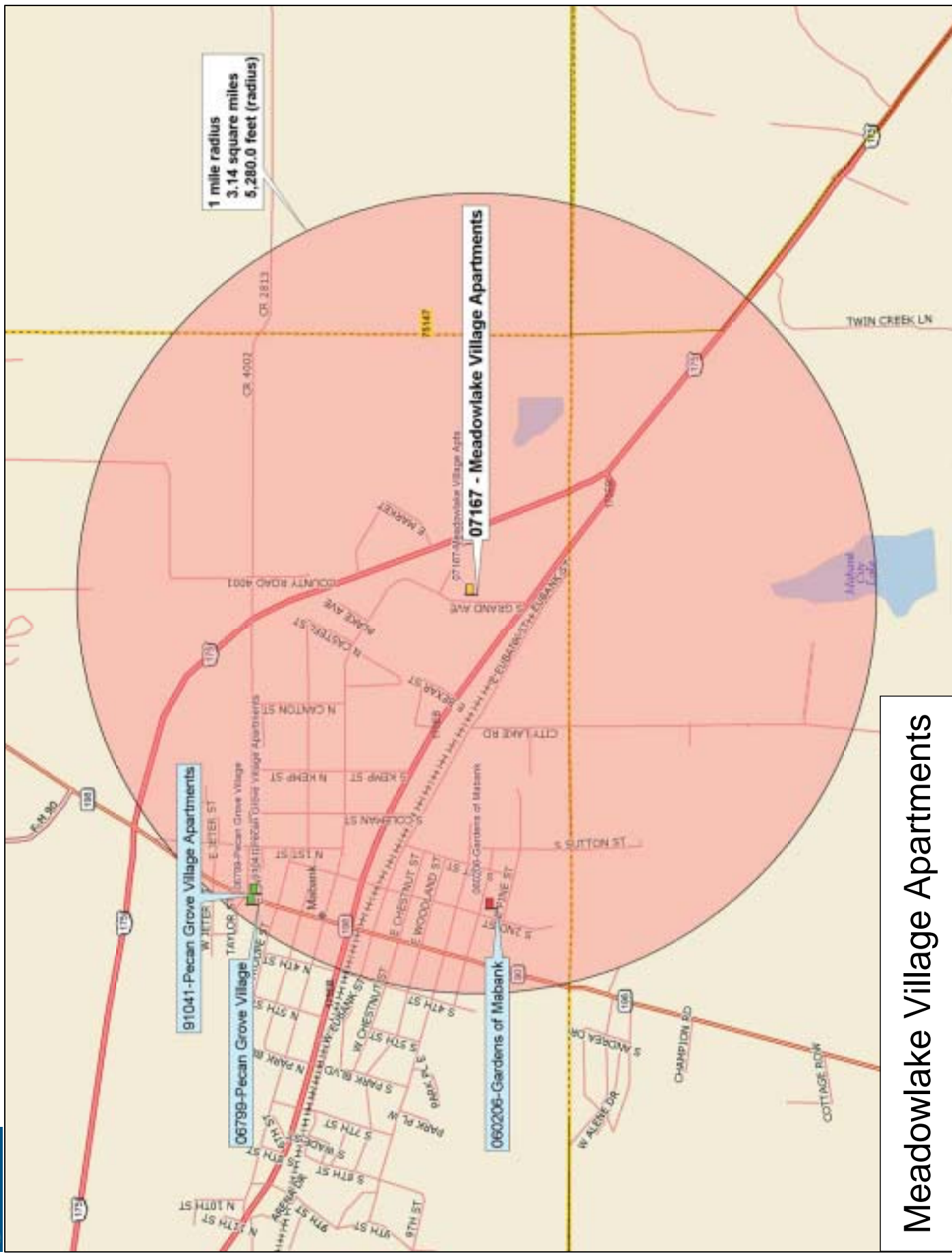
INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$228,960	\$235,829	\$242,904	\$250,191	\$257,696	\$298,741	\$346,323	\$401,483	\$539,559
Secondary Income		8,940	9,208	9,484	9,769	10,062	11,665	13,523	15,676	21,068
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		237,900	245,037	252,388	259,960	267,759	310,406	359,845	417,159	560,627
Vacancy & Collection Loss		(17,843)	(18,378)	(18,929)	(19,497)	(20,082)	(23,280)	(26,988)	(31,287)	(42,047)
Employee or Other Non-Rental Units or Concess		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$220,058	\$226,659	\$233,459	\$240,463	\$247,677	\$287,125	\$332,857	\$385,872	\$518,580
EXPENSES at	4.00%									
General & Administrative		\$8,045	\$8,367	\$8,702	\$9,050	\$9,412	\$11,451	\$13,932	\$16,951	\$25,091
Management		14,626	15,065	15,517	15,983	16,462	19,084	22,124	25,647	34,468
Payroll & Payroll Tax		31,366	32,620	33,925	35,282	36,694	44,643	54,315	66,083	97,819
Repairs & Maintenance		25,529	26,550	27,612	28,717	29,865	36,336	44,208	53,786	79,616
Utilities		14,049	14,611	15,196	15,804	16,436	19,997	24,329	29,600	43,815
Water, Sewer & Trash		32,152	33,438	34,775	36,166	37,613	45,762	55,676	67,739	100,270
Insurance		7,974	8,293	8,625	8,970	9,328	11,349	13,808	16,800	24,868
Property Tax		9,561	9,943	10,341	10,755	11,185	13,608	16,557	20,144	29,817
Reserve for Replacements		12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other		2,200	2,288	2,380	2,475	2,574	3,131	3,810	4,635	6,861
TOTAL EXPENSES		\$157,502	\$163,656	\$170,052	\$176,699	\$183,607	\$222,441	\$269,539	\$326,666	\$480,049
NET OPERATING INCOME		\$62,555	\$63,003	\$63,407	\$63,764	\$64,070	\$64,684	\$63,318	\$59,206	\$38,531
DEBT SERVICE										
First Lien Financing		\$35,289	\$35,289	\$35,289	\$35,289	\$35,289	\$35,289	\$35,289	\$35,289	\$35,289
Second Lien		13,844	13,844	13,844	13,844	13,844	13,844	13,844	13,844	13,844
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$13,422	\$13,870	\$14,274	\$14,631	\$14,937	\$15,551	\$14,185	\$10,073	(\$10,602)
DEBT COVERAGE RATIO		1.27	1.28	1.29	1.30	1.30	1.32	1.29	1.21	0.78

HTC ALLOCATION ANALYSIS -Meadowlake Village Apartments, Mabank, 9% HTC #07167

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
Acquisition Cost						
Purchase of land	\$30,000	\$184,266				
Purchase of buildings	\$1,105,000	\$946,869	\$1,105,000	\$946,869		
Off-Site Improvements						
Sitework	\$168,100	\$224,770			\$168,100	\$224,770
Construction Hard Costs	\$944,500	\$902,268			\$944,500	\$902,268
Contractor Fees	\$150,000	\$150,000			\$150,000	\$150,000
Contingencies	\$25,000	\$25,000			\$25,000	\$25,000
Eligible Indirect Fees	\$132,950	\$132,950			\$132,950	\$132,950
Eligible Financing Fees	\$35,250	\$35,250			\$35,250	\$35,250
All Ineligible Costs	\$31,996	\$31,996				
Developer Fees						
Developer Fees	\$215,000	\$215,000			\$215,000	\$215,000
Development Reserves	\$110,000	\$112,613				
TOTAL DEVELOPMENT COSTS	\$2,947,796	\$2,960,982	\$1,105,000	\$946,869	\$1,670,800	\$1,685,238

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,105,000	\$946,869	\$1,670,800	\$1,685,238
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,105,000	\$946,869	\$1,670,800	\$1,685,238
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,105,000	\$946,869	\$1,670,800	\$1,685,238
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$40,222	\$34,466	\$142,853	\$144,088

Syndication Proceeds	0.8899	\$357,939	\$306,716	\$1,271,265	\$1,282,251
Total Tax Credits (Eligible Basis Method)				\$183,075	\$178,554
Syndication Proceeds				\$1,629,204	\$1,588,967
Requested Tax Credits				\$174,797	
Syndication Proceeds				\$1,555,534	
Gap of Syndication Proceeds Needed				\$1,656,661	\$1,571,062
Total Tax Credits (Gap Method)				\$186,161	\$176,542



1 mile radius
3.14 square miles
5,280.0 feet (radius)

07167 - Meadowlake Village Apartments

91041 - Pecan Grove Village Apartments

06789 - Pecan Grove Village

060206 - Gardens of Mabank

Meadowlake Village Apartments

Data use subject to license.

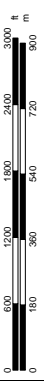
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TN



Scale 1 : 20,800



1" = 1,733.3 ft

Data Zoom 13-3

Applicant Evaluation

Project ID # **07167**

Name: **Meadowlake Village Apartments**

City: **Mabank**

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

Total # of Projects monitored: 4

Projects zero to nine: 4
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 4

Projects not reported Yes
 in application No

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Costa Madera, TDHCA Number 07169

BASIC DEVELOPMENT INFORMATION

Site Address: Poggenpohl St. & San Ignacio Ave. Development #: 07169
 City: Laredo Region: 11 Population Served: General
 County: Webb Zip Code: 78040 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Costa Madera Ltd.
 Owner Contact and Phone: Abraham Rodriguez (956) 722-4521
 Developer: Redevelopment Assetworks Corporation
 Housing General Contractor: NRP Contractors, LLC
 Architect: Alamo Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: MMA Financial, LLC
 Supportive Services: Community Housing Resource Partners
 Consultant: NRP Holdings, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	140
	14 0 14 112	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 64 56 8 0	Total Development Units:	140
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	8
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Costa Madera, TDHCA Number 07169

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Zaffirini, District 21, S	Points: 7	US Representative: Cuellar, District 28, NC
TX Representative: Raymond, District 42, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: **6** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
League of United Latin American Citizens		S or O: S
Laredo Chamber of Commerce		S or O: S
Laredo Development Foundation		S or O: S
Azteca Economic Development		S or O: S

General Summary of Comment:

Support received from officials, non-officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Costa Madera, TDHCA Number 07169

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Gibraltar, TDHCA Number 07170

BASIC DEVELOPMENT INFORMATION

Site Address: 152 Blk of Brazoswood Dr. Development #: 07170
City: Clute Region: 6 Population Served: Elderly
County: Brazoria Zip Code: 77531 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Gibraltar Senior, Ltd.
Owner Contact and Phone: Debra Guerrero (210) 487-7878
Developer: NRP Holdings LLC
Housing General Contractor: NRP Contractors LLC
Architect: Alamo Architects
Market Analyst: Apartment Market Data Research Services, LLC
Syndicator: MMA Financial LLC
Supportive Services: Community Housing Resources Partners
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 48
5 0 0 43 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 24 24 0 0 0 Total Development Units: 48
Type of Building: Total Development Cost*: \$6,462,311
Number of Residential Buildings: 8
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$605,718 \$575,334
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Gibraltar, TDHCA Number 07170

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Janek, District 17, S Points: 7 US Representative: Paul, District 14, NC
TX Representative: Bonnen, District 25, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Lake Bend Neighborhood Association, Gerald Shanks Letter Score: 24 S or O: S

There is a need for more senior housing in Clute, Texas. Development is part of a plan to revitalize the neighborhood.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by commitment of final commitments for permanent financing. If local HOME funding is used, it should be structured as a fully amortizing loan. Any changes in amounts of financing should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

Receipt, review, and acceptance, before carryover, of documentation that the potential for excessive noise from the railroad has been reevaluated by a qualified professional, and subsequent recommendations have been carried out.

Receipt, review and acceptance of a revised survey and site plan that are consistent and reflect all of the easements that could impact the site.

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

Receipt of a commitment of funding from Brazoria County in the amount of \$350,000, or a commitment from a qualifying substitute source in an amount not less than \$340,369, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding for Brazoria County HOME funds in the amount of \$350,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$136,148, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Gibraltar, TDHCA Number 07170

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

Competitive Housing Tax Credits: Score: **193** Meeting a Required Set-Aside Credit Amount*: \$575,334

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/07 PROGRAM: 9% HTC FILE NUMBER: 07170

DEVELOPMENT						
The Gibraltar						
Location: <u>152 Block of Brazoswood Drive</u>				Region: <u>6</u>		
City: <u>Clute</u>		County: <u>Brazoria</u>		Zip: <u>77531</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, New Construction, Urban/Exurban, Elderly</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$605,718			\$575,334		
CONDITIONS						
<p>1 Receipt, review and acceptance of final commitments for permanent financing. If local HOME funding is used, it should be structured as a fully amortizing loan. Any changes in amounts of financing should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p> <p>2 Receipt, review, and acceptance, before carryover, of documentation that the potential for excessive noise from the railroad has been reevaluated by a qualified professional, and subsequent recommendations have been carried out.</p> <p>3 Receipt, review and acceptance of a revised survey and site plan that are consistent and reflect all of the easements that could impact the site.</p> <p>4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p>						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	5				
60% of AMI	60% of AMI	43				
PROS			CONS			
<p>The development appears to be viable with or without the HOME funds being awarded as long as other funds remain available to take their place.</p>			<p>The market for 2 bedroom units at 60% AMI may be somewhat saturated with a unit capture rate of over 150%.</p>			

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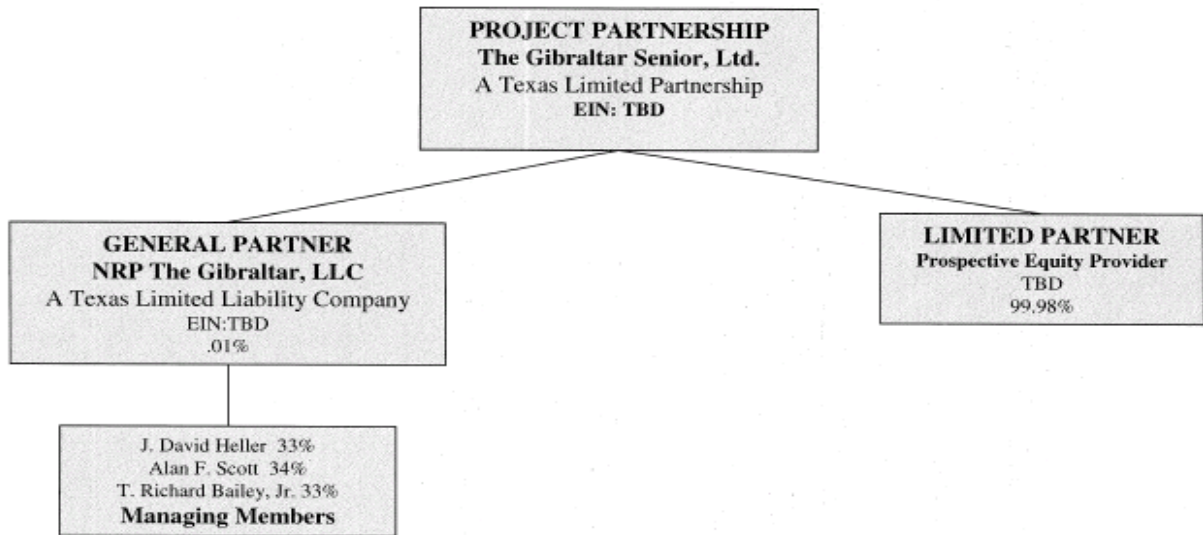
The Development is the second phase to a sister development funded last year targeting families; combined, the two developments will contain 236 units, which is a considerable concentration for a town with roughly 10,000 residents.

PREVIOUS UNDERWRITING REPORTS

None, however the adjacent site is owned by the same developer and is in the process of being developed with 188 family units. Effectively, the subject will be the second half of an intergenerational project with independent financing.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Debra Guerrero Phone: (210) 487-7878 Fax: (210) 487-7880
 Email: dguerrero@nrpgroup.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
The NRP Group LLC	15,600,029	14,742,381	3 complete, 7 under construction, 7 new applications
NRP Holdings LLC	(1,206,434)	(3,318,902)	4 complete, 7 under construction, 7 new applications
J. David Heller	confidential		4 complete, 7 under construction, 7 new applications
T. Richard Bailey, Jr.	confidential		4 complete, 7 under construction, 7 new applications
Alan F. Scott	confidential		4 complete, 7 under construction, 7 new applications

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are related entities. These are common relationships for HTC-funded developments.

The site acquisition is considered an identity of interest transaction because an affiliate of the Developer (a related party) acquired the site previously and intends to assign the site to the Applicant. This will be addressed further in the acquisition section below.

PROPOSED SITE

SITE PLAN



SITE PLAN

GIBRALTER



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	1										
Number	8										8

BR/BA	SF	Units									Total Units	Total SF
1/1	761	3									24	18,264
2/1	1,004	3									24	24,096
Units per Building		6									48	42,360

SITE ISSUES

Total Size: 5.0 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: PUD / Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/25/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: farm land, Lake East: active railroad track
 South: residential West: multifamily, schools

Comments:

The inspector noted that another development, Costa Verde, is under construction on the adjacent property. Costa Verde was awarded 4% tax credits in 2006. The subject site is part of a larger tract of 42 acres being developed by the same developer. The inspector also noted that an access road to the subject site is currently under construction. This is addressed under offsite development costs below.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba-Kistner Consultants, Inc. Date: 12/12/2006

Recognized Environmental Concerns (RECs) and Other Concerns:

None

Comments:

The Applicant submitted an update to the Phase I ESA report which had been submitted in 2006 with the application for Costa Verde. This report covers the entire 42 acre tract, encompassing both projects. The report found no evidence of recognized environmental concerns, nor did it recommend additional testing for asbestos-containing materials, lead-based paint, lead in drinking water, radon, or noise. However, the site inspector for the Costa Verde application had noted the close proximity of a railroad track; a further evaluation of whether excessive noise will be a concern at the site was made a condition of the recommendation for Costa Verde. This noise evaluation has not yet been completed. Receipt, review, and acceptance of the results of a noise evaluation is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/6/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"For this analysis, we utilized a Primary Market Area comprising a 248 square mile Trade Area. The PMA included the cities of Clute, Lake Jackson, Freeport, and Brazoria. Because the site is located along the coastal plain, roads were not used as boundaries for the PMA." (p. 3) The PMA extends along the gulf coast from Bastrop Bayou to the San Bernard River, and inland as far as the Brazoria Reservoir. This area is equivalent to a radius of 9 miles.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Lake Jackson Manor	04206	100	80	0	0	0	0
Costa Verde	060433	188	Family	0	0	0	0

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,700	\$15,650	\$17,600	\$19,550	\$21,100	\$22,700
60	\$27,360	\$31,260	\$35,160	\$39,060	\$42,180	\$45,300

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	75	3	0	78	3	5	10%
1 BR / 60%	82	6	0	88	21	24	51%
2 BR / 30%	20	2	0	22	2	5	32%
2 BR / 60%	27	1	0	28	22	24	164%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 52-55	7,953	100%	7,953	22%	1,764	19%	332	64%	214
Mkt Analyst HISTA p. 59							441	64%	284
Underwriter	18% 7,995	100%	7,995	22%	1,775	19%	334	46%	154
Underwriter HISTA							489	46%	225
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 54			412	22%	91	19%	17	100%	17
Mkt Analyst HISTA p. 59								100%	17
Underwriter		100%	73	22%	16	19%	3	100%	3
Underwriter HISTA								100%	17

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 55	48	80	0	128	231	55%
Mkt Analyst HISTA p. 59	48	80	0	48	301	16%
Underwriter	48	80	0	128	157	82%
Underwriter HISTA	0	80	0	80	242	33%

The Market Analyst provided two sets of demand calculations. The first series of data presented above is based on MapInfo demographic data, a traditional data source which has been applied in TDHCA reports for a number of years. Based on this data, the Analyst concluded an inclusive capture rate of 55%. The supply of unstabilized units includes the subject and 80 units at Lake Jackson Manor. The Market Analyst's second series of data is based on HISTA data which is said to provide a more accurate demographic picture of the percentage of renters by income and by age. With this series the Market Analyst concluded a 16% capture rate.

The Underwriter's calculations use the same basic data from the two data series but apply a different, more realistic turnover rate to get to demand. The Market Analyst explains: "Turnover information for existing projects is difficult to obtain ... In most cases, the on-site personnel do not track such information on an ongoing basis. As a result, one of the only sources for turnover information is the IREM Income and Expense publication, and even this has limited participation. IREM reports the turnover rate for the typical garden style project in Houston to be 64.4% per year." This rate unquestionably overstates turnover for elderly households. Since the only senior developments in the vicinity are the proposed and newly constructed projects discussed above, it is difficult to obtain specific information to reflect the senior market in the area. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households.

TDHCA data indicates that the average turnover rate for all tax credit developments in the vicinity of the subject was 46% in 2006. Applying this turnover rate to the MapInfo data results in a capture rate of 82%, which exceeds the maximum capture rate of 75% for a senior development; applying a turnover of 46% to the HISTA Data results in a capture rate of 33%. The Analyst explains "HISTA Data comes from a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Claritas. It contains actual Census cross tabulations - not extrapolations of SF3 data. The key to this data is that it gives us the number of households by household size by income by age grouping (i.e. <55, 55-61, and 62+ years of age). This breakout is very useful in arriving at a capture rate for the subject." (p. 51) It should be added that another key parameter provided by HISTA Data is renter tenure. Because of the higher level of detail available in the HISTA data, the underwriter gives more weight to the conclusions of demand and capture based on that approach.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 92.0% as a result of growing demand. Projects built since 1990 report an overall average occupancy of 96.6%, indicative of demand for newer affordable units. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p. 11)

Absorption Projections:

"Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 90 units per year. We expect this to increase as the number of new households continues to grow, and as additional rental units become available." (p. 11) "There have been no affordable senior projects built and leased over the past few years. Lake Jackson Manor (TDHCA #04206) is still under construction and in lease. As of February 2007, the project reports an overall occupancy of 33%." (p. 13)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	761 sf	30%	\$219	\$219	\$635	\$219	\$416
1 BR	761 sf	60%	\$585	\$585	\$635	\$585	\$50
2 BR	1,004 sf	30%	\$259	\$260	\$805	\$260	\$545
2 BR	1,004 sf	60%	\$699	\$699	\$805	\$699	\$106

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing 'affordable' (family) housing projects have an overall occupancy of 96.6%. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 14)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Lake Jackson/Freeport submarket within the Houston MSA. In this submarket, with a 2005 population of 143,000, the Vogt, Williams study determines total one year growth-based demand for 60 units from senior households below 30% AMI, and negative demand (-87 units) from senior households between 51-60% AMI.

The Market Analyst for the subject application identified growth-based demand in the original PMA for 17 units based. The Analyst noted that the Vogt study does not consider turnover, and that the methodology to determine demand from growth is different than that normally applied in an application-specific market study. Using the demographic data contained in the Vogt study, the Analyst identified growth-based demand for 26 units, and turnover-based demand for 526 units, in the Lake Jackson / Freeport submarket. Overall, the Analyst concluded an inclusive capture rate of 23% for the Lake Jackson / Freeport submarket.

Comments:

The Market Analyst determined an inclusive capture rate of 55% for the primary market area based on the MapInfo demographic data, and 16% based on the HISTA Data. Both calculations are below the maximum rate of 75%. The underwriting analysis applied a turnover rate more closely targeted to the market area. With this turnover rate, the MapInfo data produces a capture rate of 82%, exceeding the limit. However, the inclusive capture rate based on the HISTA Data is 33%. The Analyst explains "HISTA Data comes from a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Claritas. It contains actual Census cross tabulations - not extrapolations of SF3 data. The key to this data is that it gives us the number of households by household size by income by age grouping (i.e. <55, 55-61, and 62+ years of age). This breakout is very useful in arriving at a capture rate for the subject." (p. 51) It should be added that another key parameter provided by HISTA Data is renter tenure specific to the target population.

This application clearly demonstrates the value provided by the information available from HISTA Data, particularly for developments targeting seniors. Our traditional underwriting methodology determines senior demand through extrapolation from overall household income distribution patterns and general renter percentages. The HISTA Data report provides a specific tabulation of income-qualified, age-specific renter households. Since this data is taken directly from the Census rather than calculated based on various assumptions, it is reasonable to believe that it more accurately depicts the age and income distribution patterns in the population. Based on this, the Underwriter's conclusion is that there is sufficient demand to recommend a funding allocation to the subject.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

The Applicant's projected income is based on the 2007 maximum HTC program rents for Brazoria County, adjusted for utility allowance dated January 2006 provided by the Brazoria County Housing Agency. It should be noted, the Applicant included one Low HOME and two High HOME units in the rent schedule based on their request for HOME funds from Brazoria County. Receipt, review and acceptance of final commitment for the HOME funds with terms including, but not limited to the number of HOME units and set-asides required is a condition of this report. The Applicant has included secondary income of \$7.50 per unit per month from laundry, and a provision for losses due to vacancy and collection equivalent to 7.5% of potential income; these figures are consistent with underwriting guidelines. The Applicant's projection for effective gross income is within 1% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/12/2007

The Applicant's projected total annual operating expenses originally submitted were extraordinarily high at over \$5,000 per unit. One major component was property insurance, at \$1,150 per unit, which the Applicant documented with a written quote. In an effort to reduce expenses, the Applicant acquired a lower property insurance quote at \$700 per unit. At this point the ratio of total expenses to effective gross income exceeded the underwriting limit of 65%. After further review of the overall expenses with the property management team, the Applicant submitted a final expense projection of \$4,370 per unit, and an expense to income ratio below 65%. The Applicant's projected total expense is 2% higher than the Underwriter's estimate of \$4,282 per unit. Specific line items with significant variations include: general and administrative expense (the Applicant's projection is \$6K lower than the Underwriter's estimate); management (the Applicant's projection is higher by \$8K); water, sewer, and trash (the Applicant's projection is lower by \$7K); and property tax (the Applicant's projection is higher by \$7K).

Conclusion:

The Applicant's projected effective gross income, total annual operating expenses, and net operating income (NOI) are each within 5% of the Underwriter's estimates; the Applicant's figures will therefore be used to determine debt capacity. The Applicant's NOI combined with the Applicant's projected debt service provides a first year debt coverage ratio of 1.94, well in excess of the underwriting maximum of 1.35.

The high debt coverage ratio indicates the project can service additional debt, which will reduce the gap in financing. The Underwriter's recommended financing structure will assume an increase to the debt load suggested in the application. This will be discussed in more detail under financing conclusions.

Feasibility:

The underwriting 30-year proforma applies a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income and revised annual debt service were used resulting in continued positive cashflow and a debt coverage ratio that remains above 1.15. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>First American Commercial Real Estate Services, Inc.</u>	Date:	<u>2/20/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>5 acres</u>	<u>\$350,000</u>	As of: <u>12/20/2006</u>
Existing Buildings: (as-is)	<u>\$0</u>	<u>\$0</u>	As of: <u>12/20/2006</u>
Vacant Land: (as-is)	<u>\$350,000</u>	<u>\$350,000</u>	As of: <u>12/20/2006</u>
Comments:			

ASSESSED VALUE

Land Only: 27 acres	<u>\$216,000</u>	Tax Year:	<u>2007</u>
Assessed Value per acre:	<u>\$8,000</u>	Valuation by:	<u>Brazoria County CAD</u>
Prorata 5 acres:	<u>\$40,000</u>	Tax Rate:	<u>2.782185</u>

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed Acreage: 27

Contract Expiration: N/A Valid Through Board Date? Yes No

Acquisition Cost: \$26,716 Other: from settlement statement

Seller: Thomas Dwyer McNeese, trustee Related to Development Team? Yes No

Comments:
The Applicant submitted a settlement statement showing that the 27 acre tract (containing the subject 5 acres) was purchased on 12/18/06. The Applicant also provided a copy of a "Drainage Easement Agreement (benefiting a 27 acre tract)" between the Applicant and the Seller that was part of the acquisition. The settlement statement indicates a purchase price of \$10,000 for 27 acres, and \$15,000 for easements "for the sole purpose of constructing, operating, maintaining, and repairing underground drainage channels for the benefit of property owned by the Grantee."

TITLE

Comments:
The title commitment seems to suggest that the three Easement Estates are directly linked to the transfer of the Fee Simple Estate of the 5 acre subject site; however, the "Drainage Easement Agreement (benefiting a 27 acre tract)" discussed above obviously benefits the entire 27 acres. Therefore, the \$26,716 acquisition cost (\$10K plus \$15K plus closing costs) has been prorated to determine the eligible cost of the subject 5 acres. Given that the precise location of the easements were not clear on the survey and the site plan and survey do not match with regard to the due north heading, this report is conditioned upon receipt review and acceptance of a revised survey and site plan that are consistent and reflect all of the easements that could impact the site.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:
The Applicant claimed an acquisition cost of \$350,000 based on the submitted appraisal. The Applicant was informed that because it is an identity of interest transaction, under the QAP the maximum eligible cost would be the actual acquisition cost from the settlement statement plus any holding costs or subsequent improvements. The Applicant did not submit any additional costs relative to the property. The Underwriter has applied \$4,947 as the prorata cost of the subject 5 acres.

It should be noted that the developer bought the neighboring 15 acres at approximately the same time for \$830,000 for the purpose of developing a tax exempt bond/ tax credit development, Costa Verde, which is currently under construction. Many of the documents reference the acquisition of the entire 42 acres which now in retrospect appears to have been purchased for total of roughly \$855,000. The first 15 acres was purchased under a separate contract which had a much heavier percentage of the total acquisition cost associated with it because the remainder of the acquisition was not disclosed. With this second site to be developed a much lower true remaining prorata acquisition price can be calculated.

If an appraisal was the only instrument used to validate this identity of interest resale, it would have used the \$830,000 for 15 acres as a comparable sale and valued the current 5 acre site for upwards of \$166,000. The Applicant's claimed \$350,000 purchase price is even more unjustified. None the less and even with the Underwriter's adjustments here, the developer will have 22 acres remaining with a true purchase basis remaining of only \$21,769 or less than \$1,000 per acre compared to the \$55,000 an acre charged against the bonds and credits funding the first 15 acre development.

Off-Site Cost:

The Applicant claimed \$175,000 in off-site work for a street extension to provide access to the site, as well as storm drainage and fencing; these costs were certified by a licensed third party professional engineer.

Sitework Cost:

The Applicant claimed \$480,000 in site work costs, which exceeds the safe harbor limit of \$9,000 per unit; these costs were certified by a licensed third party professional architect. In addition, a third party CPA verified that the entire cost of \$480,000 is eligible for tax credit purposes.

Direct Construction Cost:

The Applicant claimed \$2.5M in eligible direct construction costs, as well \$130K in ineligible costs. The Applicant's claimed eligible costs, at \$58 per square foot, are somewhat higher than typical multifamily costs, but the building configuration is simply six units in a row, similar to a townhome design. Using townhome cost estimates, the Underwriter arrived at a total direct construction cost within 3% of the Applicant's projected total. The Underwriter also included the \$130K characterized by the Applicant as ineligible in the "Ineligible Costs" line item.

Contingency & Fees:

The Applicant's claimed contractor fees and provision for contingencies exceed the eligibility limits by a total of \$46K; eligible basis has been reduced accordingly.

Conclusion:

The Applicant's claimed total development cost of \$6.8M is within 5% of the Underwriter's estimate. Therefore, the Applicant's costs, with the exception of acquisition cost, will be used to calculate eligible basis and determine the need for permanent financing. (Acquisition cost has been discounted as discussed above.) The calculated eligible basis of \$5,699,632 is increased by 30% because Brazoria County has been designated a Difficult Development Area. The resulting adjusted basis supports a tax credit allocation of \$633,514. This amount will be compared to the Applicant's requested allocation, as well as the amount determined by the gap in financing.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: MMA Financial Type: Interim to Permanent Financing

Interim:	<u>\$5,100,000</u>	Interest Rate:	<u>8.25%</u>	<input type="checkbox"/>	Fixed	Term:	<u>24</u>	months
Permanent:	<u>\$719,000</u>	Interest Rate:	<u>7.25%</u>	<input checked="" type="checkbox"/>	Fixed	Amort:	<u>360</u>	months

Comments:
permanent rate fixed at 10-year US Treasury plus 258 bps

Source: Brazoria County Type: Interim to Permanent

Principal:	<u>\$350,000</u>	Interest Rate:	<u>TBD</u>	<input type="checkbox"/>	Fixed	Term:	<u>TBD</u>	months
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Comments:
The Applicant has applied for HOME funds from Brazoria County with "a face rate of AFR and a pay-rate of 0%. The loan will be entirely subordinate to the 1st mortgage. Repayment of this loan will be based on available cash flow from operations, sale, and refinancing."

Source: MMA Financial Type: Syndication

Proceeds: \$5,633,181 Syndication Rate: 93% Anticipated HTC: \$605,779

Comments:

The syndication price is at the low to middle of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$105,182 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's funding sources include a \$350,000 HOME loan from Brazoria County with "a face rate of AFR and a pay-rate of 0%. The loan will be entirely subordinate to the 1st mortgage. Repayment of this loan will be based on available cash flow from operations, sale, and refinancing." Such a financing structure is problematic because the tax credits requested include a 30% boost in eligible basis due to Brazoria County's status as a Difficult Development Area. Any below-market federally-funded financing must be removed from eligible basis to qualify for this boost. HOME is a federal program. If the loan were not paid down over time, its repayment would be dependent on there being sufficient value in the property at maturity; if the loan were not repaid in full, it would essentially be below-market financing, which would invalidate any tax credit award. Furthermore, there is no reason this loan should not be fully repayable.

The fact that the Applicant included no debt service for this loan is the primary reason that the debt coverage ratio is much higher than the maximum. The underwriting analysis indicates that even if the HOME loan is fully amortized at AFR the debt coverage still exceeds the maximum. Therefore, the Underwriter's recommended financing structure assumes that the \$350,000 HOME loan is fully amortized and paid over 30 years at AFR, and that the first lien mortgage is increased from \$719,000 to \$762,244. As a result the development's gap in financing will decrease. The three possible tax credit allocations are:

Applicant's Requested Allocation:	<u>\$605,718</u>
Credit Amount Determined by Eligible Basis	<u>\$633,514</u>
Credit Amount Determined by Gap in Financing:	<u>\$575,334</u>

The credit amount determined by the gap in financing is recommended as it is the lowest of the possible awards. An annual allocation of \$575,334 for ten years results in proceeds of \$5,350,067 at a syndication rate of 93%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: July 15, 2007

Thomas Cavanagh

Reviewing Underwriter: _____ Date: July 15, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 15, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

The Gibraltar, Clute, 9% HTC #07170

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	3	1	1	761	\$366	\$219	\$657	\$0.29	\$147.00	\$12.00
TC 60%	21	1	1	761	\$732	585	12,285	0.77	147.00	12.00
TC 30%	2	2	2	1,004	\$440	260	520	0.26	180.00	12.00
TC 60%	22	2	2	1,004	\$879	699	15,378	0.70	180.00	12.00
TOTAL:	48		AVERAGE:	883		\$601	\$28,840	\$0.68	\$163.50	\$12.00

INCOME

Total Net Rentable Sq Ft: 42,360

POTENTIAL GROSS RENT

Secondary Income: Laundry Per Unit Per Month: \$7.50

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.39%	\$432	0.49	\$20,726	\$14,680	\$0.35	\$306	4.53%
Management	3.88%	262	0.30	12,582	20,160	0.48	420	6.22%
Payroll & Payroll Tax	13.54%	914	1.04	\$43,874	41,000	0.97	854	12.65%
Repairs & Maintenance	5.86%	395	0.45	\$18,978	20,400	0.48	425	6.29%
Utilities	3.04%	205	0.23	9,847	14,000	0.33	292	4.32%
Water, Sewer, & Trash	4.22%	285	0.32	13,680	6,400	0.15	133	1.97%
Property Insurance	10.37%	700	0.79	33,600	33,600	0.79	700	10.37%
Property Tax 2.782185	10.34%	698	0.79	33,506	40,800	0.96	850	12.59%
Reserve for Replacements	3.70%	250	0.28	12,000	12,000	0.28	250	3.70%
TDHCA Compliance Fees	0.59%	40	0.05	1,920	1,920	0.05	40	0.59%
Other: support services	1.48%	100	0.11	4,800	4,800	0.11	100	1.48%
TOTAL EXPENSES	63.41%	\$4,282	\$4.85	\$205,512	\$209,760	\$4.95	\$4,370	64.72%
NET OPERATING INC	36.59%	\$2,471	\$2.80	\$118,608	\$114,336	\$2.70	\$2,382	35.28%

DEBT SERVICE

MMA Financial	18.16%	\$1,226	\$1.39	\$58,858	\$58,858	\$1.39	\$1,226	18.16%
Brazoria HOME funds	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	18.43%	\$1,245	\$1.41	\$59,749	\$55,478	\$1.31	\$1,156	17.12%

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)		0.08%	\$103	\$0.12	\$4,947	\$350,000	\$8.26	\$7,292	5.14%
Off-Sites		2.68%	3,646	4.13	175,000	175,000	4.13	3,646	2.57%
Sitework		7.36%	10,000	11.33	480,000	480,000	11.33	10,000	7.05%
Direct Construction		39.13%	53,145	60.22	2,550,981	2,464,318	58.18	51,340	36.20%
Contingency 5.00%		2.32%	3,157	3.58	151,549	175,219	4.14	3,650	2.57%
Contractor's Fees 14.00%		6.51%	8,840	10.02	424,337	430,362	10.16	8,966	6.32%
Indirect Construction		16.64%	22,604	25.61	1,085,000	1,085,000	25.61	22,604	15.94%
Ineligible Costs		7.26%	9,866	11.18	473,570	473,570	11.18	9,866	6.96%
Developer's Fees 14.82%		11.49%	15,604	17.68	749,000	749,000	17.68	15,604	11.00%
Interim Financing		5.55%	7,539	8.54	361,894	361,894	8.54	7,539	5.32%
Reserves		0.97%	1,313	1.49	63,000	63,000	1.49	1,313	0.93%
TOTAL COST		100.00%	\$135,818	\$153.90	\$6,519,279	\$6,807,363	\$160.70	\$141,820	100.00%
Construction Cost Recap		55.33%	\$75,143	\$85.15	\$3,606,868	\$3,549,899	\$83.80	\$73,956	52.15%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
MMA Financial	11.03%	\$14,979	\$16.97	\$719,000	\$719,000	\$762,244	Developer Fee Available
Brazoria HOME funds	5.37%	\$7,292	\$8.26	350,000	350,000	350,000	\$749,000
HTC Syndication Proceeds	86.41%	\$117,358	\$132.98	5,633,181	5,633,181	5,350,067	% of Dev. Fee Deferred
Deferred Developer Fees	1.61%	\$2,191	\$2.48	105,182	105,182	0	0%
Additional (Excess) Funds Req'd	-4.42%	(\$6,002)	(\$6.80)	(288,084)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$6,519,279	\$6,807,363	\$6,462,311	\$579,146

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Gibraltar, Clute, 9% HTC #07170

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$65.52	\$2,775,265
Adjustments				
Exterior Wall Finish	0.96%		\$0.63	\$26,643
Elderly	3.00%		1.97	83,258
9-Ft. Ceilings	3.12%		2.04	86,588
Roofing			0.00	0
Subfloor			(2.47)	(104,629)
Floor Cover			2.43	102,935
Breezeways/Balconies	\$19.81	6,369	2.98	126,170
Plumbing Fixtures	\$805	0	0.00	0
Rough-ins	\$400	96	0.91	38,400
Built-In Appliances	\$1,850	48	2.10	88,800
Exterior Stairs	\$1,650		0.00	0
Enclosed Corridors	\$55.60		0.00	0
Heating/Cooling			1.90	80,484
Hurricane Wind Adjust	\$0.94	42,360	0.94	39,818
Comm &/or Aux Bldgs	\$69.10	2,657	4.33	183,592
Other: fire sprinkler	\$1.95	42,360	1.95	82,602
SUBTOTAL			85.22	3,609,926
Current Cost Multiplier	0.98		(1.70)	(72,199)
Local Multiplier	0.89		(9.37)	(397,092)
TOTAL DIRECT CONSTRUCTION COSTS			\$74.14	\$3,140,636
Plans, specs, survy, bld prm	3.90%		(\$2.89)	(\$122,485)
Interim Construction Interest	3.38%		(2.50)	(105,996)
Contractor's OH & Profit	11.50%		(8.53)	(361,173)
NET DIRECT CONSTRUCTION COSTS			\$60.22	\$2,550,981

PAYMENT COMPUTATION

Primary	\$719,000	Amort	360
Int Rate	7.25%	DCR	2.02

Secondary	\$350,000	Amort	0
Int Rate	4.90%	Subtotal DCR	2.02

Additional		Amort	
Int Rate		Aggregate DCR	2.02

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$62,398
Secondary Debt Service	22,291
Additional Debt Service	0
NET CASH FLOW	\$29,647

Primary	\$762,244	Amort	360
Int Rate	7.25%	DCR	1.83

Secondary	\$350,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$346,056	\$356,438	\$367,131	\$378,145	\$389,489	\$451,525	\$523,441	\$606,811	\$815,504
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	350,376	360,887	371,714	382,865	394,351	457,161	529,975	614,386	825,684
Vacancy & Collection Loss	(26,280)	(27,067)	(27,879)	(28,715)	(29,576)	(34,287)	(39,748)	(46,079)	(61,926)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$324,096	\$333,821	\$343,835	\$354,150	\$364,775	\$422,874	\$490,227	\$568,307	\$763,758
EXPENSES at 4.00%									
General & Administrative	\$14,680	\$15,267	\$15,878	\$16,513	\$17,174	\$20,894	\$25,421	\$30,929	\$45,782
Management	20,160	20,765	21,388	22,029	22,690	26,304	30,494	35,351	47,509
Payroll & Payroll Tax	41,000	42,640	44,346	46,119	47,964	58,356	70,999	86,381	127,865
Repairs & Maintenance	20,400	21,216	22,065	22,947	23,865	29,036	35,326	42,980	63,620
Utilities	14,000	14,560	15,142	15,748	16,378	19,926	24,243	29,496	43,661
Water, Sewer & Trash	6,400	6,656	6,922	7,199	7,487	9,109	11,083	13,484	19,959
Insurance	33,600	34,944	36,342	37,795	39,307	47,823	58,184	70,790	104,787
Property Tax	40,800	42,432	44,129	45,894	47,730	58,071	70,652	85,959	127,241
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	6,720	6,989	7,268	7,559	7,861	9,565	11,637	14,158	20,957
TOTAL EXPENSES	\$209,760	\$217,949	\$226,459	\$235,304	\$244,496	\$296,164	\$358,820	\$434,809	\$638,805
NET OPERATING INCOME	\$114,336	\$115,872	\$117,376	\$118,847	\$120,279	\$126,710	\$131,407	\$133,498	\$124,953
DEBT SERVICE									
First Lien Financing	\$62,398	\$62,398	\$62,398	\$62,398	\$62,398	\$62,398	\$62,398	\$62,398	\$62,398
Second Lien	22,291	22,291	22,291	22,291	22,291	22,291	22,291	22,291	22,291
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$29,647	\$31,183	\$32,687	\$34,158	\$35,591	\$42,021	\$46,719	\$48,809	\$40,264
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.40	1.42	1.50	1.55	1.58	1.48

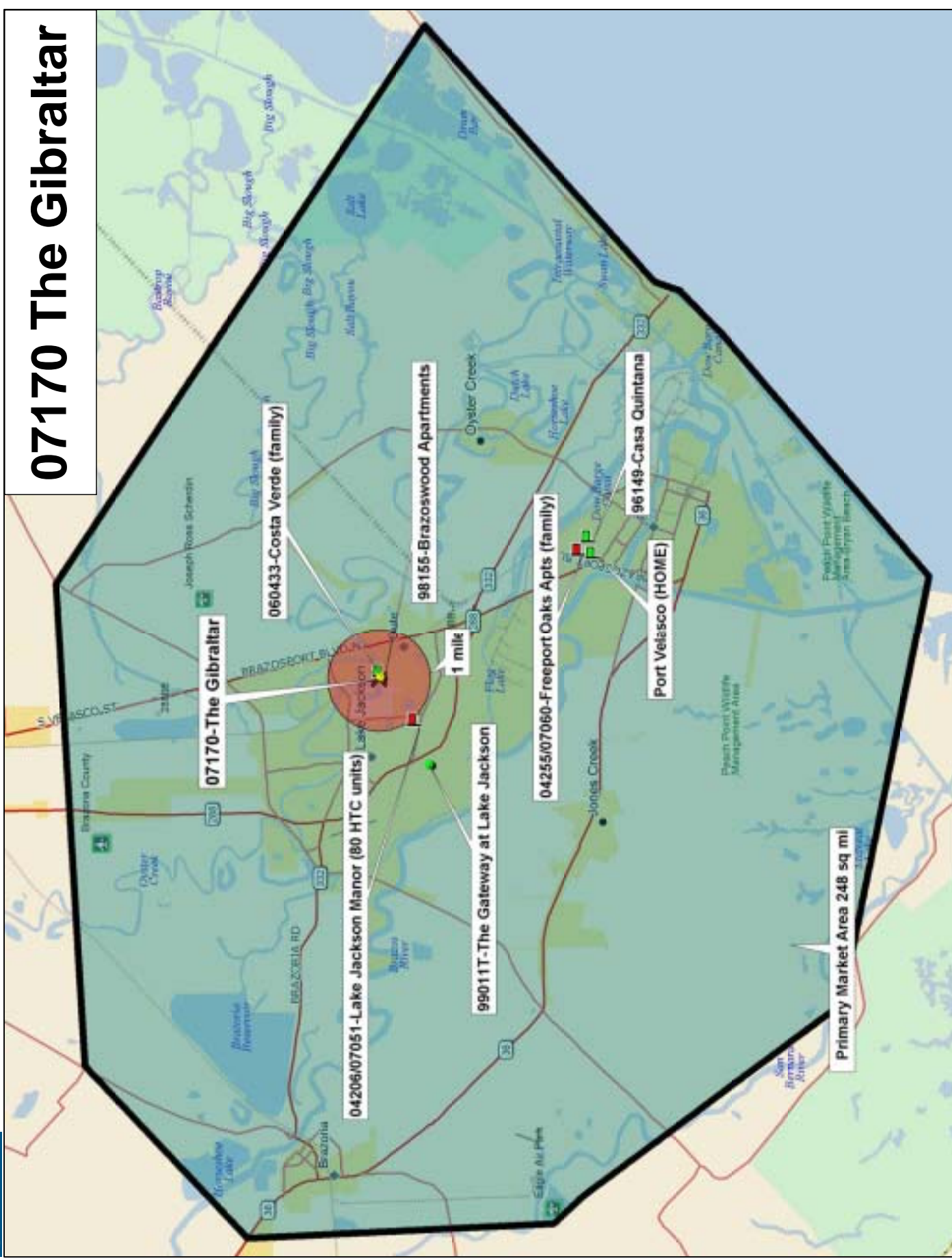
HTC ALLOCATION ANALYSIS -The Gibraltar, Clute, 9% HTC #07170

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$350,000	\$4,947		
Purchase of buildings				
Off-Site Improvements	\$175,000	\$175,000		
Sitework	\$480,000	\$480,000	\$480,000	\$480,000
Construction Hard Costs	\$2,464,318	\$2,550,981	\$2,464,318	\$2,550,981
Contractor Fees	\$430,362	\$424,337	\$412,205	\$424,337
Contingencies	\$175,219	\$151,549	\$147,216	\$151,549
Eligible Indirect Fees	\$1,085,000	\$1,085,000	\$1,085,000	\$1,085,000
Eligible Financing Fees	\$361,894	\$361,894	\$361,894	\$361,894
All Ineligible Costs	\$473,570	\$473,570		
Developer Fees				
Developer Fees	\$749,000	\$749,000	\$749,000	\$749,000
Development Reserves	\$63,000	\$63,000		
TOTAL DEVELOPMENT COSTS	\$6,807,363	\$6,519,279	\$5,699,632	\$5,802,762

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,699,632	\$5,802,762
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$7,409,522	\$7,543,590
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,409,522	\$7,543,590
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$633,514	\$644,977

Syndication Proceeds	0.9299	\$5,891,092	\$5,997,686
Total Tax Credits (Eligible Basis Method)		\$633,514	\$644,977
Syndication Proceeds		\$5,891,092	\$5,997,686
Requested Tax Credits		\$605,718	
Syndication Proceeds		\$5,632,614	
Gap of Syndication Proceeds Needed		\$5,350,067	
Total Tax Credits (Gap Method)		\$575,334	

07170 The Gibraltar



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TN



Scale 1 : 162,500



1" = 2.56 mi Data Zoom 10-3

Applicant Evaluation

Project ID # **07170**

Name: **Gibralter**

City: **Clute**

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

Total # of Projects monitored: 2

Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 2

not yet monitored or pending review: 8

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/22/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/7/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

San Juan Square II, TDHCA Number 07171

BASIC DEVELOPMENT INFORMATION

Site Address: S Calaveras St. & Brady Blvd. Development #: 07171
City: San Antonio Region: 9 Population Served: General
County: Bexar Zip Code: 78207 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: San Juan Square II Ltd.
Owner Contact and Phone: Henry A. Alvarez III (210) 477-6023
Developer: San Antonio Housing Facility Corporation
Housing General Contractor: NRP Contractors LLC
Architect: Alamo Architects
Market Analyst: Apartment Market Data Research Services, LLC
Syndicator: MMA Financial LLC
Supportive Services: Community Housing Resource Partners
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 138
15 0 0 123 Market Rate Units: 6
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 12 68 56 8 0 Total Development Units: 144
Type of Building: Total Development Cost*: \$17,357,843
Number of Residential Buildings: 10
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Juan Square II, TDHCA Number 07171

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S Points: 7 US Representative: González, District 20, NC
TX Representative: Puente, District 119, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Patti Radle, Councilwoman, District 5

Individuals and Businesses In Support: 28 In Opposition 0

Quantifiable Community Participation Input:

San Juan Resident Council, Sandra Perez Letter Score: 24 S or O: S

San Juan II is very old and falling apart. We saw drawings and listened to developer. We really support the renewal of the San Juan II.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Extensive support received from elected officials, non-officials, residents, and a qualified neighborhood organization. Numerous supportive comments were received during the public comment period at the June and July Board meetings. Commenters requested a forward commitment of 2008 tax credits.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by commitment of a written commitment from the San Antonio Housing Authority documenting the operating subsidy for 48 units for 40 years in the development.

Receipt, review and acceptance by cost certification of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm.

Receipt, review and acceptance by cost certification of evidence of actual cost for demolition of the existing structures is a condition of this report.

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

Receipt of a commitment of funding from the San Antonio Housing Authority in the amount of \$2,000,000, or a commitment from a qualifying substitute source in an amount not less than \$867,893, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the San Antonio Housing Authority in the amount of \$2,000,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$347,157, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Juan Square II, TDHCA Number 07171

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9% HTC FILE NUMBER: 07171

DEVELOPMENT

San Juan Square II

Location: South Calaveras and Brady Boulevard Region: 9
 City: San Antonio County: Bexar Zip: 78207 QCT DDA
 Key Attributes: Multifamily, Family, Urban/Exurban, Non-Profit, Reconstruction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance by commitment of a written commitment from the San Antonio Housing Authority documenting the operating subsidy for 48 units for 40 years in the development.
- 2 Receipt, review and acceptance by cost certification of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm.
- 3 Receipt, review and acceptance by cost certification of evidence of actual cost for demolition of the existing structures is a condition of this report.
- 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	15
60% of AMI	60% of AMI	123

PROS

The proposed reconstruction would continue the revitalization of an existing significantly deteriorated circa 1962 public housing development.

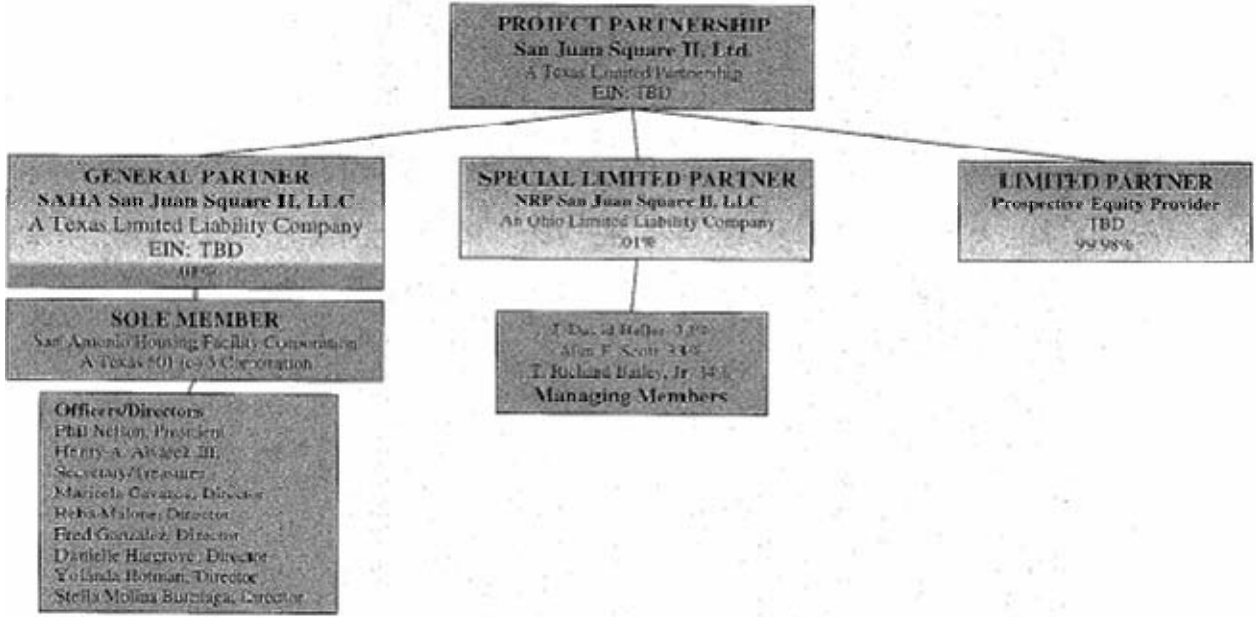
CONS

PREVIOUS UNDERWRITING REPORTS

None for the subject , however phase one of this redevelopment, San Juan Square, was funded with tax credit and SAHA Capital Grant funds in 2005 and is under construction.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Henry A. Alvarez, III Phone: (210) 477-6023 Fax: (210) 477-6002
 Email: david_casso@saha.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
San Antonio Housing Facility Corp.	\$6,756,318	(\$589,334.00)	8
NRP Group LLC	\$15,600,029	\$14,742,381	11
Alan F. Scott	Confidential		11
Ted R. Bailey, Jr.	Confidential		11
J. David Heller	Confidential		11

¹ Liquidity = Current Assets - Current Liabilities

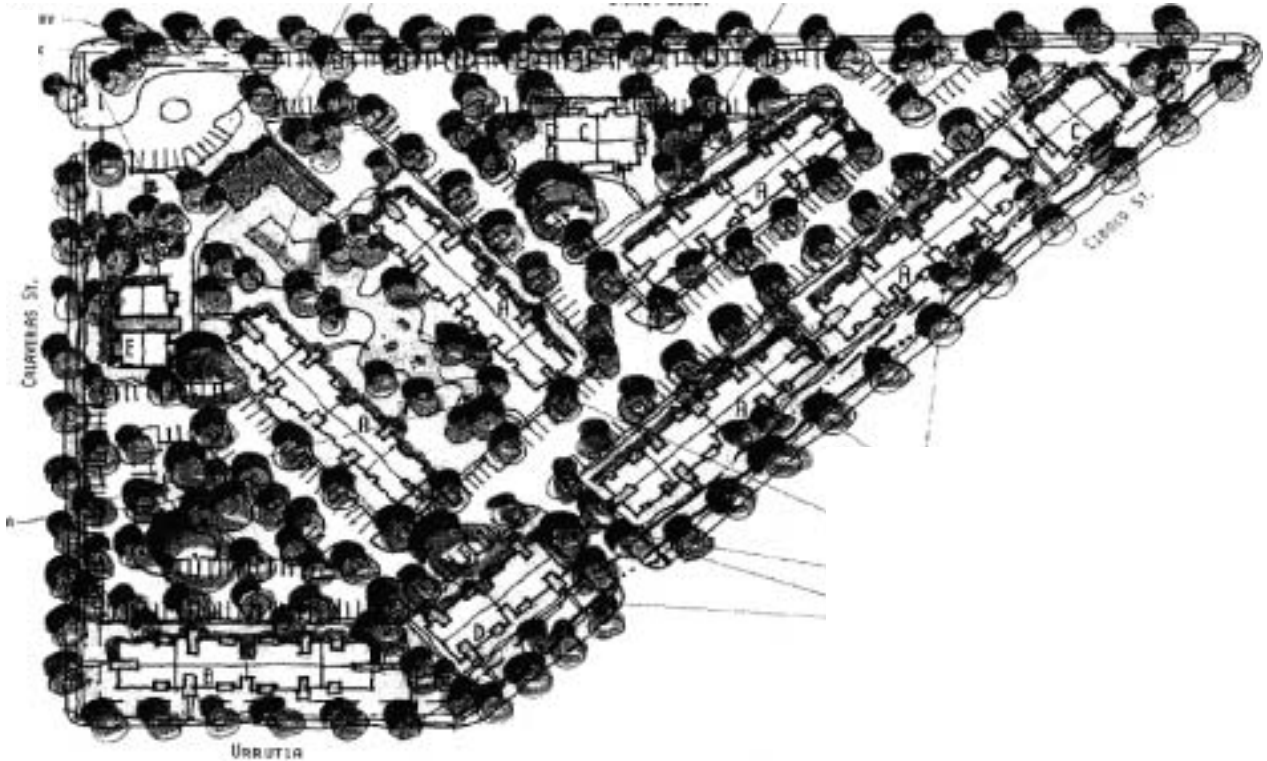
IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

The seller is a related party. The transfer price is less than both the appraised value of the land plus demolition and the original acquisition, improvements and holding cost. Moreover the seller is providing additional separate favorable financing in an amount greater than the transfer price.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E							Total Buildings
Floors/Stories	2	3	2	2	3							
Number	5	1	2	1	1							10

BR/BA	SF	Units										Total Units	Total SF
1/1	789					12						12	9468
2/1	1,044	12	8									68	70992
3/2	1,399	4	4		4							28	39172
3/1	1,417	4	4		4							28	39676
4/2	1,561			4								8	12488
Units per Building		20	16	4	8	12						144	171796

Relocation Plan:

The land for San Juan Square II will be sold to San Juan Square II, Ltd. once the San Antonio Housing Authority (SAHA) has relocated tenants and demolished all the existing buildings. SAHA is responsible for relocation of the current residents. Residents will be informed of what options and assistance will be available to them in order to seek other housing, such as: Housing Choice Vouchers, transfers to other available Public Housing Units, amount of relocation benefits, relocation counseling services provided to each individual family, and transportation that may be required for any family. The SAHA intends to fully comply with 49 CFR Part 24, Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

SITE ISSUES

Total Size:	<u>9.958</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>MF-33</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/1/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
North: Brady Boulevard, and Single-Family beyond
East: Cibilo Street with various commercial businesses and undeveloped property beyond
South: Urrita Street with residential housing beyond
West: Calaveras Street with a branch office of the Texas Attorney General and shipping beyond

Comments:
The inspector's overall assessment was based on the condition of the existing structure and not the location of the site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ECS, LLP Date: 2/2/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
"The buildings located on the site were constructed circa 1952. There is high potential that asbestos-containing material (ACM) was used in the construction of the buildings; however, the presence of ACM can only be determined by the inspection and testing of the suspected ACM. We recommend that an asbestos survey be conducted if the building will be renovated or demolished in order to comply with the Texas Department of State Health Services rules and regulations." (p. 21)

Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm is a condition of this report. It is required that any removal of asbestos-containing materials associated with the structure be conducted by trained and licensed asbestos abatement personnel working under the requirements of the TDSHS Texas Asbestos Health Protection Rules.

Comments:
"This assessment revealed no other on-site recognized environmental conditions in connection with the property." (p. 25)

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 2/12/2007
Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830
Number of Revisions: 1 Date of Last Applicant Revision: 7/9/2007

Primary Market Area (PMA): 14.94 square miles / 2.2 mile radius
"The boundaries of the Primary Market Area are as follows: North - Culebra Road, East - Interstate Highway 35, South - Southcross Boulevard, and West - General McMullen Drive." (p. 3)

Secondary Market Area (SMA):
A Secondary Market was not described.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
San Juan Square	05159	143	137	N/A			

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,250	\$12,900	\$14,500	\$16,100	\$17,400	\$18,700
60	\$22,560	\$25,800	\$28,980	\$32,220	\$34,800	\$37,380

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	949	-12	0	937	1	5	0.64%
1BR/60% Rent Limit	454	13	0	467	11	23	7.28%
2BR/30% Rent Limit	864	47	0	911	8	5	1.43%
2BR/60% Rent Limit	623	45	0	668	55	54	16.32%
3BR/30% Rent Limit	514	25	0	539	5	5	1.86%
3BR/60% Rent Limit	469	33	0	502	50	45	18.92%
4BR/30% Rent Limit	408	19	0	427	1	0	0.23%
4BR/60% Rent Limit	431	29	0	460	7	0	1.52%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 57	100%	28,479	93%	17,688	included in Tenure%	38%	6,755	76%	5,147	
Underwriter	100%	28,596	93%	26,620	44%	11,694	52%	6,036	76%	4,600
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 62			93%	1,623	included in Tenure%	38%	325	100%	325	
Underwriter			93%	117	44%	48	52%	25	100%	25

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 63	138	137	0	275	5,475	5.02%
Underwriter	138	137	0	275	4,624	5.95%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 94.6% as a stable demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p. 107)

Absorption Projections:

"Absorption over the previous sixteen years for all unit types is estimated to be 45 units per year. The low rate of absorption is due to the lack of new construction. We expect new units to be absorbed as the number of new household continues to grow." (p. 108)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 789 SF (30%)PHU	\$208	\$212	\$621	\$208	\$413	
1 BR 789 SF (60%)PHU	\$266	\$515	\$621	\$266	\$355	
1 BR 789 SF (60%)	\$507	\$515	\$621	\$515	\$106	
2 BR 1,044 SF (30%)PHU	\$248	\$253	\$777	\$248	\$529	
2 BR 1,044 SF (60%)PHU	\$266	\$615	\$777	\$266	\$511	
2 BR 1,044 SF (60%)	\$607	\$615	\$777	\$615	\$162	
2 BR 1,044 SF MR	\$717		\$777	\$717	\$60	
3 BR 1,399 SF (30%)PHU	\$266	\$277	\$970	\$266	\$704	
3 BR 1,399 SF (60%)PHU	\$266	\$696	\$970	\$266	\$704	
3 BR 1,399 SF (60%)	\$687	\$696	\$970	\$696	\$274	
3 BR 1,417 SF (60%)	\$687	\$696	\$980	\$696	\$284	
3 BR 1,417 SF MR	\$828		\$980	\$828	\$152	
4 BR 1,561 SF (30%)PHU	\$266	\$305	\$1,100	\$266	\$834	
4 BR 1,561 SF (60%)PHU	\$266	\$772	\$1,100	\$266	\$834	
4 BR 1,561 SF (60%)	\$762	\$772	\$1,100	\$772	\$328	

Market Impact:

"The Analyst believes that there will be a more than adequate number of tenants who choose the subject over other apartment communities in the trade area. This, in addition to the fact that there are those who rent because they prefer that lifestyle to the lifestyle of home ownership, indicates there is an adequate renter base in the market area for the subject." (p. 113-114)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The subject property will be restricted to rents on 48 of the units that have been set aside as public housing assisted units. On the remaining tax credit units the Underwriter calculated the current gross program rents less the current utility allowances as maintained by the San Antonio Housing Authority in determining projected gross rental income. The Market Analyst concludes the market could support rents at these rent limit maximums.

The Applicant's estimates of secondary income from normal operation and vacancy and collection losses are in line with TDHCA underwriting guidelines for typical multifamily developments. However, based on the commitment by the Housing Authority to designate 40 units as Public Housing Units (PHUs), the Underwriter has also included secondary income in the form of an operating subsidy based on the Public Housing Units' prorata share of the total operating expense. In addition, the underwriting vacancy and collection loss was adjusted to reflect 100% occupancy of the PHUs. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,462 per unit is within 5% of the Underwriter's estimate of \$3,568, derived from the TDHCA database and third party data sources. However, the Applicant's budget shows line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative (\$32K lower) and utilities (\$15K higher).

The Applicant has also assumed a 100% property tax exemption due to the involvement of the Housing Authority and as the property is currently tax exempt. However, the transfer of the property to the for-profit partnership could result in a change of exemption status. The Applicant has indicated in the purchase contract that the property will be under a long-term ground lease with the Housing Authority, which is the typical method of securing a 100% property tax exemption in a tax credit property.

Conclusion:

The Applicant's estimated 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. Use of the Underwriter's proforma and the estimated debt service results in a debt coverage ratio (DCR) which is within the current underwriting guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Noble & Associates Date: 1/22/2007
 Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007
 Land Only: 9.96 acres \$976,000 As of: 1/22/2007
 Comments:
 The seller, Housing Authority of the City of San Antonio, is to cause the existing structures at the property to be demolished prior to closing (paragraph vi of the Purchase and Sale Contract).

ASSESSED VALUE

Land Only: \$0 Tax Year: 2006
 Existing Buildings: \$0 Valuation by: Bexar CAD
 Total Assessed Value: Currently Tax Exempt Tax Rate: 2.88207

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Contract Acreage: 10.475
 Contract Expiration: 1/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,026,655 Other: Demolition will occur prior to transfer
 Seller: San Antonio Housing Authority Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$1,026,655 (\$2.25/SF, \$98,010/acre, or \$7,130/unit) is substantiated by the appraised "as is" value of \$3,250,000. The submitted appraisal indicates a land-only value of \$976,000. The Applicant has indicated cost to demolish the buildings will be added to the final lump sum lease payment made by the Applicant. This underwriting analysis will assume the demolition cost plus the appraised value of the site will support the Applicant's projected acquisition cost of \$1,026,655. Receipt, review and acceptance by cost certification of evidence of actual cost for demolition of the existing structures is a condition of this report.

Off-Site Cost:

The Applicant claimed off-site costs of \$250,000 for a sewer extension, storm sewers, utilities, and paving and provided sufficient third party certification through Albert Hightower, a registered architect.

Sitework Cost:

The Applicant's claimed sitework costs of \$3,472 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. This would suggest that the Applicant's direct construction costs are overstated.

Contingency & Fees:

The Applicant's contractor's fees are within the maximums allowed by TDHCA guidelines. The Applicant's contingencies exceeds the maximum allowed by HTC guidelines by a total of \$12,500 based on their own construction costs. Consequently the Applicant's eligible fee in this area has been reduced by the same amount with the overage effectively moved to ineligible costs. As a result of the overstated contingency, the eligible portion of the Applicant's developer fee must also be reduced by \$1,856.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$15,089,106 supports annual tax credits of \$1,607,273. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: MMA Financial Type: Interim Financing

Principal: \$12,000,000 Interest Rate: 8.25% Fixed Term: 24 months

Comments:

Interest-only at rate of 30-day LIBOR + 2.93%

Source: MMA Financial Type: Permanent Financing

Principal: \$3,621,000 Interest Rate: 7.25% Fixed Amort: 360 months

Comments:

Interest rate 266 basis points over the 10-year US Treasury fixed at loan funding

Source: San Antonio Housing Authority Type: Permanent Financing

Principal: \$2,000,000 Interest Rate: 0.00% Fixed Amort: 480 months

Comments:

Sourced from Replacement Housing Factor Funds; Repayment of this loan will be based on available cash flow from operations, sale and refinancing. If these funds are determined to be federal funds an adjustment to the recommended credit calculation may be necessary either by removing this amount from eligible basis or by reducing the applicable percentage to the 4% credit level. It appears that even if the \$2,000,000 is removed from basis the credit amount from eligible basis would still exceed \$1,200,000.

Source: MMA Financial Type: Syndication

Proceeds: \$11,397,720 Syndication Rate: 95% Anticipated HTC: \$ 1,200,000

Amount: \$339,123 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,621,000 and the \$2,000,000 loan from San Antonio Housing Authority indicates the need for \$11,736,843 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,235,704 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,235,704), and eligible basis-derived estimate (\$1,607,273), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$11,397,720 based on a syndication rate of 95%.

The Underwriter's recommended financing structure indicates the need for \$339,123 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

Underwriter: _____ Date: July 8, 2007
Carl Hoover

Reviewing Underwriter: _____ Date: July 8, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 8, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

San Juan Square II, San Antonio, 9% HTC #07171

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%/PH	1	1	1	789	\$301	\$208	\$208	\$0.26	\$89.30	\$11.70
TC 60%/PH	1	1	1	789	\$604	266	266	0.34	89.30	11.70
TC 60%	10	1	1	789	\$604	515	5,147	0.65	89.30	11.70
TC 30%/PH	8	2	2	1,044	\$362	248	1,984	0.24	109.39	11.70
TC 60%/PH	16	2	2	1,044	\$724	266	4,256	0.25	109.39	11.70
TC 60%	39	2	2	1,044	\$724	615	23,970	0.59	109.39	11.70
MR	5	2	2	1,044		717	3,585	0.69	109.39	11.70
TC 30%/PH	5	3	2	1,399	\$418	266	1,330	0.19	140.81	11.70
TC 60%/PH	15	3	2	1,399	\$837	266	3,990	0.19	140.81	11.70
TC 60%	8	3	2	1,399	\$837	696	5,570	0.50	140.81	11.70
TC 60%	27	3	2	1,417	\$837	696	18,797	0.49	140.81	11.70
MR	1	3	2	1,417		828	828	0.58	140.81	11.70
TC 30%/PH	1	4	2	1,561	\$467	266	266	0.17	161.94	13.46
TC 60%/PH	1	4	2	1,561	\$934	266	266	0.17	161.94	13.46
TC 60%	6	4	2	1,561	\$934	772	4,632	0.49	161.94	13.46
TOTAL:	144		AVERAGE:	1,193		\$521	\$75,095	\$0.44	\$122.85	\$11.80

INCOME

Total Net Rentable Sq Ft: **171,796**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: **\$8.90**

Other Support Income: PHU Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: **-6.01%**

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	8.67%	\$531	0.44
Management	5.25%	321	0.27
Payroll & Payroll Tax	17.10%	1,046	0.88
Repairs & Maintenance	8.80%	538	0.45
Utilities	2.87%	175	0.15
Water, Sewer, & Trash	4.07%	249	0.21
Property Insurance	4.10%	251	0.21
Property Tax	2.88207%	0	0.00
Reserve for Replacements	4.09%	250	0.21
TDHCA Compliance Fees	0.65%	40	0.03
Other: Supp. Serv.	2.73%	167	0.14
TOTAL EXPENSES	58.34%	\$3,568	\$2.99

NET OPERATING INC

41.66% **\$2,548** **\$2.14**

DEBT SERVICE

MMA Financial	33.66%	\$2,058	\$1.73	\$296,419	\$296,419	\$1.73	\$2,058	35.31%
San Antonio Housing Authority	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	8.00%	\$489	\$0.41	\$70,487	\$44,489	\$0.26	\$309	5.30%

AGGREGATE DEBT COVERAGE RATIO

1.24 **1.15**

RECOMMENDED DEBT COVERAGE RATIO

1.24

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)		6.12%	\$7,130	\$5.98	\$1,026,655	\$1,026,655	\$5.98	\$7,130	5.91%
Off-Sites		1.49%	1,736	1.46	250,000	250,000	1.46	1,736	1.44%
Sitework		2.98%	3,472	2.91	500,000	500,000	2.91	3,472	2.88%
Direct Construction		48.84%	56,926	47.72	8,197,323	8,607,369	50.10	59,773	49.59%
Contingency	5.00%	2.59%	3,020	2.53	434,866	467,868	2.72	3,249	2.70%
Contractor's Fees	14.00%	7.26%	8,456	7.09	1,217,625	1,275,031	7.42	8,854	7.35%
Indirect Construction		7.47%	8,704	7.30	1,253,443	1,253,443	7.30	8,704	7.22%
Ineligible Costs		4.37%	5,095	4.27	733,727	733,727	4.27	5,095	4.23%
Developer's Fees	15.00%	11.29%	13,159	11.03	1,894,951	1,970,000	11.47	13,681	11.35%
Interim Financing		6.14%	7,151	5.99	1,029,750	1,029,750	5.99	7,151	5.93%
Reserves		1.45%	1,694	1.42	244,000	244,000	1.42	1,694	1.41%
TOTAL COST		100.00%	\$116,544	\$97.69	\$16,782,340	\$17,357,843	\$101.04	\$120,541	100.00%
Construction Cost Recap		61.67%	\$71,874	\$60.24	\$10,349,814	\$10,850,268	\$63.16	\$75,349	62.51%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
MMA Financial	21.58%	\$25,146	\$21.08	\$3,621,000	\$3,621,000	\$3,621,000	Developer Fee Available
San Antonio Housing Authority	11.92%	\$13,889	\$11.64	2,000,000	2,000,000	2,000,000	\$1,968,144
MMA Financial	67.91%	\$79,151	\$66.34	11,397,720	11,397,720	11,397,720	% of Dev. Fee Deferred
Deferred Developer Fees	2.02%	\$2,355	\$1.97	339,123	339,123	339,123	17%
Additional (Excess) Funds Req'd	-3.43%	(\$3,997)	(\$3.35)	(575,503)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$16,782,340	\$17,357,843	\$17,357,843	\$1,871,674

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Juan Square II, San Antonio, 9% HTC #07171

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.32	\$9,160,638
Adjustments				
Exterior Wall Finish	2.00%		\$1.07	\$183,213
Elderly			0.00	0
9-Ft. Ceilings	3.25%		1.73	297,721
Roofing			0.00	0
Subfloor			(1.24)	(212,168)
Floor Cover			2.43	417,464
Breezeways/Balconies	\$21.66	23,870	3.01	516,905
Plumbing Fixtures	\$805	396	1.86	318,780
Rough-ins	\$400	144	0.34	57,600
Built-In Appliances	\$1,850	144	1.55	266,400
Exterior Stairs	\$1,800	26	0.27	46,800
Interior Stairs	\$1,485	36	0.31	53,460
Heating/Cooling			1.73	297,207
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$64.74	4,254	1.60	275,404
Other: fire sprinkler	\$1.95	171,796	1.95	335,002
SUBTOTAL			69.93	12,014,426
Current Cost Multiplier	0.98		(1.40)	(240,289)
Local Multiplier	0.86		(9.79)	(1,682,020)
TOTAL DIRECT CONSTRUCTION COSTS			\$58.74	\$10,092,118
Plans, specs, survy, bld prm	3.90%		(\$2.29)	(\$393,593)
Interim Construction Interest	3.38%		(1.98)	(340,609)
Contractor's OH & Profit	11.50%		(6.76)	(1,160,594)
NET DIRECT CONSTRUCTION COSTS			\$47.72	\$8,197,323

PAYMENT COMPUTATION

Primary	\$3,621,000	Amort	360
Int Rate	7.25%	DCR	1.24

Secondary	\$2,000,000	Amort	
Int Rate		Subtotal DCR	1.24

Additional		Amort	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$296,419
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$70,487

Primary	\$3,621,000	Amort	360
Int Rate	7.25%	DCR	1.24

Secondary	\$2,000,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

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	\$901,138	\$928,172	\$956,017	\$984,697	\$1,014,238	\$1,175,780	\$1,363,051	\$1,580,150	\$2,123,590
Secondary Income	15,384	15,846	16,321	16,811	17,315	20,073	23,270	26,976	36,253
Other Support Income: PHU Su	20,482	22,681	25,009	27,474	30,080	45,508	65,698	91,907	218,669
POTENTIAL GROSS INCOME	937,004	966,698	997,347	1,028,982	1,061,633	1,241,361	1,452,019	1,699,033	2,378,512
Vacancy & Collection Loss	(56,276)	(58,059)	(59,900)	(61,800)	(63,761)	(74,555)	(87,207)	(102,043)	(142,852)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$880,728	\$908,639	\$937,447	\$967,182	\$997,872	\$1,166,805	\$1,364,812	\$1,596,990	\$2,235,660
EXPENSES at 4.00%									
General & Administrative	\$76,398	\$79,454	\$82,632	\$85,938	\$89,375	\$108,739	\$132,297	\$160,960	\$238,260
Management	46,244	47,710	49,222	50,784	52,395	61,265	71,662	83,853	117,387
Payroll & Payroll Tax	150,618	156,643	162,909	169,425	176,202	214,377	260,822	317,330	469,725
Repairs & Maintenance	77,537	80,638	83,864	87,218	90,707	110,359	134,269	163,359	241,811
Utilities	25,254	26,264	27,314	28,407	29,543	35,944	43,731	53,206	78,757
Water, Sewer & Trash	35,858	37,292	38,784	40,336	41,949	51,037	62,095	75,548	111,829
Insurance	36,152	37,598	39,102	40,666	42,293	51,455	62,603	76,167	112,745
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	29,760	30,950	32,188	33,476	34,815	42,358	51,535	62,700	92,811
TOTAL EXPENSES	\$513,821	\$533,990	\$554,954	\$576,744	\$599,394	\$726,773	\$881,354	\$1,068,967	\$1,575,597
NET OPERATING INCOME	\$366,906	\$374,649	\$382,493	\$390,438	\$398,478	\$440,032	\$483,458	\$528,023	\$660,063
DEBT SERVICE									
First Lien Financing	\$296,419	\$296,419	\$296,419	\$296,419	\$296,419	\$296,419	\$296,419	\$296,419	\$296,419
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	\$70,487	\$78,230	\$86,074	\$94,018	\$102,059	\$143,613	\$187,038	\$231,604	\$363,643
DEBT COVERAGE RATIO	1.24	1.26	1.29	1.32	1.34	1.48	1.63	1.78	2.23

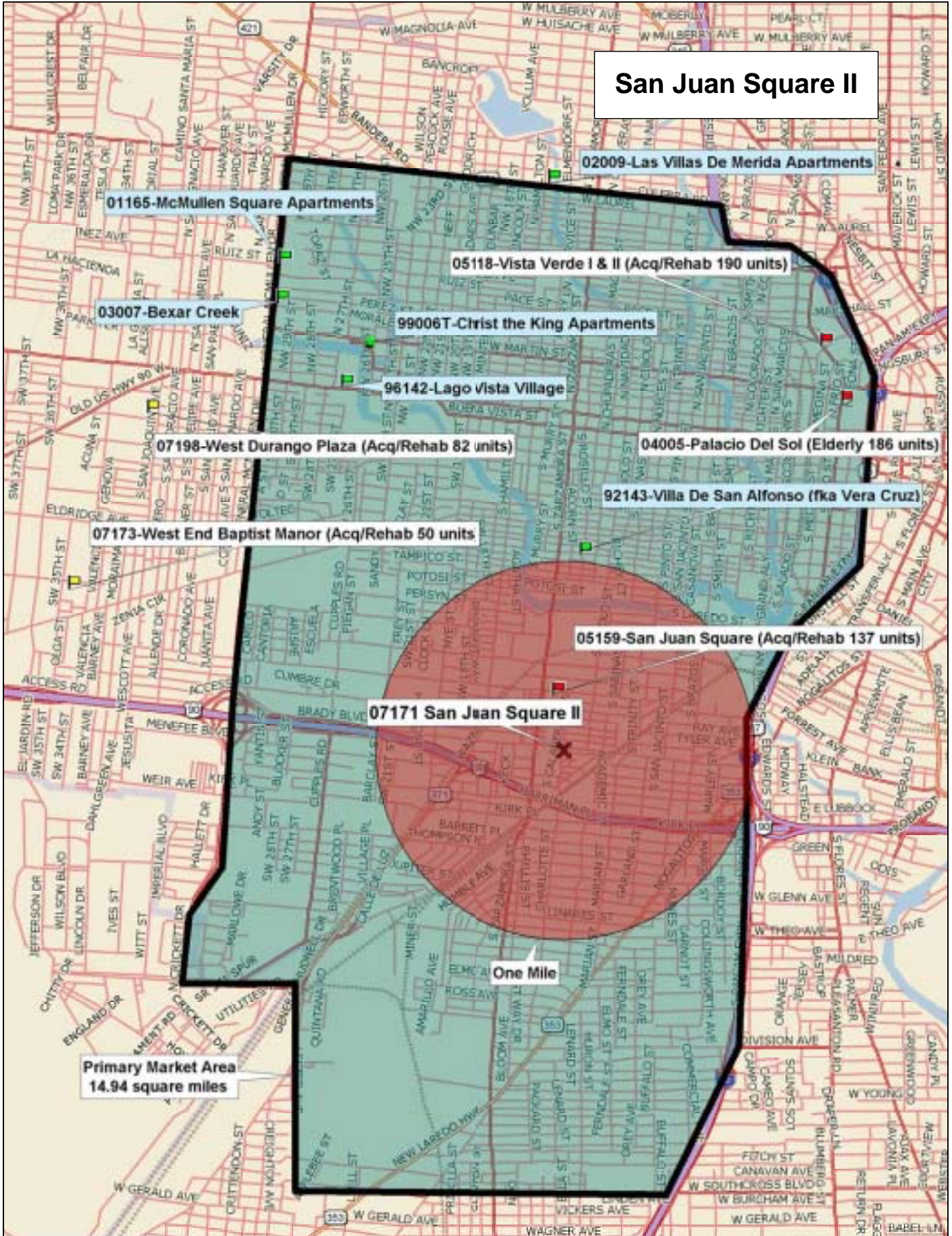
HTC ALLOCATION ANALYSIS -San Juan Square II, San Antonio, 9% HTC #07171

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,026,655	\$1,026,655		
Purchase of buildings				
Off-Site Improvements	\$250,000	\$250,000		
Sitework	\$500,000	\$500,000	\$500,000	\$500,000
Construction Hard Costs	\$8,607,369	\$8,197,323	\$8,607,369	\$8,197,323
Contractor Fees	\$1,275,031	\$1,217,625	\$1,275,031	\$1,217,625
Contingencies	\$467,868	\$434,866	\$455,368	\$434,866
Eligible Indirect Fees	\$1,253,443	\$1,253,443	\$1,253,443	\$1,253,443
Eligible Financing Fees	\$1,029,750	\$1,029,750	\$1,029,750	\$1,029,750
All Ineligible Costs	\$733,727	\$733,727		
Developer Fees			\$1,968,144	
Developer Fees	\$1,970,000	\$1,894,951		\$1,894,951
Development Reserves	\$244,000	\$244,000		
TOTAL DEVELOPMENT COSTS	\$17,357,843	\$16,782,340	\$15,089,106	\$14,527,958

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$15,089,106	\$14,527,958
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$19,615,837	\$18,886,346
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$18,798,511	\$18,099,415
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,607,273	\$1,547,500

Syndication Proceeds	0.9498	\$15,266,037	\$14,698,309
Total Tax Credits (Eligible Basis Method)		\$1,607,273	\$1,547,500
Syndication Proceeds		\$15,266,037	\$14,698,309
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$11,397,720	
Gap of Syndication Proceeds Needed		\$11,736,843	
Total Tax Credits (Gap Method)		\$1,235,704	

San Juan Square II

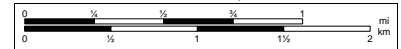


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Scale 1 : 43,750



1" = 3,645.8 ft Data Zoom 12-2

Applicant Evaluation

Project ID # **07171**

Name: **San Juan Square II**

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

Total # of Projects monitored: 14

Projects zero to nine: 12
grouped ten to nineteen: 2
by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 14

not yet monitored or pending review: 13

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/22/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis

(Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/7/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West End Baptist Manor Apartments, TDHCA Number 07173

BASIC DEVELOPMENT INFORMATION

Site Address: 934 SW 35th St. Development #: 07173
City: San Antonio Region: 9 Population Served: General
County: Bexar Zip Code: 78237 Allocation: Urban/Exurban
HTC Set Asides: [x] At-Risk [x] Nonprofit [] USDA [] Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: [] CHDO [] Preservation [] General Acquisition: [x]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: TX West End Baptist Housing, L.P.
Owner Contact and Phone: David Marquez (210) 228-0560
Developer: West End Baptist Church Trust
Housing General Contractor: Northwest Construction Services, L.P.
Architect: Gonzalez Newell Bender Architects
Market Analyst: Apartment Market Data Research Services, Inc.
Syndicator: The Richman Group of Companies
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 50
5 0 0 45 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 8 22 16 4 0 Total Development Units: 50
Type of Building: Total Development Cost*: \$4,362,154
Number of Residential Buildings: 7
HOME High Total Units: 0
HOME Low Total Units: 0
[] Duplex [x] 4 units or more per building
[] Triplex [] Detached Residence
[] Fourplex [] Single Room Occupancy
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$316,781 \$316,781
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West End Baptist Manor Apartments, TDHCA Number 07173

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S Points: 7 US Representative: González, District 20, S
TX Representative: Menéndez, District 124, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government []
S, Rev. A. Bernard Devers, Pastor for West End Baptist Church

Individuals and Businesses In Support: 7 In Opposition 0

Quantifiable Community Participation Input:

Community Workers Council, Lucy M. Hall Letter Score: 24 S or O: S

An organization we feel this project will help improve the image of our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support from elected officials, non-officials and a qualified neighborhood organization. Several supportive comments received during public hearing.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance prior to start of construction of evidence that the substantial rehabilitation of the development will include installing ducted central cooling and heating in all units or documentation of why this cannot be done. Upon receipt of this information, the underwriting analysis will be revisited to evaluate feasibility.

Receipt, review and acceptance prior to start of construction of evidence that the Phase I ESA recommendations have been followed with regards to further testing for lead-based paint and an appropriate plan for safe removal of Asbestos Containing Materials or submission of an Operations and Maintenance plan relating to the plan for rehabilitation.

Receipt, review and acceptance prior to commitment of a statement from the Phase I ESA provider indicating the acceptable decibel level with regards to noise for a residential area or a mitigation plan if the decibel level is not within the HUD ranges.

Receipt, review and acceptance by cost certification of new HAP contract agreement that reflects rents net of utility allowance as anticipated herein and a re-evaluation of the financial viability of the transaction with the rents established in the new agreement.

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

Receipt of a commitment of funding from the City of San Antonio in the amount of \$200,354, or a commitment from a qualifying substitute source in an amount not less than \$200,354, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding for City of San Antonio HOME funds in the amount of \$200,354, or a commitment from a qualifying substitute source(s) in an amount not less than \$80,142, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West End Baptist Manor Apartments, TDHCA Number 07173

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

Competitive Housing Tax Credits: Score: **210** Meeting a Required Set-Aside Credit Amount*: \$316,781

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/07 PROGRAM: 9% HTC FILE NUMBER: 07173

DEVELOPMENT						
West End Baptist Manor Apartments						
Location: <u>934 S. 35th Street</u>				Region: <u>9</u>		
City: <u>San Antonio</u>		County: <u>Bexar</u>		Zip: <u>78237</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, Urban/Exurban, At Risk, Non-Profit, Acquisition/Rehabilitation</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$316,781			\$316,781		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review and acceptance prior to start of construction of evidence that the substantial rehabilitation of the development will include installing ducted central cooling and heating in all units or documentation of why this cannot be done. Upon receipt of this information, the underwriting analysis will be revisited to evaluate feasibility. 2 Receipt, review and acceptance prior to start of construction of evidence that the Phase I ESA recommendations have been followed with regards to further testing for lead-based paint and an appropriate plan for safe removal of Asbestos Containing Materials or submission of an Operations and Maintenance plan relating to the plan for rehabilitation. 3 Receipt, review and acceptance prior to commitment of a statement from the Phase I ESA provider indicating the acceptable decibel level with regards to noise for a residential area or a mitigation plan if the decibel level is not within the HUD ranges. 4 Receipt, review and acceptance by cost certification of new HAP contract agreement that reflects rents net of utility allowance as anticipated herein and a re-evaluation of the financial viability of the transaction with the rents established in the new agreement. 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/allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	5				
60% of AMI	60% of AMI	45				

PROS

The rehabilitation of this 38 year old property will preserve and enhance existing affordable housing stock.

The development plan calls for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

With the use of the existing reserve accounts to benefit the development, additional secondary financing from HOME is not required but could be sourced from deferral of developer and still be feasible.

CONS

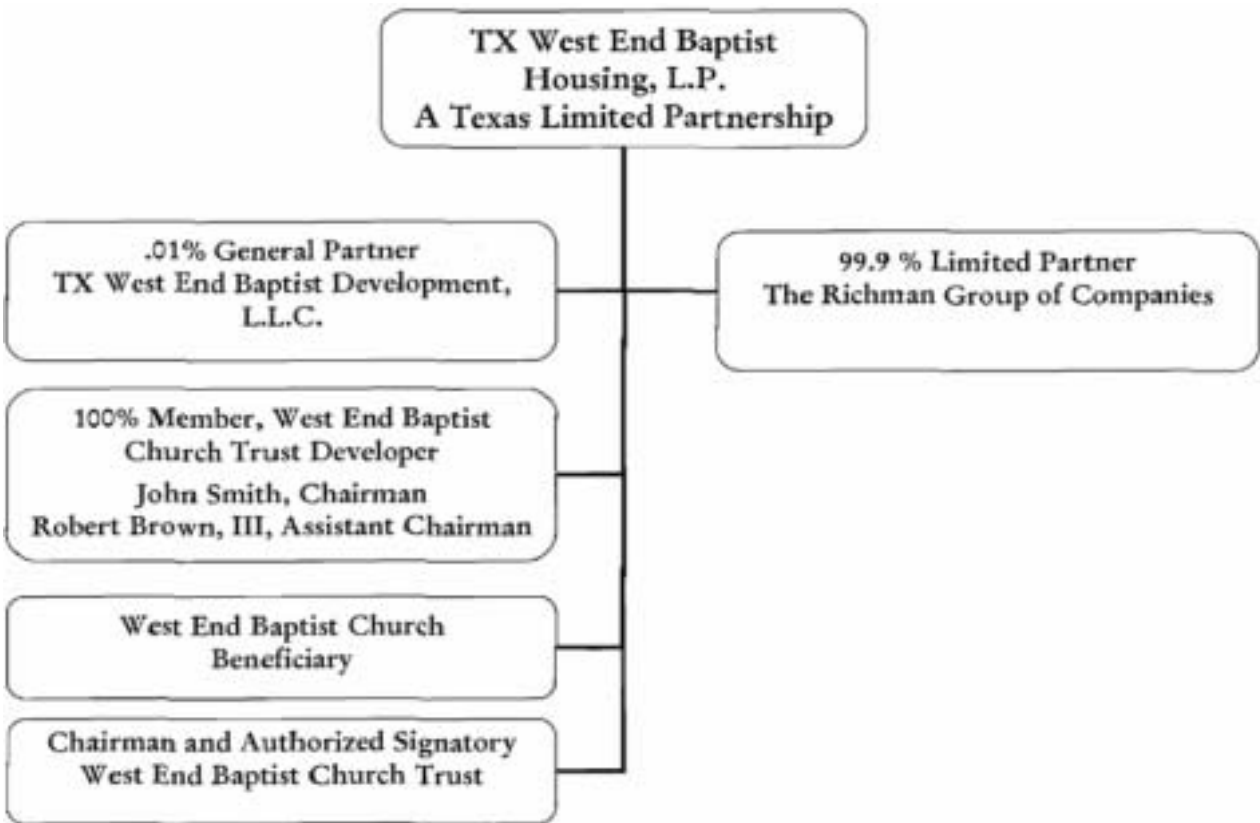
There is considerable uncertainty with the need and cost for mitigation of asbestos containing materials (ACM) and lead based paint which have been found to be present at the site.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: David Marquez Phone: (210) 228-0560 Fax: (210) 228-0566
Email: cdmarquez@sbcglobal.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
TX West End Baptist Housing, LP	\$65.9K	\$(120K)	0
West End Baptist Church	\$65.9K	\$(120K)	0

¹ Liquidity = Current Assets - Current Liabilities

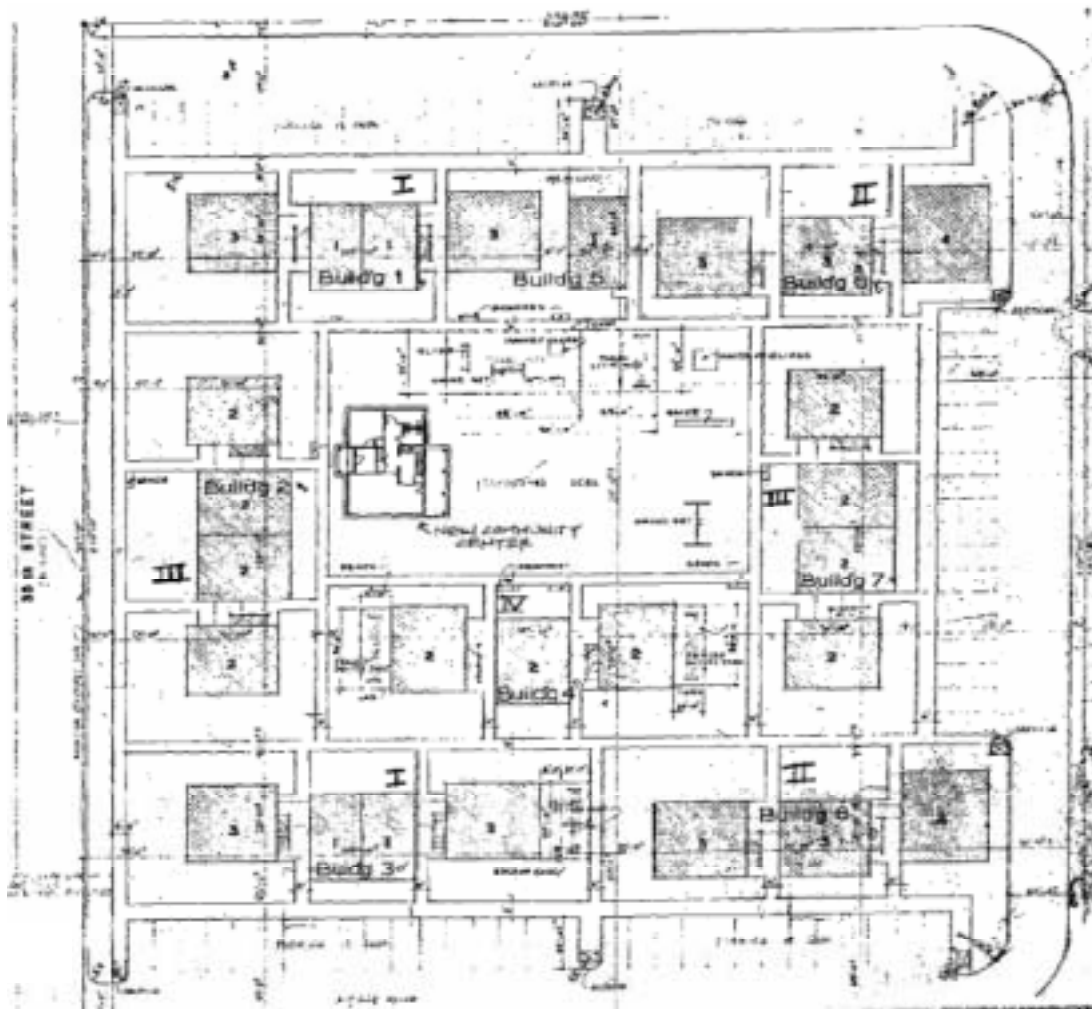
IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

The seller is the sole member of the General Partner; therefore, the transfer of the property is considered an identity of interest transaction. This will be discussed and steps taken to mitigate potential equity from escaping the transaction in the acquisition section below.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D						Total Buildings
Floors/Stories	2	2	2	2						
Number	2	1	2	2						7

BR/BA	SF	Units									Total Units	Total SF
1/1	576				4						8	4,608
2/1	775	8	6								22	17,050
3/1	868			4	4						16	13,888
4/1	1,015			2							4	4,060
Units per Building		8	6	6	8						50	39,606

Rehabilitation Summary:

The property is a 50-unit development originally constructed in 1969 that is comprised of 7 two-story residential buildings and a clubhouse with management, leasing and maintenance offices. The complex is considered to be in fair to poor condition with many items needing replacement or repair. Most of the systems have far exceeded their expected useful life and need to be replaced or repaired. Accordingly, the Applicant is proposing to make significant renovations, repairs and upgrades to the property.

The proposed renovations are to regrade the topography, repair and rework the parking lot, install new landscaping and playground equipment, and replace building and site lighting. The exterior is to have stairs replaced, soffits repaired or replaced and painted, and brick and walls repaired, waterproofed and caulked where needed. Additionally, windows and doors will be replaced. The building interiors will be gutted and new sheet rock, insulation, flooring, ceilings, cabinets, countertops, fixtures and major appliances will be installed. Fire/smoke detectors will be installed or replaced. Water and sewer lines and building roofs will also be replaced.

Due to the major replacements to occur in the interior of the buildings, the PCA provider has included a substantial demolition cost line-item. The Applicant also included demolition costs for sitework and categorized it as ineligible for housing tax credit purposes.

Of concern to the Underwriter, the rehabilitation plan does not appear to include conversion of all unit heating and cooling to a central, ducted system. It appears from photos that at least some of the units currently have wall-units for cooling. The PCA budgets only \$118,800 for cooling equipment, while the Applicant's cost schedule indicates \$225,000 for both HVAC and plumbing. Receipt, review and acceptance prior to start of construction of evidence that the substantial rehabilitation of the development will include installing ducted central cooling and heating in all units or documentation of why this cannot be done is a condition of this report.

Relocation Plan:

Construction will be performed in phases so that residents will be moved in groups of about sixteen (16) at a time. Residents are to be notified of the moving process well in advance, and they are to be moved to vacant apartments on the West End Baptist Manor property. Construction will take approximately 18 months under this process. The cost of moving, utility deposits, labor and special needs items will be incurred by the Applicant. The projected relocation cost to be incurred by the Applicant is \$152,100.

SITE ISSUES

Total Size: 3.154 acres Scattered site? Yes No
Flood Zone: X Within 100-yr floodplain? Yes No
Zoning: MF-33 & R-6 Needs to be re-zoned? Yes No N/A

Comments:

A portion of the property is zoned Residential Single-Family District; however, the City has confirmed the owner will have the right to restore or rebuild the existing structures due to damages caused by fire or other casualty.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Residential East: Church and residential beyond
South: Businesses and residential beyond West: Residential

Comments:

The site inspector gave an acceptable assessment for the site, but he gave an assessment of questionable for the existing multifamily residential buildings due to their outdated condition and standards.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost GeoSciences, Inc. Date: 3/8/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

A copy of a Lead-Based Paint Inspection Report performed by AEHS, Inc. for Domicile Property Management dated January 22, 2006 was presented to FGS for review. According to the report, no painted components tested positive for lead-based paint. [However, this] screening is not designed to meet the requirements of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X), or any other applicable regulatory requirements. (p. 1)

FGS conducted a limited desktop review of decibel noise levels in the area. FGS reviewed scaled aerial photographs, street maps and topographic maps and determined that there are no surface streets four lanes or greater within 1,000 feet of the Site, there are no railroad tracks within 3,000 feet of the Site and there are no municipal airports noted within 1 mile of the Site. However, there is a military air base located approximately 1 mile from the Site, well within the 5 mile limit. According to the Decibel Noise Level Contour Map of the Kelly Field Annex at Lackland Air Force Base, the Site is located in-between the 70 and 75 decibel contour lines. (p. 2)

Limited Asbestos Screening was conducted at the Site. A total of five bulk samples were collected for laboratory analysis. One homogeneous material was identified as asbestos-containing. This material is the white surfaced white joining compound. (p. 2)

Comments:

Quantitative lead analysis should be performed by a qualified firm in order to confirm the results indicated [in the Lead-Based Paint Inspection Report performed by AEHS, Inc].

Prior to the disturbance of any suspect ACM in the Site, a comprehensive asbestos survey, designed to determine if the suspect ACM is a regulated material, is recommended. If such materials are identified and need to be disturbed, repaired or removed, a licensed abatement contractor should be consulted. Suspect ACM can be managed under the auspices of an Operations and Maintenance (O&M) plan. Accordingly, it is a condition of this report that a comprehensive asbestos survey, designed to determine if the suspect ACM should be managed under an Operations and Maintenance (O&M) Plan as it relates to renovation and demolition before commencement of construction.

Receipt, review and acceptance prior to start of construction of evidence that the Phase I ESA recommendations have been followed with regards to further testing for lead-based paint and an appropriate plan for safe removal of Asbestos Containing Materials or submission of an Operations and Maintenance plan relating to the rehabilitation is a condition of this report.

In addition, receipt, review and acceptance prior to commitment of a statement from the Phase I ESA provider indicating the acceptable decibel level with regards to noise for a residential area is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/20/2007
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 16.54 square miles (2.30 mile radius)
 North: Culebra Road
 East: S. Zarzamora Street
 South: Billy Mitchell Boulevard
 West: S. Callaghan Road

Secondary Market Area (SMA):
 The Market Analyst did not provide a secondary market area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Rosemont at Bethel	04447	250	250	N/A			

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,250	\$12,900	\$14,500	\$16,100	\$17,400	\$18,700
60	\$22,560	\$25,800	\$28,980	\$32,220	\$34,800	\$37,380

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	817	29	0	846	5	0	1%
1BR/60%	404	22	0	426	3	0	1%
2BR/60%	1,569	44	0	1,613	22	112	8%
3BR/60%	1,021	43	0	1,064	16	86	10%
4BR/60%	847	31	0	878	4	0	0%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 56	100%	27,208	93%	25,244	37%	9,269	included in Inc Elig % 76% 7,065
Underwriter	100%	27,493	93%	25,510	79%	20,171	59% 11,855 76% 9,033
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 58			93%	264	37%	97	included in Inc Elig % 100% 97
Underwriter			93%	289	79%	212	59% 125 100% 125

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 57	50	250	0	300	7,162	4.19%
Underwriter	50	250	0	300	9,158	3.28%

Primary Market Occupancy Rates:

"Today, the PMA is 95.2% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units." (p. 11)

Absorption Projections:

"West End Baptist Apartments currently reports an occupancy of 98%. If the project were totally vacant, we would estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line from construction." (p.104)

The subject property will not be completely vacant at any time during the renovations. As stated above, construction will be performed in phases so that current residents will be moved in groups of about sixteen (16) at a time. Under this scenario, the development should be just less than two-thirds occupied at any given time. Therefore, normal occupancy should be reached within 3 to 4 months after completion of construction.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	HAP Contract Rent	Market Rent	Underwriting Rent	Savings Over Market
1BR	576 SF	(30%)	\$553	\$553	\$410	\$488	(\$78)
1BR	576 SF	(60%)	\$553	\$553	\$410	\$488	(\$78)
2BR	775 SF	(60%)	\$614	\$614	\$530	\$536	(\$6)
3BR	868 SF	(60%)	\$712	\$712	\$610	\$614	(\$4)
4BR	1,015 SF	(60%)	\$784	\$784	\$740	\$686	\$54

Market Impact:

"The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout west San Antonio, and especially at quality affordable housing communities." (p. 105)

Comments:

The Underwriter found the market study provided sufficient information upon which to base a funding recommendation. It should be noted the inclusive capture rate is not an appropriate tool for the analysis of this development due to its existing tenant base; however, the demand in this market appears to be healthy. If the development along with a second proposed rehabilitation development (#07198 West Durango Plaza) within the PMA were to be vacated by all tenants, the resulting inclusive capture rate based on these units as well as the 250 comparable units proposed at Rosemont at Bethel would remain at an acceptable level.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected income is based on a Section 8 project-based contract that has been in place on the development for many years. The lack of a utility allowance estimate in the HAP contract points to a current structure in which the development pays all unit utility costs. The Applicant has indicated a change to the utility structure with tenants responsible for electric and natural gas costs and continued payment by the development of water, sewer and trash costs. As such, the Underwriter has reduced HAP contract rents by the current Utility allowance maintained by the local housing authority. It should be noted that the resulting underwriting rents are more consistent with the market rent conclusions presented in the submitted market study.

Receipt, review and acceptance by cost certification of new HAP contract agreement that reflects rents net of utility allowance as anticipated herein and a re-evaluation of the financial viability of the transaction with the rents established in the new agreement is a condition of this report.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Due to the difference in assumed HAP Contract rents upon restructuring to tenant-paid utilities, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/2/2007

The Applicant's total annual operating expense at \$4,385 per unit is not within 5% of the Underwriter's estimate of \$4,120 derived from the actual operating history of the property, the TDHCA database and third party data sources. The Applicant's budget however has several line item estimates that deviate significantly when compared to the Underwriter's budget, particularly: general and administrative expense (\$9K lower), payroll and payroll taxes (\$15K higher), utilities (\$5K lower) and insurance (\$6K higher).

The property is currently operating with a 100% property tax exemption. However, the Applicant's submitted expense schedule indicates the restructuring will include payment of property taxes. It should be noted that an alternate source of in-kind contribution for purposes of receiving points in this competitive application cycle is a property tax exemption for the first 6 to 7 years of operation. Also, it is likely the Applicant will seek and be eligible for at least a 50% tax exemption. The underwriting analysis assumes a 50% tax exemption.

Conclusion:

The Applicant's effective gross income and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's proforma will be used to determine the development's debt service capacity. When using the Underwriter's proforma, the estimated debt service result in a debt coverage ratio (DCR) which is above the current underwriting maximum guideline of 1.35.

Therefore the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. It should be noted the Applicant indicated the requested City HOME loan would bear an interest rate of only 2%, fully amortizing over a repayment term of 40 years. However, their debt service estimate for this loan is comparable to terms including an interest rate at AFR with full amortization over a reduced term of 30 years. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Additionally, if the subject property were to maintain a 100% property tax exemption, the Development's net operating income will increase. The transaction would require re-evaluation to determine if the resulting debt coverage ratio is again above the Department's maximum limit of 1.35. If it is found at cost certification that the development continues to receive a 100% tax exemption, the tax credit allocation may be reduced all else held equal based on the gap in need for permanent funds.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above the Applicant's base year effective gross income, expense and net operating income as well as a revised annual debt service estimate were utilized resulting in a debt coverage ratio that remains above 1.15 and has a continued positive cash flow.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Multi-Housing Appraisal Associates</u>	Date:	<u>3/7/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	3.154 acres	\$269,000	As of: <u>3/1/2007</u>
Buildings: (as-is, tax-exempt)		\$1,171,000	As of: <u>3/1/2007</u>
Total: (as-is, tax-exempt)		\$1,440,000	As of: <u>3/1/2007</u>

ASSESSED VALUE			
Land Only:	0	Tax Year:	2006
Existing Buildings:	0	Valuation by:	Bexar CAD
Total Assessed Value:	Currently Tax Exempt	Tax Rate:	2.91237
EVIDENCE of PROPERTY CONTROL			
Type:	Earnest Money Contract		Acreage: 3.15
Contract Expiration:	6/30/2008	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$942,745	Other:	
Seller:	West End Baptist Church-SA	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
CONSTRUCTION COST ESTIMATE EVALUATION			
<i>COST SCHEDULE</i>	Number of Revisions:	1	Date of Last Applicant Revision: 5/1/2007
<p>Acquisition Value:</p> <p>The seller of the subject property is related to the Applicant; however, the sales price is considered to be reasonable. Both the appraised value and the asset value indicated in the development's audited financial statements support the transfer cost.</p> <p>Although the Applicant's acquisition cost has been determined to be reasonable, the acquisition eligible basis assumed is not supported by the appraisal. The Applicant has estimated a value of \$242,745 for the underlying land; the underwriting analysis assumes the appraised land value of \$269,000. This difference results in \$26,255 in overstated acquisition eligible basis included the Applicant's estimate.</p> <p>Sitework Cost:</p> <p>Since this is a proposed rehabilitation, the associated sitework cost are minimal. The Applicant's estimate of sitework costs is \$73K less than the PCA figure. The underwriting analysis assumes the PCA estimate.</p> <p>Direct Construction Cost:</p> <p>The Applicant's direct construction cost estimate is \$290K less than that estimated to be needed by the PCA provider. The underwriting analysis assumes the PCA estimate.</p> <p>Developer Fee:</p> <p>Because the acquisition of the buildings is a related party transaction, the developer fee associated with acquisition cost is not considered an eligible basis item for purposes of calculating housing tax credits. Therefore, the Applicant's eligible basis estimate was reduced by \$150K.</p> <p>Conclusion:</p> <p>The Underwriter's cost schedule was derived from information presented in the Application material submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,686,665 supports annual tax credits of \$359,410. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.</p>			

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/2/2007

Source: Washington Mutual Type: Interim to Permanent Financing

Interim: \$2,109,723 Interest Rate: 6.77% Fixed Term: 24 months

Permanent: \$1,500,000 Interest Rate: 6.41% Fixed Amort: 360 months

Comments:

Although \$1,500,000 is available, the Applicant plans to utilize only \$955,982 in permanent funds with a repayment term of 15 years. The loan has a \$300 per unit annual replacement reserve requirement.

Source: City of San Antonio - HOME Loan Type: Interim to Permanent Financing

Principal: \$200,354 Interest Rate: Fixed Amort: months

Comments:

A 2% interest rate is anticipated by the Applicant; however, the lender has not confirmed their approval of that rate yet. Additionally, the loan may have a 40-year amortization term, but a 20-year repayment term with a 24-month construction term.

In addition to an application to the City for Rental Rehabilitation funds, the Applicant has requested a tax abatement from the ISD for a period of 6-7 years totaling \$200,354 and a back-up request was submitted to a county commissioner for a loan in the amount of \$200,354.

Source: The Richman Group Type: Syndication

Proceeds: \$2,850,743 Syndication Rate: 90% Anticipated HTC: \$ 316,781

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits based upon the Applicant's costs. The Underwriter's costs suggest the rate would have to rise by 10 cents per credit dollar for this to affect the credit allocation.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. Additionally, the Underwriter re-calculated the debt service associated with the HOME loan to be obtained from the City of San Antonio at the Applicable Federal Rate (AFR) of 4.90% and a repayment term of 30 years. This assumption is consistent with the Applicant's estimate of debt service associated with this loan. An added benefit is that the HOME funds will no longer have an adverse effect on the development's eligible basis. As is always the case, if any terms of financing assumed at underwriting change, the development must be re-evaluated with a possible reduction in the recommended tax credit allocation.

Even with a higher assumed debt service for the proposed HOME loan, the development's debt coverage ratio continues to exceed the Department maximum of 1.35. Therefore, the underwriting analysis assumes an increase in the conventional loan amount to \$975,000 based on current terms.

This section intentionally left blank.

MULTIFAMILY COMPARATIVE ANALYSIS

West End Baptist Manor Apartments, San Antonio, 9% HTC #07173

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	S8	5	1	1	576	\$301	\$488	\$2,439	\$0.85	\$65.18	\$35.82
TC 60%	S8	3	1	1	576	\$604	488	1,463	0.85	65.18	35.82
TC 60%	S8	22	2	1	775	\$724	536	11,782	0.69	78.47	42.62
TC 60%	S8	16	3	2	868	\$837	614	9,818	0.71	98.40	54.11
TC 60%	S8	4	4	2	1,015	\$934	686	2,742	0.68	98.40	54.11
TOTAL:		50		AVERAGE:	792		\$565	\$28,244	\$0.71	\$84.32	\$46.13

INCOME				Total Net Rentable Sq Ft:	39,606	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$338,931	\$389,520	Bexar	San Antonio	9	
Secondary Income		Per Unit Per Month:	\$15.00			9,000	9,000	\$15.00	Per Unit Per Month		
Other Support Income:						0	0	\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$347,931	\$398,520				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(26,095)	(29,892)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$321,836	\$368,628				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				7.64%	\$492	0.62	\$24,600	\$15,400	\$0.39	\$308	4.18%
Management				5.00%	322	0.41	16,092	18,432	0.47	369	5.00%
Payroll & Payroll Tax				16.01%	1,030	1.30	51,516	65,000	1.64	1,300	17.63%
Repairs & Maintenance				9.41%	606	0.76	30,278	27,600	0.70	552	7.49%
Utilities				3.93%	253	0.32	12,647	8,000	0.20	160	2.17%
Water, Sewer, & Trash				8.60%	554	0.70	27,677	25,800	0.65	516	7.00%
Property Insurance				3.62%	233	0.29	11,643	18,000	0.45	360	4.88%
Property Tax	2.91237			4.52%	291	0.37	14,562	24,000	0.61	480	6.51%
Reserve for Replacements				4.66%	300	0.38	15,000	15,000	0.38	300	4.07%
TDHCA Compliance Fees				0.62%	40	0.05	2,000	2,000	0.05	40	0.54%
Other:				0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES				64.01%	\$4,120	\$5.20	\$206,015	\$219,232	\$5.54	\$4,385	59.47%
NET OPERATING INC				35.99%	\$2,316	\$2.92	\$115,821	\$149,396	\$3.77	\$2,988	40.53%
DEBT SERVICE											
Washington Mutual				22.32%	\$1,437	\$1.81	\$71,832	\$71,832	\$1.81	\$1,437	19.49%
City of San Antonio-HOME loan				2.26%	\$146	\$0.18	7,281	12,163	\$0.31	\$243	3.30%
Additional Financing				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW				11.41%	\$734	\$0.93	\$36,708	\$65,401	\$1.65	\$1,308	17.74%
AGGREGATE DEBT COVERAGE RATIO							1.46	1.78			
RECOMMENDED DEBT COVERAGE RATIO							1.35				

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)		21.61%	\$18,855	\$23.80	\$942,745	\$942,745	\$23.80	\$18,855	23.57%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		4.25%	3,712	4.69	185,580	113,000	2.85	2,260	2.83%		
Direct Construction		38.44%	33,535	42.34	1,676,750	1,387,000	35.02	27,740	34.68%		
Contingency	4.03%	1.72%	1,500	1.89	75,000	75,000	1.89	1,500	1.88%		
Contractor's Fees	11.28%	4.81%	4,200	5.30	210,000	210,000	5.30	4,200	5.25%		
Indirect Construction		7.85%	6,847	8.64	342,350	342,350	8.64	6,847	8.56%		
Ineligible Costs		5.41%	4,717	5.95	235,839	235,839	5.95	4,717	5.90%		
Developer's Fees	13.47%	10.17%	8,873	11.20	443,640	443,640	11.20	8,873	11.09%		
Interim Financing		2.99%	2,605	3.29	130,250	130,250	3.29	2,605	3.26%		
Reserves		2.75%	2,400	3.03	120,000	120,000	3.03	2,400	3.00%		
TOTAL COST				100.00%	\$87,243	\$110.14	\$4,362,154	\$3,999,824	\$100.99	\$79,996	100.00%
Construction Cost Recap				49.23%	\$42,947	\$54.22	\$2,147,330	\$1,785,000	\$45.07	\$35,700	44.63%

SOURCES OF FUNDS					RECOMMENDED		
Washington Mutual	34.39%	\$30,000	\$37.87	\$1,500,000	\$955,982	\$975,000	Developer Fee Available
City of San Antonio-HOME loan	4.59%	\$4,007	\$5.06	200,354	200,354	200,354	\$392,990
HTC Syndication Proceeds	65.35%	\$57,015	\$71.98	2,850,743	2,850,743	2,850,743	% of Dev. Fee Deferred
Existing Reserve Account Funds	7.26%	\$6,333	\$7.99	316,637	0	316,637	5%
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	19,420	15-Yr Cumulative Cash Flow
Additional (Excess) Funds Req'd	-11.59%	(\$10,112)	(\$12.77)	(505,580)	(7,255)	0	\$586,052
TOTAL SOURCES				\$4,362,154	\$3,999,824	\$4,362,154	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

West End Baptist Manor Apartments, San Antonio, 9% HTC #07173

PAYMENT COMPUTATION

Primary	\$955,982	Amort	360
Int Rate	6.41%	DCR	1.61

Secondary	\$200,354	Amort	480
Int Rate	2.00%	Subtotal DCR	1.46

Additional		Amort	
Int Rate		Aggregate DCR	1.46

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$73,261
Secondary Debt Service	12,760
Additional Debt Service	0
NET CASH FLOW	\$29,800

Primary	\$975,000	Amort	360
Int Rate	6.41%	DCR	1.58

Secondary	\$200,354	Amort	360
Int Rate	4.90%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$338,931	\$349,099	\$359,572	\$370,359	\$381,469	\$442,228	\$512,663	\$594,317	\$798,712
Secondary Income	9,000	9,270	9,548	9,835	10,130	11,743	13,613	15,782	21,209
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	347,931	358,369	369,120	380,193	391,599	453,971	526,276	610,098	819,921
Vacancy & Collection Loss	(26,095)	(26,878)	(27,684)	(28,514)	(29,370)	(34,048)	(39,471)	(45,757)	(61,494)
Employee or Other Non-Rental Units or C	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$321,836	\$331,491	\$341,436	\$351,679	\$362,229	\$419,923	\$486,806	\$564,341	\$758,427
EXPENSES at 4.00%									
General & Administrative	\$24,600	\$25,584	\$26,607	\$27,671	\$28,778	\$35,013	\$42,598	\$51,828	\$76,717
Management	16,092	16,575	17,072	17,584	18,111	20,996	24,340	28,217	37,921
Payroll & Payroll Tax	51,516	53,577	55,720	57,949	60,267	73,324	89,209	108,537	160,661
Repairs & Maintenance	30,278	31,490	32,749	34,059	35,422	43,096	52,433	63,792	94,428
Utilities	12,647	13,153	13,679	14,227	14,796	18,001	21,901	26,646	39,443
Water, Sewer & Trash	27,677	28,784	29,935	31,133	32,378	39,393	47,927	58,311	86,314
Insurance	11,643	12,109	12,593	13,097	13,621	16,572	20,162	24,531	36,312
Property Tax	14,562	15,144	15,750	16,380	17,035	20,726	25,216	30,680	45,413
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	2,000	2,080	2,163	2,250	2,340	2,847	3,463	4,214	6,237
TOTAL EXPENSES	\$206,015	\$214,095	\$222,493	\$231,222	\$240,295	\$291,317	\$353,226	\$428,357	\$630,227
NET OPERATING INCOME	\$115,821	\$117,396	\$118,943	\$120,457	\$121,934	\$128,606	\$133,579	\$135,984	\$128,201
DEBT SERVICE									
First Lien Financing	\$73,261	\$73,261	\$73,261	\$73,261	\$73,261	\$73,261	\$73,261	\$73,261	\$73,261
Second Lien	12,760	12,760	12,760	12,760	12,760	12,760	12,760	12,760	12,760
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$29,800	\$31,375	\$32,922	\$34,436	\$35,913	\$42,585	\$47,558	\$49,963	\$42,180
DEBT COVERAGE RATIO	1.35	1.36	1.38	1.40	1.42	1.50	1.55	1.58	1.49

HTC ALLOCATION ANALYSIS -West End Baptist Manor Apartments, San Antonio, 9% HTC #07173

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
Acquisition Cost						
Purchase of land	\$242,745	\$269,000				
Purchase of buildings	\$700,000	\$673,745	\$700,000	\$673,745		
Off-Site Improvements						
Sitework	\$113,000	\$185,580			\$113,000	\$185,580
Construction Hard Costs	\$1,387,000	\$1,676,750			\$1,387,000	\$1,676,750
Contractor Fees	\$210,000	\$210,000			\$210,000	\$210,000
Contingencies	\$75,000	\$75,000			\$75,000	\$75,000
Eligible Indirect Fees	\$342,350	\$342,350			\$342,350	\$342,350
Eligible Financing Fees	\$130,250	\$130,250			\$130,250	\$130,250
All Ineligible Costs	\$235,839	\$235,839				
Developer Fees					\$338,640	
Developer Fees	\$443,640	\$443,640				\$392,990
Development Reserves	\$120,000	\$120,000				
TOTAL DEVELOPMENT COSTS	\$3,999,824	\$4,362,154	\$700,000	\$673,745	\$2,596,240	\$3,012,920

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$700,000	\$673,745	\$2,596,240	\$3,012,920
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$700,000	\$673,745	\$3,375,112	\$3,916,795
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$700,000	\$673,745	\$3,375,112	\$3,916,795
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$25,480	\$24,524	\$288,572	\$334,886

Syndication Proceeds	0.8999	\$229,297	\$220,697	\$2,596,888	\$3,013,672
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Total Tax Credits (Eligible Basis Method)	\$314,052	\$359,410
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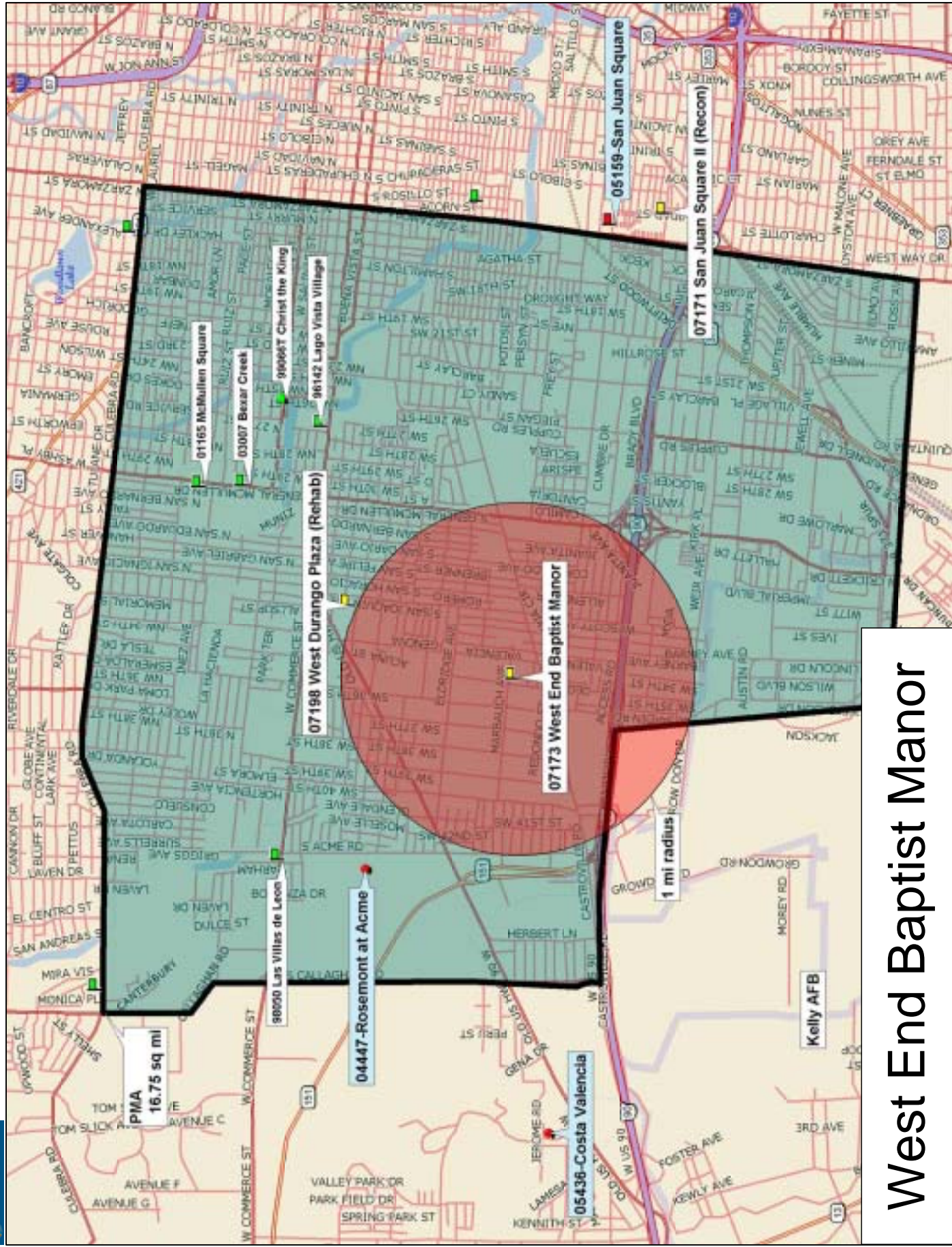
Syndication Proceeds	\$2,826,185	\$3,234,368
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Requested Tax Credits	\$316,781
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Syndication Proceeds	\$2,850,743
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Gap of Syndication Proceeds Needed	\$3,186,800
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Total Tax Credits (Gap Method)	\$354,124
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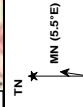


West End Baptist Manor

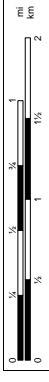
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www.delorme.com



Scale 1 : 46,875



1" = 3,906.3 ft

Data Zoom 12-1

Applicant Evaluation

Project ID # **07173**

Name: **West End Baptist Manor Apartmen**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

LULAC Hacienda Apartments, TDHCA Number 07174

BASIC DEVELOPMENT INFORMATION

Site Address: 2625 Greenwood Dr. Development #: 07174
City: Corpus Christi Region: 10 Population Served: Elderly
County: Nueces Zip Code: 78405 Allocation: Urban/Exurban
HTC Set Asides: [x] At-Risk [x] Nonprofit [] USDA [] Rural Rescue HTC Housing Activity*: RC
HOME Set Asides: [] CHDO [] Preservation [] General Acquisition: [x]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: TX LULAC Hacienda Housing, L.P.
Owner Contact and Phone: David Marquez (210) 228-0560
Developer: Apartments of the Village
Housing General Contractor: Northwest Construction Services, L.P.
Architect: Gonzalez Newell Bender Architects
Market Analyst: Apartment Market Data Research Services, Inc.
Syndicator: The Richman Group of Companies
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 60
6 0 0 54 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 54 6 0 0 0 Total Development Units: 60
Type of Building: Total Development Cost*: \$7,284,493
Number of Residential Buildings: 3
HOME High Total Units: 0
HOME Low Total Units: 0
[] Duplex [x] 4 units or more per building
[] Triplex [] Detached Residence
[] Fourplex [] Single Room Occupancy
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$617,105 \$566,203
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

LULAC Hacienda Apartments, TDHCA Number 07174

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

Competitive Housing Tax Credits: Score: **205** Meeting a Required Set-Aside Credit Amount*: \$566,203

Recommendation: Competitive in At-Risk Set-Aside and has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/10/07 PROGRAM: 9% HTC FILE NUMBER: 07174

DEVELOPMENT																		
LULAC Hacienda Apartments																		
Location: <u>2625 Greenwood Drive</u>				Region: <u>10</u>														
City: <u>Corpus Christi</u>		County: <u>Nueces</u>		Zip: <u>78405</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Elderly, Urban/Exurban, At Risk, Non-Profit, Reconstruction</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount*	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$617,105			\$566,203														
* This recommended amount should be reduced to not more than \$411,540 if it is determined by the Board that the transfer price for the subject property should be the land value net of demolition costs.																		
CONDITIONS																		
1 Receipt, review, and acceptance by cost certification of evidence that all Phase I Environmental Site Assessment and subsequent report recommendations, in particular with regard to the asbestos containing materials during demolition and the limited subsurface investigation, are carried out. 2 Receipt, review, and acceptance by 10% test of an opinion from the ESA provider regarding possible lead in drinking water. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">6</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">54</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	6	60% of AMI	60% of AMI	54
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	6																
60% of AMI	60% of AMI	54																
PROS			CONS															
The development plan calls for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.			A Property Condition Assessment was not provided but the inspectors found the property to be in average condition for a 22 year old development; moreover a case for demolition over rehabilitation was not made evident in the application.															

The effectiveness of the tax credits in this case is in question as collected rents are and will remain higher than the maximum tax credit rents and the transaction will result in higher per unit costs than standard new construction in this market.

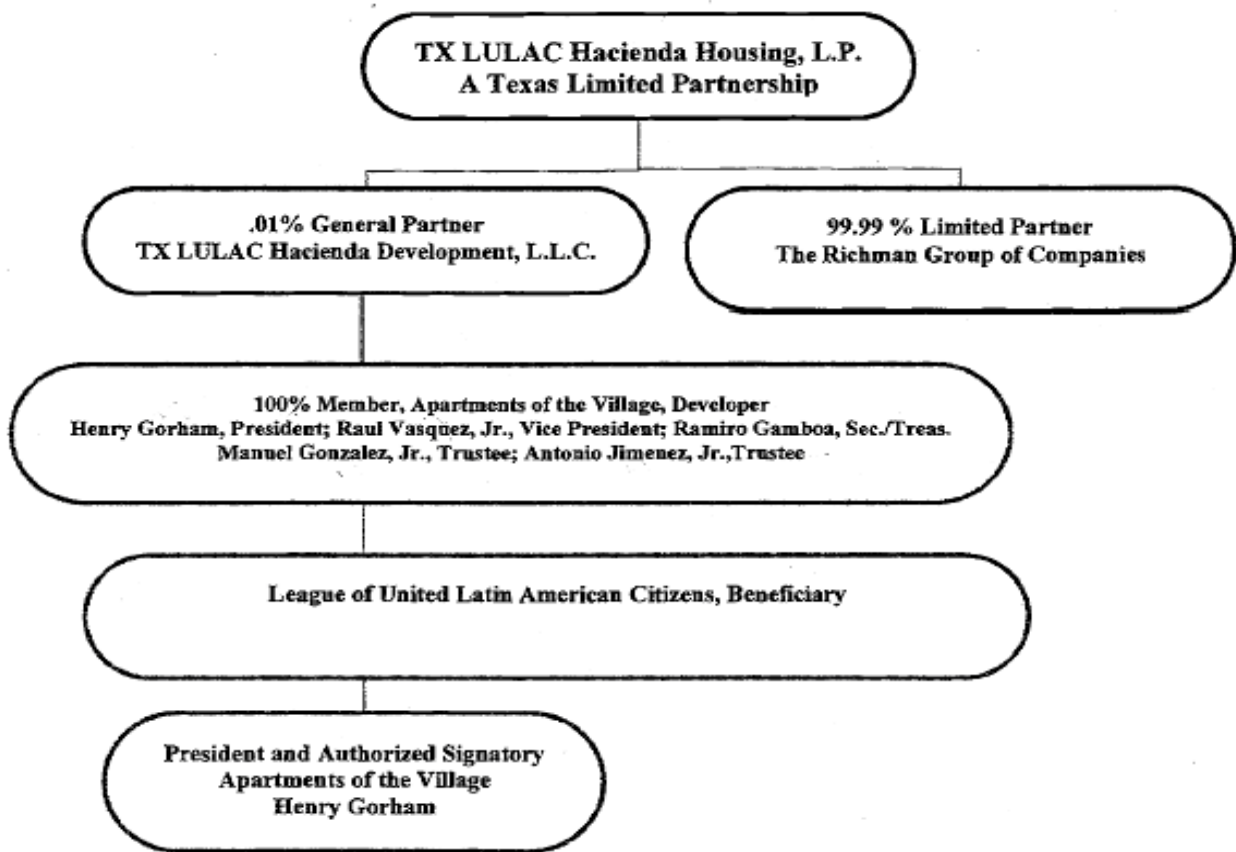
Within a quarter mile of the Primary Market Area there are one approved and one proposed unstabilized property with a total of 320 potentially comparable units.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: David Marquez Phone: (210) 228-0560 Fax: (210) 2280-0566
Email: cdmarquez@sbcglobal.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Apartments of the Village	\$1,644,342	\$875,795	N/A
Henry Gorham	Confidential		2 LIHTC Properties

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

The seller of the property is related to the Applicant and this identity of interest concern is addressed and mitigated in detail in the acquisition cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III									Total Buildings
Floors/Stories	2	2	2									
Number	1	1	1									3

BR/BA	SF	Units										Total Units	Total SF
1/1	749	4	8	12								24	17,976
1/1	756	8	6	16								30	22,680
2/1	891	4	2									6	5,346
Units per Building		16	16	28								60	46,002

Comments:

The existing six two story apartment buildings will be demolished along with the single story leasing office and community building and reconstructed with the same unit mix of one and two bedroom units. The existing buildings are said to have been built in 1985 and thus are only 22 years old and appear to be in relatively good condition. A Property Condition Assessment was not provided but based on the information that was provided it would appear that the buildings are laid out in such a way that each two buildings share a common stair case and only one of the sets of buildings has an elevator to provide access to the second floor units. This property has been an age restricted property and therefore would not meet the departments requirements for second story access in a rehab without the likely significant cost of retrofitting the two sets of buildings with elevators.

SITE ISSUES

Total Size: 3.38 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: A-2 / Apartment Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/1/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Reyna Street/residential East: Greenwood Drive/retail shops
 South: commercial/above-ground pipelines West: Elgin Road/residential

Comments:

The site inspector remarked that the property was in average condition and did not note any significant deficiencies. The inspector did not inspect the interior of any units but recognized that all of the units were to be torn down.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost GeoSciences Date: 3/29/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Limited Asbestos Screening was conducted at the Site. A total of six bulk samples were collected for laboratory analysis. Two homogeneous materials were identified as asbestos containing. These materials are thin tan floor tile and black mastic. Prior to the disturbance of any suspect ACM in the Site, a comprehensive asbestos survey, designed to determine if the suspect ACM is a regulated material, is recommended. If such materials are identified and need to be disturbed, repaired or removed, a licensed abatement contractor should be consulted. Suspect ACM can be managed under the auspices of an Operations and Maintenance (O&M) plan" (p. ADD-2).

"A review of historical information indicates the Site was undeveloped until some point between 1940 and 1951 when the Site was the location of the City Garbage Collection and Incinerator. Sometime between 1971 and 1979, the Site became vacant. ... The existence of the City Garbage Collection and Incinerator site is considered to be a Recognized Environmental Concern (REC to the Site" (p. ADD-1).

"Based upon the available data gathered for this ESA, there does appear to be evidence that would suggest a need for further assessment of the site. FGS recommends a Limited Phase II Subsurface Investigation to assess environmental liabilities" (p. ADD-3).

Comments:

Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment and subsequent report recommendations, in particular with regard to the asbestos containing materials during demolition and the limited subsurface investigation, are carried out is a condition of this report. Additionally, receipt, review, and acceptance of an opinion regarding possible lead in drinking water is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 10/31/2006
 Contact: Darrell G Jack Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 26.42 square miles (Å2.90-mile radius)

The boundaries of the Primary Market Area are as follows:

- North: Tule Lake Channel
- East: Corpus Christi Bay shoreline
- South: Weber Road extended to the shoreline
- West: State Highway 358

Secondary Market Area (SMA):

The Market Analyst did not identify a Secondary Market Area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Buena Vida Sr Village	07318	120	120	N/A			

Buena Vida Senior Village is a proposed 2007 9% HTC development that currently has a lower score than the subject development. As a result, the subject has priority and Buena Vida Senior Village is not required to be included in the capture rate. In addition, within a quarter mile of the northwestern boundary of the PMA exists a 2006 approved 200 unit senior property, Sea Breeze Senior Apartments, and within the PMA exist 2 family developments approved by the Department in 2005 and currently under development. However, the Underwriter has determined that inclusion in the overall inclusive demand calculations of the two senior developments will yield an inclusive capture rate below the 75% threshold for developments targeting the elderly. Moreover, the existing HAP contract is going to be maintained for 100% of the units which means new units from the subject will not need to be absorbed in the market.

INCOME LIMITS						
Nueces						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,100	\$11,550	\$13,000	\$14,450	\$15,600	\$16,750
60	\$20,220	\$23,160	\$26,040	\$28,920	\$31,260	\$33,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	736	-59	0	677	6	0	1%
1 BR/ 60% Rent Limit	361	-55	0	306	48	0	16%
2 BR/ 60% Rent Limit	316	-4	0	312	6	0	2%

OVERALL DEMAND												
			Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER												
Market Analyst	p.	60	43%	14,172	100%	14,172	50%	7,035	26%	1,822	60%	1,100
Underwriter			43%	14,643	100%	14,643	47%	6,944	26%	1,799	60%	1,086
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	60			100%	234	50%	116	26%	30	100%	30
Underwriter					100%	234	47%	111	26%	29	100%	29

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	61	60	0	60	1,130	5.31%
Underwriter			60	320	380	1,115	34.08%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 95.0% as a result of growing demand" (p. 108). "Existing stabilized 'affordable' housing projects have an overall occupancy of 97.3%. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable housing in this market" (p. 105).

Absorption Projections:

"Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units" (p. 108).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Program Maximum	Market Rent	Underwriting Rent*	Savings Over Market
1 BR	749 SF	30%	\$635	\$174	\$640	\$635	\$5
1 BR	749 SF	60%	\$635	\$446	\$640	\$635	\$5
1 BR	756 SF	60%	\$635	\$446	\$640	\$635	\$5
2 BR	891 SF	60%	\$730	\$542	\$735	\$730	\$5

*It should be noted that the contract rents for this development already are higher than the maximum 60% rent which is acceptable under IRS regulations as long as the tenant is not paying more than the tax credit rent. It does however call to question subsidy layering issues and issues regarding the effectiveness of the tax credit funds which are not providing any more affordable units or deeper targeting than that which is already in place in this market.

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market" (p. 105).

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007

The property currently has a HAP contract for 100% of the units. The Applicant's rents are equal to the existing Section 8 HAP contract rents. The existing contract expires in 2008. However, the Applicant has indicated that the HAP contract will be renewed at the time of expiration, and there are currently no plans to request an increase in the existing contract rents. Therefore, the Underwriter has used the existing contract rents to determine potential gross income. Tenants will be responsible for electric utility costs.

Additionally, the Applicant's estimates of secondary income and vacancy and collection loss are in line with Department standards. The Applicant's estimated effective gross income is comparable to the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007

The Applicant's estimate of total operating expense is within 5% of the Underwriter's estimate based on the property's operating history, the TDHCA database and third party data. However, the Applicant's estimates of general and administrative and payroll and payroll tax are significantly different (31% less and 14% higher, respectively) than the Underwriter's estimates.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's Year One proforma results in a DCR that is above the Department's maximum of 1.35.

Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income and a revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Multi-Housing Appraisal Associates Date: 3/14/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only: 3.38969 acres \$309,000 As of: 3/7/2007

Existing Buildings: (as-is) \$1,261,000 As of: 3/7/2007

Total Development: (as-is) \$1,570,000 As of: 3/7/2007

ASSESSED VALUE

Land Only:* 3.39 acres	<u>\$0</u>	Tax Year:	<u>2006</u>
Existing Buildings:*	<u>\$0</u>	Valuation by:	<u>Nueces CAD</u>
Total Assessed Value:*	<u>\$0</u>	Tax Rate:	<u>3.049125</u>

* The property is currently 100% tax exempt; no values are assessed.

EVIDENCE of PROPERTY CONTROL

Type:	<u>Earnest Money Contract</u>	Acreage:	<u>N/A</u>
Contract Expiration:	<u>6/30/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,832,639</u>	Other:	<u></u>
Seller:	<u>LULAC Hacienda Apartments Trust</u>	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Comments:

The property was originally financed in 1983 with a HUD mortgage under Section 202 of the 1959 Housing Act in the amount of \$2,262,700. The existing mortgage carries an interest rate of 9.25% and a 40 year term expiring on September 1, 2023. Available information suggests that prepayment of Section 202 mortgages is available on an individual basis pursuant to Deed of Trust and/or HUD approval. The Applicant provided the original Mortgage Note clearly indicating that the borrower reserves the right of prepayment of the Section 202 loan.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant is related to the current owner of the property. For underwriting purposes the transaction is characterized as an identity of interest transaction. The Applicant has provided a contract for the purchase of the property indicating a purchase price of \$1,832,639. However, the appraised value of the property is \$1,570,000. While the original investment in the property and buildings exceeds the purchase price and appraised value, pursuant to Department guidelines the Underwriter's development cost schedule will reflect the appraised value of \$1,570,000. One could argue for an even more conservative transfer value of the land value less the cost of demolition which would result in a transfer value of \$9,000 and a reduction of credit based upon the gap of fund needed.

The Applicant claimed 4% tax credits on the purchase of the buildings. However, the existing buildings will be demolished and reconstructed. As such, the Applicant cannot claim acquisition credits on the existing building value. The Applicant has been informed that there may be a reduction in the credit recommendation accordingly.

Sitework Cost:

The Applicant's claimed eligible sitework costs of \$6,667 per unit are within current Department guidelines. However, the Applicant claimed \$300,000 in demolition costs which have been allocated to the ineligible costs line item. Including demolition costs, the sitework is equal to \$11,666 per unit. The Applicant provided a cost breakdown signed and sealed by a third-party architect supporting the Applicant's sitework costs. Additionally, the Applicant's CPA has certified that the demolition costs have been appropriately excluded from eligible basis.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$95K or 3% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant has claimed eligible developer fee on the acquisition of the existing buildings. However, as discussed above, the application is not eligible for tax credits on the acquisition. Therefore, the Applicant's eligible developer fee has been reduced by \$237,296.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,094,043 supports annual tax credits of \$566,203. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

The Applicant claimed eligible acquisition basis of \$1,820,035, which includes the value of existing building plus a 15% developer fee. However, the existing buildings will be demolished as part of the proposed development plan and as a result cannot be capitalized nor claimed as eligible basis for 4% tax credits. Additionally, the developer fee on the ineligible acquisition cannot be claimed as eligible basis. This results in a significant reduction in eligible basis (\$1,820,035) and resulting reduction in the potential tax credit amount \$66,249, based upon the Applicant's costs. If the identity of interest transfer were reduced to the net \$9,000 in land value after demolition costs would result in a further reduction in credits of \$173,462. The Underwriter has not applied this more conservative approach to the acquisition cost in this case because of the outstanding third party note that exists and must be paid in order to complete this reconstruction transaction.

It should also be noted that the total development cost of the subject is anticipated to be over \$120,000 per unit requiring \$9,437 per unit in tax credits. This is compared to the late 2006 approved tax exempt bond transaction located just outside the PMA which anticipated total development costs of just under \$80,000 per unit.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 4 Date of Last Applicant Revision: 5/3/2007

Source: City of Corpus Christi - HOME Type: Interim Financing

Principal: \$385,730 Interest Rate: 5.0% Fixed Term: 24 months

Comments:

The Applicant has applied for a HOME loan through the City of Corpus Christi to provide approximately 5% of the total development cost. The terms of the requested funding were not clearly defined in the application submitted to the City; however, the Applicant expects the funding to carry an interest rate of 5% with interest-only payments over a term of 24 months.

Source: Washington Mutual Type: Interim to Permanent Financing

Interim: \$3,556,570 Interest Rate: 6.77% Fixed Term: 24 months

Permanent: \$2,000,000 Interest Rate: 6.41% Fixed Term: 360 months

Comments:

The Washington Mutual letter of intent requires a minimum annual reserve for replacement of \$300 per unit.

Source: The Richman Group Type: Syndication

Proceeds: \$5,553,389 Syndication Rate: 90% Anticipated HTC: \$ 617,105

Amount: \$141,114 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$2,020,000 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Underwriter's total development cost estimate less the permanent loan of \$2,020,000 indicates the need for \$5,264,493 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$585,002 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$617,105), the gap-driven amount (\$585,002), and eligible basis-derived estimate (\$566,203), the eligible basis-derived estimate of \$566,203 is recommended resulting in proceeds of \$5,086,149 based on a syndication rate of 90%.

The Underwriter's recommended financing structure indicates the need for \$169,177 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

Underwriter:

Cameron Dorsey

Date:

June 10, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date:

June 10, 2007

Director of Real Estate Analysis:

Tom Gouris

Date:

June 10, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

LULAC Hacienda Apartments, Corpus Christi, 9% HTC #07174

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	749	\$270	\$635	\$3,810	\$0.85	\$96.00	\$69.00
TC 60%	18	1	1	749	\$542	635	11,430	0.85	96.00	69.00
TC 60%	30	1	1	756	\$542	635	19,050	0.84	96.00	69.00
TC 60%	6	2	1	891	\$651	730	4,380	0.82	109.00	75.00
TOTAL:	60		AVERAGE:	767		\$645	\$38,670	\$0.84	\$97.30	\$69.60

INCOME				Total Net Rentable Sq Ft:	46,002	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$464,040	\$464,040	Nueces	Corpus Christi	10
Secondary Income		Per Unit Per Month:	\$15.00			10,800	10,800	\$15.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$474,840	\$474,840			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(35,613)	(35,613)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$439,227	\$439,227			

EXPENSES				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.99%	\$512	0.67	\$30,707	\$21,300	\$0.46	\$355	4.85%		
Management		5.00%	366	0.48	21,961	22,478	0.49	375	5.12%		
Payroll & Payroll Tax		11.50%	842	1.10	50,495	57,600	1.25	960	13.11%		
Repairs & Maintenance		7.69%	563	0.73	33,771	30,400	0.66	507	6.92%		
Utilities		2.10%	154	0.20	9,216	8,000	0.17	133	1.82%		
Water, Sewer, & Trash		5.06%	371	0.48	22,236	26,800	0.58	447	6.10%		
Property Insurance		4.08%	299	0.39	17,941	20,000	0.43	333	4.55%		
Property Tax	3.049125	6.25%	457	0.60	27,442	28,000	0.61	467	6.37%		
Reserve for Replacements		4.10%	300	0.39	18,000	18,000	0.39	300	4.10%		
TDHCA Compliance Fees		0.55%	40	0.05	2,400	2,400	0.05	40	0.55%		
Other:		0.00%	0	0.00	0	0	0.00	0	0.00%		
TOTAL EXPENSES		53.31%	\$3,903	\$5.09	\$234,169	\$234,978	\$5.11	\$3,916	53.50%		
NET OPERATING INC		46.69%	\$3,418	\$4.46	\$205,058	\$204,249	\$4.44	\$3,404	46.50%		

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Washington Mutual First Lien	34.21%	\$2,505	\$3.27	\$150,279	\$150,279	\$3.27	\$2,505	34.21%
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	12.47%	\$913	\$1.19	\$54,779	\$53,970	\$1.17	\$900	12.29%

AGGREGATE DEBT COVERAGE RATIO	1.36
RECOMMENDED DEBT COVERAGE RATIO	1.35

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	21.55%	\$26,167	\$34.13	\$1,570,000	\$1,832,639	\$39.84	\$30,544	23.82%		
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework	5.49%	6,667	8.70	400,000	400,000	8.70	6,667	5.20%		
Direct Construction	37.94%	46,058	60.07	2,763,462	2,660,000	57.82	44,333	34.57%		
Contingency	4.84%	2,100	3.33	153,000	153,000	3.33	2,550	1.99%		
Contractor's Fees	13.54%	7,140	9.31	428,400	428,400	9.31	7,140	5.57%		
Indirect Construction	6.09%	7,395	9.64	443,670	443,670	9.64	7,395	5.77%		
Ineligible Costs	6.17%	7,490	9.77	449,407	449,407	9.77	7,490	5.84%		
Developer's Fees	15.00%	11,074	14.44	664,440	886,317	19.27	14,772	11.52%		
Interim Financing	3.31%	4,018	5.24	241,070	241,070	5.24	4,018	3.13%		
Reserves	2.35%	2,851	3.72	171,043	200,000	4.35	3,333	2.60%		
TOTAL COST	100.00%	\$121,408	\$158.35	\$7,284,493	\$7,694,503	\$167.26	\$128,242	100.00%		
Construction Cost Recap	51.41%	\$62,414	\$81.41	\$3,744,862	\$3,641,400	\$79.16	\$60,690	47.32%		

SOURCES OF FUNDS						RECOMMENDED		
Washington Mutual First Lien	27.46%	\$33,333	\$43.48	\$2,000,000	\$2,000,000	\$2,020,000	Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$886,317	
HTC Syndication Proceeds	76.24%	\$92,556	\$120.72	5,553,389	5,553,389	5,095,315	% of Dev. Fee Deferred	
Deferred Developer Fees	1.94%	\$2,352	\$3.07	141,114	141,114	169,177	19%	
Additional (Excess) Funds Req'd	-5.63%	(\$6,834)	(\$8.91)	(410,010)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$7,284,493	\$7,694,503	\$7,284,493	\$1,198,555	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

LULAC Hacienda Apartments, Corpus Christi, 9% HTC #07174

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.72	\$2,609,112
Adjustments				
Exterior Wall Finish	3.68%		\$2.09	\$96,015
Elderly	3.00%		1.70	78,273
9-Ft. Ceilings	3.47%		1.97	90,536
Roofing			0.00	0
Subfloor			2.47	113,625
Floor Cover			2.43	111,785
Breezeways/Balconies	\$24.01	5,310	2.77	127,467
Plumbing Fixtures	\$805	0	0.00	0
Rough-ins	\$400	60	0.52	24,000
Built-In Appliances	\$1,850	60	2.41	111,000
Exterior Stairs	\$1,800	6	0.23	10,800
Enclosed Corridors	\$46.80	7300	7.43	341,621
Heating/Cooling			1.90	87,404
Elevators	\$43,500	3	2.84	130,500
Comm &/or Aux Bldgs	\$65.99	3,500	5.02	230,948
Other: fire sprinkler	\$1.95	46,002	1.95	89,704
SUBTOTAL			92.45	4,252,789
Current Cost Multiplier	0.98		(1.85)	(85,056)
Local Multiplier	0.82		(16.64)	(765,502)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.96	\$3,402,231
Plans, specs, survy, bld prn	3.90%		(\$2.88)	(\$132,687)
Interim Construction Interes	3.38%		(2.50)	(114,825)
Contractor's OH & Profit	11.50%		(8.51)	(391,257)
NET DIRECT CONSTRUCTION COSTS			\$60.07	\$2,763,462

PAYMENT COMPUTATION

Primary	\$2,000,000	Amort	360
Int Rate	6.41%	DCR	1.36

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.36

Additional		Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$151,781
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$52,468

Primary	\$2,020,000	Amort	360
Int Rate	6.41%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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

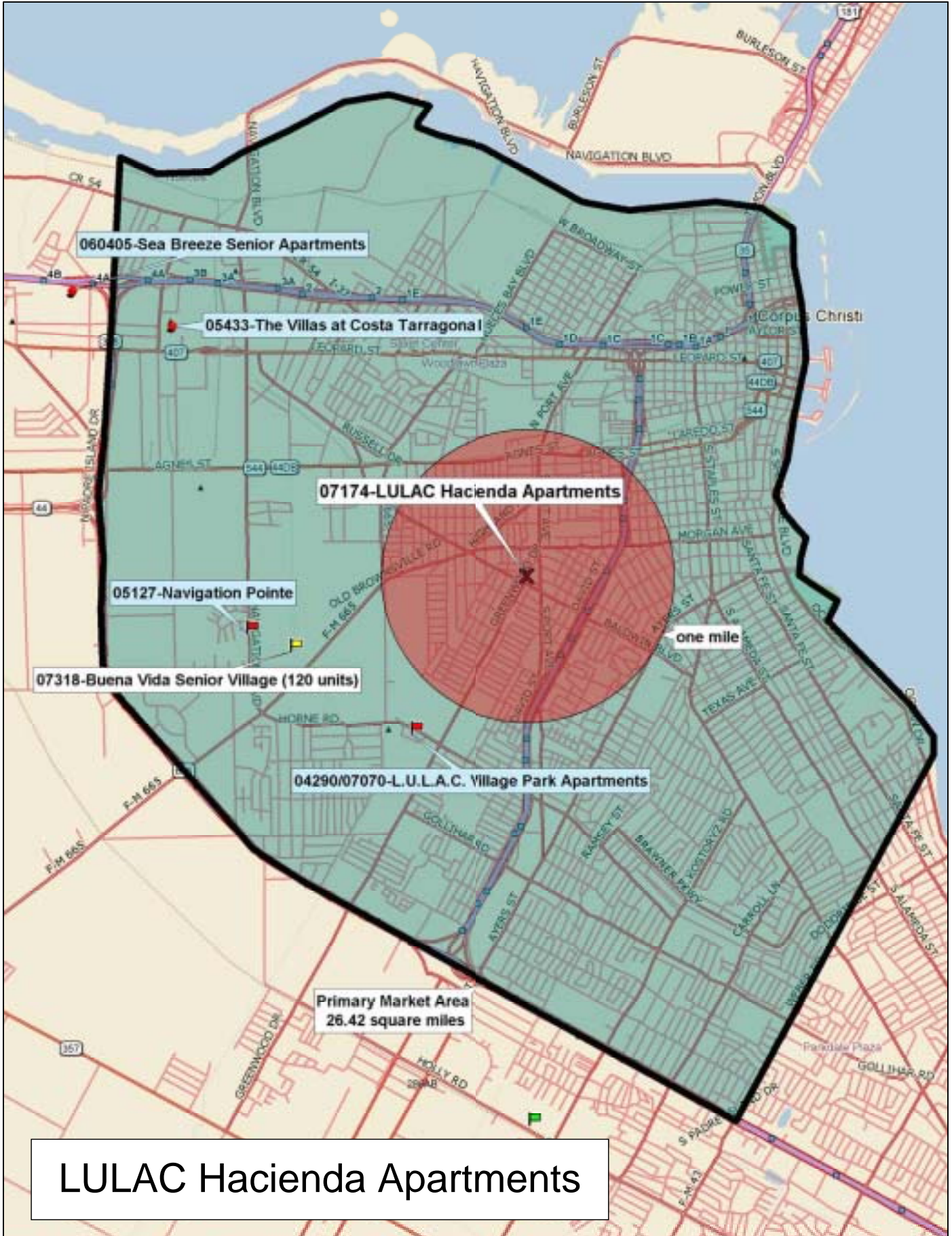
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$464,040	\$477,961	\$492,300	\$507,069	\$522,281	\$605,467	\$701,902	\$813,697	\$1,093,541
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	474,840	489,085	503,758	518,870	534,437	619,558	718,238	832,635	1,118,992
Vacancy & Collection Loss	(35,613)	(36,681)	(37,782)	(38,915)	(40,083)	(46,467)	(53,868)	(62,448)	(83,924)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$439,227	\$452,404	\$465,976	\$479,955	\$494,354	\$573,092	\$664,370	\$770,187	\$1,035,067
EXPENSES at 4.00%									
General & Administrative	\$21,300	\$22,152	\$23,038	\$23,960	\$24,918	\$30,317	\$36,885	\$44,876	\$66,427
Management	22,478	23,152	23,847	24,562	25,299	29,329	34,000	39,415	52,971
Payroll & Payroll Tax	57,600	59,904	62,300	64,792	67,384	81,983	99,745	121,355	179,634
Repairs & Maintenance	30,400	31,616	32,881	34,196	35,564	43,269	52,643	64,048	94,807
Utilities	8,000	8,320	8,653	8,999	9,359	11,386	13,853	16,855	24,949
Water, Sewer & Trash	26,800	27,872	28,987	30,146	31,352	38,145	46,409	56,464	83,580
Insurance	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Property Tax	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
TOTAL EXPENSES	\$234,978	\$244,152	\$253,687	\$263,596	\$273,894	\$331,782	\$401,981	\$487,121	\$715,684
NET OPERATING INCOME	\$204,249	\$208,251	\$212,289	\$216,359	\$220,460	\$241,309	\$262,389	\$283,066	\$319,383
DEBT SERVICE									
First Lien Financing	\$151,781	\$151,781	\$151,781	\$151,781	\$151,781	\$151,781	\$151,781	\$151,781	\$151,781
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	\$52,468	\$56,470	\$60,508	\$64,578	\$68,678	\$89,528	\$110,608	\$131,285	\$167,602
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.43	1.45	1.59	1.73	1.86	2.10

HTC ALLOCATION ANALYSIS -LULAC Hacienda Apartments, Corpus Christi, 9% HTC #07174

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
Acquisition Cost						
Purchase of land	\$250,000	\$1,570,000				
Purchase of buildings	\$1,582,639	\$0	\$1,582,639	\$0		
Off-Site Improvements						
Sitework	\$400,000	\$400,000			\$400,000	\$400,000
Construction Hard Costs	\$2,660,000	\$2,763,462			\$2,660,000	\$2,763,462
Contractor Fees	\$428,400	\$428,400			\$428,400	\$428,400
Contingencies	\$153,000	\$153,000			\$153,000	\$153,000
Eligible Indirect Fees	\$443,670	\$443,670			\$443,670	\$443,670
Eligible Financing Fees	\$241,070	\$241,070			\$241,070	\$241,070
All Ineligible Costs	\$449,407	\$449,407				
Developer Fees			\$237,396	\$0	\$648,921	\$664,440
Developer Fees	\$886,317	\$664,440				
Development Reserves	\$200,000	\$171,043				
TOTAL DEVELOPMENT COSTS	\$7,694,503	\$7,284,493	\$1,820,035	\$0	\$4,975,061	\$5,094,043

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,820,035	\$0	\$4,975,061	\$5,094,043
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,820,035	\$0	\$6,467,579	\$6,622,255
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,820,035	\$0	\$6,467,579	\$6,622,255
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$66,249	\$0	\$552,978	\$566,203

Syndication Proceeds	0.8999	\$596,184	\$0	\$4,976,304	\$5,095,315
Total Tax Credits (Eligible Basis Method)				\$619,227	\$566,203
Syndication Proceeds				\$5,572,488	\$5,095,315
Requested Tax Credits				\$617,105	
Syndication Proceeds				\$5,553,389	
Gap of Syndication Proceeds Needed					\$5,264,493
Total Tax Credits (Gap Method)					\$585,002

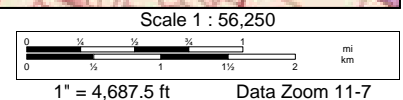
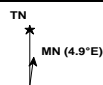


LULAC Hacienda Apartments

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Applicant Evaluation

Project ID # **07174**

Name: **LULAC Hacienda Apartments**

City: **Corpus Christi**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 2

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Austin Place, TDHCA Number 07175

BASIC DEVELOPMENT INFORMATION

Site Address: Plat 2, 2200 Blk of N. Edwards Ave. (FM 1734) Development #: 07175
 City: Mount Pleasant Region: 4 Population Served: General
 County: Titus Zip Code: 75455 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Mount Pleasant-Charger Properties L.P.
 Owner Contact and Phone: Bonita Williams (936) 560-5702
 Developer: Louis Williams & Associates Inc.
 Housing General Contractor: Louis Williams & Associates Inc.
 Architect: Delbert Richardson
 Market Analyst: O' Conner & Associates
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	76	
	8	0	0	68	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	0	32	44	0	0	
Type of Building:						Total Development Units:	76
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	19
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	4
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	8

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$916,970	\$0			
HOME Activity Fund Amount:	\$475,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Austin Place, TDHCA Number 07175

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S Points: 7 US Representative: Hall, District 4, NC
TX Representative: Homer, District 3, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
O, Terry Myers, Superintendent, Mount Pleasant ISD

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Shelter Agencies for Families in East Texas S or O: S
NET Opportunities, Inc. S or O: S
ARK-TEX Council of Governments S or O: S
Mount Pleasant / Titus County Chamber of Commerce S or O: S
Mount Pleasant Industrial Foundation S or O: S

General Summary of Comment:

Mixed support and opposition from elected officials. Support from civic organizations.
The primary reason cited for opposition to the project is that the location is near the high school and would provide an opportunity for student at-risk behavior including truancy, violence, drug, alcohol and tobacco use and sexual activity. Another location for the development, away from the schools, would not be objected to.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Austin Place, TDHCA Number 07175

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

Competitive Housing Tax Credits: Score: **182** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Not competitive within USDA Allocation, and does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID # **07175**

Name: **Austin Place**

City: **Mt. Pleasant**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 10

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
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 No unresolved issues
 Unresolved issues found
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Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/6/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Hamilton Senior Village, TDHCA Number 07177

BASIC DEVELOPMENT INFORMATION

Site Address: Williams St. , 11 Acres at Hamilton City Limits Development #: 07177
 City: Hamilton Region: 8 Population Served: Elderly
 County: Hamilton Zip Code: 76531 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Hamilton-Charger Senior Properties L.P.
 Owner Contact and Phone: Bonita Williams (936) 560-5702
 Developer: Louis Williams & Associates Inc.
 Housing General Contractor: Louis Williams & Associates Inc.
 Architect: Delbert Richardson
 Market Analyst: O' Conner & Associates
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36	
	4	0	0	32	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	16	20	0	0	0	
Type of Building:						Total Development Units:	36
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$4,339,003
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	9
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	2
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	4

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$339,782	\$339,782			
HOME Activity Fund Amount:	\$225,000	\$225,000	30	30	5.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Hamilton Senior Village, TDHCA Number 07177

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S	Points: 7	US Representative: Carter, District 31, NC
TX Representative: Miller, District 59, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 6 In Opposition 29

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6	
Hamilton Chamber of Commerce & Visitor's Center	S or O: S
Hill Country Community Action Association	S or O: S
Friends For Life	S or O: S
Salvation Army Hamilton Unit	S or O: S
Hamilton Economic Development Corporation	S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations.
Broad opposition received from the community. The primary reasons cited for opposition to the project are the increased traffic, lack of sufficient streets, insufficient water pressure and sewer capacity, reduction in property values, danger to those using the public street and proximity of the development to a local firing range. Opposition was also received indicating the public notice sign was poorly posted.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance of documentation that all 11 acres are dedicated for use by the development and its residents or a reduction in the acquisition cost and potential reduction in credits due to a reduced gap of funds needed.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Hamilton Senior Village, TDHCA Number 07177

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

Competitive Housing Tax Credits: Score: **179** Meeting a Required Set-Aside Credit Amount*: \$339,782

Recommendation: Competitive in USDA Allocation, and has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$225,000

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/15/07 PROGRAM: 9%HTC/HOME FILE NUMBER: 07177

DEVELOPMENT		
Hamilton Senior Village		
Location: <u>Williams Street, 11 acres at Hamilton city limits</u>	Region: <u>8</u>	
City: <u>Hamilton</u>	County: <u>Hamilton</u>	Zip: <u>76531</u> <input type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Elderly, Rural, New Construction, USDA Allocation and Multifamily</u>		

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest*	Amort/Term
HOME Activity Funds	\$225,000	5.00%	30/30	\$225,000	5.00%	30/30
Housing Tax Credit (Annual)	\$339,782			\$339,782		

* The HOME loan interest rate must equal to or be greater than AFR and should be interest only during construction

- | CONDITIONS |
|--|
| <p>1 Receipt, review and acceptance of documentation that all 11 acres are dedicated for use by the development and its residents or a reduction in the acquisition cost and potential reduction in credits due to a reduced gap of funds needed.</p> <p>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/allocation amount may be warranted.</p> |

SALIENT ISSUES		
TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
60% of AMI	60% of AMI	32
TDHCA SET-ASIDES for HOME LURA		
50% of AMI	Low HOME	4
60% of AMI	High HOME	2

PROS

This is the first new construction tax credit transaction to be completed in the City of Hamilton.

At the proposed rents, the HOME debt could be sourced from additional conventional debt or a developer fee note if needed.

CONS

The number of 2 bedroom units targeting 60% units may be more than needed based upon the unit capture rate calculated by the Market Analyst.

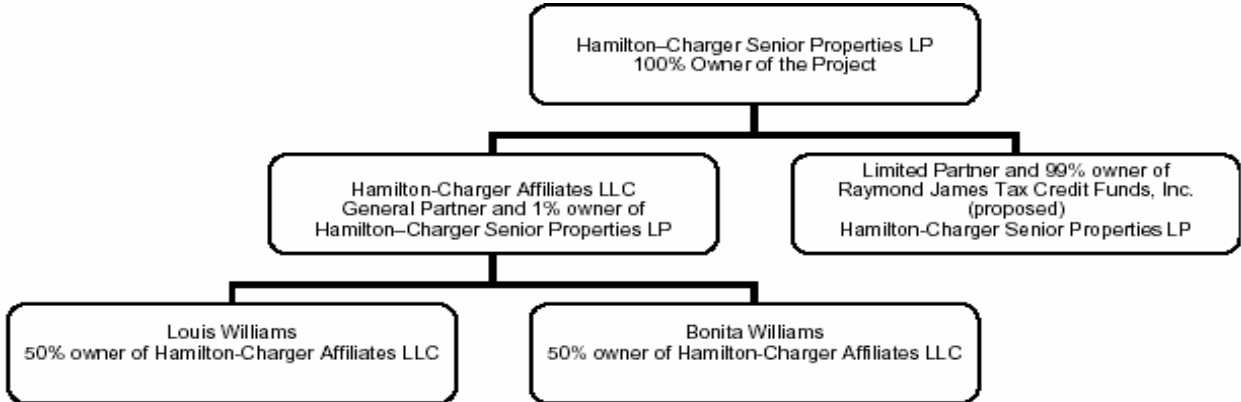
The market study suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Bonita Williams Phone: (936) 560-5702 Fax: (936) 560-2636
 Email: louisw@suddenlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Louis Williams & Asso., Inc.	\$418,567.28	\$280,646.28	5
Louis Williams	Confidential		5
Bonita Williams	Confidential		5

¹ Liquidity = Current Assets - Current Liabilities

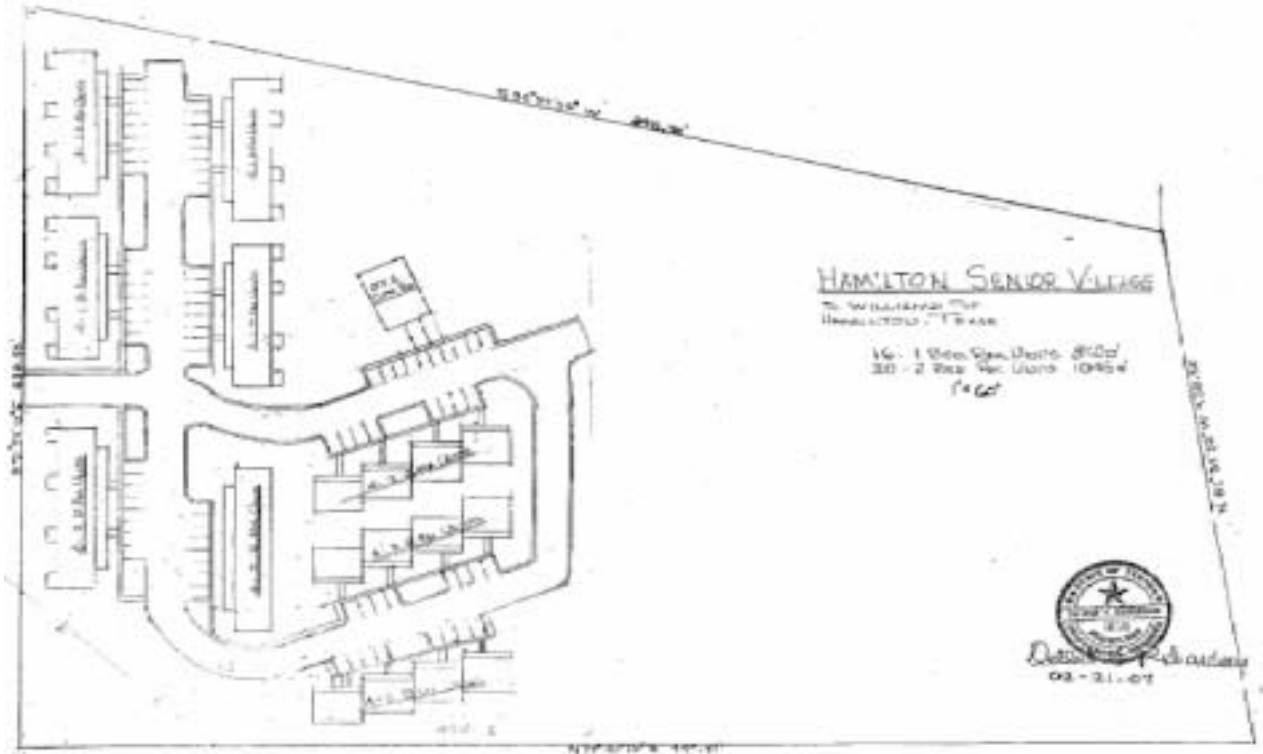
IDENTITIES of INTEREST

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

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1BRM	2BRM	2BRMA								Total Buildings
Floors/Stories	1	1	1								
Number	4	2	3								9

BR/BA	SF	Units									Total Units	Total SF
1/1	840	4									16	13,440
2/1	1,045		4	4							20	20,900
Units per Building		4	4	4							36	34,340

SITE ISSUES

Total Size: 11.04 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: No zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/27/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Elm Street and single family beyond East: vacant land
 South: agricultural land West: vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/23/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, Inc Date: 3/16/2007

Contact: Simon J. Luttman Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

The subject's primary market is defined as that area within Hamilton County.

Secondary Market Area (SMA):

A Secondary Market was not described.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Hamilton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,750	\$11,150	\$12,550	\$13,950	\$15,050	\$16,200
50	\$16,300	\$18,600	\$20,950	\$23,250	\$25,100	\$26,950
60	\$19,560	\$22,320	\$25,140	\$27,900	\$30,120	\$32,340

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	10	0	0	10	4	0	41.7%
1BR/60% Rent Limit	22	0	0	22	12	0	54.4%
2BR/50% Rent Limit	10	0	0	10	2	0	19.8%
2BR/60% Rent Limit	9	0	0	9	18	0	196.0%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 69	45%	1,516	100%	1,516	included in Tenure %	7%	111	60%	66
Underwriter	45%	1,523	100%	1,523	included in Tenure %	30%	108	60%	65
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 69			100%	13	included in Tenure %	7%	1	100%	1
Underwriter			100%	7	included in Tenure %	30%	1	100%	1

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 70	36	0	0	36	36	53.73%
Underwriter	36	0	0	36	66	54.91%

Primary Market Occupancy Rates:

The only tax credit project in Hamilton; namely, Hamilton Manor Apartments, was just rehabilitated, with completion in December 2006, and is now 89% occupied. There are only two vacant units. The HUD complexes total 38 units, and have a wait list, although there is one vacant unit which is currently in turnover. This equates to a physical occupancy of 97%. Typically, HTC projects in the Central Texas region have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within 12 months of completion. Pre-leasing should begin prior to completion of the construction. (p. 39)

Absorption Projections:

The absorption rates of newly-constructed projects near the primary market area appears very favorable. Based on our research, most projects that are constructed in the Central Texas area typically lease up within 6 to 12 months. Pre-leasing should commence prior to the completion of the construction. (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 840 SF (30%)	\$223	\$223	\$650	\$223	\$427	
1 BR 840 SF (60%)	\$484	\$485	\$650	\$485	\$165	
2 BR 1,045 SF (HH)	\$476	\$497	\$725	\$497	\$228	
2 BR 1,045 SF (60%)	\$580	\$581	\$725	\$581	\$144	

Market Impact:

With respect to affordable housing projects, due to the overall lack of recently-constructed affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area. (p. 42)

Comments:

The Underwriter found the Market Study provided sufficient information upon which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit for the purely tax credit units were calculated by subtracting tenant-paid utility allowances, maintained by the Hamilton Housing Authority, from the 2007 program gross rent limits. However, it appears that the Applicant may not have had access to the 2007 HOME rent limits resulting in a slight difference in rents collected for the two-bedroom units restricted at the High HOME level. Tenants will be required to pay for electricity.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. It should be noted, the Applicant has made no indication that the proposed carports will be rented for a fee; therefore, it is assumed that each unit's rent includes any cost for use of a carport. Overall, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,165 per unit is just within 5% of the Underwriter's estimate of \$3,321, derived from the TDHCA database and other third party sources. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: repairs and maintenance (\$6K lower), taxes (\$2K lower), and insurance (\$5K higher).

Conclusion:

The Applicant's estimated income is consistent with the Underwriter's expectations; however, total operating expenses and the Applicant's net operating income (NOI) estimate are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Both the Applicant and Underwriter's income and expense estimates provide sufficient net operating income to service the proposed first lien permanent mortgage as well as the requested TDHCA HOME Loan at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued a positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 11.04 acres	<u>\$33,110</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Hamilton CAD</u>
Total Assessed Value:	<u>\$33,110</u>	Tax Rate:	<u>2.2718</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Unimproved Property Contract</u>	Acreage:	<u>11.04</u>
Contract Expiration:	<u>11/1/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$52,000</u>	Other:	<u></u>
Seller:	<u>Martin Wenzel</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Space intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$4,710 per acre is assumed to be reasonable since the acquisition is an arm's-length transaction. However, it appears that the Applicant plans to use approximately half of the acreage to be purchased. The Applicant confirmed the entire 11 acres will be included in the LURA and dedicated for use by the development and its tenants. If the Applicant were to subsequently request a release of the excess acreage for a second phase or for an alternate use, this development would have been over funded and a reduction in credits could be possible.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$38,188 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.

Contingency & Fees:

As a direct result of the adjustment to eligible interim interest expense, the Applicant's developer's fee exceeds the TDHCA maximum guideline. The Applicant's eligible basis was adjusted down by \$7,638 to account for this overage.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule adjusted for overstated eligible costs will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$4,123,277 supports annual tax credits of \$352,540. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Lancaster Pollard Mortgage Company Type: Interim to Permanent Financing

Principal: \$1,031,878 Interest Rate: 4.9% Fixed Term: 480 months

Comments:

LPMC will provide a Rural Development Section 538 Guaranteed Loan with an interest subsidy bringing the interest rate for up to \$1,500,000 down to the AFR. The interest rate will be based off of the Long Term Monthly Applicable Federal Rate plus an annual servicing fee and is estimated to be 7.35% before the subsidy. 24-month interim period with interest-only payments

Space intentionally left blank.

Source: Raymond James Tax Credit Funds, Inc. Type: Syndication

Proceeds: \$2,922,137 Syndication Rate: 86% Anticipated HTC: \$ 339,782

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$160,000 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

As stated above, the Underwriter's proforma indicates the development can support both the proposed permanent financing through LancasterPollard Mortgage Company and the requested HOME loan in the amount of \$225,000 at an interest rate of 5%, fully amortizing over a term of 30 years. Should the development qualify for a HOME allocation, the requested amount and terms are recommended.

The Applicant's total development cost estimate less the permanent loan of \$1,031,878 and the HOME loan of \$225,000 indicates the need for \$3,082,125 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$358,421 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$339,782), the gap-driven amount (\$358,421), and eligible basis-derived estimate (\$352,540), the Applicant's request for \$339,782 is recommended.

The Underwriter's recommended financing structure indicates the need for \$160,280 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation. Should the development fail to receive the HOME allocation, deferred fees would increase to \$385,280. This amount would be repayable within 15 years of stabilized operation because additional cashflow would result without the required HOME debt service.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on deferred developer fee based upon first year income is a modest 7.8%. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter: _____ Date: June 15, 2007

Carl Hoover

Reviewing Underwriter: _____ Date: June 15, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 15, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%<LH	4	1	1	840	\$261	\$223	\$892	\$0.27	\$38.00	\$48.50
TC 60%	12	1	1	840	\$523	485	5,820	0.58	38.00	48.50
TC 60%>HH	2	2	1	1,045	\$544	497	994	0.48	47.00	54.30
TC 60%	18	2	1	1,045	\$628	581	10,458	0.56	47.00	54.30
TOTAL:	36		AVERAGE:	954		\$505	\$18,164	\$0.53	\$43.00	\$51.72

INCOME

Total Net Rentable Sq Ft: **34,340**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

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

% OF EGI PER UNIT PER SQ FT

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.03%	\$285	0.30
Management	5.00%	283	0.30
Payroll & Payroll Tax	14.66%	829	0.87
Repairs & Maintenance	7.29%	412	0.43
Utilities	2.28%	129	0.14
Water, Sewer, & Trash	2.74%	155	0.16
Property Insurance	5.06%	286	0.30
Property Tax 2.2718	8.03%	454	0.48
Reserve for Replacements	4.42%	250	0.26
TDHCA Compliance Fees	0.71%	40	0.04
Other: Supp. Serv.	3.50%	198	0.21
TOTAL EXPENSES	58.71%	\$3,321	\$3.48
NET OPERATING INC	41.29%	\$2,335	\$2.45

DEBT SERVICE

Lancaster Pollard	28.92%	\$1,636	\$1.71
TDHCA - HOME Funds	7.12%	\$403	\$0.42
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	5.25%	\$297	\$0.31

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		1.23%	\$1,444	\$1.51
Off-Sites		0.00%	0	0.00
Sitework		7.64%	9,000	9.44
Direct Construction		48.60%	57,236	60.00
Contingency	5.00%	2.81%	3,312	3.47
Contractor's Fees	14.00%	7.87%	9,273	9.72
Indirect Construction		7.91%	9,316	9.77
Ineligible Costs		2.03%	2,391	2.51
Developer's Fees	20.00%	15.85%	18,665	19.57
Interim Financing		4.41%	5,189	5.44
Reserves		1.65%	1,944	2.04
TOTAL COST		100.00%	\$117,771	\$123.46
Construction Cost Recap		66.93%	\$78,821	\$82.63

SOURCES OF FUNDS

Lancaster Pollard	24.34%	\$28,663	\$30.05
TDHCA - HOME Funds	5.31%	\$6,250	\$6.55
HTC Syndication Proceeds	68.92%	\$81,170	\$85.09
Deferred Developer Fees	3.77%	\$4,444	\$4.66
Additional (Excess) Funds Req'd	-2.34%	(\$2,757)	(\$2.89)
TOTAL SOURCES			

TDHCA	APPLICANT
\$217,968	\$217,104
2,160	2,160
0	0
\$220,128	\$219,264
(16,510)	(16,440)
0	0
\$203,618	\$202,824
\$10,244	\$10,250
10,174	10,141
29,841	27,500
14,834	9,200
4,644	4,194
5,586	5,014
10,302	15,500
16,357	14,000
9,000	9,000
1,440	2,000
7,127	7,127
\$119,549	\$113,926
\$84,069	\$88,898
1.15	1.15
	1.15

COUNTY	IREM REGION	COMPT. REGION
Hamilton		8
\$5.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.30	\$285	5.05%
0.30	282	5.00%
0.80	764	13.56%
0.27	256	4.54%
0.12	117	2.07%
0.15	139	2.47%
0.45	431	7.64%
0.41	389	6.90%
0.26	250	4.44%
0.06	56	0.99%
0.21	198	3.51%
\$3.32	\$3,165	56.17%
\$2.59	\$2,469	43.83%
\$1.83	\$1,748	31.02%
\$0.42	\$403	7.15%
\$0.00	\$0	0.00%
\$0.33	\$319	5.67%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$52,000	\$52,000	\$1.51	\$1,444	1.20%
0	0	0.00	0	0.00%
324,000	324,000	9.44	9,000	7.47%
2,060,496	2,124,645	61.87	59,018	48.97%
119,225	122,432	3.57	3,401	2.82%
333,829	342,811	9.98	9,523	7.90%
335,365	335,365	9.77	9,316	7.73%
86,088	86,088	2.51	2,391	1.98%
671,945	694,850	20.23	19,301	16.01%
186,812	186,812	5.44	5,189	4.31%
70,000	70,000	2.04	1,944	1.61%
\$4,239,760	\$4,339,003	\$126.35	\$120,528	100.00%
\$2,837,550	\$2,913,888	\$84.85	\$80,941	67.16%

RECOMMENDED

\$1,031,878	\$1,031,878	\$1,031,878	Developer Fee Available
225,000	225,000	225,000	\$687,213
2,922,124	2,922,124	2,921,845	% of Dev. Fee Deferred
160,000	160,000	160,280	23%
(99,242)	1	0	15-Yr Cumulative Cash Flow
\$4,239,760	\$4,339,003	\$4,339,003	\$299,893

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$65.42	\$2,246,682
Adjustments				
Exterior Wall Finish	3.50%		\$2.29	\$78,634
Elderly	6.00%		3.93	134,801
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(63,529)
Floor Cover			3.08	105,767
Breezeways/Balconies	\$20.33	9,174	5.43	186,507
Plumbing Fixtures	\$965	(36)	(1.01)	(34,740)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	36	2.54	87,300
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	83,446
Garages/Carports	\$12.38	7,200	2.60	89,136
Comm &/or Aux Bldgs	\$79.68	884	2.05	70,437
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			86.91	2,984,442
Current Cost Multiplier	0.98		(1.74)	(59,689)
Local Multiplier	0.87		(11.30)	(387,977)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.87	\$2,536,775
Plans, specs, survy, bld prm	3.90%		(\$2.88)	(\$98,934)
Interim Construction Interes	3.38%		(2.49)	(85,616)
Contractor's OH & Profit	11.50%		(8.50)	(291,729)
NET DIRECT CONSTRUCTION COSTS			\$60.00	\$2,060,496

PAYMENT COMPUTATION

Primary	\$1,031,878	Amort	480
Int Rate	4.90%	DCR	1.43

Secondary	\$225,000	Amort	360
Int Rate	5.00%	Subtotal DCR	1.15

Additional	\$2,922,124	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$58,890
Secondary Debt Service	14,494
Additional Debt Service	0
NET CASH FLOW	\$10,684

Primary	\$1,031,878	Amort	480
Int Rate	4.90%	DCR	1.43

Secondary	\$225,000	Amort	360
Int Rate	5.00%	Subtotal DCR	1.15

Additional	\$2,922,124	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$217,968	\$224,507	\$231,242	\$238,180	\$245,325	\$284,399	\$329,696	\$382,208	\$513,656
Secondary Income	2,160	2,225	2,292	2,360	2,431	2,818	3,267	3,788	5,090
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	220,128	226,732	233,534	240,540	247,756	287,217	332,963	385,996	518,746
Vacancy & Collection Loss	(16,510)	(17,005)	(17,515)	(18,040)	(18,582)	(21,541)	(24,972)	(28,950)	(38,906)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$203,618	\$209,727	\$216,019	\$222,499	\$229,174	\$265,676	\$307,991	\$357,046	\$479,840
EXPENSES at 4.00%									
General & Administrative	\$10,244	\$10,653	\$11,079	\$11,523	\$11,984	\$14,580	\$17,739	\$21,582	\$31,946
Management	10,174	10,480	10,794	11,118	11,451	13,275	15,390	17,841	23,977
Payroll & Payroll Tax	29,841	31,035	32,276	33,567	34,910	42,473	51,675	62,871	93,064
Repairs & Maintenance	14,834	15,428	16,045	16,687	17,354	21,114	25,688	31,254	46,264
Utilities	4,644	4,830	5,023	5,224	5,433	6,610	8,042	9,784	14,483
Water, Sewer & Trash	5,586	5,809	6,042	6,283	6,535	7,951	9,673	11,769	17,421
Insurance	10,302	10,714	11,143	11,588	12,052	14,663	17,840	21,705	32,128
Property Tax	16,357	17,011	17,692	18,399	19,135	23,281	28,325	34,462	51,012
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	8,567	8,910	9,266	9,637	10,022	12,193	14,835	18,049	26,717
TOTAL EXPENSES	\$119,549	\$124,230	\$129,094	\$134,150	\$139,405	\$168,950	\$204,792	\$248,277	\$365,079
NET OPERATING INCOME	\$84,069	\$85,497	\$86,925	\$88,349	\$89,770	\$96,726	\$103,199	\$108,769	\$114,761
DEBT SERVICE									
First Lien Financing	\$58,890	\$58,890	\$58,890	\$58,890	\$58,890	\$58,890	\$58,890	\$58,890	\$58,890
Second Lien	14,494	14,494	14,494	14,494	14,494	14,494	14,494	14,494	14,494
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$10,684	\$12,113	\$13,540	\$14,965	\$16,385	\$23,341	\$29,815	\$35,384	\$41,376
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.22	1.32	1.41	1.48	1.56

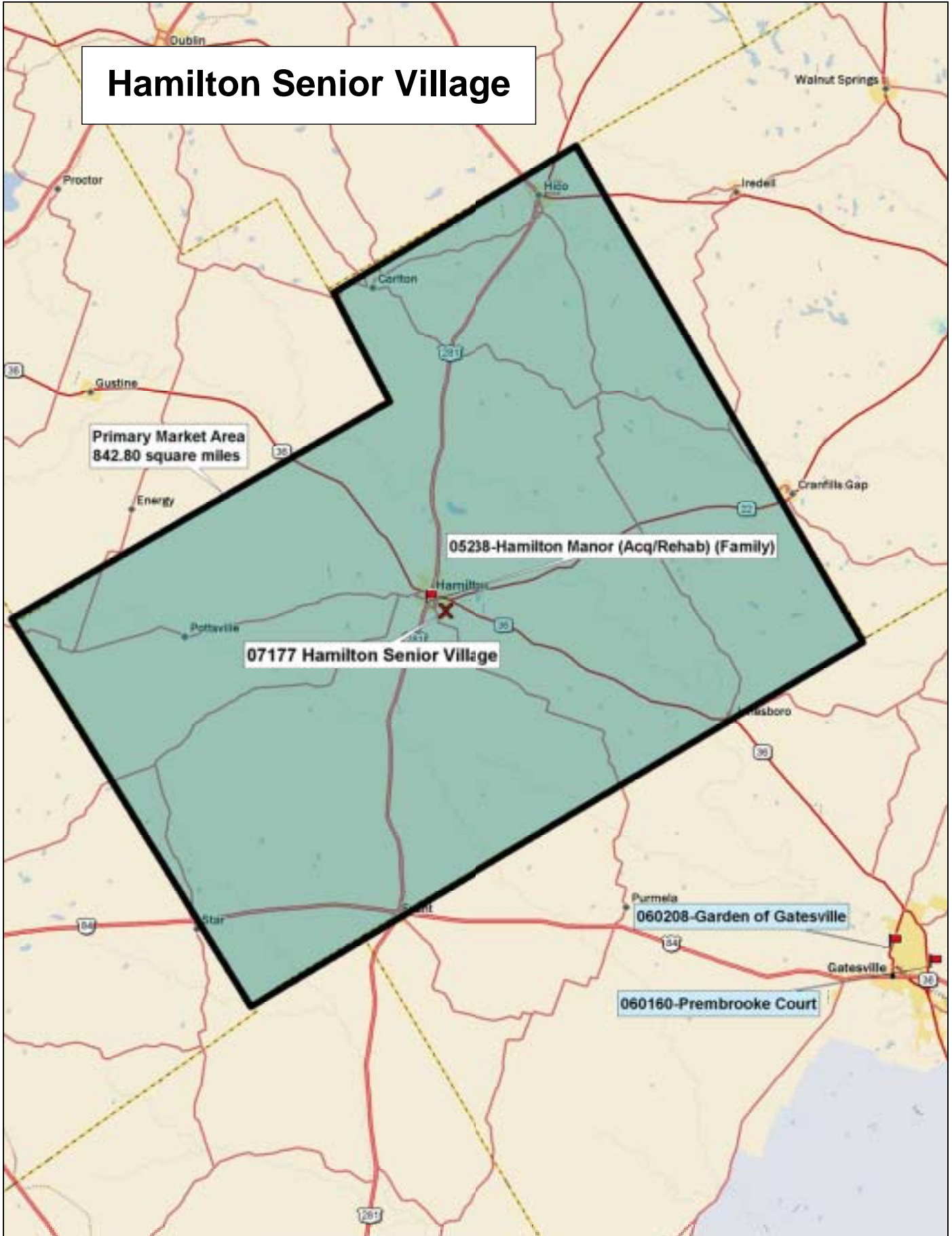
HTC ALLOCATION ANALYSIS -Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$52,000	\$52,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$324,000	\$324,000	\$324,000	\$324,000
Construction Hard Costs	\$2,124,645	\$2,060,496	\$2,124,645	\$2,060,496
Contractor Fees	\$342,811	\$333,829	\$342,810	\$333,829
Contingencies	\$122,432	\$119,225	\$122,432	\$119,225
Eligible Indirect Fees	\$335,365	\$335,365	\$335,365	\$335,365
Eligible Financing Fees	\$186,812	\$186,812	\$186,812	\$186,812
All Ineligible Costs	\$86,088	\$86,088		
Developer Fees			\$687,213	
Developer Fees	\$694,850	\$671,945		\$671,945
Development Reserves				
	\$70,000	\$70,000		
TOTAL DEVELOPMENT COSTS	\$4,339,003	\$4,239,760	\$4,123,277	\$4,031,672

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$4,123,277	\$4,031,672
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$4,123,277	\$4,031,672
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$4,123,277	\$4,031,672
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$352,540	\$344,708

Syndication Proceeds	0.8599	\$3,031,555	\$2,964,204
Total Tax Credits (Eligible Basis Method)		\$352,540	\$344,708
Syndication Proceeds		\$3,031,555	\$2,964,204
Requested Tax Credits		\$339,782	
Syndication Proceeds		\$2,921,845	
Gap of Syndication Proceeds Needed		\$3,082,125	
Total Tax Credits (Gap Method)		\$358,421	

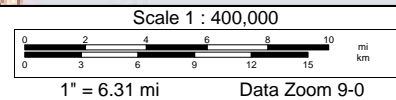
Hamilton Senior Village



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Applicant Evaluation

Project ID # **07177**

Name: **Hamilton Senior Village**

City: **Hamilton**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 10

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/6/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Tammye's Pointe, TDHCA Number 07178

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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$983,288

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



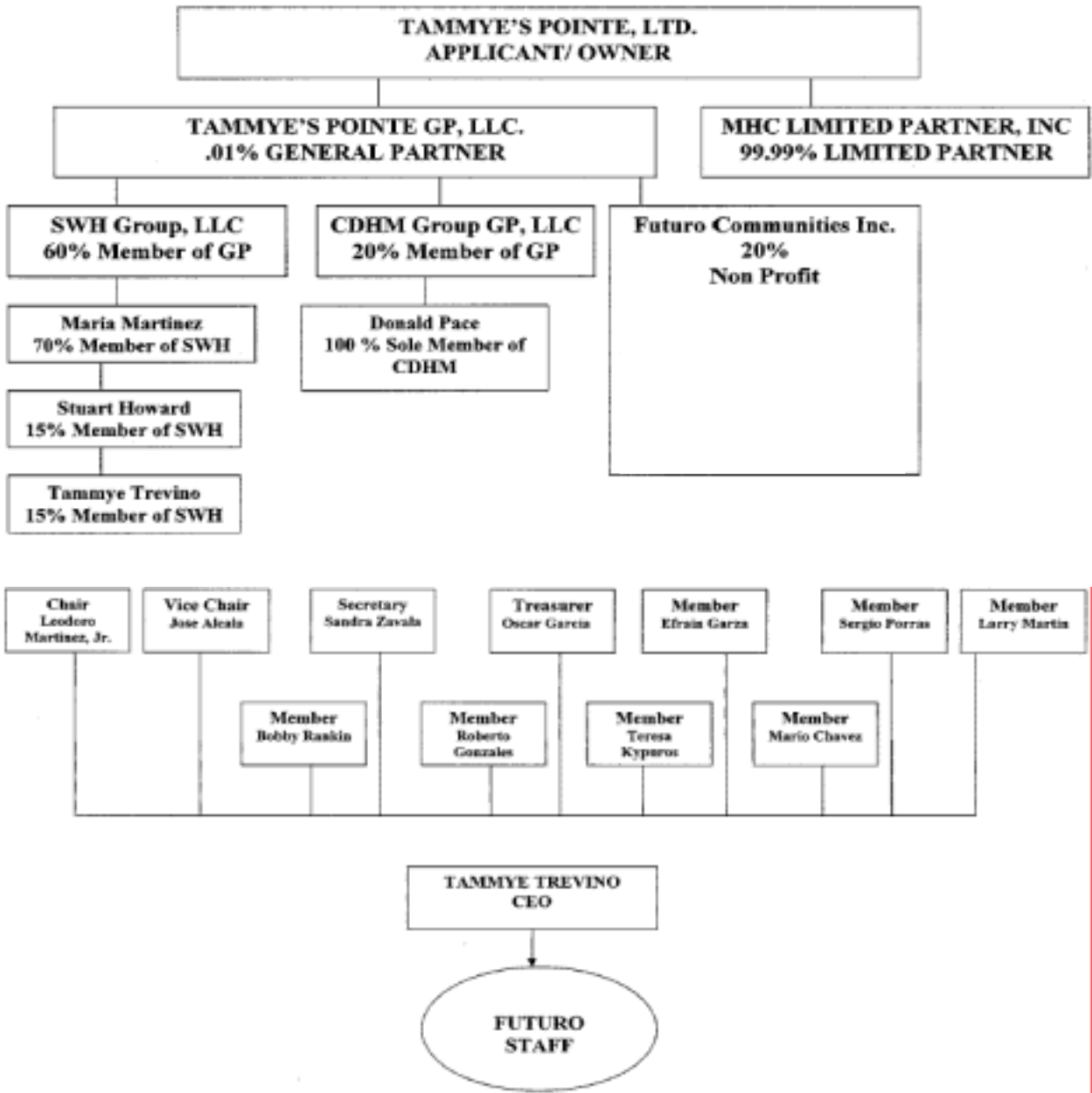
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/07 PROGRAM: 9% HTC FILE NUMBER: 07178

DEVELOPMENT																																	
Tammye's Pointe																																	
Location: <u>Old Pioneer Road at FM 1021</u>				Region: <u>11</u>																													
City: <u>Eagle Pass</u>		County: <u>Maverick</u>		Zip: <u>78852</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA																											
Key Attributes: <u>Multifamily, Family, Rural, New Construction</u>																																	
ALLOCATION																																	
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2" style="width: 35%;"></th> <th colspan="3" style="width: 30%;">REQUEST</th> <th colspan="3" style="width: 35%;">RECOMMENDATION</th> </tr> <tr> <th style="width: 15%;">Amount</th> <th style="width: 15%;">Interest</th> <th style="width: 10%;">Amort/Term</th> <th style="width: 15%;">Amount</th> <th style="width: 15%;">Interest</th> <th style="width: 10%;">Amort/Term</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">TDHCA Program</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: left;">Housing Tax Credit (Annual)</td> <td>\$983,288</td> <td></td> <td></td> <td>\$983,288</td> <td></td> <td></td> </tr> </tbody> </table>								REQUEST			RECOMMENDATION			Amount	Interest	Amort/Term	Amount	Interest	Amort/Term	TDHCA Program							Housing Tax Credit (Annual)	\$983,288			\$983,288		
	REQUEST			RECOMMENDATION																													
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term																											
TDHCA Program																																	
Housing Tax Credit (Annual)	\$983,288			\$983,288																													
CONDITIONS																																	
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SALIENT ISSUES																																	
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center; margin-bottom: 10px;"> <thead> <tr> <th colspan="3" style="padding: 5px;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="width: 33%; padding: 5px;">Income Limit</th> <th style="width: 33%; padding: 5px;">Rent Limit</th> <th style="width: 34%; padding: 5px;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">30% of AMI</td> <td style="padding: 5px;">30% of AMI</td> <td style="padding: 5px;">8</td> </tr> <tr> <td style="padding: 5px;">60% of AMI</td> <td style="padding: 5px;">60% of AMI</td> <td style="padding: 5px;">68</td> </tr> </tbody> </table> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none; vertical-align: top; padding: 5px;"> <p style="text-align: center; margin: 0;">PROS</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p style="margin: 0;">The New Life Housing Foundation funding is not needed for the financial viability of the transaction.</p> <p style="margin: 10px 0 0 20px;">The subject represents a relatively unique site plan with a single family design.</p> </td> <td style="width: 50%; border: none; vertical-align: top; padding: 5px;"> <p style="text-align: center; margin: 0;">CONS</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p style="margin: 0;">The anticipated syndication proceeds as a percentage of total cost (88%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p> </td> </tr> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	68	<p style="text-align: center; margin: 0;">PROS</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p style="margin: 0;">The New Life Housing Foundation funding is not needed for the financial viability of the transaction.</p> <p style="margin: 10px 0 0 20px;">The subject represents a relatively unique site plan with a single family design.</p>	<p style="text-align: center; margin: 0;">CONS</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p style="margin: 0;">The anticipated syndication proceeds as a percentage of total cost (88%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p>													
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PREVIOUS UNDERWRITING REPORTS																																	
No previous reports.																																	

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Donald Pace Phone: 321.453.3127 Fax: 321.453.3801
 Email: dpaceman@earthlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
SWH Group, LLC	To be formed		N/A
Maria Martinez	Confidential		0 LIHTC Developments in Texas
Stuart Howard	Confidential		0 LIHTC Developments in Texas
Tammye Trevino	Confidential		1 LIHTC Development in Texas
Futuro Communities, Inc	\$476,306	\$213,846	N/A
CDHM Group LLC	See Mr Pace's Personal Statements		N/A
DonCo Housing Group, LLC	See Mr Pace's Personal Statements		N/A
Donald Pace	Confidential		8 LIHTC Developments in Texas

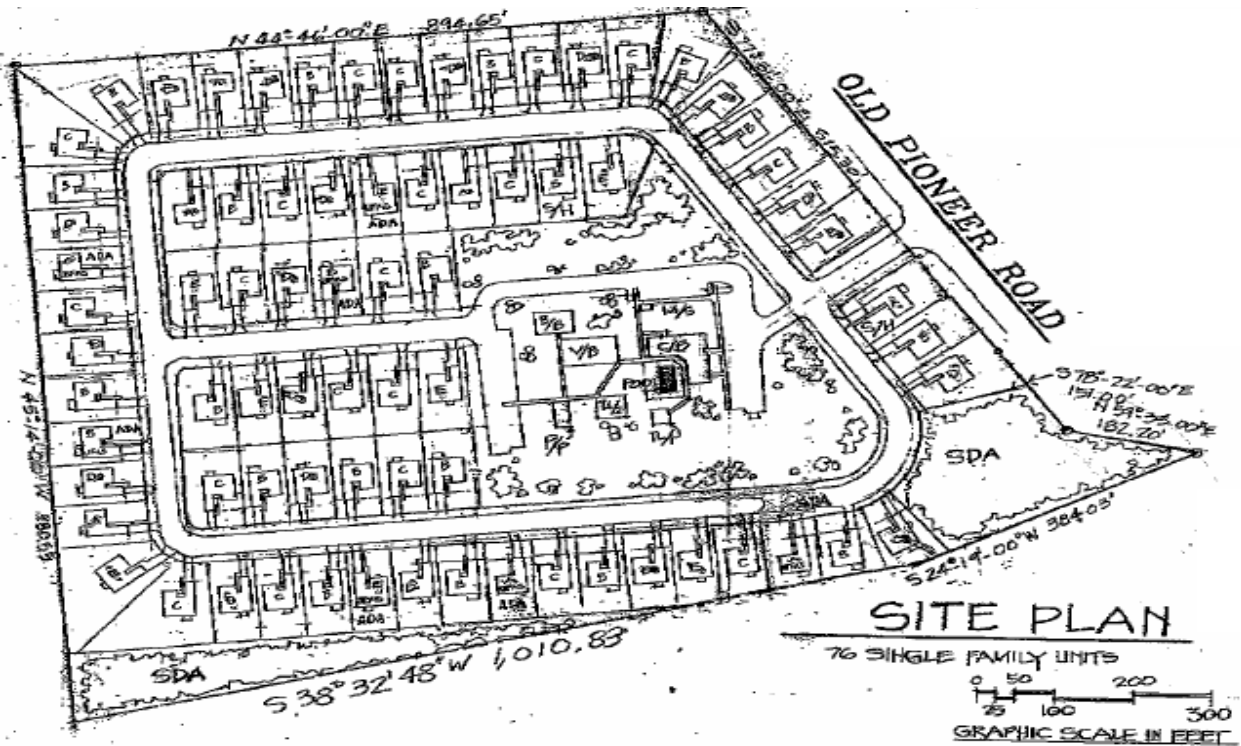
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

SINGLE FAMILY CONSTRUCTION

BR/BA	SF	Number	Floors	Total SF
2/2	1,100	8	1	8,800
3/2	1,320	41	1	54,120
4/2	1,440	27	1	38,880
TOTAL UNITS		76		101,800

SITE ISSUES

Total Size: 24 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: Vacant Ag Needs to be re-zoned? Yes No N/A

Comments:

Zoning: The proposed site is currently zoned as "vacant agricultural" land and the Applicant has submitted application to the City for rezoning of the site to "residential." Receipt, review, and acceptance of appropriate zoning or a variance from the City for the proposed development is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/3/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Old Pioneer Rd and vacant land
 South: vacant land, a public school, and a residential subdivision
 East: vacant land and residential property
 West: vacant land, a house, and a warehouse/manufacturing facility to southwest

Comments:

The questionable site rating is still an acceptable rating but it reflects reservations the inspector had about the site. In this case the inspector was concerned because the site is in a rather remote but growing part of the County. In addition, the inspector indicated that the site was about three miles from the site of recent tornado damage, much of which has still not been repaired. The inspector did indicate that the site was in good proximity to a new school that was under development.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Matrix Environmental Sciences, Inc Date: 3/18/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The Phase I ESA indicates no recognized environmental concerns.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/16/2007

Contact: Darrell G Jack Phone: 210.530.0040 Fax: 210.340.5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,301 Square Miles Á 20.36 Mile Radius

"For this analysis, we utilized a 'primary market area' encompassing Maverick County" (p. 29).

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Maverick						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2BR/ 30% Rent Limit	43	0	0	43	1	0	2%
2BR/ 60% Rent Limit	48	2	0	50	7	0	14%
3BR/ 30% Rent Limit	37	0	0	37	4	0	11%
3BR/ 60% Rent Limit	68	3	0	70	37	0	53%
4BR/ 30% Rent Limit	26	0	0	26	3	0	12%
4BR/ 60% Rent Limit	58	2	0	60	24	0	40%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 54	100%	13,412	85%	11,381	8%	964	100%	964	65%	622
Underwriter		100%	13,443	85%	11,407	28%	3,180	30%	967	65%	623
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 54		24	85%	21	8%	2	100%	2	100%	2
Underwriter				85%	117	28%	28	30%	8	100%	8

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 55	76	0	0	76	624	12.18%
Underwriter		76	0	0	76	632	12.03%

Primary Market Occupancy Rates:

"The competitive sub-market supply and demand analysis conducted by Apartment MarketData included 60 existing income restricted units and 324 conventional units within the Primary Market Area. ... The occupancy rate for the income restricted one bedrooms is 100%, for income restricted two bedrooms it is 96.4%, for the income restricted three bedroom units is 95.8%, and the overall average occupancy for income restricted units is 96.7%. ... Apartment MarketData conducted an analysis of 324 conventional (Market Rate) units. These projects were all built between 1967 and 1998. The occupancy rate for the market rate one bedrooms is 95.1%, for market rate two bedrooms it is 97.1%, the occupancy for the market rate three bedroom units is 100%, the occupancy for the market rate four bedroom units is 100%, and the overall average occupancy for market rate units is 96.3%" (p. 108).

Absorption Projections:

"Absorption in the Primary Market Area has been limited over the past sixteen years. Today, the PMA is 97.2% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 23 units per year. We would expect this to increase as employment continues to grow, and as additional rental units become available" (p. 11).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
2 BR 1,100 SF 30%	\$164	\$164	\$750	\$164	\$586		
2 BR 1,100 SF 60%	\$455	\$455	\$750	\$455	\$295		
3 BR 1,320 SF 30%	\$184	\$184	\$850	\$184	\$666		
3 BR 1,320 SF 60%	\$520	\$520	\$850	\$520	\$330		
4 BR 1,440 SF 30%	\$190	\$190	\$925	\$190	\$735		
4 BR 1,440 SF 60%	\$565	\$565	\$925	\$565	\$360		

Market Impact:

"It is our opinion that this market can support assisted low income housing and a narrow band of conventionally financed units" (p. 100).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007

The Applicant's projected net rent collected was calculated as the gross program rent less utility allowances that will be effective June 1, 2007 maintained by the Housing Authority of the City of Eagle Pass. The Market Analyst indicates that the maximum net program rents can be achieved in the market. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. Tenants will be responsible for electric, natural gas, water, and sewer costs. Overall, the Applicant's effective gross income estimate is comparable to the Underwriter's.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2007

The Applicant's total operating expense estimate of \$3,434 per unit is within 5% of the Underwriter's estimate of \$3,598 per unit derived from the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of specific line items differ significantly from the Underwriter's estimates, including: general and administrative (\$6K higher); payroll and payroll tax (\$11K higher); repairs and maintenance (\$13K lower); utilities (\$12K lower); water, sewer and trash (\$12K lower); and property tax (\$6K higher). Additionally, the Applicant has overstated TDHCA compliance fees.

Furthermore, the Applicant has indicated that property management fees will be 4% of effective gross income. This is slightly lower than the Underwriting standard of 5%. Therefore, receipt, review, and acceptance of an executed contract with a property management company indicating a management fee of 4% of EGI is a condition of this report.

Conclusion:

The Applicant's estimate of net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the Department's current maximum of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

It should be noted the Applicant's proforma reflects a revised annual debt service that is \$49K higher than the debt service based on the loan commitment from Wachovia and is inconsistent with the Applicant's sources and uses of funds statement.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	34.3 acres	\$104,090	Tax Year:	2006
One Acre:		\$3,033	Valuation by:	Maverick CAD
Prorata:	24 acres	\$72,790	Tax Rate:	1.7253

EVIDENCE of PROPERTY CONTROL

Type: Farm and Ranch Contract and Amendments Acreage: 24

Contract Expiration: 8/31/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$446,000 Other: acreage adjusted based on survey

Seller: Wilma Kelly Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$18,583 per acre or \$5,868 per unit is higher than typical for a rural location, however the site is to be developed with lower density single family homes. Moreover, 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 \$9,000 per unit are at the maximum of the current Department guidelines for which further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$66K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant's estimate of eligible interest expense is greater than one year of fully drawn interest on the construction period financing indicated in the sources and uses of funds exhibit. As a result, the Applicant's eligible interest has been reduced to the Department maximum and the overage has been allocated to ineligible costs.

Of note, the Underwriter has calculated eligible interest on the Wachovia construction loan using the lender's permanent loan underwriting rate of 7.85%. However, the resulting adjustment to eligible basis does not appear to affect the ultimate credit recommendation, because the Applicant's requested credit amount is well below the amount calculated based upon the Applicant's eligible basis estimate.

Contingency & Fees:

As a result of the adjustment to interest expense discussed above, the Applicant's developer fee now exceeds the Department's maximum by \$10,413. As a result, the Applicant's eligible basis has been adjusted downward by an equal amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$9,688,536 supports annual tax credits of \$1,076,881. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Maverick County Type: Interim Financing

Principal: \$525,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Underwriter has used AFR as of March 1, 2007, the application submission deadline (4.9%).

Source: New Life Housing Foundation Type: Interim Financing

Principal: \$209,893 Interest Rate: _____ Fixed Term: _____ months

Comments:

The application indicates that the Applicant has applied for a grant from New Life Housing Foundation to fund construction of infrastructure. However, the Applicant did not include this grant funding as a permanent source of funds. During correspondence with the Underwriter, the Applicant indicated that the New Life funding would be structured as a construction loan at 0% interest. The Underwriter has assumed the New Life funding will be structured as a repayable construction loan. However, receipt, review, and acceptance of a final commitment with terms for the New Life Housing Foundation funding is a condition of this report. If the funding is to be structured as a grant, an adjustment to the credit amount may be necessary.

Source: Wachovia Securities Type: Interim to Permanent Financing

Interim: \$1,335,757 Interest Rate: 10.32% Fixed Term: 24 months

Permanent: \$951,255 Interest Rate: 7.85% Fixed Amort: 360 months

Comments:

The Applicant's sources and uses of fund exhibit is consistent with the terms of the commitment from Wachovia. The commitment indicates a construction loan interest rate of LIBOR plus 500 basis points, which is currently 10.32%. This interest rate is extremely high in comparison to construction interest rates for similar transactions. As such, the Underwriter has made adjustments to the Applicant's eligible interim interest expense using the lender's underwriting rate of 7.85% for the permanent loan. This is discussed in detail above in the Construction Cost Estimate Evaluation section (above).

Source: Wachovia Securities Type: Syndication

Proceeds: \$9,143,664 Syndication Rate: 93% Anticipated HTC: \$ 983,288

Comments:

The syndicator is requiring reserves of \$300 per unit per year. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$399,707 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,310,000 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$1,310,000 indicates the need for \$9,184,626 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$987,693 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$983,288), the gap-driven amount (\$987,693), and eligible basis-derived estimate (\$1,076,881), the Applicant's request of \$983,288 is recommended.

The Underwriter's recommended financing structure indicates the need for \$40,962 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

If the New Life funds are ultimately structured as a grant that carries over as a permanent source, the development's gap in financing would decrease resulting in a reduction in the recommended allocation to \$965,122.

Underwriter:

Cameron Dorsey

Date: July 1, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: July 1, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: July 1, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Tammye's Pointe, Eagle Pass, 9% HTC #07178

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	1	2	2	1,100	\$291	\$164	\$164	\$0.15	\$127.00	\$12.00
TC 60%	7	2	2	1,100	\$582	455	3,185	0.41	127.00	12.00
TC 30%	4	3	2	1,320	\$336	184	736	0.14	152.00	12.00
TC 60%	37	3	2	1,320	\$672	520	19,240	0.39	152.00	12.00
TC 30%	3	4	2	1,440	\$375	190	570	0.13	185.00	12.00
TC 60%	24	4	2	1,440	\$750	565	13,560	0.39	185.00	12.00
TOTAL:	76		AVERAGE:	1,339		\$493	\$37,455	\$0.37	\$161.09	\$12.00

INCOME

Total Net Rentable Sq Ft: **101,800**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$13.33
 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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.86%	\$273	0.20	\$20,758	\$26,660	\$0.26	\$351	6.24%
Management	4.00%	225	0.17	17,080	18,416	0.18	242	4.31%
Payroll & Payroll Tax	13.46%	756	0.56	57,471	68,468	0.67	901	16.03%
Repairs & Maintenance	8.94%	502	0.37	38,168	25,460	0.25	335	5.96%
Utilities	4.11%	231	0.17	17,563	5,760	0.06	76	1.35%
Water, Sewer, & Trash	5.40%	304	0.23	23,067	10,960	0.11	144	2.57%
Property Insurance	8.04%	452	0.34	34,335	34,200	0.34	450	8.01%
Property Tax 1.7253	6.14%	345	0.26	26,225	31,920	0.31	420	7.48%
Reserve for Replacements	5.34%	300	0.22	22,800	22,800	0.22	300	5.34%
TDHCA Compliance Fees	0.71%	40	0.03	3,040	3,420	0.03	45	0.80%
Other: Supp Serv	3.03%	170	0.13	12,920	12,920	0.13	170	3.03%
TOTAL EXPENSES	64.04%	\$3,598	\$2.69	\$273,427	\$260,984	\$2.56	\$3,434	61.12%
NET OPERATING INC	35.96%	\$2,021	\$1.51	\$153,568	\$166,012	\$1.63	\$2,184	38.88%

DEBT SERVICE

Wachovia First Lien	19.34%	\$1,086	\$0.81	\$82,569	\$131,262	\$1.29	\$1,727	30.74%
New Life Housing Funds	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	16.63%	\$934	\$0.70	\$70,999	\$34,750	\$0.34	\$457	8.14%

AGGREGATE DEBT COVERAGE RATIO

1.86 1.26

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		4.29%	\$5,868	\$4.38	\$446,000	\$446,000	\$4.38	\$5,868	4.25%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.58%	9,000	6.72	684,000	684,000	6.72	9,000	6.52%
Direct Construction		53.60%	73,329	54.74	5,572,996	5,639,200	55.39	74,200	53.73%
Contingency 4.55%		2.74%	3,744	2.80	284,544	284,544	2.80	3,744	2.71%
Contractor's Fees 14.00%		8.42%	11,526	8.60	875,979	885,248	8.70	11,648	8.44%
Indirect Construction		5.92%	8,093	6.04	615,100	615,100	6.04	8,093	5.86%
Ineligible Costs		2.19%	3,001	2.24	228,077	228,077	2.24	3,001	2.17%
Developer's Fees 15.00%		12.05%	16,479	12.30	1,252,401	1,274,135	12.52	16,765	12.14%
Interim Financing		3.05%	4,167	3.11	316,722	316,722	3.11	4,167	3.02%
Reserves		1.17%	1,600	1.19	121,600	121,600	1.19	1,600	1.16%
TOTAL COST		100.00%	\$136,808	\$102.14	\$10,397,420	\$10,494,626	\$103.09	\$138,087	100.00%
Construction Cost Recap		71.34%	\$97,599	\$72.86	\$7,417,520	\$7,492,992	\$73.61	\$98,592	71.40%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Wachovia First Lien	9.15%	\$12,517	\$9.34	\$951,255	\$951,255	\$1,310,000	Developer Fee Available
New Life Housing Funds	0.00%	\$0	\$0.00	0	0	0	\$1,263,722
Wachovia Syndication Proceeds	87.94%	\$120,311	\$89.82	9,143,664	9,143,664	9,143,664	% of Dev. Fee Deferred
Deferred Developer Fees	3.84%	\$5,259	\$3.93	399,707	399,707	40,962	3%
Additional (Excess) Funds Req'd	-0.93%	(\$1,279)	(\$0.95)	(97,206)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,397,420	\$10,494,626	\$10,494,626	\$776,122

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Tammye's Pointe, Eagle Pass, 9% HTC #07178

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Single Family Detached Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$83.68	\$8,519,132
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-15.00%		(12.55)	(1,277,870)
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.26)	(230,068)
Floor Cover			2.25	229,050
Breezeways/Balconies	\$23.07	2,103	0.48	48,510
Plumbing Fixtures	\$1,110	0	0.00	0
Rough-ins	\$450	0	0.00	0
Built-In Appliances	\$2,575	76	1.92	195,700
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			1.66	168,988
Garages/Carports	\$8,855	76	6.61	672,966
Comm &/or Aux Bldgs	\$65.99	3,630	2.35	239,526
Other: fire sprinkler			0.00	0
SUBTOTAL			84.14	8,565,934
Current Cost Multiplier	0.98		(1.68)	(171,319)
Local Multiplier	0.82		(15.15)	(1,541,868)
TOTAL DIRECT CONSTRUCTION COSTS			\$67.32	\$6,852,747
Plans, specs, survy, bld prm	2.70%		(1.82)	(185,024)
Interim Construction Interes	3.38%		(2.27)	(231,280)
Contractor's OH & Profit	12.60%		(8.48)	(863,446)
NET DIRECT CONSTRUCTION COSTS			\$54.74	\$5,572,996

PAYMENT COMPUTATION

Primary	\$951,255	Amort	360
Int Rate	7.85%	DCR	1.86

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.86

Additional		Amort	
Int Rate		Aggregate DCR	1.86

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$113,708
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$39,860

Primary	\$1,310,000	Amort	360
Int Rate	7.85%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

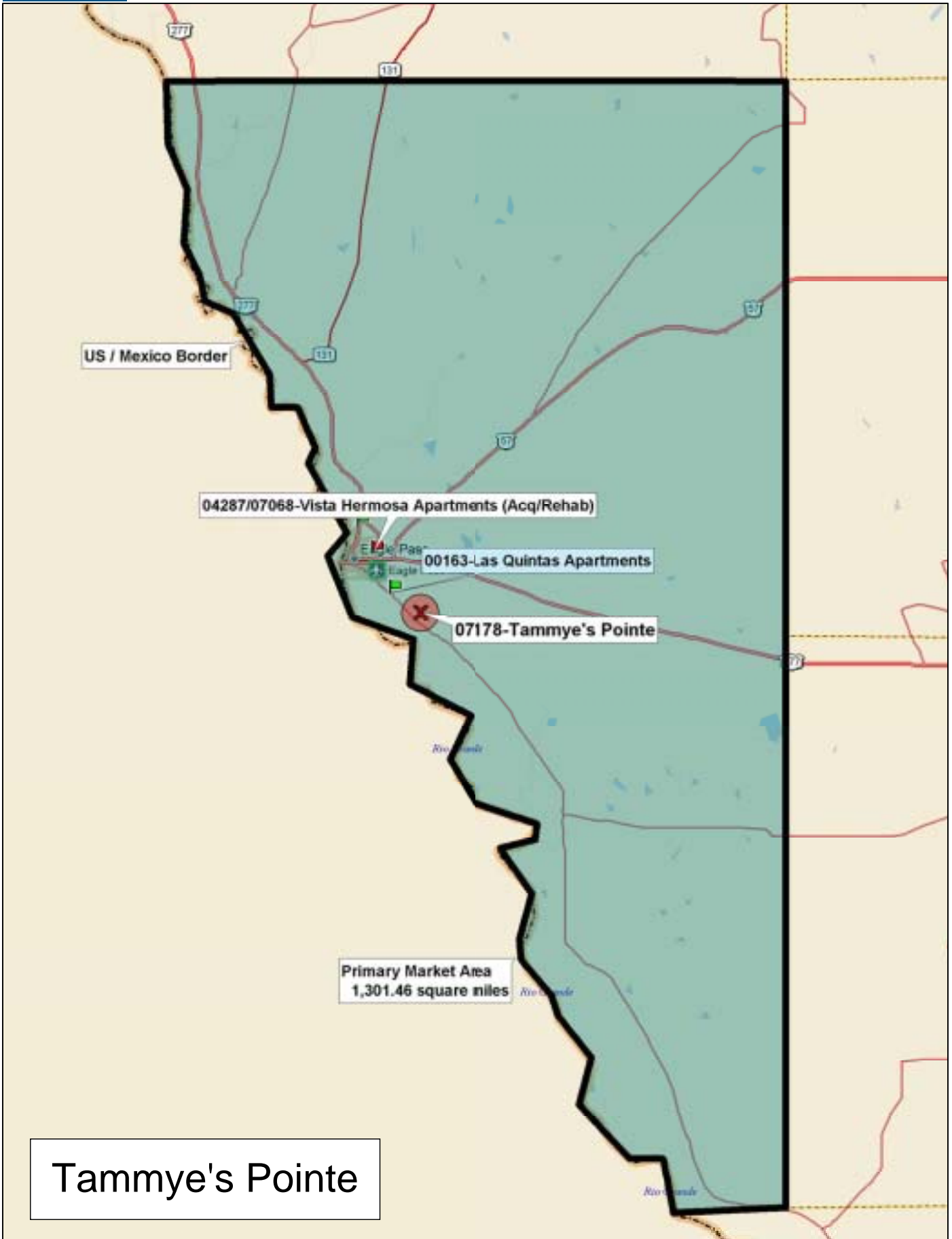
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$449,460	\$462,944	\$476,832	\$491,137	\$505,871	\$586,443	\$679,849	\$788,131	\$1,059,182
Secondary Income	12,156	12,521	12,896	13,283	13,682	15,861	18,387	21,316	28,646
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	461,616	475,464	489,728	504,420	519,553	602,304	698,236	809,446	1,087,828
Vacancy & Collection Loss	(34,621)	(35,660)	(36,730)	(37,832)	(38,966)	(45,173)	(52,368)	(60,708)	(81,587)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$426,995	\$439,805	\$452,999	\$466,589	\$480,586	\$557,131	\$645,868	\$748,738	\$1,006,241
EXPENSES at 4.00%									
General & Administrative	\$20,758	\$21,589	\$22,452	\$23,350	\$24,284	\$29,545	\$35,947	\$43,734	\$64,738
Management	17,080	17,592	18,120	18,664	19,223	22,285	25,835	29,950	40,250
Payroll & Payroll Tax	57,471	59,770	62,161	64,648	67,234	81,800	99,522	121,084	179,234
Repairs & Maintenance	38,168	39,695	41,282	42,934	44,651	54,325	66,094	80,414	119,032
Utilities	17,563	18,265	18,996	19,756	20,546	24,997	30,413	37,002	54,772
Water, Sewer & Trash	23,067	23,990	24,949	25,947	26,985	32,832	39,945	48,599	71,938
Insurance	34,335	35,709	37,137	38,623	40,168	48,870	59,458	72,339	107,080
Property Tax	26,225	27,274	28,364	29,499	30,679	37,326	45,412	55,251	81,785
Reserve for Replacements	22,800	23,712	24,660	25,647	26,673	32,452	39,482	48,036	71,105
Other	15,960	16,598	17,262	17,953	18,671	22,716	27,638	33,625	49,774
TOTAL EXPENSES	\$273,427	\$284,193	\$295,385	\$307,019	\$319,113	\$387,147	\$469,745	\$570,034	\$839,707
NET OPERATING INCOME	\$153,568	\$155,611	\$157,614	\$159,569	\$161,473	\$169,984	\$176,123	\$178,704	\$166,534
DEBT SERVICE									
First Lien Financing	\$113,708	\$113,708	\$113,708	\$113,708	\$113,708	\$113,708	\$113,708	\$113,708	\$113,708
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	\$39,860	\$41,903	\$43,905	\$45,861	\$47,765	\$56,276	\$62,415	\$64,995	\$52,826
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.40	1.42	1.49	1.55	1.57	1.46

HTC ALLOCATION ANALYSIS -Tammye's Pointe, Eagle Pass, 9% HTC #07178

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$446,000	\$446,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$684,000	\$684,000	\$684,000	\$684,000
Construction Hard Costs	\$5,639,200	\$5,572,996	\$5,639,200	\$5,572,996
Contractor Fees	\$885,248	\$875,979	\$885,248	\$875,979
Contingencies	\$284,544	\$284,544	\$284,544	\$284,544
Eligible Indirect Fees	\$615,100	\$615,100	\$615,100	\$615,100
Eligible Financing Fees	\$316,722	\$316,722	\$316,722	\$316,722
All Ineligible Costs	\$228,077	\$228,077		
Developer Fees			\$1,263,722	
Developer Fees	\$1,274,135	\$1,252,401		\$1,252,401
Development Reserves	\$121,600	\$121,600		
TOTAL DEVELOPMENT COSTS	\$10,494,626	\$10,397,420	\$9,688,536	\$9,601,743

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$9,688,536	\$9,601,743
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$12,595,097	\$12,482,266
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$12,595,097	\$12,482,266
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$1,076,881	\$1,067,234

Syndication Proceeds	0.9299	\$10,013,990	\$9,924,281
Total Tax Credits (Eligible Basis Method)		\$1,076,881	\$1,067,234
Syndication Proceeds		\$10,013,990	\$9,924,281
Requested Tax Credits		\$983,288	
Syndication Proceeds		\$9,143,664	
Gap of Syndication Proceeds Needed		\$9,184,626	
Total Tax Credits (Gap Method)		\$987,693	



US / Mexico Border

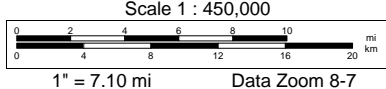
04287/07068-Vista Hermosa Apartments (Acq/Rehab)

00163-Las Quintas Apartments

07178-Tammye's Pointe

Primary Market Area
1,301.46 square miles

Tammye's Pointe



Applicant Evaluation

Project ID # **07178**

Name: **Tammye's Pointe**

City: **Eagle Pass**

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

Total # of Projects monitored: 5
 Projects zero to nine: 5
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No

monitored with a score less than thirty: 5
 # not yet monitored or pending review: 12

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer M. Tynan

Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES

Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/8/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Goose Creek, TDHCA Number 07179

BASIC DEVELOPMENT INFORMATION

Site Address: SE Corner of N. Main St. & E. Defee St. Development #: 07179
 City: Baytown Region: 6 Population Served: General
 County: Harris Zip Code: 77520 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Goose Creek Infill Housing 1, Ltd
 Owner Contact and Phone: Chris Presley (281) 425-9434
 Developer: GCIH 1, LLC
 Housing General Contractor: To Be Determined
 Architect: JRM Architects, Inc.
 Market Analyst: O' Conner & Associates
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	22
	1	0	17	4	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	8	10	4	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	22
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$2,644,588
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$242,318	\$242,318			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas at Goose Creek, TDHCA Number 07179

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6, S Points: 7 US Representative: Green, District 29, NC
TX Representative: Smith, District 128, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Graywood Civic Association, Donna Terpening Letter Score: 24 S or O: S

The neighborhood association supports the project because it is a definite plus for our neighborhood and surrounding areas. Downtown redevelopment would help tremendously with this project.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

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

Receipt of a commitment of funding from the City of Baytown in the amount of \$16,668, or a commitment from a qualifying substitute source in an amount not less than \$11,690, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Texas First Bank in the amount of \$60,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$52,892, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Goose Creek, TDHCA Number 07179

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$242,318

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/21/07 PROGRAM: 9% HTC FILE NUMBER: 07179

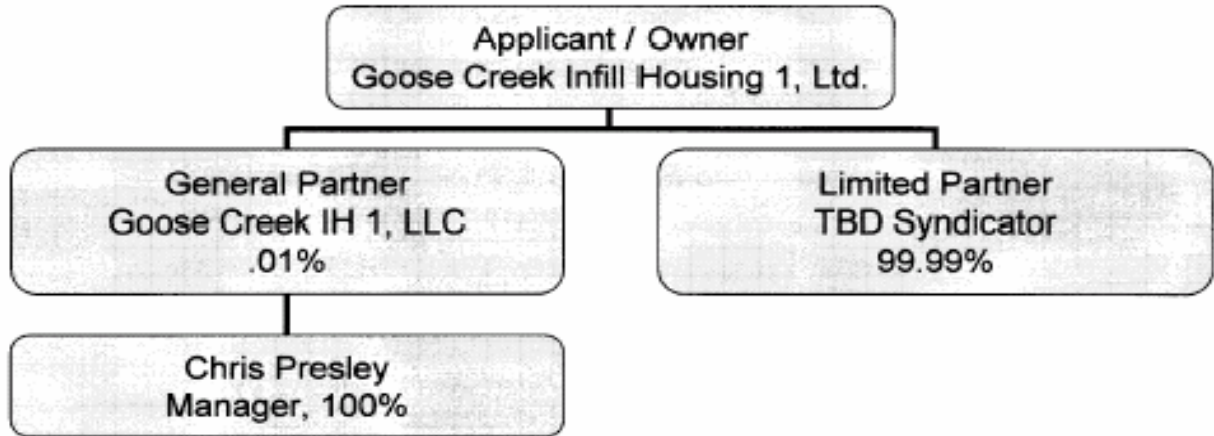
DEVELOPMENT																					
Villas at Goose Creek																					
Location: <u>SE Corner of N. Main St. and E. Defee St.</u>					Region: <u>6</u>																
City: <u>Baytown</u>		County: <u>Harris</u>		Zip: <u>77520</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA															
Key Attributes: <u>Multifamily, New Construction, Family, Urban/Exurban</u>																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$242,318			\$242,318																	
CONDITIONS																					
¹ Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.																					
SALIENT ISSUES																					
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">17</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">4</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	1	50% of AMI	50% of AMI	17	60% of AMI	60% of AMI	4
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	1																			
50% of AMI	50% of AMI	17																			
60% of AMI	60% of AMI	4																			
PROS			CONS																		
<p>The principals of the Applicant are familiar with the Primary Market Area because they live and work there.</p> <p>The development is relatively small for a modern urban tax credit property.</p>			<p>The principals of the Applicant may not appear to have the financial capacity to support the project if needed.</p> <p>The development's high expense to income ratio is less than one percent under the maximum reflecting extensive deep rent targeting and a very tight (but acceptable) financing structure.</p> <p>The anticipated syndication proceeds as a percentage of total cost (82%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting and the 130% DDA boost to eligible basis.</p>																		

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Chris Presley Phone: (281) 425-9434 Fax: (281) 425-9435
 Email: chrispresley@verizon.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Chris Presley	confidential		Primary Contractor for 04465 Rosemont at Garth
Arthur A. Presley, Jr.	confidential		none

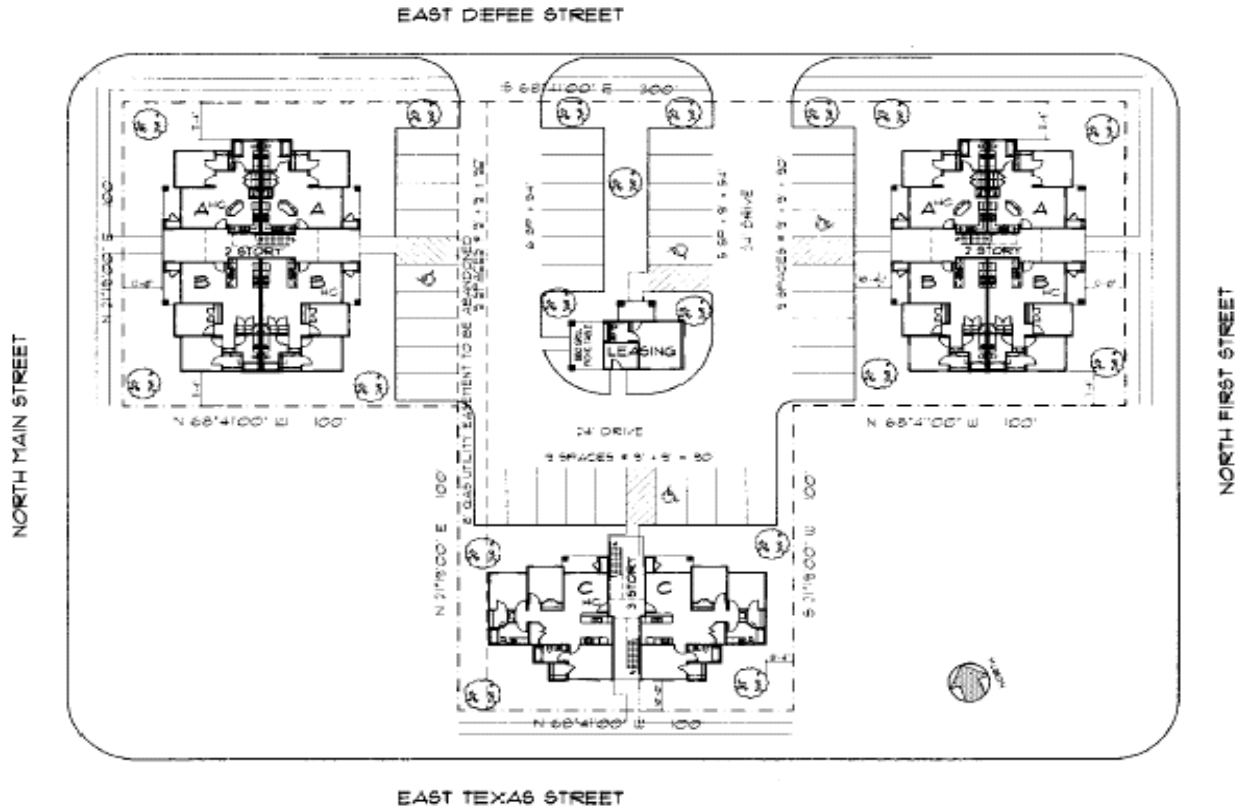
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, and Cost Estimator are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A/B	B/C																	Total Buildings
Floors/Stories	2	3																	
Number	2	1																	3

BR/BA	SF	Units										Total Units	Total SF	
1/1	683	4											8	5464
2/1	903	4	2										10	9030
3/2	1,154		4										4	4616
Units per Building		8	6										22	19,110

SITE ISSUES

Total Size: 0.9183 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MU/Mixed Use Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/18/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Defee Street, Commercial, Residential

East: N. First Street, Residential

South: E. Texas Avenue, Residential

West: N. Main Street, Undeveloped Land, Commercial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: The Murillo Company Environmental Consultants

Date: 3/9/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
None

MARKET HIGHLIGHTS

Provider: O'Connor & Associates

Date: 3/6/2007

Contact: Robert O. Coe, II

Phone: (713) 686-9955

Fax: (713) 686-8336

Number of Revisions: 0

Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 20 square miles (1 2.5 mile radius)

"For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by HWY 201 and Park St. to the north; Scott Mitchell Bay and Black Duck Bay to the west; Tabbs Bay to the south; and Cedar Bayou to the east ... which is basically the older portion of the City of Baytown." (p. 23)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
None				N/A			

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
30% / 1 BR	26	0	0	26	1	0	3.8%
50% / 1 BR	41	-1	0	40	6	0	15.0%
60% / 1 BR	42	-1	0	41	1	0	2.4%
50% / 2 BR	28	-1	0	27	8	0	29.6%
60% / 2 BR	33	-1	0	32	2	0	6.3%
50% / 3 BR	0	0	0	0	3	0	no demand
60% / 3 BR	0	0	0	0	1	0	no demand

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 70	100% 10,701	94% 10,086	Included in Tenure %	22% 2,233	65% 1,450				
Underwriter	100% 10,659	91% 9,690	30% 2,938	59% 1,736	65% 1,129				
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 70		94% -21	Included in Tenure %	22% -4	100% -4				
Underwriter		91% -13	30% -4	59% -2	100% -2				
DEMAND from OTHER SOURCES									
Market Analyst p. 69						169			
Underwriter						37			

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 71	22	0	0	22	1,615	1.36%
Underwriter	22	0	0	22	1,163	1.89%

Primary Market Occupancy Rates:

"The 9% HTC properties within the PMA have an average current occupancy of 94.86%. The rent comparables reported current occupancies ranging from 95% to 100%, with a median occupancy of 97.0%." (p. 83)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease to stabilized occupancy within several months following completion of the construction." (p. 85)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 683 SF (30%)	\$282	\$282	\$645	\$282	\$363	
1 BR 683 SF (50%)	\$510	\$510	\$645	\$510	\$135	
1 BR 683 SF (60%)	\$625	\$625	\$645	\$625	\$20	
2 BR 903 SF (50%)	\$614	\$614	\$780	\$614	\$166	
2 BR 903 SF (60%)	\$751	\$751	\$780	\$751	\$29	
3 BR 1,154 SF (50%)	\$704	\$704	\$1,020	\$704	\$316	
3 BR 1,154 SF (60%)	\$862	\$862	\$1,020	\$862	\$158	

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 85)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Baytown submarket within the Houston MSA. This submarket completely encompasses the PMA identified in the subject application, and is roughly twice the size in terms of area and population. In this submarket, the Vogt, Williams study identifies a 2009 total growth-based demand for only 14 units which would be applicable to the subject property. The Market Analyst for the subject application did not address the Vogt, Williams study. But the Analyst concluded that growth-based demand would be negative for the subject PMA; and the Underwriter's analysis came to a similar conclusion. It would seem to be a consensus conclusion that demand from growth will not be significant in this area; the demand identified by the Market Analyst and confirmed by the Underwriter is all based on turnover.

Comments:

The submitted market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rental income is based on 2007 HTC maximum gross rents for Harris County, adjusted for tenant utility allowances maintained by the Baytown Housing Authority dated June 1, 2006. The Applicant included \$8 per unit per month in secondary income from late charges, application fees, and forfeited deposits. The Applicant's estimated losses for vacancy and collection are 7.5% of potential gross income, consistent with TDHCA guidelines. The Applicant's estimated Effective Gross Income of \$150K is consistent with the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's estimated Total Annual Operating Expenses are \$4,432 per unit. This is within 5% of the Underwriter's estimate of \$4,307 based on the TDHCA database and third party sources. However, there is significant variance among several individual line items. The Applicant's projected expense for Payroll & Payroll Tax is \$13K higher than the Underwriter's estimate, and the Applicant's projected total utilities expense (including electricity, water, sewer, and trash) is \$5K lower than the Underwriter's estimate.

Conclusion:

The Applicant's estimated Effective Gross Income, Total Annual Expenses, and Net Operating Income (NOI) are all within 5% of the Underwriter's estimates; therefore, the Applicant's Total Annual Expenses and NOI will be used to determine debt capacity.

Feasibility:

The Applicant's projected Total Annual Expenses, NOI, and Debt Service are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow, providing a Debt Coverage Ratio (DCR) of 1.16 for the first year (within the TDHCA guideline range of 1.15 to 1.35), and maintaining a DCR above 1.15; the project can therefore be considered financially feasible.

ACQUISITION INFORMATION			
ASSESSED VALUE			
Land Only:	0.92 acres	\$40,000	Tax Year: 2006
Improvements:		\$25,184	Valuation by: Harris County CAD
Total Assessed Value:		\$65,184	Tax Rate: 3.1812
EVIDENCE of PROPERTY CONTROL			
Type:	Commercial Contract -- Unimproved Property		Acreage: 0.92
Contract Expiration:	8/15/2007	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$75,000	Other:	
Seller:	Watco Companies	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
CONSTRUCTION COST ESTIMATE EVALUATION			
<i>COST SCHEDULE</i>	Number of Revisions:	0	Date of Last Applicant Revision: N/A
Acquisition Value:			
The acquisition cost is assumed to be reasonable since the purchase is an arm's-length transaction.			
Sitework Cost:			
The Applicant's projected sitework cost of \$8,700 per unit does not exceed the current TDHCA guideline limit of \$9,000; therefore no additional certification is necessary. The site is currently a paved parking lot. The removal of the existing paving is an ineligible cost, but this cost is not specified in the development cost schedule.			
When asked about this cost, the Applicant indicated that this cost was assumed to be eligible since it did not involve demolition of buildings. The Applicant provided a quote for \$30,000. The development cost schedule was not revised, and the Applicant implied that the cost was embedded in the overall costs. This treatment of demolition costs is probably incorrect in that it is likely that such demolition would be an ineligible cost. The Underwriter has included \$30,000 as an additional ineligible cost, but because this cost was not specifically identified in the cost schedule and because the site work cost were below the safe harbor threshold, the Underwriter did not deduct this amount from eligible costs. This amount does not affect the recommended tax credit award at this time but will be re-evaluated at cost certification.			
Direct Construction Cost:			
The Applicant's estimated direct construction cost is \$31K (3%) higher than the Underwriter's estimate, derived from the Marshall & Swift Residential Cost Handbook.			
Contingency & Fees:			
The Applicant's proposed contractor's fees, developer fees, and provision for contingencies exceed TDHCA eligibility limits by a total of \$11,197; this amount has been excluded from eligible basis.			
Conclusion:			
The Applicant's projected total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The calculated eligible basis of \$2,287,185 is increased by 30% because the region has been designated a Difficult Development Area; the resulting adjusted basis of \$2,973,341 supports annual tax credits of \$254,221. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.			

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Texas First Bank Type: Interim Financing

Principal: \$60,000 Interest Rate: _____ Fixed Term: _____ months

Comments:
for acquisition of land; terms have not been finalized

Source: MMA Financial Type: Interim to Permanent Financing

Interim: \$410,000 Interest Rate: 7.82% Fixed Term: 24 months

Permanent: \$410,000 Interest Rate: 8.0% Fixed Amort: 360 months

Comments:
interim variable rate at 30-day LIBOR + 2.50%; underwritten at 7.82%; permanent interest rate fixed at closing, 320 bps over 10-yr US Treasury; underwritten at 8.0%

Source: Baytown Municipal Development District Type: Interim to Permanent Financing

Principal: \$100,000 Interest Rate: TBD Fixed Amort: 180 months

Comments:
Municipal Development District Affordable Housing Development Program (CDBG); interest rate will be 60% of Prime, but will not exceed the Applicable Federal Rate; subordinate lien to any construction and permanent financing

Source: MMA Financial Type: Syndication

Proceeds: \$2,132,188 Syndication Rate: 88% Anticipated HTC: \$242,318

Comments:
The syndication rate is calculated based on anticipated tax credits and capital contribution rather than stated in the commitment

Amount: \$2,400 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate, less the permanent loans of \$410,000 from MMA Financial and \$100,000 from the Baytown Municipal Development District, indicates the need for \$2,134,588 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$242,591 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the Applicant's request (\$242,318), the gap-in-financing amount (\$242,591), and the credits determined by the eligible basis (\$254,221), the Applicant's request of \$242,318 is recommended.

The Underwriter's recommended financing structure indicates the need for \$2,400 in additional permanent funds. Deferred developer fees in this amount are repayable from development cashflow within one year of stabilized operation. Furthermore, the Developer, a related party (to the Applicant), has agreed to defer such amount of its fee as necessary to make the development financially feasible.

Underwriter: _____ Date: May 21, 2007
Thomas Cavanagh

Reviewing Underwriter: _____ Date: May 21, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: May 21, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Villas at Goose Creek, Baytown, 9% HTC #07179

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	683	\$343	\$282	\$282	\$0.41	\$61.00	\$32.31
TC 50%	6	1	1	683	\$571	510	3,060	0.75	61.00	32.31
TC 60%	1	1	1	683	\$686	625	625	0.92	61.00	32.31
TC 50%	8	2	1	903	\$686	614	4,912	0.68	72.00	37.31
TC 60%	2	2	1	903	\$823	751	1,502	0.83	72.00	37.31
TC 50%	3	3	2	1,154	\$793	704	2,112	0.61	89.00	49.31
TC 60%	1	3	2	1,154	\$951	862	862	0.75	89.00	49.31
TOTAL:	22		AVERAGE:	869		\$607	\$13,355	\$0.70	\$71.09	\$37.67

INCOME

Total Net Rentable Sq Ft: **19,110**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: **\$8.00**

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.01%	\$410	0.47
Management	6.84%	467	0.54
Payroll & Payroll Tax	12.74%	870	1.00
Repairs & Maintenance	5.94%	406	0.47
Utilities	2.98%	203	0.23
Water, Sewer, & Trash	4.70%	321	0.37
Property Insurance	5.13%	350	0.40
Property Tax 3.1812	13.04%	891	1.03
Reserve for Replacements	3.66%	250	0.29
TDHCA Compliance Fees	0.59%	40	0.05
Other: Supportive Services	1.46%	100	0.12
TOTAL EXPENSES	63.09%	\$4,307	\$4.96

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
MMA First Lien	24.04%	\$1,641	\$1.89
Baytown Muni Dev District	6.28%	\$429	\$0.49
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.59%	\$450	\$0.52

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.10%	\$3,648	\$4.20
Off-Sites		0.00%	0	0.00
Sitework		7.39%	8,700	10.02
Direct Construction		36.83%	43,391	49.95
Contingency 5.00%		2.21%	2,605	3.00
Contractor's Fees 14.00%		6.19%	7,293	8.40
Indirect Construction		10.03%	11,818	13.61
Ineligible Costs		9.10%	10,725	12.35
Developer's Fees 20.00%		14.25%	16,784	19.32
Interim Financing		8.58%	10,111	11.64
Reserves		2.32%	2,727	3.14
TOTAL COST		100.00%	\$117,802	\$135.62

Construction Cost Recap

	52.62%	\$61,989	\$71.36
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SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
MMA First Lien	15.82%	\$18,636	\$21.45
Baytown Muni Dev District	3.86%	\$4,545	\$5.23
MMA Syndication Proceeds	82.27%	\$96,918	\$111.57
Deferred Developer Fees	0.09%	\$109	\$0.13
Additional (Excess) Funds Req'd	-2.04%	(\$2,407)	(\$2.77)
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$160,260	\$160,260
Secondary Income	2,112	2,112
Other Support Income:	0	0
POTENTIAL GROSS INCOME	\$162,372	\$162,372
Vacancy & Collection Loss	(12,178)	(12,180)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$150,194	\$150,192
General & Administrative	\$9,028	\$7,500
Management	10,266	7,510
Payroll & Payroll Tax	19,133	32,549
Repairs & Maintenance	8,923	8,461
Utilities	4,476	2,200
Water, Sewer, & Trash	7,065	4,250
Property Insurance	7,700	8,250
Property Tax 3.1812	19,592	18,084
Reserve for Replacements	5,500	5,500
TDHCA Compliance Fees	880	990
Other: Supportive Services	2,200	2,200
TOTAL EXPENSES	\$94,765	\$97,494
NET OPERATING INC	\$55,430	\$52,698
MMA First Lien	\$36,101	\$36,101
Baytown Muni Dev District	9,427	9,180
Additional Financing	0	0
NET CASH FLOW	\$9,901	\$7,417
AGGREGATE DEBT COVERAGE RATIO	1.22	1.16
RECOMMENDED DEBT COVERAGE RATIO		1.16

COUNTY	IREM REGION	COMPT. REGION
Harris	Houston	6
\$8.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.39	\$341	4.99%
0.39	341	5.00%
1.70	1,480	21.67%
0.44	385	5.63%
0.12	100	1.46%
0.22	193	2.83%
0.43	375	5.49%
0.95	822	12.04%
0.29	250	3.66%
0.05	45	0.66%
0.12	100	1.46%
\$5.10	\$4,432	64.91%
\$2.76	\$2,395	35.09%
\$1.89	\$1,641	24.04%
\$0.48	\$417	6.11%
\$0.00	\$0	0.00%
\$0.39	\$337	4.94%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$80,250	\$80,250	\$4.20	\$3,648	3.03%
Off-Sites	0	0	0.00	0	0.00%
Sitework	191,400	191,400	10.02	8,700	7.24%
Direct Construction	954,607	1,004,850	52.58	45,675	38.00%
Contingency 5.00%	57,300	63,402	3.32	2,882	2.40%
Contractor's Fees 14.00%	160,441	173,216	9.06	7,873	6.55%
Indirect Construction	260,000	260,000	13.61	11,818	9.83%
Ineligible Costs	235,956	205,956	10.78	9,362	7.79%
Developer's Fees 20.00%	369,240	383,064	20.05	17,412	14.48%
Interim Financing	222,450	222,450	11.64	10,111	8.41%
Reserves	60,000	60,000	3.14	2,727	2.27%
TOTAL COST	\$2,591,644	\$2,644,588	\$138.39	\$120,209	100.00%

Construction Cost Recap

	52.62%	\$61,989	\$71.36
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SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
MMA First Lien	15.82%	\$18,636	\$21.45
Baytown Muni Dev District	3.86%	\$4,545	\$5.23
MMA Syndication Proceeds	82.27%	\$96,918	\$111.57
Deferred Developer Fees	0.09%	\$109	\$0.13
Additional (Excess) Funds Req'd	-2.04%	(\$2,407)	(\$2.77)
TOTAL SOURCES			

RECOMMENDED

	TDHCA	APPLICANT	RECOMMENDED	Notes
MMA First Lien	\$410,000	\$410,000	\$410,000	Developer Fee Available
Baytown Muni Dev District	100,000	100,000	100,000	\$381,198
MMA Syndication Proceeds	2,132,188	2,132,188	2,132,188	% of Dev. Fee Deferred
Deferred Developer Fees	2,400	2,400	2,400	1%
Additional (Excess) Funds Req'd	(\$2,944)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$2,591,644	\$2,644,588	\$2,644,588	\$223,756

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villas at Goose Creek, Baytown, 9% HTC #07179

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.05	\$1,071,200
Adjustments				
Exterior Wall Finish	1.28%		\$0.72	\$13,711
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.16%		1.77	33,850
Roofing			0.00	0
Subfloor			(1.06)	(20,287)
Floor Cover			2.43	46,437
Breezeways/Balconies	\$21.71	3,626	4.12	78,736
Plumbing Fixtures	\$805	12	0.51	9,660
Rough-ins	\$400	44	0.92	17,600
Built-In Appliances	\$1,850	22	2.13	40,700
Exterior Stairs	\$1,800	5	0.47	9,000
Enclosed Corridors	\$46.13	0	0.00	0
Heating/Cooling			1.73	33,060
Garages/Carports	\$0.00	0	0.00	0
Comm &/or Aux Bldgs	\$83.42	372	1.62	31,030
Other: High Wind Adj	\$0.94	19,110	0.94	17,963
SUBTOTAL			72.35	1,382,662
Current Cost Multiplier	0.98		(1.45)	(27,653)
Local Multiplier	0.87		(9.41)	(179,746)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.50	\$1,175,262
Plans, specs, survy, bld prm	3.90%		(\$2.40)	(\$45,835)
Interim Construction Interes	3.38%		(2.08)	(39,665)
Contractor's OH & Profit	11.50%		(7.07)	(135,155)
NET DIRECT CONSTRUCTION COSTS			\$49.95	\$954,607

PAYMENT COMPUTATION

Primary	\$410,000	Amort	360
Int Rate	8.00%	DCR	1.54

Secondary	\$100,000	Amort	180
Int Rate	4.90%	Subtotal DCR	1.22

Additional	\$2,132,188	Amort	
Int Rate		Aggregate DCR	1.22

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$36,101
Secondary Debt Service	9,427
Additional Debt Service	0
NET CASH FLOW	\$7,170

Primary	\$410,000	Amort	360
Int Rate	8.00%	DCR	1.46

Secondary	\$100,000	Amort	180
Int Rate	4.90%	Subtotal DCR	1.16

Additional	\$2,132,188	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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	\$160,260	\$165,068	\$170,020	\$175,120	\$180,374	\$209,103	\$242,408	\$281,017	\$377,663
Secondary Income	2,112	2,175	2,241	2,308	2,377	2,756	3,195	3,703	4,977
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	162,372	167,243	172,260	177,428	182,751	211,859	245,602	284,720	382,640
Vacancy & Collection Loss	(12,178)	(12,543)	(12,920)	(13,307)	(13,706)	(15,889)	(18,420)	(21,354)	(28,698)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$150,194	\$154,700	\$159,341	\$164,121	\$169,045	\$195,969	\$227,182	\$263,366	\$353,942
EXPENSES at 4.00%									
General & Administrative	\$9,028	\$9,389	\$9,764	\$10,155	\$10,561	\$12,849	\$15,633	\$19,020	\$28,154
Management	10,266	10,574	10,892	11,218	11,555	13,395	15,529	18,002	24,194
Payroll & Payroll Tax	19,133	19,899	20,694	21,522	22,383	27,233	33,133	40,311	59,670
Repairs & Maintenance	8,923	9,280	9,652	10,038	10,439	12,701	15,452	18,800	27,829
Utilities	4,476	4,655	4,841	5,035	5,236	6,371	7,751	9,430	13,959
Water, Sewer & Trash	7,065	7,348	7,642	7,948	8,266	10,056	12,235	14,886	22,035
Insurance	7,700	8,008	8,328	8,661	9,008	10,960	13,334	16,223	24,014
Property Tax	19,592	20,376	21,191	22,039	22,920	27,886	33,928	41,278	61,102
Reserve for Replacements	5,500	5,720	5,949	6,187	6,434	7,828	9,524	11,588	17,153
Other	3,080	3,203	3,331	3,465	3,603	4,384	5,334	6,489	9,605
TOTAL EXPENSES	\$94,765	\$98,452	\$102,285	\$106,267	\$110,406	\$133,663	\$161,852	\$196,027	\$287,714
NET OPERATING INCOME	\$55,430	\$56,247	\$57,056	\$57,854	\$58,639	\$62,307	\$65,330	\$67,339	\$66,228
DEBT SERVICE									
First Lien Financing	\$36,101	\$36,101	\$36,101	\$36,101	\$36,101	\$36,101	\$36,101	\$36,101	\$36,101
Second Lien	9,427	9,427	9,427	9,427	9,427	9,427	9,427	9,427	9,427
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$9,901	\$10,719	\$11,528	\$12,325	\$13,111	\$16,778	\$19,801	\$21,811	\$20,700
DEBT COVERAGE RATIO	1.22	1.24	1.25	1.27	1.29	1.37	1.43	1.48	1.45

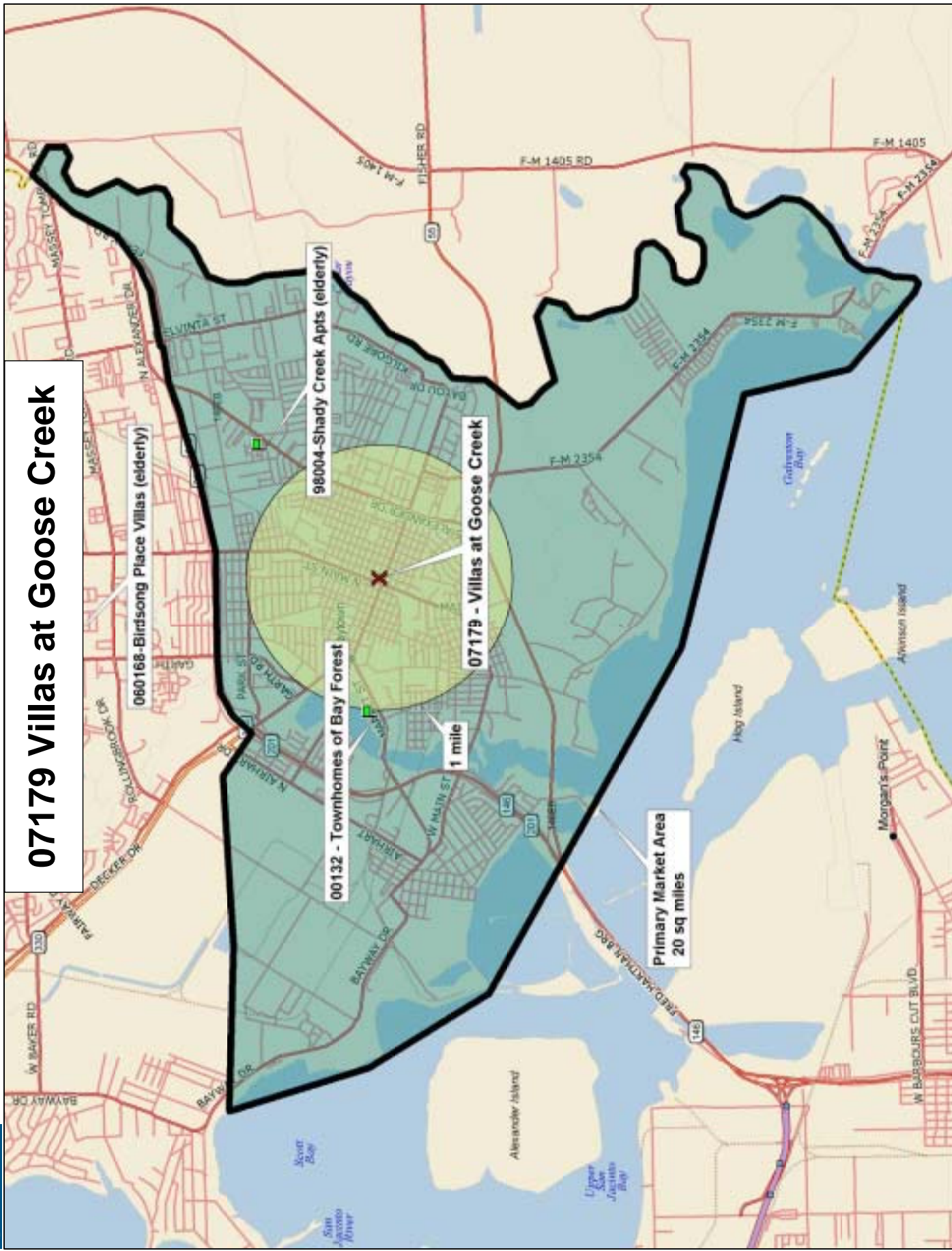
HTC ALLOCATION ANALYSIS -Villas at Goose Creek, Baytown, 9% HTC #07179

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$80,250	\$80,250		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$191,400	\$191,400	\$191,400	\$191,400
Construction Hard Costs	\$1,004,850	\$954,607	\$1,004,850	\$954,607
Contractor Fees	\$173,216	\$160,441	\$167,475	\$160,441
Contingencies	\$63,402	\$57,300	\$59,813	\$57,300
Eligible Indirect Fees	\$260,000	\$260,000	\$260,000	\$260,000
Eligible Financing Fees	\$222,450	\$222,450	\$222,450	\$222,450
All Ineligible Costs	\$205,956	\$235,956		
Developer Fees			\$381,198	
Developer Fees	\$383,064	\$369,240		\$369,240
Development Reserves	\$60,000	\$60,000		
TOTAL DEVELOPMENT COSTS	\$2,644,588	\$2,591,644	\$2,287,185	\$2,215,438

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$2,287,185	\$2,215,438
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$2,973,341	\$2,880,069
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$2,973,341	\$2,880,069
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$254,221	\$246,246

Syndication Proceeds	0.8799	\$2,236,921	\$2,166,750
Total Tax Credits (Eligible Basis Method)		\$254,221	\$246,246
Syndication Proceeds		\$2,236,921	\$2,166,750
Requested Tax Credits		\$242,318	
Syndication Proceeds		\$2,132,188	
Gap of Syndication Proceeds Needed		\$2,134,588	
Total Tax Credits (Gap Method)		\$242,591	

07179 Villas at Goose Creek

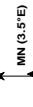


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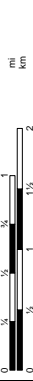
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www.delorme.com

TN



Scale 1 : 62,500



1" = 5,208.3 ft Data Zoom 11-6

Applicant Evaluation

Project ID # **07179**

Name: **Villas at Goose Creek**

City: **Baytown**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Holland House Apartments, TDHCA Number 07180

BASIC DEVELOPMENT INFORMATION

Site Address: 616 Josephine St. Development #: 07180
City: Holland Region: 8 Population Served: General
County: Bell Zip Code: 76534 Allocation: Rural
HTC Set Asides: [x] At-Risk [] Nonprofit [x] USDA [] Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: [] CHDO [] Preservation [] General Acquisition: [x]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Holland House Apartments, Ltd
Owner Contact and Phone: Warren Maupin (254) 982-4243
Developer: Warren Maupin Development, Inc.
Housing General Contractor: Warren Maupin Development, Inc.
Architect: N/A
Market Analyst: N/A
Syndicator: Raymond James Tax Credit Funds, Inc.
Supportive Services: To Be Determined
Consultant: Mary Graves

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 68
0 0 0 68 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 16 44 8 0 0 Total Development Units: 68
Type of Building: Total Development Cost*: \$3,981,822
[] Duplex [x] 4 units or more per building Number of Residential Buildings: 5
[] Triplex [] Detached Residence HOME High Total Units: 0
[] Fourplex [] Single Room Occupancy HOME Low Total Units: 0
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$267,348 \$267,348
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Holland House Apartments, TDHCA Number 07180

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, NC

Points: 0

US Representative: Carter, District 31, NC

TX Representative: Delisi, District 55, S

Points: 7

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from one elected official.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including the proposed financing structure, an increase in from the current contract rents of not less than 25.2% on average, the rehabilitation scope and budget, and the transfer price or an alternative feasible financing structure.

Subsequent to submission of the application it was discovered that the Applicant has made application to USDA for new funds under a demonstration program. Should additional USDA funds be utilized in this development at below AFR, an adjustment to the credit amount may be required via either a reduction in the applicable percentage (to the 4% credit) or a reduction in the qualified basis (by the amount of new USDA funds).

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

Receipt of a commitment of funding from the City of Holland in the amount of \$96,480, or a commitment from a qualifying substitute source in an amount not less than \$38,847, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Holland House Apartments, TDHCA Number 07180

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

Competitive Housing Tax Credits: Score: **126** Meeting a Required Set-Aside Credit Amount*: \$267,348

Recommendation: Competitive in At-Risk Set-Aside.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9% HTC FILE NUMBER: 07180

DEVELOPMENT

Holland House Apartments

Location: 616 Josephine Street Region: 8
 City: Holland County: Bell Zip: 76534 OCT DDA
 Key Attributes: Multifamily, Family, Acquisition/Rehabilitation, Rural, At-Risk/Preservation, USDA-RD

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$267,348			\$267,348		

CONDITIONS

- 1 Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including the proposed financing structure, an increase in from the current contract rents of not less than 25.2% on average, the rehabilitation scope and budget, and the transfer price or an alternative feasible financing structure.
- 2 Subsequent to submission of the application it was discovered that the Applicant has made application to USDA for new funds under a demonstration program. Should additional USDA funds be utilized in this development at below AFR, an adjustment to the credit amount may be required via either a reduction in the applicable percentage (to the 4% credit) or a reduction in the qualified basis (by the amount of new USDA funds).
- 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	68

PROS

The proposal provides for the rehabilitation and revitalization of a 28 year old USDA-RD property.

The property targets the lowest income households; at least 15 of the units receive project-based rental assistance from USDA-RD and proposed contract rents remain well below the tax credit maximums and market rents.

CONS

The development relies upon project-based rental assistance to maintain feasibility with an expense to income ratio over 65%.

The proposed development plan is not feasible without USDA-RD approval of substantial increases in the current rent levels and/or additional funding and possible deferral of existing 515 debt service payments.

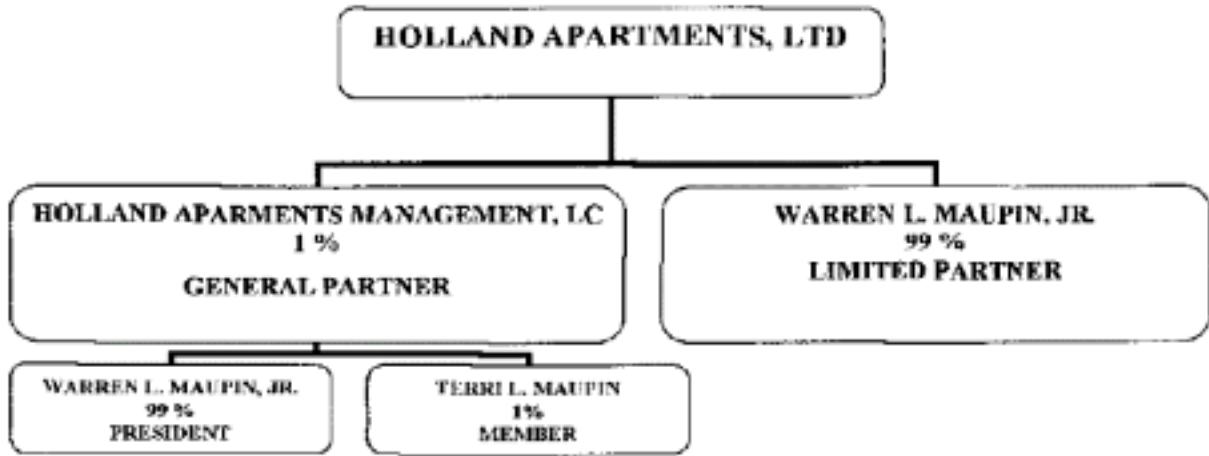
The Applicant has not included contingencies for potential cost overruns, which is a significant risk, particularly for rehabilitations.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Warren Maupin Phone: (254) 982-4243 Fax: (254) 771-3122
 Email: twinoaksvlg@earthlink.net

KEY PARTICIPANTS

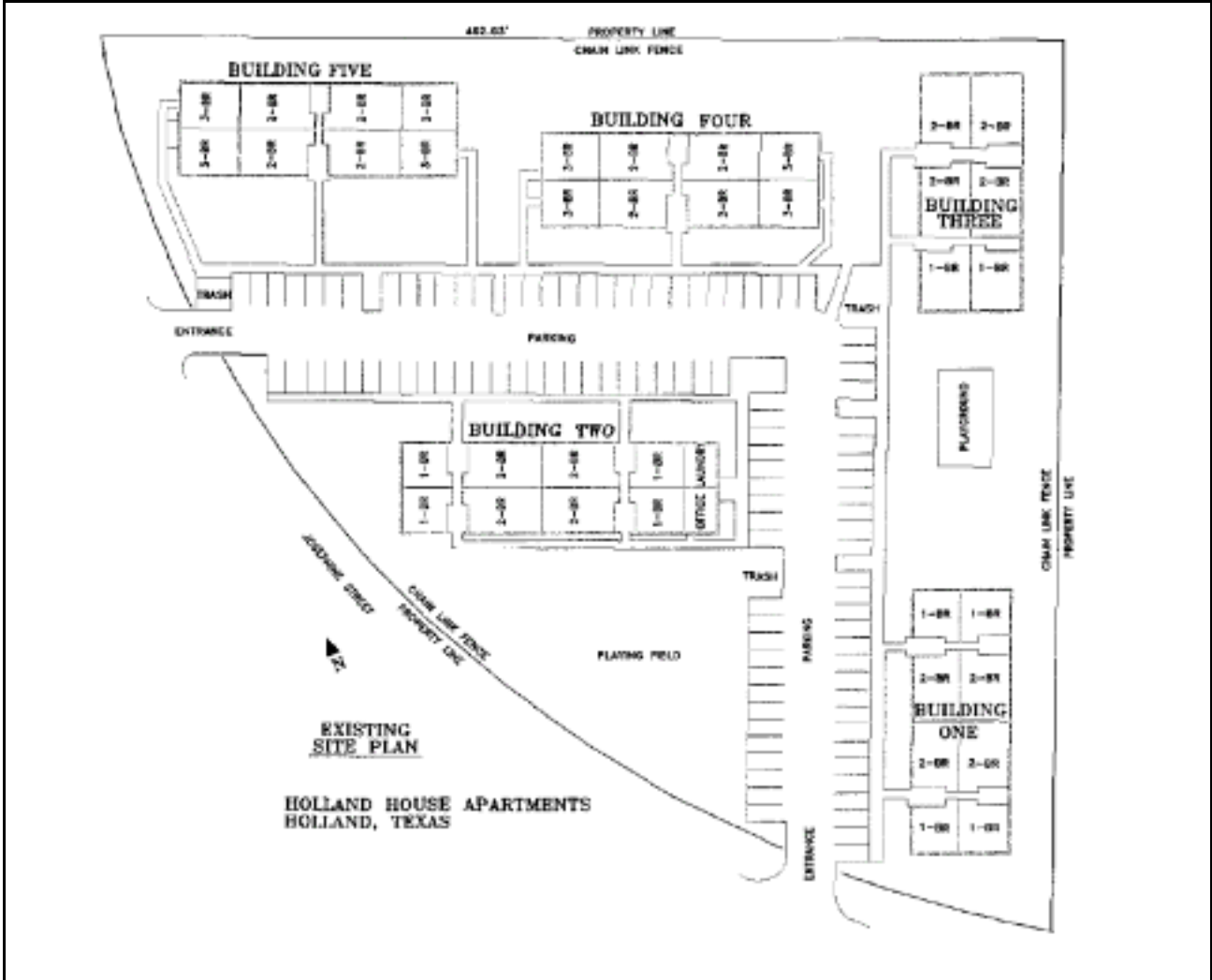
Name	Net Assets	Liquidity ¹	# of Complete Developments
Maupin Development	\$347,600	\$32,600	5
Warren Maupin, Jr.	Confidential		5
Terri Maupin	Confidential		5

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.
 The seller is regarded as a related party; however, USDA-RD will determine the transfer price, which will be equal to the remaining balance on the three existing loans.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5							Total Buildings
Floors/Stories	2	2	2	2	2							
Number	1	1	1	1	1							5

BR/BA	SF	Units										Total Units	Total SF
1/1	652	8	8									16	10,432
2/1	850	8	8	12	8	8						44	37,400
3/2	1,313				4	4						8	10,504
Units per Building		16	16	12	12	12						68	58,336

Rehabilitation summary:

The plan calls for the replacement/refurbishment of roofs, windows, doors, exterior siding, stairs, interior flooring, cabinets, faucets, tub/showers, appliances, HVAC, landscaping, drives and parking, fencing, and interior and exterior painting. The Applicant provided a Capital Needs Assessment (CNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the CNA confirms these improvements.

SITE ISSUES						
Total Size:	<u>3.48</u>	acres	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>Zone C</u>		Within 100-yr floodplain?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>MF-H</u>		Needs to be re-zoned?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

TDHCA SITE INSPECTION	
Inspector: <u>ORCA Staff</u>	Date: <u>4/13/2007</u>
Overall Assessment:	
<input type="checkbox"/> Excellent <input checked="" type="checkbox"/> Acceptable <input type="checkbox"/> Questionable <input type="checkbox"/> Poor <input type="checkbox"/> Unacceptable	
Surrounding Uses:	
North: vacant land and residential uses	
South: Josephine Street and residential uses	
East: vacant land and residential uses	
West: vacant land and residential uses	
Comments:	
Staff Inspector: The Apartment complex is close to schools and the downtown area.	

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal dated March 24, 2007 prepared by Rafael C. Luebbert, MAI, SRA ("Appraiser") included the following market highlights:

The Appraiser identified the market area to be the "geographical region enveloped by the community of Belton and Georgetown, in Bell and Williamson Counties, Texas" (p.21).

The subject development is currently 87% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. A capture rate was not calculated but is of limited value given the low vacancy at the property and limited anticipated turnover as a result of the rehabilitation.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
GEOGRAPHICAL REGION				SMA
Name	File #	Total Units	Comp Units	N/A
Sierra Ridge	7224	80	77	

INCOME LIMITS						
Bell						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$20,820	\$23,820	\$26,760	\$29,760	\$32,160	\$34,500

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Savings Over Market
1 BR	652 SF	(60%)	\$275	\$325	\$394	\$325	\$69
2 BR	850 SF	(60%)	\$320	\$410	\$467	\$410	\$57
2 BR	850 SF	(60%)	\$345	\$410	\$467	\$410	\$57
3 BR	1,313 SF	(60%)	\$420	\$490	\$563	\$490	\$73

Comments:

The Appraiser's market evaluation provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 3/23/2007

The Applicant's rent projections are based on the anticipated contract rents contingent upon USDA-RD's approval. The Applicant has indicated that 15 of the units receive rental assistance; however, based on the documentation provided, 22 units currently appear to be receiving USDA-RD rental assistance. The remaining units are restricted at the same rent levels as the units receiving rental assistance. The proposed contract rents are less than current Housing Tax Credit program rent limits, and the Underwriter has used the Applicant's anticipated contract rent levels. Of note, it is not typical for USDA-RD to approve different rent levels for similar unit types in the same property; however, the subject is a portfolio transaction involving three phases of a development and three separate USDA-RD loans.

While the Applicant's anticipated contract rents are 20.5% higher than the current contract rents, the appraisal indicates that the achievable market rents are still higher.

Ultimately, as discussed in the "Recommended Financing Structure" section below, the long-term proforma does not reflect sufficient cashflow to repay the deferred developer fee within 15 years as required by Department guidelines. Therefore, the Applicant may be required to request an even greater increase over the current contract rent levels in order to increase cashflow to pay deferred developer fees. Alternatively, conversations with USDA-RD staff indicate that the Applicant has applied for additional funds that may provide for other feasible rent and financing structures.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines, and the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 3/23/2007

The Applicant's total annual operating expense projection at \$3,456 per unit is not within 5% of the Underwriter's estimate of \$3,650, derived from the TDHCA database, IREM, the actual historical expenses, and other third party sources. The Applicant's budget shows several line item estimates that deviate when compared to the Underwriter's estimates, specifically: general and administrative (\$7K lower), repairs and maintenance (\$13K lower), and reserve for replacements (\$4K lower). The Applicant included USDA-RD's reserve requirement of \$241 per unit per year; however, Department guidelines require a minimum reserve for replacements of \$300 per unit for rehabilitation transactions. Therefore, the Underwriter used \$300 per unit for reserve for replacements. Of note, both the Applicant's and Underwriter's expense estimates result in an expense to income ratio well above the Department's 65% maximum; however, USDA-RD properties receiving rental assistance are exempt from this requirement.

Conclusion:

The Applicant's estimates of total operating expense and net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). While the Underwriter's DCR is slightly below the Department's minimum of 1.15, USDA-RD properties receiving rental assistance are exempt from meeting this requirement.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains below the typical 1.15 minimum and results in a negative cashflow by year ten of stabilized operation. USDA-RD properties with rental assistance are exempt from meeting the Department's standard long-term feasibility requirements. While the long-term viability of the development is of concern, conversations with USDA-RD indicate that other alternative structures may be pursued to eliminate or reduce the burden of any additional debt. This is discussed in more detail in the "Recommended Financing Structure" section below.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert Date: 3/22/2007
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 3.48 acres \$64,255 As of: 3/22/2007
Existing Buildings: (as-is) \$2,087,745 As of: 3/22/2007
Total Development: (as-is) \$2,152,000 As of: 3/22/2007

ASSESSED VALUE

Land Only: 3.46 acres \$27,640 Tax Year: 2006
Existing Buildings: \$346,051 Valuation by: Bell County Appraisal Dist.
Total Assessed Value: \$373,691 Tax Rate: 2.2734

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase Real Property Acreage: 3.48
Contract Expiration: 1/5/2008 Valid Through Board Date? Yes No
Acquisition Cost: \$1,240,285 Other: Price is based on balance due on loans
Sellers: Jones & Jones Joint Venture, Related to Development Team? Yes No
Jones & McCelvey, Ltd.,
Holland, Ltd., and
Venita Jones

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 5/22/2007

Acquisition Value:

The Applicant provided an Option contract for the purchase of the property that indicates the purchase price will be the balance due of the existing USDA-RD loans at closing. The Applicant has estimated the outstanding balance at transfer to be \$1,240,285. This is approximately \$15K less than the balance as of February 21, 2007 according to information provided by the Applicant. The appraisal appears to support the said purchase price; therefore, the Underwriter has assumed the purchase price to be \$1,240,285. The Applicant's development cost schedule reflects an acquisition value that is lower than the balance. However, this is assumed to be a mistake because the proposed plan is a same rates and terms transfer and it is incorrect to assume the purchase price will be less than the loan balances.

The Applicant has claimed an eligible building basis of \$1,132,124 which is understated due to the use of incorrect acquisition price reflected in the development cost schedule as the basis for this estimate. The Underwriter has used an eligible building basis of \$1,173,922, which is equal to the anticipated loan balances less the value attributed to the underlying land. The Underwriter has determined the land value based upon the appraisal, which indicates the underlying land represents 5% of the total value. The use of the Underwriter's eligible building value results in an increase in the acquisition basis.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$2,978 per unit, which is slightly higher than the estimate in the Capital Needs Assessment. The Underwriter has used the value reflected in the CNA.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$19K or 1% lower than the estimate provided in the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value.

Contingency & Fees:

Although it is not required by Department rules for a development cost schedule to include contingency for cost overruns, the absence of this line item is a cause for concern. This is especially true for a rehabilitation development. In fact, the Department allows twice as much contingency on a percentage basis for rehabilitation as it allows for new construction due to the higher likelihood for unforeseeable costs.

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 Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,834,035 supports annual tax credits of \$270,170. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 5/22/2007

Source: Raymond James Multifamily Finance, Inc. Type: Interim Financing

Principal: \$500,000 Interest Rate: 8.75% Fixed Term: 18 months

Comments:

The commitment indicates the loan will be variable at the prime rate as reported in the WSJ plus 50 basis points.

Source: Raymond James Multifamily Finance, Inc. Type: Permanent Financing

Principal: \$130,000 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

The Applicant has submitted a term sheet for the subject permanent loan. The Applicant has indicated that the lender, Raymond James, will require first lien position on the property or may agree to a parity position if an agreement with USDA-RD can be reached. In staff's experience and based on conversations with USDA-RD, additional debt, particularly first lien debt, is unlikely to be approved unless the plan includes recapitalization of a property.

However, conversations with USDA-RD staff indicate that the Applicant has applied for rehabilitation funds under USDA-RD's Section 515 Multi-Family Housing Preservation and Revitalization Restructuring (MPR) Demonstration Program in an amount of \$130,000 that may ultimately replace the Raymond James loan. The MPR Demonstration funds can be generously structured as a loan at a 1% interest rate or as grant funds depending on the needs of the development. Moreover, it appears that deferral of Section 515 loan debt service payments may allow for additional cashflow during initial years of operation. This is discussed further below in the "Recommended Financing Structure" section. To the extent that below market rate federal financing is added to the development the tax credit allocation may need to be revisited as the project would no longer be eligible for the 9% credit or would have to reduce the amount of any such award from basis.

Source: USDA-RD Type: Permanent Financing

Principal: \$1,240,285 Interest Rate: 1.00% Fixed Amort: 600 months

Comments:

The development plan proposed a same rates and terms transfer of the three existing USDA-RD loans. The terms of the three notes are as follows: \$277,400 at 8.75% in 1979; \$400,000 at 11.5% in 1982; and \$903,600 at 11.375% in 1986. Additionally, each loan is amortized over 50 years and includes an interest rate subsidy that reduces the effective rate to approximately 1.00%. The combined outstanding balance of the USDA-RD loans was approximately \$1,265,286 as of February 21, 2007. However, the report reflects the Applicant's estimate of the future outstanding loan balance at the date of transfer of the property. The viability of the transaction hinges upon USDA-RD's approval of the same rates and terms transfer; as such, this report is conditioned upon USDA-RD's approval of the proposed plan as discussed below. A same rates and terms transfer would eliminate the impact of a below market rate federal subsidy reducing the eligible credit amount.

Source: Raymond James Tax Credit Funds, Inc. Type: Syndication

Proceeds: \$2,352,427 Syndication Rate: 88% Anticipated HTC: \$ 267,348

Amount: \$150,000 Type: City-Sponsored AHP grant

Comments:

The Applicant originally anticipated a City-sponsored grant. According to the Applicant, the grant was denied subsequent to submission of the Application, but the Applicant was encourage to reapply for the grant in August. The Applicant's revised sources and uses of funds does not include the subject grant and information provided suggests no expectation that the grant will be approved in the future. The Underwriter has thus not included the City-sponsored grant in the recommended financing structure.

Amount: \$22,080 Type: In-Kind Contributions by City

Comments:

The Applicant provided a letter from the City committing in-kind donations totaling \$22,080 for deferral of increased sewer rates, support for disposal of appliances and stairwells, and dumpsters for metal scraps. The Applicant's final sources and uses of funds does not include this source of in-kind donations. Moreover, the development cost schedule does not appear to include comparable cost offsets for the provision of these donations. As a result, the Underwriter has not included this source of in-kind donations in the recommended financing structure. Should this source of funds ultimately be received, the Applicant's eligible basis may be reduced by a comparable amount or ineligible development costs may increase by a comparable amount or no adjustments may be necessary depending on how the Applicant has treated these costs in the development cost schedule.

Amount: \$161,727 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the estimated USDA-RD combined balance of \$1,240,285 and the \$130,000 permanent loan from RJMFI indicates the need for \$2,611,537 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$296,795 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$267,348), the gap-driven amount (\$296,795), and eligible basis-derived estimate (\$270,170), the Applicant's revised request of \$267,348 is recommended resulting in proceeds of \$2,352,427 based on a syndication rate of 88%.

The Underwriter's recommended financing structure indicates the need for \$259,110 in additional permanent funds. If structured as submitted, deferred developer fees in this amount do not appear to be repayable from development cashflow within fifteen years of stabilized operation as is required pursuant to § 1.32(i)(2) of the 2007 Real Estate Analysis Rules and Guidelines.

However, based on the market rents indicated in the appraisal and/or the possible USDA-RD demonstration funds, the Underwriter has identified alternative feasible financing structures.

The proposed contract rent increases and the Underwriter's proforma result in the cumulative 15 year cashflow of -\$2,459. However, the proposed contract rents, while substantially higher than current rents, remain below the maximum tax credit rents and below the market rents according to the appraisal. As such, if USDA-RD ultimately approved an increase of no less than 4.7% over the Applicant's proposed rents or 25.2% over the current contract rents, the development's cumulative 15 year cashflow would increase to an amount that would enable repayment of deferred developer fees.

The Applicant has applied for additional rehabilitation funds under the Section 515 Multi-Family Housing Preservation and Revitalization Restructuring (MPR) Demonstration Program that, if approved, could replace the proposed Raymond James loan. The MPR Demonstration Program can provide the funds structured as a loan carrying a 1% interest rate or as a grant. Should the Applicant ultimately receive such funds, based on the long-term proforma, the development's 15-year cumulative cashflow would increase to \$161,157. While this amount is still insufficient to repay the deferred developer fees, the required rent increase would be 22.3% over the existing contract rents, which appears to be achievable based on the submitted appraisal. Moreover, the MPR Demonstration Program provides additional restructuring tools, such as deferral of 515 debt service, that may allow for other feasible financing structures. As a cautionary note, however, additional below market rate federal funds could have a negative impact on the final tax credit allocation.

Therefore, receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including the proposed financing structure, an increase in from the current contract rents of not less than 25.2% on average, the rehabilitation scope and budget, and the transfer price or an alternative feasible financing structure is a condition of this report. Any alternative financing structures should be reviewed by Real Estate Analysis for compliance with underwriting guidelines and IRS requirements.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction. However, this equity restriction may limit the rent increase that USDA-RD is willing to approve, which could result in an inability to achieve the increase in contract rents needed to repay deferred developer fees.

Underwriter:

Cameron Dorsey

Date: July 8, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: July 8, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: July 8, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Holland House Apartments, Holland, 9% HTC #07180

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	16	1	1	652	\$558	\$325	\$5,200		\$57.00	\$38.50
TC 60%	16	2	1	850	\$669	410	6,560		62.00	42.70
TC 60%	28	2	1	850	\$669	410	11,480		62.00	42.70
TC 60%	8	3	1.5	1,313	\$774	490	3,920		89.00	48.20
TOTAL:	68		AVERAGE:	858		\$399	\$27,160	\$0.47	\$64.00	\$42.36

INCOME

Total Net Rentable Sq Ft: **58,336**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$6.00
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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.98%	\$269	0.31	\$18,296	\$11,250	\$0.19	\$165	3.68%
Management	8.64%	389	0.45	26,434	28,682	0.49	422	9.37%
Payroll & Payroll Tax	17.41%	783	0.91	53,262	48,555	0.83	714	15.87%
Repairs & Maintenance	15.05%	677	0.79	46,055	32,800	0.56	482	10.72%
Utilities	4.27%	192	0.22	13,056	15,500	0.27	228	5.07%
Water, Sewer, & Trash	11.30%	508	0.59	34,565	42,560	0.73	626	13.91%
Property Insurance	5.67%	255	0.30	17,349	19,440	0.33	286	6.35%
Property Tax 2.2734	5.05%	227	0.27	15,459	16,534	0.28	243	5.40%
Reserve for Replacements	6.67%	300	0.35	20,400	16,388	0.28	241	5.36%
TDHCA Compliance Fees	0.89%	40	0.05	2,720	2,720	0.05	40	0.89%
Other: fidelity bond & tax consultant	0.20%	9	0.01	600	600	0.01	9	0.20%
TOTAL EXPENSES	81.11%	\$3,650	\$4.25	\$248,196	\$235,029	\$4.03	\$3,456	76.81%
NET OPERATING INC	18.89%	\$850	\$0.99	\$57,809	\$70,971	\$1.22	\$1,044	23.19%

DEBT SERVICE

USDA-Rural Development	13.14%	\$591	\$0.69	\$40,194	\$47,703	\$0.82	\$702	15.59%
Raymond James Multifamily Finance	3.56%	\$160	\$0.19	10,908	10,924	\$0.19	\$161	3.57%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	2.19%	\$99	\$0.11	\$6,708	\$12,344	\$0.21	\$182	4.03%

AGGREGATE DEBT COVERAGE RATIO

1.13 1.21

RECOMMENDED DEBT COVERAGE RATIO

1.13

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)		31.15%	\$18,239	\$21.26	\$1,240,285	\$1,201,124	\$20.59	\$17,664	30.92%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.02%	2,938	3.43	199,810	202,500	3.47	2,978	5.21%
Direct Construction		37.76%	22,113	25.78	1,503,653	1,484,500	25.45	21,831	38.21%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	13.80%	5.90%	3,456	4.03	235,000	235,000	4.03	3,456	6.05%
Indirect Construction		3.87%	2,267	2.64	154,150	154,150	2.64	2,267	3.97%
Ineligible Costs		1.00%	587	0.68	39,900	39,900	0.68	587	1.03%
Developer's Fees	14.72%	12.36%	7,235	8.43	492,000	492,000	8.43	7,235	12.67%
Interim Financing		1.90%	1,110	1.29	75,500	75,500	1.29	1,110	1.94%
Reserves		1.04%	611	0.71	41,524	0	0.00	0	0.00%
TOTAL COST		100.00%	\$58,556	\$68.26	\$3,981,822	\$3,884,674	\$66.59	\$57,128	100.00%
Construction Cost Recap		48.68%	\$28,507	\$33.23	\$1,938,463	\$1,922,000	\$32.95	\$28,265	49.48%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
USDA-Rural Development	31.15%	\$18,239	\$21.26	\$1,240,285	\$1,240,285	\$1,240,285	Developer Fee Available
Raymond James Multifamily Finance	3.26%	\$1,912	\$2.23	130,000	130,000	130,000	\$492,000
City-Sponsored AHP grant	0.00%	\$0	\$0.00		0	0	
City In-Kind Contributions	0.00%	\$0	\$0.00		0	0	
HTC Syndication Proceeds	59.08%	\$34,595	\$40.33	2,352,427	2,352,662	2,352,427	% of Dev. Fee Deferred
Deferred Developer Fees	4.06%	\$2,378	\$2.77	161,727	161,727	259,110	53%
Additional (Excess) Funds Req'd	2.45%	\$1,432	\$1.67	97,383	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,981,822	\$3,884,674	\$3,981,822	(\$2,459)

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Holland House Apartments, Holland, 9% HTC #07180

PAYMENT COMPUTATION

Primary	\$1,240,285	Amort	600
Int Rate	1.00%	DCR	1.44
Secondary	\$130,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.13
Additional	\$2,352,662	Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$40,194
Secondary Debt Service	10,908
Additional Debt Service	0
NET CASH FLOW	\$6,708

Primary	\$1,240,285	Amort	600
Int Rate	1.00%	DCR	1.44
Secondary	\$130,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.13
Additional	\$2,352,662	Amort	0
Int Rate	0.00%	Aggregate DCR	1.13

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	\$325,920	\$335,698	\$345,769	\$356,142	\$366,826	\$425,252	\$492,983	\$571,503	\$768,052
Secondary Income	4,896	5,043	5,194	5,350	5,510	6,388	7,406	8,585	11,538
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	330,816	340,740	350,963	361,492	372,336	431,640	500,389	580,088	779,590
Vacancy & Collection Loss	(24,811)	(25,556)	(26,322)	(27,112)	(27,925)	(32,373)	(37,529)	(43,507)	(58,469)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$306,005	\$315,185	\$324,640	\$334,380	\$344,411	\$399,267	\$462,860	\$536,581	\$721,120
EXPENSES at 4.00%									
General & Administrative	\$18,296	\$19,027	\$19,789	\$20,580	\$21,403	\$26,040	\$31,682	\$38,546	\$57,058
Management	26,434	27,227	28,044	28,885	29,752	34,490	39,984	46,352	62,293
Payroll & Payroll Tax	53,262	55,392	57,608	59,912	62,309	75,808	92,232	112,214	166,105
Repairs & Maintenance	46,055	47,898	49,813	51,806	53,878	65,551	79,753	97,032	143,630
Utilities	13,056	13,578	14,121	14,686	15,274	18,583	22,609	27,507	40,717
Water, Sewer & Trash	34,565	35,947	37,385	38,881	40,436	49,196	59,855	72,823	107,796
Insurance	17,349	18,043	18,765	19,515	20,296	24,693	30,043	36,552	54,106
Property Tax	15,459	16,077	16,721	17,389	18,085	22,003	26,770	32,570	48,212
Reserve for Replacements	20,400	21,216	22,065	22,947	23,865	29,036	35,326	42,980	63,620
Other	3,320	3,453	3,591	3,735	3,884	4,725	5,749	6,995	10,354
TOTAL EXPENSES	\$248,196	\$257,859	\$267,901	\$278,337	\$289,181	\$350,126	\$424,003	\$513,570	\$753,891
NET OPERATING INCOME	\$57,809	\$57,326	\$56,739	\$56,043	\$55,230	\$49,141	\$38,857	\$23,011	(\$32,770)
DEBT SERVICE									
First Lien Financing	\$40,194	\$40,194	\$40,194	\$40,194	\$40,194	\$40,194	\$40,194	\$40,194	\$40,194
Second Lien	10,908	10,908	10,908	10,908	10,908	10,908	10,908	10,908	10,908
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$6,708	\$6,224	\$5,638	\$4,941	\$4,128	(\$1,961)	(\$12,245)	(\$28,091)	(\$83,872)
DEBT COVERAGE RATIO	1.13	1.12	1.11	1.10	1.08	0.96	0.76	0.45	(0.64)

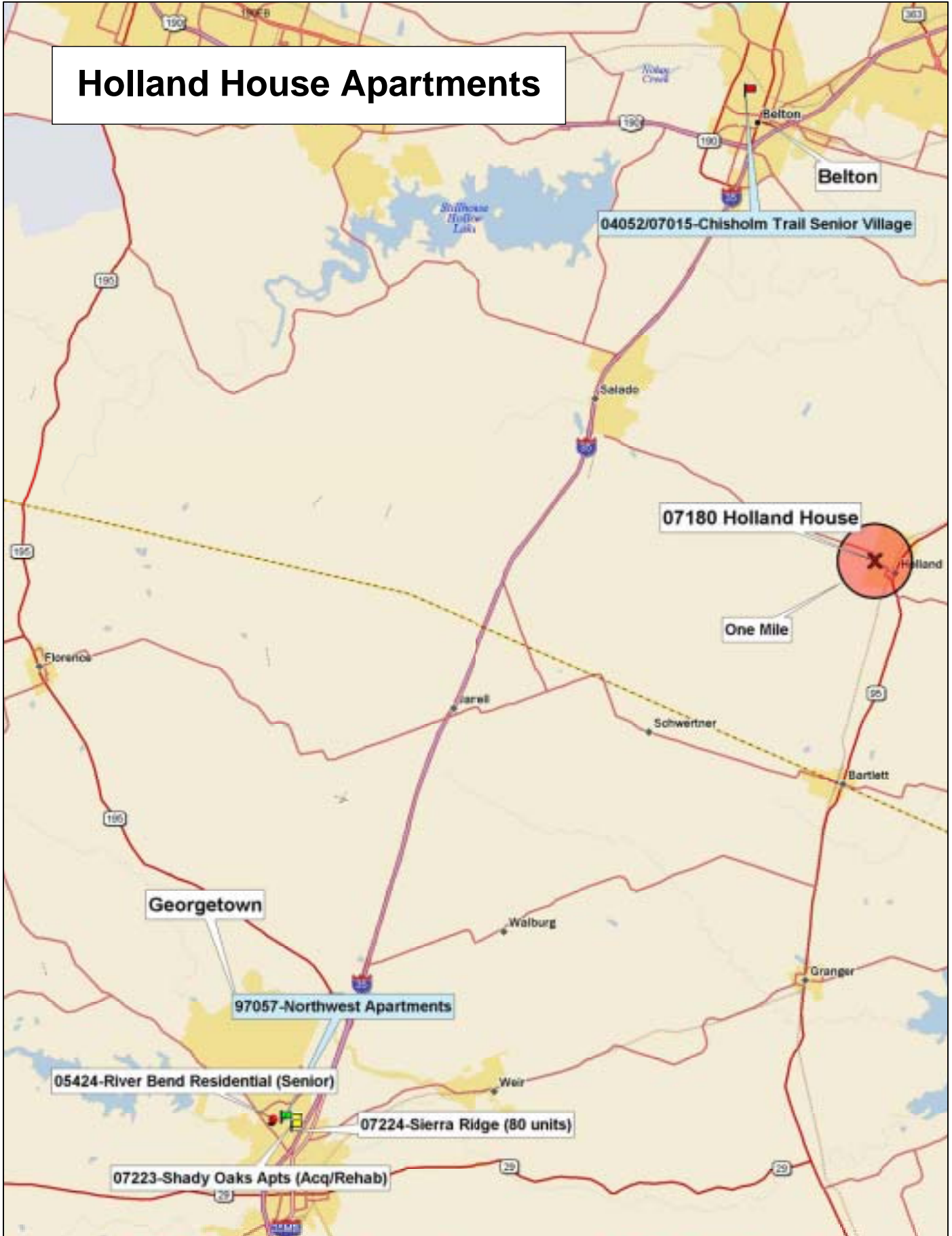
HTC ALLOCATION ANALYSIS -Holland House Apartments, Holland, 9% HTC #07180

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
Acquisition Cost						
Purchase of land	\$69,000	\$66,363				
Purchase of buildings	\$1,132,124	\$1,173,922	\$1,132,124	\$1,173,922		
Off-Site Improvements						
Sitework	\$202,500	\$199,810			\$202,500	\$199,810
Construction Hard Costs	\$1,484,500	\$1,503,653			\$1,484,500	\$1,503,653
Contractor Fees	\$235,000	\$235,000			\$235,000	\$235,000
Contingencies						
Eligible Indirect Fees	\$154,150	\$154,150			\$154,150	\$154,150
Eligible Financing Fees	\$75,500	\$75,500			\$75,500	\$75,500
All Ineligible Costs	\$39,900	\$39,900				
Developer Fees						
Developer Fees	\$492,000	\$492,000			\$492,000	\$492,000
Development Reserves		\$41,524				
TOTAL DEVELOPMENT COSTS	\$3,884,674	\$3,981,822	\$1,132,124	\$1,173,922	\$2,643,650	\$2,660,113

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,132,124	\$1,173,922	\$2,643,650	\$2,660,113
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,132,124	\$1,173,922	\$2,643,650	\$2,660,113
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,132,124	\$1,173,922	\$2,643,650	\$2,660,113
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$41,209	\$42,731	\$226,032	\$227,440

Syndication Proceeds	0.8799	\$362,606	\$375,993	\$1,988,883	\$2,001,269
Total Tax Credits (Eligible Basis Method)				\$267,241	\$270,170
Syndication Proceeds				\$2,351,489	\$2,377,262
Requested Tax Credits				\$267,348	
Syndication Proceeds				\$2,352,427	
Gap of Syndication Proceeds Needed					\$2,611,537
Total Tax Credits (Gap Method)					\$296,795

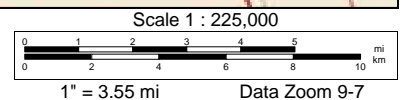
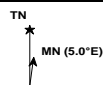
Holland House Apartments



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Applicant Evaluation

Project ID # **07180**

Name: **Holland House Apartments**

City: **Holland**

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

Total # of Projects monitored: 4

Projects zero to nine: 4
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 4

not yet monitored or pending review: 1

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/21/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/18/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer M. Tynan
 Date 5/17/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/21/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 5/23/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 5/18/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/21/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Retama Village - Phase II, TDHCA Number 07182

BASIC DEVELOPMENT INFORMATION

Site Address: 2301 Jasmine Ave. Development #: 07182
 City: McAllen Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78501 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Retama Village Phase II, Ltd
 Owner Contact and Phone: Joe Saenz (956) 686-3951
 Developer: Brownstone Affordable Housing, Ltd
 Housing General Contractor: Brownstone Construction, Ltd
 Architect: Brownstone Architects & Planners, Inc.
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: Leslie Holleman & Associates, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	74
	8 0 0 66	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 20 34 20 0 0	Total Development Units:	74
Type of Building:		Total Development Cost*:	\$8,303,153
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	16
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$748,000	\$734,361			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Retama Village - Phase II, TDHCA Number 07182

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S Points: 7 US Representative: Cuellar, District 28, NC
TX Representative: Flores, District 36, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Richard F. Cortez, Mayor Resolution of Support from Local Government
S, Mike R. Perez, City Manger
S, Joe Saenz, Executive Director, McAllen Housing Authority

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Resident Council of Retama Village/Vine Terrace, Myrna Arteaga Letter Score: 24 S or O: S

The neighborhood association supports the project because the project will replace old housing units that are more than fifty years old. The design of the project will provide for more security and safety for residents and will provide a more open space for families and children. The project will also provide affordable housing units and additional tenant services. The project will provide with additional affordable housing units for people with special needs.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of documentation, prior to the 10% test, verifying that the 25th Street public Right-of-Way has been abandoned for the benefit of the partnership.

Receipt, review, and acceptance of a certification by a third party architect or engineer of the Applicant's sitework costs, including demolition.

Receipt, review, and acceptance by cost certification of documentation verifying that fire sprinklers were provided in each residential unit.

Receipt, review, and acceptance of evidence that all Phase I ESA and subsequent environmental investigation recommendations particularly regarding lead, asbestos and noise, have been carried out prior to demolition of the existing structures.

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

Receipt of a final commitment of funding from the McAllen Housing Authority or HUD showing final approval for relocation vouchers in the amount of \$452,880, or a commitment from a qualifying substitute source(s) in an amount not less than \$166,063, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Retama Village - Phase II, TDHCA Number 07182

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$734,361

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/10/07 PROGRAM: 9% HTC FILE NUMBER: 07182

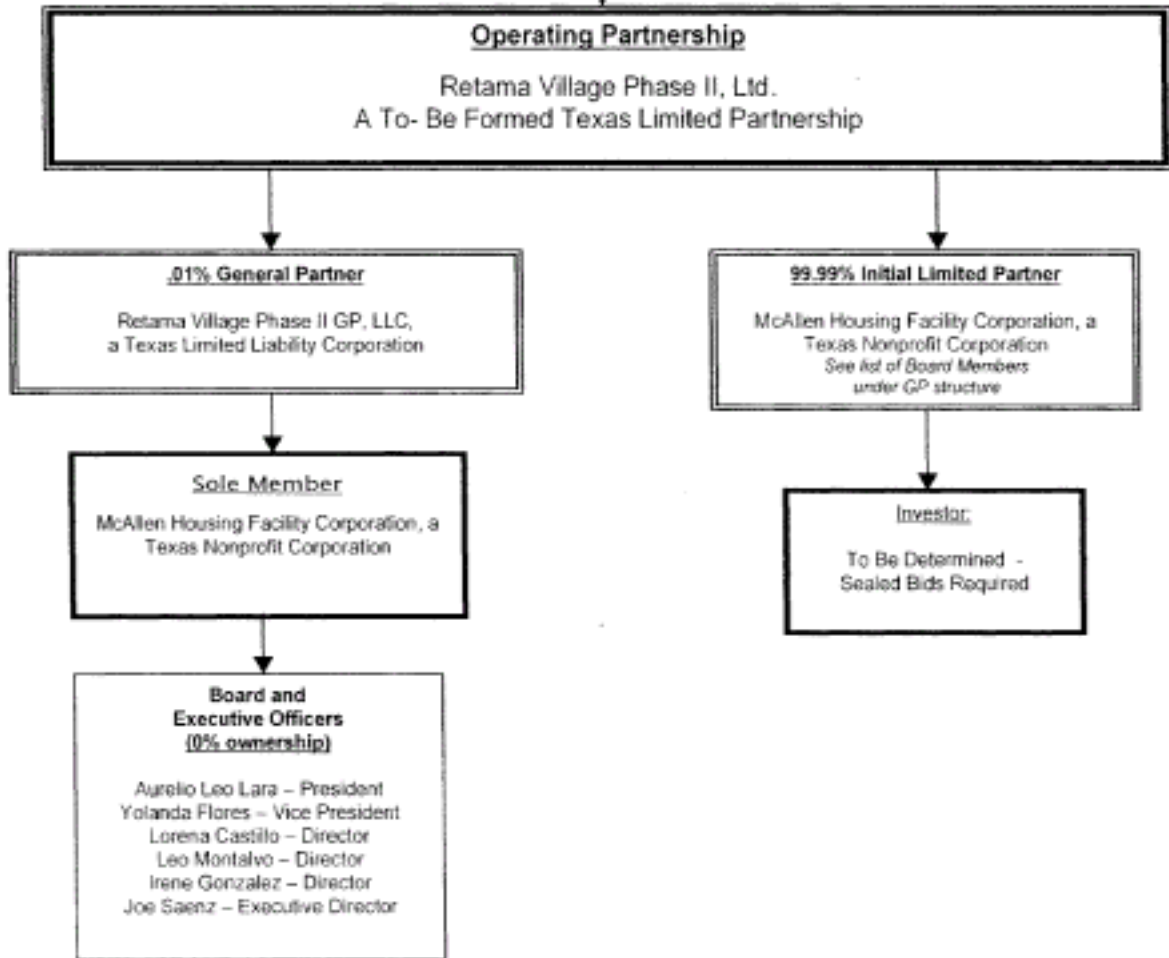
DEVELOPMENT																		
Retama Village Phase II																		
Location: <u>2301 Jasmine Avenue</u>				Region: <u>11</u>														
City: <u>McAllen</u>		County: <u>Hidalgo</u>		Zip: <u>78501</u>		<input checked="" type="checkbox"/> OCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Urban/Exurban, Reconstruction</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$748,000			\$734,361														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of documentation, prior to the 10% test, verifying that the 25th Street public Right-of-Way has been abandoned for the benefit of the partnership. 2 Receipt, review, and acceptance of a certification by a third party architect or engineer of the Applicant's sitework costs, including demolition. 3 Receipt, review, and acceptance by cost certification of documentation verifying that fire sprinklers were provided in each residential unit. 4 Receipt, review, and acceptance of evidence that all Phase I ESA and subsequent environmental investigation recommendations particularly regarding lead, asbestos and noise, have been carried out prior to demolition of the existing structures. 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/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">66</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	66
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	66																
PROS			CONS															
<p>This application represents an opportunity to reconstruct a 55 year old Housing Authority owned property.</p> <p>The development plan calls for the continuation of 25 public housing units on the site to potentially help serve the lowest income levels in the community.</p> <p>The property's leasehold estate is being donated and will continue to be property tax exempt.</p>			<p>The development will result in the possible elimination or relocation of funding for 49 public housing units.</p> <p>The anticipated syndication proceeds as a percentage of total cost (78%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Joe Saenz Phone: 956.686.3951 Fax: 956.686.3112
 Email: jasenz@cambellriggs.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Developments
McAllen Housing Facility Corp	\$105,670	Unclear	N/A
Brownstone Affordable Housing	\$275,022	(\$70,848)	N/A
Three B Ventures Inc	No Material Value		N/A
William L Brown (Developer)	Confidential		4 HTC Properties
Leslie Holleman & Associates	Consultant		
Flores Residential, LLC	Consultant		

¹ Liquidity = Current Assets - Current Liabilities

While it is unclear as to the financial capacity of the facilities corporation to guarantee the anticipated debt and equity for the development, it is likely they will be able to do so as an instrumentality of the City of McAllen. Moreover, Mr. Brown, as the principal of the Developer, has the capacity as needed to provide financial strength to the development.

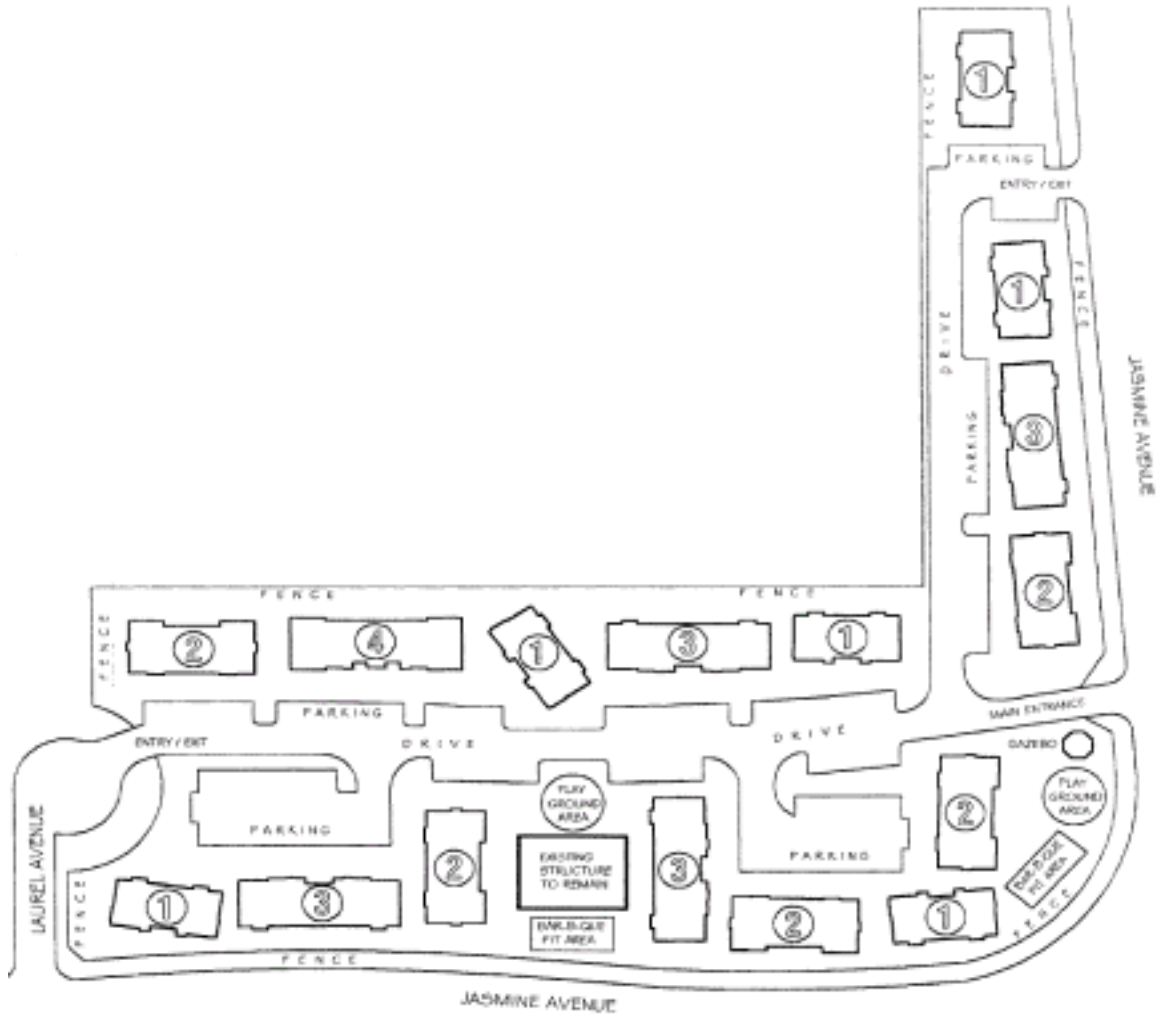
IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

The owner of the GP, McAllen Housing Facility Corp, is an affiliate of the current owner of the site, McAllen Housing Authority.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4								Total Buildings
Floors/Stories	2	2	2	2								
Number	6	5	4	1								16

BR/BA	SF	Units								Total Units	Total SF
1/1	750	2		2						20	15,000
2/1	980		2		2					12	11,760
2/1.5	980	2		2	2					22	21,560
3/2	1,150		2	2	2					20	23,000
Units per Building		4	4	6	6					74	71,320

Rehabilitation Summary:

The property is currently composed of 74 public housing units. The Applicant has proposed demolition of the existing structures and construction of 16 new residential buildings each with four to six one and two story townhome units. The outer units of each building will be the one story units. Twenty-five of the 74 proposed units will be public housing units (PHUs) receiving an operating subsidy. The Applicant has provided a Development Based Operating Subsidy Agreement that states the Applicant will enter into a Regulatory and Operating Agreement with the Housing Authority for a term of 40 years. The Applicant has indicated, upon HUD approval of the demolition application, the Housing Authority will apply for 74 Section 8 vouchers for the relocation of the current tenants. The Applicant has included relocation of \$452,880 as a use of funds in the development cost schedule and included the value of this in-kind assistance as a source of funds.

SITE ISSUES

Total Size: 6.4505 acres Scattered site? Yes No
 Flood Zone: Zone B Within 100-yr floodplain? Yes No
 Zoning: R-3A/Multifamily Needs to be re-zoned? Yes No N/A
 Comments:

The site is currently bisected by a public Right-of-Way (25th Street). The Applicant has indicated that they intend to have the public Right-of-Way (ROW) abandoned. Therefore, 25th Street will be part of the proposed development and will be redeveloped to serve as parking areas for tenants. The site acreage of 6.4505 assumes the abandonment of the public ROW, which is 0.8103 acres. Receipt, review, and acceptance of documentation, prior to the 10% test, verifying that the 25th Street public Right-of-Way has been abandoned for the benefit of the partnership is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/27/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Laurel St/residential East: single-family residential
 South: Jasmine Ave/multifamily residential West: Jasmine Ave/multifamily residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Date: 3/28/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 "Based on the Scope of Services and Findings of this assessment, Terracon did not identify RECs which warrant additional investigation at this time. Terracon does however recommend if demolition or renovation activities are planned at the site, comprehensive asbestos and lead-based paint surveys be conducted. In addition, Terracon recommends that drinking water samples be collected from several units and analyzed for lead content, only if units are to be kept as dwellings. In addition, Terracon recommends that a noise assessment be conducted due to the proximity of major highways, railroads, and airports to the subject site" (p. iii).

Comments:

Receipt, review, and acceptance that all Phase I ESA and subsequent environmental investigation recommendations particularly regarding lead, asbestos and noise, have been carried out prior to demolition of the existing structures is a condition of this report.

MARKET HIGHLIGHTS

Provider: The Gerald A Teel Company, Inc Date: 3/28/2007
 Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 25.48 Square Miles ~ 3.3 Mile Radius

"The primary market area is considered the city limits of McAllen, however, as the local population of McAllen exceeds TDHCA limits, we have chosen the main core of the market area. This includes 15 census tracts" (p. 4).

Secondary Market Area (SMA):

"The secondary market would be the adjoining communities neighboring McAllen, including portions of Mission, Edinburg, Pharr, San Juan and Alamo if applicable. The secondary market area has not been considered in the analysis" (p. 5).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Retama Village Phase I	060071	128	128	N/A			

The Market Analyst did not include unstabilized comparable units in the demand analysis. The Analyst states, "We have not included other HTC product, as the subject property is already absorbed and will replace existing units, with the first offer of available units to prior tenants. Additionally, there are no new known projects in the market area" (p. 76). The Underwriter has included 128 unstabilized units that will be constructed in Retama Village Phase I, a tax credit property that received a 9% allocation during the 2006 cycle. The inclusion of these units has only a minimal affect on the demand calculations and does not result in a capture rate that exceeds the Department's guidelines.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	206	20	22	248	2	0	1%
1 BR/ 60% Rent Limit	218	-2	2	218	18	0	8%
2 BR/ 30% Rent Limit	177	18	22	217	4	0	2%
2 BR/ 60% Rent Limit	185	31	40	256	30	0	12%
3 BR/ 30% Rent Limit	145	6	8	159	2	0	1%
3 BR/ 60% Rent Limit	223	-10	-6	207	18	0	9%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 76/84	100%	30,150	91%	27,406	28%	7,729	40%	3,099	55%	1,705
Underwriter	100%	32,398	91%	29,417	38%	11,227	40%	4,502	55%	2,476
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 76/84			91%	1,022	28%	288	40%	115	100%	115
Underwriter			91%	1,114	38%	386	40%	155	100%	155
DEMAND from OTHER SOURCES										
Market Analyst p. 76/84										140
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 76/84	74	0	0	74	1,820	4.07%
Underwriter	74	128	0	202	2,631	7.68%

Primary Market Occupancy Rates:

HTC properties within the PMA reported occupancy rates ranging from 93% to 98%. The Market Analyst also surveyed five comparable market rate properties with occupancy rates ranging from 90% to 99% (p. 28).

Absorption Projections:

"Absorption has been examined in various scenarios, with a projected rate of about 6 to 8 units per month is available for lease up at this time" (p. 90).

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1BR/750SF 30%/PHU	\$187	\$187	\$675	\$100	\$575
1BR/750SF 60%/PHU	\$260	\$430	\$675	\$100	\$575
1BR/750SF 60%	\$430	\$430	\$675	\$430	\$245
2BR/980SF 30%/PHU	\$216	\$216	\$750	\$100	\$650
2BR/980SF 60%/PHU	\$315	\$507	\$750	\$100	\$650
2BR/980SF 60%	\$507	\$507	\$750	\$507	\$243
2BR/980SF 60%/PHU	\$315	\$507	\$765	\$100	\$665
2BR/980SF 60%	\$507	\$507	\$765	\$507	\$258
3BR/1150SF 30%/PHU	\$257	\$257	\$900	\$100	\$800
3BR/1150SF 60%/PHU	\$355	\$593	\$900	\$100	\$800
3BR/1150SF 60%	\$593	\$593	\$900	\$593	\$307

Market Impact:

"The subject property will have minimal affect on the market, as it has already been absorbed" (p. 88).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's current rent schedule reflects that 66% of the units are tax credit units at the maximum rents allowed under HTC guidelines. These maximum rents are achievable according to the Market Analyst. As noted above, 25 units (inclusive of all units affordable at 30% of AMI) will be dedicated public housing units (PHUs). The development's public housing unit rents, based on the average income for public housing tenants, are lower than the maximum rents allowed under HTC guidelines. According to the Operating Subsidy Agreement signed by the McAllen Housing Authority (HACM), "HACM agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent for tenants earning not more than 60% of Area Median Family Income but in no event shall it exceed the operating subsidy paid to HACM by HUD." Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units.

The Applicant's secondary income and vacancy and collection loss reflect current TDHCA underwriting guidelines. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs. This change results in a total vacancy and collection loss rate of 5.91% of the development's potential gross income. In addition, the underwriting analysis includes additional subsidy based on projected operating expenses as a source of secondary income. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,325 per unit is not within 5% of the Underwriter's estimate of \$3,043 per unit derived from the TDHCA database and IREM data. The 9% total expense difference is primarily due to the Applicant's water, sewer, and trash estimate, which is \$14K or 46% higher than the Underwriter's estimate. The Underwriter's estimate of \$399 per unit is derived from IREM data and is higher than the TDHCA database estimate based on comparable properties within the region. The Applicant was unable to provide a comparable for their estimate which was higher still.

As stated above, the proposed development will share a community building with Phase I of the development which received an allocation of 9% credits during the 2006 cycle. Therefore, the property should achieve economies of scale particularly with the general and administrative and payroll and payroll tax expenses. The property should operate at a slightly lower expense per unit than comparable properties within the region. However, the Applicant's total expense estimate is 18% higher than the per unit expense estimate submitted at application during the 2006 cycle for Phase I.

The Underwriter is assuming a 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the McAllen Housing Authority. It should be noted, the yearly lease payment of \$10 has been included as an expense. The acquisition cost reflected in the development cost schedule is the value of the donation of the property and has also been included as a use of funds. Both the Applicant and Underwriter have assumed an initial reserve for replacement set at \$250 per unit for non-PHUs and \$300 per unit for PHUs as required by the proposed permanent lender.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a debt coverage ratio above the Department's 1.35 maximum. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible. It should be noted that the Applicant's expense to income ratio as submitted exceeds the Department's maximum 65%, however the Underwriter's ratio is below this guideline and the Department's guideline provides an exception where the development is supported by an ongoing operating subsidy such as is the case with the subject.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A Teel Company Date: 3/26/2007
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 6.45 acres \$440,000 As of: 3/26/2007

ASSESSED VALUE

Land Only: 23.14 acres \$694,200 Tax Year: 2006
Existing Buildings: \$2,847,868 Valuation by: Hidalgo CAD
Total Assessed Value: \$3,542,068 Tax Rate: 2.6854

EVIDENCE of PROPERTY CONTROL

Type: Contract for Lease Acreage: 6.4505
Contract Expiration: 3/1/2008 Valid Through Board Date? Yes No
Lease Cost: \$10 per year for 50 years Other: Leasehold estate to be contributed to partnership
Seller: McAllen Housing Authority Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 6/4/2007

Acquisition Value:

The Applicant has indicated that the leasehold estate in the proposed site will be donated to the partnership for a 50 year term. However, the value for the leasehold estate has been included as both a source and use of funds for Multifamily Selection and points purposes. The Applicant has provided an appraisal that reflects an "as vacant" value of \$440,000 and has deducted the demolition cost to determine the value of the leasehold estate. The Underwriter has also used the appraised value less the demolition cost (\$440,000 - \$250,000 = \$190,000) as both a source and use of funds.

Sitework Cost:

The Applicant adjusted costs during the underwriting process and increased claimed sitework costs to \$8,997 per unit (\$3 less than the maximum guideline). Further it should be noted that the Applicant claimed \$250,000 in demolition costs which have been allocated to the ineligible costs line item and are not included in the \$8,997 per unit site work costs. This is an unusually high amount for a reconstruction on a previously developed site.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$86K or 2% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant indicated that International Building Code requires fire sprinklers for the proposed buildings. However, the Applicant did not select fire sprinklers as a threshold points item. The Underwriter has underwritten the development with fire sprinklers throughout the development as indicated by the Applicant. Therefore, any future elimination of fire sprinklers would result in a cost reduction and potential reduction of credits and this report is conditioned on no such change occurring.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,767,093 supports annual tax credits of \$752,162. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JPMorgan Chase Type: Interim to Permanent Financing

Interim: \$2,300,000 Interest Rate: 8.75% Fixed Term: 30 months
Permanent: \$1,000,000 Interest Rate: 7.25% Fixed Amort: 360 months

Comments:

The Applicant's sources and uses of funds reflects an interest rate of 7.50%; however, the JPMorgan Chase Bank commitment letter indicates an underwriting rate of 7.25%. The commitment indicates an actual rate of 7.09% subject to change per weekly rate quotes. The Underwriter has used the lender's underwriting rate of 7.25%, which slightly decreases the development's annual debt service.

The lender requires reserve for replacements of \$300 per unit for PHUs and \$250 per unit for non-PHUs.

Source: McAllen Housing Authority Type: In Kind Donation

Value: \$452,880 Conditions: _____

Comments:

The Applicant submitted a letter from the McAllen Housing Authority indicating that 74 of Section 8 Vouchers will be contributed for temporary relocation of the existing tenants during the construction period. The Applicant has estimated the value of the vouchers at \$452,880, which is likely on conservative side. The documentation submitted suggests that the vouchers contributed will be valued at \$516K annually for the construction period. However, the relocation costs are both a source of funds and an equivalent use of funds and should not effect the amount to the credit allocation. Therefore, the Underwriter has used the Applicant's conservative estimate, as an adjustment to the value of the vouchers so that it would have no net effect on the transaction.

Source: McAllen Housing Authority Type: In Kind Donation

Value: \$190,000 Conditions: _____

Comments:

The Applicant has submitted a letter from the Housing Authority indicating that the leasehold interest in the property will be contributed to the partnership for the proposed development. The Applicant has submitted an appraisal indicating that the underlying value of the land is \$440,000. As discussed above, the demolition cost (\$250,000) is deducted in order to reflect the value of the contribution (\$190,000).

Source: MMA Financial Type: Syndication

Proceeds: \$6,581,742 Syndication Rate: 88% Anticipated HTC: \$ 748,000

Comments:

The syndication commitment from MMA Financial is consistent with the Applicant's sources and uses of funds. The commitment indicates that for each dollar reduction in tax credits from \$748,000, the equity contribution will be reduced by \$9.68. This suggests a syndication rate of 96.8% on lost credits. Given the competitive market for credits today, however, this penalty prior to an allocation will not likely hold especially with a lower than average 88% syndication rate. Also the syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there are little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$78,532 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,198,541 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the revised permanent loan of \$1,198,541 and donations of \$452,880 and \$190,000 indicates the need for \$6,461,732 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$734,361 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$748,000), the gap-driven amount (\$734,361), and eligible basis-derived estimate (\$752,162), the gap-driven amount of \$734,361 is recommended resulting in proceeds of \$6,461,732 based on a syndication rate of 88%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: June 10, 2007
Cameron Dorsey

Reviewing Underwriter: _____ Date: June 10, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 10, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Retama Village Phase II, McAllen, 9% HTC #07182

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/PHU	2	1	1	750	\$242	\$100	\$200	\$0.13	\$55.00	\$29.00
TC 60%/PHU	4	1	1	750	\$485	100	400	0.13	55.00	29.00
TC 60%	14	1	1	750	\$485	430	6,020	0.57	55.00	29.00
TC 30%/PHU	4	2	1	980	\$291	100	400	0.10	75.00	33.00
TC 60%/PHU	2	2	1	980	\$582	100	200	0.10	75.00	33.00
TC 60%	6	2	1	980	\$582	507	3,042	0.52	75.00	33.00
TC 60%/PHU	7	2	1.5	980	\$582	100	700	0.10	75.00	33.00
TC 60%	15	2	1.5	980	\$582	507	7,605	0.52	75.00	33.00
TC 30%/PHU	2	3	2	1,150	\$336	100	200	0.09	79.00	36.00
TC 60%/PHU	4	3	2	1,150	\$672	100	400	0.09	79.00	36.00
TC 60%	14	3	2	1,150	\$672	593	8,302	0.52	79.00	36.00
TOTAL:	74		AVERAGE:	964		\$371	\$27,469	\$0.39	\$70.68	\$32.73

INCOME				Total Net Rentable Sq Ft:	71,320	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$329,628	\$384,192	Hidalgo		11
Secondary Income		Per Unit Per Month:	\$5.00			4,440	3,840	\$4.32	Per Unit Per Month	
Other Support Income: Operating Subsidy on PHU Units						46,078	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$380,146	\$388,032			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.91%			(22,472)	(29,102)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$357,674	\$358,930			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.38%	\$308	0.32			\$22,807	\$26,200	\$0.37	\$354	7.30%
Management	5.00%	242	0.25			17,884	17,946	0.25	243	5.00%
Payroll & Payroll Tax	16.75%	810	0.84			59,927	60,611	0.85	819	16.89%
Repairs & Maintenance	9.81%	474	0.49			35,076	36,864	0.52	498	10.27%
Utilities	3.87%	187	0.19			13,838	14,400	0.20	195	4.01%
Water, Sewer, & Trash	8.26%	399	0.41			29,539	43,200	0.61	584	12.04%
Property Insurance	4.45%	215	0.22			15,910	16,650	0.23	225	4.64%
Property Tax	2.6854	0.00%	0	0.00		0	0	0.00	0	0.00%
Reserve for Replacements	5.52%	267	0.28			19,750	19,750	0.28	267	5.50%
TDHCA Compliance Fees	0.83%	40	0.04			2,960	2,960	0.04	40	0.82%
Supp Serv; Compli; Sec; Lease	2.10%	101	0.11			7,500	7,500	0.11	101	2.09%
TOTAL EXPENSES	62.96%	\$3,043	\$3.16			\$225,190	\$246,082	\$3.45	\$3,325	68.56%
NET OPERATING INC	37.04%	\$1,790	\$1.86			\$132,484	\$112,848	\$1.58	\$1,525	31.44%
DEBT SERVICE										
First Lien Mortgage	23.46%	\$1,134	\$1.18			\$83,906	\$83,906	\$1.18	\$1,134	23.38%
In-Kind (Relocation Vouchers)	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	13.58%	\$656	\$0.68			\$48,578	\$28,942	\$0.41	\$391	8.06%
AGGREGATE DEBT COVERAGE RATIO						1.58	1.34			
RECOMMENDED DEBT COVERAGE RATIO						1.35				

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)		2.34%	\$2,568	\$2.66	\$190,000	\$190,000	\$2.66	\$2,568	2.29%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		8.20%	8,997	9.33	665,750	665,750	9.33	8,997	8.02%	
Direct Construction		43.50%	47,730	49.52	3,532,008	3,618,357	50.73	48,897	43.58%	
Contingency	5.00%	2.58%	2,836	2.94	209,888	214,205	3.00	2,895	2.58%	
Contractor's Fees	14.00%	7.24%	7,942	8.24	587,686	599,775	8.41	8,105	7.22%	
Indirect Construction		6.49%	7,118	7.39	526,700	526,700	7.39	7,118	6.34%	
Ineligible Costs		14.17%	15,555	16.14	1,151,060	1,151,060	16.14	15,555	13.86%	
Developer's Fees	15.00%	10.68%	11,720	12.16	867,251	882,664	12.38	11,928	10.63%	
Interim Financing		3.20%	3,509	3.64	259,642	259,642	3.64	3,509	3.13%	
Reserves		1.61%	1,764	1.83	130,501	195,000	2.73	2,635	2.35%	
TOTAL COST		100.00%	\$109,736	\$113.86	\$8,120,486	\$8,303,153	\$116.42	\$112,205	100.00%	
Construction Cost Recap		61.52%	\$67,504	\$70.04	\$4,995,332	\$5,098,087	\$71.48	\$68,893	61.40%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
First Lien Mortgage	12.31%	\$13,514	\$14.02		\$1,000,000	\$1,000,000	\$1,198,541		Developer Fee Available	
In-Kind (Relocation Vouchers)	5.58%	\$6,120	\$6.35		452,880	452,880	452,880		\$882,664	
In-Kind (Leasehold)	2.34%	\$2,568	\$2.66		190,000	190,000	190,000			
HTC Syndication Proceeds	81.05%	\$88,942	\$92.28		6,581,742	6,581,742	6,461,732		% of Dev. Fee Deferred	
Deferred Developer Fees	0.97%	\$1,061	\$1.10		78,532	78,532	0		0%	
Additional (Excess) Funds Req'd	-2.25%	(\$2,468)	(\$2.56)		(182,668)	(1)	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$8,120,486	\$8,303,153	\$8,303,153		\$774,525	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Retama Village Phase II, McAllen, 9% HTC #07182

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.85	\$4,482,742
Adjustments				
Exterior Wall Finish	0.80%		\$0.50	\$35,862
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		1.89	134,482
Roofing			0.00	0
Subfloor			(0.93)	(65,971)
Floor Cover			3.13	223,046
Breezeways/Balconies	\$21.65	8,874	2.69	192,122
Plumbing Fixtures	\$965	(22)	(0.30)	(21,230)
Rough-ins	\$425	74	0.44	31,450
Built-In Appliances	\$2,425	74	2.52	179,450
Exterior Stairs	\$1,650		0.00	0
Enclosed Corridors	\$52.93		0.00	0
Heating/Cooling			2.43	173,308
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$0.00	0	0.00	0
Other: fire sprinkler	\$1.95	71,320	1.95	139,074
SUBTOTAL			77.18	5,504,335
Current Cost Multiplier	0.98		(1.54)	(110,087)
Local Multiplier	0.81		(14.66)	(1,045,824)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.97	\$4,348,424
Plans, specs, survy, bld prm	3.90%		(2.38)	(\$169,589)
Interim Construction Interest	3.38%		(2.06)	(146,759)
Contractor's OH & Profit	11.50%		(7.01)	(500,069)
NET DIRECT CONSTRUCTION COSTS			\$49.52	\$3,532,008

PAYMENT COMPUTATION

Primary	\$1,000,000	Amort	360
Int Rate	7.50%	DCR	1.58

Secondary		Amort	
Int Rate		Subtotal DCR	1.58

Additional		Amort	
Int Rate		Aggregate DCR	1.58

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$98,114
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$34,370

Primary	\$1,198,541	Amort	360
Int Rate	7.25%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$329,628	\$339,517	\$349,702	\$360,193	\$370,999	\$430,090	\$498,592	\$578,005	\$776,790
Secondary Income	4,440	4,573	4,710	4,852	4,997	5,793	6,716	7,786	10,463
Other Support Income: Operatir	46,078	48,172	50,357	52,638	55,017	68,557	85,289	97,430	151,379
POTENTIAL GROSS INCOME	380,146	392,262	404,770	417,683	431,013	504,440	590,597	683,220	938,632
Vacancy & Collection Loss	(22,472)	(23,188)	(23,928)	(24,691)	(25,479)	(29,820)	(34,913)	(40,388)	(55,487)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$357,674	\$369,074	\$380,842	\$392,992	\$405,534	\$474,620	\$555,684	\$642,832	\$883,145
EXPENSES at 4.00%									
General & Administrative	\$22,807	\$23,719	\$24,668	\$25,655	\$26,681	\$32,461	\$39,494	\$48,051	\$71,127
Management	17,884	18,454	19,042	19,650	20,277	23,731	27,784	32,142	44,157
Payroll & Payroll Tax	59,927	62,324	64,817	67,410	70,106	85,295	103,774	126,257	186,892
Repairs & Maintenance	35,076	36,479	37,938	39,456	41,034	49,924	60,740	73,900	109,390
Utilities	13,838	14,392	14,967	15,566	16,189	19,696	23,963	29,155	43,156
Water, Sewer & Trash	29,539	30,720	31,949	33,227	34,556	42,043	51,151	62,233	92,121
Insurance	15,910	16,546	17,208	17,897	18,612	22,645	27,551	33,520	49,618
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	19,750	20,540	21,362	22,216	23,105	28,110	34,201	41,610	61,593
Other	10,460	10,878	11,314	11,766	12,237	14,888	18,113	22,038	32,621
TOTAL EXPENSES	\$225,190	\$234,053	\$243,265	\$252,841	\$262,796	\$318,793	\$386,772	\$468,905	\$690,674
NET OPERATING INCOME	\$132,484	\$135,021	\$137,577	\$140,151	\$142,738	\$155,827	\$168,912	\$173,927	\$192,471
DEBT SERVICE									
First Lien Financing	\$98,114	\$98,114	\$98,114	\$98,114	\$98,114	\$98,114	\$98,114	\$98,114	\$98,114
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	\$34,370	\$36,907	\$39,463	\$42,037	\$44,624	\$57,713	\$70,798	\$75,813	\$94,357
DEBT COVERAGE RATIO	1.35	1.38	1.40	1.43	1.45	1.59	1.72	1.77	1.96

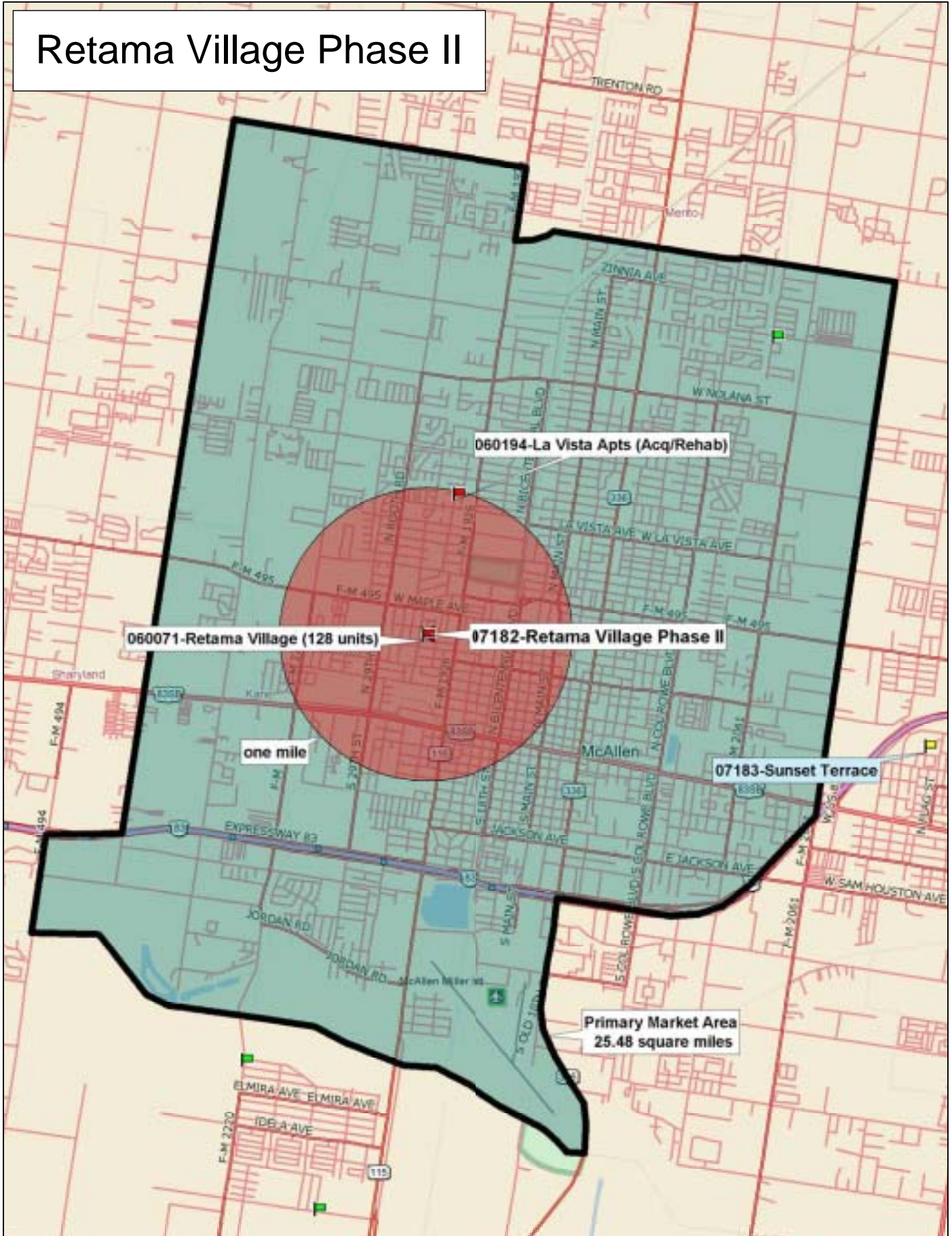
HTC ALLOCATION ANALYSIS -Retama Village Phase II, McAllen, 9% HTC #07182

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$190,000	\$190,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$665,750	\$665,750	\$665,750	\$665,750
Construction Hard Costs	\$3,618,357	\$3,532,008	\$3,618,357	\$3,532,008
Contractor Fees	\$599,775	\$587,686	\$599,775	\$587,686
Contingencies	\$214,205	\$209,888	\$214,205	\$209,888
Eligible Indirect Fees	\$526,700	\$526,700	\$526,700	\$526,700
Eligible Financing Fees	\$259,642	\$259,642	\$259,642	\$259,642
All Ineligible Costs	\$1,151,060	\$1,151,060		
Developer Fees				
Developer Fees	\$882,664	\$867,251	\$882,664	\$867,251
Development Reserves	\$195,000	\$130,501		
TOTAL DEVELOPMENT COSTS	\$8,303,153	\$8,120,486	\$6,767,093	\$6,648,925

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$6,767,093	\$6,648,925
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$8,797,220	\$8,643,602
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$8,797,220	\$8,643,602
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$752,162	\$739,028

Syndication Proceeds	0.8799	\$6,618,367	\$6,502,796
Total Tax Credits (Eligible Basis Method)		\$752,162	\$739,028
Syndication Proceeds		\$6,618,367	\$6,502,796
Requested Tax Credits		\$748,000	
Syndication Proceeds		\$6,581,742	
Gap of Syndication Proceeds Needed		\$6,461,732	
Total Tax Credits (Gap Method)		\$734,361	

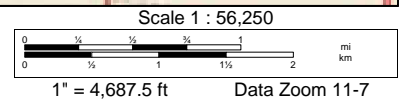
Retama Village Phase II



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Applicant Evaluation

Project ID # **07182**

Name: **Retama Village - Phase II**

City: **McAllen**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 3

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/24/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sunset Terrace, TDHCA Number 07183

BASIC DEVELOPMENT INFORMATION

Site Address: 920 W. Villegas Development #: 07183
 City: Pharr Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78577 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Sunset Terrace, Ltd.
 Owner Contact and Phone: Roy Navarro (956) 783-1316
 Developer: Brownstone Affordable Housing, Ltd.
 Housing General Contractor: Brownstone Construction, Ltd
 Architect: Brownstone Architects & Planners, Inc.
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: Leslie Holleman & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	100
	10 0 0 90	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 28 44 28 0 0	Total Development Units:	100
Type of Building:		Total Development Cost*:	\$11,078,575
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$982,000	\$975,319			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sunset Terrace, TDHCA Number 07183

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S Points: 7 US Representative: Hinojosa, District 15, NC
TX Representative: Flores, District 36, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Roy Navarro, Executive Director, Pharr Housing Authority

Individuals and Businesses In Support: 2 In Opposition 1

Quantifiable Community Participation Input:

Sunset Terrace Resident Council, Maria Guterrez Letter Score: 24 S or O: S

The new development will replace obsolete housing that lacks amenities. The new development will provide decent, safe and affordable housing in a quality living environment in which we can raise our families.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization. One non-official opposed with the primary reason given for opposition to the project provided by a nearby tax credit property whose occupancy would be adversely affected.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of a letter from a professional engineer verifying that all structures are outside of the portion of the site in Flood Zone AH and evidence of compliance with the 2007 QAP guideline §49.6(a).

Receipt, review, and acceptance of evidence that all Phase I ESA and subsequent environmental investigation recommendations have been carried out prior to demolition of the existing structures.

Should the proposed fire sprinklers not be included in the final design a review of the development costs and reduction in the credit amount are recommended.

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

Receipt of a final commitment of funding from the Pharr Housing Authority or HUD showing final approval for relocation vouchers in the amount of \$684,900, or a commitment from a qualifying substitute source(s) in an amount not less than \$228,572, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sunset Terrace, TDHCA Number 07183

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

Competitive Housing Tax Credits: Score: **215** Meeting a Required Set-Aside Credit Amount*: \$975,319

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/29/07 PROGRAM: 9% HTC FILE NUMBER: 07183

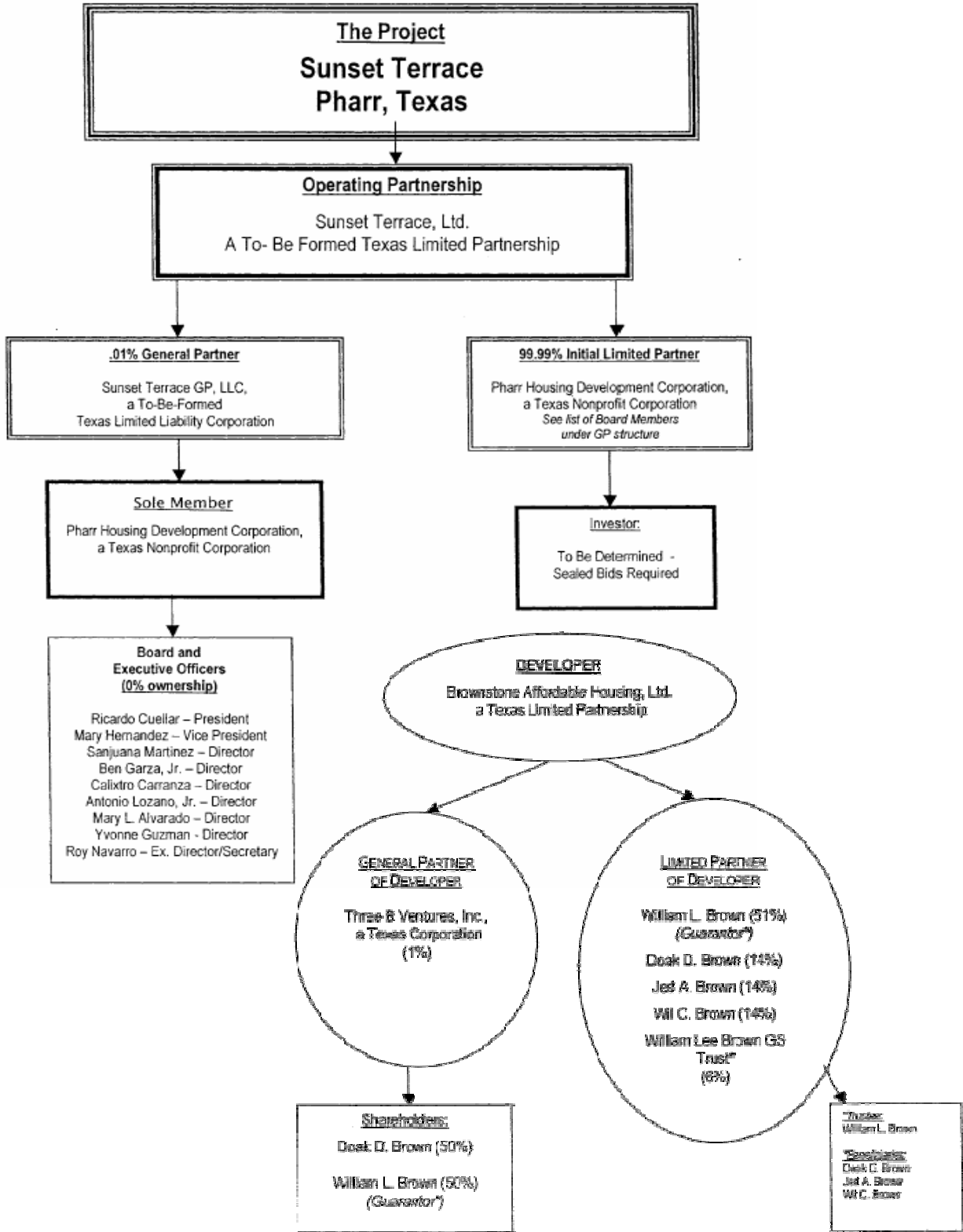
DEVELOPMENT																		
Sunset Terrace																		
Location: <u>920 West Villegas Street</u>				Region: <u>11</u>														
City: <u>Pharr</u>	County: <u>Hidalgo</u>	Zip: <u>78577</u>	<input type="checkbox"/> QCT	<input checked="" type="checkbox"/> DDA														
Key Attributes: <u>Multifamily, Family, Urban/Exurban, Reconstruction</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$982,000			\$975,319														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of a letter from a professional engineer verifying that all structures are outside of the portion of the site in Flood Zone AH and evidence of compliance with the 2007 QAP guideline §49.6(a). 2 Receipt, review, and acceptance of evidence that all Phase I ESA and subsequent environmental investigation recommendations have been carried out prior to demolition of the existing structures. 3 Should the proposed fire sprinklers not be included in the final design a review of the development costs and reduction in the credit amount are recommended. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">90</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	10	60% of AMI	60% of AMI	90
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	10																
60% of AMI	60% of AMI	90																
PROS			CONS															
<p>Development represents the reconstruction of 34 year old public housing development</p> <p>The property's leasehold estate is being donated and will continue to be property tax exempt.</p>			<p>The development will result in the elimination of funding for 60 public housing units.</p> <p>The Development's expense to income ratio exceeds the maximum guideline (65%), but is mitigated by the project based operating assistance.</p> <p>The anticipated syndication proceeds as a percentage of total cost (76%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Roy Navarro Phone: (956) 783-1316 Fax: (956) 783-0955
 Email: roy@pharrha.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Pharr Housing Development Corp	\$805,085	\$387,119	N/A
Brownstone Affordable Housing	\$275,022	(\$70,848)	N/A
Three B Ventures Inc	No Material Value		N/A
William L Brown	Confidential		4 HTC Properties
Leslie Holleman & Assoc	Consultant		
Flores Residential, LLC	Consultant		

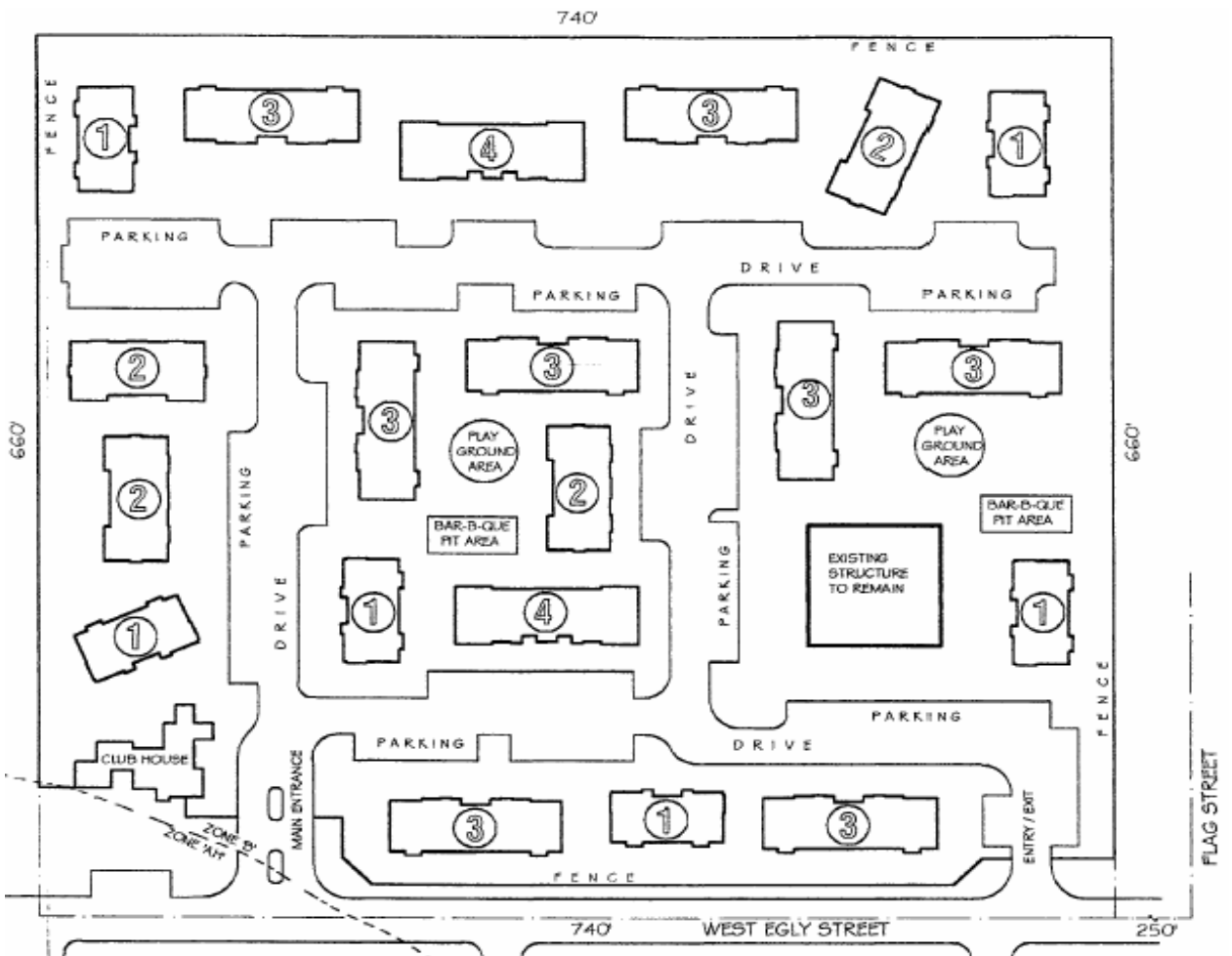
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, architect and property manager provider are related entities. These are common relationships for HTC-funded developments.
 The owner of the GP, Pharr Housing Development Corporation, is an affiliate of the current owner of the site, Pharr Housing Authority.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4								Total Buildings
Floors/Stories	2	2	2	2								
Number	6	4	8	2								20

BR/BA	SF	Units										Total Units	Total SF
1/1	750	2		2								28	21000
2/1	980		2		2							12	11760
2/1.5	980	2		2	2							32	31360
3/2	1,150		2	2	2							28	32200
Units per Building		4	4	6	6							100	96320

Rehabilitation Summary:

The property is currently composed of 100 public housing units in duplex style buildings. The Applicant has proposed demolition of the existing structures and construction of 20 new residential buildings each with four to six one and two story townhome units. The outer units of each building will be the one story units. Forty of the 100 proposed units will be public housing units (PHUs) receiving an operating subsidy. The Applicant has provided a Development Based Operating Subsidy Agreement that states the Applicant will enter into a Regulatory and Operating Agreement with the Pharr Housing Authority for a term of 40 years. The Applicant has indicated, upon HUD approval of the demolition application, the Housing Authority will apply for 100 Section 8 vouchers for the relocation of the current tenants. The Applicant has included the value of this in kind assistance as a use of funds in the development cost schedule and as a source of funds.

SITE ISSUES

Total Size: 10.872 acres Scattered site? Yes No
 Flood Zone: Zone AH & B Within 100-yr floodplain? Yes No
 Zoning: R-4 Needs to be re-zoned? Yes No N/A
 Comments:

Floodplain: The southeast corner of the proposed site is located within Zone AH which is described as "areas of 100-year shallow flooding where depths are between one (1) and three (3) feet." Based on a review of the survey, FEMA flood map and site plan, no proposed structures appear to be within Zone AH. However, receipt, review, and acceptance of a letter from a professional engineer verifying that all structures are outside of the portion of the site in Flood Zone AH and evidence of compliance with the 2007 QAP guideline §49.6(a) is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/25/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Elementary School/Highway 83 East: Residential/storage facility/Sugar Rd
 South: Eagly Street/residential West: Flag Street/residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Date: 3/29/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:

"Based on the Scope of Services and Findings of this assessment, Terracon did not identify RECs which warrant additional investigation at this time. Terracon does however recommend if demolition or renovation activities are planned at the site, comprehensive asbestos and lead-based paint surveys be conducted. In addition, Terracon recommends that drinking water samples be collected from several units and analyzed for lead content, only if units are to be kept as dwellings. In addition, Terracon recommends that a noise assessment be conducted due to the proximity of major highways, railroads, and airports to the subject site" (p. iii).

Comments:

Receipt, review, and acceptance that all Phase I ESA and subsequent environmental investigation recommendations have been carried out prior to demolition of the existing structures is a condition of this report.

MARKET HIGHLIGHTS

Provider: The Gerald A Teel Company, Inc Date: 3/28/2007
 Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 34.70 Square Miles ~ 3.3 Mile Radius

"The primary market area is considered the City of Pharr and immediate surrounding area, including much of McAllen and San Juan" (p. 4). The PMA includes eleven census tracts.

Secondary Market Area (SMA):

"The secondary market would be the adjoining communities neighboring Pharr, including portions of McAllen, Mission, Edinburg, San Juan and Alamo if applicable. The secondary market area has not been considered in the analysis" (p. 5).

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	144	15	15	174	2	0	1%
1 BR/ 60% Rent Limit	129	6	6	141	26	0	19%
2 BR/ 30% Rent Limit	120	8	8	136	6	0	4%
2 BR/ 60% Rent Limit	127	4	4	155	38	0	24%
3 BR/ 30% Rent Limit	116	9	9	134	2	0	1%
3 BR/ 60% Rent Limit	173	-13	8	314	26	0	16%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 77/84	100%	28,913	87%	25,241	29%	7,194	32%	2,302	55%	1,266
Underwriter	100%	31,156	87%	27,199	44%	11,954	32%	3,825	55%	2,104
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 77/84			87%	980	29%	279	32%	90	100%	90
Underwriter			87%	1,116	44%	428	32%	137	100%	137

DEMAND from OTHER SOURCES						
Market Analyst p. 77/84						141
Underwriter						0

The Market Analyst provided separate demand calculations for 30% units and 60% units. The Underwriter has combined these demand calculations in order to provide a comparable comparison.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 77/84	100	0	0	100	1,496	6.68%
Underwriter	100	0	0	100	2,241	4.46%

Capture Rate Conclusion:

The property is currently occupied and it is likely that a significant number of the existing tenants will choose to live at the property after reconstruction. Therefore, the capture rate in this case is less significant.

Primary Market Occupancy Rates:

HTC properties within the PMA reported occupancy rates ranging from 93% to 98%. The Market Analyst also surveyed five comparable market rate properties with occupancy rates ranging from 90% to 99% (p. 27).

Absorption Projections:

"Absorption has been examined in various scenarios, with a projected rate of about 5 to 7 units per month is available for lease up at this time" (p. 90).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent*	Savings Over Market	
1 BR 750 SF 30%/PHU	\$198	\$199	\$675	\$135	\$540	
1 BR 750 SF 60%/PHU	\$255	\$442	\$675	\$135	\$540	
1 BR 750 SF 60%	\$441	\$442	\$675	\$442	\$234	
2 BR 980 SF 30%/PHU	\$237	\$237	\$750	\$127	\$623	
2 BR 980 SF 60%	\$528	\$528	\$750	\$528	\$222	
2 BR 980 SF 60%/PHU	\$325	\$528	\$765	\$127	\$638	
2 BR 980 SF 60%	\$528	\$528	\$765	\$528	\$237	
3 BR 1,150 SF 30%/PHU	\$272	\$272	\$900	\$130	\$770	
3 BR 1,150 SF 60%/PHU	\$370	\$608	\$900	\$130	\$770	
3 BR 1,150 SF 60%	\$608	\$608	\$900	\$608	\$292	

* The underwritten rents for public housing units are based on the Housing Authority's experience of rent payable from tenants in public housing units.

Market Impact:

"The subject property will have minimal affect on the market, as it has already been absorbed" (p. 88).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's current rent schedule reflects that 60% of the units are tax credit units at the maximum rents allowed under HTC guidelines (current program rent limit less utility allowances as of 1/3/2007 maintained by the Housing Authority of the City of Pharr). These maximum rents are achievable according to the Market Analyst. As noted above, 40 units (inclusive of all units affordable at 30% of AMI) will be considered public housing units (PHUs). The underwriting rent collected for the public housing units are the Housing Authority's (HA) estimates from a letter dated 2/20/2007 and based on the HA's experience. These rents are lower than the maximum rents allowed under HTC guidelines.

According to the Operating Subsidy Agreement signed by the Pharr Housing Authority, the Housing Authority "agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent for tenants earning not more than 60% of Area Median Family Income but in no event shall it exceed the operating subsidy paid to HA by HUD." Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs' prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units.

The Applicant's secondary income and vacancy and collection loss reflect current TDHCA underwriting guidelines. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in a total vacancy and collection loss rate of 5.56% of the development's potential gross income. In addition, the underwriting analysis includes additional subsidy based used to offset the proportionate share of projected operating expenses for the PHUs as a source of secondary income. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,434 per unit is not within 5% of the Underwriter's estimate of \$3,163 per unit derived from the TDHCA database, IREM, and additional documentation provided by the Applicant's property management company. The 9% total expense difference is primarily due to the Applicant's water, sewer, and trash estimate, which is \$31K or 77% higher than the Underwriter's estimate. While the Applicant provided support for the water, sewer, and trash estimate, the developments cited for support are located in Waco and Odessa for water and sewer costs and Denison and Plainview for trash costs. These properties appear to be selectively chosen as support. The Underwriter's estimate is derived from IREM data which is higher than the TDHCA database estimate based on comparable properties within the region. Additionally, the Applicant's total expense estimate is 19% higher than the TDHCA database estimate when accounting for the tax exemption.

The Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Pharr Housing Authority. It should be noted, the yearly lease payment of \$10 has been included as an expense. Both the Applicant and Underwriter have assumed an initial reserve for replacement set at \$250 per unit for non-PHUs and \$300 per unit for PHUs as required by the proposed permanent lender.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a debt coverage ratio above the Department's 1.35 maximum. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service estimate were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A Teel Company, Inc Date: 3/26/2007
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 10.872 acres \$690,000 As of: 2/23/2007

ASSESSED VALUE

Land Only: 15 acres \$1,306,800 Tax Year: 2006
Existing Buildings: \$630,000 Valuation by: Hidalgo CAD
Total Assessed Value: \$1,936,800 Tax Rate: 2.98862

The property is currently tax exempt. In addition only a portion of the property recognized in the tax records will be transferred. This reduction amounts to a prorata reduction of \$359,631 of the land though it is not clear how much of the building value exists on the land that is not being transferred. Thus the total assessed value above is overstated by at least \$359,631.

EVIDENCE of PROPERTY CONTROL

Type: Contract for Lease and Addendum Acreage: 10.872
Contract Expiration: 3/1/2008 Valid Through Board Date? Yes No
Lease Cost: \$10 per year (50 years) Other: Leasehold estate to be contributed to partnership
Seller: Pharr Housing Authority Related to Development Team? Yes No

TITLE

Comments:

Schedule C of the title commitment states, "Company requires Deed from Hidalgo County Irrigation District No. 2 conveying its interest in and to that portion of Lot 170 claimed in Fee Simple as described in Tract 67 of instrument recorded in Volume 26, Page 203, Deed Records, Hidalgo County, Texas." During correspondence with the Underwriter, the Applicant indicated that the said condition is in reference to an easement that is situated on a portion of the existing site that will not be transferred to the partnership for the proposed development.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/21/2007

Acquisition Value:

The Applicant has indicated that the leasehold estate in proposed site will be donated to the partnership for a 50 year term. However, the value for the leasehold estate has been included as both a source and use of funds for Multifamily Selection and points purposes. The Applicant has provided an appraisal to support the donation value of \$690,000. However, the appraised value does not consider the demolition cost of \$350,000 that is not being donated. The Underwriter has used the appraised value less the demolition cost (\$690,000 - \$350,000 = \$340,000) as both a source and use of funds. This adjustment will also be made in the recommended financing structure, which will have no affect on the credit recommendation.

Sitework Cost:

The Applicant adjusted costs during the underwriting process and increased claimed sitework costs to \$9,000 per unit (the maximum guideline). While this is an unusually high amount for a reconstruction on a previously developed site, further third party substantiation is not required under our current rules. Further it should be noted that the Applicant claimed \$350,000 in demolition costs which have been allocated to the ineligible costs line item and are not included in the \$9,000 per unit site work costs.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$4K or 0.08% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant indicated that International Building Code requires fire sprinklers for the proposed buildings. However, the Applicant did not select fire sprinklers as a threshold points item. The Underwriter has underwritten the development with fire sprinklers throughout the development as indicated by the Applicant. Therefore any future elimination of fire would result in a cost reduction and potential reduction of credits and this report is conditioned on no such change occurring.

Conclusion:

The Applicant's total development cost is within 5% of the Applicant's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$8,937,805 supports annual tax credits of \$993,437. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/29/2007

Source: JPMorgan Chase Type: Interim to Permanent Financing

Interim: \$3,400,000 Interest Rate: 8.75% Fixed Term: 30 months

Permanent: \$1,350,000 Interest Rate: 7.50% Fixed Amort: 360 months

Source: Pharr Housing Authority Type: In Kind Donation

Value: \$684,900 Conditions: _____

Comments:

The Applicant submitted a letter from the Pharr Housing Authority indicating that \$684,900 of Section 8 Vouchers will be contributed for temporary relocation of the existing tenants during the construction period. The value of the vouchers being contributed for relocation offsets the costs of relocation in the development cost schedule by a comparable amount.

Source: Pharr Housing Authority Type: In Kind Donation

Value: \$690,000 Conditions: _____

Comments:

The Applicant has submitted a letter from the Pharr Housing Authority indicating that the leasehold interest in the property will be contributed to the partnership for the proposed development. The Applicant has submitted an appraisal indicating that the underlying value of the land is \$690,000, which supports the Applicant's claim. As discussed above, the Underwriter has adjusted the overstated value of the in kind contribution in order to exclude the demolition costs that will be required to clear the property of the existing structures.

Source: MMA Financial Type: Syndication

Proceeds: \$8,640,736 Syndication Rate: 88% Anticipated HTC: \$ 982,000

Comments:

The commitment indicates that for each dollar reduction of the annual amount of tax credits from \$982,000, the equity contribution will be reduced by \$9.68. This suggests a syndication rate of 96.8% on lost credits. Given the competitive market for credits today, however, this penalty prior to an allocation will not likely hold especially with a lower than average 88% syndication rate.

Amount: \$62,938 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35 excluding any debt service for the public housing units. The underwriting analysis assumes an increase in the permanent loan amount to \$1,471,727 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the permanent loan of \$1,471,727 and in kind donations of \$684,900 and \$690,000 indicates the need for \$8,581,948 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$975,319 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$982,000), the gap-driven amount (\$975,319), and eligible basis-derived estimate (\$993,437), the gap-driven amount of \$975,319 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: May 29, 2007

Cameron Dorsey

Reviewing Underwriter: _____ Date: May 29, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: May 29, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Sunset Terrace, Pharr, 9% HTC #07183

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/PHU	2	1	1	750	\$242	\$135	\$270	\$0.18	\$43.50	\$26.75
TC 60%/PHU	10	1	1	750	\$485	135	1,350	0.18	43.50	26.75
TC 60%	16	1	1	750	\$485	442	7,064	0.59	43.50	26.75
TC 30%/PHU	6	2	1	980	\$291	127	762	0.13	54.00	28.75
TC 60%	6	2	1	980	\$582	528	3,168	0.54	54.00	28.75
TC 60%/PHU	10	2	1.5	980	\$582	127	1,270	0.13	54.00	28.75
TC 60%	22	2	1.5	980	\$582	528	11,616	0.54	54.00	28.75
TC 30%/PHU	2	3	2	1,150	\$336	130	260	0.11	64.00	30.50
TC 60%/PHU	10	3	2	1,150	\$672	130	1,300	0.11	64.00	30.50
TC 60%	16	3	2	1,150	\$672	608	9,728	0.53	64.00	30.50
TOTAL:	100		AVERAGE:	963		\$368	\$36,788	\$0.38	\$53.86	\$28.68

INCOME		Total Net Rentable Sq Ft:			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					\$441,456	\$521,160	Hidalgo		11
Secondary Income		Per Unit Per Month:	\$5.00		6,000	5,040	\$4.20	Per Unit Per Month	
Other Support Income: PHU Subsidy					63,968	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$511,424	\$526,200			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.56%		(28,418)	(39,464)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$483,006	\$486,736			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT				PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.98%	\$289	0.30	\$28,874	\$23,600	\$0.25	\$236	4.85%	
Management	5.00%	242	0.25	24,150	24,337	0.25	243	5.00%	
Payroll & Payroll Tax	19.83%	958	0.99	95,763	97,574	1.01	976	20.05%	
Repairs & Maintenance	9.81%	474	0.49	47,400	47,600	0.49	476	9.78%	
Utilities	3.87%	187	0.19	18,700	18,000	0.19	180	3.70%	
Water, Sewer, & Trash	8.26%	399	0.41	39,904	70,800	0.74	708	14.55%	
Property Insurance	4.45%	215	0.22	21,500	21,500	0.22	215	4.42%	
Property Tax	2.98862%	0	0.00	0	0	0.00	0	0.00%	
Reserve for Replacements	5.59%	270	0.28	27,000	27,000	0.28	270	5.55%	
TDHCA Compliance Fees	0.83%	40	0.04	4,000	4,000	0.04	40	0.82%	
Services/Sec/3rdPartyComp/Lease	1.86%	90	0.09	8,990	8,990	0.09	90	1.85%	
TOTAL EXPENSES					\$316,281	\$343,401	\$3.57	\$3,434	70.55%
NET OPERATING INC					\$166,725	\$143,334	\$1.49	\$1,433	29.45%
DEBT SERVICE									
JPMorgan Chase First Lien	23.45%	\$1,133	\$1.18	\$113,273	\$113,273	\$1.18	\$1,133	23.27%	
PHA Relocation Vouchers	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					\$53,452	\$30,061	\$0.31	\$301	6.18%
AGGREGATE DEBT COVERAGE RATIO					1.47	1.27			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

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)		3.10%	\$3,400	\$3.53	\$340,000	\$690,000	\$7.16	\$6,900	6.04%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.19%	9,000	9.34	900,000	900,000	9.34	9,000	7.87%
Direct Construction		44.34%	48,691	50.55	4,869,080	4,873,127	50.59	48,731	42.64%
Contingency	5.00%	2.63%	2,885	2.99	288,454	288,656	3.00	2,887	2.53%
Contractor's Fees	14.00%	7.35%	8,077	8.39	807,671	808,239	8.39	8,082	7.07%
Indirect Construction		5.13%	5,635	5.85	563,450	563,450	5.85	5,635	4.93%
Ineligible Costs		13.91%	15,275	15.86	1,527,450	1,527,450	15.86	15,275	13.37%
Developer's Fees	15.00%	10.61%	11,651	12.10	1,165,078	1,165,801	12.10	11,658	10.20%
Interim Financing		3.08%	3,385	3.51	338,534	338,534	3.51	3,385	2.96%
Reserves		1.66%	1,827	1.90	182,707	273,318	2.84	2,733	2.39%
TOTAL COST					\$10,982,424	\$11,428,575	\$118.65	\$114,286	100.00%
Construction Cost Recap					\$6,865,205	\$6,870,022	\$71.32	\$68,700	60.11%

SOURCES OF FUNDS					RECOMMENDED			
JPMorgan Chase First Lien	12.29%	\$13,500	\$14.02	\$1,350,000	\$1,350,000	\$1,471,727	Developer Fee Available	
PHA Relocation Vouchers	6.24%	\$6,849	\$7.11	684,900	684,900	684,900	\$1,165,801	
In Kind Property Contribution	3.10%	\$3,400	\$3.53	340,000	690,000	340,000		
MMA Syndication	78.68%	\$86,407	\$89.71	8,640,736	8,640,736	8,581,948	% of Dev. Fee Deferred	
Deferred Developer Fees	0.57%	\$629	\$0.65	62,938	62,938	0	0%	
Additional (Excess) Funds Req'd	-0.88%	(\$961)	(\$1.00)	(96,150)	1	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$10,982,424	\$11,428,575	\$11,078,575	\$968,497

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sunset Terrace, Pharr, 9% HTC #07183

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality/Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.64	\$6,033,340
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		1.88	181,000
Roofing			0.00	0
Subfloor			(0.93)	(89,096)
Floor Cover			3.13	301,231
Breezeways/Balconies	\$21.65	12,388	2.78	268,200
Plumbing Fixtures	\$965	(20)	(0.20)	(19,300)
Rough-ins	\$425	100	0.44	42,500
Built-In Appliances	\$2,425	100	2.52	242,500
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	234,058
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$67.23	3,061	2.14	205,791
Other: fire sprinkler	\$1.95	96,320	1.95	187,824
SUBTOTAL			78.78	7,588,048
Current Cost Multiplier	0.98		(1.58)	(151,761)
Local Multiplier	0.81		(14.97)	(1,441,729)
TOTAL DIRECT CONSTRUCTION COSTS			\$62.24	\$5,994,558
Plans, specs, survy, bld prm	3.90%		(\$2.43)	(\$233,788)
Interim Construction Interest	3.38%		(2.10)	(202,316)
Contractor's OH & Profit	11.50%		(7.16)	(689,374)
NET DIRECT CONSTRUCTION COSTS			\$50.55	\$4,869,080

PAYMENT COMPUTATION

Primary	\$1,350,000	Amort	360
Int Rate	7.50%	DCR	1.47

Secondary	\$684,900	Amort	
Int Rate		Subtotal DCR	1.47

Additional	\$8,640,736	Amort	
Int Rate		Aggregate DCR	1.47

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$123,486
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$43,238

Primary	\$1,471,727	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	\$684,900	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$8,640,736	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

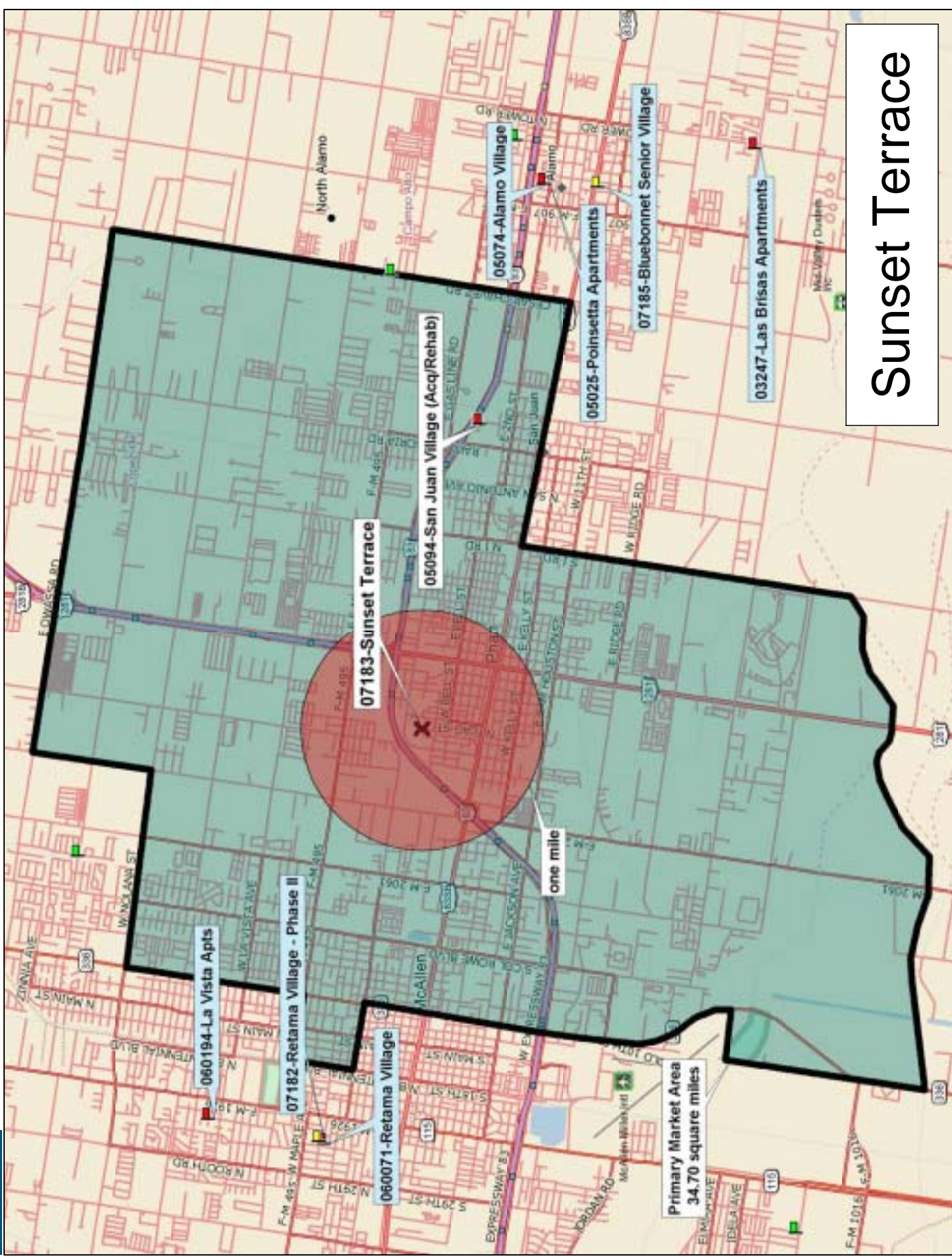
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$441,456	\$454,700	\$468,341	\$482,391	\$496,863	\$576,000	\$667,742	\$774,096	\$1,040,320
Secondary Income	6,000	6,180	6,365	6,556	6,753	7,829	9,076	10,521	14,139
Other Support Income: PHU Su	63,968	67,083	70,334	73,732	77,284	97,582	122,852	154,252	262,151
POTENTIAL GROSS INCOME	511,424	527,963	545,040	562,679	580,900	681,411	799,669	938,869	1,316,610
Vacancy & Collection Loss	(28,418)	(29,337)	(30,286)	(31,267)	(32,279)	(37,864)	(44,435)	(52,170)	(73,160)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$483,006	\$498,625	\$514,754	\$531,413	\$548,621	\$643,547	\$755,234	\$886,698	\$1,243,450
EXPENSES at 4.00%									
General & Administrative	\$28,874	\$30,029	\$31,230	\$32,480	\$33,779	\$41,097	\$50,001	\$60,834	\$90,049
Management	24,150	24,931	25,738	26,571	27,431	32,177	37,762	44,335	62,173
Payroll & Payroll Tax	95,763	99,593	103,577	107,720	112,029	136,300	165,830	201,758	298,651
Repairs & Maintenance	47,400	49,296	51,268	53,319	55,451	67,465	82,081	99,865	147,824
Utilities	18,700	19,448	20,226	21,035	21,876	26,616	32,382	39,398	58,319
Water, Sewer & Trash	39,904	41,500	43,160	44,886	46,682	56,795	69,100	84,071	124,445
Insurance	21,500	22,360	23,254	24,185	25,152	30,601	37,231	45,297	67,051
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	12,990	13,510	14,050	14,612	15,196	18,489	22,494	27,368	40,511
TOTAL EXPENSES	\$316,281	\$328,747	\$341,706	\$355,178	\$369,183	\$447,970	\$543,637	\$659,810	\$973,226
NET OPERATING INCOME	\$166,725	\$169,878	\$173,048	\$176,235	\$179,438	\$195,576	\$211,597	\$226,888	\$270,224
DEBT SERVICE									
First Lien Financing	\$123,486	\$123,486	\$123,486	\$123,486	\$123,486	\$123,486	\$123,486	\$123,486	\$123,486
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	\$43,238	\$46,392	\$49,561	\$52,749	\$55,952	\$72,090	\$88,110	\$103,402	\$146,738
DEBT COVERAGE RATIO	1.35	1.38	1.40	1.43	1.45	1.58	1.71	1.84	2.19

HTC ALLOCATION ANALYSIS -Sunset Terrace, Pharr, 9% HTC #07183

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$690,000	\$340,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$900,000	\$900,000	\$900,000	\$900,000
Construction Hard Costs	\$4,873,127	\$4,869,080	\$4,873,127	\$4,869,080
Contractor Fees	\$808,239	\$807,671	\$808,238	\$807,671
Contingencies	\$288,656	\$288,454	\$288,656	\$288,454
Eligible Indirect Fees	\$563,450	\$563,450	\$563,450	\$563,450
Eligible Financing Fees	\$338,534	\$338,534	\$338,534	\$338,534
All Ineligible Costs	\$1,527,450	\$1,527,450		
Developer Fees			\$1,165,801	
Developer Fees	\$1,165,801	\$1,165,078		\$1,165,078
Development Reserves	\$273,318	\$182,707		
TOTAL DEVELOPMENT COSTS	\$11,428,575	\$10,982,424	\$8,937,805	\$8,932,267

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$8,937,805	\$8,932,267
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$11,619,147	\$11,611,948
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$11,619,147	\$11,611,948
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$993,437	\$992,822

Syndication Proceeds	0.8799	\$8,741,372	\$8,735,956
Total Tax Credits (Eligible Basis Method)		\$993,437	\$992,822
Syndication Proceeds		\$8,741,372	\$8,735,956
Requested Tax Credits		\$982,000	
Syndication Proceeds		\$8,640,736	
Gap of Syndication Proceeds Needed		\$8,581,948	
Total Tax Credits (Gap Method)		\$975,319	

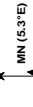


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TN



Scale 1 : 68,750



1" = 1.09 mi Data Zoom 11-5

Sunset Terrace

Applicant Evaluation

Project ID # **07183**

Name: **Sunset Terrace**

City: **Pharr**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 6

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/24/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Bluebonnet Senior Village, TDHCA Number 07185

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S

Points: 7

US Representative: Hinojosa, District 15, NC

TX Representative: Martinez, District 39, S

Points: 7

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Alamo Neighborhood Watch Association, Daniel Enrique Guzman

Letter Score: 24 S or O: S

There is currently a shortage of safe quality affordable housing for the elderly in Alamo. This project will help address this shortage.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and one qualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Bluebonnet Senior Village, TDHCA Number 07185

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sunlight Manor Apartments, TDHCA Number 07189

BASIC DEVELOPMENT INFORMATION

Site Address: 2950 S. 8th St. Development #: 07189
 City: Beaumont Region: 5 Population Served: General
 County: Jefferson Zip Code: 77701 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Sunlight Manor, L.P.
 Owner Contact and Phone: K.T. (Ike) Akbari (409) 724-0020
 Developer: Itex Developers, LLC
 Housing General Contractor: To Be Determined
 Architect: Long Architects Inc.
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: Gannon Outsourcing, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	120
	0	0	96	24	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	8	48	50	14	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	120
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	15
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$678,699	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sunlight Manor Apartments, TDHCA Number 07189

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, S	Points: 7	US Representative: Poe, District 2, S
TX Representative: Deshotel, District 22, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Ronald L. Walker, County Judge Resolution of Support from Local Government

S, Everette "Bo" Alfred, Commissioner Jefferson County Precinct #4

S, Bobbie J. Patterson, Councilmember Ward IV

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Sunlight Manor Resident Council, Angela Barnett Letter Score: 12 S or O: S

The Apartments are in need of better insulations. The heating and cooling system are in urgent need to be replaced. We feel that Sunlight Manor will greatly benefit from the Competitive Housing Tax Credit. The developer will have funds available to renovate all of the apartments. The process will make Sunlight Manor a safer and healthier place for all tenants and their families to live.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Broad support received from elected officials and one unqualified neighborhood organization. Current residents of the property also testified at the public hearing in support of the application based on the extremely poor living conditions.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sunlight Manor Apartments, TDHCA Number 07189

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

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Due to forward commitments of credits made in 2006, funds available in sub-region are insufficient to award any Application in sub-region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stephen Austin School Apartments, TDHCA Number 07190

BASIC DEVELOPMENT INFORMATION

Site Address: 1702 Wesley St. Development #: 07190
 City: Greenville Region: 3 Population Served: General
 County: Hunt Zip Code: 75401 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Stephen Austin School Apartments, Ltd.
 Owner Contact and Phone: Hollis Fitch (336) 714-8929
 Developer: Archetypes, LLC
 Housing General Contractor: Rehab Builders, Inc.
 Architect: Martin Riley Associates- Architects, P.C.
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Column Capital, LLC
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36
	4	0	0	32	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	8	20	8	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Owner/Employee Units:	0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Units:	36
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Total Development Cost*:	\$0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	Number of Residential Buildings:	4
		HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$439,226	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stephen Austin School Apartments, TDHCA Number 07190

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S	Points: 7	US Representative: Hall, District 4, NC
TX Representative: Flynn, District 2, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Thomas B. (Tom) Oliver, Mayor	Resolution of Support from Local Government	<input type="checkbox"/>
S, Barry Robinson, Interim City Manager		
S, Doyle Dick, Main Street Manager City of Greenville		

Individuals and Businesses In Support: 12 In Opposition 197

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2	
Greenville Chamber Convention & Visitor's Bureau	S or O: S
Lee-Washington Neighborhood Association	S or O: S

General Summary of Comment:

Support received from elected officials and civic organizations. Extensive opposition received from the community in the form of a petition. The primary reasons for opposition to the project included inadequate infrastructure namely water and sewer lines, the project is not in keeping with current use of land in that area, would discourage future residential development and the potentially increase crime.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stephen Austin School Apartments, TDHCA Number 07190

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

Competitive Housing Tax Credits: Score: **182** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 07191

BASIC DEVELOPMENT INFORMATION

Site Address: 2612 Washington St. Development #: 07191
 City: Greenville Region: 3 Population Served: General
 County: Hunt Zip Code: 75401 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Washington Hotel Lofts, LTD
 Owner Contact and Phone: Hollis Fitch (336) 722-9871
 Developer: Archetypes, LLC
 Housing General Contractor: Rehab Builders, Inc.
 Architect: Martin Riley Associates- Architects, P.C.
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Column Capital, LLC
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36
	4	0	0	32	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	8	20	8	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	36
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	1
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$349,937	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 07191

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S	Points: 7	US Representative: Hall, District 4, NC
TX Representative: Flynn, District 2, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Thomas B. (Tom) Oliver, Mayor Resolution of Support from Local Government

S, Doyle Dick, Main Street Manager City of Greenville

S, Barry Robinson, Interim City Manager

Individuals and Businesses In Support: 9 In Opposition 1

Quantifiable Community Participation Input:

Lee-Washington Neighborhood Association, Milton Babb Letter Score: 12 S or O: S

This development will restore a local historical landmark, bring new residents to our downtown, provide affordable housing and generally enhance the economic development of downtown and the city.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials, non-officials and an unqualified neighborhood organization. Non-official opposition was received at the public hearing. The primary reasons cited for opposition to the project were potential crime increase and the strain on the water and sewer system and plumbing problems. In addition, at the public hearing it was indicated that it is preferable to keep the cafeteria building as is and build the units around it, rather than renovate it to be residential.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 07191

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

Competitive Housing Tax Credits: Score: **175** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Waco High, TDHCA Number 07192

BASIC DEVELOPMENT INFORMATION

Site Address: 815 Columbus Ave. Development #: 07192
City: Waco Region: 8 Population Served: General
County: McLennan Zip Code: 76701 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition: [checked]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Historic Lofts of Waco High, LTD
Owner Contact and Phone: Hollis Fitch (336) 714-8929
Developer: Archetypes, LLC
Housing General Contractor: Rehab Builders, Inc
Architect: Martin Riley Associates- Architects, P.C.
Market Analyst: Novogradac & Company, LLP
Syndicator: Column Capital, LLC
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 104
11 0 0 93 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 31 57 16 0 0 Total Development Units: 104
Type of Building: Total Development Cost*: \$12,691,857
Number of Residential Buildings: 2
HOME High Total Units: 0
HOME Low Total Units: 0
[checkbox] Duplex [checked] 4 units or more per building
[checkbox] Triplex [checkbox] Detached Residence
[checkbox] Fourplex [checkbox] Single Room Occupancy
[checkbox] Townhome [checkbox] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,050,888 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Waco High, TDHCA Number 07192

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S Points: 7 US Representative: Edwards, District 17, NC
TX Representative: Anderson, District 56, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Virginia Dupuy, Mayor Resolution of Support from Local Government
S, Jim Dunnam, State Representative District 57

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Brazos Neighborhood Association, Bill Collins Letter Score: 24 S or O: S

This project will put an old vacant building back on the tax rolls, bring residents back to our downtown and save a historically significant building.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization. The Mayor spoke in support of the development at the June 14, 2007 Board meeting.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by Commitment of Allocation of documentation from the City of Waco of approval for rezoning the subject property.

Receipt, review and acceptance by Cost Certification of documentation that all recommendations and unresolved concerns of the Phase I Environmental Site Assessment (ESA) provider including a noise study, asbestos removal, mold and guano, lead in paint and lead in water studies, PCB survey and removal, and recommended remediation performed in accordance with proper local, state, and federal regulations.

Receipt, review and acceptance by Carryover of evidence that the development qualifies for Historic Tax Credits and application has been made to the Secretary of the Interior.

Receipt, review and acceptance by Carryover of a finalized lease agreement and structure to obtain the Historic Tax credits.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Waco High, TDHCA Number 07192

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

Competitive Housing Tax Credits: Score: **169** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/19/07 PROGRAM: 9% HTC FILE NUMBER: 07192

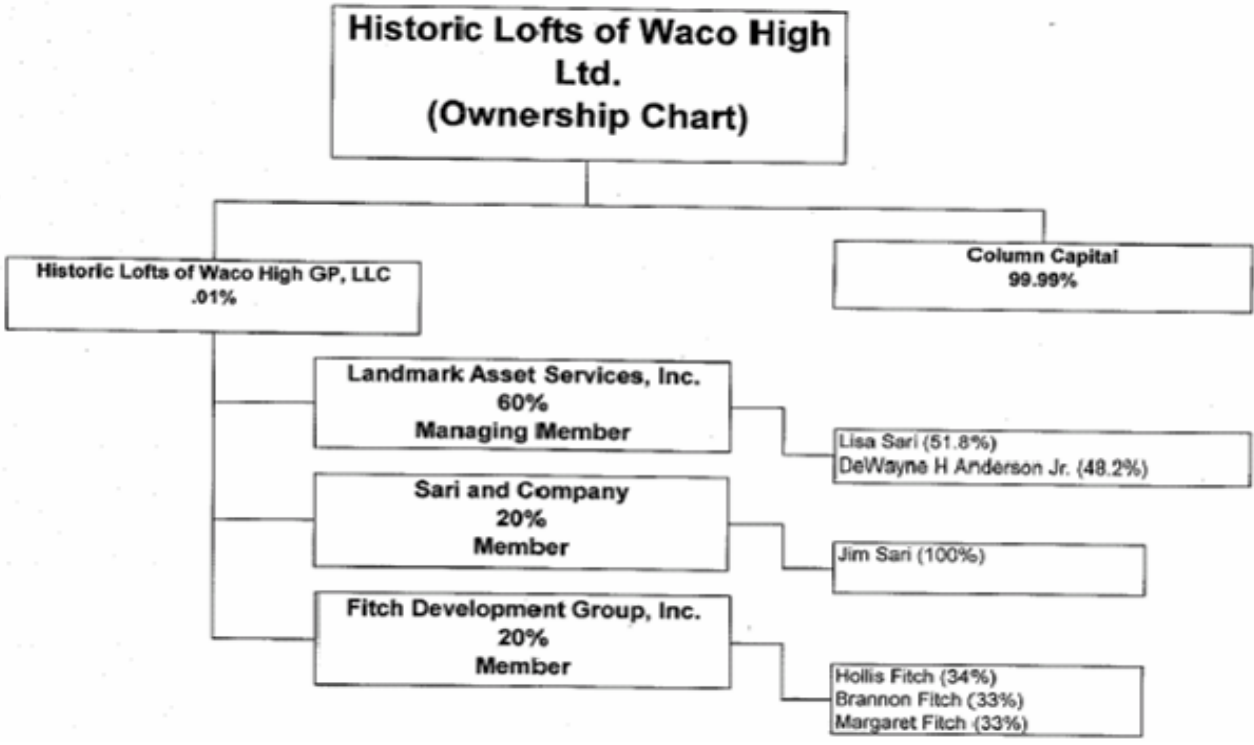
DEVELOPMENT						
Historic Lofts of Waco High						
Location: <u>815 Columbus Avenue</u>				Region: <u>8</u>		
City: <u>Waco</u>		County: <u>McLennan</u>		Zip: <u>76701</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Acquisition/Rehabilitation, Multifamily, Family, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,050,888			\$1,031,581		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review and acceptance by Commitment of Allocation of documentation from the City of Waco of approval for rezoning the subject property. 2 Receipt, review and acceptance by Cost Certification of documentation that all recommendations and unresolved concerns of the Phase I Environmental Site Assessment (ESA) provider including a noise study, asbestos removal, mold and guano, lead in paint and lead in water studies, PCB survey and removal, and recommended remediation performed in accordance with proper local, state, and federal regulations. 3 Receipt, review and acceptance by Carryover of evidence that the development qualifies for Historic Tax Credits and application has been made to the Secretary of the Interior. 4 Receipt, review and acceptance by Carryover of a finalized lease agreement and structure to obtain the Historic Tax credits. 5 Should the terms and rates of the proposed debt, Historic Tax Credits or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit		Rent Limit		Number of Units		
30% of AMI		30% of AMI		11		
60% of AMI		60% of AMI		93		
PROS			CONS			
This will be the renovation of a 96-year old historical building that will be converted for use as affordable residential housing. The development plans to leverage Historic Tax Credits as a funding source in the development.			Multiple Recognized Environmental Concerns were identified in the submitted Environmental Site Assessment. The Applicant's projected 60% rents were well below the 50% rent limit.			

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Hollis Fitch Phone: (336) 714-8929 Fax: (336) 722-3603
 Email: hollis@landmarkdevelopment.biz

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Landmark Asset Srv.	\$1.08M	\$2.1M	2
Sari & Company	\$690K	\$640K	2
Fitch Development	\$315K	\$220K	2
Lisa Sari	Confidential		2
DeWayne Anderson	Confidential		2
Jim Sari	Confidential		2
Hollis Fitch	Confidential		2
Brannon Fitch	Confidential		2
Margaret Fitch	Confidential		2

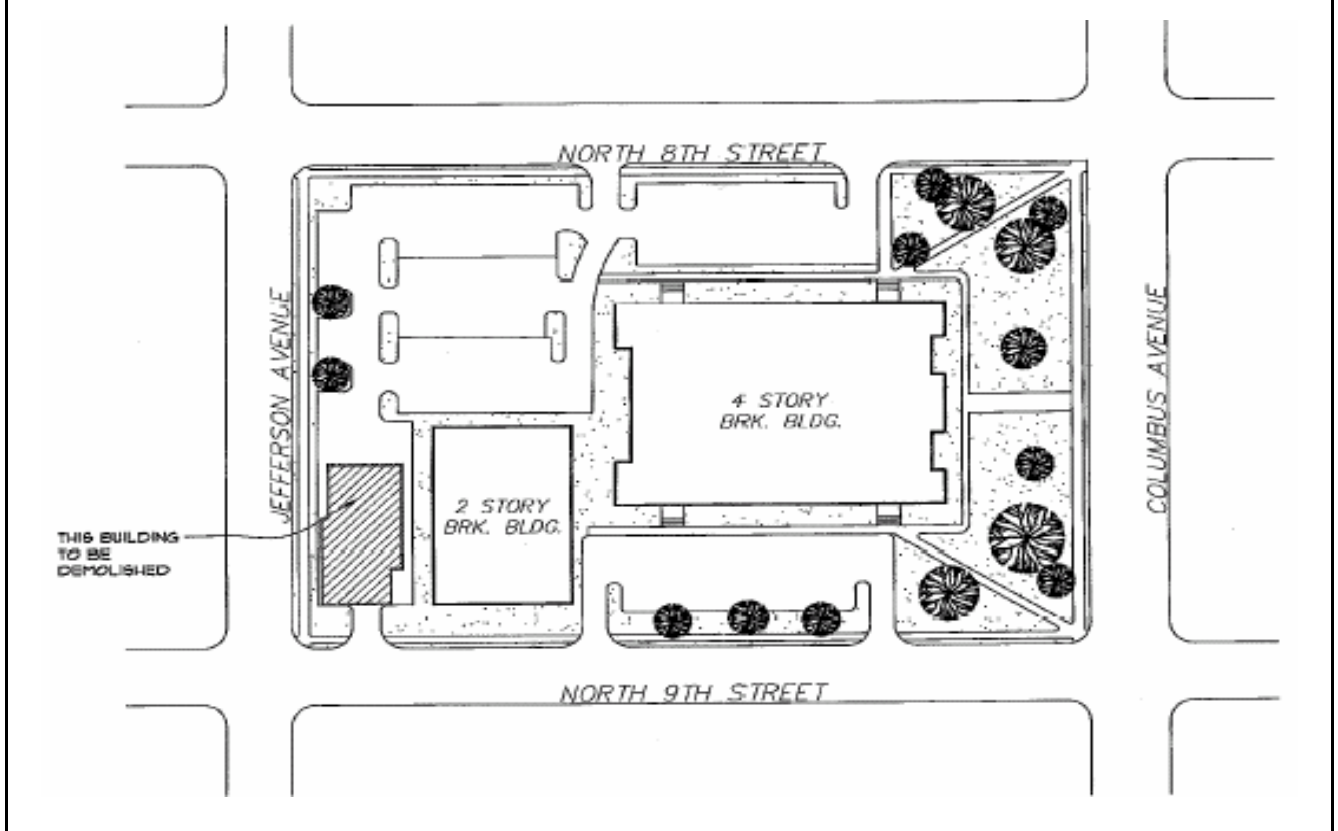
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Infrastructure General Contractor, Cost Estimator, Engineer and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



This section intentionally left blank.

BUILDING CONFIGURATION

Building Type	A	B																		Total Buildings	
Floors/Stories	4	2																			
Number	1	1																			2

BR/BA	SF	Units										Total Units	Total SF	
1/1	690	4										4	2,760	
1/1	728	4										4	2,912	
1/1	771	2										2	1,542	
1/1	776	4										4	3,104	
1/1	845	2										2	1,690	
1/1	849	1										1	849	
1/1	864	2										2	1,728	
1/1	877	2										2	1,754	
2/2	901	12										12	10,812	
2/2	902	6										6	5,412	
2/2	912	2										2	1,824	
2/2	922	1										1	922	
2/2	936	6										6	5,616	
2/2	978	2										2	1,956	
2/2	1,000	1										1	1,000	
2/2	1,012	6										6	6,072	
2/2	1,021	2										2	2,042	
2/2	1,036	1										1	1,036	
2/2	1,080	4										4	4,320	
2/2	1,100	1										1	1,100	
2/2	1,114	2										2	2,228	
2/2	1,219	2										2	2,438	
3/2	1,035	2										2	2,070	
3/2	1,166	4										4	4,664	
3/2	1,185	4										4	4,740	
3/2	1,250	4										4	5,000	
3/2	1,364	1										1	1,364	
1/1	650		1									1	650	
1/1	693		2									2	1,386	
1/1	700		1									1	700	
1/1	736		4									4	2,944	
1/1	825		2									2	1,650	
2/2	910		2									2	1,820	
2/2	922		1									1	922	
2/2	924		2									2	1,848	
2/2	1,068		2									2	2,136	
2/2	1,143		2									2	2,286	
3/2	1,236		1									1	1,236	
Units per Building		84	20										104	98,533

DEVELOPMENT PLAN

The subject property is the former Waco High School that was constructed in 1911. The property functioned as a high school until 1971 when it was vacated due to a new high school being constructed and opened. Since 1971 it has been used occasionally for industrial arts training, and as a boys boxing club.

The renovation and rehabilitation plan is to gut the two buildings, but to retain the original facade and character of the structures. Rehabilitation will include a new roof, window replacements and repairs, removal of existing HVAC and boiler systems and replacement with new HVAC and heat pump systems, installation of ADA accessible entrances, new cabinets, countertops, appliances, plumbing, floor covering, electrical and interior painting.

There is no tenant relocation plan provided because the property has not been used as a residential property in the past. The developer anticipates that construction will begin in January 2008 and will be completed in the first quarter of 2009.

SITE ISSUES

Total Size: 4.29 acres Scattered site? [] Yes [X] No
Flood Zone: C Within 100-yr floodplain? [] Yes [X] No
Zoning: C-3 Needs to be re-zoned? [X] Yes [] No [] N/A
Comments:

The Applicant has filed a request for rezoning of the property with the City of Waco; however, to date the Department has not received confirmation of the request being approved. Accordingly, it is a condition of this report that the Applicant provide proof of approval of the rezoning of the subject property from the City of Waco by Allocation Commitment.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 6/11/2007

Overall Assessment:
[] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable

Surrounding Uses:
North: Commercial adjacent, with single and multifamily residential, and retail beyond
East: Commercial adjacent, with retail and affordable housing beyond
South: Commercial and retail adjacent, with downtown Waco beyond
West: Retail and commercial adjacent, with affordable housing beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Swift Creek Environmental, Inc. Date: 3/22/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
"Swift Creek Environmental, Inc. performed this ESA of the former Waco High School facility in Waco, Texas. The recognized environmental conditions in connection with the Subject property as per ASTM standards are as follows:
A quantitative noise study was beyond the scope of services. An operational multi-track railroad is located within 3,000 feet of the subject site. No other large decibel generating sites were identified within close proximity to the subject site. Based on the proximity of the railroad tracks to the subject site a Noise Assessment Survey may want to be considered.
A previously performed quantitative asbestos survey and AHERA Plan revealed the presence of ACM's at the facility. The ACM's should be mitigated in accordance with current statutes.

Black mold is present throughout the interior of the facility and will require mitigation.

Pigeon guano is being accumulated on the 3rd floor of the main school building. Pigeons are roosting in the structure. Potential exposure of biological agents to individuals could occur if not properly mitigated.

A water sample for the presence of lead was not collected for analysis. Based on the age of the buildings, lead solder is probably present in the facility's water piping. If the existing water pipes are utilized for potable water, a water sample should be collected for the presence of lead.

A quantitative Lead Based Paint Survey inspection was beyond the scope of services. Based on the age of the building, Lead Based Paint is expected to be present on all painted surfaces. A quantitative LBP Survey is recommended. Any painted members that are to be kept after building rehabilitation should be remediated or encapsulated as per local, state and federal regulations.

Three pole mounted transformers were identified between the main school building and gymnasium. There were no non-PCB labeling affixed to the transformers. Based on the appearance and age of the transformers, they likely contain PCB laden oils. No leakage of oil from the transformers was observed. Other potential PCB containing electrical equipment observed in the former Waco High School include the fluorescent light fixtures. This equipment may contain PCBs in their ballasts. If the electrical equipment is to be removed during building rehabilitation/maintenance, proper decommissioning and disposal of this equipment may be required.

Regardless, unlabeled ballasts/transformers/electrical equipment at the site should be considered PCB containing and best management practices regarding electrical equipment should include: inspection during building rehabilitation, maintenance operations and disposal in accordance with the TCEQ, EPA and TSCA Regulations. This applies to the mercury vapor lights identified within the main school building and gymnasium as well." (p.13)

Comments:

It is a condition of this report that all recommendations and unresolved concerns of the Phase I Environmental Site Assessment (ESA) provider including a noise study, asbestos removal, mold and guano, lead in paint and lead in water studies, PCB survey and removal, and recommended remediation performed in accordance with proper local, state, and federal regulations before Cost Certification.

MARKET HIGHLIGHTS

Provider: Novogradac & Company Date: 3/23/2007
 Contact: Brad Weinberg Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 17.30 square miles (2.36 mile radius)

"The Subject's Primary Market Area (PMA) is bound by Lake Brazos Parkway to the north, Lake Shore Drive to the west, North Valley Mills Drive to the south, and IH 35 to the east." (p. 10)

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined as the City of Waco." (p. 10)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Inside PMA	Name	File #	Total Units	Comp Units
Waco River Park Apts	60244	124	Not in PMA	N/A			
Dripping Springs Seniors	3161	100	Not in PMA				

INCOME LIMITS						
McLennan						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,550	\$12,100	\$13,600	\$15,100	\$16,300	\$17,500
60	\$21,180	\$24,180	\$27,240	\$30,240	\$32,640	\$35,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	297			297	3	0	1%
1BR/60%	464			464	28	0	6%
2BR/30%	304			304	8	0	3%
2BR/60%	461			461	49	0	11%
3BR/60%	321			321	16	0	5%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 92	20,554	100%	20,554	18%	3,638	45%	1,623	25%	405	
Underwriter		100%	20,752	96%	19,922	18%	3,526	45%	1,572	25%	393
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 92			112	18%	20	100%	20	100%	20	
Underwriter			96%	89	18%	15	45%	7	100%	7	
DEMAND from OTHER SOURCES											
Market Analyst	p. 92									521	
Underwriter										515	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 92	104	0	0	104	946	10.99%
Underwriter		104	0	0	104	915	11.37%

Comments:

The Waco River Park Apartments, a 2006 senior's development allocation is located within one mile of the subject property but is not within the PMA, and the Dripping Springs Seniors Village, a 2003 allocation is within 2 miles of the subject property but is not within the PMA. Both properties are seniors developments and should not have a detrimental impact on the occupancy or capture rate of the subject property.

Primary Market Occupancy Rates:

"Occupancy rates reported at the comparable properties ranged from 91.1 to 100 percent, with an average occupancy rate of 96.5 percent." (p. 95)

Absorption Projections:

"...we conservatively estimate an absorption period for the Subject of approximately 7 months to reach a stabilized occupancy of 95 percent at a rate of 15 units per month." (p. 62)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market

1BR	677 SF	(30%)	\$160	217	\$575	217	358
1BR	773 SF	(60%)	\$400	501	\$575	501	74
2BR	901 SF	(30%)	\$200	262	\$690	262	428
2BR	991 SF	(60%)	\$525	603	\$690	603	87
3BR	1,192 SF	(60%)	\$600	696	\$790	696	94

Market Impact:

"...the impact on existing affordable housing in the area should be minimal." (p. 86)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 7/6/2007

The Applicant's proposed rents are \$57 to \$101 below maximum program limits on all of the units. The Underwriter however, used maximum program rents less tenant paid utilities which were supported by the market rent conclusions of the Market Study. This provides an additional \$106K in potential gross rent. Tenants are required to pay heating, cooling, water heater, cooking and general electricity.

Estimates of secondary income and vacancy and collection losses are within TDHCA underwriting guidelines. However, due to differences in rent collected estimates, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 7/6/2007

The Applicant's total annual operating expense projection at \$3,466 per unit is not within 5% of the Underwriter's estimate of \$3,863, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows property taxes to be \$15.8K lower than the Underwriter's estimate, and the reserve for replacement account estimate to be \$21K lower; however, it should be noted, that the underwriting analysis of the expected repairs over time presented in the Property Condition Assessment indicates a need for the initial reserve for replacement requirement to be set at \$454 per unit. Since this meets the definition of a rehab, the Underwriter utilized the higher figure.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The Applicant's expense to income ratio at 64.73% is very high reflecting the significant deep rent targeting proposed in the application; however, while only marginally below the 65% Department guideline, the ratio is still acceptable. As indicated above, the Applicant's effective gross income appears to be significantly understated which allows the projected debt coverage ratio to appear to be below 1.35 and therefore does not require additional debt. The Underwriter's analysis however, reflects a higher income estimate based on the maximum program rents and an expense to income ratio below 65% at 61.3%. The Underwriter's rents should be achievable as they are still below the market rents in the area for each unit type and income level; therefore the development can be characterized as feasible under this criteria.

The underwriting 30 year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in continued positive cashflow and a debt coverage ratio that remains above 1.15. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Pacific Southwest Valuation Date: 3/19/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Land Only: 4.29 acres \$280,000 As of: 3/19/2007
 Existing Buildings: (as-is) \$820,000 As of: 3/19/2007
 Total Development: (as-is) \$1,100,000 As of: 3/19/2007

ASSESSED VALUE

Land Only: 4.29 acres \$549,515 Tax Year: 2007
 Existing Buildings: \$250,000 Valuation by: McLennan CAD
 Total Assessed Value: \$799,515 Tax Rate: 2.815772

EVIDENCE of PROPERTY CONTROL

Type: Earnest Money Contract - Improved Property Acreage: 4.29
 Contract Expiration: 10/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,250,000 Other: _____
 Seller: Waco Independent School District Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of \$1,250,000 for the land and existing buildings is considered to be reasonable since the acquisition is an arm's length transaction.

The Applicant did not request acquisition credits for the purchase of the subject property at the time of initial application but did try to revise their request at a later date. However, the Department did not allow them to make the revision because program rules state that acquisition credits are not allowed if not requested at the time of initial application. Accordingly, the Applicant will not be able to receive any acquisition basis or credits on the purchase of the property.

It should also be noted that the Applicant has proposed a lease structure that has been used on two previous tax credit allocations to fully utilize the Historic Tax Credits; however, to date we do not have a copy of the proposed lease. Therefore, receipt, review and acceptance of a finalized lease agreement by carryover is a condition of this report.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$6,010 per unit, which is \$39K lower than the estimate in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value which is an independent third party estimate.

Direct Construction Cost:

The Applicant's direct construction cost is \$108K lower than the estimate of the Property Condition Assessment (PCA) provider's estimate. The underwriting analysis will reflect the PCA value which is an independent third party estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$124,623 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.

Contingency & 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; however, the Applicant's developer fees were overstated by \$118,193 and therefore, the eligible portion of the Applicant's developer fee was reduced by the same amount.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Accordingly, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$10,571,233 supports annual tax credits of \$1,174,993. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 7/6/2007

Source: Stearns Bank, N.A. Type: Interim to Permanent Financing

Interim: \$7,006,575 Interest Rate: P+.25 Floating Term: 24 months
Permanent: \$1,743,400 Interest Rate: 7.4% Fixed Term: 240 months

Comments:

The interim construction loan is a full recourse loan with DeWayne Anderson as guarantor. The permanent loan is a non-recourse loan with no personal liability to anyone, except for standard carve-outs.

Source: City of Waco Type: Interim Financing

Principal: \$634,425 Interest Rate: AFR Floating Term: 36 months

Comments:

This is an interim construction loan that has a maturity of up to 3 years. It is conditioned upon the Applicant receiving tax credit allocations. An AFR of 4.90% has been used by the Department for the purpose of underwriting tax credit applications during this cycle.

Source: Column Capital, LLC Type: Syndication

Proceeds: \$9,247,814 Syndication Rate: 88% Anticipated HTC: \$ 1,050,888

Comments:

These are normal HTC tax credits that are being provided for the rehabilitation of the subject property. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Source: Column Capital, LLC Type: Syndication

Proceeds: \$1,650,713 Syndication Rate: 88% Anticipated HTC: \$ 155,280

Comments:

These are Federal Historic Tax credits that the Applicant is to use for partial funding on the subject property. These credits will not be issued nor monitored by TDHCA. The Applicant is to use a lease pass-through on the property in order that the Historic Tax Credits are not taken out of eligible basis in the calculation of the normal 9% tax credits.

Amount: \$0 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As a result of the Underwriter's use of program rent limits which resulted in an increase in net operating income, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. Therefore, in order to bring the ratio to an acceptable level the underwriting analysis assumes an increase in the permanent loan amount to \$1,963,228 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

Historic Tax Credits may affect the eligible basis for calculation of 9% Housing Tax Credits; however, the Applicant proposes a lease structure that will allow them to pass-through the Historic Tax Credits to the lessee. On previous tax credits allocations to this development group, a memorandum was prepared by Greg Mayo of Powell Goldstein LLP that stated, "...eligible basis should not be reduced in this circumstance provided the lessee and lessor have substantially different investors and the lease between the two entities has an economic effect." Accordingly, receipt, review and acceptance by Carryover of evidence that the development qualifies for Historic Tax Credits and application has been made to the Secretary of the Interior is a condition of this report. This underwriting analysis will assume that the development will qualify for total net Historic Tax Credits of \$1,650,713 as proposed. Should additional Historic Tax Credits be provided, a reduction in the need for Housing Tax Credits would exist.

The Underwriter's total development cost estimate less the adjusted permanent loan of \$1,963,228 and anticipated syndication proceeds from Historic Tax Credits of \$1,650,713 indicates a need for \$9,077,915 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,031,581 annually would be required to fill this gap in financing. Of these three possible tax credit allocations, Applicant's revised request (\$1,050,888), the gap-driven amount (\$1,031,581), and eligible basis derived estimate (\$1,174,993), the gap-driven amount of \$1,031,581 is recommended.

The Underwriter's recommended financing structure does not indicate a need for additional permanent funds from deferred developer fees; however, in the event that additional funds are needed due to cost overruns, deferred developer fees are available for use.

Underwriter: _____ Date: July 19, 2007
D. Burrell

Reviewing Underwriter: _____ Date: July 19, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 19, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Historic Lofts of Waco High, Waco, 9% HTC #07192

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF*	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	677	\$283	\$217	\$651	\$0.32	\$66.00	\$29.00
TC 60%	28	1	1	773	\$567	501	14,028	0.65	66.00	29.00
TC 30%	8	2	2	901	\$340	262	2,096	0.29	78.00	31.00
TC 60%	49	2	2	991	\$681	603	29,547	0.61	78.00	31.00
TC 60%	16	3	2	1,192	\$786	696	11,136	0.58	90.00	38.00
TOTAL:	104		AVERAGE:	947		\$552	\$57,458	\$0.58	\$76.27	\$31.48

INCOME

Total Net Rentable Sq Ft: **98,533** *Estimated base

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.26%	\$268	0.28	\$27,912	\$24,100	\$0.24	\$232	4.33%
Management	5.00%	315	0.33	32,755	27,842	0.28	268	5.00%
Payroll & Payroll Tax	13.50%	850	0.90	88,434	82,000	0.83	788	14.73%
Repairs & Maintenance	7.39%	466	0.49	48,432	57,200	0.58	550	10.27%
Utilities	3.63%	229	0.24	23,796	18,000	0.18	173	3.23%
Water, Sewer, & Trash	6.00%	378	0.40	39,288	49,200	0.50	473	8.84%
Property Insurance	3.78%	238	0.25	24,772	22,791	0.23	219	4.09%
Property Tax 2.815772	9.92%	625	0.66	64,994	49,150	0.50	473	8.83%
Reserve for Replacements	7.21%	454	0.48	47,261	26,000	0.26	250	4.67%
TDHCA Compliance Fees	0.64%	40	0.04	4,160	4,160	0.04	40	0.75%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	61.33%	\$3,864	\$4.08	\$401,805	\$360,443	\$3.66	\$3,466	64.73%
NET OPERATING INC	38.67%	\$2,436	\$2.57	\$253,295	\$196,393	\$1.99	\$1,888	35.27%

DEBT SERVICE

Sterans Bank, N.A.	25.43%	\$1,602	\$1.69	\$166,623	\$145,473	\$1.48	\$1,399	26.12%
Historic Tax Credit Syndication Procc	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	13.23%	\$833	\$0.88	\$86,672	\$50,920	\$0.52	\$490	9.14%

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)		9.85%	\$12,019	\$12.69	\$1,250,000	\$1,250,000	\$12.69	\$12,019	9.89%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.23%	6,385	6.74	664,000	625,000	6.34	6,010	4.94%
Direct Construction		44.63%	54,471	57.49	5,665,000	5,557,000	56.40	53,433	43.96%
Contingency	4.85%	2.42%	2,952	3.12	307,000	307,000	3.12	2,952	2.43%
Contractor's Fees	13.45%	6.71%	8,183	8.64	851,000	851,000	8.64	8,183	6.73%
Indirect Construction		4.88%	5,952	6.28	619,000	619,000	6.28	5,952	4.90%
Ineligible Costs		5.84%	7,121	7.52	740,623	740,623	7.52	7,121	5.86%
Developer's Fees	15.00%	10.86%	13,258	13.99	1,378,857	1,475,000	14.97	14,183	11.67%
Interim Financing		8.56%	10,446	11.03	1,086,377	1,086,377	11.03	10,446	8.59%
Reserves		1.02%	1,250	1.32	130,000	130,000	1.32	1,250	1.03%
TOTAL COST		100.00%	\$122,037	\$128.81	\$12,691,857	\$12,641,000	\$128.29	\$121,548	100.00%
Construction Cost Recap		58.99%	\$71,990	\$75.98	\$7,487,000	\$7,340,000	\$74.49	\$70,577	58.07%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Sterans Bank, N.A.	13.74%	\$16,763	\$17.69	\$1,743,400	\$1,743,400	\$1,963,228	Developer Fee Available
Historic Tax Credit Syndication Procc	13.01%	\$15,872	\$16.75	1,650,713	1,650,713	1,650,713	\$1,356,807
HTC Syndication Proceeds	72.86%	\$88,912	\$93.85	9,246,887	9,246,887	9,077,915	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0			0%
Additional (Excess) Funds Req'd	0.40%	\$489	\$0.52	50,857	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$12,691,857	\$12,641,000	\$12,691,857	\$1,351,955

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Historic Lofts of Waco High, Waco, 9% HTC #07192

PAYMENT COMPUTATION

Primary	\$1,743,400	Amort	240
Int Rate	7.35%	DCR	1.52

Secondary	\$1,650,713	Amort	
Int Rate		Subtotal DCR	1.52

Additional	\$9,246,887	Amort	
Int Rate		Aggregate DCR	1.52

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$187,633
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$65,663

Primary	\$1,963,228	Amort	240
Int Rate	7.35%	DCR	1.35

Secondary	\$1,650,713	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$9,246,887	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$689,496	\$710,181	\$731,486	\$753,431	\$776,034	\$899,636	\$1,042,925	\$1,209,035	\$1,624,842
Secondary Income	18,720	19,282	19,860	20,456	21,070	24,425	28,316	32,826	44,115
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	708,216	729,462	751,346	773,887	797,103	924,061	1,071,240	1,241,861	1,668,957
Vacancy & Collection Loss	(53,116)	(54,710)	(56,351)	(58,042)	(59,783)	(69,305)	(80,343)	(93,140)	(125,172)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$655,100	\$674,753	\$694,995	\$715,845	\$737,321	\$854,757	\$990,897	\$1,148,721	\$1,543,786
EXPENSES at 4.00%									
General & Administrative	\$27,912	\$29,029	\$30,190	\$31,397	\$32,653	\$39,728	\$48,335	\$58,807	\$87,048
Management	32,755	33,738	34,750	35,792	36,866	42,738	49,545	57,436	77,189
Payroll & Payroll Tax	88,434	91,972	95,651	99,477	103,456	125,870	153,140	186,318	275,796
Repairs & Maintenance	48,432	50,369	52,384	54,480	56,659	68,934	83,869	102,039	151,043
Utilities	23,796	24,748	25,738	26,767	27,838	33,869	41,207	50,135	74,211
Water, Sewer & Trash	39,288	40,860	42,494	44,194	45,961	55,919	68,034	82,774	122,526
Insurance	24,772	25,763	26,793	27,865	28,980	35,258	42,897	52,191	77,255
Property Tax	64,994	67,594	70,297	73,109	76,034	92,506	112,548	136,932	202,693
Reserve for Replacements	47,261	49,152	51,118	53,162	55,289	67,267	81,841	99,572	147,391
Other	4,160	4,326	4,499	4,679	4,867	5,921	7,204	8,764	12,974
TOTAL EXPENSES	\$401,805	\$417,549	\$433,914	\$450,923	\$468,602	\$568,010	\$688,619	\$834,968	\$1,228,126
NET OPERATING INCOME	\$253,295	\$257,204	\$261,082	\$264,922	\$268,719	\$286,746	\$302,278	\$313,754	\$315,659
DEBT SERVICE									
First Lien Financing	\$187,633	\$187,633	\$187,633	\$187,633	\$187,633	\$187,633	\$187,633	\$187,633	\$187,633
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$65,663	\$69,571	\$73,449	\$77,290	\$81,086	\$99,114	\$114,645	\$126,121	\$128,027
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.53	1.61	1.67	1.68

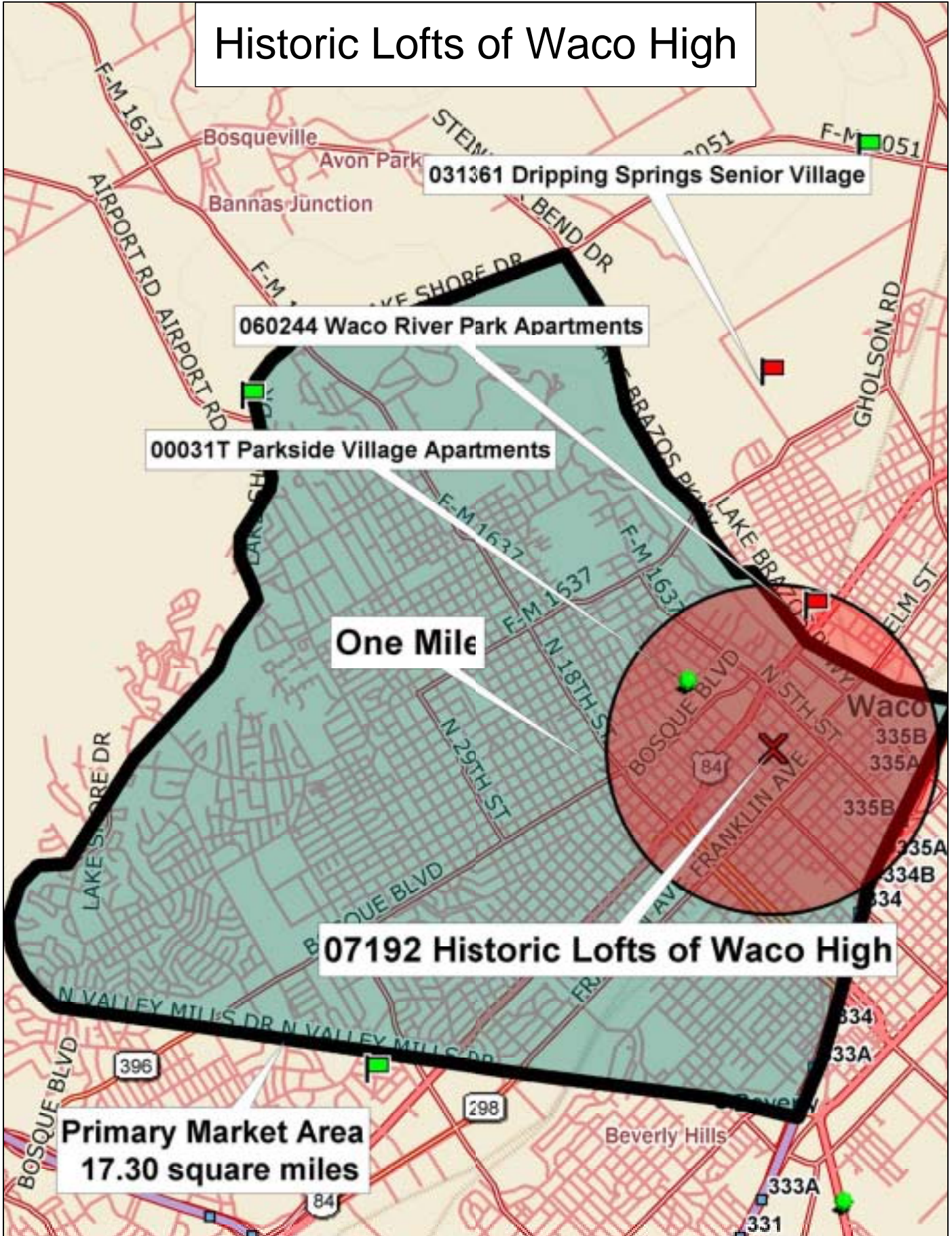
HTC ALLOCATION ANALYSIS -Historic Lofts of Waco High, Waco, 9% HTC #07192

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,250,000	\$1,250,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$625,000	\$664,000	\$625,000	\$664,000
Construction Hard Costs	\$5,557,000	\$5,665,000	\$5,557,000	\$5,665,000
Contractor Fees	\$851,000	\$851,000	\$851,000	\$851,000
Contingencies	\$307,000	\$307,000	\$307,000	\$307,000
Eligible Indirect Fees	\$619,000	\$619,000	\$619,000	\$619,000
Eligible Financing Fees	\$1,086,377	\$1,086,377	\$1,086,377	\$1,086,377
All Ineligible Costs	\$740,623	\$740,623		
Developer Fees			\$1,356,807	
Developer Fees	\$1,475,000	\$1,378,857		\$1,378,857
Development Reserves	\$130,000	\$130,000		
TOTAL DEVELOPMENT COSTS	\$12,641,000	\$12,691,857	\$10,402,183	\$10,571,233

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,402,183	\$10,571,233
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,522,838	\$13,742,603
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$13,522,838	\$13,742,603
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,156,203	\$1,174,993

Syndication Proceeds	0.8800	\$10,174,584	\$10,339,935
Total Tax Credits (Eligible Basis Method)		\$1,156,203	\$1,174,993
Syndication Proceeds		\$10,174,584	\$10,339,935
Requested Tax Credits		\$1,050,888	
Syndication Proceeds		\$9,247,814	
Gap of Syndication Proceeds Needed			\$9,077,915
Total Tax Credits (Gap Method)			\$1,031,581

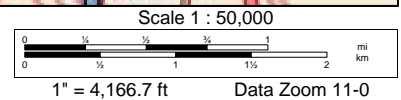
Historic Lofts of Waco High



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Applicant Evaluation

Project ID # **07192**

Name: **Historic Lofts of Waco High**

City: **Waco**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 1

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/30/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stone Brook Senior Apartments, TDHCA Number 07193

BASIC DEVELOPMENT INFORMATION

Site Address: NW Corner Loop 256 & Threll St. Development #: 07193
City: Palestine Region: 4 Population Served: Elderly
County: Anderson Zip Code: 75803 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Threll Field, LLC
Owner Contact and Phone: Matt Harris (972) 239-8500
Developer: Provident Realty Development, LP
Housing General Contractor: PRA Construction, LP
Architect: GTF Designs
Market Analyst: Novogradac & Company, LLP
Syndicator: CharterMac Capital
Supportive Services: To Be Determined
Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
8 0 0 68 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 46 30 0 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$8,186,433
Number of Residential Buildings: 1
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$795,428 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stone Brook Senior Apartments, TDHCA Number 07193

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S Points: 7 US Representative: Hensarling, District 5, NC
TX Representative: Cook, District 8, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Carolyn Salter, MD, Mayor of Palestine Resolution of Support from Local Government
S, Linda Bostick Ray, Anderson County Judge
S, Steve Presley, Palestine City Council

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

North Jackson Neighborhood Association, Dr. Barry Roberts Letter Score: 24 S or O: S

The Development will offer the highest level of amenities and facilities of any apartment community in the surrounding area. It will enhance the property values. There is a strong and growing need for affordable housing in the city of Palestine. The Project will have a positive economic impact to the local economy by creating new jobs.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Should the Board approve this award, a housing tax credit allocation not to exceed \$795,428 annually for ten years.

Receipt, review, and acceptance by closing of documentation that all title issues have been resolved.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stone Brook Senior Apartments, TDHCA Number 07193

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

Competitive Housing Tax Credits: Score: **188** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region and found to be infeasible by Department.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/07

PROGRAM: 9% HTC

FILE NUMBER: 07193

DEVELOPMENT

Stone Brook Seniors Apartments

Location: Northwest Corner of State Highway Loop 256 and Threll Street Region: 4
 City: Palestine County: Anderson Zip: 75803 QCT DDA
 Key Attributes: Multifamily, Elderly, New Construction, Rural

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$795,428			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The inclusive capture rate as recalculated by the Underwriter exceeds the Department maximum of 75% for elderly developments per 10TAC §1.32(i)(1)(A).

The Applicant's expense to income ratio exceeds the Department's maximum of 65% per 10TAC§1.32(i)(4).

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A housing tax credit allocation not to exceed \$795,428 annually for ten years.
- 2 Receipt, review, and acceptance by closing of documentation that all title issues have been resolved.
- 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	68

PROS

CONS

The Underwriter's inclusive capture rate exceeds the Department 75% maximum for a rural and elderly development.

The Development's expense to income ratio exceeds the maximum guideline (65%) and the Underwriter's estimate is within 1% of the maximum, reflecting low area median income and over extensive deep rent targeting.

BR/BA	SF	Units										Total Units	Total SF
1/1	750	46										46	34,500
2/2	975	30										30	29,250
Units per Building		76										76	63,750

SITE ISSUES

Total Size: 6.72 acres Scattered site? Yes No
Flood Zone: Zone C Within 100-yr floodplain? Yes No
Zoning: C-4 w/ Special Use Needs to be re-zoned? Yes No N/A

Comments:
The subject site is presently zoned C-4 Highway Commercial with a specific use permit, granted by the City in order to allow the construction and operation of the subject multifamily development.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/26/2007
Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
North: Residential uses and a former youth baseball field
South: SH 256 and vacant/undeveloped land
East: Threll Street, residential and commercial uses including a vacant warehouse
West: Vacant/undeveloped land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc Date: 3/30/2007
Recognized Environmental Concerns (RECs) and Other Concerns:
None.

MARKET HIGHLIGHTS

Provider: Novogradac & Company Date: 2/22/2007
Contact: John Cole Phone: (512) 340-0420 Fax: (512) 340-0421
Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 308.05 square miles ~ 9.93 mile radius
"For the purpose of this Study, the Subject's Primary Market Area (PMA) is the area bound by FM-321 to the north, FM-645 to the west, SR-294 to the south, and FM- 372, CR-397, CR-1230, and FM-3232 to the east." (p.10)

Secondary Market Area (SMA):
"The secondary market area (SMA) is defined as Anderson County, TX..." (p.10)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Hampton Chase	05184	76	Not Seniors only	None			

INCOME LIMITS						
Anderson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,400	\$10,750	\$12,100	\$13,450	\$14,550	\$15,600
60	\$18,840	\$21,480	\$24,180	\$26,880	\$29,040	\$31,200

PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	50	0	0	50	4	0	8%
1 BR/60% Rent Limit	43	0	0	43	43	0	100%
2 BR/30% Rent Limit	23	0	0	23	4	0	17%
2 BR/60% Rent Limit	34	0	0	34	26	0	76%

OVERALL DEMAND												
			Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER												
Market Analyst	p.	85	100%	4,950	100%	4,950	18%	876	17%	152	51%	77
Underwriter			41%	5,002	100%	5,002	21%	1,059	16%	169	15%	26
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	85				104	18%	18	17%	3	100%	8
Underwriter					100%	107	21%	23	16%	4	100%	4
SMA DEMAND from TURNOVER												
Market Analyst	p.	86		7,235	100%	7,235	18%	1,281	16%	209	25%	109
Underwriter			36%	7,312	100%	7,312	21%	1,548	14%	219	15%	34

The Market Analyst included demand from turnover at a rate of 25% based upon a small sampling of existing, not exclusively senior, apartments that averaged 28%. In addition, the Market Analyst included demand from rent overburdened households at 25.6% based upon elderly renter's that pay more than 35% of their income for rent. Rent overburdened, senior, low income households should have been calculated based upon those paying over 40% of gross income toward rent since that is consistent with the income banding methodology for senior households. Moreover, rent overburdened households would be more likely to move and overlap with the turnover calculation. The market study provided little to no detail about the methodology utilized to calculate the rent overburdened households nor did they point to data to support their calculation.

There are seven stabilized and one under construction affordable developments funded by the department in this community consisting of 396 units. The two year average annual turnover rate for all of the stabilized TDHCA funded units in this market is 49% and the average turnover rate for 68 elderly units is 15%. The Underwriter did not include the overstated and potentially redundant demand from rent overburdened households but rather used the turnover rate represented by the existing affordable elderly units in the market.

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	85	76	0	0	76	112	67.68%
Underwriter			76	0	0	76	38	199.25%

Inclusive Capture Rate:

As a result of possibly double counting demand from turnover and rent overburdened households discussed above, the Market Analyst appears to have overstated demand and understated the inclusive capture rate. Even so, the Market Analyst's inclusive capture rate is over 50%, suggesting that over half of the income eligible senior households looking for a place to live will have to choose the subject over any of the existing units in order for the subject to be successful. This high level of capture may be appropriate when there has been no new housing in a market but of the 396 TDHCA funded affordable units in the market, over a third or 152 are new units constructed since 2002. The Underwriter's independent determination of the inclusive capture rate exceeds 75% and therefore the development is characterized as infeasible pursuant to §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines and cannot be recommended for funding.

Primary Market Occupancy Rates:

"Occupancy rates reported at the stabilized comparable properties ranges from 90.9 to 100 percent, with an average occupancy rate of 97.7 percent. The stabilized LIHTC property reported an occupancy rate of 94.7 percent, while the four market rate properties average 98.2 percent." (p. 63)

Absorption Projections:

"Given the limited supply of age-restricted properties in the area, we conservatively assume an absorption rate of eight units per month. Thus, the absorption period is estimated to be approximately nine months to reach stabilization of 95 percent occupancy." (p. 62)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 750 SF 30%	\$204	\$203	\$590	\$203	\$387	
1 BR 750 SF 60%	\$456	\$456	\$590	\$456	\$134	
2 BR 975 SF 30%	\$235	\$235	\$685	\$235	\$450	
2 BR 975 SF 60%	\$537	\$537	\$685	\$537	\$148	

Market Impact:

"Palestine Seniors Community is the only LIHTC property in the PMA that targets seniors. However, this property also has a USDA subsidy, and the property manager stated that none of the tenants are paying LIHTC rents. This property is 100 percent occupied and has a waiting list of 13 households. There are only two LIHTC properties in the PMA that operate without an additional USDA subsidy. As previously discussed, one of these properties, Hampton Chase Apartments, has not reached a stabilized occupancy rate. The other stabilized LIHTC property, Treehouse Apartments, is currently 94.7 percent occupied. It should be noted that neither of these properties target seniors. Thus, the potential impact on the existing affordable housing stock is anticipated to be minimal." (p. 79)

Comments:

The Underwriter's independent inclusive capture rate calculation is over 100% and exceeds the Department's maximum guideline of 75% for elderly developments; therefore, the development must be characterized as infeasible and cannot be recommended for funding.

This section intentionally left blank.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/15/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of April 1, 2006, maintained by Anderson County, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; however, secondary income assumptions are not, as the Applicant included an additional \$5 per unit over the \$15 guideline. The Applicant indicated that this revenue would be from garage and carport income but provided limited support that these additional amounts are achievable in this market. Moreover, the market study provided no support for such additional income. Despite the differences in potential tenant-paid utility allowances for each unit type and the differences in secondary income, the Applicant's effective gross rent is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/15/2007

The Applicant's total annual operating expense projection at \$3,463 per unit is within 5% of the Underwriter's estimate of \$3,436, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows property tax to be \$4K higher than the Underwriter's estimate.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.35, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. Again, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

As noted above, the Applicant's Year One proforma is used to determine not only debt capacity, but also the financial feasibility of the Development. The Applicant's proforma, as submitted at application, indicates an expense to income ratio above 65%. Pursuant to the 2007 Real Estate Analysis Guidelines §1.32(i)(4), a development cannot be recommended for funding if the Year One proforma results in an expense to income ratio above 65%. Therefore, the subject application is not recommended for an allocation of 9% Housing Tax Credits. It should also be noted that the Underwriter's estimate is also over 65%. In addition, the Applicant's original expense to income ratio was 64.85% before changes to both income and expenses were made as a result of requests for additional information. However, the Applicant's income is inflated based upon unsupported secondary income from the lease of garages and carports. The expense to income ratio in this development leaves little margin for any unanticipated future operating difficulties.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 10.44 acres	<u>\$30,280</u>	Tax Year:	<u>2006</u>
1 acre:	<u>\$2,900</u>	Valuation by:	<u>Anderson CAD</u>
Total Prorata: 6.72 acres	<u>\$19,491</u>	Tax Rate:	<u>2.6665</u>

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Acreage: 6.72
 Contract Expiration: 7/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$155,000 Other: _____
 Seller: Church of Nations Related to Development Team? Yes No

TITLE

Comments:

It should be noted, Schedule C, item 14 identifies an abstract of judgment and item 15 indicates there is also a tax lien against the owner of the property. Receipt, review, and acceptance by closing of documentation that all title issues have been resolved is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$23,065 per acre or \$2,039 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. It should be noted, it appears that the Applicant plans to maintain the 'natural area' of a small portion of land just south of the planned improvements. However, should the Applicant construct a Phase II development in the future on this portion of the site, a partial release of the LURA would be required and no acquisition cost for that site should be considered.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,995 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$169K or 5% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$6,500 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$976; therefore, the Applicant's eligible basis estimate is reduced by this amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,182,504 supports annual tax credits of \$798,335. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

This section intentionally left blank.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Palestine Economic Development Corp Type: Interim Financing

Principal: \$425,000 Interest Rate: AFR Fixed Term 13 months

Comments:

PEDC is a private non-profit corporation and receives its funding from sales tax funds remitted by the State. A City Resolution was submitted indicating authorization for PEDC to provide economic incentive to the development. The resolution does not identify the terms of the loan except to say that it is for 13 months. The terms assumed here are based upon information provided by the applicant.

Source: JPMorgan CHASE Type: Interim to Permanent Financing

Principal: \$1,243,000 Interest Rate: 7.5% Fixed Amort 360 months

Comments:

Construction Loan terms: 24 months & 6 month extension at 7.5%; interest only during construction; principal and interest due at maturity or conversion to permanent.

Source: CharterMac Capital Type: Syndication

Proceeds: \$6,920,000 Syndication Rate: 87% Anticipated HTC: \$ 795,428

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$24,435 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,243,000 indicates the need for \$6,943,433 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$798,201 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$795,428), the gap-driven amount (\$798,201), and eligible basis-derived estimate (\$798,335), the Applicant's request of \$795,428 would be recommended.

The Underwriter's financing structure indicates the need for \$24,125 in additional permanent funds. Deferred developer fee in this amount appear to be repayable from cashflow within one year of stabilized operation.

However, as noted above, the development cannot be recommended for funding due to an inclusive capture rate that exceeds the current Department maximum guideline for this type of development, and an expense to income ratio above 65% based on the Applicant's proforma.

Underwriter: _____ Date: June 30, 2007

Diamond Unique Thompson

Reviewing Underwriter: _____ Date: June 30, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 30, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Stone Brook Seniors Apartments, Palestine, 9% HTC #07193

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	750	\$251	\$203	\$812	\$0.27	\$48.00	\$21.00
TC 60%	42	1	1	750	\$504	456	19,152	0.61	48.00	21.00
TC 30%	4	2	2	975	\$302	235	940	0.24	67.00	31.00
TC 60%	26	2	2	975	\$604	537	13,962	0.55	67.00	31.00
TOTAL:	76		AVERAGE:	839		\$459	\$34,866	\$0.55	\$55.50	\$24.95

INCOME

Total Net Rentable Sq Ft: 63,750

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: garages & carports

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	6.08%	\$320	0.38	\$24,293	\$22,775	\$0.36	\$300	5.64%
Management	5.00%	263	0.31	19,983	20,196	0.32	266	5.00%
Payroll & Payroll Tax	14.35%	755	0.90	57,360	51,600	0.81	679	12.77%
Repairs & Maintenance	9.83%	517	0.62	39,295	41,845	0.66	551	10.36%
Utilities	3.17%	167	0.20	12,654	10,260	0.16	135	2.54%
Water, Sewer, & Trash	6.26%	329	0.39	25,020	26,800	0.42	353	6.63%
Property Insurance	4.59%	241	0.29	18,340	19,000	0.30	250	4.70%
Property Tax 2.6665	9.13%	480	0.57	36,478	42,940	0.67	565	10.63%
Reserve for Replacements	4.75%	250	0.30	19,000	19,000	0.30	250	4.70%
TDHCA Compliance Fees	0.76%	40	0.05	3,040	3,040	0.05	40	0.75%
Other: Supportive Services	1.43%	75	0.09	5,700	5,700	0.09	75	1.41%
TOTAL EXPENSES	65.35%	\$3,436	\$4.10	\$261,163	\$263,156	\$4.13	\$3,463	65.15%
NET OPERATING INC	34.65%	\$1,822	\$2.17	\$138,504	\$140,776	\$2.21	\$1,852	34.85%

DEBT SERVICE

First Lien Mortgage	26.10%	\$1,372	\$1.64	\$104,295	\$104,211	\$1.63	\$1,371	25.80%
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	8.56%	\$450	\$0.54	\$34,209	\$36,566	\$0.57	\$481	9.05%

AGGREGATE DEBT COVERAGE RATIO

1.33 1.35

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		2.29%	\$2,368	\$2.82	\$180,000	\$180,000	\$2.82	\$2,368	2.20%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.71%	8,995	10.72	683,619	683,619	10.72	8,995	8.35%
Direct Construction		45.46%	46,947	55.97	3,567,964	3,737,323	58.62	49,175	45.65%
Contingency 5.00%		2.71%	2,797	3.33	212,579	227,547	3.57	2,994	2.78%
Contractor's Fees 14.00%		7.58%	7,832	9.34	595,222	618,933	9.71	8,144	7.56%
Indirect Construction		9.55%	9,857	11.75	749,150	749,150	11.75	9,857	9.15%
Ineligible Costs		7.12%	7,353	8.77	558,829	558,829	8.77	7,353	6.83%
Developer's Fees 15.00%		11.55%	11,929	14.22	906,618	937,824	14.71	12,340	11.46%
Interim Financing		3.00%	3,100	3.70	235,585	235,585	3.70	3,100	2.88%
Reserves		2.02%	2,090	2.49	158,867	257,623	4.04	3,390	3.15%
TOTAL COST	100.00%	\$103,269	\$123.11	\$7,848,433	\$8,186,433	\$128.41	\$107,716	100.00%	
Construction Cost Recap		64.46%	\$66,571	\$79.36	\$5,059,384	\$5,267,422	\$82.63	\$69,308	64.34%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	15.84%	\$16,355	\$19.50	\$1,243,000	\$1,243,000	\$1,243,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$936,848
HTC Syndication Proceeds	88.17%	\$91,053	\$108.55	6,920,000	6,919,000	6,919,308	% of Dev. Fee Deferred
Deferred Developer Fees	0.31%	\$322	\$0.38	24,435	24,435	24,125	3%
Additional (Excess) Funds Req'd	-4.32%	(\$4,461)	(\$5.32)	(339,002)	(2)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,848,433	\$8,186,433	\$8,186,433	\$759,889

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Stone Brook Seniors Apartments, Palestine, 9% HTC #07193

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$52.70	\$3,359,609
Adjustments				
Exterior Wall Finish	0.80%		\$0.42	\$26,877
Elderly	3.00%		1.58	100,788
9-Ft. Ceilings	3.10%		1.63	104,148
Elevators	58,400	2	1.83	116,800
Subfloor			(0.82)	(52,488)
Floor Cover			2.43	154,913
Patios/Balconies	\$22.27	3,432	1.20	76,440
Plumbing Fixtures	\$805	90	1.14	72,450
Rough-ins	\$400	152	0.95	60,800
Built-In Appliances	\$1,850	76	2.21	140,600
Stairs	\$1,800	8	0.23	14,400
Interior Corridors	\$42.78	11,870	7.97	507,806
Heating/Cooling			1.90	121,125
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$64.74	2,768	2.81	179,200
Other: fire sprinkler	\$1.95	63,750	1.95	124,313
SUBTOTAL			80.12	5,107,781
Current Cost Multiplier	0.98		(1.60)	(102,156)
Local Multiplier	0.88		(9.61)	(612,934)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.90	\$4,392,692
Plans, specs, survy, bld prm	3.90%		(\$2.69)	(\$171,315)
Interim Construction Interest	3.38%		(2.33)	(148,253)
Contractor's OH & Profit	11.50%		(7.92)	(505,160)
NET DIRECT CONSTRUCTION COSTS			\$55.97	\$3,567,964

PAYMENT COMPUTATION

Primary	\$1,243,000	Amort	360
Int Rate	7.50%	DCR	1.33

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.33

Additional	\$6,919,000	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$104,295
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$36,482

Primary	\$1,243,000	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

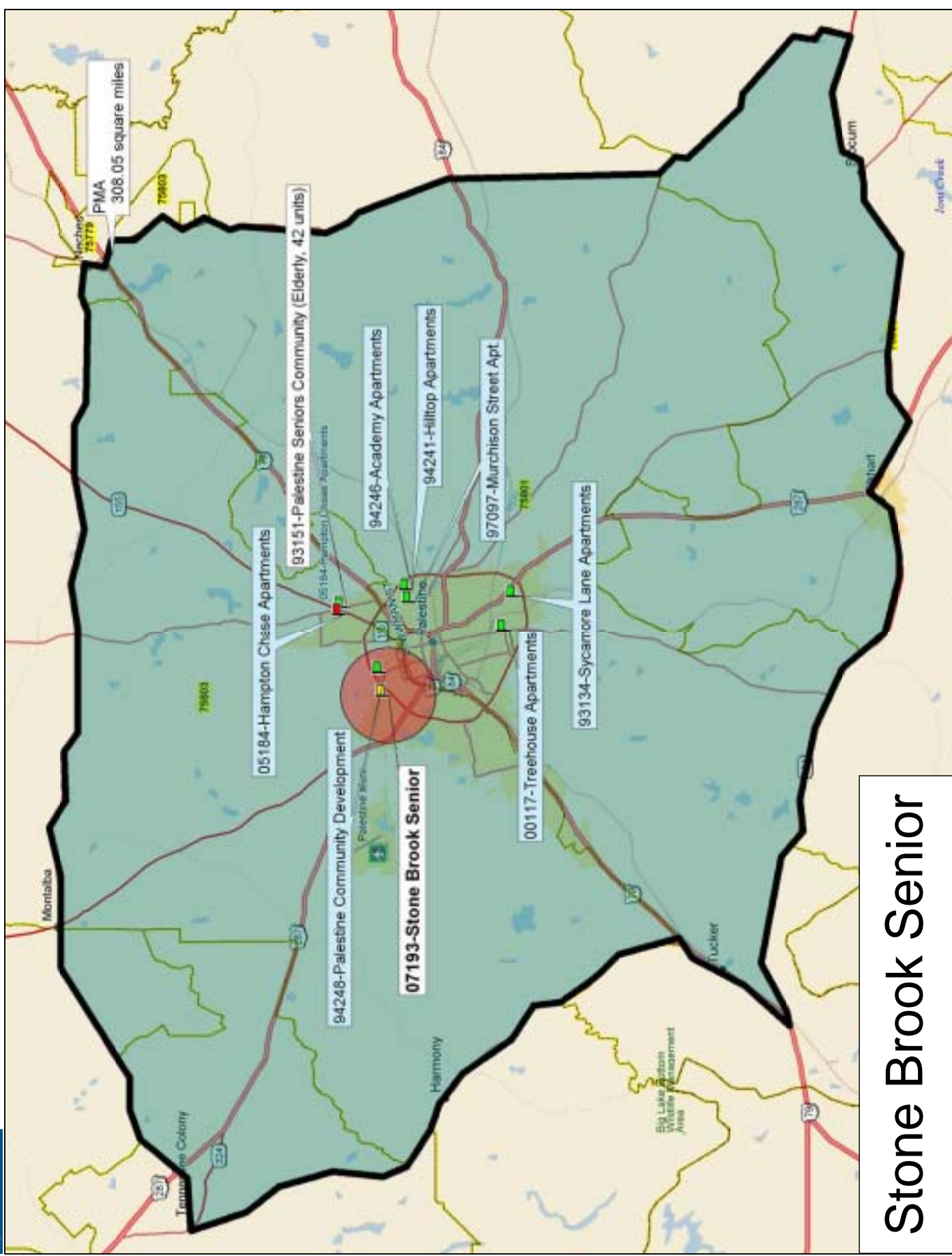
Additional	\$6,919,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

HTC ALLOCATION ANALYSIS -Stone Brook Seniors Apartments, Palestine, 9% HTC #07193

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$180,000	\$180,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$683,619	\$683,619	\$683,619	\$683,619
Construction Hard Costs	\$3,737,323	\$3,567,964	\$3,737,323	\$3,567,964
Contractor Fees	\$618,933	\$595,222	\$618,932	\$595,222
Contingencies	\$227,547	\$212,579	\$221,047	\$212,579
Eligible Indirect Fees	\$749,150	\$749,150	\$749,150	\$749,150
Eligible Financing Fees	\$235,585	\$235,585	\$235,585	\$235,585
All Ineligible Costs	\$558,829	\$558,829		
Developer Fees			\$936,848	
Developer Fees	\$937,824	\$906,618		\$906,618
Development Reserves				
	\$257,623	\$158,867		
TOTAL DEVELOPMENT COSTS	\$8,186,433	\$7,848,433	\$7,182,504	\$6,950,736

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$7,182,504	\$6,950,736
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$9,337,256	\$9,035,957
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$9,337,256	\$9,035,957
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$798,335	\$772,574

Syndication Proceeds	0.8699	\$6,944,599	\$6,720,508
Total Tax Credits (Eligible Basis Method)		\$798,335	\$772,574
Syndication Proceeds		\$6,944,599	\$6,720,508
Requested Tax Credits		\$795,428	
Syndication Proceeds		\$6,919,308	
Gap of Syndication Proceeds Needed		\$6,943,433	
Total Tax Credits (Gap Method)		\$798,201	



Stone Brook Senior

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TN

MN (S.S.F.)

Scale 1 : 175,000



Data Zoom 10-2

Applicant Evaluation

Project ID # **07193**

Name: **Stone Brook Senior Apartments**

City: **Palestine**

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

Total # of Projects monitored: 4

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 4
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 4

Projects not reported Yes
in application No

not yet monitored or pending review: 7

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 5/31/2007

Date 5/30/2007

Date 5/30/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer Maria Cazares

Reviewer Melissa M. Whitehead

Date 6/1/2007

Date 5/30/2007

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

377 Villas, TDHCA Number 07194

BASIC DEVELOPMENT INFORMATION

Site Address: 4236 Hwy 377 S. Development #: 07194
 City: Brownwood Region: 2 Population Served: General
 County: Brown Zip Code: 76804 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: 377 Villas of Brownwood Apartments, L.P.
 Owner Contact and Phone: Justin MacDonald (830) 257-5323
 Developer: 377 Villas of Brownwood Builders, LLC
 Housing General Contractor: G.G. Macdonald, Inc.
 Architect: Ray Payne, A.I.A.
 Market Analyst: O' Conner & Associates
 Syndicator: Boston Capital Corporation
 Supportive Services: JC Ventures, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	73
	8 0 0 65	Market Rate Units:	3
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 36 24 0 0	Total Development Units:	76
Type of Building:		Total Development Cost*:	\$7,693,102
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$710,919	\$687,210			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

377 Villas, TDHCA Number 07194

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S Points: 7 US Representative: Conaway, District 11, NC
TX Representative: Keffer, District 60, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, David J. Fain, Mayor Pro Tem

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2
Brownwood Economic Development Corporation S or O: S
Brownwood Area Chamber of Commerce S or O: S

General Summary of Comment:

Support received from elected officials, civic organizations, and one non-official.

CONDITIONS OF COMMITMENT

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

Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation in the amount of \$400,000, or a commitment from a qualifying substitute source in an amount not less than \$398,352, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

377 Villas, TDHCA Number 07194

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

Competitive Housing Tax Credits: Score: **184** Meeting a Required Set-Aside Credit Amount*: \$687,210

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/25/07

PROGRAM: 9% HTC

FILE NUMBER: 07194

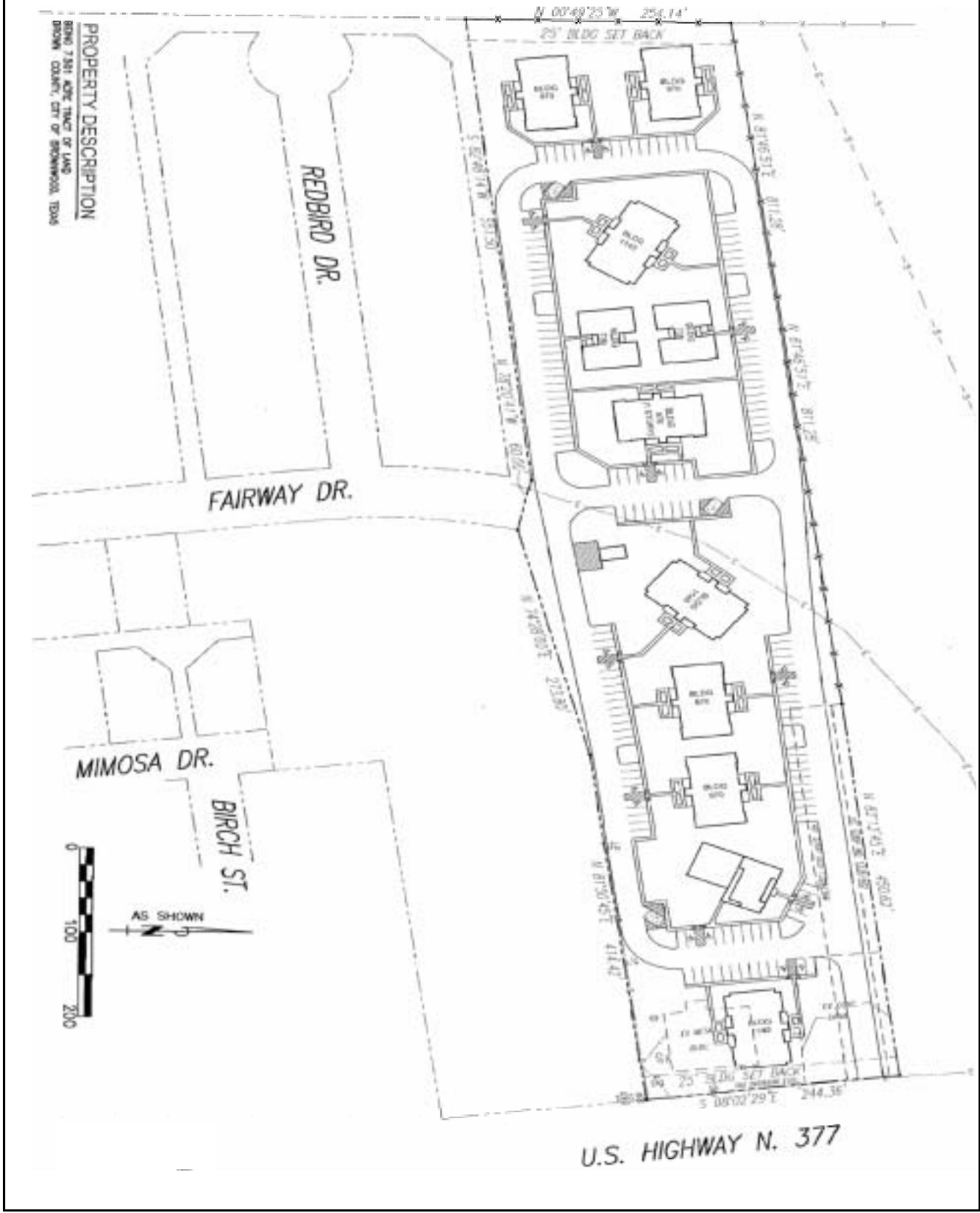
DEVELOPMENT																		
377 Villas																		
Location: 4236 Highway 377 South				Region: 2														
City: Brownwood		County: Brown		Zip: 76804		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: Multifamily, Family, New Construction, Rural																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$710,919			\$687,210														
CONDITIONS																		
1 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">65</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	65
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	65																
PROS <hr/>				CONS <hr/>														
				This application represents the third housing tax credit development in four years and the sixth tax credit development in Brownwood.														
				Both the Applicant's and Underwriter's high expense to income ratio are within 2% of the maximum guideline, reflecting extensive deep rent targeting, but are still acceptable.														
				The Applicant's anticipated syndication proceeds as a percentage of total cost (84%) is higher than typical due to the 130% DDA boost, deep rent targeting, high estimated permanent interest rate.														
PREVIOUS UNDERWRITING REPORTS																		
No previous reports.																		

DEVELOPMENT TEAM																							
OWNERSHIP STRUCTURE																							
<pre> graph TD A["377 VILLAS OF BROWNWOOD APARTMENTS, L.P."] --> B["377 Villas of Brownwood Developers, LLC General Partner 99.99%"] A --> C["T. Justin MacDonald Initial Limited Partner 0.01%"] B --> D["T. Justin MacDonald 50% General Partner"] B --> E["John S. Ford 50% General Partner"] </pre>																							
CONTACT																							
Contact:	<u>T. Justin MacDonald</u>	Phone: <u>(830) 257-5323</u>	Fax: <u>(830) 257-3168</u>																				
Email:	<u>tjmacdonald@macdonaldcompanies.com</u>																						
KEY PARTICIPANTS																							
<table border="1"> <thead> <tr> <th>Name</th> <th>Net Assets</th> <th>Liquidity¹</th> <th># of Complete Developments</th> </tr> </thead> <tbody> <tr> <td>GG MacDonald, Inc.</td> <td>N/A</td> <td>N/A</td> <td>12</td> </tr> <tr> <td>G Granger MacDonald</td> <td colspan="2">Confidential</td> <td>19 +</td> </tr> <tr> <td>T. Justin MacDonald</td> <td colspan="2">Confidential</td> <td>10</td> </tr> <tr> <td>John S. Ford</td> <td colspan="2">Confidential</td> <td>0</td> </tr> </tbody> </table>				Name	Net Assets	Liquidity ¹	# of Complete Developments	GG MacDonald, Inc.	N/A	N/A	12	G Granger MacDonald	Confidential		19 +	T. Justin MacDonald	Confidential		10	John S. Ford	Confidential		0
Name	Net Assets	Liquidity ¹	# of Complete Developments																				
GG MacDonald, Inc.	N/A	N/A	12																				
G Granger MacDonald	Confidential		19 +																				
T. Justin MacDonald	Confidential		10																				
John S. Ford	Confidential		0																				
¹ Liquidity = Current Assets - Current Liabilities																							
IDENTITIES of INTEREST																							
<p>The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for HTC-funded developments.</p>																							

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PROPOSED SITE

SITE PLAN



PROPERTY DESCRIPTION
BEING 7.851 ACRES TRACT OF LAND
BROWN COUNTY, CITY OF BROWNWOOD, TEXAS

BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	2	2	2	2							
Number	2	4	1	3							10

BR/BA	SF	Units								Total Units	Total SF
1/1	736	8								16	11,776
2/2	970		8							32	31,040
2/2	970			4						4	3,880
3/2	1,140				8					24	27,360
Units per Building		8	8	4	8					76	74,056

SITE ISSUES

Total Size: 7.501 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: C-1 Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/27/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Golf Cart Dealership & raw land East: U.S. Hwy 377
 South: Used Car Dealership & residential West: Undeveloped land & homesites

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TriCo Inspecting Service, Inc. Date: 2/15/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 "Based on the findings of this report, no obvious misuse of subject property or surrounding property was noted, and no further environmental investigation is needed, in my opinion. Subject property appeared environmentally clean and no potential risk or contamination was observed." (Executive Summary of Report)

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 3/14/2007
 Contact: Chris Law Phone: (713) 686-9955 Fax: _____
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 949.94 square miles, 17.43 mile radius
 The subject's primary market is defined as Brown County. These boundaries have been defined because the properties within them tend to exhibit similar characteristics, physical features, price desirability and they are affected by similar physical, economic, governmental and social forces.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Brown						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,400	\$10,750	\$12,100	\$13,450	\$14,550	\$15,600
60	\$18,840	\$21,540	\$24,240	\$26,940	\$29,100	\$31,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR 30%	61	0	0	61	8	0	13%
1BR 60%	81	-1	0	80	7	0	9%
2BR 60%	54	0	0	54	35	0	65%
3BR 60%	59	-7	0	52	23	0	44%

OVERALL DEMAND												
			Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER												
Market Analyst	p.	74	100%	14,749	97%	14,277	5%	717	included in inc elig %	60%	430	
Underwriter			100%	14,893	97%	14,428	29%	4,115	27%	1,125	40%	453
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	74			97%	72	5%	3	included in inc elig %	100%	3	
Underwriter					97%	62	29%	17	27%	1	100%	5
DEMAND from OTHER SOURCES												
Market Analyst	p.	74									73	
Underwriter											0	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	74	73	0	73	506	14.43%
Underwriter			73	76	149	458	32.57%

The Market Analyst used a much higher IREM average for turnover than the turnover found at the 5 tax credit developments that are located in Brownwood. The Underwriter's inclusive capture rate conclusion is greater than the 25% allowed in urban markets but since this is considered a rural market a capture rate of up to 75% is acceptable.

Primary Market Occupancy Rates:

The average occupancy in the subject's primary market area was reported at 99.92%. Occupancy in the market area has been stable over the last few years. The overall occupancy level of the affordable housing projects in the primary market area is 100%. The high occupancy level of affordable housing projects in the area indicates a potential pent-up demand for newly constructed affordable housing units.

Absorption Projections:

"Considering the strong absorption history of properties in the market area and the need for quality affordable units in the market, we project that the subject property will lease an average of 12 to 15 units per month until achieving stabilized occupancy. Leasing rates may be high during the initial lease-up period. We anticipate that the subject property will achieve stabilized occupancy within 4 to 6 months after pre-leasing starts." (p. 16)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1BR	736 SF	(30%)	\$143	\$143	\$515	\$143	\$372
1BR	736 SF	(60%)	\$396	\$396	\$515	\$396	\$119
2BR	970 SF	(60%)	\$478	\$482	\$600	\$482	\$118
2BR	1,140 SF	(60%)	\$695	\$558	\$720	\$558	\$162

Market Impact:

"Based on the high occupancy levels of the existing properties in the market and the unit mix of the subject, we project that it will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 16)

Comments:

The Market Study provided sufficient information upon which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances from the 2007 program gross rent limits. Tenants will be required to pay for electric, water, and sewer. The Applicant projected secondary income of \$14 per unit, and the estimate of vacancy and losses is consistent with TDHCA's guidelines. The Applicant's estimated effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$3,365 per unit is within the Underwriter's estimate of \$3,430, derived from the TDHCA database and third party data sources. The Applicant's individual expense line item for management fee is based on 4% of effective gross income rather than the 5% used by the Underwriter making it \$4K lower than the TDHCA's value.

Conclusion:

The Applicant's effective gross income, total annual operating expenses and net operating income were all comparable to the Underwriter's estimates, being within 5% of the Underwriter's estimate. Therefore, the Applicant's Year 1 proforma will be used to evaluate debt service capacity.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	11.42 acres	<u>\$87,510</u>	Tax Year:	<u>2006</u>
Existing Buildings:		<u>\$63,290</u>	Valuation by:	<u>Brown CAD</u>
1 acre:		<u>\$7,663</u>	Tax Rate:	<u>2.9374</u>
Total Prorate	7.501 acres	<u>\$57,479</u>		

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 11.42
 Contract Expiration: 7/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$746,182 Other: Prorated Cost for 7.501 ac. is \$490,115
 Seller: Streets Development, LTD Related to Development Team? Yes No

Comments:

The original buyer on the contract for 11.42 acres is listed as Carpe Manana, LLC. The assignment of contract for sale indicates only the subject 7.501 acres is being assigned for the total contract price of \$746,182. The signatory for Carpe Manana, LLC, Granger MacDonald, is a related party. The proposed structure would allow Carpe Manana, LLC to gain control of 3.919 acres at no cost. Seen in another light, Carpe Manana, LLC would make a profit of \$34,137.74 per acre or a total of \$256K as a result of the acquisition of the extra land.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The total land purchase is 11.42 acres for a price of \$746,182. The site cost of \$65,339 per acre is assumed to be reasonable since the original/primary acquisition is an arm's length transaction; however, only 7.501 acres of the total 11.42 acres is to be used by the Applicant for this development. The subject acreage is being assigned by the original purchaser, a related party; therefore, the acquisition cost is being prorated by the Underwriter to size the cost appropriately. The remaining acreage will not be restricted by the Land Use Restriction Agreement and therefore should not be considered as a cost to the subject development. The prorated cost for the 7.501 acres is \$490,115. Should the Applicant's total development cost schedule be used for underwriting purposes, the total will be adjusted down by the difference in acquisition cost when determining the gap in financing.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,799 per unit are within current department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$6K or less than 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook derived estimates.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$52,264 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.

Contingency & Fees:

The Applicant included \$5,000 in contingency as an eligible indirect cost for purposes of calculating tax credits. The Underwriter included this \$5,000 in overall contingency with the total eligible portion limited to 5% of eligible sitework and direct construction costs. As a result, the Applicant's eligible basis decreased by \$5,001 in overstated eligible contingency.

Due to the adjustment of the Applicant's eligible contingency and interim interest cost, the Applicant eligible basis was adjusted further by \$8,590 in overstated eligible developer fee.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate. Therefore the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,627,996 supports annual tax credits of \$707,234 This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds after the adjustment to acquisition costs discussed above to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/26/2007

Source: Southeast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$400,000 Interest Rate: AFR Fixed Term: 12 months

Source: Citibank Type: Interim to Permanent Financing

Principal: \$1,140,000 Interest Rate: 7.39% Fixed Term: 24 months

Principal: \$1,140,000 Interest Rate: 7.75% Fixed Amort: 360 months

Comments:

The Applicant plans to utilize only \$737,975 during the construction phase and \$1,137,975 during the permanent phase.

Source: Boston Capital Finance Type: Interim to Permanent Financing

Principal: \$160,000 Interest Rate: 7.10% Fixed Amort: 360 months

Comments:

Conditioned on Boston Capital also providing equity contribution through syndication of tax credits.

Source: Mark Stevenson Type: Interim to Permanent Financing

Principal: \$160,000 Interest Rate: 7.65% Fixed Term 360 months

Comments:

G Granger and J Steve Ford listed as Guarantors

Source: Boston Capital Type: Syndication

Proceeds: \$6,468,716 Syndication Rate: 91% Anticipated HTC: \$ 710,919

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$40,341 Type: Deferred Developer Fees

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the adjusted permanent loans of \$1,457,975 including two subordinate loans totaling \$320,000 indicates the need for \$6,252,990 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$687,210 annually will be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$710,919), the gap-driven amount \$687,210 and eligible basis-derived estimate \$707,234, the gap-driven amount of \$687,210 would be recommended. This financing structure indicate no need for deferred fees.

Underwriter:	_____	Date:	July 25, 2007
	<i>D. Burrell</i>		
Reviewing Underwriter:	_____	Date:	July 25, 2007
	<i>Lisa Vecchiatti</i>		
Director of Real Estate Analysis:	_____	Date:	July 25, 2007
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

377 Villas, Brownwood, 9% HTC #07194

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	8	1	1	736	\$251	\$143	\$1,144	\$0.19	\$108.00	\$12.00
TC 60%	7	1	1	736	\$504	396	2,772	0.54	108.00	12.00
MR	1	1	1	736		495	495	0.67	108.00	12.00
TC 60%	35	2	2	970	\$606	482	16,870	0.50	124.00	12.00
MR	1	2	2	970		595	595	0.61	124.00	12.00
TC 60%	23	3	2	1,140	\$700	558	12,834	0.49	142.00	12.00
MR	1	3	2	1,140		695	695	0.61	142.00	12.00
TOTAL:	76		AVERAGE:	974		\$466	\$35,405	\$0.48	\$126.32	\$12.00

INCOME				Total Net Rentable Sq Ft:	74,056	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$424,860	\$423,180	Brown		2
Secondary Income		Per Unit Per Month:	\$14.00			12,768	12,768	\$14.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$437,628	\$435,948			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(32,822)	(32,700)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$404,806	\$403,248			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	6.76%	\$360	0.37	\$27,349	\$25,500	\$0.34	\$336	6.32%	
Management	5.00%	266	0.27	20,240	16,130	0.22	212	4.00%	
Payroll & Payroll Tax	14.32%	763	0.78	57,960	60,835	0.82	800	15.09%	
Repairs & Maintenance	7.42%	395	0.41	30,021	29,200	0.39	384	7.24%	
Utilities	3.87%	206	0.21	15,672	18,000	0.24	237	4.46%	
Water, Sewer, & Trash	5.40%	288	0.30	21,865	22,200	0.30	292	5.51%	
Property Insurance	5.06%	269	0.28	20,474	19,000	0.26	250	4.71%	
Property Tax	2.9374	9.95%	530	0.54	40,273	38,000	0.51	500	9.42%
Reserve for Replacements	4.69%	250	0.26	19,000	19,000	0.26	250	4.71%	
TDHCA Compliance Fees	0.75%	40	0.04	3,040	3,040	0.04	40	0.75%	
Supportive Services	1.19%	63	0.06	4,800	4,800	0.06	63	1.19%	
TOTAL EXPENSES	64.40%	\$3,430	\$3.52	\$260,695	\$255,705	\$3.45	\$3,365	63.41%	
NET OPERATING INC	35.60%	\$1,896	\$1.95	\$144,111	\$147,543	\$1.99	\$1,941	36.59%	

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Citi Bank	24.17%	\$1,287	\$1.32	\$97,831	\$100,140	\$1.35	\$1,318	24.83%
Mark Stevenson	3.19%	\$170	\$0.17	12,903	13,600	\$0.18	\$179	3.37%
Additional Financing	3.37%	\$179	\$0.18	13,623	13,600	\$0.18	\$179	3.37%
NET CASH FLOW	4.88%	\$260	\$0.27	\$19,754	\$20,203	\$0.27	\$266	5.01%

AGGREGATE DEBT COVERAGE RATIO	1.16	1.16
RECOMMENDED DEBT COVERAGE RATIO	1.19	

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)		6.37%	\$6,449	\$6.62	\$490,115	\$746,182	\$10.08	\$9,818	9.37%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.70%	7,799	8.00	592,700	592,700	8.00	7,799	7.44%
Direct Construction		49.18%	49,781	51.09	3,783,353	3,777,770	51.01	49,708	47.42%
Contingency	5.00%	2.84%	2,879	2.95	218,803	223,524	3.02	2,941	2.81%
Contractor's Fees	13.98%	7.95%	8,051	8.26	611,865	611,865	8.26	8,051	7.68%
Indirect Construction		2.99%	3,026	3.11	230,000	230,000	3.11	3,026	2.89%
Ineligible Costs		5.19%	5,253	5.39	399,264	399,264	5.39	5,253	5.01%
Developer's Fees	15.00%	11.25%	11,387	11.69	865,401	873,111	11.79	11,488	10.96%
Interim Financing		4.32%	4,377	4.49	332,616	332,616	4.49	4,377	4.17%
Reserves		2.20%	2,223	2.28	168,986	180,000	2.43	2,368	2.26%
TOTAL COST		100.00%	\$101,225	\$103.88	\$7,693,102	\$7,967,032	\$107.58	\$104,829	100.00%
Construction Cost Recap		67.68%	\$68,509	\$70.31	\$5,206,721	\$5,205,859	\$70.30	\$68,498	65.34%

SOURCES OF FUNDS				RECOMMENDED			
Citi Bank	14.82%	\$15,000	\$15.39	\$1,140,000	\$1,137,975	\$1,137,975	Developer Fee Available
Boston Capital Finance	2.08%	\$2,105	\$2.16	160,000	160,000	160,000	\$0
Mark Stevenson	2.08%	\$2,105	\$2.16	160,000	160,000	160,000	\$864,521
HTC Syndication Proceeds	84.08%	\$85,115	\$87.35	6,468,716	6,468,716	6,252,990	% of Dev. Fee Deferred
Deferred Developer Fees	0.52%	\$531	\$0.54	40,341	40,341	0	0%
Additional (Excess) Funds Req'd	-3.59%	(\$3,631)	(\$3.73)	(275,955)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,693,102	\$7,967,032	\$7,693,102	\$528,217

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

377 Villas, Brownwood, 9% HTC #07194

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.92	\$4,067,229
Adjustments				
Exterior Wall Finish	2.00%		\$1.10	\$81,345
Elderly			0.00	0
9-Ft. Ceilings	3.25%		1.78	132,185
Roofing			0.00	0
Subfloor			(1.24)	(91,459)
Floor Cover			2.43	179,956
Breezeways/Balconies	\$21.66	8,934	2.61	193,466
Plumbing Fixtures	\$805	180	1.96	144,900
Rough-ins	\$400	76	0.41	30,400
Built-In Appliances	\$1,850	76	1.90	140,600
Exterior Stairs	\$1,800	16	0.39	28,800
Enclosed Corridors			0.00	0
Heating/Cooling			1.73	128,117
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.97	2,128	2.04	151,014
Other: fire sprinkler	\$3.10	74,056	3.10	229,574
SUBTOTAL			73.14	5,416,126
Current Cost Multiplier	0.98		(1.46)	(108,323)
Local Multiplier	0.88		(8.78)	(649,935)
TOTAL DIRECT CONSTRUCTION COSTS			\$62.90	\$4,657,868
Plans, specs, survy, bld prn	3.90%		(\$2.45)	(\$181,657)
Interim Construction Interes	3.38%		(2.12)	(157,203)
Contractor's OH & Profit	11.50%		(7.23)	(535,655)
NET DIRECT CONSTRUCTION COSTS			\$51.09	\$3,783,353

PAYMENT COMPUTATION

Primary	\$1,137,975	Amort	360
Int Rate	7.75%	DCR	1.47

Secondary	\$160,000	Amort	360
Int Rate	7.10%	Subtotal DCR	1.30

Additional	\$160,000	Amort	360
Int Rate	7.65%	Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$97,831
Secondary Debt Service	12,903
Additional Debt Service	13,623
NET CASH FLOW	\$23,186

Primary	\$1,137,975	Amort	360
Int Rate	7.75%	DCR	1.51

Secondary	\$160,000	Amort	360
Int Rate	7.10%	Subtotal DCR	1.33

Additional	\$160,000	Amort	360
Int Rate	7.65%	Aggregate DCR	1.19

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$423,180	\$435,875	\$448,952	\$462,420	\$476,293	\$552,154	\$640,098	\$742,049	\$997,251
Secondary Income	12,768	13,151	13,546	13,952	14,370	16,659	19,313	22,389	30,089
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	435,948	449,026	462,497	476,372	490,663	568,813	659,410	764,437	1,027,340
Vacancy & Collection Loss	(32,700)	(33,677)	(34,687)	(35,728)	(36,800)	(42,661)	(49,456)	(57,333)	(77,051)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$403,248	\$415,349	\$427,810	\$440,644	\$453,864	\$526,152	\$609,955	\$707,105	\$950,290
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$25,500	\$26,520	\$27,581	\$28,684	\$29,831	\$36,294	\$44,158	\$53,725	\$79,526
Management	16,130	16,614	17,112	17,626	18,155	21,046	24,398	28,284	38,012
Payroll & Payroll Tax	60,835	63,268	65,799	68,431	71,168	86,587	105,347	128,170	189,723
Repairs & Maintenance	29,200	30,368	31,583	32,846	34,160	41,561	50,565	61,520	91,065
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	22,200	23,088	24,012	24,972	25,971	31,598	38,443	46,772	69,234
Insurance	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Property Tax	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	7,840	8,154	8,480	8,819	9,172	11,159	13,576	16,518	24,450
TOTAL EXPENSES	\$255,705	\$265,772	\$276,237	\$287,115	\$298,423	\$362,036	\$439,265	\$533,033	\$785,163
NET OPERATING INCOME	\$147,543	\$149,577	\$151,573	\$153,529	\$155,440	\$164,116	\$170,690	\$174,072	\$165,127
DEBT SERVICE									
First Lien Financing	\$97,831	\$97,831	\$97,831	\$97,831	\$97,831	\$97,831	\$97,831	\$97,831	\$97,831
Second Lien	12,903	12,903	12,903	12,903	12,903	12,903	12,903	12,903	12,903
Other Financing	13,623	13,623	13,623	13,623	13,623	13,623	13,623	13,623	13,623
NET CASH FLOW	\$23,186	\$25,221	\$27,216	\$29,172	\$31,083	\$39,759	\$46,333	\$49,715	\$40,770
DEBT COVERAGE RATIO	1.19	1.20	1.22	1.23	1.25	1.32	1.37	1.40	1.33

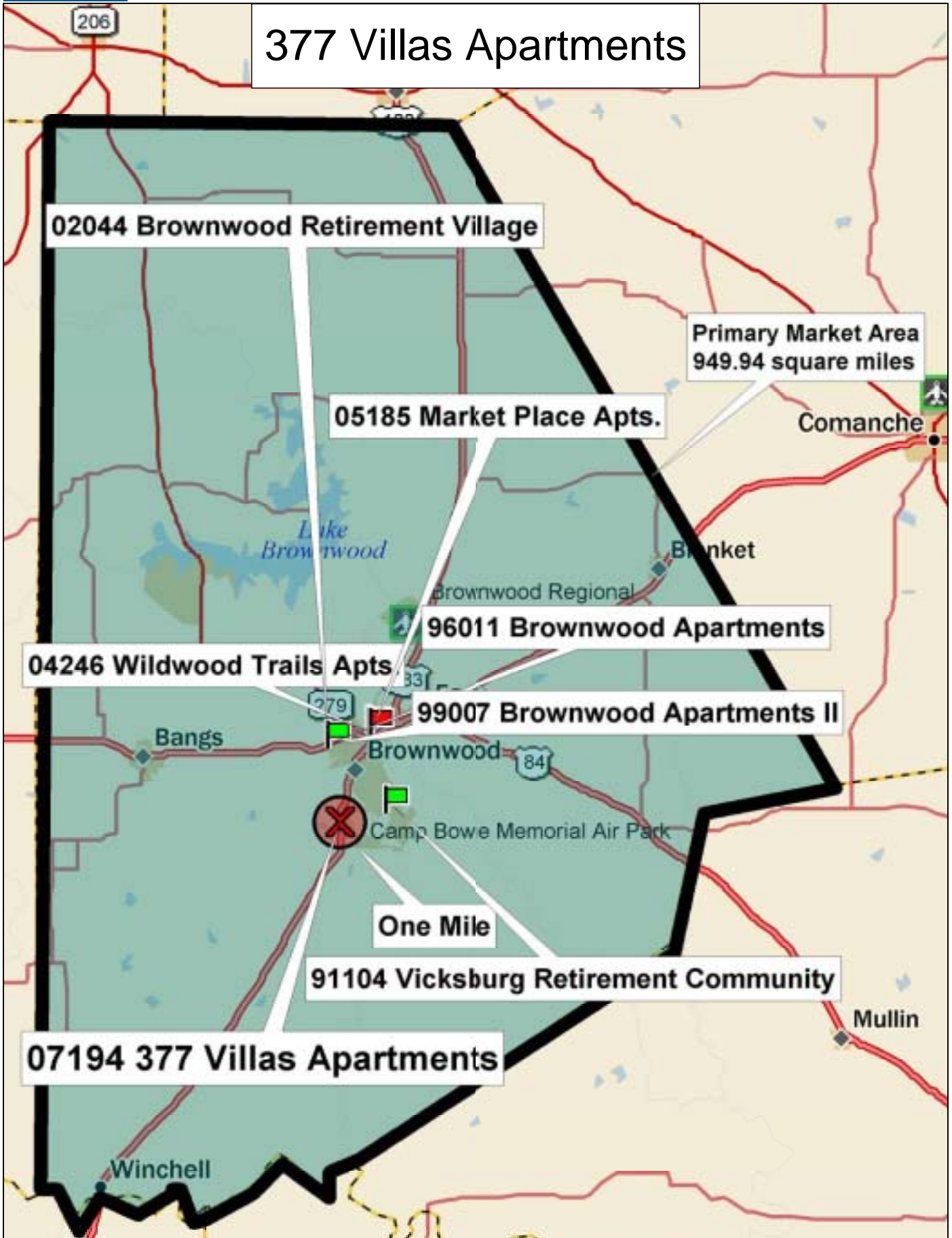
HTC ALLOCATION ANALYSIS -377 Villas, Brownwood, 9% HTC #07194

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$746,182	\$490,115		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$592,700	\$592,700	\$592,700	\$592,700
Construction Hard Costs	\$3,777,770	\$3,783,353	\$3,777,770	\$3,783,353
Contractor Fees	\$611,865	\$611,865	\$611,865	\$611,865
Contingencies	\$223,524	\$218,803	\$218,524	\$218,803
Eligible Indirect Fees	\$230,000	\$230,000	\$230,000	\$230,000
Eligible Financing Fees	\$332,616	\$332,616	\$332,616	\$332,616
All Ineligible Costs	\$399,264	\$399,264		
Developer Fees			\$864,521	
Developer Fees	\$873,111	\$865,401		\$865,401
Development Reserves				
	\$180,000	\$168,986		
TOTAL DEVELOPMENT COSTS	\$7,967,032	\$7,693,102	\$6,627,996	\$6,634,738

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,627,996	\$6,634,738
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$8,616,395	\$8,625,159
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$8,271,739	\$8,280,153
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$707,234	\$707,953

Syndication Proceeds	0.9099	\$6,435,183	\$6,441,729
Total Tax Credits (Eligible Basis Method)		\$707,234	\$707,953
Syndication Proceeds		\$6,435,183	\$6,441,729
Requested Tax Credits		\$710,919	
Syndication Proceeds		\$6,468,716	
Gap of Syndication Proceeds Needed		\$6,252,990	
Total Tax Credits (Gap Method)		\$687,210	

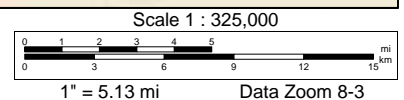
377 Villas Apartments



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www.delorme.com



Applicant Evaluation

Project ID # **07194**

Name: **377 Villas**

City: **Brownwood**

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

Total # of Projects monitored: 7

Projects in Material Noncompliance

in noncompliance: 0

Projects grouped by score
 zero to nine: 5
 ten to nineteen: 0
 twenty to twenty-nine: 0

Yes No
 # monitored with a score less than thirty: 7
 # not yet monitored or pending review: 8

Projects not reported in application Yes No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Durango Plaza Apartments, TDHCA Number 07198

BASIC DEVELOPMENT INFORMATION

Site Address: 5635 W. Durango Development #: 07198
 City: San Antonio Region: 9 Population Served: General
 County: Bexar Zip Code: 78237 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: West Durango, L.P.
 Owner Contact and Phone: Ronald C. Anderson (210) 821-4310
 Developer: Housing and Community Services, Inc.
 Housing General Contractor: Galaxy Builders, Ltd.
 Architect: Gonzalez Newell Bender Architects
 Market Analyst: Butler Burgher, Inc.
 Syndicator: Hudson Housing Capital, LLC
 Supportive Services: Housing and Community Services, Inc.
 Consultant: Lucas & Associates, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	82	
	9	0	0	73	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	20	36	26	0	0	
Type of Building:						Total Development Units:	82
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$7,967,692
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	12
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$657,418	\$657,418			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Durango Plaza Apartments, TDHCA Number 07198

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S Points: 7 US Representative: González, District 20, NC
TX Representative: Castro, District 125, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Delicia Herrera, Councilwoman District 6

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Los Jardines Neighborhood Association, Guadalupe Flores Letter Score: 24 S or O: S
The development will improve the neighborhood.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected officials, non-officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of a copy of the current HAP contract with documentation verifying the proposed HAP Contract rents by carryover.

Receipt, review and acceptance prior to start of construction of evidence that the Phase I ESA recommendations have been followed with regards to an appropriate plan for safe removal of Asbestos Containing Materials or submission of an Operations and Maintenance plan relating to the plan for rehabilitation.

Should the Applicant receive the HOME loan from the City, structured with payment from cashflow, receipt, review and acceptance by the 10% test of a legal opinion explicitly stating the proposed structure of the loan and indicating the loan would not adversely affect the development's eligible basis for purposes of calculating Housing Tax Credits. The legal opinion must be accompanied by a certification from a CPA that the loan principal and accrued interest will be repayable at maturity.

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

Receipt of a commitment of funding from the City of San Antonio in the amount of \$450,000, or a commitment from a qualifying substitute source in an amount not less than \$400,578, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding for City of San Antonio HOME Funds in the amount of \$450,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$160,232, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Durango Plaza Apartments, TDHCA Number 07198

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

Competitive Housing Tax Credits: Score: **208** Meeting a Required Set-Aside Credit Amount*: \$657,418

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/07 PROGRAM: 9% HTC FILE NUMBER: 07198

DEVELOPMENT																		
West Durango Plaza Apartments																		
Location: <u>5635 West Durango</u>				Region: <u>9</u>														
City: <u>San Antonio</u>		County: <u>Bexar</u>		Zip: <u>78237</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Urban/Exurban, At-Risk, Non-Profit, Acquisition/Rehab.</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$657,418			\$657,418														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of a copy of the current HAP contract with documentation verifying the proposed HAP Contract rents by carryover. 2 Receipt, review and acceptance prior to start of construction of evidence that the Phase I ESA recommendations have been followed with regards to an appropriate plan for safe removal of Asbestos Containing Materials or submission of an Operations and Maintenance plan relating to the plan for rehabilitation. 3 Should the Applicant receive the HOME loan from the City, structured with payment from cashflow, receipt, review and acceptance by the 10% test of a legal opinion explicitly stating the proposed structure of the loan and indicating the loan would not adversely affect the development's eligible basis for purposes of calculating Housing Tax Credits. The legal opinion must be accompanied by a certification from a CPA that the loan principal and accrued interest will be repayable at maturity. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">9</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">73</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	9	60% of AMI	60% of AMI	73
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	9																
60% of AMI	60% of AMI	73																
PROS			CONS															
<p>The rehabilitation of this 38 year old property will preserve and enhance existing affordable housing stock.</p>			<p>The Applicant's expense to income ratio exceeds the Department maximum but the Underwriter's ratio is somewhat less than the maximum guideline and the property will have an ongoing project based subsidy in the form of the HAP contract.</p>															

The development plan call for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

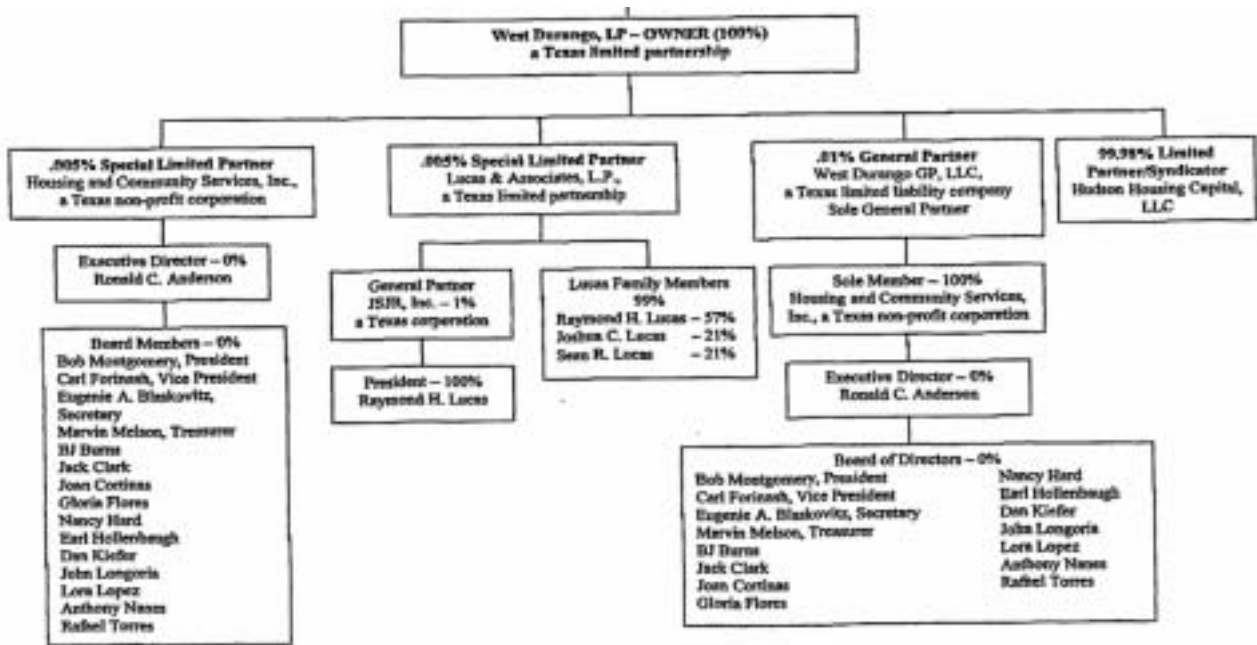
At the proposed rents, the proposed local HOME debt could be sourced from additional conventional debt or a developer fee note if needed.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ronald C. Anderson Phone: (210) 821-4310 Fax: (210) 821-4313
 Email: rona@hcscorp.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Housing and Community Services	\$3,979,384	\$547,728	9
Lucas & Associates, LP	\$81,005	(\$2,100)	9
JSJR, Inc.	\$214,147	\$173,882	unknown
Raymond H. Lucas	\$1,604,133	\$807,276	9
Joshua C. Lucas	\$23,350	\$800	9
Sean R. Lucas	\$73,831	\$17,000	9

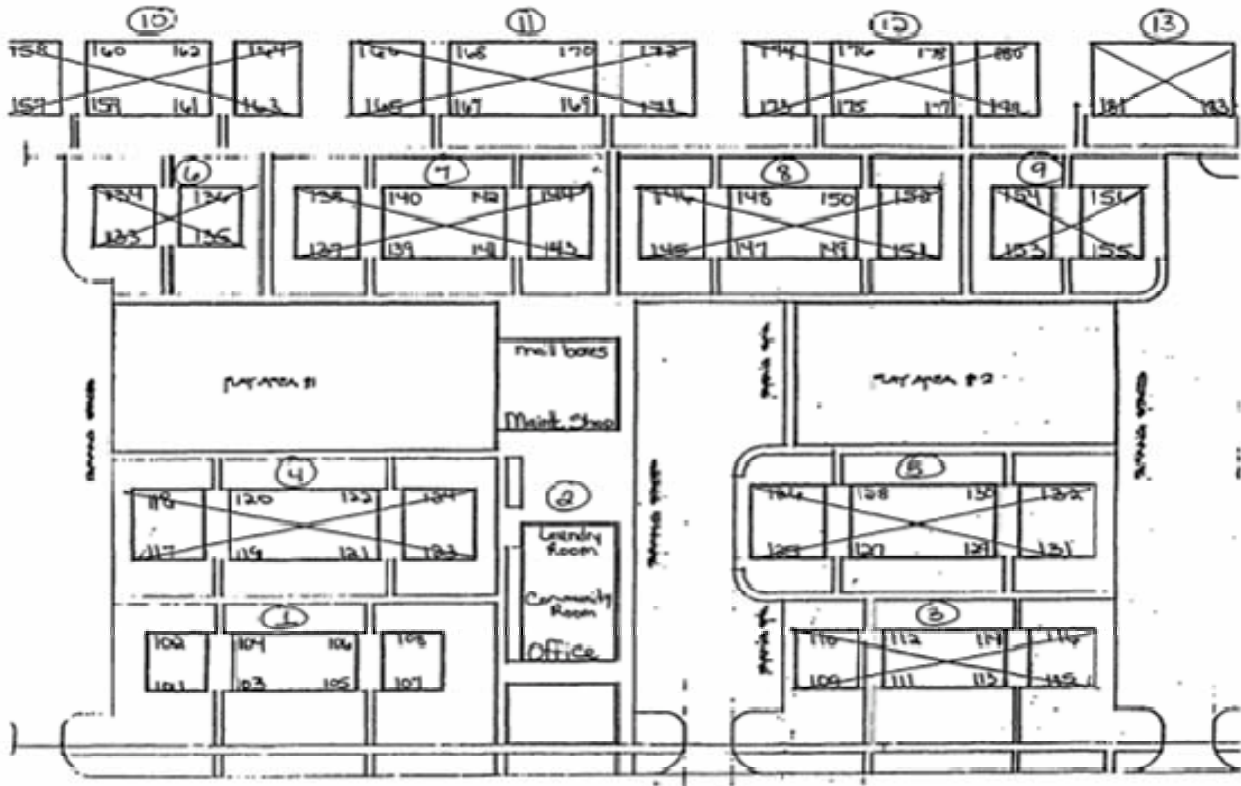
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5	6					Total Buildings
Floors/Stories	2	2	2	2	2	1					
Number	2	1	4	1	3	1					12

BR/BA	SF	Units										Total Units	Total SF
1/1	608	8	4									20	12,160
2/1	754			8	4							36	27,144
3/2	910					8	2					26	23,660
Units per Building		8	4	8	4	8	2					82	62,964

Rehabilitation summary:

The property is a 82-unit development originally constructed in 1969 that is comprised of 11 two story and 1 single-story residential buildings and a clubhouse with management and leasing and a separate maintenance building. The rehabilitation plan calls for the replacement/ refurbishment of roofs, windows, doors, interior finishes, kitchen appliances, flooring, cabinets including countertops, HVAC, plumbing, landscaping, drives and parking, ADA compliance, and interior and exterior painting.

Relocation Plan:

The scope of the repairs may require temporary relocation of some of the residents on a building by building basis. Residents will either relocate on site, in another unit or off-site and then return to the West Durango Plaza Apartments' newly rehabilitated units. The cost to move resident belongings in and out of the units, if necessary, during the period of temporary relocation will be provided by the property. Phone transfer costs or disconnect and connection costs, if necessary, will be paid by the property. Options will be made available to residents based upon their needs and the options for temporary relocation of residents. Some residents will be relocated in vacant units on the property. Some residents will live with friends and relatives and receive a lump sum payment. Some residents will be housed in other multifamily properties while their units are renovated.

SITE ISSUES

Total Size:	<u>4.67</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>MF-33</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/15/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
North: undeveloped land and Iglesia Tabernacle and a vacant building beyond
East: a single-family home
South: West Durango Street and an elementary school beyond
West: single-family homes with a shopping center beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 3/23/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
"The following materials must be classified as ASBESTOS CONTAINING and if repair or renovation plans require the removal or disturbance of this material, a Texas licensed Asbestos Abatement Contractor must be called in under the direction of a Texas licensed Asbestos Consultant.

- a. ALL gypsum board wall ceiling system materials (texture, tape, joint compound, sheetrock) located in all dwelling units and common use areas throughout.
- b. ALL black mastic adhesive under all floor tiles located in all dwelling units and common use areas throughout." (p. 17)

Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm is a condition of this report. It is required that any removal of asbestos-containing materials associated with the structure be conducted by trained and licensed asbestos abatement personnel working under the requirements of the TDSHS Texas Asbestos Health Protection Rules.

Comments:
This assessment revealed no other on-site recognized environmental conditions in connection with the property.

MARKET HIGHLIGHTS

Provider: Butler Burgher, Inc. Date: 4/2/2007
 Contact: Mark Fugina Phone: (512) 391-0850 Fax: (512) 391-0866
 Number of Revisions: 1/1/1900 Date of Last Applicant Revision: 6/27/2007

Primary Market Area (PMA): 12.33 square miles / 2.0 mile radius
 "The Primary Market Area (PMA) is the area bounded by Culebra Road to the north, South Zaramora Street to the east, US 90 to the south, and SH 151 and South Callaghan Road to the west." (p. 3)

Secondary Market Area (SMA):
 A Secondary Market was not described.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA			SMA	
Name	File #	Total Units	Comp Units	N/A
Rosemont at Acme	04447	250	250	

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,250	\$12,900	\$14,500	\$16,100	\$17,400	\$18,700
60	\$22,560	\$25,800	\$28,980	\$32,220	\$34,800	\$37,380

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	193	1	0	194	2	5	3.60%
1BR/60% Rent Limit	834	7	0	841	18	23	4.88%
2BR/30% Rent Limit	321	3	0	324	4	5	2.78%
2BR/60% Rent Limit	976	8	0	984	32	54	8.74%
3BR/30% Rent Limit	274	2	0	276	3	5	2.90%
3BR/60% Rent Limit	814	6	0	820	23	45	8.29%

OVERALL DEMAND										
	Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER										
Market Analyst p. 65	100%	21,592	100%	21,592	39%	8,434	35%	2,958	76%	2,254
Underwriter	100%	21,746	86%	18,647	64%	11,909	35%	4,176	76%	3,182
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 65			100%	154	39%	60	35%	21	100%	21
Underwriter			86%	126	64%	69	35%	24	100%	24

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 65	82	137	0	219	2,275	9.63%
Underwriter	82	250	0	332	3,206	10.35%

Primary Market Occupancy Rates:

"According to Apartment MarketData Research Services, occupancy rates are slightly affected by the age of the community in most market sectors. For example, properties built in the 1990s and 2000s both have average occupancies of 94.1%, but 1980s product currently has 92.2% occupancy." (p. 37)

Absorption Projections:

"The mean of the HTC properties is 28 units per month. The best indications of absorption are from Rosemont at Bethel Place and Bexar Creek as they are both HTC properties located in the subject's PMA. Bear Creek is located less than one mile from the subject, however, Rosemont at Bethel Park represents more recent absorption data, therefore, assumed an absorption rate near the mean of the data, or 25 units per month for the subject." (p. 71)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	HAP Contract Rent	Market Rent	Underwriting Rent	Savings Over Market
1 BR 570 SF (30%)	\$238	\$490	\$490.00	\$423	207436.6
1 BR 570 SF (60%)	\$473	\$490	\$490.00	\$423	207436.6
2 BR 570 SF (30%)	\$286	\$555	\$565.00	\$474	267985.15
2 BR 570 SF (60%)	\$563	\$555	\$565.00	\$474	267985.15
3 BR 570 SF (30%)	\$323	\$657	\$700.00	\$555	388430
3 BR 570 SF (60%)	\$670	\$657	\$700.00	\$555	388430

Comments:

The Underwriter found the market study provided sufficient information upon which to base a funding recommendation. It should be noted the inclusive capture rate is not an appropriate tool for the analysis of this development due to its existing tenant base; however, the demand in this market appears to be healthy. If the development along with a second proposed rehabilitation development (#07173 West End Baptist Manor) within the PMA were to be vacated by all tenants, the resulting inclusive capture rate would remain at an acceptable level.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The subject property will be restricted to rents under the HAP contract, proposed for a ten-year renewal. The underwriting "rent collected" estimates were derived from the current rent roll and are below both the market rents concluded by the Market Analyst and the TDHCA program maximums. According to the HUD Rent Schedule the HAP rents went into effect in August 2006 and appear to be readjusted on an annual basis.

The extremely low utility allowance estimate in the HAP contract points to a current structure in which the development pays most if not all unit utility costs. The Applicant has indicated a change to the utility structure with tenants responsible for electric costs and continued payment by the development of water, sewer and trash costs. As such, the Underwriter has reduced HAP contract rents by the current Utility Allowance maintained by the local housing authority. However, the market rent conclusions of the submitted market study are much higher than the underwriting rents, so it is not unlikely that the Applicant may choose to request a contract rent increase. Receipt, review and acceptance of the current HAP contract with documentation verifying the proposed HAP Contract rents is a condition of this report.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Due to the difference in assumed HAP Contract rents upon restructuring to tenant-paid utilities, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$4,230 per unit is not within 5% of the Underwriter's estimate of \$3,646, derived from actual operating history of the development, the TDHCA database, and third party data sources. In addition, the Applicant's budget shows line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative (\$12K lower) and payroll (\$35K higher).

The property is currently operating with a 100% property tax exemption. However, the Applicant's submitted expense schedule indicates the restructuring will include payment of property taxes. However, it is likely the Applicant will seek at least a 50% tax exemption because it is likely to qualify with a non-profit General Partner for such an exemption. The underwriting analysis assumes a 50% tax exemption.

Conclusion:

The Applicant's estimated effective gross income, total operating expense and 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. When using the Underwriter's proforma, the estimated debt service results in a debt coverage ratio (DCR) which is within the current underwriting guideline of 1.15 to 1.35.

However, the debt service estimate does not take into account the permanent lender's Mortgage Insurance Premium (MIP) at 0.45%. Including this amount results in a debt coverage ratio below the minimum standard of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Conclusions" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income and total annual debt service as well as a revised annual debt service plus MIP were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

It should be noted, the Applicant's proforma reflects an expense to income ratio slightly above the Department's maximum underwriting standard of 65%. However, because the Underwriter's proforma is being used and the underwriting expense to income ratio is below 65%, the development is not characterized as infeasible. In addition the subject is maintaining their ongoing project bases subsidy (the HAP Contract) and therefore the 6% expense to income ratio issue is further mitigated.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Butler Burgher, Inc.</u>	Date:	<u>4/2/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>4.67 acres</u>	As of:	<u>4/2/2007</u>
Existing Buildings: (as-is w/ HAP)	<u>\$1,250,000</u>	As of:	<u>4/2/2007</u>
Total: (as-is w/ HAP)	<u>\$1,600,000</u>	As of:	<u>4/2/2007</u>

ASSESSED VALUE

Land Only:	<u>\$0</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Bexar CAD</u>
Total Assessed Value:	<u>Currently Tax Exempt</u>	Tax Rate:	<u>2.91237</u>

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Agreement w/ Amendment Acreage: _____
 Contract Expiration: 6/30/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,476,000 Other: Reduced from \$1,640,000
 Seller: West Durango Plaza Trust Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

According to the Applicant, the acquisition is an arm's length transaction. However, should the seller in fact be related to a Development Team member, there would be no change to the claimed acquisition cost as it is supported by both the appraised value as well as the asset value indicated in the submitted audited financial statements.

In addition, the Applicant has claimed a value of \$400,000 for the underlying land resulting in an acquisition eligible basis of \$1,076,000 based on the contract price. This basis estimate is also assumed in the underwriting analysis as it is the most conservative option.

Sitework Cost:

The Applicant has estimated site work costs of \$7,500 per unit, which is consistent with the estimate in the submitted physical condition assessment (PCA).

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$58K or 2% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Contingency & 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 included \$68,700 in working capital funds that are not otherwise explained. These costs were removed to ineligible costs since working capital is generally associated with operations and therefore would be ineligible.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

An eligible basis of \$6,943,859 supports annual tax credits of \$679,314. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Evanston Financial Type: Interim to Permanent Financing
 Principal: \$1,900,000 Interest Rate: 6.75% Fixed Amort: 480 months
 Comments:

The rate is subject to daily market conditions prior to rate lock.

Source: City of San Antonio Type: Interim to Permanent Financing

Principal: \$450,000 Interest Rate: _____ Fixed Amort: _____ months

Comments:

A 4.75% interest rate is anticipated by the Applicant; however, the lender has not confirmed their approval of that rate yet. Additionally, the Applicant has assumed repayment will be made from available cashflow with the remaining balance due at the end of 40 years.

The Underwriter has estimated that the principal and accrued interest could amount to approximately **\$3.2M** at the end of the 40-year term. As HOME funds are federally-sourced, the Development's eligible basis for calculating Housing Tax Credit may be adversely affected should the Applicant be unable to repay the loan balance at maturity. (Please see the "Conclusions" section below.)

Source: Hudson Housing Capital Type: Syndication

Proceeds: \$5,587,496 Syndication Rate: 85% Anticipated HTC: \$ 657,418

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits .

Amount: \$74,064 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis including the Mortgage Insurance Premium required by the permanent lender results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, the current underwriting analysis assumes a decrease in the permanent loan amount to \$1,885,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the revised permanent loan of \$1,885,000 and HOME loan of \$450,000 indicates the need for \$5,632,692 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$662,736 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$657,418), the gap-driven amount (\$662,736), and eligible basis-derived estimate (\$679,314), the requested amount of \$657,418 is recommended.

The Underwriter's recommended financing structure indicates the need for \$45,196 deferred fees which can be repaid out of cash flow in less than 3 years. In addition, should the development fail to receive funding from the City or an equivalent source in the amount of \$450,000, deferred fees in this amount would be repayable within 15 years of stabilized operation and the development would continue to be considered feasible.

Should the Applicant receive the HOME loan from the City, structured with payment from cashflow, a legal opinion indicating the loan would not be considered below-market federal funds and the development's eligible basis would not be adversely affected must be submitted. Receipt, review and acceptance of such a document explicitly stating the proposed structure of the loan coupled with a certification from a CPA that the loan principal and accrued interest will be repayable at maturity is a condition of this report.

Underwriter: _____ Date: July 1, 2007

Carl Hoover

Reviewing Underwriter: _____ Date: July 1, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 1, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

West Durango Plaza Apartments, San Antonio, 9% HTC #07198

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	S8	2	1	1	605	\$301	\$423	\$847	\$0.70	\$66.66	\$35.82
TC 60%	S8	18	1	1	605	\$604	423	7,620	0.70	66.66	35.82
TC 30%	S8	4	2	1	682	\$362	474	1,897	0.70	80.69	42.62
TC 60%	S8	32	2	1	682	\$724	474	15,178	0.70	80.69	42.62
TC 30%	S8	3	3	1	908	\$418	555	1,665	0.61	102.10	54.11
TC 60%	S8	23	3	1	908	\$837	555	12,763	0.61	102.10	54.11
TOTAL:		82		AVERAGE:	735		\$487	\$39,969	\$0.66	\$84.06	\$44.60

INCOME

Total Net Rentable Sq Ft: **60,260**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%
 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	7.62%	\$432	0.59	\$35,418	\$23,400	\$0.39	\$285	4.53%
Management	5.00%	284	0.39	23,250	25,849	0.43	315	5.00%
Payroll & Payroll Tax	15.22%	863	1.17	70,777	106,000	1.76	1,293	20.50%
Repairs & Maintenance	7.33%	416	0.57	34,101	40,451	0.67	493	7.82%
Utilities	5.30%	300	0.41	24,637	22,500	0.37	274	4.35%
Water, Sewer, & Trash	7.26%	412	0.56	33,766	35,000	0.58	427	6.77%
Property Insurance	4.41%	250	0.34	20,491	25,000	0.41	305	4.84%
Property Tax 2.91237	6.16%	349	0.48	28,658	30,000	0.50	366	5.80%
Reserve for Replacements	5.29%	300	0.41	24,600	24,600	0.41	300	4.76%
TDHCA Compliance Fees	0.71%	40	0.05	3,280	3,280	0.05	40	0.63%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	64.30%	\$3,646	\$4.96	\$298,978	\$336,080	\$5.58	\$4,099	65.01%
NET OPERATING INC	35.70%	\$2,025	\$2.76	\$166,020	\$180,904	\$3.00	\$2,206	34.99%

DEBT SERVICE

Evanston Financial	29.58%	\$1,678	\$2.28	\$137,565	\$142,109	\$2.36	\$1,733	27.49%
City of San Antonio-HOME Funds	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	6.12%	\$347	\$0.47	\$28,455	\$38,795	\$0.64	\$473	7.50%

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)		19.45%	\$18,900	\$25.72	\$1,549,800	\$1,549,800	\$25.72	\$18,900	19.34%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.72%	7,500	10.21	615,000	615,000	10.21	7,500	7.68%
Direct Construction		30.30%	29,440	40.06	2,414,056	2,356,285	39.10	28,735	29.41%
Contingency 9.81%		3.73%	3,624	4.93	297,128	297,128	4.93	3,624	3.71%
Contractor's Fees 13.73%		5.22%	5,073	6.90	415,980	415,980	6.90	5,073	5.19%
Indirect Construction		12.91%	12,543	17.07	1,028,500	1,028,500	17.07	12,543	12.84%
Ineligible Costs		3.77%	3,659	4.98	300,033	300,033	4.98	3,659	3.75%
Developer's Fees 15.00%		11.37%	11,045	15.03	905,721	907,360	15.06	11,065	11.33%
Interim Financing		2.40%	2,335	3.18	191,474	191,474	3.18	2,335	2.39%
Reserves		3.14%	3,049	4.15	250,000	350,000	5.81	4,268	4.37%
TOTAL COST		100.00%	\$97,167	\$132.22	\$7,967,692	\$8,011,560	\$132.95	\$97,702	100.00%
Construction Cost Recap		46.97%	\$45,636	\$62.10	\$3,742,164	\$3,684,393	\$61.14	\$44,932	45.99%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Evanston Financial	23.85%	\$23,171	\$31.53	\$1,900,000	\$1,900,000	\$1,885,000	Developer Fee Available
City of San Antonio-HOME Funds	5.65%	\$5,488	\$7.47	450,000	450,000	450,000	\$897,055
HTC Syndication Proceeds	70.13%	\$68,140	\$92.72	5,587,496	5,587,496	5,587,496	% of Dev. Fee Deferred
Deferred Developer Fees	0.93%	\$903	\$1.23	74,064	74,064	45,196	5%
Additional (Excess) Funds Req'd	-0.55%	(\$535)	(\$0.73)	(43,868)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,967,692	\$8,011,560	\$7,967,692	\$510,469

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

West Durango Plaza Apartments, San Antonio, 9% HTC #07198

PAYMENT COMPUTATION

Primary	\$1,900,000	Amort	480
Int Rate	6.75%	DCR	1.21

Secondary	\$450,000	Amort	
Int Rate	4.90%	Subtotal DCR	1.21

Additional	\$5,587,496	Amort	
Int Rate		Aggregate DCR	1.21

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$136,479
Secondary Debt Service	0
Mortgage Insurance Premium (0.45%)	8,483
NET CASH FLOW	\$21,059

Primary	\$1,885,000	Amort	480
Int Rate	6.75%	DCR	1.22

Secondary	\$450,000	Amort	0
Int Rate	4.90%	Subtotal DCR	1.22

Additional	\$5,587,496	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$479,632	\$494,021	\$508,842	\$524,107	\$539,830	\$625,811	\$725,487	\$841,038	\$1,130,285
Secondary Income	9,840	10,135	10,439	10,752	11,075	12,839	14,884	17,254	23,189
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	489,472	504,156	519,281	534,860	550,905	638,650	740,371	858,293	1,153,474
Vacancy & Collection Loss	(24,474)	(25,208)	(25,964)	(26,743)	(27,545)	(31,933)	(37,019)	(42,915)	(57,674)
Employee or Other Non-Rental Units or Co	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$464,999	\$478,949	\$493,317	\$508,117	\$523,360	\$606,718	\$703,352	\$815,378	\$1,095,800
EXPENSES at 4.00%									
General & Administrative	\$35,418	\$36,835	\$38,309	\$39,841	\$41,435	\$50,412	\$61,333	\$74,621	\$110,458
Management	23,250	23,947	24,666	25,406	26,168	30,336	35,168	40,769	54,790
Payroll & Payroll Tax	70,777	73,609	76,553	79,615	82,800	100,738	122,564	149,117	220,730
Repairs & Maintenance	34,101	35,465	36,884	38,359	39,893	48,537	59,052	71,846	106,349
Utilities	24,637	25,622	26,647	27,713	28,821	35,066	42,663	51,906	76,833
Water, Sewer & Trash	33,766	35,117	36,521	37,982	39,501	48,060	58,472	71,140	105,304
Insurance	20,491	21,311	22,163	23,050	23,972	29,165	35,484	43,171	63,904
Property Tax	28,658	29,804	30,996	32,236	33,525	40,789	49,626	60,377	89,373
Reserve for Replacements	24,600	25,584	26,607	27,672	28,779	35,013	42,599	51,828	76,719
Other	3,280	3,411	3,548	3,690	3,837	4,668	5,680	6,910	10,229
TOTAL EXPENSES	\$298,978	\$310,705	\$322,894	\$335,563	\$348,731	\$422,783	\$512,640	\$621,687	\$914,691
NET OPERATING INCOME	\$166,020	\$168,244	\$170,423	\$172,554	\$174,629	\$183,935	\$190,712	\$193,691	\$181,109
DEBT SERVICE									
First Lien Financing	\$136,479	\$136,479	\$136,479	\$136,479	\$136,479	\$136,479	\$136,479	\$136,479	\$136,479
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	8,483	8,483	8,483	8,483	8,483	8,483	8,483	8,483	8,483
NET CASH FLOW	\$21,059	\$23,282	\$25,462	\$27,592	\$29,667	\$38,973	\$45,751	\$48,729	\$36,147
DEBT COVERAGE RATIO	1.15	1.16	1.18	1.19	1.20	1.27	1.32	1.34	1.25

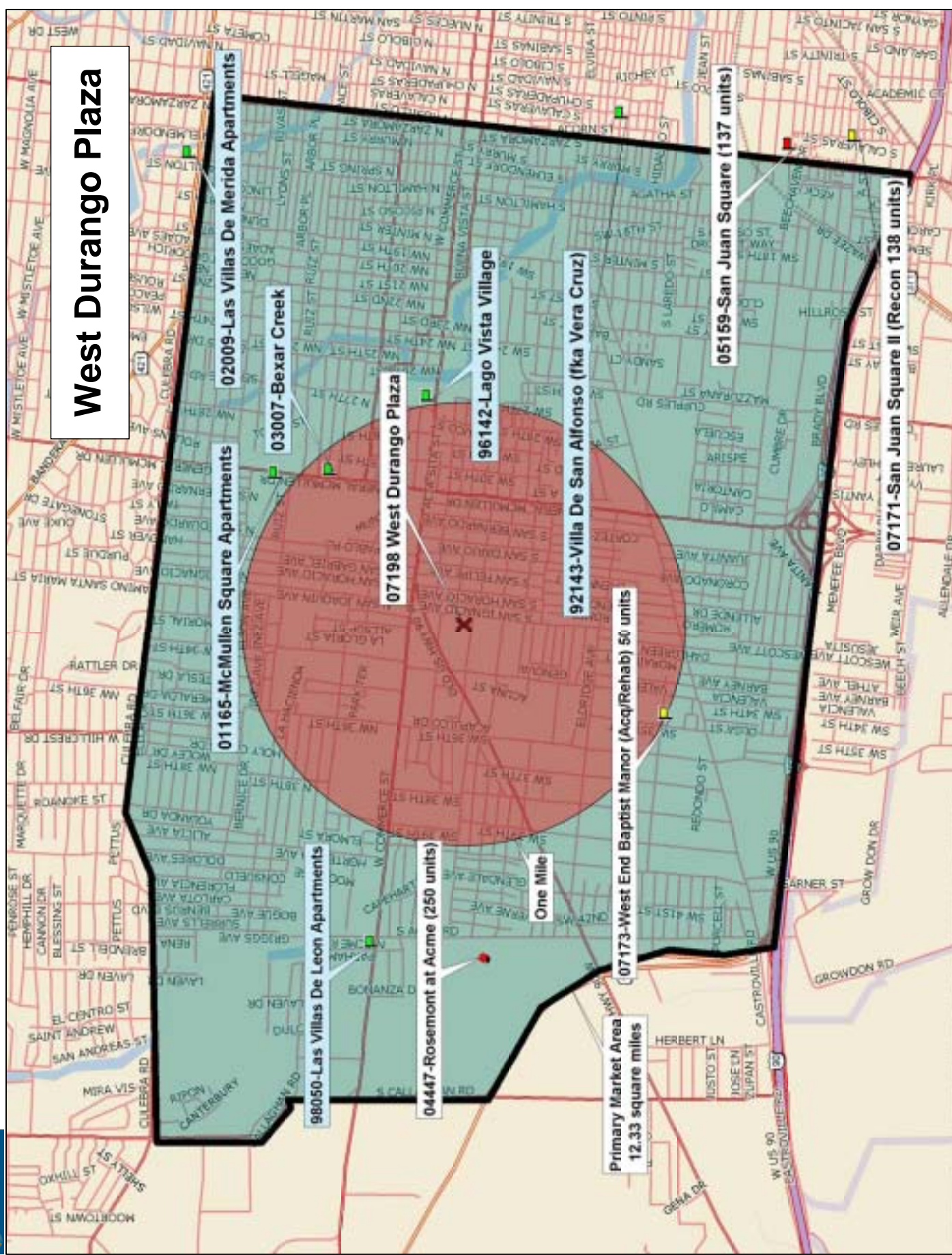
HTC ALLOCATION ANALYSIS -West Durango Plaza Apartments, San Antonio, 9% HTC #07198

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
Acquisition Cost						
Purchase of land	\$473,800	\$473,800				
Purchase of buildings	\$1,076,000	\$1,076,000	\$1,076,000	\$1,076,000		
Off-Site Improvements						
Sitework	\$615,000	\$615,000			\$615,000	\$615,000
Construction Hard Costs	\$2,356,285	\$2,414,056			\$2,356,285	\$2,414,056
Contractor Fees	\$415,980	\$415,980			\$415,980	\$415,980
Contingencies	\$297,128	\$297,128			\$297,128	\$297,128
Eligible Indirect Fees	\$1,028,500	\$1,028,500			\$1,028,500	\$1,028,500
Eligible Financing Fees	\$191,474	\$191,474			\$191,474	\$191,474
All Ineligible Costs	\$300,033	\$300,033				
Developer Fees			\$161,400	\$161,400	\$735,655	\$744,321
Developer Fees	\$907,360	\$905,721				
Development Reserves	\$350,000	\$250,000				
TOTAL DEVELOPMENT COSTS	\$8,011,560	\$7,967,692	\$1,237,400	\$1,237,400	\$5,640,022	\$5,706,459

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,237,400	\$1,237,400	\$5,640,022	\$5,706,459
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,237,400	\$1,237,400	\$7,332,029	\$7,418,396
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,237,400	\$1,237,400	\$7,332,029	\$7,418,396
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$45,041	\$45,041	\$626,888	\$634,273

Syndication Proceeds	0.8499	\$382,813	\$382,813	\$5,328,021	\$5,390,782
Total Tax Credits (Eligible Basis Method)				\$671,930	\$679,314
Syndication Proceeds				\$5,710,834	\$5,773,596
Requested Tax Credits				\$657,418	
Syndication Proceeds				\$5,587,496	
Gap of Syndication Proceeds Needed				\$5,676,560	\$5,632,692
Total Tax Credits (Gap Method)				\$667,897	\$662,736

West Durango Plaza



Applicant Evaluation

Project ID # **07198**

Name: **West Durango Plaza 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

Total # of Projects monitored: 7

Projects grouped by score
 zero to nine: 7
 ten to nineteen: 0
 twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 7

Projects not reported in application Yes No

not yet monitored or pending review: 3

of projects not reported: 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Kingsville LULAC Manor Apartments, TDHCA Number 07199

BASIC DEVELOPMENT INFORMATION

Site Address: 1220 N. 17th Development #: 07199
City: Kingsville Region: 10 Population Served: General
County: Kleberg Zip Code: 78363 Allocation: Rural
HTC Set Asides: [x] At-Risk [x] Nonprofit [] USDA [] Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: [x] CHDO [] Preservation [] General Acquisition: [x]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Kingsville LULAC Manor, L.P.
Owner Contact and Phone: Walter Martinez (210) 821-4308
Developer: Housing and Community Services, Inc.
Housing General Contractor: Amstar, Inc.
Architect: AG Associates Architects
Market Analyst: Butler Burgher, Inc.
Syndicator: Hudson Housing Capital, LLC
Supportive Services: Housing and Community Services, Inc.
Consultant: Lucas & Associates, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 88
10 0 0 78 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 18 44 26 0 0 Total Development Units: 88
Type of Building: Total Development Cost*: \$6,203,999
Number of Residential Buildings: 44
[x] Duplex [] 4 units or more per building HOME High Total Units: 0
[] Triplex [] Detached Residence HOME Low Total Units: 10
[] Fourplex [] Single Room Occupancy
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$491,514 \$491,514
HOME Activity Fund Amount: \$310,000 \$310,000 40 40 3.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Kingsville LULAC Manor Apartments, TDHCA Number 07199

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S	Points: 7	US Representative: Ortiz, District 27, NC
TX Representative: Escobar, District 43, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Pete De La Garza, County Judge	Resolution of Support from Local Government <input type="checkbox"/>
S, Arturo Pecos, City Commissioner	S, Edward "Ed" M. Mata, Sr., Kleberg County Sheriff
S, Romeo L. Lomas, Commissioner, Precinct 4	

Individuals and Businesses In Support: **9** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6	
Workforce Network	S or O: S
County of Kleberg	S or O: S
Kingsville Area Chamber of Commerce	S or O: S
Society of St. Vincent DePaul	S or O: S
Kingsville Economic Development Corporation	S or O: S
Knights of Columbus, St. Martin's Council #2623	S or O: S

General Summary of Comment:

Broad support received from elected officials and non-officials.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by cost certification, of the HUD approved Mark-to-Market (M2M OHMAR Lite) restructuring with evidence of the approved contract rents.

Receipt, review, and acceptance, by cost certification, that all Phase I ESA recommendations, including management and abatement of Lead Based Paint and Asbestos in accordance with the existing Operations and Maintenance Plans and all applicable regulations, and all subsequent report recommendations have been carried out.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Kingsville LULAC Manor Apartments, TDHCA Number 07199

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

Competitive Housing Tax Credits: Score: **192** Meeting a Required Set-Aside Credit Amount*: \$491,514

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$310,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/09/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07199

DEVELOPMENT																		
Kingsville LULAC Manor Apartments																		
Location: <u>1220 North 17th Street</u>				Region: <u>10</u>														
City: <u>Kingsville</u>		County: <u>Kleberg</u>		Zip: <u>78363</u>		<input checked="" type="checkbox"/> OCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Rural, At-Risk, Non-Profit, CHDO, Acquisition/Rehabilitation</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
HOME Activity Funds	\$310,000	3.00%	40/42	\$310,000	3.00%	40/40*												
Housing Tax Credit (Annual)	\$491,514			\$491,514														
*Refers to permanent period; interest only payments for a term to-be-determined by Program staff during construction period is recommended.																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by cost certification, of the HUD approved Mark-to-Market (M2M OHMAR Lite) restructuring with evidence of the approved contract rents. 2 Receipt, review, and acceptance, by cost certification, that all Phase I ESA recommendations, including management and abatement of Lead Based Paint and Asbestos in accordance with the existing Operations and Maintenance Plans and all applicable regulations, and all subsequent report recommendations have been carried out. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI/Low HOME</td> <td style="text-align: center;">30% of AMI/Low HOME</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">78</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI/Low HOME	30% of AMI/Low HOME	10	60% of AMI	60% of AMI	78
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI/Low HOME	30% of AMI/Low HOME	10																
60% of AMI	60% of AMI	78																
PROS			CONS															
<p>The proposed plan provides for the rehabilitation and revitalization of a 34 year old HUD supported property that will be undergoing a Mark-to-Market Lite restructuring through HUD.</p>			<p>The final structure of the transaction could change significantly due to the extended amount of time between the tax credit commitment date and HUD evaluation in mid-2008.</p>															

The expense to income ratio is above the Department's maximum of 65%; however, this is acceptable due to the ongoing rental assistance that will mitigate future risk.

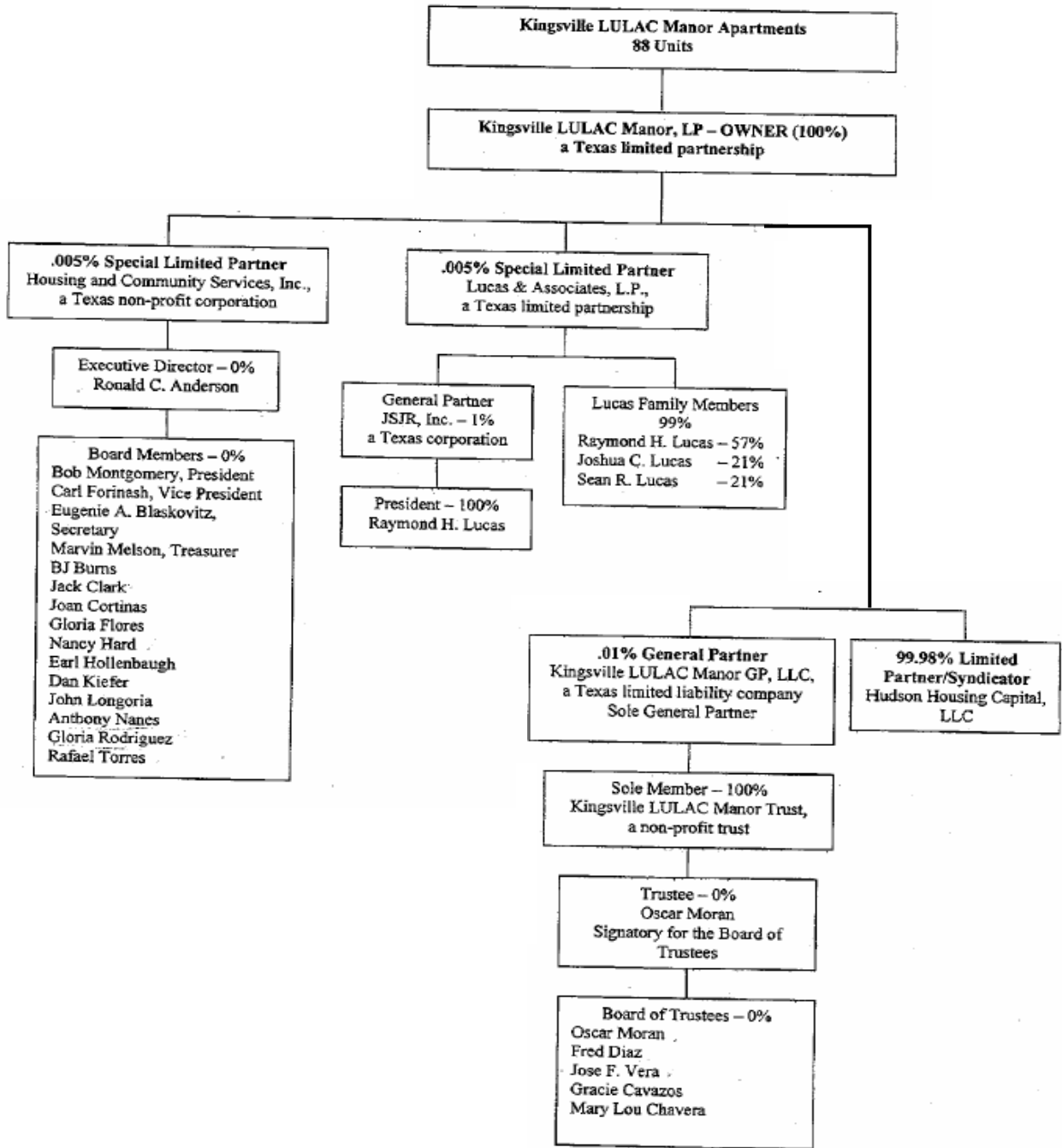
The acquisition is an identity of interest. The effectiveness of the tax credits in this case is in question as collected rents are and will remain higher than the maximum tax credit rents in this market.

PREVIOUS UNDERWRITING REPORTS
No previous reports.

This section intentionally left blank.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Walter Martinez Phone: 210.821.4308 Fax: 210.821.4303
 Email: wmnhmc@aol.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Kingsville LULAC Manor Trust	\$534,514	(\$85,168)	N/A
Housing and Community Services	\$3,979,384	\$547,727	N/A
Ronald C Anderson	N/A		2 LIHTC Developments in Texas
Lucas and Associates LP	\$81,005	(\$2,100)	N/A
Raymond Lucas	Confidential		2 LIHTC Developments in Texas

¹ Liquidity = Current Assets - Current Liabilities

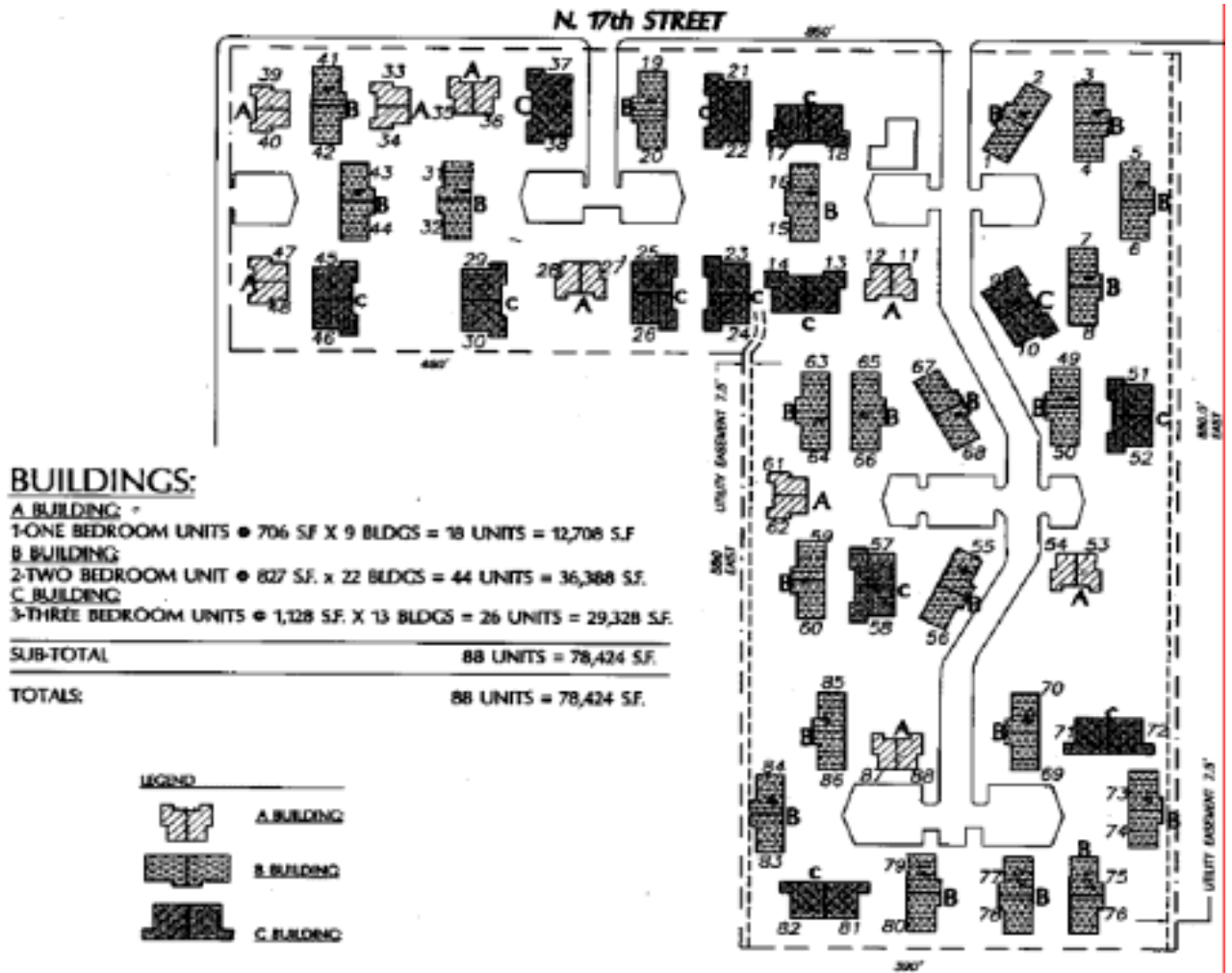
IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The seller will be the sole member of the GP and this has been addressed in the acquisition cost section of this report by ensuring: that the sales price is not more than their investment in the property, that the transfer price is a price that HUD might approve and that no developer fee for acquisition is being garnered.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C									Total Buildings
Floors/Stories	1	1	1									
Number	9	22	13									44

BR/BA	SF	Units										Total Units	Total SF
1/1	706	2										18	12,708
2/1	827		2									44	36,388
3/2	1,128			2								26	29,328
Units per Building		2	2	2								88	78,424

Rehabilitation Plan:

The existing 44 residential buildings were constructed in 1973. The proposed plan is to be carried out in conjunction with a Mark-to-Market Lite restructuring as discussed in detail in following sections of the report.

The Applicant submitted a Property Condition Assessment that included the following scope of work: major drainage improvements; partial replacement of sidewalks; reconfiguration of electrical supplies and outlets; 2" overlay of existing parking and drive areas; installation of security features; repair exterior masonry; landscaping; new fencing; new playground, sports court and pavilion; new kitchen cabinets and modification of kitchens for greater accessibility; radiant barriers in attics; new roofing; new double pane windows; sheetrock repair; replacement of flooring; replacement of kitchen appliances; replacement of HVAC systems; expansion of existing community building; and asbestos abatement.

SITE ISSUES

Total Size: 11 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: R-3 / Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Worksource / Texas Dept of Health and Human Services / adult day care center
 South: church / public schools
 East: 02043 Kings Crossing / Proposed 07124 Kings Crossing Phase II
 West: 17th Street / residential

This section intentionally left blank.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 1/5/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

All gypsum board wall/ceiling material samples were analyzed to contain 3% to 6% Chrysotile asbestos. Additionally, the gold/black mastic adhesive under various tiles in the community room and many of the dwelling units was found to contain 3% Chrysotile asbestos (p. 13). "Neither the USEPA nor the Texas Asbestos Health Protection Rules (TAHPR) requires the removal of ACM that is in good condition and where no disturbance is necessary. The previously submitted Asbestos Operations and Maintenance Plan (O&M) is for use prior to and after renovation activities take place. ... All ACM is to be managed in place through the previously submitted O&M Plan. ... Only those areas that require disturbance during rehab of the project will be abated in accordance with the Texas Asbestos Health Protection Rules and those areas will be noted within the O&M for future information" (addendum).

Of at least four hundred ten XRF readings to determine lead based paint content, all interior and exterior painted surfaces were found to be free of lead based paint with the exception of exterior entry doors. Twenty-one of twenty-nine doors were found to contain lead based paint. "These doors are scheduled for removal during renovation activities however, and they will be managed in place through a previously prepared Lead Paint Operations and Maintenance Plan" (p. 28). "All LBP doors will be removed and disposed of in accordance with USEPA Guidelines and Texas Lead Reduction Rules" (addendum).

Comments:

Receipt, review, and acceptance, by cost certification, that all Phase I ESA recommendations, including management and abatement of Lead Based Paint and Asbestos in accordance with the existing Operations and Maintenance Plans and all applicable regulations, and all subsequent report recommendations have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Butler Burgher, Inc. Date: 4/2/2007
 Contact: Mark Fugina Phone: 214.739.0700 Fax: 214.361.8168
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1149 Square Miles (1 19Mile Radius)

Bounded by the Kleberg County line on the west and south, the Gulf of Mexico and SR 286 on the east and FM 665, CR 24, and FM 43 to the north.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Kings Crossing Phase II	07124	72	72	N/A			

Comments:

The Market Analyst included 72 unstabilized comparable units from Kings Crossing Phase II in the inclusive capture rate. Kings Crossing Phase II (07124) is another 2007 9% HTC application within the PMA. However, the subject property is ranked higher in the application in the selection process and Kings Crossing Phase II is not included in the Underwriter's capture rate calculation. Kings Crossing Phase II was not transferred for underwriting and is unlikely to get an allocation.

INCOME LIMITS						
Kleberg						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 Bedroom	190	0	0	190	18	24	22%
2 Bedroom	262	0	0	262	44	40	32%
3 Bedroom	257	0	0	257	26	8	13%

Comments:

The Market Analyst provided demand by unit type calculations for each unit size, but did not provide a sub-breakdown by target income group. Typically, revision of the market study would be necessary. However, the subject development has a HAP contract on 100% of the units and tenants will pay 30% of their income whether renting the 30% units or 60% units; therefore, all units will be affordable for households with incomes as low as \$0 annually. As a result, it is appropriate not to break the demand by unit type calculations down further by target income group.

OVERALL DEMAND												
			Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER												
Market Analyst	p.	62	100%	13,036	100%	13,036	21%	2,713	39%	1,049	64%	672
Underwriter			100%	13,042	94%	12,303	41%	5,024	39%	1,943	64%	1,245
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	62				4	21%	1	39%	0	100%	0
Underwriter					94%	4	41%	1	39%	1	100%	1

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	62	88	72	0	160	673	23.79%
Underwriter			88	0	0	88	1,246	7.06%

Primary Market Occupancy Rates:

"The HTC comparables' occupancy rates range from 90% to 99%, with a weighted average of 94%. As mentioned, per the rent rolls provided our office, occupancy at the subject was 97.7% as of March 1, 2007... Given such, as well as the comparable rentals' current occupancy rates, occupancy in the subject's submarket is anticipated to stabilize in the mid 90% range."

Absorption Projections:

Historical absorption data for the most recently completed projects in the Corpus Christi MSA is provided, with an average absorption of 17 units/month. However, the only two HTC properties have absorption data of 13 and 16 units/month. "As such, absorption of 15 per month for the subject units is reasonable."

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Current Contract Rent	Proposed / Market Rents	Net Program Rents	Underwriting Rent	Increase Over Contract
1 BR 706 SF (30%/LH)	\$504	\$490	\$162	\$490	(\$14)
1 BR 706 SF (60%)	\$504	\$490	\$405	\$490	(\$14)
2 BR 827 SF (30%/LH)	\$542	\$520	\$182	\$520	(\$22)
2 BR 827 SF (60%)	\$542	\$520	\$473	\$520	(\$22)
3 BR 1,128 SF (30%/LH)	\$746	\$695	\$206	\$695	(\$51)
3 BR 1,128 SF (60%)	\$746	\$695	\$542	\$695	(\$51)

Market Impact:

"The addition of the subject units is not expected to impact the overall vacancy rate of the submarket since the subject is an existing property with occupancy rates currently over 97%" (p. 80).

Comments:

The inclusive capture rate is below the Department's maximum threshold and the property current maintains 97.7% occupancy. The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 4 Date of Last Applicant Revision: 6/12/2007

The Applicant's revised rent schedule indicates rent levels equal to the market rents determined by the Market Analyst. The property currently has a HAP contract covering 100% of the units. The existing contract is set to expire July 31, 2008, at which time the Applicant has indicated the development will pursue an OHMAR Lite restructuring under HUD's Mark-to-Market (M2M) Program.

The Underwriter has asked that the Applicant supply the Lite restructuring application. However, the Applicant has indicated that application will not be made until early 2008. The Applicant has contracted with ONTRA, Inc (a HUD participating administrative entity) to administer the restructuring with HUD. The final rent levels will ultimately be determined by HUD in conjunction with documentation prepared by ONTRA, Inc. Therefore, it is impossible to know what rent levels will be approved. However, the market study submitted to the Department suggests that the current HAP contract rents are well above current market levels. As a result, it is likely that the rent levels approved as part of the Lite restructuring will decrease from the current rents to the market rents.

The market rent for the one and three bedroom units is slightly higher than the 60% of AMI program rent level, while the two bedroom market rent is \$62 below the 60% of AMI rent level. Additionally, the market rents are well below 120% of the FMR for Corpus Christi, which is the maximum allowed under the M2M program.

Based on the information provided, the Underwriter has determined that the market rents provide the best estimate of the future approved HUD M2M contract rents. Therefore, the Underwriter's rents have been set to the market rents. However, receipt, review, and acceptance, by cost certification, of the HUD approved M2M OHMAR Lite restructuring with evidence of the approved contract rents is a condition of this report.

The Applicant's estimate of vacancy and collection loss is 5%, which is slightly below the underwriting standard of 7.5%. However, due to the rental assistance and the current occupancy level, the Underwriter has also used a 5% vacancy and collection loss. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. The tenants will be responsible for electric and gas utility costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2007

The Applicant's total operating expense estimate of \$4,553 per unit is within 5% of the Underwriter's estimate of \$4,359 per unit derived from the TDHCA database, IREM data, and actual FYE 2006 operating statements for the subject property.

However, a number of the Applicant's estimates of specific line items differ significantly from the Underwriter's estimates, including: general and administrative (\$9K lower); payroll and payroll tax (\$20K higher); repairs and maintenance (\$23K higher); and utilities (\$12K lower). The Applicant has indicated that the property will transition from the current utility structure with the development paying all tenant gas utility costs to the tenant being responsible for these costs. Therefore, historical expenses provide little guidance in this area. Additionally, the Applicant has indicated that property management fees will decrease significantly. The related party property manager provided a letter indicating that, if needed, management fees can decrease to 4% of EGI annually. However, the Applicant and the Underwriter have used 5% of EGI.

The Applicant anticipates a 50% CHDO tax exemption due to the organizational/ownership structure. The Underwriter has also assumed a 50% tax exemption due to the CHDO involvement.

It should be noted that the historical and projected expense levels are at the high end of reasonable expenses for the subject market. This high level of expenses indicates that the property currently operates inefficiently and should the property ultimately streamline operations, the property may not require the entire amount of the equity contribution that is projected based on the requested tax credit allocation.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Year One proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

The Underwriter's and Applicant's expense to income ratios exceed the 65% maximum. However, the property has an existing HAP contract that will continue to provide an ongoing rental subsidy. Therefore, the property is exempt from the 65% expense to income ratio feasibility requirement.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible. Of note, the Underwriter has included a Mortgage Insurance Premium amounting to 0.45% of the outstanding first lien debt in the debt service for the development.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Butler Burgher</u>	Date:	<u>4/2/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>11.0 acres</u>	<u>\$220,000</u>	As of: <u>3/1/2007</u>
Existing Buildings: (as-is)		<u>\$1,680,000</u>	As of: <u>3/1/2007</u>
Total Development: (as-is)		<u>\$1,900,000</u>	As of: <u>3/1/2007</u>

ASSESSED VALUE

Land Only:	<u>\$0</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Klein & Barenblat</u>
Total Assessed Value:	<u>EXEMPT</u>	Tax Rate:	<u>2.97327</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Real Estate Purchase Agreement (w/Amendment)</u>	Acreage:	<u>11.006</u>
Contract Expiration:	<u>9/30/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,150,000</u>	Other:	<u></u>
Seller:	<u>Kingsville LULAC Manor Trust</u>	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2007

Acquisition Value:

The Applicant provided a Purchase and Sale Agreement indicating an acquisition cost of \$1,150,000 for the identity of interest transfer of the property. The contract transfer price is less than the appraised value (\$1,900,000) and less than the original basis in the land and buildings (\$1,799,006) and is therefore generally acceptable. The Applicant has claimed \$870,000 as the portion of the contract price attributed to the purchase of the buildings in order to determine the acquisition basis. The Appraisal determined the underlying value of the land to be \$220,000, which is less than the value anticipated by the Applicant. Therefore, the Underwriter has determined the eligible basis value of the buildings to be \$870,000: the purchase price of \$1,150,000 less the Applicant's value of the land (\$280,000). The 2006 assessed value of the property was not available, and therefore, the assessed value of the property could not be included in the eligible building basis valuation.

Sitework Cost:

The Applicant estimated sitework costs of \$7,180 per unit which are slightly higher than the Property Condition Assessment value of \$6,953 per unit. This level of sitework is substantially higher than typical for rehabilitation developments. However, the Applicant provided a Preliminary Engineer's Report and Drainage Study, prepared by Victor Gonzales Engineering, indicating the property does not currently have sufficient drainage infrastructure. The report provides recommendations for major drainage improvements which have been incorporated into the PCA estimates. The Underwriter has used the PCA estimate of \$6,953 per unit.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$27K or 2% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Conclusion:

The Underwriter's cost schedule was derived from the PCA and information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to adherence to program and underwriting guidelines rather than the Underwriter's independently derived costs. Therefore, the Underwriter's development cost schedule is merely a correction of the Applicant's costs and, as such, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,252,545 supports annual tax credits of \$518,788. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2007

Source: Evanston Financial / 221(d)4 Type: Interim to Permanent Financing

Principal: \$1,750,000 Interest Rate: 6.75% Fixed Amort: 480 months

Comments:

The term sheet indicates that the loan will be a 221(d)(4) mortgage. The 221(d)(4) is a HUD administered program for FHA insured mortgage loans for substantial rehabilitation of multifamily housing. The loan will carry a Mortgage Insurance Premium equal to 0.45% of the loan amount, which has been included in the development's debt service. Evanston Financial's terms are subject to HUD approval and will likely be approved in conjunction with the M2M OHMAR Lite restructuring.

MULTIFAMILY COMPARATIVE ANALYSIS

Kingsville LULAC Manor Apartments, Kingsville, 9% HTC/HOME #07199

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	2	1	1	706	\$242	\$490	\$980	\$0.69	\$80.00	\$33.12
TC 60%	16	1	1	706	\$485	490	7,840	0.69	80.00	33.12
TC 30%/LH	5	2	1	827	\$291	520	2,600	0.63	109.00	37.22
TC 60%	39	2	1	827	\$582	520	20,280	0.63	109.00	37.22
TC 30%/LH	3	3	2	1,128	\$336	695	2,085	0.62	130.00	41.33
TC 60%	23	3	2	1,128	\$672	695	15,985	0.62	130.00	41.33
TOTAL:	88		AVERAGE:	891		\$566	\$49,770	\$0.63	\$109.27	\$37.60

INCOME

Total Net Rentable Sq Ft: **78,424**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.72%	\$310	0.35
Management	5.00%	328	0.37
Payroll & Payroll Tax	14.00%	919	1.03
Repairs & Maintenance	7.45%	489	0.55
Utilities	4.13%	271	0.30
Water, Sewer, & Trash	10.78%	707	0.79
Property Insurance	9.94%	652	0.73
Property Tax 2.97327	3.63%	238	0.27
Reserve for Replacements	4.57%	300	0.34
TDHCA Compliance Fees	0.61%	40	0.04
Other: Supportive Services	1.73%	114	0.13
TOTAL EXPENSES	66.56%	\$4,368	\$4.90
NET OPERATING INC	33.44%	\$2,194	\$2.46

TDHCA	APPLICANT
\$597,240	\$597,240
10,560	10,560
0	0
\$607,800	\$607,800
(30,390)	(30,390)
0	0
\$577,410	\$577,410

COUNTY: **Kleberg** IREM REGION: **10** COMPT. REGION: **10**

\$10.00 Per Unit Per Month

\$0.00 Per Unit Per Month

\$0.00 Per Unit Per Month

\$0.00 Per Unit Per Month

\$0.00 Per Unit Per Month

\$0.00 Per Unit Per Month

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\$0.00 Per Unit Per Month

DEBT SERVICE

Evanston 221(d)4 Loan	21.94%	\$1,440	\$1.62
TDHCA HOME	2.31%	\$151	\$0.17
Mortgage Insurance 0.45%	1.36%	\$89	\$0.10
NET CASH FLOW	7.82%	\$513	\$0.58

\$126,705	\$134,182
13,317	0
7,875	0
\$45,166	\$42,529
1.31	1.32
1.31	

\$1.71	\$1,525	23.24%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.54	\$483	7.37%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		19.46%	\$13,722	\$15.40
Off-Sites		0.00%	0	0.00
Sitework		9.86%	6,953	7.80
Direct Construction		28.63%	20,187	22.65
Contingency 9.97%		3.84%	2,705	3.04
Contractor's Fees 13.95%		5.37%	3,787	4.25
Indirect Construction		14.23%	10,034	11.26
Ineligible Costs		2.88%	2,034	2.28
Developer's Fees 12.34%		9.85%	6,944	7.79
Interim Financing		3.85%	2,714	3.05
Reserves		2.01%	1,420	1.59
TOTAL COST		100.00%	\$70,500	\$79.11
Construction Cost Recap		47.71%	\$33,632	\$37.74

TDHCA	APPLICANT
\$1,207,500	\$1,207,500
0	0
611,822	631,822
1,776,476	1,748,758
238,058	238,058
333,282	333,282
883,000	883,000
178,954	178,954
611,064	611,064
238,843	238,843
125,000	125,000
\$6,203,999	\$6,196,281
\$2,959,638	\$2,951,920

PER SQ FT	PER UNIT	% of TOTAL
\$15.40	\$13,722	19.49%
0.00	0	0.00%
8.06	7,180	10.20%
22.30	19,872	28.22%
3.04	2,705	3.84%
4.25	3,787	5.38%
11.26	10,034	14.25%
2.28	2,034	2.89%
7.79	6,944	9.86%
3.05	2,714	3.85%
1.59	1,420	2.02%
\$79.01	\$70,412	100.00%
\$37.64	\$33,545	47.64%

SOURCES OF FUNDS

Evanston 221(d)4 Loan	28.21%	\$19,886	\$22.31
TDHCA HOME	5.00%	\$3,523	\$3.95
Hudson Housing Syndication	66.54%	\$46,908	\$52.64
Deferred Developer Fees	0.14%	\$95	\$0.11
Additional (Excess) Funds Req'd	0.12%	\$88	\$0.10
TOTAL SOURCES			

TDHCA	APPLICANT	RECOMMENDED
\$1,750,000	\$1,750,000	\$1,750,000
310,000	310,000	310,000
4,127,892	4,127,892	4,127,892
8,389	8,389	16,107
7,718	0	0
\$6,203,999	\$6,196,281	\$6,203,999

Developer Fee Available	\$611,064
% of Dev. Fee Deferred	3%
15-Yr Cumulative Cash Flow	\$861,947

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Kingsville LULAC Manor Apartments, Kingsville, 9% HTC/HOME #07199

PAYMENT COMPUTATION

Primary	\$1,750,000	Amort	480
Int Rate	6.75%	DCR	1.52

Secondary	\$310,000	Amort	480
Int Rate	3.00%	Subtotal DCR	1.38

Additional		Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$126,705
Secondary Debt Service	13,317
Mortgage Insurance Premium (0.45%)	7,875
NET CASH FLOW	\$45,166

Primary	\$1,750,000	Amort	480
Int Rate	6.75%	DCR	1.52

Secondary	\$310,000	Amort	480
Int Rate	3.00%	Subtotal DCR	1.38

Additional		Amort	
Int Rate		Aggregate DCR	1.31

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

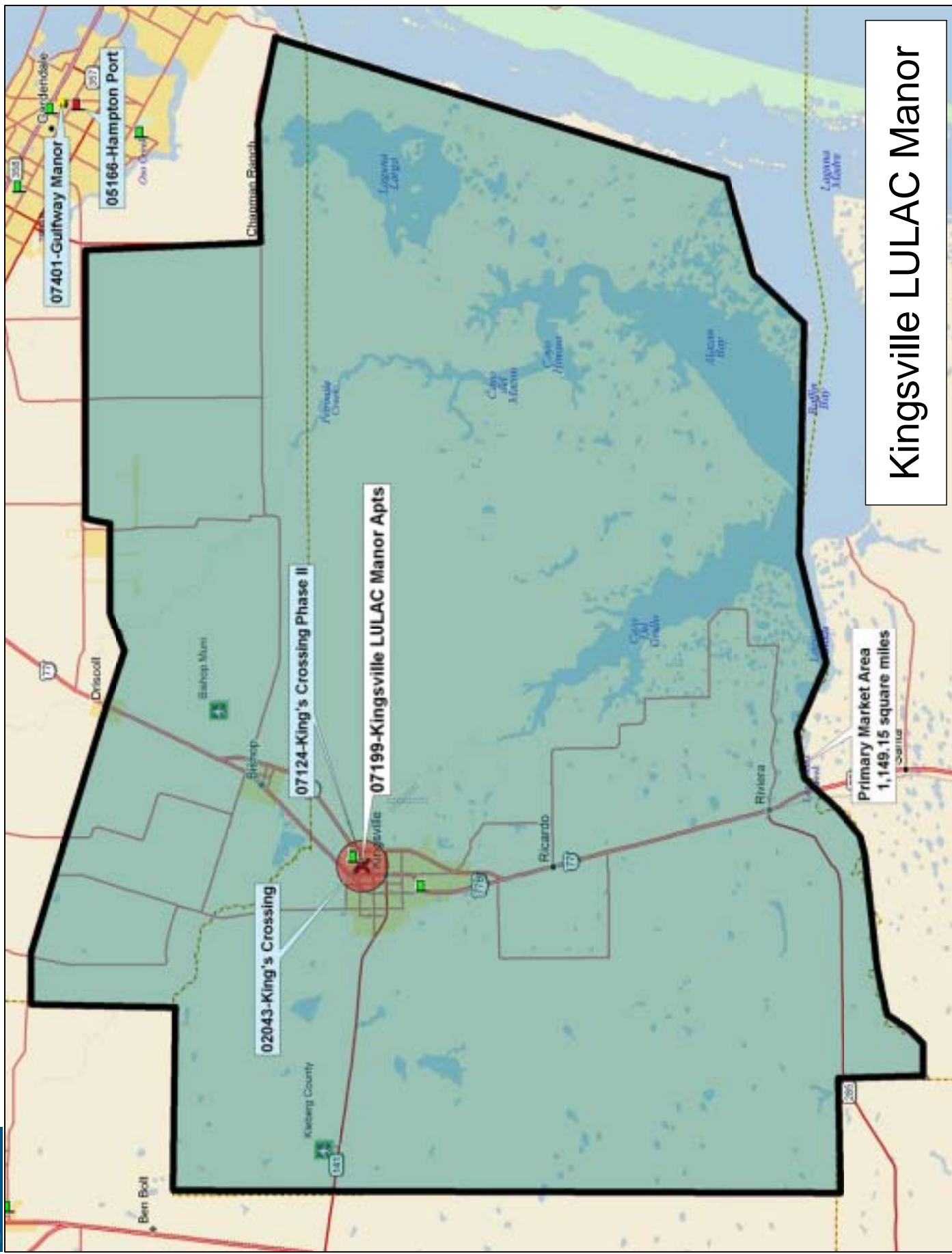
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$597,240	\$615,157	\$633,612	\$652,620	\$672,199	\$779,263	\$903,379	\$1,047,264	\$1,407,435
Secondary Income	10,560	10,877	11,203	11,539	11,885	13,778	15,973	18,517	24,885
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	607,800	626,034	644,815	664,159	684,084	793,041	919,352	1,065,781	1,432,321
Vacancy & Collection Loss	(30,390)	(31,302)	(32,241)	(33,208)	(34,204)	(39,652)	(45,968)	(53,289)	(71,616)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$577,410	\$594,732	\$612,574	\$630,951	\$649,880	\$753,389	\$873,384	\$1,012,492	\$1,360,704
EXPENSES at 4.00%									
General & Administrative	\$27,239	\$28,329	\$29,462	\$30,640	\$31,866	\$38,770	\$47,169	\$57,388	\$84,949
Management	28,871	29,737	30,629	31,548	32,494	37,669	43,669	50,625	68,035
Payroll & Payroll Tax	80,849	84,083	87,446	90,944	94,582	115,073	140,004	170,337	252,140
Repairs & Maintenance	43,035	44,756	46,546	48,408	50,345	61,252	74,522	90,668	134,210
Utilities	23,856	24,810	25,802	26,835	27,908	33,954	41,311	50,261	74,398
Water, Sewer & Trash	62,237	64,726	67,316	70,008	72,808	88,583	107,774	131,124	194,096
Insurance	57,409	59,705	62,094	64,577	67,160	81,711	99,414	120,952	179,039
Property Tax	20,932	21,769	22,640	23,545	24,487	29,793	36,247	44,100	65,279
Reserve for Replacements	26,400	27,456	28,554	29,696	30,884	37,575	45,716	55,621	82,332
Other	13,520	14,061	14,623	15,208	15,816	19,243	23,412	28,485	42,164
TOTAL EXPENSES	\$384,347	\$399,432	\$415,112	\$431,410	\$448,351	\$543,623	\$659,239	\$799,560	\$1,176,642
NET OPERATING INCOME	\$193,063	\$195,300	\$197,462	\$199,541	\$201,529	\$209,766	\$214,145	\$212,932	\$184,062
DEBT SERVICE									
First Lien Financing	\$126,705	\$126,705	\$126,705	\$126,705	\$126,705	\$126,705	\$126,705	\$126,705	\$126,705
Second Lien	13,317	13,317	13,317	13,317	13,317	13,317	13,317	13,317	13,317
Other Financing	7,875	7,835	7,793	7,747	7,698	7,399	6,979	6,392	4,419
NET CASH FLOW	\$45,166	\$47,443	\$49,648	\$51,772	\$53,809	\$62,345	\$67,144	\$66,518	\$39,622
DEBT COVERAGE RATIO	1.31	1.32	1.34	1.35	1.36	1.42	1.46	1.45	1.27

HTC ALLOCATION ANALYSIS -Kingsville LULAC Manor Apartments, Kingsville, 9% HTC/HOME #07199

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
Acquisition Cost						
Purchase of land	\$337,500	\$337,500				
Purchase of buildings	\$870,000	\$870,000	\$870,000	\$870,000		
Off-Site Improvements						
Sitework	\$631,822	\$611,822			\$631,822	\$611,822
Construction Hard Costs	\$1,748,758	\$1,776,476			\$1,748,758	\$1,776,476
Contractor Fees	\$333,282	\$333,282			\$333,281	\$333,282
Contingencies	\$238,058	\$238,058			\$238,058	\$238,058
Eligible Indirect Fees	\$883,000	\$883,000			\$883,000	\$883,000
Eligible Financing Fees	\$238,843	\$238,843			\$238,843	\$238,843
All Ineligible Costs	\$178,954	\$178,954				
Developer Fees						
Developer Fees	\$611,064	\$611,064			\$611,064	\$611,064
Development Reserves	\$125,000	\$125,000				
TOTAL DEVELOPMENT COSTS	\$6,196,281	\$6,203,999	\$870,000	\$870,000	\$4,684,826	\$4,692,545

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					\$310,000	\$310,000
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$870,000	\$870,000	\$4,374,826	\$4,382,545
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$870,000	\$870,000	\$5,687,274	\$5,697,309
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$870,000	\$870,000	\$5,687,274	\$5,697,309
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$31,668	\$31,668	\$486,262	\$487,120

Syndication Proceeds	0.8398	\$265,958	\$265,958	\$4,083,783	\$4,090,989
Total Tax Credits (Eligible Basis Method)				\$517,930	\$518,788
Syndication Proceeds				\$4,349,741	\$4,356,947
Requested Tax Credits				\$491,514	
Syndication Proceeds				\$4,127,892	
Gap of Syndication Proceeds Needed				\$4,136,281	\$4,143,999
Total Tax Credits (Gap Method)				\$492,513	\$493,432



Data use subject to license.

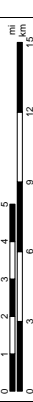
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TN



Scale 1 : 325,000



1" = 5.13 mi Data Zoom 9-3

Applicant Evaluation

Project ID # **07199**

Name: **Kingsville LULAC Manor Apartme**

City: **Kingsville**

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

Total # of Projects monitored: 7

Projects zero to nine: 7
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 7

not yet monitored or pending review: 3

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 6/8/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 6/8/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 6/8/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 6/8/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/11/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES
Date 6/8/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/9/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Melbourne Apartments, TDHCA Number 07203

BASIC DEVELOPMENT INFORMATION

Site Address: 3337 Mustang Rd. Development #: 07203
 City: Alvin Region: 6 Population Served: Elderly
 County: Brazoria Zip Code: 77511 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Melbourne Development Partners, L.P.
 Owner Contact and Phone: Alyssa Carpenter (512) 789-1295
 Developer: NZ-H Properties Inc.
 Housing General Contractor: Construction Supervisors
 Architect: T. Trout Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Red Capital Group, Inc.
 Supportive Services: To Be Determined
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	110	
	11	0	0	99	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	8	102	0	0	0	
Type of Building:						Total Development Units:	110
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$15,457,563
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	14
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis*</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Melbourne Apartments, TDHCA Number 07203

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, S Points: 7 US Representative: Paul, District 14, NC
TX Representative: O'Day, District 29, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
O, Greg Smith, Ph. D. , Superintendent, Alvin ISD

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Mustang Road Owner's Association, Jerald A. Turboff Letter Score: 24 S or O: S

There is a need for affordable housing for seniors in Alvin. Quality development for city. The Developer has worked with community and city and will be a good neighbor.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was mixed support from elected officials. There was support from a qualified neighborhood organization. The primary reason for opposition was traffic congestion, reduced home values, no space for additional students in the school district, and there are already existing vacancies in the area.

CONDITIONS OF COMMITMENT

Receipt review and acceptance of another copy of the final contract with each page initialed by both the buyer and seller and a notarized certification signed by both the Seller and the Applicant that reflects the revised sales price, explains how the error in price occurred and confirms that there are no other agreements written or otherwise between the buyer and seller or any principals or beneficiaries of each for the acquisition of additional property, discount, refund or recovery of the purchase price or provision of other benefit which is not identified in the purchase contract.

Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, specifically: "Any Development proposing New Construction located within the 100-year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain".

Receipt, review, and acceptance, prior to carryover, of evidence that all Phase I ESA recommendations have been carried out.

Should the terms and rates of the proposed debt or syndication change, or if any Local HOME funds are approved, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

Receipt of a commitment of funding from Southeast Texas Housing Finance Corporation in the amount of \$800,000, or a commitment from a qualifying substitute source in an amount not less than \$777,379, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Melbourne Apartments, TDHCA Number 07203

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/17/07

PROGRAM: 9% HTC

FILE NUMBER: 07203

DEVELOPMENT						
The Melbourne Apartments						
Location: <u>3337 Mustang Rd</u>				Region: <u>6</u>		
City: <u>Alvin</u>		County: <u>Brazoria</u>		Zip: <u>77511</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, New Construction, Urban/Exurban, Elderly</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		
CONDITIONS						
<p>1 Receipt review and acceptance of another copy of the final contract with each page initialed by both the buyer and seller and a notarized certification signed by both the Seller and the Applicant that reflects the revised sales price, explains how the error in price occurred and confirms that there are no other agreements written or otherwise between the buyer and seller or any principals or beneficiaries of each for the acquisition of additional property, discount, refund or recovery of the purchase price or provision of other benefit which is not identified in the purchase contract.</p> <p>2 Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, specifically: "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain".</p> <p>3 Receipt, review, and acceptance, prior to carryover, of evidence that all Phase I ESA recommendations have been carried out.</p> <p>4 Should the terms and rates of the proposed debt or syndication change, or if any Local HOME funds are approved, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p>						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	11				
60% of AMI	60% of AMI	99				

PROS

CONS

The market analysis reflects mixed inclusive capture rate conclusions though HISTA Data demographics support an acceptable capture rate.

The market for 1 and 2 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 130%.

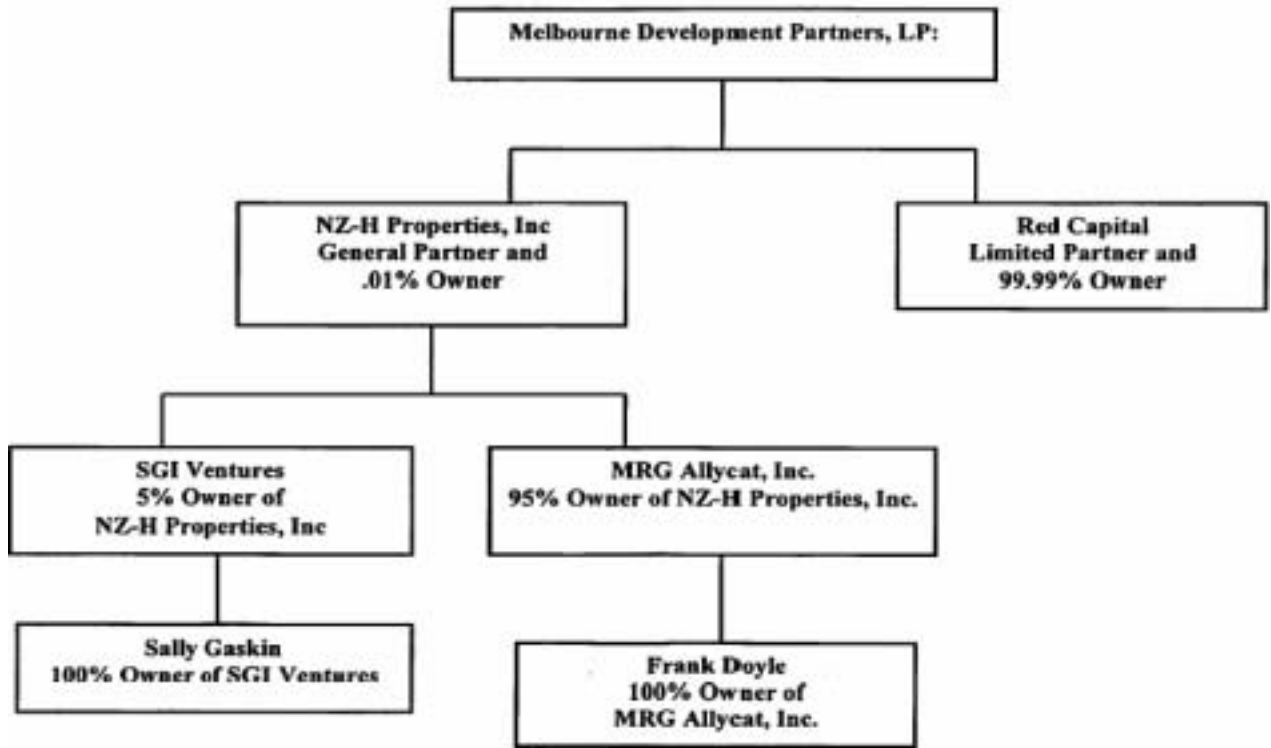
The acquisition price is significantly higher than is typical and was adjusted from the preapplication submission due to a \$2,000,000 error in the original contract.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269
 Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Sally Gaskin	confidential		7 previous developments reported
SGI Ventures	\$1,697,525	\$372,000	7 previous developments reported
Frank Doyle	confidential		None Reported
NZ-H Properties, Inc.	newly formed		N/A
MRG Allycat, Inc.	newly formed		N/A

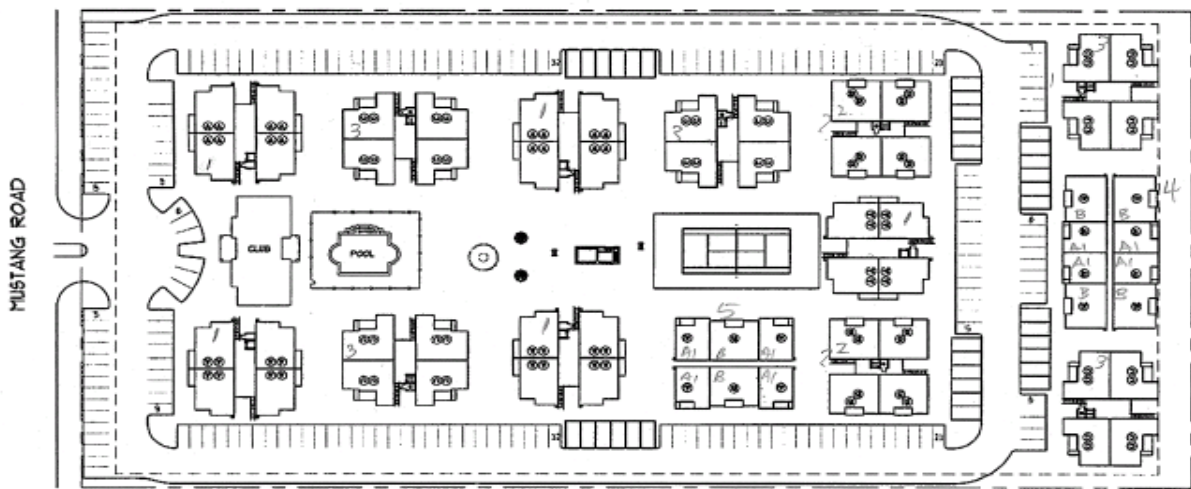
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, and co-Developers are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5						Total Buildings
Floors/Stories	2	2	2	1	1						
Number	5	2	5	1	1						14

BR/BA	SF	Units										Total Units	Total SF
1/1	751				4	4						8	6,008
2/2	994	8										40	39,760
2/2	1,049		8									40	41,960
2/2	1,052		8		4	2						22	23,144
Units per Building		8	8	8	8	6						110	110,872

SITE ISSUES

Total Size:	<u>7.316 acres</u>	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>X and AE</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Zoning:	<u>N/A</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> N/A

Comments:

The survey indicates that part of the site lies within the 100-year floodplain. The QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." The application acknowledges the floodplain location and the Applicant has indicated that the development "is designed as required by program rules". Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, will be a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/20/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land, residential East: drainage ditch, residential, schools
South: community college, multifamily West: multifamily, commercial

Comments:

A drainage ditch is shown on the survey, and described in the title policy, to be along the south boundary of the site but does not appear to impact the development of the site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Miscellaneous debris including abandoned tires and an empty 55 gallon drum was observed on the subject property. No staining was noted on or around the 55 gallon drum. The debris is in possible violation of Texas Health and Safety Code Section 365, 341, and 343. No recognized environmental conditions appear to exist provided the debris is disposed of off site in accordance with all applicable federal, state, and local regulations." (p. 2)

Comments:

Receipt, review, and acceptance, before carryover, of evidence that all Phase I ESA recommendations have been carried out, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/16/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 2 Date of Last Applicant Revision: 7/16/2007

Primary Market Area (PMA): 203 square miles ¹ 8 mile radius

"For this analysis we utilized a primary market area comprising 203 square miles (roughly equivalent to a radius of eight miles). The boundaries of the PMA are County Road 101 to the north, State Highway 35 and the Brazoria County Line to the east, the Brazoria County line and FM 2004 (extended west) to the south, and State Highway 288 to the west." (p. 3)

This section intentionally left blank.

This market area does not take into account another proposed development, The Gardens at Friendswood Lakes (07310). The Gardens at Friendswood Lakes, also targeting seniors, is located seven miles north of the subject and less than three miles outside the rather small defined PMA. The Underwriter considered it important to determine the combined effect of these two proposed properties on the market. For this reason the Market Analyst (who in fact provided both market studies) was requested to evaluate a PMA to include both proposed developments, as well as two unstabilized senior projects, Maplewood Crossing (#04160 fka The Village on Hobbs Road), and Baybrook Park Retirement Center (#04079). The analysis of both market areas is discussed below.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Village on Hobbs Rd.	04160	100	Not in PMA	N/A			
Baybrook Retirement Ctr	04079	100	Not in PMA				
Gardens at Friendswood Lakes	07310	114	Not in PMA				

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,700	\$15,650	\$17,600	\$19,550	\$21,100	\$22,700
60	\$27,360	\$31,260	\$35,160	\$39,060	\$42,180	\$45,300

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% AMI	58	1	0	59	11	0	19%
1 BR / 60% AMI	68	4	0	72	99	0	138%
2 BR / 30% AMI	59	1	0	60	11	0	18%
2 BR / 60% AMI	47	4	0	51	99	0	194%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 51	19%	5,489	100%	5,489	24%	1,304	17%	224	64%	144
Mkt. A. (HISTA)	p. 58								268	64%	172
Underwriter		19%	5,836	100%	5,836	24%	1,389	17%	239	44%	105
Underwriter (HISTA)									309	44%	136
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 51			318	24%	75	17%	13	100%	13	
Mkt. A. (HISTA)	p. 58									100%	7
Underwriter			100%	245	24%	58	17%	10	100%	10	
Underwriter (HISTA)										100%	13
DEMAND from OTHER SOURCES											
Market Analyst	p.										18
Underwriter											18

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst p. 54	110	0	0	110	175	63%	
Mkt. A. (HISTA) p. 54	110	0	0	110	197	56%	
Underwriter	110	0	0	110	133	83%	
Underwriter (HISTA)	110	0	0	110	167	66%	

Overall Demand:

The Market Analyst provided two sets of demand calculations. The first series of data presented above is based on MapInfo demographic data, a traditional data source which has been applied in TDHCA reports for a number of years. The Market Analyst's second series of data is based on HISTA Data which is said to provide a more accurate demographic picture of the percentage of renters by income and by age. In both cases the Analyst calculates demand from turnover based on the general IREM turnover rate for all multifamily households in the Houston Area. From both sets of data the Analyst reported inclusive capture rates below the underwriting maximum of 75%.

The Underwriter's calculations use the same basic data from the two data series but apply a different, more realistic turnover rate to get to demand. The Market Analyst explains: "Turnover information for existing projects is difficult to obtain ... In most cases, the on-site personnel do not track such information on an ongoing basis. As a result, one of the only sources for turnover information is the IREM Income and Expense publication, and even this has limited participation. IREM reports the turnover rate for the typical garden style project in Houston to be 64.4% per year." This rate unquestionably overstates turnover for elderly households. Since the only senior developments in the vicinity are the proposed and newly constructed projects discussed above, it is difficult to obtain specific information to reflect the senior market in the area. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households.

The available data on eleven developments with over 900 households in the vicinity of the subject indicate a turnover rate of 44% for 2006. The underwriting analysis applies this lower turnover rate which produced mixed results. The capture rate for the MapInfo demographic data exceeded the limit, but the capture rate with HISTA Data was acceptable. Based on these mixed results, the Analyst was asked to provide any additional information that would support demand for the subject in the original PMA. (As already stated, the Analyst was also challenged to demonstrate that the greater Friendswood / Alvin area can support both the subject and another proposed senior project in addition to two existing unstabilized projects. That issue is discussed further in the following section.)

To further support the original PMA, the Analyst determined that there are a total of 560 Section 8 Housing Choice vouchers in Brazoria County. From this, the Analyst estimates potential additional demand from 18 senior households that are not already accounted for in the income-eligible population. With this additional demand included, the Analyst calculates capture rates of 63% with MapInfo and 56% with HISTA Data, both rates satisfying the limit. The underwriting analysis continues to show mixed results, with inclusive capture rates of 83% with MapInfo and 66% with HISTA Data.

Inclusive Capture Rate for Larger Friendswood / Alvin area:

At the Underwriter's request, the Analyst looked at the greater Friendswood / Alvin area and evaluated a primary market that would include the subject property as well as the Gardens of Friendswood Lakes and Maplewood Crossing/Village on Hobbs Road. Baybrook Park Retirement Center is actually just outside the boundary, but was included in the revised supply by the Market Analyst and thus accounted for in the capture rate. The revised PMA encompasses 373 square miles with a population of approximately 245,000 (the maximum population for senior developments is 250,000).

Employing HISTA Data demographics the Analyst calculated demand for 814 senior units in this market area. With a supply of 384 unit, made up of the two proposed developments and the two unstabilized properties, the Analyst calculated a capture rate of 47%. However, with MapInfo demographics, the Analyst identified demand for only 485 senior units, and a capture rate of 79%, exceeding the maximum. Both of these calculations are based on the IREM turnover rate of 65%. The Analyst reported that using HISTA Data, 39% is the minimum turnover rate required to achieve an inclusive capture rate of 75%. Underwriting analysis of the HISTA data with a 44% turnover rate (from properties in the vicinity as discussed above) indicates an inclusive capture rate of 69% for the larger PMA with all four competing properties. This suggests that there is sufficient demand to support both of the proposed developments in a larger PMA.

Primary Market Occupancy Rates:

The Analyst "conducted an analysis of some 500+ conventional (market rate) units within the primary trade area. These projects were all built between 1973 and 2003. Morgan Oaks has some of its units still in lease up, and phase 5 is under construction. The occupancy rate for market rate one bedrooms is 90.2%, for market rate two bedrooms it is 88.2% ... and the overall average occupancy for market rate units is 89.6%. The overall occupancy is slightly low due to Morgan Oaks which includes vacant units from its fifth phase of the project." (p. 15)

Absorption Projections:

"Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 40 units per year. We expect this to continue as the number of new households continues to grow, and as additional rental units become available. Absorption has been limited in recent years due to a lack of new construction and only slight increases in overall demand." (p. 100)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	751 SF	30%	\$214	\$225	\$675	\$225	\$450
1 BR	751 SF	60%	\$580	\$591	\$675	\$591	\$84
2 BR	994 SF	30%	\$248	\$260	\$805	\$260	\$545
2 BR	994 SF	60%	\$688	\$699	\$805	\$699	\$106
2 BR	1,049 SF	30%	\$248	\$260	\$825	\$260	\$565
2 BR	1,049 SF	60%	\$688	\$699	\$825	\$699	\$126
2 BR	1,052 SF	30%	\$248	\$260	\$825	\$260	\$565
2 BR	1,052 SF	60%	\$688	\$699	\$825	\$699	\$126

It should be noted that the market rents concluded by the Market Analyst are higher in Friendswood but the underwriting rent will be higher in Alvin due to differences in the area median income between Brazoria and Galveston Counties and due to difference in utility allowances. Thus in theory the Friendswood development will provide better value economically to the tenants.

Market Impact:

"The proposed is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 14)

This section intentionally left blank.

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Friendswood/Clear Lake submarket within the Houston MSA. In this submarket, with a total population of 309,000, the Vogt, Williams study determines total one year growth-based demand for 47 units from senior households below 30% AMI, and negative demand (-41 units) from senior households between 51-60% AMI.

Conclusions:

The Analyst identified sufficient demand to support the subject property in the original primary market area using either demographic methodology. But it should be noted that application 07310, the Gardens at Friendswood Lakes, is located less than three miles outside that original PMA. If the Friendswood development is included in the supply for that PMA, the capture rate exceeds 100%. The same Market Analyst originally provided market studies with separate PMA's for each of the two proposed properties. The Analyst was challenged to define a market area to include both proposed developments as well as the two nearby unstabilized senior projects. Furthermore, the Underwriter challenged the turnover rate as being unrealistically high.

The Analyst responded with a market area that meets the Department guidelines for senior developments, and indicated that with a minimum turnover rate of 39% this PMA could support all four projects. The Underwriter independently determined from TDHCA data that the average turnover for all tax credit properties in the vicinity is 44%. And as discussed above, when the Analyst defined a substantially larger market area to encompass all the unstabilized senior demand in the vicinity, the demand will marginally support two new developments. The Underwriter's analysis of the HISTA data with a 44% turnover rate indicates an inclusive capture rate of 66% for the original PMA with no other competing property and 69% for the larger PMA with all four competing properties.

The conclusion that sufficient demand exists to support the subject application requires reliance on the HISTA Data demographic information. The Analyst explains "HISTA Data comes from a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Claritas. It contains actual Census cross tabulations - not extrapolations of SF3 data. The key to this data is that it gives us the number of households by household size by income by age grouping (i.e. <55, 55-61, and 62+ years of age). This breakout is very useful in arriving at a capture rate for the subject." (p. 51) It should be added that another key parameter provided by HISTA Data is renter tenure. This application clearly demonstrates the value provided by the information available from HISTA Data, particularly for developments targeting seniors.

The Department's traditional underwriting methodology determines senior demand through extrapolation from overall household income distribution patterns and general renter percentages. The HISTA Data report provides a specific tabulation of income-qualified, age-specific renter households. Since this data is taken directly from the Census rather than calculated based on various assumptions, it is reasonable to believe that it more accurately depicts the age and income distribution patterns in the population. Based on this, it is the Underwriter's conclusion that there is sufficient demand to recommend a funding allocation to the subject.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's income is based on rents which are between 3-5% lower than the maximum HTC program rents. The maximum HTC program rents are achievable based on the market rent conclusions of the Market Study and, therefore, are used as the underwriting rents. When contacted to make corrections to their rent schedule, the Applicant indicated that the development would still be feasible with less than the maximum rents. Utility allowances provided by the Brazoria County Housing Authority are factored into the net rents.

The Applicant included secondary income of \$10 per unit per month from laundry, vending, and cable TV; this amount is consistent with underwriting guidelines. The Applicant provided for losses due to vacancy and collection equal to 7.0% of potential income; underwriting guidelines assume an allowance of 7.5% of potential income. The application indicates there will be 36 detached garage spaces on the site; the Applicant has indicated that there will be no charge to the tenants for the use of the garages. Overall, the Applicant's projection for effective gross income is within 1% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's projected total annual operating expenses, at \$4,351 per unit, are within 3% of the Underwriter's estimate of \$4,237. The Applicant included \$44,200 as "other expenses"; the Underwriter moved \$20,000 for association dues to general & administrative expense, and \$24,200 for additional elevator expenses to repairs & maintenance. Other specific line items with significant variances include: payroll & payroll tax (the Applicant's projection is \$29K less than the Underwriter's estimate); repairs & maintenance (the Applicant's projection, including the additional elevator expense, is higher by \$25K); and utilities (the Applicant's projection is lower by \$18K).

Conclusion:

The Applicant's projected effective gross income and total annual operating expenses are each within 5% of the Underwriter's estimates; however, the projected net operating income (NOI) differs by more than 5%. Therefore, the Underwriter's figures will be used to determine debt capacity. The Applicant's NOI and projected debt service expense provide a first year debt coverage ratio (DCR) within the acceptable range of 1.15 to 1.35.

Feasibility:

The Underwriter's projected NOI and debt service are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. Using the debt service for only the conventional loan as suggested by the application materials, the proforma analysis indicates continued positive cash flow and a DCR that remains above 1.15; as such, the development would be considered financially feasible.

However, the sources and uses of funds indicates an \$800,000 amount as both interim and permanent financing, while the Applicant's proforma does not indicate any debt service other than for the primary loan of \$3.17M. The Applicant indicated by email on 6/14/07 that "It is our expectation that the \$800,000 amount will be 'long-term' in nature, that it will be either a grant or a loan (perhaps forgivable) without any required debt service. The form describes it as a one-year loan simply in order to conform to the minimum requirements of the QAP that it have a term of at least one year and an interest rate at or below the AFR."

If the \$800,000 was treated as an amortized loan at AFR the result would be a debt coverage ratio of 1.00, well below the minimum. A determination of financial feasibility is dependent on the Applicant producing a source for this funding in the form of a grant or a forgivable loan. Furthermore, it should be noted that if these funds were received from a federally subsidized source, such below market financing would have to be removed from eligible basis or the Applicant would forfeit the anticipated 30% Difficult Development Area boost. The allocation may be conditioned on the Applicant proving the existence of a suitable source for all necessary funding due to selection criteria points. Alternatively, these funds could be sourced by additional deferral of available developer fee and the transaction would not have a DCR issue.

ACQUISITION INFORMATION			
ASSESSED VALUE			
Land Only: 42.9 acres	\$343,040	Tax Year:	2006
Assessed Value per acre:	\$8,000	Valuation by:	Brazoria County CAD
prorata 7.316 acres	\$58,528	Tax Rate:	3.080722
EVIDENCE of PROPERTY CONTROL			
Type: <u>Purchase and Sale Agreement</u>			Acreage: <u>1.7</u>
Contract Expiration: <u>10/31/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Acquisition Cost: <u>\$2,762,000</u>	Other: <u>survey indicates 7.316 acres</u>		
Seller: <u>Jerald A. Turboff, Trustee</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Comments:			
<p>The site is part of a 42.9 acre tract owned by the Seller since 1974; no survey had been made since the entire tract was surveyed at that time. When the Applicant approached the Seller about purchasing the site, a contract was drawn up without the benefit of a detailed survey. The contract referred to "approximately 7 acres, more or less (to be determined by the Survey as hereinafter defined and described), as generally depicted on Exhibit A-1". Upon completion of the Survey it became evident that the Seller's general description and sketch (Exhibit A-1) were inaccurate. In order to clear up any misunderstanding as to the exact definition of the Property, the Seller executed an affidavit clearly stating that the general description was merely a best-effort attempt to define the Property pending a detailed Survey, and that once completed, the Survey was intended to be the controlling definition of the Property for the purpose of the Contract.</p>			
TITLE			
Comments:			
<p>LandAmerica Commonwealth Title issued a letter dated 4/17/07 explaining that it is common practice, when a valid survey does not exist, for a real estate contract to include a best-effort general description pending the completion of a current survey with metes and bounds description, at which point the title company will "issue a revised title commitment for the property which accurately, and currently, reflect the property and title matters attributable thereto". The Applicant has provided a copy of the revised title commitment for 7.316 acres as defined by the Survey completed on 3/26/07.</p> <p>The revised title commitment includes under Schedule B, Exceptions from Coverage, item 10(j): "A portion of the subject property lies in a F.I.A. (federal insurance agency) designated flood zone, as shown on that certain survey dated March 26, 2007." As indicated above under Site Issues, The QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." The application acknowledges the floodplain location and the Applicant has indicated that the development "is designed as required by program rules". Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, will be a condition of this report.</p>			

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of \$2,762,000, or \$378K per acre, would typically be assumed to be reasonable as the purchase is said to be an arm's length transaction. However, at over \$25K per unit, the acquisition price is one of the highest per unit acquisition cost the Department has ever seen. The typical rule of thumb has been that you have to acquire your land for \$5K to \$8K per unit at the most to make a development work.

It should also be noted and is of significant concern that the Applicant originally included a purchase contract in the pre-application for \$762,000. The Applicant's contacted the Department after submission of the pre-application but before the full application was submitted and indicated that there existed an error in the contract price in the original contract. The Applicant did not disclose the magnitude of the error but asked if they should correct the Pre application or just submit the corrected contract with the full application. Staff agreed to allow the change to come in at full application. The revised contract however appears to use the same signature page as the originally submitted contract. In fact the only noticeable difference is the \$2,000,000 difference listed on the front page of the contract.

It should also be noted that none of the contract pages are initialed and the significant change in the contract amount was not initialed or otherwise verifiable in the revised contract. Therefore this report is conditioned upon receipt, review, and acceptance of another copy of the final contract with each page initialed by both the Buyer and Seller, and a notarized certification signed by both the Seller and the Applicant that reflects the revised sales price, explains how the error in price occurred, and confirms that there are no other agreements, written or otherwise, between the Buyer and Seller or any principals or beneficiaries of each, for the acquisition of additional property, discount, refund or recovery of the purchase price, or provision of other benefit which is not identified in the purchase contract.

Direct Construction Cost:

The application indicates there will be 36 detached garage spaces, but the development cost schedule did not include any specific costs for garages. The Applicant indicated that the costs for garages were included within the overall construction costs. The Applicant indicated under specifications and amenities that all residential areas would be equipped with fire sprinklers; however, application points were not requested for this amenity. The Applicant explained that this feature was not confirmed with the architect until late in the application process. The Underwriter has included \$216K in direct construction costs for fire sprinklers. The Applicant's projected direct construction cost is \$452K, or 7%, higher than the Underwriter's estimate, based on the Marshall & Swift Residential Cost Handbook.

Contingency & Fees:

The Applicant included \$50K for soft cost contingency under Financing Costs. The Underwriter included this amount with the hard cost contingency listed with direct construction costs.

Conclusion:

The Applicant's projection for total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's figures will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$11,741,936 is increased by 30% because Brazoria County has been designated a Difficult Development Area. The resulting adjusted basis of \$15,264,517 supports an annual tax credit allocation of \$1,305,116; however, allocations are limited to \$1,200,000 per development. This amount will be compared to the Applicant's requested allocation, and the credit amount determined by the gap in financing, to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: JPMorgan Chase Type: Interim Financing

Principal: \$4,747,437 Interest Rate: 8.25% Fixed Term: 30 months

Comments:
Floating interest rate at JPMC Prime, underwritten at 8.25%

Source: Southeast Texas Housing Finance Corp Type: Interim Financing/Permanent

Principal: \$800,000 Interest Rate: TBD Fixed Term: 12 months

Comments:
The Applicant submitted a certification of intent to apply for a loan at a rate at or below AFR. It is unclear as to whether this is a permanent source or not. For the purposes of the recommendations in this analysis it has been removed and replaced with deferred developer fee.

Source: Lone Wolf Capital Type: Interim Financing

Principal: \$315,000 Interest Rate: TBD Fixed Term: 12 months

Comments:
The Applicant submitted a lender's commitment for the amount, terms to be determined.

Source: Citigroup Type: Permanent Financing

Principal: \$3,170,000 Interest Rate: 7.4% Fixed Amort: 360 months

Comments:
acknowledges JPMorgan Chase as construction lender; \$200 per unit per year replacement reserve

Source: Red Capital Group Type: Syndication

Proceeds: \$10,918,908 Syndication Rate: 91% Anticipated HTC: \$ 1,200,000

Amount: \$568,655 Type: Deferred Developer Fees

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CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,170,000 indicates the need for \$12,287,563 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,350,417 annually would be required to fill this gap in financing. However, allocations are limited to \$1,200,000 per application. The credit amount determined by eligible basis was also limited to \$1,200,000, and the Applicant's request was for \$1,200,000. Therefore, an annual allocation of \$1,200,000 would be recommended.

The Underwriter's recommended financing structure indicates the need for an additional \$1,368,655 permanent funds. Deferred developer fees in this amount represents 94% of the developer fee and appear to be repayable from development cashflow within 15 years of stabilized operation. Should the Applicant receive the proposed \$800,000 in additional permanent funds, the gap would decrease to \$568,655. Deferred fees in this amount are repayable within 10 years of stabilized operation. Therefore, with or without the \$800,000 in additional permanent funds, the development would be considered feasible from this perspective.

Underwriter:

Thomas Cavanagh

Date: July 17, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: July 17, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: July 17, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

The Melbourne Apartments, Alvin, 9% HTC #07203

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	751	\$366	\$225	\$225	\$0.30	\$141.00	\$42.00
TC 60%	7	1	1	751	\$732	591	4,137	0.79	141.00	42.00
TC 30%	4	2	2	994	\$440	260	1,040	0.26	180.00	51.00
TC 60%	36	2	2	994	\$879	699	25,164	0.70	180.00	51.00
TC 30%	3	2	2	1,049	\$440	260	780	0.25	180.00	51.00
TC 60%	37	2	2	1,049	\$879	699	25,863	0.67	180.00	51.00
TC 30%	3	2	2	1,052	\$440	260	780	0.25	180.00	51.00
TC 60%	19	2	2	1,052	\$879	699	13,281	0.66	180.00	51.00
TOTAL:	110		AVERAGE:	1,008		\$648	\$71,270	\$0.64	\$177.16	\$50.35

INCOME

Total Net Rentable Sq Ft: **110,872**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.38%	\$393	0.39
Management	3.60%	263	0.26
Payroll & Payroll Tax	11.45%	836	0.83
Repairs & Maintenance	7.54%	551	0.55
Utilities	4.28%	313	0.31
Water, Sewer, & Trash	4.80%	350	0.35
Property Insurance	3.95%	289	0.29
Property Tax 3.080722	12.74%	931	0.92
Reserve for Replacements	3.42%	250	0.25
TDHCA Compliance Fees	0.55%	40	0.04
Other: cable	0.30%	22	0.02

TOTAL EXPENSES

58.02% \$4,237 \$4.20

NET OPERATING INC

41.98% \$3,066 \$3.04

DEBT SERVICE

Citigroup	32.79%	\$2,394	\$2.38
SE Texas HFC	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00

NET CASH FLOW

9.19% \$671 \$0.67

AGGREGATE DEBT COVERAGE RATIO

1.28 1.20

RECOMMENDED DEBT COVERAGE RATIO

1.28

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)		18.41%	\$25,109	\$24.91	\$2,762,000	\$2,762,000	\$24.91	\$25,109	17.87%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.42%	7,400	7.34	814,000	814,000	7.34	7,400	5.27%
Direct Construction		43.94%	59,935	59.46	6,592,840	7,045,000	63.54	64,045	45.58%
Contingency 4.46%	2.20%	3,005	2.98	330,557	330,557	2.98	3,005	2.14%	
Contractor's Fees 13.29%	6.56%	8,949	8.88	984,410	984,410	8.88	8,949	6.37%	
Indirect Construction	3.10%	4,231	4.20	465,380	465,380	4.20	4,231	3.01%	
Ineligible Costs	4.37%	5,966	5.92	656,300	656,300	5.92	5,966	4.25%	
Developer's Fees 14.85%	9.73%	13,273	13.17	1,460,000	1,460,000	13.17	13,273	9.45%	
Interim Financing	4.28%	5,842	5.80	642,589	642,589	5.80	5,842	4.16%	
Reserves	1.98%	2,703	2.68	297,327	297,327	2.68	2,703	1.92%	
TOTAL COST		100.00%	\$136,413	\$135.34	\$15,005,403	\$15,457,563	\$139.42	\$140,523	100.00%
Construction Cost Recap		58.12%	\$79,289	\$78.67	\$8,721,807	\$9,173,967	\$82.74	\$83,400	59.35%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Citigroup	21.13%	\$28,818	\$28.59	\$3,170,000	\$3,170,000	\$3,170,000	Developer Fee Available
SE Texas HFC	5.33%	\$7,273	\$7.22	800,000	800,000		\$1,460,000
HTC Red Capital Group	72.77%	\$99,263	\$98.48	10,918,908	10,918,908	10,918,908	% of Dev. Fee Deferred
Deferred Developer Fees	3.79%	\$5,170	\$5.13	568,655	568,655	1,368,655	94%
Additional (Excess) Funds Req'd	-3.01%	(\$4,111)	(\$4.08)	(452,160)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$15,005,403	\$15,457,563	\$15,457,563	\$1,669,972

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Melbourne Apartments, Alvin, 9% HTC #07203

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.60	\$6,053,258
Adjustments				
Exterior Wall Finish	4.00%		\$2.18	\$242,130
Elderly	3.00%		1.64	181,598
9-Ft. Ceilings	3.50%		1.91	211,864
Hurricane wind adj	\$0.94	110,872	0.94	104,220
Subfloor			(1.30)	(144,134)
Floor Cover			2.43	269,419
Breezeways/Balconies	\$21.40	22,787	4.40	487,565
Plumbing Fixtures	\$805	358	2.60	288,190
Rough-ins	\$400	110	0.40	44,000
Built-In Appliances	\$1,850	110	1.84	203,500
Exterior Stairs	\$1,800	24	0.39	43,200
Elevators	\$43,500	12	4.71	522,000
Heating/Cooling			1.90	210,657
Garages	\$19.52	7,200	1.27	140,508
Comm &/or Aux Bldgs	\$65.36	3,908	2.30	255,437
Other: fire sprinkler	\$1.95	110,872	1.95	216,200
SUBTOTAL			84.15	9,329,612
Current Cost Multiplier	0.98		(1.68)	(186,592)
Local Multiplier	0.89		(9.26)	(1,026,257)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.21	\$8,116,763
Plans, specs, survy, bld prmt	3.90%		(\$2.86)	(\$316,554)
Interim Construction Interes	3.38%		(2.47)	(273,941)
Contractor's OH & Profit	11.50%		(8.42)	(933,428)
NET DIRECT CONSTRUCTION COSTS			\$59.46	\$6,592,840

PAYMENT COMPUTATION

Primary	\$3,170,000	Amort	360
Int Rate	7.40%	DCR	1.28

Secondary	\$800,000	Amort	0
Int Rate	4.90%	Subtotal DCR	1.28

Additional		Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$263,381
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$73,848

Primary	\$3,170,000	Amort	360
Int Rate	7.40%	DCR	1.28

Secondary		Amort	0
Int Rate		Subtotal DCR	1.28

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

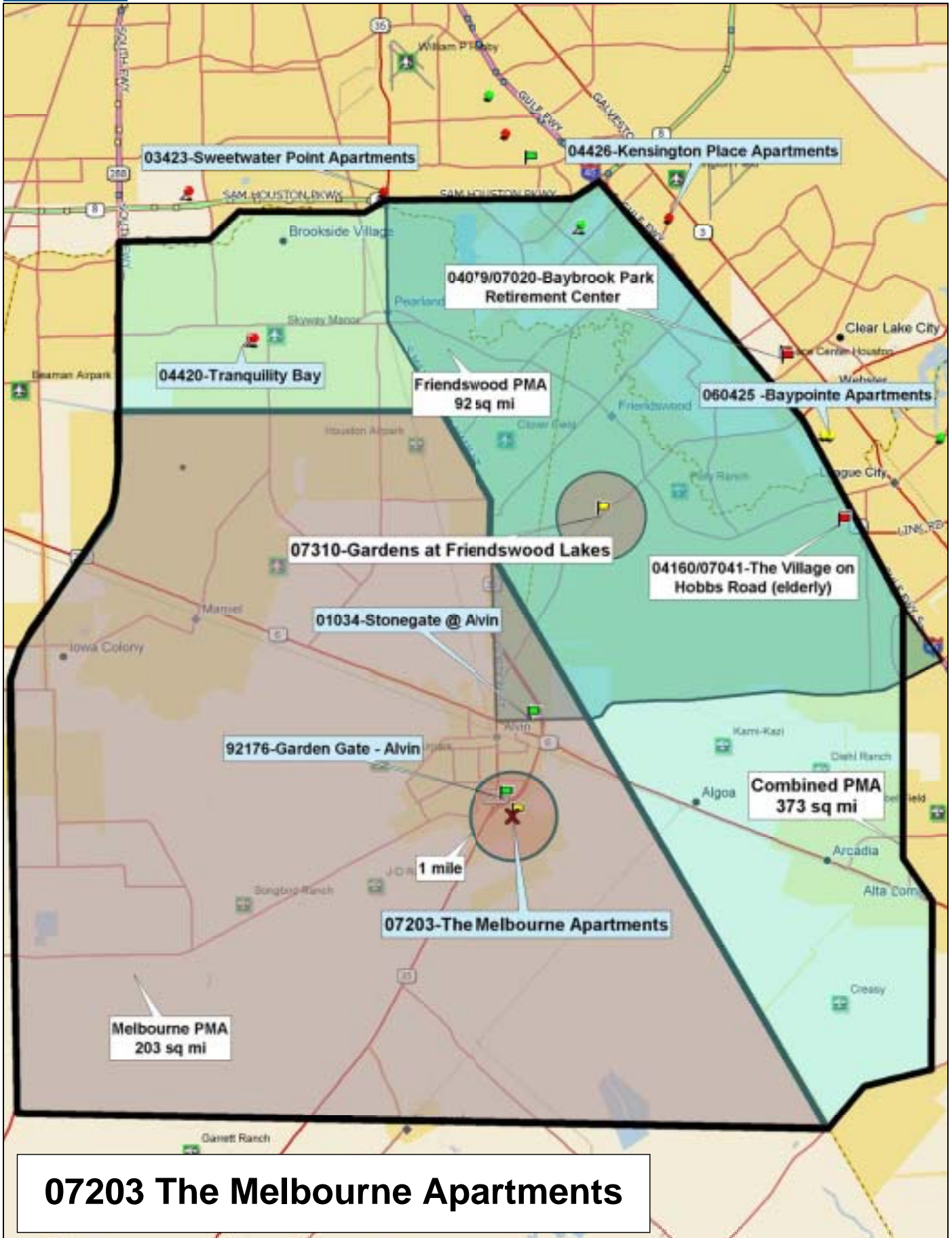
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$855,240	\$880,897	\$907,324	\$934,544	\$962,580	\$1,115,894	\$1,293,627	\$1,499,669	\$2,015,429
Secondary Income	13,200	13,596	14,004	14,424	14,857	17,223	19,966	23,146	31,107
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	868,440	894,493	921,328	948,968	977,437	1,133,117	1,313,593	1,522,815	2,046,536
Vacancy & Collection Loss	(65,133)	(67,087)	(69,100)	(71,173)	(73,308)	(84,984)	(98,520)	(114,211)	(153,490)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$803,307	\$827,406	\$852,228	\$877,795	\$904,129	\$1,048,133	\$1,215,074	\$1,408,604	\$1,893,046
EXPENSES at 4.00%									
General & Administrative	\$43,232	\$44,961	\$46,759	\$48,630	\$50,575	\$61,532	\$74,863	\$91,083	\$134,825
Management	28,929	29,797	30,691	31,612	32,560	37,746	43,758	50,728	68,174
Payroll & Payroll Tax	91,960	95,638	99,464	103,442	107,580	130,888	159,245	193,746	286,791
Repairs & Maintenance	60,589	63,012	65,533	68,154	70,880	86,237	104,920	127,651	188,955
Utilities	34,396	35,772	37,202	38,690	40,238	48,956	59,562	72,467	107,268
Water, Sewer & Trash	38,553	40,095	41,699	43,367	45,101	54,873	66,761	81,225	120,233
Insurance	31,755	33,025	34,346	35,720	37,149	45,198	54,990	66,903	99,033
Property Tax	102,364	106,459	110,717	115,146	119,751	145,696	177,261	215,666	319,238
Reserve for Replacements	27,500	28,600	29,744	30,934	32,171	39,141	47,621	57,938	85,763
Other	6,800	7,072	7,355	7,649	7,955	9,679	11,775	14,327	21,207
TOTAL EXPENSES	\$466,078	\$484,432	\$503,511	\$523,344	\$543,962	\$659,945	\$800,758	\$971,734	\$1,431,487
NET OPERATING INCOME	\$337,229	\$342,975	\$348,718	\$354,451	\$360,167	\$388,189	\$414,316	\$436,870	\$461,558
DEBT SERVICE									
First Lien Financing	\$263,381	\$263,381	\$263,381	\$263,381	\$263,381	\$263,381	\$263,381	\$263,381	\$263,381
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	\$73,848	\$79,593	\$85,336	\$91,070	\$96,786	\$124,807	\$150,935	\$173,489	\$198,177
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.35	1.37	1.47	1.57	1.66	1.75

HTC ALLOCATION ANALYSIS -The Melbourne Apartments, Alvin, 9% HTC #07203

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$2,762,000	\$2,762,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$814,000	\$814,000	\$814,000	\$814,000
Construction Hard Costs	\$7,045,000	\$6,592,840	\$7,045,000	\$6,592,840
Contractor Fees	\$984,410	\$984,410	\$984,410	\$984,410
Contingencies	\$330,557	\$330,557	\$330,557	\$330,557
Eligible Indirect Fees	\$465,380	\$465,380	\$465,380	\$465,380
Eligible Financing Fees	\$642,589	\$642,589	\$642,589	\$642,589
All Ineligible Costs	\$656,300	\$656,300		
Developer Fees				
Developer Fees	\$1,460,000	\$1,460,000	\$1,460,000	\$1,460,000
Development Reserves	\$297,327	\$297,327		
TOTAL DEVELOPMENT COSTS	\$15,457,563	\$15,005,403	\$11,741,936	\$11,289,776

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,741,936	\$11,289,776
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,264,517	\$14,676,709
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$15,264,517	\$14,676,709
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,305,116	\$1,254,859

Syndication Proceeds	0.9099	\$11,875,370	\$11,418,072
Total Tax Credits (Eligible Basis Method)		\$1,305,116	\$1,254,859
Syndication Proceeds		\$11,875,370	\$11,418,072
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,918,908	
Gap of Syndication Proceeds Needed		\$12,287,563	
Total Tax Credits (Gap Method)		\$1,350,417	

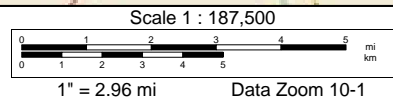


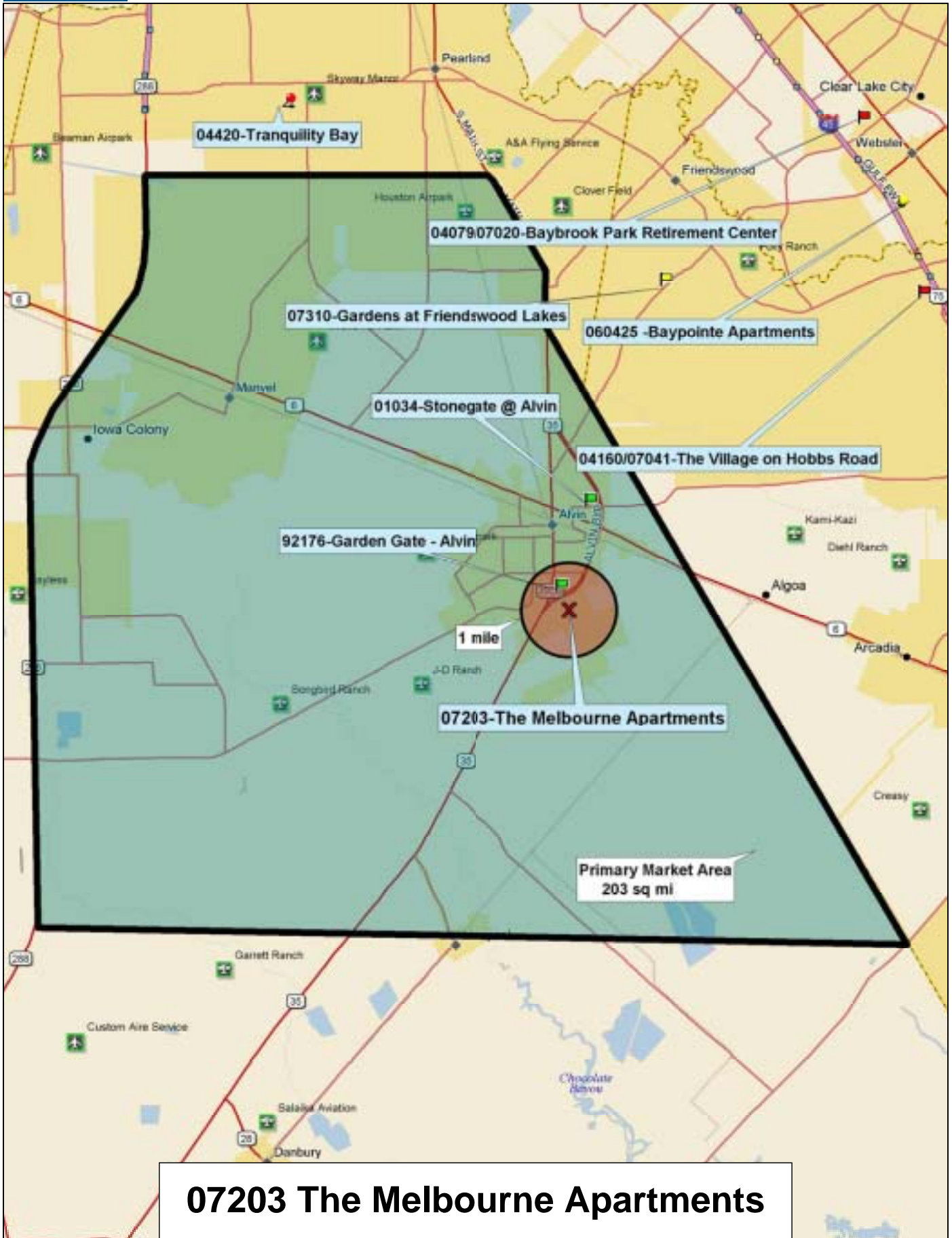
07203 The Melbourne Apartments

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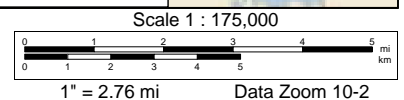


07203 The Melbourne Apartments

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Applicant Evaluation

Project ID # **07203**

Name: **Melbourne Apartments**

City: **Alvin**

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

Total # of Projects monitored: 9

Projects zero to nine: 8
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 9

not yet monitored or pending review: 2

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Notting Hill Gate Apartments, TDHCA Number 07204

BASIC DEVELOPMENT INFORMATION

Site Address: 200 S.E. of Intersection of S. Gessner & Beltway 8 Development #: 07204
City: Missouri City Region: 6 Population Served: Elderly
County: Harris Zip Code: 77071 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: BW8 200, L.P.
Owner Contact and Phone: Alyssa Carpenter (512) 789-1295
Developer: Alix Capital Investments
Housing General Contractor: Construction Supervisors
Architect: T. Trout Architects
Market Analyst: Apartment Market Data Research Services, LLC
Syndicator: Red Capital Group, Inc.
Supportive Services: TBD
Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 108
11 0 0 97 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 8 100 0 0 0 Total Development Units: 108
Type of Building: Total Development Cost*: \$14,430,003
Number of Residential Buildings: 5
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,093,000 \$1,093,000
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Notting Hill Gate Apartments, TDHCA Number 07204

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, S Points: 7 US Representative: Green, District 9, NC
TX Representative: Allen, District 131, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Missouri City - BW 8 Owner's Association, Jerald A. Turboff Letter Score: 24 S or O: S

There is a need for class "A" affordable housing for seniors in Missouri City. The Developer has worked with community and city and will be a good neighbor.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and from a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, before carryover, of evidence that all Phase I Environmental Site Assessment recommendations with regard to on-site debris have been carried out.

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

Receipt of a commitment of funding from Harris County in the amount of \$750,000, or a commitment from a qualifying substitute source in an amount not less than \$721,501, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Notting Hill Gate Apartments, TDHCA Number 07204

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$1,093,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/18/07 PROGRAM: 9% HTC FILE NUMBER: 07204

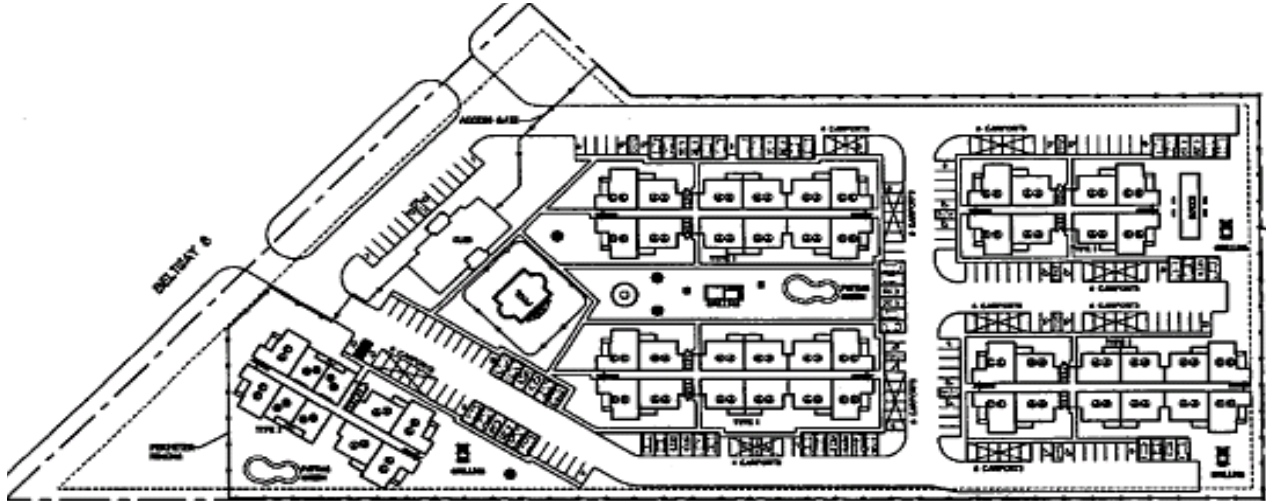
DEVELOPMENT																																	
Notting Hill Gate Apartments																																	
Location: <u>200 ft SE of Gessner on the northeast side of Beltway 8</u>					Region: <u>6</u>																												
City: <u>Missouri City</u>		County: <u>Harris</u>		Zip: <u>77071</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA																											
Key Attributes: <u>Multifamily, New Construction, Elderly, Urban/Exurban</u>																																	
ALLOCATION																																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 35%;"></th> <th colspan="3" style="text-align: center;">REQUEST</th> <th colspan="3" style="text-align: center;">RECOMMENDATION</th> </tr> <tr> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Interest</th> <th style="text-align: center;">Amort/Term</th> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Interest</th> <th style="text-align: center;">Amort/Term</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">TDHCA Program</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding: 2px;">Housing Tax Credit (Annual)</td> <td style="text-align: center;">\$1,093,000</td> <td></td> <td></td> <td style="text-align: center;">\$1,093,000</td> <td></td> <td></td> </tr> </tbody> </table>								REQUEST			RECOMMENDATION			Amount	Interest	Amort/Term	Amount	Interest	Amort/Term	TDHCA Program							Housing Tax Credit (Annual)	\$1,093,000			\$1,093,000		
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PROS			CONS																														
<p>Operating cashflow is sufficient to support the development through deferred developer fees without the \$750,000 in anticipated parking and fee waivers from Missouri City.</p>			<p>The number of two-bedroom units targeting 60% households may be more than needed based upon the unit capture rate calculated by the Market Analyst.</p> <p>The evaluation of the market suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.</p>																														
PREVIOUS UNDERWRITING REPORTS																																	
None																																	

DEVELOPMENT TEAM															
OWNERSHIP STRUCTURE															
<pre> graph TD A["Applicant: BWS 200 LP"] --> B["General Partner and Developer: Alix Capital Investments .1%"] A --> C["Limited Partner: Red Capital 99.9%"] B --> D["Principal of GP: Joseph J. Lopez, President 100%"] </pre>															
CONTACT															
Contact:	<u>Alyssa Carpenter</u>	Phone:	<u>(512) 789-1295</u> Fax: <u>(512) 233-2269</u>												
Email:	<u>ajcarpen@gmail.com</u>														
KEY PARTICIPANTS															
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Joseph J. Lopez	confidential	confidential	Town Park Townhomes (120 units), Town Park Townhomes Phase II (120 units)												
¹ Liquidity = Current Assets - Current Liabilities															
IDENTITIES of INTEREST															
The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.															

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3									Total Buildings
Floors/Stories	2	2	2									
Number	3	1	1									5

BR/BA	SF	Units										Total Units	Total SF
1/1	751		8									8	6,008
2/2	994	16	4	8								60	59,640
2/2	1,049	8	8	8								40	41,960
Units per Building		24	20	16								108	107,608

SITE ISSUES

Total Size: 7.884 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-1 Needs to be re-zoned? Yes No N/A

Comments:

The ESA referenced a FEMA floodplain map from 1998 which indicated that a part of the site was located in a floodplain; however, the survey submitted by the Applicant referenced a FEMA map drawn up in 2000 and stated that the site was not in a 100-year floodplain. The Applicant submitted a full-size copy of the 2000 FEMA map to confirm.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/26/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: drainage ditch, commercial East: wooded lot, residential
 South: Beltway 8, commercial, apartments West: drainage ditch, commercial, school

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/9/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"This assessment has revealed no evidence of recognized environmental conditions in connection with this property." (p. 2)

"It is the opinion of Phase Engineering, Inc. that no additional appropriate investigation is necessary to detect the presence of hazardous substances or petroleum products at the subject property." (p. 2)

Comments:

"Miscellaneous debris was observed on the subject site. The areas of debris consisted of common household debris and abandoned tires. No hazardous substances or petroleum products were observed in the areas of dumping. No recognized environmental conditions appear to exist provided the debris is disposed of off site in accordance with all applicable federal, state, and local regulations." (p.2) 3. Receipt, review, and acceptance, before carryover, of evidence that all Phase I Environmental Site Assessment recommendations, particularly with regard to debris, have been carried out, is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/16/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N / A

Primary Market Area (PMA):

"For this analysis, we utilized a primary market area (PMA) encompassing 57.42 square miles. The boundaries of the PMA are S. Braeswood Boulevard to the north, Ambrose Street to the east, Texas Parkway and Cartwright Road to the south, and Dulles Avenue and US Highway 59 to the west." (p. 3)
This is equivalent to an approximate radius of 4.3 miles.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Oak Tree Manor	04496	250	250	0	0	0	0

There is one unstabilized senior LIHTC development within the PMA, Oak Tree Manor (TDHCA #04496), with 250 units. Oak Tree Manor will be included in the supply when determining the inclusive capture rate. The next closest unstabilized senior LIHTC development is The Pinnacle on Wilcrest (TDHCA #04453), located about 4 miles from the subject, and about 1.3 miles outside the PMA. One additional senior LIHTC development, Meadows Place Senior Village, is located about 3.3 miles from the subject, and one third of a mile outside the PMA. The Underwriter contacted the Property Manager at Meadows Place, who reported that the development has had greater than 90% occupancy ever since the influx of tenants following Hurricane Katrina in late 2005.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	180	15	0	195	1	0	1%
1 BR/60% Rent Limit	295	24	0	319	7	63	22%
2 BR/ 30% Rent Limit	48	3	0	51	10	0	20%
2 BR/60% Rent Limit	102	9	0	111	90	76	150%

OVERALL DEMAND										
		Target Households	Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst	p. 59	21,342	100%	21,342	100%	21,342	6%	1,316	64%	848
Underwriter		17% 24,242	100%	24,242	20%	4,929	33%	1,643	39%	645
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 60			1,151	100%	1,151	6%	71	100%	71
Underwriter			100%	962	20%	196	33%	65	100%	65

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 69	108	250	0	358	919	39.0%
Underwriter		108	250	0	358	710	50.4%

The Underwriter's demand is based upon a lower turnover rate that is more common with developments targeting elderly households. In this market, the underwriter found only one tax credit development restricted to seniors and it had a turnover rate of 21%. The underwriter surveyed nine tax credit developments in the vicinity of the subject with a total of 2,504 units and found the average turnover rate to be 39% and therefore used this as a more accurate reflection of the turnover rate in this market.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 90.1% as a result of growing demand. Projects built since 1990 report an overall average occupancy of 97.3%, indicative of demand for newer units. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p. 101)

Absorption Projections:

"Absorption over the previous sixteen years for all unit types is estimated to be 278 units per year. We expect this to increase as the number of new households continues to grow, and as additional rental units become available ... For projects built since 2000 we see the greatest positive absorption. From 2005 to 2006, we see the market has absorbed 489 units ... Oak Tree Manor began leasing in April 2006 and is currently 71% occupied, having leased 177 of its 250 units in just 10 months. This averages out to an absorption rate of over 17 affordable senior units per month ... One conclusion that might be drawn ... is that newer "affordable" rental projects are providing better quality housing that will attract residents out of older, less kept, rental units." (pp. 101-103)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 751 SF (30%)	\$251	\$251	\$755	\$251	\$504		
1 BR 751 SF (60%)	\$594	\$594	\$755	\$594	\$161		
2 BR 994 SF (30%)	\$303	\$303	\$950	\$303	\$647		
2 BR 994 SF (60%)	\$715	\$715	\$950	\$715	\$235		
2 BR 1,049 SF (30%)	\$303	\$303	\$975	\$303	\$672		
2 BR 1,049 SF (60%)	\$715	\$715	\$975	\$715	\$260		

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing 'affordable' (family) housing projects have an overall occupancy of 92.8%. There is only one existing 'affordable' senior project in the Primary Trade Area. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 14)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units.

The proposed development is located at the far southeast edge of the Southwest submarket (as defined by Vogt) within the Houston MSA. This submarket encompasses 70 sq. miles with a population of approximately 500,000. The PMA defined in the subject application is somewhat smaller at 50 sq. miles, with roughly half the population, and it is centered on the subject site. Had the subject been located on the opposite side of Beltway 8 it would be located in the Sugarland submarket, which is much larger in area (392 sq. miles), with a population similar to the subject PMA. In its projections for 2009, the Vogt study determined the total growth-based demand which would be applicable to the subject property to be 53 units in the Southwest submarket, and 8 units in the Sugarland submarket.

The Market Analyst for the subject application identified growth-based demand for 71 units, and demand from turnover for 848 units; the Underwriter identified demand for 65 units from growth and 645 units from turnover. The Analyst noted that the Vogt study does not consider turnover, and that the methodology to determine demand from growth is different than that normally applied in an application-specific market study. Using the demographic data contained in the Vogt study, the Analyst identified growth-based demand for 210 units, and turnover-based demand for 2,997 units in the Southwest submarket. Given the wide variation among these calculations in market areas, populations, methodologies, and time, the results are fairly consistent: minimal demand based on household growth, but significant demand based on household turnover.

Comments:

The market study provided sufficient information to support a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/15/2007

The Applicant's projected income is based on the 2007 HTC Program Gross Rent Limits for each unit, adjusted by the April 2007 utility allowance maintained by the Harris County Housing Authority. The secondary income projection of \$10 per unit per month is consistent with TDHCA guidelines. The Applicant's provision for losses due to vacancy and collection is 7.0% of potential gross income, whereas the underwriting guideline provides for losses of 7.5%. This variance accounts for the 1% difference between the Applicant's projected effective gross income and the Underwriter's estimate. The application indicates the development will include 56 garages and 56 carports. The Applicant has stated that there will be no charge to tenants for the use of covered parking.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/15/2007

The Applicant's projected annual operating expenses of \$4,201 per unit are within 1% of the Underwriter's estimate of \$4,278. However, there are significant variances among several individual line items: the Applicant's projected payroll & payroll tax expense is \$28K less than the Underwriter's estimate; the Applicant's projected utility expense is lower by \$16K; and the Applicant's property insurance expense is greater by \$16K.

Conclusion:

The Applicant's estimated Effective Gross Income, Total Annual Expenses, and Net Operating Income (NOI) are all within 5% of the Underwriter's estimates; therefore, the Applicant's Total Annual Expenses and NOI will be used to determine debt capacity. The Applicant's projected debt service requirement indicates a first year debt coverage ratio (DCR) of 1.16 (within the TDHCA guideline range of 1.15 to 1.35).

Feasibility:

The Applicant's projected Total Annual Expenses, NOI, and Debt Service are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow providing a DCR which remains above 1.15; the project can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	<u>7.87 acres</u>	<u>\$435,993</u>	Tax Year:	<u>2006</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Harris County CAD</u>
Total Assessed Value:		<u>\$435,993</u>	Tax Rate:	<u>2.86215</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Commercial Contract -- Unimproved Property</u>		Acreage:	<u>7.717</u>
Contract Expiration:	<u>8/1/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Acquisition Cost:	<u>\$2,372,000</u>	Other:	<u>\$2.3M purchase price + \$6K monthly additional payments (9/2006-8/2007)</u>	
Seller:	<u>Herman Proler Family Partnership</u>	Related to Development Team?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

TITLE

Comments:

The property is bounded on the north and west by a Harris County Flood Control District 130 ft. easement and right-of-way. The title policy makes no reference to any easement on the subject site with regard to these. The title policy does reference a 30ft. drainage easement which only impacts the far south corner of the site, and the site plan indicates no development in this area.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/15/2007

Acquisition Value:

The original purchase contract indicated an acquisition cost of \$2,300,000 and a closing date of September 1, 2006. An amendment to the contract provided for an extension until August 1, 2007, and requires the Buyer to make additional payments of \$6,000 per month until closing. This results in a total acquisition cost of \$2,372,000, or approximately \$301K per acre. This cost is assumed to be reasonable since the purchase is an arm's-length transaction.

Sitework Cost:

The Applicant's projected sitework cost of \$7,400 per unit is within the Department's guidelines; therefore, no further certification is required.

Direct Construction Cost:

The site plan includes 56 garage spaces and 56 carport spaces, but the development cost schedule does not include any specific costs for these structures. The Underwriter inquired about this, and the Applicant indicated that these costs are included in the overall development cost budget. There is no indication that tenants will be charged any fees for covered parking. The Applicant's projected overall cost for Direct Construction is within 5% of the Underwriter's estimates.

Conclusion:

The Applicant's projected Total Construction Cost is within 5% of the Underwriter's estimate; therefore, the Applicant's projections will be used to determine the eligible basis and the development's need for permanent funds. The calculated eligible basis of \$11,173,278 is increased by 30% because the area has been designated a Difficult Development Area; the resulting adjusted basis of \$14,525,261 would support an annual tax credit allocation of \$1,241,910. This figure will be compared to the Applicant's request as well as the tax credits calculated based on the gap in need for permanent funds; the lowest of the three amounts will be recommended.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/12/2007

Source: JPMorgan Chase Bank Type: Interim Financing

Principal: \$4,898,520 Interest Rate: 8.25% Fixed Term: 30 months

Comments:

Floating interest rate at JPMorgan Chase prime, underwritten at 8.25%

Source: Harris County Community Development Type: Interim Financing

Principal: \$750,000 Interest Rate: 4.79% Fixed Term: 12 months

Comments:

Applicant submitted a Certificate of Intent to Apply for local HOME Loan at or below AFR.

Source: First Edwards GP, LLC Type: Interim Financing

Principal: \$300,000 Interest Rate: 4.79% Fixed Term: 12 months

Comments:

First Edwards GP, LLC has provided a "formal commitment of private funds" in the amount of \$300,000. The commitment does not indicate terms; the Applicant has indicated this is intended to be interim financing, with interest fixed at AFR. The Underwriter has used 4.79% as the short term interest rate.

Source: Citigroup Type: Permanent Financing

Principal: \$3,730,000 Interest Rate: 7.4% Fixed Amort: 360 months

Source: Missouri City Type: Fee Waivers

Amount: \$750,000 Conditions: _____

Comments:

Applicant submitted a Certificate of Intent to Apply; For underwriting purposes this amount will be included in deferred developer fees.

Source: Red Capital Markets, Inc. Type: Syndication

Proceeds: \$9,945,305 Syndication Rate: 91% Anticipated HTC: \$1,093,000

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there would be no more deferred developer fee to absorb excess syndication proceeds.

Amount: \$29,459 Type: Deferred Developer Fees

Comments:

The Applicant's Financing Narrative states "Any shortfall between the sources and uses of funds will be filled by the developer deferring a portion of the developer fee to make the development financially feasible. The payment of the developer note will be based on the cash flow of the development and will bear interest at AFR. It is anticipated that all of the deferred developer fee, if any, will be paid in full with interest prior to ten years from the placed-in-service date of the entire development."

CONCLUSIONS

Allocation Amount:

The Applicant's total development cost estimate less the permanent loan of \$3,730,000 indicates the need for \$10,700,003 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,175,942 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Credits	<u>\$1,093,000</u>
Credits determined by gap in financing	<u>\$1,175,942</u>
Credits determined by eligible basis	<u>\$1,241,910</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Notting Hill Gate Apartments, Missouri City, 9% HTC #07204

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	751	\$343	\$251	\$251	\$0.33	\$92.00	\$41.31
TC 60%	7	1	1	751	\$686	594	4,158	0.79	92.00	41.31
TC 30%	6	2	2	994	\$411	303	1,818	0.30	108.00	41.31
TC 60%	54	2	2	994	\$823	715	38,610	0.72	108.00	41.31
TC 30%	4	2	2	1,049	\$411	303	1,212	0.29	108.00	41.31
TC 60%	36	2	2	1,049	\$823	715	25,740	0.68	108.00	41.31
TOTAL:	108		AVERAGE:	996		\$665	\$71,789	\$0.67	\$106.81	\$41.31

INCOME

Total Net Rentable Sq Ft: **107,608**

POTENTIAL GROSS RENT

laundry, vending, cable TV, etc. Per Unit Per Month: \$10.00

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.25%	\$393	0.39	\$42,446	\$36,682	\$0.34	\$340	4.51%
Management	3.60%	270	0.27	29,129	41,438	0.39	384	5.10%
Payroll & Payroll Tax	11.16%	836	0.84	90,288	61,668	0.57	571	7.58%
Repairs & Maintenance	7.31%	547	0.55	59,130	59,940	0.56	555	7.37%
Utilities	4.15%	311	0.31	33,560	18,000	0.17	167	2.21%
Water, Sewer, & Trash	4.65%	348	0.35	37,624	46,800	0.43	433	5.75%
Property Insurance	3.83%	287	0.29	30,990	47,426	0.44	439	5.83%
Property Tax 2.86215	12.99%	973	0.98	105,098	108,000	1.00	1,000	13.28%
Reserve for Replacements	3.34%	250	0.25	27,000	27,000	0.25	250	3.32%
TDHCA Compliance Fees	0.53%	40	0.04	4,320	4,320	0.04	40	0.53%
Other: cable TV	0.30%	22	0.02	2,400	2,400	0.02	22	0.30%
TOTAL EXPENSES	57.12%	\$4,278	\$4.29	\$461,984	\$453,674	\$4.22	\$4,201	55.79%
NET OPERATING INC	42.88%	\$3,212	\$3.22	\$346,862	\$359,542	\$3.34	\$3,329	44.21%

DEBT SERVICE

Citigroup	38.31%	\$2,870	\$2.88	\$309,909	\$299,939	\$2.79	\$2,777	36.88%
Fee Waivers	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	4.57%	\$342	\$0.34	\$36,953	\$59,603	\$0.55	\$552	7.33%
AGGREGATE DEBT COVERAGE RATIO				1.12	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.16			

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)		16.80%	\$21,963	\$22.04	\$2,372,000	\$2,372,000	\$22.04	\$21,963	16.44%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.66%	7,400	7.43	799,200	799,200	7.43	7,400	5.54%
Direct Construction		45.02%	58,849	59.06	6,355,662	6,636,000	61.67	61,444	45.99%
Contingency 4.41%		2.24%	2,923	2.93	315,662	315,662	2.93	2,923	2.19%
Contractor's Fees 13.03%		6.60%	8,631	8.66	932,148	932,148	8.66	8,631	6.46%
Indirect Construction		3.25%	4,254	4.27	459,464	459,464	4.27	4,254	3.18%
Ineligible Costs		4.13%	5,403	5.42	583,521	583,521	5.42	5,403	4.04%
Developer's Fees 15.00%		10.03%	13,115	13.16	1,416,441	1,450,000	13.47	13,426	10.05%
Interim Financing		4.11%	5,378	5.40	580,804	580,804	5.40	5,378	4.02%
Reserves		2.13%	2,789	2.80	301,204	301,204	2.80	2,789	2.09%
TOTAL COST		100.00%	\$130,705	\$131.18	\$14,116,106	\$14,430,003	\$134.10	\$133,611	100.00%
Construction Cost Recap		59.53%	\$77,803	\$78.09	\$8,402,672	\$8,683,010	\$80.69	\$80,398	60.17%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Citigroup	26.42%	\$34,537	\$34.66	\$3,730,000	\$3,730,000	\$3,730,000	Developer Fee Available
Fee Waivers	5.31%	\$6,944	\$6.97	750,000	750,000		\$1,450,000
HTC Red Capital Group	70.45%	\$92,086	\$92.42	9,945,305	9,945,305	9,945,305	% of Dev. Fee Deferred
Deferred Developer Fees	0.21%	\$273	\$0.27	29,459	29,459	754,698	52%
Additional (Excess) Funds Req'd	-2.40%	(\$3,136)	(\$3.15)	(\$338,658)	(\$24,761)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,116,106	\$14,430,003	\$14,430,003	\$1,344,798

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Notting Hill Gate Apartments, Missouri City, 9% HTC #07204

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.94	\$5,804,726
Adjustments				
Exterior Wall Finish	4.00%		\$2.16	\$232,189
Elderly	3.00%		1.62	174,142
9-Ft. Ceilings	3.50%		1.89	203,165
Roofing			0.00	0
Subfloor			(1.24)	(132,896)
Floor Cover			2.43	261,487
Breezeways/Balconies	\$21.62	26,940	5.41	582,544
Plumbing Fixtures	\$805	308	2.30	247,940
Rough-ins	\$400	108	0.40	43,200
Built-In Appliances	\$1,850	108	1.86	199,800
Elevators	\$43,500	10	4.04	435,000
Garages	\$16.69	11,200	1.74	186,928
Heating/Cooling			1.90	204,455
Carports	\$10.15	11,200	1.06	113,680
Comm &/or Aux Bldgs	\$65.99	3,452	2.12	227,780
Other: fire sprinkler	\$1.95	107,608	1.95	209,836
SUBTOTAL			83.58	8,993,977
Current Cost Multiplier	0.98		(1.67)	(179,880)
Local Multiplier	0.89		(9.19)	(989,338)
TOTAL DIRECT CONSTRUCTION COSTS			\$72.72	\$7,824,760
Plans, specs, survy, bld prm	3.90%		(\$2.84)	(\$305,166)
Interim Construction Interest	3.38%		(2.45)	(264,086)
Contractor's OH & Profit	11.50%		(8.36)	(899,847)
NET DIRECT CONSTRUCTION COSTS			\$59.06	\$6,355,662

PAYMENT COMPUTATION

Primary	\$3,730,000	Amort	360
Int Rate	7.40%	DCR	1.12

Secondary	\$750,000	Amort	
Int Rate		Subtotal DCR	1.12

Additional	\$9,945,305	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$309,909
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$49,633

Primary	\$3,730,000	Amort	360
Int Rate	7.40%	DCR	1.16

Secondary	\$750,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$9,945,305	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$861,468	\$887,312	\$913,931	\$941,349	\$969,590	\$1,124,020	\$1,303,048	\$1,510,589	\$2,030,106
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	874,428	900,661	927,681	955,511	984,176	1,140,930	1,322,651	1,533,315	2,060,647
Vacancy & Collection Loss	(61,212)	(67,550)	(69,576)	(71,663)	(73,813)	(85,570)	(99,199)	(114,999)	(154,549)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$813,216	\$833,111	\$858,105	\$883,848	\$910,363	\$1,055,360	\$1,223,452	\$1,418,316	\$1,906,098
EXPENSES at 4.00%									
General & Administrative	\$36,682	\$38,149	\$39,675	\$41,262	\$42,913	\$52,210	\$63,521	\$77,283	\$114,398
Management	41,438	42,452	43,725	45,037	46,388	53,777	62,342	72,271	97,127
Payroll & Payroll Tax	61,668	64,135	66,700	69,368	72,143	87,773	106,789	129,925	192,321
Repairs & Maintenance	59,940	62,338	64,831	67,424	70,121	85,313	103,797	126,285	186,932
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	46,800	48,672	50,619	52,644	54,749	66,611	81,042	98,601	145,953
Insurance	47,426	49,323	51,296	53,348	55,482	67,502	82,126	99,919	147,905
Property Tax	108,000	112,320	116,813	121,485	126,345	153,718	187,021	227,540	336,814
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	6,720	6,989	7,268	7,559	7,861	9,565	11,637	14,158	20,957
TOTAL EXPENSES	\$453,674	\$471,177	\$489,600	\$508,747	\$528,646	\$640,517	\$776,201	\$940,790	\$1,382,747
NET OPERATING INCOME	\$359,542	\$361,934	\$368,505	\$375,101	\$381,717	\$414,843	\$447,251	\$477,526	\$523,351
DEBT SERVICE									
First Lien Financing	\$309,909	\$309,909	\$309,909	\$309,909	\$309,909	\$309,909	\$309,909	\$309,909	\$309,909
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	\$49,633	\$52,025	\$58,596	\$65,192	\$71,808	\$104,934	\$137,342	\$167,617	\$213,442
DEBT COVERAGE RATIO	1.16	1.17	1.19	1.21	1.23	1.34	1.44	1.54	1.69

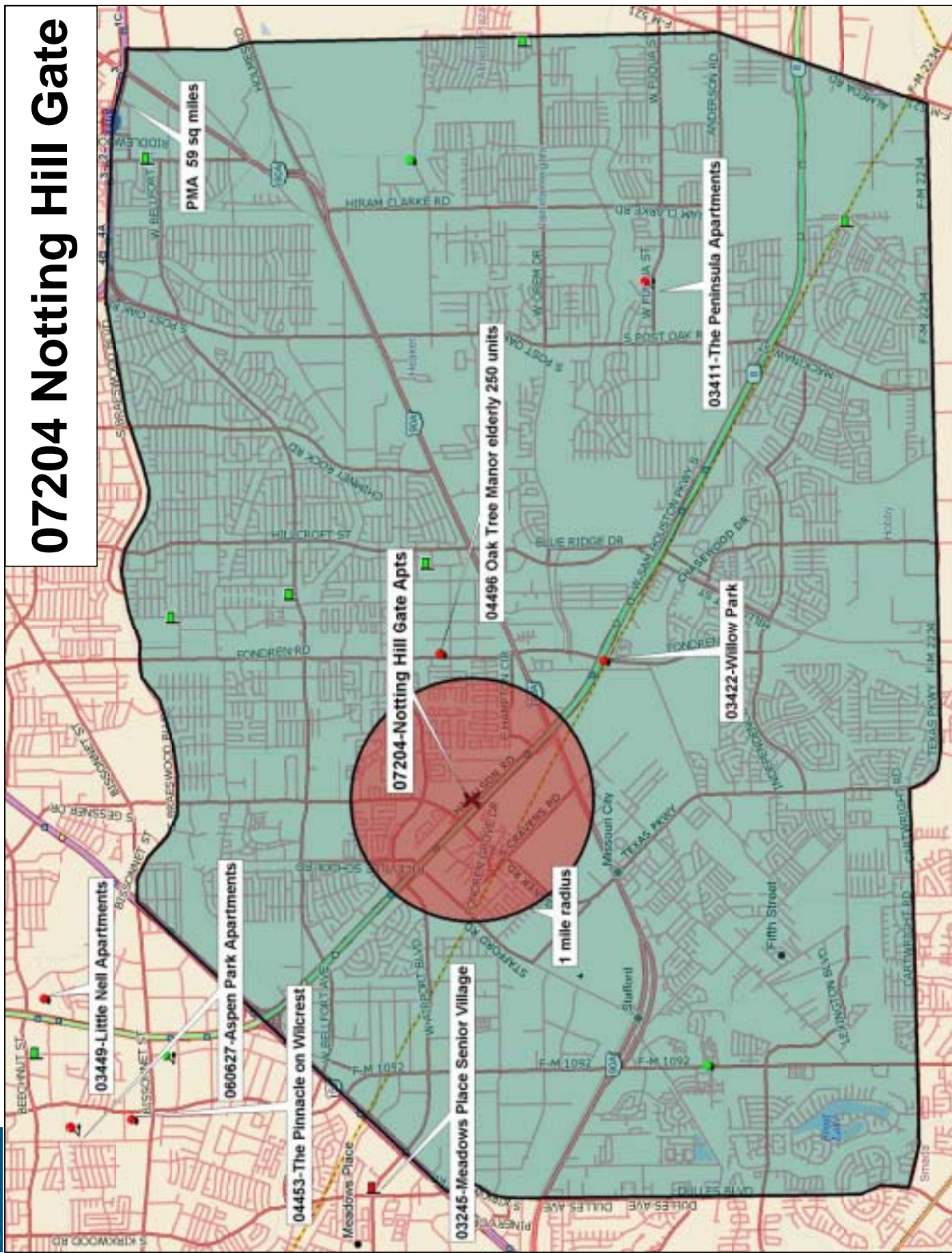
HTC ALLOCATION ANALYSIS -Notting Hill Gate Apartments, Missouri City, 9% HTC #07204

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$2,372,000	\$2,372,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$799,200	\$799,200	\$799,200	\$799,200
Construction Hard Costs	\$6,636,000	\$6,355,662	\$6,636,000	\$6,355,662
Contractor Fees	\$932,148	\$932,148	\$932,148	\$932,148
Contingencies	\$315,662	\$315,662	\$315,662	\$315,662
Eligible Indirect Fees	\$459,464	\$459,464	\$459,464	\$459,464
Eligible Financing Fees	\$580,804	\$580,804	\$580,804	\$580,804
All Ineligible Costs	\$583,521	\$583,521		
Developer Fees				
Developer Fees	\$1,450,000	\$1,416,441	\$1,450,000	\$1,416,441
Development Reserves	\$301,204	\$301,204		
TOTAL DEVELOPMENT COSTS	\$14,430,003	\$14,116,106	\$11,173,278	\$10,859,381

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,173,278	\$10,859,381
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,525,261	\$14,117,195
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,525,261	\$14,117,195
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,241,910	\$1,207,020

Syndication Proceeds	0.9099	\$11,300,249	\$10,982,785
Total Tax Credits (Eligible Basis Method)		\$1,241,910	\$1,207,020
Syndication Proceeds		\$11,300,249	\$10,982,785
Requested Tax Credits		\$1,093,000	
Syndication Proceeds		\$9,945,305	
Gap of Syndication Proceeds Needed		\$10,700,003	
Total Tax Credits (Gap Method)		\$1,175,942	

07204 Notting Hill Gate



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www.delorme.com

TN



MN (G.A.P.E)

Scale 1 : 68,750



1" = 1.09 mi
Data Zoom 11-5

Applicant Evaluation

Project ID # **07204**

Name: **Notting Hill Gate Apartments**

City: **Missouri 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

Total # of Projects monitored: 2

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Yes No

monitored with a score less than thirty: 2

Projects not reported Yes
in application No

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 5/24/2007

Date 5/30/2007

Date 5/24/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 6/1/2007

Date 6/1/2007

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Manor Estates Apartments, TDHCA Number 07205

BASIC DEVELOPMENT INFORMATION

Site Address: Southwest corner of Mile 10 Rd. and mile 4.5, entrance fronts Development #: 07205
 City: Weslaco Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78596 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: North Manor Estates, Ltd.
 Owner Contact and Phone: Mike Lopez (956) 969-5865
 Developer: Housing Authority of the County of Hidalgo
 Housing General Contractor: Galaxy Builders, Ltd.
 Architect: Mata, Villarreal, & Garcia Design Group
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: AIG SunAmerica Affordable Housing Partners, Inc.
 Supportive Services: Housing Authority of the County of Hidalgo
 Consultant: Juan J. Patlan

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	126
	16 0 0 110	Market Rate Units:	4
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 36 52 42 0 0	Total Development Units:	130
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	16
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,115,662	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Manor Estates Apartments, TDHCA Number 07205

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S	Points: 7	US Representative: Hinojosa, District 15, NC
TX Representative: Martinez, District 39, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, J.D. Salinas, Hidalgo County Judge Resolution of Support from Local Government

S, Adela Montes, Deputy Director, Hidalgo County Housing Authority

S, Mike Lopez, Executive Director, Hidalgo County Housing Authority

Individuals and Businesses In Support: 266 In Opposition 16

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
Weslaco Area Chamber of Commerce		S or O: S
MANA De Hidalgo County		S or O: S
Amigos Del Valle, Inc.		S or O: S
Lower Rio Grande Valley Development Council		S or O: S
Food Bank of the Rio Grande Valley		S or O: S
Proyecto Azteca		S or O: S

General Summary of Comment:

There was broad support from officials and civic organizations. There was limited opposition from non-officials and extensive support. The primary reasons for opposition were depreciation of housing and traffic congestion.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Manor Estates Apartments, TDHCA Number 07205

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villa Estella Trevino, TDHCA Number 07206

BASIC DEVELOPMENT INFORMATION

Site Address: 1/4 Mile E. of Sugar Rd., N. Side of Mile 17 1/2 Rd. (a.k.a. Ru Development #: 07206
City: Edinburg Region: 11 Population Served: Elderly
County: Hidalgo Zip Code: 78530 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Villa Estella Trevino, LP
Owner Contact and Phone: Gilberto de los Santos (956) 383-3033
Developer: Fortuna Enterprises and the Housing Authority of the City of Edinburg
Housing General Contractor: Fortuna Ace Builders LLC
Architect: Art Ayala Architects, Inc.
Market Analyst: Apartment Market Data Research Services, LLC
Syndicator: Boston Capital
Supportive Services: Edinburg Housing Authority
Consultant: William T. Cornwell III

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 161
17 0 0 144 Market Rate Units: 7
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 136 32 0 0 0 Total Development Units: 168
Type of Building: Total Development Cost*: \$13,612,008
Number of Residential Buildings: 2
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,152,000 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villa Estella Trevino, TDHCA Number 07206

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S Points: 7 US Representative: Hinojosa, District 15, NC
TX Representative: Peña, District 40, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

West 17 1/2 Mile Line Road Neighborhood Organization, Alejo Salinas, Jr. Letter Score: 24 S or O: S

The development will revitalize an area that has been progressively deteriorating over the past 20 years. Absence of adequate water and other infrastructure has caused this area to miss out on business and amenity development. Most importantly, this development will create an elderly living complex that will enhance the quality of life for our citizens and will promote family values and safety.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of an agreement giving ingress and egress rights to Russell Road from the site to all tenants of the subject property.

Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out.

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

Receipt of a commitment of funding from the City of Edinburg in the amount of \$800,000, or a commitment from a qualifying substitute source in an amount not less than \$680,601, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villa Estella Trevino, TDHCA Number 07206

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/07 PROGRAM: 9% HTC FILE NUMBER: 07206

DEVELOPMENT	
Villa Estrella Trevino	
Location: <u>1/4 mile east of Sugar Rd on the North side of Mile 17 1/2 (aka Russell Rd)</u>	Region: <u>11</u>
City: <u>Edinburg</u> County: <u>Hidalgo</u> Zip: <u>78530</u>	<input type="checkbox"/> OCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Elderly, Urban/Exurban, New Construction</u>	

ALLOCATION						
	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$1,152,000			\$1,151,989		

- CONDITIONS**
- 1 Receipt, review, and acceptance of an agreement giving ingress and egress rights to Russell Road from the site to all tenants of the subject property.
 - 2 Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out.
 - 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	17
60% of AMI	60% of AMI	144

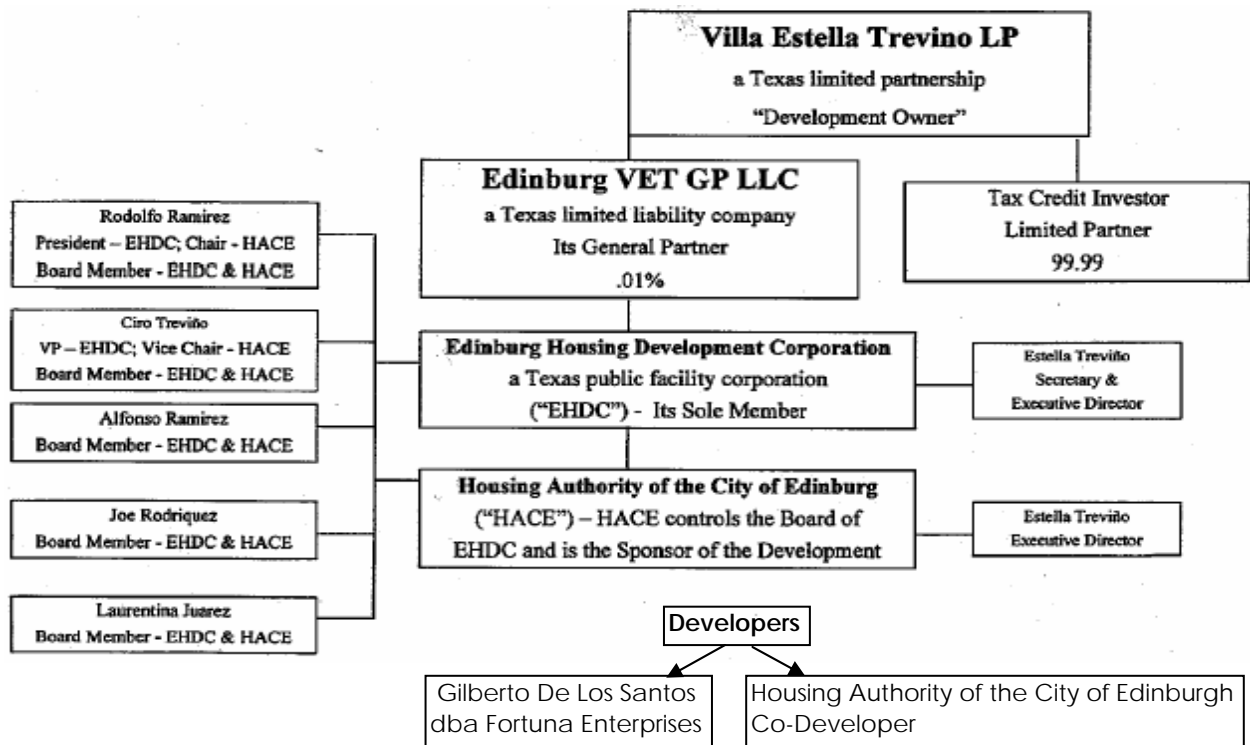
<p style="text-align: center;">PROS</p> <p>The entire Rio Grande Valley is a fast growing area where safe decent and affordable housing is a key concern.</p>	<p style="text-align: center;">CONS</p> <p>The Developer has little experience with HTC programs and has received one other allocation from 2006 but has not yet completed an HTC development and has another application for funding in 2007.</p> <p>The Applicant's high expense to income ratio is within 1% of the maximum guideline, reflecting extensive deep rent targeting, but still an acceptable ratio.</p>
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PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Gilberto de los Santos Phone: 956.383.3033 Fax: 956.318.3934
 Email: gdls@rgv.rr.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Edinburg Housing Development	Non-Material Financials		N/A
Edinburg Housing Authority	\$4,553,795	\$680,546	N/A
Estella Trevino	Confidential		1 LIHTC Development in Texas
Gilberto de los Santos	Confidential		1 LIHTC Allocation in Texas
William T Cornwell III	Consultant		N/A
Sarah Anderson Consult	Consultant		N/A

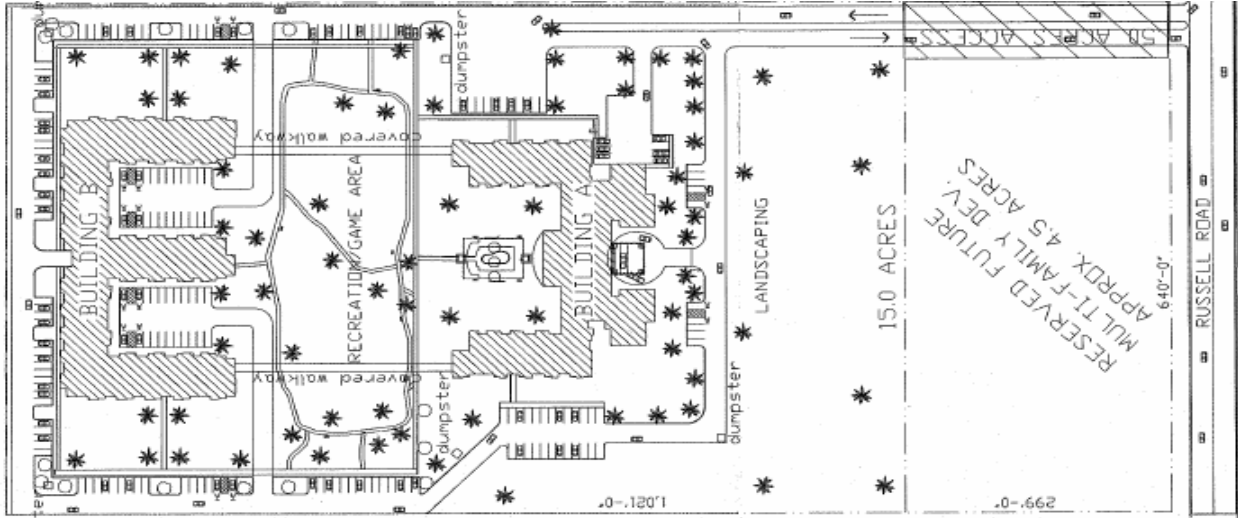
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Architect, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B										Total Buildings
Floors/Stories	3	3										
Number	1	1										2

BR/BA	SF	Units								Total Units	Total SF
1/1	650	42	84							126	81,900
1/1	727	2	8							10	7,270
2/2	800	10	18							28	22,400
2/2	975	2	2							4	3,900
Units per Building		56	112							42	33,570

SITE ISSUES

Total Size: 15 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: R-B2/Multifamily Needs to be re-zoned? Yes No N/A

Comments:

The 5 acre portion of the site not being developed is located between the development site and the dedicated roadway. Therefore, a right of way agreement will be required to obtain access to the site. This 5 acres is under contract with the Developer and as a result sufficient access should be obtainable. Receipt, review, and acceptance of an agreement giving ingress and egress rights to all tenants of the subject property is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/27/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: agricultural land East: overgrown land and small residences
 South: Russell Road / vacant land West: elevated concrete irrigation canal

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Environmental Risk Management, Inc Date: 3/14/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Per the Texas Asbestos Health Protection Rules (TAHPR), a formal asbestos survey must be performed on each individual structure prior to the planned demolition" (letter dated June 5, 2007).

"Development of the property will encounter septic tanks associated with the residences" (p. 21).

Comments:

The Applicant has certified that the septic tanks will be removed in conformity with state laws, county health department regulations, and city codes. Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/27/2007

Contact: Darrell Jack Phone: 210.530.0040 Fax: 210.340.5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 158.87 square miles (7.11 mile radius)

The boundaries of the Primary Market Area are as follows: (p. 3)

- North: FM 2812
- East: N 3rd Avenue
- South: US Highway 83
- West: Wallace Road North / Sharyland Road

This is a large market area for an urban/exurban location and extends well beyond Edinburg to include northern sections of McAllen, Pharr, San Juan, and Alamo. Seniors developments, however typically draw tenants from longer distances than non-senior households.

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
N/A				N/A			

Comments:

The Market Analyst did not identify any other unstabilized comparable properties within the primary market area. The Underwriter has identified one other unstabilized comparable property. Providence at Edinburg is a 100-unit elderly property that received a 9% HTC allocation in 2004 (and an additional allocation in 2007). However, the property is an existing development that will be reconstructed and include Public Housing Units and Section 8 units. Moreover, it has already been absorbed and it is likely that the many of the existing tenants will choose to return. Therefore, the Underwriter has not included these units in the inclusive capture rate. It should be noted however, that inclusion of these units in the Underwriter's demand calculations would result in a capture rate above the Department's 75% threshold.

It is also worth noting that two additional elderly developments are just south of the primary market area boundary. One is a 2003 development (Las Brisas Apartments) which should have stabilized by now and the other is a proposed 2007 application (Bluebonnet Senior) which does not appear to have scored high enough to be a priority for funding at this time.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	211	9	0	220	14	0	6%
1 BR/ 60% Rent Limit	158	9	0	167	132	0	79%
2 BR/ 30% Rent Limit	55	2	0	57	2	0	4%
2 BR/ 60% Rent Limit	83	7	0	90	12	0	13%

Comments:

Subsequent to the Market Analyst's completion of the study, the Applicant changed the unit mix to include fewer one-bedroom 60% units and more two-bedroom 30% and 60% units. The change results in a reduction in the highest per unit capture rate and only slight increases in the capture rates for the two-bedroom units. Based on the Market Analyst's demand calculations the new unit mix appear to conform more to the needs of the market. As a result, the Underwriter did not request revisions to the demand by unit type calculations.

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 58	15%	20,615	100%	20,615	22%	4,520	18%	796	65%	513
Underwriter	15%	21,738	100%	21,738	22%	4,767	18%	839	23%	197
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 58			100%	441	22%	97	18%	17	100%	17
Underwriter			100%	622	22%	136	18%	24	100%	24

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 59	160	0	0	160	530	30.19%
Underwriter	161	0	0	161	221	72.86%

Comments:

As stated above, subsequent to the Market Analyst's completion of the study, the Applicant changed the unit mix to include one additional restricted unit. The addition of one restricted unit has little effect on the overall capture rate and the resulting capture rate remains below the Department's maximum. Moreover, the Underwriter has used the correct number of units to determine the inclusive capture rate. Therefore, the Underwriter did not request revisions to the market study.

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The Market Analyst derived demand from turnover using a turnover rate based on IREM data. However, IREM data generally overstates turnover rates for elderly and LIHTC properties due to the reliance on market rate family properties. The Underwriter used a much lower turnover rate of 23% which is derived from 2005 and 2006 data collected from the Owner's Financial Certifications for six LIHTC properties in Hidalgo County. Four of the properties included in the Underwriter's turnover analysis are elderly properties and two are family properties. The family developments included are located within the Market Analyst's Primary Market Area, while the four elderly developments are located outside of the PMA but within Hidalgo County.

The Underwriter's inclusive capture rate, using 23% turnover and correcting for the additional unit, of 72.86% is substantially higher than Market Analyst's inclusive capture rate but still slightly below the Department's maximum of 75% for elderly developments.

Primary Market Occupancy Rates:

"The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 548 existing income restricted family units and 825 conventional family units within the Primary Market Area. ... The occupancy rate for the income restricted one bedrooms is 92.0%, for income restricted two bedrooms it is 91.8%, for the three bedroom units it is 92.0%, and the overall average occupancy for income restricted units is 92.0%" (p. 119).

Absorption Projections:

"Today, the PMA is 93.6% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 384 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available" (p. 110).

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR	650 SF	30%	\$242	\$242	\$650	\$242	\$408	
1 BR	650 SF	60%	\$485	\$485	\$650	\$485	\$165	
1 BR	650 SF	MR	\$625		\$650	\$625	\$25	
1 BR	727 SF	30%	\$242	\$242	\$650	\$242	\$408	
1 BR	727 SF	60%	\$485	\$485	\$650	\$485	\$165	
1 BR	727 SF	MR	\$625		\$650	\$625	\$25	
2 BR	800 SF	30%	\$291	\$291	\$760	\$291	\$469	
2 BR	800 SF	60%	\$582	\$582	\$760	\$582	\$178	
2 BR	975 SF	30%	\$291	\$291	\$760	\$291	\$469	
2 BR	975 SF	60%	\$582	\$582	\$760	\$582	\$178	
2 BR	975 SF	MR	\$725		\$760	\$725	\$35	

Market Impact:

"In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes. Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market" (p. 104).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

The Applicant's projected net rent collected is equal to the gross program rent. The Applicant has indicated that the property will be all-bills-paid, and as such, utility allowances are not subtracted from the program rent limits. The Market Analyst indicates that the maximum program rents can be achieved in the market. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

The Applicant's total operating expense estimate of \$3,513 per unit is within 5% of the Underwriter's estimate of \$3,358 per unit derived from the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of water, sewer, and trash expense and property insurance are each significantly different (\$20K lower and \$25K higher respectively) than the Underwriter's estimates. The Underwriter's utilities and water, sewer, and trash have been adjusted to account for the all-bills-paid utility structure. Additionally, the Applicant has overstated TDHCA compliance fees.

The Applicant has submitted a legal opinion from Coats-Rose indicating that the property will be assigned to the Housing Authority and the Housing Authority will ground lease the site to the partnership. The legal opinion indicates that the ground lease and organizational structure will allow the development to obtain a 100% property tax exemption. The Underwriter has assumed a 100% property tax exemption.

Conclusion:

The Applicant's estimates of net operating income is not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The Applicant's revised operating proforma estimates and initial expense to income ratio is less than 1% below the Department's 65% maximum and no mitigating circumstances exist in the application to support such a high figure. The Underwriter's analysis, reflects a slightly lower expense estimate and a lower expense to income ratio. In both cases, however, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	20.6 acres	<u>\$242,453</u>	Tax Year:	<u>2006</u>
One Acre:		<u>\$11,752</u>	Valuation by:	<u>Hidalgo CAD</u>
Prorata Value:	15 acres	<u>\$176,287</u>	Tax Rate:	<u>2.8663</u>

The property is currently subdivided into four lots that are improved for agricultural uses and with small occupied homes. As such, the assessments are inconsistent in their treatment and assessment of the land only values. The above figures do not account for the assessed value of the agricultural improvements or residential improvements. It should be noted that the residences appear to be in very poor condition.

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 1 20.0
 Contract Expiration: 12/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,000,000 Other: _____
 Seller: Lydia Alfredo & Alejo Salinas, Jr Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

Acquisition Value:

The site cost of \$50,000 per acre or \$4,940 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. However, only 15 of the 20 acres to be purchased will be used for the subject development. As a result the Applicant has used a prorata value of \$750,000 plus closing costs. The Underwriter has also determined a prorata value of \$750,000 (\$50,000 x 15) plus closing costs.

Off-Site Cost:

The Applicant has included off-site costs of \$285,801 for off-site concrete, storm drains, hydrants, sewer laterals, off-site paving, and off-site electrical. The Architect provided a sealed verification of the Applicant's off-site estimate. The Applicant included off-site costs as eligible; however, off-site costs cannot be included in eligible basis. As a result, the Underwriter has removed these costs from basis. The Applicant was informed of this adjustment.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,921 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. The Applicant included demolition costs of \$78,720 in eligible basis. However, demolition costs are not eligible and the Underwriter has moved these costs to the ineligible costs line item.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$711,461 or 10% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Ineligible Costs:

As stated above, the Applicant included off-site costs, demolition costs, and marketing costs in eligible basis. These costs are generally not eligible and were therefore reallocated to ineligible costs.

Interim Interest Expense:

The Applicant's estimate of eligible interest expense is greater than one year of fully drawn interest on the construction period financing indicated in the sources and uses of funds exhibit. As a result, the Applicant's eligible interest has been reduced to the Department maximum and the overage has been allocated to ineligible costs.

Contingency & Fees:

The Applicant's contingencies exceed the Department's 5% maximum by \$2,986. As a result, the Underwriter has reallocated the excess contingency to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, as adjusted above, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$11,324,332 supports annual tax credits of \$1,203,880. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

Source: Edinburg Housing Authority Type: Interim Financing

Principal: \$800,000 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

The Applicant has indicated their intent to apply for a construction loan from the Edinburg Housing Authority in the amount of \$800,000. The Applicant anticipates a rate equal to AFR and a minimum term of 12 months.

Source: BEY, LLC Type: Interim Financing

Principal: \$480,000 Interest Rate: 7.8% Fixed Amort: 18 months

Source: Boston Capital Type: Interim to Permanent Financing

Interim: \$2,400,000 Interest Rate: 7.02% Fixed Term: 24 months

Permanent: \$3,475,322 Interest Rate: 7.02% Fixed Amort: 360 months

Comments:

The Applicant has used a rate of 7.03%. The commitment indicates a rate equal to the 10-Year Treasury rate plus 235 basis points. The Underwriter used a rate of 7.02% which is the rate identified by the lender.

Source: Boston Capital Type: Syndication

Proceeds: \$10,136,686 Syndication Rate: 88% Anticipated HTC: \$ 1,152,000

Comments:

The syndication commitment indicates an equity contribution that is slightly higher than indicated in the Applicant's sources and uses. The Underwriter has adjusted this understatement in the recommended financing structure. Even so, the syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little or no deferred developer fee to absorb excess syndication proceeds.

Amount: \$0 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,475,422 indicates the need for \$10,136,586 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,151,989 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,152,000), the gap-driven amount (\$1,151,989), and eligible basis-derived estimate (\$1,203,880), the gap-driven amount of \$1,151,989 is recommended resulting in proceeds of \$10,136,586 based on a syndication rate of 88%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: July 7, 2007
Cameron Dorsey

Reviewing Underwriter: _____ Date: July 7, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 7, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Villa Estrella Trevino, Edinburg, 9% HTC #07206

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WS&T
TC 30%	13	1	1	650	\$242	\$242	\$3,146	\$0.37	\$43.00	\$32.00
TC 60%	109	1	1	650	\$485	485	52,865	0.75	43.00	32.00
MR	4	1	1	650		625	2,500	0.96	43.00	32.00
TC 30%	1	1	1	727	\$242	242	242	0.33	43.00	32.00
TC 60%	7	1	1	727	\$485	485	3,395	0.67	43.00	32.00
MR	2	1	1	727		625	1,250	0.86	43.00	32.00
TC 30%	2	2	2	800	\$291	291	582	0.36	58.00	39.00
TC 60%	26	2	2	800	\$582	582	15,132	0.73	58.00	39.00
TC 30%	1	2	2	975	\$291	291	291	0.30	58.00	39.00
TC 60%	2	2	2	975	\$582	582	1,164	0.60	58.00	39.00
MR	1	2	2	975		725	725	0.74	58.00	39.00
TOTAL:	168		AVERAGE:	687		\$484	\$81,292	\$0.70	\$45.86	\$33.33

INCOME				TOTAL Net Rentable Sq Ft: 115,470		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$975,504	\$975,504	Hidalgo		11
Secondary Income		Per Unit Per Month:	\$10.00			20,160	20,160	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$995,664	\$995,664			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(74,675)	(74,675)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$920,989	\$920,989			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.47%	\$245	0.36		\$41,186	\$33,900	\$0.29	\$202	3.68%
Management		5.00%	274	0.40		46,049	45,428	0.39	270	4.93%
Payroll & Payroll Tax		12.23%	670	0.98		112,622	115,000	1.00	685	12.49%
Repairs & Maintenance		6.64%	364	0.53		61,147	60,820	0.53	362	6.60%
Utilities		14.10%	773	1.12		129,868	156,089	1.35	929	16.95%
Water, Sewer, & Trash		5.91%	324	0.47		54,397	34,373	0.30	205	3.73%
Property Insurance		4.39%	241	0.35		40,415	65,000	0.56	387	7.06%
Property Tax	2.8663	0.00%	0	0.00		0	0	0.00	0	0.00%
Reserve for Replacements		4.56%	250	0.36		42,000	42,000	0.36	250	4.56%
TDHCA Compliance Fees		0.56%	31	0.05		5,200	6,400	0.06	38	0.69%
Other:Cbl/SuppServ/Secur		3.39%	186	0.27		31,200	31,200	0.27	186	3.39%
TOTAL EXPENSES		61.25%	\$3,358	\$4.89		\$564,084	\$590,210	\$5.11	\$3,513	64.08%
NET OPERATING INC		38.75%	\$2,124	\$3.09		\$356,905	\$330,779	\$2.86	\$1,969	35.92%
DEBT SERVICE										
Boston Capital		30.22%	\$1,657	\$2.41		\$278,306	\$278,298	\$2.41	\$1,657	30.22%
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		8.53%	\$468	\$0.68		\$78,600	\$52,481	\$0.45	\$312	5.70%
AGGREGATE DEBT COVERAGE RATIO						1.28	1.19			
RECOMMENDED DEBT COVERAGE RATIO						1.28				

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)		5.85%	\$4,940	\$7.19	\$830,000	\$830,000	\$7.19	\$4,940	6.10%	
Off-Sites		2.01%	1,701	2.48	285,801	285,801	2.48	1,701	2.10%	
Sitework		9.58%	8,096	11.78	1,360,128	1,360,128	11.78	8,096	9.99%	
Direct Construction		48.42%	40,926	59.54	6,875,621	6,164,160	53.38	36,691	45.28%	
Contingency	4.60%	2.67%	2,257	3.28	379,200	379,200	3.28	2,257	2.79%	
Contractor's Fees	11.04%	6.40%	5,412	7.87	909,175	909,175	7.87	5,412	6.68%	
Indirect Construction		4.74%	4,009	5.83	673,440	673,440	5.83	4,009	4.95%	
Ineligible Costs		4.83%	4,083	5.94	685,889	685,889	5.94	4,083	5.04%	
Developer's Fees	12.02%	9.10%	7,689	11.19	1,291,757	1,291,757	11.19	7,689	9.49%	
Interim Financing		3.87%	3,271	4.76	549,458	549,458	4.76	3,271	4.04%	
Reserves		2.53%	2,137	3.11	358,970	483,000	4.18	2,875	3.55%	
TOTAL COST		100.00%	\$84,520	\$122.97	\$14,199,439	\$13,612,008	\$117.88	\$81,024	100.00%	
Construction Cost Recap		67.07%	\$56,691	\$82.48	\$9,524,124	\$8,812,663	\$76.32	\$52,456	64.74%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
Boston Capital		24.48%	\$20,686	\$30.10	\$3,475,322	\$3,475,422	\$3,475,422		Developer Fee Available	
Additional Financing		0.00%	\$0	\$0.00	0	0	0		\$1,291,757	
Boston Capital HTC Equity		71.39%	\$60,337	\$87.79	10,136,686	10,136,586	10,136,586		% of Dev. Fee Deferred	
Deferred Developer Fees		0.00%	\$0	\$0.00	0	0	0		0%	
Additional (Excess) Funds Req'd		4.14%	\$3,497	\$5.09	587,431	0	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$14,199,439	\$13,612,008	\$13,612,008		\$1,703,027	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villa Estrella Trevino, Edinburg, 9% HTC #07206

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$51.35	\$5,929,678
Adjustments				
Exterior Wall Finish	6.40%		\$3.29	\$379,499
Elderly	3.00%		1.54	177,890
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.90)	(103,713)
Floor Cover			2.43	280,592
Breezeways/Balconies	\$24.65	9,465	2.02	233,286
Plumbing Fixtures	\$805	96	0.67	77,280
Rough-ins	\$400	336	1.16	134,400
Built-In Appliances	\$1,850	168	2.69	310,800
Exterior Stairs	\$1,800	15	0.23	27,000
Enclosed Corridors	\$41.43	42,392	15.21	1,756,408
Heating/Cooling			1.90	219,393
Elevators	\$51,594	8	3.57	412,750
Comm &/or Aux Bldgs	\$51.35	12,748	5.67	654,642
Other: fire sprinkler	\$1.95	115,470	1.95	225,167
SUBTOTAL			92.80	10,715,072
Current Cost Multiplier	0.98		(1.86)	(214,301)
Local Multiplier	0.81		(17.63)	(2,035,864)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.31	\$8,464,907
Plans, specs, survy, bld prn	3.90%		(\$2.86)	(\$330,131)
Interim Construction Interes	3.38%		(2.47)	(285,691)
Contractor's OH & Profit	11.50%		(8.43)	(973,464)
NET DIRECT CONSTRUCTION COSTS			\$59.54	\$6,875,621

PAYMENT COMPUTATION

Primary	\$3,475,422	Amort	360
Int Rate	7.03%	DCR	1.28

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.28

Additional		Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$278,025
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$78,880

Primary	\$3,475,422	Amort	360
Int Rate	7.02%	DCR	1.28

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.28

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

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	\$975,504	\$1,004,769	\$1,034,912	\$1,065,960	\$1,097,938	\$1,272,811	\$1,475,537	\$1,710,552	\$2,298,839
Secondary Income	20,160	20,765	21,388	22,029	22,690	26,304	30,494	35,351	47,508
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	995,664	1,025,534	1,056,300	1,087,989	1,120,629	1,299,116	1,506,031	1,745,903	2,346,347
Vacancy & Collection Loss	(74,675)	(76,915)	(79,222)	(81,599)	(84,047)	(97,434)	(112,952)	(130,943)	(175,976)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$920,989	\$948,619	\$977,077	\$1,006,390	\$1,036,581	\$1,201,682	\$1,393,079	\$1,614,960	\$2,170,371
EXPENSES at 4.00%									
General & Administrative	\$41,186	\$42,834	\$44,547	\$46,329	\$48,182	\$58,621	\$71,321	\$86,773	\$128,446
Management	46,049	47,431	48,854	50,319	51,829	60,084	69,654	80,748	108,519
Payroll & Payroll Tax	112,622	117,127	121,812	126,684	131,751	160,296	195,024	237,277	351,228
Repairs & Maintenance	61,147	63,593	66,137	68,782	71,534	87,032	105,887	128,828	190,697
Utilities	129,868	135,062	140,465	146,084	151,927	184,842	224,889	273,612	405,012
Water, Sewer & Trash	54,397	56,573	58,836	61,189	63,637	77,424	94,198	114,606	169,645
Insurance	40,415	42,031	43,712	45,461	47,279	57,522	69,985	85,147	126,039
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	42,000	43,680	45,427	47,244	49,134	59,779	72,730	88,488	130,983
Other	36,400	37,856	39,370	40,945	42,583	51,809	63,033	76,689	113,519
TOTAL EXPENSES	\$564,084	\$586,187	\$609,160	\$633,038	\$657,856	\$797,409	\$966,722	\$1,172,168	\$1,724,087
NET OPERATING INCOME	\$356,905	\$362,432	\$367,918	\$373,352	\$378,725	\$404,273	\$426,357	\$442,792	\$446,284
DEBT SERVICE									
First Lien Financing	\$278,025	\$278,025	\$278,025	\$278,025	\$278,025	\$278,025	\$278,025	\$278,025	\$278,025
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	\$78,880	\$84,407	\$89,892	\$95,327	\$100,700	\$126,248	\$148,332	\$164,767	\$168,259
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.34	1.36	1.45	1.53	1.59	1.61

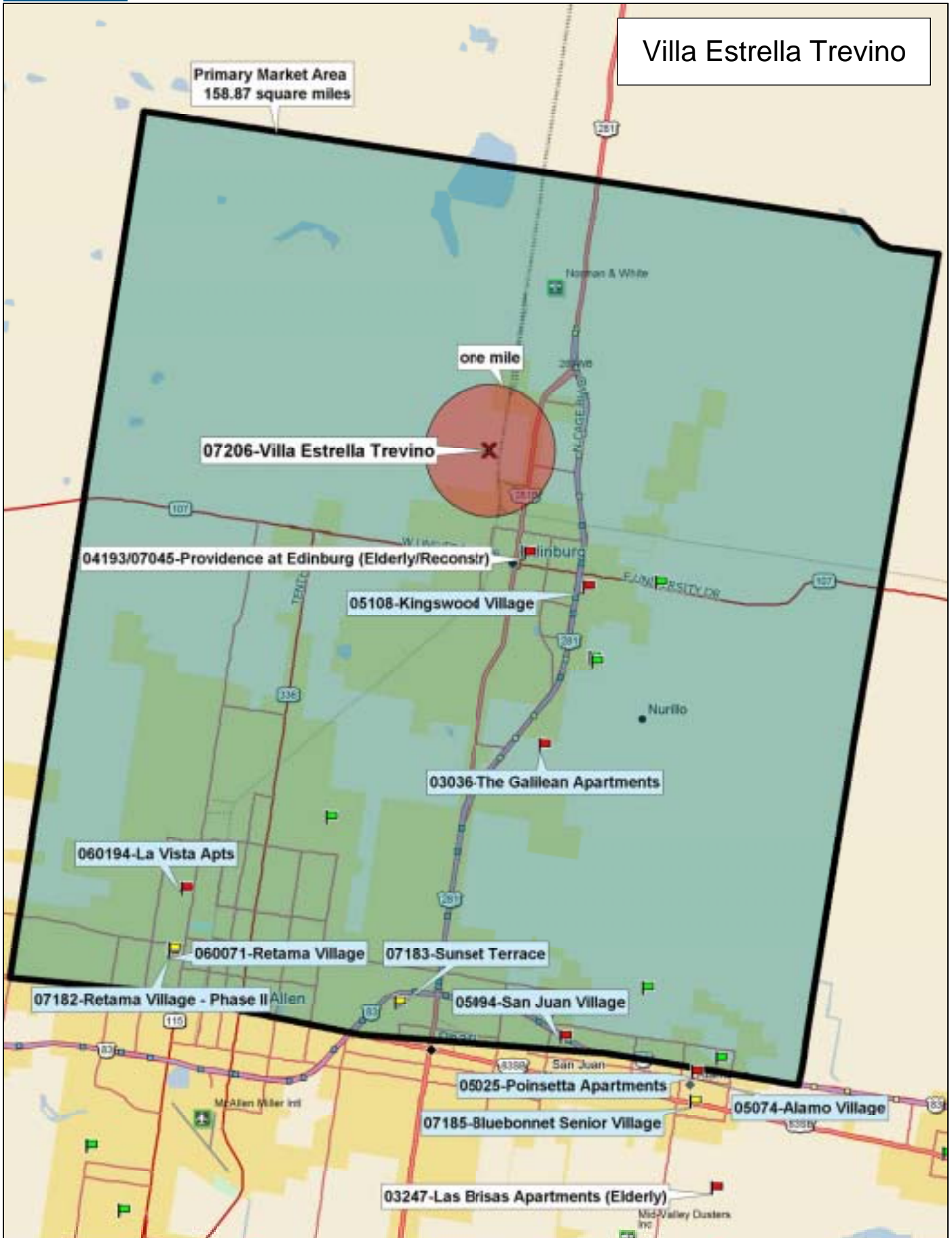
HTC ALLOCATION ANALYSIS -Villa Estrella Trevino, Edinburg, 9% HTC #07206

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$830,000	\$830,000		
Purchase of buildings				
Off-Site Improvements	\$285,801	\$285,801		
Sitework	\$1,360,128	\$1,360,128	\$1,360,128	\$1,360,128
Construction Hard Costs	\$6,164,160	\$6,875,621	\$6,164,160	\$6,875,621
Contractor Fees	\$909,175	\$909,175	\$909,175	\$909,175
Contingencies	\$379,200	\$379,200	\$376,214	\$379,200
Eligible Indirect Fees	\$673,440	\$673,440	\$673,440	\$673,440
Eligible Financing Fees	\$549,458	\$549,458	\$549,458	\$549,458
All Ineligible Costs	\$685,889	\$685,889		
Developer Fees				
Developer Fees	\$1,291,757	\$1,291,757	\$1,291,757	\$1,291,757
Development Reserves	\$483,000	\$358,970		
TOTAL DEVELOPMENT COSTS	\$13,612,008	\$14,199,439	\$11,324,332	\$12,038,779

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,324,332	\$12,038,779
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,721,632	\$15,650,413
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$14,080,469	\$14,968,799
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,203,880	\$1,279,832

Syndication Proceeds	0.8799	\$10,593,190	\$11,261,509
Total Tax Credits (Eligible Basis Method)		\$1,203,880	\$1,279,832
Syndication Proceeds		\$10,593,190	\$11,261,509
Requested Tax Credits		\$1,152,000	
Syndication Proceeds		\$10,136,686	
Gap of Syndication Proceeds Needed		\$10,136,586	
Total Tax Credits (Gap Method)		\$1,151,989	

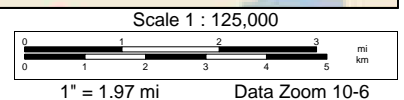
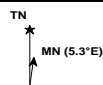
Villa Estrella Trevino



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www.delorme.com



Applicant Evaluation

Project ID # **07206**

Name: **Villa Estella**

City: **Edinburg**

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		
Total # of Projects monitored: <u> 0 </u> Projects zero to nine: <u> 0 </u> grouped ten to nineteen: <u> 0 </u> by score twenty to twenty-nine: <u> 0 </u>	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	# in noncompliance: <u> 0 </u> Projects not reported Yes <input type="checkbox"/> in application No <input checked="" type="checkbox"/> # of projects not reported <u> 0 </u>
# monitored with a score less than thirty: <u> 0 </u>	# not yet monitored or pending review: <u> 7 </u>	# of projects not reported <u> 0 </u>
<p style="text-align: center;">Portfolio Monitoring</p> Not applicable <input type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input type="checkbox"/> Unresolved issues found <input checked="" type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/>	<p style="text-align: center;">Single Audit</p> Not applicable <input type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input checked="" type="checkbox"/> Issues found regarding late cert <input type="checkbox"/> Issues found regarding late audit <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/>	<p style="text-align: center;">Portfolio Analysis</p> Not applicable <input type="checkbox"/> No unresolved issues <input type="checkbox"/> Not current on set-ups <input checked="" type="checkbox"/> Not current on draws <input checked="" type="checkbox"/> Not current on match <input checked="" type="checkbox"/>
Reviewed by <u> Karen Curtice </u>	Date <u> 5/31/2007 </u>	
<p style="text-align: center;">Multifamily Finance Production</p> Not applicable <input type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input checked="" type="checkbox"/> Unresolved issues found <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/> Reviewer <u> Shannon Roth </u> Date <u> 5 /31/2007 </u>	<p style="text-align: center;">HOME</p> Not applicable <input checked="" type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input type="checkbox"/> Unresolved issues found <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/> Reviewer <u> Sandy M. Garcia </u> Date <u> 5 /30/2007 </u>	<p style="text-align: center;">Real Estate Analysis (Workout)</p> Not applicable <input type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input checked="" type="checkbox"/> Unresolved issues found <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/> Reviewer <u> D. Burrell </u> Date <u> 5 /30/2007 </u>
<p style="text-align: center;">Community Affairs</p> No relationship <input checked="" type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input type="checkbox"/> Unresolved issues found <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/> Reviewer <u> EEF </u> Date <u> 6 /1 /2007 </u>	<p style="text-align: center;">Office of Colonia Initiatives</p> Not applicable <input checked="" type="checkbox"/> Review pending <input type="checkbox"/> No unresolved issues <input type="checkbox"/> Unresolved issues found <input type="checkbox"/> Unresolved issues found that warrant disqualification (Comments attached) <input type="checkbox"/> Reviewer <u> Maria Cazares </u> Date <u> 5 /30/2007 </u>	<p style="text-align: center;">Financial Administration</p> No delinquencies found <input checked="" type="checkbox"/> Delinquencies found <input type="checkbox"/> Reviewer <u> Melissa M. Whitehead </u> Date <u> 6 /4 /2007 </u>

Portfolio Monitoring



Contract/Project ID

07206

Name

Villa Estella

- monitoring review not applicable
- monitoring review pending or incomplete
- review found no unresolved issue
- review found unresolved issues, which require correction
- monitoring review found issues that warrant disqualification

- single audit review not applicable
- single audit review pending or incomplete
- single audit review found no unresolved issue
- outstanding issues - late certification
- outstanding issues - late audit
- single audit review found issues that warrant disqualification

Comments

Assistance provided to ineligible participants (2), incorrect subsidy calculations (3), failure to meet milestones. Report to go to Edinburg Housing Authority, Estella Trevino, Executive Director, and principle, week of June 26, 2007. Requires corrective action response due on July 30, 2007.

Applicants

Developer/Applicant	Role	Applicant Name	Disbarred	No Pre-Cert
Villa Estella Trevino LP		Applicant Name	<input type="checkbox"/>	<input type="checkbox"/>
Edinburg VET GP LLC		General Partner (.01%)	<input type="checkbox"/>	<input type="checkbox"/>
Edinburg Housing Development Corpora		Sole Member	<input type="checkbox"/>	<input type="checkbox"/>
Housing Authority of the City of Edinb		Controlling Member/Co-De	<input type="checkbox"/>	<input type="checkbox"/>
Rodolfo Ramirez		President/Board Member	<input type="checkbox"/>	<input type="checkbox"/>

Portfolio Analysis

Contract/Project ID

07206

Name

Villa Estrella

- review not applicable
 Not current on setups
 review found no unresolved issue
 Not Current on Draws
 Not Current on Match

Comment

Edinburg Housing Authority -Contract 1000490 was award prior to 2006, If award had been award in 2006 it would not meet the 2006 milestone. The contract ends September 28, 2007. At this time no funds have committed.

Applicants

Developer/Applicant	Role	Disbarred	No Pre-Cert
Villa Estrella Trevino LP	Applicant Name	<input type="checkbox"/>	<input type="checkbox"/>
Edinburg VET GP LLC	General Partner (.01%)	<input type="checkbox"/>	<input type="checkbox"/>
Edinburg Housing Development Corpora	Sole Member	<input type="checkbox"/>	<input type="checkbox"/>
Housing Authority of the City of Edinb	Controlling Member/Co-De	<input type="checkbox"/>	<input type="checkbox"/>
Rodolfo Ramirez	President/Board Member	<input type="checkbox"/>	<input type="checkbox"/>
Ciro Trevino	Vice President/Board Me	<input type="checkbox"/>	<input type="checkbox"/>
Alfonso Ramirez	Board Member	<input type="checkbox"/>	<input type="checkbox"/>
Joe Rodriguez	Board Member	<input type="checkbox"/>	<input type="checkbox"/>



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

New Hope Housing at Bray's Crossing, TDHCA Number 07210

BASIC DEVELOPMENT INFORMATION

Site Address: 6311 Gulf Freeway Development #: 07210
City: Houston Region: 6 Population Served: General
County: Harris Zip Code: 77023 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: CHDO Preservation General Acquisition: [checked]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Houston SRO, LTD.
Owner Contact and Phone: Joy Horak-Brown (713) 222-0290
Developer: New Hope Housing, Inc.
Housing General Contractor: Camden Builders, Inc.
Architect: Glassman, Shoemake, Maldonado Architects
Market Analyst: O' Conner & Associates
Syndicator: Enterprise Community Investments, Inc.
Supportive Services: New Hope Housing, Inc.
Consultant: Fieser Development, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 149
5 0 144 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
149 0 0 0 0 0 Total Development Units: 149
Type of Building: Total Development Cost*: \$7,855,667
Number of Residential Buildings: 7
HOME High Total Units: 0
HOME Low Total Units: 0
[] Duplex [checked] 4 units or more per building
[] Triplex [] Detached Residence
[] Fourplex [checked] Single Room Occupancy
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$705,791 \$680,321
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

New Hope Housing at Bray's Crossing, TDHCA Number 07210

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6, S Points: 7 US Representative: Green, District 29, O
TX Representative: Noriega, District 145, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Sue Lowell, Houston City Council Member At-Large, Position 2
S, Carol Alvarado, Council Member, District 1

Individuals and Businesses In Support: 16 In Opposition 1

Quantifiable Community Participation Input:

Super Neighborhood Council 64 & 88, Steven E. Parker Letter Score: 24 S or O: S

The Super Neighborhood 64 & 88 supports the application for Housing Tax Credit with the Texas Department of Housing and Community Affairs for the proposed community at 6311 Gulf Freeway by FBI-Houston SRO, LTD., to be owned and operated by New Hope Housing, Inc. Two organizations who's goals are to improve the East End Chamber of Commerce.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
The East Lawndale Civic Association S or O: O
Eastwood Civic Association S or O: S
Congregation of the Sisters of Charity S or O: S
East Lawndale Civic Association S or O: S

General Summary of Comment:

There was mixed support/opposition from officials; with a majority supporting the development. There was support from a qualified neighborhood organization for which the Board granted an appeal, three civic organizations, and several non-officials. Opposition was received from one civic organization. The primary reason for opposition is that the already densely populated area is saturated with low-income projects/developments.

CONDITIONS OF COMMITMENT

Board acceptance of the ongoing operating subsidy provided by the sponsor, parent of the General Partner, to maintain the financial feasibility of the subject in accordance with 10TAC 1.32 (g)(3) and (i).

Receipt, review, and acceptance of an additional source of private grant funds to fill the gap in financing or a revised syndication commitment indicating an increase in the price of at least \$0.02 per dollar of credit.

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations have been carried out, including development of operations and maintenance plans for asbestos and lead based paint, testing for lead in drinking water, and a noise assessment, and that all subsequent environmental assessment recommendations have been carried out.

Receipt, review, and acceptance prior to Board approval of an opinion from a tax credit attorney along with the CPA's calculation indicating that repayment of the anticipated HOME loan can reasonably be projected and that the HOME funds as proposed do not in any way jeopardize the development's ability to claim tax credits as proposed or the removal of such funds from eligible basis or the loss of the 30% boost and documentation of additional funds to replace these lost funds.

Receipt, review, and acceptance, by 10% test, of clearance of the Harris County law suit reflected on the title commitment or a suitable explanation of this exception on Schedule C.

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

Receipt of a commitment of funding from the City of Houston in the amount of \$1,750,187, or a commitment from a qualifying substitute source in an amount not less than \$398,480, as required by \$49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

New Hope Housing at Bray's Crossing, TDHCA Number 07210

terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the Rockwell Foundations in the amount of \$200,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$159,392, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

New Hope Housing at Bray's Crossing, TDHCA Number 07210

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

Competitive Housing Tax Credits: Score: **209** Meeting a Required Set-Aside Credit Amount*: \$680,321

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/07

PROGRAM: 9% HTC

FILE NUMBER: 07210

DEVELOPMENT																		
New Hope Housing at Brays Crossing																		
Location: <u>6311 Gulf Freeway</u>		Region: <u>6</u>																
City: <u>Houston</u>	County: <u>Harris</u>	Zip: <u>77023</u>	<input checked="" type="checkbox"/> QCT	<input checked="" type="checkbox"/> DDA														
Key Attributes: <u>Single-Room Occupancy/Supportive Housing, Family, Urban/Exurban, Acq/Rehab</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$705,791			\$680,321														
<ol style="list-style-type: none"> 1 Board acceptance of the ongoing operating subsidy provided by the sponsor, parent of the General Partner, to maintain the financial feasibility of the subject in accordance with 10TAC 1.32 (g)(3) and (i). 2 Receipt, review, and acceptance of an additional source of private grant funds to fill the gap in financing or a revised syndication commitment indicating an increase in the price of at least \$0.02 per dollar of credit. 3 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations have been carried out, including development of operations and maintenance plans for asbestos and lead based paint, testing for lead in drinking water, and a noise assessment, and that all subsequent environmental assessment recommendations have been carried out. 4 Receipt, review, and acceptance prior to Board approval of an opinion from a tax credit attorney along with the CPA's calculation indicating that repayment of the anticipated HOME loan can reasonably be projected and that the HOME funds as proposed do not in any way jeopardize the development's ability to claim tax credits as proposed or the removal of such funds from eligible basis or the loss of the 30% boost and documentation of additional funds to replace these lost funds. 5 Receipt, review, and acceptance, by 10% test, of clearance of the Harris County law suit reflected on the title commitment or a suitable explanation of this exception on Schedule C. 6 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">144</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	5	50% of AMI	50% of AMI	144
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	5																
50% of AMI	50% of AMI	144																
PROS			CONS															
<p>The development will serve a market need that is difficult to serve without access to substantial sources of private grant funds and donations.</p>			<p>The development may need as much as \$1M in additional operating subsidies over the 30 year affordability period.</p>															

New Hope Housing has documented a successful history of fundraising for operating activities, supportive services, and development activities.

The development team is dedicated and experienced in operating supportive housing properties.

The development will renovate a 44 year old dilapidated hotel and convert it to legitimate transitional/supportive housing.

The development has a limited ability to sustain breakeven operations during periods of increasing expenses and flat rents without substantial access to additional capital.

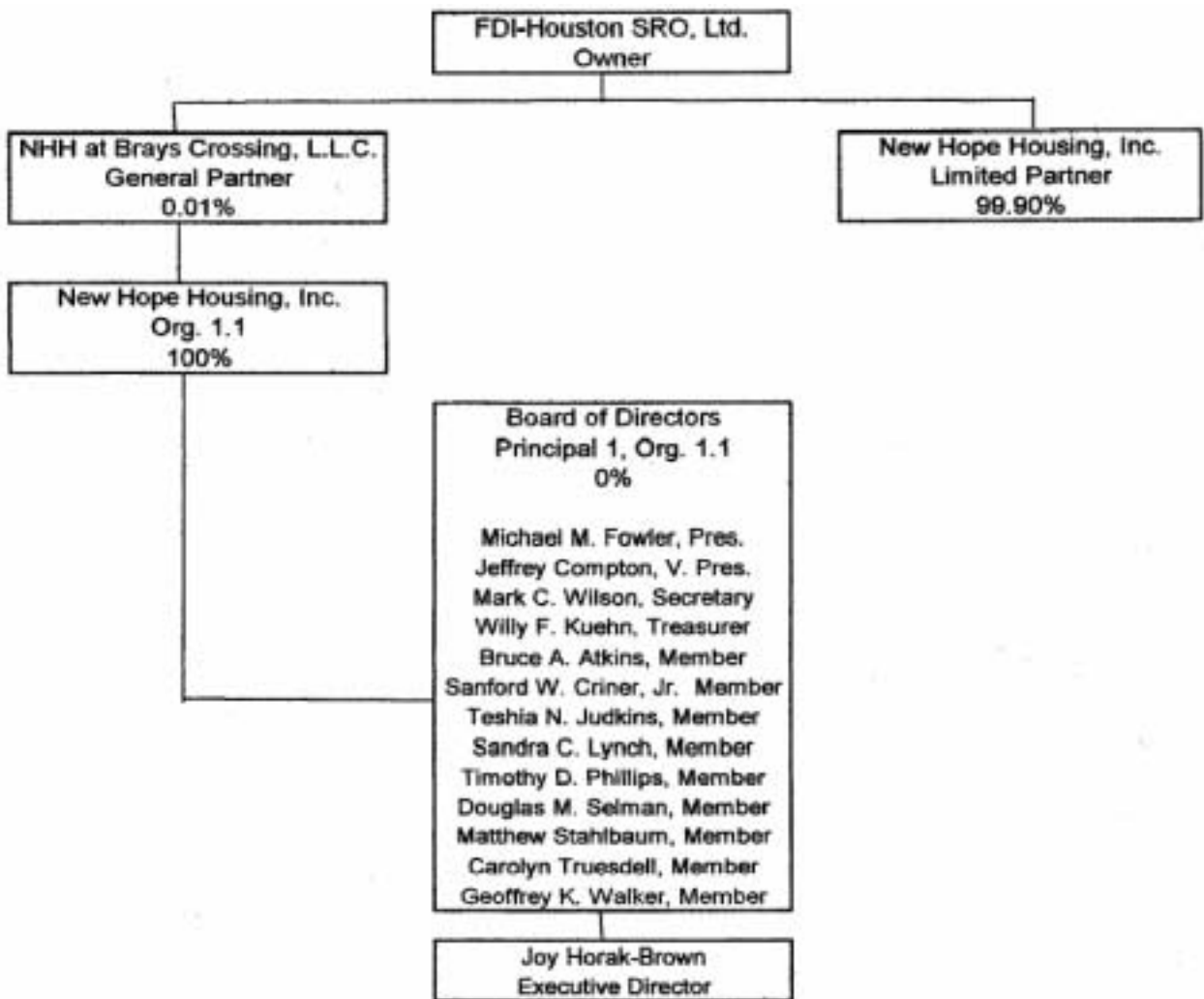
The operating subsidy required to sustain long term feasibility of the development is between the Applicant its parent organization and sponsor.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Joy Horak-Brown Phone: 713.222.0290 Fax: 713.222.7770
 Email: joy@newhopehousing.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
New Hope Housing	\$9,558,602	\$1,004,301	N/A
Joy Horak-Brown	Confidential		2 SRO Development Utilizing TDHCA HOME/HTF
Michael M Fowler	Confidential		2 SRO Development Utilizing TDHCA HOME/HTF
Fieser Development	Development Consultant		N/A

¹ Liquidity = Current Assets - Current Liabilities

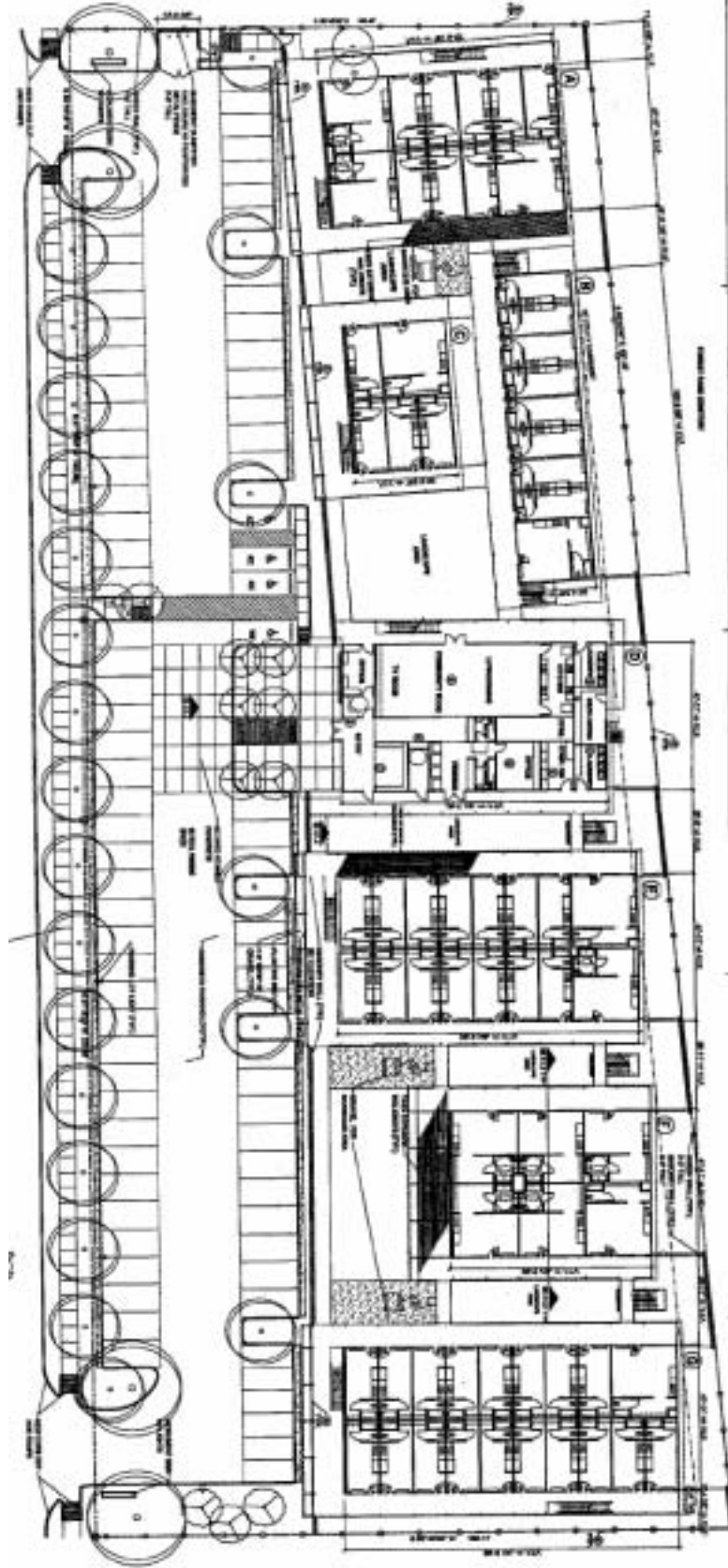
IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G				Total Buildings
Floors/Stories	2	2	2	2	2	2	2				
Number	1	1	1	1	1	1	1				7

BR/BA	SF	Units									Total Units	Total SF
0/1	225	20	18	10	1	32	4	38			123	27,675
0/1	465	4	1	1	7	2	10	1			26	12,090
Units per Building		24	19	11	8	34	14	39			149	39,765

Rehabilitation Plan:

The development plan proposes the complete rehabilitation of an existing motel property originally constructed in 1963. The existing property has 132 efficiency units, an office, 2 laundry facilities, a café, game room, and 2 boiler rooms. The Applicant has indicated that 50% of the existing units are currently non-operational and boarded-up up do to their poor physical condition and only a portion of the remaining units are occupied.

The rehabilitation plan includes extensive repair to existing paving and sidewalks, new signage and fencing, new paint for buildings, replacement of all first and second floor breezeways, replacement of windows, replacement of doors and hardware, replacement of all roofing, reconfiguration of entire first floor of one building for extensive new common area and kitchen, replacement of entire HVAC system and duct work, new hot water system, replacement of 75% of existing plumbing, electrical and lighting systems, installation of new fire suppression and alarms systems, extensive new build out of units including reconstruction and reconfiguration of walls and replacement of appliances and fixtures.

SITE ISSUES

Total Size: 1.9 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: No Zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 6/11/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 NE: Forest Park Cemetery SW: Gulf Freeway
 SE: vacant building / vacant land NW: vacant lot with soil mounds

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Date: 1/5/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 "Based on the review of the TDHCA NEPA Checklist, Terracon recommends that a noise assessment be performed" (p. 23).

Terracon recommends that any suspect ACM [asbestos containing materials] be maintained in a site-specific operations and maintenance (O&M) program. It is important to note that state and federal regulations require notification, and additional sampling requirements must be adhered to prior to any demolition or renovation activities that may impact the condition of ACM in a building that afford public access or occupancy. Additionally, it should be noted that if any ACM or suspect ACM becomes damaged, additional samples should be collected and/or the materials should be abated in accordance with applicable regulations" (p. 23).

"Terracon recommends that any suspect LBP [lead-based paint] be maintained in a site-specific operations and maintenance (O&M) program" (p. 23).

"Please note that based on the age of the building construction, it is possible that lead solder may have been used on internal piping systems; therefore, according to TDHCA, drinking water sampling is recommended to evaluate lead concentrations" (p. 23).

Comments:

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations have been carried out, including development of operations and maintenance plans for asbestos and lead based paint, testing for lead in drinking water, and a noise assessment, and that all subsequent environmental assessment recommendations have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates, LP Date: 3/13/2007
 Contact: WF Trotter, Jr Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 16.27 Square Miles (1 2.28 Mile Radius)

"The subject's primary market is defined as that area within Zip Codes 77012, 77023, and 77087" (p. 10).

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
0 BR/30% Rent Limit	211	-2	0	209	5	0	2%
0 BR/50% Rent Limit	575	-4	0	571	118	0	21%
0 BR/50% Rent Limit	477	-3	0	474	26	0	5%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 78	100% 25,882	36% 9,413	13% 1,259	100% 1,259	65% 818					
Underwriter	100% 25,740	36% 9,361	23% 2,115	59% 1,252	65% 814					
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 78		36% -26	13% -3	100% -3	100% -3					
Underwriter		36% -38	23% -3	59% -2	100% -2					
DEMAND from OTHER SOURCES										
Market Analyst p. 77					234					
Underwriter					249					

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 79	149	0	0	149	1,049	14.20%
Underwriter	149	0	0	149	1,060	14.05%

Comments:

The market study was performed based on the market study guidelines from the 2007 Real Estate Analysis Rules and Guidelines and indicates an inclusive capture rate well below the maximum guideline. The analysis is based on serving households with a minimum income just above \$10,000 annually. However, based on the rent rolls of two other New Hope Housing properties, the subject property will likely serve households well below this level. The rent roll for the Canal Street Apartments indicates rents of \$360 per month, while 46 of the 133 units are occupied by households earning below \$10,000 annually with many earning below \$7,500 annually. Demand from households at this income level are partially included in the demand from other sources which considers Section 8 households at these incomes; however, it is likely that the subject property will be one of the most affordable sources of quality housing within the area and as such will serve households that will be willing to pay well over 35% of their income to live in these facilities.

In addition, the Market Analyst notes, "Based on studies performed by the city, Houston is in need of Single -Room Occupancy units for income-qualified single homeless people. The study cites a gap between housing and the homeless of 9,439 units. Of the estimated 30,000 homeless there are an estimated 2,340 earning above \$10,000. Since homeless persons, particularly those labeled 'temporary assistance', are a primary target for the SRO, it is logical to assume demand from this source and just as logical to assume the demographics do not capture these people. A CDS study recommended over 500 new units be constructed near the downtown area for single homeless people with non-working incomes of less than \$600 per month. The client also often may receive funds to aid potential tenants in paying their monthly rent" (p. 80).

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 40% to 100%, with a median occupancy of 74.59%. However, 1 of the 5 complexes reports a cleanup expects to stabilize in several months. The average occupancy for apartments in the subject's primary market area was reported at 91.93% in the most recent O'Connor & Associates Apartment Ownership Guide survey (March 2007). Average occupancy in the primary market area has remained relatively stable since 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market" (p. 41). "There is one HTC apartment projects located within the primary market area. Plumcreek Townhomes is a 152-unit HTC project which was completed in 2000, and is 99% occupied. The project is 100% rent-restricted" (p. 41).

Absorption Projections:

"Based on our research, most projects that are constructed in the Greater Houston area typically lease up within 12 to 18 months. Pre-leasing should commence prior to the completion of the construction" (p. 38).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
0 BR	225 SF	30%	\$380	\$320	\$430	\$320	\$110
0 BR	225 SF	50%	\$380	\$533	\$430	\$353	\$78
0 BR	465 SF	50%	\$430	\$533	\$510	\$353	\$158

Market Impact:

"Based on the 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 on the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration" (p. 12).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's estimated rents are based on an operating subsidy agreement provided by the owner of the GP, New Hope Housing. The subject property will be a single-room occupancy, supportive housing development that will serve very low income tenants and provide extensive supportive services available to all tenants. The New Hope Housing will provide an operating subsidy above the tenant paid rents in an amount "sufficient to fund normal operations and maintenance of the Project, but not to exceed \$430 for each an every 465 square foot unit per month and \$380 for each an every 225 square foot unit per month." Moreover, the Operational Subsidy agreement indicates that the subsidy will "increase annually thereafter based on actual expenses as necessary."

The Underwriter has used the lesser of the maximum tax credit rent limits or the average of the actual rents from two other New Hope Housing SRO properties within the Houston area. As a result, of this difference, the Underwriter's potential gross rent estimate is 11% lower than the Applicant's estimate. However, the Underwriter has included an operating subsidy as other secondary income to offset the estimated expenses that will not be covered by the tenant-paid rental income. The Underwriter has assumed a subsidy amount that will result in breakeven operations for all 30-years of the long-term proforma. In addition, the Underwriter has used the minimum standard for other secondary income of \$5 per unit and has assumed the standard vacancy and collection loss. The Applicant estimated no secondary income but used the standard vacancy and collection loss assumption of 7.5%. The property will be all-bills-paid.

As a result of the differences discussed above, the Applicant's estimate of effective gross income is not within 5% of the Underwriter's estimate. However, the long-term proforma indicates that the operating subsidy, assuming the underwritten rents, during the first two years of operations is under \$7K. As a result, if the development is ultimately able to charge rents slightly higher than the underwritten rents, an operating subsidy may not be required during the first few years of stabilized operation and the development may have a cashflow surplus to repay the HOME debt or save for future subsidy needs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's expense estimate of \$4,016 per unit is within 5% of the Underwriter's estimate of \$3,959 per unit based on the TDHCA expense database, IREM, and other sources. The Applicant provided actual operating expenses for two comparable properties; however, each property was in lease-up and the expenses may vary significantly during stabilized operations. A number of the Applicant's estimates of specific line items differ significantly from the Underwriter's estimates, including: general and administrative (\$12K lower); payroll and payroll taxes (\$67K higher); property insurance (\$21K higher); and property tax (\$17K lower). Of note, the Applicant and Underwriter have assumed a 50% tax exemption based on the owner's nonprofit status.

Conclusion:

The Applicant's estimates of effective gross income and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used in the analysis. The development will operate at or close to breakeven, and as such, the debt coverage ratio does not apply. Moreover, pursuant to § 1.32(g)(3) of the 2007 Real Estate Analysis Rules and Guidelines, supportive housing developments are exempt from the DCR and long-term feasibility requirements if evidence is submitted to show capacity to provide sufficient resource to offset 15 years of potentially negative cashflow.

At the request of the Underwriter, New Hope Housing provided documentation of the capacity to provide ongoing operating subsidy to the proposed development. As stated above, New Hope Housing has provided an Operating Subsidy agreement with the application. Moreover, the New Hope Housing Board of Directors passed a resolution committing to the terms of the subsidy agreement, which indicates a commitment to provide subsidy payments during the first 15-years of operation with optional 5-year renewal periods thereafter.

During the fiscal year ending on June 30, 2007, New Hope Housing accumulated cash donations of \$377,445 in organizational operating funds and \$159,000 in cash donations for resident services programs. Moreover, New Hope Housing provided documentation that fundraising goals were met for Canal Street Apartment's (#2003-0178) a 2003 TDHCA HOME funded SRO development also in Houston. New Hope Housing raised over \$2.8M in private grant funds between 2000 and 2005 for the development of the Canal Street Apartments. The Applicant provided copies of each commitment letter and copies of the checks sent.

Additionally, the Applicant has applied to the City of Houston Housing and Community Development Department for the provision of an operating subsidy for the first 18 months of operations. Should the City not approve these funds, the Operating Subsidy Agreement from New Hope Housing includes a commitment for funds for the first-year of operation.

In addition to evidence of successful fundraising, the Applicant has submitted the current rent rolls for Canal Street Apartments and Hamilton Street Apartments, two similar SRO properties. Based on the rent roll provided, Hamilton Street Apartments currently has one vacancy and 128 occupied units and Canal Street currently has one unit that is vacant (but has been leased) and 132 occupied units. These extremely high occupancy levels clearly indicate the demand for SRO housing in the Houston area, and maintaining high occupancy levels will reduce the additional subsidy needed to operate at breakeven.

Based on the Underwriter's proforma, operating funds totaling approximately \$1M will be required over the first 30 years of stabilized operations in order to offset the projected operating deficits. In the short term, due to the current operating environment with expenses rising and income remaining flat, the subject development may need a much higher annual subsidy than currently projected. However, the Applicant has demonstrated a commitment and ability to pursue the needed fundraising activities. As such, the Applicant appears to have satisfied 10 TAC § 1.32(g)(3) of the 2007 Real Estate Analysis Rules and Guidelines exempting supportive housing developments from the DCR and long-term feasibility requirements.

While the development is clearly exempt from the said feasibility requirements, the 2007 Guidelines do not explicitly provide guidance to staff regarding possible exemption of supportive housing developments from the 65% rule in 10 TAC § 1.32(i)(4) of the 2007 Real Estate Analysis Rules and Guidelines. The ongoing operating subsidy agreement provided meets the intention of the rule but it is not specifically included as a potential mechanism to clearly mitigate this rule.

Feasibility:

As noted above, the development has generally satisfied the Department's long-term feasibility requirements based upon the Applicant's documented capacity to provide sufficient resources to offset future operating deficits. It should also be noted, however, that the subject property will be the second property funded to this sponsor through TDHCA since 2003. New Hope Housing has committed ongoing operating subsidies for each property. As New Hope Housing continues to pursue development of new SRO properties under this model, the organization must escalate fundraising activities to cover a potential operating deficit. The Underwriter is concerned about the long-term commitment and capacity required to continue development of SRO housing and to fully fund existing subsidy commitments.

Ultimately this report is conditioned upon the TDHCA Board's acceptance of the ongoing operating subsidy provided by the sponsor, parent of the General Partner, to maintain the financial feasibility of the subject in accordance with 10TAC 1.32 (g)(3) and (l).

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: O'Connor & Associates Date: 3/16/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Land Only: 1.95 acres \$595,000 As of: 2/22/2007
 Existing Buildings: (as-is) \$705,000 As of: 2/22/2007
 Total Development: (as-is) \$1,300,000 As of: 2/22/2007

ASSESSED VALUE

Land Only: 1.94715 acres \$254,454 Tax Year: 2006
 Existing Buildings: \$571,546 Valuation by: Harris CAD
 Total Assessed Value: \$826,000 Tax Rate: 2.86215

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Sales Contract Acreage: 1.95
 Contract Expiration: 10/15/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,500,000 Other: Contract will be assigned to Applicant
 Seller: Hooted Enterprises, Inc Related to Development Team? Yes No

TITLE

Comments:

Item number seven on Schedule C of the title commitment indicates an exception for a suit filed on October 25, 1991 under Cause Number 91-54827 in the District Court of Harris County. Receipt, review, and acceptance, by 10% test, of clearance of this suit or a suitable explanation of this exception is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Acquisition Value:

Although not supported by the submitted appraisal, the site cost of \$1,500,000 is assumed to be reasonable since the acquisition is an arm's-length transaction. While the Applicant has claimed acquisition eligible basis of \$1,250,000, the underwriting analysis assumes a more conservative estimate of \$905,000 for the buildings' value. This figure was derived by subtracting the appraised land value of \$595,000 from the contract price of \$1,500,000.

Off-Site Cost:

The Applicant has indicated off-site costs of \$12,000 to consist of off-site concrete, storm drains, and off-site paving. A third-party architect has certified the Applicant's off-site cost estimate.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$527 per unit, which is slightly lower the estimate in the Property Condition Assessment (PCA). The Underwriter has assumed sitework costs equal to those described in the PCA.

Direct Construction Cost:

The Applicant's direct construction cost estimate is only \$12K higher than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Contingency & Fees:

The Applicant has claimed 9% HTCs on the portion of the developer fee that is attributed to the acquisition of the buildings. However, per Department guidelines, the acquisition developer fee is eligible only for 4% HTCs. The Underwriter has adjusted eligible basis accordingly. Additionally, eligible contractor fees exceed the Department's 14% maximum by \$229; the Underwriter has reallocated the overage to ineligible costs.

Reserves:

The syndicator's commitment indicates that \$300,000 in operating reserves will be required. In addition, the Applicant has indicated \$60,000 in additional lease-up reserves. The Underwriter has assumed the Lender's total reserve requirement of \$300,000 which is more than the typical underwriting requirement.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,820,667 supports annual tax credits of \$680,321. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JPMorgan Chase Bank Type: Interim Financing

Principal: \$4,200,000 Interest Rate: 8.5% Fixed Term: 24 months

Source: City of Houston (HOME) Type: Permanent Financing

Principal: \$1,750,187 Interest Rate: AFR Fixed Amort: 360 months

Comments:

The Applicant has applied to the City of Houston for a \$1,750,187 HOME loan. The Applicant has requested that the loan carry an interest rate of AFR with a minimum term of 30 years with extension options. Loan is anticipated to have a forgiveness provision that can be exercised at the borrower's option at maturity.

The Applicant has provided a legal opinion indicating the belief that the proposed HOME loan would not be considered Below Market Rate Federal Funds as the interest rate is set at AFR. However, the property will be largely supported by an operating subsidy and the development will not have the capacity to service debt or accumulate cashflow. It is the Underwriter's understanding that in order for the HOME loan to qualify as an above market rate loan, the Applicant must demonstrate that the loan can truly be repaid at the end of the term. This does not appear to be the case as a result of the operational support that is required. However, it is unclear whether a demonstrated capacity to repay the HOME loan through future donations and fundraising would qualify to meet the reasonable expectation of repayment.

Receipt, review, and acceptance prior to Board approval of an opinion from a tax credit attorney along with the CPA's calculation indicating that repayment of the anticipated HOME loan can reasonably be projected and that the HOME funds as proposed do not in any way jeopardize the development's ability to claim tax credits as proposed or the removal of such funds from eligible basis or the loss of the 30% boost and documentation of additional funds to replace these lost funds.

The City has also acknowledged receipt of an application to provide the rental assistance/operational subsidy for the development for the first 18 months or operation.

Source: Rockwell Fund, Inc Type: Grant

Principal: \$200,000 Conditions: Rockwell Board approval & receipt of HTC allocation

Source: Enterprise Community Investment, Inc Type: Syndication

Proceeds: \$5,993,355 Syndication Rate: 85% Anticipated HTC: \$ 705,791

Comments:

The syndicator is requiring reserves of \$300 per unit per year. The syndication price is at the low end of current market prices and an increase in rate could increase the syndication proceeds and theoretically reduce the final allocation of credits. But since there is no real debt on this transaction, the gap method is less relevant.

Amount: \$26,181 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent HOME loan of \$1,750,187 and \$200,000 grant indicates the need for \$5,965,480 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$695,443 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$705,791), the gap-driven amount (\$695,443), and eligible basis-derived estimate (\$680,321), the eligible basis-derived estimate of \$680,321 is recommended resulting in proceeds of \$5,744,534 based on a syndication rate of 85%.

MULTIFAMILY COMPARATIVE ANALYSIS

New Hope Housing at Brays Crossing, Houston, 9% HTC #07210

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WS&T
TC 30%	5	0	1	225	\$320	\$320	\$1,600	\$1.42	\$50.00	\$26.31
TC 50%	118	0	1	225	\$533	353	41,595	1.57	50.00	26.31
TC 50%	26	0	1	465	\$533	353	9,165	0.76	50.00	26.31
TOTAL:	149		AVERAGE:	267		\$351	\$52,360	\$1.32	\$50.00	\$26.31

INCOME

Total Net Rentable Sq Ft: 39,765

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Other Support Income: Operating Subsidy

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	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	10.12%	\$401	1.50	\$59,689	\$47,460	Harris	Houston	6
Management	7.79%	308	1.16	45,938	38,575	\$0.00	Per Unit Per Month	
Payroll & Payroll Tax	24.39%	966	3.62	143,878	211,375	\$0.00	Per Unit Per Month	
Repairs & Maintenance	13.25%	524	1.96	78,131	66,900			
Utilities	18.95%	750	2.81	111,750	81,492			
Water, Sewer, & Trash	5.43%	215	0.81	32,032	30,000			
Property Insurance	4.72%	187	0.70	27,863	49,000			
Property Tax 2.86215	5.42%	215	0.80	31,985	15,000			
Reserve for Replacements	7.58%	300	1.12	44,700	44,700			
TDHCA Compliance Fees	1.01%	40	0.15	5,960	5,960			
Other: supportive services	1.34%	53	0.20	7,900	7,900			
TOTAL EXPENSES	100.00%	\$3,959	\$14.83	\$589,826	\$598,362	\$15.05	\$4,016	93.07%
NET OPERATING INC	0.00%	\$0	\$0.00	\$0	\$44,550	\$1.12	\$299	6.93%

DEBT SERVICE

Houston HOME Loan	0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Rockwell Fund Grant	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	0.00%	\$0	\$0.00	\$0	\$44,550	\$1.12	\$299	6.93%

AGGREGATE DEBT COVERAGE RATIO

N/A

RECOMMENDED DEBT COVERAGE RATIO

N/A

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)		19.09%	\$10,067	\$37.72	\$1,500,000	\$1,500,000	\$37.72	\$10,067	18.82%
Off-Sites		0.15%	81	0.30	12,000	12,000	0.30	81	0.15%
Sitework		1.13%	594	2.23	88,500	78,500	1.97	527	0.98%
Direct Construction		35.00%	18,451	69.14	2,749,232	2,761,292	69.44	18,532	34.65%
Contingency	5.00%	1.81%	953	3.57	142,000	142,000	3.57	953	1.78%
Contractor's Fees	14.00%	5.06%	2,666	9.99	397,282	397,800	10.00	2,670	4.99%
Indirect Construction		13.26%	6,993	26.20	1,042,000	1,042,000	26.20	6,993	13.07%
Ineligible Costs		1.63%	859	3.22	128,000	128,000	3.22	859	1.61%
Developer's Fees	15.00%	11.32%	5,971	22.37	889,652	941,000	23.66	6,315	11.81%
Interim Financing		7.73%	4,074	15.26	607,000	607,000	15.26	4,074	7.62%
Reserves		3.82%	2,013	7.54	300,000	360,000	9.05	2,416	4.52%
TOTAL COST	100.00%	\$52,723	\$197.55	\$7,855,667	\$7,969,592	\$200.42	\$53,487	100.00%	
Construction Cost Recap		42.99%	\$22,665	\$84.92	\$3,377,014	\$3,379,592	\$84.99	\$22,682	42.41%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Houston HOME Loan	22.28%	\$11,746	\$44.01	\$1,750,187	\$1,750,187	\$1,750,187	Developer Fee Available
Rockwell Fund Grant	2.55%	\$1,342	\$5.03	200,000	200,000	200,000	\$941,000
Enterprise HTC Equity	76.29%	\$40,224	\$150.72	5,993,355	5,993,223	5,777,072	% of Dev. Fee Deferred
Deferred Developer Fees	0.33%	\$176	\$0.66	26,181	26,181	128,408	14%
Additional (Excess) Funds Req'd	-1.45%	(\$765)	(\$2.87)	(114,056)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,855,667	\$7,969,592	\$7,855,667	\$0

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

New Hope Housing at Brays Crossing, Houston, 9% HTC #07210

PAYMENT COMPUTATION

Primary	\$1,750,187	Amort	
Int Rate	4.90%	DCR	

Secondary	\$200,000	Amort	
Int Rate		Subtotal DCR	

Additional	\$5,993,223	Amort	
Int Rate		Aggregate DCR	

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$0
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	#DIV/0!

Primary	\$1,750,187	Amort	
Int Rate	4.90%	DCR	

Secondary	\$200,000	Amort	
Int Rate		Subtotal DCR	

Additional	\$5,993,223	Amort	
Int Rate		Aggregate DCR	

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	\$628,320	\$647,170	\$666,585	\$686,582	\$707,180	\$819,815	\$950,390	\$1,101,763	\$1,480,677
Secondary Income	8,940	9,208	9,484	9,769	10,062	11,665	13,523	15,676	21,068
Other Support Income: Operat	389	6,778	13,612	20,918	28,718	76,094	140,290	225,992	486,861
POTENTIAL GROSS INCOME	637,649	663,155	689,682	717,269	745,960	907,574	1,104,202	1,343,431	1,988,606
Vacancy & Collection Loss	(47,824)	(49,737)	(51,726)	(53,795)	(55,947)	(68,068)	(82,815)	(100,757)	(149,145)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$589,826	\$613,419	\$637,955	\$663,474	\$690,013	\$839,506	\$1,021,387	\$1,242,674	\$1,839,461
EXPENSES at 4.00%									
General & Administrative	\$59,689	\$62,077	\$64,560	\$67,142	\$69,828	\$84,956	\$103,362	\$125,756	\$186,150
Management	45,938	47,776	49,687	51,674	53,741	65,384	79,550	96,785	143,265
Payroll & Payroll Tax	143,878	149,633	155,618	161,843	168,317	204,783	249,150	303,129	448,705
Repairs & Maintenance	78,131	81,256	84,506	87,887	91,402	111,205	135,298	164,610	243,663
Utilities	111,750	116,220	120,869	125,704	130,732	159,055	193,515	235,440	348,509
Water, Sewer & Trash	32,032	33,313	34,646	36,032	37,473	45,592	55,469	67,487	99,897
Insurance	27,863	28,978	30,137	31,342	32,596	39,658	48,250	58,703	86,895
Property Tax	31,985	33,264	34,594	35,978	37,417	45,524	55,387	67,387	99,749
Reserve for Replacements	44,700	46,488	48,348	50,281	52,293	63,622	77,406	94,176	139,404
Other	13,860	14,414	14,991	15,591	16,214	19,727	24,001	29,201	43,225
TOTAL EXPENSES	\$589,826	\$613,419	\$637,955	\$663,474	\$690,013	\$839,506	\$1,021,387	\$1,242,674	\$1,839,461
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DEBT SERVICE									
First Lien Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DEBT COVERAGE RATIO	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

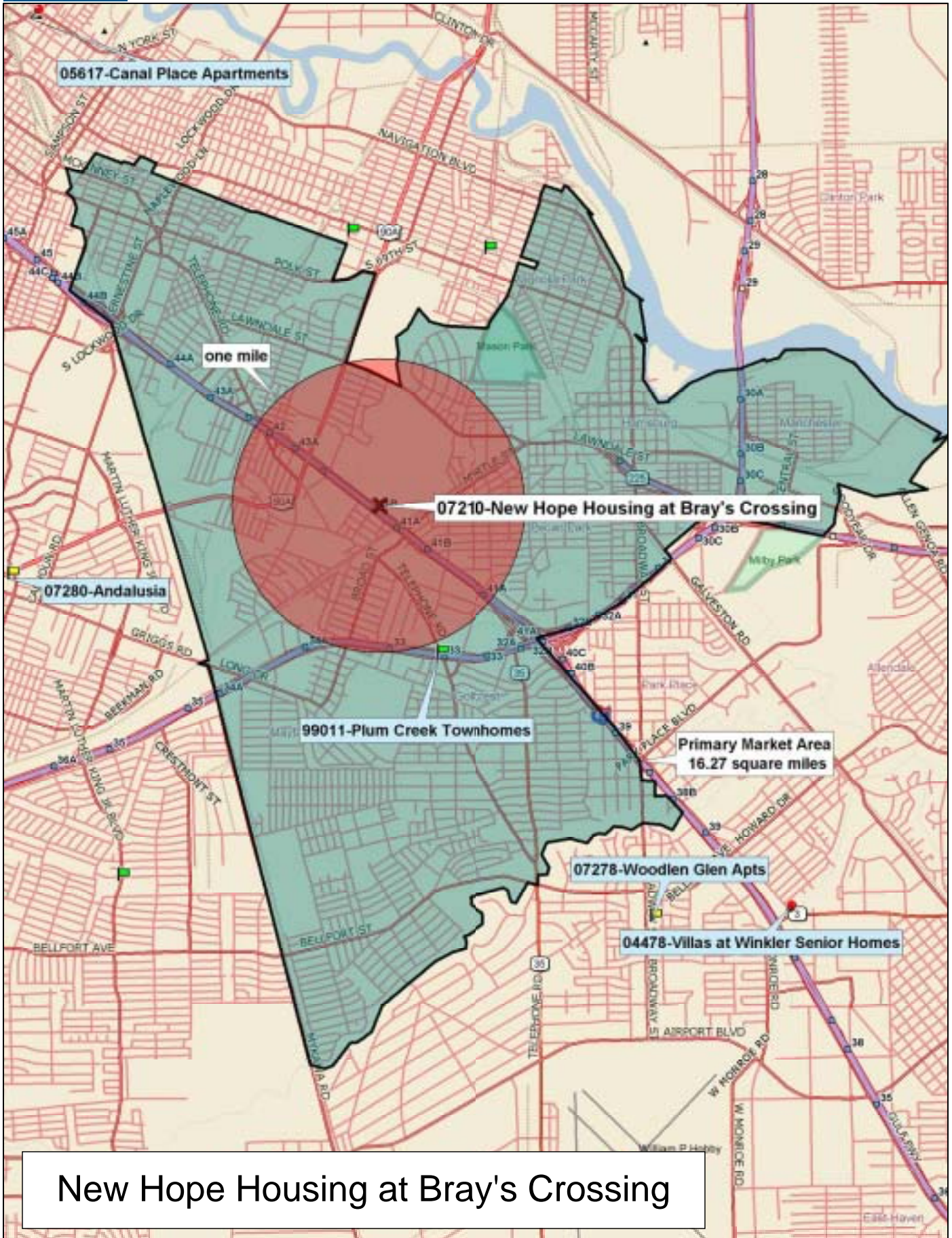
HTC ALLOCATION ANALYSIS -New Hope Housing at Brays Crossing, Houston, 9% HTC #07210

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
Acquisition Cost						
Purchase of land	\$250,000	\$595,000				
Purchase of buildings	\$1,250,000	\$905,000	\$1,250,000	\$905,000		
Off-Site Improvements						
	\$12,000	\$12,000				
Sitework	\$78,500	\$88,500			\$78,500	\$88,500
Construction Hard Costs	\$2,761,292	\$2,749,232			\$2,761,292	\$2,749,232
Contractor Fees	\$397,800	\$397,282			\$397,571	\$397,282
Contingencies	\$142,000	\$142,000			\$142,000	\$142,000
Eligible Indirect Fees	\$1,042,000	\$1,042,000			\$1,042,000	\$1,042,000
Eligible Financing Fees	\$607,000	\$607,000			\$607,000	\$607,000
All Ineligible Costs	\$128,000	\$128,000				
Developer Fees						
				\$135,750		\$753,902
Developer Fees	\$941,000	\$889,652	\$187,350		\$753,650	
Development Reserves	\$360,000	\$300,000				
TOTAL DEVELOPMENT COSTS	\$7,969,592	\$7,855,667	\$1,437,350	\$1,040,750	\$5,782,013	\$5,779,917

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,437,350	\$1,040,750	\$5,782,013	\$5,779,917
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,437,350	\$1,040,750	\$7,516,617	\$7,513,892
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,437,350	\$1,040,750	\$7,516,617	\$7,513,892
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$52,320	\$37,883	\$642,671	\$642,438

Syndication Proceeds	0.8492	\$444,281	\$321,693	\$5,457,358	\$5,455,379
-----------------------------	---------------	------------------	------------------	--------------------	--------------------

Total Tax Credits (Eligible Basis Method)	\$694,990	\$680,321
Syndication Proceeds	\$5,901,639	\$5,777,072
Requested Tax Credits	\$705,791	
Syndication Proceeds	\$5,993,355	
Gap of Syndication Proceeds Needed	\$6,019,405	\$5,905,480
Total Tax Credits (Gap Method)	\$708,859	\$695,443

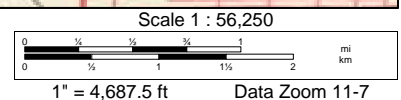


New Hope Housing at Bray's Crossing

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Applicant Evaluation

Project ID # **07210** Name: **New Hope Housing at Bray's Crossi** City: **Houston**

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

Total # of Projects monitored: 0
 Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No

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

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Victory Place Seniors, TDHCA Number 07217

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

Competitive Housing Tax Credits: Score: **164** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Canyons Retirement Community, TDHCA Number 07219

BASIC DEVELOPMENT INFORMATION

Site Address: 2200 W. 7th Ave. Development #: 07219
 City: Amarillo Region: 1 Population Served: Elderly
 County: Potter Zip Code: 79106 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Canyon Senior Living, L.P.
 Owner Contact and Phone: Jamie Hayden (325) 691-5519
 Developer: Sears Methodist Retirement System, Inc.
 Housing General Contractor: Western Builders of Amarillo, Inc
 Architect: Dekker/Perich/Sabatini
 Market Analyst: Integra Realty Resources
 Syndicator: CharterMac Capital
 Supportive Services: Sears Panhandle Retirement Corporation
 Consultant: Diana McIver & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	106	
	12	0	0	93	Market Rate Units:	5	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	2	71	38	0	0	0	
Type of Building:						Total Development Units:	111
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$10,158,465
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	1
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$879,582	\$876,745			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Canyons Retirement Community, TDHCA Number 07219

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31, S Points: 7 US Representative: Thornberry, District 13, NC
TX Representative: Swinford, District 87, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Debra McCartt, Mayor City of Amarillo Resolution of Support from Local Government
S, Arthur Ware, Potter County Judge

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Residents Association Council, David T. McReynolds Letter Score: 24 S or O: S

The planned renovations will improve the living conditions of all residents by improving the heat and air-conditioning systems, plumbing, appliances and upgrading the units in an old facility. This will make the Canyons a better affordable place for seniors to live.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was broad support from officials and support from one qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by cost certification of proper abatement of asbestos and lead-based paint in compliance with O & M plans and federal and state regulations is required as it relates to renovation and demolition at the subject Site.

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

Receipt of a commitment of funding from the Panhandle Regional HFC in the amount of \$472,000, or a commitment from a qualifying substitute source in an amount not less than \$471,046, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the Panhandle Regional HFC in the amount of \$472,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$206,099, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Canyons Retirement Community, TDHCA Number 07219

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$876,745

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/16/07

PROGRAM: 9% HTC

FILE NUMBER: 07219

DEVELOPMENT

The Canyons Retirement Community

Location: 2200 West 7th Avenue Region: 1
 City: Amarillo County: Potter Zip: 79106 QCT DDA
 Key Attributes: Multifamily, Elderly, Urban/Exurban, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$879,582			\$876,745		

CONDITIONS

- 1 Receipt, review and acceptance by cost certification of proper abatement of asbestos and lead-based paint in compliance with O & M plans and federal and state regulations is required as it relates to renovation and demolition at the subject Site.
- 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/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	12
60% of AMI	60% of AMI	93

PROS

The application proposes the revitalization and preservation of a 80 year old property.

CONS

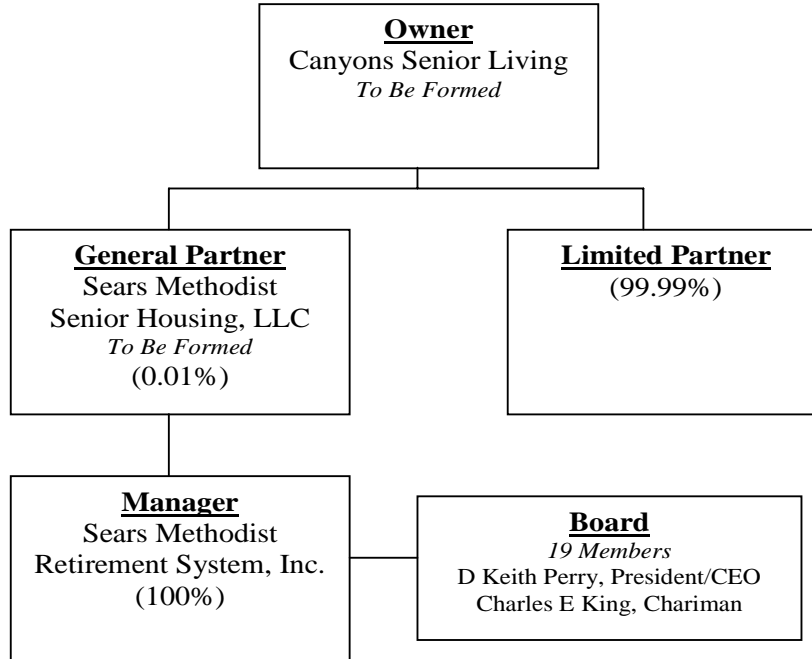
The Applicant's expense to income ratio is high although still acceptable at 64.90%.
 The acquisition is an identity of interest.
 The market for 2 bedroom units at 60% AMI may be somewhat saturated with unit capture rate of over 100%.
 The property has had significant capital improvements over the last 10 years though this is the first comprehensive rehabilitation since the property was donated.

PREVIOUS UNDERWRITING REPORTS

The Applicant submitted an application in the 2006 9% tax credit cycle; however, it was not underwritten by the Department because it did not score high enough to be considered for funding.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Jamie Hayden Phone: (325) 691-5519 Fax: (325) 437-1191
 Email: jshaden@searsmethodist.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Complete Developments
Sears Methodist Retirement System	\$7.3M	\$2.2M	0
Diana Mclver & Associates	Consultant	N/A	2
Diana Mclver	Confidential	N/A	22

¹ Liquidity = Current Assets - Current Liabilities

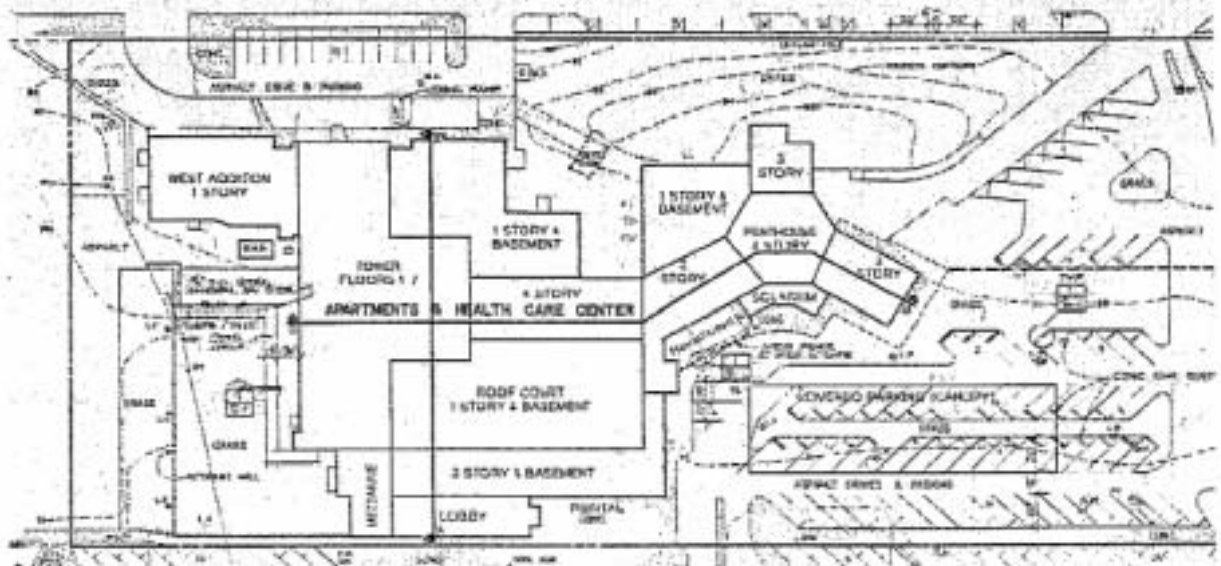
IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The seller is regarded as a related party due to the common management and board structures of the organizations. This has been addressed in the acquisition cost section of this report by ensuring that the sales price is not more than their investment in the property and that no developer fee for acquisition is being garnered.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	7										
Number	1										1

BR/BA	SF	Units									Total Units	Total SF
0/1	279	2									2	558
1/1	374	10									10	3,740
1/1	457	28									28	12,796
1/1	625	27									27	16,875
1/1	708	5									5	3,540
2/1	638	3									3	1,914
2/1	1,197	2									2	2,394
2/2	703	13									13	9,139
2/2	788	17									17	13,396
2/2	1,011	3									3	3,033
EO	602	1									1	602
Corridors	14,974											14,954
Units Per Building	111										111	82,941

Rehabilitation summary:

"The subject property is a 111-unit, seniors only elevator served apartment complex circa 1920. The subject is not currently rent restricted and has had several episodes of rehabilitation since it was donated to its current owners in 1983.

The section intentionally left blank.

After renovations it will have 12 units restricted to seniors earning no more than 30% AMI, 93 units restricted to seniors earning no more than 60% AMI, 5 units unrestricted and one unit for an on-site employee. The development is to undergo a renovation of existing facilities, with the renovations to include replacing parts of fencing, landscaping, painting, roof repair, parking lot repair, updating kitchen and bath cabinetry in 109 units, replacing shower and/or tubs in 49 one-bedroom units, replacing carpeting on the first and third floors, renovation of two down apartment units, installation of a wayfinding system, new HVAC system for all but the first floor, a new fire sprinkler system, replacement of the water main and miscellaneous sheet rock, tiling, flooring and appliance repair and/or replacement." (P. 4 Market Study). Of special note is the fact that the efficiency and 457 square foot units will have compact under-counter refrigerators.

"Relocation Plan: According to the owner and manager, renovations are planned to occur with minimal temporary displacement to the current residents. Units and common space will be rehabbed one floor at a time and each floor is expected to take one month to complete. Residents in units undergoing major renovations will be relocated either off-site or in vacant units not undergoing renovations on other floors. Residents in units undergoing minor renovations will have the option to remain in their units during the process and will have daily access to a hospitality area. Residents will receive advance notice and a schedule of when their floor is to be worked on. Every lease-compliant resident will receive temporary housing during the rehabilitation work. Also, moving expenses and additional rental expenses of relocated families will be paid by the owner/manager until the rehabilitation is completed for their unit."

SITE ISSUES

Total Size: 4.2 acres Scattered site? Yes No
 Flood Zone: C Within 100-yr floodplain? Yes No
 Zoning: Light Industrial* Needs to be re-zoned? Yes No N/A

Comments:

Zoning: The Applicant provided a letter from the City of Amarillo stating that current zoning of Light Industrial allows the existence of a multifamily apartment complex for seniors.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/9/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Retail (U-Haul), small retail, used car lot

South: Residential, office building & vacant land

East: Industrial warehouse and vacant land

West: Multifamily residential and offices

This section intentionally left blank.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: EcoSystems Environmental, Inc.

Date: 2/26/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"According to a previous ESA conducted by EcoSystems Environmental, Inc (ESEI) dated March 6, 2006, ESEI conducted a limited sampling and analysis of suspect asbestos-containing material (ACM) in readily accessible portions of the buildings at the Site. Analysis of the samples collected indicated that nine of the sixteen samples contained regulated amounts of ACM. The identified ACM consisted of floor tile, floor tile mastic, and thermal system insulation. ESEI identified these materials at the time of the site visit. ESEI believes that the presence of ACM at the Site constitutes a REC (Recognized Environmental Condition). These materials were recommended to be managed under an Asbestos Operations & Maintenance Program at the Site, according to the previous ESA." (Executive Summary of the ESA)

"A licensed asbestos consultant with the Texas Department of Health Services issued an Asbestos Operations and Maintenance Program on March 28, 2006. Therefore, based upon the completion of the O&M Programs, no further action is required regarding the recommendations. However, in the event renovation or demolition activities are scheduled, further asbestos testing must be performed in the areas of renovation or demolition to comply with applicable federal and state regulations." (Executive Summary)

"EcoSystems Environmental, Inc. conducted a limited sampling of suspect lead-based paint (LBP) in readily accessible portions of the buildings at the Site. The sampling program was a preliminary identification of potential LBP and should not be interpreted as a LBP survey. Analysis of the samples indicated three of the fifty-five samples contained regulated amounts of LBP. LBP was identified on the interior walls in the basement custodial room and on a handrail located in the stairwell at the Site during this sampling program. This LBP was assessed to be in good condition at the time of the site visit."

According to the Phase I ESA, these materials were recommended to be managed under a lead based paint Operations & Maintenance Program at the Site." A certified risk assessor issued a lead based paint O&M Program on March 28, 2006. "Therefore, based upon the completion of the O&M Program, no further action is required regarding these recommendations. (p. 20-21)

Comments:

Receipt, review and acceptance by cost certification of proper abatement of asbestos and lead-based paint in compliance with O & M plans and federal and state regulations is required as it relates to renovation and demolition at the subject Site is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources

Date: 2/6/2007

Contact: James Redford

Phone: (972) 960-1222

Fax: (512) 340-0421

Number of Revisions: 1

Date of Last Applicant Revision: 7/10/2007

Primary Market Area (PMA): 821.91 square miles (16.24 mile radius)

The Market Study submitted at application states, "The subject site is located within Downtown Amarillo at 2200 W. 7th Street. The primary market area (PMA) for any form of rental real estate property is defined as the area that a majority of the project's tenants will be drawn from. Market areas are shaped by physical barriers, psychological barriers, density, and other factors. Based upon these factors, we consider the primary market area (PMA) to be a 10-mile radius from the subject site." (p. 18)

Section 1.33(d)(8)(A) of the Department's REA rules states, "The Primary Market Area will be defined by the Market Analyst with... (ii) boundaries based on

(I) major roads,

(II) political boundaries, and

(III) natural boundaries.

(IV) A radius is prohibited as a boundary definition."

The Market Analyst was unaware of the change in the Department's rules that prohibits a radius form use as a boundary definition. Within three days of the Underwriter's request, the Market Analyst provided a revised Market Study with a non radius based primary market area as follows:

"...We consider the primary market area (PMA) to be Zip Codes 79124, 79106, 79109, 79121, 79110, 79119, 79103, 79104, 79107, 79118, 79108, and 79111." Revisions to the demographic section of the study were also made but had no significant impact on the findings or conclusions of the study. Moreover this study is with regards to an existing 100% occupied property which is not expected to significantly change its target population profile. Therefore much of the market study's conclusions that could be impacted by a change in the primary market area definition such as the capture rate are not affected by the change in boundary definitions.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
None				N/A			

INCOME LIMITS						
Potter						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,900	\$12,450	\$14,000	\$15,550	\$16,800	\$18,050
60	\$21,780	\$24,840	\$27,960	\$31,080	\$33,540	\$36,060

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
EFF/30%	62	6	0	68	2	0	3%
1BR/30%	51	5	0	56	10	0	18%
1BR/60%	125	12	0	137	60	0	44%
2BR/60%	78	15	0	88	93	0	106%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 65	35%	3,779	88%	3,314	19%	630	Included	50%	315	
Underwriter		21%	28,547	100%	28,547	27%	7,742	34%	2,648	16%	424
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 66			88%	199	19%	38	Included	100%	38	
Underwriter				100%	840	27%	228	34%	78	100%	78

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 67	105	0	105	353	29.76%
Underwriter		105	0	105	502	20.92%

Primary Market Occupancy Rates:

The average occupancy level for all rentals within the PMA is 96%. For LIHTC properties it is also 96%.

Absorption Projections:

"The most recently constructed property within the PMA, The Winchester opened in 2006 and is reporting occupancy of 98%. The 98% occupancy was reached in a 6 month period. Therefore, based on that development which has 256 units, absorption is projected to be approximately 42 units per month." (p. 52). Because the subject development is a rehabilitation property whereby existing tenants will be relocated temporarily, and most tenants are expected to remain at the development after the renovations are completed, normal occupancy levels should be reached almost immediately after completion of construction.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
Eff 279 SF (30%)	\$272	\$272	\$425	\$272	\$153	
1 BR 374 SF (30%)	\$291	\$291	\$500	\$291	\$209	
1 BR 457 SF (60%)	\$530	\$582	\$560	\$560	\$0	
1 BR 602 SF (EO%)	\$600		\$630	\$600	\$30	
1 BR 625 SF (60%)	\$560	\$582	\$640	\$582	\$58	
1 BR 708 SF (60%)	\$583	\$582	\$725	\$582	\$143	
2 BR 638 SF (60%)	\$640	\$699	\$640	\$640	\$0	
2 BR 703 SF (60%)	\$675	\$699	\$675	\$675	\$0	
2 BR 788 SF (60%)	\$699	\$699	\$715	\$699	\$16	
2 BR 1,011 SF (MR%)	\$850		\$870	\$850	\$20	
2 BR 1,197 SF (MR%)	\$850		\$970	\$850	\$120	

Market Impact:

The market impact from the renovation of the subject units should be minimal. The current owner or its affiliates have owned and operated the development as a seniors housing development since 1993, with the property currently 100% occupied.

Comments:

The Underwriter found the market study provided sufficient information upon which to base a funding recommendation; however, the Underwriter's map drawing of the PMA is somewhat different from the Market Analyst's map based on the specified zip codes. However, it is assumed that the market data information which is based on the zip codes would be the same. In addition, the Market Analyst's demand analysis results in an inclusive capture rate well within the maximum for a multifamily development targeting the elderly population and the subject development is currently operating with tenants in place and there are no plans to displace these households.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The subject development is an older property that has not previously operated under the tax credit program. The Applicant's restricted rents are at maximum program rent limits on 29 units, but below maximum limits on the remaining restricted units due to market limitations. The underwriting analysis reflects the lesser of the program maximum or the market rent conclusion of the submitted Market Study for each unit type. Tenants are not required to pay any utility costs.

The Applicant's secondary income estimate exceeds the underwriting guideline of \$15 per unit per month without further substantiation. It should be noted the development currently operates with income from additional services such as meal preparation, housecleaning and laundry. The Applicant has indicated the development will no longer provide the additional services. Therefore, the underwriting analysis includes only the maximum \$15 per unit per month guideline in secondary income. The Applicant's vacancy and collection loss assumption is in line with current Department rules and despite the differences noted above, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$4,277 is within 5% of the Underwriter's estimate of \$4,271 derived from the actual operating history of the development, the TDHCA database, and third party data sources. However, there are some line item expenses that deviate substantially from the Underwriter's estimates; particularly, general and administrative expenses (\$10K lower), payroll and payroll taxes (\$12K higher), and property taxes (\$4K higher).

The operating history of the property reflects substantially higher payroll expense. When questioned, the Applicant responded that the payroll expense will decrease due to the discontinuation of additional services such as meal preparation, housecleaning and laundry.

Conclusion:

The Applicant's effective gross income, total annual operating expense and net operating income (NOI) are each within 5% of the Underwriter's estimates. Therefore, the Applicant's NOI will be used to determine debt capacity. The proforma and proposed financing structure result in a debt coverage ratio within the Department's guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30 year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above the Applicant's base year effective gross income, expense and net operating income were utilized resulting in continued positive cashflow and a debt coverage ratio that remains above 1.15. Therefore, the development can be characterized as feasible.

The Applicant's operating proforma estimates and initial expense to income ratio is within 1% of the Departments 65% maximum and no mitigating circumstances exist in the application to support such a high figure. The Underwriter's analysis reflects a slightly lower expense estimate and an expense to income ratio which is within 25 of the maximum ratio. In both cases the development can be characterized as feasible, even if marginally so, under this criteria.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Steve Rogers Company Date: 2/28/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Land Only: 4.230 acres \$275,000 As of: 2/22/2007
 Existing Buildings: (as-is) \$1,625,000 As of: 2/22/2007
 Total Development: (as-is) \$1,900,000 As of: 2/22/2007

ASSESSED VALUE

Land Only: 4.2 acres \$147,600 Tax Year: 2006
 Existing Buildings: \$1,646,455 Valuation by: Potter/Randall CAD
 Total Assessed Value: \$1,794,055 Tax Rate: 2.53127

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 4.2
 Contract Expiration: 8/31/2007 Valid Through Board Date? Yes No
 Originally the related party purchase price was identified as \$500,000 or appraised value, but was amended on 6/22/07.
 Acquisition Cost: \$1,800,000 Other: _____
 Seller: Sears Panhandle Retirement Corp. Related to Development Team? Yes No

TITLE

Comments:

Schedule C of the title report indicates that there are existing liens as follows: Deed of Trust (with Security Agreement and Assignment of Rents and Leases) dated August 1, 1998 and recorded October 2, 1998, executed by Sears Retirement Corporation, a tax-exempt non-profit corporation incorporated under the laws of the State of Texas, to Dennis Roemlein, securing the payment of one note of even date therewith payable to Chase Bank of Texas, NA, Master Trustee, in the original principal amount of \$46,530,000 together with all indebtedness to whatever nature, secured or to be secured by said Deed of Trust. Additionally, there is a Supplement to the Deed dated May 2003 in the original principal amount of \$73,200, and a Deed of Trust Financing Statement of even date in the amount of \$43,060,000. These liens also cover other properties. There does not appear to be a payoff of these liens but the new financing is also to be provided by Chase Bank and therefore a payoff of this cross collateral debt in order to obtain additional debt does not appear likely to be required.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The seller of the subject property is related to the Applicant; therefore, the acquisition cost is limited to the lesser of the contract price, appraised value, and original acquisition plus holding costs. In this case the original acquisition plus holding costs were established by submission of a Fixed Asset Summary Report for the period ended January 31, 2007. The original asset value of \$1,500,000 for the buildings plus the itemized capital improvements were provided to support the proposed acquisition cost of \$1,800,000. Note however that the property was donated to the current owner so that the original asset value was the value of the donation but the current owner paid nothing for the property at that time. Since that time the owner has reportedly spent over \$1,600,000 on capital improvements to the property. In addition, the appraised value of \$1,900,000 supports the claimed acquisition cost. The underwriting analysis includes the full amount of the improvements which is slightly less than contract price of \$1,800,000.

The Fixed Asset Summary Report for the period ended January 31, 2007 indicates capital improvements totaling \$1,653,553. The Underwriter requested a breakdown of the timing of these improvements to determine if any significant rehabilitation had taken place in the last ten years. The Applicant confirmed that a significant portion of these costs had been incurred in the last 10 years with the most recent major improvements occurring in 1997 and 2005 (re-roofing). This calls into question the issue of the IRS rule with regards to claiming acquisition eligible basis on a development that has had substantial rehabilitation within the past 10 years.

Upon request, the Applicant submitted an opinion prepared by Novogradac and Company, LLP, Certified Public Accountants stating, "The rehabilitation cost incurred...do not affect the ability of the Partnership to claim acquisition credits on the purchase of the property...because: The Property was acquired by the [current owner] in 1993, which is after the effective date in which 'nonqualified substantial improvements' could be made by the [current owner]." TDHCA legal staff concurs with the opinion that the 10-year hold rule does not affect the subject property. The current owner could not have had "nonqualified substantial improvements" since obtaining ownership because Congress had nullified the "nonqualified substantial improvements" rule for any improvements made after 1986, several years before the current owner to ownership of the subject property.

The Appraisal determined the underlying value of the land to be \$275,000 and the tax assessed value of the land is \$147,600. Both the Applicant and the Underwriter has assumed the higher land value of \$275,000, resulting in the acquisition eligible basis of \$1,525,000 (contract price of \$1,800,000 less land value of \$275,000) for the Applicant and \$1,378,553 (total capital improvements since donation \$1,653,553 less land value of \$275,000) for the Underwriter.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework cost are minimal. The Applicant has estimated sitework costs of \$1,757 per unit, while the PCA indicates costs at \$1,269 per unit. The underwriting analysis reflects the PCA estimate.

Direct Construction Cost:

The Applicant's direct construction cost estimate is slightly less than the estimate provided in the Property Condition Assessment (PCA) report. The underwriting analysis will reflect the PCA value. It should be noted, \$1.4M of the proposed costs is for a new HVAC system for all, but the first floor. Also, the PCA's estimate of sitework plus direct construction costs is equal to the Applicant's combined estimate for those two line items.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. Eligible basis of \$1,378,553 for acquisition and \$8,224,147 for rehabilitation supports annual tax credits of \$878,781. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JP Morgan Chase Type: Interim & Permanent Financing

Interim: \$3,830,000 Interest Rate: 8.5% Floating Term: 24 months
Permanent: \$2,400,000 Interest Rate: 8.0% Fixed Amort: 360 months

Comments:

Permanent commitment includes mention of a Letter of Credit with 1% origination fee and 1% per annum.

Source: Panhandle Housing Finance Corporation Type: Interim Financing

Principal: \$472,000 Interest Rate: AFR Fixed Term: 12 months

Source: City of Amarillo -CDBG Funds Type: Grant

Principal: \$44,200 Conditions: _____

Comments:

Non-interest bearing. Repayment is not required if in compliance for 15 years.

Source: CharterMac Capital, LLC Type: Syndication

Proceeds: \$7,740,000 Syndication Rate: 88% Anticipated HTC: \$ 879,582

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$120,712 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As discussed briefly above, in the course of underwriting the development there was some concern as to whether the Applicant would be prohibited from claiming acquisition credits on the purchase of the subject property because of the IRS 10 Year Rule with regard to substantial improvements or rehabilitation. However, after research and several discussions, opinions were provided by the Applicant's CPA firm, Novogradac and Company, and by the Department's Legal Division which determined that the development is not prohibited from claiming acquisition credits. The Acquisition cost was reduced to the capital improvements on the property since donation. This is \$146,447 less than the applicant's revised figure but three times the original \$500,000 value proposed.

The Underwriter's total development cost estimate less the permanent loan of \$2,400,000 and grant of \$44,200 indicate the need for \$7,714,265 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$876,745 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$879,582), the gap-driven amount (\$876,745), and eligible basis-derived estimate (\$878,781), the gap amount of \$876,745 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter:

D. Burrell

Date: July 16, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: July 16, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: July 16, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

The Canyons Retirement Community, Amarillo, 9% HTC #07219

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WS&T
TC 30%	2	0	1	279	\$272	\$272	\$544	\$0.97	\$67.00	\$31.00
TC 30%	10	1	1	374	\$291	291	2,910	0.78	90.00	35.00
TC 60%	28	1	1	457	\$582	560	15,680	1.23	90.00	35.00
EO	1	1	1	602		600	600	1.00	90.00	35.00
TC 60%	27	1	1	625	\$582	582	15,714	0.93	90.00	35.00
TC 60%	5	1	2	708	\$582	582	2,910	0.82	90.00	35.00
TC 60%	3	2	1	638	\$699	640	1,920	1.00	112.00	37.00
TC 60%	13	2	2	703	\$699	675	8,775	0.96	112.00	37.00
TC 60%	17	2	2	788	\$699	699	11,883	0.89	112.00	37.00
MR	3	2	2	1,011		850	2,550	0.84	112.00	37.00
MR	2	2	1	1,197		850	1,700	0.71	112.00	37.00
TOTAL:	111		AVERAGE:	612		\$587	\$65,186	\$0.96	\$97.12	\$35.61

INCOME

Total Net Rentable Sq Ft: 67,987

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other: rental income, parking, storage, salon, rotary, widows group

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	3.83%	\$256	0.42	\$28,387	\$17,900	\$0.26	\$161	2.45%
Management	3.88%	259	0.42	28,804	33,000	0.49	297	4.51%
Payroll & Payroll Tax	11.47%	767	1.25	85,112	97,500	1.43	878	13.33%
Repairs & Maintenance	5.89%	394	0.64	43,708	40,000	0.59	360	5.47%
Utilities	10.11%	676	1.10	75,000	75,000	1.10	676	10.25%
Water, Sewer, & Trash	2.95%	197	0.32	21,881	15,750	0.23	142	2.15%
Property Insurance	9.43%	631	1.03	70,000	70,000	1.03	631	9.57%
Property Tax 2.53127	4.17%	278	0.45	30,907	35,000	0.51	315	4.78%
Reserve for Replacements	4.49%	300	0.49	33,300	33,600	0.49	303	4.59%
TDHCA Compliance Fees	0.57%	38	0.06	4,200	4,200	0.06	38	0.57%
Other: Security	7.12%	476	0.78	52,800	52,800	0.78	476	7.22%
TOTAL EXPENSES	63.89%	\$4,271	\$6.97	\$474,099	\$474,750	\$6.98	\$4,277	64.90%
NET OPERATING INC	36.11%	\$2,414	\$3.94	\$267,947	\$256,758	\$3.78	\$2,313	35.10%
DEBT SERVICE								
Chase Bank	28.48%	\$1,904	\$3.11	\$211,324	\$211,320	\$3.11	\$1,904	28.89%
City of Amarillo -CDBG Funds	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	7.63%	\$510	\$0.83	\$56,623	\$45,438	\$0.67	\$409	6.21%
AGGREGATE DEBT COVERAGE RATIO				1.27	1.22			
RECOMMENDED DEBT COVERAGE RATIO					1.21			

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)		16.28%	\$14,897	\$24.32	\$1,653,553	\$1,800,000	\$26.48	\$16,216	17.47%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.39%	1,269	2.07	140,807	195,055	2.87	1,757	1.89%
Direct Construction		43.43%	39,748	64.89	4,411,978	4,357,730	64.10	39,259	42.29%
Contingency	9.99%	4.48%	4,099	6.69	455,000	455,000	6.69	4,099	4.42%
Contractor's Fees	14.00%	6.27%	5,742	9.38	637,390	637,390	9.38	5,742	6.19%
Indirect Construction		8.41%	7,701	12.57	854,800	854,800	12.57	7,701	8.30%
Ineligible Costs		0.57%	522	0.85	57,997	57,997	0.85	522	0.56%
Developer's Fees	12.43%	10.45%	9,568	15.62	1,062,000	1,062,000	15.62	9,568	10.31%
Interim Financing		6.52%	5,966	9.74	662,172	662,172	9.74	5,966	6.43%
Reserves		2.19%	2,007	3.28	222,768	222,768	3.28	2,007	2.16%
TOTAL COST		100.00%	\$91,518	\$149.42	\$10,158,465	\$10,304,912	\$151.57	\$92,837	100.00%
Construction Cost Recap		55.57%	\$50,857	\$83.03	\$5,645,175	\$5,645,175	\$83.03	\$50,857	54.78%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Chase Bank	23.63%	\$21,622	\$35.30	\$2,400,000	\$2,400,000	\$2,400,000	Developer Fee Available
City of Amarillo -CDBG Funds	0.44%	\$398	\$0.65	44,200	44,200	44,200	\$1,062,000
HTC Syndication Proceeds	76.19%	\$69,730	\$113.85	7,740,000	7,740,000	7,714,265	% of Dev. Fee Deferred
Deferred Developer Fees	1.19%	\$1,087	\$1.78	120,712	120,712		0%
Additional (Excess) Funds Req'd	-1.44%	(\$1,319)	(\$2.15)	(146,447)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,158,465	\$10,304,912	\$10,158,465	\$961,702

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Canyons Retirement Community, Amarillo, 9% HTC #07219

PAYMENT COMPUTATION

Primary	\$2,400,000	Amort	360
Int Rate	8.00%	DCR	1.27

Secondary	\$44,200	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27

Additional	\$7,740,000	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$211,324
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$45,434

Primary	\$2,400,000	Amort	360
Int Rate	8.00%	DCR	1.21

Secondary	\$44,200	Amort	0
Int Rate	0.00%	Subtotal DCR	1.21

Additional	\$7,740,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.21

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	\$765,084	\$788,037	\$811,678	\$836,028	\$861,109	\$998,261	\$1,157,258	\$1,341,579	\$1,802,971
Secondary Income	0	0	0	0	0	0	0	0	0
Other: rental income, parking, :	25,740	26,512	27,308	28,127	28,971	33,585	38,934	45,135	60,658
POTENTIAL GROSS INCOME	790,824	814,549	838,985	864,155	890,079	1,031,846	1,196,192	1,386,715	1,863,629
Vacancy & Collection Loss	(59,316)	(61,091)	(62,924)	(64,812)	(66,756)	(77,388)	(89,714)	(104,004)	(139,772)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$731,508	\$753,458	\$776,061	\$799,343	\$823,323	\$954,458	\$1,106,478	\$1,282,711	\$1,723,856
EXPENSES at 4.00%									
General & Administrative	\$17,900	\$18,616	\$19,361	\$20,135	\$20,940	\$25,477	\$30,997	\$37,713	\$55,824
Management	33,000	33,990	35,010	36,060	37,142	43,058	49,916	57,866	77,767
Payroll & Payroll Tax	97,500	101,400	105,456	109,674	114,061	138,773	168,838	205,418	304,069
Repairs & Maintenance	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Utilities	75,000	78,000	81,120	84,365	87,739	106,748	129,876	158,014	233,899
Water, Sewer & Trash	15,750	16,380	17,035	17,717	18,425	22,417	27,274	33,183	49,119
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	35,000	36,400	37,856	39,370	40,945	49,816	60,609	73,740	109,153
Reserve for Replacements	33,600	34,944	36,342	37,795	39,307	47,823	58,184	70,790	104,787
Other	57,000	59,280	61,651	64,117	66,682	81,129	98,706	120,090	177,763
TOTAL EXPENSES	\$474,750	\$493,410	\$512,807	\$532,969	\$553,927	\$671,806	\$814,884	\$988,567	\$1,455,431
NET OPERATING INCOME	\$256,758	\$260,047	\$263,255	\$266,374	\$269,396	\$282,652	\$291,594	\$294,144	\$268,425
DEBT SERVICE									
First Lien Financing	\$211,324	\$211,324	\$211,324	\$211,324	\$211,324	\$211,324	\$211,324	\$211,324	\$211,324
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	\$45,434	\$48,723	\$51,930	\$55,050	\$58,072	\$71,328	\$80,270	\$82,820	\$57,101
DEBT COVERAGE RATIO	1.21	1.23	1.25	1.26	1.27	1.34	1.38	1.39	1.27

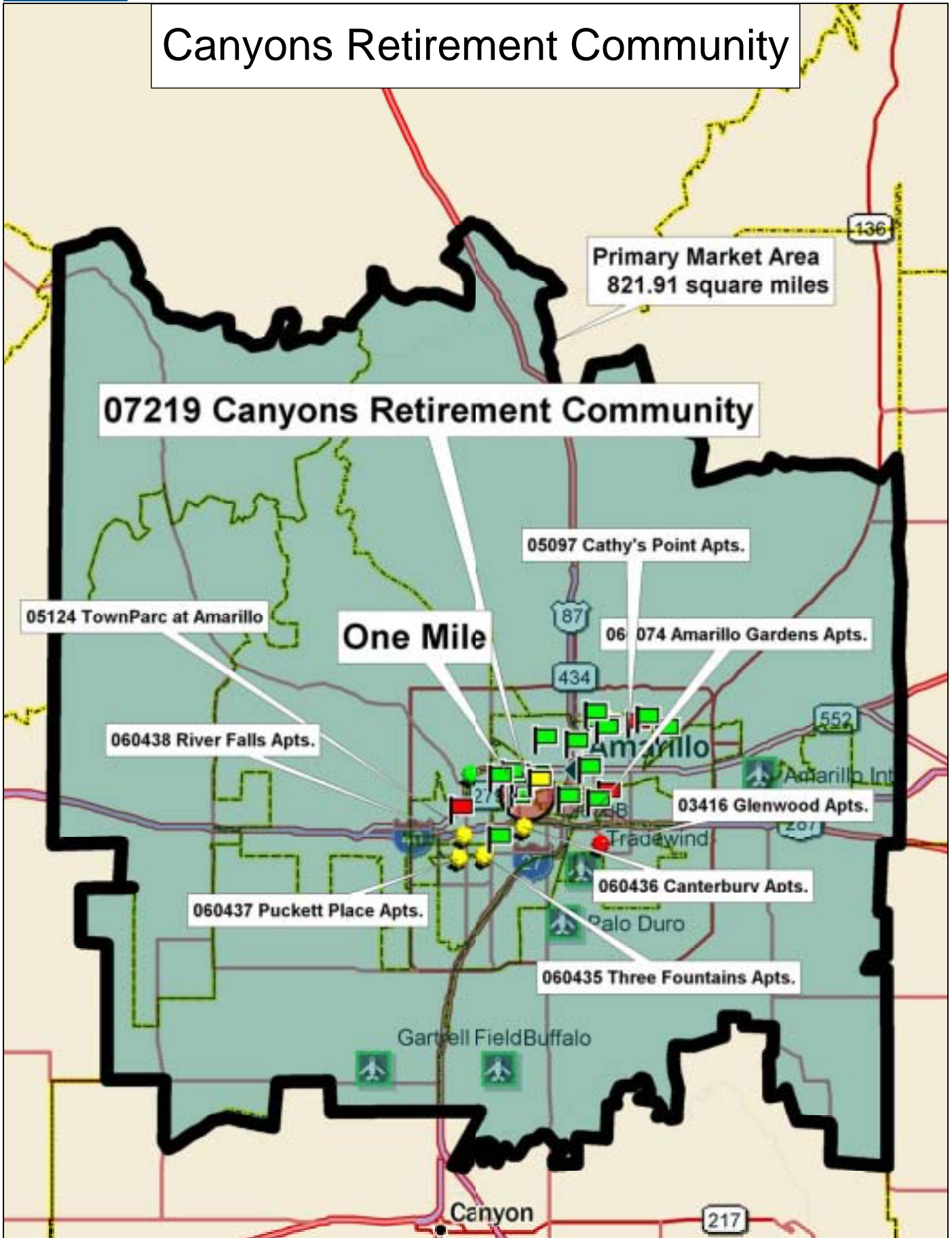
HTC ALLOCATION ANALYSIS -The Canyons Retirement Community, Amarillo, 9% HTC #07219

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
Acquisition Cost						
Purchase of land	\$275,000	\$275,000				
Purchase of buildings	\$1,525,000	\$1,378,553	\$1,525,000	\$1,378,553		
Off-Site Improvements						
Sitework						
	\$195,055	\$140,807			\$195,055	\$140,807
Construction Hard Costs						
	\$4,357,730	\$4,411,978			\$4,357,730	\$4,411,978
Contractor Fees						
	\$637,390	\$637,390			\$637,390	\$637,390
Contingencies						
	\$455,000	\$455,000			\$455,000	\$455,000
Eligible Indirect Fees						
	\$854,800	\$854,800			\$854,800	\$854,800
Eligible Financing Fees						
	\$662,172	\$662,172			\$662,172	\$662,172
All Ineligible Costs						
	\$57,997	\$57,997				
Developer Fees						
Developer Fees	\$1,062,000	\$1,062,000			\$1,062,000	\$1,062,000
Development Reserves						
	\$222,768	\$222,768				
TOTAL DEVELOPMENT COSTS	\$10,304,912	\$10,158,465	\$1,525,000	\$1,378,553	\$8,224,147	\$8,224,147

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,525,000	\$1,378,553	\$8,224,147	\$8,224,147
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,525,000	\$1,378,553	\$10,691,391	\$10,691,391
Applicable Fraction			91%	91%	91%	91%
TOTAL QUALIFIED BASIS			\$1,389,765	\$1,256,305	\$9,743,292	\$9,743,292
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$50,587	\$45,729	\$833,051	\$833,051

Syndication Proceeds	0.8799	\$445,106	\$402,363	\$7,329,815	\$7,329,815
Total Tax Credits (Eligible Basis Method)				\$883,639	\$878,781
Syndication Proceeds				\$7,774,922	\$7,732,178
Requested Tax Credits				\$879,582	
Syndication Proceeds				\$7,739,226	
Gap of Syndication Proceeds Needed				\$7,860,712	\$7,714,265
Total Tax Credits (Gap Method)				\$893,389	\$876,745

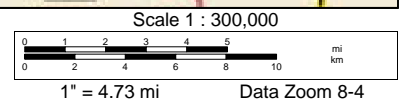
Canyons Retirement Community



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Applicant Evaluation

Project ID # **07219**

Name: **The Canyons Retirement Communi**

City: **Amarillo**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/30/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Gabriel Crossing, TDHCA Number 07220

BASIC DEVELOPMENT INFORMATION

Site Address: 1625 Loop 332 Development #: 07220
 City: Liberty Hill Region: 7 Population Served: General
 County: Williamson Zip Code: 78642 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Liberty Hill THF Housing, L.P.
 Owner Contact and Phone: Mark Mayfield (830) 693-4521
 Developer: DMA Development Company, LLC
 Housing General Contractor: Nash Builders, Ltd.
 Architect: Cameron Ahead, Architect, Inc
 Market Analyst: O' Conner & Associates
 Syndicator: Boston Capital Corporation
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	73
	8	0	0	65	Market Rate Units:	3
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	12	32	32	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	76
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$8,205,421
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	11
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$597,220	\$582,217			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Gabriel Crossing, TDHCA Number 07220

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S Points: 7 US Representative: Carter, District 31, NC
TX Representative: Gattis, District 20, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Connie Fuller, Mayor Resolution of Support from Local Government []

Individuals and Businesses In Support: 6 In Opposition 685

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Liberty Hill Community Food Bank S or O: S
The International Association of Lions Club S or O: S
Liberty Hill Chamber of Commerce S or O: S
Liberty Hill Morning Lions Club S or O: S
Liberty Community Information Center S or O: S
Over the Hill Gang S or O: S

General Summary of Comment:

Support was received from officials and civic organizations. The letter from the State Representative was received after April 2, 2007 and did not, therefore, qualify for points. Significant opposition was received from non-officials. The primary reasons cited for opposition is that a new high density development would not fit in with the current neighborhood; there is not adequate demand to support the development; the application for tax credits includes errors and omissions; support letters submitted were submitted by parties related to the real estate agent, local officials, and the land seller; the community does not contain many amenities listed in the market study and application; the market study incorrectly focuses on surrounding, larger communities, rather than Liberty Hill; the land is being sold for more than the appraised value; relationships between parties involved in the development are not properly disclosed; some costs listed in the application are inconsistent between exhibits; the development is not located within a Qualified Census Tract; and the development is not consistent with the local consolidated plan.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by commitment of confirmation of a zoning change approval to allow for the construction of the proposed development.

Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

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

Receipt of a commitment of funding from the Capital Area Housing Finance Corporation in the amount of \$415,000, or a commitment from a qualifying substitute source in an amount not less than \$410,272, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the Capital Area Housing Finance Corporation in the amount of \$415,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$164,109, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Gabriel Crossing, TDHCA Number 07220

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

Competitive Housing Tax Credits: Score: **181** Meeting a Required Set-Aside Credit Amount*: \$582,217

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: 07220

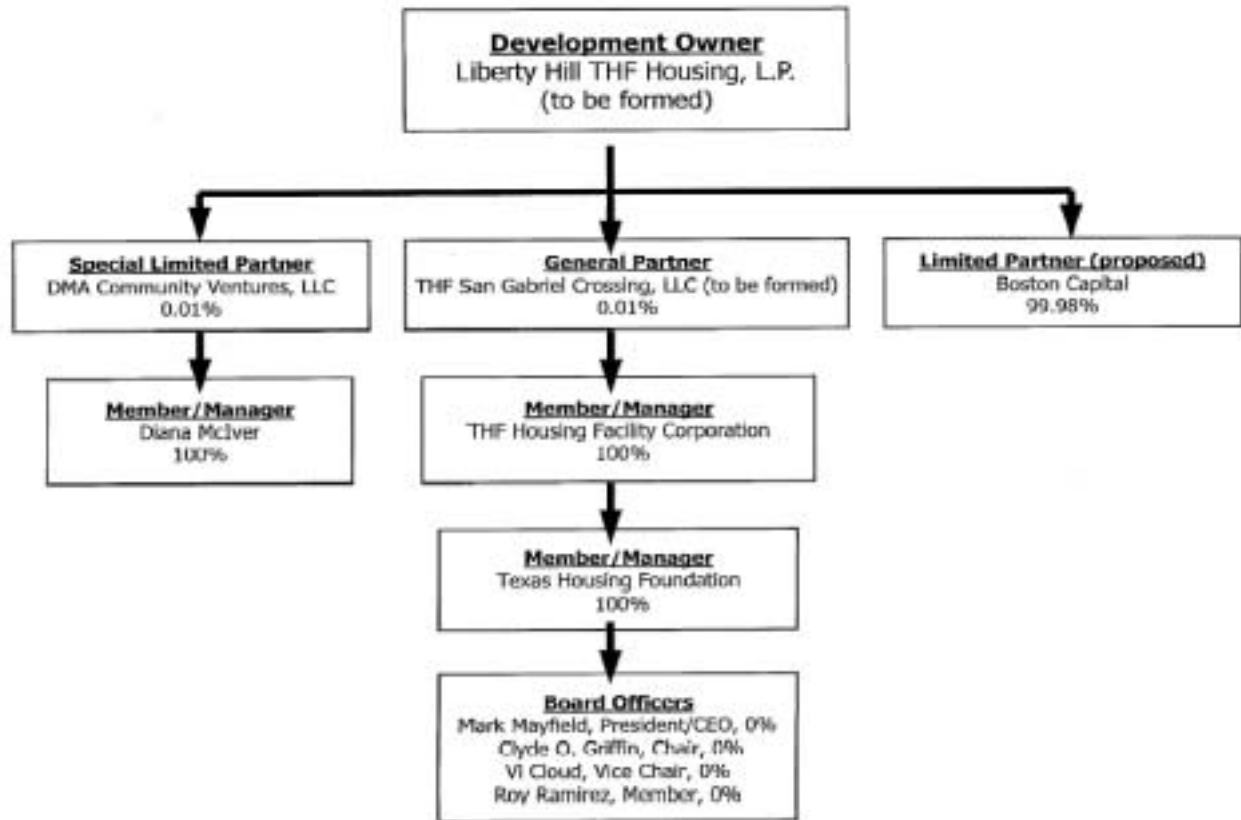
DEVELOPMENT																		
San Gabriel Crossing																		
Location: <u>1625 Loop 332</u>				Region: <u>7</u>														
City: <u>Liberty Hill</u>		County: <u>Williamson</u>		Zip: <u>78642</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Family, Rural, New Construction, USDA Allocation and Multifamily</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$597,220			\$582,217														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance by commitment of confirmation of a zoning change approval to allow for the construction of the proposed development. 2 Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">65</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	50% of AMI	65
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	50% of AMI	65																
PROS			CONS															
<p>This is the first tax credit transaction to be completed in the City of Liberty Hill.</p> <p>The development will have a competitive price advantage over other typical tax credit properties in the area since it can serve up to 60% households with 50% rents.</p> <p>The proposed interest rate subsidy strengthens the cash flow for the transaction.</p> <p>The proposed property tax exemption strengthens the cash flow for the transaction.</p>			<p>The development could be over subsidized if the requested credit amount is awarded.</p> <p>The originally proposed rents and Market Analyst's concluded restricted rents for 60% units were below the 50% calculated rent reflecting limited need for additional units affordable at 60% of AMI in this market.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Mayfield Phone: (830) 693-4521 Fax: (830) 693-5128
 Email: mmayfield@txhf.org

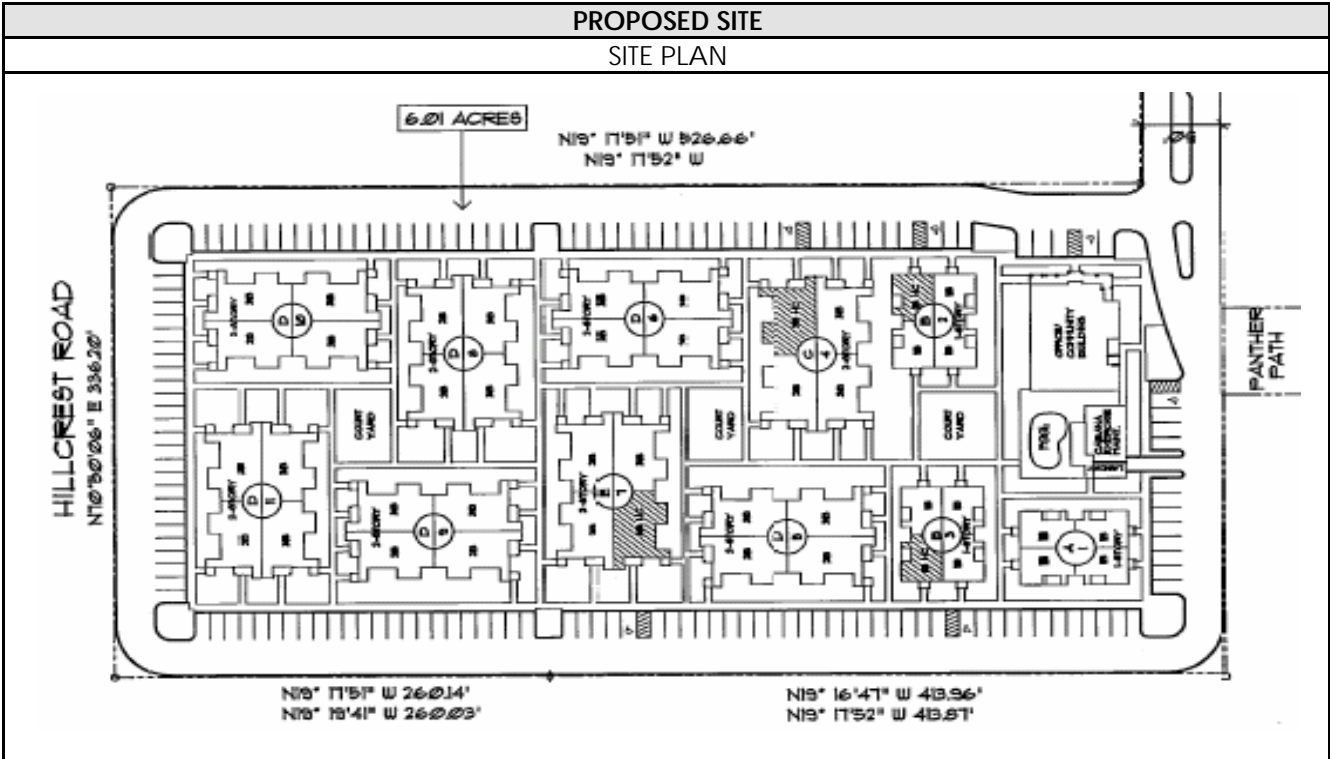
KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Texas Housing Foundation	\$210,406	(\$406,896)	8
DMA Comm Ventures, LLC	\$7,620	\$7,620	4
DMA Development Co, LLC	\$3,210,705	\$1,857,056	20
Diana McIver	Confidential		22

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Co-Developers are related entities. The Property Manager is also related to the Applicant. These are common relationships for HTC-funded developments.
 The application notes the attorney is also related to a development team member, but the relationship is not clear.



BUILDING CONFIGURATION

Building Type	A	B	C	D	E													Total Buildings
Floors/Stories	1	1	2	2	2													
Number	1	2	1	6	1													11

BR/BA	SF	Units										Total Units	Total SF
1/1	675	4	4									12	8,100
2/1	930			4	4	4						32	29,760
3/2	1,120			4	4	4						32	35,840
Units per Building		4	4	8	8	8						76	73,700

SITE ISSUES

Total Size: 6.01 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: SF 2 Needs to be re-zoned? Yes No N/A

Comments:
The Applicant has made request for change of zoning to "MF" Multifamily Residential. Receipt, review and acceptance by commitment of confirmation of a zoning change approval to allow for the construction of the proposed development is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/2/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Single-Family residential East: Residential with minor agricultural use
 South: Single-Family residential West: Light Commercial with a large barn

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: CR Solutions Environmental Science Date: 2/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 3/13/2007

Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 1 Date of Last Applicant Revision: 5/2/2007

Primary Market Area (PMA): 231.45 square miles (1 8.5 miles radius)

The subject's primary market is defined as that area within the following geographic boundaries: Zip Codes 78641 and 78642, which is roughly: Williamson County line to the west; CR 236 to the north; CR 905 Big Creek, the San Gabriel River, and the eastern Williamson County line to the east; and Cypress Creek and FM 1431 to the south. (p. 10)

Secondary Market Area (SMA):

Because the supply of complexes within the PMA is so limited, we have analyzed the larger submarket which includes the Far NW sector and the Cedar Park/Leander sector. (p. 10)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS	
PMA	SMA
N/A	N/A

INCOME LIMITS						
Williamson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
60	\$29,880	\$34,140	\$17,480	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Income Limit	26	3	0	29	3	0	10.4%
1BR/60% Income Limit	35	3	0	38	9	0	23.4%
2BR/30% Income Limit	18	1	0	19	3	0	15.7%
2BR/60% Income Limit	49	4	0	53	28	0	53.3%
3BR/30% Income Limit	3	0	0	3	2	0	59.9%
3BR/60% Income Limit	9	1	0	10	28	0	275.6%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 73	100%	13,364	94%	12,596	Included in Tenure%	15%	1,849	70%	1,294	
Underwriter	100%	14,100	94%	13,289	26%	3,420	60%	2,043	70%	1,430
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 73			94%	694	Included in Tenure%	15%	102	100%	102	
Underwriter			94%	733	26%	178	60%	106	100%	106

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 74	73	0	0	73	1,396	5.23%
Underwriter	73	0	0	73	1,537	4.75%

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 89% to 98%, with a median occupancy of 94.40%. The average occupancy for comparable apartments in the submarkets containing the subject's primary market area was reported at 94.07% in the most recent O'ConnorData survey (February 2007)." (p. 42)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease to stabilized occupancy within six to eight months following completion of the construction." (p. 89)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 675 SF (30%)	\$299	\$346	\$655	\$346	\$309	
1 BR 675 SF (50%)	\$590	\$612	\$655	\$611	\$44	
1 BR 675 SF (60%)	\$590	\$746	\$655	\$611	\$44	
2 BR 930 SF (30%)	\$411	\$411	\$795	\$411	\$384	
2 BR 930 SF (50%)	\$700	\$731	\$795	\$731	\$64	
2 BR 930 SF (60%)	\$700	\$891	\$795	\$731	\$64	
2 BR 930 SF MR	\$775	n/a	\$795	\$775	\$20	
3 BR 1,120 SF (30%)	\$471	\$472	\$975	\$472	\$503	
3 BR 1,120 SF (50%)	\$800	\$841	\$975	\$841	\$134	
3 BR 1,120 SF (60%)	\$800	\$1,026	\$975	\$841	\$134	
3 BR 1,120 SF MR	\$875	n/a	\$975	\$875	\$100	

The underwriting rents are typically derived from the lesser of the market study achievable rent or the maximum tax credit income restricted rent. In this case the Market Analyst did not initially derive a market rent for similarly restricted units but suggests the unrestricted market rent is well above the restricted rent affordable for households earning 60% of the area median income. The Market Analyst also provided rent structures for several restricted properties in the surrounding area. The most comparable of these were considered by the Underwriter in calculating the rents achievable for units restricted to be affordable at 60% of AMI. The rents achieved for the one and three bedroom units at Cedar Park Apartments and the two bedroom units at Lakeline Apartments provided an upward limit. The Applicant's rents for the unrestricted units are higher than these affordable rents but less than the Market Analyst's conclusions.

The Market Analyst subsequently provided a supplemental letter that included a set of rent comparison grids specifically for restricted comparable rents and concluded the Applicant's original rents were appropriate. All of these rents however are below the 50% rent and therefore development would be considered infeasible for lack of demand for 60% units pursuant to the 10 TAC § 1.32 (i)(3) and would not be recommended for funding. After being informed of the Department's concern in this regard, the Applicant provided a revised rent schedule where all of the 60% units were converted to units restricted to rents at the 50% of AMGI level, while income limits remained at 60%. As this is an acceptable mitigation under the rule, the development can be recommended for funding.

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 89)

Comments:

The Underwriter found the market study provided sufficient information on the market area but it leads to a conclusion that the subject should not be recommended for funding unless the rents at the development are restricted to not more than the 50% area median income level.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/22/2007

The Applicant's rent projections are significantly lower than the maximum 60% rents allowed under program guidelines and more modestly under the 50% rent limit. As discussed above, the Underwriter utilized the lesser of the maximum achievable rent in the market or the maximum tax credit rent, adjusted by the Applicant to be restricted at the 50% of AMI level for the affordability period. As a result the Underwriter's potential gross income is \$39K more than the Applicant's. The development could provide an additional \$133K in potential gross income if the Maximum 60% tax credit rents could be achieved.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. However, as a result of the difference in anticipated rents collected, the Applicant's effective gross income projection is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/22/2007

The Applicant's total annual operating expense projection at \$3,836 per unit is within 5% of the Underwriter's estimate of \$3,772, derived from the TDHCA database and third-party data sources including the sponsors two other similar developments. The Applicant's budget, however, shows three line items that deviate significantly from the Underwriter's estimate: repairs and maintenance (\$6K higher), utilities (\$4K higher) and insurance (\$5K lower).

The underwriting analysis assumes the development will have no property tax expense because the Applicant will lease the property from Texas Housing Foundation (the Principal of the General Partner) which is a regional housing authority and, therefore, exempt from property taxes. The Applicant also provided a legal opinion indicating that San Gabriel Crossing will qualify for an exemption as a result of this lease structure. This will save the development approximately \$800 per unit per year in operating expenses.

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 (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year 1 proforma will be used to evaluate debt service capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and adjusted loan amount were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	9.43 acres	\$73,612	Tax Year:	2006
1 acre:		\$7,810	Valuation by:	Williamson CAD
Prorata Land:	6.01 acres	\$46,938	Tax Rate:	2.461257

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 6

Contract Expiration: 8/31/2007 Valid Through Board Date? Yes No
The GP will ultimately acquire the property and
Acquisition Cost: \$420,000 Other: lease it back to the partnership

Seller: Gary & Juanita K. Jackson Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$69,884 per acre or \$5,526 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant is ultimately going to lease the property from the General Partner and compensate the housing authority up front for the acquisition price. A nominal annual rental fee will also be paid.

Off-Site Cost:

The Applicant claimed off-site costs of \$6,900 for a sewer extension of 300 feet and provided sufficient third party certification through Cameron Alread, a registered architect.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$44.2K or within 5% of the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,333,191 supports annual tax credits of \$600,020. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/29/2007

Source:	<u>Lancaster Pollard Mortgage Company</u>	Type:	<u>Interim to Permanent Financing</u>		
Principal:	<u>\$1,500,000</u>	Interest Rate:	<u>5.00%</u>	<input checked="" type="checkbox"/> Fixed	Term: <u>360</u> months
Principal:	<u>\$1,466,000</u>	Interest Rate:	<u>7.50%</u>	<input checked="" type="checkbox"/> Fixed	Term: <u>360</u> months

Comments:

The permanent debt will be structured in two portions with financing arranged through Lancaster Pollard. An interest rate credit through the USDA 538 program also provides a guarantee to the lender. The interest rate on the first \$1,500,000 will be lowered to the Long Term Applicable Federal Rate (AFR), which was estimated to be 5% as of the date of the lender's proposal for financing. The AFR for May 2007 is 4.79% and this rate will be used to underwrite the first portion of the debt. While a deeper rent subsidy could be achieved, doing so could jeopardize the eligibility of the 9% credit. USDA approval of the subsidy is a condition of this report. The remaining debt will carry an interest rate of 7.5%. Both portions of the debt will be amortized over 30 years.

Source: City of Liberty Hill Type: Grant

Principal: \$6,900 Conditions: _____

Comments:

The city of Liberty Hill has committed to extend the city sewer lines to the site as an off-site development cost contribution.

Source: Boston Capital Type: Syndication

Proceeds: \$5,195,230 Syndication Rate: 87% Anticipated HTC: \$ 597,220

Comments:

A replacement reserve at \$333 per unit is required. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$37,291 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis indicates that an increase of \$174,706 in the permanent loan amount can be safely predicted and serviced at a 1.35 DCR. Thus the combined primary permanent debt could increase to \$3,140,706 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the revised permanent loan and in-kind contributions from the city for off-site utility extension indicates the need for \$5,064,715 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$582,217 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request of \$597,220, the gap-driven amount of \$582,217, and eligible basis-derived estimate of \$600,020, the gap-driven amount of \$582,217 is recommended.

The Applicant initially anticipated the need to defer \$37,291 in developer fee, but based on the Underwriter's analysis, there will not be a need to defer a portion of the developer fee.

Underwriter: _____ Date: June 22, 2007
Carl Hoover

Reviewing Underwriter: _____ Date: June 22, 2007
Lisa Vecchiatti

Director of Real Estate Analysis: _____ Date: June 22, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

San Gabriel Crossing, Liberty Hill, 9% HTC #07220

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	675	\$400	\$346	\$1,038	\$0.51	\$54.00	\$47.00
TC50%r60%gi	9	1	1	675	\$666	611	5,499	0.91	54.00	47.00
TC 30%	3	2	2	930	\$480	411	1,233	0.44	69.00	54.00
TC50%r60%gi	28	2	2	930	\$800	731	20,468	0.79	69.00	54.00
MR	1	2	2	930		775	775	0.83	69.00	54.00
TC 30%	2	3	2	1,120	\$555	472	944	0.42	83.00	63.00
TC50%r60%gi	28	3	2	1,120	\$924	841	23,548	0.75	83.00	63.00
MR	2	3	2	1,120		875	1,750	0.78	83.00	63.00
TOTAL:	76		AVERAGE:	970		\$727	\$55,255	\$0.75	\$72.53	\$56.68

INCOME				Total Net Rentable Sq Ft:	73,700	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$663,060	\$634,884	Williamson	Austin	7
Secondary Income		Per Unit Per Month:	\$10.00			9,120	9,120	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$672,180	\$644,004			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(50,414)	(48,300)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$621,767	\$595,704			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.03%	\$411	0.42			\$31,247	\$31,500	\$0.43	\$414	5.29%
Management	5.00%	409	0.42			31,088	30,000	0.41	395	5.04%
Payroll & Payroll Tax	12.62%	1,032	1.06			78,462	79,200	1.07	1,042	13.30%
Repairs & Maintenance	6.10%	499	0.51			37,951	44,100	0.60	580	7.40%
Utilities	2.62%	214	0.22			16,263	20,000	0.27	263	3.36%
Water, Sewer, & Trash	6.35%	519	0.54			39,458	39,500	0.54	520	6.63%
Property Insurance	2.90%	237	0.24			18,009	13,000	0.18	171	2.18%
Property Tax	2.461257	0.00%	0	0.00		0	0	0.00	0	0.00%
Reserve for Replacements	4.07%	333	0.34			25,308	25,308	0.34	333	4.25%
TDHCA Compliance Fees	0.47%	38	0.04			2,920	2,920	0.04	38	0.49%
Other: Supp Serv., Cable	0.96%	79	0.08			6,000	6,000	0.08	79	1.01%
TOTAL EXPENSES	46.11%	\$3,772	\$3.89			\$286,706	\$291,528	\$3.96	\$3,836	48.94%
NET OPERATING INC	53.89%	\$4,409	\$4.55			\$335,060	\$304,176	\$4.13	\$4,002	51.06%
DEBT SERVICE										
Lancaster Pollard @ 5%	15.54%	\$1,271	\$1.31			\$96,628	\$222,235	\$3.02	\$2,924	37.31%
Lancaster Pollard @ 7.5%	19.78%	\$1,618	\$1.67			123,006		\$0.00	\$0	0.00%
USDA FEE	2.39%	\$196	\$0.20			14,880	14,880	\$0.20	\$196	2.50%
NET CASH FLOW	16.17%	\$1,323	\$1.36			\$100,547	\$67,061	\$0.91	\$882	11.26%
AGGREGATE DEBT COVERAGE RATIO						1.43	1.28			
RECOMMENDED DEBT COVERAGE RATIO						1.35				

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)		5.22%	\$5,566	\$5.74	\$423,050	\$423,050	\$5.74	\$5,566	5.16%
Off-Sites		0.09%	91	0.09	6,900	6,900	0.09	91	0.08%
Sitework		8.44%	9,000	9.28	684,000	684,000	9.28	9,000	8.34%
Direct Construction		48.27%	51,503	53.11	3,914,266	3,958,500	53.71	52,086	48.24%
Contingency	5.00%	2.84%	3,025	3.12	229,913	230,125	3.12	3,028	2.80%
Contractor's Fees	14.00%	7.94%	8,470	8.73	643,757	649,950	8.82	8,552	7.92%
Indirect Construction		7.42%	7,913	8.16	601,416	601,416	8.16	7,913	7.33%
Ineligible Costs		2.15%	2,293	2.36	174,280	174,280	2.36	2,293	2.12%
Developer's Fees	15.00%	11.70%	12,488	12.88	949,103	955,200	12.96	12,568	11.64%
Interim Financing		3.13%	3,342	3.45	254,000	254,000	3.45	3,342	3.10%
Reserves		2.81%	2,999	3.09	227,952	268,000	3.64	3,526	3.27%
TOTAL COST		100.00%	\$106,693	\$110.02	\$8,108,637	\$8,205,421	\$111.34	\$107,966	100.00%
Construction Cost Recap		67.48%	\$71,999	\$74.25	\$5,471,936	\$5,522,575	\$74.93	\$72,665	67.30%

SOURCES OF FUNDS					RECOMMENDED			
Lancaster Pollard @ 5%	18.50%	\$19,737	\$20.35		\$1,500,000	\$1,500,000	\$1,500,000	Developer Fee Available
Lancaster Pollard @ 7.5%	18.08%	\$19,289	\$19.89		1,466,000	1,466,000	1,640,706	\$955,200
CapArea HFC-Grant					6,900	6,900	0	
HTC Syndication Proceeds	64.07%	\$68,358	\$70.49		5,195,230	5,195,230	5,064,715	% of Dev. Fee Deferred
Deferred Developer Fees	0.46%	\$491	\$0.51		37,291	37,121	0	0%
Additional (Excess) Funds Req'd	-1.19%	(\$1,273)	(\$1.31)		(96,784)	170	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$8,108,637	\$8,205,421	\$8,205,421	\$2,106,193

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Gabriel Crossing, Liberty Hill, 9% HTC #07220

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.05	\$4,057,411
Adjustments				
Exterior Wall Finish	6.00%		\$3.30	\$243,445
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.06	152,153
Roofing			0.00	0
Subfloor			(1.40)	(103,202)
Floor Cover			2.43	179,091
Breezeways/Balconies	\$21.66	14,923	4.38	323,158
Plumbing Fixtures	\$805	76	0.83	61,180
Rough-ins	\$400	76	0.41	30,400
Built-In Appliances	\$1,850	76	1.91	140,600
Interior Stairs	\$1,485	32	0.64	47,520
Enclosed Corridors	\$45.13		0.00	0
Heating/Cooling			2.24	165,088
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.99	3,469	3.11	228,902
Other: fire sprinkler	\$1.95	73,700	1.95	143,715
SUBTOTAL			76.93	5,669,460
Current Cost Multiplier	0.98		(1.54)	(113,389)
Local Multiplier	0.87		(10.00)	(737,030)
TOTAL DIRECT CONSTRUCTION COSTS			\$65.39	\$4,819,041
Plans, specs, survy, bld prn	3.90%		(\$2.55)	(\$187,943)
Interim Construction Interes	3.38%		(2.21)	(162,643)
Contractor's OH & Profit	11.50%		(7.52)	(554,190)
NET DIRECT CONSTRUCTION COSTS			\$53.11	\$3,914,266

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	360
Int Rate	5.00%	DCR	3.47

Secondary	\$1,466,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.53

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$95,531
Secondary Debt Service	137,665
Additional Debt Service	14,880
NET CASH FLOW	\$86,985

Primary	\$1,500,000	Amort	360
Int Rate	4.90%	DCR	3.51

Secondary	\$1,640,706	Amort	360
Int Rate	7.50%	Subtotal DCR	1.44

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$663,060	\$682,952	\$703,440	\$724,544	\$746,280	\$865,143	\$1,002,938	\$1,162,680	\$1,562,544
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	672,180	692,345	713,116	734,509	756,545	877,042	1,016,733	1,178,672	1,584,036
Vacancy & Collection Loss	(50,414)	(51,926)	(53,484)	(55,088)	(56,741)	(65,778)	(76,255)	(88,400)	(118,803)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$621,767	\$640,419	\$659,632	\$679,421	\$699,804	\$811,264	\$940,478	\$1,090,271	\$1,465,233
EXPENSES at 4.00%									
General & Administrative	\$31,247	\$32,497	\$33,797	\$35,149	\$36,555	\$44,475	\$54,110	\$65,833	\$97,450
Management	31,088	32,021	32,982	33,971	34,990	40,563	47,024	54,514	73,262
Payroll & Payroll Tax	78,462	81,600	84,864	88,259	91,789	111,676	135,871	165,307	244,695
Repairs & Maintenance	37,951	39,469	41,047	42,689	44,397	54,016	65,718	79,956	118,355
Utilities	16,263	16,914	17,591	18,294	19,026	23,148	28,163	34,265	50,720
Water, Sewer & Trash	39,458	41,036	42,678	44,385	46,160	56,161	68,329	83,132	123,056
Insurance	18,009	18,729	19,478	20,257	21,067	25,632	31,185	37,941	56,162
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	25,308	26,320	27,373	28,468	29,607	36,021	43,825	53,320	78,927
Other	8,920	9,277	9,648	10,034	10,435	12,696	15,447	18,793	27,818
TOTAL EXPENSES	\$286,706	\$297,864	\$309,458	\$321,506	\$334,027	\$404,387	\$489,671	\$593,062	\$870,445
NET OPERATING INCOME	\$335,060	\$342,556	\$350,174	\$357,915	\$365,777	\$406,877	\$450,806	\$497,209	\$594,789
DEBT SERVICE									
First Lien Financing	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531
Second Lien	137,665	137,665	137,665	137,665	137,665	137,665	137,665	137,665	137,665
Other Financing	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880	14,880
NET CASH FLOW	\$86,985	\$94,480	\$102,099	\$109,839	\$117,701	\$158,802	\$202,731	\$249,134	\$346,713
DEBT COVERAGE RATIO	1.35	1.38	1.41	1.44	1.47	1.64	1.82	2.00	2.40

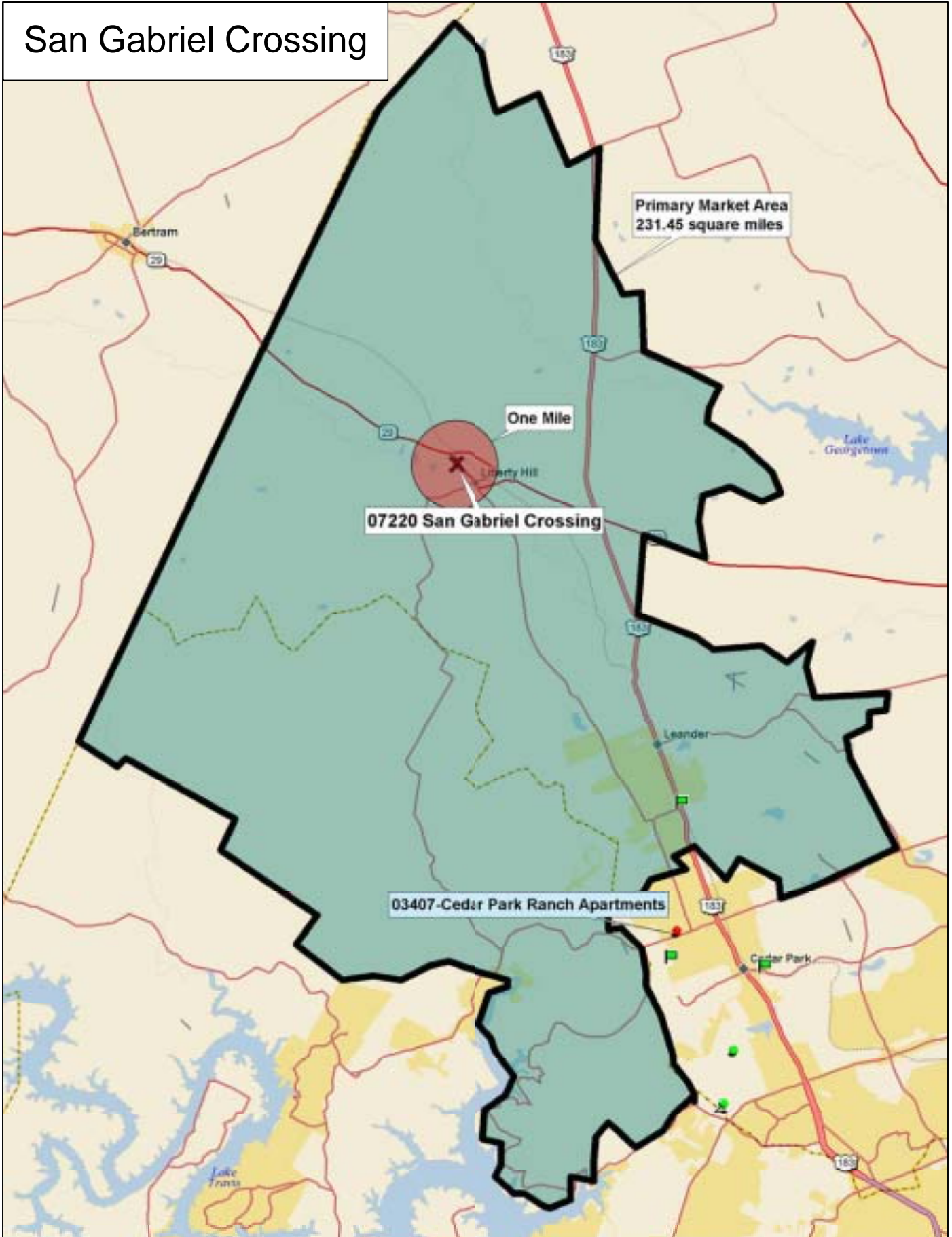
HTC ALLOCATION ANALYSIS -San Gabriel Crossing, Liberty Hill, 9% HTC #07220

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$423,050	\$423,050		
Purchase of buildings				
Off-Site Improvements	\$6,900	\$6,900		
Sitework	\$684,000	\$684,000	\$684,000	\$684,000
Construction Hard Costs	\$3,958,500	\$3,914,266	\$3,958,500	\$3,914,266
Contractor Fees	\$649,950	\$643,757	\$649,950	\$643,757
Contingencies	\$230,125	\$229,913	\$230,125	\$229,913
Eligible Indirect Fees	\$601,416	\$601,416	\$601,416	\$601,416
Eligible Financing Fees	\$254,000	\$254,000	\$254,000	\$254,000
All Ineligible Costs	\$174,280	\$174,280		
Developer Fees				
Developer Fees	\$955,200	\$949,103	\$955,200	\$949,103
Development Reserves	\$268,000	\$227,952		
TOTAL DEVELOPMENT COSTS	\$8,205,421	\$8,108,637	\$7,333,191	\$7,276,455

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,333,191	\$7,276,455
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$7,333,191	\$7,276,455
Applicable Fraction			96%	96%
TOTAL QUALIFIED BASIS			\$7,017,774	\$6,963,479
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$600,020	\$595,377

Syndication Proceeds	0.8699	\$5,219,585	\$5,179,201
Total Tax Credits (Eligible Basis Method)		\$600,020	\$595,377
Syndication Proceeds		\$5,219,585	\$5,179,201
Requested Tax Credits		\$597,220	
Syndication Proceeds		\$5,195,230	
Gap of Syndication Proceeds Needed		\$5,064,715	
Total Tax Credits (Gap Method)		\$582,217	

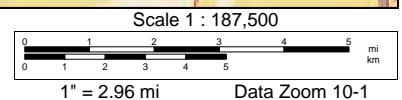
San Gabriel Crossing



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www.delorme.com



Applicant Evaluation

Project ID # **07220**

Name: **San Gabriel Crossing**

City: **Liberty Hill**

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

Total # of Projects monitored: 23
 Projects zero to nine: 21
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 1

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 23
 # not yet monitored or pending review: 6

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Riverbend Trails, TDHCA Number 07222

BASIC DEVELOPMENT INFORMATION

Site Address: Intersection of Surber Dr. & Rio Concho Dr. Development #: 07222
 City: San Angelo Region: 12 Population Served: Elderly
 County: Tom Green Zip Code: 76903 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: San Angelo Riverbend Trails Housing, L.P.
 Owner Contact and Phone: Diana McIver (512) 328-3232
 Developer: DMA Development Company, LLC
 Housing General Contractor: G.G. MacDonald, Inc
 Architect: Chiles Architects, Inc.
 Market Analyst: Mark C. Temple & Associates, LLC
 Syndicator: Boston Capital Corporation
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	96
	10 0 0 86	Market Rate Units:	4
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 72 28 0 0 0	Total Development Units:	100
Type of Building:		Total Development Cost*:	\$9,069,403
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$901,200	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Riverbend Trails, TDHCA Number 07222

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, S Points: 7 US Representative: Conaway, District 11, NC
TX Representative: Darby, District 72, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 10 In Opposition 12

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Santa Fe Computer Club S or O: S
First Christian Church S or O: S
Concho Valley Regional Food Bank S or O: S
55 Plus S or O: S
Adult Day Care of San Angelo S or O: S
San Angelo Police Department S or O: S
Area Agency on Aging of the Concho Valley S or O: S
Senior Services Division S or O: S

General Summary of Comment:

There was support from officials, civic organizations and mixed support/opposition from non-officials, with a majority of non-officials opposing the development. The primary reasons for opposition against the development are that there is already an abundance of low-income rentals that are vacant, it will decrease property values, it will increase traffic congestion, and overcrowd schools.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance at commitment of evidence of appropriate zoning for the proposed development or a variance from the City.

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

Receipt of a commitment of funding from the City of San Angelo in the amount of \$200,000, and from the Concho Valley Council of Governments Housing Finance Corporation in the amount of \$260,000, or a commitment from a qualifying substitute source in an amount not less than \$453,471, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the City of San Angelo in the amount of \$200,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$164,109, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Riverbend Trails, TDHCA Number 07222

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

Competitive Housing Tax Credits: Score: **198** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region. In addition, an award of this application would result in a violation of the \$2M limit.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/17/07

PROGRAM: 9% HTC

FILE NUMBER: 07222

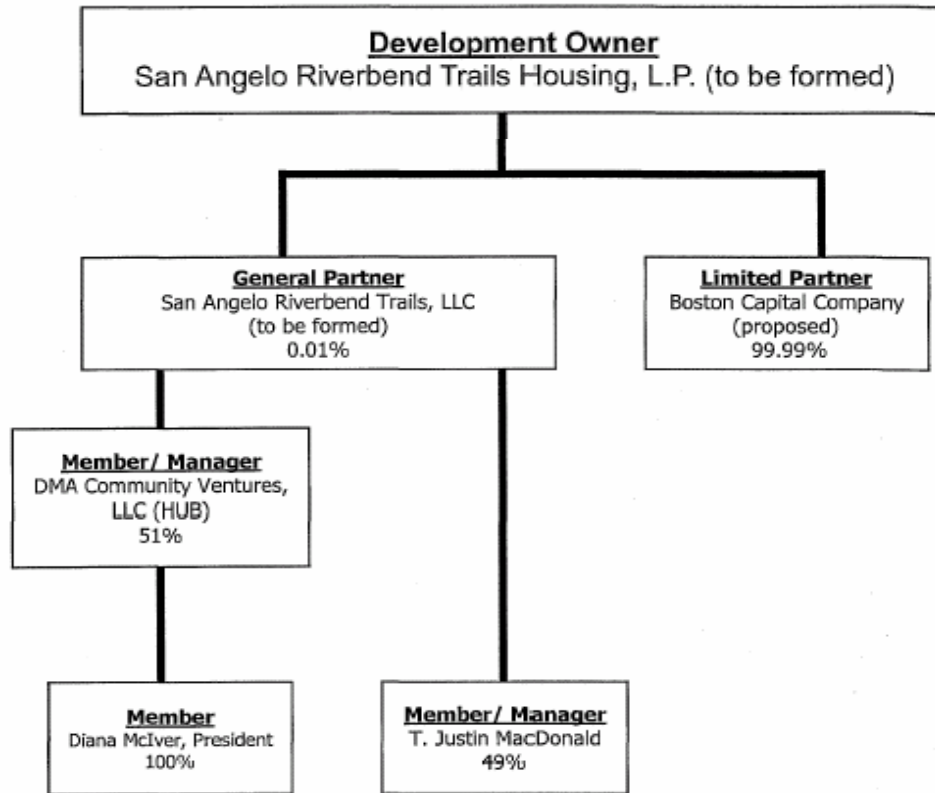
DEVELOPMENT																		
Riverbend Trails																		
Location: <u>600 Block of Rio Concho Drive</u>				Region: <u>12</u>														
City: <u>San Angelo</u>		County: <u>Tom Green</u>		Zip: <u>76903</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Elderly, Urban/Exurban, New Construction</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$901,200			\$893,976														
CONDITIONS																		
1 Receipt, review, and acceptance of evidence of appropriate zoning for the proposed development or a variance from the City. 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/allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">86</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	10	60% of AMI	60% of AMI	86
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	10																
60% of AMI	60% of AMI	86																
PROS			CONS															
<p>This will be the first new construction tax credit transaction in San Angelo in 10 years and the first new elderly tax credit transaction in the county.</p> <p>The development team is experienced with the development of LIHTC multifamily properties throughout Texas.</p>			<p>The Applicant's high expense to income ratio is less than 1% lower than the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable.</p> <p>The Applicant's anticipated syndication proceeds as a percentage of total cost (83%) is higher than typical due to the 130% DDA boost, deep rent targeting, low syndication rate and high estimated permanent interest rate.</p> <p>The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Diana McIver Phone: 512.328.3232 x65 Fax: 512.328.4584
 Email: dianam@mciver.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
DMA Community Ventures	\$7,620	\$7,620	N/A
DMA Development Company	\$3,210,705	\$1,857,056	N/A
Diana McIver	Confidential		14 LIHTC Developments
T Justin MacDonald	Confidential		10 LIHTC Developments

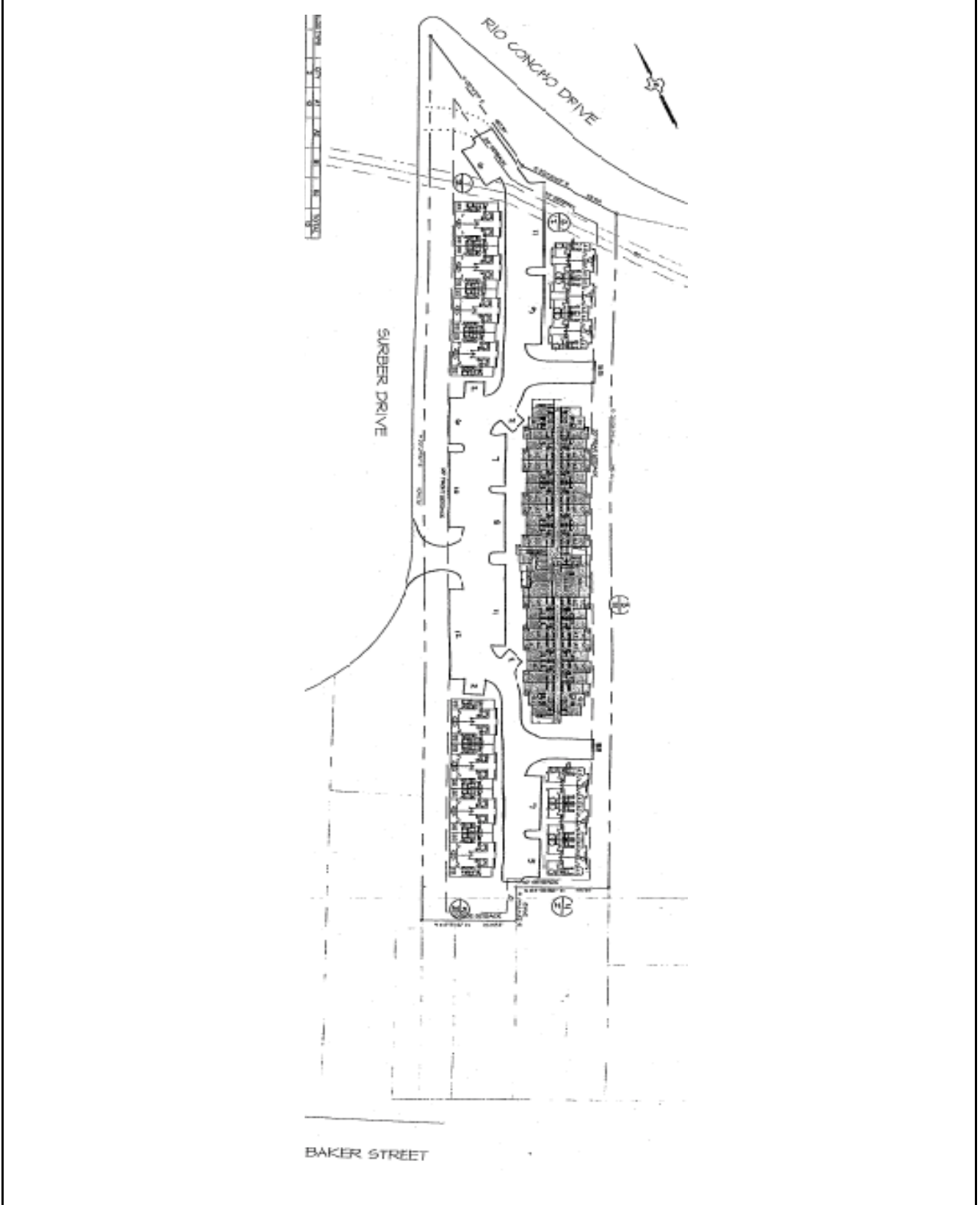
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III									Total Buildings
Floors/Stories	3	1	1									
Number	1	2	2									5

BR/BA	SF	Units										Total Units	Total SF
1/1	717	60										60	43,020
1/1	750		6									12	9,000
2/1	950	12										12	11,400
2/2	982			8								16	15,712
Units per Building	72	6	8									100	79,132

SITE ISSUES

Total Size: 4.121 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: RS-1/RM-1 Needs to be re-zoned? Yes No N/A
 Comments:

Zoning: A portion of the site is currently zoned RS-1 (Single Family Residential) and the remaining portion of the site is zoned RM-1 (Low-Rise Multifamily). The site is not zoned for the proposed development. The Applicant has indicated that they have submitted application for a zoning change to the City of San Angelo. Receipt, review, and acceptance of evidence of appropriate zoning for the proposed development or a variance from the City is a condition of this report.

TDHCA SITE INSPECTION

Inspector: TDHCA Manufactured Housing Date: 5/22/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Rio Concho Drive / N Concho River East: healthcare center / residential
 South: Baker St / Residential West: Surber Dr / convention center

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TriCo Inspecting Service, Inc Date: 2/15/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 No items of concern were identified.

MARKET HIGHLIGHTS

Provider: Mark C Temple & Associates Date: 10/31/2006
 Contact: Mark C Temple Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: 1 Date of Last Applicant Revision: 5/18/2007
 Primary Market Area (PMA): 1537 Square Miles ¹ 22.12 Mile Radius
 "The primary or defined market area for the Riverbend Trails Senior Apartments is considered the San Angelo CCD, which includes the City of San Angelo and is comprised of the following Zip Codes: 76901, 76903, 76904, 76905, and 76908" (p. II-1). The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.
 Secondary Market Area (SMA):
 The Market Analyst did not use a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Tom Green						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,350	\$11,800	\$13,300	\$14,750	\$15,950	\$17,100
60	\$20,640	\$23,580	\$26,520	\$29,460	\$31,800	\$34,200

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	236	49	0	285	6	0	2%
1 BR/ 60% Rent Limit	436	49	0	485	64	0	13%
2 BR/ 30% Rent Limit	188	49	0	237	4	0	2%
2 BR/ 60% Rent Limit	430	49	0	479	22	0	5%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. IX-3	38%	14,730	100%	14,730	28%	4,065	36%	1,464	84%	1,225
Underwriter	38%	15,084	100%	15,084	33%	4,969	36%	1,808	23%	420
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. IX-2			100%	354	28%	98	36%	35	100%	35
Underwriter			100%	185	33%	61	36%	22	100%	22

The Market Analyst did not provide a calculated turnover demand in line with Department guidelines. The Analyst derived a demand figure based on rent overburdened households within the PMA. A detailed breakdown of the calculation used to derive this demand figure was not provided. In the above table, the Underwriter treated the Analyst's rent overburdened figures as demand from turnover and used the Market Analyst's adjustment rates detailed for growth demand to back into the turnover rate that would be required in order to derive this amount of demand. As indicated, based on the demographics in the market study, a turnover rate of approximately 84% would be required. This level of turnover is above the extreme high end of typical turnover rates.

While the Market Analyst's demand calculations are not in line with Department guidelines, the Underwriter has calculated turnover demand using turnover from the other tax credit properties in this market and the Market Analyst's demographics. Based upon these calculations, there is sufficient demand for the proposed development.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. IX-4	96	0	0	96	1,260	7.62%
Underwriter	96	0	0	96	442	21.73%

Primary Market Occupancy Rates:

The current occupancy within the PMA ranges from 95% to 100% with a mean of 97.7% (p. VII-2).

Absorption Projections:

"Based upon current positive multi-family indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+ percent occupancy level can be achieved in a 7 to 10 month time frame" (p. IX-5).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 717 SF 30%	\$175	\$188	\$550	\$188	\$362		
1 BR 717 SF 60%	\$438	\$464	\$550	\$464	\$86		
1 BR 750 SF 60%	\$438	\$464	\$550	\$464	\$86		
1 BR 750 SF MR	\$470	N/A	\$550	\$470	\$80		
2 BR 950 SF 30%	\$204	\$221	\$605	\$221	\$384		
2 BR 950 SF 60%	\$520	\$552	\$605	\$552	\$53		
2 BR 982 SF 60%	\$520	\$552	\$605	\$552	\$53		
2 BR 982 SF MR	\$550	N/A	\$605	\$552	\$53		

The original market study did not provide a rent comparison grid to derive the market rent for the proposed two bedroom unit. The Underwriter requested an addendum to include a market rent for the two bedroom units. However, the Market Analyst responded with a reference to the average rental rate for two bedroom units in the market that was provided in the market study.

Pursuant to the 2007 Real Estate Analysis Rules and Guidelines §1.33(d)(10)(B)(iii), "Rent Adjustments. In support of the Market Rent and Restricted Market Rent conclusions, provide a separate attribute adjustment matrix for each proposed unit type by number of bedrooms and rental restriction category."

The Market Analyst did not provide an adjustment matrix and did not make any adjustments for the characteristics of the units used. The Market Analyst stated that there are no elderly developments with two bedroom units. However, it is standard practice for market analysts to use units at non-elderly developments, units of a different size, or units within another similar market provided that the appropriate adjustments are made and supported by narrative. Due to the Analyst's resistance to complying with the guidelines, the Underwriter has assumed the average rent for two bedroom units at market rate properties in the PMA is sufficient. This market study should be more thoroughly reviewed for conformance with Department requirements and a conference held with the Market Analyst after the 9% HTC underwriting cycle is completed.

Market Impact:

"The primary source for potential resident demand for the subject project will be derived from new household growth and turnover in existing older units. ... In addition, the continued upward trend in market rents with vacancy rates in the immediate market area at approximately 2.3% for senior units will facilitate demand for the subject project" (p. IX-6).

Comments:

The market study was not performed in accordance with the Department's guidelines. However, using the demographics provided by the Market Analyst, the Underwriter has determined that there is sufficient demand for the proposed development within the subject market.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected net rents are the 2006 program maximum rents less the current utility allowances maintained by the San Angelo Housing Authority. The Underwriter's used the 2007 gross program rents, which are achievable according to the Market Analyst. The Applicant's rent level for the Market Rate two-bedroom unit is less than the 2007 program gross rent level. The Underwriter used the Applicant's rent for the Market Rate one-bedroom units and the program gross rent for the Market Rate two-bedroom unit. The maximum tax credit rents are being achieved for two-bedroom units at other HTC properties in this market according to information entered by the owner in the Department's compliance database.

The Underwriter's use of the updated program rents results in a \$30K difference in potential gross rent. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. As a result of the difference in net rents, the Applicant's estimate of effective gross income is not within 5% of the Underwriter's estimate. Tenants will be responsible for electric utility costs.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,196 per unit is not within 5% of the Underwriter's estimate of \$3,372 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of certain line items are significantly different from the Underwriter's, including: general and administrative expense (\$18K lower); payroll and payroll tax (\$21K higher); and repairs and maintenance (\$9K lower).

The Applicant provided an insurance quote from Galloway Insurance Agency indicating an annual insurance premium of \$36,200 for the proposed development. Additionally, the Applicant provided a letter from Property Tax Advocates, Inc that provides "reasonable estimate" of property tax for the subject of \$43,000 annually using a 10% cap rate. The estimate is based on the provider's opinion and experience. The development has been underwritten using the Underwriter's original property tax estimate using the standard underwriting methodology which is within \$2,000 of the Applicant's estimate. However, the Underwriter used the Applicant's insurance quote.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the Department's current maximum of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum.

Both the Applicant and Underwriter's expense to income ratios are marginally below the Department's 65% maximum. A reduction in the Underwriter's rents or increase in Applicant's expenses would suggest that this development would not meet the expense to income standard and would not be predicted to sustain periods of expense growth with flat rents. Nonetheless the development is marginally below the standard and therefore can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 4.13 acres	\$44,450	Tax Year:	2006
Existing Buildings:	\$0	Valuation by:	Tom Green CAD
Total Assessed Value:	\$44,450	Tax Rate:	2.81285

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 4.121

Contract Expiration: 9/1/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$296,193 Other: \$1.65 per square foot

Seller: Jem Properties, Inc ("Jem") Related to Development Team? Yes No

Comments:
Jem owns 2.24 acres and has 1.88 acres under contract; The Applicant has indicated the current owner of the 1.88 acres is also not related to any members of the development team

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:
The site cost of \$65,322 per acre or \$3,012 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant provided a Purchase Option to support the acquisition cost. Of note, Jem Properties, a third party, currently owns 2.24 acres of the proposed site. The remaining 1.88 acres is currently under contract from a third-party for \$65,000 or \$34,574 per acre. This indicates a substantial premium of \$31K per acre by Jem for the sale of the 1.88 acre portion of the property to the partnership.

Sitework Cost:
The Applicant's claimed sitework costs of \$8,976 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:
The Applicant's direct construction cost estimate is \$208K or 5% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:
The Applicant's contingency is \$59 above the 5% maximum. Therefore, the excess will be shifted to ineligible costs and the Applicant's eligible basis will be reduced accordingly.

Conclusion:
The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$8,519,151 supports annual tax credits of \$905,453. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: City of San Angelo Type: Interim Financing

Principal: \$200,000 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

The Applicant has indicated their intent to apply for a construction loan from the City of San Angelo that will carry an interest rate equal to AFR and a term of 12 months. The Applicant has not yet applied to the City, and therefore, the terms have not yet been confirmed. The Underwriter has assumed the Applicant's anticipated terms.

Source: Concho Valley Housing Finance Corp Type: Interim Financing

Principal: \$260,000 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

The Applicant has indicated their intent to apply for a construction loan from the Concho Valley Housing Finance Corporation that will carry an interest rate equal to floating AFR and a term of 12 months.

Source: Boston Capital Type: Interim to Permanent Financing

Interim: \$4,350,000 Interest Rate: 8.50% Fixed Term: 24 months

Permanent: \$1,400,000 Interest Rate: 8.50% Fixed Amort: 360 months

Comments:

The interest rate on the term sheet is at high end of current interest rate proposals and any decrease in the rate would increase the debt service capacity for the transaction and reduce the amount of syndication proceeds needed and thereby lower the recommended tax credit amount.

Source: Boston Capital Type: Syndication

Proceeds: \$7,659,434 Syndication Rate: 85% Anticipated HTC: \$ 901,200

Comments:

The commitment indicated a \$250 per unit per year replacement reserve requirement. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$9,970 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,471,371 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

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MULTIFAMILY COMPARATIVE ANALYSIS

Riverbend Trails, San Angelo, 9% HTC #07222

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	717	\$276	\$188	\$1,128	\$0.26	\$88.00	\$40.00
TC 60%	54	1	1	717	\$552	464	25,056	0.65	88.00	40.00
TC 60%	10	1	1	750	\$552	464	4,640	0.62	88.00	40.00
MR	2	1	1	750		470	940	0.63	88.00	40.00
TC 30%	4	2	1	950	\$332	221	884	0.23	111.00	44.00
TC 60%	8	2	1	950	\$663	552	4,416	0.58	111.00	44.00
TC 60%	14	2	2	982	\$663	552	7,728	0.56	111.00	44.00
MR	2	2	2	982		552	1,104	0.56	111.00	44.00
TOTAL:	100		AVERAGE:	791		\$459	\$45,896	\$0.58	\$94.44	\$41.12

INCOME				Total Net Rentable Sq Ft:	79,132	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$550,752	\$520,536	Tom Green		12
Secondary Income		Per Unit Per Month:	\$10.00			12,000	12,000	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$562,752	\$532,536			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(42,206)	(39,940)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$520,546	\$492,596			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.03%	\$314	0.40		\$31,400	\$13,500	\$0.17	\$135	2.74%
Management		5.00%	260	0.33		26,027	24,750	0.31	248	5.02%
Payroll & Payroll Tax		13.48%	702	0.89		70,180	91,100	1.15	911	18.49%
Repairs & Maintenance		7.24%	377	0.48		37,712	28,425	0.36	284	5.77%
Utilities		4.56%	238	0.30		23,757	17,000	0.21	170	3.45%
Water, Sewer, & Trash		6.91%	360	0.45		35,950	31,000	0.39	310	6.29%
Property Insurance		6.95%	362	0.46		36,200	36,000	0.45	360	7.31%
Property Tax	2.81285	7.90%	411	0.52		41,124	43,000	0.54	430	8.73%
Reserve for Replacements		4.80%	250	0.32		25,000	25,000	0.32	250	5.08%
TDHCA Compliance Fees		0.74%	38	0.05		3,840	3,840	0.05	38	0.78%
Other: Cable/Supp Services		1.15%	60	0.08		6,000	6,000	0.08	60	1.22%
TOTAL EXPENSES		64.78%	\$3,372	\$4.26		\$337,191	\$319,615	\$4.04	\$3,196	64.88%
NET OPERATING INC		35.22%	\$1,834	\$2.32		\$183,354	\$172,981	\$2.19	\$1,730	35.12%
DEBT SERVICE										
Boston Capital First Lien		24.82%	\$1,292	\$1.63		\$129,177	\$129,200	\$1.63	\$1,292	26.23%
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		10.41%	\$542	\$0.68		\$54,177	\$43,781	\$0.55	\$438	8.89%
AGGREGATE DEBT COVERAGE RATIO						1.42	1.34			
RECOMMENDED DEBT COVERAGE RATIO						1.35				

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)		3.43%	\$3,012	\$3.81	\$301,193	\$301,193	\$3.81	\$3,012	3.32%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		10.21%	8,976	11.34	897,565	897,565	11.34	8,976	9.90%	
Direct Construction		48.31%	42,453	53.85	4,245,344	4,453,250	56.28	44,533	49.10%	
Contingency	5.00%	2.93%	2,571	3.25	257,145	267,600	3.38	2,676	2.95%	
Contractor's Fees	14.00%	8.19%	7,200	9.10	720,007	746,200	9.43	7,462	8.23%	
Indirect Construction		4.92%	4,323	5.46	432,295	432,295	5.46	4,323	4.77%	
Ineligible Costs		0.67%	590	0.75	59,000	59,000	0.75	590	0.65%	
Developer's Fees	15.00%	12.23%	10,745	13.58	1,074,548	1,111,000	14.04	11,110	12.25%	
Interim Financing		6.96%	6,113	7.73	611,300	611,300	7.73	6,113	6.74%	
Reserves		2.16%	1,900	2.40	190,000	190,000	2.40	1,900	2.09%	
TOTAL COST		100.00%	\$87,884	\$111.06	\$8,788,398	\$9,069,403	\$114.61	\$90,694	100.00%	
Construction Cost Recap		69.64%	\$61,201	\$77.34	\$6,120,061	\$6,364,615	\$80.43	\$63,646	70.18%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
Boston Capital First Lien		15.93%	\$14,000	\$17.69	\$1,400,000	\$1,400,000	\$1,471,371		Developer Fee Available	
Additional Financing		0.00%	\$0	\$0.00	0	0	0		\$1,111,000	
Boston Capital Syndication		87.15%	\$76,594	\$96.79	7,659,433	7,659,433	7,598,032		% of Dev. Fee Deferred	
Deferred Developer Fees		0.11%	\$100	\$0.13	9,970	9,970	0		0%	
Additional (Excess) Funds Req'd		-3.20%	(\$2,810)	(\$3.55)	(281,005)	0	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$8,788,398	\$9,069,403	\$9,069,403		\$919,745	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Riverbend Trails, San Angelo, 9% HTC #07222

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.42	\$4,306,082
Adjustments				
Exterior Wall Finish	2.40%		\$1.31	\$103,346
Elderly	3.00%		1.63	129,182
9-Ft. Ceilings	3.00%		1.63	129,182
Roofing			0.00	0
Subfloor			(1.22)	(96,145)
Floor Cover			2.43	192,291
Breezeways/Balconies	\$24.01	12,618	3.83	302,895
Plumbing Fixtures	\$805	48	0.49	38,640
Rough-ins	\$400	100	0.51	40,000
Built-In Appliances	\$1,850	100	2.34	185,000
Exterior Stairs	\$1,800	6	0.14	10,800
Enclosed Corridors	\$44.50	5496	3.09	244,552
Heating/Cooling			1.90	150,351
Elevator	\$52,750	1	0.67	52,750
Comm &/or Aux Bldgs	\$64.74	4,309	3.53	278,965
Other: fire sprinkler	\$1.95	79,132	1.95	154,307
SUBTOTAL			78.63	6,222,198
Current Cost Multiplier	0.98		(1.57)	(124,444)
Local Multiplier	0.86		(11.01)	(871,108)
TOTAL DIRECT CONSTRUCTION COSTS			\$66.05	\$5,226,647
Plans, specs, survy, bld prm	3.90%		(\$2.58)	(\$203,839)
Interim Construction Interest	3.38%		(2.23)	(176,399)
Contractor's OH & Profit	11.50%		(7.60)	(601,064)
NET DIRECT CONSTRUCTION COSTS			\$53.65	\$4,245,344

PAYMENT COMPUTATION

Primary	\$1,400,000	Amort	360
Int Rate	8.50%	DCR	1.42

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.42

Additional		Amort	
Int Rate		Aggregate DCR	1.42

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$135,763
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$47,591

Primary	\$1,471,371	Amort	360
Int Rate	8.50%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$550,752	\$567,275	\$584,293	\$601,822	\$619,876	\$718,606	\$833,062	\$965,747	\$1,297,883
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	562,752	579,635	597,024	614,934	633,382	734,264	851,213	986,789	1,326,162
Vacancy & Collection Loss	(42,206)	(43,473)	(44,777)	(46,120)	(47,504)	(55,070)	(63,841)	(74,009)	(99,462)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$520,546	\$536,162	\$552,247	\$568,814	\$585,879	\$679,194	\$787,372	\$912,780	\$1,226,700
EXPENSES at 4.00%									
General & Administrative	\$31,400	\$32,656	\$33,963	\$35,321	\$36,734	\$44,693	\$54,375	\$66,156	\$97,927
Management	26,027	26,808	27,612	28,441	29,294	33,960	39,369	45,639	61,335
Payroll & Payroll Tax	70,180	72,988	75,907	78,943	82,101	99,889	121,530	147,860	218,868
Repairs & Maintenance	37,712	39,221	40,790	42,421	44,118	53,676	65,305	79,454	117,611
Utilities	23,757	24,707	25,696	26,724	27,792	33,814	41,140	50,053	74,090
Water, Sewer & Trash	35,950	37,388	38,884	40,439	42,057	51,169	62,254	75,742	112,117
Insurance	36,200	37,648	39,154	40,720	42,349	51,524	62,687	76,268	112,895
Property Tax	41,124	42,769	44,479	46,258	48,109	58,532	71,213	86,641	128,250
Reserve for Replacements	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Other	9,840	10,234	10,643	11,069	11,511	14,005	17,040	20,731	30,688
TOTAL EXPENSES	\$337,191	\$350,419	\$364,168	\$378,458	\$393,312	\$476,843	\$578,204	\$701,215	\$1,031,748
NET OPERATING INCOME	\$183,354	\$185,743	\$188,079	\$190,356	\$192,567	\$202,351	\$209,168	\$211,565	\$194,952
DEBT SERVICE									
First Lien Financing	\$135,763	\$135,763	\$135,763	\$135,763	\$135,763	\$135,763	\$135,763	\$135,763	\$135,763
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$47,591	\$49,980	\$52,316	\$54,593	\$56,804	\$66,588	\$73,405	\$75,802	\$59,189
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.40	1.42	1.49	1.54	1.56	1.44

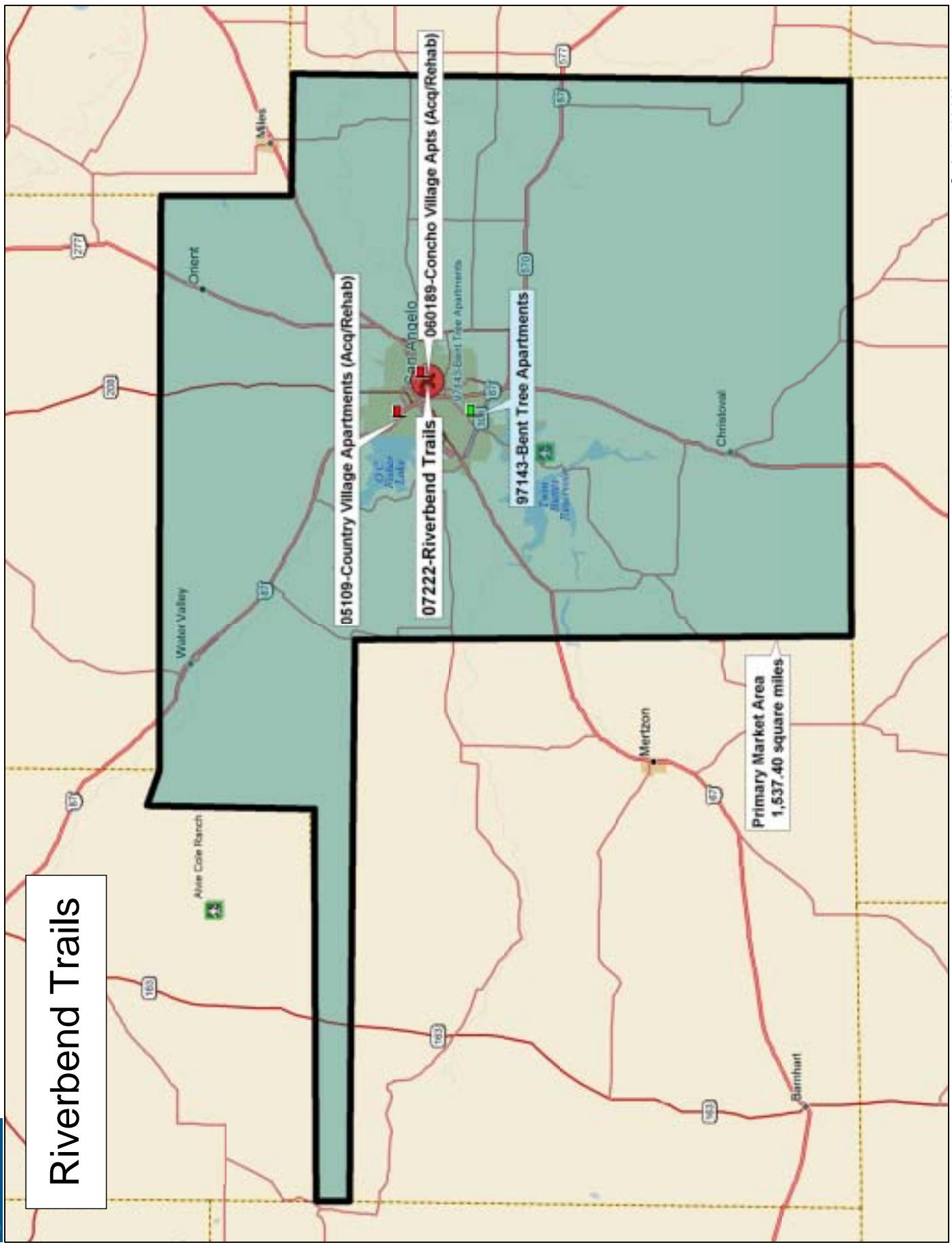
HTC ALLOCATION ANALYSIS -Riverbend Trails, San Angelo, 9% HTC #07222

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$301,193	\$301,193		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$897,565	\$897,565	\$897,565	\$897,565
Construction Hard Costs	\$4,453,250	\$4,245,344	\$4,453,250	\$4,245,344
Contractor Fees	\$746,200	\$720,007	\$746,200	\$720,007
Contingencies	\$267,600	\$257,145	\$267,541	\$257,145
Eligible Indirect Fees	\$432,295	\$432,295	\$432,295	\$432,295
Eligible Financing Fees	\$611,300	\$611,300	\$611,300	\$611,300
All Ineligible Costs	\$59,000	\$59,000		
Developer Fees				
Developer Fees	\$1,111,000	\$1,074,548	\$1,111,000	\$1,074,548
Development Reserves	\$190,000	\$190,000		
TOTAL DEVELOPMENT COSTS	\$9,069,403	\$8,788,398	\$8,519,151	\$8,238,205

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$8,519,151	\$8,238,205
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$11,074,896	\$10,709,666
Applicable Fraction			96%	96%
TOTAL QUALIFIED BASIS			\$10,590,093	\$10,240,851
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$905,453	\$875,593

Syndication Proceeds	0.8499	\$7,695,580	\$7,441,794
Total Tax Credits (Eligible Basis Method)		\$905,453	\$875,593
Syndication Proceeds		\$7,695,580	\$7,441,794
Requested Tax Credits		\$901,200	
Syndication Proceeds		\$7,659,434	
Gap of Syndication Proceeds Needed		\$7,598,032	
Total Tax Credits (Gap Method)		\$893,976	

Riverbend Trails

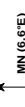


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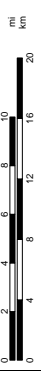
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TN



Scale 1 : 500,000



1" = 7.89 mi

Data Zoom 8-6

Applicant Evaluation

Project ID # **07222**

Name: **Riverbend Trails**

City: **San Angelo**

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

Total # of Projects monitored: 21
 Projects zero to nine: 17
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 1

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 21
 # not yet monitored or pending review: 9

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Shady Oaks Apartments, TDHCA Number 07223

BASIC DEVELOPMENT INFORMATION

Site Address: 501 Janis Dr. Development #: 07223
 City: Georgetown Region: 7 Population Served: General
 County: Williamson Zip Code: 78628 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Shady Oaks GHA Housing, L.P.
 Owner Contact and Phone: Naomi Walker (512) 863-5565
 Developer: Georgetown Housing Authority
 Housing General Contractor: Campbell Hogue Construction Associates, LLP
 Architect: 1113 Architects, Inc.
 Market Analyst: O' Conner & Associates
 Syndicator: CharterMac Capital
 Supportive Services: To Be Determined
 Consultant: Diana McIver & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	60
	6	0	43	11	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	24	26	8	2	0

Type of Building:

<input checked="" type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Total Development Units:	60
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$5,063,865
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	30
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	31

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis*</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
Competitive Housing Tax Credit Amount:	\$369,110	\$369,110			
HOME Activity Fund Amount:	\$600,000	\$600,000	40	40	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Shady Oaks Apartments, TDHCA Number 07223

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S Points: 7 US Representative: Carter, District 31, NC
TX Representative: Gattis, District 20, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Shady Oaks Tenant Association, Cynthia Ybarra Letter Score: 12 S or O: S

The Shady Oaks Apartments are in dire need of renovations and these needs to be done as quickly as possible.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from one official and from an unqualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance of a copy of the current HAP contract with documentation verifying the assumed Contract rents by 10% test and a copy of the new to-be-executed HAP contract with the potential for re-evaluation by cost certification.

Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm.

Without the HOME funds or an equivalent funding source, the development would be considered infeasible based on its inability to repay deferred developer fees within 15-years of stabilized operation and a tax credit allocation would not be recommended.

Receipt, review, and acceptance by 10% test of documentation of the lease identified in the title report between the Housing Authority and the Williamson County Housing Development Corporation and/or documentation regarding how this lease will impact the transaction.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Shady Oaks Apartments, TDHCA Number 07223

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

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$369,110

Recommendation: Competitive in At-Risk Set-Aside.

HOME Activity Funds: Loan Amount: \$600,000

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report **Addendum**

REPORT DATE: 07/21/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07223

DEVELOPMENT

Shady Oaks Apartments

Location: 501 Janis Drive Region: 7
 City: Georgetown County: Williamson Zip: 78628 QCT DDA
 Key Attributes: Multifamily, Family, Urban/Exurban, At-Risk/Preservation, Acquisition-Rehab.

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$600,000	0%	40/40 ¹	\$600,000	0.00%	40/40²
Housing Tax Credit (Annual)	\$369,110			\$369,110		

¹ Requested no payments until maturity 10 years after first is fully amortized
² Can service fully amortizing with payments due monthly after the construction is completed

CONDITIONS

- 1 Receipt, review and acceptance of a copy of the current HAP contract with documentation verifying the assumed Contract rents by 10% test and a copy of the new to-be-executed HAP contract with the potential for re-evaluation by cost certification.
- 2 Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm.
- 3 Without the HOME funds or an equivalent funding source, the development would be considered infeasible based on its inability to repay deferred developer fees within 15-years of stabilized operation and a tax credit allocation would not be recommended.
- 4 Receipt, review, and acceptance by 10% test of documentation of the lease identified in the title report between the Housing Authority and the Williamson County Housing Development Corporation and/or documentation regarding how this lease will impact the transaction.
- 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 and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	43
60% of AMI	60% of AMI	17
TDHCA SET-ASIDES for HOME LURA		
50% of AMI	Low HOME	31

PROS

The development plan call for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

This application represents an opportunity to revitalize a 30-year-old Housing Authority-owned property.

CONS

At the proposed rents, the HOME debt could not be replaced by additional conventional debt or additional deferral of developer fees and be repayable within the Department's Rules and timeframes.

The Applicant's high expense to income ratio is less than 1% of the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable.

ADDENDUM

In response to a HOME deficiency for points, the Applicant submitted a revised rent schedule and confirmed the number of HOME assisted units should have been 31. Low HOME units can exceed the low HOME rent when there is project based rental subsidy as long as the tenant pays no more than the Low HOME rent, however the Final HOME rule does not allow High HOME rents to have the same characteristic and thus the total achieved rent for High HOME unit can never exceed the High HOME rent even when the High HOME rent is limited to a dramatically lower HUD determined fair market rent. The Applicant has therefore chosen to restrict all of the HOME assisted units as Low HOME units targeting 50% income and rents. Since all of the units are assisted with a section 8 contract the achievable rent will not be impacted and no other changes to the original underwriting analysis are necessary.

Director of Real Estate Analysis:

Tom Gouris

Date:

July 21, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC50%/LH/S8	6	1	1	570	\$666	\$363	\$2,178	\$0.64	\$52.00	\$51.00
TC50%/LH/S8	14	1	1	570	\$666	377	5,278	0.66	52.00	51.00
TC60%/S8	4	1	1	570	\$800	377	1,508	0.66	65.00	59.00
TC30%/LH/S8	6	2	1	720	\$480	415	2,490	0.58	65.00	59.00
TC50%/S8	18	2	1	720	\$800	415	7,470	0.58	65.00	59.00
TC60%/S8	2	2	1	720	\$960	430	860	0.60	78.00	68.00
TC50%/LH/S8	1	3	1	936	\$924	524	524	0.56	78.00	68.00
TC50%/LH/S8	3	3	1	936	\$1,109	524	1,572	0.56	78.00	68.00
TC60%/S8	4	3	1	936	\$0	524	2,096	0.56	78.00	68.00
TC50%/LH/S8	1	4	1.5	1,200	\$1,237	580	580	0.48	96.00	80.00
TC60%/S8	1	4	1.5	1,200	\$0	580	580	0.48	96.00	80.00
TOTAL:	60		AVERAGE:	705		\$419	\$25,136	\$0.59	\$63.87	\$58.53

INCOME		Total Net Rentable Sq Ft:	42,288	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$301,632	\$301,632	Williamson	Austin	7
Secondary Income	Per Unit Per Month:	\$15.00		10,800	10,800	\$15.00	Per Unit Per Month	
Other Support Income:				0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$312,432	\$312,432			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(23,432)	(23,436)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				\$289,000	\$288,996			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	9.17%	\$442	0.63	\$26,510	\$13,850	\$0.33	\$231	4.79%
Management	5.00%	241	0.34	14,450	14,300	0.34	238	4.95%
Payroll & Payroll Tax	19.11%	920	1.31	\$55,227	81,400	1.92	1,357	28.17%
Repairs & Maintenance	6.67%	321	0.46	19,262	11,850	0.28	198	4.10%
Utilities	1.22%	59	0.08	3,528	3,700	0.09	62	1.28%
Water, Sewer, & Trash	8.33%	401	0.57	24,066	33,500	0.79	558	11.59%
Property Insurance	3.32%	160	0.23	9,602	6,000	0.14	100	2.08%
Property Tax	2.491937	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	6.23%	300	0.43	18,000	18,000	0.43	300	6.23%
TDHCA Compliance Fees	0.83%	40	0.06	2,400	2,400	0.06	40	0.83%
Other: Supp. Serv.	0.83%	40	0.06	2,400	2,400	0.06	40	0.83%
TOTAL EXPENSES	60.71%	\$2,924	\$4.15	\$175,445	\$187,400	\$4.43	\$3,123	64.85%
NET OPERATING INC	39.29%	\$1,893	\$2.69	\$113,555	\$101,596	\$2.40	\$1,693	35.15%

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
JP Morgan Chase	29.03%	\$1,398	\$1.98	\$83,906	\$84,000	\$1.99	\$1,400	29.07%
TDHCA - HOME	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	10.26%	\$494	\$0.70	\$29,649	\$17,596	\$0.42	\$293	6.09%
AGGREGATE DEBT COVERAGE RATIO				1.35	1.21			
RECOMMENDED DEBT COVERAGE RATIO				1.15				

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT		\$585,000	\$585,000	\$13.83	\$9,750	11.55%
Off-Sites		0.00%	0	0.00		0	0	0.00	0	0.00%
Sitework		4.04%	3,408	4.83		204,450	99,450	2.35	1,658	1.96%
Direct Construction		46.48%	39,229	55.66		2,353,765	2,458,765	58.14	40,979	48.56%
Contingency	10.00%	4.84%	4,083	5.79		245,000	245,000	5.79	4,083	4.84%
Contractor's Fees	14.00%	7.07%	5,969	8.47		358,150	358,150	8.47	5,969	7.07%
Indirect Construction		5.84%	4,925	6.99		295,500	295,500	6.99	4,925	5.84%
Ineligible Costs		0.93%	788	1.12		47,300	47,300	1.12	788	0.93%
Developer's Fees	14.98%	11.16%	9,417	13.36		565,000	565,000	13.36	9,417	11.16%
Interim Financing		6.23%	5,258	7.46		315,500	315,500	7.46	5,258	6.23%
Reserves		1.86%	1,570	2.23		94,200	94,200	2.23	1,570	1.86%
TOTAL COST		100.00%	\$84,398	\$119.75		\$5,063,865	\$5,063,865	\$119.75	\$84,398	100.00%
Construction Cost Recap		62.43%	\$52,689	\$74.76		\$3,161,365	\$3,161,365	\$74.76	\$52,689	62.43%

SOURCES OF FUNDS						RECOMMENDED		
JP Morgan Chase	19.75%	\$16,667	\$23.65	\$1,000,000	\$1,000,000	\$1,000,000	Developer Fee Available	
TDHCA - HOME	11.85%	\$10,000	\$14.19	600,000	600,000	600,000	\$565,000	
HTC Syndication Proceeds	65.60%	\$55,361	\$78.55	3,321,656	3,321,656	3,321,656	% of Dev. Fee Deferred	
Deferred Developer Fees	2.81%	\$2,370	\$3.36	142,209	142,209	142,209	25%	
Additional (Excess) Funds Req'd	0.00%	\$0	\$0.00	0	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$5,063,865	\$5,063,865	\$5,063,865	\$390,318	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

PAYMENT COMPUTATION

Primary	\$1,000,000	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	\$600,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$83,906
TDHCA - HOME	15,000
Additional Debt Service	0
NET CASH FLOW	\$14,649

Primary	\$1,000,000	Amort	360
Int Rate	7.50%	DCR	1.353

Secondary	\$600,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$301,632	\$310,681	\$320,001	\$329,601	\$339,489	\$393,561	\$456,245	\$528,914	\$710,816
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	312,432	321,805	331,459	341,403	351,645	407,653	472,581	547,851	736,266
Vacancy & Collection Loss	(23,432)	(24,135)	(24,859)	(25,605)	(26,373)	(30,574)	(35,444)	(41,089)	(55,220)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$289,000	\$297,670	\$306,600	\$315,798	\$325,272	\$377,079	\$437,138	\$506,763	\$681,046
EXPENSES at 4.00%									
General & Administrative	\$26,510	\$27,571	\$28,673	\$29,820	\$31,013	\$37,732	\$45,907	\$55,853	\$82,676
Management	14,450	14,883	15,330	15,790	16,264	18,854	21,857	25,338	34,052
Payroll & Payroll Tax	55,227	57,436	59,734	62,123	64,608	78,605	95,636	116,355	172,234
Repairs & Maintenance	19,262	20,033	20,834	21,667	22,534	27,416	33,356	40,582	60,072
Utilities	3,528	3,669	3,816	3,969	4,127	5,021	6,109	7,433	11,003
Water, Sewer & Trash	24,066	25,029	26,030	27,071	28,154	34,253	41,675	50,703	75,053
Insurance	9,602	9,986	10,385	10,801	11,233	13,666	16,627	20,229	29,944
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	4,800	4,992	5,192	5,399	5,615	6,832	8,312	10,113	14,970
TOTAL EXPENSES	\$175,445	\$182,318	\$189,462	\$196,887	\$204,605	\$248,000	\$300,648	\$364,531	\$536,140
NET OPERATING INCOME	\$113,555	\$115,351	\$117,137	\$118,910	\$120,667	\$129,079	\$136,490	\$142,232	\$144,907
DEBT SERVICE									
First Lien Financing	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906
Second Lien	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$14,649	\$16,445	\$18,232	\$20,004	\$21,761	\$30,173	\$37,584	\$43,326	\$46,001
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.22	1.31	1.38	1.44	1.47

HTC ALLOCATION ANALYSIS -Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$585,000	\$585,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$99,450	\$204,450	\$99,450	\$204,450
Construction Hard Costs	\$2,458,765	\$2,353,765	\$2,458,765	\$2,353,765
Contractor Fees	\$358,150	\$358,150	\$358,150	\$358,150
Contingencies	\$245,000	\$245,000	\$245,000	\$245,000
Eligible Indirect Fees	\$295,500	\$295,500	\$295,500	\$295,500
Eligible Financing Fees	\$315,500	\$315,500	\$315,500	\$315,500
All Ineligible Costs	\$47,300	\$47,300		
Developer Fees				
Developer Fees	\$565,000	\$565,000	\$565,000	\$565,000
Development Reserves	\$94,200	\$94,200		
TOTAL DEVELOPMENT COSTS	\$5,063,865	\$5,063,865	\$4,337,365	\$4,337,365

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$4,337,365	\$4,337,365
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$4,337,365	\$4,337,365
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$4,337,365	\$4,337,365
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$370,845	\$370,845

Syndication Proceeds	0.8999	\$3,337,267	\$3,337,267
Total Tax Credits (Eligible Basis Method)		\$370,845	\$370,845
Syndication Proceeds		\$3,337,267	\$3,337,267
Requested Tax Credits		\$369,110	
Syndication Proceeds		\$3,321,656	
Gap of Syndication Proceeds Needed		\$3,463,865	\$3,463,865
Total Tax Credits (Gap Method)		\$384,913	\$384,913



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/17/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07223

DEVELOPMENT

Shady Oaks Apartments

Location: 501 Janis Drive Region: 7
 City: Georgetown County: Williamson Zip: 78628 QCT DDA
 Key Attributes: Multifamily, Family, Urban/Exurban, At-Risk/Preservation, Acquisition-Rehab.

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$600,000	0%	40/40 ¹	\$600,000	0.00%	40/40²
Housing Tax Credit (Annual)	\$369,110			\$369,110		

¹ Requested no payments until maturity 10 years after first is fully amortized
² Can service fully amortizing with payments due monthly after the construction is completed

CONDITIONS

- 1 Receipt, review and acceptance of a copy of the current HAP contract with documentation verifying the assumed Contract rents by 10% test and a copy of the new to-be-executed HAP contract with the potential for re-evaluation by cost certification.
- 2 Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm.
- 3 Without the HOME funds or an equivalent funding source, the development would be considered infeasible based on its inability to repay deferred developer fees within 15-years of stabilized operation and a tax credit allocation would not be recommended.
- 4 Receipt, review, and acceptance by 10% test of documentation of the lease identified in the title report between the Housing Authority and the Williamson County Housing Development Corporation and/or documentation regarding how this lease will impact the transaction.
- 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 and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	43
60% of AMI	60% of AMI	17
TDHCA SET-ASIDES for HOME LURA		
50% of AMI	Low HOME	8

PROS

The development plan call for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

This application represents an opportunity to revitalize a 30-year-old Housing Authority-owned property.

CONS

At the proposed rents, the HOME debt could not be replaced by additional conventional debt or additional deferral of developer fees and be repayable within the Department's Rules and timeframes.

The Applicant's high expense to income ratio is less than 1% of the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable.

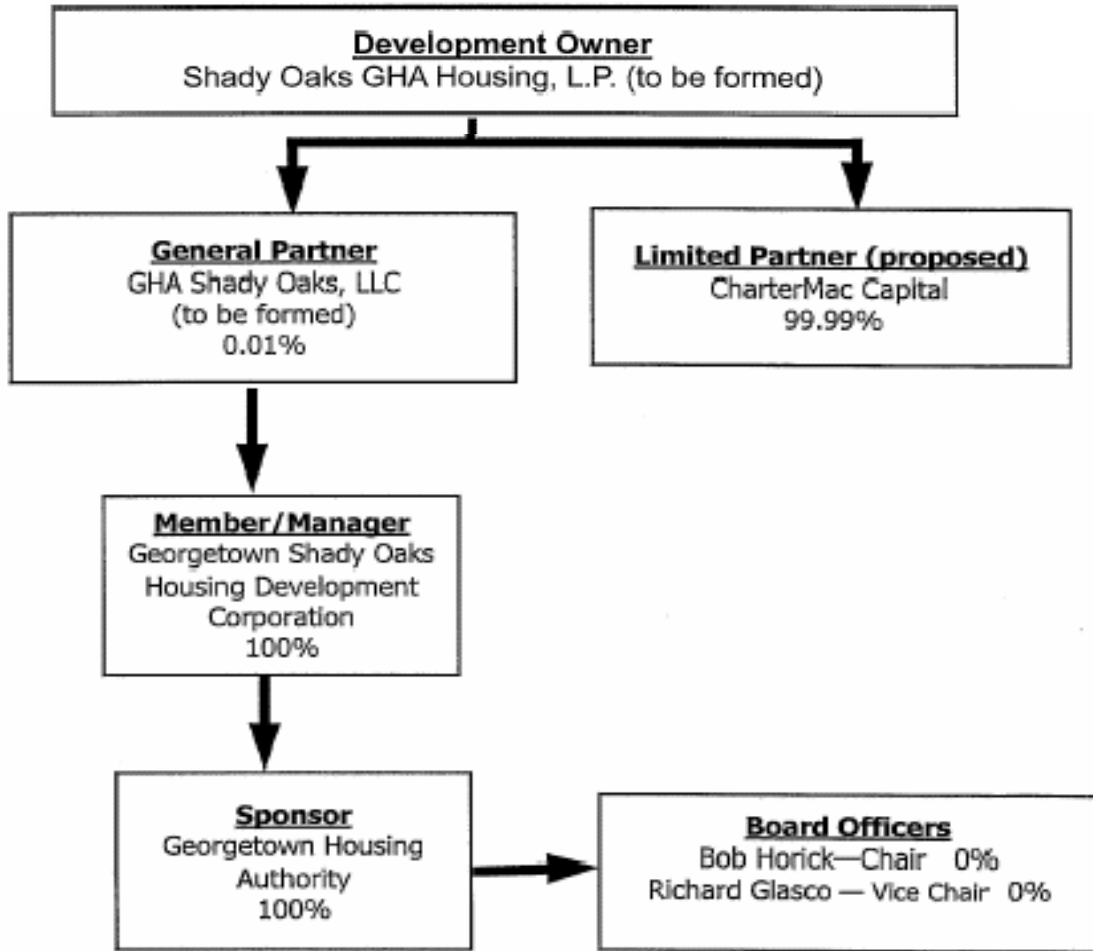
PREVIOUS UNDERWRITING REPORTS

No previous underwriting reports exist for this property. The Applicant provided the following history of the property's development. The project was developed and constructed in 1977, and was initially financed with bonds. In conjunction with the bond closing, Georgetown Housing Authority entered into a Housing Assistance Payment Contract for Private-Owner or PHA-Owner Projects with HUD. The contract, effective May 11, 1978, had an initial 5-year term and allowed for five additional 5-year extensions, which are scheduled to expire on May 10, 2008. In 1988, the bonds were defeased and the property was refinanced with a HUD-held mortgage under its 223f program. The loan, in the original amount of \$1,318,800, reaches maturity on April 1, 2008. Once rehabilitated, the Applicant will secure a new HAP contract to continue the rental subsidies for this property.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Naomi Walker Phone: (512) 863-5565 Fax: (512) 869-3475
 Email: naomi@georgetownha.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Dev's
Georgetown Shady Oaks Housing Development Corporation	\$687,756	\$470,223	Indicated None
Housing Authority of the City of Georgetown	\$2,416,414	\$878,767	Indicated None

¹ Liquidity = Current Assets - Current Liabilities

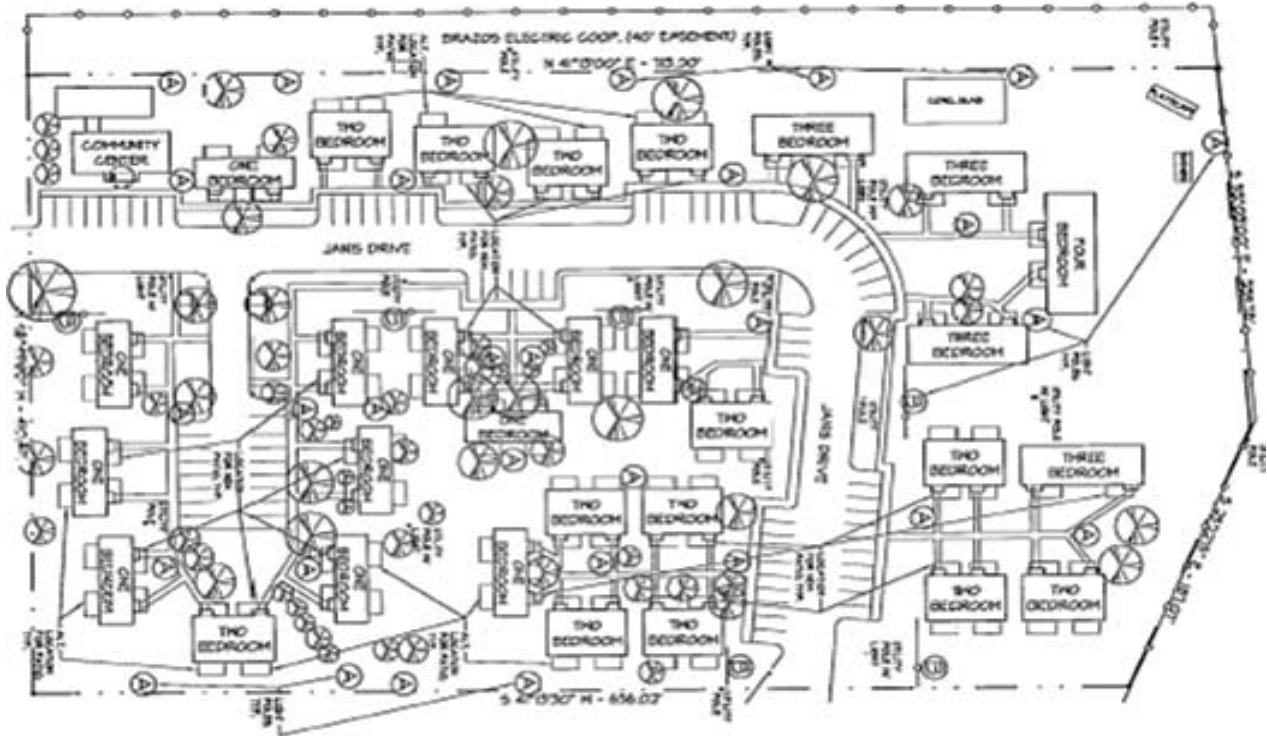
IDENTITIES of INTEREST

The Applicant, Developer and property manager are related entities. These are common relationships for HTC-funded developments.

The seller is regarded as a related party and this is addressed further in the acquisition section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4															Total Buildings
Floors/Stories	1	1	1	1															
Number	12	13	4	1															30

BR/BA	SF	Units										Total Units	Total SF		
1/1	570	2												24	13,680
2/1	720		2											26	18,720
3/1	936			2										8	7,488
4/1.5	1,200				2									2	2,400
Units per Building		2	2	2	2									60	42,288

Rehabilitation summary:

The plan calls for the replacement/refurbishment of roofs, windows, doors, interior finishes, kitchen appliances, HVAC, plumbing, landscaping, drives and parking, ADA compliance, and interior and exterior painting. The Applicant provided a Physical Needs Assessment (PNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the PNA confirms these improvements.

SITE ISSUES

Total Size:	<u>6.7</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>MF</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/4/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: residential development East: Commercial development
 South: residential development West: residential development

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consulting Engineers & Scientists Date: 2/9/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

Lead-based Paint was targeted for the survey. A total of 723 interior XRF measurements were collected from various apartments. A total of 42 exterior XRF measurements were collected. None of the materials tested contained 1mg/cm of lead or more. (p. Appendix G-Building Materials Survey)

All samples of suspect asbestos-containing building materials collected during the survey were analyzed by Omni Environmental, Inc. Two of the homogeneous materials sampled and analyzed were found to contain asbestos. None of the other suspect building materials sampled and analyzed were found to contain asbestos. (p. 1-2 Building Materials Survey)

If repair, renovation or demolition operations which could disturb the asbestos-containing materials are to be conducted, it is recommended the affected materials be removed. It is recommended that any removal of asbestos-containing materials associated with the structure be conducted by trained and licensed asbestos abatement personnel working under the requirements of the TDSHS Texas Asbestos Health Protection Rules. (p. 2 Building Materials Survey)

Comments:

"Based on the scope of services and findings of this assessment, Terracon did not identify RECs (Recognized Environmental Conditions) which warrant additional investigation at this time." (p. ii-ESA)

Receipt, review and acceptance of evidence that the asbestos affected materials have been removed or receipt, review and acceptance of an Operation & Maintenance plan prepared by a qualified firm is a condition of this report. It is required that any removal of asbestos-containing materials associated with the structure be conducted by trained and licensed asbestos abatement personnel working under the requirements of the TDSHS Texas Asbestos Health Protection Rules.

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 3/12/2007

Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 249.22 square miles / 8.9 mile radius

"The subject's Primary Market is defined as that area within the following geographic boundaries: Zip Codes 78626 and 78628." (p. 10)

Secondary Market Area (SMA):

A Secondary Market was not described.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	None
Sierra Ridge	07224	200	200	
Cypress Creek	060401	180	180	

INCOME LIMITS						
Williamson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/50% Rent Limit	218	32	0	250	20	18	15.2%
1BR/60% Rent Limit	275	60	0	335	4	18	6.6%
2BR/30% Rent Limit	35	2	0	37	6	0	16.1%
2BR/50% Rent Limit	211	46	0	257	18	36	21.0%
2BR/60% Rent Limit	286	89	0	375	2	36	10.1%
3BR/50% Rent Limit	109	5	0	114	4	32	31.6%
3BR/60% Rent Limit	172	17	0	190	4	32	19.0%
4BR/50% Rent Limit	39	0	0	40	1	4	12.6%
4BR/60% Rent Limit	67	4	0	71	1	4	7.0%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 70	100%	20,574	99%	20,307	Included in Tenure %	13%	2,553
Underwriter	100%	21,290	99%	21,014	33%	6,908	46%
							70%
							1,787
							2,201
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 70			99%	707	Included in Tenure %	13%	89
Underwriter			99%	682	33%	221	46%
							100%
							89
							101

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 71	60	180	0	240	1,901	12.62%
Underwriter (w/o Sierra Ridge)	60	180	0	240	2,328	10.31%
Underwriter (with Sierra Ridge)	60	380	0	440	2,328	18.90%

Comments:

The subject development is currently 98% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

Primary Market Occupancy Rates:

"Average occupancy in the primary market area has remained in the high 80% to mid 90's since June 2002. The fluctuations were due to new product coming on-line. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 38)

Absorption Projections:

"Absorption in the subject's primary market area over the past twelve quarters ending December 2006 totals 44 units. Absorption has been positive in five of the past twelve quarters. Absorption over the past three years has averaged :1.4unit per quarter. Absorption has been limited due to the moderate recent construction, the high existing occupancy, and renters opting for home purchases due to the low current interest rates. New construction in the subject's neighborhood has been moderate over the past 12 - 48 months. Two complexes have been constructed in the PMA since the end of 1999. The limited amount of new product that entered the market in 2000 through 2006 has been, or is being, readily absorbed." (p. 35-36)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 570 SF (50%)	\$363	\$363	\$585	\$363	\$0
1 BR 570 SF (50%)	\$377	\$377	\$585	\$377	\$0
1 BR 570 SF (60%)	\$377	\$377	\$585	\$377	\$0
2 BR 570 SF (30%)	\$415	\$415	\$685	\$415	\$0
2 BR 570 SF (50%)	\$415	\$415	\$685	\$415	\$0
2 BR 570 SF (60%)	\$430	\$430	\$685	\$430	\$0
3 BR 570 SF (50%)	\$524	\$524	\$795	\$524	\$0
3 BR 570 SF (50%)	\$524	\$524	\$795	\$524	\$0
3 BR 570 SF (60%)	\$524	\$524	\$795	\$524	\$0
4 BR 570 SF (50%)	\$580	\$580	\$895	\$580	\$0
4 BR 570 SF (60%)	\$580	\$580	\$895	\$580	\$0

Comments:

The Underwriter found the Market Study provided sufficient information upon which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The subject property will be restricted to rents under the HAP contract, proposed for a ten-year renewal. The underwriting "rent collected" estimates were derived from the current rent roll and are below both the market rents concluded by the Market Analyst and the TDHCA program maximums. According to the HUD Rent Schedule the HAP rents went into effect in June 2006 and appear to be readjusted on an annual basis. Moreover, the rent schedule and the rent roll uncharacteristically indicate that the one- and two-bedroom units have two different rent levels. Receipt, review, and acceptance of a copy of the current HAP contract with documentation verifying the assumed HAP Contract rents is a condition of this report.

In addition, the Applicant has indicated that upon completion of rehabilitation a new HAP contract will be executed and the rents in the new contract could have a significant impact on the development's ability to repay the HOME loan and/or need for tax credits. The new contract should also be required to be provided prior to cost certification and the feasibility of the development and terms of the award will be re-evaluated at that time.

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 figure is comparable to the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,123 per unit is not within 5% of the Underwriter's estimate of \$2,924, derived from actual operating history of the development, the TDHCA database, and third party data sources. In addition, the Applicant's budget shows line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative (\$13K lower); payroll (\$26K higher), repairs and maintenance (\$7K lower), water, sewer, and trash (\$9K higher), and insurance (\$4K lower).

The Applicant's higher payroll costs are of particular note since their estimate is no doubt based upon their historical experience of internally operating the property at \$1,831 per unit or over \$100,000 per year for this 60-unit property. Based on the Department's experience across the State, a much more efficient third-party property management can be achieved and should be pursued.

The Applicant has also assumed a 100% property tax exemption due to the involvement of the Housing Authority and as the property is currently tax exempt. However, the transfer of the property to the for-profit partnership could result in a change of exemption status. The Applicant has indicated in the purchase contract that the property will be under a long-term ground lease with the Housing Authority, which is the typical method of securing a 100% property tax exemption in a tax credit property.

Conclusion:

The Applicant's estimated operating expenses are inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the total annual debt service. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. The Applicant's expense to income ratio less than 1% below the Department's maximum, however the underwriter's estimate is much lower and the property will continue its project based rent subsidy that will allow long term viability. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Patrick O'Connor & Associates, L.P.</u>	Date:	<u>3/12/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>6.7 acres</u>	As of:	<u>3/12/2007</u>
Existing Buildings: (as-is)	<u>\$560,000</u>	As of:	<u>3/12/2007</u>
Total Development: (as-is)	<u>\$20,000</u>	As of:	<u>3/12/2007</u>
	<u>\$580,000</u>		

ASSESSED VALUE

Land Only:	<u>6.69 acres</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$364,271</u>	Valuation by:	<u>Williamson Appraisal District</u>
Total Assessed Value:	<u>\$1,241,307</u>	Tax Rate:	<u>2.491937</u>
	<u>\$1,605,578</u>		

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 6.7
 Contract Expiration: 9/1/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$580,000 Other: Seller is sole member of the General Partner
 Seller: Georgetown Shady Oaks Housing Development Corporation Related to Development Team? Yes No

TITLE

Comments:
 Schedule B, #10, e. indicates a lease agreement dated July 1, 1977 by and between Williamson County Housing Development Corporation and Housing Authority of the City of Georgetown. The nature of this lease is not clear nor is its potential impact on the transaction. Receipt, review, and acceptance by 10% test of documentation of the lease identified in the title report between the Housing Authority and the Williamson County Housing Development Corporation and/or documentation regarding how this lease will impact the transaction is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:
 According to the Applicant, the project was developed and constructed in 1977. Although a settlement statement for the transfer of the property to Georgetown Shady Oaks Housing Development Corporation in 1988 was not provided, the Applicant has submitted documentation to support the proposed transfer price for the identity of interest transaction. An audited statement for the year ended September 20, 2005 indicates an asset value of \$1,927,429 for the buildings and \$60,825 for the underlying land.
 Therefore, the underwriting analysis will include the total acquisition cost of \$580,000 claimed by the Applicant. It should be noted, the Applicant does not claim acquisition eligible basis and, therefore, an acquisition tax credit allocation has not been calculated.

Sitework Cost:
 Since this is a proposed rehabilitation the associated site work costs are minimal. The Applicant has estimated site work costs of \$1,658 per unit, which is inconsistent with the estimate in the submitted physical condition assessment (PCA). However, the Applicant's total sitework and direct construction costs is consistent with the PCA total.

Direct Construction Cost:
 The Applicant's direct construction cost estimate is \$105K or 4% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value. However, as noted above, the Applicant's total sitework and direct construction costs is consistent with the PCA total.

Conclusion:
 The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

The Applicant has requested TDHCA HOME funds with an interest rate at 0%. These funds would be characterized as below-market federal funds and could affect either the development's eligible basis or qualification for 9% tax credits. However, the Applicant has structured the development to include more than 40% of the units with income and rent restrictions at or below 50% of AMI. Of note, the Applicant has also properly structured the development to ensure each residential building will meet this restriction. Therefore, the Development is likely to be exempt from the below-market taint of the requested HOME funds.

An eligible basis of \$4,337,365 supports annual tax credits of \$370,845. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JP Morgan Chase Bank Type: Interim Financing

Principal: \$2,550,000 Interest Rate: 8.0% Fixed Term: 24 months

Comments:

Interest Rate: Chase Prime plus 50bp, currently 8.0%; Guarantors: Georgetown Housing Authority and GP

Source: JP Morgan Chase Bank Type: Permanent Financing

Principal: \$1,000,000 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

Interest Rate: Fixed at a spread over the 10 year U.S. Treasury; 1.15 debt coverage ratio; \$250 per unit replacement reserve

Source: CharterMac Capital Type: Syndication

Proceeds: \$3,321,656 Syndication Rate: 90% Anticipated HTC: \$ 369,110

Amount: \$142,209 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. Rather than the typical assumption of an increase in the permanent loan amount based on the terms reflected in the application materials, the underwriting analysis assumes the requested HOME funds will be structured to be fully repayable over the requested 40-year term at a 0% interest rate. As a result, the development's gap in financing should not be affected. However, should the Applicant fail to receive a HOME award, the feasibility of the development may be negatively impacted (see below).

The Applicant's total development cost estimate less the permanent loan of \$1,000,000 and the requested HOME funds of \$600,000 indicates the need for \$3,463,865 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$384,913 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$369,110), the gap-driven amount (\$384,913), and eligible basis-derived estimate (\$370,845), the Applicant's request for \$369,110 is recommended.

The Underwriter's recommended financing structure indicates the need for \$142,209 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cash flow within ten years of stabilized operation.

The requested HOME funds at \$600,000 are below the 221(d)(3) limit for this project. In addition, the HOME amount is below the prorata share of development cost based on the number HOME units to total units. Should the development fail to receive a TDHCA HOME award or substitute a comparable amount of permanent funding, the anticipated deferred fees would increase to \$742,209. The Development would be characterized as infeasible based on its inability to repay the deferred fees within 15 years of stabilized operation and a tax credit allocation would not be recommended.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is a relatively high 20.8% but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		<i>June 17, 2007</i>
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		<i>June 17, 2007</i>
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		<i>June 17, 2007</i>

MULTIFAMILY COMPARATIVE ANALYSIS

Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC50%/S8	6	1	1	570	\$666	\$363	\$2,178	\$0.64	\$52.00	\$51.00
TC50%/S8	14	1	1	570	\$666	377	5,278	0.66	52.00	51.00
TC60%/S8	4	1	1	570	\$800	377	1,508	0.66	65.00	59.00
TC30%/LH/S8	6	2	1	720	\$480	415	2,490	0.58	65.00	59.00
TC50%/S8	18	2	1	720	\$800	415	7,470	0.58	65.00	59.00
TC60%/S8	2	2	1	720	\$960	430	860	0.60	78.00	68.00
TC50%/LH/S8	1	3	1	936	\$924	524	524	0.56	78.00	68.00
TC50%/S8	3	3	1	936	\$1,109	524	1,572	0.56	78.00	68.00
TC60%/S8	4	3	1	936	\$0	524	2,096	0.56	78.00	68.00
TC50%/LH/S8	1	4	1.5	1,200	\$1,237	580	580	0.48	96.00	80.00
TC60%/S8	1	4	1.5	1,200	\$0	580	580	0.48	96.00	80.00
TOTAL:	60		AVERAGE:	705		\$419	\$25,136	\$0.59	\$63.87	\$58.53

INCOME		Total Net Rentable Sq Ft:	42,288	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$301,632	\$301,632	Williamson	Austin	7
Secondary Income	Per Unit Per Month:	\$15.00		10,800	10,800	\$15.00	Per Unit Per Month	
Other Support Income:				0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$312,432	\$312,432			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(23,432)	(23,436)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				\$289,000	\$288,996			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	9.17%	\$442	0.63	\$26,510	\$13,850	\$0.33	\$231	4.79%
Management	5.00%	241	0.34	14,450	14,300	0.34	238	4.95%
Payroll & Payroll Tax	19.11%	920	1.31	\$55,227	81,400	1.92	1,357	28.17%
Repairs & Maintenance	6.67%	321	0.46	19,262	11,850	0.28	198	4.10%
Utilities	1.22%	59	0.08	3,528	3,700	0.09	62	1.28%
Water, Sewer, & Trash	8.33%	401	0.57	24,066	33,500	0.79	558	11.59%
Property Insurance	3.32%	160	0.23	9,602	6,000	0.14	100	2.08%
Property Tax	2.491937	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	6.23%	300	0.43	18,000	18,000	0.43	300	6.23%
TDHCA Compliance Fees	0.83%	40	0.06	2,400	2,400	0.06	40	0.83%
Other: Supp. Serv.	0.83%	40	0.06	2,400	2,400	0.06	40	0.83%
TOTAL EXPENSES	60.71%	\$2,924	\$4.15	\$175,445	\$187,400	\$4.43	\$3,123	64.85%
NET OPERATING INC	39.29%	\$1,893	\$2.69	\$113,555	\$101,596	\$2.40	\$1,693	35.15%

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
JP Morgan Chase	29.03%	\$1,398	\$1.98	\$83,906	\$84,000	\$1.99	\$1,400	29.07%
TDHCA - HOME	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	10.26%	\$494	\$0.70	\$29,649	\$17,596	\$0.42	\$293	6.09%
AGGREGATE DEBT COVERAGE RATIO				1.35	1.21			
RECOMMENDED DEBT COVERAGE RATIO				1.15				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$585,000	\$585,000	\$13.83	\$9,750	11.55%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		4.04%	3,408	4.83	204,450	99,450	2.35	1,658	1.96%
Direct Construction		46.48%	39,229	55.66	2,353,765	2,458,765	58.14	40,979	48.56%
Contingency	10.00%	4.84%	4,083	5.79	245,000	245,000	5.79	4,083	4.84%
Contractor's Fees	14.00%	7.07%	5,969	8.47	358,150	358,150	8.47	5,969	7.07%
Indirect Construction		5.84%	4,925	6.99	295,500	295,500	6.99	4,925	5.84%
Ineligible Costs		0.93%	788	1.12	47,300	47,300	1.12	788	0.93%
Developer's Fees	14.98%	11.16%	9,417	13.36	565,000	565,000	13.36	9,417	11.16%
Interim Financing		6.23%	5,258	7.46	315,500	315,500	7.46	5,258	6.23%
Reserves		1.86%	1,570	2.23	94,200	94,200	2.23	1,570	1.86%
TOTAL COST		100.00%	\$84,398	\$119.75	\$5,063,865	\$5,063,865	\$119.75	\$84,398	100.00%
Construction Cost Recap		62.43%	\$52,689	\$74.76	\$3,161,365	\$3,161,365	\$74.76	\$52,689	62.43%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
JP Morgan Chase	19.75%	\$16,667	\$23.65	\$1,000,000	\$1,000,000	\$1,000,000	Developer Fee Available
TDHCA - HOME	11.85%	\$10,000	\$14.19	600,000	600,000	600,000	\$565,000
HTC Syndication Proceeds	65.60%	\$55,361	\$78.55	3,321,656	3,321,656	3,321,656	% of Dev. Fee Deferred
Deferred Developer Fees	2.81%	\$2,370	\$3.36	142,209	142,209	142,209	25%
Additional (Excess) Funds Req'd	0.00%	\$0	\$0.00	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,063,865	\$5,063,865	\$5,063,865	\$390,318

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

PAYMENT COMPUTATION

Primary	\$1,000,000	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	\$600,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$83,906
TDHCA - HOME	15,000
Additional Debt Service	0
NET CASH FLOW	\$14,649

Primary	\$1,000,000	Amort	360
Int Rate	7.50%	DCR	1.353

Secondary	\$600,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$301,632	\$310,681	\$320,001	\$329,601	\$339,489	\$393,561	\$456,245	\$528,914	\$710,816
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	312,432	321,805	331,459	341,403	351,645	407,653	472,581	547,851	736,266
Vacancy & Collection Loss	(23,432)	(24,135)	(24,859)	(25,605)	(26,373)	(30,574)	(35,444)	(41,089)	(55,220)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$289,000	\$297,670	\$306,600	\$315,798	\$325,272	\$377,079	\$437,138	\$506,763	\$681,046
EXPENSES at 4.00%									
General & Administrative	\$26,510	\$27,571	\$28,673	\$29,820	\$31,013	\$37,732	\$45,907	\$55,853	\$82,676
Management	14,450	14,883	15,330	15,790	16,264	18,854	21,857	25,338	34,052
Payroll & Payroll Tax	55,227	57,436	59,734	62,123	64,608	78,605	95,636	116,355	172,234
Repairs & Maintenance	19,262	20,033	20,834	21,667	22,534	27,416	33,356	40,582	60,072
Utilities	3,528	3,669	3,816	3,969	4,127	5,021	6,109	7,433	11,003
Water, Sewer & Trash	24,066	25,029	26,030	27,071	28,154	34,253	41,675	50,703	75,053
Insurance	9,602	9,986	10,385	10,801	11,233	13,666	16,627	20,229	29,944
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	4,800	4,992	5,192	5,399	5,615	6,832	8,312	10,113	14,970
TOTAL EXPENSES	\$175,445	\$182,318	\$189,462	\$196,887	\$204,605	\$248,000	\$300,648	\$364,531	\$536,140
NET OPERATING INCOME	\$113,555	\$115,351	\$117,137	\$118,910	\$120,667	\$129,079	\$136,490	\$142,232	\$144,907
DEBT SERVICE									
First Lien Financing	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906	\$83,906
Second Lien	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$14,649	\$16,445	\$18,232	\$20,004	\$21,761	\$30,173	\$37,584	\$43,326	\$46,001
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.22	1.31	1.38	1.44	1.47

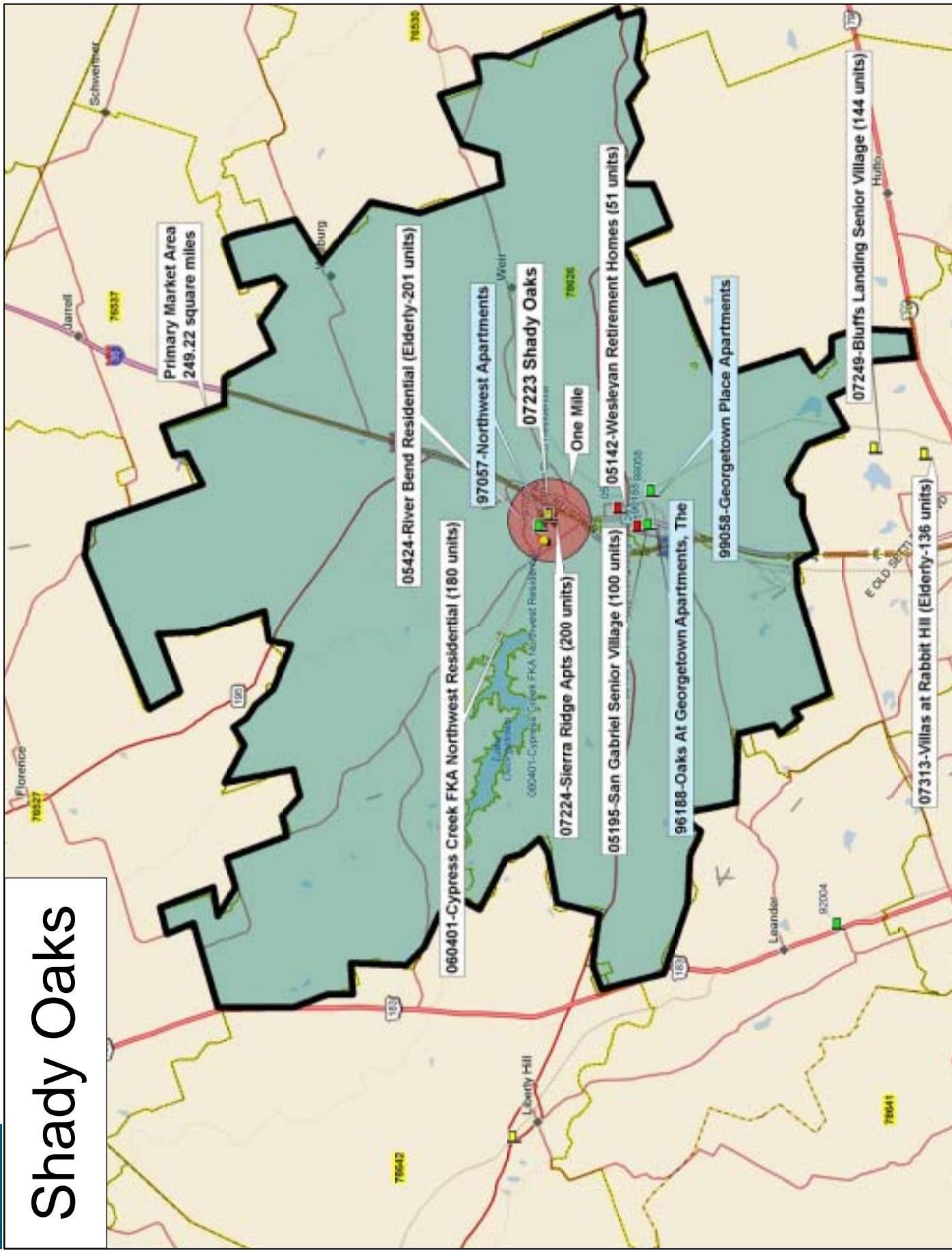
HTC ALLOCATION ANALYSIS -Shady Oaks Apartments, Georgetown, 9% HTC/HOME #07223

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$585,000	\$585,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$99,450	\$204,450	\$99,450	\$204,450
Construction Hard Costs	\$2,458,765	\$2,353,765	\$2,458,765	\$2,353,765
Contractor Fees	\$358,150	\$358,150	\$358,150	\$358,150
Contingencies	\$245,000	\$245,000	\$245,000	\$245,000
Eligible Indirect Fees	\$295,500	\$295,500	\$295,500	\$295,500
Eligible Financing Fees	\$315,500	\$315,500	\$315,500	\$315,500
All Ineligible Costs	\$47,300	\$47,300		
Developer Fees				
Developer Fees	\$565,000	\$565,000	\$565,000	\$565,000
Development Reserves	\$94,200	\$94,200		
TOTAL DEVELOPMENT COSTS	\$5,063,865	\$5,063,865	\$4,337,365	\$4,337,365

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$4,337,365	\$4,337,365
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$4,337,365	\$4,337,365
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$4,337,365	\$4,337,365
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$370,845	\$370,845

Syndication Proceeds	0.8999	\$3,337,267	\$3,337,267
Total Tax Credits (Eligible Basis Method)		\$370,845	\$370,845
Syndication Proceeds		\$3,337,267	\$3,337,267
Requested Tax Credits		\$369,110	
Syndication Proceeds		\$3,321,656	
Gap of Syndication Proceeds Needed		\$3,463,865	\$3,463,865
Total Tax Credits (Gap Method)		\$384,913	\$384,913

Shady Oaks



Applicant Evaluation

Project ID # **07223**

Name: **Shady Oaks Apartments**

City: **Georgetown**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/30/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sierra Ridge Apartments, TDHCA Number 07224

BASIC DEVELOPMENT INFORMATION

Site Address: Intersection of N.W. Blvd. & Washam Dr. Development #: 07224
 City: Georgetown Region: 7 Population Served: General
 County: Williamson Zip Code: 78628 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Georgetown Sierra Ridge Housing, L.P.
 Owner Contact and Phone: Naomi Walker (512) 863-5565
 Developer: Georgetown Housing Authority
 Housing General Contractor: Campbell-Hogue Construction Associates, LLC
 Architect: 1113 Architects, Inc
 Market Analyst: O' Conner & Associates
 Syndicator: CharterMac Capital
 Supportive Services: To Be Determined
 Consultant: Diana McIver & Associates, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	77
	8	0	0	69	Market Rate Units:	3
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	16	28	32	4	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Owner/Employee Units:	0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Units:	80
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	Number of Residential Buildings:	10
		HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$731,071	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sierra Ridge Apartments, TDHCA Number 07224

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S	Points: 7	US Representative: Carter, District 31, NC
TX Representative: Gattis, District 20, NC	Points: 0	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Naomi C. Walker, Executive Director, Georgetown Housing Authority

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
The Caring Place		S or O: S
The Georgetown Project		S or O: S
Georgetown Chamber of Commerce		S or O: S
Rotary Club of Georgetown		S or O: S
WBC Opportunities		S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sierra Ridge Apartments, TDHCA Number 07224

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

Competitive Housing Tax Credits: Score: **181** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Candlewick Apartments, TDHCA Number 07226

BASIC DEVELOPMENT INFORMATION

Site Address: 1155 Paredes Line Rd. Development #: 07226
 City: Brownsville Region: 11 Population Served: General
 County: Cameron Zip Code: 78521 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Chicory Court VI, L.P.
 Owner Contact and Phone: Saleem Jafar (972) 701-5550
 Developer: Odyssey Residential Holdings, L.P.
 Housing General Contractor: Odyssey Residential Construction, L.P.
 Architect: Stanford Knowles Architects and Planners
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: AIG Sun America
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	132
	14 0 0 118	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 58 58 0 0	Total Development Units:	132
Type of Building:		Total Development Cost*:	\$15,854,325
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	19
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$993,280	\$981,612			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Candlewick Apartments, TDHCA Number 07226

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S	Points: 7	US Representative: Ortiz, District 27, NC
TX Representative: Oliveira, District 37, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 11 In Opposition: 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and mixed support/opposition from non-officials, with a majority supporting the project. The primary reasons cited for opposition to the project are neighborhood security concerns and decreased property values.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by cost certification of documentation or report from a third party environmental engineer that reflects that the issues included in the phase I ESA, particularly with regard to the Asbestos Containing Material (ACM's) during construction, were handled properly.

Should terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

Receipt of a commitment of funding from the City of Brownsville or the Cameron County Housing Authority in the amount of \$1,200,000, or a commitment from a qualifying substitute source in an amount not less than \$788,117, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Candlewick Apartments, TDHCA Number 07226

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$981,612

Recommendation: Competitive in At-Risk Set-Aside.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/09/07

PROGRAM: 9% HTC

FILE NUMBER: 07226

DEVELOPMENT

Candlewick Apartments

Location: 1155 Paredes Line Road Region: 11
 City: Brownsville County: Cameron Zip: 78521 OCT DDA
 Key Attributes: Multifamily, Family, Acq/Rehab, Urban/Exurban, At-Risk

ALLOCATION

TDHCA Program	REQUEST*			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$993,280			\$981,612		

* revised from \$995,000 on April 27, 2007

CONDITIONS

- 1 Receipt, review and acceptance by cost certification of documentation or report from a third party environmental engineer that reflects that the issues included in the phase I ESA, particularly with regard to the Asbestos Containing Material (ACM's) during construction, were handled properly.
- 2 Should terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	14
60% of AMI	60% of AMI	110

PROS

The development plan calls for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

This application represents an opportunity to revitalize a 29 year old Housing Authority owned property.

CONS

The Applicant's proforma and development costs were each revised numerous times during the under writing process, indicating significant inconsistencies in the initial development plan.

The market currently has three other unstabilized properties with 315 comparable units.

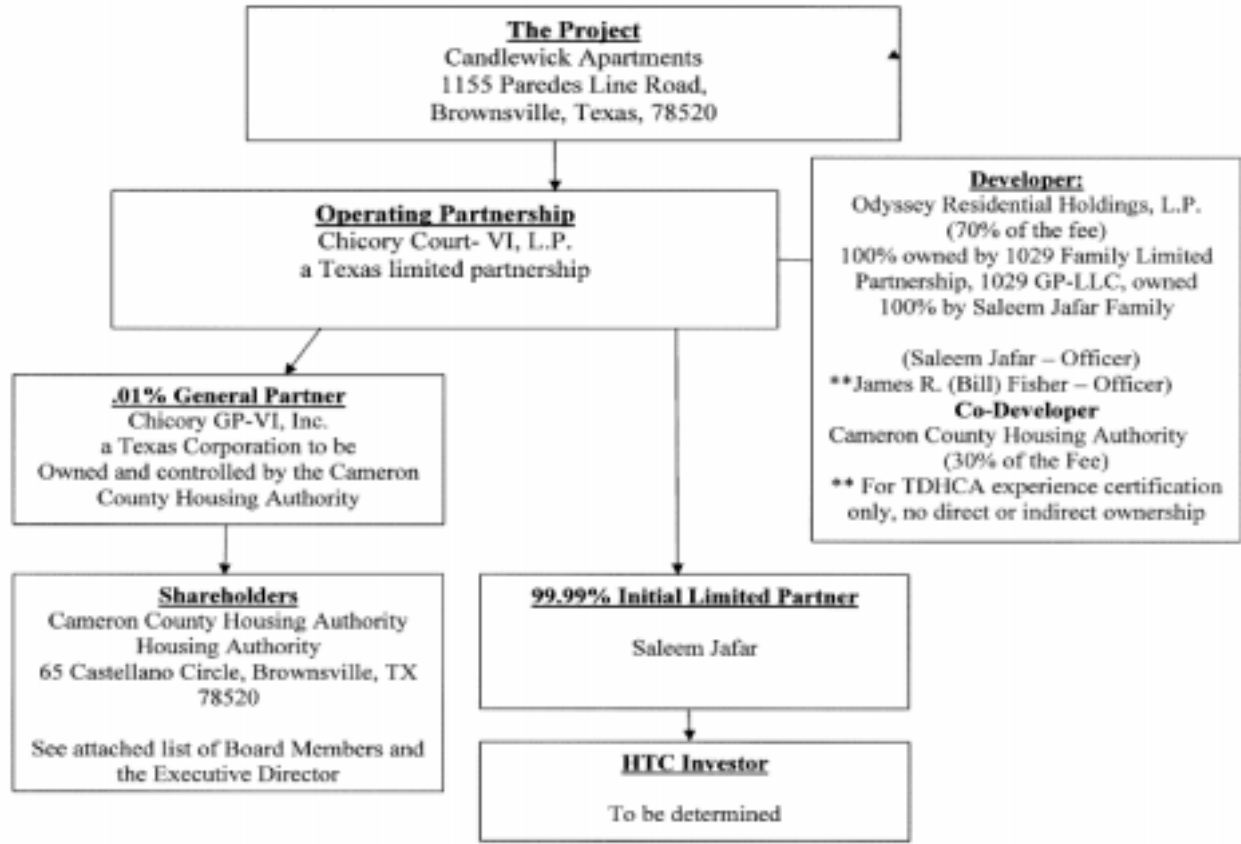
The Property Condition Assessment (PCA) indicates no immediately needed repairs. The effectiveness of the tax credits in this case is in question as collected rents are and will remain higher than the maximum tax credit rents and the transaction will result in higher per unit costs than standard new construction in this market.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Saleem Jafar Phone: (972) 701-5550 Fax: (972) 701-5562
 Email: bfisher8@airmail.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Cameron County Housing Authority	\$9,316,776	\$758,528	--
Odyssey Residential Holdings	\$8,475,690	\$4,332,777	--
Saleem Jafar	Confidential		11 LIHTC Properties
Bill Fisher	N/A		

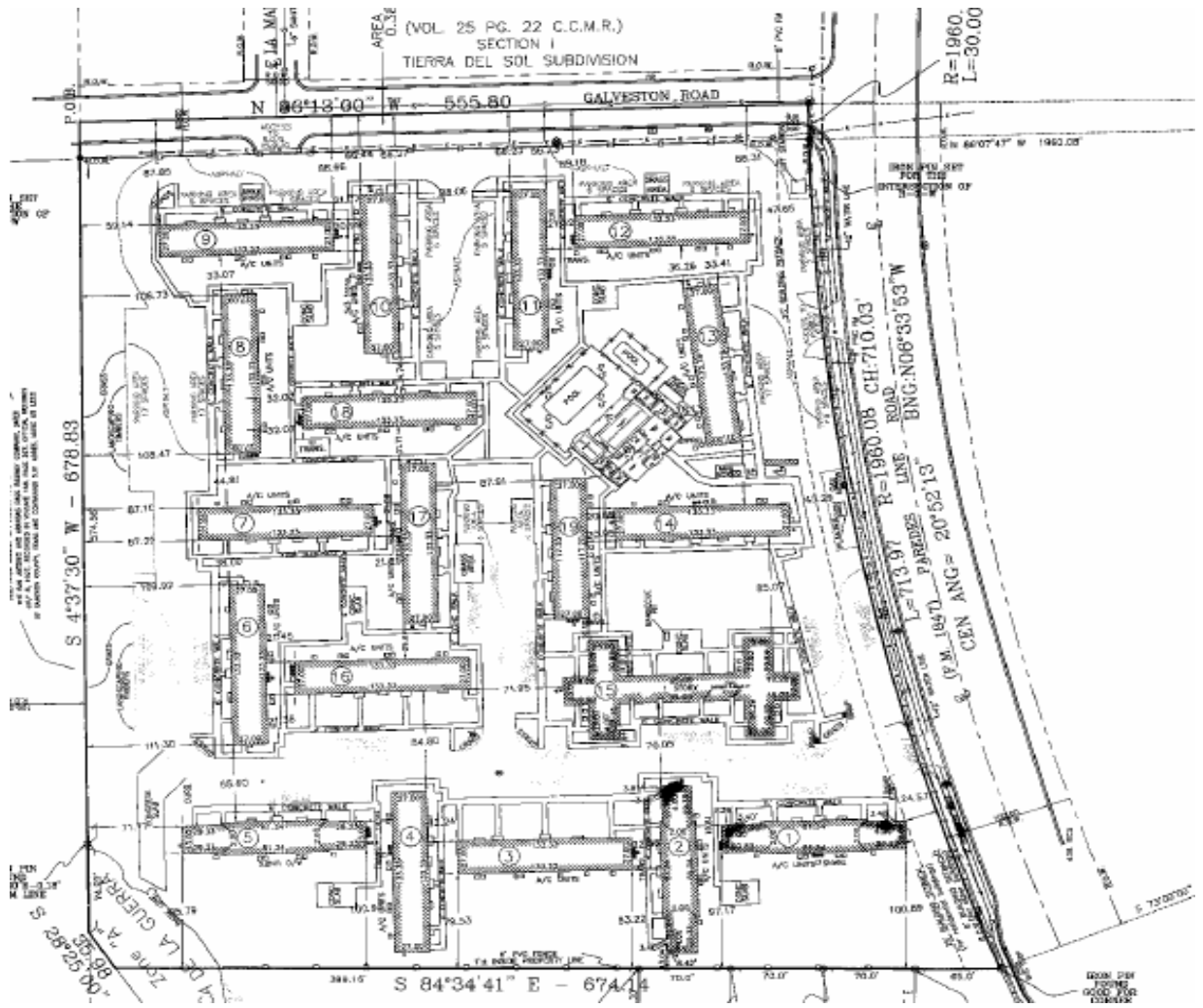
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV							Total Buildings
Floors/Stories	2	2	2	1							
Number	14	3	1	1							19

BR/BA	SF	Units								Total Units	Total SF
1/1	647		2		10					16	10,352
2/1.5	918	4		2						58	53,244
3/1.5	1,142	3	4	4						58	66,236
Units per Building		7	6	6	10					132	129,832

Rehabilitation Summary:

The PCA indicates no immediately needed critical repairs. The non critical scope includes: repairing parking area pavement; replacement/repair of portions of sidewalks; landscaping and soil replacement; installation of irrigation system; new storm drains; new fencing and entry gates; new signage and lighting; pool resurfacing; foundation repair and sealing of cracks in masonry; new cement fiber siding; complete renovation of apartment interiors; and new condensing units. The PCA also includes the Developer's plan for installing one carport per unit and demolition and reconstruction of the community building.

SITE ISSUES

Total Size:	<u>9.88</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>Zone C</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>Apartment C</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/1/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
North: Galveston Rd & Single family East: Commercial businesses
South: Commercial businesses West: Roadway & residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: MAS-D Environmental & Associates, Inc Date: 1/24/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

Pursuant to Federal and State regulations, all suspect ACMs should either be presumed to contain asbestos or adequate rebuttal sampling should be conducted by an AHERA accredited Building Inspector prior to renovation, including maintenance, or demolition if these activities will disturb the material(s).

Comments:

The Applicant also submitted a Operations and Maintenance Plan (O&M) from 1999 for the presence of Asbestos Containing Materials. During subsequent correspondence the Phase I ESA provider stated that the existing Asbestos O&M is sufficient to manage the ACM's. During the construction period and post construction the monitoring records should be kept and summarized by an environmental specialist. Receipt, review and acceptance by cost certification of documentation or report from a third party environmental engineer that reflects that the issues included in the phase I ESA particularly with regard to the Asbestos Containing Material (ACM's) during construction were handled properly is a condition of this report.

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MARKET HIGHLIGHTS

Provider: The Gerald A Teel Company, Inc Date: 3/9/2007
 Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704
 Number of Revisions: 1 Date of Last Applicant Revision: 4/20/2007

Primary Market Area (PMA): 23.85 square miles (1 2.75 miles radius)

"The PMA is considered the city limits of Brownsville, Texas, however for the purposes of analysis and to address TDHCA population limits we have provided a polygon that depicts the areas considered most applicable to the subject market area. This defined area primarily outlines the older part of Brownsville, with the newer part of the city typically considered north of FM 802 excluded from the market area" (p. 12).

Secondary Market Area (SMA):

The Market Analyst did not include a Secondary Market Area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
La Villita Phase II	05125	80	80	N/A			
Providence at Boca Chica	04191	158	116				
La Villita Phase I	03029	128	119				

Comments:

While the Market Analyst did not include any unstabilized comparable units in the capture rate analysis, the Underwriter determined that units from three comparable new construction developments targeting families should be included. However, the Underwriter has determined that inclusion of comparable units from these three properties in the Market Analyst's demand analysis would yield a capture rate below the Department's maximum of 25% for urban/exurban properties targeting families. The Market Analyst states, "We have not included other HTC product, as the subject property is already absorbed" (p. 86).

INCOME LIMITS						
Cameron						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE*							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	228	17	2	247	2	0	2%
1 BR/60% Rent Limit	181	3	0	184	14	0	8%
2 BR/30% Rent Limit	248	25	4	277	6	0	4%
2 BR/60% Rent Limit	300	2	0	302	52	0	17%
3 BR/30% Rent Limit	202	14	4	220	6	0	5%
3 BR/60% Rent Limit	249	10	0	259	52	0	20%

* The Market Analyst did not include any other comparable units.

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 75/83	100%	25,553	98%	24,940	43%	11,073	43%	4,739	55%	2,609
Underwriter	100%	26,865	83%	22,339	66%	14,705	43%	6,294	55%	3,462

PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 75/83		98%	640	43%	277	43%	121	100%	121
Underwriter		83%	649	66%	355	43%	152	100%	152
DEMAND from OTHER SOURCES									
Market Analyst p. 75/83									144
Underwriter									0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 75/83	132	0	0	132	2,874	4.59%
Underwriter	132	315	0	447	3,614	12.37%

Primary Market Occupancy Rates:

The average occupancy for market rate properties in the area is 95% with a range of 92% to 97%. HTC properties in Brownsville have an average occupancy of 94% with a range of 91% to 100%. According to the rent roll, dated February 28, 2007, the current occupancy for the subject property is 100%.

Absorption Projections:

"The HTC data depicts an absorption rate of about 10.5 to 24 per month" (p. 26).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Contract Rent - Eff. 6/07	Program Maximum	Market Rent	Underwriting Rent*	Savings Over Market		
1 BR 647 SF 30%	\$519	\$133	\$545	\$519	\$26		
1 BR 647 SF 60%	\$519	\$376	\$545	\$519	\$26		
1 BR 647 SF 60%	\$511	\$376	\$545	\$511	\$34		
2 BR 918 SF 30%	\$629	\$172	\$650	\$629	\$21		
2 BR 918 SF 60%	\$629	\$463	\$650	\$629	\$21		
3 BR 1,142 SF 30%	\$666	\$201	\$690	\$666	\$24		
3 BR 1,142 SF 60%	\$666	\$537	\$690	\$666	\$24		

*It should be noted that the contract rents for this development already are higher than the maximum 60% rent, which is acceptable under IRS regulations as long as the tenant is not paying more than 30% of their monthly income. It does, however, call to question subsidy layering issues and issues regarding the effectiveness of the tax credit funds which are not providing any more affordable units or deeper targeting than that which is already in place in this market.

Market Impact:

"The subject property will have minimal impact on the market, and will open up the market to a greater pool of possible renters. The property has already been absorbed, and the HAP contract will continue. The property is 100% covered by the HAP contract. Therefore, there will be no additional impact on the market" (p. 87).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 4/23/2007

The property currently operates under a project-based Section 8 HAP contract. The Applicant provided a HAP contract for 100% of the units that will be effective for a period of one-year beginning on June 18, 2007. The contract provides for an increase in the current contract rents of approximately 7%. The Underwriter's and Applicant's proformas use the contract rents effective in June in order to determine rental income. The Applicant's vacancy and collection loss is in line with Department guidelines. However, the Applicant's secondary income is slightly higher than the Department's standard of \$15 per unit per year, which results in a 1% difference in effective gross income. Tenants will be required to pay electric and natural gas costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

The Applicant's estimate of total operating expense is within 5% of the Underwriter's estimate. However, the Applicant's estimate of general and administrative expense is significantly different (\$13K or 36% lower) than the Underwriter's estimate.

The Applicant has claimed a 100% property tax exemption due to the involvement of the Cameron County Housing Authority and has provided a letter from legal counsel verifying that the property is expected to receive a 100% exemption. According to the legal opinion provided, the Housing Authority will pursue a long-term ground lease with the partnership in order to achieve a 100% property tax exemption. The Underwriter has assumed a 100% exemption. This will save the development approximately \$588 per unit per year in operating expenses.

Conclusion:

The Applicant's estimates of effective gross income, total expenses, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's Year One proforma reflects a DCR that is within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the minimum 15 year period. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>The Gerald A Teel Company, Inc</u>	Date:	<u>3/9/2007</u>
Number of Revisions:	<u>1</u>	Date of Last Applicant Revision:	<u>4/20/2007</u>
Land Only:	<u>9.885 acres</u>	\$790,000	As of: <u>3/9/2007</u>
Existing Buildings: (as-is)	<u>\$4,650,000</u>	As of:	<u>3/9/2007</u>
Total Development: (as-is)	<u>\$5,440,000</u>	As of:	<u>4/20/2007</u>

ASSESSED VALUE

Land Only:	<u>9.88 acres</u>	<u>\$197,680</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$2,061,793</u>	Valuation by:	<u>Cameron CAD</u>	
Total Assessed Value:	<u>\$2,259,473</u>	Tax Rate:	<u>2.700527</u>	

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement & First Amendment Acreage: 9.885
 Contract Expiration: 8/1/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$5,200,000 Other: cash (\$2.1M) & assumption of existing loan (\$?)
 Seller: Love Apartment Communities Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value:

The Applicant provided a Purchase and Sale Agreement indicating an acquisition cost of \$5,200,000 for subject property. The Applicant has claimed \$4,942,000 as the portion attributed to the purchase of the buildings in order to determine the acquisition basis. The Appraisal determined the underlying value of the land to be \$790,000. Additionally, the Appraiser determine a value of \$58,000 for the existing community building, which will be demolished and replaced. Therefore, the Underwriter has determined the eligible basis value of the buildings to be \$4,352,000: the purchase price of \$5,200,000 less the appraised value of the land (\$790,000) and value of the to-be-demolished community building (\$58,000).

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are typically minimal. The Applicant has estimated relatively high sitework costs of \$5,000 per unit, which is slightly greater than the estimate in the Property Condition Assessment (PCA) of \$4,914. The Underwriter has used the PCA sitework cost.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$7K or 0.14% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value. It should again be noted that the PCA reflects no immediate need for repairs; however, the sitework and direct construction cost total an substantially high \$52,769 per unit or better than three quarters the cost of new construction for a modern apartment complex.

Conclusion:

The Underwriter's cost schedule was derived from the PCA and information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to adherence to program and underwriting guidelines rather than the Underwriter's Marshall and Swift derived costs. Therefore, the Underwriter's development cost schedule is merely a correction of the Applicant's costs and, as such, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,284,267 supports annual tax credits of \$981,612. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation. Again it must be noted that PCA indicated no immediate need for repairs. Moreover, the total costs on a per unit (\$120K) and per foot (\$122) basis are extraordinarily high and higher on a per unit basis than all four of the new construction applications in this region this year.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/27/2007
 Source: AIG SunAmerica Type: Interim to Permanent Financing
 Interim: \$5,700,000 Interest Rate: 6.75% Fixed Term: 24 months
 Permanent: \$5,360,000 Interest Rate: 6.75% Fixed Amort: 360 months

Source: Cameron County or City of Brownsville Type: Interim to Permanent Local HOME

Principal: \$1,200,000 Interest Rate: AFR Fixed Term: 360 months

Comments:

The Applicant anticipates receiving HOME funds of \$1,200,000 from the City of Brownsville or Cameron County structured as a 30 year loan accruing interest at the Applicable Federal Rate (AFR). The Applicant has not indicated that they will be restricting 40% of the units in each building to tenants with income at or below 50% and therefore the AFR loan will need to be a truly repayable loan or the development would be limited to the 4% credit to ensure an excess federal subsidy is not layered on the subject. The Applicant indicates that the loan will be structured with a balloon note with interest and principal repaid at the end of the 30 year term.

Based on the Applicant's 30-year proforma, the loan principal and interest (at 4.90%; AFR as of March 1, 2007) could be repayable out of cash flow over 30 years starting with a 1.11 DCR as long as the HAP contract stays in place.

Source: AIG SunAmerica Type: Syndication

Proceeds: \$9,134,582 Syndication Rate: 92% Anticipated HTC: \$ 993,880

Comments:

The Applicant's revised sources and uses of funds exhibit is inconsistent with the amount and terms of the submitted syndication commitment from AIG SunAmerica. The Underwriter's analysis is based on the terms of the syndication commitment. The syndication rate was not explicitly stated in the commitment; however, the Underwriter calculated the syndication rate based upon the expected tax credit allocation and the capital contribution to the partnership. AIG SunAmerica will provide a bridge loan of \$7,307,666 during construction.

Amount: \$59,344 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$5,360,000 and local HOME funds of \$1,200,000 indicates the need for \$9,294,325 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,011,261 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$993,280), the gap-driven amount (\$1,011,261), and eligible basis-derived estimate (\$981,612), the eligible basis-derived estimate of \$981,612 is recommended resulting in proceeds of \$9,021,832 based on a syndication rate of 92%.

The Underwriter's recommended financing structure indicates the need for \$272,492 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Should the Applicant not receive the anticipated \$1,200,000 in local HOME funds, the deferred developer fee would increase to \$1,472,492. Deferred developer fee in this amount would be repayable within ten years of stabilized operation and, therefore, the feasibility of the development is not dependent on receipt of the HOME funds.

Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>June 9, 2007</u>
Reviewing Underwriter:	<u>Lisa Vecchiatti</u>	Date:	<u>June 9, 2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>June 9, 2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Candlewick Apartments, Brownsville, 9% HTC #07226

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	647	\$242	\$519	\$1,038	\$0.80	\$109.00	\$54.00
TC 60%	8	1	1	647	\$485	519	\$4,152	0.80	109.00	54.00
TC 60%	6	1	1	647	\$485	511	3,066	0.79	109.00	54.00
TC 30%	6	2	1.5	918	\$291	629	3,774	0.69	119.00	59.00
TC 60%	52	2	1.5	918	\$582	629	32,708	0.69	119.00	59.00
TC 30%	6	3	1.5	1,142	\$336	666	3,996	0.58	135.00	67.00
TC 60%	52	3	1.5	1,142	\$672	666	34,632	0.58	135.00	67.00
TOTAL:	132		AVERAGE:	984		\$632	\$83,366	\$0.64	\$124.82	\$61.91

INCOME

Total Net Rentable Sq Ft: 129,832

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: cable, phone & vending

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	3.81%	\$273	0.28	\$36,054	\$23,100	\$0.18	\$175	2.42%
Management	3.88%	279	0.28	36,773	38,187	0.29	289	4.00%
Payroll & Payroll Tax	10.54%	756	0.77	99,819	100,625	0.78	762	10.54%
Repairs & Maintenance	5.67%	407	0.41	53,694	52,842	0.41	400	5.54%
Utilities	3.22%	231	0.23	30,504	27,060	0.21	205	2.83%
Water, Sewer, & Trash	5.05%	363	0.37	47,887	56,100	0.43	425	5.88%
Property Insurance	4.80%	344	0.35	45,441	39,240	0.30	297	4.11%
Property Tax 2.700527	0.00%	0	0.00	0	1,320	0.01	10	0.14%
Reserve for Replacements	4.18%	300	0.31	39,600	39,600	0.31	300	4.15%
TDHCA Compliance Fees	0.56%	40	0.04	5,280	5,280	0.04	40	0.55%
Other: Cbl/SuppServ/Security	2.71%	195	0.20	25,710	25,710	0.20	195	2.69%
TOTAL EXPENSES	44.41%	\$3,188	\$3.24	\$420,761	\$409,064	\$3.15	\$3,099	42.85%
NET OPERATING INC	55.59%	\$3,989	\$4.06	\$526,579	\$545,604	\$4.20	\$4,133	57.15%

DEBT SERVICE

SunAmerica First Lien	44.04%	\$3,160	\$3.21	\$417,178	\$420,000	\$3.23	\$3,182	43.99%
Local HOME Funds	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	11.55%	\$829	\$0.84	\$109,401	\$125,604	\$0.97	\$952	13.16%

AGGREGATE DEBT COVERAGE RATIO

1.26

RECOMMENDED DEBT COVERAGE RATIO

1.30

1.11

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)		34.11%	\$40,970	\$41.65	\$5,408,000	\$5,408,000	\$41.65	\$40,970	34.31%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		4.09%	4,914	5.00	648,600	660,000	5.08	5,000	4.19%
Direct Construction		32.83%	39,429	40.09	5,204,600	5,197,380	40.03	39,374	32.97%
Contingency	5.00%	1.85%	2,219	2.26	292,869	292,869	2.26	2,219	1.86%
Contractor's Fees	14.00%	5.17%	6,208	6.31	819,448	820,034	6.32	6,212	5.20%
Indirect Construction		5.44%	6,538	6.65	863,000	863,000	6.65	6,538	5.48%
Ineligible Costs		2.47%	2,972	3.02	392,295	392,295	3.02	2,972	2.49%
Developer's Fees	12.17%	9.78%	11,742	11.94	1,550,000	1,550,000	11.94	11,742	9.83%
Interim Financing		3.49%	4,195	4.27	553,750	553,750	4.27	4,195	3.51%
Reserves		0.77%	922	0.94	121,763	25,000	0.19	189	0.16%
TOTAL COST		100.00%	\$120,109	\$122.11	\$15,854,325	\$15,762,328	\$121.41	\$119,412	100.00%
Construction Cost Recap		43.93%	\$52,769	\$53.65	\$6,965,517	\$6,970,283	\$53.69	\$52,805	44.22%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
SunAmerica First Lien	33.81%	\$40,606	\$41.28	\$5,360,000	\$5,360,000	\$5,360,000	Developer Fee Available
Local HOME Funds	7.57%	\$9,091	\$9.24	1,200,000	1,200,000	1,200,000	\$1,550,000
SunAmerica Syndication	57.62%	\$69,201	\$70.36	9,134,582	9,138,176	9,021,832	% of Dev. Fee Deferred
Deferred Developer Fees	0.40%	\$486	\$0.49	64,152	64,152	272,492	18%
Additional (Excess) Funds Req'd	0.60%	\$724	\$0.74	95,591	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$15,854,325	\$15,762,328	\$15,854,325	\$2,146,638

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Candlewick Apartments, Brownsville, 9% HTC #07226

PAYMENT COMPUTATION

Primary	\$5,360,000	Amort	360
Int Rate	6.75%	DCR	1.26

Secondary	\$1,200,000	Amort	
Int Rate		Subtotal DCR	1.26

Additional		Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$417,178
Secondary Debt Service	76,425
Additional Debt Service	0
NET CASH FLOW	\$52,001

Primary	\$5,360,000	Amort	360
Int Rate	6.75%	DCR	1.31

Secondary	\$1,200,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.11

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.11

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,000,392	\$1,030,404	\$1,061,316	\$1,093,155	\$1,125,950	\$1,305,285	\$1,513,183	\$1,754,193	\$2,357,489
Secondary Income	15,840	16,315	16,805	17,309	17,828	20,668	23,959	27,776	37,328
Other Support Income: cable, f	15,840	16,315	16,805	17,309	17,828	20,668	23,959	27,776	37,328
POTENTIAL GROSS INCOME	1,032,072	1,063,034	1,094,925	1,127,773	1,161,606	1,346,620	1,561,102	1,809,744	2,432,145
Vacancy & Collection Loss	(77,405)	(79,728)	(82,119)	(84,583)	(87,120)	(100,996)	(117,083)	(135,731)	(182,411)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$954,667	\$983,307	\$1,012,806	\$1,043,190	\$1,074,486	\$1,245,623	\$1,444,019	\$1,674,014	\$2,249,734
EXPENSES at 4.00%									
General & Administrative	\$23,100	\$24,024	\$24,985	\$25,984	\$27,024	\$32,879	\$40,002	\$48,668	\$72,041
Management	38,187	39,332	40,512	41,728	42,979	49,825	57,761	66,960	89,989
Payroll & Payroll Tax	100,625	104,650	108,836	113,189	117,717	143,221	174,250	212,002	313,814
Repairs & Maintenance	52,842	54,956	57,154	59,440	61,818	75,211	91,505	111,330	164,796
Utilities	27,060	28,142	29,268	30,439	31,656	38,515	46,859	57,011	84,391
Water, Sewer & Trash	56,100	58,344	60,678	63,105	65,629	79,848	97,147	118,194	174,956
Insurance	39,240	40,810	42,442	44,140	45,905	55,851	67,951	82,673	122,376
Property Tax	1,320	1,373	1,428	1,485	1,544	1,879	2,286	2,781	4,117
Reserve for Replacements	39,600	41,184	42,831	44,545	46,326	56,363	68,574	83,431	123,499
Other	30,990	32,230	33,519	34,860	36,254	44,108	53,665	65,291	96,647
TOTAL EXPENSES	\$409,064	\$425,044	\$441,653	\$458,914	\$476,853	\$577,699	\$700,000	\$848,342	\$1,246,625
NET OPERATING INCOME	\$545,604	\$558,262	\$571,153	\$584,276	\$597,633	\$667,925	\$744,019	\$825,671	\$1,003,109
DEBT SERVICE									
First Lien Financing	\$417,178	\$417,178	\$417,178	\$417,178	\$417,178	\$417,178	\$417,178	\$417,178	\$417,178
Second Lien	76,425	76,425	76,425	76,425	76,425	76,425	76,425	76,425	76,425
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$52,001	\$64,659	\$77,550	\$90,673	\$104,030	\$174,322	\$250,416	\$332,068	\$509,506
DEBT COVERAGE RATIO	1.11	1.13	1.16	1.18	1.21	1.35	1.51	1.67	2.03

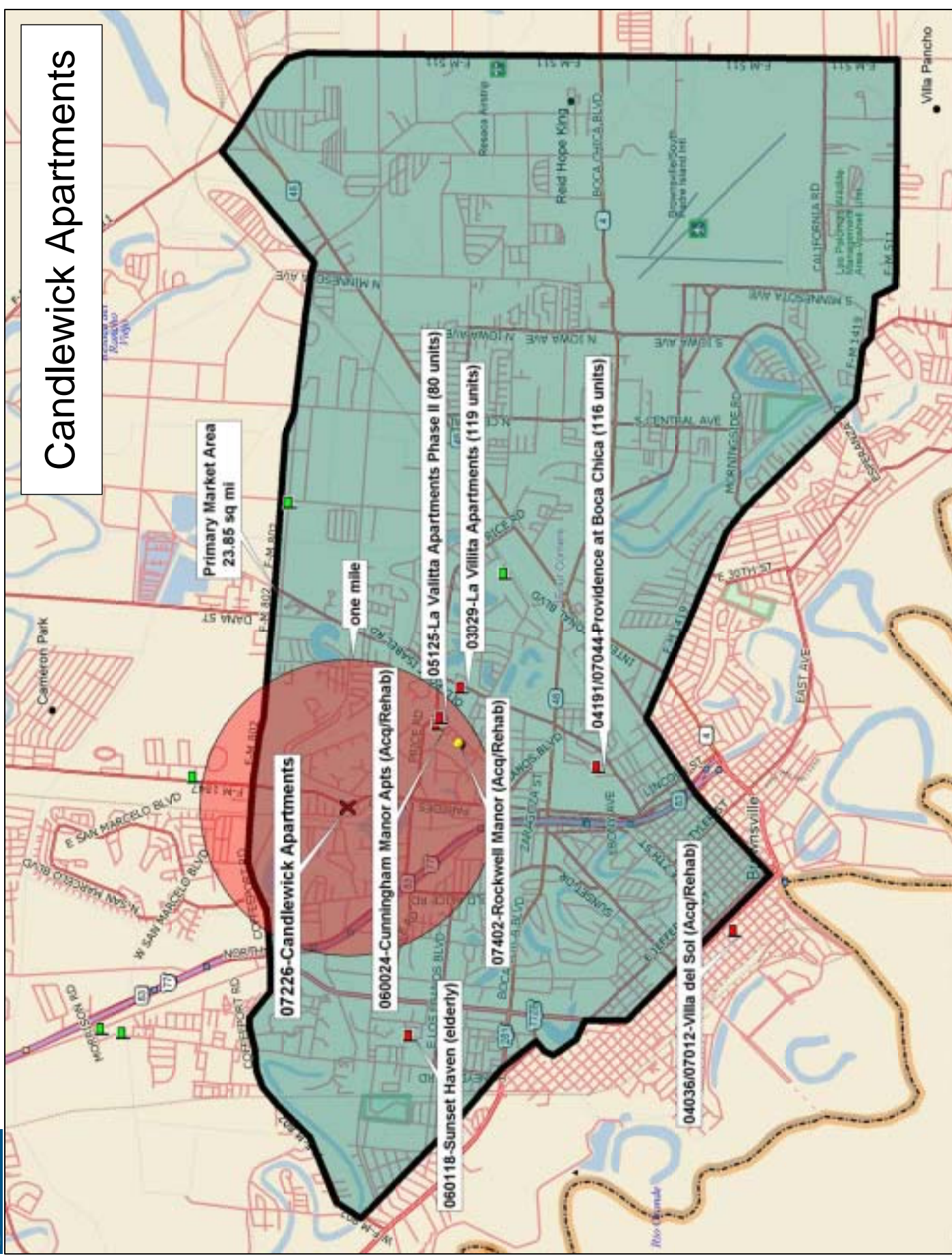
HTC ALLOCATION ANALYSIS -Candlewick Apartments, Brownsville, 9% HTC #07226

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
Acquisition Cost						
Purchase of land	\$466,000	\$1,056,000				
Purchase of buildings	\$4,942,000	\$4,352,000	\$4,942,000	\$4,352,000		
Off-Site Improvements						
Sitework	\$660,000	\$648,600			\$660,000	\$648,600
Construction Hard Costs	\$5,197,380	\$5,204,600			\$5,197,380	\$5,204,600
Contractor Fees	\$820,034	\$819,448			\$820,033	\$819,448
Contingencies	\$292,869	\$292,869			\$292,869	\$292,869
Eligible Indirect Fees	\$863,000	\$863,000			\$863,000	\$863,000
Eligible Financing Fees	\$553,750	\$553,750			\$553,750	\$553,750
All Ineligible Costs	\$392,295	\$392,295				
Developer Fees						
Developer Fees	\$1,550,000	\$1,550,000	\$574,693	\$529,720	\$975,307	\$1,020,280
Development Reserves	\$25,000	\$121,763				
TOTAL DEVELOPMENT COSTS	\$15,762,328	\$15,854,325	\$5,516,693	\$4,881,720	\$9,362,340	\$9,402,547

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$5,516,693	\$4,881,720	\$9,362,340	\$9,402,547
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$5,516,693	\$4,881,720	\$9,362,340	\$9,402,547
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$5,516,693	\$4,881,720	\$9,362,340	\$9,402,547
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$200,808	\$177,695	\$800,480	\$803,918

Syndication Proceeds	0.9191	\$1,845,589	\$1,633,161	\$7,357,076	\$7,388,671
Total Tax Credits (Eligible Basis Method)				\$1,001,288	\$981,612
Syndication Proceeds				\$9,202,665	\$9,021,832
Requested Tax Credits				\$993,280	
Syndication Proceeds				\$9,129,068	
Gap of Syndication Proceeds Needed				\$9,202,328	\$9,294,325
Total Tax Credits (Gap Method)				\$1,001,251	\$1,011,261

Candlewick Apartments



Applicant Evaluation

Project ID # **07226**

Name: **Candlewick 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

Total # of Projects monitored: 8

Projects zero to nine: 6
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 8

Projects not reported Yes
 in application No

not yet monitored or pending review: 16

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Champion Home at La Joya, TDHCA Number 07227

BASIC DEVELOPMENT INFORMATION

Site Address: 945 S Leo & Various Addresses for Scattered SF Homes Development #: 07227
City: La Joya Region: 11 Population Served: General
County: Hidalgo Zip Code: 78560 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Chicory Court VIII, L.P.
Owner Contact and Phone: Saleem Jafar (972) 701-5550
Developer: Odyssey Residential Holdings, L.P.
Housing General Contractor: Odyssey Residential Construction, L.P.
Architect: Stanford Knowles Architects and Planners
Market Analyst: The Gerald A. Teel Company, Inc.
Syndicator: AIG Sun America
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 50
16 0 0 34 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 0 0 40 10 0 Total Development Units: 50
Type of Building: Total Development Cost*: \$6,723,046
Number of Residential Buildings: 35
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$641,374 \$481,928
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Champion Home at La Joya, TDHCA Number 07227

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S Points: 7 US Representative: Cuellar, District 28, NC
TX Representative: Peña, District 40, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

La Joya Resident's Council, Claudia Aguillon Letter Score: 24 S or O: S

The development is designated to serve the needs of Hidalgo County resident in need of affordable housing. There is a well recognized need for decent, safe and affordable housing in our are for low income residents in Hidalgo County and the La Joya area. The development also provides a new home environment and important upgrades of common area amenities in our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by carryover, of a revised set of building plans and unit plans as well as an architect's certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum 100 square feet; 20% of each unit type have one bedroom and bath downstairs; 5% of the two story units that have two-bedrooms or more have at least two bedrooms downstairs.

Receipt, review, and acceptance, prior to start of construction, of an opinion from the ESA provider concerning the potential impact of noise on the subject sites.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition.

Receipt, review, and acceptance, by the 10% test, of HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract.

Receipt, review, and acceptance, by the 10% test, of evidence that the allocation of project-based vouchers to the proposed development upon completion of construction will not adversely affect the PHA's requirement to have no more than 20% of its voucher assistance to specific housing units.

Receipt, review, and acceptance, by cost certification, of documentation that the on-site clubhouse will serve only the subject property. Alternatively, staff may reduce eligible basis if the clubhouse facilities will be used for other purposes.

Receipt, review, and acceptance, by the 10% test, of an evaluation from a CPA documenting how the Housing Authority loan can be reasonably projected to be repaid based on the HUD approved Section 8 rents and whether the loan would be considered below market rate federal funds or if a reduction in the credits based on this federal below market rate funding source is necessary.

Receipt, review, and acceptance, prior to start of construction, of updated surveys indicating all pipeline easements and a letter from the surveyor indicating any potential adverse impacts associated with the pipeline easements or right-of-way easements granted to individuals (Schedule B, Items 'y,' 'z,' 'aa,' 'dd,' and 'kk' of the title 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/allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Champion Home at La Joya, TDHCA Number 07227

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

Competitive Housing Tax Credits: Score: **204** Meeting a Required Set-Aside Credit Amount*: \$481,928

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/23/07 PROGRAM: 9% HTC FILE NUMBER: 07227

DEVELOPMENT						
Champion Home at La Joya						
Location: <u>945 South Leo Street and 30 Single Family Scattered Sites</u>					Region: <u>11</u>	
City: <u>La Joya</u>		County: <u>Hidalgo</u>		Zip: <u>78560</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, Rural, Reconstruction/Rehabilitation</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$641,374			\$481,928		
*Original request was \$690,000 but was reduced by the Applicant in subsequent application amendments						
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by carryover, of a revised set of building plans and unit plans as well as an architect's certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum 100 square feet; 20% of each unit type have one bedroom and bath downstairs; 5% of the two story units that have two-bedrooms or more have at least two bedrooms downstairs. 2 Receipt, review, and acceptance, prior to start of construction, of an opinion from the ESA provider concerning the potential impact of noise on the subject sites. 3 Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition. 4 Receipt, review, and acceptance, by the 10% test, of HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract. 5 Receipt, review, and acceptance, by the 10% test, of evidence that the allocation of project-based vouchers to the proposed development upon completion of construction will not adversely affect the PHAs requirement to have no more than 20% of its voucher assistance to specific housing units. 6 Receipt, review, and acceptance, by cost certification, of documentation that the on-site clubhouse will serve only the subject property. Alternatively, staff may reduce eligible basis if the clubhouse facilities will be used for other purposes. 7 Receipt, review, and acceptance, by the 10% test, of an evaluation from a CPA documenting how the Housing Authority loan can be reasonably projected to be repaid based on the HUD approved Section 8 rents and whether the loan would be considered below market rate federal funds or if a reduction in the credits based on this federal below market rate funding source is necessary. 8 Receipt, review, and acceptance, prior to start of construction, of updated surveys indicating all pipeline easements and a letter from the surveyor indicating any potential adverse impacts associated with the pipeline easements or right-of-way easements granted to individuals (Schedule B, Items 'y,' 'z,' 'aa,' 'dd,' and 'kk' of the title commitment). 						

9 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	16 ¹
60% of AMI	60% of AMI	34 ²

1 These 16 units will also be characterized as public housing units with support from an operating subsidy committed by the La Joya Housing Authority (subject to approval by HUD)

2 These 34 units will also receive project based Section 8 from the La Joya Housing Authority (subject to approval by HUD)

PROS

The development plan calls for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

The development proposes to utilize housing tax credits to revitalize an existing public housing authority owned development and may strengthen the Housing Authority's ability to deliver housing opportunities in this market by simultaneously increasing HUD subsidies to the Housing Authority as a direct result of reconstructing these units.

CONS

The Applicant's proforma and development costs were each revised numerous times during the underwriting process, indicating significant inconsistencies in the initial development plan.

The effectiveness of the tax credits is in question as collected rents are and will remain higher than the maximum tax credit rents and the transaction will result in higher per unit costs than standard new construction in this market.

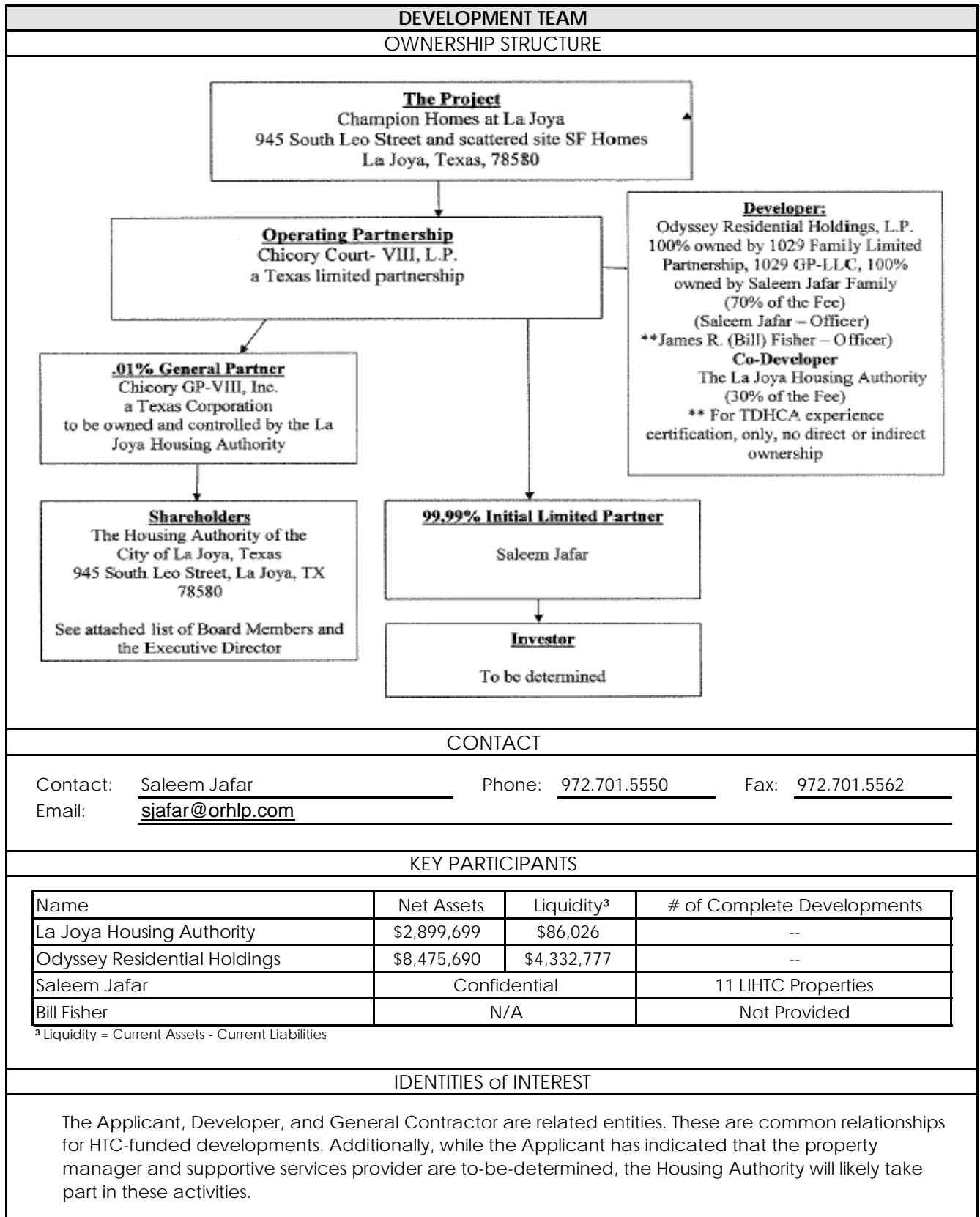
The Applicant's anticipated syndication proceeds as a percentage of total cost (92%) is higher than typical due to the 130% DDA boost, deep rent targeting, and low syndication rate.

The repayment of the substantial federally sourced local funds is questionable and therefore may jeopardize the development's qualification for 9% credits.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

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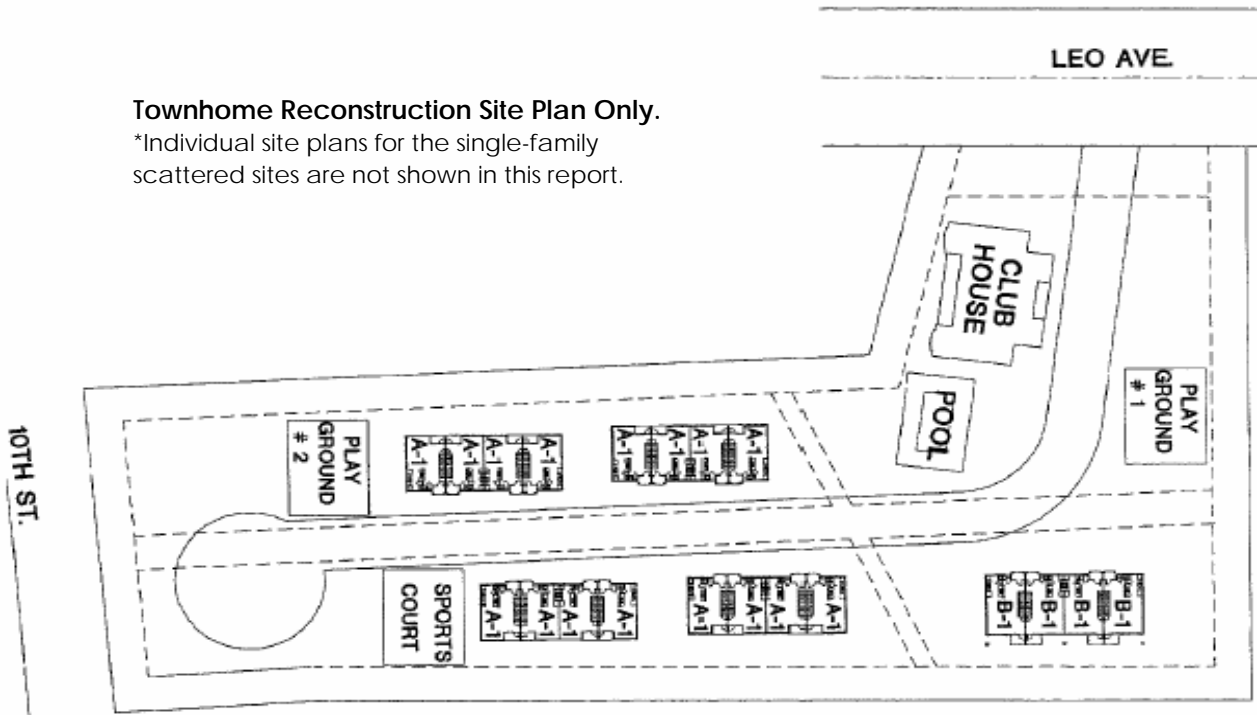


The property is currently owned and operated by the proposed future owner of the GP which is the La Joya Housing Authority. Chicory Court VIII, LP, the Applicant, is currently controlled by the Saleem Jafar as the GP and the application indicates that control of this entity will be transferred to the La Joya Housing Authority. Staff has determined that this does not constitute an ownership transfer that will require a future amendment as this transfer is being disclosed in the application. However, the transfer will be treated as an identity of interest transaction.

PROPOSED SITE

SITE PLAN

Townhome Reconstruction Site Plan Only.
 *Individual site plans for the single-family scattered sites are not shown in this report.



BUILDING CONFIGURATION

Building Type	Single Family Homes		Townhomes		Total Buildings
	SF-1	SF-2	TH-1	TH-2	
Floors/Stories	1	1	2	2	
Number	24	6	4	1	35

BR/BA	SF	Units								Total Units	Total SF
3/2	972	1								24	23,328
3/2	1,293			4						16	20,688
4/2	1,124		1							6	6,744
4/2	1,559				4					4	6,236
Units per Building		1	1	4	4					50	56,996

This section intentionally left blank.

Development Plan:

The development plan calls for the demolition and reconstruction of 20 existing townhome units built in 1990 and the rehabilitation of 30 single family homes. The existing one-story single family homes were constructed approximately 15 years ago and are located on 30 individual lots that are scattered among various neighborhoods in close proximity to the townhome site that will house the community amenities. 20 of these lots and single family homes are immediately adjacent to the proposed townhome site and the other 10 are located nearby in 6 non- adjacent groups. The proposed two-story townhome units will be located on a 3.89 acre site. The townhome site is current subdivided into three separate lots.

The existing townhomes (to be demolished) are located on a 3.36 acre lot. The adjacent two lots (0.54 acres combined) to be added to the townhome development site currently house the City of La Joya Public Library and a sport court. According to the records provided to staff, the library property was conveyed to the Housing Authority in 1995; however, the library is still operating at this site - the Underwriter confirmed this by calling the library. The proposed development plan calls for the demolition of the library and sport court to allow space for a new entry drive and playground. The Underwriter was unable to become comfortable with a good comparison of the new site plan to the existing site since the existing survey of the townhome site was outdated and inaccurately platted.

The Applicant implied that the library had already been relocated; however, the Underwriter confirmed that the library was still operating at this site and that library staff was unaware a new location had been secured. At the Underwriter's request, the Applicant submitted a letter from the City that indicates the City Council has not yet been presented with or approved a relocation plan for the library; the City Administrator states that they intend to "aggressively start preparations for the relocation." (letter dated May 30, 2007).

The townhome site also includes an existing office building for all of the Housing Authority's operations and staff. According to the site plan, this office building will be demolished and replaced with a new community building. The Applicant indicated that the Housing Authority staff will have offices in the new community building but that the administration of the Section 8 Voucher program will be relocated to another site so that the tax credits claimed for the community building are not jeopardized. The Applicant provided a legal opinion to this effect on May 30, 2007.

However, the legal opinion does not specifically address the use by the Housing Authority of parts of the clubhouse for offices. In addition, the legal opinion cites Treasury Regulations with regard to a daycare facility that may be available to the general public if and only if the minimum enrollment requirement for Head Start reimbursement is not met by tenants of the subject property. The Treasury Regulation explicitly states that "absolute priority" must be given to tenants. It is not clear how this Treasury Regulation relates to the subject development and the proposed use of parts of the clubhouse as offices for the Housing Authority. It is not feasible to assume that "absolute priority" with regards to service provided by the Housing Authority staff using this facility will be given to tenants of the subject property. At the same time, the clubhouse building plan does not appear to provide adequate offices for the Housing Authority's staff.

Receipt, review, and acceptance, by cost certification, of documentation that the on-site clubhouse will serve only the subject property is a condition of this report. Alternatively, staff may reduce eligible basis if the clubhouse facilities will be used for other purposes.

Despite efforts to clarify the development plan and site, inconsistencies in the application and in conversations with the Applicant have made the evaluation process arduous. The Applicant has revised the rent schedule, proforma, development cost schedule, sources and uses of funds exhibit, specs and amenities, and architectural plans on numerous occasions due to such inconsistencies. For example, the site is and has been under the ownership control of the sponsor and thus it should have been relatively easy to ascertain correct information. However, the Applicant provided revised site control documents, title commitments, and surveys throughout the process due to inconsistencies that have only been partially clarified as of the date of this report.

The architectural plans submitted also indicate the 20 townhome units to be reconstructed may not, when completed, meet the requirements of the QAP. The secondary bedrooms appear to be sized at less than 100 square feet. In addition, these units do not meet the QAP requirement stating 20% of each unit type must have a minimum of one bedroom and one bathroom or powder room on the ground floor nor do they appear to meet 504/UFAS standards with regards to 5% of the two-story units which have two or more bedrooms having at least two bedrooms on the ground floor.

Therefore this report is conditioned upon receipt, review, and acceptance of a revised set of building plans and unit plans and architects certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum 100 square feet; 20% of each unit type have one bedroom and bath downstairs and that 5% of the two story units that have two-bedrooms or more have at least two bedrooms downstairs.

SITE ISSUES

Total Size: 8.23 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: Use is conforming Needs to be re-zoned? Yes No N/A

Comments:

The development plan calls for the reconstruction of 20 townhome units on three already developed lots which currently house 20 townhome units, housing authority offices, the municipal library and a sports court - all off which will be demolished. The plan also calls for the rehabilitation of 30 single family one-story homes located on individual lots that are scattered among various neighborhoods in close proximity to the townhome site. 20 lots are in the adjacent Tabasco Subdivision number 2 , another group of 3 lots and a group of 2 lots are in the Lakeview Subdivision, a group of 2 lots are in the Lakeview Subdivision number 2, 2 scattered lots are in the Mesquite Estates Unit I and 1 lot is in the St. John Subdivision .

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses: (in relation to the existing townhomes)

North: The library and 20 of the single family homes to be rehabilitated beyond the library
 South: 10th Street / single-family residential
 East: undeveloped land
 West: Leo Avenue / single-family residential

Comments:

The site inspector stated: "The project is located in a low-to-moderate section of town near many social services such as La Joya WIC, senior citizen center, church, and access to many public schools. The area is very good for multi-family units and homes" (p. 3)

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Property Condition Assessment Consultants, Inc Date: 3/30/2007

* The ESA provider performed two Phase I ESAs, one for the townhome site and one for the single family sites.

Recognized Environmental Concerns (RECs) and Other Concerns:

The Phase I ESA indicates no recognized environmental concerns and recommends no additional investigation at this time.

Comments:

The Phase I ESAs provided did not address the potential impact of noise on the subject sites. Therefore, receipt, review, and acceptance of an opinion from the ESA provider concerning the potential impact of noise on the subject sites is a condition of this report.

Although the "library lots" are now included in the development site, the originally submitted Phase I ESAs did not include an environmental assessment of the additional lots. As a result, the Underwriter requested a Phase I ESA for these additional lots. The Applicant submitted a letter from the provider dated May 18, 2007 stating that a walk-through had been done and that no additional investigation is necessary at this time.

MARKET HIGHLIGHTS

Provider: The Gerald A Teel Company Date: 3/23/2007
 Contact: Tim N Treadway Phone: 713.467.5858 Fax: 713.467.0704
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 190.73 Square Miles (1 7.79 Mile Radius)

"The primary market area is considered to be the La Joya School District and surrounding areas, including Sullivan City" (p. 4). This includes four census tracts.

Secondary Market Area (SMA):

"The secondary market would be the communities neighboring La Joya, including portions of McAllen, Mission, Pharr and Edinburg, if applicable. The secondary market area has not been considered in this analysis" (p. 5).

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE *							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
3 BR/ 30% Rent Limit	56	-2	0	53	14	0	26%
3 BR/ 60% Rent Limit	43	5	67	115	28	0	24%
4 BR/ 30% Rent Limit	14	0	0	15	2	0	13%
4 BR/ 60% Rent Limit	18	1	39	58	6	0	10%

* The Market Analyst's demand by unit type calculations are based on a slightly different unit mix than the final iteration of the development plan indicates. However, the capture rate is not a meaningful calculation for the proposed property because the proposed units will offer substantial savings to the tenants in the form of vouchers and public housing units, and it is likely the existing tenants will choose to return. Therefore, the Underwriter has not requested revisions to the market study to correct this discrepancy.

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 81/87	100%	11,397	48%	5,505	27%	1,486	18%	271	55%	149
Underwriter	100%	12,284	48%	5,933	75%	4,471	18%	815	55%	448
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 81/87			48%	214	27%	58	18%	11	100%	11
Underwriter			48%	441	75%	160	18%	29	100%	29

DEMAND from OTHER SOURCES					
Market Analyst p. 81/87					117
Underwriter					0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 81/87	50	0	0	50	277	18.05%
Underwriter	50	0	0	50	477	10.48%

Primary Market Occupancy Rates:

The comparable properties in the PMA report occupancy levels ranging from 90% to 100% with a mean of 95.8%. The LIHTC properties in the area (excluding unstabilized properties) report a mean occupancy level of 95% (p. 27).

Absorption Projections:

The Market Analyst has indicated that the subject development has already been fully absorbed into the market (p. 90).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Current Voucher Pay Standard	Underwriting Rent	
3 BR 972 SF 30%/PHU	\$300	\$289	\$750		\$100	
3 BR 972 SF 60%/Sec8	\$602	\$625	\$750	\$714	\$714	
3 BR 1,293 SF 30%/PHU	\$300	\$289	\$750		\$100	
3 BR 1,293 SF 60%/Sec8	\$602	\$625	\$750	\$714	\$714	
4 BR 1,124 SF 30%/PHU	\$350	\$319	\$850		\$100	
4 BR 1,124 SF 60%/Sec8	\$670	\$694	\$850	\$819	\$819	
4 BR 1,559 SF 30%/PHU	\$350	\$319	\$850		\$100	
4 BR 1,559 SF 60%/Sec8	\$670	\$694	\$850	\$819	\$819	

The subject total collected rents currently exceed the maximum restricted rent with the housing assistance payment standard, and therefore, the addition of tax credit funding for the property will provide no new affordability for the development or the community.

Market Impact:

"The subject property will have minimal effect on the market, and will open up the market to a greater pool of possible renters" (p. 91).

Comments:

The market study provides sufficient information on which to base a funding recommendation. The capture rate is not a meaningful tool for the subject as it is likely that the property will operate near 100% occupancy due to the public housing subsidy and provision of Section 8 Vouchers for all non public housing units and should the existing tenants choose to return.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 5/19/2007

The Applicant's current rent schedule reflects that 68% of the units are tax credit units at the maximum rents allowed under HTC guidelines (current program rent limit less current utility allowances). These maximum rents are achievable according to the Market Analyst. However, all of the 60% units (34 units) are proposed to receive dedicated Section 8 Vouchers from the Housing Authority's choice voucher pool. At the request of the Underwriter, the Applicant has provided a HAP contract that, if approved by HUD will apply to these units. The HAP contract indicates that the gross contract rents will equal the tax credit program rents.

However, HUD has not yet approved the proposed plan and the Housing Authority's existing voucher pay standards are higher than the tax credit rents and supported by the market study. Typically Housing authorities do not lower the payment standard for a particular development even if it is one that they control. Moreover, lenders and investors in this development may not allow a separate lower payment standard for a development in which they have made an investment. As a result, the Underwriter has used the Housing Authority's existing pay standards for all of the units that will receive dedicated Section 8 Vouchers.

All of the 30% units (16 units) will be public housing units and will receive an operating subsidy. The Applicant has provided a DRAFT Regulatory and Operating Agreement to substantiate the operating subsidy anticipated; however, the form used appears to be an outdated form that is no longer used by HUD, despite necessary HUD approval. The underwriting rent collected for the public housing units are set at \$100 with the difference needed to support these units' prorata share of operating expenses reflected as a lump sum PHU Operating Subsidy. Tenants in the PHUs will be required to pay only 30% of their monthly income towards rent. It is not possible to accurately project actual rent to be paid by the tenant as this figure will fluctuate from household to household. Based on past experience with public housing units (PHUs), the Underwriter has assumed the that no debt can be serviced by the PHUs.

The Applicant's secondary income and vacancy and collection loss reflect current TDHCA underwriting guidelines. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in a overall vacancy and collection loss rate of 6.19% of the development's potential gross income. Due to the differences discussed above, particularly the difference in rent for the dedicated Section 8 units and despite the subsidy calculated by the Underwriter, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

The tenants in Section 8 units will be responsible for electric and gas utility costs while the development will pay all bills for the tenants in public housing units. It should also be noted that both the Regulatory and Operating Agreement and the HAP contract appear to indicate that all 50 units will receive both forms of subsidy. However, this is assumed to be a mistake due to other information in the application and conversations with the Applicant. Moreover, it is highly unlikely that HUD would approve a plan to overlap these subsidies as they each independently allow for affordability.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition and HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract are conditions of this report.

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Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/19/2007

The Applicant's projected total operating expense of \$3,265 per unit is not within 5% of the Underwriter's estimate of \$3,587 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of repairs and maintenance (\$7K lower), utilities, water, sewer and trash (\$6K lower), and reserve for replacements (\$1K lower) are significantly different from the Underwriter's estimates. The Applicant's reserve for replacement's figure is \$250 per unit, while the Underwriter has used reserves of \$250 per unit for the units to be reconstructed and \$300 per unit for the units being rehabilitated in accordance with Department standards. It should be noted, the Applicant indicated that site based accounting was not completed and could not provide actual expenses for comparison.

The Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the La Joya Housing Authority. The Applicant has estimated nominal annual property taxes of \$500 as a result of the proposed ownership structure and ground lease of the property.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the Department's current maximum of 1.35 if the Housing Authority loan is not included in annual debt service.

The recommended financing structure reflects \$500,000 of the \$1,000,000 Housing Authority loan can be paid in annual debt service and the development will be able to maintain a DCR within the guidelines. The remaining portion of the Housing Authority loan will be payable from available cashflow over the term of the loan. However, if HUD does not approve rent levels for the Section 8 units that are substantially higher than the program rent levels, then the property will not be able to repay the Housing Authority loan. This is discussed in more detail in the "Recommended Financing Structure" below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and a revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A Teel Company, Inc Date: 3/26/2007

Number of Revisions: 1 Date of Last Applicant Revision: 5/21/2007

Land Only: 1 8.17 acres	<u>\$520,000</u>	As of: <u>10/10/2006</u>
Existing Buildings: (as-is)	<u>\$460,000</u>	As of: <u>10/10/2006</u>
Tax Exempt/State Insurance:	<u>\$550,000</u>	As of: <u>10/10/2006</u>
Total Development: (as-is)	<u>\$1,530,000</u>	As of: <u>10/10/2006</u>

Comments:

The value of the existing buildings excludes the value of the townhomes. The townhomes will be demolished; therefore, the existing buildings on the townhome site (including library) have no value to the proposed owner. The Appraised Value of \$1,530,000 includes the value of the underlying land being purchased, the "as-is" value of the existing 30 single family homes, and the value of the tax exemption and access to state insurance pool available to the Housing Authority.

Of note, the Appraiser appears to have included an approximation of the acreage due to lack of access to reliable information. However, each lot being transferred appears to be included in the appraisal. Additionally, the appraisal was revised to include the underlying land value of the additional library lots. The revised figure was unchanged from the original appraisal suggesting no value was assigned to the library lots.

ASSESSED VALUE

Land Only: N/A acres	\$384,295	Tax Year:	2006
Existing Buildings:*	\$2,307,017	Valuation by:	Hidalgo CAD
Total Assessed Value:	\$2,691,312	Tax Rate:	2.913

* Including library building value

EVIDENCE of PROPERTY CONTROL

Type: <u>Exclusive Option Agreement (for Ground Lease)</u>	Acreage: <u>N/A</u>
Contract Expiration: <u>12/31/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,385,000</u>	Other: <u>Price includes demolition</u>
Seller: <u>La Joya Housing Authority</u>	Related to Development Team? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TITLE

Comments:

The title commitment identifies pipeline easements that do not appear to be shown on the surveys provided. In addition, a number of right-of-way easements granted to individuals are identified. Therefore, receipt, review, and acceptance of updated surveys indicating all pipeline easements and a letter from the surveyor indicating any potential adverse impacts associated with the pipeline easements or right-of-way easements granted to individuals (Schedule B, Items 'y,' 'z,' 'aa,' 'dd,' and 'kk' of the title commitment) is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/19/2007

Acquisition Value:

The Applicant has provided an Exclusive Option Agreement for the identity of interest transfer of the leasehold estate to the partnership. The contract indicates that costs amounting to \$300,000 for demolition and removal of the existing structures on the townhome site are included in the contract price. The contract price is significantly below the appraised value and is supported by the Housing Authority's financial statements indicating the original basis in the land and buildings. As a result, the contract price of \$1,385,000 appears to be reasonable based on the information provided.

Through correspondence with the Underwriter, the Applicant also indicated that the Housing Authority and/or City will bear the costs of relocation of the library and existing Housing Authority offices; however, it does not appear that these costs were contemplated in the Option Agreement provided. Should the costs of relocation ultimately fall upon the Applicant, these ineligible costs may significantly increase the development's gap in financing.

It should be noted that the Applicant is not claiming any acquisition cost as eligible basis.

Sitework Cost:

The Applicant's claimed sitework costs of \$6,703 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$1,006,979 or 46% higher than the Underwriter's Marshall & Swift Residential Cost Handbook and PCA derived estimate. The Underwriter used the PCA submitted by the Applicant to determine the cost estimate for the rehabilitation portion attributed to the single family homes. At the request of the Underwriter, the Applicant provided breakdown of the direct construction costs and sitework costs in order to help reconcile the substantial cost difference that appears to be exclusively the result of the direct costs associated with the reconstruction of the townhomes.

The PCA reflects a cost of \$809,600 for the rehabilitation of the single family homes, which is generally consistent with the Applicant's cost of \$810,920. This amounts to \$27,000 of rehabilitation per home which is an extraordinary amount for 15 year old homes. The largest items identified in the PCA are questionable as in the \$7,000 per house cost of "re-grading", adding drainage and landscaping on 5,000 square foot lots. Another \$8,500 per home is estimated for shingles and gutters. Nonetheless, the entire PCA budget for the single family units was included in the Underwriter's costs.

The Applicant also provided a PCA for the townhome units totaling \$2,523,000 or \$126,150 per unit in construction costs alone. None of the PCA repairs for this 17 year old development were considered by the PCA provider to be critical or in immediate need of action. The PCA provider estimated \$270,000 or \$27,000 per building in drainage, fencing, signage and landscaping, and an additional \$11,600 per duplex building for roofing and gutters though it was noted that the buildings had been re-roofed in 2002.

Finally, the PCA provider included \$50,000 per unit for interior renovations which does not include \$3,500 per unit for HVAC and smoke detectors. The PCA providers repair budget is clearly beyond reasonable compared to the cost of building new which may have influenced the Applicant's decision to reconstruct the units rather than rehabilitate them. The Applicant's construction costs for the townhome units, however, are substantially higher than can be verified by the Underwriter and substantially higher than the costs for recently underwritten comparable properties within the Hidalgo County even when the apparently high cost of site work is excluded from the comparison.

The Applicant's cost breakdown indicates the direct cost estimate (not including sitework, contingency, or fees) for the 20 townhomes is \$2,393,850 or \$119,693 per unit. This is substantially higher than the Underwriter's direct cost estimate (derived from Marshall and Swift) of \$69,410 per unit. Including sitework, 5% contingency, and 14% contractor fee, the Applicant's hard construction costs for the townhome units is approximately \$151K per unit. Including sitework, 5% contingency, and 14% contractor fee, the Underwriter's townhome reconstruction hard cost is approximately \$91K per unit.

The Underwriter requested additional documentation to support the Applicant's cost estimate. The Applicant's response stated, "We are OK with the direct costs and site work of the town homes of \$1,525,000 plus the 5% variance allowed by underwriting. We reserve the right to appeal the cost for the following costing issues: 1. The M&S costing adjusts labor costs downward in this region. It fails totally to consider productivity for the dollar, 2. Copper cost for electric and plumbing continue to be volatile. Costs continue to rise in this category, 3. The costs of petroleum based products like pipe and roofing material continue to rise." The Applicant offered to revise their cost schedule to reflect an adjusted direct cost estimate for the townhomes pegged at the Underwriter's estimate plus 5%. This response does not constitute support for the cost estimate nor does it reflect a true reevaluation of the Applicant's costs.

Revision of the Applicant's costs to peg the Underwriter's Marshall and Swift derived estimate significantly erodes staff's confidence in the Applicant's estimate. Therefore, the Underwriter did not request such a revision. The Applicant's costs remain significantly higher than the Underwriter's costs and the Applicant has not supplied documentation to support the higher costs.

Contingency & Fees:

The Applicant's contractor fees exceed the Department's 14% maximum by \$112. Additionally, the Applicant's contingencies exceed the Department's 5% maximum by \$4. Therefore, the overstated fees and contingency (\$117 in total) will be allocated to ineligible costs resulting in an equivalent reduction in eligible basis.

Conclusion:

Due primarily to the discrepancy in direct costs, the Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$4,603,252 supports annual tax credits of \$511,651. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/19/2007

Source: AIG SunAmerica Type: Interim to Permanent Financing

Interim: \$1,260,000 Interest Rate: 6.75% Fixed Term: 24 months
Permanent: \$1,390,000 Interest Rate: 6.75% Fixed Amort: 360 months

Comments:

In order to achieve a final interest rate of 6.75%, the commitment indicates that the Applicant may be required to assume responsibility for buy-down costs that are not clearly outlined.

Source: La Joya Housing Authority Type: Interim to Permanent Financing

Permanent: \$1,000,000 Interest Rate: 4.90% Fixed Term: 360 months

Comments:

The loan commitment from the Housing Authority indicates that the loan will accrue interest at the long-term applicable federal rate (4.9% at application) for 30 years, at which time the accrued interest and principal will be fully repaid. The Underwriter has estimated that the principal and accrued interest will amount to approximately \$1.91M at the end of the 30-year term. Moreover, based upon the information provided the loan appears to be federally sourced funds from HUD's Capital Fund program. A Capital Fund grant and/or loan funds are provided to Housing Authorities for capital improvements or other approved uses. (Please see the "Conclusions" section below for more information on how the development's eligible basis for tax credit purposes may be adversely affected by the proposed structure of this loan.)

Source: AIG SunAmerica Type: Syndication

Proceeds: \$6,205,000 Syndication Rate: 90% Anticipated HTC: \$ 690,130

Comments:

The Applicant has submitted multiple revised cost schedules subsequent to the submission of the syndication term sheet from AIG SunAmerica. As a result, the syndication term sheet is inconsistent with the Applicant's latest requested credit amount. The Underwriter has assumed the terms reflected in the term sheet. NOTE: The syndication rate indicated above was calculated based on the proposed equity contribution and the syndicators estimate of tax credits. The syndication rate is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there would be little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$2,568 Type: Deferred Developer Fees

MULTIFAMILY COMPARATIVE ANALYSIS

Champion Home at La Joya, La Joya, 9% HTC #07227

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WST
TC 30%/PHU	8	3	2	972	\$336	\$100	\$800	\$0.10	\$47.00	\$34.00
TC 60%/Sec8	16	3	2	972	\$672	714	11,424	0.73	47.00	34.00
TC 30%/PHU	5	3	2	1,293	\$336	100	500	0.08	47.00	34.00
TC 60%/Sec8	11	3	2	1,293	\$672	714	7,854	0.55	47.00	34.00
TC 30%/PHU	2	4	2	1,124	\$375	100	200	0.09	56.00	38.00
TC 60%/Sec8	4	4	2	1,124	\$750	819	3,276	0.73	56.00	38.00
TC 30%/PHU	1	4	2	1,559	\$375	100	100	0.06	56.00	38.00
TC 60%/Sec8	3	4	2	1,559	\$750	819	2,457	0.53	56.00	38.00
TOTAL:	50		AVERAGE:	1,140		\$532	\$26,611	\$0.47	\$48.80	\$34.80

INCOME

Total Net Rentable Sq Ft: **56,996**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 Other Support Income: PHU Operating Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -6.19%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.52%	\$308	0.27
Management	5.00%	341	0.30
Payroll & Payroll Tax	11.87%	810	0.71
Repairs & Maintenance	7.93%	541	0.47
Utilities	4.89%	333	0.29
Water, Sewer, & Trash	4.56%	311	0.27
Property Insurance	5.22%	356	0.31
Property Tax 2.913	0.00%	0	0.00
Reserve for Replacements	3.96%	270	0.24
TDHCA Compliance Fees	0.59%	40	0.04
Other: Cbl/Supp Serv/Secur	4.06%	277	0.24
TOTAL EXPENSES	52.60%	\$3,587	\$3.15
NET OPERATING INC	47.40%	\$3,233	\$2.84

TDHCA	APPLICANT
\$319,332	\$310,728
6,000	6,000
38,197	0
\$363,529	\$316,728
(22,510)	(23,755)
0	0
\$341,019	\$292,973

COUNTY	IREM REGION	COMPT. REGION
Hidalgo		11
\$10.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

DEBT SERVICE

	%	PER UNIT	PER SQ FT
AlG SunAmerica Mortgage	31.72%	\$2,164	\$1.90
La Joya Housing Authority	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	15.68%	\$1,069	\$0.94

TDHCA	APPLICANT
\$108,186	\$110,972
0	0
0	0
\$53,468	\$18,763
1.49	1.17
1.15	

AGGREGATE DEBT COVERAGE RATIO
 RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		20.60%	\$27,700	\$24.30
Off-Sites		0.00%	0	0.00
Sitework		5.15%	6,930	6.08
Direct Construction		32.69%	43,956	38.56
Contingency 5.00%		1.89%	2,544	2.23
Contractor's Fees 14.00%		5.30%	7,124	6.25
Indirect Construction		11.22%	15,090	13.24
Ineligible Costs		9.14%	12,284	10.78
Developer's Fees 15.00%		8.93%	12,008	10.53
Interim Financing		3.28%	4,412	3.87
Reserves		1.79%	2,411	2.12
TOTAL COST		100.00%	\$134,461	\$117.96
Construction Cost Recap		45.04%	\$60,555	\$53.12

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,385,000	\$1,385,000	\$24.30	\$27,700	16.96%
0	0	0.00	0	0.00%
346,518	335,141	5.88	6,703	4.10%
2,197,791	3,204,770	56.23	64,095	39.25%
127,215	177,000	3.11	3,540	2.17%
356,203	495,700	8.70	9,914	6.07%
754,500	754,500	13.24	15,090	9.24%
614,219	614,219	10.78	12,284	7.52%
600,424	778,000	13.65	15,560	9.53%
220,600	220,600	3.87	4,412	2.70%
120,575	200,000	3.51	4,000	2.45%
\$6,723,046	\$8,164,930	\$143.25	\$163,299	100.00%
\$3,027,728	\$4,212,611	\$73.91	\$84,252	51.59%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
AlG SunAmerica Mortgage	20.68%	\$27,800	\$24.39
La Joya Housing Authority	14.87%	\$20,000	\$17.55
AlG SunAmerica Syndication	92.29%	\$124,100	\$108.87
Deferred Developer Fees	0.04%	\$51	\$0.05
Additional (Excess) Funds Req'd	-27.88%	(\$37,490)	(\$32.89)
TOTAL SOURCES			

RECOMMENDED
\$1,390,000
1,000,000
6,205,000
2,568
(1,874,522)
\$6,723,046

Developer Fee Available
\$778,000
 % of Dev. Fee Deferred
 0%
 15-Yr Cumulative Cash Flow
\$722,296

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Champion Home at La Joya, La Joya, 9% HTC #07227

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$57.98	\$1,560,989
Adjustments				
Exterior Wall Finish	4.80%		\$2.78	\$74,927
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		1.74	46,830
Roofing			0.00	0
Subfloor			(0.93)	(24,905)
Floor Cover			3.08	82,926
Breezeways/Balconies	\$21.65	2,518	0.96	25,752
Plumbing Fixtures	\$965	20	0.34	9,117
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	50	2.13	57,277
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$48.06		0.00	0
Heating/Cooling			2.82	75,926
Garages/Carports	\$9.75	8,400	1.44	38,688
Comm &/or Aux Bldgs	\$62.87	5,500	6.07	163,350
Other: fire sprinkler	\$1.95	56,996	1.95	52,502
SUBTOTAL			80.35	2,163,378
Current Cost Multiplier	0.98		(1.61)	(43,268)
Local Multiplier	0.81		(15.27)	(411,042)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.48	\$1,709,068
Plans, specs, survy, bld prn	3.90%		(\$2.48)	(\$66,654)
Interim Construction Interes	3.38%		(2.14)	(57,681)
Contractor's OH & Profit	11.50%		(7.30)	(196,543)
NET DIRECT CONSTRUCTION COSTS			\$51.56	\$1,388,191

PAYMENT COMPUTATION

Primary	\$1,390,000	Amort	360
Int Rate	6.75%	DCR	1.49

Secondary	\$1,000,000	Amort	
Int Rate		Subtotal DCR	1.49

Additional		Amort	
Int Rate		Aggregate DCR	1.49

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$108,186
Secondary Debt Service	31,844
Additional Debt Service	0
NET CASH FLOW	\$21,625

Primary	\$1,390,000	Amort	360
Int Rate	6.75%	DCR	1.49

Secondary	\$500,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.15

Additional	\$500,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

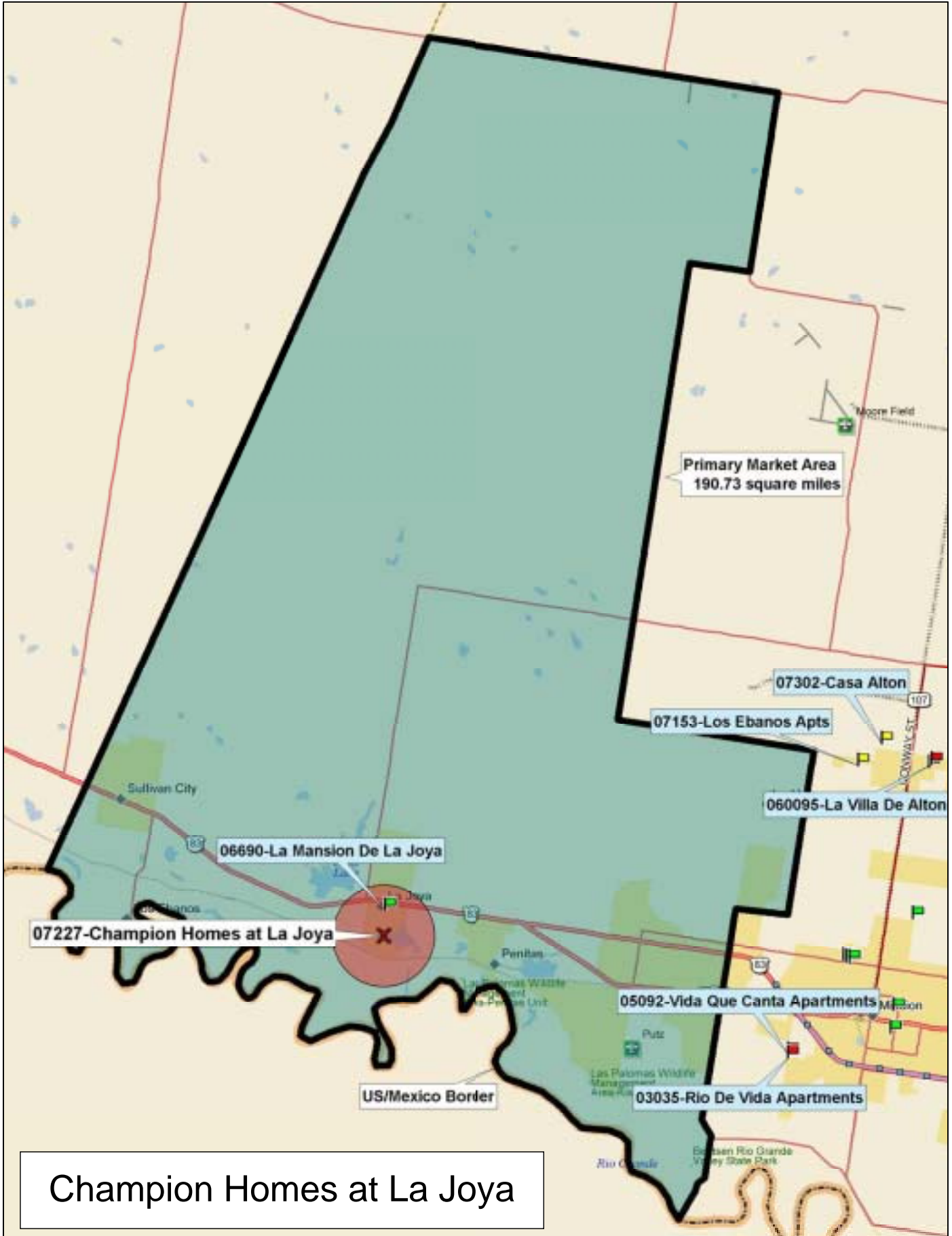
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$319,332	\$328,912	\$338,779	\$348,943	\$359,411	\$416,656	\$483,018	\$559,951	\$752,527
Secondary Income	6,000	6,180	6,365	6,556	6,753	7,829	9,076	10,521	14,139
Other Support Income: PHU Op	38,197	39,870	41,614	43,433	45,329	56,131	69,422	85,764	130,518
POTENTIAL GROSS INCOME	363,529	374,962	386,759	398,932	411,493	480,615	561,516	656,236	897,184
Vacancy & Collection Loss	(22,510)	(23,218)	(23,948)	(24,702)	(25,480)	(29,760)	(34,769)	(40,634)	(55,554)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$341,019	\$351,744	\$362,810	\$374,230	\$386,013	\$450,856	\$526,746	\$615,601	\$841,630
EXPENSES at 4.00%									
General & Administrative	\$15,410	\$16,026	\$16,667	\$17,334	\$18,028	\$21,933	\$26,685	\$32,467	\$48,059
Management	17,051	17,587	18,141	18,711	19,301	22,543	26,337	30,780	42,082
Payroll & Payroll Tax	40,491	42,111	43,795	45,547	47,369	57,632	70,118	85,309	126,278
Repairs & Maintenance	27,046	28,128	29,253	30,423	31,640	38,495	46,835	56,982	84,347
Utilities	16,668	17,335	18,028	18,749	19,499	23,724	28,864	35,117	51,982
Water, Sewer & Trash	15,541	16,162	16,809	17,481	18,181	22,119	26,912	32,742	48,466
Insurance	17,807	18,520	19,260	20,031	20,832	25,345	30,837	37,517	55,535
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	13,500	14,040	14,602	15,186	15,793	19,215	23,378	28,442	42,102
Other	15,850	16,484	17,143	17,829	18,542	22,559	27,447	33,394	49,431
TOTAL EXPENSES	\$179,364	\$186,393	\$193,699	\$201,292	\$209,184	\$253,565	\$307,412	\$372,750	\$548,281
NET OPERATING INCOME	\$161,655	\$165,351	\$169,112	\$172,938	\$176,829	\$197,290	\$219,335	\$242,851	\$293,349
DEBT SERVICE									
First Lien Financing	\$108,186	\$108,186	\$108,186	\$108,186	\$108,186	\$108,186	\$108,186	\$108,186	\$108,186
Second Lien	31,844	31,844	31,844	31,844	31,844	31,844	31,844	31,844	31,844
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$21,625	\$25,321	\$29,082	\$32,908	\$36,799	\$57,260	\$79,305	\$102,821	\$153,320
DEBT COVERAGE RATIO	1.15	1.18	1.21	1.24	1.26	1.41	1.57	1.73	2.09

HTC ALLOCATION ANALYSIS -Champion Home at La Joya, La Joya, 9% HTC #07227

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,385,000	\$1,385,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$335,141	\$346,518	\$335,141	\$346,518
Construction Hard Costs	\$3,204,770	\$2,197,791	\$3,204,770	\$2,197,791
Contractor Fees	\$495,700	\$356,203	\$495,588	\$356,203
Contingencies	\$177,000	\$127,215	\$176,996	\$127,215
Eligible Indirect Fees	\$754,500	\$754,500	\$754,500	\$754,500
Eligible Financing Fees	\$220,600	\$220,600	\$220,600	\$220,600
All Ineligible Costs	\$614,219	\$614,219		
Developer Fees				
Developer Fees	\$778,000	\$600,424	\$778,000	\$600,424
Development Reserves	\$200,000	\$120,575		
TOTAL DEVELOPMENT COSTS	\$8,164,930	\$6,723,046	\$5,965,595	\$4,603,252

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,965,595	\$4,603,252
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$7,755,273	\$5,984,227
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,755,273	\$5,984,227
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$663,076	\$511,651

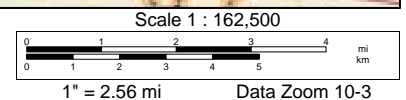
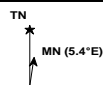
Syndication Proceeds	0.8991	\$5,961,754	\$4,600,288
Total Tax Credits (Eligible Basis Method)		\$663,076	\$511,651
Syndication Proceeds		\$5,961,754	\$4,600,288
Requested Tax Credits		\$641,374	
Syndication Proceeds		\$5,766,632	
Gap of Syndication Proceeds Needed			\$4,333,046
Total Tax Credits (Gap Method)			\$481,928



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Applicant Evaluation

Project ID # **07227**

Name: **Champion Home at La Joya**

City: **La Joya**

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

Total # of Projects monitored: 4

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 2
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Yes No

monitored with a score less than thirty: 4

Projects not reported Yes
in application No

not yet monitored or pending review: 12

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 5/24/2007

Date 5/30/2007

Date 5/24/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer RAUL GONZALES

Reviewer Melissa M. Whitehead

Date 6/1/2007

Date 6/1/2007

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Las Palmas Homes, TDHCA Number 07228

BASIC DEVELOPMENT INFORMATION

Site Address: 213 Orive Development #: 07228
 City: Los Fresnos Region: 11 Population Served: General
 County: Cameron Zip Code: 78566 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Chicory Court VII, L.P.
 Owner Contact and Phone: Saleem Jafar (972) 701-5550
 Developer: Odyssey Residential Holdings, L.P.
 Housing General Contractor: Odyssey Residential Construction, L.P.
 Architect: Stanford Knowles Architects and Planners
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: AIG Sun America
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	75
	10 0 0 65	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 6 36 30 3 0	Total Development Units:	75
Type of Building:		Total Development Cost*:	\$8,715,485
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	42
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$600,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Las Palmas Homes, TDHCA Number 07228

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S Points: 7 US Representative: Ortiz, District 27, NC
TX Representative: Lucio, District 38, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Las Palmas Residents Council, Martha Pena Letter Score: 24 S or O: S

The development is designated to serve the needs of Cameron County residents in need of affordable housing. There is a well-recognized need for decent, safe and affordable housing in our area for low income residents. The reconstruction as planned provides a new home environment and important upgrades of common are amenities in our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Should the Board approve this award, a housing tax credit allocation not to exceed \$547,881 if a reconstruction or not to exceed \$103,370 conditioned upon re-evaluation of a revised budget if a rehabilitation.

Receipt, review, and acceptance, by carryover, of a revised set of unit plans and architect's certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum of 100 square feet.

Receipt, review, and acceptance, prior to demolition and commencement of construction, of evidence that all Phase I ESA recommendations, including an asbestos survey, and any subsequent environmental report recommendations have been carried out.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition.

Receipt, review, and acceptance, by the 10% test, of HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract.

Receipt, review, and acceptance, by the 10% test, of evidence that the allocation of project-based vouchers to the proposed development upon completion of construction will not adversely affect the PHA's requirement to have no more than 20% of its voucher assistance tied to specific housing units.

Receipt of a commitment of funding from the Cameron County Housing Authority in the amount of \$1,650,000, or a commitment from a qualifying substitute source in an amount not less than \$462,768, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the Cameron County Housing Authority in the amount of \$150,000, and from HUD in the amount of \$46,203, or a commitment from a qualifying substitute source(s) in an amount not less than \$185,107, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt, review, and acceptance, by the 10% test, of an evaluation from a CPA documenting how the Housing Authority loan can be reasonably projected to be repaid based on the HUD approved Section 8 rents and whether the loan would be considered below market rate federal funds, or a reduction in the credits based on this federal below market rate funding source.

Receipt, review, and acceptance, by 10% test, of verification from a third-party engineer of the claimed sitework costs equaling \$9,828 per unit including the demolition costs.

Receipt, review, and acceptance, by 10% test, of a letter from the surveyor indicating that the unlocated pipeline easement described in Schedule B of the title commitment will not have an adverse impact on the subject site.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Las Palmas Homes, TDHCA Number 07228

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Las Palmas Homes, TDHCA Number 07228

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

Competitive Housing Tax Credits: Score: **201** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Found to be infeasible by Department. In addition, an award of this application would result in a violation of the \$2M limit.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: 07228

DEVELOPMENT						
Las Palmas Homes						
Location: <u>213 Orive</u>					Region: <u>11</u>	
City: <u>Los Fresnos</u>	County: <u>Cameron</u>	Zip: <u>78566</u>	<input type="checkbox"/> QCT	<input type="checkbox"/> DDA		
Key Attributes: <u>Multifamily, Family, Rural, Reconstruction</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$600,000			\$0		
* Applicant chose to cap request at \$600,000 to adhere to developer limit requirements of QAP.						
CONDITIONS						
<p>NOT RECOMMENDED DUE TO THE FOLLOWING:</p> <p>The application as a proposed reconstruction development requires a budget that, when compared to the rehabilitation estimate provided by the Property Condition Report (PCA), requires more than is necessary for the financial feasibility and viability of the project. The development, as a qualified low-income housing project, should be awarded the minimum necessary, limited by eligibility, for feasibility throughout the credit period as required in Internal Revenue Code §42 (m)(2)(A), 10 Texas Administrative Code §49.9 (d)(6) and 10 Texas Administrative Code §1.32 (a) and (e)(4)(B).</p> <p>SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST MAKE THE DETERMINATION THAT THE REQUESTED FUNDS ARE NOT MORE THAN ARE NECESSARY AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:</p> <ol style="list-style-type: none"> 1 A 9% HTC allocation not to exceed \$547,881 if a reconstruction or not to exceed \$103,370 conditioned upon re-evaluation of a revised budget if a rehabilitation. 2 Receipt, review, and acceptance, by carryover, of a revised set of unit plans and architect's certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum of 100 square feet. 3 Receipt, review, and acceptance, prior to demolition and commencement of construction, of evidence that all Phase I ESA recommendations, including an asbestos survey, and any subsequent environmental report recommendations have been carried out. 4 Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition. 5 Receipt, review, and acceptance, by the 10% test, of HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract. 6 Receipt, review, and acceptance, by the 10% test, of evidence that the allocation of project-based vouchers to the proposed development upon completion of construction will not adversely affect the PHAs requirement to have no more than 20% of its voucher assistance tied to specific housing units. 						

- 7 Receipt, review, and acceptance, by the 10% test, of an evaluation from a CPA documenting how the Housing Authority loan can be reasonably projected to be repaid based on the HUD approved Section 8 rents and whether the loan would be considered below market rate federal funds, or a reduction in the credits based on this federal below market rate funding source .
- 8 Receipt, review, and acceptance, by 10% test, of verification from a third-party engineer of the claimed sitework costs equaling \$9,828 per unit including the demolition costs.
- 9 Receipt, review, and acceptance, by 10% test, of a letter from the surveyor indicating that the unlocated pipeline easement described in Schedule B of the title commitment will not have an adverse impact on the subject site.
- 10 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	10 ¹
60% of AMI	60% of AMI	65 ²

1 These 10 units will also be characterized as public housing units with support from an operating subsidy committed by the Cameron County Housing Authority (subject to approval by HUD)

2 These 65 units will also receive project based Section 8 from the Cameron County Housing Authority (subject to approval by HUD)

PROS

CONS

The development plan calls for the continuation of the HAP rental subsidy to potentially help serve the lowest income levels in the community.

The Applicant's proposal to reconstruct the units will cost more than the alternative of rehabilitation.

The development proposes to utilize housing tax credits to revitalize an existing public housing authority owned development. This may strengthen the Housing Authority's ability to deliver housing opportunities in this market by simultaneously increasing HUD subsidies to the Housing Authority as a direct result of reconstructing these units.

The effectiveness of the tax credits is in question because of the excess cost of reconstruction over rehabilitation and since the collected rents are and will remain higher than the maximum tax credit rents, there would not appear to be any additional affordability that the State will acquire as a result of this application.

This application represents an opportunity to revitalize a 25 year-old Housing Authority-owned property.

The repayment of the substantial federally-sourced local funds is questionable and therefore jeopardizes the development's qualification for 9% credits.

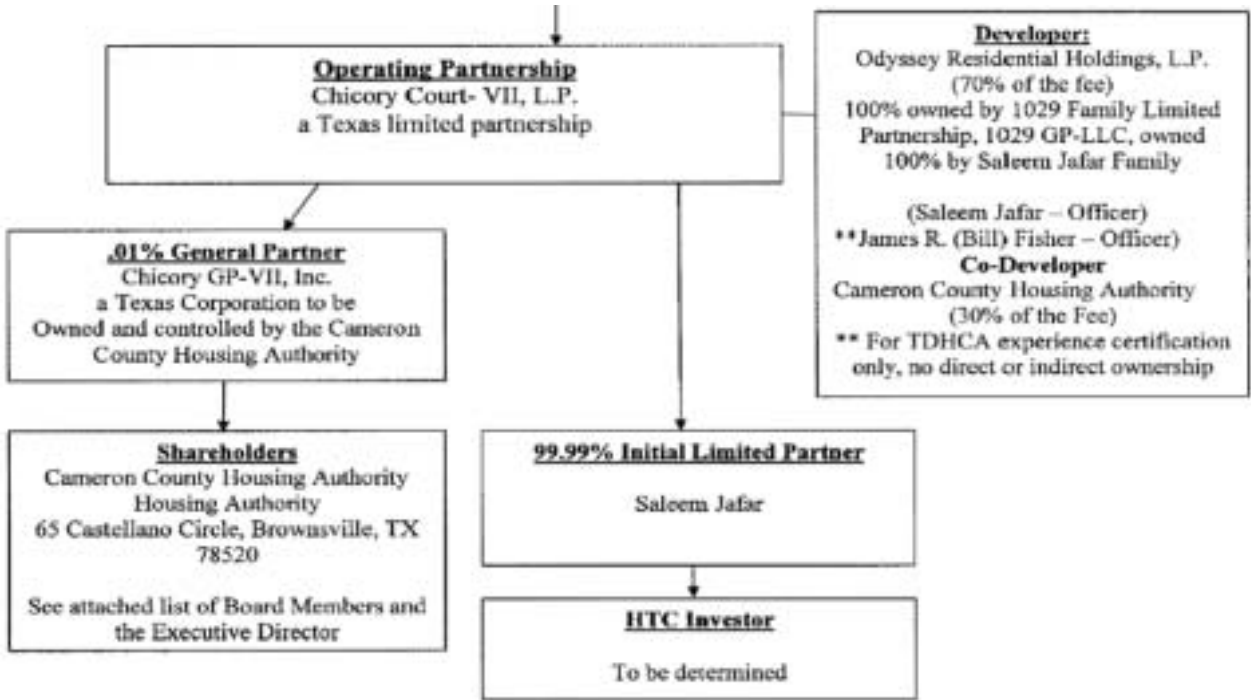
PREVIOUS UNDERWRITING REPORTS

No previous reports.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Saleem Jafar Phone: 972.701.5550 Fax: 972.701.5562
 Email: sjafar@orhlp.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Cameron County Housing Authority	\$9,316,776	\$758,528	--
Odyssey Residential Holdings	\$8,475,690	\$4,332,777	--
Saleem Jafar	Confidential		11 LIHTC Properties
Bill Fisher	N/A		Not Provided

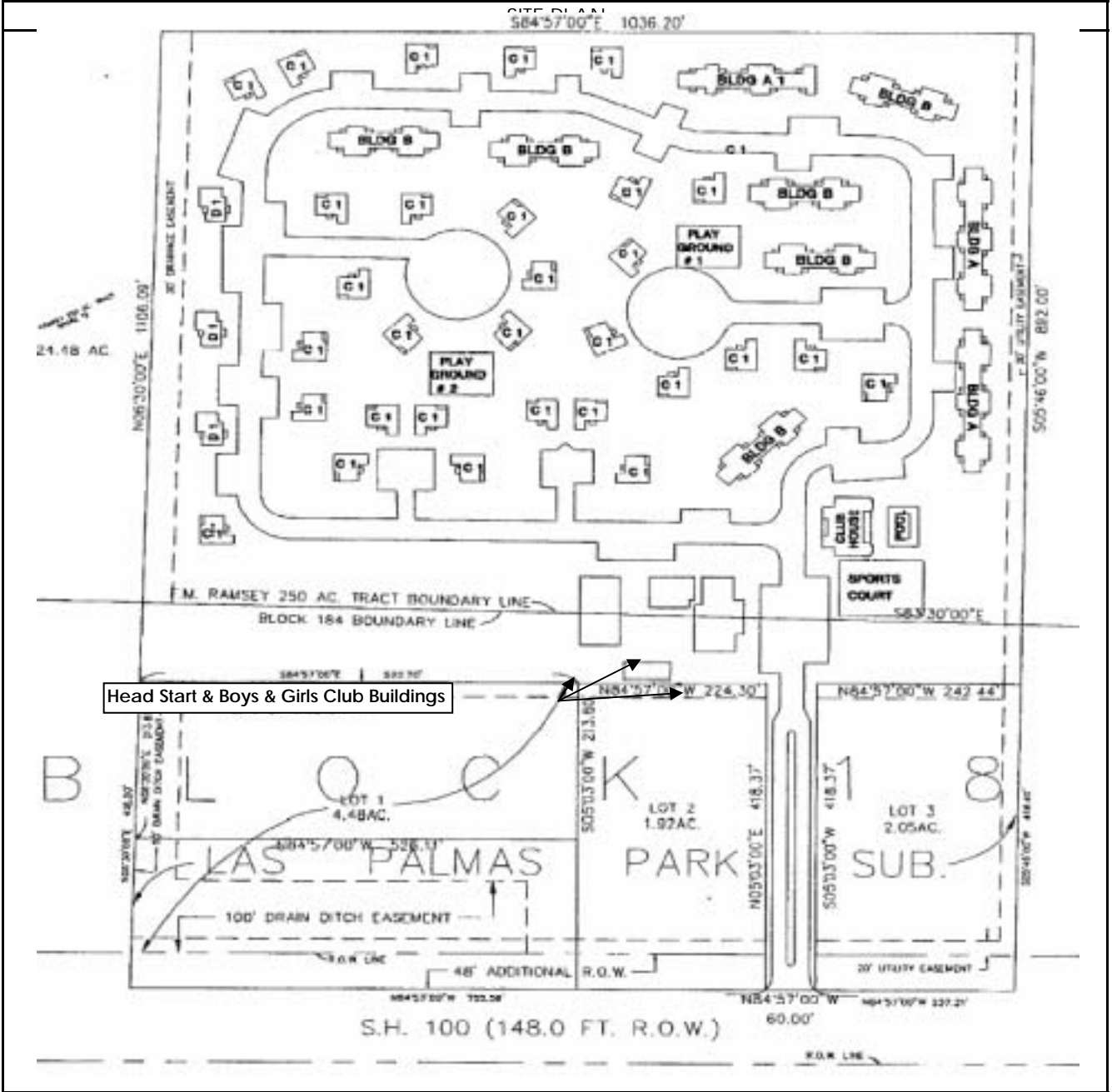
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments. Additionally, the owner of the GP, Cameron County Housing Authority, will likely play key roles in property management and providing supportive services; although, the application indicates that they are To-Be-Determined.

The seller of the property is also the proposed future owner of the GP which is Cameron County Housing Authority. Chicory Court VII, LP is currently controlled by Saleem Jafar and the application indicates that control of this entity will be transferred to the Cameron County Housing Authority. Staff has determined that this does not constitute an ownership transfer that will require a future amendment as this transfer is being disclosed in the application. However, the transfer as stated will be treated as an identity of interest transaction.

PROPOSED SITE



BUILDING CONFIGURATION

Building Type	A	B	C	D								Total Buildings
Floors/Stories	1	1	1	1								
Number	3	6	30	3								42

BR/BA	SF	Units										Total Units	Total SF
1/1	762	2										6	4,572
2/2	960	4	4									36	34,560
3/2	1,160			1								30	34,800
4/2	1,243				1							3	3,729
Units per Building		6	4	1	1							75	77,661

Development Plan:

The architectural plans submitted indicates that the existing 75 single family homes, which were completed in 1982, will be demolished and replaced with 33 single family homes and 9 multiplex buildings (with 4 or 6 units). The Applicant provided a current, third-party prepared Property Condition Assessment (PCA) which indicates that the existing buildings are in fair condition and have no need for critical immediate repairs. Moreover, the PCA reflects a non-critical repair cost of \$2,149,200 (or \$29K per unit) which is less than half of the cost of the Applicant's proposed new construction. The PCA states that "If the recommended remedial actions are performed, proper preventive maintenance is routinely performed and defective items are promptly repaired or replaced, we would expect the remaining useful life of the improvements to be at least 35 years."

The Applicant provides no credible justification for ignoring the recommendations of the PCA provider and choosing to submit an application which reflects demolition and reconstruction at more than twice the cost of rehabilitation (see the development cost section below for the contents of the Applicant's June 15, 2007 response to this question). The State's goals and objectives in developing the requirements in the QAP and the Underwriting rules repeat the mandate that is in the Internal Revenue Code section 42 (m)(2)(A) which says: "The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period." Since it appears to be clear that the proposed costs of the reconstruction are more than are necessary based upon the information in the PCA and the potential rehabilitation alternative, the application as proposed is not recommended for funding.

The PCA was quite extensive and based on observations made on February 15, 2007. It contained 18 sub areas of repairs including: re-paving the drives and parking (\$210,000); repairing sidewalks (\$20,000); regrading soil for drainage (\$60,000); installing gutters and downspouts (\$90,000); landscaping (\$60,000); repair of cracked foundations (\$10,000); replace roof shingles (\$220,600); replace siding and trim (\$112,500); exterior doors (\$37,500); replace tile (\$173,100); replace cabinets fronts and laminate tops (\$187,500); interior doors (\$8,000); drywall repairs (\$45,000); replace all kitchen appliances (\$67,500); replace all HVAC (\$262,500); replace water heaters (\$60,000); replace domestic water piping (\$225,000); and, investigate, replace and repair sewer leaks (\$300,000). While the Applicant now claims this PCA information is erroneous and was a mistake to be included in the application, it nonetheless has been provided to the Department with the expressed right by the author for TDHCA to rely upon it.

The architectural plans submitted for the reconstruction also indicate the units to be reconstructed may not, when completed, meet the requirements of the QAP. The secondary bedrooms are identified on the floor plan to be 9 feet by 10 feet or less than the 100 square feet minimum required in 10TAC §49.3 (4). Therefore this report is conditioned upon receipt, review, and acceptance of a revised set of unit plans and architect's certification that the development meets the QAP requirements particularly: all the bedrooms are at a minimum 100 square feet.

SITE ISSUES

Total Size:	<u>21.91</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>Zone B</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>No Zoning</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/20/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Undeveloped land
 South: Boys and Girls Club / Head Start Building / State Highway 100 / Undeveloped
 East: Undeveloped land
 West: Undeveloped land

Comments:

The south central portion of the site is currently home to buildings occupied by Head Start and the Boys and Girls Club of Los Fresnos. Based on the siteplan and survey, the buildings appear to be located on the development site that will be restricted. However, rehabilitation/reconstruction of these structures is not encompassed in the development plan provided and tax credit proceeds cannot be dedicated to any activities associated with rehabilitation or reconstruction of these buildings.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Ginn Environmental Date: 2/16/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"No asbestos sampling activities were conducted at the site. However, if any renovation or demolition activities are planned, an asbestos survey will be required by the Texas Department of Health. The asbestos survey must be performed by a State of Texas licensed asbestos abatement consultant. In addition, third party air monitoring must be performed during the abatement. If any identified ACM is not abated, the materials should be incorporated into a site specific Operations and Maintenance (O & M) program. The site specific O&M program should be designed in accordance with current state and federal regulations. Current Occupational Safety and Health Administration (OSHA) regulations (1926.1101) define specific requirements concerning communication of asbestos hazards, labeling, housekeeping and notification procedures. As part of the O&M program an individual should be trained as a competent person in accordance with OSHA 1926.1101" (p. 11).

Comments:

Receipt, review, and acceptance of evidence that all Phase I ESA recommendations, including an asbestos survey, and any subsequent environmental report recommendations have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: The Gerald A Teel Company, Inc Date: 3/23/2007

Contact: Tim Treadway Phone: 713.467.5858 Fax: 713.467.0704

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 85.15 Square Miles (Á 5.21 Mile Radius)

The Market Analyst has used a custom, irregular-shaped PMA composed of census tracts. "The market area is based on census tracts, that were selected to more/less replicate the ISD boundaries, as this appeared to be the most defining market in the vicinity" (email dated 6/20/2007).

Secondary Market Area (SMA):

The Market Analyst has not used a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Cameron						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	16	2	0	18	1	0	6%
1 BR/60% Rent Limit	12	0	2	14	5	0	36%
2 BR/30% Rent Limit	18	1	0	19	4	0	22%
2 BR/60% Rent Limit	21	0	16	37	32	0	87%
3 BR/30% Rent Limit	19	-2	0	17	4	0	21%
3 BR/60% Rent Limit	22	3	13	38	26	0	74%
4 BR/30% Rent Limit	7	0	0	7	1	0	14%
4 BR/60% Rent Limit	70	21	1	92	2	0	3%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 83/90	100%	3,900	100%	3,900	51%	2,001	20%	396	55%	218
Underwriter	100%	4,134	100%	4,134	68%	2,829	20%	561	55%	308
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 83/90			100%	117	51%	60	20%	12	100%	12
Underwriter			100%	112	68%	77	20%	15	100%	15
DEMAND from OTHER SOURCES										
Market Analyst p. 83/90										44
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 83/90	75	0	0	75	274	27.37%
Underwriter	75	0	0	75	324	23.18%

Primary Market Occupancy Rates:

"With occupancy levels of 92% to 97% in the market sector, it appears that new market product is operating at stabilized occupancy levels approaching 95% and older product is more likely in the 88% to 92% range. The HTC product surveyed had occupancies varying from 88% to 100% with a mean of 94.7% all operating at above typical levels" (p. 31).

Absorption Projections:

"Based on the data, it appears that an absorption rate of 10 to 24 units per annum is the indicated range from the data sample. For the subject, we would anticipate an absorption rate of about 12 to 16 units per month, if not helped by the local housing authority" (p. 32).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Current Voucher Pay Standard	Underwriting Rent
1 BR	762 SF	30%/PHU	\$250	\$164	\$620		\$100
1 BR	762 SF	60%/Sec8	\$390	\$407	\$620	\$415	\$415
2 BR	960 SF	30%/PHU	\$300	\$196	\$720		\$100
2 BR	960 SF	60%/Sec8	\$467	\$487	\$720	\$469	\$469
3 BR	1,160 SF	30%/PHU	\$300	\$224	\$830		\$100
3 BR	1,160 SF	60%/Sec8	\$536	\$560	\$830	\$585	\$585
4 BR	1,243 SF	30%/PHU	\$322	\$237	\$875		\$100
4 BR	1,243 SF	60%/Sec8	\$583	\$612	\$875	\$651	\$651

Market Impact:

"The subject property will have a minimal affect on the market, and will open up the market to a greater pool of possible renters" (p. 94).

Comments:

The subject property has already been fully absorbed in the subject market and it is likely that, with 100% of the units being public housing or having dedicated Section 8 vouchers, existing tenants will choose to return once the reconstruction is completed. The rent roll indicates 100% current occupancy, which is typical for 100% public housing properties. Therefore, the inclusive capture rate is not a meaningful tool for determining demand. The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/21/2007

The Applicant's current rent schedule reflects that 65 of the units are 60% tax credit units at the maximum rents allowed under HTC guidelines (current program rent limit less current utility allowances). These maximum rents are achievable according to the Market Analyst. However, all of the 60% units (65 units) will receive dedicated Section 8 Vouchers from the Housing Authority's choice voucher pool. At the request of the Underwriter, the Applicant has provided a HAP contract that will apply to these units. The HAP contract indicates that the gross contract rents will equal the tax credit program rents.

However, HUD has not yet approved the proposed plan, and the Housing Authority's existing voucher pay standards are higher than the tax credit rents and supported by the market study. Typically Housing authorities do not lower the payment standard for a particular development even if it is one that they control. Moreover, lenders and investors in this development may not allow a separate lower payment standard for a development in which they have made an investment. As a result, the Underwriter has used the Housing Authority's existing pay standards for all of the units that will receive dedicated Section 8 Vouchers.

The Applicant has provided a conditional Regulatory and Operating Agreement to substantiate the operating subsidy anticipated. Under such an agreement the Housing Authority agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent paid by tenants but in no event shall it exceed the operating subsidy paid to the Housing Authority by HUD. Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs' prorated share of expenses less the tenant contribution and that no debt can be serviced by the PHUs.

This section intentionally left blank.

All of the 30% units (16 units) will be public housing units and will receive an operating subsidy. The Applicant has provided a DRAFT Regulatory and Operating Agreement to substantiate the operating subsidy anticipated. Moreover, the form used appears to be an outdated form that is no longer used by HUD. The underwriting rent collected for the public housing units are set at \$100 with the difference needed to support these units' prorata share of operating expenses reflected as a lump sum PHU Operating Subsidy. Tenants in the PHUs will be required to pay only 30% of their monthly income towards rent. It is not possible to accurately project the actual rent to be paid by the tenant as this figure will fluctuate from household to household. Based on past experience with public housing units (PHUs), the Underwriter has assumed that no debt can be serviced by the PHUs.

The Applicant's secondary income and vacancy and collection loss reflect current TDHCA underwriting guidelines. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in an overall vacancy and collection loss rate of 6.51% of the development's potential gross income. In addition, the underwriting analysis includes additional subsidy used to offset the proportionate share of projected operating expenses for the PHUs as a source of secondary income. Due to the differences discussed above, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

The tenants in Section 8 units will be responsible for electric utility costs while the development will pay all bills for the tenants in public housing units. It should also be noted that both the Regulatory and Operating Agreement and the HAP contract appear to indicate that 100% of the units will receive both forms of subsidy. However, this is assumed to be a mistake due to other information in the application and conversations with the Applicant. Moreover, it is highly unlikely that HUD would approve a plan to overlap these subsidies as they each independently allow for affordability.

Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition and HUD's approval of the proposed higher contract rent levels for the HAP Contract units evidenced by submission of a fully-executed and current Housing Assistance Payments (HAP) Contract are conditions of this report.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected total operating expense of \$2,979 per unit is not within 5% of the Underwriter's estimate of \$3,373 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of payroll and payroll tax and repairs and maintenance are significantly different (\$11K lower and \$11K higher respectively) from the Underwriter's estimates. The Applicant has indicated that site-based accounting records are not available for the property.

The Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Cameron County Housing Authority. The Applicant has estimated nominal annual property taxes of \$10 as a result of the proposed ownership structure and ground lease of the property and likely should have been reflected in other expenses.

Conclusion:

The Applicant's estimates of effective gross income and total operating expense are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR below the Department's current guideline of 1.15 to 1.35, however it would still be considered acceptable at a 1.10 because of the project-based subsidy associated with the transaction.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that grows to above a 1.15 by year four and remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible from this perspective.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A Teel Company, Inc Date: 3/26/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only: 21.91 acres \$1,430,000 As of: 2/26/2007

Comments:

The appraisal was identified as an addendum letter to the market study rather than a full appraisal. It includes no as is value for the existing buildings nor any evaluation of said building. The appraisal contemplates the underlying value of the site without any of the existing buildings. As such, this value should, at a minimum be reduced by the costs associated with the demolition of the existing buildings. Therefore, if the Appraised value is accepted, the value of the site net of the estimated \$175,000 demolition of the buildings is \$1,265,000.

It should also be noted that the Appraiser used commercial and multifamily sale comparables for property sales 7 to 10 miles south of the subject in the northern part of Brownsville. It is very questionable if those 1.8 to 4.9 acre sites that sold for \$0.67 to \$2.18 per foot are comparable sales. The area around the subject is primarily undeveloped and more similar in attributes to the one for-sale comparable included in the Appraiser's addendum. This comparable property is 18 acres within approximately a mile of the subject, is being marketed for single family and being offered at \$0.46 per foot. The appraiser indicated that the subject and this comparable were similar enough to require no adjustment for six of the seven factors evaluated on the adjustment grid. The seventh factor labeled "other" and described as including frontage or shape, clearing and infrastructure was adjusted for the for-sale comparable by 200%.

The Appraiser's adjustment is as follows "The subject has all clearing, platting, ingrounds, roads, etc. in place. The cost for development for such are estimated at approximately \$50,000 per acre. We estimate total depreciation at about 50%, leaving a contribution of about \$0.50 per square foot. The percentage equivalent of such has been added to each sale/ asking. Additionally, Sale 4 and the asking required upward adjustment for use type due to the lower density requirements of this type of development." Given that the property is currently developed with single family homes and the proposed redevelopment will have the same density and the county has no zoning requirements it is difficult to see how a 100% adjustment can be made to the for-sale comparable for density and another 100% adjustment for clearing and roads.

The for-sale comparable should have been discussed and documented further or clearly more weight should have been given to it as it is the closest in distance and purpose and time of sale to the subject. Even if the \$0.50 per foot is added to the for-sale comparable the total value of the subject as vacant should be \$0.96 or less which equates to not more than \$916,223. Again adjusting the demolition cost would provide a maximum transfer value of \$741,223.

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Direct Construction Cost:

The Applicant's direct construction cost estimate is \$94K or 2% lower than the Underwriter's Marshall and Swift derived estimate.

While a Property Condition Assessment is not required for reconstruction developments, the Applicant provided a signed PCA at application. Moreover, the PCA provider revised the PCA during the Threshold review process to reflect a site acreage that is consistent with the application. The Underwriter reviewed all documentation provided to the Department including the original and revised PCAs. It is not unusual for an Applicant to provide additional documentation that is not specifically required in the QAP on occasions when additional documentation may help the Real Estate Analysis staff better understand the development plan, any unique development characteristics, or to support the Applicant's estimates of construction costs, reserves, environmental risks, expenses, etc.

The PCA provided indicates that the existing property is in "fair" condition with no "critical" repairs needed. The PCA states that if the recommended "non-critical" repairs and ongoing maintenance is performed, "we would expect the remaining useful life of the improvements to be at least 35 years." Moreover, the PCA determines a rehabilitation cost estimate of \$2.1M which is approximately 46% of the estimated reconstruction cost (including direct and sitework costs). Based on the information provided, not only would reconstruction cost more than twice the cost of rehabilitation, the choice to reconstruct will ultimately reduce the property's total residential living area by approximately 9,000 square feet. This reduction is due to a reduction in the size of each unit type and an elimination of all 5 bedroom units in the reconstruction plan.

Due to the significant difference in cost between the PCA rehabilitation and Applicant's reconstruction budget, the Underwriter requested that the Applicant provide an explanation of the decision to choose reconstruction as opposed to rehabilitation. The Applicant's response, dated June 15, 2007, is below:

A PCA is not required for a reconstruction project. The report submitted with the application (by mistake) was never completed, shows as a draft and did not even begin to address the concerns for modernization, life safety and energy efficiency sought by CCHA in the redevelopment approach to Las Palmas. In further work with the cost estimator in preparation for a subsequent HUD submission, a comparable cost of *(page ends)*

modernization to reconstruction standards will exceed \$6.0 million in hard cost excluding fees and course of construction insurance, more than the cost to demolish and rebuild the housing and amenities brand new.

However, it is not applicable to this development or the underwriting under the QAP or the ASPM. Las Palmas could never be brought to standards required by HUD or the QAP for this initial review cost referenced in the un-finished draft on Las Palmas.

Regarding the configuration of the new development versus the older development, the QAP limits our ability by cost standards and by unit count to what is financially feasible and competitive to replace the previous development that is being demolished. We used a local professional Architect to design something that will be aesthetically pleasing, energy efficient, and cost effective to build and maintain along with a great number of new amenities in the units and the common area. The issue of SF is a development design choice we relied on the Architect to recommend. We asked Daisy to co-sign this response letter as you asked in the notice letter.

The Applicant's assertion that the PCA is not complete is not apparent from either the original or the revised PCA provided. Both PCAs are signed by all architects that prepared the assessment, states that the report can be relied upon by the TDHCA, meets the applicable HUD and ASTM requirements, provides all of the components required by the Department's guidelines, provides a cost estimate for each item identified in the scope of work, includes a completed executive summary, and was revised upon the Department's request. Moreover, as the property, constructed in 1982, is identified as being in fair condition and the entire scope of work is recommended, not critically needed, it is unclear how a revision of this PCA could triple the cost estimate.

The scope of work includes extensive repair and/or replacement of the items that typically wear out. The Underwriter is concerned that the PCA budget actually overstates the need for repairs by including over \$200K for parking and drive repairs and \$140K for soil and landscaping. Nonetheless the Underwriter believes these costs to be more reasonable than the plan for reconstruction. Additionally, the PCA provider states, "The Fire Protection/Life Safety Systems observed by [Property Condition Assessment Consultants, Inc] appeared to be in satisfactory condition" (p. 11), which is contradictory to the Applicant's statements.

Particularly of concern for staff is that this reconstruction appears to be pursued even when it is not the more cost effective option due to the Housing Authority's access to additional sources of funding and operating subsidies that decrease the development team's need to pursue cost effective options. Moreover, the reconstruction of an existing property results in the loss of all value of existing improvements and over-allocation of tax credits that is contrary to the requirement that the Department allocate "not more than necessary." Staff believes that the proposed reconstruction development is not a prudent use of the Department's resources.

While this development plan is similar to another 2007 9% HTC application for Champion Homes at La Joya (07227) involving Mr. Jafar and Mr. Fisher, the other application included a PCA for the reconstruction portion of the development plan that indicated a much higher cost for rehabilitation by including an undocumented \$50K per unit for interior repairs on top of the specifically documented repair items. Nonetheless, if the La Joya PCA is accurate in its assessment of the rehabilitation costs, then the plan to reconstruct is more cost effective than to rehabilitate on the La Joya transaction. However, the subject application included a PCA that indicates exactly the opposite, and the Applicant has chosen to pursue the more expensive option that requires more funds than are necessary to provide quality housing.

Ineligible Costs:

The Applicant included \$3,000 for compliance fees as an eligible financing cost. The underwriting analysis does not consider compliance fees eligible for purposes of calculating the tax credit allocation; therefore, the Applicant's eligible basis estimate has been adjusted down by \$3,000.

Contingency & Fees:

Due to the exclusion of \$3K for compliance fees from the Applicant's eligible basis estimate, the Applicant's projected eligible developer fees now exceed the Department limit by \$322. The Applicant's total eligible basis figure was adjusted down by this amount.

Conclusion:

As indicated above, the development is not being recommended based upon the Applicant's plan for reconstruction rather than the more cost effective and fiscally responsible rehabilitation based on the information provided in the PCA.

Should the Board approve the reconstruction of the proposed development, the Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,402,921 supports annual tax credits of \$632,950. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine a recommended allocation.

Alternatively should the Board approve the application with a rehabilitation of the development as proposed by the PCA provider, the Underwriter's cost schedule would suggest an eligible basis of \$3,600,285 supports annual tax credits of \$307,824. This figure will also be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine a recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: AIG SunAmerica Type: Interim to Permanent Financing

Interim:	<u>\$1,800,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>24</u>	months
Permanent:	<u>\$2,030,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/>	Fixed	Amort:	<u>360</u>	months

Comments:

In order to achieve a final interest rate of 6.75%, the commitment indicates that the Applicant may be required to assume responsibility for buy-down costs that are not clearly outlined.

Source: Cameron County Housing Authority Type: Interim to Permanent Financing

Principal:	<u>\$1,650,000</u>	Interest Rate:	<u>4.90%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>30</u>	months
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Comments:

The loan commitment from the Housing Authority indicates that the loan will accrue interest at the long-term applicable federal rate (4.9% at application) for 30 years, at which the accrued interest and principal will be fully repaid. The Underwriter has estimated that the principal and accrued interest will amount to approximately \$3.15M at the end of the 30-year term.

However, the long-term proforma indicates that the property will generate only \$2.5M in cashflow by maturity. The Underwriter requested that the Applicant provide documentation that the loan is a true repayable loan and will not be characterized as a Below Market Rate Federal source of funds. The Applicant provided a legal opinion indicating that the loan commitment indicates a rate of AFR and that this qualifies the loan as above market rate. However, the legal opinion does not describe the proposed structure to allow accrual of principal and interest for 30 years nor the Housing Authority's proposal to forgive the loan if the remaining balance is not repayable at the end of the term. The IRC has previously held that a loan must have a reasonable expectation to be repaid in order to be considered a loan.

The Attorney later said that he could not provide documentation to substantiate that the property will have sufficient value at maturity to repay the loan. The Applicant provided an unclear calculation to substantiate that this value will exist after 30-years. Given the Applicant's current claim of limited ongoing value in the existing property which is less than 30 years old and which was originally developed by the Housing Authority it does not appear reasonable to rely upon the future residual value to prove up potential payment of this loan. In other words it is doubtful that the proposed loan can be reasonably expected to be repaid at AFR. The legal opinion does not address the reasonable expectation of repayment requirement of a loan and therefore does not adequately advise the Department on this development.

Receipt, review, and acceptance, by the 10% test, of an evaluation from a CPA documenting how the Housing Authority loan can be reasonably projected to be repaid based on the HUD approved Section 8 rents and whether the loan would be considered below market rate federal funds or a reduction in the credits based on this federal below market rate funding source is a condition of this report.

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Source: AIG SunAmerica Type: Syndication

Proceeds: \$5,514,500 Syndication Rate: 92% Anticipated HTC: \$ 600,000

Comments:

The commitment indicates a bridge loan for \$4,411,500 will be provided interest free. NOTE: The syndication rate indicated above was calculated based on the proposed equity contribution and the syndicators estimate of tax credits. The syndication rate is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there would be little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$60,868 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As indicated above, the development is not being recommended based upon the Applicant's plan for reconstruction rather than the more cost effective and fiscally responsible rehabilitation based on the information provided in the PCA.

Should the Board approve the reconstruction of the proposed development, the Underwriter's total development cost estimate less the permanent loan of \$2,030,000 and Housing Authority loan of \$1,650,000 indicates the need for \$5,035,485 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$547,881 annually would be required to fill this gap in financing. Should the Board approve this award, of the three possible tax credit allocations, Applicant's request (\$600,000), the gap-driven amount (\$547,881), and eligible basis-derived estimate (\$632,950), the gap-driven amount of \$590,844 would be recommended resulting in proceeds of \$5,035,485 based on a syndication rate of 92%. The Underwriter's financing structure indicates no need for additional permanent funds.

Should the Board approve the rehabilitation of the proposed development, the Underwriter's total development cost estimate less the permanent loan of \$2,030,000 and Housing Authority loan of \$1,650,000 indicates the need for \$950,060 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$103,370 annually would be required to fill this gap in financing. Should the Board approve this award, of the three possible tax credit allocations, Applicant's request (\$600,000), the gap-driven amount (\$103,370), and eligible basis-derived estimate (\$307,824), the gap-driven amount of \$103,370 would be recommended resulting in proceeds of \$950,060 based on a syndication rate of 92%. The Underwriter's financing structure indicates no need for additional permanent funds.

Underwriter: _____ Date: June 22, 2007

Cameron Dorsey

Reviewing Underwriter: _____ Date: June 22, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 22, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Las Palmas Homes, Los Fresnos, 9% HTC #07228

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	WST
TC 30%/PHU	1	1	1	762	\$242	\$100		\$100	\$0.13	\$78.00	\$67.00
TC 60%/S8	5	1	1	762	\$485	415		2,075	0.54	78.00	67.00
TC 30%/PHU	4	2	2	960	\$291	100		400	0.10	95.00	73.00
TC 60%/S8	32	2	2	960	\$582	469		15,008	0.49	95.00	73.00
TC 30%/PHU	4	3	2	1,160	\$336	100		400	0.09	112.00	79.00
TC 60%/S8	26	3	2	1,160	\$672	585		15,210	0.50	112.00	79.00
TC 30%/PHU	1	4	2	1,243	\$375	100		100	0.08	138.00	88.00
TC 60%/S8	2	4	2	1,243	\$750	651		1,302	0.52	138.00	88.00
TOTAL:	75		AVERAGE:	1,035		\$461		\$34,595	\$0.45	\$102.16	\$75.52

INCOME

Total Net Rentable Sq Ft: 77,661

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
Other Support Income: PHU Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -6.61%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	
General & Administrative	5.41%	\$308	0.30	\$23,115
Management	5.00%	285	0.28	21,367
Payroll & Payroll Tax	14.21%	810	0.78	60,737
Repairs & Maintenance	9.49%	541	0.52	40,569
Utilities	5.04%	287	0.28	21,556
Water, Sewer, & Trash	6.53%	372	0.36	27,916
Property Insurance	5.19%	296	0.29	22,166
Property Tax 2.194892	0.00%	0	0.00	0
Reserve for Replacements	4.39%	250	0.24	18,750
TDHCA Compliance Fees	0.70%	40	0.04	3,000
Other: Supp Serv, Security	3.24%	184	0.18	13,834
TOTAL EXPENSES	59.21%	\$3,373	\$3.26	\$253,010
NET OPERATING INC	40.79%	\$2,324	\$2.24	\$174,329

DEBT SERVICE

AIG SunAmerica First Lien	36.97%	\$2,107	\$2.03	\$157,998
Cameron County HA	0.00%	\$0	\$0.00	0
Additional Financing	0.00%	\$0	\$0.00	0
NET CASH FLOW	3.82%	\$218	\$0.21	\$16,331

AGGREGATE DEBT COVERAGE RATIO

1.10

RECOMMENDED DEBT COVERAGE RATIO

1.10

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA RECON	TDHCA REHAB	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		8.50%	\$9,883	\$9.54	\$741,224	\$741,224	\$1,400,000	\$18.03	\$18,667	15.13%
Off-Sites		0.00%	0	0.00	0	0	0	0.00	0	0.00%
Sitework		6.45%	7,495	7.24	562,137	350,000	562,137	7.24	7,495	6.07%
Direct Construction		48.59%	56,464	54.53	4,234,804	1,799,200	4,139,900	53.31	55,199	44.73%
Contingency	4.78%	2.63%	3,059	2.95	229,450	214,920	229,450	2.95	3,059	2.48%
Contractor's Fees	13.39%	7.37%	8,566	8.27	642,460	300,888	642,460	8.27	8,566	6.94%
Indirect Construction		6.55%	7,607	7.35	570,500	255,604	570,500	7.35	7,607	6.16%
Ineligible Costs		5.88%	6,831	6.60	512,330	229,542	512,330	6.60	6,831	5.54%
Developer's Fees	14.78%	10.94%	12,713	12.28	953,500	469,602	953,500	12.28	12,713	10.30%
Interim Financing		2.41%	2,801	2.70	210,070	210,070	210,070	2.70	2,801	2.27%
Reserves		0.68%	787	0.76	59,010	59,010	35,000	0.45	467	0.38%
TOTAL COST		100.00%	\$116,206	\$112.22	\$8,715,485	\$4,630,060	\$9,255,347	\$119.18	\$123,405	100.00%
Construction Cost Recap		65.04%	\$75,585	\$72.99	\$5,668,851	\$2,665,008	\$5,573,947	\$71.77	\$74,319	60.22%

SOURCES OF FUNDS

				ALT REC	RECOMMENDED	
AIG SunAmerica First Lien	23.29%	\$27,067	\$26.14	\$2,030,000	\$2,030,000	Developer Fee Available
Cameron County HA	18.93%	\$22,000	\$21.25	1,650,000	1,650,000	\$953,178
AIG SunAmerica Equity Proceeds	63.27%	\$73,527	\$71.01	5,514,500	950,060	5,514,480
Deferred Developer Fees	0.70%	\$812	\$0.78	60,868	0	60,868
Additional (Excess) Funds Req'd	-6.19%	(\$7,198)	(\$6.95)	(539,883)	0	(1)
TOTAL SOURCES				\$8,715,485	\$4,630,060	\$9,255,347
						\$8,715,485
						\$565,378

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Las Palmas Homes, Los Fresnos, 9% HTC #07228

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple & Single Family Residence Prorata Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$68.41	\$5,312,751
Adjustments				
Exterior Wall Finish	1.21%		\$0.83	\$64,248
Elderly			0.00	0
9-Ft. Ceilings	3.30%		2.26	175,321
Roofing			0.00	0
Subfloor			(1.13)	(87,656)
Floor Cover			2.81	218,384
Breezeways/Balconies	\$21.65	7,303	2.04	158,110
Plumbing Fixtures	\$965	108	1.34	104,220
Rough-ins	\$432	117	0.65	50,550
Built-In Appliances	\$2,169	75	2.09	162,675
Exterior Stairs	\$1,650	0	0.00	0
Enclosed Corridors	\$58.49	0	0.00	0
Heating/Cooling			2.26	175,502
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.36	4,000	3.37	261,450
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			84.93	6,595,555
Current Cost Multiplier	0.98		(1.70)	(131,911)
Local Multiplier	0.81		(16.14)	(1,253,155)
TOTAL DIRECT CONSTRUCTION COSTS			\$67.09	\$5,210,488
Plans, specs, survy, bld prm	3.30%		(\$2.22)	(\$172,189)
Interim Construction Interes	3.38%		(2.26)	(175,854)
Contractor's OH & Profit	12.05%		(8.08)	(627,641)
NET DIRECT CONSTRUCTION COSTS			\$54.53	\$4,234,804

PAYMENT COMPUTATION

Primary	\$2,030,000	Amort	360
Int Rate	6.75%	DCR	1.10

Secondary	\$1,650,000	Amort	
Int Rate		Subtotal DCR	1.10

Additional		Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$157,998
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$16,331

Primary	\$2,030,000	Amort	360
Int Rate	6.75%	DCR	1.10

Secondary	\$1,650,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
INCOME						
POTENTIAL GROSS RENT		\$415,140	\$427,594	\$440,422	\$453,635	\$467,244
Secondary Income		13,500	13,905	14,322	14,752	15,194
Other Support Income: PHU Su		28,935	30,114	31,340	32,617	33,945
POTENTIAL GROSS INCOME		457,575	471,613	486,084	501,004	516,383
Vacancy & Collection Loss		(30,236)	(31,163)	(32,119)	(33,105)	(34,121)
Employee or Other Non-Rental		0	0	0	0	0
EFFECTIVE GROSS INCOME		\$427,340	\$440,450	\$453,965	\$467,898	\$482,262
EXPENSES	at 4.00%					
General & Administrative		\$23,115	\$24,040	\$25,001	\$26,001	\$27,041
Management		21,367	22,023	22,698	23,395	24,113
Payroll & Payroll Tax		60,737	63,166	65,693	68,321	71,054
Repairs & Maintenance		40,569	42,192	43,879	45,635	47,460
Utilities		21,556	22,418	23,315	24,248	25,218
Water, Sewer & Trash		27,916	29,033	30,194	31,402	32,658
Insurance		22,166	23,053	23,975	24,934	25,931
Property Tax		0	0	0	0	0
Reserve for Replacements		18,750	19,500	20,280	21,091	21,935
Other		16,834	17,507	18,208	18,936	19,693
TOTAL EXPENSES		\$253,010	\$262,932	\$273,244	\$283,962	\$295,103
NET OPERATING INCOME		\$174,329	\$177,519	\$180,721	\$183,936	\$187,159
DEBT SERVICE						
First Lien Financing		\$157,998	\$157,998	\$157,998	\$157,998	\$157,998
Second Lien		0	0	0	0	0
Other Financing		0	0	0	0	0
NET CASH FLOW		\$16,331	\$19,520	\$22,723	\$25,938	\$29,160
DEBT COVERAGE RATIO		1.10	1.12	1.14	1.16	1.18

	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$541,664	\$627,936	\$727,951	\$978,305
Secondary Income	17,614	20,420	23,672	31,814
Other Support Income: PHU Su	41,437	50,575	61,719	91,872
POTENTIAL GROSS INCOME	600,715	698,931	813,342	1,101,990
Vacancy & Collection Loss	(39,694)	(46,184)	(53,744)	(72,817)
Employee or Other Non-Rental	0	0	0	0
EFFECTIVE GROSS INCOME	\$561,021	\$652,748	\$759,598	\$1,029,173
General & Administrative	\$32,900	\$40,028	\$48,700	\$72,088
Management	28,051	32,637	37,980	51,459
Payroll & Payroll Tax	86,448	105,177	127,964	189,417
Repairs & Maintenance	57,742	70,252	85,473	126,521
Utilities	30,681	37,328	45,416	67,226
Water, Sewer & Trash	39,733	48,342	58,815	87,061
Insurance	31,549	38,384	46,701	69,128
Property Tax	0	0	0	0
Reserve for Replacements	26,687	32,469	39,503	58,475
Other	23,960	29,151	35,467	52,499
TOTAL EXPENSES	\$357,752	\$433,769	\$526,017	\$773,873
NET OPERATING INCOME	\$203,269	\$218,979	\$233,581	\$255,300
DEBT SERVICE				
First Lien Financing	\$157,998	\$157,998	\$157,998	\$157,998
Second Lien	0	0	0	0
Other Financing	0	0	0	0
NET CASH FLOW	\$45,271	\$60,981	\$75,582	\$97,301
DEBT COVERAGE RATIO	1.29	1.39	1.48	1.62

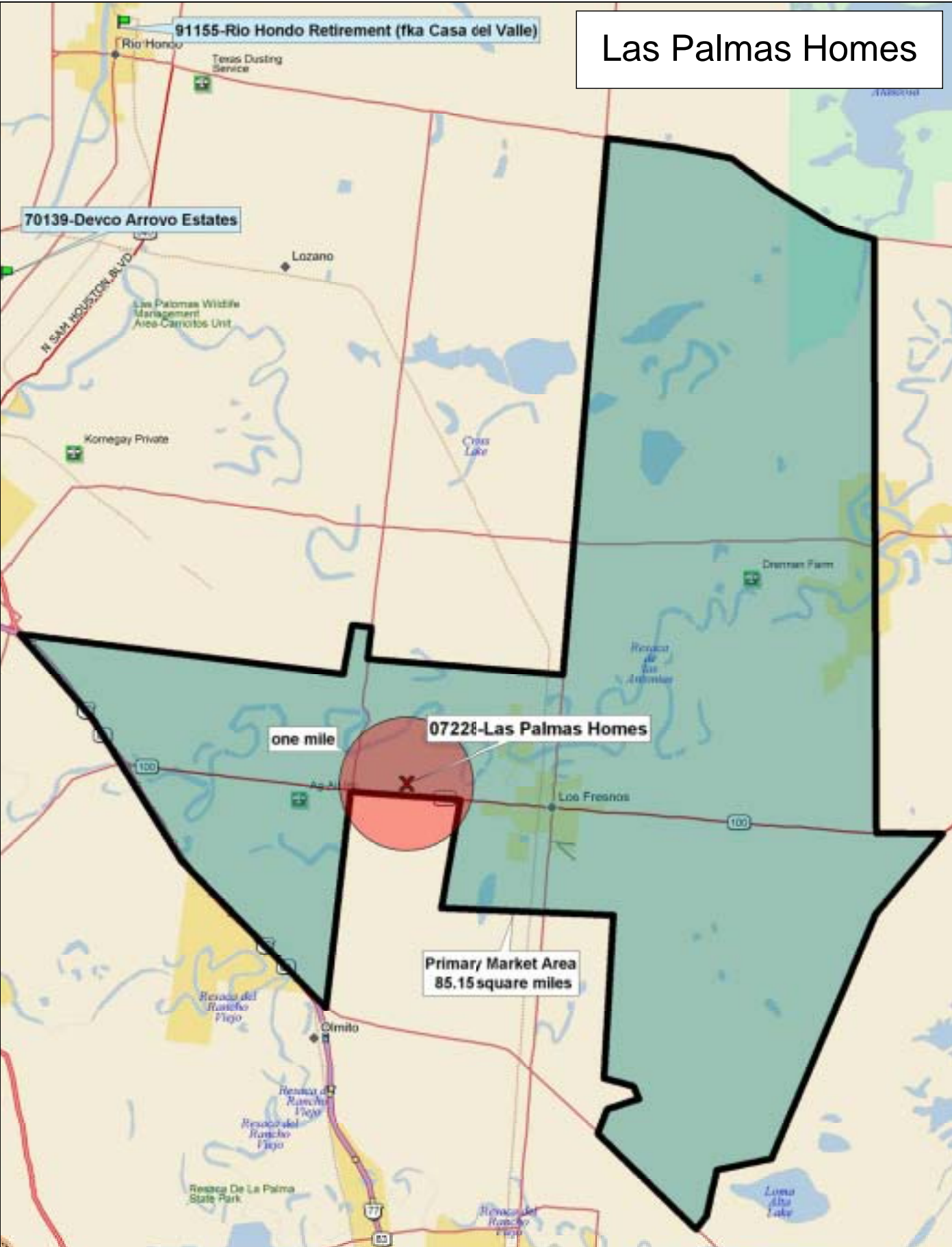
HTC ALLOCATION ANALYSIS -Las Palmas Homes, Los Fresnos, 9% HTC #07228

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA RECON/NEW ELIGIBLE BASIS	TDHCA REHAB ALT ELIGIBLE BASIS
Acquisition Cost					
Purchase of land	\$1,400,000	\$741,224			
Purchase of buildings					
Off-Site Improvements					
Sitework	\$562,137	\$562,137	\$562,137	\$562,137	\$350,000
Construction Hard Costs	\$4,139,900	\$4,234,804	\$4,139,900	\$4,234,804	\$1,799,200
Contractor Fees	\$642,460	\$642,460	\$642,460	\$642,460	\$300,888
Contingencies	\$229,450	\$229,450	\$229,450	\$229,450	\$214,920
Eligible Indirect Fees	\$570,500	\$570,500	\$570,500	\$570,500	\$255,604
Eligible Financing Fees	\$210,070	\$210,070	\$210,070	\$210,070	\$210,070
All Ineligible Costs	\$512,330	\$512,330			
Developer Fees			\$953,178		\$469,602
Developer Fees	\$953,500	\$953,500		\$953,500	
Development Reserves	\$35,000	\$59,010			
TOTAL DEVELOPMENT COSTS	\$9,255,347	\$8,715,485	\$7,307,695	\$7,402,921	\$3,600,285

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS			\$7,307,695	\$7,402,921	\$3,600,285
High Cost Area Adjustment			100%	100%	100%
TOTAL ADJUSTED BASIS			\$7,307,695	\$7,402,921	\$3,600,285
Applicable Fraction			100%	100%	100%
TOTAL QUALIFIED BASIS			\$7,307,695	\$7,402,921	\$3,600,285
Applicable Percentage			8.55%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$624,808	\$632,950	\$307,824

Syndication Proceeds	0.9191	\$5,742,505	\$5,817,336	\$2,829,162
Total Tax Credits (Eligible Basis Method)		\$624,808	\$632,950	\$307,824
Syndication Proceeds		\$5,742,505	\$5,817,336	\$2,829,162
Requested Tax Credits		\$600,000		
Syndication Proceeds		\$5,514,500		
Gap of Syndication Proceeds Needed		\$4,916,571	\$5,035,485	\$950,060
Total Tax Credits (Gap Method)		\$534,943	\$547,881	\$103,370

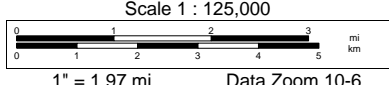
Las Palmas Homes



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Applicant Evaluation

Project ID # **07228**

Name: **Las Palmas Homes**

City: **Los Fresnos**

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

Total # of Projects monitored: 7

Projects zero to nine: 5
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 7

not yet monitored or pending review: 17

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 07233

BASIC DEVELOPMENT INFORMATION

Site Address: 5901 Flynn Dr. Development #: 07233
 City: San Antonio Region: 9 Population Served: General
 County: Bexar Zip Code: 78228 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Ingram Square Preservation, LP
 Owner Contact and Phone: Paul Patierno (310) 258-5122
 Developer: AIMCO Equity Services, Inc.
 Housing General Contractor: Penco Construction Co. of Houston, Inc.
 Architect: Architectural Group International
 Market Analyst: Novogradac & Company, LLP
 Syndicator: AIMCO Capital Tax Credit Fund VII
 Supportive Services: Texas Inter-Faith Housing Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	120
	14 0 0 106	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 44 52 24 0 0	Total Development Units:	120
Type of Building:		Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$652,194	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 07233

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S	Points: 7	US Representative: González, District 20, NC
TX Representative: Castro, District 125, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Ingram Hills Neighborhood Organization, Joan Price Letter Score: 24 S or O: S

IHNA applauds AIMCO for extending affordability another 40 years while dramatically rehabilitation Ingram Square Apartments, which has already served our neighborhood with affordable housing for over 25 years.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 07233

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

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Tuscany Park at Buda, TDHCA Number 07234

BASIC DEVELOPMENT INFORMATION

Site Address: FM 2001 E. of IH 35 Development #: 07234
City: Buda Region: 7 Population Served: General
County: Hays Zip Code: 78610 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Buda Tuscany Partners, Ltd.
Owner Contact and Phone: Mark Musemeche (713) 522-4141
Developer: Mgroup, LLC
Housing General Contractor: To Be Determined
Architect: Mgroup & Architects, Inc
Market Analyst: O' Conner & Associates
Syndicator: Wachovia Securities
Supportive Services: Community Action, Inc.
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 170
18 0 10 142 Market Rate Units: 6
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 56 96 24 0 0 Total Development Units: 176
Type of Building: Total Development Cost*: \$17,059,939
Number of Residential Buildings: 14
HOME High Total Units: 0
HOME Low Total Units: 28

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$1,200,000
HOME Activity Fund Amount: \$525,000 \$525,000 30 30 AFR
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tuscany Park at Buda, TDHCA Number 07234

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Wentworth, District 25, S Points: 7 US Representative: Doggett, District 25, NC
TX Representative: Rose, District 45, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [checked]

Individuals and Businesses In Support: 6 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
Rise 'N Shine Toastmasters S or O: S
Buda Area Chamber of Commerce S or O: S
North Hays County Optimist Club S or O: S
Buda Lions Club S or O: S
Buda Economic Development Corporation S or O: S
Community Action, Incorporated S or O: S

General Summary of Comment:

There was support from officials, and civic organizations. There was opposition from one non-official. The primary reasons cited for opposition are that the project will lower property values, increase traffic, and there is not a demand for this type of housing in the area.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance of a survey clearly marking and identifying the easements on the subject property and an overlay of the site plan to ensure that no buildings will be built in within the easements.
Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.

Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$525,000, and from the Capital Area Housing Finance Corporation in the amount of \$350,000, or a commitment from a qualifying substitute source in an amount not less than \$852,997, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Tuscany Park at Buda, TDHCA Number 07234

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

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide. Although \$1,200,000 is recommended, 2008 tax credits must be used to fund \$339,505 of this award.

HOME Activity Funds: Loan Amount: \$525,000

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



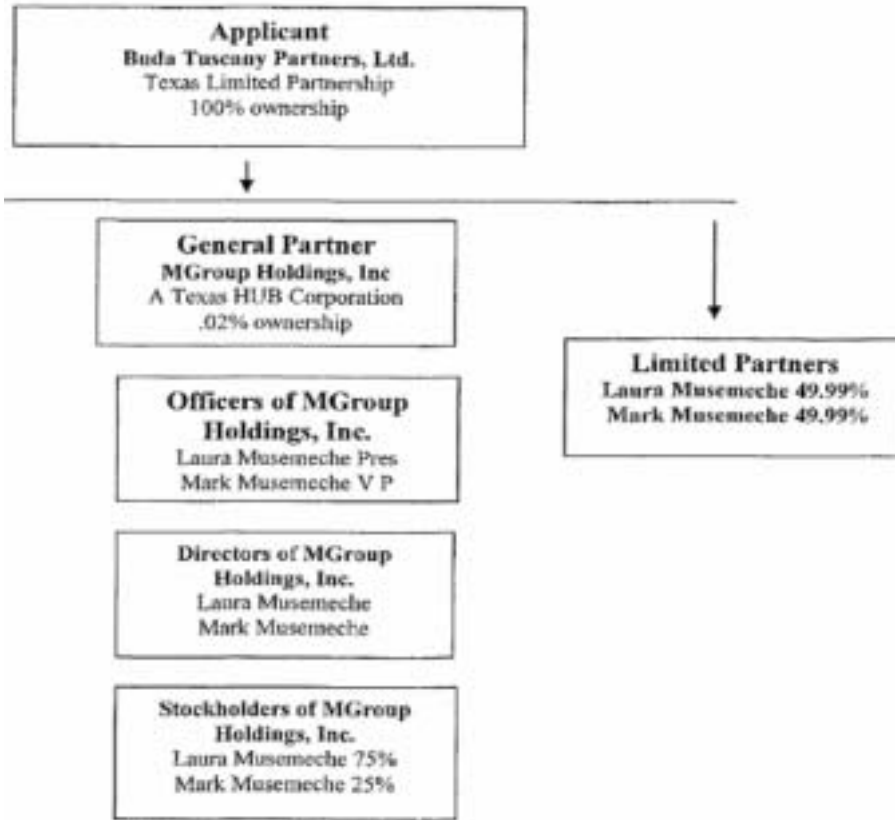
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9%HTC/HOME FILE NUMBER: 07234

DEVELOPMENT						
Tuscany Park at Buda						
Location: <u>FM 2001 (approximately 2400' east of IH-35)</u>				Region: <u>7</u>		
City: <u>Buda</u>		County: <u>Hays</u>		Zip: <u>78610</u>		<input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, New Construction, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$525,000	AFR	30/20	\$525,000	AFR	30/30
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review and acceptance of a survey clearly marking and identifying the easements on the subject property and an overlay of the site plan to ensure that no buildings will be built in within the easements. 2 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI/LH	30% of AMI	18				
50% of AMI/LH	50% of AMI	10				
60% of AMI	60% of AMI	142				
PROS			CONS			
<hr/> The subject represents the first Housing Tax Credit development in Buda			<hr/> The market for 2 bedroom units at 60% AMI may be somewhat saturated with a unit capture rate of 114.5%.			
PREVIOUS UNDERWRITING REPORTS						
None						

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

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KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Mgroup Holdings, Inc.	\$1,454,314	\$624,314	12
Mgroup, LLC	\$1,487,181	\$1,487,181	3
Mark & Laura Musemeche	Confidential		12

¹ Liquidity = Current Assets - Current Liabilities

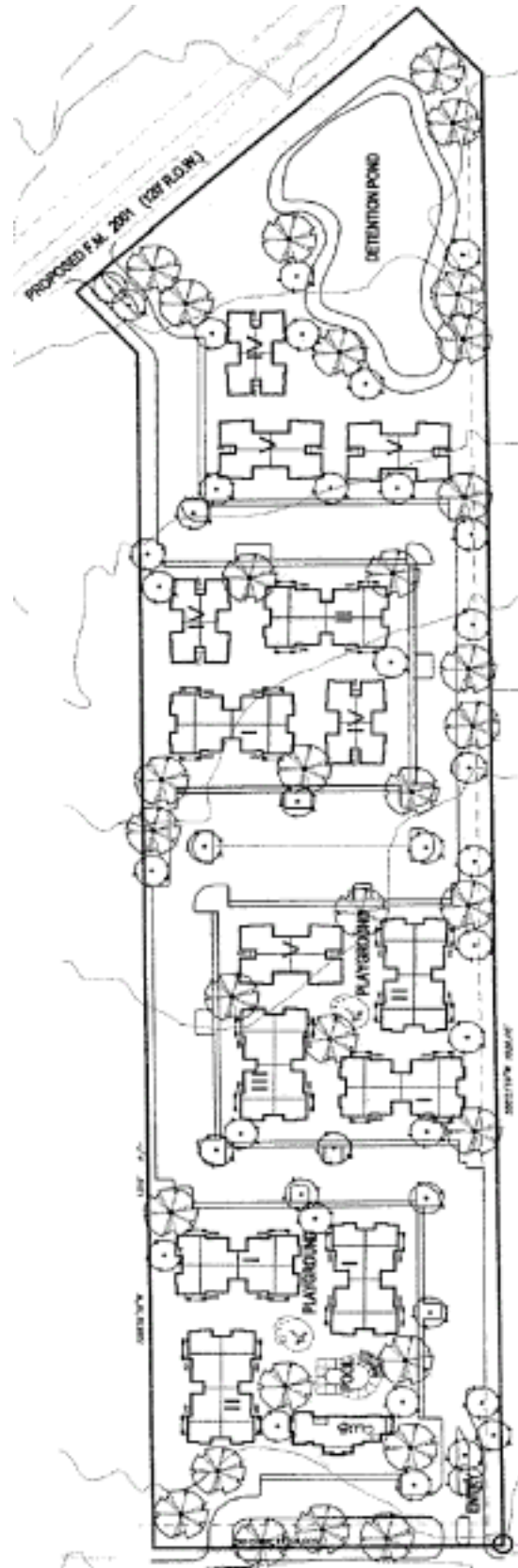
IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V						Total Buildings
Floors/Stories	2	2	2	2	2						
Number	4	3	1	3	3						14

BR/BA	SF	Units								Total Units	Total SF
1/1	652	8	8							56	36,512
2/1	905	8								32	28,960
2/2	942		8	16						40	37,680
2/2	960				8					24	23,040
3/2	1,160					8				24	27,840
Units per Building		16	16	16	8	8				176	154,032

SITE ISSUES

Total Size: 13 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: No Zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/17/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: vacant land and a fire station and retail beyond.
 East: vacant land and a single family residential subdivision beyond.
 South: vacant land and agricultural land and residential development beyond.
 West: vacant land and agricultural land beyond.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc Date: 3/22/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 3/15/2007
 Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

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Primary Market Area (PMA): 225 Square miles ¹ 8.5 mile radius

"The subject's primary market is defined as that area within the following geographic boundaries: Zip Codes 78610, 78619, 78652, 78737, 78739, 78747, and 78748: Lone Man Creek, Flat Creek, Ranch Road 12, and Onion Creek to the west; FM 150, Darden Hill Road, Sawyer Ranch Road, CR 185, Fitzhugh Road, US Highway 290, Slaughter Cree, Davis Lane, Dittmar Road, Onion Creek, Thaxton Road, and Sassman Road to the north; Highway 183, Maha Creek, Maha Road, and the eastern Travis County line to the east; and the southern Travis County line, Satterwhite Road, Turnersville Road, Gofothe Road Mathias Lane, FM 2001, Hillside Road, Kelly Smith Lane, IH-35, FM 150, and Lone ManCreek to the south." (p. 10)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Southpark	060418	192	192	N/A			

INCOME LIMITS						
Hays						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	25	0	0	25	8	0	32.0%
1BR/60% Rent Limit	145	-2	0	143	48	54	71.3%
2BR/50% Rent Limit	76	-1	0	75	10	0	13.3%
2BR/60% Rent Limit	162	-3	0	159	80	102	114.5%
3BR/30% Rent Limit	24	-3	0	21	10	0	47.6%
3BR/60% Rent Limit	87	3	0	90	14	36	55.6%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 70	100%	26,918	94%	25,370	included in Tenure%	14%	3,491	70%	2,444	
Underwriter		100%	27,688	94%	26,096	21%	5,426	60%	3,242	70%	2,269
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 70			100%	726	included in Tenure%	14%	100	100%	100	
Underwriter				94%	776	21%	152	60%	91	100%	91

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 71	170	192	0	362	2,543	14.24%
Underwriter		170	192	0	362	2,360	15.34%

Primary Market Occupancy Rates:

"The average occupancy for comparable apartments in the submarkets containing the subject's primary market area was reported at 93.91% in the most recent O'COIU1orData survey (March 2007). According to the survey, occupancy in the primary market area in March 2007 has increased slightly from the prior quarter. Average occupancy in the primary market area has remained in the high 80% to mid 90's since September 2004. The fluctuations were due to new product coming on-line. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 39)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease to stabilized occupancy within six to eight months following completion of the construction." (p. 86)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 652 SF 30%/LH	\$345	\$348	\$640	\$348	\$292		
1 BR 652 SF 60%	\$640	\$748	\$640	\$640	\$0		
2 BR 905 SF 50%/LH	\$715	\$731	\$830	\$731	\$99		
2 BR 905 SF 60%	\$745	\$891	\$830	\$830	\$0		
2 BR 942 SF 60%	\$755	\$891	\$855	\$855	\$0		
2 BR 960 SF 60%	\$775	\$891	\$860	\$860	\$0		
2 BR 960 SF MR	\$825		\$860	\$860	\$0		
3 BR 1,160 SF 30%/LH	\$460	\$460	\$1,075	\$460	\$615		
3 BR 1,160 SF 60%	\$940	\$1,014	\$1,075	\$1,014	\$61		

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration." (p.86)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant has assumed rents lower than the allowable program maximums for most of the proposed units and set-asides and, in some cases, less than the market rents indicated in the submitted Market Study. The Underwriter's estimates are the lesser of the maximum net program rents (the current gross program rents less the current utility allowances as maintained by the Kyle Housing Authority) and the Market Analyst's market rent conclusion for each unit type.

The Applicant's secondary income assumption at \$10 per unit and their vacancy and collection loss at 7.5% are in line with current TDHCA underwriting guidelines. Overall, the Applicant's effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$4,238 per unit is not within 5% of the Underwriter's estimate of \$4,545, derived from the TDHCA database and other third party sources. In addition, the Applicant's budget includes line item estimates that deviate significantly when compared to the Underwriter's, particularly: general and administrative (\$16K lower) and property tax (\$39K lower).

Conclusion:

The Applicant's effective gross income, total estimated operating expense and net operating income are inconsistent with the Underwriter's expectations. Therefore, the Underwriter's Year 1 proforma will be used to evaluate debt service capacity. Based on the proposed permanent financing structure, the development will exceed the Department's debt coverage ratio maximum guideline of 1.35.

Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised debt service estimate were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 117 acres	<u>\$2,096,390</u>	Tax Year:	<u>2006</u>
Land Per Acre:	<u>\$17,854</u>	Valuation by:	<u>Hays CAD</u>
Prorated 13.0 Acres:	<u>\$232,099</u>	Tax Rate:	<u>2.358</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Contract of Sale of Unimproved Property</u>	Acreage: <u>13</u>
Contract Expiration: <u>10/26/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,265,000</u>	Other: <u>\$2.25 per square foot</u>
Seller: <u>2428 Partners, LP</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Several easements were noted on the commitment for title insurance; therefore, a survey of the subject property marking and identifying the easements is being made a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$97,308 per acre or \$7,188 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,477 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$193K or 3% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate, and is therefore regarded as reasonable as submitted.

Contingency & 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 is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$15,162,189 supports annual tax credits of \$1,247,890. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Wachovia Securities Type: Interim Financing

Principal: \$7,000,000 Interest Rate: 9.0% Fixed Term: 24 months

Comments:

The interest rate is based on a floating rate of LIBOR plus 500 basis points which was at the time of the application 10.36%. This is likely a somewhat inflated rate for a construction loan.

Source: Wachovia Securities Type: Permanent Financing

Principal: \$5,600,000 Interest Rate: 7.50% Fixed Amort: 360 months

Comments:

10-year treasury plus 400 basis points with a fixed rate at closing

Source: Wachovia Securities Type: Syndication

Proceeds: \$10,796,760 Syndication Rate: 90% Anticipated HTC: \$ 1,200,000

Comments:

Replacement reserve requirement at \$250 per unit per year, increasing 3% annually. The syndication price is at the low end of current market prices and any increase in rate of syndicated credit could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$138,179 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$5,725,000 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Underwriter's total development cost estimate less the permanent loan of \$5,725,000 and the requested HOME funds of \$525,000 indicates the need for \$10,809,939 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,201,465 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,201,465), and eligible basis-derived estimate (\$1,247,890), the Applicant's request \$1,200,000 is recommended resulting in proceeds of \$10,796,760 based on a syndication rate of 90%.

The development's need for deferred developer fees to fill a gap in financing supports the need for a TDHCA HOME allocation. In addition, the healthy DCR of 1.35 indicates the development will be able to service a HOME loan fully amortizing over the requested repayment term of 30 years and interest rate set at AFR. The requested HOME funds at \$525,000 are below the 221(d)(3) limit for this project. In addition, the HOME amount is below the prorata share of development cost based on the number HOME units to total units. Therefore, the requested HOME loan of \$525,000 with an interest rate set at AFR and an amortization period and repayment term of 30 years is recommended.

The Underwriter's recommended financing structure indicates the need for \$13,179 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation. Should the development fail to receive the requested HOME loan, the deferred fees would increase to \$538,179. Due to an increase in cashflow, as debt service associated with the second lien note would no longer be considered, the higher deferred fee amount would be repayable within three years of operation. Therefore, the development would continue to be financially feasible based on TDHCA underwriting criteria.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1.75% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is substantially higher because of the limited deferred developer fee but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:

Carl Hoover

Date: July 8, 2007

Reviewing Underwriter:

Lisa Vecchiatti

Date: July 8, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: July 8, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Tuscany Park at Buda, Buda, 9%HTC/HOME #07234

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%<LH	8	1	1	652	\$400	\$348	\$2,786	\$0.53	\$51.75	\$58.01
TC 60%	48	1	1	652	\$800	640	30,720	0.98	51.75	58.01
TC50%=LH	10	2	1	905	\$800	731	7,306	0.81	69.39	77.49
TC 60%	22	2	1	905	\$960	830	18,260	0.92	69.39	77.49
TC 60%	40	2	2	942	\$960	855	34,200	0.91	69.39	77.49
TC 60%	18	2	2	960	\$960	860	15,480	0.90	69.39	77.49
MR	6	2	2	960		860	5,160	0.90	69.39	77.49
TC 30%<LH	10	3	2	1,160	\$555	460	4,604	0.40	94.57	92.33
TC 60%	14	3	2	1,160	\$1,109	1,014	14,202	0.87	94.57	92.33
TOTAL:	176		AVERAGE:	875		\$754	\$132,718	\$0.86	\$67.21	\$73.32

INCOME				Total Net Rentable Sq Ft: 154,032		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$1,592,621	\$1,486,560	Hays	Austin	7
Secondary Income		Per Unit Per Month:	\$10.00			21,120	21,120	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$1,613,741	\$1,507,680			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(121,031)	(113,076)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$1,492,710	\$1,394,604			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.61%	\$391	0.45		\$68,741	\$53,008	\$0.34	\$301	3.80%
Management		5.00%	424	0.48		74,636	69,900	0.45	397	5.01%
Payroll & Payroll Tax		11.56%	981	1.12		172,602	174,000	1.13	989	12.48%
Repairs & Maintenance		5.59%	474	0.54		83,444	80,000	0.52	455	5.74%
Utilities		2.18%	185	0.21		32,520	35,000	0.23	199	2.51%
Water, Sewer, & Trash		5.67%	481	0.55		84,584	83,000	0.54	472	5.95%
Property Insurance		2.65%	225	0.26		39,590	46,000	0.30	261	3.30%
Property Tax	2.3580	12.51%	1,061	1.21		186,754	148,000	0.96	841	10.61%
Reserve for Replacements		2.95%	250	0.29		44,000	44,000	0.29	250	3.16%
TDHCA Compliance Fees		0.46%	39	0.04		6,800	6,800	0.04	39	0.49%
Other: Cable, Security		0.42%	35	0.04		6,240	6,240	0.04	35	0.45%
TOTAL EXPENSES		53.59%	\$4,545	\$5.19		\$799,910	\$745,948	\$4.84	\$4,238	53.49%
NET OPERATING INC		46.41%	\$3,936	\$4.50		\$692,801	\$648,656	\$4.21	\$3,686	46.51%
DEBT SERVICE										
Wachovia Securites		31.48%	\$2,670	\$3.05		\$469,872	\$469,872	\$3.05	\$2,670	33.69%
HOME - TDHCA		2.24%	\$190	\$0.22		33,436	34,056	\$0.22	\$194	2.44%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
NET CASH FLOW		12.69%	\$1,077	\$1.23		\$189,493	\$144,728	\$0.94	\$822	10.38%
AGGREGATE DEBT COVERAGE RATIO						1.38	1.29			
RECOMMENDED DEBT COVERAGE RATIO						1.35				

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)		7.53%	\$7,188	\$8.21	\$1,265,000	\$1,265,000	\$8.21	\$7,188	7.42%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.88%	8,477	9.69	1,491,900	1,491,900	9.69	8,477	8.75%
Direct Construction		44.99%	42,966	49.09	7,561,974	7,755,000	50.35	44,063	45.46%
Contingency	4.09%	2.20%	2,102	2.40	369,876	369,876	2.40	2,102	2.17%
Contractor's Fees	14.00%	7.54%	7,202	8.23	1,267,542	1,294,566	8.40	7,355	7.59%
Indirect Construction		6.79%	6,486	7.41	1,141,500	1,141,500	7.41	6,486	6.69%
Ineligible Costs		1.32%	1,260	1.44	221,750	221,750	1.44	1,260	1.30%
Developer's Fees	15.00%	11.57%	11,049	12.63	1,944,669	1,977,677	12.84	11,237	11.59%
Interim Financing		6.73%	6,430	7.35	1,131,670	1,131,670	7.35	6,430	6.63%
Reserves		2.45%	2,335	2.67	411,000	411,000	2.67	2,335	2.41%
TOTAL COST		100.00%	\$95,494	\$109.11	\$16,806,882	\$17,059,939	\$110.76	\$96,931	100.00%
Construction Cost Recap		63.61%	\$60,746	\$69.41	\$10,691,292	\$10,911,342	\$70.84	\$61,996	63.96%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Wachovia Securites	33.32%	\$31,818	\$36.36	\$5,600,000	\$5,600,000	\$5,725,000	Developer Fee Available
HOME - TDHCA	3.12%	\$2,983	\$3.41	525,000	525,000	525,000	\$1,977,677
HTC Syndication Proceeds	64.24%	\$61,345	\$70.09	10,796,760	10,796,760	10,796,760	% of Dev. Fee Deferred
Deferred Developer Fees	0.82%	\$785	\$0.90	138,179	138,179	13,179	1%
Additional (Excess) Funds Req'd	-1.51%	(\$1,438)	(\$1.64)	(253,057)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$16,806,882	\$17,059,939	\$17,059,939	\$4,074,895

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Tuscany Park at Buda, Buda, 9%HTC/HOME #07234

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.66	\$8,572,909
Adjustments				
Exterior Wall Finish	3.20%		\$1.78	\$274,333
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(380,459)
Floor Cover			2.43	374,298
Breezeways/Balconies	\$21.66	24,656	3.47	533,926
Plumbing Fixtures	\$805	360	1.88	289,800
Rough-ins	\$400	176	0.46	70,400
Built-In Appliances	\$1,850	176	2.11	325,600
Exterior Stairs	\$1,800	44	0.51	79,200
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	292,661
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$66.61	3,300	1.43	219,805
Other: fire sprinkler	\$1.95	154,032	1.95	300,362
SUBTOTAL			71.11	10,952,835
Current Cost Multiplier	0.98		(1.42)	(219,057)
Local Multiplier	0.87		(9.24)	(1,423,869)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.44	\$9,309,910
Plans, specs, survy, bld prn	3.90%		(\$2.36)	(\$363,086)
Interim Construction Interes	3.38%		(2.04)	(314,209)
Contractor's OH & Profit	11.50%		(6.95)	(1,070,640)
NET DIRECT CONSTRUCTION COSTS			\$49.09	\$7,561,974

PAYMENT COMPUTATION

Primary	\$5,600,000	Amort	360
Int Rate	7.50%	DCR	1.47

Secondary	\$525,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.38

Additional	\$10,796,760	Amort	
Int Rate		Aggregate DCR	1.38

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$480,360
Secondary Debt Service	33,436
Additional Debt Service	0
NET CASH FLOW	\$179,004

Primary	\$5,725,000	Amort	360
Int Rate	7.50%	DCR	1.44

Secondary	\$525,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.35

Additional	\$10,796,760	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$1,592,621	\$1,640,400	\$1,689,612	\$1,740,300	\$1,792,509	\$2,078,009	\$2,408,982	\$2,792,671	\$3,753,116
Secondary Income	21,120	21,754	22,406	23,078	23,771	27,557	31,946	37,034	49,771
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,613,741	1,662,153	1,712,018	1,763,378	1,816,280	2,105,566	2,440,928	2,829,705	3,802,886
Vacancy & Collection Loss	(121,031)	(124,661)	(128,401)	(132,253)	(136,221)	(157,917)	(183,070)	(212,228)	(285,216)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,492,710	\$1,537,492	\$1,583,617	\$1,631,125	\$1,680,059	\$1,947,649	\$2,257,859	\$2,617,477	\$3,517,670
EXPENSES at 4.00%									
General & Administrative	\$68,741	\$71,491	\$74,350	\$77,324	\$80,417	\$97,840	\$119,037	\$144,827	\$214,379
Management	74,636	76,875	79,181	81,556	84,003	97,382	112,893	130,874	175,883
Payroll & Payroll Tax	172,602	179,506	186,687	194,154	201,920	245,667	298,891	363,647	538,286
Repairs & Maintenance	83,444	86,782	90,253	93,863	97,617	118,767	144,498	175,803	260,232
Utilities	32,520	33,820	35,173	36,580	38,043	46,285	56,313	68,514	101,417
Water, Sewer & Trash	84,584	87,967	91,486	95,145	98,951	120,389	146,472	178,205	263,787
Insurance	39,590	41,174	42,821	44,534	46,315	56,350	68,558	83,411	123,469
Property Tax	186,754	194,224	201,993	210,072	218,475	265,809	323,397	393,462	582,419
Reserve for Replacements	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Other	13,040	13,562	14,104	14,668	15,255	18,560	22,581	27,473	40,667
TOTAL EXPENSES	\$799,910	\$831,160	\$863,638	\$897,391	\$932,471	\$1,129,674	\$1,368,833	\$1,658,918	\$2,437,761
NET OPERATING INCOME	\$692,801	\$706,332	\$719,979	\$733,734	\$747,587	\$817,975	\$889,025	\$958,559	\$1,079,909
DEBT SERVICE									
First Lien Financing	\$480,360	\$480,360	\$480,360	\$480,360	\$480,360	\$480,360	\$480,360	\$480,360	\$480,360
Second Lien	33,436	33,436	33,436	33,436	33,436	33,436	33,436	33,436	33,436
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$179,004	\$192,536	\$206,183	\$219,938	\$233,791	\$304,178	\$375,229	\$444,763	\$566,112
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.43	1.46	1.59	1.73	1.87	2.10

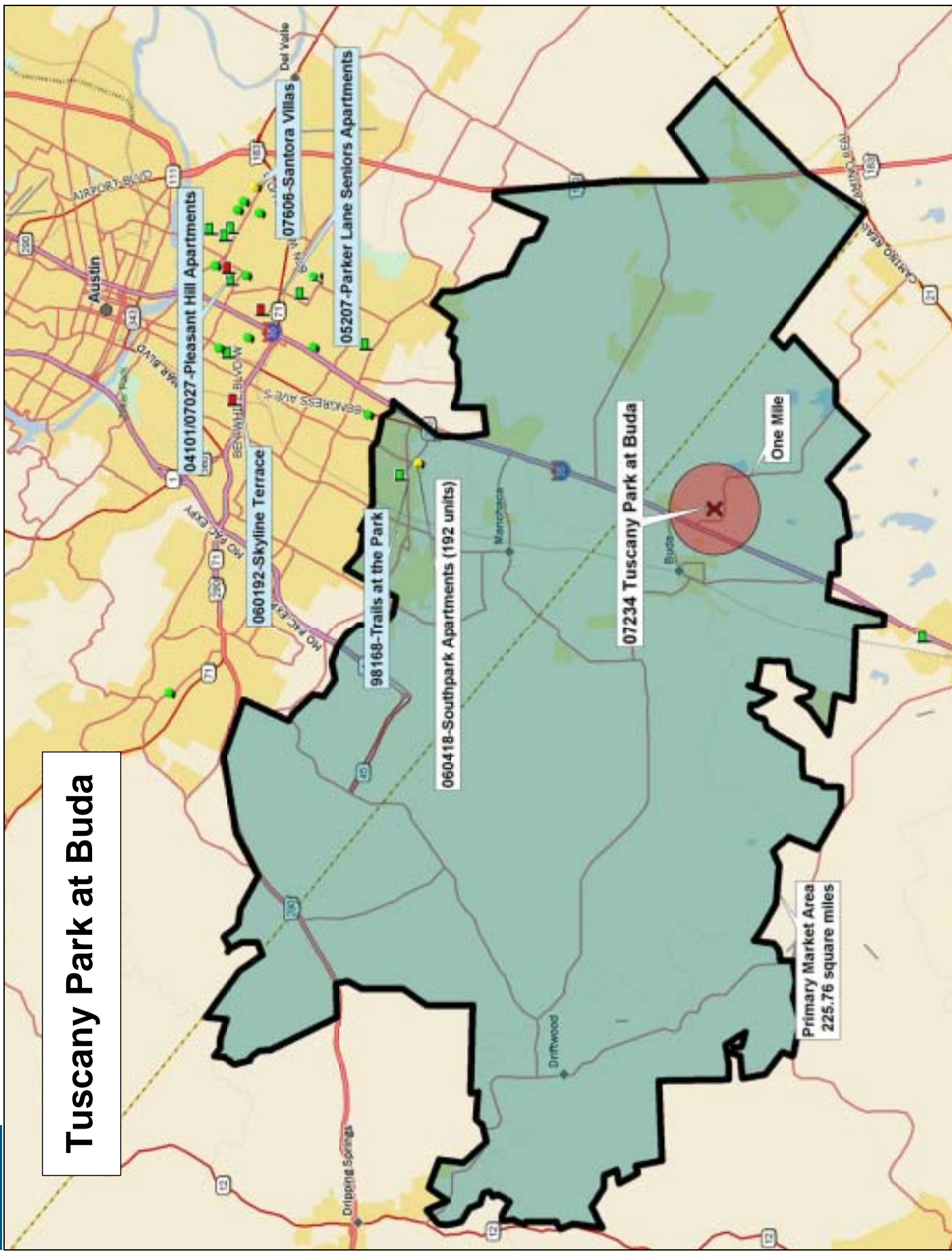
HTC ALLOCATION ANALYSIS -Tuscany Park at Buda, Buda, 9%HTC/HOME #07234

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,265,000	\$1,265,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,491,900	\$1,491,900	\$1,491,900	\$1,491,900
Construction Hard Costs	\$7,755,000	\$7,561,974	\$7,755,000	\$7,561,974
Contractor Fees	\$1,294,566	\$1,267,542	\$1,294,566	\$1,267,542
Contingencies	\$369,876	\$369,876	\$369,876	\$369,876
Eligible Indirect Fees	\$1,141,500	\$1,141,500	\$1,141,500	\$1,141,500
Eligible Financing Fees	\$1,131,670	\$1,131,670	\$1,131,670	\$1,131,670
All Ineligible Costs	\$221,750	\$221,750		
Developer Fees			\$1,977,677	
Developer Fees	\$1,977,677	\$1,944,669		\$1,944,669
Development Reserves				
	\$411,000	\$411,000		
TOTAL DEVELOPMENT COSTS	\$17,059,939	\$16,806,882	\$15,162,189	\$14,909,132

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$15,162,189	\$14,909,132
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$15,162,189	\$14,909,132
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		\$14,595,201	\$14,351,607
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,247,890	\$1,227,062

Syndication Proceeds	0.8997	\$11,227,638	\$11,040,249
Total Tax Credits (Eligible Basis Method)		\$1,247,890	\$1,227,062
Syndication Proceeds		\$11,227,638	\$11,040,249
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,796,760	
Gap of Syndication Proceeds Needed		\$10,809,939	
Total Tax Credits (Gap Method)		\$1,201,465	

Tuscany Park at Buda



Applicant Evaluation

Project ID # **07234**

Name: **Tuscany Park at Buda**

City: **Buda**

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

Total # of Projects monitored: 12
 Projects zero to nine: 9
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 2

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 12
 # not yet monitored or pending review: 3

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/7/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Woodchase Senior Community, TDHCA Number 07235

BASIC DEVELOPMENT INFORMATION

Site Address: 8410 & 8411 Tigris Dr. Development #: 07235
City: El Paso Region: 13 Population Served: Elderly
County: El Paso Zip Code: 79907 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Woodchase Senior Community, Ltd.
Owner Contact and Phone: Ike J. Monty (915) 599-1245
Developer: Investment Builders, Inc.
Housing General Contractor: Investment Builders, Inc.
Architect: David J. Marquez A&E Services
Market Analyst: Ed Ipser & Associates, Inc.
Syndicator: MMA Financial, Inc.
Supportive Services: YWCA Consumer Credit Counseling Service
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 128
13 0 0 115 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 76 52 0 0 0 Total Development Units: 128
Type of Building: Total Development Cost*: \$11,449,155
Number of Residential Buildings: 32
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,069,620 \$1,069,620
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Woodchase Senior Community, TDHCA Number 07235

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S	Points: 7	US Representative: Reyes, District 16, NC
TX Representative: Chávez, District 76, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, John F. Cook, Mayor	Resolution of Support from Local Government	<input type="checkbox"/>
S, Steve Ortega, City Representative-District 7		

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and non-officials.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of documentation that the development agreement listed in the title commitment has been cleared or will not have an adverse effect on the proposed development.

Receipt, review, and acceptance by commitment of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone.

Receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Woodchase Senior Community, TDHCA Number 07235

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

Competitive Housing Tax Credits: Score: **158** Meeting a Required Set-Aside Credit Amount*: \$1,069,620

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide. In addition, the Board waived the 65% rule for this application during the June 14, 2007 Board meeting.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report **Addendum**

REPORT DATE: 07/20/07 PROGRAM: 9% HTC FILE NUMBER: 07235

DEVELOPMENT																		
Woodchase Senior Community																		
Location: 8410 and 8411 Tigris Drive		Region: 13																
City: El Paso	County: El Paso	Zip: 79907	<input checked="" type="checkbox"/> OCT	<input type="checkbox"/> DDA														
Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction																		
ALLOCATION																		
	REQUEST			Board Approval														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,069,620			\$1,069,620														
CONDITIONS																		
1 Receipt, review, and acceptance of documentation that the development agreement listed in the title commitment has been cleared or will not have an adverse effect on the proposed development. 2 Receipt, review, and acceptance of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone. 3 Receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development. 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">13</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">115</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	13	60% of AMI	60% of AMI	115
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	13																
60% of AMI	60% of AMI	115																
PROS			CONS															
The Developer has a strong history of development in the El Paso area.			The Development's expense to income ratio of 72% exceeds the maximum guideline (65%), reflecting extensive deep rent targeting. The anticipated syndication proceeds as a percentage of total cost (87%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting. The demand for seniors one bedroom units serving the 60% income band is very weak in this primary market area. The Market Analyst's overall capture rate is over 50%.															

ADDENDUM

The Applicant appealed the original underwriting recommendation to not approve funding for this development due to its expense to income ratio exceeding 65% (the limit in 10 TAC§ 1.32(i)(4)). The original underwriting report had evaluated the development under the potential that the Board might waive this rule, which they did. The credit amount under such a scenario is \$1,069,620. The original underwriting report should be read in conjunction with this addendum.

Director of Real Estate Analysis:

Tom Gouris

Date:

July 20, 2007



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/28/07 PROGRAM: 9% HTC FILE NUMBER: 07235

DEVELOPMENT

Woodchase Senior Community

Location: 8410 and 8411 Tigris Drive Region: 13
 City: El Paso County: El Paso Zip: 79907 OCT DDA
 Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,069,620			\$0		

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:
 The Applicant's and Underwriter's expense to income ratios exceed the Department's maximum of 65% per the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4).
 SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 9% HTC allocation not to exceed \$1,069,620.
- 2 Receipt, review, and acceptance of documentation that the development agreement listed in the title commitment has been cleared or will not have an adverse effect on the proposed development.
- 3 Receipt, review, and acceptance of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone.
- 4 Receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	13
60% of AMI	60% of AMI	115

PROS	CONS
<p>The Developer has a strong history of development in the El Paso area.</p>	<p>The Development's expense to income ratio of 72% exceeds the maximum guideline (65%), reflecting extensive deep rent targeting.</p> <p>The anticipated syndication proceeds as a percentage of total cost (87%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.</p>

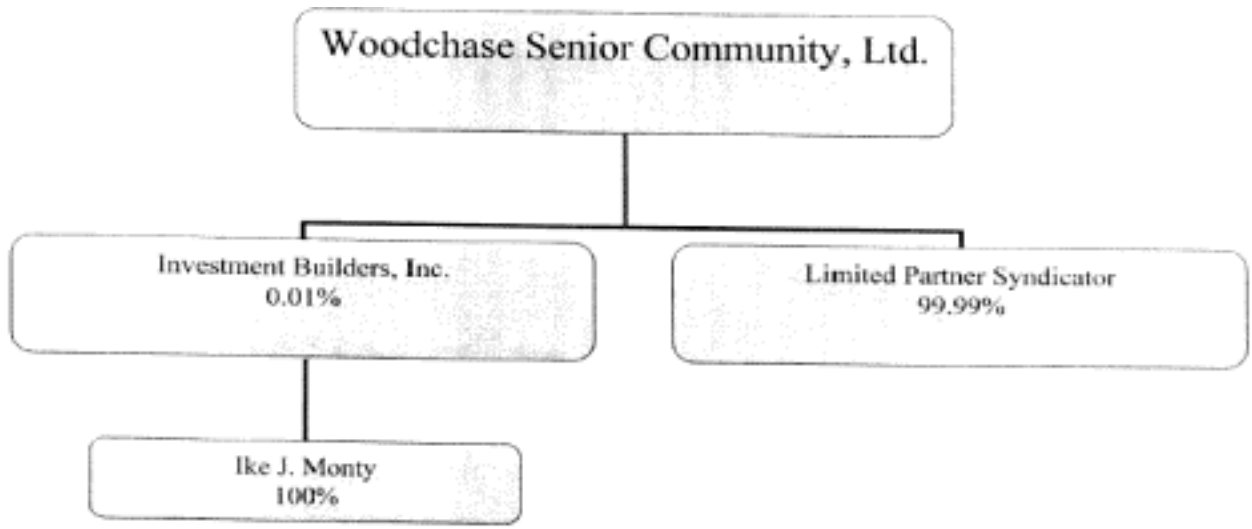
The demand for seniors one bedroom units serving the 60% income band is very weak in this primary market area.
The Market Analyst's overall capture rate is over 50%.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ike J Monty Phone: (915) 599-1245 Fax: (915) 594-0434
 Email: ikejmonty@investmentbuilders.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Investment Builders, Inc	\$14,072,795	\$386,885	--
Investment Builders Develop	Combined with above		--
Ike J Monty	Confidential		39 LIHTC Developments

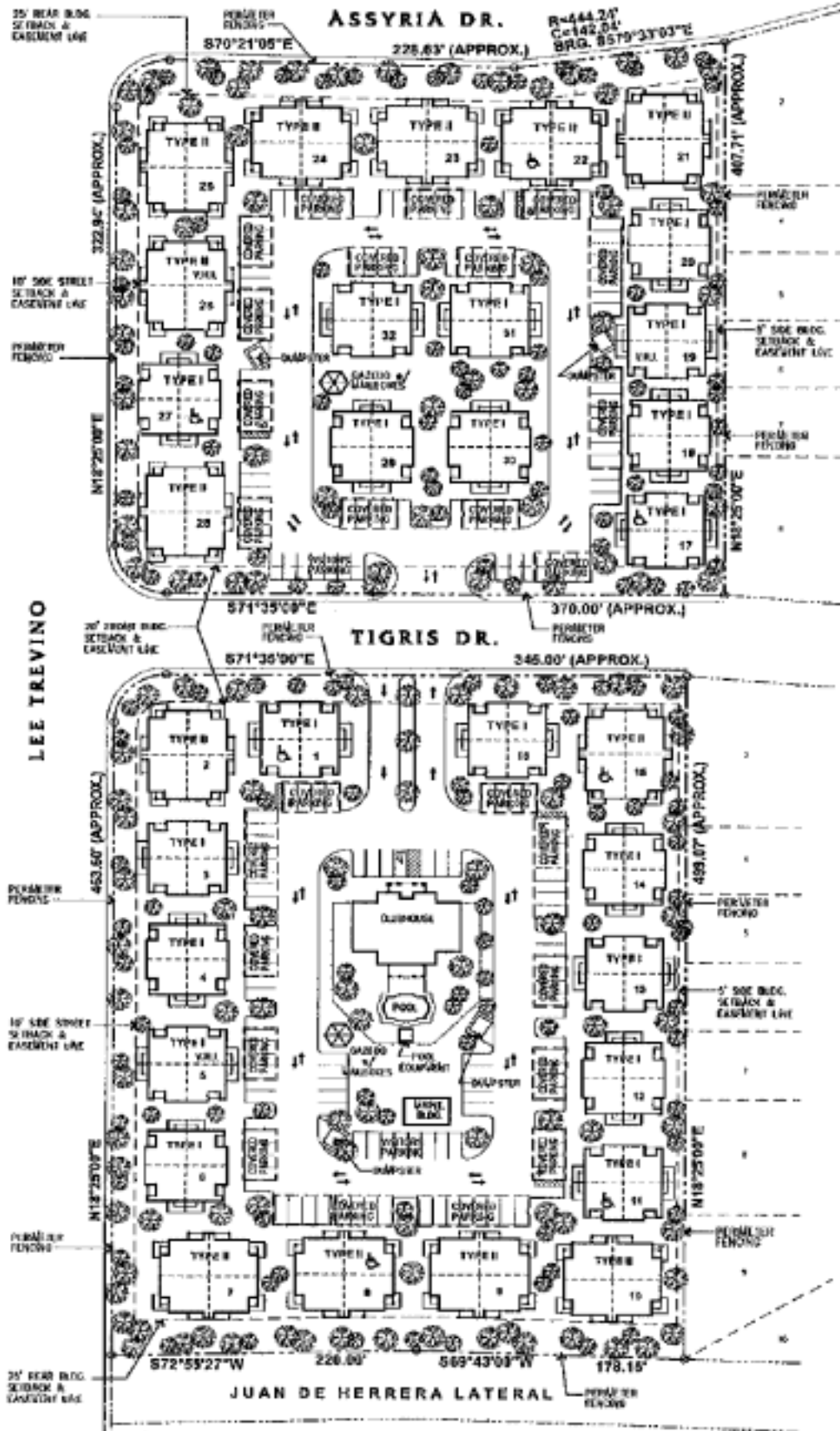
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



Comments:

As illustrated by the site plan, 16 of the 32 residential buildings are separated from the community areas by a public access street.

BUILDING CONFIGURATION

Building Type	1	2										Total Buildings
Floors/Stories	1	1										
Number	19	13										32

BR/BA	SF	Units										Total Units	Total SF
1/1	619	4	0									76	47044
2/1	789	0	4									52	41028
Units per Building		4	4									128	88072

SITE ISSUES

Total Size: 7.957 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: C-1 Commercial Needs to be re-zoned? Yes No N/A
 Comments:

The boundary survey submitted indicates a portion of the north end of the site bordering Assyria Drive is zoned C-OP "Special Contract." Based on the site plan for the subject, it appears that at least one of the proposed buildings may be partially within this zone. As such, receipt, review, and acceptance of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/25/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: vacant land/residential East: residential
 South: irrigation canal/vacant land West: Lee Trevino Dr/residential
 Comments:
 The rectangular-shaped site is bisected by Tigris Drive (see site plan).

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: EFI Global Date: 2/15/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 None

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc Date: 10/31/2006
 Contact: Edward A Ipser, Sr Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: N/A Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 22.65 square miles (1 2.5 mile radius)
 The primary market area consists of 19 census tracts and is generally bordered on the northwest by Ascarate Park, on the north east by IH-10, on the southeast by Highway 375, and on the southwest by the US/Mexico Border. The Market Analyst provided no secondary market information.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS						
None						

INCOME LIMITS						
El Paso						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE (p. 2-22)							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	32	2	0	33	9	0	27%
1 BR/60% Rent Limit	22	0	0	22	67	0	307%
2 BR/30% Rent Limit	72	3	0	75	4	0	5%
2 BR/60% Rent Limit	50	3	0	54	48	0	89%

OVERALL DEMAND												
		Target Households	Household Size	Income Eligible	Tenure	Demand						
PMA DEMAND from TURNOVER												
Market Analyst	p.	N-1	22%	11,906	100%	11,906	30%	3,592	17%	618	31%	193
Underwriter			22%	12,021	100%	12,021	45%	5,427	17%	934	31%	292
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	N-1			100%	115	30%	35	17%	6	100%	6
Underwriter					100%	118	45%	53	17%	9	100%	9
DEMAND from OTHER SOURCES												
Market Analyst	p.	N-1										14
Underwriter												0

INCLUSIVE CAPTURE RATE								
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst	p.	N-1	128	0	0	128	213	60.00%
Underwriter			128	0	0	128	301	42.48%

Primary Market Occupancy Rates:

Physical occupancy in a total of 1,527 non-subsidized units was 96.5% and the economic or leased occupancy was 97.6%. Excluding Rio Norte, the 119-unit ILC, the 1,415 non-subsidized units were 96.3% occupied and 97.2% leased. Also, in a total of 148 HTC and HOME units, occupancy was 99.5%. Ten of the 13 properties surveyed reported physical occupancy rates of 96.8% or higher, including 3 with occupancy rates between 96% and 99% and 7 that were 100% occupied. Also, 3 locations had occupancy rates ranging from 90% to 95.5%. Overall, the lowest physical occupancy rate was 92% at The Phoenix, a 336-unit conventional project built in 1993.

Absorption Projections:

Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that an 9 to 10 month lease-up period will be required to achieve 92.5% occupancy of the 128 units.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	619 SF	30%	\$160	\$160	\$530	\$156	\$374
1 BR	619 SF	60%	\$403	\$403	\$530	\$399	\$131
2 BR	789 SF	30%	\$193	\$193	\$640	\$190	\$450
2 BR	789 SF	60%	\$484	\$484	\$640	\$481	\$159

Market Impact:

The market study does not explicitly provide an opinion concerning the subject development's impact on the market. Therefore, receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development is a condition of this report.

Comments:

The market study provides sufficient information on which to base a funding recommendation. However, it is of concern that the demand by unit type indicates that there is insufficient demand for one bedroom units at 60% of AMI in the PMA. This concern does not affect the funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: N/A Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of June 1, 2006, maintained by the Housing Authority of El Paso, from the 2007 program gross rent limits. Tenants will be required to pay electric and natural gas costs. The Underwriter utilized slightly lower utility allowances to be adopted by the Housing Authority on July 1, 2007. Despite this difference, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. In addition, the Applicant's vacancy and collection loss and secondary income estimates are in line with program guidelines.

Expense: Number of Revisions: N/A Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,325 per unit is within 5% of the Underwriter's estimate of \$3,308 per unit. In addition, each of the Applicant's line item projections are in line with the underwriting estimates based on the TDHCA database and third party data sources.

Conclusion:

The Applicant's estimates of effective gross income, operating expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's proforma results in a Year One DCR within current guidelines. However, both the Applicant's and the underwriting proformas result in an expense to income ratio above 65%. Pursuant to 2007 Real Estate Analysis Guidelines §1.32(i)(4), a development cannot be recommended for funding if the Year One proforma results in an expense to income ratio above 65%. Therefore, the subject application is not recommended for an allocation of 9% Housing Tax Credits.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 for the first 15 years. Beyond year 15 the net operating income deteriorates significantly. As indicated above, the Development cannot be characterized as feasible because the initial year proforma results in an expense to income ratio above 65%.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.96 acres	\$443,022	Tax Year:	2006
Existing Buildings:	\$0	Valuation by:	El Paso CAD
Total Assessed Value:	\$443,022	Tax Rate:	3.184811

EVIDENCE of PROPERTY CONTROL

Type: <u>Commercial Contract for Unimproved Property and Addendums</u>	Acreage: <u>7.957</u>
Contract Expiration: <u>9/10/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,364,753</u>	Other: _____
Seller: <u>Franco Construction, Inc</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:
 Receipt, review, and acceptance of documentation that the development agreement listed as by and between Franco Construction and Carefree Homes in the title commitment has been cleared or will not have an adverse effect on the proposed development is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: N/A Date of Last Applicant Revision: N/A

Acquisition Value:
 The site cost of \$171,516 per acre or \$10,662 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant has included \$27,300 in closing costs and legal fees.

Sitework Cost:
 The Applicant's claimed sitework costs of \$7,110 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:
 The Applicant's direct construction cost estimate is \$217K or 4% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:
 The Applicant's contractor fees, developer fee, and contingency are each within the current Department guidelines.

Conclusion:
 The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$9,623,212 supports annual tax credits of \$1,069,620. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/26/2007

Source: MMA Financial Type: Interim to Permanent Financing

Interim	\$5,145,000	Interest Rate:	8.00%	<input type="checkbox"/> Fixed	Term:	24	months
Permanent	\$1,600,000	Interest Rate:	7.25%	<input checked="" type="checkbox"/> Fixed	Term:	360	months

Comments:
 Investment Builders, Inc.; Investment Builder Development Company; and Ike J Monty are listed as guarantors.

Source: MMA Financial Type: Syndication

Proceeds: \$9,732,568 Syndication Rate: 91% Anticipated HTC: \$ 1,069,620

Comments:

For each dollar the annual credit allocable to MMA less than \$1,069,513 (99.99% of \$1,069,620), the capital contributions will be reduced by \$10.01. A \$250 per unit per year replacement reserve is required.

Amount: \$116,587 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,600,000 indicates the need for \$9,849,155 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,082,433 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,069,620), the gap-driven amount (\$1,082,433), and eligible basis-derived estimate (\$1,069,620), the Applicant's request \$1,069,620 would be recommended resulting in proceeds of \$9,732,568 based on a syndication rate of 91%.

The financing structure indicates the need for \$116,587 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation. However, a tax credit allocation is not recommended because the development violates the Department rule requiring a Year One expense to income ratio less than or equal to 65% [**§1.32(i)(4)**].

Underwriter: _____ Date: May 28, 2007
Cameron Dorsey

Reviewing Underwriter: _____ Date: May 28, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: May 28, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Woodchase Senior Community, El Paso, 9% HTC #07235

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	9	1	1	619	\$242	\$156	\$1,404	\$0.25	\$86.00	\$34.00
TC 60%	67	1	1	619	\$485	399	26,733	0.64	86.00	34.00
TC 30%	4	2	1	789	\$291	190	760	0.24	101.00	34.00
TC 60%	48	2	1	789	\$582	481	23,088	0.61	101.00	34.00
TOTAL:	128		AVERAGE:	688		\$406	\$51,985	\$0.59	\$92.09	\$34.00

INCOME

Total Net Rentable Sq Ft: **88,072**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$7.00

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

% OF EGI PER UNIT PER SQ FT

General & Administrative	9.91%	\$454	0.66
Management	5.81%	266	0.39
Payroll & Payroll Tax	16.93%	777	1.13
Repairs & Maintenance	6.53%	299	0.43
Utilities	5.56%	255	0.37
Water, Sewer, & Trash	4.57%	210	0.30
Property Insurance	3.75%	172	0.25
Property Tax 3.184811	11.95%	548	0.80
Reserve for Replacements	5.45%	250	0.36
TDHCA Compliance Fees	0.87%	40	0.06
Other: Support Services	0.55%	25	0.04
TOTAL EXPENSES	71.88%	\$3,296	\$4.79
NET OPERATING INC	28.12%	\$1,290	\$1.87

DEBT SERVICE

MMA Financial	22.31%	\$1,023	\$1.49
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	5.81%	\$266	\$0.39

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		12.50%	\$10,875	\$15.81
Off-Sites		0.00%	0	0.00
Sitework		8.17%	7,110	10.33
Direct Construction		47.21%	41,091	59.72
Contingency	3.16%	1.75%	1,521	2.21
Contractor's Fees	14.00%	7.75%	6,748	9.81
Indirect Construction		4.17%	3,629	5.27
Ineligible Costs		1.53%	1,330	1.93
Developer's Fees	15.00%	10.93%	9,517	13.83
Interim Financing		3.85%	3,348	4.87
Reserves		2.15%	1,869	2.72
TOTAL COST		100.00%	\$87,038	\$126.50
Construction Cost Recap		64.88%	\$56,470	\$82.07

SOURCES OF FUNDS

MMA Financial	14.36%	\$12,500	\$18.17
Additional Financing	0.00%	\$0	\$0.00
MMA Syndication Proceeds	87.36%	\$76,036	\$110.51
Deferred Developer Fees	1.05%	\$911	\$1.32
Additional (Excess) Funds Req'd	-2.77%	(\$2,409)	(\$3.50)
TOTAL SOURCES			

TDHCA	APPLICANT
\$623,820	\$629,340
10,752	10,752
0	0
\$634,572	\$640,092
(47,593)	(48,007)
0	0
\$586,979	\$592,085
\$58,150	\$48,006
34,077	29,604
99,396	103,680
38,311	34,560
32,636	42,240
26,847	26,880
22,018	28,160
70,168	73,430
32,000	32,000
5,120	5,120
3,200	3,200
\$421,922	\$426,880
\$165,057	\$165,205
\$130,978	\$130,980
0	0
0	0
\$34,079	\$34,225
1.26	1.26
	1.26

COUNTY	IREM REGION	COMPT. REGION
El Paso	El Paso	13
\$7.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.55	\$375	8.11%
0.34	231	5.00%
1.18	810	17.51%
0.39	270	5.84%
0.48	330	7.13%
0.31	210	4.54%
0.32	220	4.76%
0.83	574	12.40%
0.36	250	5.40%
0.06	40	0.86%
0.04	25	0.54%
\$4.85	\$3,335	72.10%
\$1.88	\$1,291	27.90%
\$1.49	\$1,023	22.12%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.39	\$267	5.78%

TDHCA	APPLICANT
\$1,392,053	\$1,392,053
0	0
910,100	910,100
5,259,597	5,476,700
194,700	194,700
863,758	893,500
464,460	464,460
170,190	170,190
1,218,175	1,255,202
428,550	428,550
239,252	263,700
\$11,140,834	\$11,449,155
\$7,228,155	\$7,475,000

PER SQ FT	PER UNIT	% of TOTAL
\$15.81	\$10,875	12.16%
0.00	0	0.00%
10.33	7,110	7.95%
62.18	42,787	47.83%
2.21	1,521	1.70%
10.15	6,980	7.80%
5.27	3,629	4.06%
1.93	1,330	1.49%
14.25	9,806	10.96%
4.87	3,348	3.74%
2.99	2,060	2.30%
\$130.00	\$89,447	100.00%
\$84.87	\$58,398	65.29%

RECOMMENDED

\$1,600,000	\$1,600,000
0	0
9,732,568	9,732,568
116,587	116,587
(308,321)	0
\$11,140,834	\$11,449,155

\$1,600,000	Developer Fee Available
0	\$1,255,202
9,732,568	% of Dev. Fee Deferred
116,587	9%
0	15-Yr Cumulative Cash Flow
\$11,449,155	\$540,084

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Woodchase Senior Community, El Paso, 9% HTC #07235

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$70.82	\$6,237,265
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	3.00%		2.12	187,118
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(162,933)
Floor Cover			3.08	271,262
Breezeways/Balconies	\$21.65	12,372	3.04	267,854
Plumbing Fixtures	\$965	(256)	(2.80)	(247,040)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	128	3.52	310,400
Exterior Stairs	\$1,650	0	0.00	0
Enclosed Corridors	\$60.90	0	0.00	0
Heating/Cooling			2.43	214,015
Garages/Carports	\$9.75	20,480	2.27	199,680
Comm &/or Aux Bldgs	\$66.98	3,760	2.86	251,849
Other: fire sprinkler	\$0.00	0	0.00	0
SUBTOTAL			85.49	7,529,468
Current Cost Multiplier	0.98		(1.71)	(150,589)
Local Multiplier	0.88		(10.26)	(903,536)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.52	\$6,475,343
Plans, specs, survy, bld prrm	3.90%		(\$2.87)	(\$252,538)
Interim Construction Interes	3.38%		(2.48)	(218,543)
Contractor's OH & Profit	11.50%		(8.46)	(744,664)
NET DIRECT CONSTRUCTION COSTS			\$59.72	\$5,259,597

PAYMENT COMPUTATION

Primary	\$1,600,000	Amort	360
Int Rate	7.25%	DCR	1.26

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.26

Additional		Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NI

Primary Debt Service	\$130,978
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$34,227

Primary	\$1,600,000	Amort	360
Int Rate	7.25%	DCR	1.26

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

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	\$629,340	\$648,220	\$667,667	\$687,697	\$708,328	\$821,146	\$951,933	\$1,103,551	\$1,483,081
Secondary Income	10,752	11,075	11,407	11,749	12,101	14,029	16,263	18,854	25,338
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	640,092	659,295	679,074	699,446	720,429	835,175	968,197	1,122,405	1,508,419
Vacancy & Collection Loss	(48,007)	(49,447)	(50,931)	(52,458)	(54,032)	(62,638)	(72,615)	(84,180)	(113,131)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$592,085	\$609,848	\$628,143	\$646,987	\$666,397	\$772,537	\$895,582	\$1,038,225	\$1,395,287
EXPENSES at 4.00%									
General & Administrative	\$48,006	\$49,926	\$51,923	\$54,000	\$56,160	\$68,328	\$83,131	\$101,141	\$149,714
Management	29,604	30,492	31,407	32,349	33,320	38,627	44,779	51,911	69,764
Payroll & Payroll Tax	103,680	107,827	112,140	116,626	121,291	147,569	179,540	218,438	323,342
Repairs & Maintenance	34,560	35,942	37,380	38,875	40,430	49,190	59,847	72,813	107,781
Utilities	42,240	43,930	45,687	47,514	49,415	60,121	73,146	88,993	131,732
Water, Sewer & Trash	26,880	27,955	29,073	30,236	31,446	38,259	46,547	56,632	83,829
Insurance	28,160	29,286	30,458	31,676	32,943	40,080	48,764	59,329	87,821
Property Tax	73,430	76,367	79,422	82,599	85,903	104,514	127,157	154,706	229,003
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	8,320	8,653	8,999	9,359	9,733	11,842	14,408	17,529	25,947
TOTAL EXPENSES	\$426,880	\$443,659	\$461,101	\$479,231	\$498,076	\$604,074	\$732,732	\$888,911	\$1,308,729
NET OPERATING INCOME	\$165,205	\$166,188	\$167,042	\$167,757	\$168,321	\$168,463	\$162,850	\$149,313	\$86,558
DEBT SERVICE									
First Lien Financing	\$130,978	\$130,978	\$130,978	\$130,978	\$130,978	\$130,978	\$130,978	\$130,978	\$130,978
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	\$34,227	\$35,211	\$36,065	\$36,779	\$37,343	\$37,485	\$31,872	\$18,336	(\$44,420)
DEBT COVERAGE RATIO	1.26	1.27	1.28	1.28	1.29	1.29	1.24	1.14	0.66

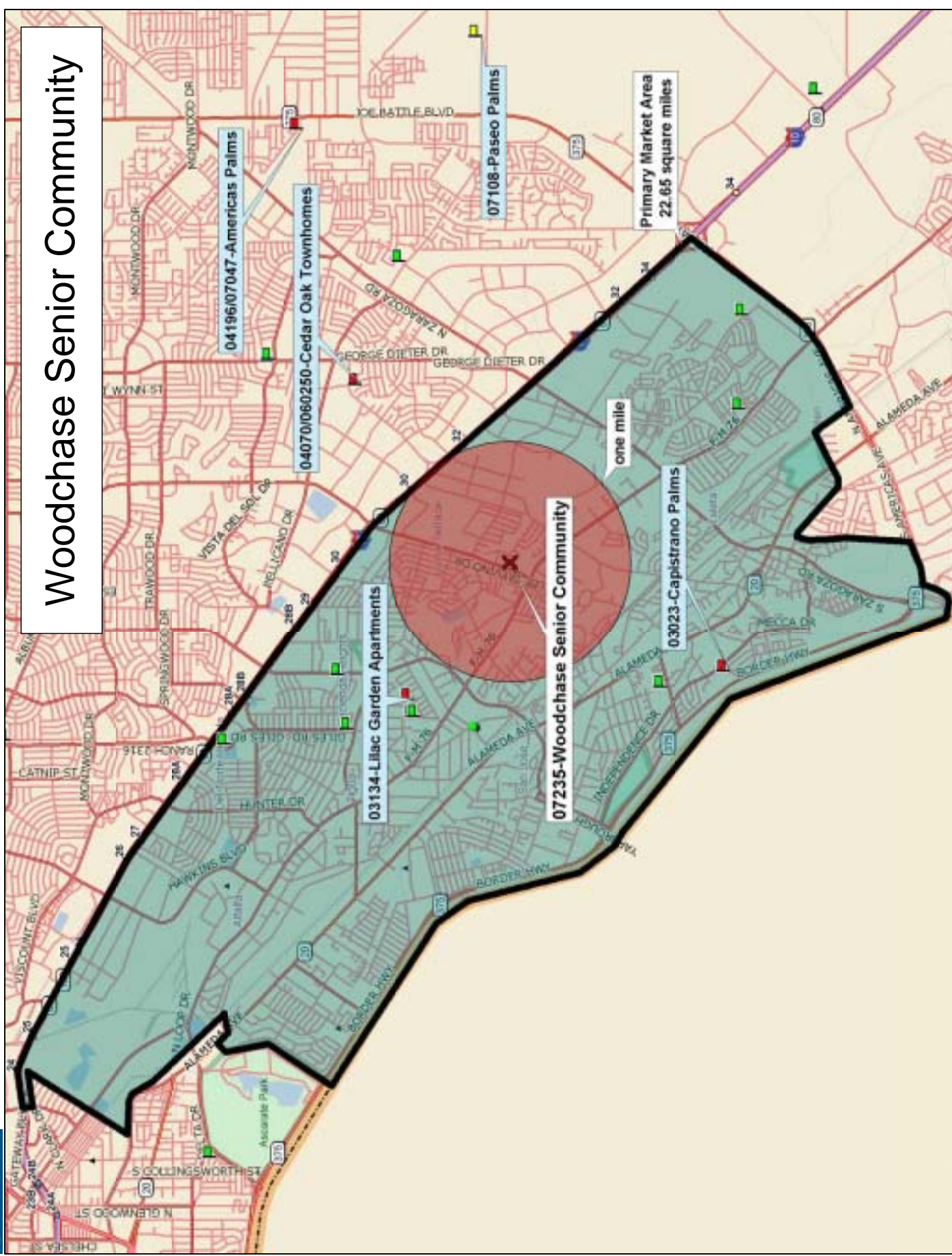
HTC ALLOCATION ANALYSIS -Woodchase Senior Community, El Paso, 9% HTC #07235

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,392,053	\$1,392,053		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$910,100	\$910,100	\$910,100	\$910,100
Construction Hard Costs	\$5,476,700	\$5,259,597	\$5,476,700	\$5,259,597
Contractor Fees	\$893,500	\$863,758	\$893,500	\$863,758
Contingencies	\$194,700	\$194,700	\$194,700	\$194,700
Eligible Indirect Fees	\$464,460	\$464,460	\$464,460	\$464,460
Eligible Financing Fees	\$428,550	\$428,550	\$428,550	\$428,550
All Ineligible Costs	\$170,190	\$170,190		
Developer Fees			\$1,255,202	
Developer Fees	\$1,255,202	\$1,218,175		\$1,218,175
Development Reserves				
	\$263,700	\$239,252		
TOTAL DEVELOPMENT COSTS	\$11,449,155	\$11,140,834	\$9,623,212	\$9,339,340

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$9,623,212	\$9,339,340
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$12,510,175	\$12,141,141
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$12,510,175	\$12,141,141
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,069,620	\$1,038,068

Syndication Proceeds	0.9099	\$9,732,568	\$9,445,470
Total Tax Credits (Eligible Basis Method)		\$1,069,620	\$1,038,068
Syndication Proceeds		\$9,732,568	\$9,445,470
Requested Tax Credits		\$1,069,620	
Syndication Proceeds		\$9,732,568	
Gap of Syndication Proceeds Needed		\$9,849,155	
Total Tax Credits (Gap Method)		\$1,082,433	

Woodchase Senior Community

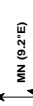


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TN



MN (0.2°E)

Scale 1 : 68,750



1" = 1.09 mi Data Zoom 11-5

Applicant Evaluation

Project ID # **07235**

Name: **Woodchase Senior Community**

City: **El Paso**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 41

Projects grouped by score
 zero to nine: 30
 ten to nineteen: 9
 twenty to twenty-nine: 2

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 41

not yet monitored or pending review: 2

Projects not reported in application Yes No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Stephanie D'Couto

Date 6/13/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 07236

BASIC DEVELOPMENT INFORMATION

Site Address: Approx. SH 240 at Airport Dr. Development #: 07236
 City: Wichita Falls Region: 2 Population Served: General
 County: Wichita Zip Code: 76306 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: SWHP Wichita Falls II, L.P.
 Owner Contact and Phone: Randy Stevenson (817) 261-5088
 Developer: Rocky Ridge Developer, LP
 Housing General Contractor: To Be Determined
 Architect: Beeler, Guest, Owens Architects, L.P.
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36
	4	0	0	32	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	12	16	8	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	36
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$375,091	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 07236

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, S	Points: 7	US Representative: Thornberry, District 13, NC
TX Representative: Farabee, District 69, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Linda Ammons, City Council District One

S, Jim Ginnings, Council at Large

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

East Lynwood Residents Organization, James Esther Letter Score: 24 S or O: S

This development will create needed additional affordable housing. Educational support services will be available to residents. The development will provide additional jobs to the community. There is a documented need for additional housing for the Sheppard Air Force Base community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials, non-officials, and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 07236

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

Competitive Housing Tax Credits: Score: **191** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Paseo de Paz Apartments, TDHCA Number 07242

BASIC DEVELOPMENT INFORMATION

Site Address: 400 Blk of Clearwater Paseo Development #: 07242
 City: Kerrville Region: 9 Population Served: General
 County: Kerr Zip Code: 78028 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Kerrville Clearwater Paseo Apartments, L.P.
 Owner Contact and Phone: Justin MacDonald (830) 257-5323
 Developer: Kerrville Clearwater Paseo Builders, LLC
 Housing General Contractor: G.G. MacDonald, Inc
 Architect: Ray Payne, A.I.A.
 Market Analyst: Mark C. Temple & Associates, LLC
 Syndicator: Boston Capital Corporation
 Supportive Services: JC Ventures, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	73	
	8	0	0	65	Market Rate Units:	3	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	16	36	24	0	0		
Type of Building:						Total Development Units:	76
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$7,897,080
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	10
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$749,635	\$712,276			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Paseo de Paz Apartments, TDHCA Number 07242

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$712,276

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed within Region 9.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/16/07 PROGRAM: 9% HTC FILE NUMBER: 07242

DEVELOPMENT																		
Paseo de Paz																		
Location: <u>400 Block of Clearwater Paseo</u>				Region: <u>9</u>														
City: <u>Kerrville</u>		County: <u>Kerr</u>		Zip: <u>78028</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, Rural, New Construction</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$749,635			\$712,276														
CONDITIONS																		
1 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">65</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	65
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	65																
PROS			CONS															
<p>This will be the first new construction tax credit transaction in Kerrville in 7 years.</p> <p>The high occupancy rate of existing tax credit developments in Kerrville suggests that the subject should lease up quickly.</p>			<p>The Underwriter's high expense to income ratio is less than 1% of the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable.</p> <p>The Applicant's direct construction costs differ from the Underwriter's estimate by over 8%.</p> <p>The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.</p> <p>The Applicant's anticipated syndication proceeds as a percentage of total cost (83%) is higher than typical due to the 130% DDA boost, deep rent targeting, high estimated permanent interest rate.</p>															

PREVIOUS UNDERWRITING REPORTS

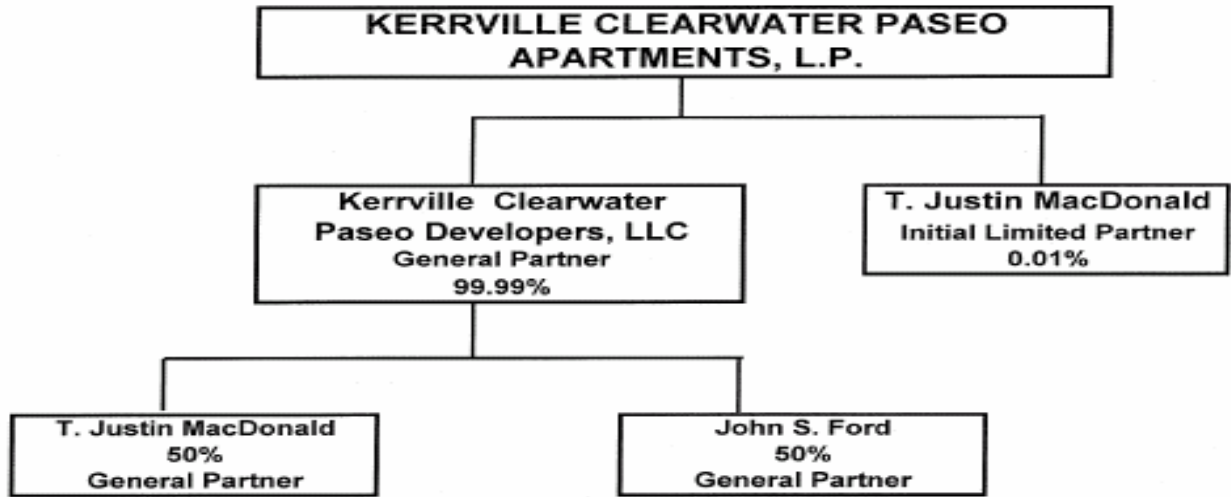
This development was submitted in 2006 under the 9% HTC cycle, but did not score high enough to be considered for tax credits.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

APPLICANT OWNERSHIP CHART

Development Name: Paseo de Paz



CONTACT

Contact: Justin MacDonald Phone: (830) 257-5323 Fax: (830) 257-3168
 Email: tjmacdonald@machdonald-companies.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
T. Justin MacDonald	Confidential	Confidential	Ten
John S. Ford	Confidential	Confidential	No Prior Experience

¹ Liquidity = Current Assets - Current Liabilities

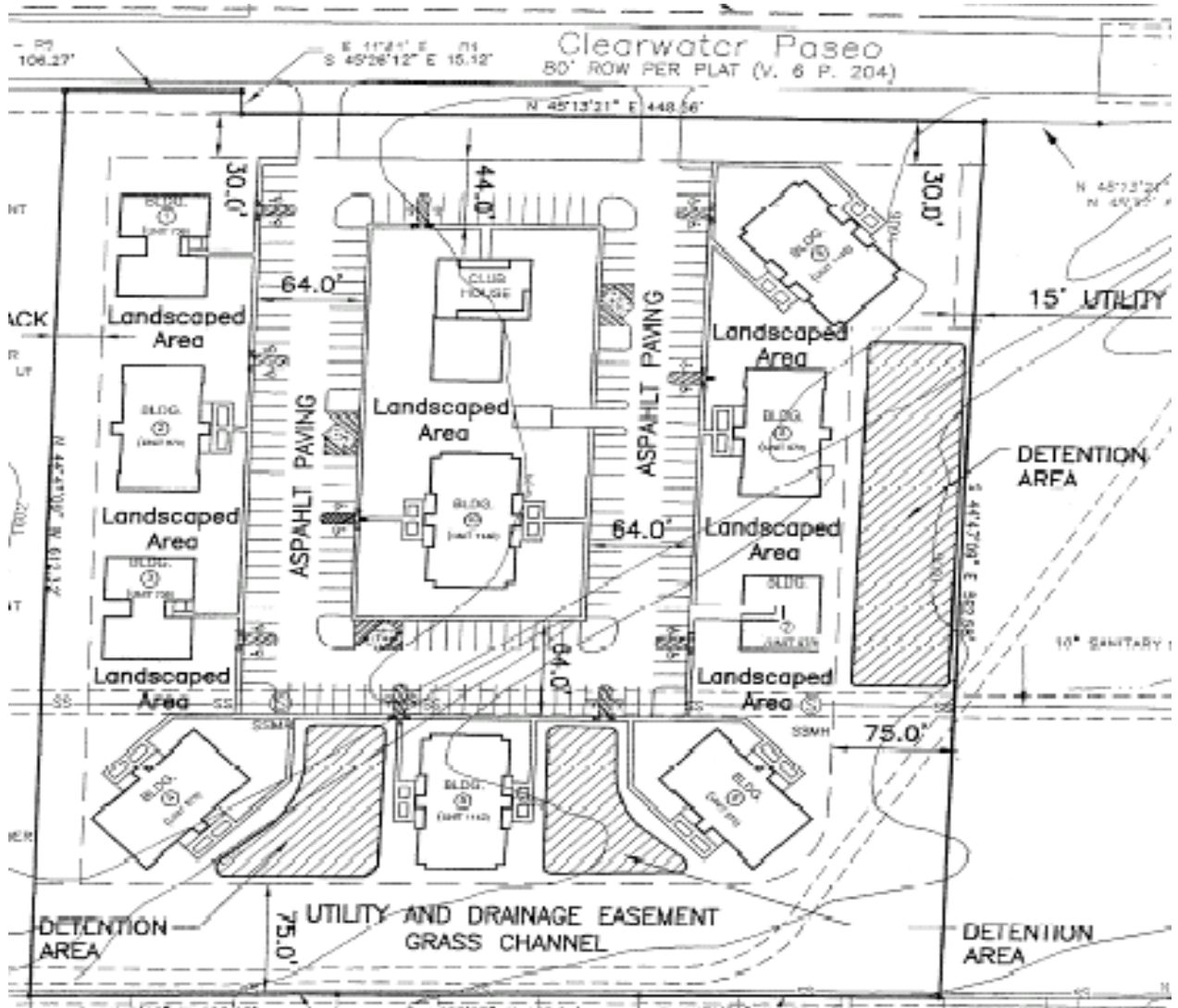
IDENTITIES of INTEREST

The Applicant, Developer, General Contractor and Supportive Services Provider are related entities. These are common relationships for HTC-funded developments.

The Seller of the land is also related to the Applicant and this is discussed at greater length in the acquisition section below.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	736	970	970-1	1140							Total Buildings
Floors/Stories	2	2	1	2							
Number	2	4	1	3							10

BR/BA	SF	Units									Total Units	Total SF
1/1	736	8									16	11,776
2/2	970		8	4							36	34,920
3/2	1,140				8						24	27,360
Units per Building		8	8	4	8						76	74,056

SITE ISSUES

Total Size: 7.617 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: PDD-Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/2/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

Northwest: Clearwater Paseo Rd., Jail beyond
 Northeast: Undeveloped land with single family residential beyond
 Southeast: Single family residential
 Southwest: Undeveloped land with Rio Monte Drive and mini storage facility beyond

Comments:

The inspector indicated that he considered the site "questionable" not because he saw anything "bad" but that the site was not in his opinion very desirable for affordable housing since it is located across from the county jail and an electric utility company site with multiple electric poles. He noted there is also an unattractive "storage place" across Rio Monte Drive. As a positive he indicated that the site does have close proximity to the Veterans hospital. The rating system was adjusted this year to allow the inspectors the opportunity to disclose concerns without having to label the site as poor or unacceptable to ensure that the concerns are considered as part of the information presented to the Board.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TriCo Inspecting Service, Inc. Date: 2/16/2007

Comments:

"Based on the findings of this report, no obvious misuse of subject or surrounding property was noted, and no further environmental investigation needed, in my opinion. Subject property appeared environmentally clean and no potential risk or contamination was observed." (p. Executive Summary)

MARKET HIGHLIGHTS

Provider: Mark C. Temple & Associates, LLC Date: 3/23/2007
 Contact: Mark C. Temple Phone: (210) 496-9499 Fax: (210) 496-9499
 Number of Revisions: 1 Date of Last Applicant Revision: 4/30/2007

Primary Market Area (PMA): 1,111 square miles (19-miles radius)

"The primary or defined market area for the Paseo de Paz Apartments is considered Kerr County, which includes the City of Kerrville." (p. II-1) The Primary Market Area used to derive demand is overly large as it unnecessarily encompasses the entire county.

Secondary Market Area (SMA):

"The Secondary Market Area includes the following Texas Hill Country Counties: North - Kimble and Gillespie Counties, South - Bandera County, East - Kendall County, and West - Real County. (p. II-3)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Kerrville Housing (Elderly)	05231	Rehab/USDA		N/A			

INCOME LIMITS						
Kerr						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,200	\$11,700	\$13,150	\$14,600	\$15,750	\$16,950
60	\$20,460	\$23,400	\$26,280	\$29,220	\$31,560	\$33,900

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	109	-2	0	107	8	0	7.5%
1 BR/60% Rent Limit	285	-2	0	283	7	0	2.5%
2 BR/60% Rent Limit	238	-2	0	236	35	0	14.8%
3 BR/60% Rent Limit	286	-2	0	284	23	0	8.1%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. IX-2	100%	19,178	100%	19,178	30%	5,795	27%	1,524	66%	1,001
Underwriter		100%	19,424	97%	18,823	29%	5,499	44%	2,440	50%	1,220
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. IX-4			100%	815	30%	246	27%	67	100%	67
Underwriter				97%	235	29%	66	44%	29	100%	29

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. IX-4	73	0	0	73	1,068	6.80%
Underwriter		73	0	0	73	1,249	5.84%

Primary Market Vacancy Rates:

"With a vacancy rate in the Kerrville Market Area reported to be approximately 1.1 percent, market rents should continue to rise." (p IX-6) The two tax credit only developments in the market are representing less than 3% vacancy each.

Absorption Projections:

"According to Kerr Economic Development Foundation and Claritas, Inc. present absorption trends of apartment projects located in the Kerrville Market Area range from 5 to 10 units per month." (p. IX-5)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 30% SF 736	\$171	\$171	\$628	\$171	\$457	
1 BR 60% SF 736	\$446	\$446	\$628	\$446	\$182	
1 BR Market SF 736	\$700	N/A	\$628	\$628	\$0	
2 BR 60% SF 970	\$540	\$540	\$734	\$540	\$194	
2 BR Market SF 970	\$800	N/A	\$734	\$734	\$0	
3 BR 60% SF 1140	\$615	\$615	\$841	\$615	\$226	
3 BR Market SF 1140	\$900	N/A	\$841	\$841	\$0	

Market Impact:

Verification with the City of Kerrville and Kerr Economic Development Foundation, confirmed the tremendous need for affordable housing in the City of Kerrville. Both organizations stood ready to assist sponsors with potential projects that met this objective.

Comments:

The market study provided sufficient information to make a positive funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected restricted rents were calculated by subtracting tenant-paid utility allowances, estimated by the Kerrville Public utility Board on 2/19/2007, from the 2007 program gross rent limits. The resulting rents are supported by the market rent conclusions of the submitted Market Analysis. However, the Applicant's estimate for market rent for each unit type are not supported by the Market Analysis. The Underwriter capped the proposed market unit rents collected at the verifiable market rents. As a result, the Applicant's potential gross rent figure is slightly higher than the Underwriter's estimate.

Tenants will be required to pay electric, water, and sewer costs. The Underwriter's proforma analysis has been adjusted to reflect the proposed utility structure.

The Applicant's secondary income and vacancy and collection loss estimates are in line with the Department's standards. Despite the difference in potential gross rent, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's estimate of total operating expense at \$3,712 per unit is 3% lower than the Underwriter's database-derived estimate of \$3,828, 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 net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the "Conclusions" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and adjusted total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. The Underwriter's expense to income ratio is marginally below the Department's 65% maximum though the Applicant's ratio is slightly lower. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.617 acres	<u> \$22,851 </u>	Tax Year:	<u> 2006 </u>
Existing Buildings:	<u> \$0 </u>	Valuation by:	<u> Kerr Central Appraisal </u>
Total Assessed Value:	<u> \$22,851 </u>	Tax Rate:	<u> 2.4772 </u>

EVIDENCE of PROPERTY CONTROL

Type: Cash Warranty Deed (dated March 3, 2006) Acreage: 7.617
 Contract Expiration: N/A Valid Through Board Date? Yes No
 Acquisition Cost: \$597,234 Other: Cost from Settlement Stmt - 3/3/2006
 Seller: Harvey Square Limited Partnership Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The original site cost of \$78,408 per acre or \$7,858 per unit is assumed to be reasonable since the acquisition in March 2006 was an arm's-length transaction. However, the Applicant has included holding costs consisting of property taxes and interest expense on the loan taken for purchase of the site. The Applicant's holding costs due to property taxes appears to be overstated based on the 2006 assessed value and tax rate. Also, no documentation to support the loan terms was provided; however, the interest rate assumed (7%) appears to be reasonable. The Underwriter included interest expense for a 22-month period including the month of closing through the anticipated month of transfer (year end 2007) in time to meet 10% test for 9% tax credits rather than the Applicant's estimate of 24 months. As a result of these differences, the Underwriter's calculated total acquisition and holding costs of \$679,533 is less than the Applicant's estimate of \$709,158.

The development cost schedule includes a total of \$705,000 in acquisition costs comprised of \$600,000 site cost plus \$105,000 in closing and legal costs. The underwriting analysis includes the Underwriter's estimate of original acquisition cost plus holdings costs of \$679,533 plus a reasonable closing cost for transfer to the Applicant of \$15,000, or \$10K less than claimed by the Applicant. Should the Applicant's development cost schedule be used to calculate the development's need for permanent funds, the total will be adjusted down by the difference in acquisition cost.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,963 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$298K or 8% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$3,950 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.

Contingency & Fees:

While the Applicant's contractor's fee and contingency are within the maximums allowed by TDHCA guidelines, their developer fees exceeds 15% of the Applicant's adjusted eligible basis by \$592. This reduction in eligible portion of the Applicant's developer fee is directly attributable to the reduction in eligible interim interest expense noted above.

Conclusion:

The Applicant's total development cost is \$418K or more than 5% higher than the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,671,596 supports annual tax credits of \$712,276. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/27/2007

Source: Southeast Texas Housing Finance Corp Type: Interim

Principal: \$420,000 Interest Rate: mAFR Fixed Term: 12 months

Comments:

Application submitted; conditioned on receipt of tax credits; loan will have term of at least 12 months and bear interest rate at or below AFR. A below AFR loan could impact the Applicable percentage if the funds are federally sourced.

Source: Citibank Community Development Type: Interim and Permanent Financing

Principal: \$1,349,894 Interest Rate: 8.0% Fixed Amort: 360 months

Comments:

The permanent rate will be set at closing based on the 15 year Citibank cost of funds plus 1.80%

Source: Boston Capital Finance, LLC Type: Interim and Permanent Financing

Principal: \$167,500 Interest Rate: 7.1% Fixed Amort: 360 months

Comments:

The permanent rate will be set at closing based on 235 basis points over the ten year Treasury.

Source: J. Mark Stevenson Type: Interim and Permanent Bond Financing

Principal: \$167,500 Interest Rate: 8.00% Fixed Amort: 360 months

Source: Boston Capital Type: Syndication

Proceeds: \$6,590,196 Syndication Rate: 88% Anticipated HTC: \$ 749,635

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$40,276 Type: Deferred Developer Fees

This space intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to \$1,286,789 based on the terms reflected in the application materials.

The Applicant's total development cost estimate less the adjusted permanent loan of \$1,286,789 and the two additional permanent loans totaling \$335,000 indicates the need for \$6,275,291 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$713,815 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$749,635), the gap-driven amount (\$713,815), and eligible basis-derived estimate (\$712,276), the gap-driven amount of \$713,815 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		June 16, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		June 16, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 16, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Paseo de Paz, Kerrville, 9% HTC #07242

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%	8	1	1	736	\$273	\$171	\$1,368	\$0.23	\$102.00	\$15.00
TC 60%	7	1	1	736	\$548	446	3,122	0.61	102.00	15.00
MR	1	1	1	736		628	628	0.85	102.00	15.00
TC 60%	35	2	2	970	\$657	540	18,900	0.56	117.00	15.00
MR	1	2	2	970		734	734	0.76	117.00	15.00
TC 60%	23	3	2	1,140	\$759	615	14,145	0.54	144.00	15.00
MR	1	3	2	1,140		841	841	0.74	144.00	15.00
TOTAL:	76		AVERAGE:	974		\$523	\$39,738	\$0.54	\$122.37	\$15.00

INCOME

Total Net Rentable Sq Ft: **74,056**

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.92%	\$473	0.49
Management	4.81%	287	0.29
Payroll & Payroll Tax	14.46%	863	0.89
Repairs & Maintenance	8.04%	480	0.49
Utilities	4.33%	258	0.27
Water, Sewer, & Trash	4.83%	289	0.30
Property Insurance	3.75%	224	0.23
Property Tax 2.4772	10.07%	601	0.62
Reserve for Replacements	4.19%	250	0.26
TDHCA Compliance Fees	0.67%	40	0.04
Other: Supportive Services	1.06%	63	0.06
TOTAL EXPENSES	64.12%	\$3,828	\$3.93
NET OPERATING INC	35.88%	\$2,142	\$2.20

DEBT SERVICE

Citibank	26.20%	\$1,564	\$1.61
Boston Capital Finance	2.98%	\$178	\$0.18
J. Mark Stevenson	3.25%	\$194	\$0.20
NET CASH FLOW	3.45%	\$206	\$0.21

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.79%	\$9,139	\$9.38
Off-Sites		0.00%	0	0.00
Sitework		8.63%	8,963	9.20
Direct Construction		46.42%	48,232	49.50
Contingency	5.00%	2.75%	2,860	2.93
Contractor's Fees	14.00%	7.71%	8,007	8.22
Indirect Construction		3.11%	3,230	3.32
Ineligible Costs		4.44%	4,618	4.74
Developer's Fees	15.00%	11.02%	11,450	11.75
Interim Financing		4.85%	5,042	5.17
Reserves		2.28%	2,368	2.43
TOTAL COST		100.00%	\$103,909	\$106.64
Construction Cost Recap		65.50%	\$68,062	\$69.85

SOURCES OF FUNDS

Citibank	17.09%	\$17,762	\$18.23
Boston Capital Finance	2.12%	\$2,204	\$2.26
J. Mark Stevenson	2.12%	\$2,204	\$2.26
HTC Syndication Proceeds	83.45%	\$86,713	\$88.99
Deferred Developer Fees	0.51%	\$530	\$0.54
Additional (Excess) Funds Req'd	-5.30%	(\$5,504)	(\$5.65)
TOTAL SOURCES			

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
	\$476,856	\$479,220	Kerr		9
	13,680	13,680	\$15.00	Per Unit Per Month	
	0	0	\$0.00	Per Unit Per Month	
	\$490,536	\$492,900			
	(36,790)	(36,972)	-7.50%	of Potential Gross Income	
	0	0			
	\$453,746	\$455,928			
			PER SQ FT	PER UNIT	% OF EGI
	\$35,941	\$30,550	\$0.41	\$402	6.70%
	21,812	18,237	0.25	240	4.00%
	65,599	63,500	0.86	836	13.93%
	36,477	39,800	0.54	524	8.73%
	19,644	20,000	0.27	263	4.39%
	21,936	22,400	0.30	295	4.91%
	17,024	19,000	0.26	250	4.17%
	45,681	41,800	0.56	550	9.17%
	19,000	19,000	0.26	250	4.17%
	3,040	3,040	0.04	40	0.67%
	4,800	4,800	0.06	63	1.05%
	\$290,953	\$282,127	\$3.81	\$3,712	61.88%
	\$162,793	\$173,801	\$2.35	\$2,287	38.12%
	\$118,861	\$118,800	\$1.60	\$1,563	26.06%
	13,508	14,740	\$0.20	\$194	3.23%
	14,749	14,740	\$0.20	\$194	3.23%
	\$15,676	\$25,521	\$0.34	\$336	5.60%
	1.11	1.17			
	1.15				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$694,533	\$705,000	\$9.52	\$9,276	8.48%
	0	0	0.00	0	0.00%
	681,200	681,200	9.20	8,963	8.19%
	3,665,598	3,963,170	53.52	52,147	47.66%
	217,340	232,219	3.14	3,056	2.79%
	608,552	650,211	8.78	8,555	7.82%
	245,500	245,500	3.32	3,230	2.95%
	350,950	350,950	4.74	4,618	4.22%
	870,208	923,917	12.48	12,157	11.11%
	383,199	383,199	5.17	5,042	4.61%
	180,000	180,000	2.43	2,368	2.16%
	\$7,897,080	\$8,315,366	\$112.28	\$109,413	100.00%
	\$5,172,689	\$5,526,800	\$74.63	\$72,721	66.46%

RECOMMENDED

	\$1,349,894	\$1,349,894	\$1,286,789	Developer Fee Available
	167,500	167,500	167,500	\$923,325
	167,500	167,500	167,500	% of Dev. Fee Deferred
	6,590,196	6,590,196	6,275,291	0%
	40,276	40,276	0	15-Yr Cumulative Cash Flow
	(418,286)	0	0	\$510,957
	\$7,897,080	\$8,315,366	\$7,897,080	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Paseo de Paz, Kerrville, 9% HTC #07242

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.92	\$4,067,229
Adjustments				
Exterior Wall Finish	2.00%		\$1.10	\$81,345
Elderly			0.00	0
9-Ft. Ceilings	2.26%		1.24	91,950
Roofing			0.00	0
Subfloor			(1.24)	(91,459)
Floor Cover			2.43	179,956
Breezeways/Balconies	\$21.28	7,820	2.25	166,423
Plumbing Fixtures	\$805	180	1.96	144,900
Rough-ins	\$400	76	0.41	30,400
Built-In Appliances	\$1,850	76	1.90	140,600
Exterior Stairs	\$1,800	16	0.39	28,800
Enclosed Corridors	\$43.53		0.00	0
Heating/Cooling			1.90	140,706
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.34	2,304	2.19	162,069
Other: fire sprinkler	\$3.10	74,056	3.10	229,574
SUBTOTAL			72.55	5,372,492
Current Cost Multiplier	0.98		(1.45)	(107,450)
Local Multiplier	0.86		(10.16)	(752,149)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.94	\$4,512,894
Plans, specs, survy, bld prm	3.90%		(\$2.38)	(\$176,003)
Interim Construction Interes	3.38%		(2.06)	(152,310)
Contractor's OH & Profit	11.50%		(7.01)	(518,983)
NET DIRECT CONSTRUCTION COSTS			\$49.50	\$3,665,598

PAYMENT COMPUTATION

Primary	\$1,349,894	Amort	360
Int Rate	8.00%	DCR	1.37

Secondary	\$167,500	Amort	360
Int Rate	7.10%	Subtotal DCR	1.23

Additional	\$167,500	Amort	360
Int Rate	8.00%	Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$113,304
Secondary Debt Service	13,508
Additional Debt Service	14,749
NET CASH FLOW	\$21,232

Primary	\$1,286,789	Amort	360
Int Rate	8.00%	DCR	1.44

Secondary	\$167,500	Amort	360
Int Rate	7.10%	Subtotal DCR	1.28

Additional	\$167,500	Amort	360
Int Rate	8.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$476,856	\$491,162	\$505,897	\$521,073	\$536,706	\$622,189	\$721,287	\$836,170	\$1,123,742
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	490,536	505,252	520,410	536,022	552,103	640,038	741,980	860,158	1,155,980
Vacancy & Collection Loss	(36,790)	(37,894)	(39,031)	(40,202)	(41,408)	(48,003)	(55,648)	(64,512)	(86,699)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$453,746	\$467,358	\$481,379	\$495,820	\$510,695	\$592,035	\$686,331	\$795,646	\$1,069,282
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$35,941	\$37,378	\$38,873	\$40,428	\$42,045	\$51,155	\$62,237	\$75,721	\$112,086
Management	21,812	22,466	23,140	23,835	24,550	28,460	32,993	38,248	51,402
Payroll & Payroll Tax	65,599	68,223	70,951	73,789	76,741	93,367	113,595	138,206	204,579
Repairs & Maintenance	36,477	37,936	39,453	41,032	42,673	51,918	63,166	76,851	113,759
Utilities	19,644	20,430	21,247	22,097	22,981	27,960	34,017	41,387	61,263
Water, Sewer & Trash	21,936	22,813	23,726	24,675	25,662	31,222	37,986	46,216	68,411
Insurance	17,024	17,704	18,413	19,149	19,915	24,230	29,479	35,866	53,091
Property Tax	45,681	47,509	49,409	51,385	53,441	65,019	79,105	96,244	142,464
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	7,840	8,154	8,480	8,819	9,172	11,159	13,576	16,518	24,450
TOTAL EXPENSES	\$290,953	\$302,373	\$314,243	\$326,582	\$339,407	\$411,531	\$499,058	\$605,287	\$890,759
NET OPERATING INCOME	\$162,793	\$164,985	\$167,136	\$169,239	\$171,288	\$180,504	\$187,273	\$190,359	\$178,523
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$113,304	\$113,304	\$113,304	\$113,304	\$113,304	\$113,304	\$113,304	\$113,304	\$113,304
Second Lien	13,508	13,508	13,508	13,508	13,508	13,508	13,508	13,508	13,508
Other Financing	14,749	14,749	14,749	14,749	14,749	14,749	14,749	14,749	14,749
NET CASH FLOW	\$21,232	\$23,425	\$25,575	\$27,678	\$29,728	\$38,943	\$45,713	\$48,798	\$36,963
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.21	1.28	1.32	1.34	1.26

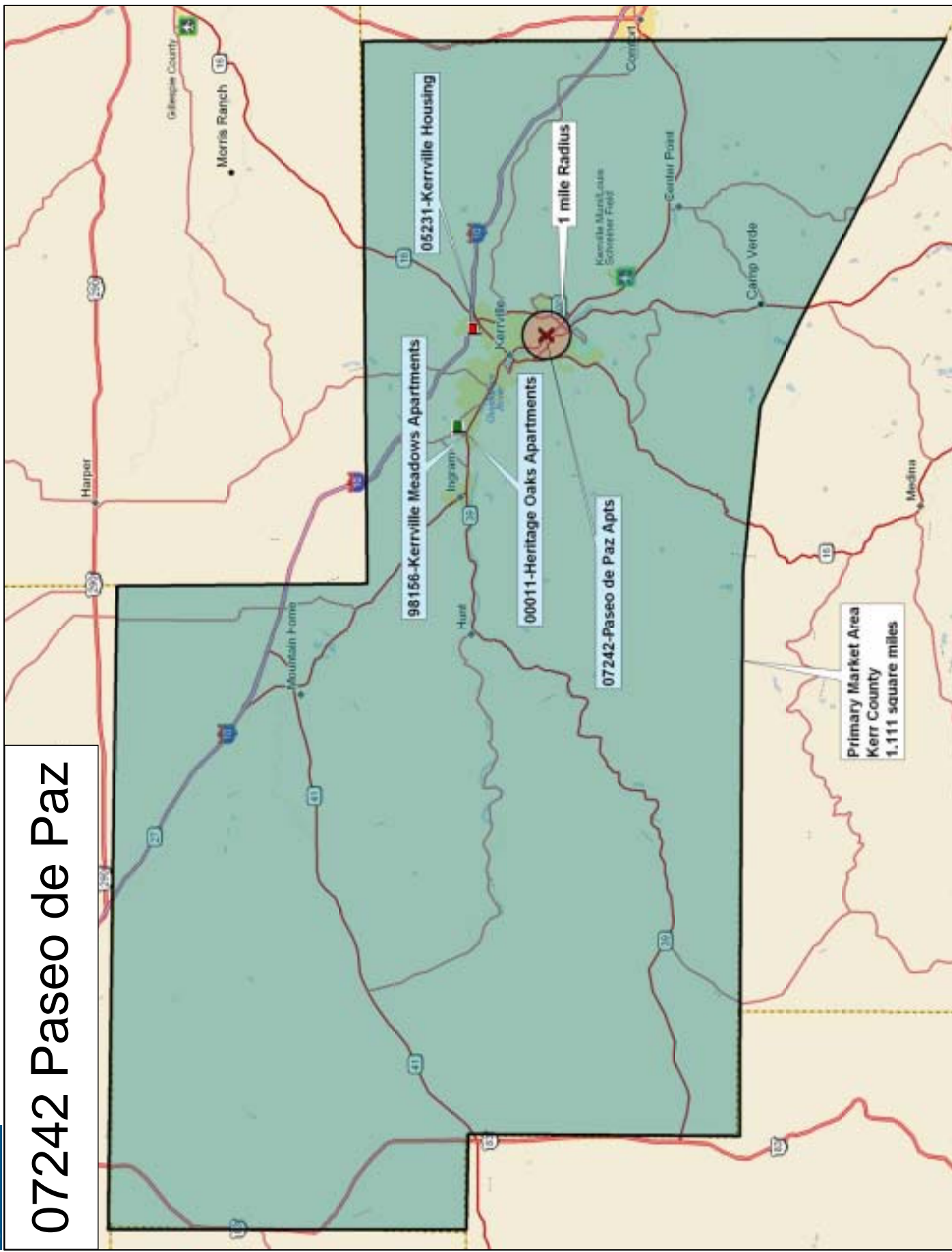
HTC ALLOCATION ANALYSIS -Paseo de Paz, Kerrville, 9% HTC #07242

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$705,000	\$694,533		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$681,200	\$681,200	\$681,200	\$681,200
Construction Hard Costs	\$3,963,170	\$3,665,598	\$3,963,170	\$3,665,598
Contractor Fees	\$650,211	\$608,552	\$650,211	\$608,552
Contingencies	\$232,219	\$217,340	\$232,219	\$217,340
Eligible Indirect Fees	\$245,500	\$245,500	\$245,500	\$245,500
Eligible Financing Fees	\$383,199	\$383,199	\$383,199	\$383,199
All Ineligible Costs	\$350,950	\$350,950		
Developer Fees			\$923,325	
Developer Fees	\$923,917	\$870,208		\$870,208
Development Reserves				
	\$180,000	\$180,000		
TOTAL DEVELOPMENT COSTS	\$8,315,366	\$7,897,080	\$7,078,823	\$6,671,596

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,078,823	\$6,671,596
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,202,470	\$8,673,075
Applicable Fraction			96%	96%
TOTAL QUALIFIED BASIS			\$8,839,214	\$8,330,717
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$755,753	\$712,276

Syndication Proceeds	0.8791	\$6,643,979	\$6,261,768
Total Tax Credits (Eligible Basis Method)		\$755,753	\$712,276
Syndication Proceeds		\$6,643,979	\$6,261,768
Requested Tax Credits		\$749,635	
Syndication Proceeds		\$6,590,196	
Gap of Syndication Proceeds Needed		\$6,693,577	\$6,275,291
Total Tax Credits (Gap Method)		\$761,395	\$713,815

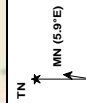
07242 Paseo de Paz



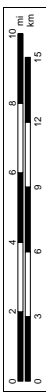
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Scale 1 : 350,000



1" = 5.52 mi

Data Zoom 9-2

Applicant Evaluation

Project ID # **07242** Name: **Kerrville Clearwater Paseo Apartm** City: **Kerrville**

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

Total # of Projects monitored: 8
 Projects zero to nine: 7
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 8
 # not yet monitored or pending review: 7

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Alamito Place, TDHCA Number 07244

BASIC DEVELOPMENT INFORMATION

Site Address: Bordered by Delta Drive, St Vrain St. E. Third St, & Hill Street Development #: 07244
City: El Paso Region: 13 Population Served: General
County: El Paso Zip Code: 79901 Allocation: Urban/Exurban
HTC Set Asides: [] At-Risk [x] Nonprofit [] USDA [] Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: [] CHDO [] Preservation [] General Acquisition: []

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Alamito Place, L.P.
Owner Contact and Phone: Gary Sanchez (915) 849-3749
Developer: Paisano Housing Redevelopment Corporation
Housing General Contractor: To Be Determined
Architect: Moore, Nordell, Kroeger Architects, Inc.
Market Analyst: Zacour and Associates
Syndicator: MMA Financial, Inc.
Supportive Services: La Fe Centro De Salud Familiar
Consultant: Coats Rose Yale Ryman & Lee

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 58
6 0 42 10 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 16 32 10 0 0 Total Development Units: 58
Type of Building: Total Development Cost*: \$0
[] Duplex [x] 4 units or more per building Number of Residential Buildings: 6
[] Triplex [] Detached Residence HOME High Total Units: 0
[] Fourplex [] Single Room Occupancy HOME Low Total Units: 0
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$669,659 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Alamito Place, TDHCA Number 07244

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S	Points: 7	US Representative: Reyes, District 16, S
TX Representative: Moreno, District 77, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, John Cook, Mayor	Resolution of Support from Local Government <input type="checkbox"/>
S, Beto O'Rourke, City Representative District 8	S, Jose Alexandro Lozano, City Representative District 3, alternate Mayor ProTem

S, Veronica Escobar, Commissioner, Precinct 2

Individuals and Businesses In Support: **0** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was broad support from officials.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Alamito Place, TDHCA Number 07244

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

Competitive Housing Tax Credits: Score: **155** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sphinx at Fiji Seniors, TDHCA Number 07245

BASIC DEVELOPMENT INFORMATION

Site Address: 201 Fran Way Development #: 07245
 City: Dallas Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75203 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: SDC FIJI Seniors, LP
 Owner Contact and Phone: Jay Oji (214) 342-1400
 Developer: Sphinx Development Corporation
 Housing General Contractor: Alta Construction Services
 Architect: James, Harwick & Partners, Inc.
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: MMA Financial, Inc.
 Supportive Services: Crossroads In Life Foundation, Inc.
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	124
	0 0 104 20	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 65 65 0 0 0	Total Development Units:	130
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sphinx at Fiji Seniors, TDHCA Number 07245

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

Competitive Housing Tax Credits: Score: **161** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Lexington Square, TDHCA Number 07246

BASIC DEVELOPMENT INFORMATION

Site Address: 1324 E. Hospital Dr. Development #: 07246
 City: Angleton Region: 6 Population Served: General
 County: Brazoria Zip Code: 77515 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: NHDC Lexington Square Apartments, LP
 Owner Contact and Phone: Lisa Castillo (909) 291-1400
 Developer: National Housing Development Corporation
 Housing General Contractor: To Be Determined
 Architect: Michael Gaertner
 Market Analyst: O' Conner & Associates
 Syndicator: CharterMac Capital
 Supportive Services: HOPE Through Housing
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	80
	0	0	67	12	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	21	39	20	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	80
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$5,438,524
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	8
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$384,038	\$347,876			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Square, TDHCA Number 07246

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

Competitive Housing Tax Credits: Score: **147** Meeting a Required Set-Aside Credit Amount*: \$347,876

Recommendation: Competitive in At-Risk Set-Aside.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/14/07 PROGRAM: 9% HTC FILE NUMBER: 07246

DEVELOPMENT																		
Lexington Square Apartments																		
Location: 1324 East Hospital Drive				Region: 6														
City: Angleton		County: Brazoria		Zip: 77515		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: Multifamily, Acquisition/Rehab, Family, Rural, Non-profit, At-Risk																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$384,038			\$347,876														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance by cost certification of proper abatement of asbestos and lead-based paint in compliance with O & M plans and federal and state regulations is required as it relates to renovation and demolition at the subject site. In particular all living room doors should be tested for lead-based paint and all doors with positive results be removed, properly disposed of and replaced. 2 Receipt, review, and acceptance, by cost certification, that the Applicant has contracted a Texas Department of Health licensed mold assessment consultant to recommend proper remediation activities for the existing mold conditions observed at the subject property, and that such remediation activities have been completed. 3 Receipt, review, and acceptance, by cost certification, that PCA recommendations regarding wood destroying insects and sewage line inspections have been carried out, and any resulting recommendations followed. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">67</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">12</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	50% of AMI	50% of AMI	67	60% of AMI	60% of AMI	12
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
50% of AMI	50% of AMI	67																
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PROS			CONS															
Under the existing Section 8 HAP contract the subject property has no minimum income, making it affordable to those in the lowest income ranges.			The subject's historical operating expenses per unit are unusually high; the Applicant has projected significant reductions without indicating how these will be accomplished.															

The project will significantly extend the useful life of the property and thereby maintain the affordability for the existing tenants for this 30 year old property.

The Applicant's high expense to income ratio is within 4% of the maximum guideline, reflecting extensive deep rent targeting, but is still acceptable especially with the ongoing project based rental assistance.

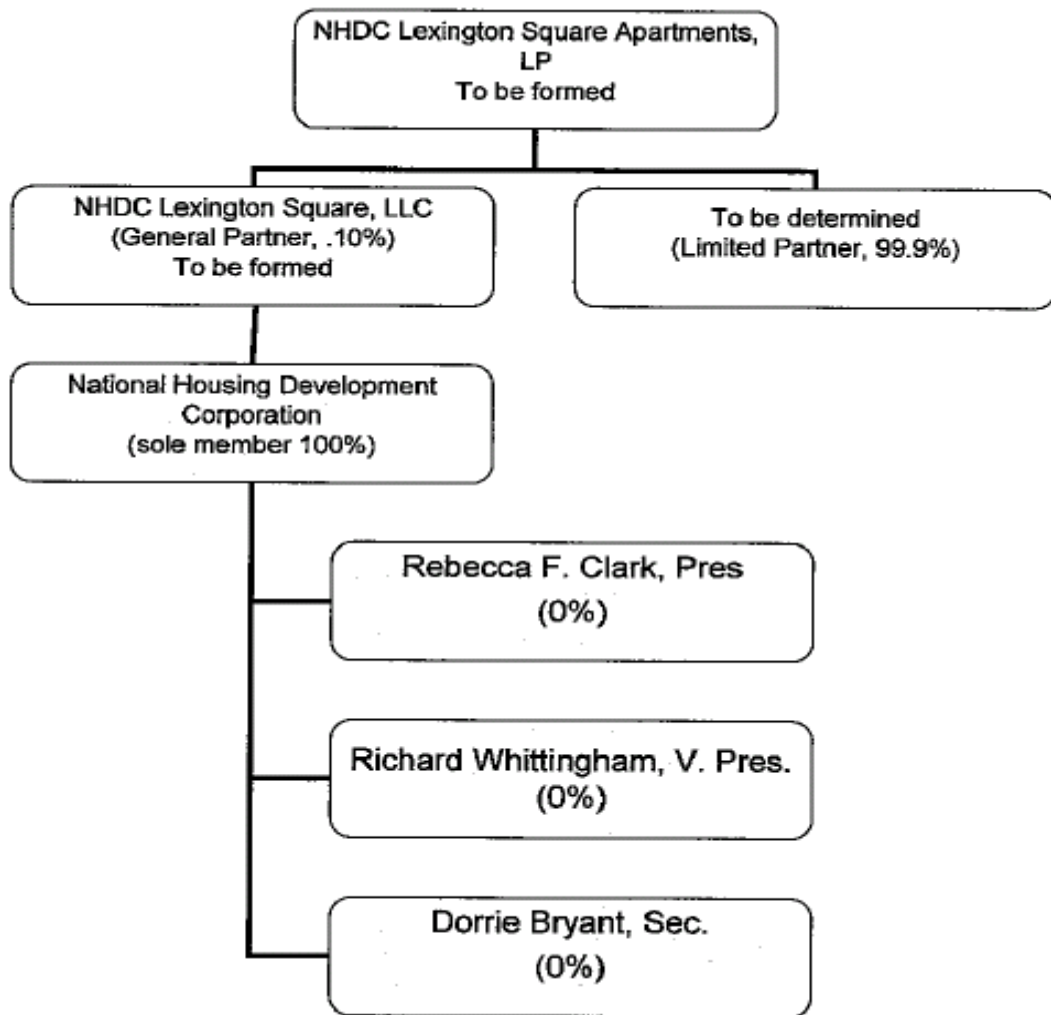
The market for 2 bedroom units at 50% AMI and 3 bedroom units at 50% and 60% may be somewhat saturated with unit capture rates of over 100%.

PREVIOUS UNDERWRITING REPORTS

An application was submitted in the 2004 9% HTC cycle for this development, but it apparently was not competitive and did not proceed.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Elaine Harrison ext. 170 Phone: (909) 483-2444 Fax: (909) 483-2448
 Email: eharrison@nationalcore.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
National Housing Development Corp	\$18,340,270	\$1,260,976	1 prior HTC funded last year in Texas

¹ Liquidity = Current Assets - Current Liabilities

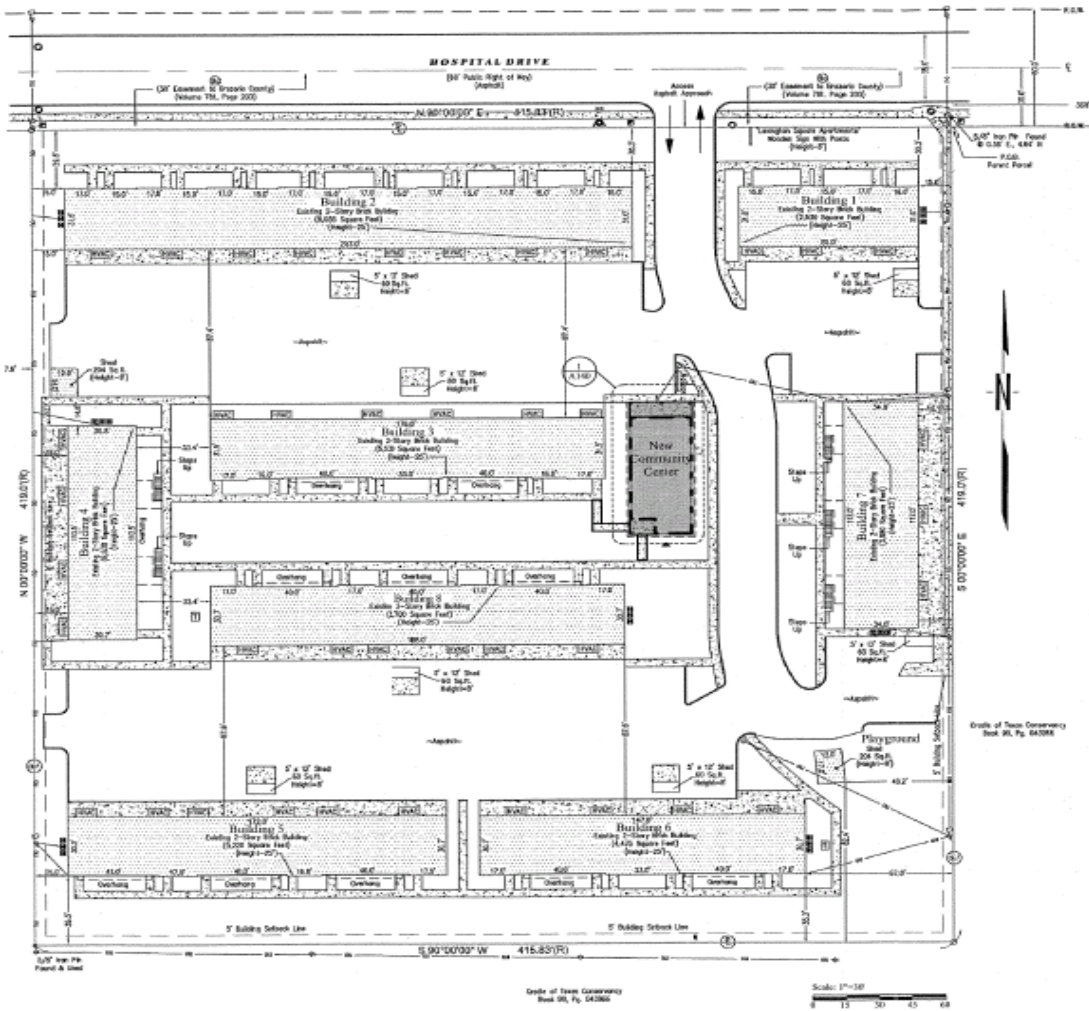
IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

NHDC Lexington Square, LLC acquired the property in 2003. The Applicant has provided a legal opinion by Coats | Rose indicating that "the transfer of ownership will meet the 10-year rule under Sec 42(d)(2)(B)(11) of the Internal Revenue Code ... the Current Owner, which is a Texas limited liability company that is a wholly-owned subsidiary of NHDC ... is considered a "qualified corporation" under Sec 42(h)(5)(D)(ii) ... because NHDC is a qualified nonprofit organization ... the special rule for certain transfers is applicable ... the Development Owner and the Current Owner will not be considered "related parties" under Sec 42(d)(2)(D)(iii). NHDC owns 100% of the Current Owner, which will serve as the General Partner (GP) of the Development Owner. However, the GP will only own 0.01% of the Development Owner, which is less than the 10% interest specified in Sec 42(d)(2)(D)(iii)."

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5	6	7	8			Total Buildings
Floors/Stories	2	2	2	2	2	2	2	2			
Number	1	1	1	1	1	1	1	1			8

BR/BA	SF	Units										Total Units	Total SF
1/1	650				8			12				20	13,000
2/1	1,080	5	16	6	2	3	4		4			40	43,200
3/2	1,325			4		6	4		6			20	26,500
Units per Building		5	16	10	10	9	8	12	10			80	82,700

Rehabilitation summary:

The subject is a 30-year-old property consisting of 8 residential buildings and a total of 80 rental units All of which are supported by a HAP Section 8 contract. The Applicant contracted the Dominion Due Diligence Group (D3G) to perform a Property Condition Assessment (PCA).

The recommended rehabilitation includes: abatement of asbestos-containing materials and lead-based paint as recommended, followed by an observation & maintenance program for each; remediate mold as recommended; repair and refurbishment of parking areas, patios, and sidewalks, to include handicapped-accessible parking; replace all exterior siding with fiber cement board, replace all plywood soffits with perforated vinyl, and replace all original windows with energy efficient windows; refurbish all water heater outbuildings; replace all rain gutters and downspouts; replace all asphalt shingle roofs; refurbish exterior stairs; repair and repaint all interior walls; install GFCI outlets; replace all VCT flooring and carpeting; replace cabinets, countertops, and plumbing fixtures in all bathrooms and approximately 41 kitchens; install smoke detectors in all bedrooms; replace all appliances with Energy Star models; and replace all light fixtures including ceiling fans in all living rooms.

The PCA also had the following findings: "Pest infestation (roaches) was observed in several units, and possible evidence of termites was observed on the building exteriors. It is recommended that a termite inspection be performed, as well as treating all of the units for pests." (PCA p. 19)

"While observations and management questioning did not identify any plumbing issues, it is recommended that scoping (remote inspection) of the sewage lines at the property be performed." (PCA p. 3)

It is a condition of the allocation recommendations of this report that PCA recommendations regarding wood destroying insects and sewage line inspections be carried out, and any resulting recommendations followed, before cost certification.

SITE ISSUES

Total Size: 4.0 acres Scattered site? Yes No
 Flood Zone: Shaded X Within 100-yr floodplain? Yes No
 Zoning: R-7 Multi-family Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/3/2007
 Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: E Hospital Dr, vacant (new church) East: single family residential
 South: undeveloped woods, residential West: vacant, multifamily residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Dominion Due Diligence Group (D3G)

Date: 1/5/2007

Recognized Environmental Concerns (RECs):

This assessment has revealed no evidence of recognized environmental concerns (RECs) in connection with the subject property." (p. 1)

Identified Additional Environmental Concerns:

The year of construction (1977) indicates a reasonable expectation that asbestos-containing materials (ACM) may be present. "TRC Solutions was retained by D3G to perform asbestos bulk sampling of suspect asbestos materials ... on February 13-15, 2007 ... Results of the bulk sampling indicated the Drywall Texture materials were Positive for asbestos ... this inspection and report does not meet the requirements of the EPA National Emission Standards for Hazardous Air Pollutants (NESHAP), Texas Department of Health, or the Asbestos Hazard Emergency Response Act regulations." (TRC letter, Appendix K) "At the time of inspection, the ACM were observed to be in good physical condition (and) are not suspected to present significant health hazards or concerns ... in their current physical condition." (p. 1) "D3G recommends that the identified ACM be managed under a site-specific Operations and Maintenance (O&M) Program. An asbestos inspection conducted in accordance with NESHAPS should be conducted prior to any renovations at the subject property." (p.3)

The year of construction (1977) indicates a reasonable expectation that lead-based paint may be present. "A lead-based paint (LBP) survey was conducted ... by TRC on February 12-15, 2007 ... Exterior metal window lintels, metal fire hydrants, and concrete curbs were determined to contain LBP. Additionally, one out of 28 living room wood doors was determined to contain LBP." The D3G report continues: "The wood door is considered to be a statistical anomaly and the remaining wood doors are not assumed to contain LBP." (p. 2)

The TRC report states: "TRC's testing revealed that very few components contained LBP. However, HUD guidelines indicate that, for a given component, if a certain minimum percentage of tests are positive for LBP, then all such like components will be considered to contain LBP. At this site, for example, a small percentage (above the HUD minimum) of the Living Room Wood Doors tested positive for LBP, necessitating that all Living Room Wood Doors be considered positive for LBP until and unless further testing is performed and proves otherwise ... At the time of the evaluation ... paint on exterior common area surfaces was intact. Paint throughout the interior of the structures was intact ... The results of the visual assessment found no deteriorated paint-lead hazards ... TRC recommends ongoing monitoring and maintenance of components identified as containing LBP, to prevent deterioration of these components and possible development of LBP hazards in the future." (TRC Report pp. 1-2, 2-5)

"The (subject property was) visually inspected for the presence or potential presence of mold. Mold was visually observed in Building 1 Unit 106, the water heater out building for Building 1, Building 2 Unit 111, Building 2 Unit 118, Building 4 Unit 135, and Building 8 Unit 147 ... D3G recommends contracting a Texas Department of Health licensed mold assessment consultant to recommend proper remediation activities for the existing mold conditions observed at the subject property." (pp. 2-3)

Comments:

The TRC report states: "Additional testing may reduce requirements for lead hazard control ... the Owner is encouraged to consider the benefits of additional testing ... Based on the limited number of positive readings identified on individual components during this survey, TRC recommends further testing to identify specific components bearing lead-based paint. The cost of additional testing will likely be less than the cost associated with assuming that untested areas or building components have lead-based paint. It also may be possible to remove LBP, or components with LBP, to make the building free of all LBP." (p 2-5) .

Receipt, review and acceptance by cost certification of proper abatement of asbestos and lead-based paint in compliance with O & M plans and federal and state regulations is required as it relates to renovation and demolition at the subject site. In particular all living room doors should be tested for lead-based paint and all doors with positive results be removed, properly disposed of and replaced.

It is a condition of the allocation recommendations of this report that the Applicant contract a Texas Department of Health licensed mold assessment consultant to recommend proper remediation activities for the existing mold conditions observed at the subject property, and that such remediation activities be completed by cost certification.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 1/5/2007
 Contact: Robert O. Coe, II Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by Big Creek to the north; the Brazos River to the east; FM 2004, Highway 332, and FM 521 to the south; and Little Linnville Bayou to the west." (p. 23) This primary market area encompasses 971 sq. miles, and is equivalent to a 17.4 mile radius. This is an unusually large PMA, with the subject property located at the far southeast corner. There is also some inconsistency. The geographic description of the PMA, as mapped in the market study, omits two of the eight zip codes included in the demographic data used by the Analyst. The Underwriter has mapped the PMA as defined by the demographic report.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Costa Clemente	07414	176	176	N/A			

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	\$22,800	\$26,050	\$29,300	\$32,550	\$35,150	\$37,750
60	\$27,360	\$31,260	\$35,160	\$39,060	\$42,180	\$45,300

MARKET ANALYST PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
50% 1BR	42	0	17	59	17	0	29%
60% 1BR	125	2	3	130	3	0	2%
50% 2BR	0	0	33	33	34	0	103%
60% 2BR	14	0	5	19	5	0	27%
50% 3BR	0	0	16	16	16	0	103%
60% 3BR	0	0	4	4	4	0	103%

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OVERALL DEMAND											
		Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst	p. 70	100%	25,860	94%	24,399	100%	24,399	5%	1,340	65%	871
Underwriter		100%	26,878	94%	25,359	42%	10,752	35%	3,718	65%	2,417
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 70	4%	1,018	94%	960	100%	960	5%	53	100%	53
Underwriter		2%	485	94%	457	42%	194	35%	67	100%	67
DEMAND from OTHER SOURCES											
Market Analyst	p. 69										77
Underwriter											0

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 71	80	0	0	80	1,000	8.00%
Underwriter		80	176	0	256	2,484	10.31%

Primary Market Occupancy Rates:

"The average occupancy for comparable apartments in the subject's primary market area was reported at 87.94% in the most recent O'ConnorData survey (December 2006) ... occupancy in the PMA has increased slightly from the prior quarter. Average occupancy in the PMA has remained in the high 80% to mid 90's since September 1995. The fluctuations were due to new product coming on-line. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 38) The submitted rent roll indicates current occupancy of 96.25%, with only three vacancies out of the 80 total units. The Applicant has indicated that no resident will be displaced as a result of the rehabilitation.

Absorption Projections:

Typically, HTC projects in the Greater Houston area have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within 12 months of completion. Pre-leasing should begin prior to completion of the renovation." (p. 38) Since the subject reports a current occupancy of 96.25%, absorption is not of concern.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	650 SF	50%	510	510	515	510	0
1 BR	650 SF	60%	510	510	515	510	0
2 BR	1,080 SF	50%	741	741	735	741	0
2 BR	1,080 SF	60%	741	741	735	741	0
3 BR	1,325 SF	50%	935	935	925	935	0
3 BR	1,325 SF	60%	935	935	925	935	0

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 12)

Comments:

The Analyst calculated a theoretical Inclusive Capture Rate of 8%, based on an inaccurate eligible income range, due to the use of incorrect rent and family income figures, as well as an overstated household growth rate. The Analyst also included demand from Section 8 vouchers; the subject property has a project-based Section 8 Housing Assistance Payment (HAP) contract; this means the effective minimum income is zero, and vouchers would not be necessary. The Underwriter's calculation includes all households below the maximum income (\$42,180 for a household of five); a household growth rate of 2.0% per year; and a proposed 176-unit family development, #07414 (Costa Clemente) not included by the Analyst. This results in an inclusive capture rate of 10.3%. However, since the subject is effectively fully occupied, a capture rate is not a meaningful calculation. The Analyst indicated that "the actual capture rate is 0% because the proposed subject renovations will be a 'rolling rehab' without significant displacement of existing tenants. We performed a 'theoretical' capture rate including the subject units." (p. 11)

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/10/2007

The subject property has a HUD Project-based Section 8 Housing Assistance Payments (HAP) Contract covering all units and administered by the Southwest Housing Compliance Corporation. Qualified tenants are required to pay a maximum of 30% of their income; HUD guarantees the full net rent. The Applicant's effective gross income is based on the net contract rent for all units with a provision for losses due to vacancy and collection at 7.5% of potential gross income; underwriting guidelines provide for 5.0% losses for a property with guaranteed contract rents. The Applicant has included secondary income of \$4.16 per unit per month from laundry, late charges, and damages; underwriting guidelines assume a minimum secondary income of \$5 per unit per month. These differences account for the 3% variance between the Applicant's projected effective gross income and the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/22/2007

The Applicant's projection for total annual operating expenses of \$4,921 per unit is 4% lower than the Underwriter's estimate of \$5,145. These totals are relatively high, but actual financial statements indicate operating expenses have been approximately \$5,500 per unit. The Applicant has indicated significant reductions in payroll, repairs & maintenance, and property insurance; these reductions bring these expenses into a consistent range with underwriting estimates. The most significant variance between Applicant and Underwriter estimates is property tax. The subject has had a non-profit exemption from property tax. The Applicant has indicated that the transfer of ownership to the limited partnership will eliminate this exemption. The Applicant projects a property tax liability of \$22K per year; the underwriter has calculated \$36K. The Applicant has included \$400 per unit per year set aside as reserves for replacement, indicating this is the Applicant's policy; this amount is also supported by the primary lender's requirement.

Conclusion:

The Applicant's projections for effective gross income, total annual operating expenses, and net operating income (NOI) are all within 5% of the Underwriter's estimates; therefore, the Applicant's projections are used to determine debt capacity. The Applicant's projected NOI and debt service provide a first year debt coverage ratio (DCR) of 1.30, within the underwriting guideline range of 1.15 to 1.35.

Feasibility:

The Applicant's NOI and debt service are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above 1.15; the development can therefore be considered financially feasible.

ACQUISITION INFORMATION**APPRAISED VALUE**

Provider: Novogradac & Company LLP Date: 1/19/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only: 4.0 acres	<u>\$100,000</u>	As of: <u>1/19/2007</u>
Existing Buildings: (as-is)	<u>\$3,400,000</u>	As of: <u>1/19/2007</u>
Total Development: (as-is)	<u>\$3,500,000</u>	As of: <u>1/19/2007</u>

Comments:

The Appraiser appears to have understated the value of the land at 7% of overall property value. The tax assessment lists the value at 26% of total value. The Underwriter will apply the greater estimate of land value in determining the eligible portion of acquisition costs.

ASSESSED VALUE

Land Only: 4.0 acres	<u>\$174,240</u>	Tax Year: <u>2006</u>
Existing Buildings:	<u>\$493,780</u>	Valuation by: <u>Brazoria CAD</u>
Total Assessed Value:	<u>\$668,020</u>	Tax Rate: <u>3.029672</u>

EVIDENCE of PROPERTY CONTROL

Type: Warranty Deed Acreage: 4.0
 Transfer Date: 5/14/2003 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,450,000 Other: from Settlement Stmt 5/2003
 Seller: Knudson Housing Partners XXVIII Ltd. Related to Development Team? Yes No

Comments:

NHDC Lexington Square, LLC, acquired the property in 2003. The Applicant has provided a legal opinion by Coats | Rose indicating that "the transfer of ownership will meet the 10-year rule under Sec 42(d)(2)(B)(11) of the Internal Revenue Code ... the Current Owner, which is a Texas limited liability company that is a wholly-owned subsidiary of NHDC ... is considered a "qualified corporation" under Sec 42(h)(5)(D)(ii) ... because NHDC is a qualified nonprofit organization ... the special rule for certain transfers is applicable ... the Development Owner and the Current Owner will not be considered "related parties" under Sec 42(d)(2)(D)(iii). NHDC owns 100% of the Current Owner, which will serve as the General Partner (GP) of the Development Owner. However, the GP will only own 0.01% of the Development Owner, which is less than the 10% interest specified in Sec 42(d)(2)(D)(iii)."

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 6/5/2007

Acquisition Value:

The acquisition cost of \$1,450,000, or \$363K per acre, is assumed to be reasonable since the purchase was an arm's-length transaction. (The Applicant included closing costs of \$350,613 in addition to the purchase price. This is confirmed by the settlement statement.) As indicated in 10 TAC 1.31 (e)(1)(C), the Underwriter has applied the tax assessor's value of the land, which is \$74K (74%) higher than that suggested by the Appraiser and used by the Applicant. The assessed value of the land amounts to 12% of the actual acquisition cost. The adjustment to proportionate land value reduces the eligible acquisition cost by \$74K.

Sitework Cost:

The Applicant's projected sitework cost includes \$12K for the demolition of the existing community building; the Applicant did not include this amount in eligible basis.

Contingency & Fees:

The Applicant included \$70,000 for soft cost contingency. The Underwriter combined this amount with the hard cost contingency included under construction costs, causing total projected contingency to exceed the eligibility limit by \$66,860; the eligible basis is therefore reduced by this amount. As a result, the Applicant's claimed developer fee exceeds the eligibility limit by \$6,664. Eligible basis has been reduced accordingly. The Applicant also included the developer fee for acquisition as a part of the 9% credit which is not appropriate since it is derived from the acquisition which is only eligible for the 4% credit. The Underwriter adjusted the entries accordingly.

Conclusion:

The Applicant has included \$520K for reserve funds but provided no justification for such a high amount; underwriting guidelines provide for reserves equal to six months of operating expenses and debt service, which amount to \$259K and which were used by the Underwriter. The Applicant's projection for total development cost of \$5,786,158 is 6% higher than the Underwriter's estimate of \$5,438,269; when these figures vary by greater than 5%, underwriting guidelines require the use of the Underwriter's estimates to determine eligible basis and required permanent financing.

The calculated eligible basis for rehabilitation is \$2,749,735. This is increased by 30% because Brazoria County has been designated a Difficult Development Area. The adjusted basis of \$3,574,665 supports a 9% tax credit allocation of \$305,633; the acquisition basis of \$1,467,124 supports a 4% tax credit allocation of \$53,403. The total acquisition / rehab allocation determined by eligible basis is \$359,036. This amount will be compared to the Applicant's requested allocation and the credit amount determined by the gap in financing to determine any allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/22/2007

Source: Wachovia Community Development Finance Type: Interim Financing

Principal: \$3,998,807 Interest Rate: 5.6% Fixed Term: 12 months

Comments:

interest only, floating at LIBOR+300 bps, due monthly; underwritten at 5.64%

Source: Wachovia Community Development Finance Type: Permanent Financing

Principal: \$2,310,773 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

interest rate fixed at closing at 300 bps above 10-year US Treasury; underwritten at 7.5%; \$400 per unit per year replacement reserve requirement

Source: CharterMac Capital Type: Syndication

Proceeds: \$3,452,885 Syndication Rate: 90% Anticipated HTC: \$384,038

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$2,310,773 indicates the need for \$3,127,751 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$347,876 annually would be required to fill this gap in financing. The three possible tax credit allocations are:

Applicant's Requested Credits	<u>\$384,038</u>
Credits Determined by Gap in Financing	<u>\$347,876</u>
Credits Determined by Eligible Basis	<u>\$359,036</u>

The tax credit amount determined by the gap in financing is recommended as the underwriting analysis indicates this is the minimum amount necessary to make the development financially feasible. An annual allocation of \$347,876 for ten years provides proceeds of \$3,127,751 at a syndication rate of 90%.

The Underwriter's recommended financing structure does not indicate any need for the developer to defer any fees.

Underwriter:	_____	Date:	_____
	<i>Thomas Cavanagh</i>		July 14, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		July 14, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 14, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Lexington Square Apartments, Angleton, 9% HTC #07246

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	17	1	1	650	\$610	\$510	\$8,670	\$0.78	\$92.00	\$56.00
TC 60%	3	1	1	650	\$732	510	1,530	0.78	92.00	56.00
TC 50%	34	2	1.5	1,080	\$732	741	25,194	0.69	130.00	62.00
TC 60%	5	2	1.5	1,080	\$879	741	3,705	0.69	130.00	62.00
EO	1	2	1.5	1,080		0	0	0.00	130.00	62.00
TC 50%	16	3	1.5	1,325	\$846	935	14,960	0.71	138.00	74.00
TC 60%	4	3	1.5	1,325	\$1,015	935	3,740	0.71	138.00	74.00
TOTAL:	80		AVERAGE:	1,034		\$722	\$57,799	\$0.70	\$122.50	\$63.50

INCOME Total Net Rentable Sq Ft: **82,700**

POTENTIAL GROSS RENT

late charges, damages Per Unit Per Month: \$5.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

TDHCA	APPLICANT
\$693,588	\$693,588
4,800	3,996
0	0
\$698,388	\$697,584
(34,919)	(52,320)
0	0
\$663,469	\$645,264

COUNTY	IREM REGION	COMPT. REGION
Brazoria	Houston	6
\$4.16	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.11%	\$424	0.41
Management	5.00%	415	0.40
Payroll & Payroll Tax	12.44%	1,032	1.00
Repairs & Maintenance	6.73%	558	0.54
Utilities	5.90%	489	0.47
Water, Sewer, & Trash	9.60%	796	0.77
Property Insurance	3.53%	293	0.28
Property Tax 3.029672	5.48%	454	0.44
Reserve for Replacements	4.82%	400	0.39
TDHCA Compliance Fees	0.48%	40	0.04
Other: Security	3.01%	250	0.24
TOTAL EXPENSES	62.11%	\$5,151	\$4.98
NET OPERATING INC	37.89%	\$3,142	\$3.04

PER SQ FT	PER UNIT	% OF EGI
\$33,932	\$40,320	\$0.49
33,173	32,263	0.39
82,556	88,000	1.06
44,656	48,560	0.59
39,133	32,360	0.39
63,668	55,000	0.67
23,406	20,000	0.24
36,356	22,000	0.27
32,000	32,000	0.39
3,200	3,200	0.04
20,000	20,000	0.24
\$412,081	\$393,703	\$4.76
\$251,388	\$251,561	\$3.04

DEBT SERVICE

Wachovia	29.22%	\$2,424	\$2.34
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	8.67%	\$719	\$0.70

\$193,887	\$193,887	\$2.34	\$2,424	30.05%
0	0	\$0.00	\$0	0.00%
0	0	\$0.00	\$0	0.00%
\$57,501	\$57,674	\$0.70	\$721	8.94%
1.30	1.30			
	1.30			

AGGREGATE DEBT COVERAGE RATIO
RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		33.11%	\$22,508	\$21.77
Off-Sites		0.00%	0	0.00
Sitework		1.23%	834	0.81
Direct Construction		27.83%	18,920	18.30
Contingency	10.00%	2.91%	1,975	1.91
Contractor's Fees	14.00%	4.07%	2,766	2.68
Indirect Construction		5.49%	3,730	3.61
Ineligible Costs		8.05%	5,475	5.30
Developer's Fees	15.00%	10.11%	6,875	6.65
Interim Financing		2.45%	1,663	1.61
Reserves		4.76%	3,235	3.13
TOTAL COST		100.00%	\$67,982	\$65.76
Construction Cost Recap		36.03%	\$24,496	\$23.70

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,800,613	\$1,800,613	\$21.77	\$22,508	31.12%
0	0	0.00	0	0.00%
66,748	66,748	0.81	834	1.15%
1,513,634	1,514,652	18.32	18,933	26.18%
158,038	225,000	2.72	2,813	3.89%
221,253	221,300	2.68	2,766	3.82%
298,400	298,400	3.61	3,730	5.16%
438,015	438,015	5.30	5,475	7.57%
550,025	568,000	6.87	7,100	9.82%
133,000	133,000	1.61	1,663	2.30%
258,797	520,430	6.29	6,505	8.99%
\$5,438,524	\$5,786,158	\$69.97	\$72,327	100.00%
\$1,959,674	\$2,027,700	\$24.52	\$25,346	35.04%

SOURCES OF FUNDS

Wachovia	42.49%	\$28,885	\$27.94
Additional Financing	0.00%	\$0	\$0.00
HTC CharterMac	63.49%	\$43,161	\$41.75
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (Excess) Funds Req'd	-5.98%	(\$4,064)	(\$3.93)
TOTAL SOURCES			

RECOMMENDED	
\$2,310,773	\$2,310,773
0	0
3,452,885	3,452,885
0	0
(325,134)	22,500
\$5,438,524	\$5,786,158

Developer Fee Available \$561,336
% of Dev. Fee Deferred 0%
15-Yr Cumulative Cash Flow \$1,525,280

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Lexington Square Apartments, Angleton, 9% HTC #07246

PAYMENT COMPUTATION

Primary	\$2,310,773	Amort	360
Int Rate	7.50%	DCR	1.30

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.30

Additional	\$3,452,885	Amort	
Int Rate		Aggregate DCR	1.30

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$193,887
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$57,674

Primary	\$2,310,773	Amort	360
Int Rate	7.50%	DCR	1.30

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	\$3,452,885	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$693,588	\$714,396	\$735,828	\$757,902	\$780,639	\$904,975	\$1,049,114	\$1,216,211	\$1,634,486
Secondary Income	3,996	4,116	4,239	4,367	4,498	5,214	6,044	7,007	9,417
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	697,584	718,512	740,067	762,269	785,137	910,189	1,055,158	1,223,218	1,643,902
Vacancy & Collection Loss	(52,320)	(35,926)	(37,003)	(38,113)	(39,257)	(45,509)	(52,758)	(61,161)	(82,195)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$645,264	\$682,586	\$703,064	\$724,155	\$745,880	\$864,679	\$1,002,400	\$1,162,057	\$1,561,707
EXPENSES at 4.00%									
General & Administrative	\$40,320	\$41,933	\$43,610	\$45,355	\$47,169	\$57,388	\$69,821	\$84,948	\$125,744
Management	32,263	34,129	35,153	36,208	37,294	43,234	50,120	58,102	78,085
Payroll & Payroll Tax	88,000	91,520	95,181	98,988	102,948	125,251	152,388	185,403	274,441
Repairs & Maintenance	48,560	50,502	52,522	54,623	56,808	69,116	84,090	102,309	151,442
Utilities	32,360	33,654	35,001	36,401	37,857	46,058	56,037	68,178	100,920
Water, Sewer & Trash	55,000	57,200	59,488	61,868	64,342	78,282	95,242	115,877	171,526
Insurance	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Property Tax	22,000	22,880	23,795	24,747	25,737	31,313	38,097	46,351	68,610
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
TOTAL EXPENSES	\$393,703	\$410,027	\$426,086	\$442,778	\$460,127	\$557,676	\$676,017	\$819,602	\$1,205,290
NET OPERATING INCOME	\$251,561	\$272,559	\$276,977	\$281,377	\$285,753	\$307,004	\$326,384	\$342,455	\$356,417
DEBT SERVICE									
First Lien Financing	\$193,887	\$193,887	\$193,887	\$193,887	\$193,887	\$193,887	\$193,887	\$193,887	\$193,887
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	\$57,674	\$78,672	\$83,090	\$87,490	\$91,866	\$113,117	\$132,497	\$148,568	\$162,530
DEBT COVERAGE RATIO	1.30	1.41	1.43	1.45	1.47	1.58	1.68	1.77	1.84

HTC ALLOCATION ANALYSIS -Lexington Square Apartments, Angleton, 9% HTC #07246

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
Acquisition Cost						
Purchase of land	\$450,613	\$524,853				
Purchase of buildings	\$1,350,000	\$1,275,760	\$1,350,000	\$1,275,760		
Off-Site Improvements						
Sitework	\$66,748	\$66,748			\$66,748	\$66,748
Construction Hard Costs	\$1,514,652	\$1,513,634			\$1,514,652	\$1,513,634
Contractor Fees	\$221,300	\$221,253			\$221,300	\$221,253
Contingencies	\$225,000	\$158,038			\$158,140	\$158,038
Eligible Indirect Fees	\$298,400	\$298,400			\$298,400	\$298,400
Eligible Financing Fees	\$133,000	\$133,000			\$133,000	\$133,000
All Ineligible Costs	\$438,015	\$438,015				
Developer Fees			\$202,500	\$191,364	\$358,836	\$358,661
Developer Fees	\$568,000	\$550,025				
Development Reserves	\$520,430	\$258,797				
TOTAL DEVELOPMENT COSTS	\$5,786,158	\$5,438,524	\$1,552,500	\$1,467,124	\$2,751,076	\$2,749,735

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,552,500	\$1,467,124	\$2,751,076	\$2,749,735
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,552,500	\$1,467,124	\$3,576,399	\$3,574,655
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,552,500	\$1,467,124	\$3,576,399	\$3,574,655
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$56,511	\$53,403	\$305,782	\$305,633

Syndication Proceeds	0.8991	\$508,090	\$480,149	\$2,749,286	\$2,747,946
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Total Tax Credits (Eligible Basis Method)	\$362,293	\$359,036
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Syndication Proceeds	\$3,257,377	\$3,228,095
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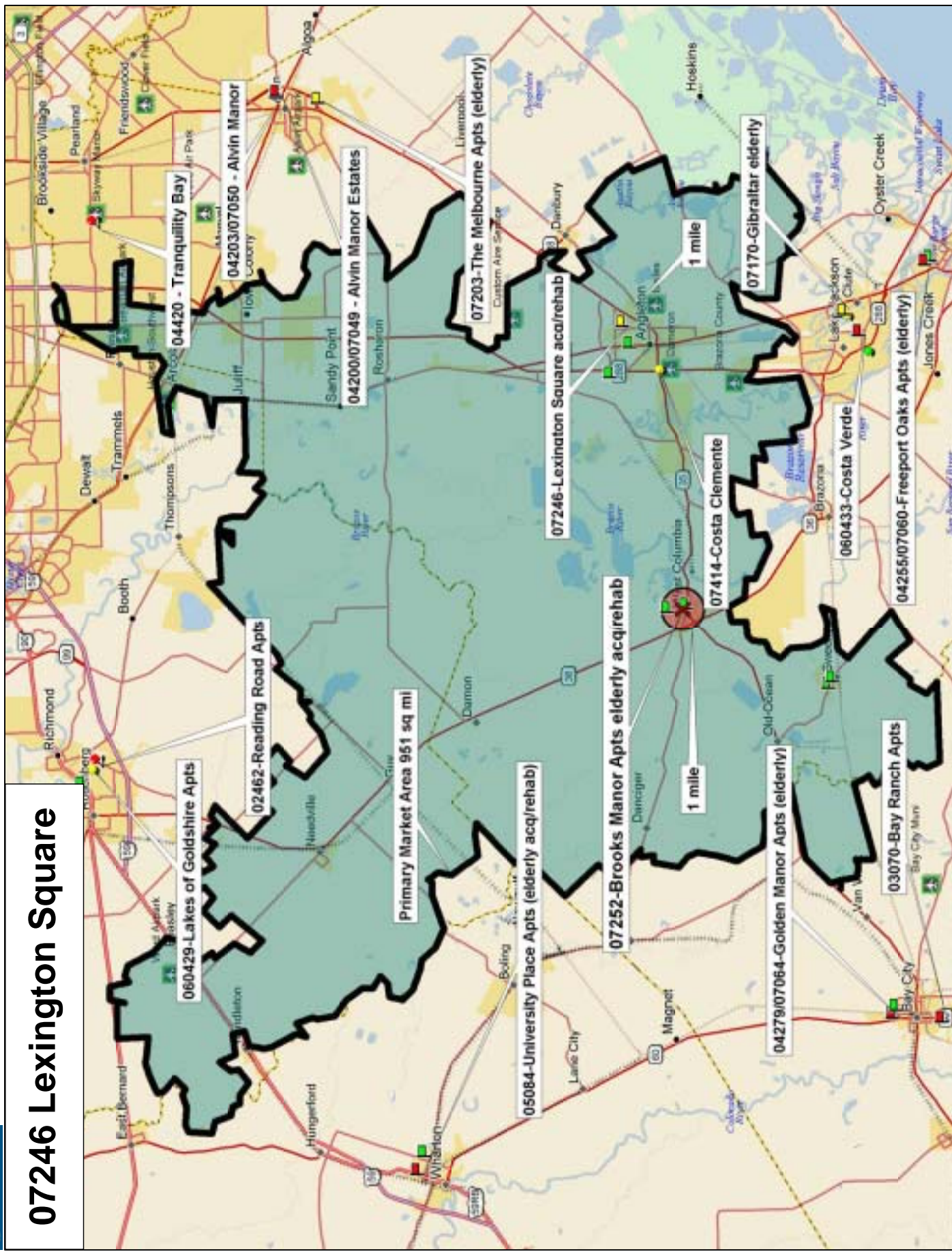
Requested Tax Credits	\$384,038
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Syndication Proceeds	\$3,452,885
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Gap of Syndication Proceeds Needed	\$3,127,751
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Total Tax Credits (Gap Method)	\$347,876
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07246 Lexington Square



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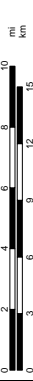
www.delorme.com

TN



1" = 6.31 mi

Scale 1 : 400,000



Data Zoom 9-0

Applicant Evaluation

Project ID # **07246**

Name: **Lexington Square Apartments**

City: **Angleton**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 1

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 5/30/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Terry Street Apartments, TDHCA Number 07247

BASIC DEVELOPMENT INFORMATION

Site Address: 215 N. Terry St. Development #: 07247
 City: Malakoff Region: 4 Population Served: General
 County: Henderson Zip Code: 75148 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: GS 198 Housing, L.P.
 Owner Contact and Phone: Jeffrey S. Spicer (214) 346-0707
 Developer: State Street Housing Development, L.P.
 Housing General Contractor: GS Housing Construction, L.P.
 Architect: Galier Tolson French
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: CharterMac Capital Company
 Supportive Services: Housing Services, Inc
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	48
	5	0	0	42	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	8	24	16	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Owner/Employee Units:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Units:	48
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Total Development Cost*:	\$0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	Number of Residential Buildings:	3
		HOME High Total Units:	6
		HOME Low Total Units:	4

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$580,813	\$0			
HOME Activity Fund Amount:	\$320,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Terry Street Apartments, TDHCA Number 07247

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S	Points: 7	US Representative: Hensarling, District 5, NC
TX Representative: Brown, District 4, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Sandy Sparks, Executive Director Malakoff Housing Authority

O, Clyde L. Tinsley, President Malakoff ISD Board of Trustees

Individuals and Businesses In Support: 6 In Opposition 270

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4	
Malakoff Volunteer Fire Department	S or O: S
First United Methodist Church	S or O: S
First State Bank	S or O: S
Malakoff Housing Authority	S or O: S
Malakoff Salvation Army Unit	S or O: S
Meals on Wheels	S or O: S

General Summary of Comment:

There is mixed support from officials, although a majority of officials are supporting the project. There is support from civic organizations. There is broad opposition from non-officials, including 2 petitions totaling 270 opponents. The primary reasons cited for opposition are it will decrease property values, increase crime, the development will bring no additional tax revenue to the district, and there are already too many low-income developments in the area.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Terry Street Apartments, TDHCA Number 07247

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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Terminated.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Bluffs Landing Senior Village, TDHCA Number 07249

BASIC DEVELOPMENT INFORMATION

Site Address: 2200 Old Settlers Blvd. Development #: 07249
City: Round Rock Region: 7 Population Served: Elderly
County: Williamson Zip Code: 78664 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: DDC RRTC, Ltd.
Owner Contact and Phone: Colby Denison (512) 732-1226
Developer: DDC Investments, Ltd.
Housing General Contractor: To Be Determined
Architect: Architettura-Inc.
Market Analyst: O' Conner & Associates
Syndicator: MMA Financial, Inc.
Supportive Services: To Be Determined
Consultant: Leslie Holleman & Associates

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 144
15 0 43 86 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 48 96 0 0 0 Total Development Units: 144
Type of Building: Total Development Cost*: \$16,322,020
Number of Residential Buildings: 8
HOME High Total Units: 0
HOME Low Total Units: 9

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,189,481 \$1,189,481
HOME Activity Fund Amount: \$900,000 \$900,000 30 18 4.90%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Bluffs Landing Senior Village, TDHCA Number 07249

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S Points: 7 US Representative: Carter, District 31, NC
TX Representative: Krusee, District 52, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

RR Vista Neighborhood Assoc., Kevin Hunter Letter Score: 24 S or O: S

There is a substantial need for affordable senior housing. We believe this quality development will comply with regulations and goals. The Development will provide both design and amenities that will provide individuals with a high quality of life for senior citizens.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There is support from officials, limited non-officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by commitment of a zoning change from the City of Round Rock Planning and Zoning Commission to allow for the proposed construction type and density.

The subject is one of two applications for elderly developments in Round Rock this year. The Underwriter believes that funding both developments would provide an excess concentration of elderly developments in that market. The Underwriter does not recommend the subject if the other development, 07313 Villas of Rabbit Hill ultimately scores higher than the subject.

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

Receipt of a commitment of funding from the Capital Area Housing Finance Corporation in the amount of \$1,000,000, or a commitment from a qualifying substitute source in an amount not less than \$820,302, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from W Construction and Design LLC in the amount of \$350,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$328,121, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Bluffs Landing Senior Village, TDHCA Number 07249

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

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$1,189,481

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$900,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/17/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07249

DEVELOPMENT

Bluffs Landing Senior Village

Location: 2200 Old Settlers Blvd. Region: 7
 City: Round Rock County: Williamson Zip: 78664 OCT DDA
 Key Attributes: Multifamily, Elderly, New Construction, Urban/Exurban, CHDO

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$900,000	4.90%	40/40	\$900,000	4.90%	30/18*
Housing Tax Credit (Annual)	\$1,189,481			\$1,189,481		

*The HOME loan interest rate must be equal to or greater than AFR and should be interest-only during construction and a parity of term, but not lien position, with the first lien.

CONDITIONS

- 1 Receipt, review and acceptance by carryover of a zoning change from the City of Round Rock Planning and Zoning Commission to allow for the proposed construction type and density.
- 2 The subject is one of two applications for elderly developments in Round Rock this year. The Underwriter believes that funding both developments would provide an excess concentration of elderly developments in that market. The Underwriter does not recommend the subject if the other development, 07313 Villas of Rabbit Hill ultimately scores higher than the subject.
- 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	15
50% of AMI	50% of AMI	43
60% of AMI	60% of AMI	86
TDHCA SET-ASIDES for HOME LURA		
50% of AMI	Low HOME	9

PROS

At the proposed rents, the HOME debt could be sourced from additional conventional debt or a developer fee note if needed.

CONS

Based on the analysis of the capture rate and market area done by the Market Analyst Darrell Jack who prepared the market study on Villas at Rabbit Hill #07313 only one, but not both of the proposed projects should be approved.

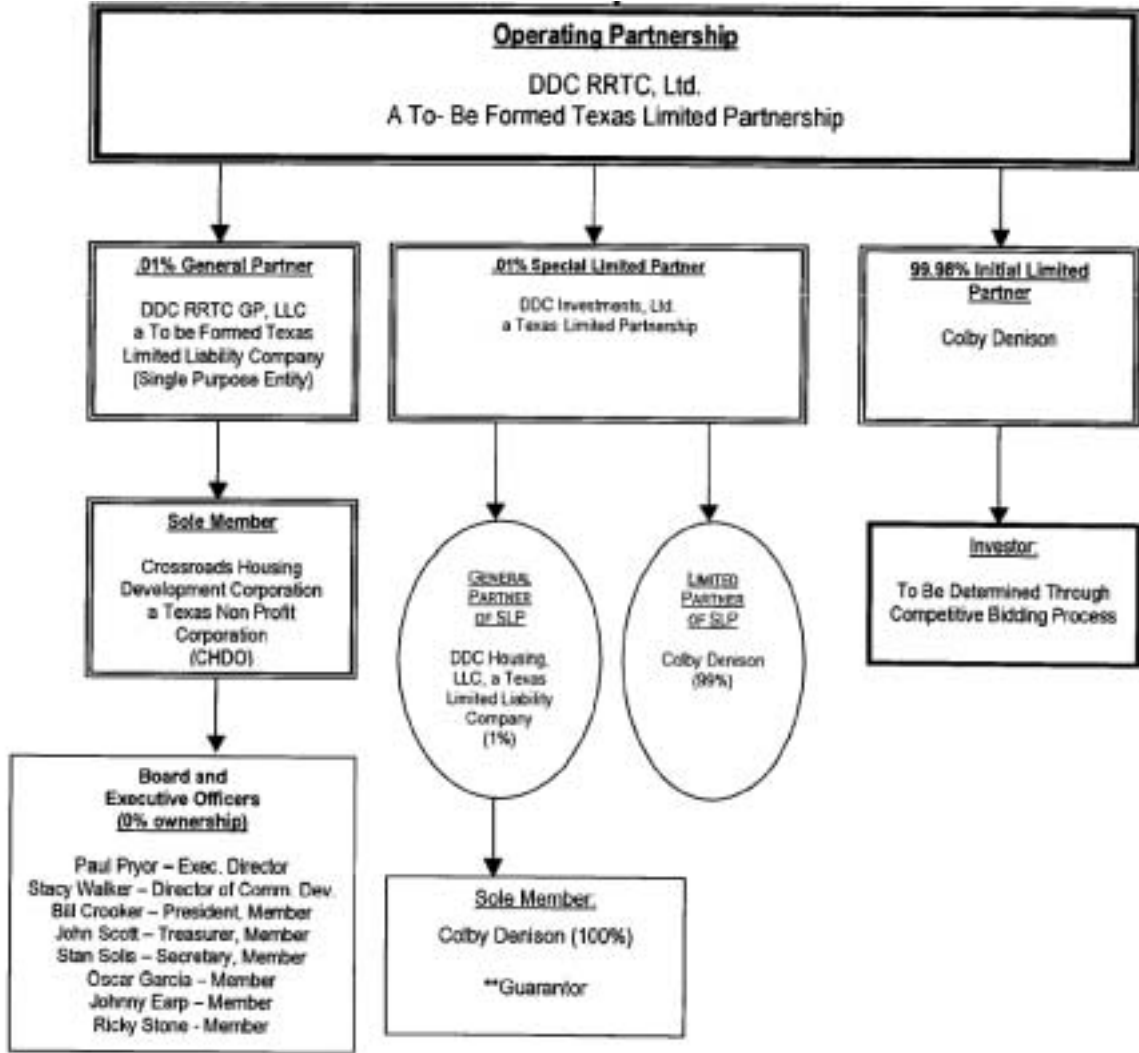
The market study suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Colby Denison Phone: (512) 732-1226 Fax: (512) 732-1276
 Email: colby@denisondevelopment.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Crossroads Housing Development	\$87,723	\$24,560	3
Colby Denison	Confidential	Confidential	2

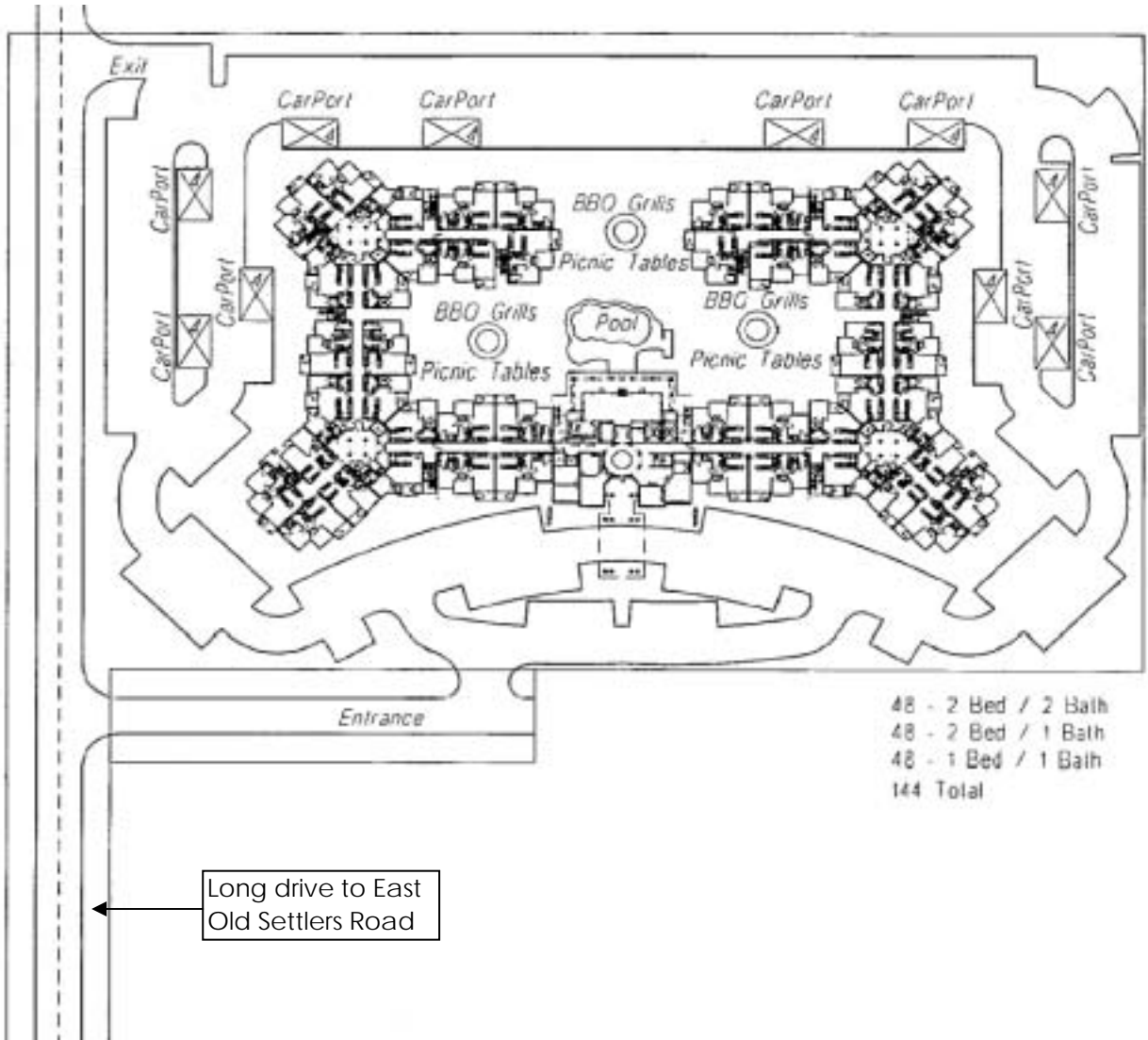
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1-A	1-B	2-A	2-B							Total Buildings
Floors/Stories	3	3	3	3							
Number	2	2	2	2							8

BR/BA	SF	Units								Total Units	Total SF
1/1	727		6							12	8,724
1/1	733		6	6						24	17,592
1/1	747		3	3						12	8,964
2/1	917	6	6	6	6					48	44,016
2/2	968	6	6		6					36	34,848
2/2	975		3	3						12	11,700
Units per Building		12	30	18	12					144	125,844

SITE ISSUES

Total Size: 8.00 acres Scattered site? Yes No
Flood Zone: X Within 100-yr floodplain? Yes No
Zoning: SF-Rural Needs to be re-zoned? Yes No N/A

Comments:

A request for a zoning change to MF was submitted to the City of Round Rock Planning and Zoning Commission. Approval of this zoning change is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/2/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: residence and undeveloped property
East: undeveloped property
South: undeveloped property and Old Settlers Road
West: dirt drive and undeveloped property

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ECS-Texas, LLP Date: 2/21/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 3/15/2007

Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 67.58 square feet (4.6 miles radius)

"The subject's primary market is defined as that area within the following geographic boundaries: Zip Codes 78664, 78681 and 78728: CR 114 and Challdlers Branch to the north; CR 175, Brushy Creek, Great Oaks, and Ranch Road 620 to the west; Lake Creek, the railroad tracks, and Howard Lane to the south; and IH-35, Pflugerville Loop, Pflugerville Round Rock Road, the eastern Williamson County line, and FM 685 to the east." (p. 10)

The Underwriter determined after mapping the subject property that two existing developments (Piccadilly Estates #060162 with 168 units and Cambridge Villas #05080 with 200 units) both just south of the described market area should also be included in the capture rate calculations as well as Villas at Rabbit Hill #07313 also being considered in this 9% round. Bob Coe, the Market Analyst, then revised the PMA to include zip codes 78634, 78660, 78664, 78681, 78727, and 78728. Even though the Market Analyst did not consider the revised market area to be the appropriate market area he performed the analysis as requested. The final conclusion to the new market area being considered increased the total demand to 1,055 and the total of unstabilized comparable units to 648 which yielded a capture rate of 61.43% which is still below the maximum capture rate of 75%.

It should be noted that the Underwriter also requested the Market Analyst, Darrell Jack, who calculated the capture rate for the other proposed development Villas at Rabbit Hill #07313 to also include the developments Piccadilly Estates #060162 and Cambridge Villas #05080 in his capture rate calculations as well as Bluff's Landing Senior Village #07249.

Mr. Jack's response was as follows: "Per your request, we have looked at the Round Rock/North Austin area and evaluated a number of Primary Market Areas (PMA's) that would include the subject, as well as Bluffs Landing Senior Village, Piccadilly Estates (#060162 and Cambridge Villas (#05080). Based on this analysis and the capture rates we calculated, we believe that it would be possible to underwrite one, but not both of the proposed projects within a PMA of less than 250,000 people. Using a number of adjacent zip codes for the PMA, the smallest one that would calculate a capture rate to allow both projects had 312,000+ people. Based on this analysis, we could see only one of the projects going forward."

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Rabbit Hill	07313	136	136	N/A			

INCOME LIMITS						
Williamson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	86	10	0	96	4	12	16.6%
1BR/60% Rent Limit	162	43	0	205	32	104	66.5%
2BR/30% Rent Limit	64	7	0	71	11	2	18.5%
2BR/50% Rent Limit	113	22	0	135	43	0	31.7%
2BR/60% Rent Limit	123	29	0	152	54	18	47.3%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 71	17%	7,793	100%	7,793	included in Tenure%	8%	594
Underwriter	17%	8,100	100%	8,100	17%	1,394	46%
							635
							416
							254

PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 71		100%	1,795	included in Tenure%	8%	137	100%	137	
Underwriter			100%	313	17%	54	46%	24	100%	24
DEMAND from OTHER SOURCES										
Market Analyst	p. 70								7	
Underwriter									1	

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate	
Market Analyst	p. 72	144	136	0	648	973	66.60%
Underwriter Orig PMA*		144	0	0	144	280	51.51%
Underwriter Rev PMA*		144	368	0	512	715	71.61%

* excludes 136 units at Villas at Rabbit Hill #07313

Primary Market Occupancy Rates:

"The average occupancy for apartments in the subject's primary market area was reported at 93.85% in the most recent O'ConnorData.com survey (December 2006). According to the survey, occupancy in the primary market area in December 2006 has decreased slightly from the prior quarter. Average occupancy in the primary market area had declined since September 1999 due to new construction, but appears to have re-stabilized. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 40)

Absorption Projections:

"Absorption in the subject's primary market area over the past twelve quarters ending December 2006 totals a positive 885 units. Absorption has been positive in nine of the past twelve quarters. Absorption over the past three years has averaged plus or minus 74 units per quarter, with the greatest amount of absorption taking place in the Class B properties." (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 727 SF 50%	\$552	\$552	\$720	\$552	\$168		
1 BR 733 SF 50%	\$552	\$552	\$720	\$552	\$168		
1 BR 733 SF 60%	\$617	\$686	\$720	\$686	\$34		
1 BR 747 SF 30%/LH	\$286	\$286	\$725	\$286	\$439		
1 BR 747 SF 30%	\$286	\$286	\$725	\$286	\$439		
1 BR 747 SF 60%	\$617	\$686	\$725	\$686	\$39		
2 BR 917 SF 30%/LH	\$328	\$328	\$895	\$328	\$567		
2 BR 917 SF 30%	\$328	\$328	\$895	\$328	\$567		
2 BR 917 SF 50%	\$648	\$648	\$895	\$648	\$247		
2 BR 917 SF 60%	\$691	\$808	\$895	\$808	\$87		
2 BR 968 SF 50%	\$648	\$648	\$975	\$648	\$327		
2 BR 968 SF 60%	\$727	\$808	\$975	\$808	\$167		
2 BR 975 SF 30%/LH	\$328	\$328	\$975	\$328	\$647		
2 BR 975 SF 30%	\$328	\$328	\$975	\$328	\$647		
2 BR 975 SF 60%	\$727	\$808	\$975	\$808	\$167		

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 12) The Department has previously funded numerous properties in and near this submarket and there are two unstabilized developments targeting elderly households within 2 miles of the original PMA Boundary mentioned above. In addition there are two additional HTC properties targeting elderly households in this market that have been developed since 1998 (Heatherwilde Park Retirement #00004 with 128 units and The Lodge at Merriltown #98174 with 204 units).

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. Based on the analysis of the capture rate and market area done by the Market Analyst Darrell Jack who prepared the market study on 07313 Villas at Rabbit Hill only one, but not both of the proposed projects should be approved. The Underwriter believes that funding both developments would provide an excess concentration of elderly developments in that market. The Underwriter does not recommend the subject if the other development, 07313 Villas of Rabbit Hill ultimately scores higher than the subject.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant has rents lower than the allowable program maximum for all units targeting households with incomes at or below 60% of AMGI. The Underwriter's estimate includes the maximum net program rents (the current gross program rents less the current utility allowances as maintained by the Round Rock Housing Authority) for all unit types. The Market Analyst concludes that the market could support rents at these rent limit maximums.

The Applicant has projected secondary income from laundry and late fees at \$10 per unit per month. In addition, 40 carports will be available for rent and a contract for bulk cable services is contemplated; the Applicant anticipates \$40 per unit per month from these two sources. No documentation was submitted to support the income from carports and the cable service; therefore, the underwriting analysis includes the standard total of only \$15 per unit per month for secondary income.

Despite these differences, the Applicant's effective gross income figure is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/17/2007

The Applicant's total annual operating expense projection at \$3,876 per unit is within 5% of the Underwriter's estimate of \$3,889, derived from the TDHCA database. However, the Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's, particularly: general and administrative (\$16K lower), water, sewer and trash (\$40K higher), and property tax (\$17K lower). It should be noted that the Applicant anticipates a 50% property tax exemption as a result of the non-profit general partner's participation in the transaction. The Underwriter also included this 50% exemption.

Conclusion:

The Applicant's total estimates of effective gross income and total operating expense are consistent with the Underwriter's expectations as is the Applicant's net operating income. Therefore, the Applicant's Year 1 proforma will be used to evaluate debt service capacity. Based on the proposed permanent financing structure, the development will meet the Department's debt coverage ratio guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 62.7 acres	<u>\$2,509,360</u>	Tax Year:	<u>2006</u>
Land Per Acre:	<u>\$40,000</u>	Valuation by:	<u>Williamson CAD</u>
Prorated 8.0 Acres:	<u>\$320,000</u>	Tax Rate:	<u>2.531353</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Commercial Contract - Unimproved Property</u>	Acreage: <u>8</u>
Contract Expiration: <u>10/31/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,400,000</u>	Other: _____
Seller: <u>A.E. Martin</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/17/2007

Acquisition Value:

The site cost of \$175,000 per acre or \$9,722 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. It should be noted, the site control contract indicates an acquisition cost of \$1,400,000 and the title commitment indicate a cost of \$1,400,000, but the development cost schedule indicates an acquisition cost of \$1,526,000. This additional cost of \$126K is the sales commission (9%) plus other closing costs of \$10K to be paid by the buyer in this case.

Such a sales commission is extraordinary in amount and in that it is being paid by the purchaser. Moreover there is no Cooperating Broker listed in the contract but only a Seller's Broker who is to receive a 3% commission. If this proposed but undisclosed Cooperating Broker is being paid a finders fee for locating the site, the fee should be incorporated in the Developer's fee as it would normally be part of the developers responsibility to locate an appropriate site. The Underwriter's acquisition cost is therefore reduced to only include the Selling Broker's fee pursuant to the contract and should the Applicant's costs be utilized in sizing the allocation an adjustment to the Sources of funds will be made to assure that the gap of funds needed to be sourced from TDHCA programs is not inflated.

Sitework Cost:

The Applicant claimed sitework costs over the Department's maximum safe harbor guideline of \$9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by Joseph Reue a professional engineer to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Thomas Stephen & company, LLP, to preliminarily opine that all of the total \$1,723,868 will be considered eligible.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$103K or 1.4% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contractor fees, developer fees and contingencies exceed the maximums allowed by HTC guidelines by a total of \$30,589 based on their own construction costs as correctly allocated. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, as adjusted by the Underwriter for ineligible costs, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$13,946,856 supports annual tax credits of \$1,192,456. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Capital Area Housing Finance Corp Type: Predevelopment Financing

Principal: \$1,000,000 Interest Rate: 4.90% Fixed Term: 12 months

Comments:

Interest Rate: floating AFR less 10 bps. A below AFR loan could impact the Applicable percentage if the funds are federally sourced.

Source: JPMorgan Chase Type: Interim Financing

Principal: \$6,200,000 Interest Rate: 8.75% Fixed Term: 30 months

Comments:

Interest Rate: Floating Libor plus 225 bps

Source: JPMorgan Chase Type: Permanent Financing

Principal: \$4,300,000 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

Interest Rate: Subject to change based on the Community Development Trust weekly rate quote; \$250 per unit per month replacement reserve required

Source: MMA Financial, Inc. Type: Syndication

Proceeds: \$10,557,888 Syndication Rate: 88% Anticipated HTC: \$ 1,200,000

Comments:

The syndication price is at the low end of current market prices and an increase in rate to 95% could reduce the final allocation of credits since there would be no more deferred developer fee to absorb excess syndication proceeds.

Amount: \$740,684 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$4,300,000 and the requested HOME funds of \$900,000 indicates the need for \$11,122,020 in gap funds after the Cooperating Broker's fee as discussed above is removed. Based on the submitted syndication terms, a tax credit allocation of \$1,264,119 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,189,481), the gap-driven amount (\$1,264,119), and eligible basis-derived estimate (\$1,192,456), the Applicant's request estimate of \$1,189,481 is recommended.

MULTIFAMILY COMPARATIVE ANALYSIS

Bluffs Landing Senior Village, Round Rock, 9% HTC/HOME #07249

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	12	1	1	727	\$666	\$552	\$6,619	\$0.76	\$114.43	\$58.77
TC 50%	3	1	1	733	\$666	552	1,655	0.75	114.43	58.77
TC 60%	21	1	1	733	\$800	686	14,397	0.94	114.43	58.77
TC30%-LH	3	1	1	747	\$400	286	857	0.38	114.43	58.77
TC 30%	2	1	1	747	\$400	286	571	0.38	114.43	58.77
TC 60%	7	1	1	747	\$800	686	4,799	0.92	114.43	58.77
TC30%-LH	3	2	1	917	\$480	328	985	0.36	151.81	64.48
TC 30%	2	2	1	917	\$480	328	656	0.36	151.81	64.48
TC 50%	15	2	1	917	\$800	648	9,723	0.71	151.81	64.48
TC 60%	28	2	1	917	\$960	808	22,629	0.88	151.81	64.48
TC 50%	13	2	2	968	\$800	648	8,426	0.67	151.81	64.48
TC 60%	23	2	2	968	\$960	808	18,588	0.83	151.81	64.48
TC30%-LH	3	2	2	975	\$480	328	985	0.34	151.81	64.48
TC 30%	2	2	2	975	\$480	328	656	0.34	151.81	64.48
TC 60%	7	2	2	975	\$960	808	5,657	0.83	151.81	64.48
TOTAL:	144		AVERAGE:	874		\$675	\$97,204	\$0.77	\$139.35	\$62.58

INCOME Total Net Rentable Sq Ft: 125,844

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$15.00	
Other Support Income: Cable & Carports			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
EFFECTIVE GROSS INCOME			

TDHCA	APPLICANT
\$1,166,443	\$1,074,936
25,920	17,280
0	72,480
\$1,192,363	\$1,164,696
(89,427)	(87,348)
0	0
\$1,102,936	\$1,077,348

COUNTY	IREM REGION	COMPT. REGION
Williamson	Austin	7
\$10.00	Per Unit Per Month	
\$41.94	Per Unit Per Month	
-7.50%	of Potential Gross Income	

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.10%	\$390	0.45
Management	5.00%	383	0.44
Payroll & Payroll Tax	12.79%	980	1.12
Repairs & Maintenance	4.65%	356	0.41
Utilities	2.41%	185	0.21
Water, Sewer, & Trash	5.24%	402	0.46
Property Insurance	2.93%	225	0.26
Property Tax	2.531353	443	0.51
Reserve for Replacements	3.26%	250	0.29
TDHCA Compliance Fees	0.52%	40	0.05
Supp. Serv., Security, and Cable	3.08%	236	0.27
TOTAL EXPENSES	50.78%	\$3,889	\$4.45
NET OPERATING INC	49.22%	\$3,770	\$4.31

TDHCA	APPLICANT
\$56,203	\$40,000
55,147	53,867
141,120	141,459
51,326	50,620
26,587	19,800
57,832	97,650
32,369	32,400
63,790	46,295
36,000	36,000
5,760	5,760
33,952	33,952
\$560,086	\$557,803
\$542,850	\$519,545

PER SQ FT	PER UNIT	% OF EGI
\$0.32	\$278	3.71%
0.43	374	5.00%
1.12	982	13.13%
0.40	352	4.70%
0.16	138	1.84%
0.78	678	9.06%
0.26	225	3.01%
0.37	321	4.30%
0.29	250	3.34%
0.05	40	0.53%
0.27	236	3.15%
\$4.43	\$3,874	51.78%
\$4.13	\$3,608	48.22%

DEBT SERVICE	%	PER UNIT	PER SQ FT
JP Morgan Chase	32.71%	\$2,506	\$2.87
TDHCA - HOME Funds	4.66%	\$357	\$0.41
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	11.85%	\$908	\$1.04
AGGREGATE DEBT COVERAGE RATIO			
RECOMMENDED DEBT COVERAGE RATIO			

TDHCA	APPLICANT
\$360,795	\$360,795
51,364	51,364
0	0
\$130,691	\$107,386
1.32	1.26
	1.24

PER SQ FT	PER UNIT	% of TOTAL
\$2.87	\$2,506	33.49%
\$0.41	\$357	4.77%
\$0.00	\$0	0.00%
\$0.85	\$746	9.97%

CONSTRUCTION COST	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.84%	\$10,083	\$11.54
Off-Sites		0.00%	0	0.00
Sitework		10.50%	11,971	13.70
Direct Construction		43.22%	49,276	56.38
Contingency	5.00%	2.69%	3,062	3.50
Contractor's Fees	14.00%	7.52%	8,575	9.81
Indirect Construction		5.67%	6,463	7.40
Ineligible Costs		3.30%	3,768	4.31
Developer's Fees	14.88%	11.10%	12,661	14.49
Interim Financing		5.02%	5,729	6.56
Reserves		2.13%	2,431	2.78
TOTAL COST		100.00%	\$114,018	\$130.47
Construction Cost Recap		63.92%	\$72,884	\$83.40

TDHCA	APPLICANT
\$1,452,000	\$1,536,000
0	0
1,723,868	1,723,868
7,095,683	6,992,200
440,978	442,803
1,234,737	1,239,849
930,622	930,622
542,575	542,575
1,823,145	1,823,145
824,958	824,958
350,000	350,000
\$16,418,566	\$16,406,020
\$10,495,266	\$10,398,720

PER SQ FT	PER UNIT	% of TOTAL
\$12.21	\$10,667	9.36%
0.00	0	0.00%
13.70	11,971	10.51%
55.56	48,557	42.62%
3.52	3,075	2.70%
9.85	8,610	7.56%
7.40	6,463	5.67%
4.31	3,768	3.31%
14.49	12,661	11.11%
6.56	5,729	5.03%
2.78	2,431	2.13%
\$130.37	\$113,931	100.00%
\$82.63	\$72,213	63.38%

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT
JP Morgan Chase	26.19%	\$29,861	\$34.17
TDHCA - HOME Funds	5.48%	\$6,250	\$7.15
HTC Syndication Proceeds	64.30%	\$73,319	\$83.90
Deferred Developer Fees	4.51%	\$5,144	\$5.89
Additional (Excess) Funds Req'd	-0.49%	(\$556)	(\$0.64)
TOTAL SOURCES			

TDHCA	APPLICANT
\$4,300,000	\$4,300,000
900,000	900,000
10,557,888	10,465,336
740,684	740,684
(80,006)	0
\$16,418,566	\$16,406,020

RECOMMENDED	Developer Fee Available
\$4,300,000	\$1,819,155
900,000	% of Dev. Fee Deferred
10,465,339	36%
656,681	15-Yr Cumulative Cash Flow
0	\$2,617,945
\$16,322,020	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bluffs Landing Senior Village, Round Rock, 9% HTC/HOME #07249

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.28	\$6,956,926
Adjustments				
Exterior Wall Finish	0.80%		\$0.44	\$55,655
Elderly	3.00%		1.66	208,708
Elevators	\$43,500	4	1.38	174,000
Roofing			0.00	0
Subfloor			(0.82)	(103,612)
Floor Cover			2.43	305,801
Breezeways/Balconies	\$22.27	11,118	1.97	247,598
Plumbing Fixtures	\$805	144	0.92	115,920
Rough-ins	\$400	144	0.46	57,600
Built-In Appliances	\$1,850	144	2.12	266,400
Exterior Stairs	\$2,100	24	0.40	50,400
Enclosed Corridors	\$43.89	24,828	8.66	1,089,754
Heating/Cooling			1.90	239,104
Carports	\$10.15	8,000	0.65	81,200
Comm &/or Aux Bldgs	\$64.12	4,470	2.28	286,605
Other: fire sprinkler	\$1.95	125,844	1.95	245,396
SUBTOTAL			81.67	10,277,455
Current Cost Multiplier	0.98		(1.63)	(205,549)
Local Multiplier	0.87		(10.62)	(1,336,069)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.42	\$8,735,836
Plans, specs, survy, bld prmts	3.90%		(\$2.71)	(\$340,698)
Interim Construction Interest	3.38%		(2.34)	(294,834)
Contractor's OH & Profit	11.50%		(7.98)	(1,004,621)
NET DIRECT CONSTRUCTION COSTS			\$56.38	\$7,095,683

PAYMENT COMPUTATION

Primary	\$4,300,000	Amort	360
Int Rate	7.50%	DCR	1.50
Secondary	\$900,000	Amort	480
Int Rate	4.90%	Subtotal DCR	1.32
Additional		Amort	
Int Rate		Aggregate DCR	1.32

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

Primary Debt Service	\$360,795
Secondary Debt Service	57,318
Additional Debt Service	0
NET CASH FLOW	\$101,431

Primary	\$4,300,000	Amort	360
Int Rate	7.50%	DCR	1.44
Secondary	\$900,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.24
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

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	\$1,074,936	\$1,107,184	\$1,140,400	\$1,174,612	\$1,209,850	\$1,402,548	\$1,625,937	\$1,884,907	\$2,533,157
Secondary Income	17,280	17,798	18,332	18,882	19,449	22,546	26,138	30,301	40,721
Other Support Income: Cable & Carp	72,480	74,654	76,894	79,201	81,577	94,570	109,633	127,094	170,804
POTENTIAL GROSS INCOME	1,164,696	1,199,637	1,235,626	1,272,695	1,310,876	1,519,664	1,761,707	2,042,301	2,744,682
Vacancy & Collection Loss	(87,348)	(89,973)	(92,672)	(95,452)	(98,316)	(113,975)	(132,128)	(153,173)	(205,851)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,077,348	\$1,109,664	\$1,142,954	\$1,177,243	\$1,212,560	\$1,405,689	\$1,629,579	\$1,889,129	\$2,538,831
EXPENSES at 4.00%									
General & Administrative	\$40,000	\$41,600	\$43,264	\$44,995	\$46,794	\$56,932	\$69,267	\$84,274	\$124,746
Management	53,867	55,483	57,148	58,862	60,628	70,284	81,479	94,456	126,941
Payroll & Payroll Tax	141,459	147,118	153,002	159,122	165,487	201,341	244,962	298,033	441,162
Repairs & Maintenance	50,620	52,645	54,751	56,941	59,218	72,048	87,657	106,649	157,866
Utilities	19,800	20,592	21,416	22,272	23,163	28,182	34,287	41,716	61,749
Water, Sewer & Trash	97,650	101,556	105,618	109,843	114,237	138,986	169,098	205,734	304,536
Insurance	32,400	33,696	35,044	36,446	37,903	46,115	56,106	68,262	101,044
Property Tax	46,295	48,147	50,073	52,076	54,159	65,892	80,168	97,537	144,378
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	39,712	41,300	42,952	44,671	46,457	56,523	68,768	83,667	123,848
TOTAL EXPENSES	\$557,803	\$579,577	\$602,205	\$625,722	\$650,162	\$787,543	\$954,133	\$1,156,174	\$1,698,543
NET OPERATING INCOME	\$519,545	\$530,087	\$540,749	\$551,521	\$562,398	\$618,147	\$675,446	\$732,955	\$840,289
DEBT SERVICE									
First Lien Financing	\$360,795	\$360,795	\$360,795	\$360,795	\$360,795	\$360,795	\$360,795	\$360,795	\$360,795
Second Lien	57,318	57,318	57,318	57,318	57,318	57,318	57,318	57,318	57,318
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$101,431	\$111,974	\$122,636	\$133,408	\$144,285	\$200,033	\$257,333	\$314,842	\$422,175
DEBT COVERAGE RATIO	1.24	1.27	1.29	1.32	1.35	1.48	1.62	1.75	2.01

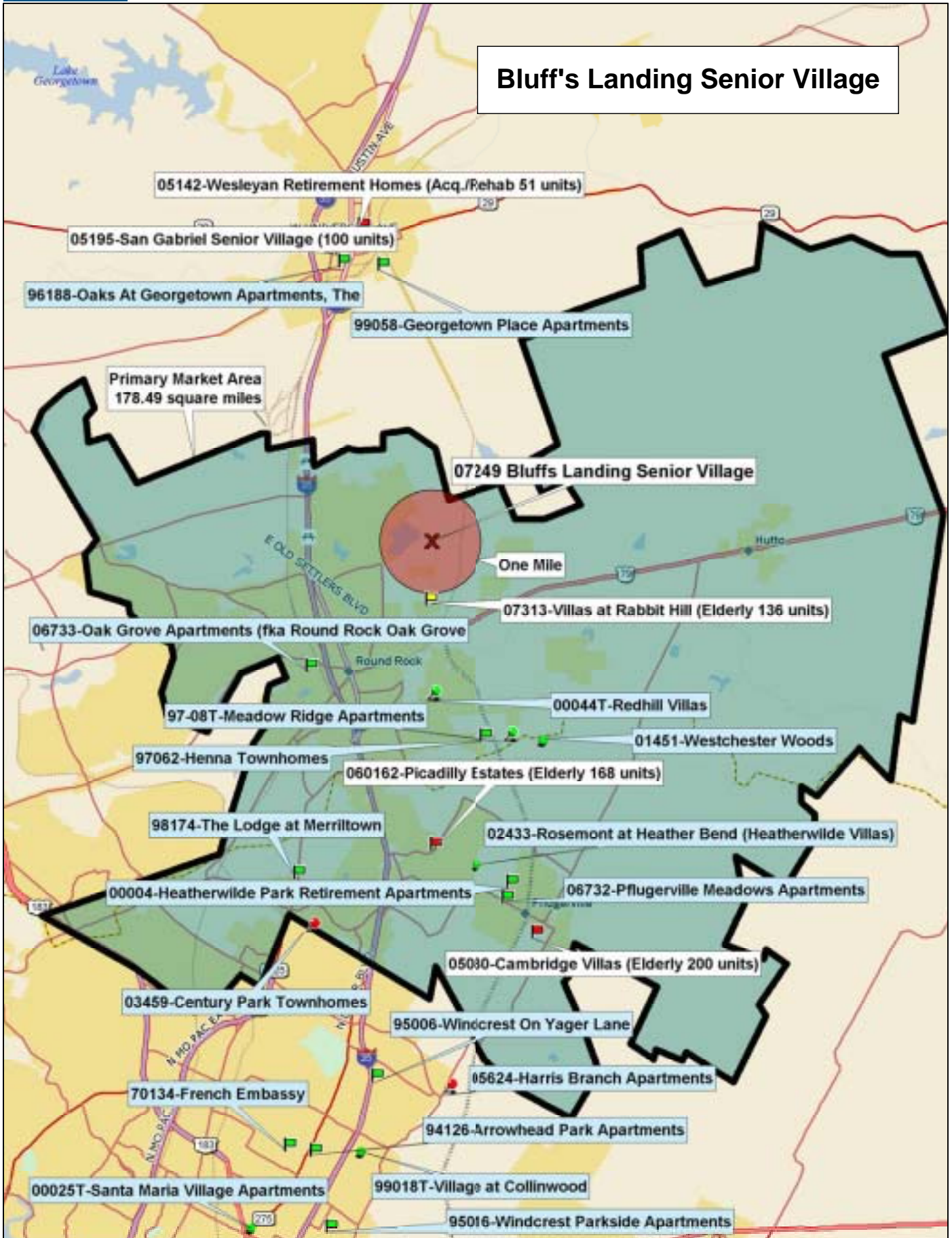
HTC ALLOCATION ANALYSIS -Bluffs Landing Senior Village, Round Rock, 9% HTC/HOME #07249

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,536,000	\$1,452,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,723,868	\$1,723,868	\$1,723,868	\$1,723,868
Construction Hard Costs	\$6,992,200	\$7,095,683	\$6,992,200	\$7,095,683
Contractor Fees	\$1,239,849	\$1,234,737	\$1,220,250	\$1,234,737
Contingencies	\$442,803	\$440,978	\$435,803	\$440,978
Eligible Indirect Fees	\$930,622	\$930,622	\$930,622	\$930,622
Eligible Financing Fees	\$824,958	\$824,958	\$824,958	\$824,958
All Ineligible Costs	\$542,575	\$542,575		
Developer Fees			\$1,819,155	
Developer Fees	\$1,823,145	\$1,823,145		\$1,823,145
Development Reserves				
	\$350,000	\$350,000		
TOTAL DEVELOPMENT COSTS	\$16,406,020	\$16,418,566	\$13,946,856	\$14,073,991

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$13,946,856	\$14,073,991
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$13,946,856	\$14,073,991
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$13,946,856	\$14,073,991
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,192,456	\$1,203,326

Syndication Proceeds	0.8798	\$10,491,516	\$10,587,153
Total Tax Credits (Eligible Basis Method)		\$1,192,456	\$1,203,326
Syndication Proceeds		\$10,491,516	\$10,587,153
Requested Tax Credits		\$1,189,481	
Syndication Proceeds		\$10,465,339	
Gap of Syndication Proceeds Needed		\$11,122,020	
Total Tax Credits (Gap Method)		\$1,264,119	

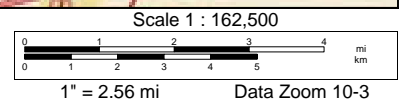
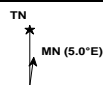
Bluff's Landing Senior Village



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www.delorme.com



Applicant Evaluation

Project ID # **07249**

Name: **Bluffs Landing Senior Village**

City: **Round Rock**

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

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No
 # monitored with a score less than thirty: 3
 # not yet monitored or pending review: 3

Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell
 Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer RAUL GONZALES
 Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/12/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Brooks Manor Apartments, TDHCA Number 07252

BASIC DEVELOPMENT INFORMATION

Site Address: 444 Jefferson Ave. Development #: 07252
City: West Columbia Region: 6 Population Served: General
County: Brazoria Zip Code: 77486 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: CHDO Preservation General Acquisition: [checked]

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: National Housing Development Corporation
Owner Contact and Phone: Lisa Castillo (909) 816-2463
Developer: National Housing Development Corporation
Housing General Contractor: To Be Determined
Architect: Michael Gaertner
Market Analyst: O' Conner & Associates
Syndicator: CharterMac Capital
Supportive Services: HOPE Through Housing
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 50
0 0 40 10 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 50 0 0 0 0 Total Development Units: 50
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 10
HOME High Total Units: 0
HOME Low Total Units: 0
[] Duplex [checked] 4 units or more per building
[] Triplex [] Detached Residence
[] Fourplex [] Single Room Occupancy
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$226,377 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Brooks Manor Apartments, TDHCA Number 07252

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Janek, District 17, NC

Points: 0

US Representative: Paul, District 14, NC

TX Representative: Bonnen, District 25, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **0**

In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

None.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Brooks Manor Apartments, TDHCA Number 07252

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

Competitive Housing Tax Credits: Score: **144** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at Farmers Branch, TDHCA Number 07254

BASIC DEVELOPMENT INFORMATION

Site Address: 11701 Mira Lago Blvd. Development #: 07254
 City: Farmers Branch Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75234 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Farmers Branch Senior Community, L.P.
 Owner Contact and Phone: Bradley E. Forslund (972) 550-7800
 Developer: Churchill Residential, Inc.
 Housing General Contractor: ICI Construction, Inc.
 Architect: GTF Designs
 Market Analyst: Integra Realty Resources
 Syndicator: SunAmerica Affordable Housing Partners, Inc.
 Supportive Services: LifeNet Behavior Healthcare
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	90	
	9	0	0	81	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	45	45	0	0	0	
Type of Building:						Total Development Units:	90
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$14,063,262
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	4
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,194,940			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at Farmers Branch, TDHCA Number 07254

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

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,194,940

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/24/07 PROGRAM: 9% HTC FILE NUMBER: 07254

DEVELOPMENT																		
Evergreen at Farmers Branch																		
Location: 11701 Mira Lago Blvd				Region: 3														
City: Farmers Branch		County: Dallas		Zip: 75234		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: Multifamily, Elderly, New Construction, Urban/Exurban																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,200,000			\$1,194,940														
CONDITIONS																		
<p>1 Receipt, review, and acceptance by cost certification of documentation that the Schedule B title issues have been resolved or an opinion(s) by legal counsel, architect or engineer as appropriate that the proposed development can be constructed with the covenant in place if some or all of these issues cannot be resolved. Also, receipt, review, and acceptance of documentation that the liens indicated in the Schedule C, Deed of Trust title issue, will be released for the subject.</p> <p>2 Receipt, review, and acceptance prior to Board approval of a current copy of the FEMA flood map that properly outlines this property and confirms that it is located in Zone X.</p> <p>3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p>																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">9</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">81</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	9	60% of AMI	60% of AMI	81
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	9																
60% of AMI	60% of AMI	81																
PROS			CONS															
<p>This would be the first new tax credit development in Farmer's Branch and the primary Market Area (PMA) in 14 years.</p>			<p>The Applicant's expense to income ratio exceeds the Department maximum as a result of extensive deep rent targeting but the Underwriter's ratio is slightly less than the maximum guideline and therefore considered to be acceptable.</p>															

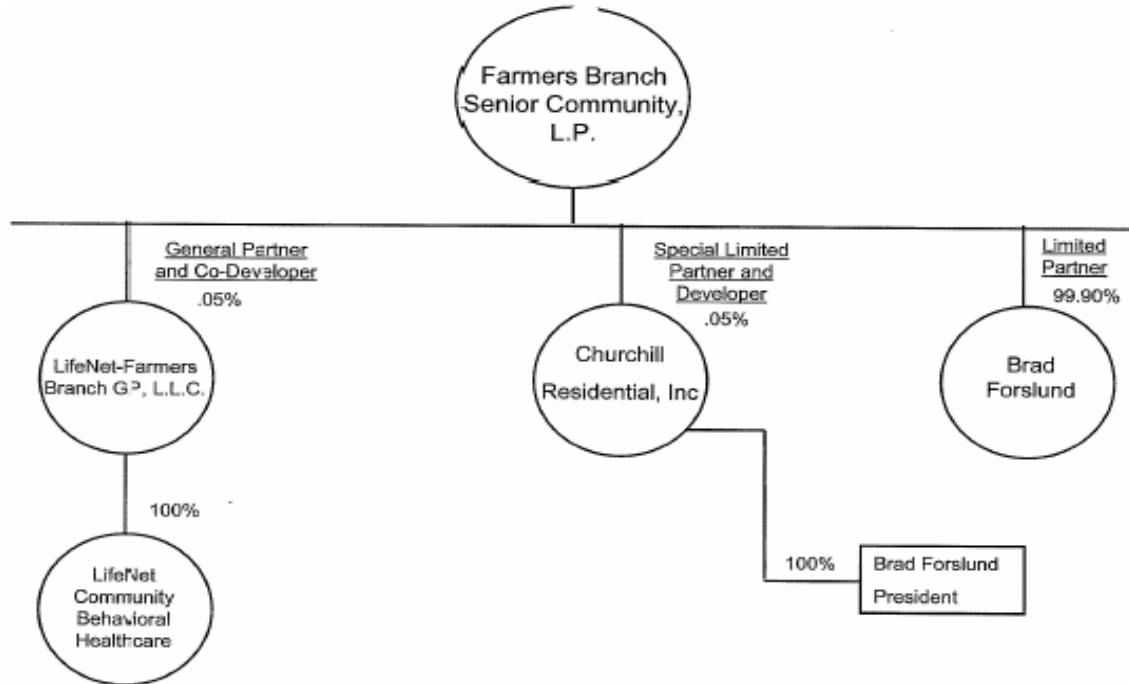
The Applicant's anticipated syndication proceeds as a percentage of total cost (83%) is higher than typical due to the 130% DDA boost, high permanent interest rate, deep rent targeting, and low syndication rate.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Brad Forslund Phone: (972) 550-7800 Fax: (972) 550-7900
 Email: bforslund@cri.bz

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
LifeNet Comm. Behavioral Heal	\$2,163,048	\$353,773	
Churchill Residential, Inc	\$3,730	(\$9,647)	
Bradley Forslund	CONFIDENTIAL		

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, and property manager are related entities. These are common relationships for HTC-funded developments.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff

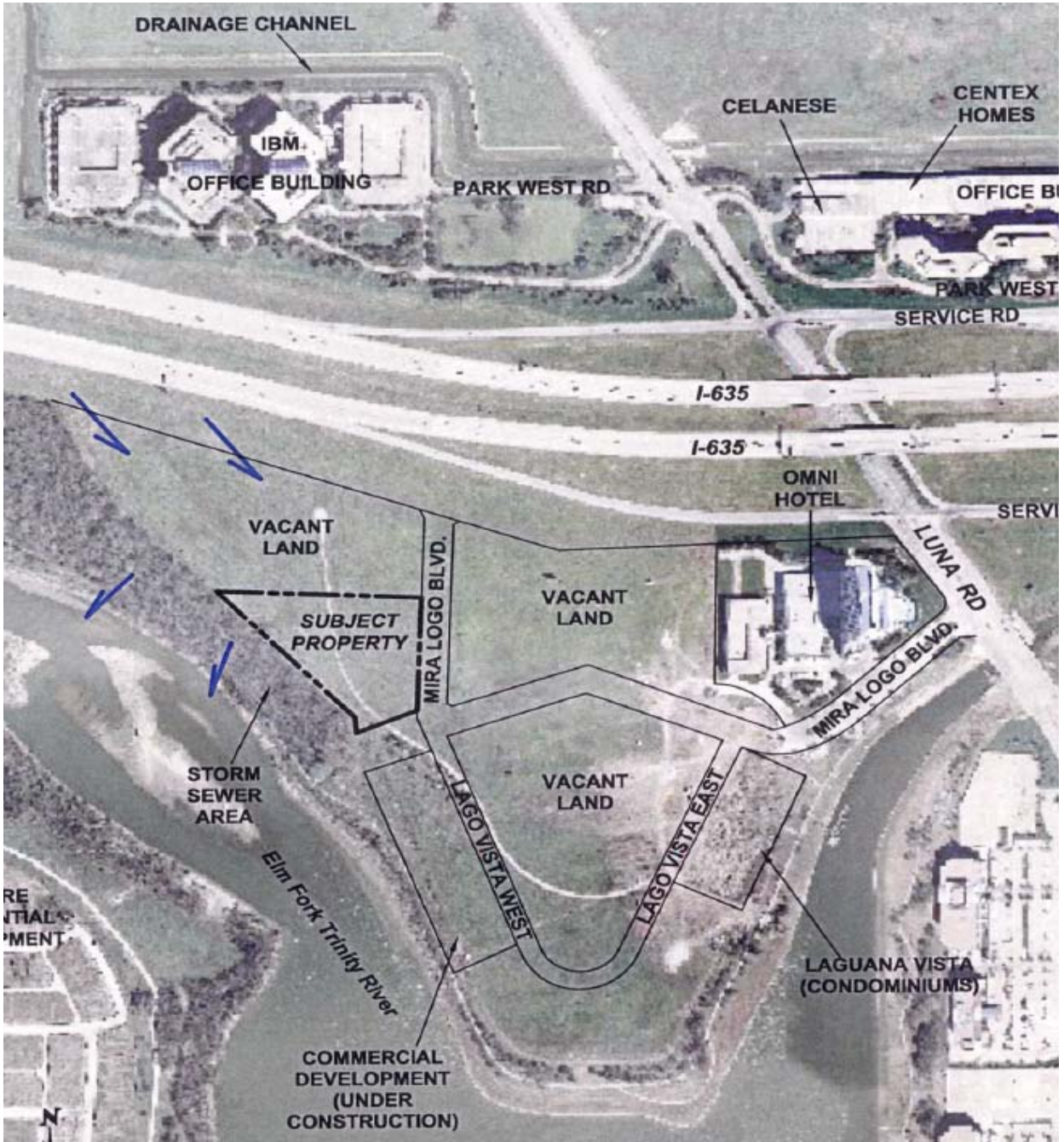
Date: 5/8/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

- North: Interstate Highway-635 and vacant/undeveloped land
- South: Elm Fork Trinity River and under construction commercial development
- East: Proposed Mira Lago Blvd and vacant/undeveloped land
- West: Elm Fork Trinity River and vacant/undeveloped land



HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Rone Engineering Date: 3/27/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The ESA was an update from 2006 which stated that the property was in flood Zone X but it was unclear whether or not the submitted FEMA map supported this conclusion. Therefore this report is conditioned upon receipt, review, and acceptance prior to Board approval of a current copy of the FEMA flood map that properly outlines this property and confirms that it is located in Zone X.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 3/30/2007

Contact: Jon Cruse Phone: (972) 960-1222 Fax: (972) 960-2922

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 41.62 square miles ~ 3.65 mile radius

"For this analysis, we consider the primary market area (PMA) for the subject to be constrained by the following: Belt Line Road to the north and west; Webb Chapel Road to the east; Highway 114 (John Carpenter Freeway) and State Road 482 (Storey Lane) to the south." (p. 17)

Secondary Market Area (SMA):

The market analyst did not explicitly define a secondary market; however, the analyst noted that a 10-minute drive time to the subject was considered.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Dallas						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	49	5	0	54	5	0	9%
1 BR/60% Rent Limit	116	13	0	129	40	0	31%
2 BR/30% Rent Limit	45	5	0	50	4	0	8%
2 BR/60% Rent Limit	107	12	0	119	41	0	34%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 59	6,901						317
Underwriter	12% 7,547	100% 7,547	21% 1,580	24% 372	30%		110
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 57							35
Underwriter		100% 348	21% 73	24% 17	100%		17

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 60	90	0	0	90	352	25.57%
Underwriter	90	0	0	90	127	70.97%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the inclusive capture rate to be high but still acceptable at 71%.

Primary Market Occupancy Rates:

"...the simple average occupancy rate for LIHTC properties within the PMA is 92%." (p. 41)

Absorption Projections:

"We forecast a lease up period of 9 months for the subject, equating to an absorption pace of 10 units per month." (p. 81)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 700 SF 30%	\$297	\$296	\$895	\$296	\$599	
1 BR 700 SF 60%	\$671	\$671	\$895	\$671	\$224	
2 BR 925 SF 30%	\$336	\$335	\$1,055	\$335	\$720	
2 BR 925 SF 60%	\$785	\$785	\$1,055	\$785	\$270	

Market Impact:

In a letter dated June 20, 2007, the Market Analyst indicates, "There are currently four LIHTC properties located within the subject's PMA. Occupancy rates for the properties range from 91% to 94%. Of the four properties, none are restricted to seniors. We found there to be three new projects, other than the subject, forecast to come online within the PMA during the next 24 months. However, of the three new projects, none will have income and rent restricted units (i.e. LIHTC units). Nor will any of the new projects be restricted to seniors. The subject is the only known "seniors only" LIHTC project forecast to come online within the PMA. All of the subject's 90 units are LIHTC units. Based upon our Market Study, demand for "seniors only" LIHTC units on an annual basis is 352 units. Thus, we conclude there to be more than sufficient unmet demand to support the development of the subject without negatively impacting the existing supply of LIHTC units."

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of June 1, 2006, maintained by The City of Dallas Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$5,061 per unit is not within 5% of the Underwriter's estimate of \$4,472, derived from the TDHCA database, third-party data sources and the developers other properties in the area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative ("G & A") (\$8K higher), Payroll and Payroll Tax (\$56K higher), and Property Tax (\$14K lower).

The Applicant was asked to provide additional information to support their proposed expenses and provided six months of history G & A operating history for Evergreen at Mesquite. The information provided documented annualized G & A for the 200 units at Evergreen at Mesquite to be \$45,022 or \$225 per unit which is much less than the \$470 per unit the Applicant proposed. The Underwriter evaluated the full 2006 financial statement for this property and found the actual data reflected \$370 per unit which is still less than the Applicant's estimate and less than the Underwriter's estimate of \$385 per unit. Thus no further adjustment was justified. While the Applicant did not provide a justification for property taxes most likely because they typically partner with a non profit entity in order to garner a property tax exemption, no such exemption was implied in this application. The Underwriter adjusted the projected assessed value to \$38K per unit based upon the projected net operating income and a cap rate of 8.5% for Dallas County properties according to the Dallas County Appraisal District.

Conclusion:

The Applicant's operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The Applicant's operating proforma estimates and initial expense to income ratio exceeds the Department's 65% maximum and no mitigating circumstances exist in the application to support such a high figure. As indicated above, the Applicant's operating expenses (particularly payroll and payroll tax) are significantly overstated, which allow the projected debt coverage ratio to appear to be below 1.35 and therefore not require additional debt. The Underwriter's analysis however, reflects a lower expense estimate and an expense to income ratio below 65%; therefore, even though as indicated above, the Underwriter's debt coverage ratio exceeds 1.35, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	4 acres	<u>\$1,337,810</u>	Tax Year:	<u>2006</u>
1 acre:		<u>\$334,453</u>	Valuation by:	<u>Dallas CAD</u>
Prorata Total:	3 acres	<u>\$1,003,358</u>	Tax Rate:	<u>2.731434</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Purchase and Sale Agreement</u>	Acreage:	<u>3</u>
Contract Expiration:	<u>8/28/2007</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,764,180</u>	Other:	<u>\$13.50 per square foot</u>
Seller:	<u>Transcontinental Realty Investors, Inc</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Schedule B, item 1 of the title commitment lists restrictive covenants that appear to affect the subject property. Also item 10 lists several contracts that may constrain development if not resolved. The Underwriter has asked the Applicant for clarification on these items, and the Applicant has indicated that they are continuing to work with the title company to resolve these issues. This report is conditioned upon receipt, review, and acceptance by cost certification of documentation that the Schedule B title issues have been resolved or an opinion(s) by legal counsel, architect or engineer as appropriate that the proposed development can be constructed with the covenant in place if some or all of these issues cannot be resolved.

Finally, Schedule C of the title commitment indicates a Deed of Trust executed by the current owner for a much larger tract and improvements that could possibly jeopardize the transfer of title. It is expected that these liens will be released for the subject and documentation that this is the case is also a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$588,060 per acre or \$19,602 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,928 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$394K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Ineligible Costs/Reserves:

The Applicant included \$396,494 in reserves but the lender and syndicator letters do not refer to such a high requirement, therefore, the Underwriter used the standard 6 month estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$30,644 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$11,433,082 supports annual tax credits of \$1,270,787. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: AIG Retirement Services, Inc./SunAmerica Type: Interim to Permanent Financing

Interim:	<u>\$2,225,000</u>	Interest Rate:	<u>8.50%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>24</u>	months
Permanent:	<u>\$2,225,000</u>	Interest Rate:	<u>8.50%</u>	<input checked="" type="checkbox"/>	Fixed	Amort:	<u>360</u>	months

Source: City of Farmers Branch (Parking Abatement) Type: In-Kind Contribution

Principal: \$740,000 Conditions: _____

Comments:

In the form of an abatement of the current zoning requirement of parking garage spaces - cost savings of \$20K per garage space; Or, the Applicant intends to apply to city for loan in this amount @ or below AFR.

Source: SunAmerica Affordable Housing Partners Type: Syndication

Proceeds: \$11,040,000 Syndication Rate: 92% Anticipated HTC: \$ 1,200,000

Comments:

Although the syndication rate was not explicitly indicated in the commitment, the Underwriter found the commitment provided sufficient information necessary to calculate the syndication rate, including estimates of the Partnership's capital contribution and the anticipated annual tax credit allocation.

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$58,260 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$2,340,809 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$2,340,809 and the anticipated \$740K in-kind contribution indicates the need for \$10,982,453 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,194,940 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,194,940), and eligible basis-derived estimate (\$1,270,787), the gap-driven amount of \$1,194,940 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: June 24, 2007

Diamond Unique Thompson

Reviewing Underwriter: _____ Date: June 24, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 24, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Evergreen at Farmers Branch, Farmers Branch, 9% HTC #07254

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	5	1	1	700	\$373	\$296	\$1,480	\$0.42	\$77.00	\$66.00
TC 60%	40	1	1	700	\$748	671	26,840	0.96	77.00	66.00
TC 30%	4	2	2	925	\$448	335	1,340	0.36	113.00	80.00
TC 60%	41	2	2	925	\$898	785	32,185	0.85	113.00	80.00
TOTAL:	90		AVERAGE:	813		\$687	\$61,845	\$0.85	\$95.00	\$73.00

INCOME

Total Net Rentable Sq Ft: 73,125

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$7.50

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	4.99%	\$385	0.47	\$34,631	\$42,300	Dallas		3
Management	5.00%	386	0.47	34,699	34,704	\$7.50	Per Unit Per Month	
Payroll & Payroll Tax	12.59%	971	1.19	87,371	143,287	\$0.00	Per Unit Per Month	
Repairs & Maintenance	6.25%	482	0.59	43,389	38,340			
Utilities	3.35%	259	0.32	23,265	25,110			
Water, Sewer, & Trash	4.73%	364	0.45	32,794	40,320			
Property Insurance	3.09%	238	0.29	21,444	20,700			
Property Tax 2.731434	13.46%	1,038	1.28	93,415	79,273			
Reserve for Replacements	3.24%	250	0.31	22,500	22,500			
TDHCA Compliance Fees	0.52%	40	0.05	3,600	3,600			
Other:Security	0.78%	60	0.07	5,400	5,400			
TOTAL EXPENSES	58.00%	\$4,472	\$5.50	\$402,507	\$455,534	\$6.23	\$5,061	65.63%
NET OPERATING INC	42.00%	\$3,239	\$3.99	\$291,465	\$238,534	\$3.26	\$2,650	34.37%

DEBT SERVICE

First Lien Mortgage	29.58%	\$2,281	\$2.81	\$205,300	\$205,300	\$2.81	\$2,281	29.58%
City of Farmers Branch (Parking Aba	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	12.42%	\$957	\$1.18	\$86,165	\$33,234	\$0.45	\$369	4.79%

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)		13.15%	\$19,602	\$24.13	\$1,764,180	\$1,764,180	\$24.13	\$19,602	12.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.99%	8,928	10.99	803,491	803,491	10.99	8,928	5.71%
Direct Construction		42.78%	63,753	78.47	5,737,764	6,132,134	83.86	68,135	43.60%
Contingency	5.00%	2.44%	3,634	4.47	327,063	377,425	5.16	4,194	2.68%
Contractor's Fees	14.00%	6.83%	10,175	12.52	915,776	970,989	13.28	10,789	6.90%
Indirect Construction		10.66%	15,887	19.55	1,429,835	1,429,835	19.55	15,887	10.17%
Ineligible Costs		3.27%	4,877	6.00	438,901	438,901	6.00	4,877	3.12%
Developer's Fees	15.00%	10.64%	15,853	19.51	1,426,799	1,451,791	19.85	16,131	10.32%
Interim Financing		2.22%	3,312	4.08	298,062	298,062	4.08	3,312	2.12%
Reserves		2.02%	3,009	3.70	270,804	396,454	5.42	4,405	2.82%
TOTAL COST	100.00%	\$149,030	\$183.42	\$13,412,674	\$14,063,262	\$192.32	\$156,258	100.00%	
Construction Cost Recap		58.04%	\$86,490	\$106.45	\$7,784,093	\$8,284,039	\$113.29	\$92,045	58.91%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	16.59%	\$24,722	\$30.43	\$2,225,000	\$2,225,000	\$2,340,809	Developer Fee Available
City of Farmers Branch (Parking Aba	5.52%	\$8,222	\$10.12	740,000	740,000	740,000	\$1,451,791
HTC Syndication Proceeds	82.31%	\$122,667	\$150.97	11,040,000	11,040,000	10,982,453	% of Dev. Fee Deferred
Deferred Developer Fees	0.43%	\$647	\$0.80	58,260	58,260		0%
Additional (Excess) Funds Req'd	-4.85%	(\$7,229)	(\$8.90)	(650,586)	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$13,412,674	\$14,063,262	\$14,063,262	\$1,631,751

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Evergreen at Farmers Branch, Farmers Branch, 9% HTC #07254

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$58.99	\$4,313,353
Adjustments				
Exterior Wall Finish	0.80%		\$0.47	\$34,507
Elderly	3.00%		1.77	129,401
9-Ft. Ceilings	3.10%		1.83	133,714
Elevators	\$62,000	2	1.70	124,000
Subfloor			(0.90)	(65,680)
Floor Cover			2.43	177,694
Balconies	\$23.91		0.00	0
Plumbing Fixtures	\$805	135	1.49	108,675
Rough-ins	\$400	180	0.98	72,000
Built-In Appliances	\$1,850	90	2.28	166,500
Exterior Stairs	\$1,800	12	0.30	21,600
Interior Corridors	\$49.07	25,017	16.79	1,227,485
Heating/Cooling			1.90	138,938
Parking Garage	\$23.60	47,870	15.45	1,129,791
Comm &/or Aux Bldgs	\$69.10	2,500	2.36	172,744
Other: fire sprinkler	\$1.95	73,125	1.95	142,594
SUBTOTAL			109.78	8,027,315
Current Cost Multiplier	0.98		(2.20)	(160,546)
Local Multiplier	0.90		(10.98)	(802,731)
TOTAL DIRECT CONSTRUCTION COSTS			\$96.60	\$7,064,037
Plans, specs, survy, bld prm	3.90%		(\$3.77)	(\$275,497)
Interim Construction Interes	3.38%		(3.26)	(238,411)
Contractor's OH & Profit	11.50%		(11.11)	(812,364)
NET DIRECT CONSTRUCTION COSTS			\$78.47	\$5,737,764

PAYMENT COMPUTATION

Primary	\$2,225,000	Amort	360
Int Rate	8.50%	DCR	1.42
Secondary	\$740,000	Amort	
Int Rate		Subtotal DCR	1.42
Additional	\$11,040,000	Amort	
Int Rate		Aggregate DCR	1.42

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$215,986
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$75,480

Primary	\$2,340,809	Amort	360
Int Rate	8.50%	DCR	1.35
Secondary	\$740,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35
Additional	\$11,040,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

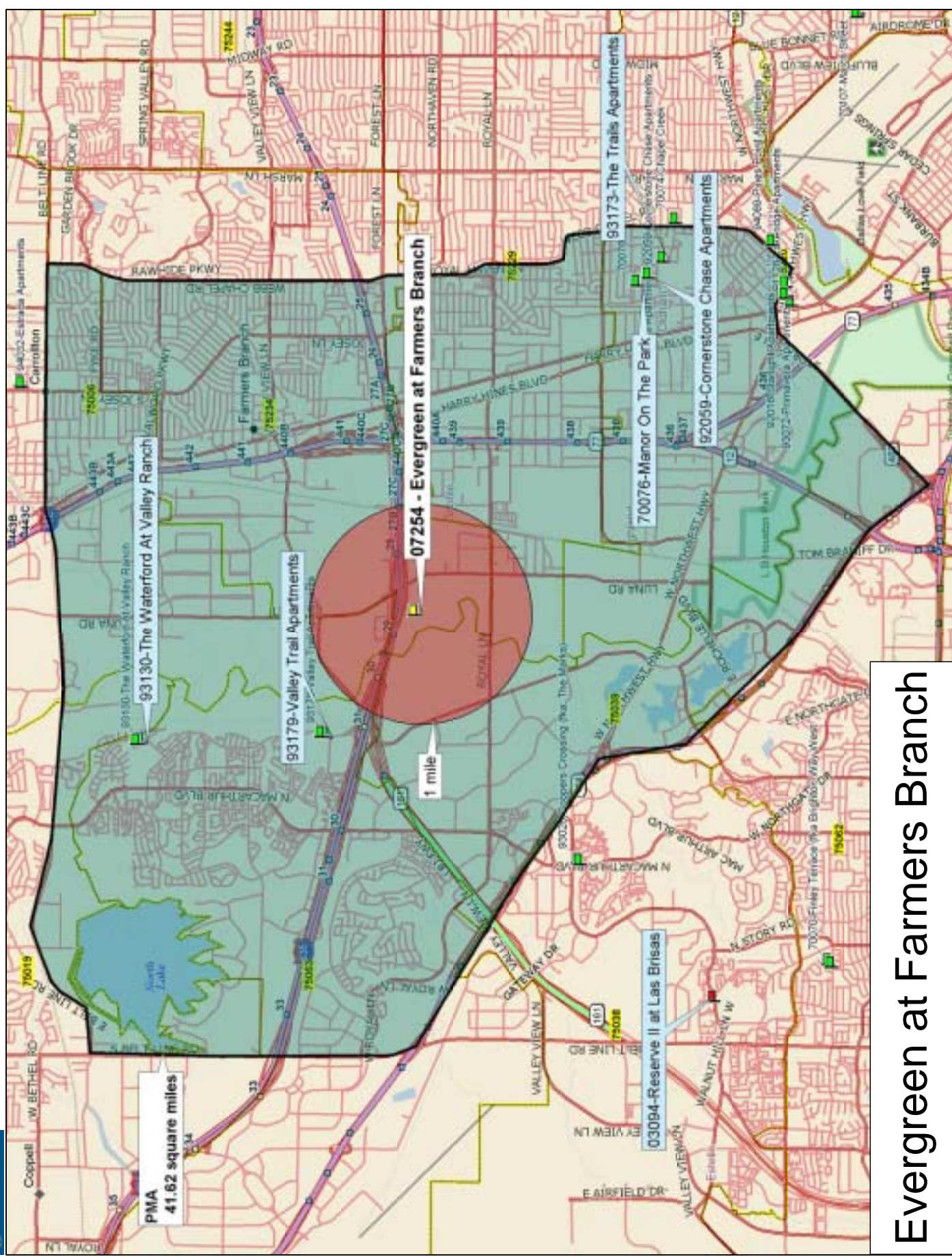
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$742,140	\$764,404	\$787,336	\$810,956	\$835,285	\$968,324	\$1,122,553	\$1,301,347	\$1,748,902
Secondary Income	8,100	8,343	8,593	8,851	9,117	10,569	12,252	14,203	19,088
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	750,240	772,747	795,930	819,808	844,402	978,893	1,134,805	1,315,550	1,767,990
Vacancy & Collection Loss	(56,268)	(57,956)	(59,695)	(61,486)	(63,330)	(73,417)	(85,110)	(98,666)	(132,599)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$693,972	\$714,791	\$736,235	\$758,322	\$781,072	\$905,476	\$1,049,695	\$1,216,884	\$1,635,390
EXPENSES at 4.00%									
General & Administrative	\$34,631	\$36,016	\$37,457	\$38,955	\$40,513	\$49,290	\$59,969	\$72,962	\$108,001
Management	34,699	35,740	36,812	37,916	39,054	45,274	52,485	60,844	81,770
Payroll & Payroll Tax	87,371	90,866	94,500	98,280	102,211	124,356	151,298	184,077	272,479
Repairs & Maintenance	43,389	45,124	46,929	48,806	50,759	61,755	75,135	91,413	135,314
Utilities	23,265	24,196	25,163	26,170	27,217	33,113	40,287	49,016	72,555
Water, Sewer & Trash	32,794	34,106	35,470	36,889	38,364	46,676	56,788	69,091	102,272
Insurance	21,444	22,302	23,194	24,122	25,087	30,522	37,135	45,180	66,878
Property Tax	93,415	97,152	101,038	105,079	109,282	132,959	161,765	196,811	291,329
Reserve for Replacements	22,500	23,400	24,336	25,309	26,322	32,025	38,963	47,404	70,170
Other	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
TOTAL EXPENSES	\$402,507	\$418,260	\$434,633	\$451,650	\$469,337	\$568,780	\$689,410	\$835,761	\$1,228,835
NET OPERATING INCOME	\$291,465	\$296,531	\$301,602	\$306,671	\$311,734	\$336,696	\$360,285	\$381,123	\$406,555
DEBT SERVICE									
First Lien Financing	\$215,986	\$215,986	\$215,986	\$215,986	\$215,986	\$215,986	\$215,986	\$215,986	\$215,986
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	\$75,480	\$80,545	\$85,616	\$90,686	\$95,749	\$120,711	\$144,300	\$165,138	\$190,569
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.42	1.44	1.56	1.67	1.76	1.88

HTC ALLOCATION ANALYSIS -Evergreen at Farmers Branch, Farmers Branch, 9% HTC #07254

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,764,180	\$1,764,180		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$803,491	\$803,491	\$803,491	\$803,491
Construction Hard Costs	\$6,132,134	\$5,737,764	\$6,132,134	\$5,737,764
Contractor Fees	\$970,989	\$915,776	\$970,988	\$915,776
Contingencies	\$377,425	\$327,063	\$346,781	\$327,063
Eligible Indirect Fees	\$1,429,835	\$1,429,835	\$1,429,835	\$1,429,835
Eligible Financing Fees	\$298,062	\$298,062	\$298,062	\$298,062
All Ineligible Costs	\$438,901	\$438,901		
Developer Fees				
Developer Fees	\$1,451,791	\$1,426,799	\$1,451,791	\$1,426,799
Development Reserves	\$396,454	\$270,804		
TOTAL DEVELOPMENT COSTS	\$14,063,262	\$13,412,674	\$11,433,082	\$10,938,789

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,433,082	\$10,938,789
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,863,006	\$14,220,426
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,863,006	\$14,220,426
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,270,787	\$1,215,846

Syndication Proceeds	0.9191	\$11,679,549	\$11,174,601
Total Tax Credits (Eligible Basis Method)		\$1,270,787	\$1,215,846
Syndication Proceeds		\$11,679,549	\$11,174,601
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$11,028,960	
Gap of Syndication Proceeds Needed		\$10,982,453	
Total Tax Credits (Gap Method)		\$1,194,940	



Evergreen at Farmers Branch

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TN

MN (4.6°E)

Scale 1 : 75,000



1" = 1.18 mi Data Zoom 11-4

Applicant Evaluation

Project ID # **07254**

Name: **Evergreen at Farmers Branch**

City: **Farmers Branch**

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

Total # of Projects monitored: 6

Projects zero to nine: 6
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 6

not yet monitored or pending review: 6

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/30/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 07256

BASIC DEVELOPMENT INFORMATION

Site Address: NW Quadrant of SH 121 & Morning Star Development #: 07256
City: The Colony Region: 3 Population Served: Elderly
County: Denton Zip Code: 75056 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Colony Senior Community, L.P.
Owner Contact and Phone: Bradley E. Forslund (972) 550-7800
Developer: Churchill Residential, Inc.
Housing General Contractor: ICI Construction, Inc.
Architect: GTF Designs
Market Analyst: Integra Realty Resources
Syndicator: SunAmerica Affordable Housing Partners, Inc.
Supportive Services: LifeNet Behavior Healthcare
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 145
15 0 44 86 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 73 72 0 0 0 Total Development Units: 145
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 6
HOME High Total Units: 11
HOME Low Total Units: 3

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$0
HOME Activity Fund Amount: \$1,500,000 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 07256

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, S	Points: 7	US Representative: Burgess, District 26, NC
TX Representative: Crownover, District 64, NC	Points: 0	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 9 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
Alzheimer's Association		S or O: S
SPAN Senior Services		S or O: S
American Heart Association		S or O: S
Visiting Nurse Association		S or O: S
Family Care Services, Inc.		S or O: S
Trinity Medical Center		S or O: S
The Colony Texas Chamber of Commerce		S or O: S
Day Stay for Adults		S or O: S
Trinity Presbyterian Church		S or O: S

General Summary of Comment:

There is support from an elected official and multiple civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 07256

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

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region. In addition, an award of this application would result in a violation of the \$2M limit.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Orange Palm Garden Apt Homes, TDHCA Number 07257

BASIC DEVELOPMENT INFORMATION

Site Address: 1727 37th St. Development #: 07257
City: Orange Region: 5 Population Served: Elderly
County: Orange Zip Code: 77630 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Orange Palm Gardens Apartment Homes, L.P.
Owner Contact and Phone: Marc Caldwell (713) 626-9655
Developer: Del Mar Development, LLC
Housing General Contractor: Lankford Construction, LLC
Architect: Hill & Frank Architects
Market Analyst: O' Conner & Associates
Syndicator: Provident Tax Credit Funds IX, LLC
Supportive Services: Texas Post Oak Residential Resources, LLC
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
11 0 0 65 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 28 48 0 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 19
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$809,338 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Orange Palm Garden Apt Homes, TDHCA Number 07257

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, S	Points: 7	US Representative: Brady, District 8, NC
TX Representative: Hamilton, District 19, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, William Brown Claybar, Mayor	Resolution of Support from Local Government	<input checked="" type="checkbox"/>
S, Shawn Oubre, City Manager		

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6	
Catholic Charities	S or O: S
American Red Cross	S or O: S
The Salvation Army Orange, TX	S or O: S

General Summary of Comment:

There is broad support from officials, one non-official, and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Orange Palm Garden Apt Homes, TDHCA Number 07257

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

Competitive Housing Tax Credits: Score: **188** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Due to forward commitments of credits made in 2006, funds available in sub-region are insufficient to award any Application in sub-region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Trinity Garden Apt Homes, TDHCA Number 07258

BASIC DEVELOPMENT INFORMATION

Site Address: 2000 Blk of Panther Dr. Development #: 07258
City: Liberty Region: 6 Population Served: Elderly
County: Liberty Zip Code: 77575 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Liberty Trinity Garden Apartment Homes, L.P.
Owner Contact and Phone: Marc Caldwell (713) 626-9655
Developer: Del Mar Development, LLC
Housing General Contractor: Lancaster Construction, L.L.C.
Architect: Hill & Frank Architects
Market Analyst: O' Conner & Associates
Syndicator: Provident Tax Credit Funds IX, LLC
Supportive Services: Texas Post Oak Residential Resources, LLC
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
8 0 0 68 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 28 48 0 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$8,415,480
Number of Residential Buildings: 19
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$808,895 \$665,529
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Trinity Garden Apt Homes, TDHCA Number 07258

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, S	Points: 7	US Representative: Poe, District 2, NC
TX Representative: Otto, District 18, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
Liberty-Dayton Area Chambers of Commerce		S or O: S
Liberty Lions Club		S or O: S
Rotary Club of Liberty		S or O: S
Liberty Senior Activity Center		S or O: S

General Summary of Comment:

There is support from officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

Receipt, review, and acceptance, by cost cert, of certification by a qualified architect or engineer that the development is in compliance with the QAP with regard to construction in the 100-year floodplain.

Receipt, review, and acceptance, before carryover, of a new survey showing all easements, and a revised site plan reflecting same as needed.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Trinity Garden Apt Homes, TDHCA Number 07258

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$665,529

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/17/07 PROGRAM: 9% HTC FILE NUMBER: 07258

DEVELOPMENT																		
Trinity Garden Apartment Homes																		
Location: <u>2000 Block of Panther Drive</u>				Region: <u>6</u>														
City: <u>Liberty</u>		County: <u>Liberty</u>		Zip: <u>77575</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, New Construction, Elderly, Rural, USDA</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$808,895			\$665,529														
*The initial application page indicated requested credits of \$689,306 but the development schedule page of the application identified this higher amount which was used as the correct request.																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 2 Receipt, review, and acceptance, by cost cert, of certification by a qualified architect or engineer that the development is in compliance with the QAP with regard to construction in the 100-year floodplain. 3 Receipt, review, and acceptance, before carryover, of a new survey showing all easements, and a revised site plan reflecting same as needed. 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">68</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	68
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	68																
PROS			CONS															
<p>The development represents the first new tax credit property in Liberty and the first in the county in nine years.</p>			<p>The market for 2 bedroom units at 60% AMI may be instantly over saturated with a unit capture rate of over 100%.</p> <p>A portion of the site is within the 100-Year floodplain.</p> <p>The Applicant's expense to income ratio is high although still acceptable at 64.90%.</p>															

The anticipated syndication proceeds as a percentage of total cost (76%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.

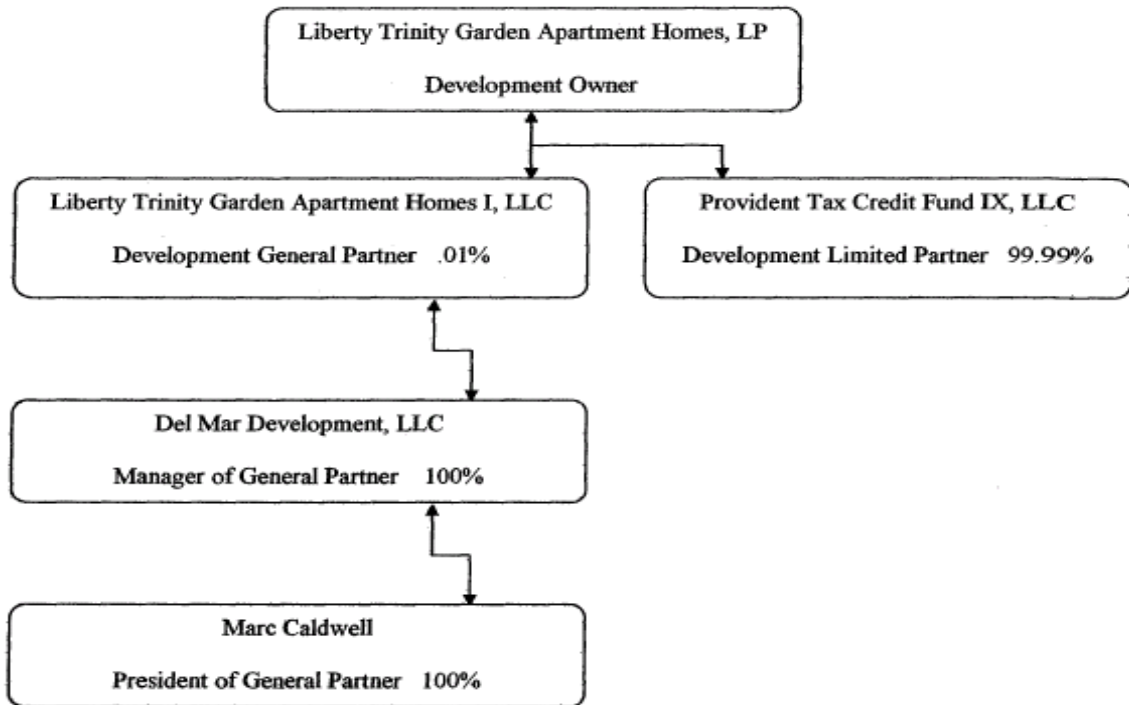
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

Applicant Ownership Chart



CONTACT

Contact: Marc Caldwell Phone: (713) 626-9655 Fax: (713) 621-4947
 Email: mtcaldwell@lankfordinterests.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Del Mar Development	\$204,110	\$125,300	
Marc Caldwell	confidential		2 LIHTC allocations in 2005

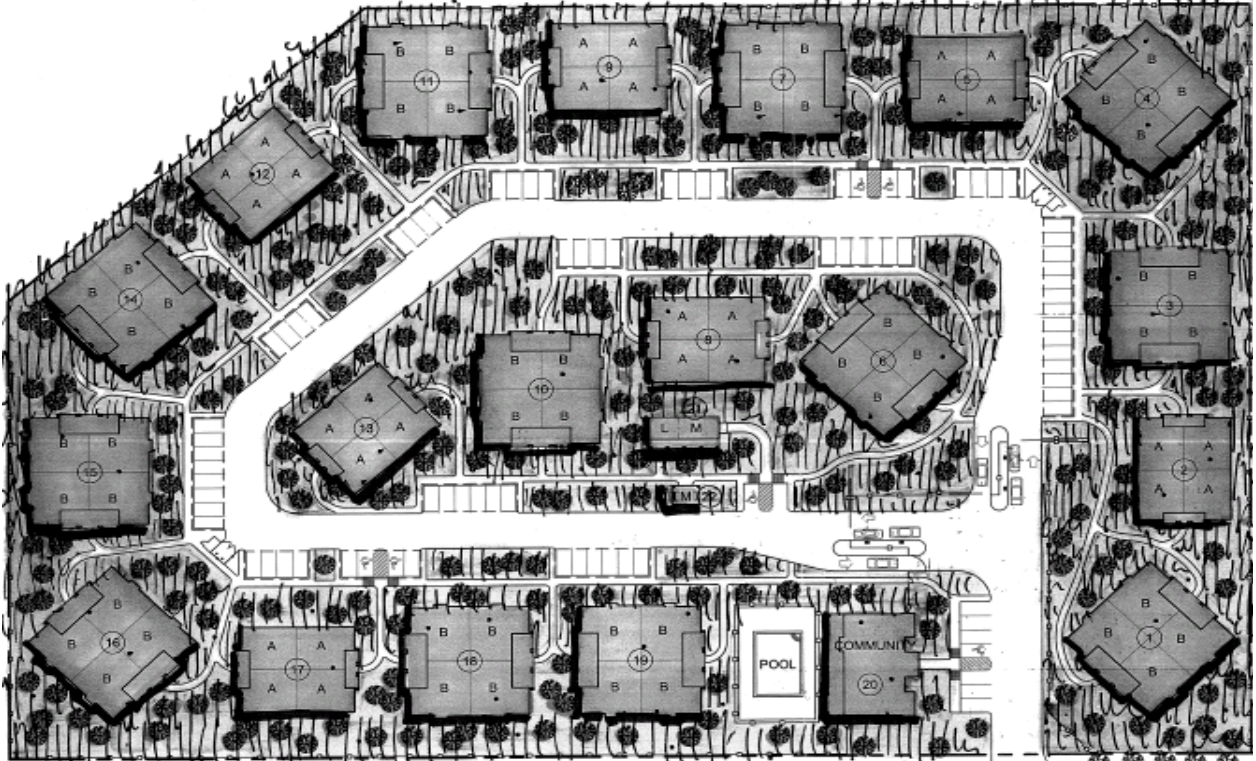
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B										Total Buildings
Floors/Stories	1	1										
Number	7	12										19

BR/BA	SF	Units										Total Units	Total SF
1/1	840	4										28	23,520
2/2	1,045		4									48	50,160
Units per Building		4	4									76	73,680

SITE ISSUES

Total Size: 7.6 acres Scattered site? Yes No
 Flood Zone: X and AE Within 100-yr floodplain? Yes No
 Zoning: N/A Needs to be re-zoned? Yes No N/A

Comments:

The application indicates that the site is partially within a Flood Hazard Area, and that the development is designed as required by program rules. The location in the floodplain is confirmed in the Environmental Site Assessment as discussed below. The TDHCA 2007 QAP states "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." Confirmation of this at cost certification will be a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA staff Date: 4/26/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Drainage Ditch, Vacant Land, Park East: Drainage Ditch
 South: Senior Activity Center West: High School

Comments:

"Overall excellent location -- close proximity to everything they would need: senior citizen activities next door; shopping right up the block; hospital nearby; pharmacy."

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: LFC, Inc. Date: 3/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"No evidence of recognized environmental conditions." (p.19)

"The subject property sits mainly within Zone X (Shaded) which is identified as the 500 year floodplain. The northernmost edge of the property sits within Zone AE which is identified as the 100-year floodplain." (p. 18)

Comments:

As discussed above, a condition of this report shall be receipt, review, and acceptance of certification by a qualified architect or engineer that the development is in compliance with the 2007 QAP with regard to construction in the 100-year floodplain.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 2/9/2007

Contact: Kenneth Araiza Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 2 Date of Last Applicant Revision: 7/16/2007

Primary Market Area (PMA): 513 square miles¹ 12.8 mile radius

"For the purposes of this analysis, the subject's neighborhood is defined as that area being bounded by zip codes 77535 and 77575 ... The neighborhood is a viable, heterogeneous area in the northeastern portion of the Houston MSA ... The neighborhood is mature in nature and is experiencing generally stable property values ... Although in most instances, rental rates and occupancy levels have increased over the past decade, near future projections are for minimal increases." (pp. 26-27)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				None			

INCOME LIMITS						
Liberty						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% AMI	17	1	0	18	4	0	22%
1 BR / 60% AMI	27	3	0	30	24	0	80%
2 BR / 30% AMI	5	0	0	5	4	0	80%
2 BR / 60% AMI	23	3	0	26	44	0	169%

OVERALL DEMAND											
		Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst	p. 68	26%	4,157	100%	4,157	6%	269	100%	269	65%	175
Underwriter		19%	4,431	100%	4,431	19%	851	28%	236	42%	98
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 68		26%	186	6%	12	100%	12	100%	12	
Underwriter			100%	199	19%	38	28%	11	100%	11	
DEMAND from OTHER SOURCES											
Market Analyst	p. 68									30	
Underwriter										3	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 69	76	0	0	76	217	35%
Underwriter		76	0	0	76	111	68%

Inclusive Capture Rate:

The Analyst calculated demand for 175 senior units due to household turnover, based on the IREM turnover rate of 65% for all multifamily households in the Houston area. The Analyst also calculated demand for 12 senior units due to household growth, and demand for 30 senior units from Section 8 housing choice vouchers. Overall, the the Analyst determined an inclusive capture rate of 35%. The supply of unstabilized units includes only the 76 proposed units of the subject property. The general IREM turnover rate unquestionably overstates the turnover rate for senior households. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households. The Underwriter has looked to the TDHCA database for more localized turnover information. The available data, from five developments including two senior properties, indicates the average turnover rate for all stabilized HTC developments in the vicinity to be 42%.

Applying the overall HTC turnover rate of 42%, the Underwriter identified demand for 98 senior units. The Underwriter identified demand for 11 senior units due to household growth, demand for 3 senior units from Section 8 vouchers. Overall, the Underwriter determined an inclusive capture rate of 68%. TDHCA guidelines allow an include capture rate of up to 75% for developments targeting seniors.

This section intentionally left blank.

Primary Market Occupancy Rates:

"The closest HTC Seniors property (Dayton Square) reports a current occupancy of 100%. The rent comparables reported current occupancies ranging from 88% to 98%, with a median occupancy of 94%. Given the physical characteristics of the subject (i.e. location, good curb appeal, new condition, amenities, etc.), the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a new property, a stabilized occupancy rate of 92.5% is reasonable and achievable for the proposed subject property." (p. 80)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 6-12 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within twelve months following completion." (p. 81)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 840 SF 30%	\$265	265	\$560	\$265	\$295	
1 BR 840 SF 60%	\$560	608	\$560	560	\$0	
2 BR 1,045 SF 30%	\$310	310	\$620	310	\$310	
2 BR 1,045 SF 60%	\$620	722	\$620	620	\$0	

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 81)

Comments:

The Analyst determined market rents based on a number of comparable properties. "Due to the lack of recent construction within the PMA, we utilized market rate complexes from comparable neighborhoods. The rental rates utilized from the complexes with both market and restricted units were the market rates." (p. 42) Based on this, the Analyst reported a market rate of \$690 for the one-bedroom unit and \$825 for the two-bedroom. However, the Analyst continued that "Within the PMA three HTC complexes were surveyed, Dayton Park, Retirement Center of Dayton, and Dayton Square. All of the HTC complexes reported attaining rents at the HTC maximum levels for 30% units but all are achieving less than the max for 60% units (all bedroom types) ... The subject is not expected to attain maximum rents for the 60% units. The proposed subject rental rates, which are below the HTC maximum levels, are considered reasonable and attainable." (p. 60)

The original market study did not include the detailed comparative analysis of the HTC properties, but on request the Analyst provided Rent Comparability Grids (HUD 92273) matching the subject against two nearby HTC properties (Dayton Square and Dayton Park) and a third, Villas in the Pines, which is located 30 miles away in north Houston. The Villas in the Pines appears to be achieving very near to the maximum 60% rents, but it is in a different market. The two local properties demonstrate that the Liberty/Dayton area does not support the maximum program rents for 60% households. The Analyst's concluded restricted rents are below the net 60% rents, but are higher than the net 50% rent level. (If the restricted market rents were below the net 50% HTC program rents, it would indicate a lack of any demand above the 50% AMI level, and that the units should be restricted to that level.) The underwriting analysis has been completed using the Analyst's restricted market rents for the 60% units.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected income from the 30% units is based on the maximum HTC rents, adjusted for utility allowances provided by the Liberty County Housing Authority. The maximum HTC rent was also used for the five units that are designated as both HTC and Low HOME units, as it is the most restrictive. As discussed in the "Market Highlights" section of this report, the maximum net rent for the 60% units does not appear to be attainable in the subject's primary market area. As a result, the Applicant's income projection for the 60% units is based on the restricted market rent concluded by the Market Analyst. It should be noted that the market rents are above the calculated 50% rent limit rents and therefore no additional adjustments or restrictions are required under the Department's current rules.

The underwriting analysis is also based on these rents, as discussed above. Non-rental income and provisions for losses due to vacancy and collection are consistent with underwriting guidelines. The development includes 76 covered parking spaces; the Applicant has confirmed that tenants will not be charged for parking. The Applicant's projected effective gross income is consistent with the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/16/2007

The Applicant's projected total annual operating expenses are \$3,895 per unit. This is within 3% of the Underwriter's estimate of \$4,002 per unit. Specific line items with significant variances include general & administrative expenses (the Applicant's projection is \$11K lower than the Underwriter's estimate), payroll & payroll tax (the Applicant's projection is \$10K lower), repairs and maintenance (the Applicant's projection is \$9K lower) and property insurance (the Applicant's projection is higher by \$18K).

Conclusion:

The Applicant's projected effective gross income, total annual operating expense, and net operating income (NOI) are each within 5% of the Underwriter's estimates; therefore, the Applicant's figures will be used to determine debt capacity. The Applicant's NOI and projected debt service would provide a first year debt coverage ratio (DCR) of 1.30, which is within the acceptable range of 1.15 to 1.35.

Feasibility:

The Applicant's projected debt service as reflected in the application results in a first year DCR of 1.30. However, the Applicant expects to receive a USDA Section 538 interest rate credit which will reduce the interest rate on the first \$1,500,000 of debt to the Applicable Federal Rate (currently at 4.9%) while the remaining debt would bear an interest rate of 7.40%. With this subsidy factored in, the first year debt coverage rises to 1.48, indicating that the project has the capacity to carry additional debt. The recommended financing structure will include an increase in the permanent debt and will be discussed in further detail in the "Conclusions" section of this report. The Applicant's estimated NOI and recommended financing structure are used to create a 30-year proforma by applying a 3% growth factor to income and 4% to expenses. The analysis including the adjusted debt service indicates continued positive cash flow and a DCR that remains above 1.15 for the proforma period. The development can therefore be characterized as financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 17.8 acres	<u> \$44,080 </u>	Tax Year:	<u> 2006 </u>
Assessed Value per Acre	<u> \$2,480 </u>	Valuation by:	<u> Liberty County CAD </u>
prorata 7.6 acres	<u> \$18,850 </u>	Tax Rate:	<u> 2.795 </u>

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 7.6
 Contract Expiration: 9/28/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$252,732 Other: _____
 Seller: Mary C. Cain & Chap B. Cain III Related to Development Team? Yes No

TITLE

Comments:

The Title Commitment mentions two easements/rights of way, dated August 2, 1930 and May 3, 1938, granted to Sun Pipe Line Company, as recorded in the Deed Records of Liberty County. The property survey shows no indication of pipelines encroaching on the property, and the Phase I ESA makes no mention of any pipelines encroaching on the property. Receipt, review, and acceptance, before carryover, of a new survey showing all easements, will be a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of \$252,732, or \$33K per acre, is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant's projected sitework costs do not exceed the underwriting limit of \$9,000 per unit; therefore, no additional certification is required.

Direct Construction Cost:

At \$61 per sq. ft., the Applicant's projected direct construction cost is somewhat higher than typical multifamily developments. Based on the fact that the residential buildings are all single-story fourplexes, the Underwriter's estimate is derived from townhome construction cost, resulting in a total of \$4.3M, which is 6% less than the Applicant's figure of \$4.5M. The Applicant's projection includes \$112K for carports; this amount is included in eligible basis for tax credit purposes because the Applicant confirmed that the residents will not be charged for covered parking.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's costs will be used to calculate eligible basis and determine the need for permanent financing. An eligible basis of \$7,311,716 is increased by 30% because Liberty County has been designated a Difficult Development Area. The resulting adjusted basis of \$9,505,230 will support an annual tax credit allocation of \$812,697. This amount will be compared to the Applicant's request and the tax credits resulting from the Development's gap in need for permanent financing to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: Red Capital Group Type: Interim Financing

Principal: \$3,058,112 Interest Rate: 7.6% Fixed Term: 18 months

Comments:

30-day LIBOR plus 2.25%, adjusted monthly

Source: Lancaster Pollard Mortgage Company Type: Permanent Financing

Principal: \$1,831,300 Interest Rate: 7.4% Fixed Term: 360 months

Comments:

LPMC and the Applicant will apply for an interest rate credit under the USDA Section 538 Program. This credit will lower the interest rate on the first \$1,500,000 to the Long-Term Monthly Applicable Federal Rate, currently at 4.90%; the remaining debt will bear interest at 7.40%. The subject application received priority due to a USDA set-aside based on the expectation of receiving the Section 538 interest rate credit. If the USDA subsidy is not received the application will not qualify for the set-aside and its priority within the 9% allocation cycle will need to be reassessed.

Source: Southeast Texas Planning Commission Type: Grant

Principal: \$450,000 Conditions: allocation of tax credits

Comments:

The City of Orange, as the Lead Entity for the Orange Regional HOME Consortium (of which SETPC is a member), passed a resolution on February 13, 2007 authorizing a \$450,000 HOME grant for this development. Since these funds are considered to be federally subsidized, a development must either forfeit the 30% boost for being located in a Difficult Development Area or exclude the federal funding from eligible basis in order to remain eligible for the 9% credit. The Applicant has chosen to exclude the \$450,000 HOME grant from eligible basis as reflected in the development cost schedule.

Source: Red Capital Group Type: Syndication

Proceeds: \$6,134,210 Syndication Rate: 89% Anticipated HTC: \$689,306

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis which includes the anticipated USDA Section 538 interest rate credit subsidy results in a debt coverage ratio that is above the Department's maximum guideline of 1.35. The recommended financing structure will include an increase in the mortgage amount to \$2,042,863, with the first \$1,500,000 at AFR and the balance of the loan at 7.4%, as stated in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less a permanent loan of \$2,042,863 and the \$450,000 HOME grant indicates the need for \$5,922,617 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$665,529 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's requested Credit Amount	\$808,895
Credit Amount Determined by Eligible Basis	\$812,697
Credit Amount Determined by Gap in Financing	\$665,529

The credit amount determined by the gap in financing is recommended as it is the lowest award sufficient to make the project feasible. An annual allocation of \$665,529 in tax credits for ten years results in total proceeds of \$5,922,617 at a syndication rate of 89%.

The recommended financing structure does not indicate the need for the developer to defer fees.

Underwriter: _____ Date: July 17, 2007

Thomas Cavanagh

Reviewing Underwriter: _____ Date: July 17, 2007

Raquel Morales

Director of Real Estate Analysis: _____ Date: July 17, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Trinity Garden Apartment Homes, Liberty, 9% HTC #07258

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	840	\$343	\$265	\$530	\$0.32	\$78.00	\$38.00
TC 30%<LH	2	1	1	840	\$343	265	530	0.32	78.00	38.00
TC 60%	24	1	1	840	\$686	560	13,440	0.67	78.00	38.00
TC 30%	1	2	2	1,045	\$411	310	310	0.30	101.00	42.00
TC 30%<LH	3	2	2	1,045	\$411	310	930	0.30	101.00	42.00
TC 60%	44	2	2	1,045	\$823	620	27,280	0.59	101.00	42.00
TOTAL:	76		AVERAGE:	969		\$566	\$43,020	\$0.58	\$92.53	\$40.53

INCOME

Total Net Rentable Sq Ft: **73,680**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.81%	\$435	0.45	\$33,073	\$21,650	\$0.29	\$285	4.46%
Management	3.60%	230	0.24	17,501	25,812	0.35	340	5.31%
Payroll & Payroll Tax	14.42%	922	0.95	\$70,082	60,000	0.81	789	12.35%
Repairs & Maintenance	6.72%	430	0.44	\$32,669	24,000	0.33	316	4.94%
Utilities	4.34%	278	0.29	21,096	22,000	0.30	289	4.53%
Water, Sewer, & Trash	5.37%	343	0.35	26,102	25,000	0.34	329	5.14%
Property Insurance	4.42%	283	0.29	21,499	39,420	0.54	519	8.11%
Property Tax 2.795	10.49%	671	0.69	50,981	46,940	0.64	618	9.66%
Reserve for Replacements	3.91%	250	0.26	19,000	19,000	0.26	250	3.91%
TDHCA Compliance Fees	0.63%	40	0.04	3,040	3,040	0.04	40	0.63%
Other: Supportive Services	1.88%	120	0.12	9,120	9,120	0.12	120	1.88%
TOTAL EXPENSES	62.59%	\$4,002	\$4.13	\$304,162	\$295,982	\$4.02	\$3,895	60.91%
NET OPERATING INC	37.41%	\$2,392	\$2.47	\$181,796	\$189,970	\$2.58	\$2,500	39.09%

DEBT SERVICE

Lancaster AFR	19.66%	\$1,257	\$1.30	\$95,531	\$146,135	\$1.98	\$1,923	30.07%
Lancaster Pollard	5.66%	\$362	\$0.37	27,524		\$0.00	\$0	0.00%
SETPC	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	12.09%	\$773	\$0.80	\$58,741	\$43,835	\$0.59	\$577	9.02%
AGGREGATE DEBT COVERAGE RATIO				1.48	1.30			
RECOMMENDED DEBT COVERAGE RATIO					1.35			

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)		3.24%	\$3,458	\$3.57	\$262,841	\$262,841	\$3.57	\$3,458	3.12%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.93%	7,388	7.62	561,488	561,488	7.62	7,388	6.67%
Direct Construction		52.66%	56,124	57.89	4,265,420	4,503,066	61.12	59,251	53.51%
Contingency 5.00%		2.98%	3,176	3.28	241,345	253,228	3.44	3,332	3.01%
Contractor's Fees 14.00%		8.34%	8,892	9.17	675,767	709,037	9.62	9,329	8.43%
Indirect Construction		6.59%	7,021	7.24	533,600	533,600	7.24	7,021	6.34%
Ineligible Costs		2.67%	2,841	2.93	215,923	215,923	2.93	2,841	2.57%
Developer's Fees 15.00%		11.99%	12,780	13.18	971,262	1,003,835	13.62	13,208	11.93%
Interim Financing		2.44%	2,598	2.68	197,462	197,462	2.68	2,598	2.35%
Reserves		2.16%	2,303	2.38	175,000	175,000	2.38	2,303	2.08%
TOTAL COST		100.00%	\$106,580	\$109.94	\$8,100,109	\$8,415,480	\$114.22	\$110,730	100.00%
Construction Cost Recap		70.91%	\$75,579	\$77.96	\$5,744,021	\$6,026,819	\$81.80	\$79,300	71.62%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard	22.61%	\$24,096	\$24.85	\$1,831,300	\$1,831,270	\$2,042,863	Developer Fee Available
SETPC	5.56%	\$5,921	\$6.11	450,000	450,000	450,000	\$1,003,835
HTC Synd: Red Capital	75.73%	\$80,713	\$83.25	6,134,210	6,134,210	5,922,617	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0		0	0%
Additional (Excess) Funds Req'd	-3.89%	(\$4,150)	(\$4.28)	(315,401)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,100,109	\$8,415,480	\$8,415,480	\$1,024,372

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Trinity Garden Apartment Homes, Liberty, 9% HTC #07258

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality TownHome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$64.20	\$4,729,928
Adjustments				
Exterior Wall Finish	2.00%		\$1.28	\$94,599
Elderly	3.00%		1.93	141,898
8-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(136,308)
Floor Cover			3.08	226,934
Patios	\$19.81	11,412	3.07	226,072
Plumbing Fixtures	\$965	(8)	(0.10)	(7,720)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	76	2.50	184,300
Exterior Stairs	\$1,650	0	0.00	0
Enclosed Corridors	\$54.28	0	0.00	0
Heating/Cooling			2.43	179,042
Carports	\$10.15	11,400	1.57	115,710
Comm &/or Aux Bldgs	\$69.10	3,073	2.88	212,337
Hurricane Wind Adjust	\$0.94	73,680	0.94	69,259
SUBTOTAL			81.92	6,036,050
Current Cost Multiplier	0.98		(1.64)	(120,721)
Local Multiplier	0.89		(9.01)	(663,966)
TOTAL DIRECT CONSTRUCTION COSTS			\$71.27	\$5,251,364
Plans, specs, survy, bld prm	3.90%		(\$2.78)	(\$204,803)
Interim Construction Interes	3.38%		(2.41)	(177,234)
Contractor's OH & Profit	11.50%		(8.20)	(603,907)
NET DIRECT CONSTRUCTION COSTS			\$57.89	\$4,265,420

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	360
Int Rate	4.90%	DCR	1.90

Secondary	\$331,270	Amort	360
Int Rate	7.40%	Subtotal DCR	1.48

Additional		Amort	
Int Rate		Aggregate DCR	1.48

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$95,531
Secondary Debt Service	45,104
Additional Debt Service	0
NET CASH FLOW	\$49,335

Primary	\$1,500,000	Amort	360
Int Rate	4.90%	DCR	1.99

Secondary	\$542,863	Amort	360
Int Rate	7.40%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$516,240	\$531,727	\$547,679	\$564,109	\$581,033	\$673,576	\$780,859	\$905,230	\$1,216,553
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	525,360	541,121	557,354	574,075	591,297	685,476	794,654	921,222	1,238,045
Vacancy & Collection Loss	(39,408)	(40,584)	(41,802)	(43,056)	(44,347)	(51,411)	(59,599)	(69,092)	(92,853)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$485,952	\$500,537	\$515,553	\$531,019	\$546,950	\$634,065	\$735,055	\$852,130	\$1,145,192
EXPENSES at 4.00%									
General & Administrative	\$21,650	\$22,516	\$23,417	\$24,353	\$25,327	\$30,815	\$37,491	\$45,613	\$67,519
Management	25,812	26,587	27,384	28,206	29,052	33,679	39,043	45,262	60,828
Payroll & Payroll Tax	60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Repairs & Maintenance	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Utilities	22,000	22,880	23,795	24,747	25,737	31,313	38,097	46,351	68,610
Water, Sewer & Trash	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Insurance	39,420	40,997	42,637	44,342	46,116	56,107	68,263	83,052	122,937
Property Tax	46,940	48,818	50,770	52,801	54,913	66,810	81,285	98,896	146,389
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	12,160	12,646	13,152	13,678	14,225	17,307	21,057	25,619	37,923
TOTAL EXPENSES	\$295,982	\$307,563	\$319,600	\$332,110	\$345,113	\$418,215	\$506,890	\$614,469	\$903,394
NET OPERATING INCOME	\$189,970	\$192,973	\$195,953	\$198,909	\$201,837	\$215,850	\$228,165	\$237,661	\$241,797
DEBT SERVICE									
First Lien Financing	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531
Second Lien	45,104	45,104	45,104	45,104	45,104	45,104	45,104	45,104	45,104
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$49,335	\$52,338	\$55,318	\$58,274	\$61,202	\$75,215	\$87,530	\$97,026	\$101,163
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.44	1.53	1.62	1.69	1.72

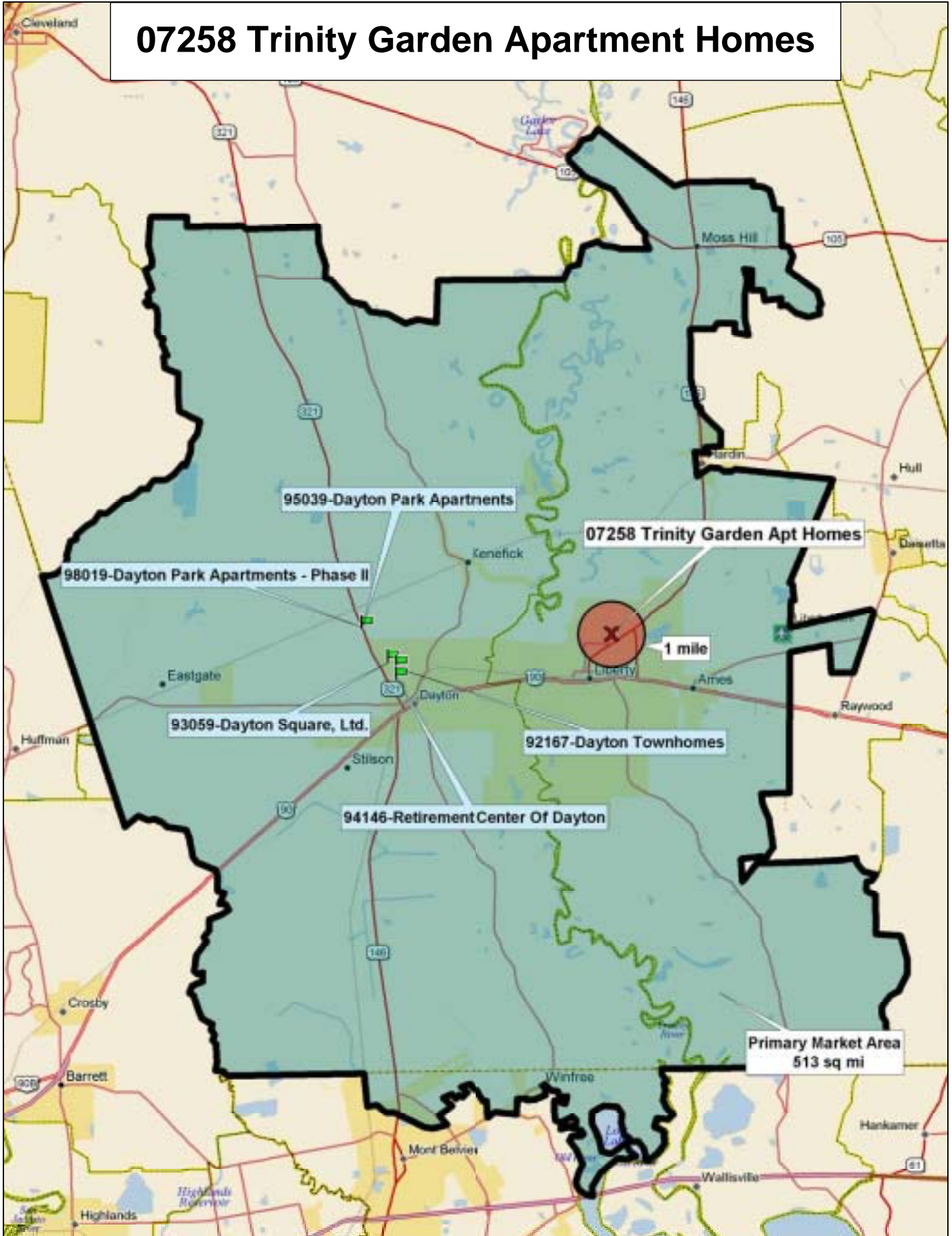
HTC ALLOCATION ANALYSIS -Trinity Garden Apartment Homes, Liberty, 9% HTC #07258

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$262,841	\$262,841		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$561,488	\$561,488	\$561,488	\$561,488
Construction Hard Costs	\$4,503,066	\$4,265,420	\$4,503,066	\$4,265,420
Contractor Fees	\$709,037	\$675,767	\$709,037	\$675,767
Contingencies	\$253,228	\$241,345	\$253,228	\$241,345
Eligible Indirect Fees	\$533,600	\$533,600	\$533,600	\$533,600
Eligible Financing Fees	\$197,462	\$197,462	\$197,462	\$197,462
All Ineligible Costs	\$215,923	\$215,923		
Developer Fees				
Developer Fees	\$1,003,835	\$971,262	\$1,003,835	\$971,262
Development Reserves	\$175,000	\$175,000		
TOTAL DEVELOPMENT COSTS	\$8,415,480	\$8,100,109	\$7,761,716	\$7,446,345

Deduct from Basis:				
All grant proceeds used to finance costs in eligible b	\$450,000	\$450,000	\$450,000	\$450,000
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)				
TOTAL ELIGIBLE BASIS			\$7,311,716	\$6,996,345
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,505,230	\$9,095,249
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,505,230	\$9,095,249
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$812,697	\$777,644

Syndication Proceeds	0.8899	\$7,232,282	\$6,920,338
Total Tax Credits (Eligible Basis Method)		\$812,697	\$777,644
Syndication Proceeds		\$7,232,282	\$6,920,338
Requested Tax Credits		\$808,895	
Syndication Proceeds		\$7,198,446	
Gap of Syndication Proceeds Needed		\$5,922,617	
Total Tax Credits (Gap Method)		\$665,529	

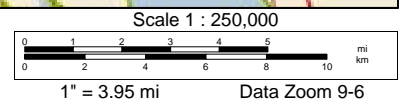
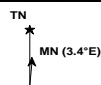
07258 Trinity Garden Apartment Homes



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Applicant Evaluation

Project ID # **07258**

Name: **Trinity Garden Apartments Homes**

City: **Liberty**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

Projects not reported Yes
 in application No

not yet monitored or pending review: 2

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/24/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth

Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell

Date 5/24/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer RAUL GONZALES

Date 6/1/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Montgomery Meadows Phase II, TDHCA Number 07259

BASIC DEVELOPMENT INFORMATION

Site Address: Corner of Old Montgomery Rd. & Cline Development #: 07259
City: Huntsville Region: 6 Population Served: Elderly
County: Walker Zip Code: 77340 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Montgomery Meadows Phase II, Ltd.
Owner Contact and Phone: Emanuel H. Glockzin, Jr. (979) 846-8878
Developer: Homestead Development Group, Ltd.
Housing General Contractor: Brazos Valley Construction, Inc.
Architect: Myriad Designs, Ltd.
Market Analyst: Allen and Associates Consulting
Syndicator: Boston Capital Corporation
Supportive Services: Cambridge Interests, Inc
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 48
2 0 37 9 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 48 0 0 0 0 Total Development Units: 48
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 8
HOME High Total Units: 37
HOME Low Total Units: 11

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$492,857 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Montgomery Meadows Phase II, TDHCA Number 07259

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S	Points: 7	US Representative: Brady, District 8, NC
TX Representative: Kolkhorst, District 13, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC	Resolution of Support from Local Government	<input checked="" type="checkbox"/>
S, Mary B. Harrelson, Executive Director, Walker County Housing Authority		

Individuals and Businesses In Support: 2 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2	
Senior Center of Walker County	S or O: S
Walker County Housing Authority	S or O: S

General Summary of Comment:

There is support from officials and civic organizations and opposition from one non-official. The primary reason cited for opposition is drainage issues, which have caused flooding in the past in the area where the development will be constructed.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Montgomery Meadows Phase II, TDHCA Number 07259

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

Competitive Housing Tax Credits: Score: **173** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Victoria Place Addition, TDHCA Number 07260

BASIC DEVELOPMENT INFORMATION

Site Address: 5.10 Acres Barbara St. Extension Development #: 07260
 City: Athens Region: 4 Population Served: General
 County: Henderson Zip Code: 75751 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Victoria Place Addition, Ltd.
 Owner Contact and Phone: Emanuel H. Glockzin, Jr. (979) 846-8878
 Developer: Homestead Development Group, Ltd.
 Housing General Contractor: Brazos Valley Construction, Inc.
 Architect: Myriad Designs, Ltd.
 Market Analyst: Allen and Associates Consulting
 Syndicator: Boston Capital Corporation
 Supportive Services: Cambridge Interests, Inc
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	16
	2 0 11 3	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 0 0 16 0	Total Development Units:	16
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	16
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	HOME High Total Units:	11
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	2
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$409,663	\$0			
HOME Activity Fund Amount:	\$210,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$75,000	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Victoria Place Addition, TDHCA Number 07260

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S	Points: 7	US Representative: Hensarling, District 5, NC
TX Representative: Brown, District 4, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Randy Daniel, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0	
Athens Economic Development Corporation	S or O: S
Athens Housing Authority	S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Victoria Place Addition, TDHCA Number 07260

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

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 07261

BASIC DEVELOPMENT INFORMATION

Site Address: 3509 U.S. Hwy 259 N. Development #: 07261
City: Kilgore Region: 4 Population Served: General
County: Gregg Zip Code: 75662 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Lexington Court Phase II, Ltd.
Owner Contact and Phone: Emanuel H. Glockzin, Jr. (979) 846-8878
Developer: Homestead Development Group, Ltd.
Housing General Contractor: Brazos Valley Construction, Inc.
Architect: Myriad Designs, Ltd.
Market Analyst: Allen and Associates Consulting
Syndicator: Boston Capital Corporation
Supportive Services: Cambridge Interests, Inc
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
8 0 43 25 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 20 36 20 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 7
HOME High Total Units: 43
HOME Low Total Units: 8

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$693,735 \$0
HOME Activity Fund Amount: \$1,995,000 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$75,000 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 07261

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S	Points: 7	US Representative: Gohmert, District 1, NC
TX Representative: Merritt, District 7, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S. Joe T. Parker, Mayor	Resolution of Support from Local Government <input type="checkbox"/>
S, Janice Hancock, Mayor Pro Tem	S, Don Lawler, City Council Member
S, Randy Renshaw, City Council Member	S, Ronnie Spradlin, City Council Member

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2	
Kilgore Economic Development Corporation	S or O: S
Kilgore Chamber of Commerce	S or O: S
Housing Authority of City of Tatum	S or O: S
Beckville Housing Authority	S or O: S
City of Tyler Housing Department	S or O: S

General Summary of Comment:

There was broad support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 07261

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

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Santour Court, TDHCA Number 07262

BASIC DEVELOPMENT INFORMATION

Site Address: Lots 14-26 & 40-42, Blk 14 Santour Court St., Edelweiss Gart Development #: 07262
 City: College Station Region: 8 Population Served: General
 County: Brazos Zip Code: 77840 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Santour Court, Ltd.
 Owner Contact and Phone: Emanuel H. Glockzin, Jr. (979) 846-8878
 Developer: Homestead Development Group, Ltd.
 Housing General Contractor: Brazos Valley Construction, Inc.
 Architect: Myriad Designs, Ltd.
 Market Analyst: Allen and Associates Consulting
 Syndicator: Boston Capital Corporation
 Supportive Services: Cambridge Interests, Inc
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	16
	0	0	7	9	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	0	0	0	16	0

Type of Building:

<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Total Development Units:	16
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	Total Development Cost*:	\$4,062,076
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	16
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$294,106	\$294,106			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Santour Court, TDHCA Number 07262

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S Points: 7 US Representative: Edwards, District 17, NC
TX Representative: Brown, District 14, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 6 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7
The Arc of Bryan / College Station S or O: S
Affordable Caring Housing, Inc. S or O: S
Brazos Valley Affordable Housing Corporation S or O: S
Twin City Mission S or O: S
Bryan / College Station Chamber of Commerce S or O: S

General Summary of Comment:

There was support from officials and civic organizations. There was one letter of support and one letter of opposition from non-officials. The primary reason cited for opposition to the project is it will lower property values in the area.

CONDITIONS OF COMMITMENT

- Receipt, review and acceptance prior to commitment of a revised rent schedule (form Volume 1, Tab 2, Part B) reflecting accurate square footages for each unit type.
- Receipt, review and acceptance prior to commitment of an acknowledgement by the Applicant that the TDHCA LURA will reflect no less than 7 units with incomes and rents restricted to the 50% of AMGI level in order to avoid the below-market federal taint of the proposed HOME loan. This acknowledgement must be accompanied by a revised rent schedule (form Volume 1, Tab 2, Part B) and a revised 30-year proforma (form Volume 1, Tab 2, Part E).
- Receipt, review and acceptance prior to commitment of a revised utility allowances form (Volume 1, Tab 2, Part C) to reflect that tenants will be responsible for all utility expenses including water, sewer and trash.
- Receipt, review and acceptance by commitment of a firm commitment with terms for interim to permanent funding from the City.
- Receipt, review and acceptance by commitment of a firm commitment with terms for grant funds of at least \$350,000 from the Federal Home Loan Bank or similar source.
- Receipt, review and acceptance by cost certification of documentation of abandonment of the pipeline easements, or proof that no structures will be or have been constructed on the easements.
- Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit/allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Santour Court, TDHCA Number 07262

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

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$294,106

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Real Estate Analysis Division

Underwriting Report

REPORT DATE: 07/19/07

PROGRAM: 9% HTC

FILE NUMBER: 07262

DEVELOPMENT																		
Santour Court																		
Location: <u>Santour Court (Lots 14-26 & 40-42, Block 14)</u>					Region: <u>8</u>													
City: <u>College Station</u>		County: <u>Brazos</u>		Zip: <u>77840</u>	<input type="checkbox"/> QCT	<input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, New Construction, Urban/Exurban</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$294,106			\$294,106														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance prior to commitment of a revised rent schedule (form Volume 1, Tab 2, Part B) reflecting accurate square footages for each unit type. 2 Receipt, review and acceptance prior to commitment of an acknowledgement by the Applicant that the TDHCA LURA will reflect no less than 7 units with incomes and rents restricted to the 50% of AMGI level in order to avoid the below-market federal taint of the proposed HOME loan. This acknowledgement must be accompanied by a revised rent schedule (form Volume 1, Tab 2, Part B) and a revised 30-year proforma (form Volume 1, Tab 2, Part E). 3 Receipt, review and acceptance prior to commitment of a revised utility allowances form (Volume 1, Tab 2, Part C) to reflect that tenants will be responsible for all utility expenses including water, sewer and trash. 4 Receipt, review and acceptance by carryover of a firm commitment with terms for interim to permanent funding from the City. 5 Receipt, review and acceptance by carryover of a firm commitment with terms for grant funds of at least \$350,000 from the Federal Home Loan Bank or similar source. 6 Receipt, review and acceptance by cost certification of documentation of abandonment of the pipeline easements, or proof that no structures will be or have been constructed on the easements. 7 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units*</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">7</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">9</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units*	50% of AMI	50% of AMI	7	60% of AMI	60% of AMI	9
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units*																
50% of AMI	50% of AMI	7																
60% of AMI	60% of AMI	9																
<p>*This represents the number recommended not the number requested as the number requested would result in an infeasible structure.</p>																		

PROS

CONS

The development is comprised of all 4 bedroom units.

The Market Analyst's initial inclusive capture rate was over the 25% limit for urban areas.

The local funds from HOME and Federal Home Loan Bank are required for the property to be financially feasible.

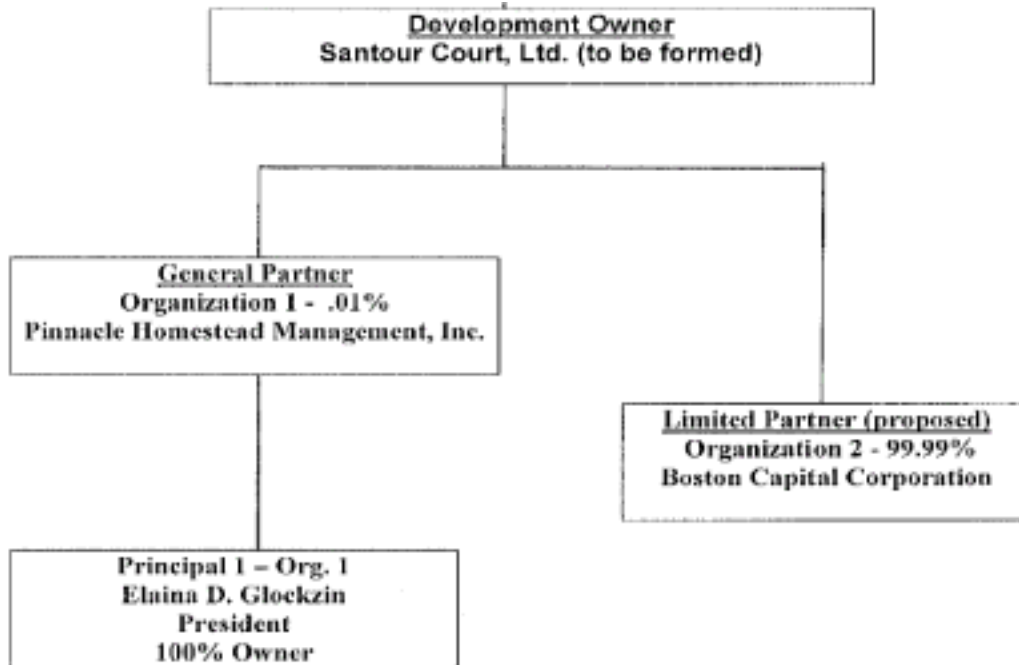
The requested structure for the HOME funds does not allow for the allocation of the recommended credits, though this is mitigated by the recommended LURA.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emanuel Glockzin, Jr. Phone: (979) 846-8878 Fax: (979) 846-0783
 Email: housing@edgproperties.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Pinnacle Homestead Management	\$9.1K	\$1.1K	18
Emanuel Glockzin, Jr.	Confidential		27
Elaina Glockzin	Confidential		5

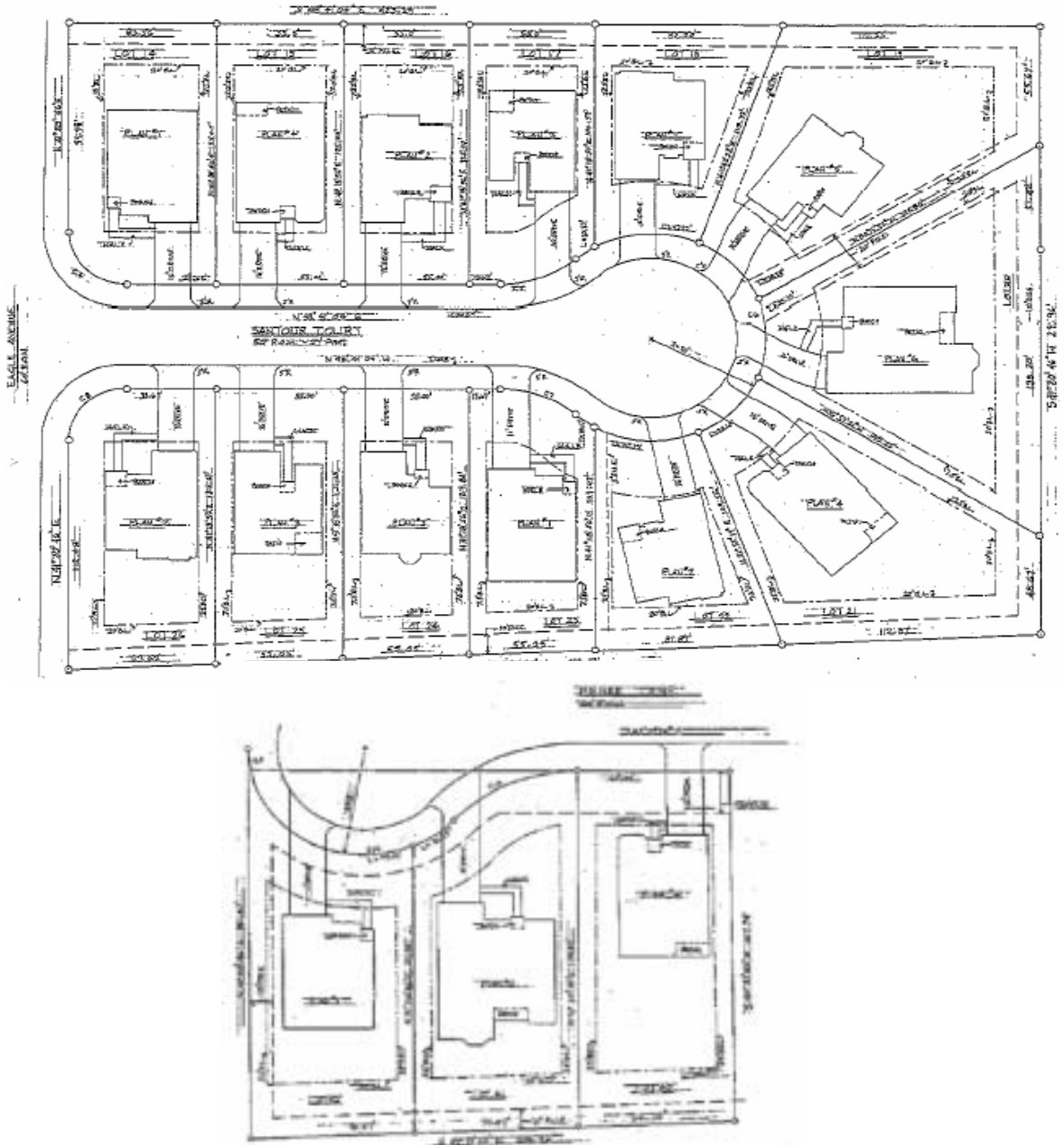
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Architect, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D								Total Buildings
Floors/Stories	1	1	2	2								
Number	5	2	5	4								16

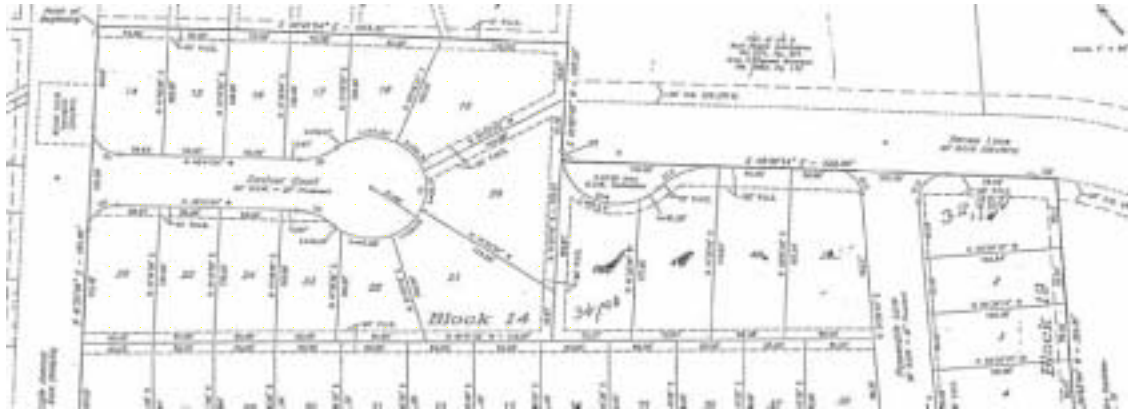
BR/BA	SF	Units										Total Units	Total SF
4/2	2,203	1										5	11,015
4/2	2,228		1									2	4,456
4/2.5	2,239			1								5	11,195
4/2.5	2,247				1							4	8,988
Units per Building		1	1	1	1							16	35,654

SITE ISSUES

Total Size: 3.25 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: R-1 Needs to be re-zoned? Yes No N/A

Comments:

All but three of the single family construction units will be located on Santour Court. The remaining three units will be located on three adjacent lots along Renee Lane.



TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 6/27/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Single family residential & undeveloped land
 East: Single family residential
 South: Undeveloped land & scattered residential
 West: Single family residential and light industrial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc. Date: 4/2/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

None

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 3/31/2007
 Contact: Jeffery Carroll Phone: (704) 905-2276 Fax: (704) 708-4261
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 84.3 square miles (Á 5 mile radius)

The primary market area consists of the following 2000 Census Tracts located in Brazos County: 13.02, 13.03, 15, 10.01, 16.03, 16.04, 17, 18.01, 18.02, 20.01, 20.02, 20.03, & 20.05.

Secondary Market Area (SMA):

The Market Analyst did not provide a secondary market area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Brazos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	\$18,900	\$21,600	\$24,300	\$27,000	\$29,150	\$31,300
60	\$22,680	\$25,920	\$29,160	\$32,400	\$34,980	\$37,560

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
4BR/50%	10	11	0	21	6	0	29%
4BR/60%	6	11	0	17	10	0	59%

OVERALL DEMAND											
		Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst	p. 105	100%	31,974	3%	1,023	12%	121	57%	69	54%	38
Underwriter		100%	31,203	12%	3,744	11%	417	59%	244	54%	132
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 105			3%	164	12%	19	57%	11	100%	11
Underwriter				12%	744	11%	10	59%	6	100%	6

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 106	16	0	0	16	38	42.3%*
Underwriter		16	0	0	16	138	11.64%

This section intentionally left blank.

Comment:

*The Market Analyst did not include the 11 units of demand from household growth in his inclusive capture rate calculation. Moreover, he did not initially conclude a capture rate within 25%; however, when we asked he indicated that he had not included demand from 3 bedroom renters that would be likely to lease the subject property units. He stated that "On page 100 of our report we find that 18.5 percent of the renters in this marketplace currently reside in 3-bedroom units. Because the proposed 4-bedroom units are priced competitively with 3-bedroom units in this market, we feel that many of the current 3-bedroom renters would be interested in leasing at the subject property (after all, 4-bedrooms are better than 3 bedroom, all other things being equal).

Accounting for these 3-bedroom renters, we estimate that up to 21.7 percent of annual income qualified growth and movership would be interested in leasing the subject property units (18.5 percent from 3-bedroom units and 3.2 percent from 4-bedroom units = 21.7 percent). Utilizing this factor we arrive at a revised demand estimate of 258 units for this market area (annual growth and moverhip of 1,118 income-qualified renters x 21.7 percent = 258 units of demand). This yields a 6.2% capture rate estimate (16 subject units/258 units of demand = 6.2 percent)."

The Underwriter recalculated the demand and inclusive capture rate utilizing the Department's more traditional model and concluded a greater demand of 138 units based on household size rather than size of units in which households are currently living. This results in an acceptable inclusive capture rate of 11.64%.

Primary Market Occupancy Rates:

"Occupancies by rent type for stabilized family properties follow: Market rate, 96.5% (6,643 units in sample); restricted rents, 86.4% (317 units in sample); and subsidized rents, 95.0% (199 units in sample). Overall market occupancies for all properties stand at 93.0% (8,957 in sample). Overall market occupancies for stabilized properties currently stand at 96.1% (7,391 units in sample)." (p. 77)

Absorption Projections:

"We estimate a 12-month absorption period and an average absorption rate of 1.27 units per month to stabilization for the subject property." (p. 116)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
4 BR 2,203 SF (50%)	\$555	\$555	\$1,234	\$555	\$679		
4 BR 2,203 SF (60%)	\$712	\$712	\$1,234	\$712	\$522		
4 BR 2,228 SF (50%)	\$555	\$555	\$1,248	\$555	\$693		
4 BR 2,228 SF (60%)	\$712	\$712	\$1,248	\$712	\$536		
4 BR 2,239 SF (50%)	\$555	\$555	\$1,254	\$555	\$699		
4 BR 2,239 SF (60%)	\$712	\$712	\$1,254	\$712	\$542		
4 BR 2,247 SF (50%)	\$555	\$555	\$1,258	\$555	\$703		
4 BR 2,247 SF (60%)	\$712	\$712	\$1,258	\$712	\$546		

Market Impact:

"Because there are no rent- and income-restricted properties in the market area consisting of single family detached homes for four bedroom renters, we do not anticipate that this project will have any impact whatsoever on the other tax credit properties in the area." (conclusions)

Comments:

The Underwriter found the market study provided sufficient information upon which to base a funding recommendation. While the Market Analyst initially concluded an unacceptably high inclusive capture rate, when asked for additional information on his method of calculations we found that demand from current 3 bedroom renters had not been included including the 3 bedroom renter conversion to 4 bedroom units, the Market Analyst concluded an acceptable capture rate of 6.2%.

TITLE

Comments:

There is an easement executed by Abram and Mary Hensarling to Sinclair Refining Company, dated 4/15/1947, recorded in Volume 132, Page 111, Deed Records; amended in Volume 135, Page 86, and in a Partial Release recorded in Volume 70, Page 408, and in Volume 71, Page 240, both of the Release Records, all being of Brazos County, Texas, and an easement executed by Mary Hensarling Stevens et vir, to Lone Star Gas Company, dated 12/18/1950, recorded in Volume 148, Page 470, Deed Records of Brazos County, Texas. There does not appear to be pipelines currently crossing the subject property; however, the Applicant has not provided documentation that the easements have been abandoned. Therefore, it is a condition of this report that the Applicant provide documentation of abandonment of the pipeline easements, or proof that no structures will be constructed on the easements.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$160,946 per acre or \$32,692 per unit is assumed to be reasonable since the acquisition is an arm's length transaction.

Sitework Cost:

The Applicant's claimed site work cost of \$8,500 per unit are within the Department's guidelines. Therefore, no further third party substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost is 6% higher than the Underwriter's Marshall and Swift Residential Handbook and therefore may be slightly overstated.

The Applicant's rent schedule indicates an average square footage for all units of 2,200 rather than the actual proposed unit square footages; therefore, receipt, review and acceptance prior to commitment of a revised rent schedule (form Volume 1, Tab 2, Part B) reflecting accurate square footages for each unit type is a condition of this report.

It also should be noted that the TDHCA underwriting analysis of construction costs for single family construction typically takes into consideration a subdivision discount. The discount is intended to account for cost savings incurred when constructing multiple units of the same design in one subdivision. However, the subject development will include limited numbers of four different unit plans. Economies of scale are likely but limited and, therefore, a subdivision discount of only 5% was applied.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,456,000 supports annual tax credits of \$295,488. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/5/2007

Source: First National Bank Type: Interim to Permanent Financing
Principal: \$470,000 Interest Rate: 7.0% [x] Fixed Amort: 360 months

Comments:

Interest only payments for 12 months; lender will sponsor Applicant's request for a grant from the Federal Home Loan Bank.

Source: City of College Station - HOME Funds Type: Interim to Permanent Financing
 Principal: \$500,000 Interest Rate: 0.00% Fixed Term: TBD months
 Comments:

The City will apply to TDHCA for a total of \$733,116 in HOME funds; upon receipt of an allocation, only \$500,000 will be committed to the development as a 0% loan with a balloon payment at the end of the affordability period. Receipt, review and acceptance by carryover of a firm commitment with terms for interim to permanent funding by the City.

It appears the Applicant may have intended to avoid the below-market federal funds taint of the proposed structure of this HOME loan by offering at least 40% of the units at rents affordable to tenants with incomes at or below 50% of AMGI. However, the Applicant's rent schedule reflects on six 50% of AMGI units; seven units must be restricted to 50% of AMGI or below to avoid an adverse effect on the Development's eligible basis for tax credit purposes.

Receipt, review and acceptance prior to commitment of an acknowledgement by the Applicant that the TDHCA LURA will reflect no less than 7 units with incomes and rents restricted to the 50% of AMGI level in order to avoid the below-market federal taint of the proposed HOME loan is a condition of this report. This acknowledgement must be accompanied by a revised rent schedule (form Volume 1, Tab 2, Part B) and a revised 30-year proforma (form Volume 1, Tab 2, Part E).

Source: Federal Home Loan Bank Type: Grant
 Principal: \$350,000 Conditions: _____
 Comments:

As noted above, First National Bank, the conventional lender, will sponsor the Applicant's request for this grant. Receipt, review and acceptance by carryover of a firm commitment with terms for grant funds of at least \$350,000 from the Federal Home Loan Bank or similar is a condition of this report.

Source: Boston Capital Corporation Type: Syndication
 Proceeds: \$2,646,686 Syndication Rate: 90% Anticipated HTC: \$ 294,106
 Amount: \$95,122 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the conventional permanent loan of \$470,000, the City HOME loan of \$500,000, and Federal Home Loan Bank grant of \$350,000 indicate the need for \$3,242,076 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$360,267 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$294,106), the gap-driven amount (\$360,267), and eligible basis-derived estimate (\$295,488), the Applicant's request of \$294,106 is recommended.

The Underwriter's recommended financing structure indicates the need for \$95,390 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

Should the Applicant fail to receive either the City HOME loan of \$500,000 or the Federal Home Loan Bank or equivalent grant of \$350,000, the resulting deferred developer fee would not repayable within 15 years of operation. Therefore, the Development is considered infeasible without firm commitment of these funds.

Underwriter:	_____ <i>D. Burrell</i>	Date: <u>July 19, 2007</u>
Reviewing Underwriter:	_____ <i>Lisa Vecchietti</i>	Date: <u>July 19, 2007</u>
Director of Real Estate Analysis:	_____ <i>Tom Gouris</i>	Date: <u>July 19, 2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Santour Court, College Station, 9% HTC #07262

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util
TC 50%	2	4	2	2,203	\$782	555	1,110	0.25	227.00
TC 60%	3	4	2	2,203	\$939	712	2,136	0.32	227.00
TC 50%	1	4	2	2,228	\$782	555	555	0.25	227.00
TC 60%	1	4	2	2,228	\$939	712	712	0.32	227.00
TC 50%	2	4	2.5	2,239	\$782	555	1,110	0.25	227.00
TC 60%	3	4	2.5	2,239	\$939	712	2,136	0.32	227.00
TC 50%	2	4	2.5	2,247	\$782	555	1,110	0.25	227.00
TC 60%	2	4	2.5	2,247	\$939	712	1,424	0.32	227.00
TOTAL:	16		AVERAGE:	2,228		\$643	\$10,293	\$0.29	\$227.00

INCOME				Total Net Rentable Sq Ft:	35,654	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$123,516	\$125,400	Brazos		8
Secondary Income		Per Unit Per Month:	\$10.00			1,920	1,920	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$125,436	\$127,320			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(9,408)	(9,552)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$116,028	\$117,768			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	3.60%	\$261	0.12			\$4,180	\$10,800	\$0.30	\$675	9.17%
Management	3.88%	281	0.13			4,504	4,800	0.13	300	4.08%
Payroll & Payroll Tax	10.35%	751	0.34			12,008	10,800	0.30	675	9.17%
Repairs & Maintenance	16.94%	1,228	0.55			19,652	14,500	0.41	906	12.31%
Utilities	1.19%	86	0.04			1,382	0	0.00	0	0.00%
Water, Sewer, & Trash	0.69%	50	0.02			797	1,500	0.04	94	1.27%
Property Insurance	6.42%	466	0.21			7,454	7,500	0.21	469	6.37%
Property Tax	2.4144	11.65%	845	0.38		13,521	14,800	0.42	925	12.57%
Reserve for Replacements	3.45%	250	0.11			4,000	3,200	0.09	200	2.72%
TDHCA Compliance Fees	0.55%	40	0.02			640	2,000	0.06	125	1.70%
Other: Security	2.50%	181	0.08			2,900	2,900	0.08	181	2.46%
TOTAL EXPENSES	61.23%	\$4,440	\$1.99			\$71,038	\$72,800	\$2.04	\$4,550	61.82%
NET OPERATING INC	38.77%	\$2,812	\$1.26			\$44,990	\$44,968	\$1.26	\$2,811	38.18%

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
First National Bank	32.34%	\$2,345	\$1.05	\$37,523	\$37,858	\$1.06	\$2,366	32.15%
Federal Home Loan Bank	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
City HOME	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	6.44%	\$467	\$0.21	\$7,467	\$7,110	\$0.20	\$444	6.04%
AGGREGATE DEBT COVERAGE RATIO				1.20	1.19			
RECOMMENDED DEBT COVERAGE RATIO					1.20			

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL	
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$523,076	\$523,076	\$14.67	\$32,692	12.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.50%	8,500	3.81	136,000	136,000	3.81	8,500	3.35%
Direct Construction		50.78%	123,423	55.39	1,974,764	2,100,000	58.90	131,250	51.70%
Contingency	2.42%	1.31%	3,186	1.43	50,980	50,980	1.43	3,186	1.26%
Contractor's Fees	14.00%	7.60%	18,469	8.29	295,507	313,020	8.78	19,564	7.71%
Indirect Construction		6.15%	14,938	6.70	239,000	239,000	6.70	14,938	5.88%
Ineligible Costs		0.85%	2,063	0.93	33,000	33,000	0.93	2,063	0.81%
Developer's Fees	20.00%	14.08%	34,216	15.35	547,450	576,000	16.16	36,000	14.18%
Interim Financing		1.05%	2,563	1.15	41,000	41,000	1.15	2,563	1.01%
Reserves		1.24%	3,016	1.35	48,259	50,000	1.40	3,125	1.23%
TOTAL COST		100.00%	\$243,065	\$109.08	\$3,889,036	\$4,062,076	\$113.93	\$253,880	100.00%
Construction Cost Recap		63.18%	\$153,578	\$68.92	\$2,457,251	\$2,600,000	\$72.92	\$162,500	64.01%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
First National Bank	12.09%	\$29,375	\$13.18	\$470,000	\$470,000	\$470,000	Developer Fee Available
Federal Home Loan Bank	9.00%	\$21,875	\$9.82	350,000	350,000	350,000	\$576,000
City HOME Loan	12.86%	\$31,250	\$14.02	500,000	500,000	500,000	
HTC Syndication Proceeds	68.06%	\$165,418	\$74.23	2,646,686	2,646,954	2,646,686	% of Dev. Fee Deferred
Deferred Developer Fees	2.45%	\$5,945	\$2.67	95,122	95,122	95,390	17%
Additional (Excess) Funds Req'd	-4.44%	(\$10,798)	(\$4.85)	(172,772)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,889,036	\$4,062,076	\$4,062,076	\$173,510

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Santour Court, College Station, 9% HTC #07262

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Single Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$71.96	\$2,565,776
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-5.00%		(3.60)	(128,289)
9-Ft. Ceilings	3.75%		2.70	96,217
Roofing			0.00	0
Subfloor			(2.51)	(89,492)
Floor Cover			3.20	114,093
Porches/Patios	\$13.90	4,256	1.66	59,137
Plumbing Fixtures	\$1,110	34	1.06	37,740
Rough-ins	\$450	32	0.40	14,400
Built-In Appliances	\$2,575	16	1.16	41,200
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			1.78	63,464
Garages/Carports	\$25.49	7,480	5.35	190,665
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			83.16	2,964,911
Current Cost Multiplier	0.94		(4.99)	(177,895)
Local Multiplier	0.88		(9.98)	(355,789)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.19	\$2,431,227
Plans, specs, survy, bld prm	3.90%		(\$2.66)	(\$94,818)
Interim Construction Interes	3.38%		(2.30)	(82,054)
Contractor's OH & Profit	11.50%		(7.84)	(279,591)
NET DIRECT CONSTRUCTION COSTS			\$55.39	\$1,974,764

PAYMENT COMPUTATION

Primary	\$470,000	Amort	360
Int Rate	7.00%	DCR	1.20

Secondary	\$350,000	Amort	
Int Rate		Subtotal DCR	1.20

Additional	\$500,000	Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$37,523
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$7,445

Primary	\$470,000	Amort	360
Int Rate	7.00%	DCR	1.20

Secondary	\$350,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$500,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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	\$125,400	\$129,162	\$133,037	\$137,028	\$141,139	\$163,619	\$189,679	\$219,890	\$295,513	
Secondary Income	1,920	1,978	2,037	2,098	2,161	2,505	2,904	3,367	4,525	
Other Support Income:	0	0	0	0	0	0	0	0	0	
POTENTIAL GROSS INCOME	127,320	131,140	135,074	139,126	143,300	166,124	192,583	223,256	300,038	
Vacancy & Collection Loss	(9,552)	(9,835)	(10,131)	(10,434)	(10,747)	(12,459)	(14,444)	(16,744)	(22,503)	
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0	
EFFECTIVE GROSS INCOME	\$117,768	\$121,304	\$124,943	\$128,692	\$132,552	\$153,664	\$178,139	\$206,512	\$277,535	
EXPENSES at 4.00%										
General & Administrative	\$10,800	\$11,232	\$11,681	\$12,149	\$12,634	\$15,372	\$18,702	\$22,754	\$33,681	
Management	4,800	4,944	5,092	5,245	5,403	6,263	7,261	8,417	11,312	
Payroll & Payroll Tax	10,800	11,232	11,681	12,149	12,634	15,372	18,702	22,754	33,681	
Repairs & Maintenance	14,500	15,080	15,683	16,311	16,963	20,638	25,109	30,549	45,220	
Utilities	0	0	0	0	0	0	0	0	0	
Water, Sewer & Trash	1,500	1,560	1,622	1,687	1,755	2,135	2,598	3,160	4,678	
Insurance	7,500	7,800	8,112	8,436	8,774	10,675	12,988	15,801	23,390	
Property Tax	14,800	15,392	16,008	16,648	17,314	21,065	25,629	31,181	46,156	
Reserve for Replacements	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980	
Other	4,900	5,096	5,300	5,512	5,732	6,974	8,485	10,324	15,281	
TOTAL EXPENSES	\$72,800	\$75,664	\$78,641	\$81,736	\$84,953	\$103,048	\$125,015	\$151,683	\$223,380	
NET OPERATING INCOME	\$44,968	\$45,640	\$46,302	\$46,956	\$47,599	\$50,616	\$53,125	\$54,829	\$54,155	
DEBT SERVICE										
First Lien Financing	\$37,523	\$37,523	\$37,523	\$37,523	\$37,523	\$37,523	\$37,523	\$37,523	\$37,523	
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	\$7,445	\$8,117	\$8,779	\$9,433	\$10,076	\$13,093	\$15,602	\$17,306	\$16,632	
DEBT COVERAGE RATIO	1.20	1.22	1.23	1.25	1.27	1.35	1.42	1.46	1.44	

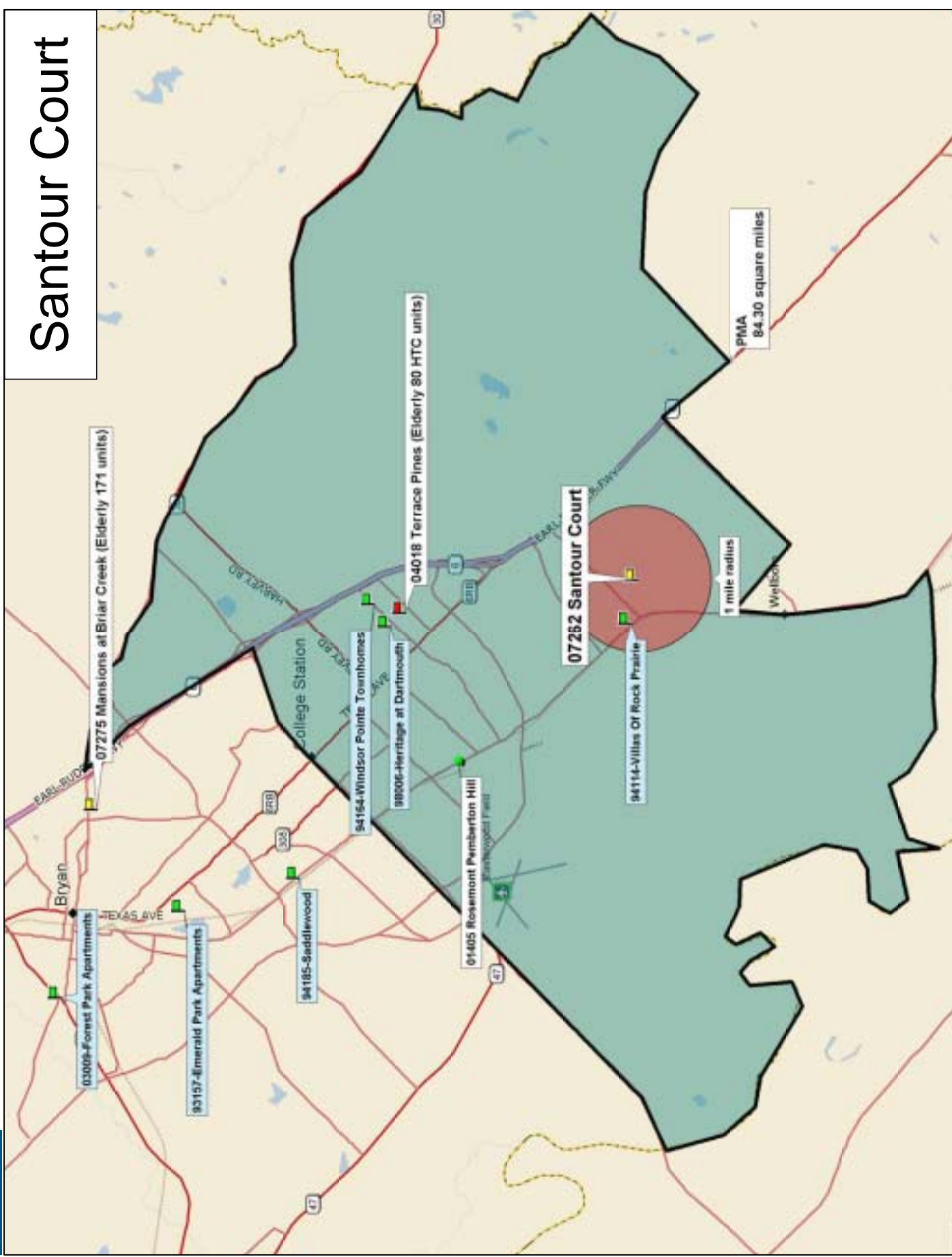
HTC ALLOCATION ANALYSIS -Santour Court, College Station, 9% HTC #07262

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$523,076	\$523,076		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$136,000	\$136,000	\$136,000	\$136,000
Construction Hard Costs	\$2,100,000	\$1,974,764	\$2,100,000	\$1,974,764
Contractor Fees	\$313,020	\$295,507	\$313,020	\$295,507
Contingencies	\$50,980	\$50,980	\$50,980	\$50,980
Eligible Indirect Fees	\$239,000	\$239,000	\$239,000	\$239,000
Eligible Financing Fees	\$41,000	\$41,000	\$41,000	\$41,000
All Ineligible Costs	\$33,000	\$33,000		
Developer Fees				
Developer Fees	\$576,000	\$547,450	\$576,000	\$547,450
Development Reserves	\$50,000	\$48,259		
TOTAL DEVELOPMENT COSTS	\$4,062,076	\$3,889,036	\$3,456,000	\$3,284,701

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$3,456,000	\$3,284,701
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$3,456,000	\$3,284,701
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$3,456,000	\$3,284,701
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$295,488	\$280,842

Syndication Proceeds	0.8999	\$2,659,123	\$2,527,322
Total Tax Credits (Eligible Basis Method)		\$295,488	\$280,842
Syndication Proceeds		\$2,659,123	\$2,527,322
Requested Tax Credits		\$294,106	
Syndication Proceeds		\$2,646,686	
Gap of Syndication Proceeds Needed		\$3,242,076	
Total Tax Credits (Gap Method)		\$360,267	

Santour Court



Applicant Evaluation

Project ID # **07262**

Name: **Santour Court**

City: **College Station**

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

Total # of Projects monitored: 29
 Projects zero to nine: 29
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 29
 # not yet monitored or pending review: 8

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/24/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/30/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Constitution Court, TDHCA Number 07263

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

Competitive Housing Tax Credits: Score: **192** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Found to be infeasible by Department.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Terminated.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/29/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07263

DEVELOPMENT	
Constitution Court	
Location: <u>Constitution Drive</u>	Region: <u>8</u>
City: <u>Copperas Cove</u> County: <u>Coryell</u> Zip: <u>76522</u>	<input type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, New Construction, Urban/Exurban, CHDO</u>	

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
HOME Activity Funds	\$2,900,000	0.00%	420/420	\$0		
HOME CHDO Operating Expenses	\$50,000			\$0		
Housing Tax Credit (Annual)	\$991,075			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The termination of the HOME application and loss of \$2.9M in permanent funding and the lack of a viable proposed alternative has rendered the transaction financially infeasible due to the development's inability to repay the resulting deferred developer fee within 15 years of stabilized operation per 10 TAC §1.32(i)(2).

The Underwriter's expense to income ratio exceeds the Department's maximum of 65% (and the Applicant's ratio is right at the maximum) and therefore cannot be characterized as financially feasible even if the additional funds were sourced as a grant pursuant to 10TAC§1.32(i)(4).

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A housing tax credit allocation not to exceed \$903,394 annually for ten years.
- 2 Receipt, review, and acceptance prior to Board approval of an allocation to this development, of written commitment acceptable to TDHCA for funds totaling a minimum of \$1,315,300 of currently unsourced funds which are in addition to deferred developer fee of \$859,605 and additional permanent debt of \$553,000 or some combination acceptable to TDHCA.
- 3 Receipt, review, and acceptance by carryover of documentation confirming that the seller will not have an ongoing interest in the development following the close of the sale of the property.
- 4 Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned.
- 5 Receipt, review and acceptance by carryover of evidence that construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant.

- 6 Receipt, review, and acceptance by cost certification of documentation verifying that the subject property will have access to the dedicated roadway as indicated in the Schedule B title item. Also, documentation that all requirements indicated in Schedule C item 5 have been met, including the submission of a survey plat, with correct description of the property, showing all easements, and access to the dedicated roadway, all requirements to obtain and place of record, payment of all taxes including 2006, and issuance of a waiver of inspection.
- 7 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	81
60% of AMI	60% of AMI	21

PROS

The subject represents the first tax credit development in Copperas Cove.

The developer has a considerable amount of experience in the affordable housing development and the capacity to support a transaction if necessary.

CONS

The Development is not financially feasible based upon this analysis and several Department standards including: repayment of deferred developer fee in less than 15 years, expense to income ratio exceeding 65%.

The Development has a need for a large soft debt or grant funding source that cannot be funded out of deferred developer fee and no viable alternative (other than the terminated HOME application) has been suggested.

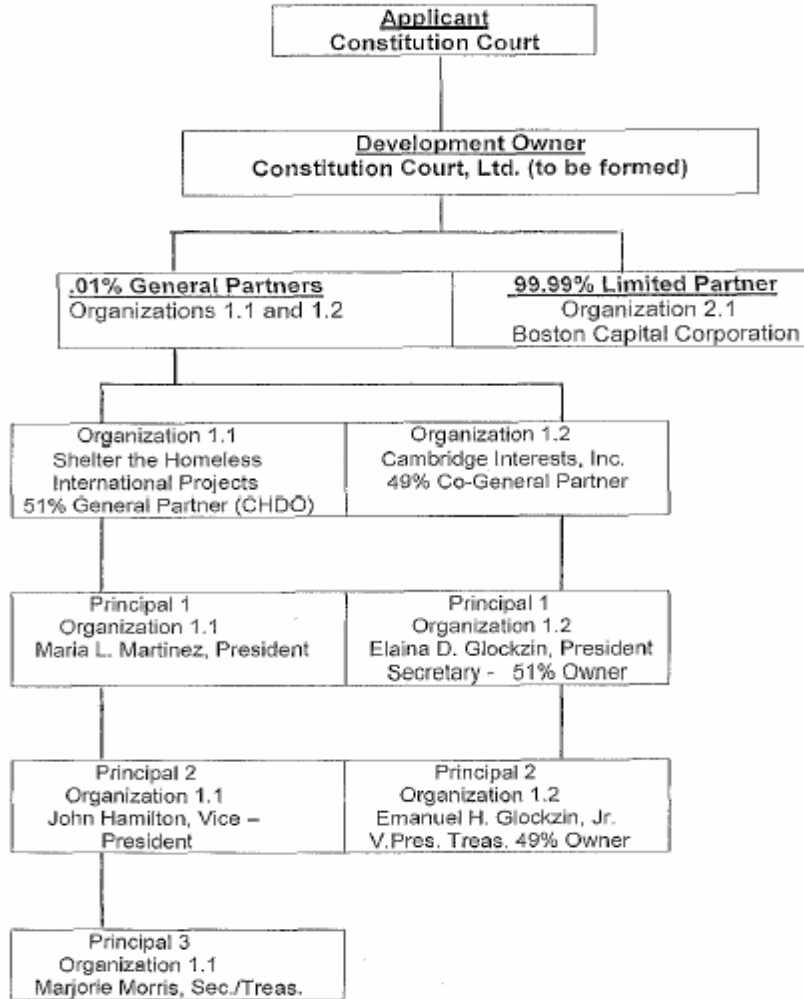
PREVIOUS UNDERWRITING REPORTS

None.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emmanuel Glockzin, Jr Phone: (979) 846-8878 Fax: (979) 846-0783
 Email: housing@edgproperties.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Shelter the Homeless	\$177,311	\$65,889	1 awarded tax credit development
Cambridge Interests, Inc.	\$365,151	\$175,037	3 awarded tax credit developments
Homestead Dvlp Group Ltd.	\$449,327	\$438,095	Not provided
Brazos Valley Construction, Inc	\$1,416,469	\$219,399	3 awarded, 23 completed tax credit and 1 HOME only developments
Emmanuel & Elaina Glockzin	CONFIDENTIAL		3 awarded, 23 completed tax credit and 1 HOME only developments

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

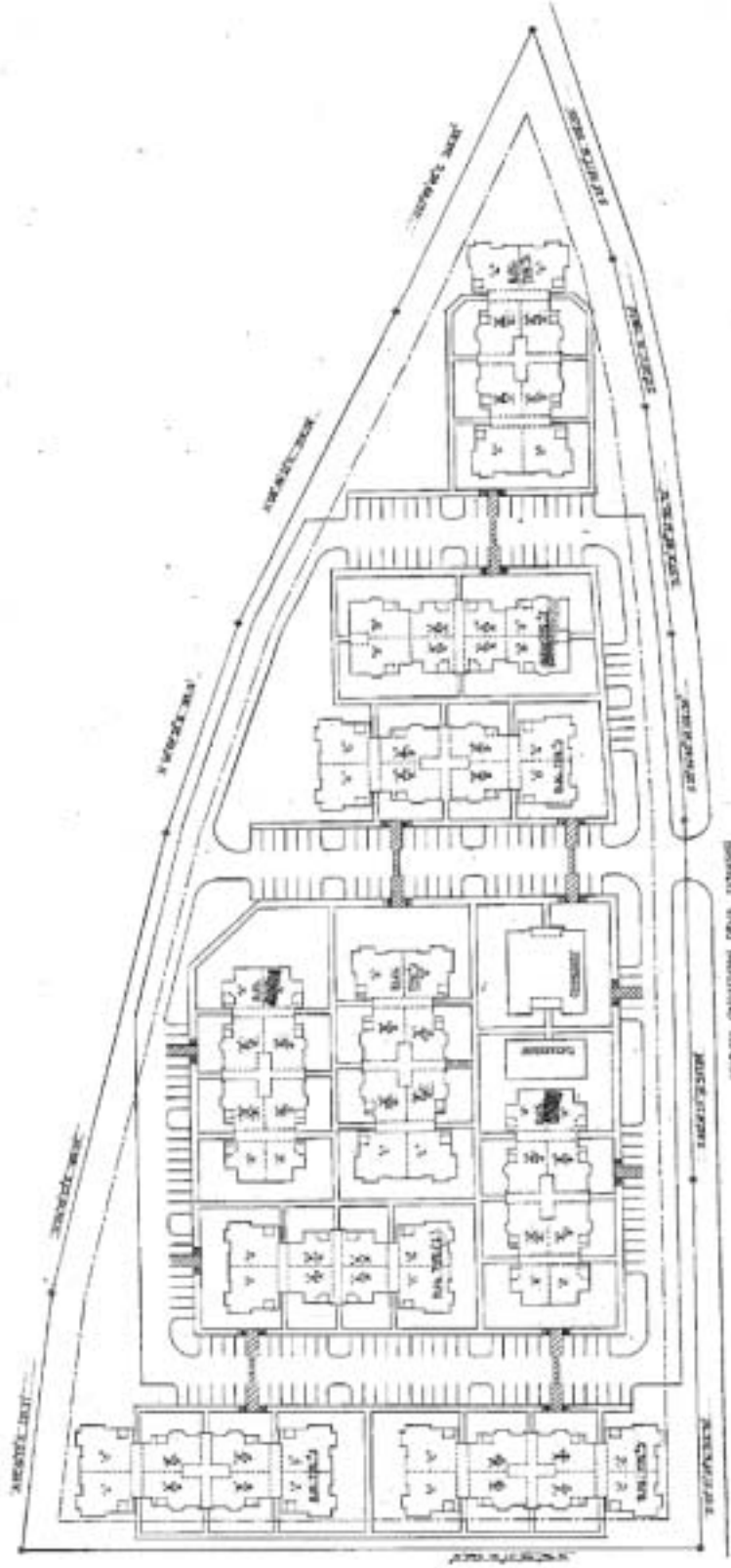
The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The seller Copperas Cove Economic Development Corporation, could be regarded as a related party as they also plan to provide In-Kind Contributions used for QAP 9% competitive points purposes; however, the Underwriter does not believe this a true identity of interest given that they do not maintain a financial stake in the applicant, the development team or in the operations of the property once it is completed. In order to confirm this is the case, receipt review and acceptance of a certification from the seller confirming that they will not have an ongoing interest in the development following the close of the sale of the property is a condition of this report.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	II	III	IV	V								Total Buildings
Floors/Stories	2	2	2	2								
Number	1	5	2	1								9

BR/BA	SF	Units										Total Units	Total SF
1/1	834	8		4	8							24	20,016
2/2	1,192		8	8	4							60	71,520
3/2	1,359	4	4									24	32,616
Units per Building		12	12	12	12							108	124,152

SITE ISSUES

Total Size: 10.3 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: B-4 Business Dist. Needs to be re-zoned? Yes No N/A
 Comments:

The property is presently zoned Business. The applicant is requesting a change in zoning to Multifamily. Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

Also, it appears that a road will be constructed adjacent to the site to provide access from Constitution Drive to US Highway 190. It is not clear if the cost to construct the road will be paid by the Applicant or the City. Receipt, review and acceptance of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant are a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Vacant/unimproved land
 South: Fort Hood
 East: Fort Hood
 West: Vacant/unimproved land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc Date: 4/2/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 None.

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 3/31/2007
 Contact: Jeffrey Carroll Phone: (704) 905-2276 Fax: (704) 708-4261
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 210.10 square miles ~8.21 mile radius

The market area is generally defined by all or a portion of the following census tracts: 231.02, 231.04, 105, 106.01, 106.02, 107.01, 107.02, 108.01, 108.02, and 9503 located in Bell, Coryell and Lampasas Counties. (p. 46)

Secondary Market Area (SMA):

The Market Analyst indicated that a more precise secondary market area for this project could not be defined and therefore, it was disregarded. (p. 46)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None Comparable				No Secondary Market			

INCOME LIMITS						
Coryell						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,450	\$11,900	\$13,400	\$14,900	\$16,100	\$17,300
50	\$17,350	\$19,850	\$22,300	\$24,800	\$26,800	\$28,750
60	\$20,820	\$23,820	\$26,760	\$29,760	\$32,160	\$34,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit		29		29	2	0	7%
1 BR/50% Rent Limit		54		54	17	0	31%
1 BR/60% Rent Limit		80		80	5	0	6%
2 BR/30% Rent Limit		58		58	2	0	3%
2 BR/50% Rent Limit		118		118	47	0	40%
2 BR/60% Rent Limit		153		153	11	0	7%
3 BR/30% Rent Limit		47		47	2	0	4%
3 BR/50% Rent Limit		101		101	17	0	17%
3 BR/60% Rent Limit		126		126	5	0	4%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 115	The Market Analyst only identified project-specific demand for each unit/income type									
Underwriter	100%	23,744	96%	22,766	34%	7,678	43%	3,302	50%	1,641
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 115	The Market Analyst only identified project-specific demand for each unit/income type									
Underwriter			96%	535	34%	173	43%	74	100%	74

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 115	108	0	0	108	766	14.10%
Underwriter	108	0	0	108	1,715	6.30%

The Market Analyst used a more innovative method for determining demand than what is typical of market studies for Texas tax credit developments. The Market Analyst calculated the demand for each unit type and income level and then summed these individual demand amounts. Unfortunately, the Market Analyst did not provide the raw data detail for all of the calculations with this approach. It would seem obvious that some units would have overlapping demand from the same household size. The underwriter used less specific data that was available in the market study to conclude ample demand to support an acceptable inclusive capture rate.

Primary Market Occupancy Rates:

"Occupancies by rent type for stabilized family properties follow: Market rate, 88.5% (1223 units in sample); restricted rents, 90.0% (30 units in sample); and subsidized rents, 100.0% (50 units in sample). Overall market occupancies for all properties stand at 88.2% (1382 units in sample). Overall market occupancies for stabilized properties currently stand at 89.1% (1352 units in sample)." (p. 77)

Absorption Projections:

"We estimate a 14-month absorption period and an average absorption rate of 6.94 units per month to stabilization for the subject property. The absorption period breaks down by unit type and income level as follows: 2 month(s) for 1BR units at 30% of AMI; 14 month(s) for 1BR units at 50% of AMI; 3 month(s) for 1BR units at 60% of AMI; 1 month(s) for 2BR units at 30% of AMI; 14 month(s) for 2BR units at 50% of AMI; 3 month(s) for 2BR units at 60% of AMI; 1 month(s) for 3BR units at 30% of AMI; 5 month(s) for 3BR units at 50% of AMI; and 1 month(s) for 3BR units at 60% of AMI." (p.127)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 834 SF 30%	\$208	\$208	\$600	\$208	\$392		
1 BR 834 SF 50%	\$394	\$394	\$600	\$394	\$206		
1 BR 834 SF 60%	\$478	\$487	\$600	\$487	\$113		
2 BR 1,192 SF 30%	\$244	\$244	\$700	\$244	\$456		
2 BR 1,192 SF 50%	\$466	\$466	\$700	\$466	\$234		
2 BR 1,192 SF 60%	\$578	\$578	\$700	\$578	\$122		
3 BR 1,359 SF 30%	\$261	\$261	\$760	\$261	\$499		
3 BR 1,359 SF 50%	\$519	\$519	\$760	\$519	\$241		
3 BR 1,359 SF 60%	\$648	\$648	\$760	\$648	\$112		

Market Impact:

"While we believe that this property is feasible from a market standpoint as proposed, in our opinion it will draw residents from other properties in the immediate area. Most of these properties are market rate and will experience a modest adverse impact (1 to 2 percent occupancy decline) from this development." (p. 13)

Comments:

While the Market Analyst did not provide the raw data that would allow the market study to be considered a fully self contained study from the Department's perspective, it provided sufficient information on which to potentially base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/25/2007

The Applicant's projected rents collected per unit were calculated by subtracting "All Electric" tenant-paid utility allowances as of April 1, 2006, maintained by The City of Copperas Cove, from the 2007 program gross rent limits. The HOME rents do not at this time impact the HTC rents because the HTC rents are equal to or less than the HOME rents for the proposed HOME units. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/25/2007

The Applicant's total annual operating expense projection at \$3,468 per unit is within 5% of the Underwriter's estimate of \$3,630, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows several line item estimates, however, that deviate significantly when compared to the database averages, specifically: General & Administrative (\$9K higher), Payroll and Payroll Tax (\$21K lower), and Property Tax (\$12K lower). Also, it appears the Applicant has understated TDHCA compliance fees.

Conclusion:

The Applicant's total operating expense and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity.

Assuming debt service from both the conventional source of permanent financing and the requested HOME funds, the development would have a debt coverage ratio below the TDHCA minimum requirement of 1.15. However, the Development is not recommended for TDHCA HOME funding as the application did not score the minimum 70 points required by the Department's HOME rules. Therefore, there will be no debt service associated with a HOME loan at the present time.

The debt service for only the conventional source of financing coupled with the Underwriter's Year One proforma results in a DCR above the TDHCA maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The Underwriter's proforma results in an expense to income ratio of 67.97%, which is above the Department's 65% maximum. Pursuant to 2007 Real Estate Analysis Guidelines §1.32(i)(4), a development cannot be recommended for funding if the Year One proforma results in an expense to income ratio above 65%. In this case, the Underwriter's Year One proforma would be used to determine the financial feasibility of the development. Therefore, the subject application is not recommended for an allocation of 9% Housing Tax Credits.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expenses, net operating income and revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 with continued positive cashflow.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 11.407 acres	<u>\$910,650</u>	Tax Year:	<u>2006</u>
1 acre:	<u>\$79,833</u>	Valuation by:	<u>Coryell CAD</u>
Total Prorata: 10.3 acres	<u>\$822,275</u>	Tax Rate:	<u>2.94907</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Unimproved Commercial Property</u>	Acreage: <u>10.3</u>
Contract Expiration: <u>10/30/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$550,000</u>	Other: _____
Copperas Cove	
Seller: <u>Economic Development Corp.</u>	Related to Development Team? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TITLE

Comments:

Schedule B, item 10a of the title commitment indicates that the subject property does not have access to a dedicated roadway. Also, Schedule C, item 5 lists several items of concern that may not currently be resolved. The Underwriter has asked the Applicant for clarification on these items. The Applicant is working to address them. Receipt, review, and acceptance of documentation verifying the title items have been resolved is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$53,398 per acre or \$5,093 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,500 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$828K or 13% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Ineligible Costs:

The Applicant included \$15K in bridge loan interest as an eligible cost. These costs are regarded to be ineligible because no evidence of a bridge loan other than the lumber company loan and the First Victoria loans were provided. The syndication commitment does not include a bridge loan but rather, indicates that the equity proceeds will be front end loaded eliminating the need for such a bridge loan; therefore, the Underwriter reduced the Applicant's eligible basis by an equivalent amount.

Contingency & 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 is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$10,566,015 supports annual tax credits of \$903,394. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: Calloway Lumber Company Type: Pre-Development Financing

Principal: \$300,000 Interest Rate: 10.0% [x] Fixed Term: 1 month

Comments:

In the form of a pre-development loan for the purchase of lumber; 1 month term, with one 30 day extension. It should be noted that this loan is ultimately more costly than the existing construction loan or alternative financing that may be available. Encouraging local private loans in this case as part of the local public support is inconsistent with the general concept of an efficient allocation of funds.

Source: First Victoria National Bank Type: Interim to Permanent Financing
 Interim: \$1,000,000 Interest Rate: 8.00% Fixed Term: 12 months
 Permanent: \$1,000,000 Interest Rate: 8.00% Fixed Amort: 360 months
 Comments:

Maturity: 16 years from the date of the Loan; Payment Terms: Construction Phase - interest payable quarterly; Term Phase - monthly principal and interest payments based on a 30-year amortization.

Source: Copperas Cove EDC Type: In-Kind Contribution
 Principal: \$570,560 Conditions: Potential housing for workers constructing 90-acre retail development
 Comments:

Source is also current owner of subject site; For the cost of infrastructure improvements to include extending the roadway to the development, along with water and sewer. City does not have funds, yet; will apply for a federal Economic Administration Grant.

Source: Boston Capital Corporation Type: Syndication
 Proceeds: \$8,523,242 Syndication Rate: 86% Anticipated HTC: \$ 991,075
 Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$139,658 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's request for \$2.9M in TDHCA HOME funds cannot be considered viable in this underwriting analysis because that application was terminated. The Applicant appealed this decision, but during the June 14, 2007 Board meeting, the Board denied the appeal.

The HOME funds initially accounted for 23% of the total development cost, thus the loss of the anticipated HOME funds with no readily available substitute requires a significant restructuring of the permanent financing. The Underwriter's analysis reflects that the absence of the HOME funds or a significant substitute causes the transaction to be infeasible. In response to the Underwriter's request for additional information regarding the Applicant's intentions to obtain the additional funds through another source, the Applicant only indicated the possibility of utilizing unused TDHCA HOME funds at some point in the future. There is currently an open HOME funding cycle for housing funds tied to economic development, however the Applicant may not qualify for those funds. The next HOME funding opportunity for funds for which the applicant may qualify will likely not open until well after the funding decision must be made for the subject.

While it is evident that the development demonstrates a need for additional permanent funds, the proposed terms of 0% interest amortized fully over a 35-year repayment term results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, should the Applicant obtain the additional permanent funds through an alternate source, the underwriting analysis assumes a modification in the proposed terms to 0% interest non-amortizing, deferred forgivable loan or a grant for a significant portion of those funds. The effects of this structure is discussed in more detail in the "Alternative Financing Structure" section below.

Without the HOME funds or any alternative soft financing, the proforma and proposed debt service for only the conventional loan would result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure would reflect an increase in the permanent loan amount to \$1,553,000 based on the terms reflected in the application materials. As a result, the development's gap in financing will decrease.

The Underwriter's total development cost estimate less the adjusted permanent loan of \$1,553,000 indicates the need for \$9,943,316 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,156,316 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$991,075), the gap-driven amount (\$1,156,316), and eligible basis-derived estimate (\$903,394), the eligible basis-derived estimate of \$903,394 would be recommended.

The Underwriter's financing structure indicates the need for \$2,174,905 in additional permanent funds. Deferred developer fees in this amount do not appear to be repayable from development cashflow within 15 years of stabilized operation. Therefore, the development must be characterized as infeasible according to §1.32(i)(2) of Department Rules and cannot be recommended for funding.

Alternative Financing Structure:

The Applicant has indicated only an uncertain possibility of obtaining the additional permanent funds needed to make the transaction viable, and no written commitment for these funds has been provided. The need for this source of funds from a financial feasibility stand point is evident, as described above. Therefore, it is a condition of this report that prior to Board approval of a tax credit allocation to this development, a written commitment acceptable to TDHCA be provided by an acceptable alternative source, for the purpose of permanent funding at rates and terms acceptable to TDHCA, specifically; the terms would likely not be able to exceed a 0% interest loan amortizing over 40 years in an amount not more than \$2,727,905.

The additional funds, if from a HOME source could be structured as a forgivable loan or grant without impacting the eligible credit amount since the Applicant has elected to set-aside at least 40% of the units with rents and income restricted to 50% of AMI. In addition, as the development does not qualify for a 30% boost, loss of the boost due to federally-sourced below-market funding would be a non-issue. This structure allows the development to avoid a decrease in their eligible basis for tax credit purposes should the funds be federally-sourced. Any other federal sourced grant or below market rate loan would negatively impact the eligible credit allocation that may be available to the development.

Another alternative structure considering the increased conventional debt amount of \$1,553,000 discussed above, would require a minimum HOME forgivable cash flow loan, or grant of \$1,315,300 to allow the marginal repayment of deferred developer fees within 15 years of stabilized operation (this would be the maximum amount of deferred developer fee that could be deferred under this scenario).

Under either of these alternatives the eligible basis-derived estimate (\$903,394) still would be the lesser of the three approaches to determine the credit amount and therefore the most amount that could be recommended under the Department's rules. Again, if another alternative is presented which includes below market rate loans or grants from sources other than from a HOME source, it is very likely that the credit amount would be reduced either because the development would only be eligible for the 4% credit or because the amount of the below market rate funds would need to be removed from eligible basis in order to continue to qualify for the 9% credits.

However, under any alternative financing structure the development would still not be recommended for a tax credit allocation as the Underwriter's expense to income ratio is above the Department's maximum of 65% and no ongoing operating subsidy is being proposed to maintain the development's long term viability.

Underwriter:	_____	Date:	June 29, 2007
	<i>Diamond Unique Thompson</i>		
Reviewing Underwriter:	_____	Date:	June 29, 2007
	<i>Lisa Vecchiatti</i>		
Director of Real Estate Analysis:	_____	Date:	June 29, 2007
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Constitution Court, Copperas Cove, 9% HTC/HOME #07263

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	LH	2	1	1	834	\$279	\$208	\$416	\$0.25	\$71.00	\$47.50
TC 50%	LH	17	1	1	834	\$465	394	6,698	0.47	71.00	47.50
TC 60%		5	1	1	834	\$558	487	2,435	0.58	71.00	47.50
TC 30%	LH	2	2	2	1,192	\$335	244	488	0.20	91.00	52.80
TC 50%	LH	47	2	2	1,192	\$557	466	21,902	0.39	91.00	52.80
TC 60%		11	2	2	1,192	\$669	578	6,358	0.48	91.00	52.80
TC 30%	LH	2	3	2	1,359	\$387	261	522	0.19	126.00	57.50
TC 50%	LH	17	3	2	1,359	\$645	519	8,823	0.38	126.00	57.50
TC 60%		5	3	2	1,359	\$774	648	3,240	0.48	126.00	57.50
TOTAL:		108		AVERAGE:	1,150		\$471	\$50,882	\$0.41	\$94.33	\$52.67

INCOME

Total Net Rentable Sq Ft: **124,152**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$10.00
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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.03%	\$268	0.23
Management	5.00%	267	0.23
Payroll & Payroll Tax	15.92%	850	0.74
Repairs & Maintenance	7.62%	407	0.35
Utilities	5.30%	283	0.25
Water, Sewer, & Trash	8.27%	442	0.38
Property Insurance	4.97%	265	0.23
Property Tax	2.94907 9.39%	501	0.44
Reserve for Replacements	4.68%	250	0.22
TDHCA Compliance Fees	0.75%	40	0.03
Other: Supp Serv, Cable, Security	1.04%	56	0.05
TOTAL EXPENSES	67.97%	\$3,630	\$3.16

NET OPERATING INC

	32.03%	\$1,710	\$1.49
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DEBT SERVICE

First Victoria Natl. Bank	15.27%	\$815	\$0.71
TDHCA- Home Funds	14.37%	\$767	\$0.67
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	2.40%	\$128	\$0.11

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)		4.78%	\$5,093	\$4.43	\$550,000	\$550,000	\$4.43	\$5,093	4.38%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.05%	7,500	6.52	810,000	810,000	6.52	7,500	6.45%
Direct Construction		55.40%	58,974	51.30	6,369,210	7,197,460	57.97	66,643	57.29%
Contingency	2.56%	1.60%	1,699	1.48	183,540	183,540	1.48	1,699	1.46%
Contractor's Fees	14.00%	8.74%	9,306	8.10	1,005,089	1,120,000	9.02	10,370	8.92%
Indirect Construction		6.65%	7,083	6.16	765,000	765,000	6.16	7,083	6.09%
Ineligible Costs		1.15%	1,221	1.06	131,900	131,900	1.06	1,221	1.05%
Developer's Fees	15.00%	11.99%	12,761	11.10	1,378,176	1,500,000	12.08	13,889	11.94%
Interim Financing		0.48%	509	0.44	55,000	55,000	0.44	509	0.44%
Reserves		2.16%	2,300	2.00	248,401	250,000	2.01	2,315	1.99%
TOTAL COST		100.00%	\$106,447	\$92.60	\$11,496,316	\$12,562,900	\$101.19	\$116,323	100.00%
Construction Cost Recap		72.79%	\$77,480	\$67.40	\$8,367,839	\$9,311,000	\$75.00	\$86,213	74.12%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Victoria Natl. Bank	8.70%	\$9,259	\$8.05	\$1,000,000	\$1,000,000	\$1,553,000	Developer Fee Available
TDHCA- Home Funds	0.00%	\$0	\$0.00	0	2,900,000	0	\$1,500,000
HTC Syndication Proceeds	74.14%	\$78,919	\$68.65	8,523,242	8,523,242	7,768,411	% of Dev. Fee Deferred
Deferred Developer Fees	1.21%	\$1,293	\$1.12	139,658	139,658	859,605	57%
Additional (Excess) Funds Req'd	15.95%	\$16,976	\$14.77	1,833,416	0	1,315,300	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$11,496,316	\$12,562,900	\$11,496,316	\$859,605

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Constitution Court, Copperas Cove, 9% HTC/HOME #07263

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.31	\$6,619,139
Adjustments				
Exterior Wall Finish	6.00%		\$3.20	\$397,148
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.00	248,218
Roofing			0.00	0
Subfloor			(1.24)	(153,328)
Floor Cover			2.43	301,689
Breezeways/Balconies	\$31.31	27,099	6.83	848,322
Plumbing Fixtures	\$805	252	1.63	202,860
Rough-ins	\$400	108	0.35	43,200
Built-In Appliances	\$1,850	108	1.61	199,800
Exterior Stairs	\$1,800	18	0.26	32,400
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	235,889
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.99	3,787	2.01	249,885
Other: fire sprinkler			0.00	0
SUBTOTAL			74.31	9,225,224
Current Cost Multiplier	0.98		(1.49)	(184,504)
Local Multiplier	0.87		(9.66)	(1,199,279)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.16	\$7,841,440
Plans, specs, survy, bld prmts	3.90%		(\$2.46)	(\$305,816)
Interim Construction Interest	3.38%		(2.13)	(264,649)
Contractor's OH & Profit	11.50%		(7.26)	(901,766)
NET DIRECT CONSTRUCTION COSTS			\$51.30	\$6,369,210

PAYMENT COMPUTATION

Primary	\$1,000,000	Amort	360
Int Rate	8.00%	DCR	2.10

Secondary	\$2,900,000	Amort	420
Int Rate		Subtotal DCR	1.08

Additional	\$8,523,242	Amort	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$136,744
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$47,982

Primary	\$1,553,000	Amort	360
Int Rate	8.00%	DCR	1.35

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.35

Additional	\$8,523,242	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$610,584	\$628,902	\$647,769	\$667,202	\$687,218	\$796,674	\$923,563	\$1,070,663	\$1,438,881
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	623,544	642,250	661,518	681,363	701,804	813,583	943,166	1,093,388	1,469,422
Vacancy & Collection Loss	(46,766)	(48,169)	(49,614)	(51,102)	(52,635)	(61,019)	(70,737)	(82,004)	(110,207)
Employee or Other Non-Rental Units or Cc	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$576,778	\$594,082	\$611,904	\$630,261	\$649,169	\$752,565	\$872,429	\$1,011,384	\$1,359,216
EXPENSES at 4.00%									
General & Administrative	\$28,986	\$30,145	\$31,351	\$32,605	\$33,909	\$41,256	\$50,194	\$61,068	\$90,396
Management	28,839	29,704	30,595	31,513	32,458	37,628	43,621	50,569	67,961
Payroll & Payroll Tax	91,836	95,509	99,330	103,303	107,435	130,711	159,030	193,484	286,404
Repairs & Maintenance	43,979	45,739	47,568	49,471	51,450	62,596	76,158	92,658	137,156
Utilities	30,564	31,787	33,058	34,380	35,756	43,502	52,927	64,394	95,318
Water, Sewer & Trash	47,725	49,634	51,619	53,684	55,831	67,927	82,644	100,549	148,838
Insurance	28,658	29,805	30,997	32,237	33,526	40,790	49,627	60,379	89,375
Property Tax	54,145	56,311	58,563	60,906	63,342	77,065	93,761	114,075	168,859
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	10,320	10,733	11,162	11,609	12,073	14,689	17,871	21,743	32,184
TOTAL EXPENSES	\$392,052	\$407,445	\$423,446	\$440,078	\$457,366	\$554,593	\$672,589	\$815,804	\$1,200,695
NET OPERATING INCOME	\$184,726	\$186,636	\$188,458	\$190,183	\$191,803	\$197,971	\$199,840	\$195,580	\$158,521
DEBT SERVICE									
First Lien Financing	\$136,744	\$136,744	\$136,744	\$136,744	\$136,744	\$136,744	\$136,744	\$136,744	\$136,744
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$47,982	\$49,892	\$51,713	\$53,439	\$55,058	\$61,227	\$63,096	\$58,836	\$21,776
DEBT COVERAGE RATIO	1.35	1.36	1.38	1.39	1.40	1.45	1.46	1.43	1.16

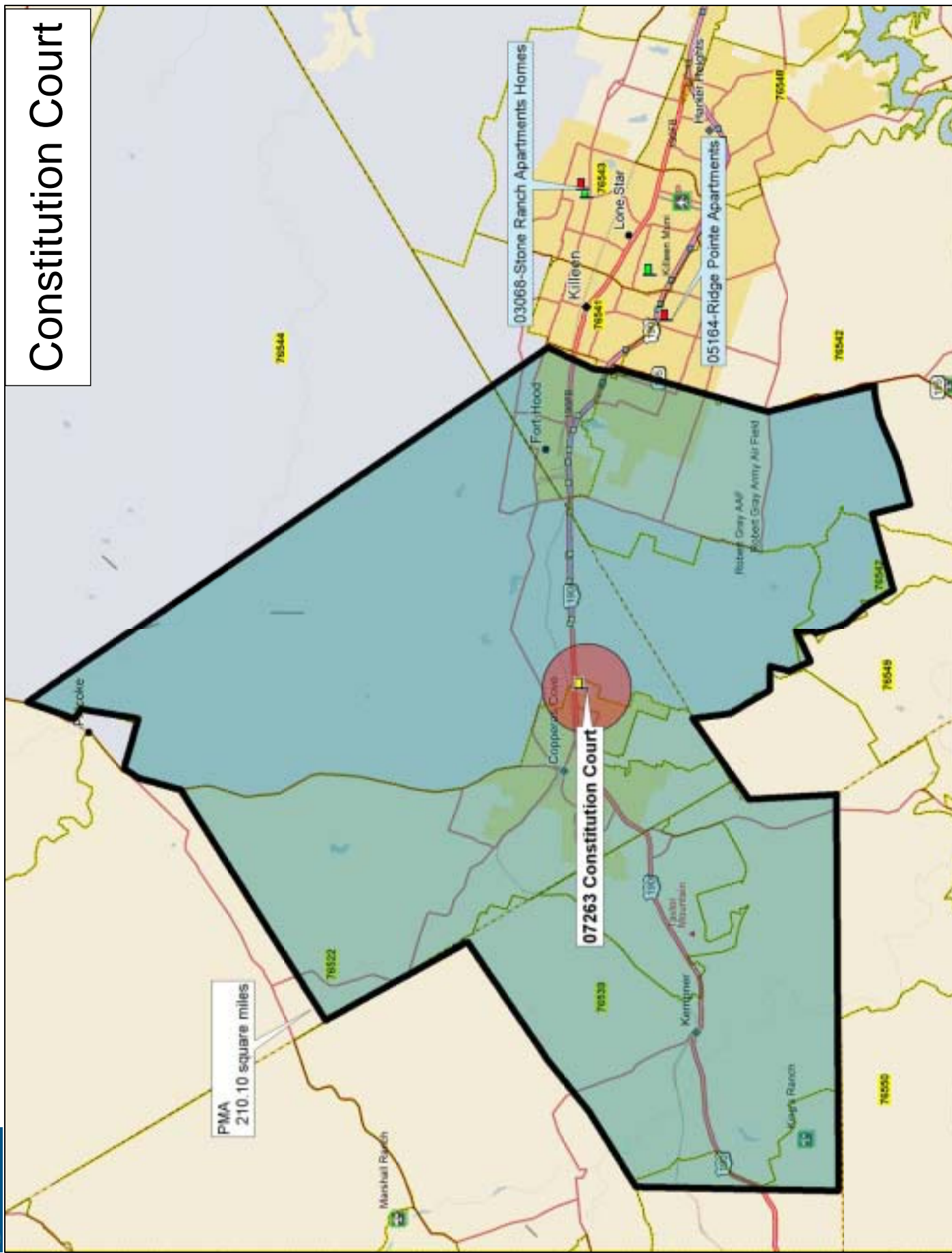
HTC ALLOCATION ANALYSIS -Constitution Court, Copperas Cove, 9% HTC/HOME #07263

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$550,000	\$550,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$810,000	\$810,000	\$810,000	\$810,000
Construction Hard Costs	\$7,197,460	\$6,369,210	\$7,197,460	\$6,369,210
Contractor Fees	\$1,120,000	\$1,005,089	\$1,120,000	\$1,005,089
Contingencies	\$183,540	\$183,540	\$183,540	\$183,540
Eligible Indirect Fees	\$765,000	\$765,000	\$765,000	\$765,000
Eligible Financing Fees	\$55,000	\$55,000	\$55,000	\$55,000
All Ineligible Costs	\$131,900	\$131,900		
Developer Fees				
Developer Fees	\$1,500,000	\$1,378,176	\$1,500,000	\$1,378,176
Development Reserves	\$250,000	\$248,401		
TOTAL DEVELOPMENT COSTS	\$12,562,900	\$11,496,316	\$11,631,000	\$10,566,015

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$11,631,000	\$10,566,015
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$11,631,000	\$10,566,015
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$11,631,000	\$10,566,015
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$994,451	\$903,394

Syndication Proceeds	0.8599	\$8,551,416	\$7,768,411
Total Tax Credits (Eligible Basis Method)		\$994,451	\$903,394
Syndication Proceeds		\$8,551,416	\$7,768,411
Requested Tax Credits		\$991,075	
Syndication Proceeds		\$8,522,390	
Gap of Syndication Proceeds Needed			\$9,943,316
Total Tax Credits (Gap Method)			\$1,156,316

Constitution Court

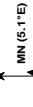


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TN



Scale 1 : 187,500



1" = 2.96 mi

Data Zoom 10-1

Applicant Evaluation

Project ID # **07263**

Name: **Constitution Court**

City: **Copperas Cove**

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

Total # of Projects monitored: 29

Projects zero to nine: 29
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 29

Projects not reported Yes
 in application No

not yet monitored or pending review: 9

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/25/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/30/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Maria Cazares

Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Buena Vida Apartments, TDHCA Number 07267

BASIC DEVELOPMENT INFORMATION

Site Address: 100 S. Kansas City Rd. Development #: 07267
 City: La Feria Region: 11 Population Served: Elderly
 County: Cameron Zip Code: 78559 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM La Feria, Ltd.
 Owner Contact and Phone: Dennis Hoover (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc.
 Architect: W. S. Allen and Associates
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	58
	6 0 0 52	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 40 18 0 0 0	Total Development Units:	58
Type of Building:		Total Development Cost*:	\$2,637,694
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$137,560	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Apartments, TDHCA Number 07267

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, NC Points: 0 US Representative: Ortiz, District 27, NC
TX Representative: Escobar, District 43, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Lalo Sosa, Mayor Resolution of Support from Local Government
S, Sunny K. Philip, City Manager
S, John Hernandez, City Commissioner

Individuals and Businesses In Support: 1 In Opposition: 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
Amigos Del Valle, Inc S or O: S

General Summary of Comment:

There was broad support from officials and from a civic organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the applicant's budget.

Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.

Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget.

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

Receipt of a commitment of funding from Southeast Texas Housing Finance Corporation in the amount of \$137,000, or a commitment from a qualifying substitute source in an amount not less than \$136,564, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Southeast Texas Housing Finance Corporation in the amount of \$137,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$54,626, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Apartments, TDHCA Number 07267

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

Competitive Housing Tax Credits: Score: **145** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Not competitive within At-Risk Set-Aside or USDA Allocation, and does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9% HTC FILE NUMBER: 07267

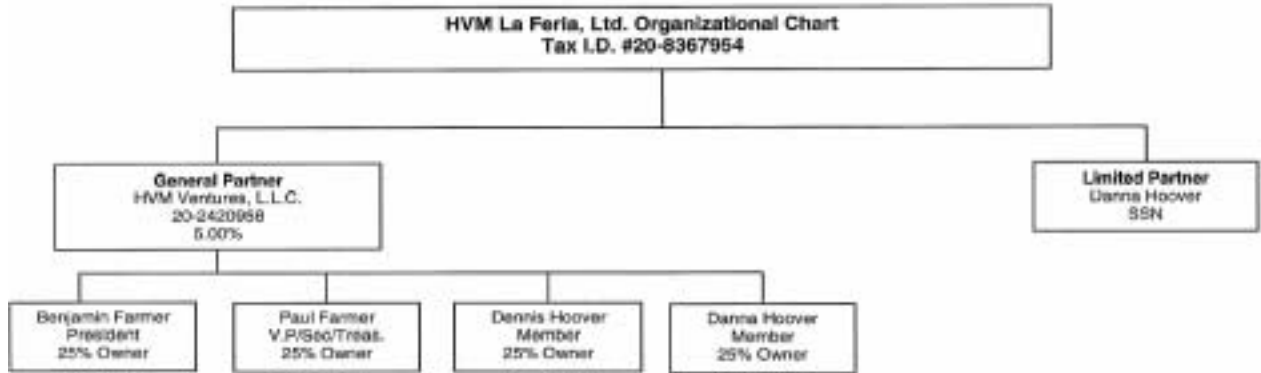
DEVELOPMENT																		
Buena Vida Apartments																		
Location: <u>100 South Kansas City Road</u>				Region: <u>11</u>														
City: <u>La Feria</u>		County: <u>Cameron</u>		Zip: <u>78559</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Elderly, Rural, At-Risk, USDA, Acquisition/Rehabilitation</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$137,560			\$134,701														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the applicant's budget. 2 Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans. 3 Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">6</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">52</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	6	60% of AMI	60% of AMI	52
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	6																
60% of AMI	60% of AMI	52																
PROS			CONS															
<p>The application proposes the revitalization and preservation of a 22 year old USDA-RD property.</p>			<p>The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.</p> <p>The acquisition is an identity of interest.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
 Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
HVM Ventures, LLC	Newly Formed		--
Dennis Hoover	Confidential		14 LIHTC Developments
Danna Hoover	Confidential		6 LIHTC Developments
Benjamin Farmer	Confidential		N/A
Paul Farmer	Confidential		N/A

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

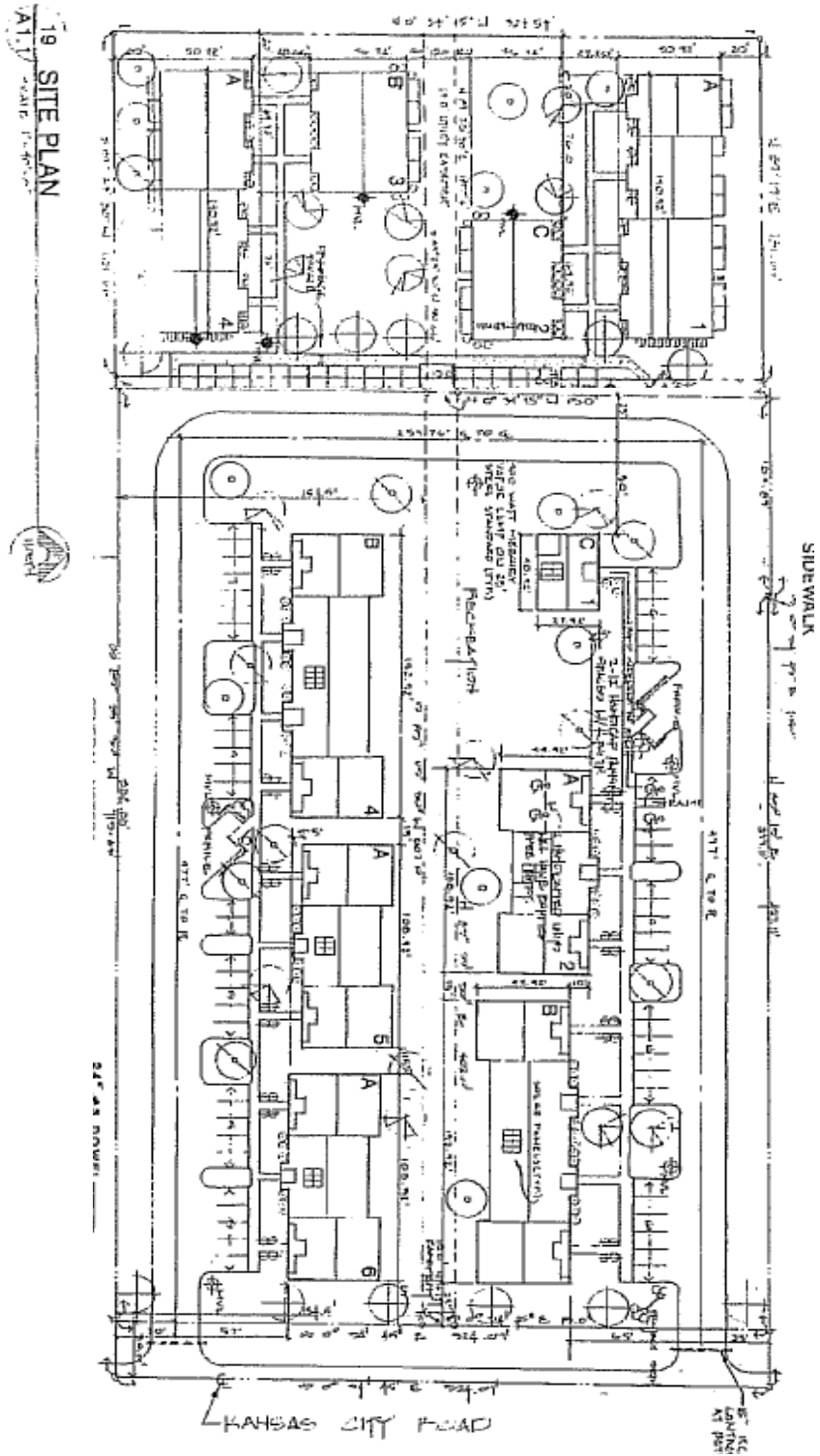
The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The current owner of the property is related to the Applicant and development team and this has been addressed in the acquisition cost section of this report by ensuring: that the sales price is not more than their investment in the property, that the transfer price is a price that USDA might approve and that no developer fee for acquisition is being garnered.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A1	B1	A2	B2								Total Buildings
Floors/Stories	1	1	1	1								
Number	3	2	2	2								9

BR/BA	SF	Units										Total Units	Total SF
1/1	659	4	4	6	4							40	26,360
2/1	836	2	4	2								18	15,048
Units per Building		6	8	8	4							58	41,408

Rehabilitation summary:

The development comprises two separate USDA properties that were originally developed in 1985 and 1986 by another developer. The two properties appear to be operating as one.

The Applicant provided a Capital Needs Assessment (CNA) performed by On-Site Insight, Inc. A CNA is generally an acceptable substitute for the Property Condition Assessment (PCA) required by the department for all rehabilitation developments to evaluate the cost of the rehabilitation and the prospective future reserve requirements. However, the CNA provided in this case does not contemplate the entire scope of work that the Applicant is planning. As such, the CNA cost estimate cannot be used to reasonably verify the Applicant's cost estimate or to project the property's long-term capital needs.

Staff has discussed these issues with the Applicant and the Applicant has agreed to provide a revision to the CNA that accounts for the entire planned scope of work. There has been some confusion over the requirements between the report provider and the Applicant. Due to scheduling issues with the report provider, the said revision has not been completed as of the date of this report. The Underwriter has used the Applicant's estimates subject to verification. Therefore, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget is a condition of this report.

SITE ISSUES

Total Size: 5.0869 acres Scattered site? Yes No
 Flood Zone: Zone B Within 100-yr floodplain? Yes No
 Zoning: Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/20/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: RV Park / Highway 83 East: Residential
 South: Residential West: County PHA / retail / commercial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:
 A Phase I Environmental Site Assessment was not submitted with the application. Developments receiving a USDA rental subsidy are not required to submit a Phase I ESA.

MARKET HIGHLIGHTS

Provider: Rafael C Luebbert Date: 2/28/2007
 Contact: Rafael C Luebbert Phone: 210.408.6041 Fax: 210.408.2539
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

Comments:

Only one LIHTC property appears to be located within the La Feria area: Las Palmas Apartments (98044) a 36 unit elderly property that received a 9% HTC allocation during the 1998 cycle.

INCOME LIMITS						
Cameron						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract	
1 BR 659 SF 30%	\$315	\$325	\$343	\$325	\$10	
1 BR 659 SF 60%	\$315	\$325	\$343	\$325	\$10	
2 BR 836 SF 30%	\$360	\$380	\$431	\$380	\$20	
2 BR 836 SF 60%	\$360	\$380	\$431	\$380	\$20	

Comments:

A Market Study report was not included, as USDA-RD-financed projects are not required to submit this report. A required appraisal is sufficient to satisfy the requirement for a market analysis. An "As Is" appraisal dated February 28, 2007 was prepared by Rafael C Luebbert ("Appraiser"). Additionally, the property is currently 100% occupied and it is likely that many of the existing tenants will choose to remain at the property after rehabilitation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/13/2007

The Applicant's projected net rents per unit are the contract rents that the Applicant has requested as part of the proposal to USDA-RD. The requested contract rents are 3% to 6% higher than the current contract rents. The Underwriter has used the Applicant's requested higher rents to determine potential gross rent. However, based upon the Underwriter's proforma they are not necessary for the success of the proposed rehabilitation development.

The Applicant's estimate of secondary income is in line with Department guidelines. However, the Applicant's estimate of vacancy and collection loss is slightly lower than the Department standard of 7.5%. Based on the current occupancy rate and the affordability of the USDA-RD contract rents, the underwriting analysis also assumes a vacancy and collection loss of 5%. Overall, the Applicant's effective gross income projection is comparable to the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,251 per unit is not within 5% of the Underwriter's estimate of \$3,054 per unit. Additionally, the Applicant's estimates of several line items are different than the Underwriter's, most notably: payroll and payroll tax (\$4K higher), repairs and maintenance (\$4K higher), and water sewer and trash (\$3K higher). The Underwriter's estimates were derived from the Applicant's actual 2006 operating statements for both phases of the property. The current owner and property manager are related to the Applicant and the operating structure is unlikely to change significantly.

The Applicant provided a Capital Needs Assessment (CNA) in order to meet USDA-RD requirements. However, the CNA does not fully take into account the proposed rehabilitation plan. As a result, the reserve for replacements analysis is likely overstated due to the inclusion of future repairs that are to be included in the proposed rehab scope of work. The Underwriter has used the standard minimum annual reserve requirement for rehab developments of \$300 per unit. Of note, a portion of the existing reserve balance will be transferred to the partnership (currently estimated at \$24K based on the existing reserves less the amount being used for rehab). Additionally, USDA-RD will continue to monitor the property to ensure that sufficient reserves are maintained and deposited regularly.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma is used to determine the development's debt coverage ratio (DCR) and debt capacity. The Underwriter's Year One DCR results in a DCR of 1.38, which is higher than the Department's maximum of 1.35.

However, the development receives USDA-RD rental assistance and USDA will continue to actively monitor the return to owner to ensure that it is not more than 8% per year on the original equity investment. Any profits over that amount will be required to be funded into reserves until such time as 10% of the outstanding loan balance is funded and any profit over that amount is returned to USDA and/or tenants. Moreover future rent increases under such a scenario would be hampered. Pursuant to Department guidelines, developments receiving USDA-RD rental assistance are not subject to the Department's guideline for debt coverage ratios as contract rents will be adjusted accordingly and profit to the owner is limited.

Feasibility:

Both the Applicant's and Underwriter's initial expense to income ratio are greater than the Department's 65% maximum however the rule allows for mitigation of this concern in the form of an ongoing operating subsidy. The Rental Assistance agreement which covers a majority of the units provides such ongoing subsidy. Therefore, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow for the minimum 15 year period. Therefore, the development can be characterized as feasible. While the development maintains a DCR above 1.15, USDA-RD properties receiving rental assistance are not required to meet this guideline.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Rafael C Luebbert</u>	Date:	<u>10/30/2006</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	5.09 acres	\$120,185	As of: <u>10/10/2006</u>
Existing Buildings: (as-is)		<u>\$1,289,815</u>	As of: <u>10/10/2006</u>
Favorable Financing:		<u>\$816,000</u>	As of: <u>10/10/2006</u>
Total Development: (as-is)		<u>\$2,226,000</u>	As of: <u>10/10/2006</u>

ASSESSED VALUE

Land Only: 5.09 acres	<u>\$135,654</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$314,346</u>	Valuation by:	<u>Cameron CAD</u>
Total Assessed Value:	<u>\$450,000</u>	Tax Rate:	<u>2.581391</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Option to Purchase Real Property</u>	Acreage: <u>5.0869</u>
Contract Expiration: <u>1/5/2008</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,617,144</u>	Other: _____
Seller: <u>HVM La Feria, Ltd</u>	Related to Development Team? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TITLE

Comments:
The title commitment indicates no items of concern.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/12/2007

Acquisition Value:
The property is currently owned by a related party. The Applicant has submitted an Option to purchase the subject property for a price of \$1,617,144, which is less than the appraised value and less than the original investment in the land and buildings plus holding costs. Additionally, the Applicant has determine a building value of \$1,421,627, which is \$1,710,713 less \$150K for the basis in land and less estimated exit taxes \$139,086. The Underwriter has used a building value of \$1,328,058, based on contract price less exit taxes, and the Applicant's estimated basis in land. The difference appears to be due to the Applicant's overstatement of the acquisition cost in the development cost schedule. Of note, the Applicant's contract price is roughly the estimated remaining USDA loan balance plus exit taxes.

Sitework Cost:
Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,207 per unit. This estimate cannot be verified based on the lack of information specific to proposed sitework in the submitted CNA. As discussed above, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and budget fully accounted for is a condition of this report. In addition, USDA-RD will also review and need to approve the scope of work and budget before construction begins and receipt review and acceptance of same prior to the 10% test is a condition of this report.

Direct Construction Cost:
Again the Applicant submitted a USDA-RD Capital Needs Assessment (CNA), which the Department typically accepts in lieu of a Property Condition Assessment for existing USDA-RD properties. The submitted CNA did not provide a cost estimates for the rehab work beyond the immediate repair needs. Therefore, for purposes of this analysis, the Underwriter has used the Applicant's direct construction cost estimate. As discussed above, because of scheduling issues the CNA could not be updated before this report was completed but will be required prior to the Board meeting at which this award is considered and USDA-RD will review the proposed rehab budget prior tot commencement of construction.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$2,338,108 supports annual tax credits of \$134,701. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/12/2007

Source: The Hoover Companies, Inc Type: Interim Financing

Principal: \$854,923 Interest Rate: 8.00% Fixed Term: 12 months

Comments:

The subject construction loan will be provided by a related entity. Therefore, the Underwriter has requested documentation verifying the capacity of The Hoover Companies, Inc to provide said financing. The Applicant provided a letter from First State Bank of Burnet and a letter from Lou Ann Montey and Associates, PC supporting the Applicant's capacity to provide the anticipated construction funding. The Applicant has also submitted applications for three other developments that are currently being underwritten and each application includes commitments for construction funds from The Hoover Companies. The CPA and First State Bank of Burnet letters indicate that the Applicant has the capacity to provide the entire combined amount of construction funding committed in the applications for each development.

Source: Southeast Housing Finance Corporation Type: Permanent Financing

Principal: \$137,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant has applied for a construction loan from the Southeast Housing Finance Corporation (SETH) to carry and interest rate equal to AFR (4.9% as of March 1, 2007) and a term of at least 12 months.

Source: USDA-RD Loans Type: Interim to Permanent Financing

Permanent: \$1,436,347 Interest Rate: 1.05% Fixed Term: 600* months

Comments:

The Applicant's loan amount is slightly lower than the current remaining principal on the combined Phase I and Phase II loans. However, the Underwriter has assumed the Applicant's estimated remaining balance, which is likely closer to the balance that will remain when the property is transferred to the partnership. *Also of note, the remaining term for the Phase I loan will end in 2036, while the term for the Phase II loan ends in 2035; however, each loan had an original term of 50 years.

The subject is currently a USDA-RD property with two phases. All of the units are restricted to USDA-RD contract rents and each phase has an individual USDA-RD loan (\$921,500 & \$571,900 respectively) with interest subsidies that lower the effective rates to approximately 1%. The Applicant has indicated that the partnership will assume the existing USDA-RD loans with the same rates and terms. Receipt, review, and acceptance of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans is a condition of this report.

Source: Raymond James Type: Syndication

Proceeds: \$1,164,695 Syndication Rate: 83% Anticipated HTC: \$ 140,339

Comments:

The syndication price is below the low end of current market prices and any increase in rate of syndicated credit could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$114,093 Type: Existing Reserves

Comments:

The Applicant has indicated the existing reserve balance will be transferred to the partnership. Moreover, a portion of the reserve balance will be used to fund rehab costs and the remaining balance will be maintained as reserves. At the request of the Underwriter, the Applicant supplied documentation of the existing reserve balance of \$138,461K. Therefore, as of this date, the net amount of \$24K would be maintained as reserves. However, this amount may higher at the date of transfer. The sources and uses show only the \$114,093 as source since the additional \$24K would be a sources and a use for the same purpose so it is not reflected.

Amount: \$39,186 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$1,436,347 and reserves of \$114,093 indicates the need for \$1,087,254 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$131,008 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$137,560), the gap-driven amount (\$131,008), and eligible basis-derived estimate (\$134,701), the gap-driven amount of \$131,008 is recommended resulting in proceeds of \$1,087,254 based on a syndication rate of 83%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees or additional permanent funds.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter: _____ Date: July 8, 2007

Cameron Dorsey

Director of Real Estate Analysis: _____ Date: July 8, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Buena Vida Apartments, La Feria, 9% HTC #07267

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	659	\$242	\$325	\$1,300	\$0.49	\$70.00	\$51.00
TC 60%	36	1	1	659	485	325	11,700	0.49	70.00	51.00
TC 30%	2	2	1	836	291	380	760	0.45	111.00	58.00
TC 60%	16	2	1	836	582	380	6,080	0.45	111.00	58.00
TOTAL:	58		AVERAGE:	714		\$342	\$19,840	\$0.48	\$82.72	\$53.17

INCOME

Total Net Rentable Sq Ft: **41,408**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.88

Other Support Income: Interest Income

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.06%	\$121	0.17
Management	10.10%	400	0.56
Payroll & Payroll Tax	17.44%	692	0.97
Repairs & Maintenance	13.02%	516	0.72
Utilities	2.06%	82	0.11
Water, Sewer, & Trash	8.25%	327	0.46
Property Insurance	7.98%	316	0.44
Property Tax 2.581391	6.51%	258	0.36
Reserve for Replacements	7.56%	300	0.42
TDHCA Compliance Fees	1.01%	40	0.06
Other:	0.00%	0	0.00
TOTAL EXPENSES	76.98%	\$3,054	\$4.28
NET OPERATING INC	23.02%	\$913	\$1.28

DEBT SERVICE

Existing USDA Notes	16.68%	\$662	\$0.93
Existing Reserve Account	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.34%	\$251	\$0.35

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		61.31%	\$27,882	\$39.05
Off-Sites		0.00%	0	0.00
Sitework		2.65%	1,207	1.69
Direct Construction		21.03%	9,565	13.40
Contingency	9.28%	2.20%	1,000	1.40
Contractor's Fees	14.00%	3.32%	1,508	2.11
Indirect Construction		2.11%	959	1.34
Ineligible Costs		0.40%	181	0.25
Developer's Fees	5.97%	4.99%	2,271	3.18
Interim Financing		1.99%	903	1.27
Reserves		0.00%	0	0.00
TOTAL COST		100.00%	\$45,477	\$63.70
Construction Cost Recap		29.20%	\$13,280	\$18.60

SOURCES OF FUNDS

Existing USDA Notes	54.45%	\$24,765	\$34.69
Existing Reserve Account	4.33%	\$1,967	\$2.76
HTC Syndication Proceeds	43.28%	\$19,683	\$27.57
Deferred Developer Fees	1.49%	\$676	\$0.95
Additional (Excess) Funds Req'd	-3.55%	(\$1,613)	(\$2.26)
TOTAL SOURCES			

TDHCA	APPLICANT
\$238,080	\$238,080
4,092	4,092
0	3,612
\$242,172	\$245,784
(12,109)	(12,289)
0	0
\$230,063	\$233,495
\$7,034	\$6,745
23,228	26,246
40,120	43,796
29,952	33,957
4,744	5,153
18,984	22,367
18,357	18,360
14,972	13,600
17,400	16,200
2,320	2,160
0	0
\$177,111	\$188,585
\$52,953	\$44,909
\$38,367	\$38,364
0	0
0	0
\$14,586	\$6,545
1.38	1.17
1.38	

COUNTY	IREM REGION	COMPT. REGION
Cameron		11
\$5.88	Per Unit Per Month	
\$5.19	Per Unit Per Month	
-5.00%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.16	\$116	2.89%
0.63	453	11.24%
1.06	755	18.76%
0.82	585	14.54%
0.12	89	2.21%
0.54	386	9.58%
0.44	317	7.86%
0.33	234	5.82%
0.39	279	6.94%
0.05	37	0.93%
0.00	0	0.00%
\$4.55	\$3,251	80.77%
\$1.08	\$774	19.23%
\$0.93	\$661	16.43%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.16	\$113	2.80%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,617,144	\$1,710,713	\$41.31	\$29,495	62.63%
0	0	0.00	0	0.00%
70,000	70,000	1.69	1,207	2.56%
554,784	554,784	13.40	9,565	20.31%
58,000	58,000	1.40	1,000	2.12%
87,470	87,470	2.11	1,508	3.20%
55,650	55,650	1.34	959	2.04%
10,500	10,500	0.25	181	0.38%
131,746	131,746	3.18	2,271	4.82%
52,400	52,400	1.27	903	1.92%
0	0	0.00	0	0.00%
\$2,637,694	\$2,731,263	\$65.96	\$47,091	100.00%
\$770,254	\$770,254	\$18.60	\$13,280	28.20%

RECOMMENDED

\$1,436,347	\$1,436,347	\$1,436,347	Developer Fee Available
114,093	114,093	0	\$131,746
1,141,636	1,141,636	1,201,347	% of Dev. Fee Deferred
39,186	39,186	0	0%
(93,568)	1	0	15-Yr Cumulative Cash Flow
\$2,637,694	\$2,731,263	\$2,637,694	\$191,278

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Buena Vida Apartments, La Feria, 9% HTC #07267

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				\$0
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.24)	(92,754)
Floor Cover			2.22	91,926
Breezeways/Balconies	\$20.33		0.00	0
Plumbing Fixtures	\$680		0.00	0
Rough-ins	\$340		0.00	0
Built-In Appliances	\$1,675	58	2.35	97,150
Exterior Stairs	\$1,650		0.00	0
Enclosed Corridors	(\$9.92)		0.00	0
Heating/Cooling			1.73	71,636
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	\$1.95	41,408	1.95	80,746
SUBTOTAL			6.01	248,703
Current Cost Multiplier	1.08		0.48	19,896
Local Multiplier			(6.01)	(248,703)
TOTAL DIRECT CONSTRUCTION COSTS			\$0.48	\$19,896
Plans, specs, survy, bld prn	3.90%		(\$0.02)	(\$776)
Interim Construction Interes	3.38%		(0.02)	(671)
Contractor's OH & Profit	11.50%		(0.06)	(2,288)
NET DIRECT CONSTRUCTION COSTS			\$0.39	\$16,161

Primary	\$1,436,347	Amort	600
Int Rate	1.05%	DCR	1.38

Secondary		Amort	
Int Rate		Subtotal DCR	1.38

Additional		Amort	
Int Rate		Aggregate DCR	1.38

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$38,367
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$14,586

Primary	\$1,436,347	Amort	600
Int Rate	1.05%	DCR	1.38

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.38

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.38

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	\$238,080	\$245,222	\$252,579	\$260,156	\$267,961	\$310,640	\$360,117	\$417,475	\$561,051
Secondary Income	4,092	4,215	4,341	4,471	4,606	5,339	6,190	7,175	9,643
Other Support Income: Interes	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	242,172	249,437	256,920	264,628	272,567	315,980	366,307	424,650	570,694
Vacancy & Collection Loss	(12,109)	(12,472)	(12,846)	(13,231)	(13,628)	(15,799)	(18,315)	(21,233)	(28,535)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$230,063	\$236,965	\$244,074	\$251,396	\$258,938	\$300,181	\$347,992	\$403,418	\$542,159
EXPENSES at 4.00%									
General & Administrative	\$7,034	\$7,315	\$7,607	\$7,912	\$8,228	\$10,011	\$12,180	\$14,819	\$21,935
Management	23,228	23,925	24,642	25,382	26,143	30,307	35,134	40,730	54,738
Payroll & Payroll Tax	40,120	41,725	43,394	45,130	46,935	57,103	69,475	84,527	125,121
Repairs & Maintenance	29,952	31,150	32,396	33,692	35,040	42,631	51,868	63,105	93,411
Utilities	4,744	4,934	5,132	5,337	5,550	6,753	8,216	9,996	14,796
Water, Sewer & Trash	18,984	19,743	20,533	21,354	22,208	27,020	32,874	39,996	59,203
Insurance	18,357	19,091	19,855	20,649	21,475	26,127	31,788	38,675	57,248
Property Tax	14,972	15,571	16,194	16,842	17,515	21,310	25,927	31,544	46,693
Reserve for Replacements	17,400	18,096	18,820	19,573	20,356	24,766	30,131	36,659	54,265
Other	2,320	2,413	2,509	2,610	2,714	3,302	4,017	4,888	7,235
TOTAL EXPENSES	\$90	\$183,963	\$191,082	\$198,479	\$206,164	\$249,330	\$301,609	\$364,938	\$534,645
NET OPERATING INCOME	\$52,953	\$53,003	\$52,992	\$52,918	\$52,774	\$50,850	\$46,382	\$38,480	\$7,515
DEBT SERVICE									
First Lien Financing	\$38,367	\$38,367	\$38,367	\$38,367	\$38,367	\$38,367	\$38,367	\$38,367	\$38,367
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	\$14,586	\$14,636	\$14,625	\$14,551	\$14,407	\$12,483	\$8,015	\$113	(\$30,852)
DEBT COVERAGE RATIO	1.38	1.38	1.38	1.38	1.38	1.33	1.21	1.00	0.20

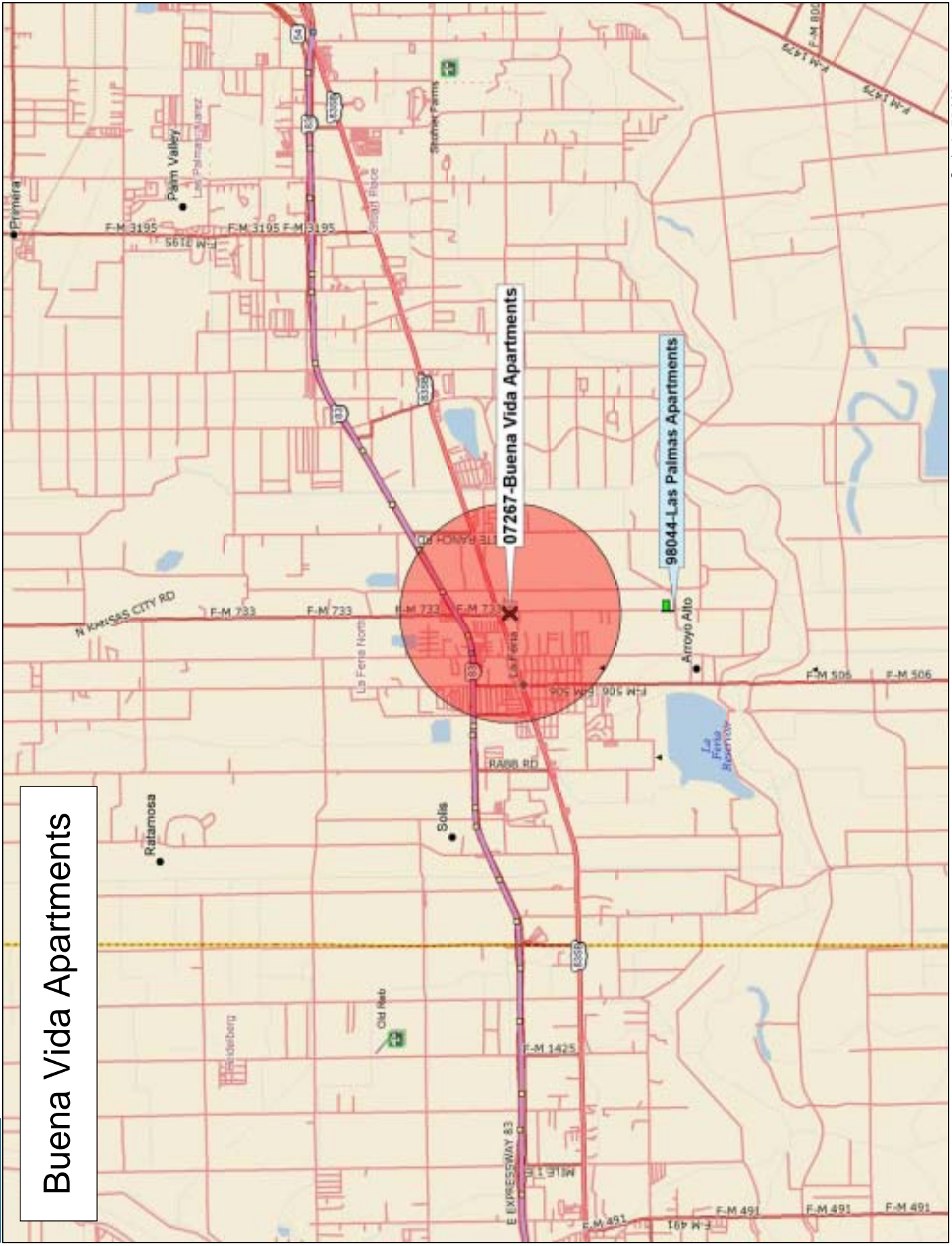
HTC ALLOCATION ANALYSIS -Buena Vida Apartments, La Feria, 9% HTC #07267

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
Acquisition Cost						
Purchase of land	\$289,086	\$289,086				
Purchase of buildings	\$1,421,627	\$1,328,058	\$1,421,627	\$1,328,058		
Off-Site Improvements						
Sitework	\$70,000	\$70,000			\$70,000	\$70,000
Construction Hard Costs	\$554,784	\$554,784			\$554,784	\$554,784
Contractor Fees	\$87,470	\$87,470			\$87,470	\$87,470
Contingencies	\$58,000	\$58,000			\$58,000	\$58,000
Eligible Indirect Fees	\$55,650	\$55,650			\$55,650	\$55,650
Eligible Financing Fees	\$52,400	\$52,400			\$52,400	\$52,400
All Ineligible Costs	\$10,500	\$10,500				
Developer Fees						
Developer Fees	\$131,746	\$131,746			\$131,746	\$131,746
Development Reserves						
TOTAL DEVELOPMENT COSTS	\$2,731,263	\$2,637,694	\$1,421,627	\$1,328,058	\$1,010,050	\$1,010,050

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,421,627	\$1,328,058	\$1,010,050	\$1,010,050
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,421,627	\$1,328,058	\$1,010,050	\$1,010,050
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,421,627	\$1,328,058	\$1,010,050	\$1,010,050
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$51,747	\$48,341	\$86,359	\$86,359

Syndication Proceeds	0.8299	\$429,458	\$401,192	\$716,709	\$716,709
Total Tax Credits (Eligible Basis Method)				\$138,106	\$134,701
Syndication Proceeds				\$1,146,167	\$1,117,901
Requested Tax Credits				\$137,560	
Syndication Proceeds				\$1,141,632	
Gap of Syndication Proceeds Needed				\$1,294,916	\$1,201,347
Total Tax Credits (Gap Method)				\$156,030	\$144,755

Buena Vida Apartments



Applicant Evaluation

Project ID # **07267**

Name: **Buena Vida Apartments**

City: **La Feria**

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

Total # of Projects monitored: 77

Projects zero to nine: 72
grouped ten to nineteen: 3
by score twenty to twenty-nine: 2

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 77

not yet monitored or pending review: 7

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Patricia Murphy

Date 6/27/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer S. Gamble
Date 6/27/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 6/29/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 6/28/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 7/3/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer RAUL GONZALES
Date 6/29/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 7/9/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mid-Towne I Apartments, TDHCA Number 07268

BASIC DEVELOPMENT INFORMATION

Site Address: 820 E. Carrell St. Development #: 07268
 City: Tomball Region: 6 Population Served: General
 County: Harris Zip Code: 77375 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM Mid-Town I, Ltd.
 Owner Contact and Phone: Dennis Hoover (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc.
 Architect: W. S. Allen and Associates
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	52
	8	0	0	44	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	16	32	6	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	54
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$3,681,559
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	7
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$285,151	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mid-Towne I Apartments, TDHCA Number 07268

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Patrick, District 7, NC Points: 0 US Representative: McCaul, District 10, NC
TX Representative: Van Arsdale, District 130, N Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, H.G. Harrington, Mayor Resolution of Support from Local Government
S, John Neubauer, Superintendent, Tomball ISD S, Mary Coker, Assistant City Manger
S, Ben Griffin, City Manager

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4
Tomball Area Chamber of Commerce S or O: S
Church of The Good Shepherd S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT

Should the Board approve this award, a housing tax credit allocation not to exceed \$256,900.

Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the applicant's budget.

Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.

Receipt, review, and acceptance, by cost certification, of documentation that the requested increase in the existing basic rents has been approved by USDA-RD.

Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget.

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

Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation in the amount of \$200,000, or a commitment from a qualifying substitute source in an amount not less than \$196,551, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mid-Towne I Apartments, TDHCA Number 07268

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

Competitive Housing Tax Credits: Score: **121** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Found to be infeasible by Department.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: 9% HTC FILE NUMBER: 07268

DEVELOPMENT

Mid-Towne I Apartments

Location: 820 East Carrell Street Region: 6
 City: Tomball County: Harris Zip: 77375 OCT DDA
 Key Attributes: Multifamily, Acquisition/Rehabilitation, Rural, At-Risk, USDA, Family

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$285,151			\$0		

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

The Applicant's and Underwriter's expense to income ratios exceed the Department's maximum of 65% per the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4) and the subject has no source of ongoing operating support to mitigate this issue.

The Applicant's and Underwriter's long term proformas reflect debt coverage ratios that fall below 1.15 by Year 15. According to the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(5), if the debt coverage ratio falls below 1.15 during any of the first 15 years of the Long Term Proforma, the development is characterized as infeasible and cannot be recommended for funding.

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST MAKE THE DETERMINATION THAT THE REQUESTED FUNDS ARE NOT MORE THAN ARE NECESSARY AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 9% HTC allocation not to exceed \$256,900.
- 2 Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the applicant's budget.
- 3 Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.
- 4 Receipt, review, and acceptance, by cost certification, of documentation that the requested increase in the existing basic rents has been approved by USDA-RD.
- 5 Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget.
- 6 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	44

PROS

The application proposes the revitalization and preservation of a 21 year old USDA-RD property.

The development team is experienced with USDA-RD/HTC rehabilitations.

CONS

The Underwriter's long term proforma indicates the development falls below a 1.15 DCR by year 15 and projects negative cashflow by year 20 and the Applicant's proforma projects negative cash flow by year 10.

Both the Applicant's and Underwriter's expense to income ratio of 78% + exceeds the maximum guideline (65%), reflecting extensive deep rent targeting.

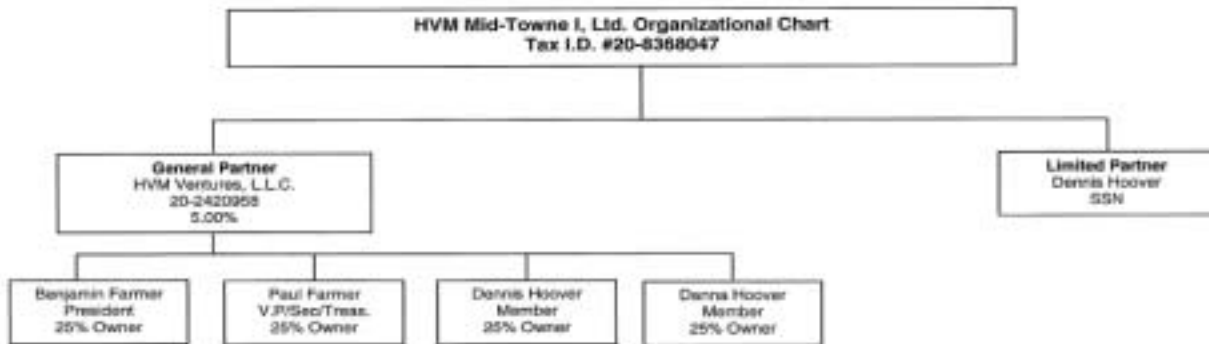
The development does not receive rental assistance which limits the development's ability to sustain periods of increasing expenses and flat rents.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
 Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
HVM Ventures, LLC	Newly Formed		--
Dennis Hoover	Confidential		14 LIHTC Developments
Danna Hoover	Confidential		6 LIHTC Developments
Benjamin Farmer	Confidential		N/A
Paul Farmer	Confidential		N/A

¹ Liquidity = Current Assets - Current Liabilities

Rehabilitation summary:

Mid-Towne I Apartments is a 54-unit family rental development comprised of seven residential buildings. Mid-Towne I was originally financed in 1985 under the USDA Section 515 program. The Applicant provided a Capital Needs Assessment performed by On-Site Insight, "aimed at determining the development's current and prospective capital needs in the context of a pending recapitalization. Overall, the development is in fair to good condition. The residential spaces, common areas, and various building systems are adequately appointed and maintained. That said, the property has substantive capital needs anticipated in the coming years; a number of systems and components are at, or approaching, the end of their useful lives. No immediate (critical health and safety) capital needs were observed. Anticipated near-term needs include parking area, sidewalk, and exterior siding repairs, roof shingle replacement, and the continued upgrade of in-unit finishes and components."

However, the CNA does not contemplate the entire scope of work that the Applicant is planning. As such, the CNA cost estimate cannot be used to reasonably verify the Applicant's cost estimate or to project the property's long-term capital needs. Staff has discussed these issues with the Applicant and the Applicant has agreed to provide a revision to the CNA that accounts for the entire planned scope of work. There has been some confusion over the requirements between the report provider and the Applicant. Due to scheduling issues with the report provider, the said revision has not been completed as of the date of this report. The Underwriter has used the Applicant's estimates subject to verification. Therefore, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget is a condition of this report.

SITE ISSUES

Total Size: 3.4 acres Scattered site? [] Yes [X] No
Flood Zone: X Within 100-yr floodplain? [] Yes [X] No
Zoning: N/A Needs to be re-zoned? [] Yes [] No [X] N/A
Comments: The site is a 3.4 acre L-shaped portion of a roughly rectangular 5 acre parcel. The remaining 1.6 acres is the site of Mid-Towne II, a second phase development with 24 units built with a 1996 HTC allocation.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/18/2007
Overall Assessment: [] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable
Surrounding Uses:
North: Pasture Land East: Multifamily Residential
South: Episcopal Church West: Single Family Residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments: A Phase I Environmental Site Assessment was not submitted with the application. Developments receiving a USDA rental subsidy are not required to submit a Phase I ESA.

MARKET HIGHLIGHTS (from Appraisal)

Provider: Rafael C. Luebbert Date: 3/29/2007
Contact: Rafael C. Luebbert Phone: (210) 408-6041 Fax: (210) 408-2539
Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"The market area is that geographical region enveloped by the city of Tomball. There were sufficient numbers of conventional project samples within the immediate area to enable the appraiser to deduce economic rentals. This is the area which would influence the economics of the property within the described market area. The selected complexes are considered to reflect trends in rental rates for conventional projects in that region. This particular market area should remain a viable part of the local economy. Most properties display relatively good quality of maintenance and pride of ownership. There were no nuisances, noise pollution, excess traffic patterns, abnormal levels of crime, or specific environmental issues noted which may affect the perceived quality of the described market area." (p. 21)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units ^{25%}
HomeTowne at Tomball	060414	210	210	N/A			

There is one HTC development under construction in the vicinity of the subject. HomeTowne at Tomball (# 060414), a 210-unit senior development which received a 4% HTC allocation in 2006, is located approximately 2.5 miles south of the subject. The subject is not age restricted and therefore HomeTowne at Tomball will not compete with the subject.

Also a supply and demand analysis was not provided in the appraisal but since the subject is substantially occupied with residents that will likely remain during and after the rehabilitation; an inclusive capture rate calculation for the subject would not have much importance.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	659 SF	30%	\$325	\$335	\$482	\$267	(\$58)
1 BR	659 SF	60%	\$325	\$335	\$482	\$335	\$10
2 BR	841 SF	30%	\$375	\$405	\$574	\$302	(\$73)
2 BR	841 SF	60%	\$375	\$405	\$574	\$405	\$30
3 BR	1,019 SF	60%	\$445	\$480	\$635	\$480	\$35
3 BR	1,019 SF	EO					

The subject has no rental assistance agreement with USDA-RD in place for the subject and one is not anticipated to be forthcoming. Without rental assistance the total rent collected will come solely from the tenant. For the 30% units this means that the maximum collection will be the 30% rent rather than the USDA basic rent and thus a decrease in the potential rental collections for the 30 % units would be expected.

Comments:

A Market Study report was not included, as USDA-RD-financed projects are not required to submit this report. A required appraisal is sufficient to satisfy the requirement for a market analysis. An "As Is" appraisal dated March 29, 2007 was prepared by Rafael C Luebbert ("Appraiser").

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/2/2007

The Development operates under an existing USDA-RD loan with an interest rate subsidy, with rents restricted to limits approved by USDA. The property does not receive rental assistance on any of the units. The Applicant's projected net rents per unit are based on increases of 3% to 8% over the current basic rents. However, the projected rents are substantially higher than the 30% of AMI program rent limits. Therefore, the Underwriter has used the program rent limits for all 30% units and the projected basic rents for the 60% units. The projected basic rents for the 60% units are significantly below the program rent limits and are achievable according to the Appraiser.

The Applicant's estimate of secondary income is in line with Department guidelines. The Applicant's estimate of vacancy and collection loss is 5% of potential income, which is acceptable for properties expecting to maintain their tenant base following rehabilitation. However, the rent roll submitted with the application indicates 3 vacant units out of a total of 54, or 5.5%. Based on the current occupancy rate and uncertainty about maintaining all tenants given the anticipated rent increases and lack of rental assistance, the underwriting analysis applies the standard vacancy and collection loss of 7.5% of potential income. Overall, the Applicant's effective gross income projection is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected total annual operating expense of \$3,548 per unit is not within 5% of the underwriter's estimate of \$3,257 derived from the actual operating history of the property, the TDHCA database, IREM data, and other sources. The Applicant's projection of general and administrative expense is \$1.5K higher than the Underwriter's estimate and property tax is \$2K higher. The current owner and property manager are related to the Applicant and the operating structure is unlikely to change significantly; therefore the Underwriter relied heavily on the historical expense levels.

Of note, the CNA indicates reserve for replacements of \$382 per unit will be required if only the CNA scope of work is completed. However, the CNA does not fully account for the scope of work planned by the Applicant. Therefore, using the CNA's reserve for replacements projection may overstate the future repair needs of the development. The Applicant and Underwriter used the TDHCA underwriting reserve for replacements standard of \$300 per unit for rehabilitation projects. As noted below in the cost section, a revised CNA will be required to support the information provided by the Applicant. Should the CNA indicate that a higher reserve amount is needed, the financial feasibility of the property may be even further stressed by impending future repair needs of the property.

Conclusion:

The Applicant's effective gross income, total operating expense, and net operating income (NOI) estimates are each not within 5% of the Underwriter's estimates; therefore, underwriting guidelines require that the Underwriter's estimates be used to determine debt capacity. The Underwriter's NOI and debt service on the existing USDA loan indicate a first year debt coverage ratio (DCR) of 1.37. However, the Underwriter's expense to income ratio of 77.8% is significantly higher than the Department's maximum pursuant to the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4). While the development has an existing USDA-RD loan, the property does not anticipate receiving rental assistance on any of the units; therefore, the subject development is not exempt from the said feasibility requirement.

The exemption applies only to those USDA-RD developments that receive rental assistance because the Department has some level of confidence that USDA-RD can approve rental subsidy increases to match increases in expenses. This is particularly important during periods of flat rents and rising expenses. As the subject property's income is restricted by program guidelines and by the market, the development has no other source of income that can sufficiently mitigate the development's long-term risk. Therefore, the development cannot be recommended for a tax credit allocation due to an expense to income ratio that exceeds the Department's maximum of 65%.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that falls below 1.15 by year 15. According to the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(5), if the debt coverage ratio falls below 1.15 during any of the first 15 years of the Long Term Proforma, the development is characterized as infeasible and cannot be recommended for funding.

As discussed above the property does not receive rental assistance and is therefore not exempt from the feasibility requirements. Therefore, pursuant to the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(5), the application cannot be recommended for a tax credit allocation. It should be noted that the Underwriter's long-term proforma indicates that the development's DCR falls below 1.15 prior to Year 15 and the development's cashflow falls below zero by Year 20.

In addition, if the Applicant's proforma were used, the development would not meet the 15 year DCR requirement due to a DCR that falls below 1.15 by Year 5 and negative cashflow by Year 10.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Rafael C. Luebbert</u>	Date:	<u>3/29/2007</u>
Number of Revisions:	<u>0</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>3.4 acres</u>	<u>\$134,143</u>	As of: <u>3/28/2007</u>
Existing Buildings: (as-is)		<u>\$1,469,857</u>	As of: <u>3/28/2007</u>
Favorable Financing:		<u>\$963,000</u>	As of: <u>3/28/2007</u>
Total Development: (as-is)		<u>\$2,567,000</u>	As of: <u>3/28/2007</u>

ASSESSED VALUE

Land Only:	<u>3.4 acres</u>	<u>\$296,470</u>	Tax Year:	<u>2006</u>
Existing Buildings:		<u>\$187,279</u>	Valuation by:	<u>Harris County</u>
Total Assessed Value:		<u>\$483,749</u>	Tax Rate:	<u>2.624425</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Option to Purchase Real Property</u>	Acreage:	<u>3.403</u>
Contract Expiration:	<u>1/25/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,600,488</u>	Other:	<u></u>
Seller:	<u>Mid-Towne Ltd.</u>	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TITLE

Comments:

The title commitment indicates two "unlocated" pipeline right-of-ways and one other pipeline right-of-way. The survey does not appear to identify these easements. Moreover, the apartment structures are already existing on the site and therefore it is likely that these easements do not materially impact the property.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The property is currently owned by a related party. The Applicant has submitted an Option to purchase the subject property for a price of \$1,600,488, which is less than the appraised value and less than the original investment in the land and buildings plus holding costs. Additionally, the Applicant has determined a building value of \$1,560,861, which is \$1,849,947 less \$150,000 for the basis in land and less estimated exit taxes \$139,086. The Underwriter has used a building value of \$1,311,402 based on contract price less exit taxes, and the Applicant's land value. The difference appears to be due to the Applicant's overstatement of the acquisition cost in the development cost schedule.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$4,352 per unit. This estimate cannot be verified based on the lack of information specific to proposed sitework in the submitted CNA. As discussed above, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and budget fully accounted for is a condition of this report. In addition, USDA-RD will also review and need to approve the scope of work and budget before construction begins and receipt review and acceptance of same prior to the 10% test is a condition of this report.

Direct Construction Cost:

Again the Applicant submitted a USDA-RD Capital Needs Assessment (CNA), which the Department typically accepts in lieu of a Property Condition Assessment for existing USDA-RD properties. The submitted CNA did not provide a cost estimates for the rehab work beyond the immediate repair needs. Therefore, for purposes of this analysis, the Underwriter has used the Applicant's direct construction cost estimate. As discussed above, because of scheduling issues the CNA could not be updated before this report was completed but will be required prior to the Board meeting at which this award is considered and USDA-RD will review the proposed rehab budget prior tot commencement of construction.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The development costs support an eligible basis of \$2,065,371 and the Applicant has claimed a 30% boost due to Harris County's Difficult Development Area designation. The resulting adjusted basis supports annual tax credits of \$229,566. The acquisition basis of \$1,311,402 supports annual tax credits of \$47,735. The total eligible basis derived tax credit amount of \$277,301 will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine any recommended allocation.

This section intentionally left blank.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 4/2/2007

Source: BHHH, Inc. dba The Hoover Companies Type: Interim Financing

Principal: \$1,669,231 Interest Rate: 8.0% Fixed Term: 12 months

Comments:

The subject construction loan will be provided by a related entity. Therefore, the Underwriter has requested documentation verifying the capacity of The Hoover Companies, Inc to provide said financing. The Applicant provided a letter from First State Bank of Burnet and a letter from Lou Ann Montey and Associates, PC supporting the Applicant's capacity to provide the anticipated construction funding. The Applicant has also submitted applications for three other developments that are currently being underwritten and each application includes commitments for construction funds from The Hoover Companies. The CPA and First State Bank of Burnet letters indicate that the Applicant has the capacity to provide the entire combined amount of construction funding committed in the applications for each development.

Source: Southeast Texas Housing F.C. Type: Interim Financing

Principal: \$200,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant has applied for a construction loan from the Southeast Housing Finance Corporation (SETH) to carry and interest rate equal to AFR (4.9% as of March 1, 2007) and a term of at least 12 months.

Source: USDA-RD Type: Interim to Permanent Financing

Principal: \$1,437,413 Interest Rate: 1.01% Fixed Amort: 600* months

Comments:

The Applicant's loan amount is slightly lower than the current remaining principal on the loan. However, the Underwriter has assumed the Applicant's estimated remaining balance, which is likely closer to the balance that will remain when the property is transferred to the partnership. The Applicant provided an amortization schedule from USDA-RD to support the transfer balance used. *Also of note, the remaining term will end in 2036; however, the original loan had an original term of 50 years.

All of the units are restricted to USDA-RD contract rents and the USDA-RD loan (original note: \$1,507,263) has an interest subsidy that lower the effective rates to approximately 1%. The Applicant has indicated that the partnership will assume the existing USDA-RD loans with the same rates and terms. Receipt, review, and acceptance of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans is a condition of this report.

Source: Raymond James Tax Credit Funds Type: Syndication

Proceeds: \$2,366,519 Syndication Rate: 83% Anticipated HTC: \$ 285,151

Amount: \$112,086 Type: Existing Reserves

Comments:

The Applicant has indicated the existing reserve balance will be transferred to the partnership. Moreover, a portion of the reserve balance will be used to fund rehab costs and the remaining balance will be maintained as reserves. The Applicant did not provide documentation of the existing reserve balance. However, should the Board approve an award, the long term proforma indicates there is marginally sufficient deferred developer fee to repay the anticipated reserve amount within 15 years though cash flow after that point is negligible.

Amount: \$15,000 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, both the Applicant's and Underwriter's expense to income ratio of 77.8% is significantly higher than the Department's 65% maximum according to the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4). Additionally, the long term proforma indicates a debt coverage ratio that falls below 1.15 by year 15. According to §1.32(i)(5) of the guidelines, if the debt coverage ratio falls below 1.15 during any of the first 15 years of the Long Term Proforma. Therefore, per §1.32(i)(4) and §1.32(i)(5) of the 2007 Real Estate Analysis Rules and Guidelines the development is characterized as infeasible and cannot be recommended for funding.

However, should the Board choose to make an award, the underwriting analysis results in the following three possible tax credit amounts:

Applicant's Requested Credit Amount:	\$285,151
Credit Amount Determined by Eligible Basis:	\$277,301
Credit Amount Determined by Gap in Financing:	\$256,900

Of the three possible tax credit allocations, the gap-derived amount of \$256,900 would be recommended. No deferred developer fees would be required.

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter:	<i>Thomas Cavanagh</i>	Date:	July 8, 2007
Reviewing Underwriter:	<i>Cameron Dorsey</i>	Date:	July 8, 2007
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 8, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Mid-Towne I Apartments, Tomball, 9% HTC #07268

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	659	\$343	\$267	\$1,068	\$0.41	\$76.00	\$38.31
TC 60%	12	1	1	659	\$686	335	4,020	0.51	76.00	38.31
TC 30%	4	2	1	841	\$411	302	1,208	0.36	109.00	43.31
TC 60%	28	2	1	841	\$823	405	11,340	0.48	109.00	43.31
TC 60%	4	3	1	1,019	\$951	480	1,920	0.47	143.00	56.31
EO	2	3	1	1,019	\$951		0	0.00	143.00	56.31
TOTAL:	54		AVERAGE:	807		\$362	\$19,556	\$0.45	\$103.00	\$43.27

INCOME

Total Net Rentable Sq Ft: **43,570**

POTENTIAL GROSS RENT

Laundry, interest, tenant charges 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	2.76%	\$116	0.14
Management	10.00%	419	0.52
Payroll & Payroll Tax	18.11%	758	0.94
Repairs & Maintenance	15.18%	636	0.79
Utilities	1.84%	77	0.10
Water, Sewer, & Trash	9.30%	389	0.48
Property Insurance	6.23%	261	0.32
Property Tax 2.624425	6.27%	262	0.33
Reserve for Replacements	7.17%	300	0.37
TDHCA Compliance Fees	0.96%	40	0.05
Other:	0.00%	0	0.00

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

Existing USDA-RD Loans
 Existing Reserve Account
 Additional Financing
NET CASH FLOW

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)		43.47%	\$29,639	\$36.73	\$1,600,488	\$1,849,947	\$42.46	\$34,258	47.06%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.38%	4,352	5.39	235,000	235,000	5.39	4,352	5.98%
Direct Construction		30.52%	20,810	25.79	1,123,750	1,123,750	25.79	20,810	28.59%
Contingency	8.26%	3.05%	2,080	2.58	112,300	112,300	2.58	2,080	2.86%
Contractor's Fees	14.00%	5.17%	3,523	4.37	190,225	190,225	4.37	3,523	4.84%
Indirect Construction		1.57%	1,068	1.32	57,650	57,650	1.32	1,068	1.47%
Ineligible Costs		0.43%	291	0.36	15,700	15,700	0.36	291	0.40%
Developer's Fees	8.67%	7.32%	4,989	6.18	269,396	269,396	6.18	4,989	6.85%
Interim Financing		2.09%	1,427	1.77	77,050	77,050	1.77	1,427	1.96%
Reserves		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL COST		100.00%	\$68,177	\$84.50	\$3,681,559	\$3,931,018	\$90.22	\$72,797	100.00%
Construction Cost Recap		45.12%	\$30,764	\$38.13	\$1,661,275	\$1,661,275	\$38.13	\$30,764	42.26%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Existing USDA-RD Loans	39.04%	\$26,619	\$32.99	\$1,437,413	\$1,437,413	\$1,437,413	Developer Fee Available
Existing Reserve Account	3.04%	\$2,076	\$2.57	112,086	112,086	112,086	\$269,396
Raymond James HTC Synd	64.28%	\$43,824	\$54.32	2,366,519	2,366,519	2,132,060	% of Dev. Fee Deferred
Deferred Developer Fees	0.41%	\$278	\$0.34	15,000	15,000	0	0%
Additional (Excess) Funds Req'd	-6.78%	(\$4,620)	(\$5.73)	(249,459)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,681,559	\$3,931,018	\$3,681,559	\$140,563

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mid-Towne I Apartments, Tomball, 9% HTC #07268

PAYMENT COMPUTATION

Primary	\$1,437,413	Amort	600
Int Rate	1.01%	DCR	1.31

Secondary	\$112,086	Amort	
Int Rate		Subtotal DCR	1.31

Additional		Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$38,369
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$11,790

Primary	\$1,437,413	Amort	600
Int Rate	1.01%	DCR	1.31

Secondary	\$112,086	Amort	0
Int Rate	0.00%	Subtotal DCR	1.31

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.31

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	\$234,672	\$241,712	\$248,964	\$256,432	\$264,125	\$306,194	\$354,962	\$411,499	\$553,020
Secondary Income	9,720	10,012	10,312	10,621	10,940	12,682	14,702	17,044	22,906
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	244,392	251,724	259,275	267,054	275,065	318,876	369,665	428,543	575,926
Vacancy & Collection Loss	(18,329)	(18,879)	(19,446)	(20,029)	(20,630)	(23,916)	(27,725)	(32,141)	(43,194)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$226,063	\$232,844	\$239,830	\$247,025	\$254,435	\$294,960	\$341,940	\$396,402	\$532,731
EXPENSES at 4.00%									
General & Administrative	\$6,242	\$6,492	\$6,751	\$7,021	\$7,302	\$8,884	\$10,809	\$13,151	\$19,467
Management	22,606	23,284	23,983	24,702	25,444	29,496	34,194	39,640	53,273
Payroll & Payroll Tax	40,949	42,587	44,290	46,062	47,905	58,283	70,910	86,273	127,706
Repairs & Maintenance	34,318	35,691	37,118	38,603	40,147	48,845	59,427	72,303	107,025
Utilities	4,154	4,320	4,493	4,673	4,860	5,912	7,193	8,752	12,955
Water, Sewer & Trash	21,025	21,866	22,741	23,650	24,596	29,925	36,408	44,297	65,570
Insurance	14,078	14,641	15,226	15,835	16,469	20,037	24,378	29,659	43,903
Property Tax	14,172	14,739	15,328	15,941	16,579	20,171	24,541	29,858	44,197
Reserve for Replacements	16,200	16,848	17,522	18,223	18,952	23,058	28,053	34,131	50,522
Other	2,160	2,246	2,336	2,430	2,527	3,074	3,740	4,551	6,736
TOTAL EXPENSES	\$175,904	\$182,714	\$189,789	\$197,141	\$204,780	\$247,686	\$299,655	\$362,615	\$531,354
NET OPERATING INCOME	\$50,159	\$50,131	\$50,040	\$49,884	\$49,656	\$47,274	\$42,284	\$33,787	\$1,377
DEBT SERVICE									
First Lien Financing	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369
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	\$11,790	\$11,762	\$11,672	\$11,515	\$11,287	\$8,906	\$3,916	(\$4,581)	(\$36,992)
DEBT COVERAGE RATIO	1.31	1.31	1.30	1.30	1.29	1.23	1.10	0.88	0.04

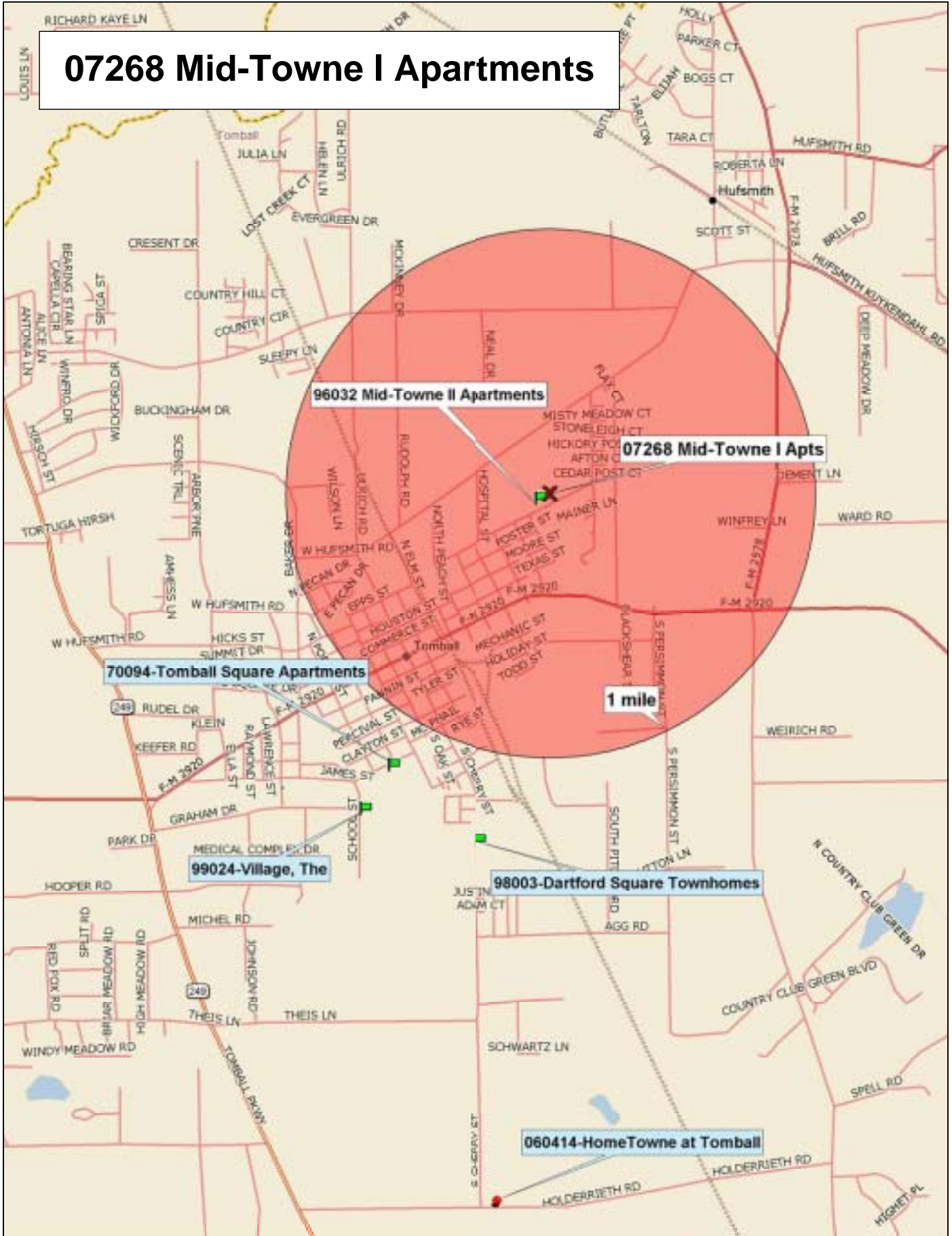
HTC ALLOCATION ANALYSIS -Mid-Towne I Apartments, Tomball, 9% HTC #07268

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
Acquisition Cost						
Purchase of land	\$289,086	\$289,086				
Purchase of buildings	\$1,560,861	\$1,311,402	\$1,560,861	\$1,311,402		
Off-Site Improvements						
Sitework	\$235,000	\$235,000			\$235,000	\$235,000
Construction Hard Costs	\$1,123,750	\$1,123,750			\$1,123,750	\$1,123,750
Contractor Fees	\$190,225	\$190,225			\$190,225	\$190,225
Contingencies	\$112,300	\$112,300			\$112,300	\$112,300
Eligible Indirect Fees	\$57,650	\$57,650			\$57,650	\$57,650
Eligible Financing Fees	\$77,050	\$77,050			\$77,050	\$77,050
All Ineligible Costs	\$15,700	\$15,700				
Developer Fees						
Developer Fees	\$269,396	\$269,396			\$269,396	\$269,396
Development Reserves						
TOTAL DEVELOPMENT COSTS	\$3,931,018	\$3,681,559	\$1,560,861	\$1,311,402	\$2,065,371	\$2,065,371

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,560,861	\$1,311,402	\$2,065,371	\$2,065,371
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,560,861	\$1,311,402	\$2,684,982	\$2,684,982
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,560,861	\$1,311,402	\$2,684,982	\$2,684,982
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$56,815	\$47,735	\$229,566	\$229,566

Syndication Proceeds	0.8299	\$471,521	\$396,162	\$1,905,209	\$1,905,209
Total Tax Credits (Eligible Basis Method)				\$286,381	\$277,301
Syndication Proceeds				\$2,376,730	\$2,301,371
Requested Tax Credits				\$285,151	
Syndication Proceeds				\$2,366,519	
Gap of Syndication Proceeds Needed					\$2,132,060
Total Tax Credits (Gap Method)					\$256,900

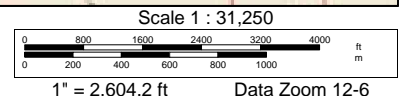
07268 Mid-Towne I Apartments



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Applicant Evaluation

Project ID # **07268**

Name: **Mid-Towne I Apartments**

City: **Tomball**

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

Total # of Projects monitored: 82

Projects zero to nine: 77
grouped ten to nineteen: 3
by score twenty to twenty-nine: 2

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 82

not yet monitored or pending review: 7

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/30/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Hyatt Manor Apartments, TDHCA Number 07271

BASIC DEVELOPMENT INFORMATION

Site Address: 1701 Waco St. Development #: 07271
 City: Gonzales Region: 10 Population Served: General
 County: Gonzales Zip Code: 78629 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM Gonzales County, Ltd.
 Owner Contact and Phone: Dennis Hoover (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc
 Architect: W. S. Allen and Associates
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	65
	7 0 0 58	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 40 24 1 0 0	Total Development Units:	65
Type of Building:		Total Development Cost*:	\$4,142,374
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	14
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$322,018	\$322,018			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Hyatt Manor Apartments, TDHCA Number 07271

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hegar, District 18, NC Points: 0 US Representative: Doggett, District 25, NC
TX Representative: Kuempel, District 44, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Bobby O'Neal, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4
Gonzales Chamber of Commerce & Agriculture S or O: S
Independent Order of Odd Fellows Lodge #38 of Gonzales S or O: S

General Summary of Comment:

There was support from one elected official and from civic organizations.

CONDITIONS OF COMMITMENT

- Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget.
- Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.
- Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget.
- Receipt, review, and acceptance, by HTC commitment, of a commitment letter for the anticipated construction loan from the City of Gonzales.
- Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit/allocation amount may be warranted.
- Receipt of a commitment of funding from the City of Gonzales in the amount of \$207,000, or a commitment from a qualifying substitute source in an amount not less than \$103,560, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Hyatt Manor Apartments, TDHCA Number 07271

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

Competitive Housing Tax Credits: Score: **129** Meeting a Required Set-Aside Credit Amount*: \$322,018

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/08/07

PROGRAM: 9% HTC

FILE NUMBER: 07271

DEVELOPMENT

Hyatt Manor Apartments

Location: 1701 Waco Street Region: 10
 City: Gonzales County: Gonzales Zip: 78629 OCT DDA
 Key Attributes: Multifamily, Family, Acquisition/Rehab, Rural, At-Risk, USDA

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$322,018			\$322,018		

CONDITIONS

- 1 Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget.
- 2 Receipt, review, and acceptance, by the 10% test, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.
- 3 Receipt, review, and acceptance, by the 10% test, of approval from USDA-RD of the proposed rehab budget.
- 4 Receipt, review, and acceptance, by HTC commitment, of a commitment letter for the anticipated construction loan from the City of Gonzales.
- 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/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
60% of AMI	60% of AMI	58

PROS

The proposed transaction would revitalize and combine two 26 year old USDA developments.

CONS

The current and proposed rents for a significant number the one bedroom units are above the 60% rent limit and above the appraiser's market rent.

The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.

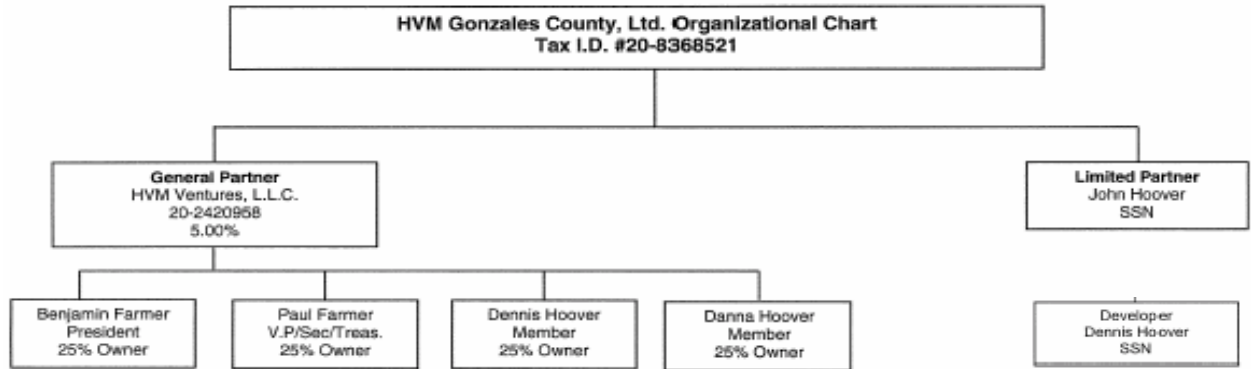
The acquisition is an identity of interest.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

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KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
HVM Ventures, LLC	Newly Formed		--
Dennis Hoover	Confidential		14 LIHTC Developments
Danna Hoover	Confidential		6 LIHTC Developments
Benjamin Farmer	Confidential		N/A
Paul Farmer	Confidential		N/A

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

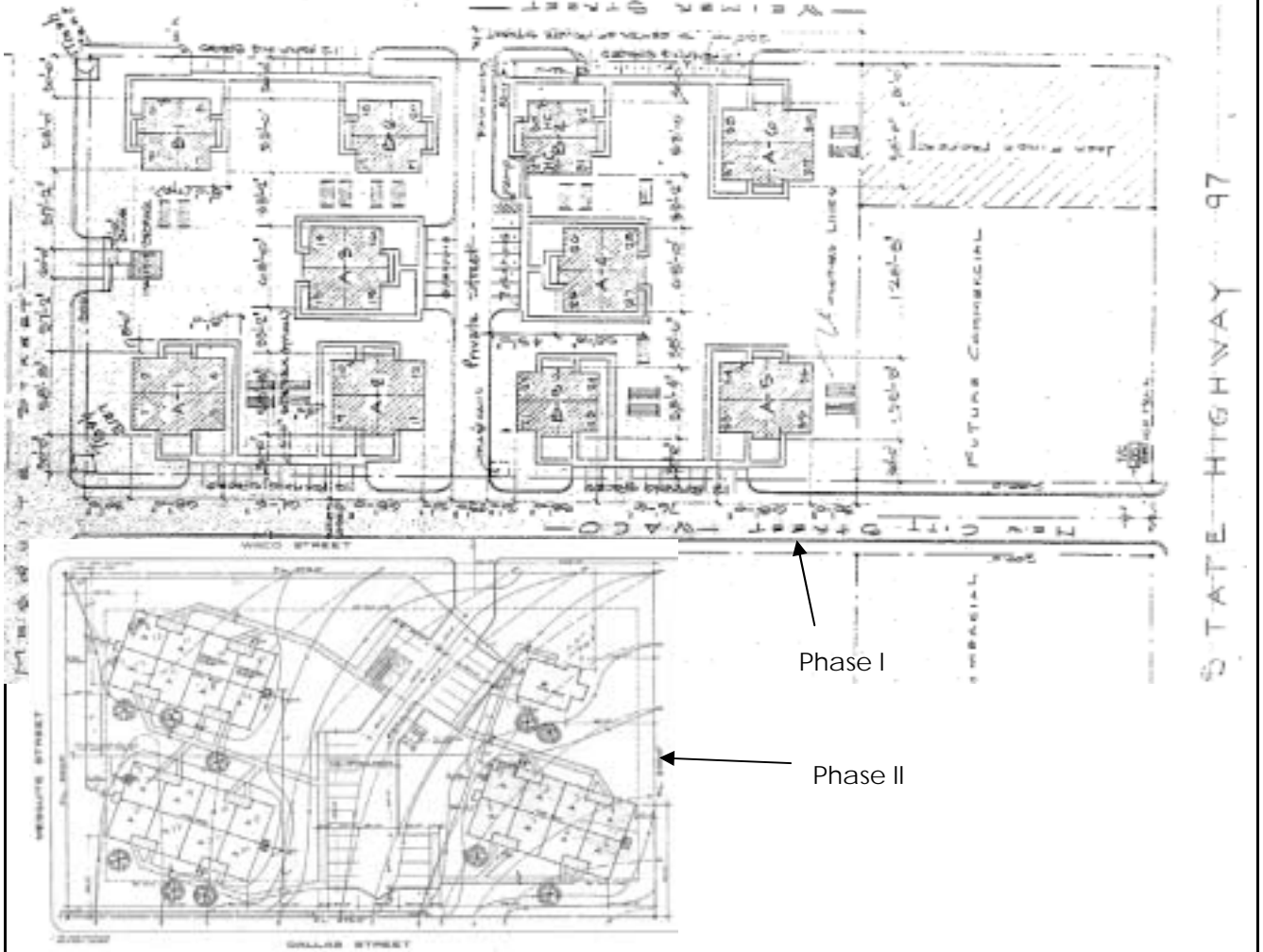
The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The current owner of the property is related to the Applicant and development team and this has been addressed in the acquisition cost section of this report by ensuring: that the sales price is not more than their investment in the property, that the transfer price is a price that USDA might approve and that no developer fee for acquisition is being garnered.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A1	B1	A2	B2							Total Buildings
Floors/Stories	1	1	1	1							
Number	6	4	3	1							14

BR/BA	SF	Units										Total Units	Total SF
1/1	582			8								24	13,968
1/1	615		4									16	9,840
2/1	889	4										24	21,336
3/1	994				1							1	994
Units per Building		4	4	8	1							65	46,138

Rehabilitation summary:

The development comprises two separate USDA properties that were originally developed in 1981 according to the Appraiser.

The Applicant provided a Capital Needs Assessment (CNA) performed by On-Site Insight, Inc. A CNA is generally an acceptable substitute for the Property Condition Assessment (PCA) required by the Department for all rehabilitation developments to evaluate the cost of the rehabilitation and the prospective future reserve requirements. However, the CNA provided in this case does not contemplate the entire scope of work that the Applicant is planning. As such, the CNA cost estimate cannot be used to reasonably verify the Applicant's cost estimate or to project the property's long-term capital needs.

Staff has discussed these issues with the Applicant and the Applicant has agreed to provide a revision to the CNA that accounts for the entire planned scope of work. There has been some confusion over the requirements between the report provider and the Applicant. Due to scheduling issues with the report provider, the said revision has not been completed as of the date of this report. The Underwriter has used the Applicant's estimates subject to verification. Therefore, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget is a condition of this report.

SITE ISSUES

Total Size: 5.85 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: R2/Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/4/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Weimer Street/residential East: Commercial/Highway 97
 South: Dallas Street/vacant land West: Mesquite Street/residential
 Comments:
 The site is bisected by Waco Street which separates Phase I and Phase II of the development.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:
 A Phase I Environmental Site Assessment was not submitted with the application. Developments receiving a USDA rental subsidy are not required to submit a Phase I ESA.

MARKET HIGHLIGHTS (From Appraisal)

Provider: Rafael C Luebbert Date: 3/12/2007
 Contact: Rafael C Luebbert Phone: 210.408.6041 Fax: 210.408.2539
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
N/A				N/A			

Only one LIHTC property appears to be located within the vicinity of the subject development: Oaks at Winding Way (#98147) which received a 9% HTC allocation during the 1998 cycle.

INCOME LIMITS						
Gonzales						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,050	\$10,350	\$11,650	\$12,950	\$14,000	\$15,000
60	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 582 SF 30%	\$443	\$452	\$363	\$452	\$9
1 BR 582 SF 60%	\$443	\$452	\$363	\$452	\$9
1 BR 615 SF 60%	\$381	\$390	\$377	\$390	\$9
2 BR 889 SF 30%	\$416	\$425	\$485	\$425	\$9
2 BR 889 SF 60%	\$416	\$425	\$485	\$425	\$9
3 BR 994 SF 60%	\$611	\$620	\$553	\$620	\$9

The market rents concluded by the Appraiser were not well justified and did not appear to be a focus for the report provider. The rents at the nearest tax credit property in the area reflected max collected rents of \$419, \$600 and \$650 for one, two and three-bedroom units respectively. This would suggest that the increase in proposed rents for the two and three bedroom units can be justified while the one bedroom units may need more justification. It should also be noted that the underwritten rents for the 30% units are higher than the 30% rent limit rents because these units are under a rental assistance agreement and as such the total collected rent for a tax credit unit can exceed the rent limit rent so long as the tenant is not paying more than the rent limit rent which, in this case, will be \$185 and \$199 for one and two bedroom units respectively.

Comments:

A Market Study report was not included, as USDA-RD-financed projects are not required to submit this report. A required appraisal is sufficient to satisfy the requirement for a market analysis. An "As Is" appraisal dated March 12, 2007 was prepared by Rafael C Luebbert ("Appraiser"). Additionally, the property is currently 98.5% occupied and it is likely that many of the existing tenants will choose to remain at the property after rehabilitation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 3/26/2007

The Applicant's projected net rents per unit are the contract rents that the Applicant has requested as part of the proposal to USDA-RD. The requested contract rents are 1% to 3% higher than the current contract rents. The Underwriter has used the Applicant's requested higher rents to determine potential gross rent. However, based upon the Underwriter's proforma they are not necessary for the success of the proposed rehabilitation development.

The Applicant's estimate of secondary income is in line with Department guidelines. However, the Applicant's estimate of vacancy and collection loss is slightly lower than the Department standard of 7.5%. Based on the current occupancy rate and the affordability of the USDA-RD contract rents, the underwriting analysis also assumes a vacancy and collection loss of 5%. Overall, the Applicant's effective gross income projection is comparable to the Underwriter's estimate.

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Expense: Number of Revisions: 2 Date of Last Applicant Revision: 4/24/2007

The Applicant's estimate of total operating expense is not within 5% of the Underwriter's estimate. Additionally, the Applicant's estimates of general and administrative expense, payroll and payroll tax, and reserve for replacements estimates differ significantly from the Underwriter's estimates (\$7K lower, \$19K higher, and \$16K higher respectively). The Underwriter's estimates were derived from the TDHCA database and the Applicant's actual 2006 operating statements for both phases of the property. The current owner and property manager are related to the Applicant and the operating structure is unlikely to change significantly.

The Applicant provided a Capital Needs Assessment (CNA) in order to meet USDA-RD requirements. However, the CNA does not fully take into account the proposed rehabilitation plan. As a result, the reserve for replacements analysis is likely overstated due to the inclusion of future repairs to be included in the proposed rehab scope of work. The Underwriter has used the standard minimum annual reserve requirement for rehab developments of \$300 per unit. Of note, a portion of the existing reserve balance will be transferred to the partnership (currently estimated at \$39,117 based on current balance less reserves used for rehab). Additionally, USDA-RD will continue to monitor the property to ensure that sufficient reserves are maintained and deposited regularly.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma is used to determine the development's debt coverage ratio (DCR) and debt capacity. The Underwriter's Year One DCR results in a DCR of 2.65, which is substantially higher than the Department's maximum of 1.35.

However, the development receives USDA-RD rental assistance and USDA will continue to actively monitor the return to owner to ensure that it is not more than 8% per year on the original equity investment. Any profits over that amount will be required to be funded into reserves until such time as 10% of the outstanding loan balance is funded and any profit over that amount is returned to USDA and/or tenants. Moreover, future rent increases under such a scenario would be hampered. Pursuant to Department guidelines, developments receiving USDA-RD rental assistance are not subject to the Department's guideline for debt coverage ratios as contract rents will be adjusted accordingly and profit to the owner is limited.

Feasibility:

Both the Applicant's and Underwriter's initial expense to income ratio are greater than the Department's 65% maximum; however, the rule allows for mitigation of this concern in the form of an ongoing operating subsidy. The Rental Assistance agreement which covers a majority of the units provides such ongoing subsidy. Therefore, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the minimum 15 year period. Therefore, the development can be characterized as feasible. While the development maintains a DCR above 1.15, USDA-RD properties receiving rental assistance are not required to meet this guideline.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Rafael C Luebbert</u>	Date:	<u>3/12/2007</u>
Number of Revisions:	<u>1</u>	Date of Last Applicant Revision:	<u>4/25/2007</u>
Land Only:	5.86 acres	\$225,903	As of: <u>3/12/2007</u>
Existing Buildings: (as-is)		\$1,165,097	As of: <u>3/12/2007</u>
Favorable Financing		\$473,000	As of: <u>3/12/2007</u>
Total Development: (as-is)		\$1,864,000	As of: <u>3/12/2007</u>

Comments:

The partnership will be assuming the existing USDA-RD loans; therefore, the favorable financing is included in the appraised value for the purposes of reviewing the reasonableness of the contract purchase price.

ASSESSED VALUE

Land Only:	<u>\$259,320</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$709,580</u>	Valuation by:	<u>Gonzales CAD</u>
FF&E	<u>\$12,000</u>		
Total Assessed Value:	<u>\$980,900</u>	Tax Rate:	<u>2.5827</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Option to Purchase Real Property</u>	Acreage:	<u>N/A</u>
Contract Expiration:	<u>1/5/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,549,356</u>	Other:	<u></u>
Seller:	<u>Hoover & Hoover/Hyatt Manor Ltd</u>	Related to Development Team?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/30/2007

Acquisition Value:

The property is currently owned by a related party. The Applicant has submitted an Option to purchase the subject property for a price of \$1,549,356, which is less than the appraised value and less than the original investment in the land and buildings plus holding costs which included notes totaling \$1,416,400 original equity of \$16,895 and capital improvements of \$65,015. Additionally, the Applicant has determine a building value of \$1,027,430, which is the purchase price less the appraised land value, exit taxes, and cash to outgoing partners. The Underwriter has used a building value of \$994,013, based on contract price less exit taxes, and the tax assessed value of the land. It should also be noted that the contract price appears to be roughly equivalent to the existing loan balance plus exit taxes.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$3,000 per unit. This estimate cannot be verified based on the lack of information specific to proposed sitework in the submitted CNA. As discussed above, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and budget fully accounted for is a condition of this report. In addition, USDA-RD will also review and need to approve the scope of work and budget before construction begins and receipt review and acceptance of same prior to the 10% test is a condition of this report.

Direct Construction Cost:

Again the Applicant submitted a USDA-RD Capital Needs Assessment (CNA), which the Department typically accepts in lieu of a Property Condition Assessment for existing USDA-RD properties. The submitted CNA did not provide a cost estimate for the rehab work beyond the immediate repair needs. Therefore, for purposes of this analysis, the Underwriter has used the Applicant's direct construction cost estimate. As discussed above, because of scheduling issues the CNA could not be updated before this report was completed but will be required prior to the Board meeting at which this award is considered and USDA-RD will review the proposed rehab budget prior to commencement of construction.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,567,656 supports annual tax credits of \$322,242. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 4/26/2007

Source: The Hoover Companies, Inc Type: Interim Financing

Principal: \$2,046,858 Interest Rate: 8.0% Fixed Term: 12 months

Comments:

The subject construction loan will be provided by a related entity. Therefore, the Underwriter has requested documentation verifying the capacity of The Hoover Companies, Inc to provide said financing. The Applicant provided a letter from First State Bank of Burnet and a letter from Lou Ann Montey and Associates, PC supporting the Applicant's capacity to provide the anticipated construction funding. The Applicant has also submitted applications for three other developments that are currently being underwritten and each application includes commitments for construction funds from The Hoover Companies. The CPA and First State Bank of Burnet letters indicate that the Applicant has the capacity to provide the entire combined amount of construction funding committed in the applications for each development.

Source: City of Gonzales Type: Interim Financing

Principal: \$207,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant has submitted a letter from the City acknowledging receipt of the application for funding. The Applicant has indicated that this request would be 5% of the total development cost and therefore revised the request from \$210,000 to coincide with a revision to costs. The Underwriter has assumed the Applicable Federal Rate as of March 1, 2007. Receipt, review, and acceptance of a commitment letter for the anticipated construction loan from the City of Gonzales is a condition of this report.

Source: USDA-RD Loans Type: Interim to Permanent Financing

Permanent: \$1,150,264 Interest Rate: 1.07% Fixed Term: 600* months

Comments:

The Applicant's loan amount to be transferred is slightly lower than the current remaining principal on the combined Phase I and Phase II loans as of 4/23/07 (\$1,157,676). However, the Underwriter has assumed the Applicant's estimated remaining balance, which is likely closer to the balance that will remain when the property is transferred to the partnership. *Also of note, the remaining term for the Phase I loan will end in February of 2031, while the term for the Phase II loan ends in May of 2033.

The subject is currently a USDA-RD property with two phases. All of the units are restricted to USDA-RD contract rents and each phase has an individual USDA-RD loan (\$599,400 & \$817,000 respectively) with interest subsidies that lower the effective rates to approximately 1%. The Applicant has indicated that the partnership will assume the existing USDA-RD loans with the same rates and terms. Receipt, review, and acceptance of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans is a condition of this report.

Source: Raymond James Type: Syndication

Proceeds: \$2,666,407 Syndication Rate: 83% Anticipated HTC: \$ 321,286

Comments:

The syndication price is below the low end of current market prices and any increase in rate of syndicated credit could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$287,916 Type: Existing Reserves

Comments:

The Applicant has indicated the existing reserve balance will be transferred to the partnership. Moreover, a portion of the reserve balance will be used to fund rehab costs and the remaining balance will be maintained as reserves. At the request of the Underwriter, the Applicant supplied documentation of the existing reserve balance of \$327K as of March 1, 2007. Therefore, as of this date, the net amount of \$39K would be maintained as reserves. The sources and uses show only the \$287,916 as source since the additional \$39K would be a sources and a use for the same purpose so it is not reflected.

Amount: \$31,714 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$1,150,264 and reserve amount of \$287,916 indicates the need for \$2,704,194 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$325,839 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$322,018), the gap-driven amount (\$325,839), and eligible basis-derived estimate (\$322,242), the Applicant's request of \$322,018 is recommended.

The Underwriter's recommended financing structure indicates the need for \$31,712 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter: _____ Date: July 8, 2007

Cameron Dorsey

Reviewing Underwriter: _____ Date: July 8, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 8, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Hyatt Manor Apartments, Gonzales, 9% HTC #07271

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	582	\$242	\$452	\$1,808	\$0.78	\$57.00	\$21.97
TC 60%	20	1	1	582	\$485	452	9,040	0.78	57.00	21.97
TC 60%	16	1	1	615	\$485	390	6,240	0.63	73.00	21.97
TC 30%	3	2	1	889	\$291	425	1,275	0.48	92.00	23.10
TC 60%	21	2	1	889	\$582	425	8,925	0.48	92.00	23.10
TC 60%	1	3	1	994	\$672	620	620	0.62	151.00	24.62
TOTAL:	65		AVERAGE:	710		\$429	\$27,908	\$0.60	\$75.31	\$22.43

INCOME

Total Net Rentable Sq Ft: **46,138**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$13.08
 Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.89%	\$297	0.42
Management	7.88%	398	0.56
Payroll & Payroll Tax	12.94%	653	0.92
Repairs & Maintenance	10.40%	525	0.74
Utilities	2.02%	102	0.14
Water, Sewer, & Trash	11.99%	605	0.85
Property Insurance	3.80%	191	0.27
Property Tax 2.5827	8.71%	439	0.62
Reserve for Replacements	5.95%	300	0.42
TDHCA Compliance Fees	0.79%	40	0.06
Other: Fidelity Insurance	0.02%	1	0.00
TOTAL EXPENSES	70.39%	\$3,550	\$5.00
NET OPERATING INC	29.61%	\$1,493	\$2.10

DEBT SERVICE

USDA First Lien Mortgage	11.16%	\$563	\$0.79
Existing Reserves to be used for rel	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	18.45%	\$931	\$1.31

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		37.40%	\$23,836	\$33.58
Off-Sites		0.00%	0	0.00
Sitework		4.71%	3,000	4.23
Direct Construction		36.39%	23,192	32.67
Contingency	7.64%	3.14%	2,000	2.82
Contractor's Fees	14.00%	5.75%	3,667	5.17
Indirect Construction		1.22%	776	1.09
Ineligible Costs		0.47%	298	0.42
Developer's Fees	10.39%	8.10%	5,165	7.28
Interim Financing		2.82%	1,795	2.53
Reserves		0.88%	562	0.79
TOTAL COST		100.00%	\$63,729	\$89.78
Construction Cost Recap		49.99%	\$31,859	\$44.88

SOURCES OF FUNDS

USDA First Lien Mortgage	27.77%	\$17,696	\$24.93
Existing Reserves to be used for rel	6.95%	\$4,429	\$6.24
Raymond James Syndication	64.37%	\$41,022	\$57.79
Deferred Developer Fees	0.77%	\$488	\$0.69
Additional (Excess) Funds Req'd	0.15%	\$93	\$0.13
TOTAL SOURCES			

TDHCA	APPLICANT
\$334,896	\$334,512
10,200	10,200
0	0
\$345,096	\$344,712
(17,255)	(17,232)
0	0
\$327,841	\$327,480
\$19,310	\$12,340
25,840	29,160
42,427	61,745
34,112	50,418
6,626	7,559
39,300	40,360
12,446	13,603
28,539	25,283
19,500	37,570
2,600	2,600
70	70
\$230,770	\$280,707
\$97,071	\$46,773
\$36,576	\$36,576
0	0
0	0
\$60,495	\$10,197
2.65	1.28
2.65	

COUNTY	IREM REGION	COMPT. REGION
Gonzales		10
\$13.08	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-5.00%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.27	\$190	3.77%
0.63	449	8.90%
1.34	950	18.85%
1.09	776	15.40%
0.16	116	2.31%
0.87	621	12.32%
0.29	209	4.15%
0.55	389	7.72%
0.81	578	11.47%
0.06	40	0.79%
0.00	1	0.02%
\$6.08	\$4,319	85.72%
\$1.01	\$720	14.28%
\$0.79	\$563	11.17%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.22	\$157	3.11%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,549,356	\$1,549,356	\$33.58	\$23,836	37.40%
0	0	0.00	0	0.00%
195,000	195,000	4.23	3,000	4.71%
1,507,500	1,507,500	32.67	23,192	36.39%
130,000	130,000	2.82	2,000	3.14%
238,350	238,350	5.17	3,667	5.75%
50,450	50,450	1.09	776	1.22%
19,375	19,375	0.42	298	0.47%
335,693	335,693	7.28	5,165	8.10%
116,650	116,650	2.53	1,795	2.82%
0	0	0.00	0	0.00%
\$4,142,374	\$4,142,374	\$89.78	\$63,729	100.00%
\$2,070,850	\$2,070,850	\$44.88	\$31,859	49.99%

RECOMMENDED

\$1,150,264	\$1,150,264	\$1,150,264	Developer Fee Available
287,916	287,916	0	\$335,693
2,666,407	2,672,480	2,672,482	% of Dev. Fee Deferred
31,714	31,714	31,712	9%
6,074	0	287,916	15-Yr Cumulative Cash Flow
\$4,142,374	\$4,142,374	\$4,142,374	\$961,812

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Hyatt Manor Apartments, Gonzales, 9% HTC #07271

PAYMENT COMPUTATION

Primary	\$1,150,264	Amort	600
Int Rate	1.07%	DCR	2.65
Secondary			
Int Rate		Subtotal DCR	2.65
Additional			
Int Rate		Aggregate DCR	2.65

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$36,576
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$60,495

Primary	\$1,150,264	Amort	600
Int Rate	1.07%	DCR	2.65
Secondary			
Int Rate	\$0	Subtotal DCR	0
Additional			
Int Rate	\$0	Aggregate DCR	0

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	\$334,896	\$344,943	\$355,291	\$365,950	\$376,928	\$436,963	\$506,560	\$587,242	\$789,204
Secondary Income	10,200	10,506	10,821	11,146	11,480	13,309	15,428	17,886	24,037
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	345,096	355,449	366,112	377,096	388,409	450,272	521,989	605,128	813,241
Vacancy & Collection Loss	(17,255)	(17,772)	(18,306)	(18,855)	(19,420)	(22,514)	(26,099)	(30,256)	(40,662)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$327,841	\$337,676	\$347,807	\$358,241	\$368,988	\$427,758	\$495,889	\$574,872	\$772,579
EXPENSES at 4.00%									
General & Administrative	\$19,310	\$20,083	\$20,886	\$21,721	\$22,590	\$27,485	\$33,439	\$40,684	\$60,222
Management	25,840	26,615	27,414	28,236	29,083	33,715	39,085	45,311	60,894
Payroll & Payroll Tax	42,427	44,124	45,889	47,725	49,634	60,387	73,470	89,387	132,315
Repairs & Maintenance	34,112	35,476	36,895	38,371	39,906	48,552	59,070	71,868	106,383
Utilities	6,626	6,891	7,167	7,454	7,752	9,431	11,474	13,960	20,665
Water, Sewer & Trash	39,300	40,872	42,507	44,208	45,976	55,937	68,055	82,800	122,564
Insurance	12,446	12,944	13,462	14,000	14,560	17,715	21,553	26,222	38,815
Property Tax	28,539	29,680	30,868	32,102	33,386	40,620	49,420	60,127	89,003
Reserve for Replacements	19,500	20,280	21,091	21,935	22,812	27,755	33,768	41,084	60,814
Other	2,670	2,777	2,888	3,004	3,124	3,800	4,624	5,626	8,327
TOTAL EXPENSES	\$230,770	\$239,743	\$249,066	\$258,755	\$268,823	\$325,395	\$393,959	\$477,068	\$700,000
NET OPERATING INCOME	\$97,071	\$97,934	\$98,740	\$99,486	\$100,165	\$102,363	\$101,931	\$97,803	\$72,579
DEBT SERVICE									
First Lien Financing	\$36,576	\$36,576	\$36,576	\$36,576	\$36,576	\$36,576	\$36,576	\$36,576	\$36,576
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	\$60,495	\$61,358	\$62,164	\$62,910	\$63,589	\$65,787	\$65,355	\$61,227	\$36,003
DEBT COVERAGE RATIO	2.65	2.68	2.70	2.72	2.74	2.80	2.79	2.67	1.98

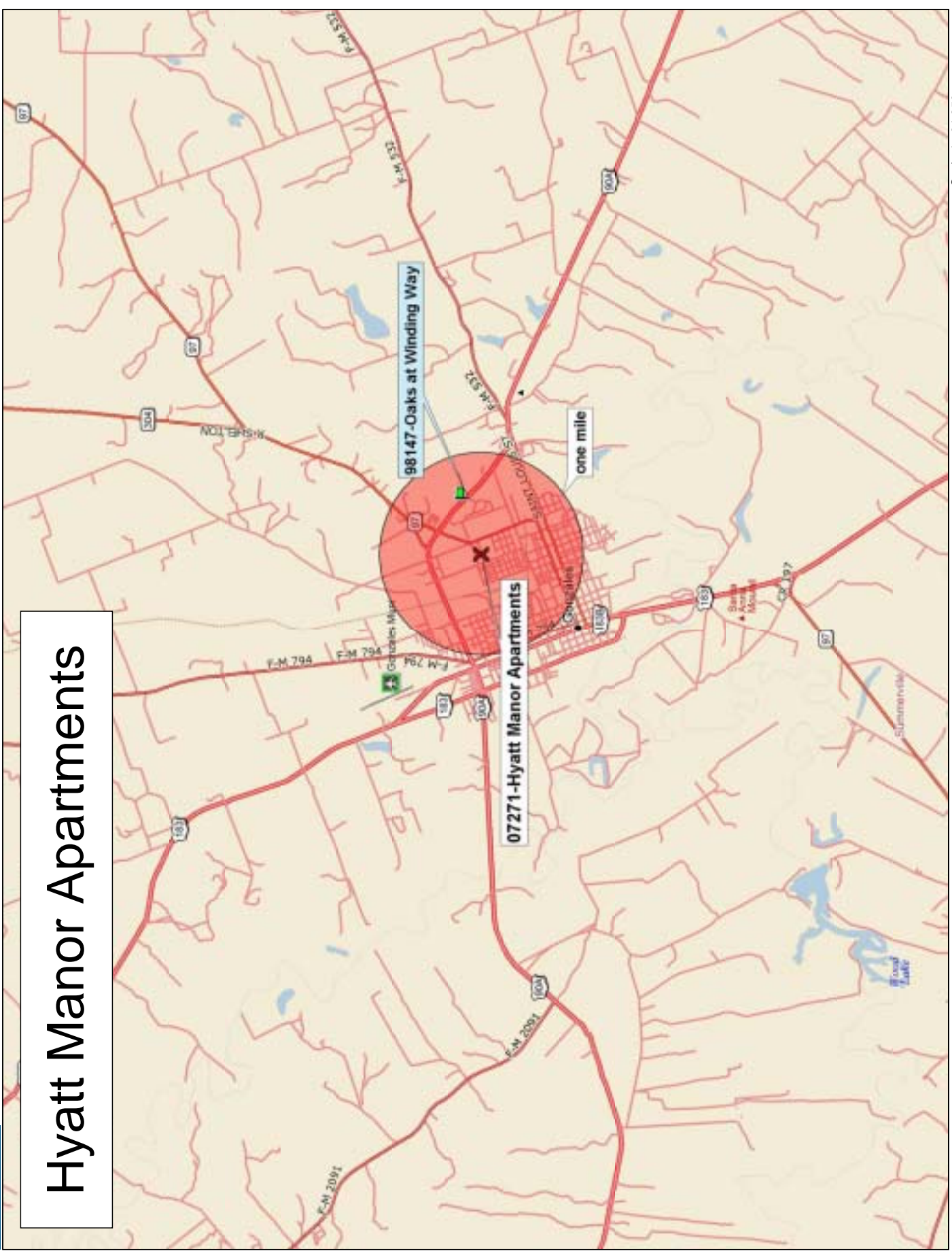
HTC ALLOCATION ANALYSIS -Hyatt Manor Apartments, Gonzales, 9% HTC #07271

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
Acquisition Cost						
Purchase of land	\$521,926	\$555,343				
Purchase of buildings	\$1,027,430	\$994,013	\$1,027,430	\$994,013		
Off-Site Improvements						
Sitework	\$195,000	\$195,000			\$195,000	\$195,000
Construction Hard Costs	\$1,507,500	\$1,507,500			\$1,507,500	\$1,507,500
Contractor Fees	\$238,350	\$238,350			\$238,350	\$238,350
Contingencies	\$130,000	\$130,000			\$130,000	\$130,000
Eligible Indirect Fees	\$50,450	\$50,450			\$50,450	\$50,450
Eligible Financing Fees	\$116,650	\$116,650			\$116,650	\$116,650
All Ineligible Costs	\$19,375	\$19,375				
Developer Fees						
Developer Fees	\$335,693	\$335,693			\$335,693	\$335,693
Development Reserves		\$36,556				
TOTAL DEVELOPMENT COSTS	\$4,142,374	\$4,178,930	\$1,027,430	\$994,013	\$2,573,643	\$2,573,643

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,027,430	\$994,013	\$2,573,643	\$2,573,643
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,027,430	\$994,013	\$3,345,736	\$3,345,736
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,027,430	\$994,013	\$3,345,736	\$3,345,736
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$37,398	\$36,182	\$286,060	\$286,060

Syndication Proceeds	0.8299	\$310,376	\$300,281	\$2,374,064	\$2,374,064
Total Tax Credits (Eligible Basis Method)				\$323,459	\$322,242
Syndication Proceeds				\$2,684,440	\$2,674,345
Requested Tax Credits				\$322,018	
Syndication Proceeds				\$2,672,482	
Gap of Syndication Proceeds Needed				\$2,992,110	\$2,992,110
Total Tax Credits (Gap Method)				\$360,531	\$360,531

Hyatt Manor Apartments



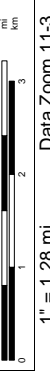
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TN
MK (4,9°E)

Scale 1 : 81,250



1" = 1.28 mi Data Zoom 11-3

Applicant Evaluation

Project ID # **07271**

Name: **HVM Gonzales County**

City: **Gonzales**

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

Total # of Projects monitored: 77

Projects zero to nine: 72
grouped ten to nineteen: 3
by score twenty to twenty-nine: 2

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 77

Projects not reported Yes
in application No

not yet monitored or pending review: 7

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/30/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Plantation Valley Estates, TDHCA Number 07272

BASIC DEVELOPMENT INFORMATION

Site Address: Hopkins Rd. & E. McCart St. (FM1173) Development #: 07272
City: Krum Region: 3 Population Served: Elderly
County: Denton Zip Code: 76249 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Plantation Valley Estates, LLC
Owner Contact and Phone: Alyssa Carpenter (512) 789-1295
Developer: Byron Ballas
Housing General Contractor: Omega CDS LLC
Architect: Parker Associates
Market Analyst: Novogradac & Company, LLP
Syndicator: PNC Multifamily Capital, Inc.
Supportive Services: To Be Determined
Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
8 0 0 68 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 0 76 0 0 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$9,023,118
Number of Residential Buildings: 14
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$650,842 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Plantation Valley Estates, TDHCA Number 07272

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, S Points: 7 US Representative: Burgess, District 26, NC
TX Representative: Parker, District 63, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Larry Lamonica, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7

Lions Cubs International S or O: S
Krum Chamber of Commerce S or O: S
Krum Masonic Lodge S or O: S
SPAN Senior Services S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT

Should the Board approve this award, a housing tax credit allocation not to exceed \$636,063.

Receipt, review, and acceptance by commitment of documentation verifying the appropriate rezoning of the site for the use as planned.

Receipt, review, and acceptance by cost certification of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC §49.6(a)) or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.

Receipt, review, and acceptance prior to commitment of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes both the subject and the 100 units targeting seniors in Providence Place II.

Receipt, review, and acceptance of documentation prior to cost certification that the proposed Seller's note has been paid and funded with permanent debt as part of the Lancaster Pollard facility.

Receipt, review, and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

Receipt of a commitment of funding from David Vanderlaan in the amount of \$200,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$182,463, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Plantation Valley Estates, TDHCA Number 07272

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

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Found to be infeasible by Department.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/22/07

PROGRAM: 9% HTC

FILE NUMBER: 07272

DEVELOPMENT						
Plantation Valley Estates						
Location: <u>Hopkins Road and East McCart Street (FM 1173)</u>					Region: <u>3</u>	
City: <u>Krum</u>		County: <u>Denton</u>		Zip: <u>76249</u>	<input type="checkbox"/> OCT	<input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Elderly, New Construction, Rural, USDA</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$650,842			\$0		
CONDITIONS						
<p>NOT RECOMMENDED DUE TO THE FOLLOWING:</p> <p>The Underwriter's independent determination of the inclusive capture rate exceeds 75% and, therefore, the development is characterized as infeasible pursuant to §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines.</p> <p>Moreover the Market Analyst derived a majority of the market area demand from the City of Denton but excluded any consideration of unstabilized units in the City of Denton by crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA and failing to meet the requirements of §1.33(d)(8) of the 2007 Real Estate Analysis Rules and Guidelines.</p> <p>SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:</p> <ol style="list-style-type: none"> 1 A tax credit allocation not to exceed \$636,063. 2 Receipt, review, and acceptance by carryover of documentation verifying the appropriate rezoning of the site for the use as planned. 3 Receipt, review, and acceptance by cost certification of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC §49.6(a)) or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property. 4 Receipt, review, and acceptance prior to commitment of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes both the subject and the 100 units targeting seniors in Providence Place II. 5 Receipt, review, and acceptance of documentation prior to cost certification that the proposed Seller's note has been paid and funded with permanent debt as part of the Lancaster Pollard facility. 6 Receipt, review, and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 						

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

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	68

PROS

The Applicant is anticipating use of low interest USDA 538 funding to make this otherwise marginally feasible rural development viable.

The application represents the first tax credit development in Krum.

CONS

The majority of the population in the market area described by the market analyst comes from a relatively oversaturated Denton.

The proposed acquisition with a partial note at a higher than the market interest rate is inefficient and would effectively require additional credits to be used to support this development.

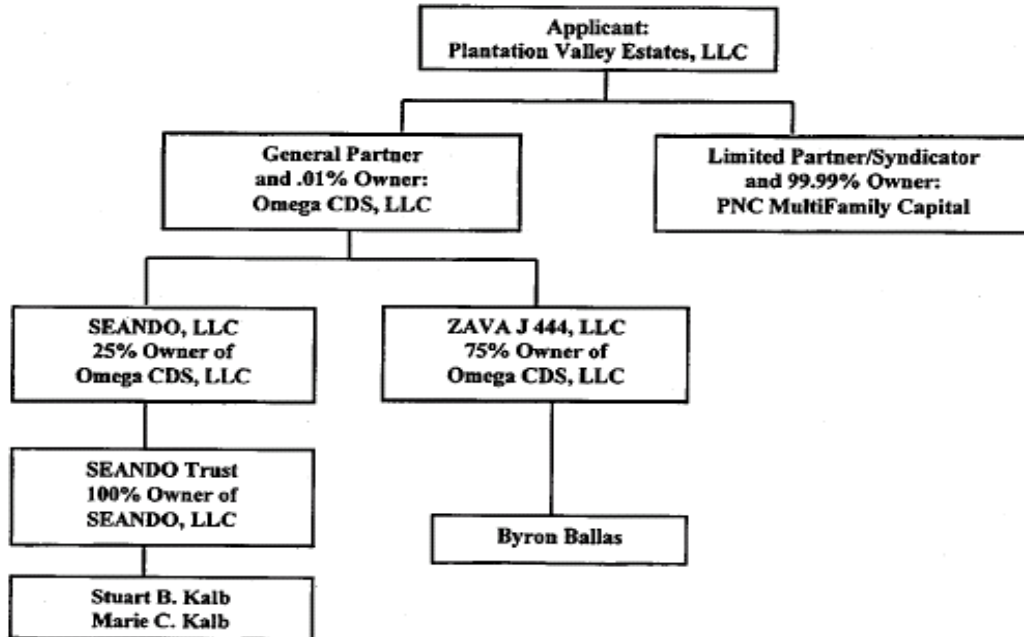
The development proposes all 76 units to have two bedrooms and since rents are based on bedroom size, they may be unaffordable to the majority of income-qualified one-person senior households.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269
 Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Completed Developments
Omega CDS, LLC	\$2,192,706	\$1,212,706	3
Zava J, LLC	\$1,012,000	\$0	
Seando, LLC/Seando Trust	\$1,552,000	\$559,000	
Byron Ballas	CONFIDENTIAL		
Stuart and Maire Kalb	CONFIDENTIAL		
S. Anderson Consulting	Consultant		

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

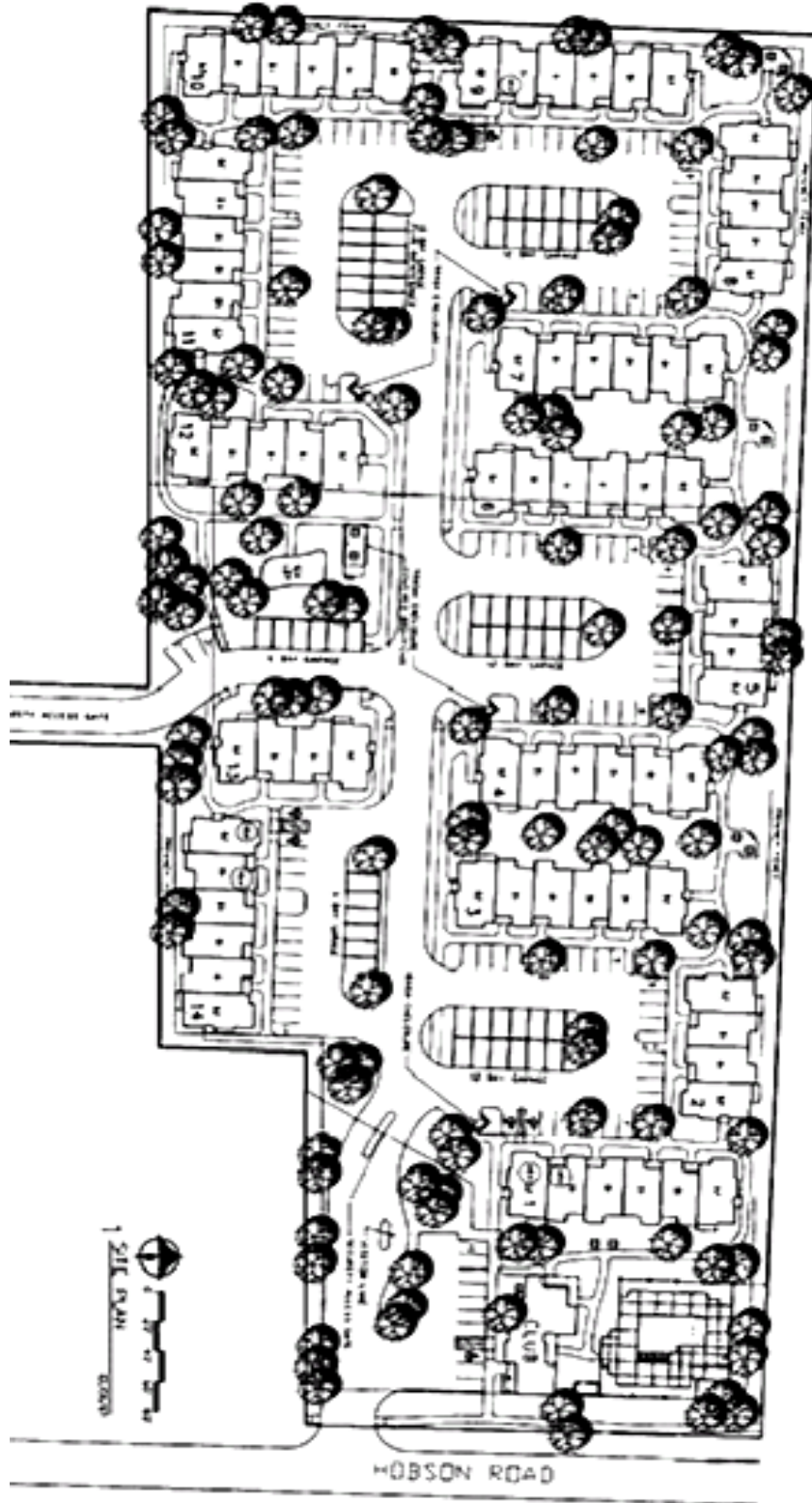
The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.

The seller is regarded as a related party due to the proposed line of credit and 20-year seller financing.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C									Total Buildings
Floors/Stories	1	1	1									
Number	9	2	3									14

BR/BA	SF	Units										Total Units	Total SF
2/1	870	4	3	2								48	41,760
2/2	982	2	2	2								28	27,496
Units per Building		6	5	4								76	69,256

SITE ISSUES

Total Size: 8.08 acres Scattered site? Yes No
 Flood Zone: Zone A & X Within 100-yr floodplain? Yes No
 Zoning: Commercial Needs to be re-zoned? Yes No N/A

Comments:

According to the ESA provider, a portion of the Subject Property is located within the 100-year flood zone. This is discussed in more detail in the "Highlights of Environmental Reports" section (below).

The property is presently zoned Commercial. The applicant is requesting a change in zoning to Multifamily. Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/26/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Small pond, residential uses, and undeveloped land
 South: Dollar General store, Sonic Drive-Thru, Bobcat Car Wash, Northstar Bank, McCart St. (1173), natural gas well and residential uses
 East: Hopkins Rd. and a natural gas well
 West: Undeveloped land and Krum School

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: PASS Associates, Inc. Date: 3/26/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

According to the ESA provider, "A portion of subject is located within the 100 year flood plain. This portion is located on the far east side of the property and runs along Hopkins Road. Based upon available maps, this flood plain goes from Hopkins Road towards the west approximately 7 feet. The remainder of the site does not appear to be located in the 100-year flood-plain based on this information." (p.7)

Comments:

According to the 2007 QAP (10 TAC §49.6(a)), " Any Development proposing New Construction located within the 100-year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100-year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100-year floodplain unless they already meet the requirements established in this subsection for New Construction."

Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.

The ESA provider noted no other concerns and did not recommend further studies.

MARKET HIGHLIGHTS

Provider: Novogradac & Company Date: 3/30/2007
Brad Weinberg/ John Cole/ Karen
Contact: Thigpen Phone: (512) 340-0420 Fax: (512) 340-0421
Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 34.63 square miles ~ 3.3 mile radius

"For the purpose of this Study, the Subject's Primary Market Area (PMA) is the area bound by Greg Road and Ganzer Road to the north, Plainview Road, Mitchell Road, and Trent Road to the west, FM 158 to the Northwest, US 380 to the south, and IH 35 and SR 288 to the east. This area was defined based on conversations with local property managers, city officials, natural physical barriers and overall similarities in market characteristics observed during the field investigation." (p. 10) This encompasses all of Krum but the majority of the City of Denton as well. The exclusion of the remainder of the City of Denton does not appear to be justified particularly since it excludes 2 potential developments that would directly compete with the subject and are situated less than one half mile from the Market Analyst's Primary Market Area boundary.

This concern was discussed with the Market Analyst and the Market Analyst was asked to consider providing data on a revised market area that followed the Department's requirements and included the Unstabilized Direct Comparables within the City of Denton, particularly the property just south of the original PMA boundary. Initially the Market Analyst agreed to provide such information but after several extended deadlines caused by delays in obtaining new demographic data, the Market Analyst indicated the following without any data to support their claims in a letter dated June 21, 2007:

This section intentionally left blank.

"In response to a request from TDHCA to re-evaluate the demand analysis including Providence Place II in the PMA, we did consider revising the original PMA and recalculating the inclusive capture rate for the Subject. At this point, Providence Place II is unstabilized. Based on some subsequent analysis, we believe that we could redraw the PMA within the parameters provided by the TDHCA guidelines to include Providence Place II and conclude an inclusive capture rate that would meet the threshold requirement of 75 percent. However, satisfying this threshold would require a change in the size and shape of the PMA. Based on the anecdotal evidence and the field inspection, we are not comfortable that this enlarged PMA, while within the guidelines, would be an accurate representation of where local demand for the Subject property would most likely originate. Therefore, we respectfully request that TDHCA accept the conclusions of the original market study, which we believe provides adequate support for the Subject property and meets the inclusive capture rate threshold requirements."

The Market Analyst derived a majority of the market area demand from the City of Denton but excluded any consideration of unstabilized units in the City of Denton by crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA and failing to meet the requirements of §1.33(d)(8) of the 2007 Real Estate Analysis Rules and Guidelines.

Secondary Market Area (SMA):

"The secondary market area (SMA) is bound by FM 455 to the north, Highway 377, IH 35 and SR 288 to the east, Wind River Lane, FM 2181 and FM 2449 to the south, Schluter Road, Old Stoney Road, Jackson Road, South Branch Road, Donald Road, FM 1173 and FM 2882 to the west." (p. 10)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Providence Place II	05447	100	Outside PMA	None			
Spencer Manor Senior	07411	Unk	Withdrawn				
Renaissance Courts	04151/0703	150	Family				

Within a half mile of the southern boundary of the Primary Market Area exists a 2005 intergenerational tax-exempt bond/ 4% credit transaction, Providence Place II, with 100 units targeted toward seniors and another 2007 private activity bond application 07411 Spencer Manor Senior Community which appears to have been recently withdrawn. The Secondary Market Area developed by the Market Analyst, encompasses areas South, West, East, and North all the way up to Sanger but does not encompass any more area southeast along the more logical IH 35E corridor toward Dallas, thereby avoiding Providence Place II and Spencer Manor Senior.

INCOME LIMITS						
Denton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2 BR/30% Rent Limit	139	0	139	8	0	5.76%	
2 BR/60% Rent Limit	155	0	155	68	0	43.87%	

The Market Analyst's demand calculation by bedroom type estimates appear to be based on the total number of renter households in the market area, and does not adjust for seniors. As a result, the capture rates by bedroom type appear to be significantly understated and the demand estimates are inconsistent with the Market Analyst's total demand conclusions.

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 82	14%	5,414	100%	5,414	19%	1,018	29%	294	30%	87
Underwriter	14%	6,063	100%	6,063	19%	1,140	29%	329	24%	80
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 82			100%	342	19%	64	29%	19	100%	19
Underwriter			100%	324	19%	61	29%	15	100%	18

The Market Analyst utilized demand calculated from HISTA data which is generally recognized as a more precise source of detailed demographic information and thus the Underwriter also used this data source. The Market Analyst used a turnover estimate from other tax credit properties surveyed in the area because of a recognition that tax credit properties turnover less frequently than conventional properties. While this is true, the drop in turnover is even more dramatic when properties targeting seniors are exclusively considered. The Market Analyst did not make this distinction; however, the Underwriter was able to obtain turnover information from the two properties in the PMA that target seniors and contain 350 units. These properties indicated that a total of 85 units turned in 2006 for a turnover rate of 24.29% rather than the 30% estimated by the Market Analyst. It should be further noted that the Market Analyst's information listing for these two properties report even lower annual turnover rates of 6% and 10%.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 82	76	0	0	76	106	71.90%
Underwriter	76	0	0	76	98	77.91%

The Underwriter's independent determination of the inclusive capture rate exceeds 75% and therefore the development is characterized as infeasible pursuant to §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines.

Neither the Market Analyst or the Underwriter included Demand from the Secondary Market but doing so with a properly drawn market area would have likely had a negative impact due to the developments that are just outside the Market Analysts original PMA. It is worth noting that the Primary Market Area drawn for the 2005 application for the portion of Providence Place II targeting seniors was somewhat larger than the subject PMA. Though it did not include the City of Krum it did include the much more populous and logical corridor area along IH35E toward Dallas and concluded 174 units of income eligible senior demand. If both developments were considered in either of the two studies (the subject or the Providence Place II study) the inclusive capture rate would have exceeded 100%.

The Underwriter believes that if both properties were included the same Primary Market Area in a new study it is unlikely that a satisfactory Inclusive Capture Rate would result.

Primary Market Occupancy Rates:

"Occupancy rates reported at the stabilized comparable properties ranges from 88.9 to 100 percent, with an average occupancy rate of 93.9 percent. The occupancy rate for the affordable properties was 94.2 percent." (p. 85)

Absorption Projections:

"Considering the waiting lists at LIHTC properties and the strong occupancy of two-bedroom units, which will be discussed later in this report, we conservatively estimate that the Subject would have an absorption period of approximately 5-6 months for an absorption rate of 12-15 units per month." (p. 63)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
2 BR	870 SF	30%	\$267	\$266	\$860	\$266	\$594
2 BR	870 SF	60%	\$716	\$716	\$860	\$716	\$144
2 BR	982 SF	30%	\$267	\$266	\$900	\$266	\$634
2 BR	982 SF	60%	\$716	\$716	\$900	\$716	\$184

Market Impact:

"Overall, the market for two-bedroom units appears strong evidenced by the generally low vacancy rates for two-bedroom units, waiting lists and the ability of the properties to achieve maximum allowable LIHTC rents. Based on this information, the Subject's impact on the existing affordable housing stock should be minimal." (p. 76)

Comments:

The market study contained sufficient information to make a determination that funding should not be recommended for this development. The Market Analyst was encouraged to provide additional information that could potentially support sufficient demand in a revised market area that included the 100 units of new unstabilized senior housing in the City Denton, but declined to do so. Any approval of an award for this development should be conditioned upon receipt, review, and acceptance of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes the subject and the 100 units targeting seniors at Providence Place II.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of January 1, 2006, maintained by the Denton Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs. The Applicant's secondary income assumption is in line with current TDHCA underwriting guidelines, while their vacancy and collection loss at 8% appears to be overstated. In addition, the Applicant included losses due to rent concessions that were not included in the underwriting analysis as the market rent conclusions and occupancy rates indicated in the Market Study suggest a strong rental market. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/7/2007

The Applicant's total annual operating expense projection at \$4,321 per unit is not within 5% of the Underwriter's estimate of \$4,105, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: Payroll and Payroll Tax (\$15K higher), Utilities (\$7K higher), and Property Tax (\$7K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible from this financial structure perspective.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 8.08 acres	<u>\$239,336</u>	Tax Year:	<u>2006</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Denton CAD</u>
Total Assessed Value:	<u>\$239,336</u>	Tax Rate:	<u>2.36725</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Purchase and Sale Agreement</u>	Acreage: <u>8</u>
Contract Expiration: <u>10/31/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$600,000</u>	Other: <u>Seller note: \$200,000, 20 years at 10.25%</u>
Seller: <u>Henry W Beckman & Haertling Investments, LP</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2007

Acquisition Value:

As proposed, the seller will be providing a line of credit and a 20-year note to the development. The seller's financing represents an ongoing interest in the property and therefore could be considered to be a related sale though the seller is not otherwise a part of the development team. Moreover and as will be discussed at greater length in the financing structure below, this potential related party relationship should be eliminated because the cost of this seller financing is much more expensive than it would be if it was added to the conventional debt being considered for the development.

The Department's current rule includes development team members as related parties. The Definition for Development Team Member does not specifically include lender though it does include anyone that has a continuing role in the operation of the development. The purpose of the identity of interest rules are to ensure that a fair price is being used to transfer the property when an identity of interest exists. It should also be noted that the Applicant is scoring one point for the seller's loan even though the "private" loan in this case is detrimental to the long term financial viability of the transaction. The Underwriter included all of the sales price in the acquisition but conditions this report on this loan being eliminated or repaid by cost certification.

Off-Site Cost:

The Applicant claimed off-site costs of \$38,300 for off-site concrete and storm drains and devices, and provided sufficient third party certification through an architect to justify these costs.

Sitework Cost:

The Applicant claimed sitework costs over the Department's maximum guideline of \$9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by an architect to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Novogradac and Company, to preliminarily opine that all of the total \$741,235 will be considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the IRS Technical Advisory Memorandums on the eligibility of sitework costs.

Direct Construction Cost:

The Applicant's direct construction cost estimate is comparable to the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,647,970 supports annual tax credits of \$653,901. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2007

Source: PNC Multifamily Capital Type: Interim Financing

Principal: \$2,715,752 Interest Rate: 7.82% Fixed Term: 24 months

Source: Lancaster Pollard (AFR) Type: Interim to Permanent Financing

Principal: \$1,500,000 Interest Rate: 4.90% Fixed Amort: 480 months

Principal: \$1,221,600 Interest Rate: 7.40% Fixed Amort: 480 months

Comments:

The permanent debt will be structured in two portions with financing arranged through Lancaster Pollard. An interest rate credit through the USDA 538 program also provides a guarantee to the lender. The interest rate on the first \$1,500,000 will be lowered to the Long Term Applicable Federal Rate (AFR), which was estimated to be 4.9% as of the date of the lender's proposal for financing. This was the AFR for March 2007 when the application was submitted and though the rate has since fallen to 4.79%, the Underwriter has used the higher rate to underwrite the first portion of the debt. While a deeper rent subsidy could be achieved, doing so could jeopardize the eligibility of the 9% credit. USDA approval of the subsidy is a condition of this report. The remaining debt will carry an interest rate of 7.4%. Both portions of the debt will be amortized over 40 years.

Source: David Vanderlaan Type: Line of Credit

Principal: \$200,000 Interest Rate: 10.25% Fixed Term: 0 months

Comments:

Interest rate based on Prime + 2%; seller of land is issuer of line of credit; advances to be rolled into long term note amortized over 20 years from the date of the initial advance

Source: City of Krum Type: In-Kind Loan

Principal: \$465,000 Comments: Waiver of Special Fees related to MF Construction

MULTIFAMILY COMPARATIVE ANALYSIS

Plantation Valley Estates, Krum, 9% HTC #07272

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	2	1	870	\$448	\$266	\$1,064	\$0.31	\$182.00	\$80.00
TC 60%	44	2	1	870	\$898	716	31,504	0.82	182.00	80.00
TC 30%	4	2	2	982	\$448	266	1,064	0.27	182.00	80.00
TC 60%	24	2	2	982	\$898	716	17,184	0.73	182.00	80.00
TOTAL:	76		AVERAGE:	911		\$669	\$50,816	\$0.73	\$182.00	\$80.00

INCOME

Total Net Rentable Sq Ft: 69,256

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Rental Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	5.24%	\$392	0.43	\$29,765	\$25,000	\$0.36	\$329	4.53%	
Management	3.88%	290	0.32	22,059	24,000	0.35	316	4.35%	
Payroll & Payroll Tax	13.38%	1,000	1.10	76,008	91,160	1.32	1,199	16.51%	
Repairs & Maintenance	6.83%	511	0.56	38,810	34,680	0.50	456	6.28%	
Utilities	3.67%	274	0.30	20,847	27,500	0.40	362	4.98%	
Water, Sewer, & Trash	5.18%	387	0.42	29,419	25,155	0.36	331	4.56%	
Property Insurance	3.38%	252	0.28	19,182	18,240	0.26	240	3.30%	
Property Tax	2.36725%	9.26%	693	0.76	52,650	59,412	0.86	782	10.76%
Reserve for Replacements	3.34%	250	0.27	19,000	19,000	0.27	250	3.44%	
TDHCA Compliance Fees	0.53%	40	0.04	3,040	3,040	0.04	40	0.55%	
Other: Cable	0.21%	16	0.02	1,200	1,200	0.02	16	0.22%	
TOTAL EXPENSES	54.90%	\$4,105	\$4.50	\$311,979	\$328,387	\$4.74	\$4,321	59.49%	
NET OPERATING INC	45.10%	\$3,372	\$3.70	\$256,297	\$223,613	\$3.23	\$2,942	40.51%	

DEBT SERVICE

Lancaster Pollard (AFR)	15.06%	\$1,126	\$1.24	\$85,607	\$173,010	\$2.50	\$2,276	31.34%
Lancaster Pollard (7.4%)	13.76%	\$1,029	\$1.13	78,171	0	\$0.00	\$0	0.00%
Seller's Line of Credit/Note	3.61%	\$270	\$0.30	20,500	0	\$0.00	\$0	0.00%
NET CASH FLOW	12.67%	\$948	\$1.04	\$72,019	\$50,603	\$0.73	\$666	9.17%

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)		7.43%	\$8,520	\$9.35	\$647,500	\$647,500	\$9.35	\$8,520	7.18%
Off-Sites		0.44%	504	0.55	38,300	38,300	0.55	504	0.42%
Sitework		8.51%	9,753	10.70	741,235	741,235	10.70	9,753	8.21%
Direct Construction		48.04%	55,085	60.45	4,186,451	4,205,009	60.72	55,329	46.60%
Contingency	5.00%	2.83%	3,242	3.56	246,384	246,800	3.56	3,247	2.74%
Contractor's Fees	14.00%	7.92%	9,077	9.96	689,876	691,500	9.98	9,099	7.66%
Indirect Construction		5.13%	5,878	6.45	446,697	446,697	6.45	5,878	4.95%
Ineligible Costs		2.06%	2,364	2.59	179,643	179,643	2.59	2,364	1.99%
Developer's Fees	15.00%	11.41%	13,085	14.36	994,481	997,500	14.40	13,125	11.05%
Interim Financing		3.66%	4,200	4.61	319,229	319,229	4.61	4,200	3.54%
Reserves		2.59%	2,967	3.26	225,479	509,705	7.36	6,707	5.65%
TOTAL COST		100.00%	\$114,675	\$125.84	\$8,715,275	\$9,023,118	\$130.29	\$118,725	100.00%
Construction Cost Recap		67.28%	\$77,157	\$84.67	\$5,863,946	\$5,884,544	\$84.97	\$77,428	65.22%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard (AFR)	17.21%	\$19,737	\$21.66	\$1,500,000	\$2,501,124	\$1,500,000	Developer Fee Available
Lancaster Pollard (7.4%)	14.02%	\$16,074	\$17.64	\$1,221,600	\$0	\$1,334,128	\$997,500
Seller's Line of Credit/Note	2.29%	\$2,632	\$2.89	200,000	200,000	0	
HTC Syndication Proceeds	69.11%	\$79,253	\$86.97	6,023,247	5,856,994	5,723,990	% of Dev. Fee Deferred
City of Krum (In-Kind)	5.34%	\$6,118	\$6.71	465,000	465,000	465,000	0%
Deferred Developer Fee	0.00%	\$0	\$0.00	0	0	0	
Additional (Excess) Funds Req'd	-7.97%	(\$9,139)	(\$10.03)	(694,572)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,715,275	\$9,023,118	\$9,023,118	\$1,175,058

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Plantation Valley Estates, Krum, 9% HTC #07272

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$65.34	\$4,525,504
Adjustments				
Exterior Wall Finish	2.40%		\$1.57	\$108,612
Elderly	3.00%		1.96	135,765
9-Ft. Ceilings	3.30%		2.16	149,342
Roofing			0.00	0
Subfloor			(1.85)	(128,124)
Floor Cover			4.54	314,699
Balconies	\$58.41	5,385	4.54	314,518
Plumbing Fixtures	\$965	(144)	(2.01)	(138,960)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	76	2.66	184,300
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	168,292
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.99	3,380	3.22	223,029
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			84.57	5,856,978
Current Cost Multiplier	0.98		(1.69140)	(117,139.57)
Local Multiplier	0.90		(8.46)	(585,698)
TOTAL DIRECT CONSTRUCTION COSTS			\$74.42	\$5,154,141
Plans, specs, survy, bld prm	3.90%		(\$2.90)	(\$201,011)
Interim Construction Interest	3.38%		(2.51)	(173,952)
Contractor's OH & Profit	11.50%		(8.56)	(592,726)
NET DIRECT CONSTRUCTION COSTS			\$60.45	\$4,186,451

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.99

Secondary	\$1,001,124	Amort	480
Int Rate	7.40%	Subtotal DCR	1.56

Additional	\$200,000	Amort	
Int Rate	10.25%	Aggregate DCR	1.39

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$85,607
Secondary Debt Service	104,173
Additional Debt Service	0
NET CASH FLOW	\$66,517

Primary	\$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.99

Secondary	\$1,334,128	Amort	480
Int Rate	7.40%	Subtotal DCR	1.35

Additional		Amort	0
Int Rate		Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

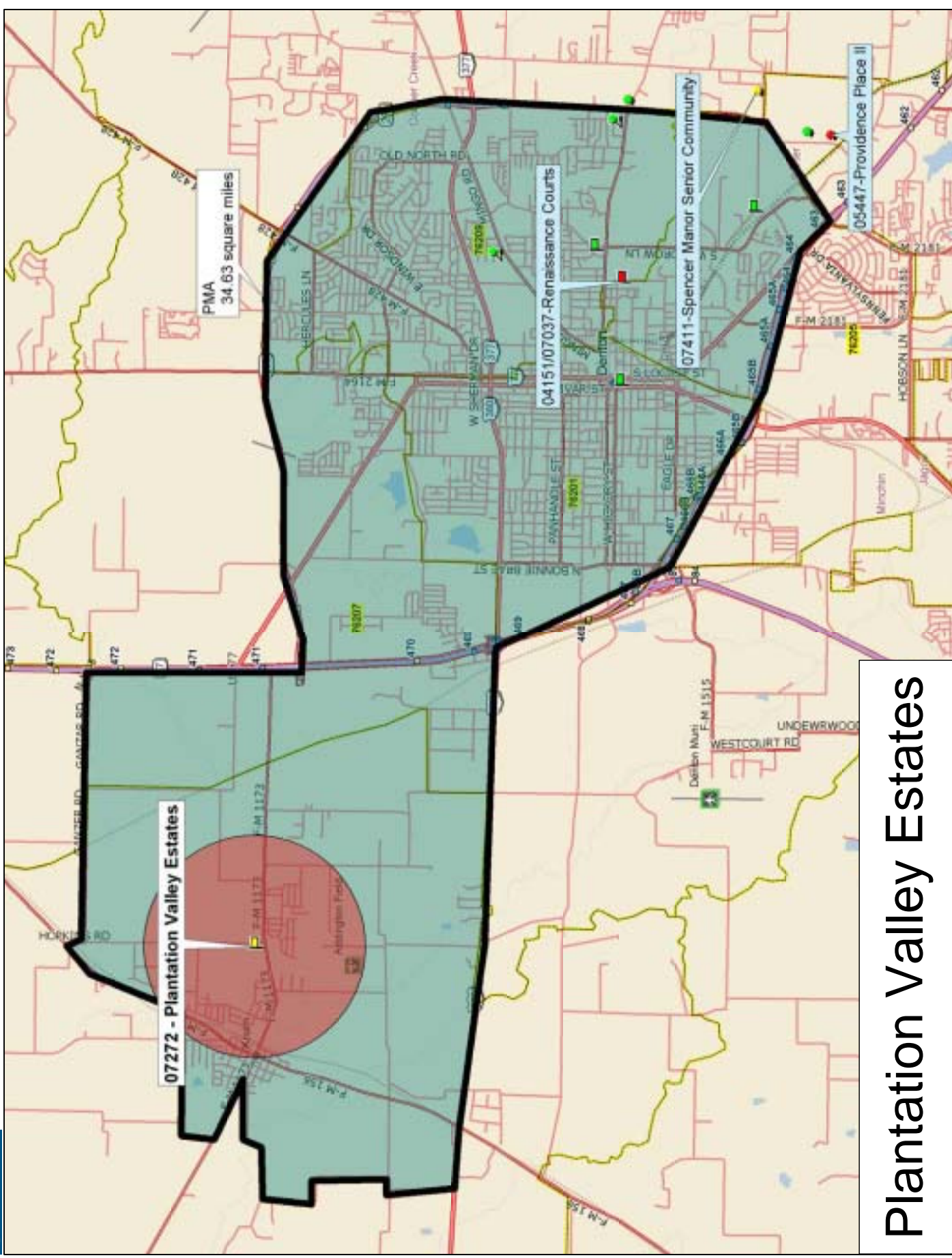
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$609,792	\$628,086	\$646,928	\$666,336	\$686,326	\$795,640	\$922,365	\$1,069,274	\$1,437,015
Secondary Income	4,560	4,697	4,838	4,983	5,132	5,950	6,897	7,996	10,746
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	614,352	632,783	651,766	671,319	691,459	801,590	929,263	1,077,270	1,447,761
Vacancy & Collection Loss	(46,076)	(47,459)	(48,882)	(50,349)	(51,859)	(60,119)	(69,695)	(80,795)	(108,582)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$568,276	\$585,324	\$602,884	\$620,970	\$639,599	\$741,471	\$859,568	\$996,475	\$1,339,179
EXPENSES at 4.00%									
General & Administrative	\$29,765	\$30,955	\$32,193	\$33,481	\$34,820	\$42,364	\$51,543	\$62,710	\$92,826
Management	22,059	22,721	23,402	24,105	24,828	28,782	33,366	38,681	51,984
Payroll & Payroll Tax	76,008	79,048	82,210	85,498	88,918	108,183	131,621	160,137	237,041
Repairs & Maintenance	38,810	40,363	41,977	43,656	45,403	55,239	67,207	81,768	121,036
Utilities	20,847	21,681	22,548	23,450	24,388	29,672	36,100	43,921	65,014
Water, Sewer & Trash	29,419	30,596	31,819	33,092	34,416	41,872	50,944	61,981	91,747
Insurance	19,182	19,949	20,747	21,577	22,440	27,301	33,216	40,413	59,821
Property Tax	52,650	54,756	56,946	59,224	61,593	74,937	91,172	110,925	164,196
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	4,240	4,410	4,586	4,769	4,960	6,035	7,342	8,933	13,223
TOTAL EXPENSES	\$311,979	\$324,237	\$336,980	\$350,225	\$363,993	\$441,428	\$535,414	\$649,498	\$956,143
NET OPERATING INCOME	\$256,297	\$261,086	\$265,904	\$270,745	\$275,606	\$300,042	\$324,154	\$346,977	\$383,036
DEBT SERVICE									
First Lien Financing	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607	\$85,607
Second Lien	104,173	104,173	104,173	104,173	104,173	104,173	104,173	104,173	104,173
Other Financing	20,500	20,500	20,500	20,500	20,500	20,500	20,500	20,500	20,500
NET CASH FLOW	\$46,017	\$50,807	\$55,624	\$60,466	\$65,327	\$89,763	\$113,875	\$136,697	\$172,757
DEBT COVERAGE RATIO	1.22	1.24	1.26	1.29	1.31	1.43	1.54	1.65	1.82

HTC ALLOCATION ANALYSIS -Plantation Valley Estates, Krum, 9% HTC #07272

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$647,500	\$647,500		
Purchase of buildings				
Off-Site Improvements	\$38,300	\$38,300		
Sitework	\$741,235	\$741,235	\$741,235	\$741,235
Construction Hard Costs	\$4,205,009	\$4,186,451	\$4,205,009	\$4,186,451
Contractor Fees	\$691,500	\$689,876	\$691,500	\$689,876
Contingencies	\$246,800	\$246,384	\$246,800	\$246,384
Eligible Indirect Fees	\$446,697	\$446,697	\$446,697	\$446,697
Eligible Financing Fees	\$319,229	\$319,229	\$319,229	\$319,229
All Ineligible Costs	\$179,643	\$179,643		
Developer Fees				
Developer Fees	\$997,500	\$994,481	\$997,500	\$994,481
Development Reserves	\$509,705	\$225,479		
TOTAL DEVELOPMENT COSTS	\$9,023,118	\$8,715,275	\$7,647,970	\$7,624,353

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$7,647,970	\$7,624,353
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$7,647,970	\$7,624,353
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,647,970	\$7,624,353
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$653,901	\$651,882

Syndication Proceeds	0.8999	\$5,884,521	\$5,866,350
Total Tax Credits (Eligible Basis Method)		\$653,901	\$651,882
Syndication Proceeds		\$5,884,521	\$5,866,350
Requested Tax Credits		\$650,842	
Syndication Proceeds		\$5,856,989	
Gap of Syndication Proceeds Needed		\$5,723,990	
Total Tax Credits (Gap Method)		\$636,063	



Plantation Valley Estates

Applicant Evaluation

Project ID # **07272**

Name: **Plantation Valley Estates**

City: **Krum**

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

Total # of Projects monitored: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/30/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mansions at Briar Creek, TDHCA Number 07275

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, NC

Points: 0

US Representative: Edwards, District 17, NC

TX Representative: Brown, District 14, S

Points: 7

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 11

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

Brazos Valley Community Action Agency, Inc.

S or O: S

Bethel Temple

S or O: S

Twin City Mission

S or O: S

Home Instead Senior Care

S or O: S

Project Unity

S or O: S

Health for All, Inc.

S or O: S

Touched By God Christian Center

S or O: S

Brazos Valley Council of Governments

S or O: S

Life Church

S or O: S

St. Joseph Services Corporation

S or O: S

General Summary of Comment:

There was support from one official, one non-official and several civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance by commitment of documentation verifying the issuance of the Conditional Use Permit concerning the use of the site for Multi Family Development.

Receipt, review and acceptance of a written commitment from Brazos Valley Bank in the amount of \$350,000 at commitment.

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

Receipt of a commitment of funding from the City of Bryan in the amount of \$1,568,100, or a commitment from a qualifying substitute source in an amount not less than \$950,593, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mansions at Briar Creek, TDHCA Number 07275

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

Competitive Housing Tax Credits: Score: **183** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/06/07 PROGRAM: 9% HTC FILE NUMBER: 07275

DEVELOPMENT						
Mansions at Briar Creek						
Location: South east corner of E William J Bryan Parkway and East Villa Maria Road on the proposed Nash Street Region: <u>8</u>						
City: <u>Bryan</u>		County: <u>Brazos</u>		Zip: <u>77802</u>		<input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Elderly, New Construction, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		
CONDITIONS						
1 Receipt, review and acceptance by carryover of a firm commitment for the in-kind contribution of \$1,568,100 from the City of Bryan. 2 Receipt, review, and acceptance by carryover of documentation verifying the issuance of the Conditional Use Permit concerning the use of the site for Multi Family Development. 3 Receipt, review and acceptance of a written commitment from Brazos Valley Bank in the amount of \$350,000 prior to carryover. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	18				
60% of AMI	60% of AMI	153				
PROS			CONS			
The subject represents the first elderly tax credit development in the City of Bryan The City of Bryan is anticipated to make a considerable in-kind contribution to support development of the property			There is relatively limited need for the proposed 2 bedroom elderly units targeted at the 60% income level. The Developer has had difficulty in completing transactions the past.			

PREVIOUS UNDERWRITING REPORTS

The Applicant submitted a tax credit application in 2006 (#060070) with the same name and was awarded a tax credit allocation of \$1,103,712, but did not develop the property due to not receiving the needed zoning. The 2006 application contained 154 units (17 less than the subject) and was located on a different site just south of the subject.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Robert R. Burchfield Phone: (713) 956-0555 Fax: (713) 956-0166
 Email: rob@burchfieldcompanies.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Robert R. Burchfield	Confidential	Confidential	4

¹ Liquidity = Current Assets - Current Liabilities

Comments:

Multifamily Production Finance Staff have verified that the Department's minimum experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owner has an acceptable record of previous participation for completed transactions. It should be noted, however, that in addition to the inability to complete last year's award, Mr. Burchfield was a partner in the developer of record for another bond transaction with a local issuer (Montgomery Trace Apartments, TDHCA # 01420). This development has been renamed and completely reconfigured after the original development plan was abandoned and a new developer put in place to complete the project. This development has recently submitted cost certification, and the amendment request for the changes will be brought to the Board for approval later this summer.

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5						Total Buildings
Floors/Stories	3	3	3	3	3						
Number	1	1	1	1	1						5

BR/BA	SF	Units								Total Units	Total SF
1/1	729	23	12	18	21	27				101	73,629
2/2	990	4	12	24	18	12				70	69,300
Units per Building		27	24	42	39	39				171	142,929

SITE ISSUES

Total Size: 7.19 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: Commercial Needs to be re-zoned? Yes No N/A

Comments:
 The applicant has requested approval from the City of Bryan for "Conditional Use" concerning the use of the site for Multi Family Development and the issuance of this permit is made a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 6/29/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: retail development, older single-family development, and vacant land.
 South: single-family residential development.
 East: recently constructed post office and vacant land.
 West: vacant land, retail development, and single-family residential development.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: East & Associates, Inc. Date: April 2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 None identified

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/16/2007
 Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 50.50 square feet 1 4.0 miles radius
 The subject's primary market is defined as that area within the City of Bryan. (p. 10)
 Secondary Market Area (SMA):
 The Market Analyst did not define a secondary market for the subject development.

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Brazos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,350	\$12,950	\$14,600	\$16,200	\$17,500	\$18,800
60	\$22,680	\$25,920	\$29,160	\$32,400	\$34,980	\$37,560

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	68	5	0	73	11	0	15.1%
1BR/60% Rent Limit	94	7	0	101	90	0	89.1%
2BR/30% Rent Limit	39	2	0	41	7	0	17.1%
2BR/60% Rent Limit	40	2	0	42	63	0	150.0%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 70	23%	5,501	100%	5,501	included in Tenure%	20%	1,127	65%	733	
Underwriter	23%	5,554	100%	5,554	29%	1,602	71%	1,140	43%	488
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 70			100%	106	included in Tenure%	20%	22	100%	22	
Underwriter			100%	52	29%	15	71%	11	100%	11
DEMAND from OTHER SOURCES										
Market Analyst p. 70									92	
Underwriter									33	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 70	171	0	0	171	846	20.21%
Underwriter	171	0	0	171	532	32.16%

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 87% (in initial lease-up) to 100%, with a median occupancy of 95.00%, or 97.00% excluding the complex in its initial lease up. The average occupancy for apartments in the subject's primary market area was reported at 91.62% in the most recent O'Connor & Associates Apartment Survey (December 2006). According to the survey, occupancy in the primary market area in December 2006 has increased from the prior quarter. Average occupancy in the primary market area has remained relatively stable since September 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market. As discussed earlier, the occupancy within the PMA is skewed downward by several older, inferior complexes." (p.37)

Absorption Projections:

“Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 15-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within ten to thirteen months following completion.” (p. 82)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	729 SF	30%	\$248	\$247	\$695	\$247	\$448
1 BR	729 SF	60%	\$551	\$551	\$695	\$551	\$144
2 BR	990 SF	30%	\$290	\$290	\$875	\$290	\$585
2 BR	990 SF	60%	\$654	\$654	\$875	\$654	\$221

Market Impact:

“Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration.” (p. 82)

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/8/2007

The Applicant’s projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of January 1, 2007, maintained by the Brazos Valley Council of Governments, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs. The Applicant’s secondary income assumption at \$10 per unit is low, but acceptable, while their vacancy and collection loss is in line with current TDHCA underwriting guidelines. Overall, the Applicant’s effective gross income is within 5% of the Underwriter’s estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/8/2007

The Applicant’s total annual operating expense projection at \$3,393 per unit is 6% lower than the Underwriter’s estimate of \$3,603, derived from the TDHCA database and other third party sources. The Applicant’s budget shows several line item estimates, that deviate significantly when compared to the database averages, particularly payroll (\$19K lower), utilities (\$12K lower), and property tax (\$19K lower).

Conclusion:

The Applicant’s estimates of total expense and net operating income are not within 5% of the Underwriter’s estimates. Therefore, the Underwriter’s Year One proforma is used to determine the development’s debt capacity and debt coverage ratio (DCR).

The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the “Financing Structure Analysis” section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 16.1 acres	\$526,540	Tax Year:	2006
1 acre:	\$32,670	Valuation by:	Brazos CAD
Prorata Land: 7.19 acres	\$234,896	Tax Rate:	2.7214

EVIDENCE of PROPERTY CONTROL

Type: <u>Real Estate Sales Contract</u>	Acreage: <u>7.19</u>
Contract Expiration: <u>8/31/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,565,982</u>	Other: <u>\$5 per square foot verified by survey</u>
Seller: <u>Burton Creek Development, Ltd.</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

There is a pipeline easement indicated in the commitment for title insurance located in the far southwest corner of the site and no structures are to be built on or near the pipeline easement according to the site plan.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

Acquisition Value:

The site cost of \$217,800 per acre or \$9,158 per unit is very high for a residential site in a mid market location but is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$6,743 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is comparable to the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$522,539 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.

This section intentionally left blank.

Contingency & Fees:

The Applicant's contingencies exceeds the maximum allowed by HTC guidelines by a total of \$78,405 based on their own construction costs. Consequently the Applicant's eligible fee in this area has been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fee also exceeds 15% of the Applicant's adjusted eligible basis by \$78,688 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule as adjusted by the Underwriter for contingency and developer fee will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,738,579 supports annual tax credits of \$1,260,148. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

Source: Brazos Valley Bank Type: Interim Financing

Principal: \$350,000 Interest Rate: 8.00% Fixed Term: 24 months

Comments:

Loan request is currently being processed; therefore, terms are uncertain; underwriting analysis assumes Applicant's requested terms

Source: Red Capital Group Type: Interim Financing

Principal: \$6,143,661 (A) Interest Rate: 6.58% Fixed Term: 18 months

Principal: \$993,501 (B) Interest Rate: 7.57% Fixed Term: 18 months

Comments:

Note A: Fannie Mae Pass-through rate (fixed); Note B: Thirty-day LIBOR plus 2.25% adjusted monthly.

Source: Red Capital Group Type: Permanent Financing

Principal: \$6,143,661 Interest Rate: 6.58% Fixed Amort: 360 months

Comments:

The rate is an estimate as of February 27, 2007 and will be fixed after a permanent loan commitment is received from Fannie Mae but prior to construction loan closing.

This section intentionally left blank.

Source: City of Bryan (TIRZ #19) Type: In-Kind Contribution

Principal: \$1,568,100 Conditions: _____

Comments:

The City of Bryan created the Tax Increment Reinvestment Zone #19 for the purpose of promoting the general welfare of the city. The Mansions at Briar Creek project is located within the Reinvestment Zone and is considered a key project in the continued success of development within the zone. As a part of the development process Nash Boulevard will have to be constructed across the southern edge of the project site and the City is agreeable to using TIRZ funding to pay 100% of these construction costs. The City has agreed also to waive the detention requirements for the Mansions at Briar Creek Project along with the City paying for the replacement of the line segments of the sanitary sewer. The City owned electric utility has agreed to provide and install all transformers and wiring to the meter loop at no cost to the developer.

Recognizing the value of pedestrian connections to the project, the City of Bryan Parks and Recreation Board has agreed to construct a walking trail along the southwestern edges of the site. The City has also agreed to use TIRZ funding to pay for a heightened level of landscaping within the Briar Meadows Creek Development.

Source: Red Capital Group Type: Syndication

Proceeds: \$11,038,896 Syndication Rate: 92% Anticipated HTC: \$ 1,200,000

Amount: \$261,202 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to \$5,270,000 based on the terms reflected in the application materials. As a result, the development's gap in need for permanent funds will increase.

The Applicant's total development cost estimate less the revised permanent loan of \$5,270,000 and the in-kind contribution from the city of Bryan indicates the need for \$12,173,759 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,323,367 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,323,367), and eligible basis-derived estimate (\$1,260,148), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$11,038,896 based on a syndication rate of 92%.

The Underwriter's recommended financing structure indicates the need for \$1,134,863 in additional permanent funds. Deferred developer fees in this amount do not appear to be repayable from development cashflow within ten years of stabilized operation, but appear to be repayable within 15 years.

Underwriter: _____ Date: July 6, 2007
Carl Hoover

Reviewing Underwriter: _____ Date: July 6, 2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 6, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Mansions at Briar Creek, Bryan, 9% HTC #07275

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	11	1	1	729	\$303	\$247	\$2,717	\$0.34	\$56.00	\$58.00
TC 60%	90	1	1	729	\$607	551	49,590	0.76	56.00	58.00
TC 30%	7	2	2	990	\$365	290	2,030	0.29	75.00	63.00
TC 60%	63	2	2	990	\$729	654	41,202	0.66	75.00	63.00
TOTAL:	171		AVERAGE:	836		\$559	\$95,539	\$0.67	\$63.78	\$60.05

INCOME

Total Net Rentable Sq Ft: 142,929

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.51%	\$285	0.34
Management	5.00%	316	0.38
Payroll & Payroll Tax	14.56%	919	1.10
Repairs & Maintenance	6.89%	435	0.52
Utilities	3.03%	191	0.23
Water, Sewer, & Trash	2.85%	180	0.22
Property Insurance	3.54%	223	0.27
Property Tax 2.7214	9.31%	588	0.70
Reserve for Replacements	3.96%	250	0.30
TDHCA Compliance Fees	0.63%	40	0.05
Other: Supp. Serv., Security	2.80%	177	0.21
TOTAL EXPENSES	57.08%	\$3,603	\$4.31
NET OPERATING INC	42.92%	\$2,709	\$3.24

DEBT SERVICE

Red Capital Markets, Inc.	43.53%	\$2,748	\$3.29
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	-0.61%	(\$38)	(\$0.05)

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.33%	\$9,158	\$10.96
Off-Sites		8.35%	9,170	10.97
Sitework		6.14%	6,743	8.07
Direct Construction		42.27%	46,449	55.57
Contingency	5.00%	2.42%	2,660	3.18
Contractor's Fees	14.00%	6.78%	7,447	8.91
Indirect Construction		5.50%	6,044	7.23
Ineligible Costs		4.00%	4,398	5.26
Developer's Fees	15.00%	10.19%	11,193	13.39
Interim Financing		4.81%	5,281	6.32
Reserves		1.22%	1,345	1.61
TOTAL COST		100.00%	\$109,888	\$131.47
Construction Cost Recap		57.60%	\$63,298	\$75.73

SOURCES OF FUNDS

Red Capital Markets, Inc.	32.69%	\$35,928	\$42.98
Additional Financing	0.00%	\$0	\$0.00
In-kind equity from the City of Bryan	8.35%	\$9,170	\$10.97
HTC Syndication Proceeds	58.75%	\$64,555	\$77.23
Deferred Developer Fees	1.39%	\$1,527	\$1.83
Additional (Excess) Funds Req'd	-1.18%	(\$1,292)	(\$1.55)
TOTAL SOURCES			

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
	\$1,146,468	\$1,146,600	Brazos		8
	20,520	20,520	\$10.00	Per Unit Per Month	
	0	0	\$0.00	Per Unit Per Month	
	\$1,166,988	\$1,167,120			
	(87,524)	(87,540)	-7.50%	of Potential Gross Income	
	0	0			
	\$1,079,464	\$1,079,580			
	PER SQ FT	PER UNIT	% OF EGI		
	\$48,698	\$40,681	\$0.28	\$238	3.77%
	53,973	53,979	0.38	316	5.00%
	157,150	137,793	0.96	806	12.76%
	74,355	87,899	0.61	514	8.14%
	32,718	20,685	0.14	121	1.92%
	30,804	39,280	0.27	230	3.64%
	38,167	38,475	0.27	225	3.56%
	100,476	81,653	0.57	478	7.56%
	42,750	42,750	0.30	250	3.96%
	6,840	6,840	0.05	40	0.63%
	30,228	30,228	0.21	177	2.80%
	\$616,159	\$580,264	\$4.06	\$3,393	53.75%
	\$463,305	\$499,316	\$3.49	\$2,920	46.25%
	\$469,871	\$434,250	\$3.04	\$2,539	40.22%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	(\$6,566)	\$65,066	\$0.46	\$381	6.03%
	0.99	1.15			
	1.15				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,565,982	\$1,565,982	\$10.96	\$9,158	8.24%
	1,568,100	0	0.00	0	0.00%
	1,153,000	1,153,000	8.07	6,743	6.06%
	7,942,790	7,989,489	55.90	46,722	42.02%
	454,790	535,529	3.75	3,132	2.82%
	1,273,411	1,279,948	8.96	7,485	6.73%
	1,033,500	1,033,500	7.23	6,044	5.44%
	752,106	2,320,206	16.23	13,568	12.20%
	1,914,088	2,001,111	14.00	11,702	10.53%
	903,094	903,094	6.32	5,281	4.75%
	230,000	230,000	1.61	1,345	1.21%
	\$18,790,860	\$19,011,859	\$133.02	\$111,180	100.00%
	\$10,823,991	\$10,957,966	\$76.67	\$64,082	57.64%

RECOMMENDED

	\$6,143,661	\$6,143,661	\$5,270,000	Developer Fee Available
	0	0	0	\$1,922,423
	1,568,100	1,568,100	1,568,100	
	11,038,896	11,038,896	11,038,896	% of Dev. Fee Deferred
	261,202	261,202	1,134,863	59%
	(220,999)	0	0	15-Yr Cumulative Cash Flow
	\$18,790,860	\$19,011,859	\$19,011,859	\$1,728,398

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mansions at Briar Creek, Bryan, 9% HTC #07275

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.08	\$7,587,347
Adjustments				
Exterior Wall Finish	2.00%		\$1.06	\$151,747
Elderly	3.00%		1.59	227,620
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.82)	(117,678)
Floor Cover			2.43	347,317
Breezeways/Balconies	\$22.27	12,233	1.91	272,424
Plumbing Fixtures	\$805	210	1.18	169,050
Rough-ins	\$400	171	0.48	68,400
Built-In Appliances	\$1,675	171	2.00	286,425
Stairs	\$2,100	12	0.18	25,200
Enclosed Corridors	\$41.69	35912	10.48	1,497,341
Heating/Cooling			1.90	271,565
Elevators	\$52,750	3	1.11	158,250
Comm &/or Aux Bldgs	\$62	6,777	2.92	417,650
Other: fire sprinkler	\$1.95	142,929	1.95	278,712
SUBTOTAL			81.45	11,641,370
Current Cost Multiplier	0.98		(1.63)	(232,827)
Local Multiplier	0.86		(11.40)	(1,629,792)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.42	\$9,778,751
Plans, specs, survy, bid prr	3.90%		(\$2.67)	(\$381,371)
Interim Construction Interes	3.38%		(2.31)	(330,033)
Contractor's OH & Profit	11.50%		(7.87)	(1,124,556)
NET DIRECT CONSTRUCTION COSTS			\$55.57	\$7,942,790

Primary	\$6,143,661	Amort	360
Int Rate	6.58%	DCR	0.99

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	0.99

Additional		Amort	
Int Rate		Aggregate DCR	0.99

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$403,053
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$60,252

Primary	\$5,270,000	Amort	360
Int Rate	6.58%	DCR	1.15

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,146,468	\$1,180,862	\$1,216,288	\$1,252,777	\$1,290,360	\$1,495,881	\$1,734,136	\$2,010,339	\$2,701,727
Secondary Income	20,520	21,136	21,770	22,423	23,095	26,774	31,038	35,982	48,357
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,166,988	1,201,998	1,238,058	1,275,199	1,313,455	1,522,655	1,765,174	2,046,321	2,750,084
Vacancy & Collection Loss	(87,524)	(90,150)	(92,854)	(95,640)	(98,509)	(114,199)	(132,388)	(153,474)	(206,256)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,079,464	\$1,111,848	\$1,145,203	\$1,179,559	\$1,214,946	\$1,408,456	\$1,632,786	\$1,892,846	\$2,543,827
EXPENSES at 4.00%									
General & Administrative	\$48,698	\$50,646	\$52,672	\$54,779	\$56,970	\$69,312	\$84,329	\$102,599	\$151,872
Management	53,973	55,592	57,260	58,978	60,747	70,423	81,639	94,642	127,191
Payroll & Payroll Tax	157,150	163,436	169,973	176,772	183,843	223,673	272,133	331,091	490,096
Repairs & Maintenance	74,355	77,329	80,422	83,639	86,985	105,830	128,759	156,655	231,887
Utilities	32,718	34,027	35,388	36,803	38,275	46,568	56,657	68,932	102,036
Water, Sewer & Trash	30,804	32,036	33,318	34,650	36,036	43,844	53,343	64,899	96,067
Insurance	38,167	39,693	41,281	42,932	44,650	54,323	66,092	80,411	119,029
Property Tax	100,476	104,495	108,674	113,021	117,542	143,008	173,991	211,687	313,348
Reserve for Replacements	42,750	44,460	46,238	48,088	50,011	60,847	74,029	90,068	133,322
Other	37,068	38,551	40,093	41,697	43,365	52,760	64,190	78,098	115,603
TOTAL EXPENSES	\$616,159	\$640,265	\$665,320	\$691,360	\$718,425	\$870,588	\$1,055,163	\$1,279,082	\$1,880,452
NET OPERATING INCOME	\$463,305	\$471,582	\$479,883	\$488,199	\$496,521	\$537,867	\$577,623	\$613,764	\$663,375
DEBT SERVICE									
First Lien Financing	\$403,053	\$403,053	\$403,053	\$403,053	\$403,053	\$403,053	\$403,053	\$403,053	\$403,053
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	\$60,252	\$68,530	\$76,830	\$85,146	\$93,468	\$134,815	\$174,570	\$210,711	\$260,323
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.23	1.33	1.43	1.52	1.65

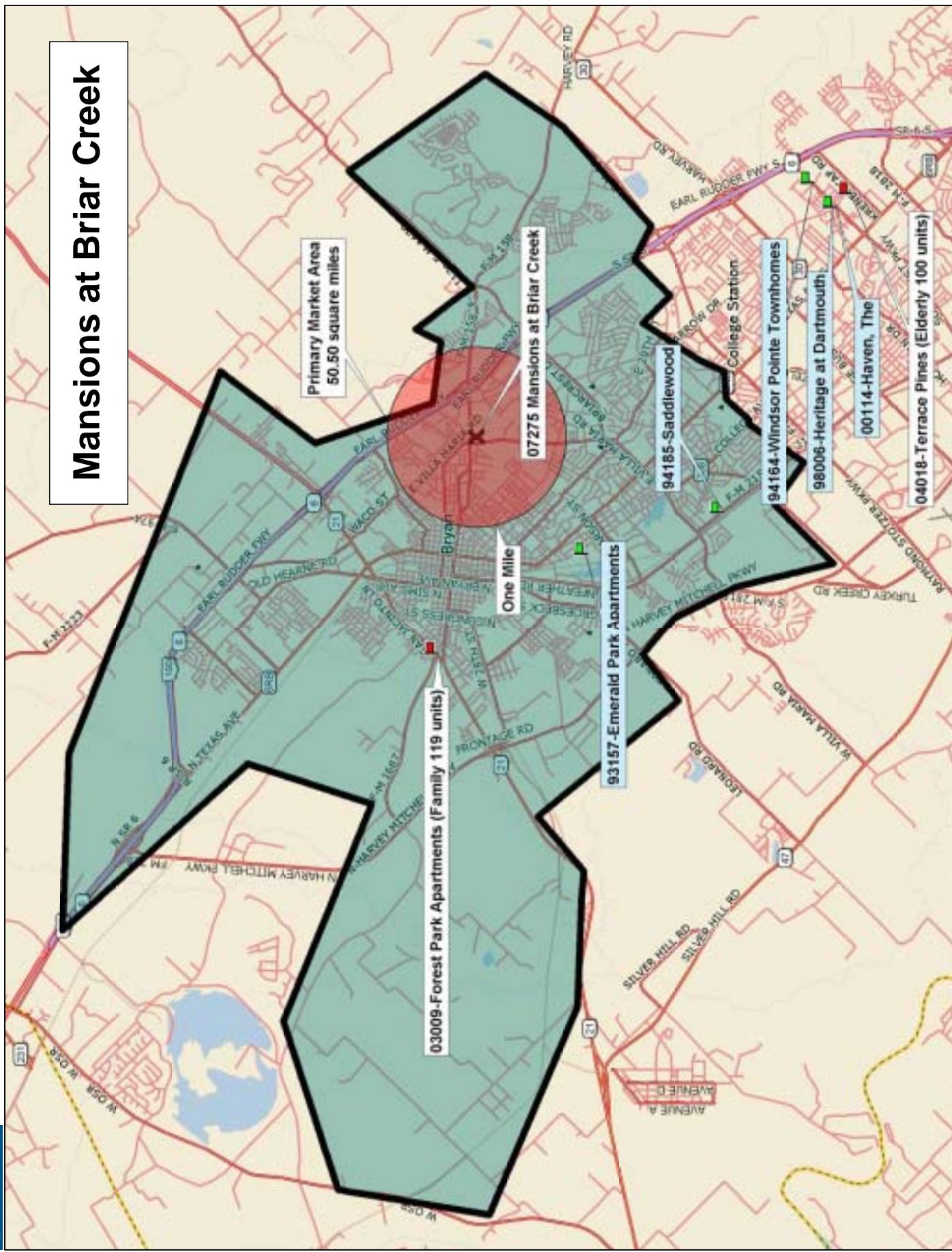
HTC ALLOCATION ANALYSIS -Mansions at Briar Creek, Bryan, 9% HTC #07275

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,565,982	\$1,565,982		
Purchase of buildings				
Off-Site Improvements		\$1,568,100		
Sitework	\$1,153,000	\$1,153,000	\$1,153,000	\$1,153,000
Construction Hard Costs	\$7,989,489	\$7,942,790	\$7,989,489	\$7,942,790
Contractor Fees	\$1,279,948	\$1,273,411	\$1,279,948	\$1,273,411
Contingencies	\$535,529	\$454,790	\$457,124	\$454,790
Eligible Indirect Fees	\$1,033,500	\$1,033,500	\$1,033,500	\$1,033,500
Eligible Financing Fees	\$903,094	\$903,094	\$903,094	\$903,094
All Ineligible Costs	\$2,320,206	\$752,106		
Developer Fees			\$1,922,423	
Developer Fees	\$2,001,111	\$1,914,088		\$1,914,088
Development Reserves	\$230,000	\$230,000		
TOTAL DEVELOPMENT COSTS	\$19,011,859	\$18,790,860	\$14,738,579	\$14,674,672

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,738,579	\$14,674,672
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,738,579	\$14,674,672
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,738,579	\$14,674,672
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,260,148	\$1,254,684

Syndication Proceeds	0.9199	\$11,592,207	\$11,541,943
Total Tax Credits (Eligible Basis Method)		\$1,260,148	\$1,254,684
Syndication Proceeds		\$11,592,207	\$11,541,943
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$11,038,896	
Gap of Syndication Proceeds Needed		\$12,173,759	
Total Tax Credits (Gap Method)		\$1,323,367	

Mansions at Briar Creek



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TN

MM (4,31'E)

Scale 1 : 93,750



1" = 1.48 mi Data Zoom 11-1

Applicant Evaluation

Project ID # **07275**

Name: **Mansions at Briar Creek**

City: **Bryan**

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

Total # of Projects monitored: 5

Projects zero to nine: 5
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 5

not yet monitored or pending review: 0

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/30/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Andalusia, TDHCA Number 07280

BASIC DEVELOPMENT INFORMATION

Site Address: 4343 Old Spanish Tr. Development #: 07280
 City: Houston Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77021 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CIS Andalusia Homes, L.P.
 Owner Contact and Phone: Manish Verma (210) 240-8376
 Developer: GMAT- Development-Andalusia, Ltd.
 Housing General Contractor: Galaxy Builders, Ltd.
 Architect: Keller Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Hudson Housing Capital
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	102
	11	0	0	91	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	34	68	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	102
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,095,525	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Andalusia, TDHCA Number 07280

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, NC	Points: 0	US Representative: Jackson-Lee, District 18, NC
TX Representative: Coleman, District 147, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Peter Brown, FAIA, AICP Houston City Council
Member At Large Position 1

S, Ada Edwards, City Council Member District D

Individuals and Businesses In Support: **6** In Opposition **5**

Quantifiable Community Participation Input:

West MacGregor Estates Homeowners Association, Alton Hudson Letter Score: 12 S or O: S

We believe that this project will provide much needed services to our senior community while adding value to our area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and one qualified neighborhood organization. There was mixed support/opposition from non-officials. The primary reasons cited for opposition are that property values will go down and crime will rise; there is an over concentration of tax credit properties built in the area in a short period of time; and there is a shortage of tenants at 60% of AMFI in the market area.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Andalusia, TDHCA Number 07280

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

Competitive Housing Tax Credits: Score: **176** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Palermo, TDHCA Number 07282

BASIC DEVELOPMENT INFORMATION

Site Address: SE Corner of Gist Ave. & Wayside Dr. Development #: 07282
 City: Midland Region: 12 Population Served: General
 County: Midland Zip Code: 79701 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CIS Palermo Homes, L.P.
 Owner Contact and Phone: Manish Verma (210) 240-8376
 Developer: GMAT Development-Palermo, Ltd
 Housing General Contractor: Galaxy Builders, Ltd.
 Architect: Chiles Architects, Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Hudson Housing Capital
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	130
	14 3 12 101	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 72 48 0 0	Total Development Units:	136
Type of Building:		Total Development Cost*:	\$13,045,611
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	29
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	8
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$904,473	\$904,473			
HOME Activity Fund Amount:	\$730,000	\$730,000	40	40	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Palermo, TDHCA Number 07282

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31, S Points: 7 US Representative: Conaway, District 11, NC
TX Representative: Craddick, District 82, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Michael J. Canon, Mayor Resolution of Support from Local Government
S, Vicky Hailey, Midland City Council Member
S, Rick Menchaca, City Manager

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Comunidad in Action, Vicky Hailey Letter Score: 24 S or O: S

Comunidad in Action gladly supports any efforts to improve this area of the Midland Community. There is a need of affordable housing in this area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was broad support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of documentation from a third party Surveyor or Architect which reflects that there either are no potential adverse effects of the five blankets easements or that any such effects have been satisfactorily mitigated.

Receipt, review, and acceptance by commitment of appropriate zoning or a variance from the City for the proposed development.

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations, including a subsurface groundwater investigation, and subsequent environmental report recommendations have been carried out.

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

Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation in the amount of \$730,000, or a commitment from a qualifying substitute source in an amount not less than \$652,281, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from TDHCA HOME funds in the amount of \$730,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$260,913, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Palermo, TDHCA Number 07282

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

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$904,473

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$730,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: HOME award contingent upon an allocation of HTC.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/07 PROGRAM: 9% HTC/HOME FILE NUMBER: 07282

DEVELOPMENT						
Palermo						
Location: <u>Southeast corner of Gist Avenue and Wayside Drive</u>					Region: <u>12</u>	
City: <u>Midland</u>	County: <u>Midland</u>	Zip: <u>79701</u>	<input checked="" type="checkbox"/> QCT	<input type="checkbox"/> DDA		
Key Attributes: <u>Multifamily, Family, Urban/Exurban, New Construction</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$730,000	AFR	40	\$730,000	AFR	40
Housing Tax Credit (Annual)	\$904,473			\$904,473		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of documentation from a third party Surveyor or Architect which reflects that there either are no potential adverse effects of the five blankets easements or that any such effects have been satisfactorily mitigated. 2 Receipt, review, and acceptance by commitment of appropriate zoning or a variance from the City for the proposed development. 3 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations, including a subsurface groundwater investigation, and subsequent environmental report recommendations have been carried out. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for HTC LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	14				
40% of AMI	40% of AMI	3				
50% of AMI	50% of AMI	12				
60% of AMI	60% of AMI	8				
60% of AMI	60% of AMI	93				
TDHCA SET-ASIDES for HOME LURA						
50% of AMI	Low HOME	8				
60% of AMI	High HOME	29				

PROS

The subject would be the first tax credit development in Midland in four years.

At the proposed rents, the HOME debt could be sourced from a combination of additional conventional debt or a developer fee note if needed.

CONS

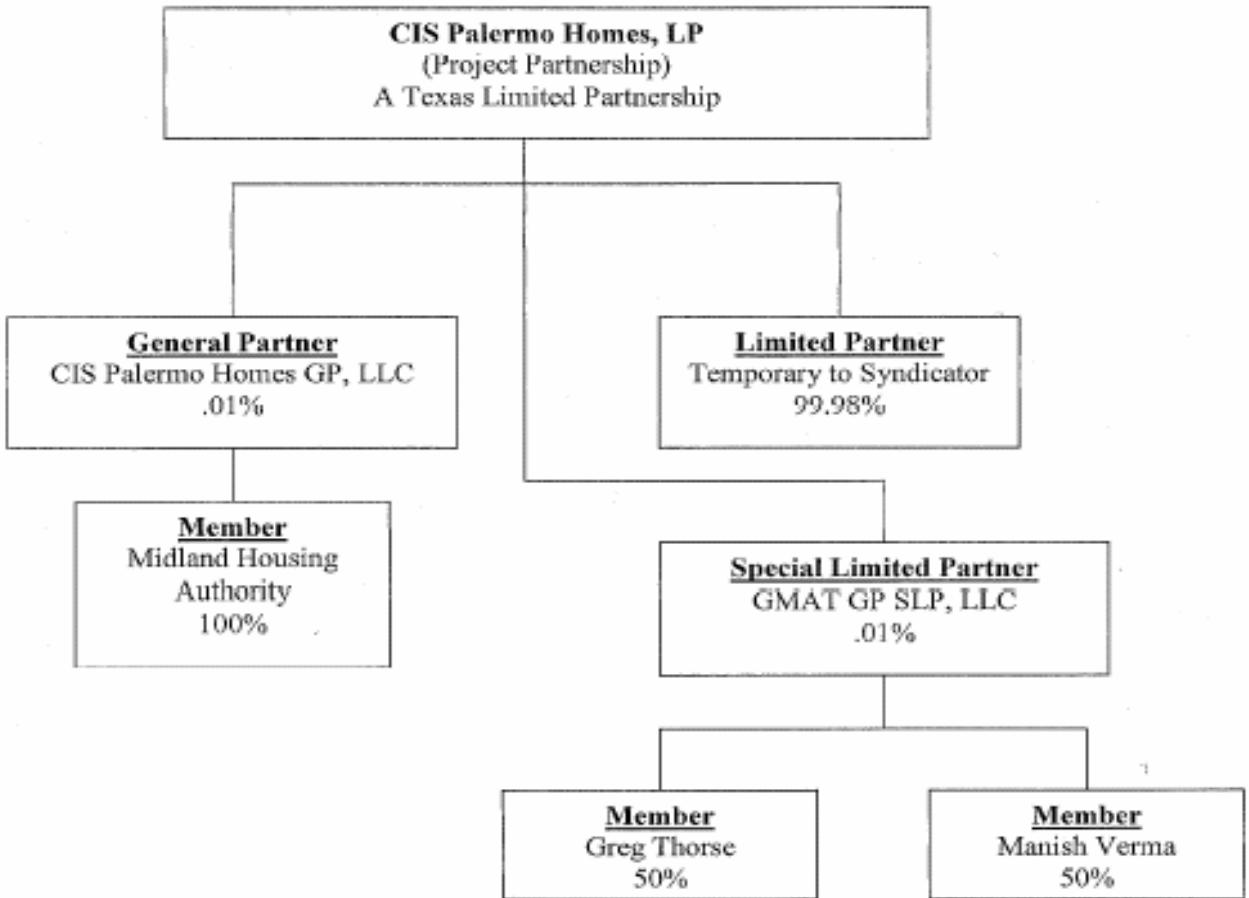
Resolving the undetermined impact from the easements could delay or prevent the development.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Manish Verma Phone: 210.240.8376 Fax: 210.493.7573
 Email: manishv@about-cis.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Midland Housing Authority	\$576,771	\$274,233	N/A
GMAT GP SLP, LLC	No material statements		N/A
GMAT Development, Ltd	\$12,610,902	\$1,350,585	N/A
Greg Thorse	Confidential		7 LIHTC Developments in Texas
Manish Verma	Confidential		7 LIHTC Developments in Texas

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III								Total Buildings
Floors/Stories	2	2	2								
Number	6	1	3								10

BR/BA	SF	Units								Total Units	Total SF
1/1	705		16							16	11,280
2/2	950	8		8						72	68,400
3/2	1,242	8								48	59,616
Units per Building		16	16	8						136	139,296

SITE ISSUES

Total Size: 1 13 acres Scattered site? Yes No
Flood Zone: Zone X Within 100-yr floodplain? Yes No
Zoning: MH Needs to be re-zoned? Yes No N/A
Comments:

Zoning: The proposed site is not currently zoned for the proposed development. The Applicant submitted a letter from the City indicating application has been made to rezone the site for Multifamily Housing (District MF1). Receipt, review, and acceptance of appropriate zoning or a variance from the City for the proposed development is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007
Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: commercial lots/businesses/E Taylor Dr East: vacant land/Interstate 20
South: vacant land/Interstate 20 West: residential

Comments:
The Applicant has indicated that the adjacent property may be developed and access to the property provided along the northeast boundary of the site in the future.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost Geosciences Date: 3/26/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"The City View Road groundwater plume edge is located 0.32 miles northeast and up gradient relative to the Site and is listed as a proposed state superfund facility. The City View Road State Superfund Site consists of a groundwater contamination plume of unknown origin. ... Release of hazardous substances into the groundwater is a major concern at the Site. ... This facility is considered a potential REC to the Site. ... A limited subsurface investigation to evaluate groundwater should be considered" (p. 1-2).

"Two pipeline easements were observed trending across the Site. Any spills or releases would be the responsibility of Centurion Pipeline, LP and Holly Energy Panthers for any future clean-up" (p. 1).

Comments:

Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations, including a subsurface groundwater investigation, and subsequent environmental report recommendations have been carried out is a condition of this report. It should be noted that while groundwater contamination is a significant concern, potable water is supplied to the site by the City (p. 7).

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/20/2007
Contact: Darrell Jack Phone: 210.530.0040 Fax: 210.340.5830
Number of Revisions: 1/0/1900 Date of Last Applicant Revision: 5/24/2007

Primary Market Area (PMA): 109 Square Miles (1 5.9 Mile Radius)

The boundaries of the Primary Market Area are as follows: (p. 30)

- North: Loop 250
- East: Loop 250 extending south to Monahans Draw
- South: Monahans Draw
- West: Loop 250/Hwy 158 extending south to Monahans Draw

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Sterling Springs Villas	03145	120	114	N/A			

Sterling Springs Villas Apartments (03145) placed in service in July and August of 2005. The Market Analyst indicates that the property obtained 90% occupancy within 5 months. However, while it is likely they have remained stable, it is unclear based upon required reporting to the department whether this property has maintain stabilized occupancy for 12 consecutive months prior to March 1, 2007. Therefore, while the Market Analyst did not include this development in the capture rate analysis, the Underwriter has included 114 comparable units from Sterling Springs in the inclusive capture rate calculation.

INCOME LIMITS						
Midland						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,750	\$13,400	\$15,100	\$16,750	\$18,100	\$19,450
40	\$15,640	\$17,880	\$20,120	\$22,360	\$24,160	\$25,920
50	\$19,550	\$22,350	\$25,150	\$27,950	\$30,200	\$32,400
60	\$23,460	\$26,820	\$30,180	\$33,540	\$36,240	\$38,880

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	192	0	0	192	2	0	1%
1 BR/ 40% Rent Limit	285	0	0	285	3	0	1%
1 BR/ 60% Rent Limit	313	2	0	315	10	0	3%
2 BR/ 30% Rent Limit	104	-3	0	101	8	0	8%
2 BR/ 50% Rent Limit	293	-5	0	288	1	0	0%
2 BR/ 60% Rent Limit	181	-2	0	179	50	0	28%
3 BR/ 30% Rent Limit	70	-1	0	69	4	0	6%
3 BR/ 60% Rent Limit	202	-1	0	201	41	0	20%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 57	100%	32,738	96%	31,291	14%	4,484	100%	4,484	65%	2,892
Underwriter	100%	32,516	96%	31,079	34%	10,708	42%	4,504	65%	2,905
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 57			96%	-212	14%	-30	100%	-30	100%	-30
Underwriter			96%	-13	34%	-4	42%	-2	100%	-2

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 58	130	0	0	130	2,862	4.54%
Underwriter	130	114	0	244	2,903	8.40%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 97.6% as a result of increasing demand. Apartment units built since 1990 report an overall average occupancy of 99.8%" (p. 104). For properties construction after 2000, current occupancy levels by bedroom size are as follows (p. 112): one bedroom units (100% occupancy); two bedroom units (98.8% occupancy); three bedroom units (100% occupancy).

Absorption Projections:

"Sterling Silver Villas (2003), which is currently 100% occupied, reached a stabilized occupancy of 90% in just 5 months. The property averaged leasing 22 units per month. This short lease up time is indicative of the demand for affordable units in the area" (p. 106). "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. 102).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 705 30%/LH	\$200	\$200	\$620	\$200	\$420		
1 BR 705 30%/HH	\$200	\$200	\$620	\$200	\$420		
1 BR 705 40%/HH	\$305	\$305	\$620	\$305	\$315		
1 BR 705 60%	\$514	\$514	\$620	\$514	\$106		
1 BR 705 MR	\$565		\$620	\$565	\$55		
2 BR 950 30%/LH	\$230	\$230	\$770	\$230	\$540		
2 BR 950 30%/HH	\$230	\$230	\$770	\$230	\$540		
2 BR 950 50%/HH	\$411	\$411	\$770	\$411	\$359		
2 BR 950 60%	\$607	\$607	\$770	\$607	\$163		
2 BR 950 MR	\$668		\$770	\$668	\$102		
3 BR 1,242 30%/LH	\$256	\$256	\$960	\$256	\$704		
3 BR 1,242 30%/HH	\$256	\$256	\$960	\$256	\$704		
3 BR 1,242 60%/HH	\$634	\$634	\$960	\$634	\$326		
3 BR 1,242 60%	\$693	\$693	\$960	\$693	\$267		
3 BR 1,242 MR	\$762		\$960	\$762	\$198		

Market Impact:

"Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market" (p. 99).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 5/31/2007

The Applicant's projected net rents are the 2007 program maximum rents less the current utility allowances maintained by the Midland Housing Authority. The maximum rents are achievable according to the Market Analyst. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. Therefore, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be responsible for electric and gas utility costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

The Applicant's total operating expense estimate of \$3,375 per unit is not within 5% of the Underwriter's estimate of \$3,640 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of payroll and payroll tax, repairs and maintenance, and utilities are each significantly lower than the Underwriter's estimates (\$17K, \$14K, and \$6K respectively).

It should also be noted that while the Applicant did not specifically identify a property tax exemption in the application materials, the Applicant may be eligible for such an exemption based upon the Housing Authority ownership of the General Partner. The Underwriter assumed a 50% exemption could be obtained and the Applicant's expenses appear to be in line with that estimate. Should an exemption not manifest itself for this development a lower debt service would result requiring a reduced first lien (probably down to just under \$3,000,000) and increased deferred developer fee which could be marginally repaid out of cash flow would be required. Conversely, if the Housing Authority creates a lease structure for the land and justifies a 100% exemption, additional debt service capacity would reduce the deferred developer fee required.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR).

The proforma and estimated debt service plus required Mortgage Insurance Premium result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and adjusted annual debt service to include a required Mortgage Insurance Premium were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 119.6 acres	<u>\$239,200</u>	Tax Year:	<u>2006</u>
One Acre:	<u>\$2,000</u>	Valuation by:	<u>Midland CAD</u>
Prorata Value: 13 acres	<u>\$26,000</u>	Tax Rate:	<u>2.656592</u>

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Contract Acreage: 26
Contract Expiration: 12/15/2007 Valid Through Board Date? [X] Yes [] No
Acquisition Cost: \$223,002 Other: \$8,577 per acre.
Seller: Davidheiser Family Trust Related to Development Team? [] Yes [X] No

TITLE

Comments:

Schedule B of the title commitment identifies 13 blanket right of way easements, primarily for pipelines and oil and gas companies, that may affect the property in the area. The Underwriter requested that the Surveyor provide documentation of the potential effects of these blanket easements on the subject site. The Surveyor has identified 5 of the 13 blanket easements that affect the site; however, the Development Team is still contacting companies to determine the potential adverse impacts that these easements may have. In addition, the Surveyor has provided a plat with four existing pipelines indicated. Based on the siteplan, a portion of the parking and driveway area will be built on top of three Centurian pipelines and a forth pipeline. According to the siteplan, the residential buildings and community buildings will not be constructed over the pipelines.

Receipt, review, and acceptance of documentation from a third party Surveyor or Architect which reflects that there either are no potential adverse effects of the five blankets easements or that any such effects have been satisfactorily mitigated is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

Acquisition Value:

The Applicant has provided a Purchase and Sale Contract securing a 26 acre parcel of property. The contract indicates a purchase price of \$8,577 per acre or \$223,002 for the entire tract. The site plan and other application information indicates that 13 of the 26 acres will be used for the subject development. As a result, Both the Applicant and the Underwriter used the prorata value of the 13 acre site (\$8,577 x 13) in order to derive the acquisition price of \$111,501 plus \$1,116 in closing costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,721 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$36K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant included costs for subcontractor's general liability insurance, builder's risk insurance, contractor's general liability, performance and payment bond, lender review architect, and lender cost review in the "other" direct construction costs line item. The Underwriter has reallocated subcontractor's general liability insurance, builder's risk insurance, contractor's general liability, lender review architect, and lender cost review to indirect construction costs. The performance and payment bond amount (combined by the Applicant) has been allocated to ineligible costs. While performance bonds can generally be included in eligible basis, payment bonds cannot. However, the Applicant's requested credit amount is significantly lower than the Applicant's eligible basis derived tax credit amount. Therefore, removal of the entire performance and payment bond amount has no effect on the recommendation.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$12,414,827 supports annual tax credits of \$1,317,191. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

Source: KeyBank Real Estate Capital Type: Interim to Permanent Financing

Permanent: \$3,960,000 Interest Rate: 7.00% Fixed Term: 480 months

Comments:

The term sheet indicates that the loan will be a 221(d)(4) mortgage. The 221(d)(4) is a HUD administered program for FHA insured mortgage loans for multifamily housing. The loan will carry a non-amortizing Mortgage Insurance Premium equal to 0.45% of the loan amount. KeyBank's terms are subject to HUD approval.

The lender requires an ongoing replacement reserve of \$250 per unit per year.

The term sheet also states up to \$4,500,000 in principal would be made available if no debt service is associated with the proposed HOME Loan. However, structuring the HOME funds as a grant or as a loan accruing interest at AFR (principal and interest repayable at end of term) may put the development at risk of losing eligibility for 9% HTC's. Therefore, such a structure is not recommended.

Source: Hudson Housing Capital Type: Syndication

Proceeds: \$8,139,000 Syndication Rate: 90% Anticipated HTC: \$ 904,473

Comments:

The syndication price is at the low end of current market prices and an increase in rate of six cents could reduce the final allocation of credits since there is limited deferred developer fee to absorb the excess syndication proceeds that would result.

Amount: \$216,611 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to \$3,643,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The HOME award of \$730,000 is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units. The Applicant has requested the HOME loan at AFR; therefore, the funds would not be considered below market-rate and would not put the development at risk of losing eligibility for 9% credits. A HOME award of \$730,000 to be structured as a fully repayable loan carrying an interest rate equal to AFR at closing and a term/amortization of 40 years to be at par with the first lien loan is recommended.

MULTIFAMILY COMPARATIVE ANALYSIS

Palermo, Midland, 9% HTC/HOME #07282

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	1	1	1	705	\$314	\$200	\$200	\$0.28	\$114.00	\$55.00
TC 30%/HH	1	1	1	705	\$314	200	200	0.28	114.00	55.00
TC 40%/HH	3	1	1	705	\$419	305	915	0.43	114.00	55.00
TC 60%	10	1	1	705	\$628	514	5,140	0.73	114.00	55.00
MR	1	1	1	705		565	565	0.80	114.00	55.00
TC 30%/LH	4	2	2	950	\$377	230	920	0.24	147.00	59.00
TC 30%/HH	4	2	2	950	\$377	230	920	0.24	147.00	59.00
TC 50%/HH	12	2	2	950	\$558	411	4,932	0.43	147.00	59.00
TC 60%	50	2	2	950	\$754	607	30,350	0.64	147.00	59.00
MR	2	2	2	950		668	1,336	0.70	147.00	59.00
TC 30%/LH	3	3	2	1,242	\$435	256	768	0.21	179.00	64.00
TC 30%/HH	1	3	2	1,242	\$435	256	256	0.21	179.00	64.00
TC 60%/HH	8	3	2	1,242	\$813	634	5,072	0.51	179.00	64.00
TC 60%	33	3	2	1,242	\$872	693	22,869	0.56	179.00	64.00
MR	3	3	2	1,242		762	2,286	0.61	179.00	64.00
TOTAL:	136		AVERAGE:	1,024		\$564	\$76,729	\$0.55	\$154.41	\$60.29

INCOME

Total Net Rentable Sq Ft: **139,296**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: Cable and Telephone

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	5.59%	\$360	0.35
Management	5.00%	321	0.31
Payroll & Payroll Tax	13.11%	843	0.82
Repairs & Maintenance	6.67%	429	0.42
Utilities	4.25%	273	0.27
Water, Sewer, & Trash	6.43%	413	0.40
Property Insurance	3.56%	229	0.22
Property Tax 2.656592	6.20%	398	0.39
Reserve for Replacements	3.89%	250	0.24
TDHCA Compliance Fees	0.62%	40	0.04
Other: Supportive Services	1.30%	84	0.08
TOTAL EXPENSES	56.61%	\$3,640	\$3.55
NET OPERATING INC	43.39%	\$2,789	\$2.72

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$920,748	\$920,748
Secondary Income	24,480	19,584
Other Support Income: Cable and Telephone	0	4,896
POTENTIAL GROSS INCOME	\$945,228	\$945,228
Vacancy & Collection Loss	(70,892)	(70,893)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$874,336	\$874,335

COUNTY	IREM REGION	COMPT. REGION
Midland		12
\$12.00	Per Unit Per Month	
\$3.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

DEBT SERVICE

KeyBank 221(d)(4) mortgage	33.77%	\$2,171	\$2.12
TDHCA HOME	4.76%	\$306	\$0.30
Mortgage Insur Premium 0.45%	1.87%	\$121	\$0.12
NET CASH FLOW	2.97%	\$191	\$0.19

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
KeyBank 221(d)(4) mortgage	\$295,304	\$313,125	\$2.25	\$2,302	35.81%
TDHCA HOME	41,662	42,299	\$0.30	\$311	4.84%
Mortgage Insur Premium	16,394	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$25,979	\$59,917	\$0.43	\$441	6.85%
AGGREGATE DEBT COVERAGE RATIO	1.07	1.17			
RECOMMENDED DEBT COVERAGE RATIO	1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		0.87%	\$828	\$0.81
Off-Sites		0.00%	0	0.00
Sitework		9.13%	8,721	8.51
Direct Construction		53.11%	50,724	49.52
Contingency 3.24%	3.24%	2.02%	1,925	1.88
Contractor's Fees 13.58%	13.58%	8.45%	8,074	7.88
Indirect Construction		7.45%	7,115	6.95
Ineligible Costs		2.87%	2,745	2.68
Developer's Fees 15.00%	15.00%	12.42%	11,867	11.59
Interim Financing		2.67%	2,552	2.49
Reserves		1.01%	965	0.94
TOTAL COST		100.00%	\$95,517	\$93.26
Construction Cost Recap		72.70%	\$69,444	\$67.80

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$112,617	\$112,617	\$0.81	\$828	0.86%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,186,103	1,186,103	8.51	8,721	9.09%
Direct Construction	6,898,487	6,934,894	49.79	50,992	53.16%
Contingency	261,800	261,800	1.88	1,925	2.01%
Contractor's Fees	1,098,024	1,098,024	7.88	8,074	8.42%
Indirect Construction	967,581	967,581	6.95	7,115	7.42%
Ineligible Costs	373,385	373,385	2.68	2,745	2.86%
Developer's Fees	1,613,864	1,632,807	11.72	12,006	12.52%
Interim Financing	347,100	347,100	2.49	2,552	2.66%
Reserves	131,300	131,300	0.94	965	1.01%
TOTAL COST	\$12,990,261	\$13,045,611	\$93.65	\$95,924	100.00%
Construction Cost Recap	\$9,444,414	\$9,480,821	\$68.06	\$69,712	72.67%

SOURCES OF FUNDS

KeyBank 221(d)(4) mortgage	30.48%	\$29,118	\$28.43
TDHCA HOME	5.62%	\$5,368	\$5.24
Hudson Capital Syndication	62.65%	\$59,846	\$58.43
Deferred Developer Fees	1.67%	\$1,593	\$1.56
Additional (Excess) Funds Req'd	-0.43%	(\$407)	(\$0.40)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED	
KeyBank 221(d)(4) mortgage	\$3,960,000	\$3,960,000	\$3,643,000	Developer Fee Available
TDHCA HOME	730,000	730,000	730,000	\$1,619,325
Hudson Capital Syndication	8,139,000	8,139,000	8,139,000	% of Dev. Fee Deferred
Deferred Developer Fees	216,611	216,611	533,611	33%
Additional (Excess) Funds Req'd	(55,350)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$12,990,261	\$13,045,611	\$13,045,611	\$1,442,500

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Palermo, Midland, 9% HTC/HOME #07282

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.10	\$7,535,788
Adjustments				
Exterior Wall Finish	1.84%		\$1.00	\$138,659
Elderly			0.00	0
9-Ft. Ceilings	3.23%		1.75	243,406
Roofing			0.00	0
Subfloor			(1.24)	(172,031)
Floor Cover			2.43	338,489
Breezeways/Balconies	\$20.09	30,358	4.38	609,892
Plumbing Fixtures	\$805	360	2.08	289,800
Rough-ins	\$400	272	0.78	108,800
Built-In Appliances	\$1,850	136	1.81	251,600
Exterior Stairs	\$1,800	40	0.52	72,000
Enclosed Corridors			0.00	0
Heating/Cooling			1.90	264,662
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$63.68	4,880	2.23	310,767
Other: fire sprinkler			0.00	0
SUBTOTAL			71.73	9,991,833
Current Cost Multiplier	0.98		(1.43)	(199,837)
Local Multiplier	0.87		(9.33)	(1,298,938)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.97	\$8,493,058
Plans, specs, survy, bld prmt	3.90%		(\$2.38)	(\$331,229)
Interim Construction Interest	3.38%		(2.06)	(286,641)
Contractor's OH & Profit	11.50%		(7.01)	(976,702)
NET DIRECT CONSTRUCTION COSTS			\$49.52	\$6,898,487

PAYMENT COMPUTATION

Primary	\$3,960,000	Amort	480
Int Rate	7.00%	DCR	1.28

Secondary	\$730,000	Amort	480
Int Rate	4.90%	Subtotal DCR	1.13

Additional		Amort	
Int Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$271,665
Secondary Debt Service	41,662
Mortgage Insurance Premium (0.45%)	16,394
NET CASH FLOW	\$49,618

Primary	\$3,643,000	Amort	480
Int Rate	7.00%	DCR	1.40

Secondary	\$730,000	Amort	480
Int Rate	4.90%	Subtotal DCR	1.21

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$920,748	\$948,370	\$976,822	\$1,006,126	\$1,036,310	\$1,201,367	\$1,392,714	\$1,614,537	\$2,169,803
Secondary Income	24,480	25,214	25,971	26,750	27,552	31,941	37,028	42,926	57,689
Other Support Income: Cable	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	945,228	973,585	1,002,792	1,032,876	1,063,862	1,233,308	1,429,742	1,657,463	2,227,492
Vacancy & Collection Loss	(70,892)	(73,019)	(75,209)	(77,466)	(79,790)	(92,498)	(107,231)	(124,310)	(167,062)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$874,336	\$900,566	\$927,583	\$955,410	\$984,073	\$1,140,810	\$1,322,511	\$1,533,153	\$2,060,430
EXPENSES at 4.00%									
General & Administrative	\$48,894	\$50,849	\$52,883	\$54,999	\$57,199	\$69,591	\$84,668	\$103,012	\$152,482
Management	43,717	45,028	46,379	47,771	49,204	57,041	66,126	76,658	103,021
Payroll & Payroll Tax	114,620	119,205	123,973	128,932	134,089	163,140	198,485	241,487	357,460
Repairs & Maintenance	58,278	60,609	63,033	65,555	68,177	82,948	100,918	122,783	181,748
Utilities	37,155	38,641	40,186	41,794	43,466	52,883	64,340	78,279	115,872
Water, Sewer & Trash	56,178	58,425	60,762	63,193	65,720	79,959	97,282	118,359	175,200
Insurance	31,130	32,375	33,670	35,017	36,417	44,307	53,906	65,585	97,083
Property Tax	54,194	56,362	58,617	60,961	63,400	77,136	93,847	114,180	169,014
Reserve for Replacements	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Other	16,832	17,505	18,205	18,934	19,691	23,957	29,148	35,462	52,493
TOTAL EXPENSES	\$494,997	\$514,360	\$534,484	\$555,400	\$577,138	\$699,353	\$847,597	\$1,027,437	\$1,510,408
NET OPERATING INCOME	\$379,339	\$386,206	\$393,099	\$400,011	\$406,935	\$441,457	\$474,914	\$505,716	\$550,022
DEBT SERVICE									
First Lien Financing	\$271,665	\$271,665	\$271,665	\$271,665	\$271,665	\$271,665	\$271,665	\$271,665	\$271,665
Second Lien	41,662	41,662	41,662	41,662	41,662	41,662	41,662	41,662	41,662
Mortgage Insurance Premium (0	16,394	16,316	16,233	16,144	16,049	15,458	14,620	13,432	9,360
NET CASH FLOW	\$49,618	\$56,563	\$63,539	\$70,540	\$77,559	\$112,672	\$146,968	\$178,958	\$227,335
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.24	1.34	1.45	1.55	1.70

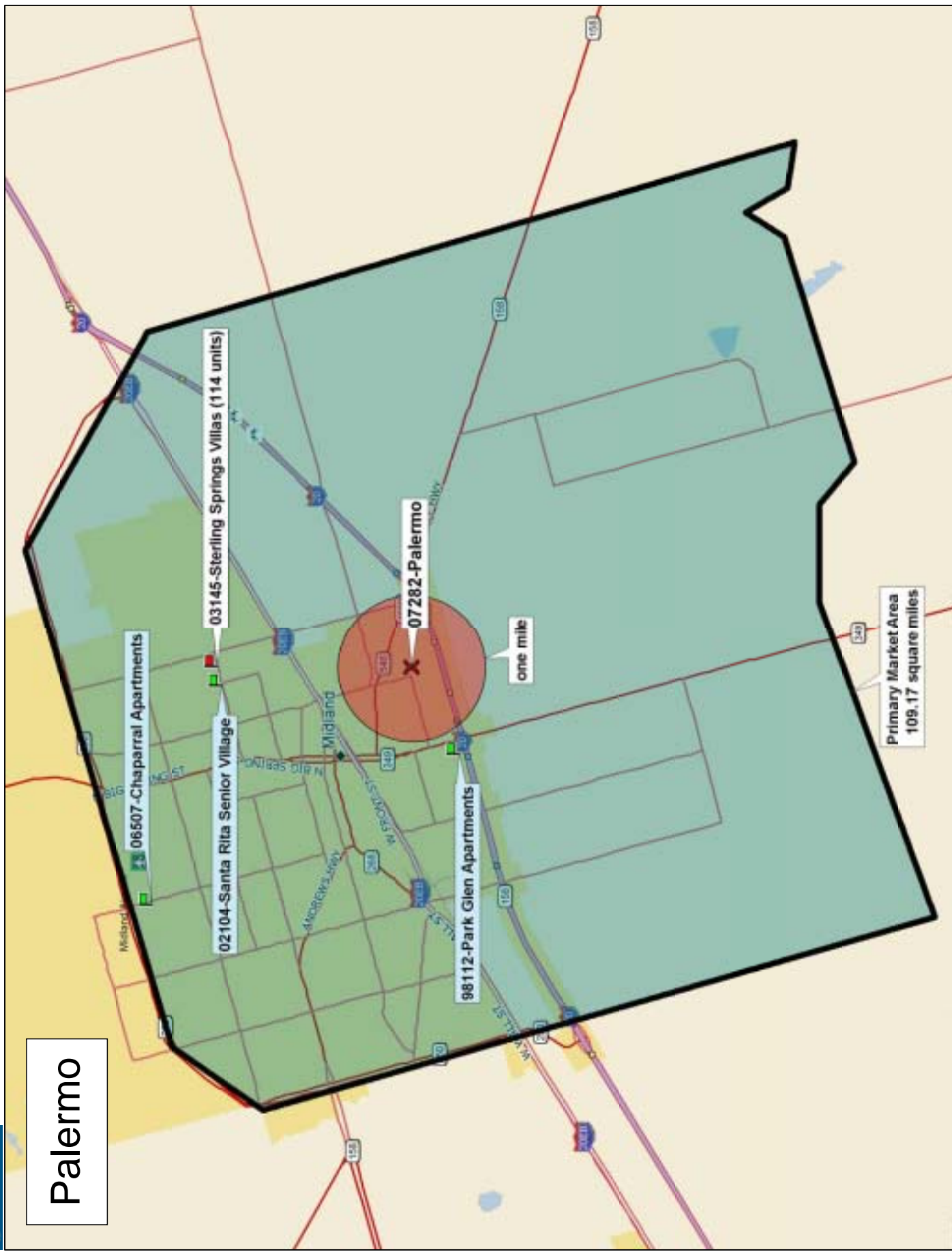
HTC ALLOCATION ANALYSIS -Palermo, Midland, 9% HTC/HOME #07282

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$112,617	\$112,617		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,186,103	\$1,186,103	\$1,186,103	\$1,186,103
Construction Hard Costs	\$6,934,894	\$6,898,487	\$6,934,894	\$6,898,487
Contractor Fees	\$1,098,024	\$1,098,024	\$1,098,024	\$1,098,024
Contingencies	\$261,800	\$261,800	\$261,800	\$261,800
Eligible Indirect Fees	\$967,581	\$967,581	\$967,581	\$967,581
Eligible Financing Fees	\$347,100	\$347,100	\$347,100	\$347,100
All Ineligible Costs	\$373,385	\$373,385		
Developer Fees			\$1,619,325	
Developer Fees	\$1,632,807	\$1,613,864		\$1,613,864
Development Reserves	\$131,300	\$131,300		
TOTAL DEVELOPMENT COSTS	\$13,045,611	\$12,990,261	\$12,414,827	\$12,372,959

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,414,827	\$12,372,959
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$16,139,275	\$16,084,846
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		\$15,405,746	\$15,353,790
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,317,191	\$1,312,749

Syndication Proceeds	0.8999	\$11,852,891	\$11,812,917
Total Tax Credits (Eligible Basis Method)		\$1,317,191	\$1,312,749
Syndication Proceeds		\$11,852,891	\$11,812,917
Requested Tax Credits		\$904,473	
Syndication Proceeds		\$8,139,000	
Gap of Syndication Proceeds Needed		\$8,672,611	
Total Tax Credits (Gap Method)		\$963,772	

Palermo



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www.delorme.com

TN



Scale 1 : 112,500



1" = 1.78 mi Data Zoom 10-7

Applicant Evaluation

Project ID # **07282**

Name: **Palermo**

City: **Midland**

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

Total # of Projects monitored: 2

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 1
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 2

Projects not reported Yes
in application No

not yet monitored or pending review: 9

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 5/31/2007

Date 5/30/2007

Date 5/30/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer Maria Cazares

Reviewer Melissa M. Whitehead

Date 6/1/2007

Date 5/30/2007

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 07285

BASIC DEVELOPMENT INFORMATION

Site Address: Ambrocio Flores Jr. Rd. & Vogel Ave. Development #: 07285
 City: Abilene Region: 2 Population Served: Elderly
 County: Taylor Zip Code: 79603 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Anson Park Seniors, L.P.
 Owner Contact and Phone: Theresa Martin-Holder (512) 258-9194
 Developer: Newlife Housing Foundation
 Housing General Contractor: Charter Contractors, LP
 Architect: Cross Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: Newlife Housing Foundation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	80	
	8	0	0	72	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	56	24	0	0	0	
Type of Building:						Total Development Units:	80
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	7
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$729,049	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 07285

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S	Points: 7	US Representative: Neugebauer, District 19, NC
TX Representative: King, District 71, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Sears Revitalization Committee, Ovelia Campos Letter Score: 24 S or O: S

Anson Park Seniors will allow senior citizens the opportunity to continue to live close to family and extended family while retaining some independence. The Sears neighborhood is an area of Abilene whose residents are aging and there is not a facility like this one in northwest Abilene when our organization was established a facility such as this was one of our long term goals.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 07285

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Peachtree Seniors, TDHCA Number 07289

BASIC DEVELOPMENT INFORMATION

Site Address: 5009 S. Peachtree Rd. Development #: 07289
 City: Balch Springs Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75180 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Peachtree Housing, L.P.
 Owner Contact and Phone: Ron Pegram (817) 267-2492
 Developer: RLP Development LLC
 Housing General Contractor: ICI Construction, Inc.
 Architect: GTF Designs
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: PNC Multifamily Capital, Inc.
 Supportive Services: To Be Determined
 Consultant: AKP & Associates

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	144
	14 0 0 130	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 38 106 0 0 0	Total Development Units:	144
Type of Building:		Total Development Cost*:	\$15,315,548
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis*</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
Competitive Housing Tax Credit Amount:	\$1,161,000	\$1,161,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Peachtree Seniors, TDHCA Number 07289

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S Points: 7 US Representative: Johnson, District 30, S
TX Representative: Latham, District 101, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Wayne Middleton, Mayor Resolution of Support from Local Government [checked]
S, John Wiley Price, Commissioner, District 3 S, Monita McGhee, Director Dallas Area Agency on Aging
S, Dianne Rucker, Assistant Director, Dallas County Dept. of Health & Human Services S, Kandi Hubert, City Manager, Balch Springs

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Hilltop Homeowners Association, Wendy Lister Letter Score: 24 S or O: S

The City of Balch Springs needs affordable housing opportunities in our community especially for the elderly. The development is planned within a medical corridor, it will be a great location for the senior citizen of Balch Springs.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was broad support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt review and acceptance of an additional general partner who has the financial strength to support the transaction or documentation from the lender and syndicator that indicates acceptance on the principal of the General Partner as the sole guarantor in the transaction by carryover.

Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.

Receipt, review and acceptance by commitment of a firm commitment for the contract(s) from the DHA specifically addressing/outlining terms and future renewal options. The vouchers, if awarded should be restricted to support the 60% tax credit units.

Receipt review and acceptance prior to commitment of a certified copy of the complete acquisition contract or a certification from the seller that they are selling 9 acres for \$550,000 and that there are no other agreements written or otherwise to sell additional adjacent land to the purchaser, Mr. Pegram or assigns by carryover.

If the sale of land in excess of the 9 acres described in the site plan is in any way conditioned or related to the sale of the 9 acres, then receipt, review and acceptance prior to cost certification of documentation that the additional acreage, is encumbered by the Department's Land Use Restriction Agreement or has been transferred at no cost to the local government or is reduced from the acquisition cost on a prorata basis.

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

Receipt of a commitment of funding from the Dallas Housing Authority in the amount of \$942,480, or a commitment from a qualifying substitute source in an amount not less than \$765,778, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from the Dallas Housing Authority in the amount of \$942,480, or a commitment from a qualifying substitute source(s) in an amount not less than \$306,311, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Peachtree Seniors, TDHCA Number 07289

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

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,161,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/07 PROGRAM: 9% HTC FILE NUMBER: 07289

DEVELOPMENT						
Peachtree Seniors						
Location: <u>5009 South Peachtree</u>				Region: <u>3</u>		
City: <u>Balch Springs</u>		County: <u>Dallas</u>		Zip: <u>75180</u>		<input type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Elderly, New Construction, Urban/Exurban</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,161,000			\$1,161,000		
CONDITIONS						
<ol style="list-style-type: none"> 1 Receipt review and acceptance of an additional general partner who has the financial strength to support the transaction or documentation from the lender and syndicator that indicates acceptance on the principal of the General Partner as the sole guarantor in the transaction by carryover. 2 Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned. 3 Receipt, review and acceptance by carryover of a firm commitment for the contract(s) from the DHA specifically addressing/outlining terms and future renewal options. The vouchers, if awarded should be restricted to support the 60% tax credit units. 4 Receipt review and acceptance prior to commitment of a certified copy of the complete acquisition contract or a certification from the seller that they are selling 9 acres for \$550,000 and that there are no other agreements written or otherwise to sell additional adjacent land to the purchaser, Mr. Pegram or assigns by carryover. 5 If the sale of land in excess of the 9 acres described in the site plan is in any way conditioned or related to the sale of the 9 acres, then receipt, review and acceptance prior to cost certification of documentation that the additional acreage, is encumbered by the Department's Land Use Restriction Agreement or has been transferred at no cost to the local government or is reduced from the acquisition cost on a prorata basis. 6 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	14				
60% of AMI	60% of AMI	130				

PROS

This would be the first new tax credit development targeting the elderly in Balch Springs and the primary Market Area (PMA) in 7 years.

CONS

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

There is relatively limited need for the proposed 2 bedroom elderly units targeted at the 60% income level.

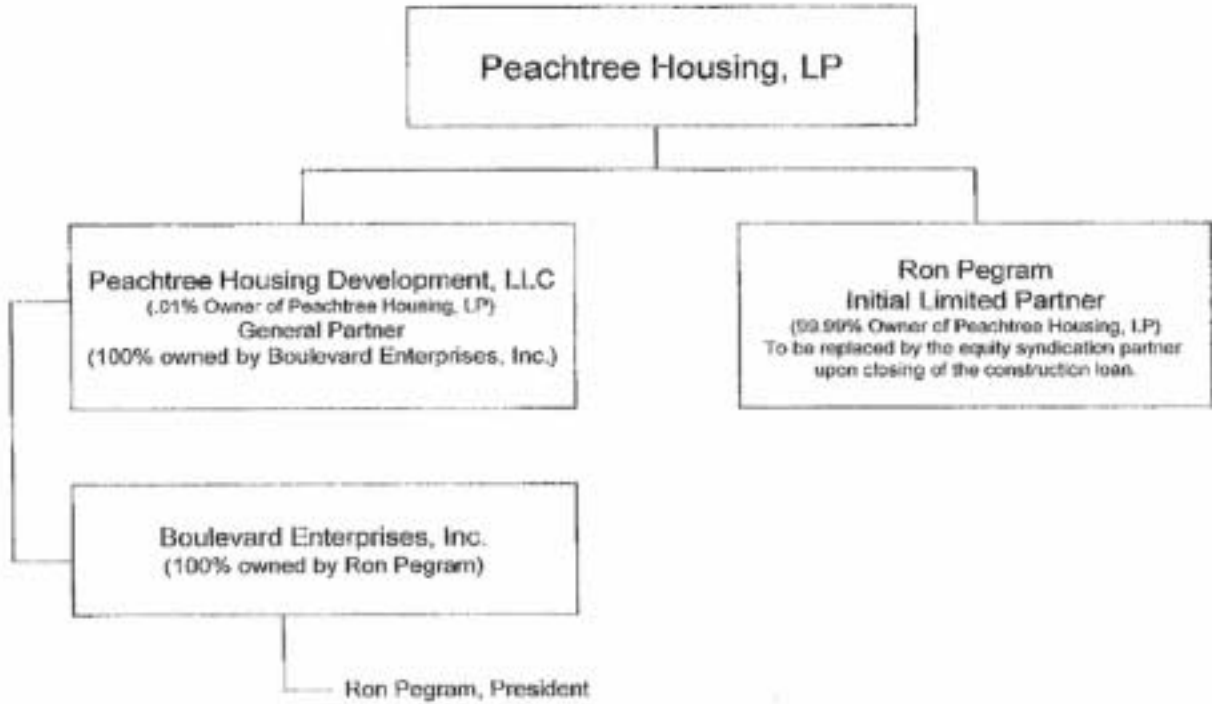
The General Partner has limited financial strength.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ron Pegram Phone: (817) 267-2492 Fax: (817) 267-2681
 Email: rpegam@swbell.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Boulevard Enterprises, Inc.	\$310,412	\$216,892	None identified
RLP Development LLC	\$21,754	\$21,754	None identified
Ron Pegram	CONFIDENTIAL		None identified

¹ Liquidity = Current Assets - Current Liabilities

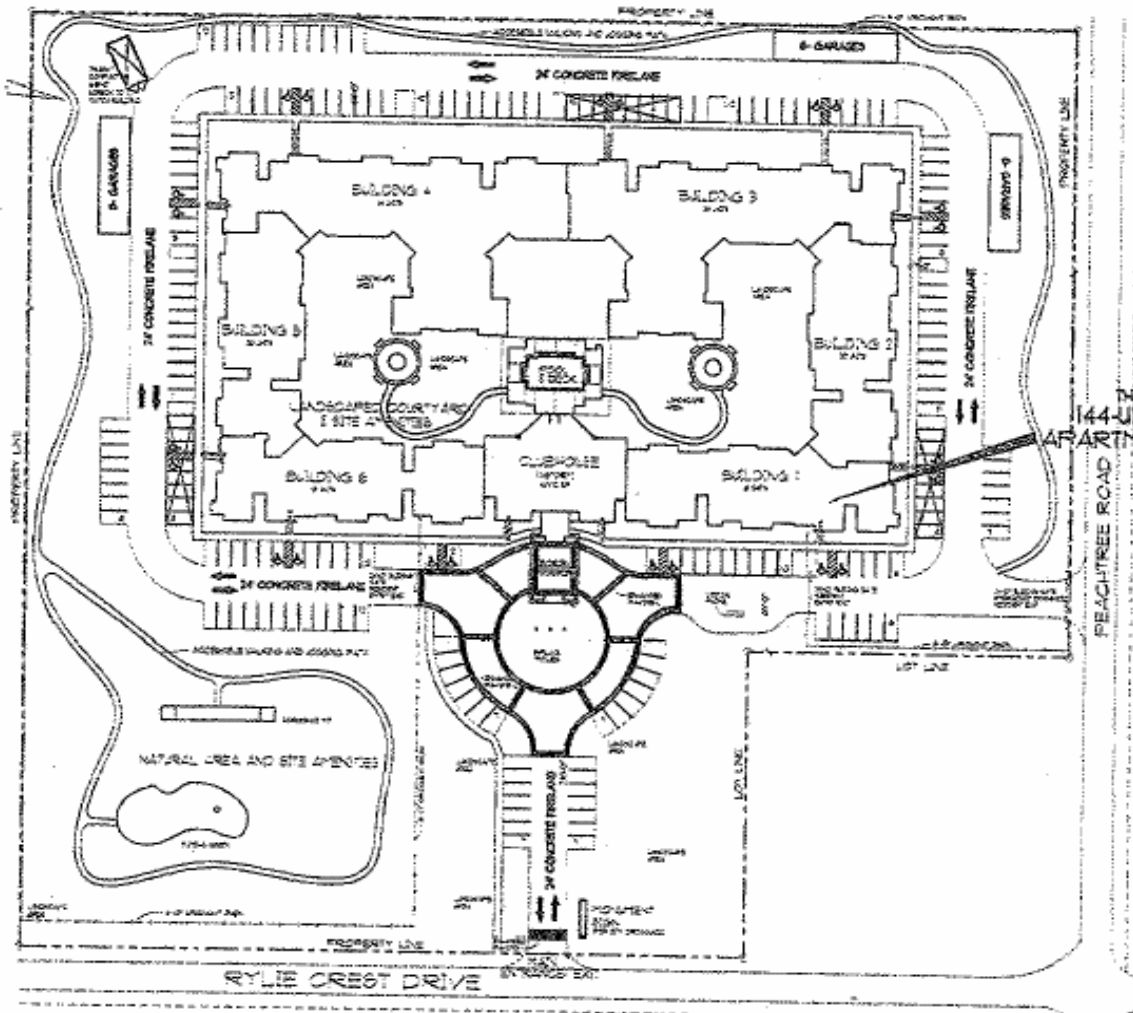
The principal of the General Partner/Applicant does not appear to have the financial wherewithal to support the transaction should it falter during the construction or affordability periods. Thus, it may be difficult for this transaction to secure financing or have to reserve an excessive amount to offset the limited capacity of the general partner guarantee. Receipt, review, and acceptance of an additional general partner who has the financial strength to support the transaction or documentation from the lender and syndicator that indicates acceptance on the principal of the General Partner as the sole guarantor in the transaction is a condition of this report.

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	II							Total Buildings
Floors/Stories	3	3	3							
Number	2	2	2							6

BR/BA	SF	Units								Total Units	Total SF
1/1	760	6	9	4						38	28,880
2/2	1,008	12	8	27						94	94,752
2/2	1,072	3	0	3						12	12,864
Units per Building		21	17	34						144	136,496

SITE ISSUES

Total Size: 9 acres Scattered site? Yes No
Flood Zone: Zone X Within 100-yr floodplain? Yes No
Zoning: CIM Needs to be re-zoned? Yes No N/A
Comments:

The property is presently zoned Commercial. The applicant is requesting a change in zoning to Planned Development. Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/3/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Imperial Electric Company, a farm, duck pond, and manmade stream
South: Rylie Crest Drive, Gibson & Assoc. Construction Co, residential uses, and grocery store
East: South Peachtree Road, residential uses, vacant/undeveloped land, and a cow pasture
West: Elementary School

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Arkose Environmental, Inc Date: 2/24/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
None.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/14/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 19.13 square miles ~ 2.47 mile radius

"For this analysis, we utilized a "primary market area" encompassing 49.54 square miles. The boundaries of the Primary Market Area are as follows: North- Lake June Road; East- Lancaster Road / W. Lawson Road; South- US Highway 175 / I-635; and West: S. Buckner Blvd. / Murdock Road / Dowdy Ferry Road." (p.3)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None Comparable				No secondary market			

INCOME LIMITS						
Dallas						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	127	9	0	136	8	0	6%
1 BR/60% Rent Limit	144	15	0	159	30	0	19%
2 BR/30% Rent Limit	31	3	0	34	6	0	18%
2 BR/60% Rent Limit	54	3	0	57	100	0	175%

OVERALL DEMAND												
			Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER												
Market Analyst	p.	58	100%	51,802	100%	51,802	1%	761	100%	761	62%	474
Underwriter			15%	14,858	100%	14,858	29%	4,248	14%	612	33%	203
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	58				178	1%	3	80%	2	100%	2
Underwriter					100%	292	29%	84	14%	12	100%	12

The Market Analyst used an exceptionally high turnover rate for seniors of 62%. Seniors are known to move less frequently than the general public. The Department has only one other senior development in the PMA which has a 30% turnover. The average turnover for all tax credit developments in the submarket is 33% and the underwriter utilized that amount as a better gauge of the likely turnover for this submarket.

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	59	144	0	0	144	476	30.25%
Underwriter			144	0	0	144	215	67.10%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 93.9% as a result of growing demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing."(p.11)

Absorption Projections:

"Today, the PMA is 93.9% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 214 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available." (p.12)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	760 SF	30%	\$264	\$264	\$650	\$264	\$386
1 BR	760 SF	60%	\$639	\$639	\$650	\$639	\$11
2 BR	1,008 SF	30%	\$309	\$309	\$765	\$309	\$456
2 BR	1,008 SF	60%	\$755	\$759	\$765	\$759	\$6
2 BR	1,072 SF	30%	\$309	\$309	\$785	\$309	\$476
2 BR	1,072 SF	60%	\$755	\$759	\$785	\$759	\$26

Market Impact:

"Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market." (p.102)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. Developments targeting senior households may have inclusive capture rates as high as 75%; therefore, the subject's inclusive capture rate, at just below 70%, is high but acceptable.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/13/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of October 1, 2006 maintained by Balch Springs Housing Agency, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

It should be noted, the Applicant has made application to the Dallas Housing Authority to receive funding for 21 Project-Based Vouchers totaling \$942,480. According to the Applicant, confirmation of a commitment for these 21 vouchers is still pending approval by the Housing Authority. The Applicant has assumed that the property will operate under the DHA HAP contract providing project-based vouchers for 21 of the one bedroom units and the payment standard would be the tax credit rent limit. The Applicant further anticipates the contract to last for five years and be renewable thereafter. Receipt, review and acceptance of a firm commitment or contract(s) from the DHA is a condition of this report. In order for the vouchers to not have an impact on this underwriting they would need to support the 60% units otherwise the voucher payment on top of the 30% rent would be available for additional debt service and the tax credits could be over sourced.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 6/13/2007

The Applicant's total annual operating expense projection at \$4,284 per unit is within 5% of the Underwriter's estimate of \$4,186, derived from the TDHCA database, and third-party data sources.

The Applicant incorrectly included \$11,835 annually for social services in their General and Administrative (G&A) expense projection. This expense was moved to the "Other" expense line by the Underwriter to allow a more accurate comparison of G&A expenses.

The Mayor of Balch Springs has provided the Applicant with a letter stating, "The Director of Economic Development has reviewed your application and has advised the Council that you are eligible to receive the requested 100% Tax Abatements for a period of Ten Years up to \$37,500." This Tax Abatement from the city has been factored into the Underwriter's expense estimate but it is not clear that it has been factored into the Applicant's expenses as the Applicant's property tax expense is \$26K higher than the Underwriter's estimate.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity.

Although the \$300K loan from the Balch Springs Community and Economic Development Corporation appears to be structured with payments from available cashflow, the Applicant has included annual debt service based on their estimate of the Applicable Federal Rate. With this debt service added to the conventional annual debt service, the Applicant's proforma results in a debt coverage ratio (DCR) within the Department's guideline of 1.15 to 1.35. However, the underwriting analysis assumes no debt service related to this loan; the conventional loan debt service alone results in a DCR above the current underwriting maximum guideline of 1.35.

The recommended financing structure reflects the Balch Springs Community and Economic Development Corporation debt as serviceable at the AFR rate in addition to the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 18.664 acres	<u>\$317,290</u>	Tax Year:	<u>2006</u>
1 acre:	<u>\$17,000</u>	Valuation by:	<u>Dallas CAD</u>
Total Prorata: 9 acres	<u>\$153,001</u>	Tax Rate:	<u>2.30385</u>

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement Acreage: ±10

Contract Expiration: 9/15/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$550,000 Other: _____

Seller: Oscar Hernandez Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 6/13/2007

Acquisition Value:

The site cost of \$55K per acre or \$3,819 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. However, the Applicant may be acquiring 10 acres referenced in Exhibit B of the contract but only including 9 acres in the site. Exhibit A of the contract which reflected the legal description other property being sold was not include din the application and the contract itself did not specifically state the acreage amount. Receipt review and acceptance of a certified copy of the complete contract or a certification from the seller that they are selling only 9 acres for \$550,000 and that there are no other agreements written or otherwise to sell additional adjacent land to the purchaser, Mr. Pegram or assigns.

If the purchase is for the 10 acres, then the acquisition price must be reduced which would also reduce the credit amount or the additional acre must be dedicated to the development in the LURA or to the city for park land. Thus receipt, review and acceptance of documentation that the additional acreage has been transferred at no cost to the local government or is encumbered or is reduced from the acquisition cost on a prorata basis by cost certification is a condition of this report.

Off-Site Cost:

The Applicant claimed off-site costs of \$310K for an extension of sewer line and provided sufficient third party certification through an registered architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,331 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is \$495K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$22,003 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction in the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$4,744 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. 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 is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,060,358 supports annual tax credits of \$1,202,161. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/13/2007

Source: Evanston Financial Type: Interim to Permanent Financing

Principal: \$4,207,546 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

\$275 per unit annual replacement reserve deposit required.

Source: Balch Springs Comm. & Econ. Development Type: Interim to Permanent Financing

Principal: \$300,000 Interest Rate: AFR Fixed Term: 360 months

Comments:

The payments are due from available cashflow; Rate Index: Long Term Applicable Federal Rate (AFR); estimated to be 4.9% as of the date of application.

Source: PNC Multifamily Type: Syndication

Proceeds: \$10,808,000 Syndication Rate: 93.1% Anticipated HTC: \$ 1,161,000

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$4,207,546 and \$300K Economic Development loan indicates the need for \$10,808,002 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,161,000 annually would be required to fill this gap in financing.

Of the three possible tax credit allocations, Applicant's request (\$1,161,000), the gap-driven amount (\$1,161,000), and eligible basis-derived estimate (\$1,202,161), the gap-driven amount of \$1,161,000 is recommended.

The Underwriter's recommended financing structure indicates no need for deferred developer fees.

Underwriter: _____ Date: June 30, 2007

Diamond Unique Thompson

Reviewing Underwriter: _____ Date: June 30, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: June 30, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Peachtree Seniors, Balch Springs, 9% HTC #07289

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	760	\$373	\$264	\$1,056	\$0.35	\$109.00	\$36.00
TC 60%	34	1	1	760	\$748	639	21,726	0.84	109.00	36.00
TC 30%	8	2	2	1,008	\$448	309	2,472	0.31	139.00	41.00
TC 60%	86	2	2	1,008	\$898	759	65,274	0.75	139.00	41.00
TC 30%	2	2	2	1,072	\$448	309	618	0.29	139.00	41.00
TC 60%	10	2	2	1,072	\$898	759	7,590	0.71	139.00	41.00
TOTAL:	144		AVERAGE:	948		\$686	\$98,736	\$0.72	\$131.08	\$39.68

INCOME

Total Net Rentable Sq Ft: 136,496

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$6.00
 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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.21%	\$400	0.42	\$57,549	\$50,165	\$0.37	\$348	4.56%
Management	5.00%	384	0.40	55,278	55,064	0.40	382	5.00%
Payroll & Payroll Tax	13.30%	1,021	1.08	146,993	130,000	0.95	903	11.80%
Repairs & Maintenance	6.79%	521	0.55	75,061	68,200	0.50	474	6.19%
Utilities	3.65%	280	0.30	40,343	44,000	0.32	306	4.00%
Water, Sewer, & Trash	5.15%	396	0.42	56,954	69,000	0.51	479	6.27%
Property Insurance	3.36%	258	0.27	37,098	41,000	0.30	285	3.72%
Property Tax 2.30385	6.90%	530	0.56	76,279	102,312	0.75	711	9.29%
Reserve for Replacements	3.58%	275	0.29	39,600	39,600	0.29	275	3.60%
TDHCA Compliance Fees	0.52%	40	0.04	5,760	5,760	0.04	40	0.52%
Other: social services	1.07%	82	0.09	11,835	11,835	0.09	82	1.07%
TOTAL EXPENSES	54.52%	\$4,186	\$4.42	\$602,752	\$616,936	\$4.52	\$4,284	56.02%
NET OPERATING INC	45.48%	\$3,492	\$3.68	\$502,808	\$484,364	\$3.55	\$3,364	43.98%

DEBT SERVICE

Evanston Financial	31.93%	\$2,452	\$2.59	\$353,037	\$353,037	\$2.59	\$2,452	32.06%
Balch Springs Comm. & Econ. Deve	1.73%	\$133	\$0.14	19,106	18,736	\$0.14	\$130	1.70%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	11.82%	\$907	\$0.96	\$130,665	\$112,591	\$0.82	\$782	10.22%
AGGREGATE DEBT COVERAGE RATIO				1.35	1.30			
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)		3.50%	\$3,611	\$3.81	\$520,000	\$520,000	\$3.81	\$3,611	3.40%
Off-Sites		2.08%	2,153	2.27	310,000	310,000	2.27	2,153	2.02%
Sitework		8.07%	8,331	8.79	1,199,652	1,199,652	8.79	8,331	7.83%
Direct Construction		49.50%	51,117	53.93	7,360,779	7,856,031	57.56	54,556	51.29%
Contingency 5.00%		2.88%	2,972	3.14	428,022	457,528	3.35	3,177	2.99%
Contractor's Fees 14.00%		8.06%	8,323	8.78	1,198,460	1,262,777	9.25	8,769	8.25%
Indirect Construction		6.25%	6,455	6.81	929,556	929,556	6.81	6,455	6.07%
Ineligible Costs		2.83%	2,920	3.08	420,446	420,446	3.08	2,920	2.75%
Developer's Fees 14.85%		11.72%	12,103	12.77	1,742,792	1,742,792	12.77	12,103	11.38%
Interim Financing		4.15%	4,283	4.52	616,766	616,766	4.52	4,283	4.03%
Reserves		0.97%	998	1.05	143,737	0	0.00	0	0.00%
TOTAL COST		100.00%	\$103,265	\$108.94	\$14,870,210	\$15,315,548	\$112.21	\$106,358	100.00%
Construction Cost Recap		68.51%	\$70,742	\$74.63	\$10,186,913	\$10,775,988	\$78.95	\$74,833	70.36%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Evanston Financial	28.30%	\$29,219	\$30.83	\$4,207,546	\$4,207,546	\$4,207,546	Developer Fee Available
Balch Springs Comm. & Econ. Deve	2.02%	\$2,083	\$2.20	300,000	300,000	300,000	\$1,742,792
HTC Syndication Proceeds	72.68%	\$75,056	\$79.18	10,808,000	10,808,000	10,808,002	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	-2.99%	(\$3,093)	(\$3.26)	(445,336)	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,870,210	\$15,315,548	\$15,315,548	\$2,694,473

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Peachtree Seniors, Balch Springs, 9% HTC #07289

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.32	\$7,414,229
Adjustments				
Exterior Wall Finish	0.80%		\$0.43	\$59,314
Elderly	3.00%		1.63	222,427
9-Ft. Ceilings	3.10%		1.68	229,841
Roofing			0.00	0
Subfloor			(0.82)	(112,382)
Floor Cover			2.43	331,685
Breezeways	\$22.27	24,304	3.97	541,250
Plumbing Fixtures	\$805	318	1.88	255,990
Rough-ins	\$400	288	0.84	115,200
Built-In Appliances	\$1,850	144	1.95	266,400
Stairs	\$1,800	16	0.21	28,800
Enclosed Corridors	\$44.40		0.00	0
Heating/Cooling			1.90	259,342
Elevators	\$52,750	3	1.16	158,250
Comm &/or Aux Bldgs	\$65.36	4,000	1.92	261,450
Other: fire sprinkler	\$1.95	136,496	1.95	266,167
SUBTOTAL			75.45	10,297,964
Current Cost Multiplier	0.98		(1.51)	(205,959)
Local Multiplier	0.90		(7.54)	(1,029,796)
TOTAL DIRECT CONSTRUCTION COSTS			\$66.39	\$9,062,209
Plans, specs, survy, bld prm	3.90%		(\$2.59)	(\$353,426)
Interim Construction Interes	3.38%		(2.24)	(305,850)
Contractor's OH & Profit	11.50%		(7.64)	(1,042,154)
NET DIRECT CONSTRUCTION COSTS			\$53.93	\$7,360,779

Primary	\$4,207,546	Amort	360
Int Rate	7.50%	DCR	1.42

Secondary	\$300,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.35

Additional	\$10,808,000	Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$353,037
Secondary Debt Service	19,106
Additional Debt Service	0
NET CASH FLOW	\$112,221

Primary	\$4,207,546	Amort	360
Int Rate	7.50%	DCR	1.37

Secondary	\$300,000	Amort	360
Int Rate	4.90%	Subtotal DCR	1.30

Additional	\$10,808,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

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

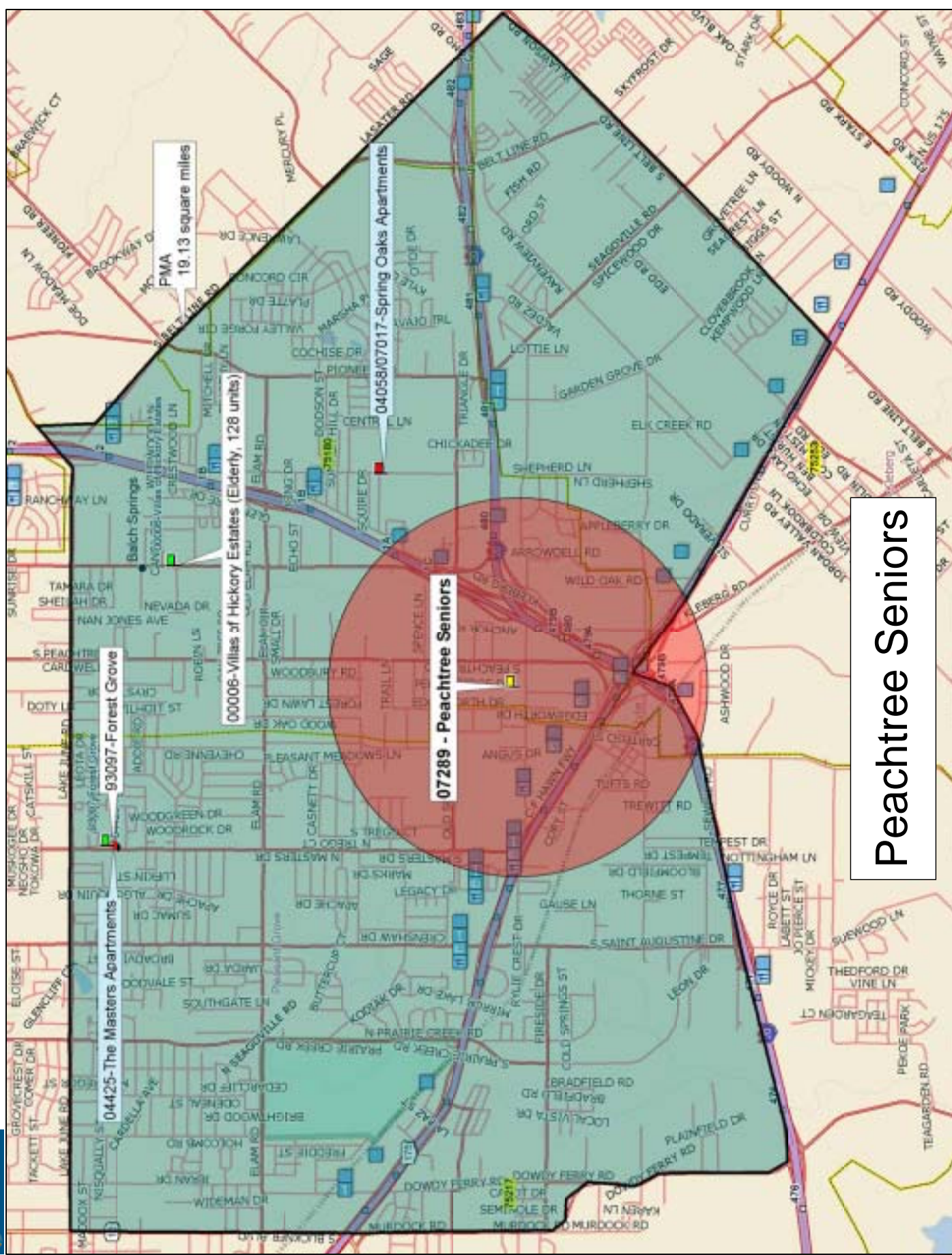
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,180,224	\$1,215,631	\$1,252,100	\$1,289,663	\$1,328,353	\$1,539,925	\$1,785,195	\$2,069,530	\$2,781,275
Secondary Income	10,368	10,679	10,999	11,329	11,669	13,528	15,683	18,180	24,433
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,190,592	1,226,310	1,263,099	1,300,992	1,340,022	1,553,453	1,800,877	2,087,710	2,805,708
Vacancy & Collection Loss	(89,292)	(91,973)	(94,732)	(97,574)	(100,502)	(116,509)	(135,066)	(156,578)	(210,428)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,101,300	\$1,134,337	\$1,168,367	\$1,203,418	\$1,239,520	\$1,436,944	\$1,665,811	\$1,931,132	\$2,595,280
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$50,165	\$52,172	\$54,258	\$56,429	\$58,686	\$71,400	\$86,870	\$105,690	\$156,447
Management	55,064	56,716	58,417	60,170	61,975	71,846	83,289	96,555	129,762
Payroll & Payroll Tax	130,000	135,200	140,608	146,232	152,082	185,031	225,118	273,890	405,425
Repairs & Maintenance	68,200	70,928	73,765	76,716	79,784	97,070	118,100	143,687	212,692
Utilities	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Water, Sewer & Trash	69,000	71,760	74,630	77,616	80,720	98,209	119,486	145,373	215,187
Insurance	41,000	42,640	44,346	46,119	47,964	58,356	70,999	86,381	127,865
Property Tax	102,312	106,404	110,661	115,087	119,691	145,622	177,171	215,556	319,075
Reserve for Replacements	39,600	41,184	42,831	44,545	46,326	56,363	68,574	83,431	123,499
Other	11,835	12,308	12,801	13,313	13,845	16,845	20,494	24,935	36,909
TOTAL EXPENSES	\$611,176	\$635,072	\$659,908	\$685,720	\$712,547	\$863,367	\$1,046,295	\$1,268,199	\$1,864,081
NET OPERATING INCOME	\$490,124	\$499,264	\$508,459	\$517,697	\$526,973	\$573,577	\$619,516	\$662,933	\$731,199
DEBT SERVICE									
First Lien Financing	\$353,037	\$353,037	\$353,037	\$353,037	\$353,037	\$353,037	\$353,037	\$353,037	\$353,037
Second Lien	19,106	19,106	19,106	19,106	19,106	19,106	19,106	19,106	19,106
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$117,981	\$127,121	\$136,315	\$145,554	\$154,829	\$201,433	\$247,373	\$290,790	\$359,055
DEBT COVERAGE RATIO	1.32	1.34	1.37	1.39	1.42	1.54	1.66	1.78	1.96

HTC ALLOCATION ANALYSIS -Peachtree Seniors, Balch Springs, 9% HTC #07289

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$520,000	\$520,000		
Purchase of buildings				
Off-Site Improvements	\$310,000	\$310,000		
Sitework	\$1,199,652	\$1,199,652	\$1,199,652	\$1,199,652
Construction Hard Costs	\$7,856,031	\$7,360,779	\$7,856,031	\$7,360,779
Contractor Fees	\$1,262,777	\$1,198,460	\$1,262,777	\$1,198,460
Contingencies	\$457,528	\$428,022	\$452,784	\$428,022
Eligible Indirect Fees	\$929,556	\$929,556	\$929,556	\$929,556
Eligible Financing Fees	\$616,766	\$616,766	\$616,766	\$616,766
All Ineligible Costs	\$420,446	\$420,446		
Developer Fees				
Developer Fees	\$1,742,792	\$1,742,792	\$1,742,792	\$1,742,792
Development Reserves		\$143,737		
TOTAL DEVELOPMENT COSTS	\$15,315,548	\$14,870,210	\$14,060,358	\$13,476,027

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,060,358	\$13,476,027
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,060,358	\$13,476,027
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,060,358	\$13,476,027
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,202,161	\$1,152,200

Syndication Proceeds	0.9309	\$11,191,173	\$10,726,082
Total Tax Credits (Eligible Basis Method)		\$1,202,161	\$1,152,200
Syndication Proceeds		\$11,191,173	\$10,726,082
Requested Tax Credits		\$1,161,000	
Syndication Proceeds		\$10,808,000	
Gap of Syndication Proceeds Needed		\$10,808,002	
Total Tax Credits (Gap Method)		\$1,161,000	



Peachtree Seniors

Applicant Evaluation

Project ID # **07289**

Name: **Peachtree Seniors**

City: **Balch Spring**

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

Total # of Projects monitored: 1

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 1

Projects not reported Yes
in application No

not yet monitored or pending review: 0

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Sandy M. Garcia

Reviewer D. Burrell

Date 5/31/2007

Date 5/30/2007

Date 5/31/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer Maria Cazares

Reviewer Melissa M. Whitehead

Date 6/1/2007

Date 5/30/2007

Date 6/7/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cypress Creek at Reed Road, TDHCA Number 07291

BASIC DEVELOPMENT INFORMATION

Site Address: Approx. 2900 Blk of Reed Rd. Development #: 07291
 City: Houston Region: 6 Population Served: General
 County: Harris Zip Code: 77051 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Cypress Creek Reed Road L.P.
 Owner Contact and Phone: Stuart Shaw (512) 220-8000
 Developer: SSFP 288 VII LLC
 Housing General Contractor: Bonner Carrington Construction LLC
 Architect: Chiles Architects, Inc.
 Market Analyst: O' Conner & Associates
 Syndicator: Apollo Equity Providers
 Supportive Services: To Be Determined
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	126
	14	0	0	112	Market Rate Units:	6
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	32	64	32	4	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	132
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$16,251,159
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	15
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,199,797			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cypress Creek at Reed Road, TDHCA Number 07291

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, S Points: 7 US Representative: Green, District 9, NC
TX Representative: Allen, District 131, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government []
O, Robert Eckels, Harris County Judge
S, Peter Brown, Houston City Council Member At-Large
Position 1

Individuals and Businesses In Support: 3 In Opposition 2

Quantifiable Community Participation Input:

Southeast Coalition of Civic Clubs, Bessie Swindle Letter Score: 12 S or O: S
The organization collectively supports the project.

Sunnyside /South Acres/ Crestmont Park Super Neighborhood Council, L.E. Letter Score: 24 S or O: S
Chamberlin
The organization collectively supports the project.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was mixed support/opposition from officials, with a majority supporting the project. There was support from a qualified neighborhood organization and an unqualified neighborhood organization. There was opposition from two non-officials. The primary reasons cited for opposition are there are already five low income developments located within close proximity to this proposed development and lease up is currently below 90% for all of these developments; economic occupancy of one of the other developments discussed in the market study has never exceeded 90%; there is a shortage of tenants at 60% of AMFI in the market area; there is no sewer line serving the proposed site; and an apartment turnover survey conducted by the party in opposition found different results from those found by the market analyst.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, before carryover, of evidence that all Phase I Environmental Site Assessment recommendations with regard to a) subsurface investigation of the environmental impact of the dry hole oil well, b) a noise study due to the proximity of HWY 288, and c) removal of on-site debris. In addition, receipt, review and acceptance by cost certification of any subsequent environmental reports and evidence that recommendations regarding the dry hole or noise have been implemented.

Receipt, review, and acceptance, before commitment, of documentation from the City of Houston regarding the funding approval for the related Mariposa at Reed Road in order to facilitate the wastewater line connection.

Receipt, review, and acceptance, before carryover of documentation from the City of Houston regarding approval/acceptance, time frame and hook up/impact fees for the wastewater service line extension for the subject or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed.

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

Receipt of a commitment of funding from the City of Houston in the amount of \$1,200,000, or a commitment from a qualifying substitute source in an amount not less than \$820,058, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cypress Creek at Reed Road, TDHCA Number 07291

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

Competitive Housing Tax Credits: Score: **194** Meeting a Required Set-Aside Credit Amount*: \$1,199,797

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/19/07 PROGRAM: 9% HTC FILE NUMBER: 07291

DEVELOPMENT																		
Cypress Creek at Reed Road																		
Location: <u>Approximately the 2900 block of Reed Road</u>					Region: <u>6</u>													
City: <u>Houston</u>		County: <u>Harris</u>		Zip: <u>77051</u>		<input checked="" type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, New Construction, Urban/Exurban, Family</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$1,200,000			\$1,199,797														
CONDITIONS																		
<p>1 Receipt, review, and acceptance, before carryover, of evidence that all Phase I Environmental Site Assessment recommendations with regard to a) subsurface investigation of the environmental impact of the dry hole oil well, b) a noise study due to the proximity of HWY 288, and c) removal of on-site debris. In addition, receipt, review and acceptance by cost certification of any subsequent environmental reports and evidence that recommendations regarding the dry hole or noise have been implemented.</p> <p>2 Receipt, review, and acceptance, before commitment, of documentation from the City of Houston regarding the funding approval for the related Mariposa at Reed Road in order to facilitate the wastewater line connection.</p> <p>3 Receipt, review, and acceptance, before carryover of documentation from the City of Houston regarding approval/acceptance, time frame and hook up/impact fees for the wastewater service line extension for the subject or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed.</p> <p>4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.</p>																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">14</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">112</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	14	60% of AMI	60% of AMI	112
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	14																
60% of AMI	60% of AMI	112																
PROS			CONS															
<p>The proposed local HOME funds for the subject could be funded out of deferred developer fee and still be repaid in just over 10 years</p>			<p>The number of two and three bedroom units targeting 60% households may be somewhat oversaturated based upon the unit capture rates of over 120% calculated by the Market Analyst.</p>															

Wastewater service will not be available to the site until at least early 2008 and is subject to the development of another related HTC property

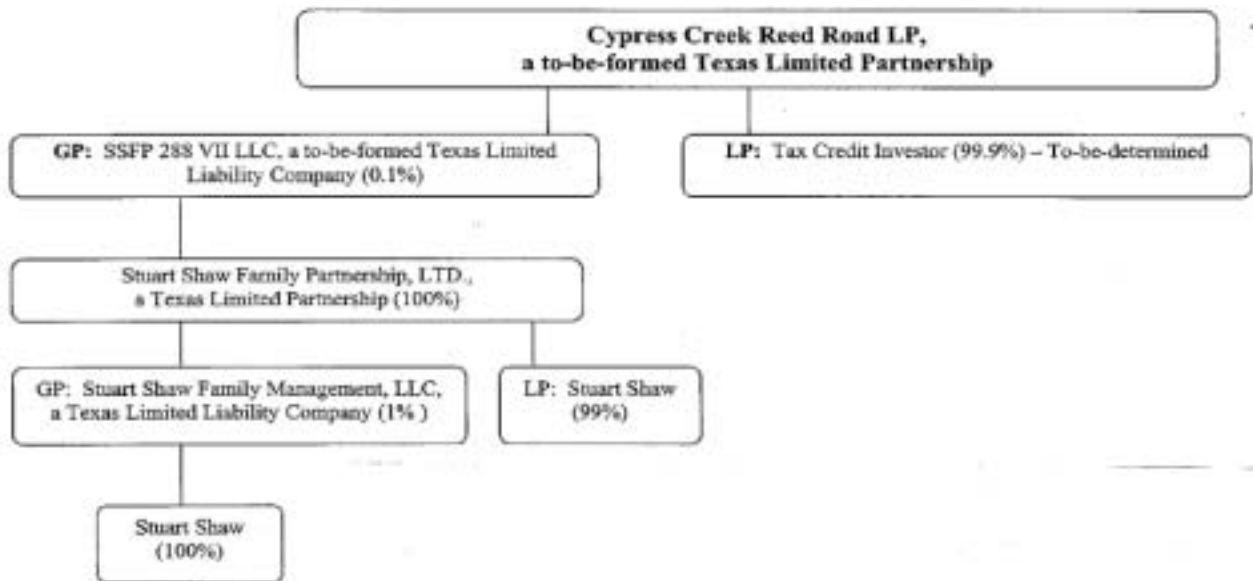
The Applicant has attempted to increase the development cost by creating a related party acquisition broker fee

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Stuart Shaw Phone: (512) 220-8000 Fax: (512) 329-9002
 Email: stuart@bonnercarrington.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Stuart Shaw Family Partnership, Ltd	\$419,795	\$353,643	3 completed 2 in construction
Stuart Shaw Family Management, LLC	\$23,957	-\$1,757	3 completed 2 in construction
Stuart Shaw	Confidential		3 completed 2 in construction

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

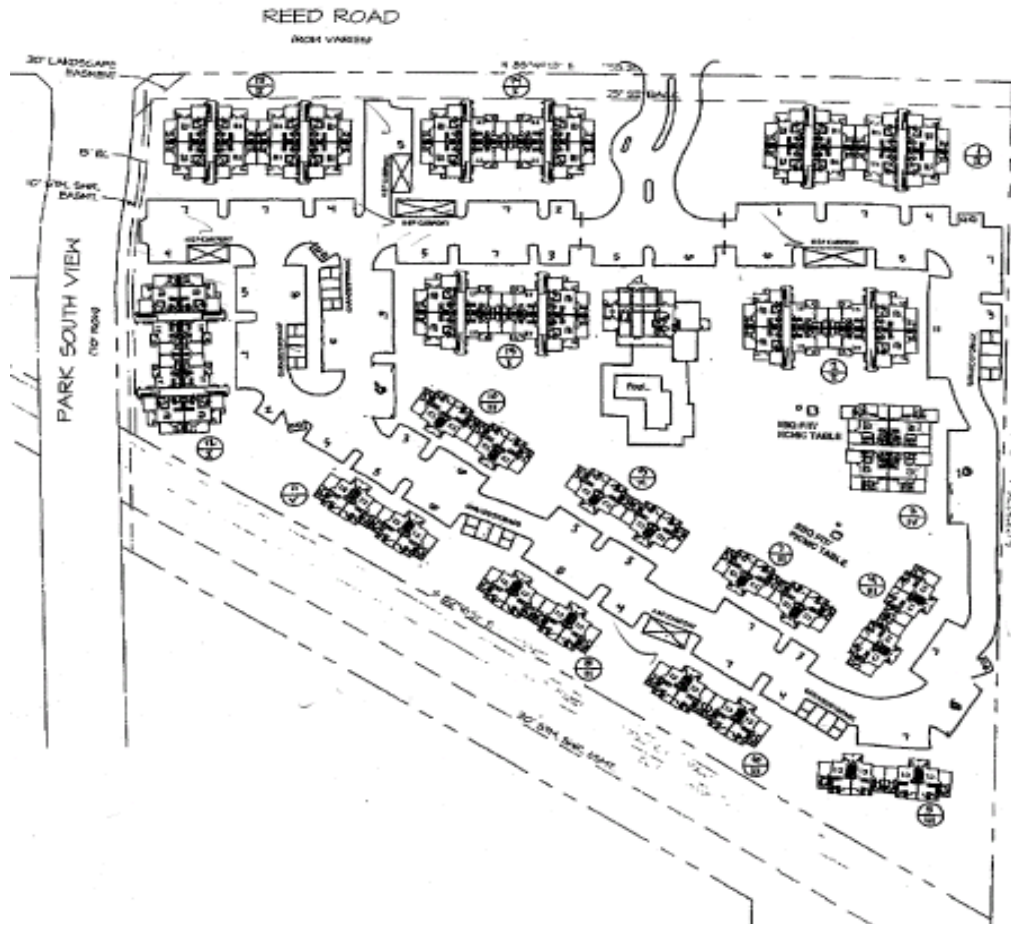
The Applicant, Developer and General Contractor are related entities. These are common relationships for HTC-funded developments.

A real estate brokerage related to the Applicant will receive a \$150,000 commission on the transfer of the property. This amount is considered as part of total developer's fees, over and above the maximum eligible fees already claimed. If the Applicant's direct costs are used to recommend credits an equal amount will be reduced from the gap to ensure that the tax credit syndication proceeds are not being used to fund this extra fee.

PROPOSED SITE

SITE PLAN

**CYPRESS CREEK @ REED ROAD
HARRIS COUNTY, TEXAS**



BUILDING CONFIGURATION

Building Type	I	II	III	IV								Total Buildings
Floors/Stories	2	2	2	2								
Number	4	2	8	1								15

BR/BA	SF	Units										Total Units	Total SF
1/1	708	8										32	22,656
2/2	1,031	8	16									64	65,984
3/2	1,215			4								32	38,880
4/2	1,357				4							4	5,428
Units per Building		16	16	4	4							132	132,948

SITE ISSUES

Total Size:	10.286 acres	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Flood Zone:	X	Within 100-yr floodplain?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Zoning:	N/A	Needs to be re-zoned?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No

N/A

Comments:

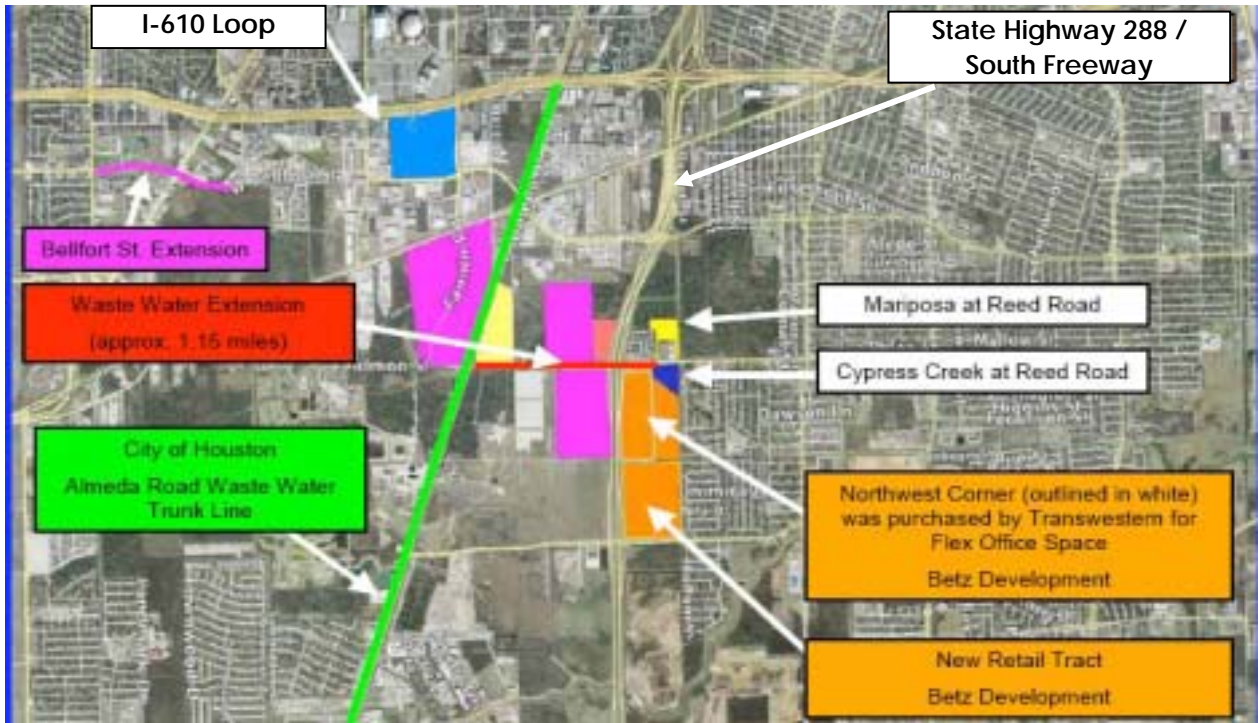
The owner of several other developments in the area, Mr. John Barineau, contacted the Department regarding the subject application. Mr. Barineau questioned the availability of wastewater service for the subject development, and the lack of offsite costs budgeted by the Applicant. Mr. Stuart Shaw, the principal of the Applicant, was contacted and responded: "Wastewater is available ... You just have to install a line to get to it ... Funding is in place, design is done, bidding is underway, construction should start in August and be completed in 4-5 months ... Funding is not from Cypress Creek thus there would be nothing in the sources and uses. All Cypress Creek has to do is pay normal impact fees. Connection fees are paid by land developer and contributed into the cost of the land."

The wastewater infrastructure for the immediate area is being developed along with another LIHTC project, Reed Road Senior Residential (#060217, now known as Mariposa at Reed Road), for which Mr. Shaw received a 9% allocation in 2006. Reed Road Senior is being built directly across Reed Road from the subject. Reed Road Senior claimed no offsite cost at initial application. This was not noted as an issue at the time it was underwritten. Considering the location in central Houston, there was no reason to believe wastewater service would not be available. Mr. Shaw has been working with the City of Houston to make sure the wastewater line is constructed. At carryover, Mr. Shaw submitted a revised development schedule including offsite costs of \$1.9M, as well as a conditional commitment from the City of Houston for HOME funds in the form of a \$2.5M forgivable loan.

The expected cost of the wastewater pipeline has increased to \$3.6M. At present, Mr. Shaw has reported that the City Council of the City of Houston approved \$4.25M in HOME funding to the Mariposa / Reed Road Senior Residential project on July 18, 2007. The Applicant is aware that HOME funds cannot be used for offsite development. The HOME funds can be applied toward housing development costs while the conventional debt will be used to fund the infrastructure but be collateralized by the Reed Road Senior property. The Reed Road Senior project underwriting analysis indicated significantly more eligible basis than needed to receive the maximum \$1.2M tax credit allocation permitted for a single development. The HOME funds proposed at carryover were deducted from eligible basis to preserve the Difficult Development Area boost; Mr. Shaw believes there remains sufficient eligible costs to allow deduction of the increased HOME funding and still preserve the maximum tax credit amount.

Based on this information and subject to verification from the City of Houston, the wastewater line is expected to be developed in the context of Mariposa / Reed Road Senior in the next 12 months. It will therefore be available for the subject development. The Applicant has indicated that the cost of connection to the wastewater line for the subject site will be a nominal hook-up fee or be borne by the land developer (the Seller) prior to the property transfer. Receipt, review, and acceptance, before carryover, of documentation from the City of Houston regarding approval/acceptance, time frame and hook-up/impact fees for the wastewater service line extension for the subject, or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed, will be a condition of this report.

The following aerial photo shows the proximity of the wastewater line today and the location of the new line and the other development that is expected to result. The seller of the subject land is represented on this map as the Betz Development.



TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/18/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: commercial, HTC multifamily East: drainage ditch, residential
 South: pipeline easement, vacant land West: vacant agricultural land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consultants, Inc. Date: 4/2/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Terracon contracted GeoSearch to review the Railroad Commission of Texas records in an attempt to identify oil and gas wells on or adjacent to the site ... a dry hole was identified on-site. The oil/gas database did not report a completion date, plugged date, operator, or total depth of the well. Apparent evidence of oil/gas exploration/production activities was observed on the 1979 aerial photograph on the eastern portion of the site. The use of drilling mud typically associated with oil/gas exploration well sites commonly lead to soil and groundwater impact from metals above TCEQ Texas Risk Reduction Program residential protective concentration levels. Based on this information, potential releases from former oil/gas exploration/production activities appear to present an REC to the site." (p. 23)

"A NEPA Site Specific Statutory Checklist was completed for the site ... All categories were either not applicable or had a negative response with the exception of Category 4, Railroad/Highway/Airport Noise Assessment. The site is located within 1,000 feet of a heavily-traveled roadway." (p. 21)

"Trash and debris were observed along the northern boundary of the site ... Based on visual observation (only of surface materials), the debris appeared to consist of paper, glass bottles, and plastic bottles. The debris materials did not appear to be hazardous in nature; however, they should be removed and disposed in accordance with applicable regulations." (p. 20)

"GeoSearch identified three pipelines south of the site ... owned by Genesis Pipeline Texas, LP, ExxonMobile Pipeline Company, and Sempipe, LP. The ExxonMobile Pipeline Company ... stated the pipelines were likely installed in the 1960's ... had only consisted of refined products (and) to the best knowledge, there had not been any leaks or spills. Genesis Pipeline ... said the pipeline had been sold to Southwest Pipe within the last year or so ... Genesis had owned the pipeline for approximately ten years and to the best knowledge, there had not been any leaks or spills ... the pipeline has always consisted of crude oil ... Sempipe, LP was contacted ... however, a response has not been received. GeoSearch reported that the pipeline contained crude oil." (p. 16)

Comments:

"Based on the scope of services, limitations and findings of this assessment, Terracon recommends subsurface investigation of the on-site dry-hole and a noise study." (p. 25) Receipt, review, and acceptance, before carryover, of evidence that all ESA recommendations have been followed, and all subsequent recommendations appropriately carried out, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/26/2007
 Contact: Leslie Countryman Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 1 Date of Last Applicant Revision: 6/8/2007

Primary Market Area (PMA):

"For the purposes of this report, we will define the primary market area as the aggregated area of the following ZIP Codes: 77051 (where the subject is located), 77021, 77033, 77045, and 77054." (p. 33) This market area encompasses 36 square miles, roughly equivalent to a 3.4 mile radius. The estimated 2006 population of the PMA is 110,014, exceeding the underwriting guideline limit of 100,000. For this reason the Market Analyst prorated the population-related calculations down to an equivalent 100,000 population. The Analyst was requested to provide a revised demand analysis based on a PMA with a population conforming to TDHCA guidelines. The revised PMA is 37 square miles, with a total population of 95,000. It is shifted slightly to the south such that it is entirely outside the I-610 loop.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units <small>25%</small>
Lansborough	04268	176	141	N/A			
The Oakmoor	05619	248	248				
Reed Road Senior	060217	180	Seniors				
Andalusia	07280	102	Proposed Seniors				

Mr. John Barineau, the owner of several other developments in the area, also contacted the Department regarding market concerns relating to the subject application. Mr. Barineau expressed concerns that the area was saturated with tax credit properties. Mr. Barineau also suggested that two additional properties, Parkside Point (03438) and Cullen Park (01410) should be included in the unstabilized supply for purposes of calculating the capture rate for the subject property. The Underwriter contacted the property manager of Parkside Point and confirmed that it has been more than 90% occupied for the last 12 months. The same property manager had recently taken over Cullen Park, and indicated it is only 73% occupied at present, but was unable to provide any historical information.

This section intentionally left blank.

The Market Analyst provided information from their database confirming that Cullen Park had greater than 90% occupancy from September 2005 through August of 2006. So while the occupancy at Cullen Park is currently low, it is considered to have achieved stable occupancy as it had maintained 90% occupancy for twelve consecutive months. Moreover it is speculated by the Underwriter that the occupancy problem at Cullen Park has more to do with the current ownership dynamics of that property as manifested by the recent change in property management. But it should also be noted that even if the 240 units at Cullen Park are included in the supply, all else held the same, the Underwriter's calculated capture rate would be right at the 25% limit.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	14	0	0	14	6	3	64%
1 BR / 60%	173	2	0	175	26	89	66%
2 BR / 30%	97	-2	0	95	8	7	16%
2 BR / 60%	150	-1	0	149	53	130	123%
3 BR / 60%	80	-2	0	78	29	110	178%
4 BR / 60%	40	-1	0	39	4	0	10%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 77-79	100%	31,087	95%	29,576	w/ tenure	29,576	17%	4,889	53%	2,591
Underwriter	100%	31,289	95%	29,768	31%	9,373	58%	5,442	53%	2,885
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 79			95%	190	w/ tenure	190	17%	31	100%	31
Underwriter			95%	192	31%	58	58%	33	100%	33
DEMAND from OTHER SOURCES (section 8 vouchers)										
Market Analyst p. 79										312
Underwriter										141

Mr. Barineau also expressed concerns that the renter tenure and renter household turnover rates supporting the subject development were overly optimistic. These concerns were communicated to the Market Analyst, who defended the analysis provided. The original market study applied an overall renter tenure of 48% derived from Claritas demographic information. However, this Market Analyst typically provides a more detailed calculation of tenure by income bands based on US Census data. The more detailed approach was used in the revised study, indicating that 58% of the households in the target income bands are renters. This latter rate was used by the Underwriter.

This section intentionally left blank.

The Market Analyst had originally used a turnover rate of 65% derived from IREM data. In response to the questions raised, and "to accurately estimate turnover in the market, (the Analyst) surveyed turnover at all the properties in the primary market area. Properties currently in lease-up (The Oakmoor, Lansborough, and Alexan Cityside) have been excluded from the turnover calculations, as their figures would overstate stabilized market turnover ... Based on the expanded survey, which includes both conventional and tax-credit properties (39 total), the weighted turnover rate is 53%. As this is a significantly larger sample size than from strictly the comparable properties ... we feel it more accurately reflects the true turnover rate of properties in the area from which the proposed subject will draw demand." (Market Analyst letter 6/27/2007)

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 80	126	424	0	515	2,935	17.5%
Underwriter	126	424	0	550	3,058	18.0%

Applying the turnover rate of 53% as discussed above, the Analyst arrived at an inclusive capture rate of 17.5%, including Lansborough and Oakmoor in the unstabilized supply. The Underwriter also applied the 53% turnover rate, and arrived at a similar inclusive capture rate of 18.0%. Mr. Barineau had responded to the Analyst's turnover survey results. He suggested that his own survey demonstrated a turnover rate of 40% would more accurately reflect the local market area. If the lower rate of 40% is applied to the underwriting analysis, all else held the same, the calculated inclusive capture rate is 23.7%, which is acceptable within underwriting guidelines. The Underwriter used the higher 53% turnover rate, however because the Market Analyst used a broader survey of apartments and more routinely surveys apartment managers for such information.

Primary Market Occupancy Rates:

The Market Analyst indicated that "Historical occupancy in the primary market has remained relatively strong over the last five years ... Similar to the pattern in the Greater Houston market, occupancy in the primary market area has declined in 2006, as (Katrina) evacuees previously on the voucher program, have since settled elsewhere or returned to New Orleans. Occupancy currently stands at 91.83% ... The overall occupancy level of the affordable housing projects in the primary market area is 89.99%, with the average pre-leased occupancy rate at 92.21%." (pp. 48-49)

Restricted Rent Analysis

The Market Analyst confirms that "We expect the most competitive projects located within the PMA to be the other new HTC projects, which include the recently completed, but unstabilized Lansborough Apartments and the currently under construction Oakmoor Apartments. These properties and the other HTC properties that are located within the PMA are obtaining rents at or near HTC maximums. Considering the proposed subject will be a high quality product and located in the 2900 block of Reed Road, the proposed subject rental rates at the maximum allowable HTC rents are considered reasonable and attainable." (p. 74)

Mr. Barineau, however, expressed concerns with occupancy/vacancy rates in the area and the ability to achieve the maximum 60% rent. He provided an extensive survey of occupancy of other tax credit units within a 2 mile and 6 mile radius of the subject. He identified 493 vacant units out of 3,219 existing units or a 15% vacancy rate. This vacancy figure is overstated compared to data reported by property owners in the Department's CMTS system and reflected in the chart below. In addition, Mr. Barineau include the vacant units from two properties that are still in lease up and excluding those units the actual vacancy rate is a relatively strong 5.97% according to TDHCA data.

		<u>total units</u>	<u>vacant</u>	<u>achieving HTC Rent?</u>	
				<u>60%</u>	<u>50%</u>
<u>within 2 miles of the subject</u>					
05619	Oakmoor*	248	215	yes	n/a
04268	Lansborough*	176	58	yes	yes
02020	Kings Row	180	1	n/a	yes
01410	Cullen Park	241	65	n/a	yes
01412	Belfort Pines	248	12	n/a	yes
98008	Reed Parque	192	16	-9%	yes
95149	Simmons Gardens	120	0	n/a	-13%
Total for 2 miles		1,405	367		
Percent Vacant excluding Lease-up*			9.58%		
<u>within 6 miles of the subject</u>					
04611	Alta Gardens	240	6	yes	n/a
04024	South Union Place	125	15	-7%	-7%
03411	Peninsula	280	7	n/a	yes
03438	Parkside Point	259	1	n/a	yes
02099	Sunrise / Norma's	80	1	-15%	yes
01040	Scott Street	96	1	-4%	yes
01416	Aristocrat / Palomino	272	32	n/a	yes
99011	Plum Creek	152	4	yes	yes
95120	Park Yellowstone	210	6	-5%	yes
93096	Willow Glen	100	0	n/a	n/a
Total for 2 to 6 miles		1,814	73		
Percent Vacant			4.02%		
Total for entire area		3,219	440		
Percent Vacant excluding Lease-up			5.97%		

Source : Texas Department of Housing and Community Affairs Central Database (CMTS)

This chart also identifies the ability of properties in the area to achieve the maximum 60% and 50% rents according to compliance data submitted to the Department. While five properties are exhibiting difficulty in achieving the maximum 60% rents and seeing loss to lease of 4% to 15%, four others are achieving the maximum 60% rents for the majority of their 60% units. Moreover, three of the five not achieving the maximum 60% rents are owned and operated by Mr. Barineau. In addition, two developments in the survey are not achieving the maximum 50% rent, (one of which is Mr. Barineau's property) though it is clear that the maximum 50% rent is a significant rent savings to prospective tenants in this market.

Absorption Projections:

The Market Analyst indicates in his report that "... recently constructed rent-restricted projects in the market area have been readily absorbed. Parkside Point, built in February 2005, leased to 95% occupancy within 8 months ... Peninsula Apartments, built in August 2004, leased to 100% occupancy within 9 months ... Scott Street Townhomes, built in October 2002, leased to 90% within two months ... Belfort Pines, built in July 2002, was absorbed in less than six months ... Cullen Park, built in May 2002, was absorbed in four months ... Reed Parque Townhomes, built in 2000, was absorbed in four months ... With the demonstrated high demand in the primary market area and taking into account the location and quality of the proposed subject, we expect the property to lease-up rapidly and to enjoy continued success, similar to that of the other affordable properties in the primary market area." (p. 75)

This section intentionally left blank.

Mr. Barineau challenged the Market Analyst's information and conclusions regarding absorption of recently constructed rent-restricted properties. Mr. Barineau pointed out that Parkside Point, Peninsula, Belfort Pines, and Cullen Park were Priority One bond projects with rents restricted at 50% AMI levels but income limits at 60% AMI levels. As a result these properties with 1,028 units enjoyed the market advantage of offering a discounted rent to 60% AMI households.

Mr. Barineau also questioned specific absorption rates reported by the Market Analyst and offered what he stated were the correct rates: "South Union Place achieved 90% occupancy in 12 months; Scott Street Townhomes actual rent-up rate on 96 units was over five months; Reed Parque Townhomes had a rent-up period of eight months; Norma's Plaza began pre-leasing four to five months prior to completion of construction, and the physical move-in of pre-leased tenants happened over a few days; and Lansborough Apartments started pre-leasing in Sept. and had 123 occupied units as of June 4, 2007 (for a rate of 13 units per month)." Mr. Barineau states that Lansborough's "lease-up rate has slowed significantly following the rent-up of its units serving 30%, 40%, and 50% AMHI families. All of their 53 remaining and still-to-be-occupied units are targeted for 60% AMHI families."

TDHCA data indicates, however, that Lansborough currently has 33 units leased to 60% tenants, and is achieving the maximum 60% rents (13 of these are receiving rental assistance). Additionally, it would appear that even if the Market Analyst's absorption data is overstated, the absorption rates quoted by Mr. Barineau indicate a strong market with all developments (family and senior developments) leasing in 13 months or less.

The Market Analyst concluded: "the recently completed affordable projects, as well as the two comparable affordable projects, are all achieving at or near maximum HTC rents ... Further, the fact that the developer's proposed rents for the 30% and 60% units are well below estimated market rents ... bodes well for the success of the proposed subject property. The comparatively affordable rents will provide the subject property with a competitive advantage in the subject market area, which will likely translate into a quick lease-up period." (p. 90)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	708 SF	30%	\$270	\$270	\$731	\$270	\$461
1 BR	708 SF	60%	\$613	\$613	\$731	\$613	\$118
2 BR	1,031 SF	30%	\$327	\$327	\$889	\$327	\$562
2 BR	1,031 SF	60%	\$739	\$739	\$889	\$739	\$150
2 BR	1,031 SF	MR	\$739	N/A	\$889	\$739	\$150
3 BR	1,215 SF	60%	\$857	\$857	\$992	\$857	\$135
3 BR	1,215 SF	MR	\$857	N/A	\$992	\$857	\$135
4 BR	1,357 SF	60%	\$954	\$955	\$1,074	\$955	\$119

Market Impact:

The Market Analyst opined that "Based on the high occupancy levels of the existing properties in the market, along with the strong absorption history, we project the subject will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 89)

Houston MSA Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Highway 288 South submarket as defined in the Vogt study. This submarket had a 2005 population of 154,000, as compared to 2006 population of 95,000 in the subject PMA. The subject PMA is approximately 60% contained within the Highway 288 South submarket. In this submarket, the Vogt, Williams study determines total one year growth-based demand for 379 units from households below 30% AMI, and negative demand (-314 units) from households between 51-60% AMI due to the lack of population growth in the area.

Comments:

Based on the revised PMA and the surveyed turnover rate of 53%, the Market Analyst determined an Inclusive Capture Rate of 17.5%; the Underwriter determined a similar rate of 18.0%. For a family development in an urban area an inclusive capture rate below 25% is considered acceptable. The Market Analyst also provided a second source of demographics from HISTA Data for both the original and the revised PMA. HISTA Data provides a more detailed breakdown of households by income bracket, age groups, and renter tenure. The two sources produced similar results for the original PMA, but the HISTA Data for the revised PMA indicated a much smaller number of income-eligible renter households than the Claritas Data. This was cause for some concern, but the results are far enough off that it simply cannot reflect the same area.

This Market Analyst has a stronger working knowledge of the traditional Claritas data and has struggled with the proper use of the HISTA data. Moreover, in the vast majority where a comparison of "standard" Claritas demographics are used and HISTA data is used, the HISTA data generally reflects a higher renter percentage because it is able to more accurately identify that percentage for lower income households. The Underwriter believes that there was an error in defining the market area when the HISTA Data was generated for the revised PMA.

The Market Analyst was able to show demand support and meet our inclusive capture rate guidelines using the traditional Claritas data and provided sufficient information to make an affirmative funding recommendation for the subject.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rental income is based on the maximum HTC program rents for Harris County adjusted for the utility allowance dated 1/1/2007 maintained by the Houston Housing Authority. The property will have six market rate units (three 2-bedroom units and three 3-bedroom units). The rent schedule indicates the Applicant projects the same rent in these units as the 60% units. The Applicant has projected total secondary income of \$19.90 per unit per month from miscellaneous fees, vending, cable, telephone, and garage and storage rental. Underwriting guidelines allow for a maximum of \$15 per unit per month in non-rental income. The Applicant's provision for losses due to vacancy and collection (7.5% of potential gross income) is consistent with underwriting guidelines.

The Applicant also included a provision for rental concessions equal to 2% of potential income; however, the proforma provided by the primary lender excluded the rental concessions. In addition, the Market Analyst indicates "The recently completed affordable projects, as well as the two comparable affordable projects, are all achieving at or near maximum HTC rents ... Further, the fact that the developer's proposed rents for the 30% and 60% units are well below estimated market rents ... bodes well for the success of the proposed subject property. The comparatively affordable rents will provide the subject property with a competitive advantage in the subject market area, which will likely translate into a quick lease-up period." (Market Study p. 90) For these reasons the Underwriter concludes that rental concessions should not be applied. This partially offsets the additional income the Applicant included from parking and storage rental. Overall, the Applicant's projected effective gross income is 2% less than the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected total annual operating expenses, at \$4,453 per unit, are 3% higher than the Underwriter's estimate of \$4,333. Specific line items with significant variances include: General & Administrative expense (the Applicant's projected expense is \$14K lower than the Underwriter's estimate; Repairs & Maintenance (the Applicant's projection is lower by \$17K); Property Insurance (the Applicant's projection is higher by \$15K; and Property Tax (the Applicant's projection is higher by \$29K).

Conclusion:

The Applicant's projections for effective gross income and total annual operating expenses are both within 5% of the Underwriter's estimates; however, the Applicant's Net Operating Income (NOI) is \$32K, or 7%, less than the Underwriter's estimate. When gross income, total expenses, and NOI are not each within 5% of the Underwriter's estimates, underwriting guidelines require that the Underwriter's estimated NOI be used to determine debt capacity.

The first lien of \$4.5M at 7.5% interest for 30 years requires annual debt service of \$377K. The application indicates a second permanent lien of \$1.2M in HOME funds from the City of Houston in the form of an interest-only loan, at 1.0% APR, payable only from available cash flow. If this loan were amortized over 30 years the required debt service would result in a first year debt coverage ratio (DCR) of 1.13, below the acceptable underwriting range of 1.15 to 1.35. With the interest-only obligation of \$12,000 included, the first year DCR is 1.23.

However, because the loan is repayable only from cashflow, the principal and interest payment estimates are not required to be considered in the debt coverage ratio analysis. The development will have a Year One DCR of 1.27 based on the proposed financing structure and the Underwriter's net operating income estimate.

Feasibility:

The Underwriter's estimated NOI and recommended financing structure are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow providing debt coverage that remains above 1.15. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: O'Connor & Associates Date: 3/12/2007

Number of Revisions: 1 Date of Last Applicant Revision: 6/7/2007

Land Only: 10.2859 acres \$1,480,000 As of: 3/12/2007

Comments:

The Applicant ordered and included a land appraisal with the application due to a related party interest in the transfer of ownership. (This is discussed further under "Acquisition Value" below.) An "As Is" land value of \$1,340,000 was concluded based on comparable sales; The Appraiser then commented that "the subject property is part of a larger land development project totaling more than 100 acres ... (which) calls for all of the (water) detention necessary for the entire 100+ acres to be located on one designated tract. This allows for 100% development of the subject site, whereas if this off-site detention was not in place, the subject site would have to allow for approximately 1 acre of detention ... While the generally accepted adjustment categories for vacant land do not take this situation into account, we feel that there is additional value created ... since the detention requirement is approximately 10%, we have multiplied our adjusted value by 10%."

ASSESSED VALUE

Land Only: 12.2 acres	<u>\$159,484</u>	Tax Year:	<u>2005</u>
Assessed Value per acre	<u>\$13,065</u>	Valuation by:	<u>Harris County CAD</u>
pro rata 10.286 acres	<u>\$134,389</u>	Tax Rate:	<u>2.86215</u>

EVIDENCE of PROPERTY CONTROL

Type: Agreement for Sale and Purchase Acreage: 10.286

Contract Expiration: 2/1/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$1,904,221 Other: \$4.25 per square foot

Seller: SH 288 / Reed 102, Ltd Related to Development Team? Yes No

Comments:
 The contract also gives the buyer the option to purchase an additional three acres adjacent to the subject site, at a cost of \$4.00 per square foot. The Applicant has been informed that the additional property cannot be included as part of the development because the ESA was only performed on the initial 10.286 acres.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:
 The acquisition cost of \$1,904,221, or \$185K per acre, is assumed to be reasonable as the purchase is an arm's length transaction by Stuart Shaw Family Partnership, Ltd., the sole member of the General Partner of the Applicant. Ownership will then be transferred to the Applicant for an equivalent purchase price; however, a sales commission of \$150,000 will be paid to Carrington Block 19, Inc., a brokerage owned and used by Stuart Shaw. The Applicant ordered and included a land appraisal supporting the acquisition price with the application to allay any concerns about related parties. The \$150,000 broker's commission should have been included in developer's fees or excluded altogether if it has the impact of increasing the gap of funds needed to be filled with tax credits.

Direct Construction Cost:
 The Applicant's projected direct construction cost is within 5% of the Underwriter's estimate. The Applicant excluded \$50,000 from eligible basis as the cost for Carports and/or Garages which will be rented to tenants. The Underwriter estimated the cost for carports, garages, and storage units at \$111,767 and included this amount in ineligible costs.

Contingency & Fees:
 The Applicant's developer's fees exceeded the eligibility limit by \$150,375, primarily due to the broker's commission discussed above. The Development's eligible basis is not affected as the commission was also considered ineligible by the Applicant.

Conclusion:
 The Applicant's projected total development cost is within 5% of the Underwriter's estimate; the Applicant's projections will therefore be used to calculate eligible basis and determine the need for permanent financing. The project qualifies for a 30% boost to eligible basis because Harris County is a designated Difficult Development Area. However, the second permanent lien is a federally subsidized loan at a below-market interest rate; as such, eligible basis must be reduced by the amount of this financing to receive the 30% boost. The adjusted eligible basis (reduced by \$1.2M, then increased by 30%) is \$14,987,115. This basis would support an annual tax credit allocation of \$1,216,455; however, the QAP limits the tax credit allocation to any single development to \$1.2M. This amount will be compared to the Applicant's requested allocation and the allocation amount determined by the gap in financing; the lowest of the three amounts will be recommended.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JPMorgan Chase Type: Interim to Permanent Financing

Principal: \$4,494,000 Interest Rate: 7.50% Fixed Term: 24 months

Principal: \$4,494,000 Interest Rate: 7.50% Fixed Term: 360 months

Comments:

construction loan at Chase Prime; permanent loan fixed at closing at 10-year T-Note + spread; 1.15 debt coverage ratio; \$250 per unit per year replacement reserve

Source: City of Houston Type: Interim to Permanent Financing

Principal: \$1,200,000 Interest Rate: 1.00% Fixed Term: 360 months

Comments:

This is an interest-only loan, at a below-market rate, payable only from available cash flow. The principle amount of this loan must be deducted from eligible costs in order for the Applicant to qualify for the Difficult Development Area 30% boost to eligible basis.

Source: Apollo Housing Capital, LLC Type: Syndication

Proceeds: \$10,654,007 Syndication Rate: 88% Anticipated HTC: \$1,210,804

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$53,151 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$4,494,000, and the \$1.2M HOME Loan, indicates the need for \$10,557,159 in gap funds once the \$150,000 related party Broker fee is removed. Based on the submitted syndication terms, a tax credit allocation of \$1,199,797 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Credit Amount	<u>\$1,200,000</u>
Credit Amount Determined by Eligible Basis	<u>\$1,216,455</u>
Credit Amount Determined by Gap in Financing	<u>\$1,199,797</u>

The recommended allocation amount is \$1,199,797 annually for ten years. The Underwriter's recommended financing structure indicates the need for no deferred developer fees.

Underwriter: _____ Date: 7/19/2007
Thomas Cavanagh

Reviewing Underwriter: _____ Date: 7/19/2007
Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: 7/19/2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Cypress Creek at Reed Road, Houston, 9% HTC #07291

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	708	\$343	\$270	\$1,620	\$0.38	\$73.00	\$38.31
TC 60%	26	1	1	708	\$686	613	15,938	0.87	73.00	38.31
TC 30%	8	2	2	1,031	\$411	327	2,616	0.32	84.00	41.31
TC 60%	53	2	2	1,031	\$823	739	39,167	0.72	84.00	41.31
MR	3	2	2	1,031		739	2,217	0.72	84.00	41.31
TC 60%	29	3	2	1,215	\$951	857	24,853	0.71	94.00	52.31
MR	3	3	2	1,215		857	2,571	0.71	94.00	52.31
TC 60%	4	4	2	1,357	\$1,062	955	3,820	0.70	107.00	63.31
TOTAL:	132		AVERAGE:	1,007		\$703	\$92,802	\$0.70	\$84.45	\$43.92

INCOME

Total Net Rentable Sq Ft: 132,948

POTENTIAL GROSS RENT

fees, deposits, cable, phone, laundry, vending Per Unit Per Month: \$15.00

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.25%	\$418	0.42
Management	3.60%	287	0.28
Payroll & Payroll Tax	12.77%	1,018	1.01
Repairs & Maintenance	6.91%	551	0.55
Utilities	3.18%	253	0.25
Water, Sewer, & Trash	4.40%	350	0.35
Property Insurance	3.62%	289	0.29
Property Tax 2,86215	9.12%	727	0.72
Reserve for Replacements	3.14%	250	0.25
TDHCA Compliance Fees	0.50%	40	0.04
Other: supportive services	1.88%	150	0.15
TOTAL EXPENSES	54.37%	\$4,333	\$4.30
NET OPERATING INC	45.63%	\$3,637	\$3.61

DEBT SERVICE

Chase	35.84%	\$2,857	\$2.84
City of Houston HOME	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	9.79%	\$781	\$0.77

AGGREGATE DEBT COVERAGE RATIO 1.27
 RECOMMENDED DEBT COVERAGE RATIO 1.23

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		11.91%	\$14,426	\$14.32
Off-Sites		0.00%	0	0.00
Sitework		7.42%	8,995	8.93
Direct Construction		43.17%	52,306	51.93
Contingency	5.00%	2.53%	3,065	3.04
Contractor's Fees	14.00%	7.08%	8,582	8.52
Indirect Construction		4.97%	6,020	5.98
Ineligible Costs		6.66%	8,066	8.01
Developer's Fees	15.00%	10.27%	12,447	12.36
Interim Financing		3.31%	4,011	3.98
Reserves		2.67%	3,231	3.21
TOTAL COST		100.00%	\$121,150	\$120.29
Construction Cost Recap		60.21%	\$72,949	\$72.43

SOURCES OF FUNDS

Chase	28.10%	\$34,045	\$33.80
City of Houston HOME	7.50%	\$9,091	\$9.03
HTC Apollo	66.62%	\$80,712	\$80.14
Deferred Developer Fees	0.33%	\$403	\$0.40
Additional (Excess) Funds Req'd	-2.56%	(\$3,101)	(\$3.08)
TOTAL SOURCES			

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT	\$1,113,624	\$1,113,576	Harris	Houston	6
fees, deposits, cable, phone, laundry, vending	23,760	21,324	\$13.46	Per Unit Per Month	
garage and storage rental	0	10,200	\$6.44	Per Unit Per Month	
POTENTIAL GROSS INCOME	\$1,137,384	\$1,145,100			
Vacancy & Collection Loss	(85,304)	(85,884)	-7.50%	of Potential Gross Income	
Rental Concessions		(23,760)			
EFFECTIVE GROSS INCOME	\$1,052,080	\$1,035,456			
EXPENSES			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	\$55,228	\$41,465	\$0.31	\$314	4.00%
Management	37,888	52,960	0.40	401	5.11%
Payroll & Payroll Tax	134,355	129,154	0.97	978	12.47%
Repairs & Maintenance	72,678	55,320	0.42	419	5.34%
Utilities	33,444	23,100	0.17	175	2.23%
Water, Sewer, & Trash	46,246	49,500	0.37	375	4.78%
Property Insurance	38,091	52,800	0.40	400	5.10%
Property Tax 2,86215	95,969	125,400	0.94	950	12.11%
Reserve for Replacements	33,000	33,000	0.25	250	3.19%
TDHCA Compliance Fees	5,280	5,280	0.04	40	0.51%
Other: supportive services	19,800	19,800	0.15	150	1.91%
TOTAL EXPENSES	\$571,980	\$587,779	\$4.42	\$4,453	56.77%
NET OPERATING INC	\$480,101	\$447,677	\$3.37	\$3,391	43.23%
DEBT SERVICE					
Chase	\$377,072	\$377,072	\$2.84	\$2,857	36.42%
City of Houston HOME	0	12,000	\$0.09	\$91	1.16%
Additional Financing	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$103,028	\$58,605	\$0.44	\$444	5.66%
AGGREGATE DEBT COVERAGE RATIO	1.27	1.15			
RECOMMENDED DEBT COVERAGE RATIO	1.23				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$1,904,221	\$1,904,247	\$14.32	\$14,426	11.61%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,187,340	1,187,340	8.93	8,995	7.24%
Direct Construction	6,904,444	7,001,084	52.66	53,039	42.69%
Contingency	404,589	409,421	3.08	3,102	2.50%
Contractor's Fees	1,132,850	1,146,381	8.62	8,685	6.99%
Indirect Construction	794,650	794,650	5.98	6,020	4.85%
Ineligible Costs	1,064,739	1,035,559	7.79	7,845	6.31%
Developer's Fees	1,642,995	1,810,621	13.62	13,717	11.04%
Interim Financing	529,430	529,430	3.98	4,011	3.23%
Reserves	426,542	582,426	4.38	4,412	3.55%
TOTAL COST	\$15,991,801	\$16,401,159	\$123.37	\$124,251	100.00%
Construction Cost Recap	\$9,629,223	\$9,744,226	\$73.29	\$73,820	59.41%

		RECOMMENDED	
Chase	\$4,494,000	\$4,494,000	Developer Fee Available
City of Houston HOME	1,200,000	1,200,000	\$1,660,246
HTC Apollo	10,654,007	10,654,007	% of Dev. Fee Deferred
Deferred Developer Fees	53,151	53,151	0%
Additional (Excess) Funds Req'd	(409,357)	1	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$15,991,801	\$16,401,159	\$2,285,781

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cypress Creek at Reed Road, Houston, 9% HTC #07291

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.50	\$7,245,438
Adjustments				
Exterior Wall Finish	0.02%		\$0.01	\$1,159
Hurricane Wind Adj	\$0.94	132,948	0.94	124,971
Carports	10.15	3,750	0.29	38,063
Breezeways	\$20.97	11,897	1.88	249,495
Subfloor			(1.24)	(164,191)
Floor Cover			2.43	323,064
Balconies	\$21.19	13,205	2.10	279,834
Plumbing Fixtures	\$805	640	3.88	515,200
Rough-ins	\$400	384	1.16	153,600
Built-In Appliances	\$1,675	132	1.66	221,100
Exterior Stairs	\$1,800	24	0.32	43,200
Interior Stairs	\$1,350	32	0.32	43,200
Heating/Cooling			1.73	230,000
Garages/Storage	\$18.43	4,000	0.55	73,704
Comm &/or Aux Bldgs	\$65.99	3,721	1.85	245,530
Other: fire sprinkler	\$1.95	132,948	1.95	259,249
SUBTOTAL			74.33	9,882,616
Current Cost Multiplier	0.98		(1.49)	(197,652)
Local Multiplier	0.89		(8.18)	(1,087,088)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.67	\$8,597,876
Plans, specs, survy, bld prn	3.90%		(2.52)	(335,317)
Interim Construction Interes	3.38%		(2.18)	(290,178)
Contractor's OH & Profit	11.50%		(7.44)	(988,756)
NET DIRECT CONSTRUCTION COSTS			\$52.53	\$6,983,625

PAYMENT COMPUTATION

Primary	\$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27

Secondary	\$1,200,000	Amort	
Int Rate	1.00%	Subtotal DCR	1.27

Additional	\$10,654,007	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$377,072
Secondary Debt Service	12,000
Additional Debt Service	0
NET CASH FLOW	\$91,028

Primary	\$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27

Secondary	\$1,200,000	Amort	0
Int Rate	1.00%	Subtotal DCR	1.23

Additional	\$10,654,007	Amort	0
Int Rate	0.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

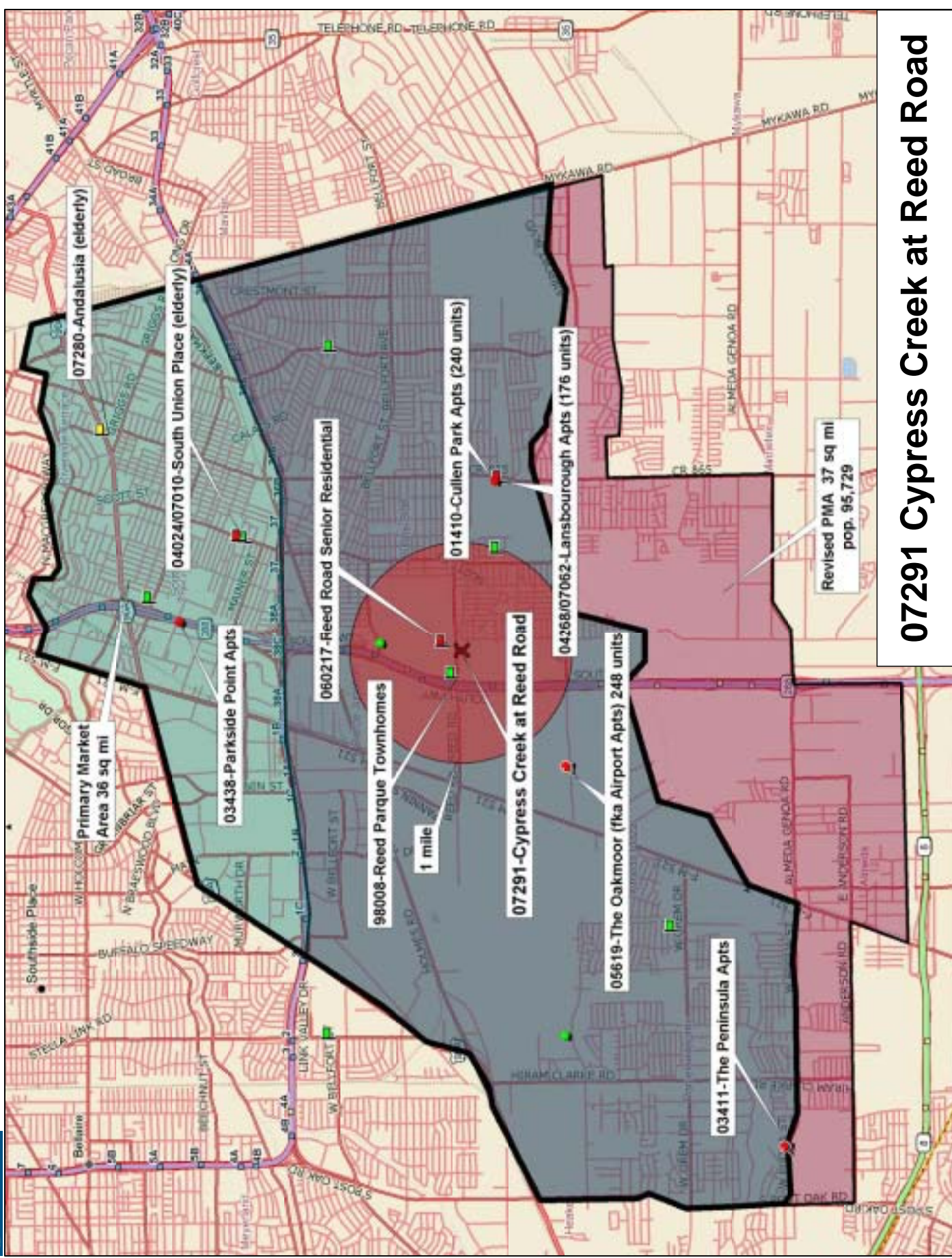
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,113,624	\$1,147,033	\$1,181,444	\$1,216,887	\$1,253,394	\$1,453,027	\$1,684,456	\$1,952,746	\$2,624,328
Secondary Income	23,760	24,473	25,207	25,963	26,742	31,001	35,939	41,663	55,992
garage and storage rental	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,137,384	1,171,506	1,206,651	1,242,850	1,280,136	1,484,028	1,720,395	1,994,410	2,680,320
Vacancy & Collection Loss	(85,304)	(87,863)	(90,499)	(93,214)	(96,010)	(111,302)	(129,030)	(149,581)	(201,024)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,052,080	\$1,083,643	\$1,116,152	\$1,149,636	\$1,184,126	\$1,372,726	\$1,591,366	\$1,844,829	\$2,479,296
EXPENSES at 4.00%									
General & Administrative	\$55,228	\$57,437	\$59,735	\$62,124	\$64,609	\$78,607	\$95,637	\$116,357	\$172,237
Management	37,888	39,025	40,196	41,402	42,644	49,436	57,309	66,437	89,286
Payroll & Payroll Tax	134,355	139,729	145,318	151,131	157,176	191,229	232,659	283,065	419,006
Repairs & Maintenance	72,678	75,586	78,609	81,753	85,023	103,444	125,855	153,122	226,659
Utilities	33,444	34,782	36,173	37,620	39,125	47,601	57,914	70,461	104,300
Water, Sewer & Trash	46,246	48,095	50,019	52,020	54,101	65,822	80,082	97,432	144,224
Insurance	38,091	39,615	41,200	42,848	44,562	54,216	65,962	80,253	118,794
Property Tax	95,969	99,808	103,800	107,952	112,270	136,594	166,188	202,193	299,294
Reserve for Replacements	33,000	34,320	35,693	37,121	38,605	46,969	57,145	69,526	102,915
Other	25,080	26,083	27,127	28,212	29,340	35,697	43,430	52,840	78,216
TOTAL EXPENSES	\$571,980	\$594,480	\$617,869	\$642,182	\$667,455	\$809,614	\$982,183	\$1,191,687	\$1,754,931
NET OPERATING INCOME	\$480,101	\$489,163	\$498,283	\$507,455	\$516,671	\$563,112	\$609,183	\$653,142	\$724,365
DEBT SERVICE									
First Lien Financing	\$377,072	\$377,072	\$377,072	\$377,072	\$377,072	\$377,072	\$377,072	\$377,072	\$377,072
Second Lien	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$91,028	\$100,090	\$109,211	\$118,382	\$127,598	\$174,040	\$220,111	\$264,070	\$335,293
DEBT COVERAGE RATIO	1.23	1.26	1.28	1.30	1.33	1.45	1.57	1.68	1.86

HTC ALLOCATION ANALYSIS -Cypress Creek at Reed Road, Houston, 9% HTC #07291

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,904,247	\$1,904,221		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,187,340	\$1,187,340	\$1,187,340	\$1,187,340
Construction Hard Costs	\$7,001,084	\$6,904,444	\$7,001,084	\$6,904,444
Contractor Fees	\$1,146,381	\$1,132,850	\$1,146,379	\$1,132,850
Contingencies	\$409,421	\$404,589	\$409,421	\$404,589
Eligible Indirect Fees	\$794,650	\$794,650	\$794,650	\$794,650
Eligible Financing Fees	\$529,430	\$529,430	\$529,430	\$529,430
All Ineligible Costs	\$1,035,559	\$1,064,739		
Developer Fees			\$1,660,246	
Developer Fees	\$1,810,621	\$1,642,995		\$1,642,995
Development Reserves				
	\$582,426	\$426,542		
TOTAL DEVELOPMENT COSTS	\$16,401,159	\$15,991,801	\$12,728,550	\$12,596,299

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		\$1,200,000	\$1,200,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,528,550	\$11,396,299
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,987,115	\$14,815,188
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		\$14,227,546	\$14,064,333
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,216,455	\$1,202,500

Syndication Proceeds	0.8799	\$10,703,732	\$10,580,943
Total Tax Credits (Eligible Basis Method)		\$1,216,455	\$1,202,500
Syndication Proceeds		\$10,703,732	\$10,580,943
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,558,941	
Gap of Syndication Proceeds Needed		\$10,557,159	
Total Tax Credits (Gap Method)		\$1,199,797	



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TN

MN (3.7'E)

Scale 1 : 75,000



1" = 1.18 mi Data Zoom 11-4

07291 Cypress Creek at Reed Road

Applicant Evaluation

Project ID # **07291**

Name: **Cypress Creek at Reed Road**

City: **Houston**

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

Total # of Projects monitored: 2
 Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 2
 # not yet monitored or pending review: 4

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell
 Date 5/31/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer María Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 07292

BASIC DEVELOPMENT INFORMATION

Site Address: 1400 N. Eastman Rd. Development #: 07292
City: Longview Region: 4 Population Served: General
County: Gregg Zip Code: 75601 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: North Eastman Residential L.P.
Owner Contact and Phone: Stuart Shaw (512) 220-8000
Developer: SSFP North Eastman VIII LLC
Housing General Contractor: Bonner Carrington Construction LLC
Architect: Chiles Architects, Inc.
Market Analyst: O' Conner & Associates
Syndicator: Apollo Equity Partners
Supportive Services: To Be Determined
Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 73
8 0 0 65 Market Rate Units: 3
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 16 32 24 4 0 Total Development Units: 76
Total Development Cost*: \$0
Type of Building: Number of Residential Buildings: 10
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$799,995 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 07292

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S	Points: 7	US Representative: Gohmert, District 1, NC
TX Representative: Merritt, District 7, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: **3** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	6	
Longview Nonprofit Coalition		S or O: S
Parenting Resource Center of East Texas, Inc.		S or O: S
Greater Longview United Way		S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 07292

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Morningstar Villas, TDHCA Number 07293

BASIC DEVELOPMENT INFORMATION

Site Address: 3500 Blk of Magnolia Ave. Development #: 07293
 City: Texas City Region: 6 Population Served: Elderly
 County: Galveston Zip Code: 77590 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Texas City DMA Housing II, L.P.
 Owner Contact and Phone: Diana McIver (512) 328-3232
 Developer: DMA Development Company, LLC
 Housing General Contractor: Campbell Hogue Construction Associates, LLC
 Architect: Chiles Architects, Inc.
 Market Analyst: O' Conner & Associates
 Syndicator: CharterMac Capital
 Supportive Services: DMA Properties, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	35	
	2	0	27	6	Market Rate Units:	1	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	18	18	0	0	0	
Type of Building:						Total Development Units:	36
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$4,160,814
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	6
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$385,100	\$385,100			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Morningstar Villas, TDHCA Number 07293

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, S	Points: 7	US Representative: Paul, District 14, NC
TX Representative: Eiland, District 23, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input:	7	
Retired American Persons		S or O: S
Disciples of Faith Outreach Church		S or O: S
Rotary Club of Texas City		S or O: S
Texas City Lions Foundation		S or O: S
Habitat for Humanity of Texas City		S or O: S
Texas City-La Marque Chamber of Commerce		S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Morningstar Villas, TDHCA Number 07293

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$385,100

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/07

PROGRAM: 9% HTC

FILE NUMBER: 07293

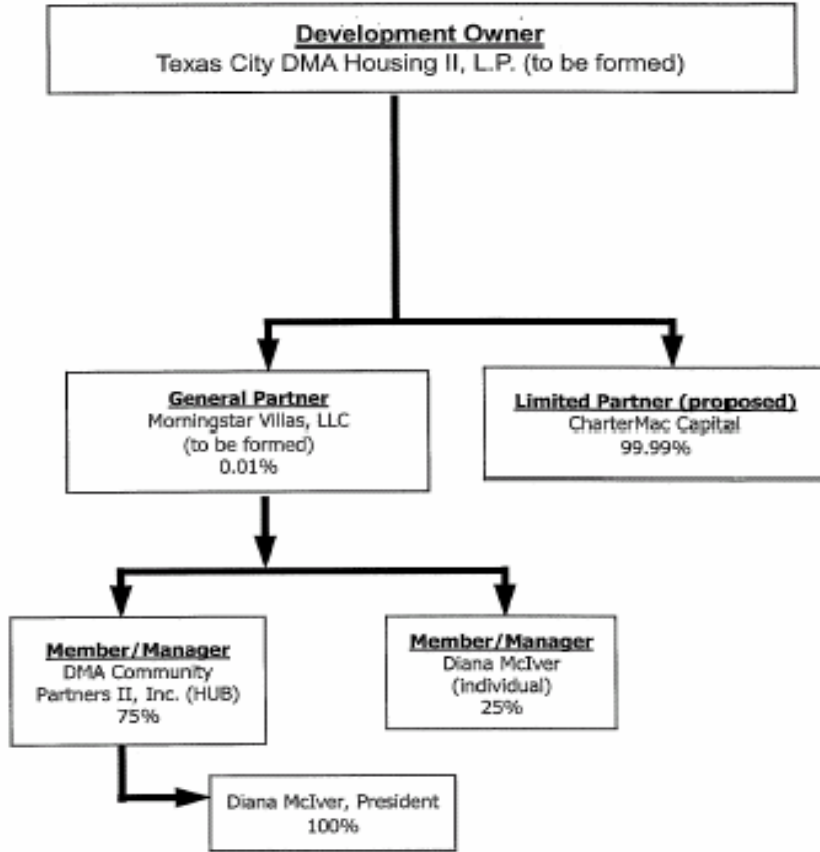
DEVELOPMENT						
Morningstar Villas						
Location: <u>3500 block of Magnolia Avenue</u>				Region: <u>6</u>		
City: <u>Texas City</u>		County: <u>Galveston</u>		Zip: <u>77590</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Elderly, Urban/Exurban, New Construction</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$385,100			\$385,100		
CONDITIONS						
1 Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City. 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/allocation amount may be warranted.						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	2				
50% of AMI	50% of AMI	27				
60% of AMI	60% of AMI	6				
PROS			CONS			
Phase I of the property is currently 100% occupied and maintains a substantial waiting list. The unit mix appears to complement and balance the unit mix of Phase I by targeting the highest in need income groups with both one and two bedroom units. The development team is experienced in the development and management of tax credit properties.			The Applicant's high expense to income ratio is within 2% of the maximum guideline, reflecting extensive deep rent targeting, but still an acceptable ratio. The Applicant's anticipated syndication proceeds as a percentage of total cost (81%) is higher than typical due to the 130% DDA boost, deep rent targeting, low syndication rate and high estimated permanent interest rate.			

PREVIOUS UNDERWRITING REPORTS

The subject application is Phase II of Village at Morningstar (#04213) a 100 unit elderly property that received a 9% credit allocation and Housing Trust Fund loan during the 2004 Competitive Housing Tax Credit cycle. The first phase targeted 54 of its units toward 60% households (48 one-bedroom, and 6 two-bedroom) , 27 units target 50% households (19 one-bedroom, and 8 two-bedroom), 9 target 30% households and 10 are market rate units.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Diana McIver Phone: 512.328.3232 Fax: 512.328.4584
 Email: dianam@mciver.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
DMA Community Partne	\$101,175	\$88,041	--
DMA Development Con	\$3,210,705	\$1,856,456	--
Diana McIver	Confidential		13 LIHTC Developments in Texas

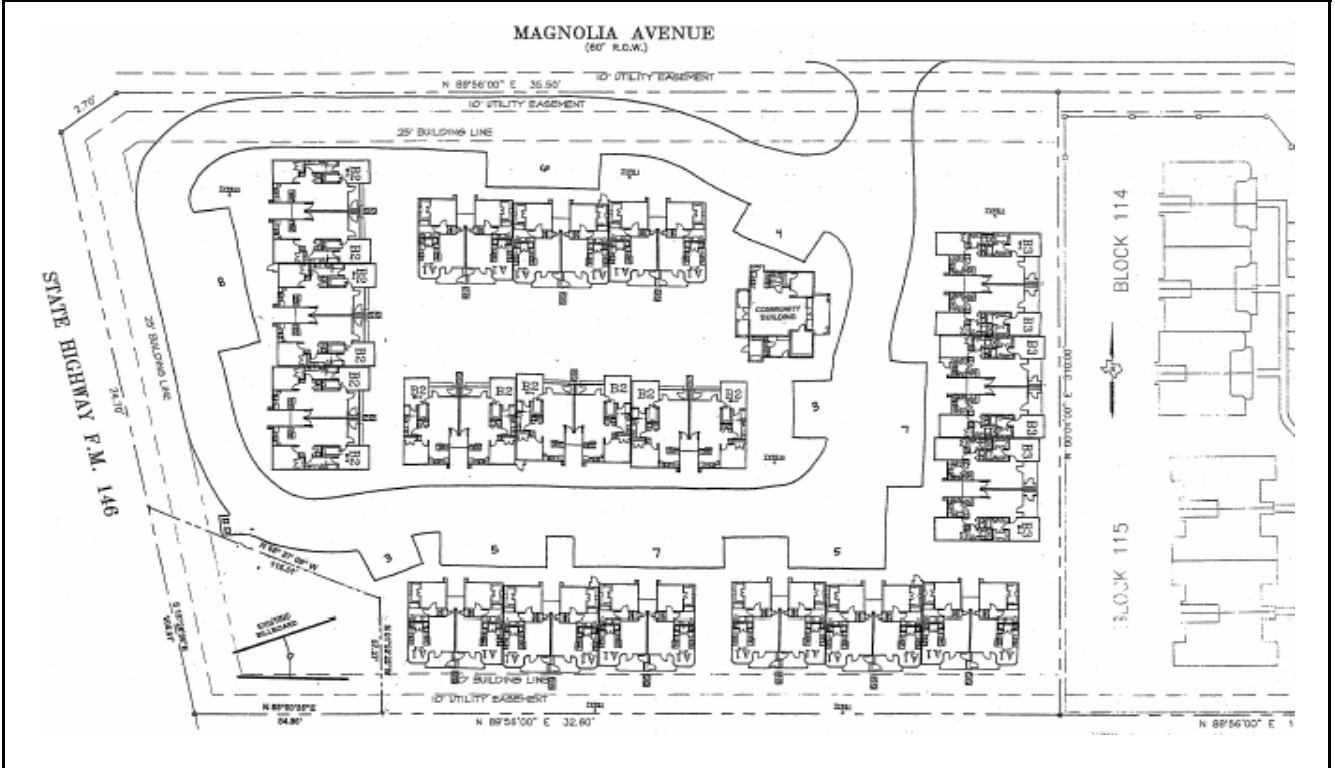
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments. The Public Facilities Development Corp (PFDC) has the property under contract and will essentially provide seller financing through the construction phase.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III									Total Buildings
Floors/Stories	1	1	1									
Number	3	1	2									6

BR/BA	SF	Units									Total Units	Total SF
1/1	751	2									6	4,506
1/1	750	4									12	9,000
2/1	950			6							12	11,400
2/2	982		6								6	5,892
Units per Building		6	6	6							36	30,798

SITE ISSUES

Total Size:	<u>2.83</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>Zone B</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>E (General Business)</u>	Needs to be re-zoned?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A

Comments:

Zoning: The Applicant submitted application for a zoning change from Zone E/General Business to Zone C/Multifamily Residential. Receipt, review, and acceptance of evidence of appropriate zoning for the proposed development or a variance from the City is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/24/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Magnolia Ave / single family / small vacant commercial building

South: vacant commercial building and parking lot / driveways

East: Village at Morning Star Multifamily development

West: State Highway 146 / Lowes

Comments:

There is a large billboard located at the southwest corner of the site the seller currently has leased. The Applicant has revised the survey, siteplan, and accompanying documentation in order to reflect a 0.17 acre cut-out at the southwest corner of the property that will not be transferred to the partnership. The revised site control document indicates that the purchase price will not change as a result.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: STC Environmental Services, Inc Date: 3/12/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The site indicates no recognized environmental concerns.

"The subject site is located in Zone B of the floodplain and may exhibit some localized marshy conditions. This is considered to be a de minimus condition and not a recognized environmental condition" (p. 27). The Phase I ESA recommends no further investigation.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 1/29/2007

Contact: Robert O Coe, II Phone: 713.686.9955 Fax: 713.686.8336

Number of Revisions: 1 Date of Last Applicant Revision: 6/6/2007

Primary Market Area (PMA):

"The subject's primary market is defined as that area within the following geographic boundaries: FM 1266 and Kemah to the north, the Galveston/Brazoria County Line and Cloud Bayou to the west, Galveston Bay to the east, and the West Bay to the south" (p. 10).

Secondary Market Area (SMA):

The Market Analyst did not include a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Village at Morningstar	04213	100	42	N/A			
Cedar Drive Village	060034	36	9				

Comments:

The subject development is proposing no one-bedroom 60% of AMI units; therefore, the one-bedroom 60% of AMI units at each of the unstabilized properties are not considered comparable and have not been included in the Underwriter's inclusive capture rate calculation. The Market Analyst did not include comparable new construction elderly units from Cedar Drive Village (060034), which received a 9% HTC allocation during the 2006 competitive cycle. Cedar Drive Village had 27 one bedroom units targeting 60% households which were not considered comparable but 9 additional units that are comparable. The Underwriter has included these 9 units in the inclusive capture rate.

INCOME LIMITS						
Galveston						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	105	8	0	113	2	7	8%
1 BR/50% Rent Limit	123	13	0	136	16	19	26%
2 BR/50% Rent Limit	107	10	0	117	11	8	16%
2 BR/60% Rent Limit	112	11	0	123	6	6	10%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. A-72	30%	11,916	100%	11,916	16%	1,898	100%	1,898	65%	1,233
Underwriter	24%	9,545	100%	9,545	28%	2,677	49%	1,314	46%	607
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. A-72			100%	696	16%	111	100%	111	100%	111
Underwriter			100%	111	28%	31	49%	15	100%	15
DEMAND from OTHER SOURCES										
Market Analyst p. A-71										14
Underwriter										2

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. A-73	35	90	0	125	1,358	9.21%
Underwriter	35	51	0	86	624	13.79%

Comments:

The Market Analyst used a turnover rate based on IREM data. However, IREM data generally overstates turnover rates for elderly and LIHTC properties due to the reliance on market rate family and student properties. The Underwriter used a lower turnover rate of 46% which is derived from 2006 data collected from the Owner's Financial Certifications for nine LIHTC properties in the Galveston/Texas City area. There is only one other elderly stabilized property in the immediate vicinity with 36 units, Lively Oaks Apartments, which was included in the Underwriter's turnover rate analysis. This property reported a turnover rate of just 6% during 2006, which suggests that the Underwriter's turnover rate of 46% may still be overstated for elderly households in this area.

However, due to the relative lack of stabilized elderly properties in the Galveston/Texas City area, the Underwriter relied on data for family developments as well. It should also be noted that the very low turnover at Lively Oaks Apartments may also be the result of a lack of affordable elderly alternatives in the market, which is supported by the 100% occupancy and waiting list at Phase One of the subject development.

Primary Market Occupancy Rates:

"The closest HTC property (Villages @ Morningstar) has a current occupancy of 100% with a waitlist of 100+ households. The rent comparables reported current occupancies ranging from 86% to 100%, with a median occupancy of 92.6%. Given the physical characteristics of the subject (i.e. location, good curb appeal, new condition, amenities, etc.), the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a new property, a stabilized occupancy rate of 92.5% is reasonable and achievable for the subject property" (p. 85).

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 15-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within two to three months following completion" (p. 87).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 750 SF 30%	\$247	\$248	\$625	\$248	\$377		
1 BR 750 SF 50%	\$475	\$476	\$625	\$476	\$149		
1 BR 751 SF 50%	\$475	\$476	\$625	\$476	\$149		
2 BR 950 SF 50%	\$561	\$561	\$795	\$561	\$234		
2 BR 950 SF MR	\$710		\$795	\$710	\$85		
2 BR 982 SF 60%	\$698	\$698	\$840	\$698	\$142		

Market Impact:

"Based on the 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. Any negative impact from the subject property should be of reasonable scope and limited duration" (p. 87).

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The Department's market study for the entire MSA does not incorporate demand from turnover as normally allowed in development specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied.)

The Market Analyst provided a letter indicating that the Department's Vogt, Williams, & Bowen Houston Market Study indicates there is sufficient demand for the subject development. However, the Market Analyst also notes, "The Vogt Williams & Bowen study is over 2 years old, had numerous errors, does not conform to the 2007 QAP, and used questionable methodology."

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/20/2007

The Applicant's projected net rents are the 2007 program maximum rents less the current utility allowances maintained by the Texas City Housing Authority. The Underwriter's used the 2007 net program rents, which are achievable according to the Market Analyst. As a result of rounding differences there is a slight difference in potential gross income. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be responsible for electric utility costs.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,812 per unit is within 5% of the Underwriter's estimate of \$3,733 per unit derived from the TDHCA database, IREM data, and other sources.

The Applicant provided an insurance quote from Galloway Insurance Agency indicating an annual insurance premium of \$29,200 for the proposed development. This amounts to \$811 per unit, is two to three times higher than insurance rates for other 2007 housing tax credit applications in the region. The Applicant has indicated that rates for the subject are particularly high because of its proximity to the coast. The site is also located in a Tier 1 County and recent data suggests that rates at this level are higher than normal. The financial information submitted for the first phase next door reflects \$511 per unit for insurance in 2006. The Underwriter used the historical cost as it was still significantly higher than the expense per unit for other similar applications in the area.

The Applicant indicated property taxes of \$15,000 which is \$8,688 less than the Underwriter's estimate. The Underwriter's estimate is based on the assessed value of \$23,000 based upon the anticipated net operating income and a 10% cap. The assessed value of \$33,117 per unit for Phase I is under protest and did not pay property taxes in 2006.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The Applicant's operating proforma estimates and initial expense to income ratio is less than 2% below the Department's 65% maximum and no mitigating circumstances exist in the application to support such a high figure. The Underwriter's analysis, reflects a slightly lower expense estimate and a lower expense to income ratio. In both cases, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION			
ASSESSED VALUE			
Land Only:	3.00 acres	\$84,940	Tax Year: 2006
Existing Buildings:		\$0	Valuation by: Galveston CAD
Total Assessed Value:		\$84,940	Tax Rate: 2.8584404
EVIDENCE of PROPERTY CONTROL			
Type:	Purchase Option		Acreage: 2.83
Contract Expiration:	3/1/2007 (w/ext)	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	\$300,000	Other:	Contract extended 240 additional days
Seller:	Public Facilities Development Corp	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
TITLE			
Comments: The title commitment indicates no items of concern.			
CONSTRUCTION COST ESTIMATE EVALUATION			
<i>COST SCHEDULE</i> Number of Revisions: 0 Date of Last Applicant Revision: N/A			
Acquisition Value: The Public Facilities Development Corporation (PFDC) currently has the subject site under contract for \$300,000 from a third-party seller. Upon this closing, the property will be transferred to the Applicant for \$300,000. The Applicant has provided a Purchase Option as proof of site control. The PFDC will also provide a \$300,000 interim loan at 0% and a 5 year term. The Applicant has indicated that the loan will be extinguished when the property is placed in service; therefore, the PFDC loan is effectively a seller financed interim note that will decrease the interim interest during the construction phase. The site cost of \$106,007 per acre or \$8,403 per unit is assumed to be reasonable since the original acquisition is an arm's-length transaction.			
Sitework Cost: The Applicant's claimed sitework costs of \$13,514 per unit (including ineligible sitework) are higher than the Department's current guideline. However, the Applicant has provided an architect's certification of the costs and a CPA's letter that supports the Applicant's estimate of sitework costs.			
Direct Construction Cost: The Applicant's direct construction cost estimate is \$39K or 2% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.			
Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,592,333 supports annual tax credits of \$386,971. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.			

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: City of Texas City Type: Interim Financing

Principal: \$300,000 Interest Rate: 0.0% Fixed Term: 60 months

Comments:

The lender's commitment indicates that the source of the funds is originally from the Public Facilities Development Corporation's federal allocation of Community Development Block Grant (CDBG) funds. While the loan will carry an interest rate below AFR, for purposes of determining eligibility of the 9% versus 4% credits, CDBG funds are excluded from the definition of a federal subsidy. As a result, the development is not at risk of a federal below market rate loan taint and is eligible for a 9% tax credit allocation.

The Public Facilities Development Corp (PFDC) from which the funds are sourced also has the property under contract. The application indicates that the PFDC will close on the property for \$300,000 and transfer the property to the partnership for \$300,000. The loan essentially constitutes seller financing through the construction phase. While the loan has a term of five years, the application indicates that the loan will be extinguished at the conversion to the permanent phase.

Source: Chase Bank Type: Interim to Permanent Financing

Interim: \$1,665,750 Interest Rate: 8.00% Fixed Term: 24 months

Permanent: \$720,000 Interest Rate: 8.25% Fixed Amort: 360 months

Comments:

The lender requires a 1.15 DCR based on the stabilized operating proforma and minimum replacement reserve of \$250 per unit.

The letter of intent for permanent financing indicates a letter of credit will be approved in conjunction with approval of the permanent loan; 1% origination & 1% per annum

Source: CharterMac Capital Type: Syndication

Proceeds: \$3,350,034 Syndication Rate: 87% Anticipated HTC: \$ 385,100

Comments:

The syndication price is at the low end of current market prices and an increase in rate of \$0.03 per dollar of syndicated credit could reduce the final allocation of credits since there is limited deferred developer fee to absorb excess syndication proceeds.

Amount: \$90,780 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$720,000 indicates the need for \$3,440,814 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$395,536 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$385,100), the gap-driven amount (\$395,536), and eligible basis-derived estimate (\$386,971), the Applicant's request of \$385,100 is recommended resulting in proceeds of \$3,350,034 based on a syndication rate of 87%.

MULTIFAMILY COMPARATIVE ANALYSIS

Morningstar Villas, Texas City, 9% HTC #07293

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	750	\$343	\$248	\$495	\$0.33	\$95.47	37.10
TC 50%	10	1	1	750	\$571	476	4,755	0.63	95.47	37.10
TC 50%	6	1	1	751	\$571	476	2,853	0.63	95.47	37.10
TC 50%	11	2	1	950	\$686	561	6,172	0.59	124.87	41.30
MR	1	2	1	950		710	710	0.75	124.87	41.30
TC 60%	6	2	2	982	\$823	698	4,189	0.71	124.87	41.30
TOTAL:	36		AVERAGE:	856		\$533	\$19,175	\$0.62	\$110.17	\$39.20

INCOME

Total Net Rentable Sq Ft: **30,798**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

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

% OF EGI PER UNIT PER SQ FT

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.51%	\$272	0.32
Management	5.00%	301	0.35
Payroll & Payroll Tax	12.45%	750	0.88
Repairs & Maintenance	6.68%	402	0.47
Utilities	3.35%	202	0.24
Water, Sewer, & Trash	5.29%	319	0.37
Property Insurance	8.49%	511	0.60
Property Tax 2.8584404	10.92%	657	0.77
Reserve for Replacements	4.15%	250	0.29
TDHCA Compliance Fees	0.65%	39	0.05
Other: Support Services	0.50%	30	0.04

TOTAL EXPENSES

61.99% \$3,733 \$4.36

NET OPERATING INC

38.01% \$2,290 \$2.68

DEBT SERVICE

First Lien Mortgage	29.93%	\$1,803	\$2.11
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	8.08%	\$487	\$0.57

AGGREGATE DEBT COVERAGE RATIO

1.27 1.23

RECOMMENDED DEBT COVERAGE RATIO

1.22

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)		7.37%	\$8,403	\$9.82	\$302,500	\$302,500	\$9.82	\$8,403	7.27%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.20%	9,347	10.93	336,500	336,500	10.93	9,347	8.09%
Direct Construction		42.03%	47,936	56.03	1,725,692	1,765,104	57.31	49,031	42.42%
Contingency	5.00%	2.51%	2,864	3.35	103,110	105,000	3.41	2,917	2.52%
Contractor's Fees	14.00%	7.03%	8,020	9.37	288,707	294,224	9.55	8,173	7.07%
Indirect Construction		5.84%	6,665	7.79	239,946	239,946	7.79	6,665	5.77%
Ineligible Costs		5.22%	5,958	6.96	214,495	214,495	6.96	5,958	5.16%
Developer's Fees	20.00%	14.36%	16,375	19.14	589,503	598,000	19.42	16,611	14.37%
Interim Financing		6.18%	7,043	8.23	253,559	253,559	8.23	7,043	6.09%
Reserves		1.25%	1,430	1.67	51,486	51,486	1.67	1,430	1.24%
TOTAL COST		100.00%	\$114,042	\$133.30	\$4,105,498	\$4,160,814	\$135.10	\$115,578	100.00%
Construction Cost Recap		59.77%	\$68,167	\$79.68	\$2,454,009	\$2,500,828	\$81.20	\$69,467	60.10%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	17.54%	\$20,000	\$23.38	\$720,000	\$720,000	\$720,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$598,000
HTC Syndication Proceeds	81.60%	\$93,057	\$108.77	3,350,034	3,350,034	3,350,034	% of Dev. Fee Deferred
Deferred Developer Fees	2.21%	\$2,522	\$2.95	90,780	90,780	90,780	15%
Additional (Excess) Funds Req'd	-1.35%	(\$1,537)	(\$1.80)	(\$55,316)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,105,498	\$4,160,814	\$4,160,814	\$319,127

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Morningstar Villas, Texas City, 9% HTC #07293

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$65.97	\$2,031,643
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	3.00%		1.98	60,949
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(56,976)
Floor Cover			3.08	94,858
Breezeways/Balconies	\$21.65	3,883	2.73	84,056
Plumbing Fixtures	\$965	(54)	(1.69)	(52,110)
Rough-ins	\$425	36	0.50	15,300
Built-In Appliances	\$2,425	36	2.83	87,300
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$56.05		0.00	0
Heating/Cooling			2.43	74,839
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$74.70	1,368	3.32	102,190
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			79.29	2,442,049
Current Cost Multiplier	0.98		(1.59)	(48,841)
Local Multiplier	0.89		(8.72)	(268,625)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.98	\$2,124,583
Plans, specs, survy, bld prm	3.90%		(\$2.69)	(\$82,859)
Interim Construction Interes	3.38%		(2.33)	(71,705)
Contractor's OH & Profit	11.50%		(7.93)	(244,327)
NET DIRECT CONSTRUCTION COSTS			\$56.03	\$1,725,692

PAYMENT COMPUTATION

Primary	\$720,000	Amort	360
Int Rate	8.25%	DCR	1.27

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.27

Additional		Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$64,909
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$14,571

Primary	\$720,000	Amort	360
Int Rate	8.25%	DCR	1.22

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.22

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.22

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

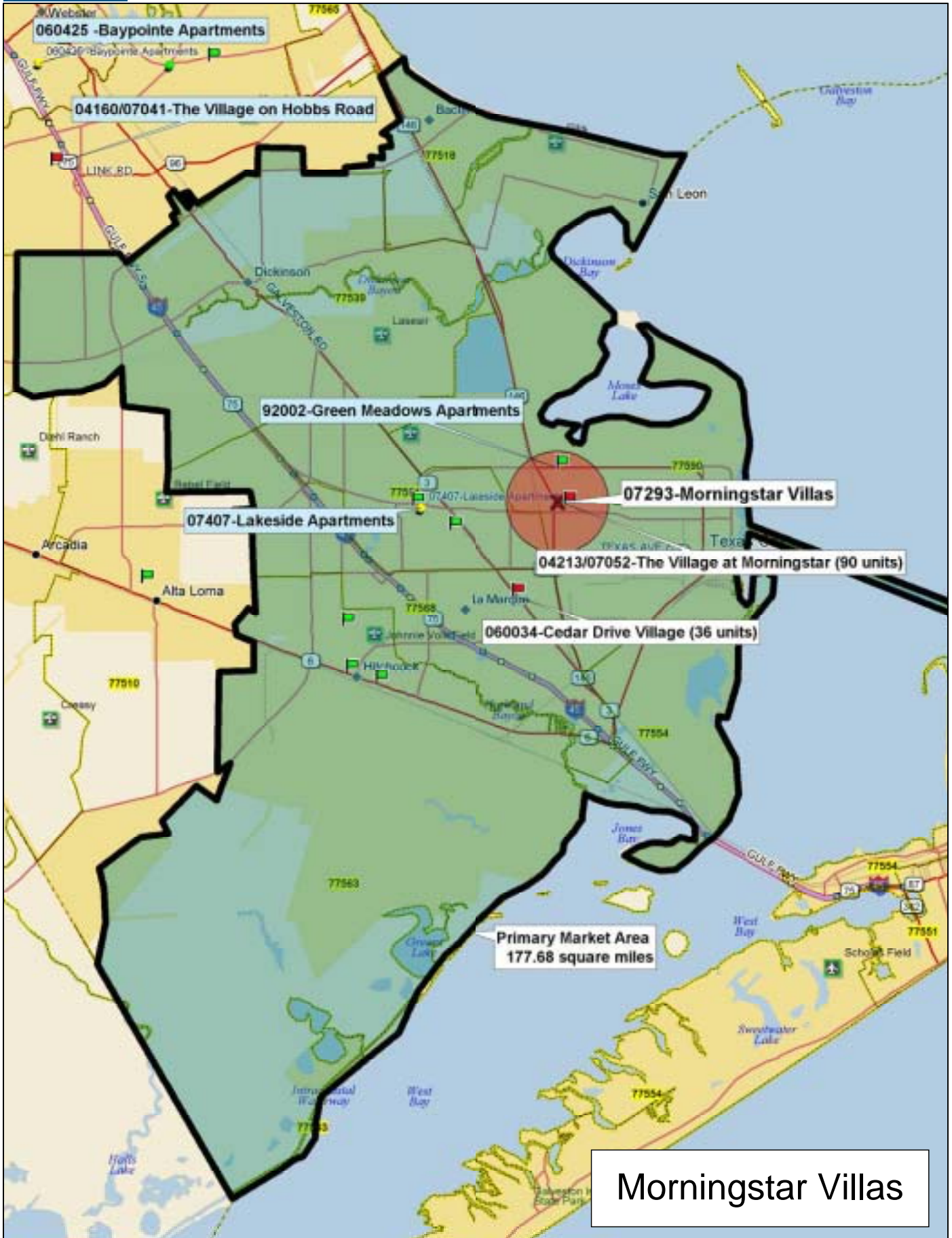
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$229,956	\$236,855	\$243,960	\$251,279	\$258,818	\$300,040	\$347,829	\$403,229	\$541,906
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	234,276	241,304	248,543	256,000	263,680	305,677	354,363	410,804	552,087
Vacancy & Collection Loss	(17,571)	(18,098)	(18,641)	(19,200)	(19,776)	(22,926)	(26,577)	(30,810)	(41,407)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$216,705	\$223,206	\$229,903	\$236,800	\$243,904	\$282,751	\$327,786	\$379,994	\$510,680
EXPENSES at 4.00%									
General & Administrative	\$8,800	\$9,152	\$9,518	\$9,899	\$10,295	\$12,525	\$15,239	\$18,540	\$27,444
Management	10,675	10,995	11,325	11,665	12,015	13,928	16,147	18,719	25,156
Payroll & Payroll Tax	28,040	29,162	30,328	31,541	32,803	39,910	48,556	59,076	87,447
Repairs & Maintenance	15,950	16,588	17,252	17,942	18,659	22,702	27,620	33,604	49,742
Utilities	6,480	6,739	7,009	7,289	7,581	9,223	11,221	13,652	20,209
Water, Sewer & Trash	11,600	12,064	12,547	13,048	13,570	16,510	20,087	24,439	36,176
Insurance	29,200	30,368	31,583	32,846	34,160	41,561	50,565	61,520	91,065
Property Tax	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	2,480	2,579	2,682	2,790	2,901	3,530	4,295	5,225	7,734
TOTAL EXPENSES	\$137,225	\$142,607	\$148,202	\$154,016	\$160,060	\$194,049	\$235,291	\$285,340	\$419,822
NET OPERATING INCOME	\$79,480	\$80,599	\$81,701	\$82,783	\$83,843	\$88,703	\$92,496	\$94,654	\$90,859
DEBT SERVICE									
First Lien Financing	\$64,909	\$64,909	\$64,909	\$64,909	\$64,909	\$64,909	\$64,909	\$64,909	\$64,909
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	\$14,571	\$15,690	\$16,792	\$17,874	\$18,934	\$23,793	\$27,586	\$29,744	\$25,949
DEBT COVERAGE RATIO	1.22	1.24	1.26	1.28	1.29	1.37	1.42	1.46	1.40

HTC ALLOCATION ANALYSIS -Morningstar Villas, Texas City, 9% HTC #07293

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$302,500	\$302,500		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$336,500	\$336,500	\$336,500	\$336,500
Construction Hard Costs	\$1,765,104	\$1,725,692	\$1,765,104	\$1,725,692
Contractor Fees	\$294,224	\$288,707	\$294,224	\$288,707
Contingencies	\$105,000	\$103,110	\$105,000	\$103,110
Eligible Indirect Fees	\$239,946	\$239,946	\$239,946	\$239,946
Eligible Financing Fees	\$253,559	\$253,559	\$253,559	\$253,559
All Ineligible Costs	\$214,495	\$214,495		
Developer Fees				
Developer Fees	\$598,000	\$589,503	\$598,000	\$589,503
Development Reserves	\$51,486	\$51,486		
TOTAL DEVELOPMENT COSTS	\$4,160,814	\$4,105,498	\$3,592,333	\$3,537,017

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$3,592,333	\$3,537,017
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$4,670,033	\$4,598,122
Applicable Fraction		97%	97%
TOTAL QUALIFIED BASIS		\$4,525,980	\$4,456,287
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$386,971	\$381,013

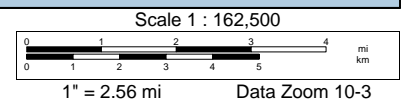
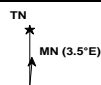
Syndication Proceeds	0.8699	\$3,366,313	\$3,314,477
Total Tax Credits (Eligible Basis Method)		\$386,971	\$381,013
Syndication Proceeds		\$3,366,313	\$3,314,477
Requested Tax Credits		\$385,100	
Syndication Proceeds		\$3,350,034	
Gap of Syndication Proceeds Needed		\$3,440,814	
Total Tax Credits (Gap Method)		\$395,536	



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Applicant Evaluation

Project ID # **07293**

Name: **Morningstar Villas**

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

Total # of Projects monitored: 15

Projects zero to nine: 13
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 15

not yet monitored or pending review: 0

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/31/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Grove at Brushy Creek, TDHCA Number 07294

BASIC DEVELOPMENT INFORMATION

Site Address: NE Corner of El Dorado & Patterson Development #: 07294
 City: Bowie Region: 2 Population Served: General
 County: Montague Zip Code: 76230 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: BETCO-Bowie Housing, L.P.
 Owner Contact and Phone: Eric Hartzell (512) 450-0933
 Developer: DMA Development Company, LLC
 Housing General Contractor: Campbell Hogue Construction Associates, LLC
 Architect: Chiles Architects, Inc.
 Market Analyst: Integra Realty Resources
 Syndicator: CharterMac Capital
 Supportive Services: DMA Properties, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	42
	5 0 0 37	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 6 26 16 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$5,795,881
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$551,374	\$506,036			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Grove at Brushy Creek, TDHCA Number 07294

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, S	Points: 7	US Representative: Thornberry, District 13, NC
TX Representative: Hardcastle, District 68, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

East Bowie Area Neighborhood Association, Linda Shelton Letter Score: 24 S or O: S

There is a lack of nice affordable rental property in Bowie. The only large apartment complex has a long waiting list. The organization thinks this site is perfect for another apartment complex. The area is already zoned multi-family.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

Receipt, review, and acceptance, prior to commencement of construction, of certification by a qualified third party architect or engineer that the design plans are in accordance with 2007 QAP rules with regard to the 100-year floodplain.

Receipt, review and acceptance at carryover of a completed onsite noise assessment with evidence that the resulting recommendations will be followed during construction and operation of the development.

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



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Grove at Brushy Creek, TDHCA Number 07294

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

Competitive Housing Tax Credits: Score: **186** Meeting a Required Set-Aside Credit Amount*: \$506,036

Recommendation: Competitive in USDA Allocation, and has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/16/07 PROGRAM: 9% HTC FILE NUMBER: 07294

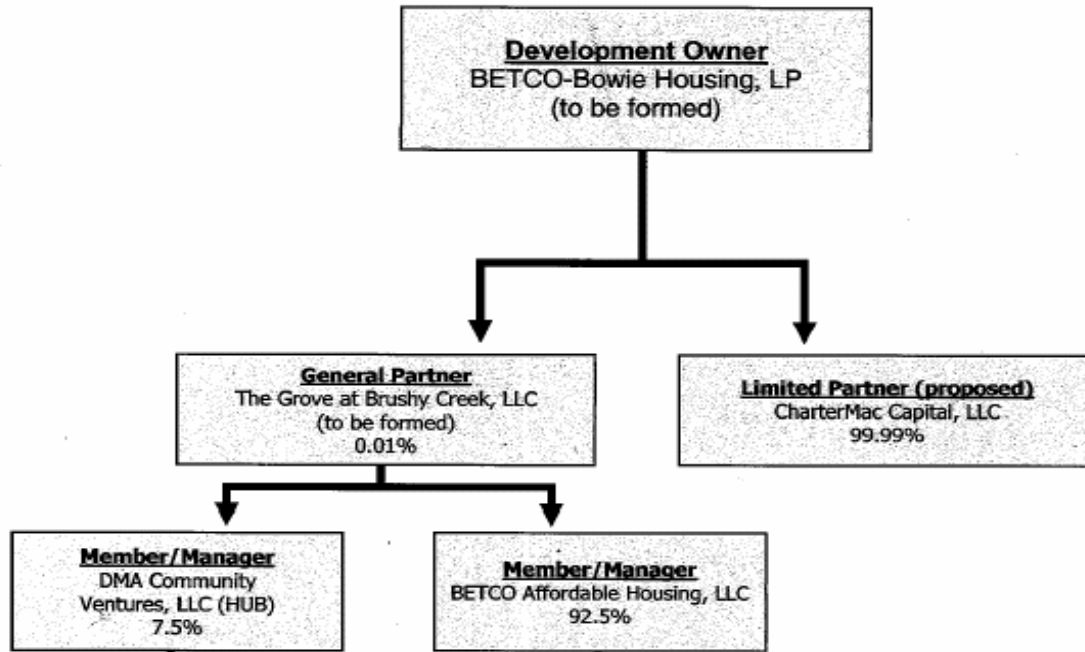
DEVELOPMENT																		
The Grove at Brushy Creek																		
Location: <u>Northeast corner of El Dorado and Patterson Streets</u>					Region: <u>2</u>													
City: <u>Bowie</u>		County: <u>Montague</u>		Zip: <u>76230</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, New Construction, USDA, Rural</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$551,374			\$506,036														
*The initial application page indicated requested credits of \$494,760 but the development schedule page of the application identified this higher amount which was verified with the applicant as the correct request.																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance by carryover of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 2 Receipt, review, and acceptance, prior to commencement of construction, of certification by a qualified third party architect or engineer that the design plans are in accordance with 2007 QAP rules with regard to the 100-year floodplain. 3 Receipt, review and acceptance at carryover of a completed onsite noise assessment with evidence that the resulting recommendations will be followed during construction and operation of the development. 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">37</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	5	60% of AMI	60% of AMI	37
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	5																
60% of AMI	60% of AMI	37																
PROS			CONS															
<p>The proposed development will be the first new tax credit development in Bowie and the primary market area in 10 years.</p>			<p>The market for 2 bedroom units at 30% and 60% AMI and 3 bedroom units at 60% may be somewhat saturated with unit capture rates of over 100%.</p>															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Eric Hartzell Phone: (512) 450-0933 Fax: (512) 450-1097
 Email: eric@betcodev.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Betco Affordable Housing	\$0	\$0	0
DMA Community Ventures	\$7.6K	\$7.6K	3
Diana McIver	Confidential		22

¹ Liquidity = Current Assets - Current Liabilities

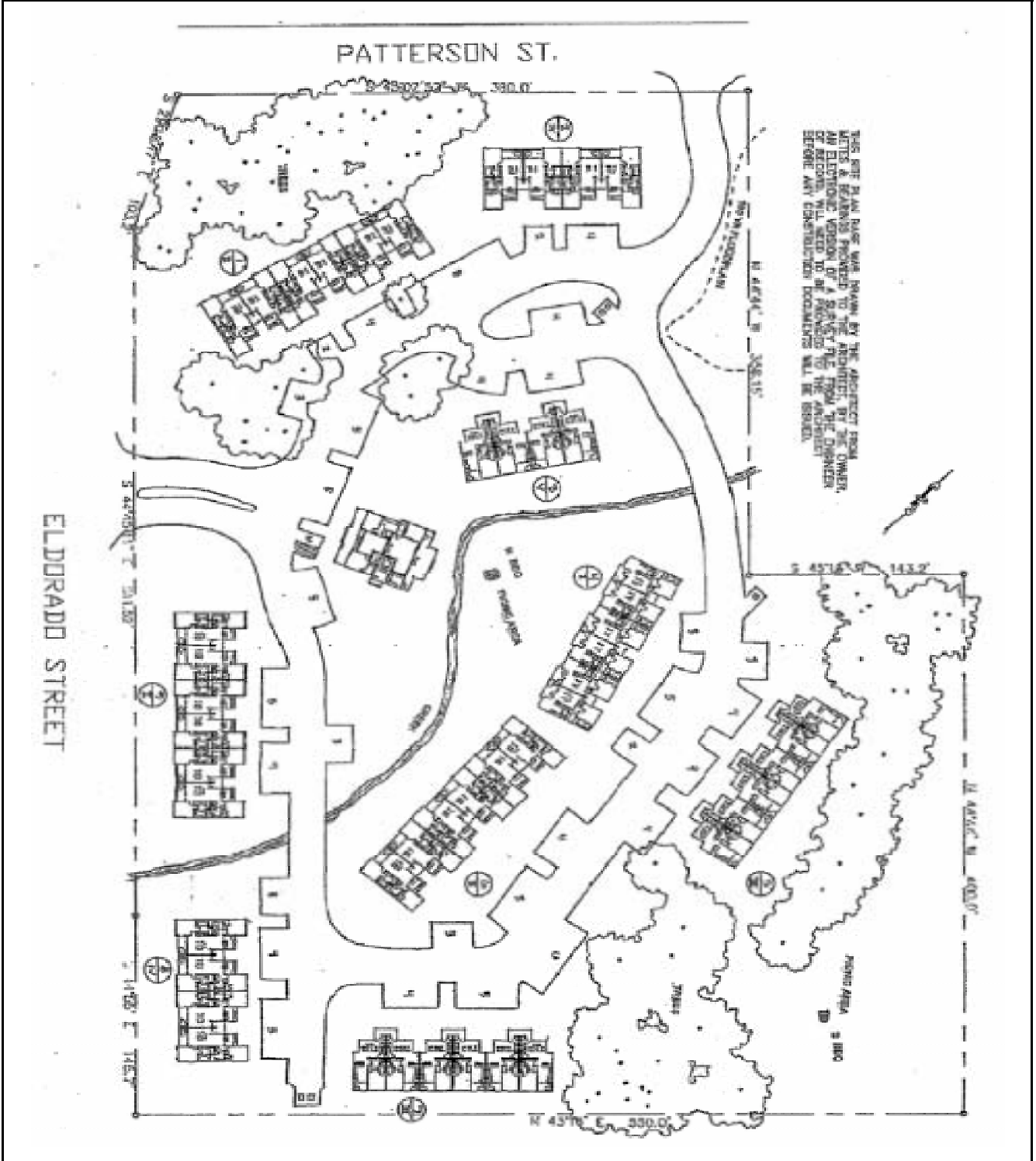
IDENTITIES of INTEREST

The Applicant, Co-Developers, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



SITE ISSUES

Total Size:	<u>8.36</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X & AE</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Zoning:	<u>MF-R</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

Comments:

Most of the site is in Flood Zone designation X which is outside the flood hazard area; however, a small portion (approximately 1/8 acre or less) at the northeast edge of the site is located in Zone AE, a Special Flood Hazard Area. None of the buildings nor parking lots appear to be located inside the Zone AE area shown on the site plan, however there is a creek that is shown to run through the development which is not identified in the floodplain and should be re-considered for potential flood issues.

The current QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the floodplain and parking and drive areas are no lower than six inches below the floodplain." Receipt, review, and acceptance, prior to commencement of construction, of certification by a qualified third party architect or engineer that the design plans are in accordance with 2007 QAP rules with regard to the 100-year floodplain, is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/27/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant Land East: Vacant Land

South: Multifamily Residential West: Cemetery

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc. Date: 3/7/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Based on a review of historical aerial photographs and the Railroad Commission of Texas (RRC) Public GIS Map Viewer (which plots registered oil/gas wells and pipelines), evidence of a recognized environmental condition (REC) was revealed in association with the Site. A ConocoPhillips Pipeline Company underground crude oil pipeline is located southeast, adjoining and topographically upgradient to the Site. Based on a review of historic aerial photographs, the pipeline appears to have been in-place since at least 1952 (54 years). Based on distance, the apparent topographic gradient relative to the Site, Site geology (Antlers Sand Formation) and the age of the pipeline, the crude oil underground pipeline is considered to present a REC for the Site" (p. 1). "Based on the results of the ESI [Environmental Site Investigation] conducted on the Site by ALPHA in March 2006, no additional site investigation with regard to the southeastern adjoining crude oil underground pipeline appears warranted at this time" (p. 2).

"According to the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Map (FIRM) Number 48337C, Panel 0195C, dated January 17, 1991, a majority of the Site is located within Zone X, which is located outside the 100-year floodplain zone. However, a small northeastern portion of the Site appears to be located within Zone AE, which is located within the 100-year floodplain zone" (p. 2).

"ALPHA attempted to conduct a preliminary noise analysis on the Site in general accordance to the U.S. Department of Housing and Urban Development (HUD) Noise Assessment Guidelines. Major sources of noise identified for the subject Site included major roadways (Patterson Street or Eldorado Street). No railroads were identified within 3,000 feet of the Site, and no airports were identified within 15 miles of the Site. The City of Bowie does not maintain traffic count data for Patterson Street or Eldorado Street, both city owned roadways. Therefore, ALPHA was unable to complete a preliminary noise analysis on the Site" (p. 3).

This section intentionally left blank.

Comments:

"ALPHA has performed a Phase I Environmental Site Assessment Update in conformance with the scope and limitations of ASTM Practice E 152705 for an approximately 8.36 acre, irregular shaped, undeveloped tract of land located at the east corner of Patterson Street and Eldorado Street in the City of Bowie, Montague County, Texas. Any exceptions to, or deletions from, this practice are described in Section 2.5 of this report. This assessment has revealed no evidence of recognized environmental conditions in connection with the Site at this time. In order to evaluate noise for the subject Site, an onsite noise assessment would be required" (p. 3).

Receipt, review and acceptance at carryover of a completed onsite noise assessment with evidence that the resulting recommendations will be followed during construction and operation of the development is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources DFW Date: 2/26/2007
 Contact: Charles Bissell Phone: (972) 960-1222 Fax: (972) 960-2922
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,978 square miles (25.17 mile radius)

"We conclude the subject's primary market area (PMA) to be constrained by the following zip codes: 76230, 76228, 76261, 76255, 76251, 76265, 76239, 76278, 76431, 76225, 76426, and 76234." (p. 20)

Secondary Market Area (SMA):

The Market Analyst did not provide a Secondary Market Area (SMA) designation.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Montague						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,500	\$10,900	\$12,250	\$13,600	\$14,700	\$15,800
60	\$19,020	\$21,720	\$24,480	\$27,180	\$29,340	\$31,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR 30%	12	2	0	14	1	0	7%
1BR 60%	29	4	0	33	4	0	12%
2BR 30%	2	1	0	3	3	0	100%
2BR 60%	5	1	0	6	20	0	333%
3BR 30%	5	1	0	6	1	0	16%
3BR 60%	12	1	0	13	13	0	100%

This section intentionally left blank.

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 52								50%	65	
Underwriter	100%	20,788	96%	19,994	24%	4,879	21%	1,025	50%	513
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 49								100%	10	
Underwriter			96%	297	24%	70	21%	15	100%	15
INCLUSIVE CAPTURE RATE										
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate				
Market Analyst p. 52	42	0	0	42	75	56.70%				
Underwriter	42	0	0	42	527	7.97%				

Comments:

The Market Analyst used a more conservative capture rate calculation method (by unit type) for the development than is typically used by TDHCA. The development is considered to be feasible using either the Market Analyst capture rate of 56.7% or the Underwriter's estimate of 7.97% since rural developments may have an inclusive capture rate of up to 75%.

Primary Market Occupancy Rates:

"The average occupancy level for all multifamily properties within the PMA is 98%." (p. 30)

Absorption Projections:

"The subject is forecast to reach stabilized occupancy within 12 months of opening, equating to an absorption pace of approximately 4 units per month." (p. 69)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1BR 750 SF (30%)	\$216	\$217	\$500	\$217	\$283	
1BR 750 SF (60%)	\$471	\$471	\$500	\$471	\$29	
2BR 982 SF (30%)	\$263	\$263	\$650	\$263	\$387	
2BR 982 SF (60%)	\$569	\$569	\$650	\$569	\$81	
3BR 1,255 SF (30%)	\$302	\$302	\$750	\$302	\$448	
3BR 1,255 SF (60%)	\$655	\$655	\$750	\$655	\$95	

Market Impact:

"... we conclude there to be sufficient unmet demand to support the development of the subject." (p. 70)

Comments:

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

This section intentionally left blank.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of February 2007 of the Nocona Housing Authority from the program rent limits. Tenants are required to pay heating, cooling, water heater and general electricity. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,759 per unit is within 5% of the Underwriter's estimate of \$3,799 derived from the TDHCA database and third party data sources. The Applicant's budget however, has one line item, the property tax estimate that is \$5K higher when compared to the Underwriter's estimate.

The Applicant submitted a property insurance quote from Galloway Complete Insurance Service. The Quote of \$22,900 per year assumes a replacement value of \$3,075,000 and a \$5,000 deductible. The underwriting analysis assumes the quote to be accurate, although at \$0.46 per square, the insurance cost seems high for the region.

The proposed syndicator requires a replacement reserve deposit of \$1,332 per month (\$333 per unit per year). Although this figure exceeds the minimum TDHCA underwriting requirement for new construction as well as rehabilitation developments, the underwriting analysis includes replacement reserve expense at this level due to the lender requirement.

Conclusion:

The Applicant's total expenses and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's proforma will be used to determine the development's debt capacity.

The Applicant has an Annual USDA Loan Guaranty fee of \$5,805 listed in the debt service section. This is an annual loan guaranty fee that is calculated as 50 basis points on 90% of the loan amount. The Underwriter's calculation of this fee however is \$5,985 per year.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income, but with a revised total annual debt service, were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 15.305 acres	<u>\$53,570</u>	Tax Year:	<u>2006</u>
1 acre:	<u>\$3,501</u>	Valuation by:	<u>Montague CAD</u>
Prorated Land: 8.36 acres	<u>\$29,268</u>	Tax Rate:	<u>1.841</u>

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 8.36

Contract Expiration: 11/1/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$10 Other: The land is an in-kind contribution (\$165,000)

Seller: City of Bowie Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The land is being provided to the Applicant by the City of Bowie as an in-kind contribution for the development of affordable housing. The land has been appraised at a value of \$165,000. The Applicant included the land cost as a use of funds but did not include contribution in the sources of funds. The Underwriter included an equal amount as a source of permanent funds in this underwriting analysis. The net effect will be no acquisition cost.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are at the maximum of the current Department guidelines without requiring additional documentation. Therefore, no further third party substantiation is required.

Direct Construction Cost:

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

Contingency & Fees:

The Applicant's eligible developer fee is not within the maximum allowed by TDHCA guidelines. Therefore, the Applicant's eligible basis will be adjusted down by the overage of \$812.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,263,125 supports annual tax credits of \$511,872. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/29/2007

Source: JP Morgan Chase Bank Type: Interim Financing

Principal: \$2,949,779 Interest Rate: 8.0% Fixed Term: 24 months

Source: City of Bowie Type: Interim Financing

Principal \$100,000 Interest Rate: 4.90% Fixed Term: 12 months

Source: Lancaster Pollard Mortgage Co. Type: Interim to Permanent Financing

Principal: \$1,330,000 Interest Rate: 4.9% Fixed Term: 360 months

Comments:

Interim period is limited to 24 months; an interest rate credit through the USDA 538 program provides a guarantee to the lender. The interest rate on the first \$1,500,000 will be lowered to the Long Term Applicable Federal Rate (AFR), which is estimated to be 4.9% as of the date of application. While a deeper rent subsidy could be achieved, doing so could jeopardize the eligibility of the 9% credit. USDA approval of the subsidy is a condition of this report. Any debt above \$1.5M will carry an interest rate of 7.5%.

Source: City of Bowie Type: In-Kind Contribution

Principal: \$165,000 Comments: Land Value

Source: Charter Mac Capital Type: Syndication

Proceeds: \$4,205,000 Syndication Rate: 85% Anticipated HTC: \$ 494,755

Comments:

\$1,332 per month replacement reserve requirements (\$333 per unit annually). The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan, grants and other sources of \$1,495,000 indicates the need for \$4,300,881 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$506,036 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$551,374), the gap-driven amount (\$506,036), and eligible basis-derived estimate (\$511,872), the gap driven estimate of \$506,036 is recommended resulting in proceeds of \$4,300,881 based on a syndication rate of 85%.

The Applicant initially anticipated a need to defer \$260,881 in developer fees; but based on the Underwriter's analysis there will be no need for the deferral of those fees; however, should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fees may be available to fund those development cost overruns.

Underwriter: _____ Date: July 16, 2007

D. Burrell

Reviewing Underwriter: _____ Date: July 16, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 16, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

The Grove at Brushy Creek, Bowie, 9% HTC #07294

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	750	\$255	\$217	\$217	\$0.29	\$38.00	\$23.00
TC 60%	4	1	1	750	\$509	471	1,884	0.63	38.00	23.00
MR	1	1	1	750		490	490	0.65	38.00	23.00
TC 30%	3	2	2	982	\$306	263	789	0.27	43.00	29.00
TC 60%	20	2	2	982	\$612	569	11,380	0.58	43.00	29.00
MR	3	2	2	982		590	1,770	0.60	43.00	29.00
TC 30%	1	3	2	1,255	\$353	302	302	0.24	51.00	32.00
TC 60%	13	3	2	1,255	\$706	655	8,515	0.52	51.00	32.00
MR	2	3	2	1,255		675	1,350	0.54	51.00	32.00
TOTAL:	48		AVERAGE:	1,044		\$556	\$26,697	\$0.53	\$45.04	\$29.25

INCOME

Total Net Rentable Sq Ft: 50,112

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$8.25
 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.14%	\$322	0.31
Management	6.65%	417	0.40
Payroll & Payroll Tax	10.71%	671	0.64
Repairs & Maintenance	6.91%	433	0.41
Utilities	4.72%	296	0.28
Water, Sewer, & Trash	5.60%	351	0.34
Property Insurance	7.61%	477	0.46
Property Tax 1.841	6.76%	423	0.41
Reserve for Replacements	5.32%	333	0.32
TDHCA Compliance Fees	0.64%	40	0.04
Other: Supportive Services	0.53%	33	0.03
TOTAL EXPENSES	60.59%	\$3,796	\$3.64
NET OPERATING INC	39.41%	\$2,469	\$2.37

DEBT SERVICE

Lancaster Pollard (USDA 538)	28.17%	\$1,765	\$1.69
USDA Annual Fee	1.99%	\$125	\$0.12
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	9.26%	\$580	\$0.56

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)		2.87%	\$3,501	\$3.35	\$168,050	\$168,050	\$3.35	\$3,501	2.90%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		7.39%	9,000	8.62	432,000	432,000	8.62	9,000	7.45%
Direct Construction		48.40%	58,982	56.50	2,831,149	2,692,591	53.73	56,096	46.46%
Contingency 4.79%		2.67%	3,255	3.12	156,230	156,230	3.12	3,255	2.70%
Contractor's Fees 13.41%		7.48%	9,113	8.73	437,442	437,442	8.73	9,113	7.55%
Indirect Construction		5.78%	7,042	6.74	338,000	338,000	6.74	7,042	5.83%
Ineligible Costs		2.77%	3,379	3.24	162,190	162,190	3.24	3,379	2.80%
Developer's Fees 19.41%		15.01%	18,292	17.52	878,000	878,000	17.52	18,292	15.15%
Interim Financing		5.64%	6,868	6.58	329,675	329,675	6.58	6,868	5.69%
Reserves		2.00%	2,431	2.33	116,699	201,703	4.03	4,202	3.48%
TOTAL COST		100.00%	\$121,863	\$116.73	\$5,849,435	\$5,795,881	\$115.66	\$120,748	100.00%
Construction Cost Recap		65.93%	\$80,350	\$76.96	\$3,856,821	\$3,718,263	\$74.20	\$77,464	64.15%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard (USDA 538)	22.74%	\$27,708	\$26.54	\$1,330,000	\$1,330,000	\$1,330,000	Developer Fee Available
City of Bowie -Grant	2.82%	\$3,438	\$3.29	165,000	0	165,000	\$877,188
HTC Syndication Proceeds	71.89%	\$87,604	\$83.91	4,205,000	4,205,000	4,300,881	% of Dev. Fee Deferred
Deferred Developer Fees	4.46%	\$5,435	\$5.21	260,881	260,881	0	0%
Additional (Excess) Funds Req'd	-1.91%	(\$2,322)	(\$2.22)	(111,446)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,849,435	\$5,795,881	\$5,795,881	\$640,180

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Grove at Brushy Creek, Bowie, 9% HTC #07294

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.28	\$3,120,957
Adjustments				
Exterior Wall Finish	1.75%		\$1.09	\$54,617
Elderly			0.00	0
9-Ft. Ceilings	3.25%		2.02	101,431
Roofing			0.00	0
Subfloor			(1.23)	(61,805)
Floor Cover			3.08	154,345
Breezeways/Balconies	\$19.81	5,616	2.22	111,253
Plumbing Fixtures	\$965	126	2.43	121,590
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	48	2.32	116,400
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	121,772
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$69.10	2,400	3.31	165,834
Other: fire sprinkler			0.00	0
SUBTOTAL			79.95	4,006,394
Current Cost Multiplier	0.98		(1.60)	(80,128)
Local Multiplier	0.89		(8.79)	(440,703)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.56	\$3,485,563
Plans, specs, survy, bld prm	3.90%		(\$2.71)	(\$135,937)
Interim Construction Interes	3.38%		(2.35)	(117,638)
Contractor's OH & Profit	11.50%		(8.00)	(400,840)
NET DIRECT CONSTRUCTION COSTS			\$56.50	\$2,831,149

PAYMENT COMPUTATION

Primary	\$1,330,000	Amort	360
Int Rate	4.90%	DCR	1.40

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.31

Additional		Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$84,704
Secondary Debt Service	6,650
Additional Debt Service	0
NET CASH FLOW	\$28,945

Primary	\$1,330,000	Amort	360
Int Rate	4.90%	DCR	1.42

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.32

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.32

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	\$320,352	\$329,963	\$339,861	\$350,057	\$360,559	\$417,987	\$484,561	\$561,739	\$754,930
Secondary Income	4,752	4,895	5,041	5,193	5,348	6,200	7,188	8,333	11,198
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	325,104	334,857	344,903	355,250	365,907	424,187	491,749	570,072	766,129
Vacancy & Collection Loss	(24,384)	(25,114)	(25,868)	(26,644)	(27,443)	(31,814)	(36,881)	(42,755)	(57,460)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$300,720	\$309,743	\$319,035	\$328,606	\$338,464	\$392,373	\$454,868	\$527,316	\$708,669
EXPENSES at 4.00%									
General & Administrative	\$14,300	\$14,872	\$15,467	\$16,086	\$16,729	\$20,353	\$24,763	\$30,128	\$44,597
Management	18,043	18,584	19,142	19,716	20,308	23,542	27,292	31,639	42,520
Payroll & Payroll Tax	32,400	33,696	35,044	36,446	37,903	46,115	56,106	68,262	101,044
Repairs & Maintenance	21,250	22,100	22,984	23,903	24,859	30,245	36,798	44,771	66,271
Utilities	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Water, Sewer & Trash	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Insurance	22,900	23,816	24,769	25,759	26,790	32,594	39,655	48,247	71,417
Property Tax	25,264	26,275	27,326	28,419	29,555	35,959	43,749	53,227	78,790
Reserve for Replacements	15,984	16,623	17,288	17,980	18,699	22,750	27,679	33,676	49,849
Other	3,280	3,411	3,548	3,690	3,837	4,668	5,680	6,910	10,229
TOTAL EXPENSES	\$180,421	\$187,457	\$194,770	\$202,369	\$210,267	\$254,657	\$308,478	\$373,745	\$548,920
NET OPERATING INCOME	\$120,299	\$122,285	\$124,265	\$126,237	\$128,197	\$137,716	\$146,390	\$153,572	\$159,749
DEBT SERVICE									
First Lien Financing	\$84,704	\$84,704	\$84,704	\$84,704	\$84,704	\$84,704	\$84,704	\$84,704	\$84,704
Second Lien	6,650	6,450	6,342	6,230	6,111	5,427	4,558	3,454	271
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$28,945	\$31,131	\$33,219	\$35,303	\$37,382	\$47,585	\$57,128	\$65,413	\$74,774
DEBT COVERAGE RATIO	1.32	1.34	1.36	1.39	1.41	1.53	1.64	1.74	1.88

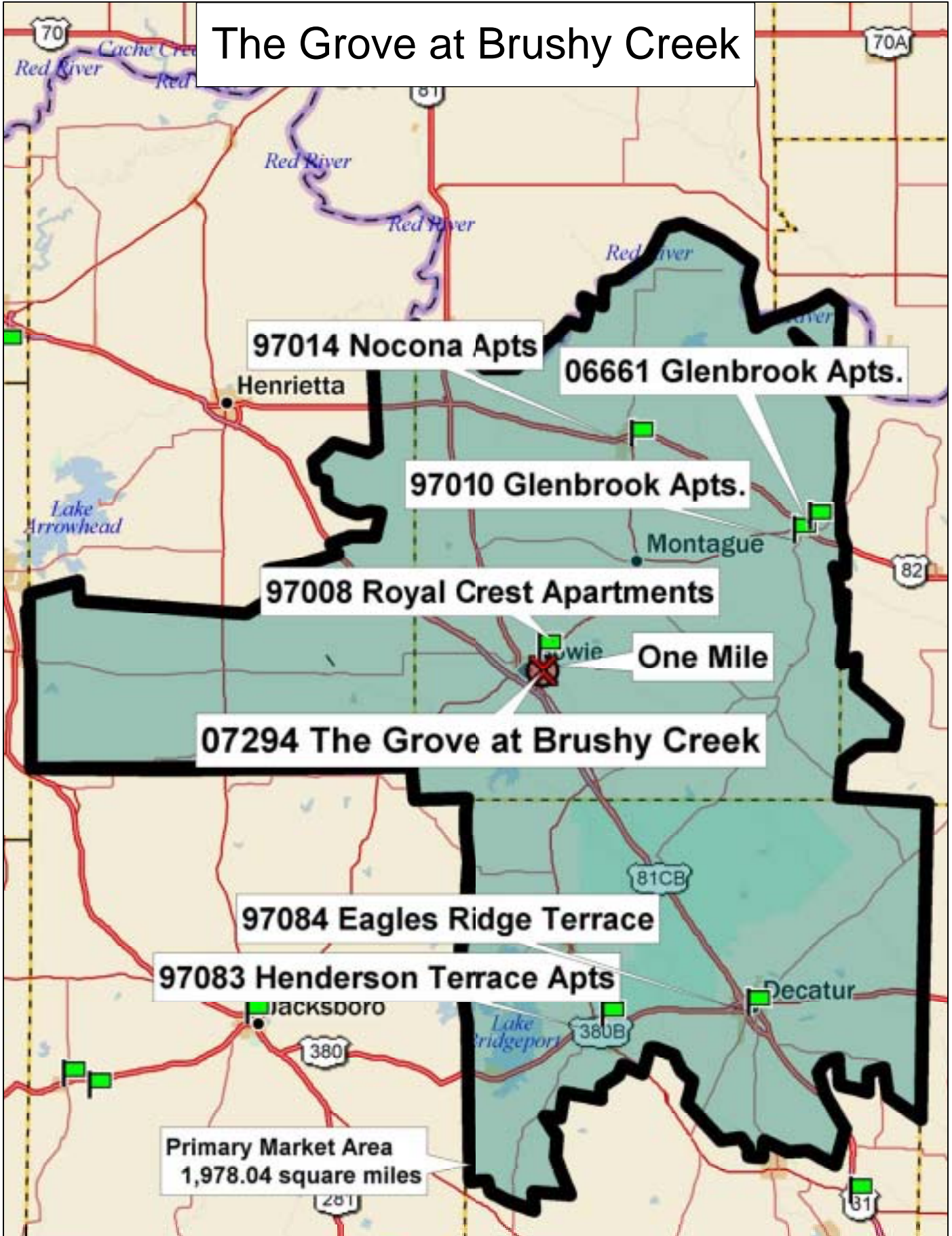
HTC ALLOCATION ANALYSIS -The Grove at Brushy Creek, Bowie, 9% HTC #07294

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$168,050	\$168,050		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$432,000	\$432,000	\$432,000	\$432,000
Construction Hard Costs	\$2,692,591	\$2,831,149	\$2,692,591	\$2,831,149
Contractor Fees	\$437,442	\$437,442	\$437,442	\$437,442
Contingencies	\$156,230	\$156,230	\$156,230	\$156,230
Eligible Indirect Fees	\$338,000	\$338,000	\$338,000	\$338,000
Eligible Financing Fees	\$329,675	\$329,675	\$329,675	\$329,675
All Ineligible Costs	\$162,190	\$162,190		
Developer Fees			\$877,188	
Developer Fees	\$878,000	\$878,000		\$878,000
Development Reserves	\$201,703	\$116,699		
TOTAL DEVELOPMENT COSTS	\$5,795,881	\$5,849,435	\$5,263,125	\$5,402,496

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,263,125	\$5,402,496
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$6,842,063	\$7,023,244
Applicable Fraction		88%	88%
TOTAL QUALIFIED BASIS		\$5,986,805	\$6,145,339
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$511,872	\$525,426

Syndication Proceeds	0.8499	\$4,350,478	\$4,465,681
Total Tax Credits (Eligible Basis Method)		\$511,872	\$525,426
Syndication Proceeds		\$4,350,478	\$4,465,681
Requested Tax Credits		\$551,374	
Syndication Proceeds		\$4,686,214	
Gap of Syndication Proceeds Needed		\$4,300,881	
Total Tax Credits (Gap Method)		\$506,036	

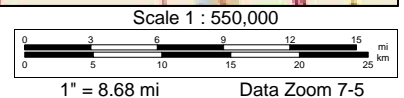
The Grove at Brushy Creek



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www.delorme.com



Applicant Evaluation

Project ID # **07294**

Name: **The Grove at Brushy Creek**

City: **Bowie**

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

Total # of Projects monitored: 15

Projects zero to nine: 13
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 15

not yet monitored or pending review: 0

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/31/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Bluestone, TDHCA Number 07295

BASIC DEVELOPMENT INFORMATION

Site Address: Hwy 198 at Manning St. and Paschall St. Development #: 07295
 City: Mabank Region: 4 Population Served: General
 County: Henderson Zip Code: 75147 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: BETCO-Cedar Creek Housing, L.P.
 Owner Contact and Phone: Eric Hartzell (512) 450-0933
 Developer: DMA Development Company, LLC
 Housing General Contractor: Campbell Hogue Construction Associates, LLC
 Architect: Chiles Architects, Inc.
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: DMA Properties, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	73
	8 0 0 65	Market Rate Units:	3
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 18 40 18 0 0	Total Development Units:	76
Type of Building:		Total Development Cost*:	\$8,190,868
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	13
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$758,354	\$758,354			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Bluestone, TDHCA Number 07295

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

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$758,354

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/21/07

PROGRAM: 9% HTC

FILE NUMBER: 07295

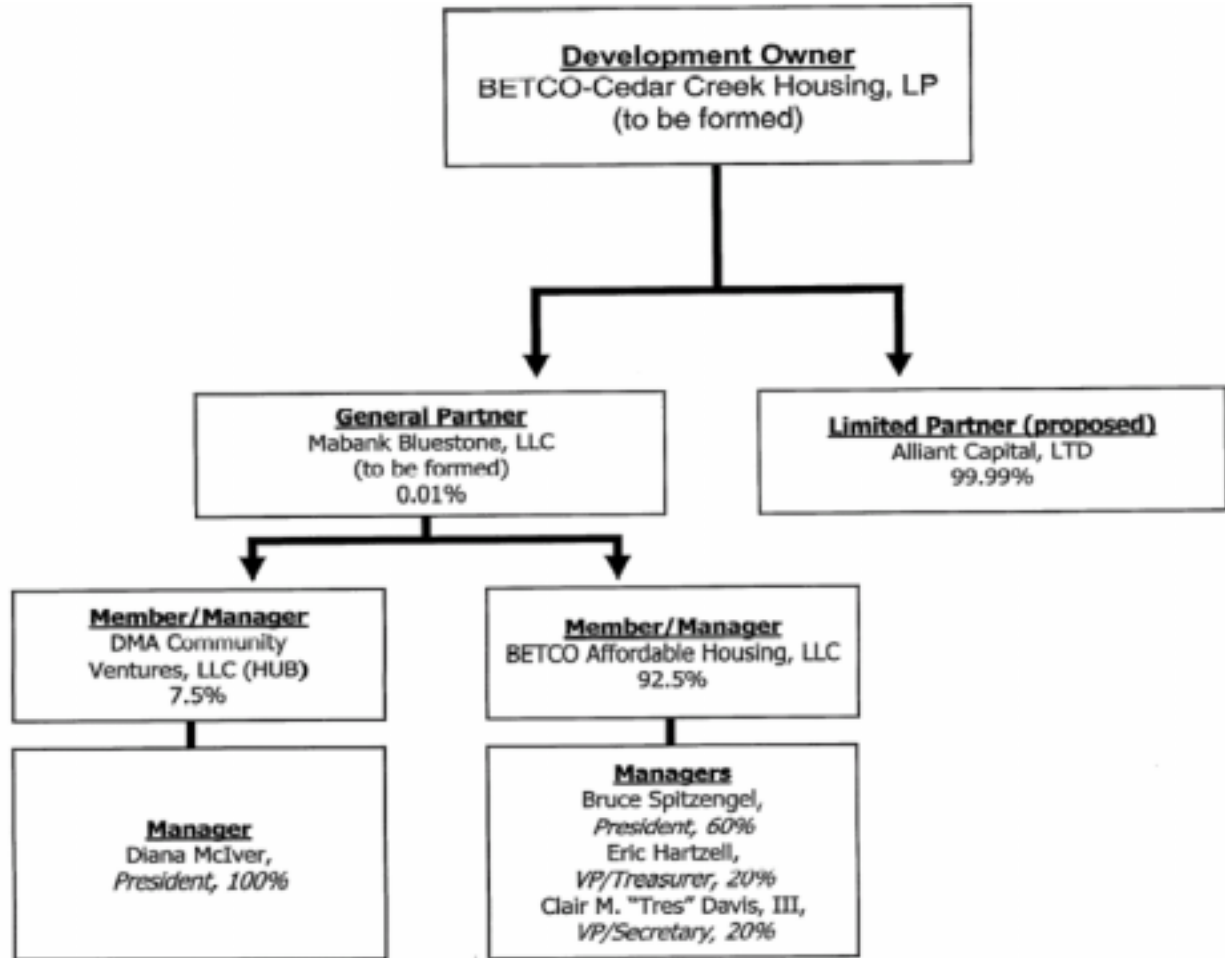
DEVELOPMENT																		
The Bluestone																		
Location: <u>Highway 198 at Manning & Paschall Streets</u>				Region: <u>4</u>														
City: <u>Mabank</u>		County: <u>Henderson</u>		Zip: <u>75147</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, Family, New Construction, Rural, USDA</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$758,354			\$758,354														
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy. 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 allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center; padding: 5px;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center; padding: 5px;">Income Limit</th> <th style="text-align: center; padding: 5px;">Rent Limit</th> <th style="text-align: center; padding: 5px;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">30% of AMI</td> <td style="text-align: center; padding: 5px;">30% of AMI</td> <td style="text-align: center; padding: 5px;">8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">60% of AMI</td> <td style="text-align: center; padding: 5px;">60% of AMI</td> <td style="text-align: center; padding: 5px;">65</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	8	60% of AMI	60% of AMI	65
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	8																
60% of AMI	60% of AMI	65																
PROS			CONS															
<p>The Applicant is anticipating the use of low interest USDA 538 funding to make this otherwise marginally feasible rural development viable.</p> <p>The application represents the first new construction tax credit development targeting families in Mabank.</p>			<p>USDA has expressed concern with funding two developments in Mabank in the same year and this development would have a lower priority than the rehabilitation of another .</p> <p>The Applicant's high expense to income ratio while only slightly less than the maximum guideline, reflects extensive deep rent targeting, but is still considered to be acceptable.</p> <p>The Applicant's anticipated syndication proceeds as a percentage of total cost (80%) is higher than typical due to the 130% DDA boost, deep rent targeting, and extremely low syndication rate.</p>															

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Eric Hartzell Phone: (512) 450-0933 Fax: (512) 450-1097
 Email: eric@betcodev.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Betco Affordable Housing, LLC			N/A
Betco Development, Inc			N/A
Bruce Spitzengel		CONFIDENTIAL	
Eric Hartzell		CONFIDENTIAL	
Clair "Tres" Davis		CONFIDENTIAL	

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV								Total Buildings
Floors/Stories	1	1	1	2								
Number	3	1	6	3								13

BR/BA	SF	Units										Total Units	Total SF
1/1	751	6										18	13,518
2/1	950		4									4	3,800
2/2	982			6								36	35,352
3/2	1,255				6							18	22,590
Units per Building		6	4	6	6							76	75,260

SITE ISSUES

Total Size: 8 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: PUD Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant/undeveloped land and vacant commercial businesses
 South: Vacant/undeveloped land and vacant commercial uses
 East: Vacant/undeveloped land
 West: Gun Barrel Lane, Lumber contractor & building center

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc. Date: 3/8/2007

Recognized Environmental Concerns (RECs) and Other Concerns:
 No issues

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/12/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 381.58 square miles ~ 11.06 mile radius

"For this analysis, we utilized a "primary market area" encompassing 373.88 square miles. The boundaries of the Primary Market Area are as follows: North: State Highway 243; East: State Highway 47 south to SH 198, SH 316 south to U.S. 175; South: State Highway 31; and West: State Highway 274 to U.S. 175 north to Washington Street.

It should be noted, at the Underwriter's request the Market Analyst provided additional information to support the defined market area. According to Darrell Jack, "...the boundaries were drawn using major highways. As this area of the state is rural, there are few definitive boundaries other than roads, highways and county lines. For this reason, only a portion of the cities of Kaufman and Athens were contained within the PMA. At the same time, the PMA (as drawn) leaves out only one 48 unit "affordable" family project, Victoria Place - Phase II. Even if you include this project without increasing the PMA area or subsequent population, the capture rate for Bluestone Apartments is still less than the maximum allowed. Additionally, the PMA includes the west side of Cedar Creek Reservoir as the reservoir is bridged by FM 334. If this were not the case, travel time to circumvent the reservoir would have certainly been considered."

Secondary Market Area (SMA):

The Market Analysts did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Meadowlake Village	07167	40	acq/rehab	No Secondary Market				
Terry Street Apts.	07247	48	48					
Gardens of Mabank	060206	36	Senior					
Briarwood	04288	48	acq/rehab					
Village of Kaufman	03212	68	acq/rehab					

INCOME LIMITS						
Henderson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,500	\$10,900	\$12,250	\$13,600	\$14,700	\$15,800
60	\$19,020	\$21,720	\$24,480	\$27,180	\$29,340	\$31,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	48	1		49	2	2	8%
1 BR/60% Rent Limit	57	2		59	10	16	44%
2 BR/30% Rent Limit	22	0		22	4	3	32%
2 BR/60% Rent Limit	39	1		40	35	13	120%
3 BR/30% Rent Limit	10	-1		9	2	0	22%
3 BR/60% Rent Limit	17	1		18	20	0	111%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 56	16,556	99%	16,359	5%	816	100%	816
Underwriter	100%	16,725	96%	16,135	24%	3,896	16%
							65%
							527
							641
							414
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 56			84	5%	4	100%	4
Underwriter			96%	230	24%	54	16%
							9
							9

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 57	73	48	0	121	531	22.80%
Underwriter	73	48	0	121	423	28.63%

While there are three previously funded developments and two additional developments currently requesting funds totaling 240 potentially unstabilized tax credit units in this PMA, only the proposed 48 units at Terry Street Apartments are considered comparable since the other developments are acquisition rehabilitation developments maintaining the existing tenant profile or units dedicated to senior households. Terry Street is a lower scoring application as of the date of this underwriting report, but even if it were to be funded, this analysis suggests support for additional units. Like the subject, Terry Street is in Henderson County in Region 4.

The other current application is 07167 Meadowlake Village which is an acquisition rehab development and therefore not considered in the capture rate.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 95.7% as a result of growing demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p. 10)

Absorption Projections:

"Today, the PMA is 95.7% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 75 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available." (p.11)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	751 SF	30%	\$180	\$180	\$500	\$180	\$320
1 BR	751 SF	60%	\$434	\$434	\$500	\$434	\$66
2 BR	950 SF	30%	\$225	\$225	\$605	\$225	\$380
2 BR	982 SF	60%	\$531	\$531	\$605	\$531	\$74
2 BR	982 SF	MR	\$605	\$0	\$605	\$605	\$0
3 BR	1,255 SF	30%	\$262	\$262	\$680	\$262	\$418
3 BR	1,255 SF	60%	\$615	\$615	\$680	\$615	\$65
3 BR	1,255 SF	MR	\$680	\$0	\$680	\$680	\$0

Market Impact:

"Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market." (p.101)

It should be noted that 07167 Meadowlake Village, like the subject, has a USDA funding source. The Meadowlake transaction is north of the subject in Kaufman County and as such is in a different funding region, Region 3, than subject even though they will exist in the same community less than 2 miles apart. While the TDHCA capture rate provisions do not require that these units be considered part of the unstabilized comparables, preliminary conversations with USDA staff generally indicated concern with funding two transactions for this community in the same year.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of September 9, 2007, maintained by the Mabank Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2007

The Applicant's total annual operating expense projection at \$3,673 per is within 5% of the Underwriter's estimate of \$3,697, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows general and administrative to be \$9K lower and property taxes \$4K higher than the database averages.

Conclusion:

The Applicant's income, operating expenses, and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.35, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

The Applicant's expense to income ratio is marginally below the Department's 65% maximum while the Underwriter's estimate is slightly above this maximum. A minor increase in Applicant's expenses would suggest that this development would not meet the expense to income standard and would not be predicted to sustain future periods of expense growth with flat rents. Nonetheless, the Applicant's estimates are acceptable by the Department's tolerance standards and therefore the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	49.3 acres	\$113,210	Tax Year:	2006
1 acre:		\$2,295	Valuation by:	Henderson CAD
Total Prorata:	8 acres	\$18,363	Tax Rate:	2.229649

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 8

Contract Expiration: 11/15/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$240,000 Other: _____

Seller: Sentry Development Company Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/9/2007

Acquisition Value:

The site cost of \$30,000 per acre or \$3,158 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Cost:

The Applicant claimed off-site costs of \$80K for water and fire hydrants, and offsite utilities and paving and provided sufficient third party certification through an registered architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$124K or 3% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & 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 is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,446,219 supports annual tax credits of \$792,247. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/9/2007

Source: Chase Bank Type: Interim Financing

Principal: \$4,224,102 Interest Rate: 8.0% Fixed Term: 24 months

Comments:

Chase Prime + 50 bps; Interest only during construction; principal and interest due at maturity or conversion to permanent.

Source: Lancaster Pollard Type: Permanent Financing

Principal: \$1,500,000 Interest Rate: 4.9% Fixed Amort: 360 months

Principal: \$245,000 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

The permanent debt will be structured in two portions with financing arranged through Lancaster Pollard. An interest rate credit through the USDA 538 program also provides a guarantee to the lender. The interest rate on the first \$1,500,000 will be lowered to the Long Term Applicable Federal Rate (AFR), which is estimated to be 4.9% as of the date of application. While a deeper rent subsidy could be achieved, doing so could jeopardize the eligibility of the 9% credit. USDA approval of the subsidy is a condition of this report. The remaining debt will carry an interest rate of 7.5%. Both portions of the debt will be amortized over 30 years. The Applicant's sources and uses of funds statement indicates the total loan amount available will not be utilized.

Source: Southeast Texas HFC Type: Private Loan

Principal: \$425,000 Conditions: Including but not limited to the finalization of the Note, interest rate and amortization schedule, and selection.

Comments:

Loan requirements: Minimum 12 month term, bearing interest at a rate equal to or less than AFR.

Source: Alliant Capital Type: Syndication

Proceeds: \$6,445,367 Syndication Rate: 85% Anticipated HTC: \$ 758,354

Comments:

A replacement reserve at \$333 per unit is required. The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$52,869 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,692,200 indicates the need for \$6,498,668 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$764,625 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$758,354), the gap-driven amount (\$764,625), and eligible basis-derived estimate (\$792,247), the Applicant's request of \$758,354 is recommended resulting in proceeds of \$6,445,367 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$53,301 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: June 21, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: June 21, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 21, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

The Bluestone, Mabank, 9% HTC #07295

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	751	\$255	\$180	\$540	\$0.24	\$75.00	\$30.00
TC 60%	15	1	1	751	\$509	434	6,510	0.58	75.00	30.00
TC 30%	4	2	1	950	\$306	225	900	0.24	81.00	42.00
TC 60%	34	2	2	982	\$612	531	18,054	0.54	81.00	42.00
MR	2	2	2	982		605	1,210	0.62	81.00	42.00
TC 30%	1	3	2	1,255	\$353	262	262	0.21	91.00	47.00
TC 60%	16	3	2	1,255	\$706	615	9,840	0.49	91.00	47.00
MR	1	3	2	1,255		680	680	0.54	91.00	47.00
TOTAL:	76		AVERAGE:	990		\$500	\$37,996	\$0.50	\$81.95	\$40.34

INCOME				Total Net Rentable Sq Ft:	75,260	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$455,952	\$455,952	Henderson		4	
Secondary Income		Per Unit Per Month:	\$10.00			9,120	9,120	\$10.00	Per Unit Per Month		
Other Support Income:						0	0	\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$465,072	\$465,072				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(34,880)	(34,884)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$430,192	\$430,188				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				6.11%	\$346	0.35	\$26,301	\$17,200	\$0.23	\$226	4.00%
Management				5.00%	283	0.29	21,510	26,624	0.35	350	6.19%
Payroll & Payroll Tax				13.36%	756	0.76	57,490	59,130	0.79	778	13.75%
Repairs & Maintenance				7.43%	421	0.42	31,963	35,600	0.47	468	8.28%
Utilities				4.08%	231	0.23	17,536	18,000	0.24	237	4.18%
Water, Sewer, & Trash				6.30%	357	0.36	27,103	19,200	0.26	253	4.46%
Property Insurance				8.07%	457	0.46	34,700	34,700	0.46	457	8.07%
Property Tax	2.229649			7.09%	401	0.41	30,502	34,858	0.46	459	8.10%
Reserve for Replacements				5.88%	333	0.34	25,308	25,308	0.34	333	5.88%
TDHCA Compliance Fees				0.68%	38	0.04	2,920	2,920	0.04	38	0.68%
Other: cbl, sup.servs., sec				1.31%	74	0.07	5,620	5,620	0.07	74	1.31%
TOTAL EXPENSES				65.31%	\$3,697	\$3.73	\$280,952	\$279,160	\$3.71	\$3,673	64.89%
NET OPERATING INC				34.69%	\$1,964	\$1.98	\$149,239	\$151,028	\$2.01	\$1,987	35.11%
DEBT SERVICE											
Lancaster Pollard (AFR)				22.21%	\$1,257	\$1.27	\$95,531	\$112,253	\$1.49	\$1,477	26.09%
Lancaster Pollard (7.5%)				3.71%	\$210	\$0.21	15,969	8,000	\$0.11	\$105	1.86%
Additional Financing				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW				8.77%	\$497	\$0.50	\$37,739	\$30,775	\$0.41	\$405	7.15%
AGGREGATE DEBT COVERAGE RATIO						1.34	1.26				
RECOMMENDED DEBT COVERAGE RATIO							1.35				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$243,500	\$243,500	\$3.24	\$3,204	2.97%
Acquisition Cost (site or bldg)		3.04%	\$3,204	\$3.24	80,000	80,000	1.06	1,053	0.98%
Off-Sites		1.00%	1,053	1.06	684,000	684,000	9.09	9,000	8.35%
Sitework		8.54%	9,000	9.09	3,886,422	4,010,840	53.29	52,774	48.97%
Direct Construction		48.54%	51,137	51.64	228,521	234,742	3.12	3,089	2.87%
Contingency	5.00%	2.85%	3,007	3.04	639,859	657,277	8.73	8,648	8.02%
Contractor's Fees	14.00%	7.99%	8,419	8.50	459,000	459,000	6.10	6,039	5.60%
Indirect Construction		5.73%	6,039	6.10	237,530	237,530	3.16	3,125	2.90%
Ineligible Costs		2.97%	3,125	3.16	949,224	970,000	12.89	12,763	11.84%
Developer's Fees	15.00%	11.85%	12,490	12.61	430,360	430,360	5.72	5,663	5.25%
Interim Financing		5.37%	5,663	5.72	168,547	183,619	2.44	2,416	2.24%
Reserves		2.11%	2,218	2.24	\$8,006,964	\$8,190,868	\$108.83	\$107,775	100.00%
TOTAL COST		100.00%	\$105,355	\$106.39	\$5,438,802	\$5,586,859	\$74.23	\$73,511	68.21%
CONSTRUCTION Cost Recap		67.93%	\$71,563	\$72.27					

SOURCES OF FUNDS					RECOMMENDED			
Lancaster Pollard (AFR)		18.73%	\$19,737	\$19.93	\$1,500,000	\$1,692,200	\$1,500,000	Developer Fee Available
Lancaster Pollard (7.5%)		3.06%	\$3,224	\$3.26	245,000	0	192,200	\$970,000
HTC Syndication Proceeds		80.50%	\$84,807	\$85.64	6,445,367	6,445,367	6,445,367	% of Dev. Fee Deferred
Deferred Developer Fees		0.66%	\$696	\$0.70	52,869	52,869	53,301	5%
Additional (Excess) Funds Req'd		-2.95%	(\$3,109)	(\$3.14)	(236,272)	432	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$8,006,964	\$8,190,868	\$8,190,868	\$767,680

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Bluestone, Mabank, 9% HTC #07295

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.51	\$4,252,883
Adjustments				
Exterior Wall Finish	2.40%		\$1.36	\$102,069
Elderly			0.00	0
9-Ft. Ceilings	3.30%		1.86	140,345
Roofing			0.00	0
Subfloor			(2.00)	(150,296)
Floor Cover			2.43	182,882
Balconies	\$22.27	7,960	2.36	177,276
Plumbing Fixtures	\$805	162	1.73	130,410
Rough-ins	\$400	228	1.21	91,200
Built-In Appliances	\$1,850	76	1.87	140,600
Interior Stairs	\$1,800	18	0.43	32,400
Enclosed Corridors	\$46.59		0.00	0
Heating/Cooling			1.90	142,994
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$67.85	2,866	2.58	194,465
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			72.25	5,437,229
Current Cost Multiplier	0.98		(1.44)	(108,745)
Local Multiplier	0.90		(7.22)	(543,723)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.58	\$4,784,761
Plans, specs, survy, bld prm	3.90%		(\$2.48)	(\$186,606)
Interim Construction Interes	3.38%		(2.15)	(161,486)
Contractor's OH & Profit	11.50%		(7.31)	(550,248)
NET DIRECT CONSTRUCTION COSTS			\$51.64	\$3,886,422

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	360
Int Rate	4.90%	DCR	1.56

Secondary	\$192,200	Amort	360
Int Rate	7.40%	Subtotal DCR	1.34

Additional	\$6,445,367	Amort	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$95,531
Secondary Debt Service	15,969
Additional Debt Service	0
NET CASH FLOW	\$39,528

Primary	\$1,500,000	Amort	360
Int Rate	4.90%	DCR	1.58

Secondary	\$192,200	Amort	360
Int Rate	7.40%	Subtotal DCR	1.35

Additional	\$6,445,367	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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

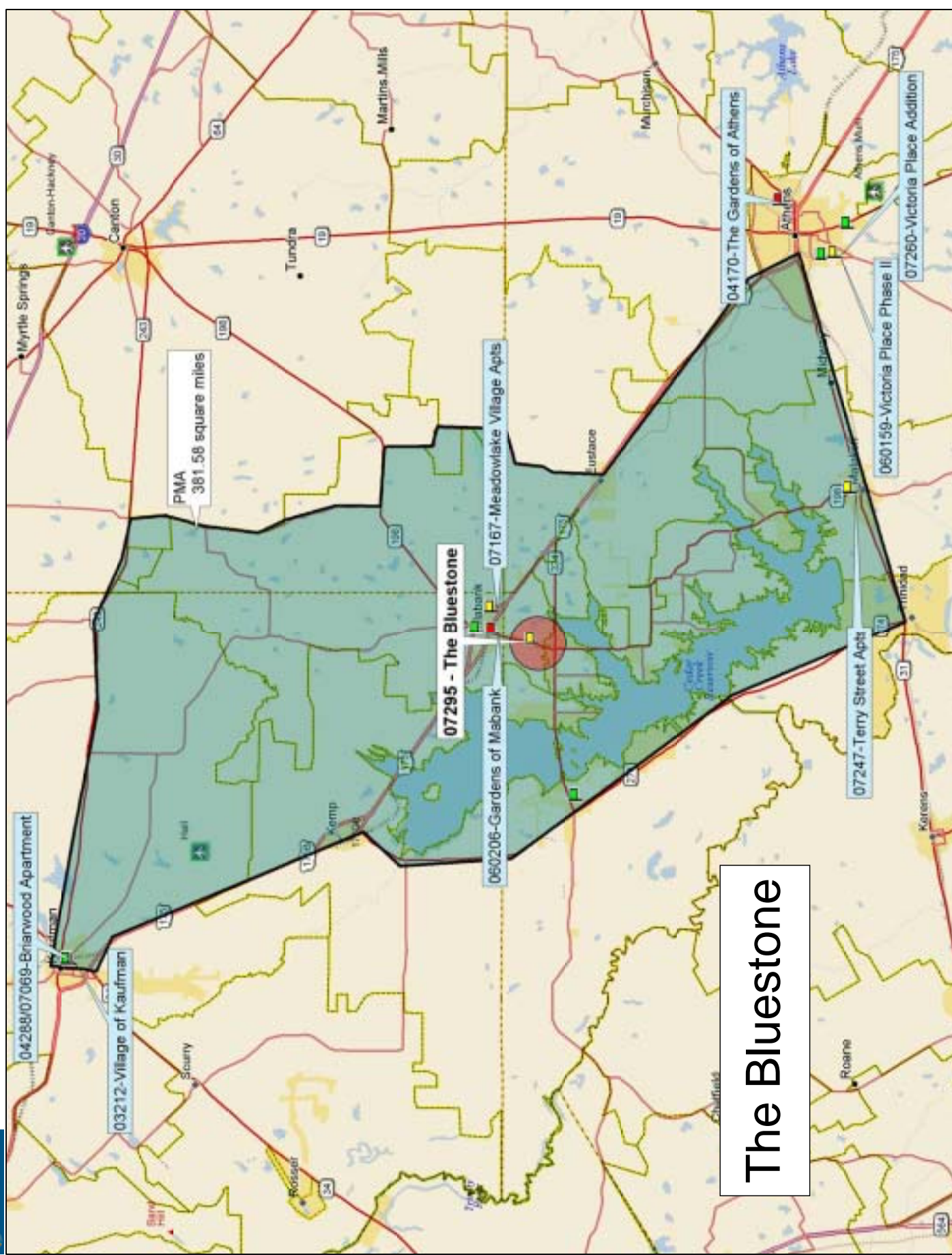
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$455,952	\$469,631	\$483,719	\$498,231	\$513,178	\$594,914	\$689,668	\$799,515	\$1,074,481
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	465,072	479,024	493,395	508,197	523,443	606,813	703,463	815,507	1,095,973
Vacancy & Collection Loss	(34,884)	(35,927)	(37,005)	(38,115)	(39,258)	(45,511)	(52,760)	(61,163)	(82,198)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$430,188	\$443,097	\$456,390	\$470,082	\$484,184	\$561,302	\$650,703	\$754,344	\$1,013,775
EXPENSES at 4.00%									
General & Administrative	\$17,200	\$17,888	\$18,604	\$19,348	\$20,122	\$24,481	\$29,785	\$36,238	\$53,641
Management	26,624	27,423	28,246	29,093	29,966	34,739	40,272	46,686	62,742
Payroll & Payroll Tax	59,130	61,495	63,955	66,513	69,174	84,160	102,394	124,578	184,406
Repairs & Maintenance	35,600	37,024	38,505	40,045	41,647	50,670	61,648	75,004	111,024
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	19,200	19,968	20,767	21,597	22,461	27,328	33,248	40,452	59,878
Insurance	34,700	36,088	37,532	39,033	40,594	49,389	60,089	73,108	108,217
Property Tax	34,858	36,252	37,702	39,211	40,779	49,614	60,363	73,441	108,710
Reserve for Replacements	25,308	26,320	27,373	28,468	29,607	36,021	43,825	53,320	78,927
Other	8,540	8,882	9,237	9,606	9,991	12,155	14,789	17,992	26,633
TOTAL EXPENSES	\$279,160	\$290,060	\$301,389	\$313,162	\$325,397	\$394,176	\$477,582	\$578,741	\$850,313
NET OPERATING INCOME	\$151,028	\$153,037	\$155,002	\$156,920	\$158,787	\$167,126	\$173,121	\$175,603	\$163,461
DEBT SERVICE									
First Lien Financing	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531	\$95,531
Second Lien	15,969	15,969	15,969	15,969	15,969	15,969	15,969	15,969	15,969
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$39,528	\$41,537	\$43,502	\$45,420	\$47,287	\$55,627	\$61,621	\$64,103	\$51,961
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.42	1.50	1.55	1.57	1.47

HTC ALLOCATION ANALYSIS -The Bluestone, Mabank, 9% HTC #07295

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$243,500	\$243,500		
Purchase of buildings				
Off-Site Improvements	\$80,000	\$80,000		
Sitework	\$684,000	\$684,000	\$684,000	\$684,000
Construction Hard Costs	\$4,010,840	\$3,886,422	\$4,010,840	\$3,886,422
Contractor Fees	\$657,277	\$639,859	\$657,277	\$639,859
Contingencies	\$234,742	\$228,521	\$234,742	\$228,521
Eligible Indirect Fees	\$459,000	\$459,000	\$459,000	\$459,000
Eligible Financing Fees	\$430,360	\$430,360	\$430,360	\$430,360
All Ineligible Costs	\$237,530	\$237,530		
Developer Fees				
Developer Fees	\$970,000	\$949,224	\$970,000	\$949,224
Development Reserves	\$183,619	\$168,547		
TOTAL DEVELOPMENT COSTS	\$8,190,868	\$8,006,964	\$7,446,219	\$7,277,387

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,446,219	\$7,277,387
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,680,085	\$9,460,603
Applicable Fraction			96%	96%
TOTAL QUALIFIED BASIS			\$9,266,051	\$9,055,957
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$792,247	\$774,284

Syndication Proceeds	0.8499	\$6,733,432	\$6,580,761
Total Tax Credits (Eligible Basis Method)		\$792,247	\$774,284
Syndication Proceeds		\$6,733,432	\$6,580,761
Requested Tax Credits		\$758,354	
Syndication Proceeds		\$6,445,367	
Gap of Syndication Proceeds Needed		\$6,498,668	
Total Tax Credits (Gap Method)		\$764,625	



The Bluestone

Applicant Evaluation

Project ID # **07295**

Name: **Bluestone**

City: **Mabank**

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

Total # of Projects monitored: 15

Projects zero to nine: 13
grouped ten to nineteen: 1
by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 15

not yet monitored or pending review: 0

Projects not reported Yes
in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Portfolio Analysis

Not applicable
No unresolved issues
Not current on set-ups
Not current on draws
Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth
Date 5/31/2007

HOME

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Sandy M. Garcia
Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer D. Burrell
Date 5/31/2007

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 6/1/2007

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Maria Cazares
Date 5/30/2007

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Melissa M. Whitehead
Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Wentworth Apartments, TDHCA Number 07300

BASIC DEVELOPMENT INFORMATION

Site Address: SE of Corner of Timber Forest Dr. & FM 1960 Development #: 07300
 City: Atascocita Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77346 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Atas Development, LP
 Owner Contact and Phone: Alyssa Carpenter (512) 789-1295
 Developer: Alix Capital Investments
 Housing General Contractor: Construction Supervisors
 Architect: T. Trout Architects
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: Red Capital Group, Inc.
 Supportive Services: To Be Determined
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	90	
	9	0	0	81	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	8	82	0	0	0	
Type of Building:						Total Development Units:	90
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$12,240,140
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	2
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$907,000	\$907,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Wentworth Apartments, TDHCA Number 07300

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$907,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/07 PROGRAM: 9% HTC FILE NUMBER: 07300

DEVELOPMENT						
The Wentworth Apartments						
Location: <u>SE Corner of Timber Forest Dr. and FM 1960</u>				Region: <u>6</u>		
City: <u>Atascocita</u>		County: <u>Harris</u>		Zip: <u>77346</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, New Construction, Urban/Exurban, Elderly</u>						
ALLOCATION						
	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$907,000			\$907,000		
CONDITIONS						
<ol style="list-style-type: none"> 1 This recommendation is subject to application 07141 Pinnacle of Pleasant Humble not having a higher score and priority in receiving an allocation in the same year. 2 Receipt, review, and acceptance, prior to start of construction, that all Phase I ESA recommendations have been carried out. 3 Receipt, review, and acceptance of a final commitment for local permanent funding and this underwriting analysis should be revisited with the possible result of an adjustment to the financial feasibility of the transaction, reduction in eligible basis, and/or adjustment to the recommended tax credit allocation. 4 Receipt review and acceptance of documentation that confirms that the Applicant and its principals have no interest, beneficial or otherwise in Prime Capital Corp, the buyer broker for the acquisition of the land. 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 allocation amount may be warranted. 						
SALIENT ISSUES						
TDHCA SET-ASIDES for LURA						
Income Limit	Rent Limit	Number of Units				
30% of AMI	30% of AMI	9				
60% of AMI	60% of AMI	81				
PROS			CONS			
<hr/> The subject represents the first seniors tax credit transaction in Atascocita and the market area.			<hr/> The market for 2 bedroom units at 60% AMI appears to be saturated with a unit capture rate of over 200%.			

The Market Analyst's inclusive capture rate suggests that this market would exceed the Department's inclusive capture rate if both proposed senior transactions are approved.

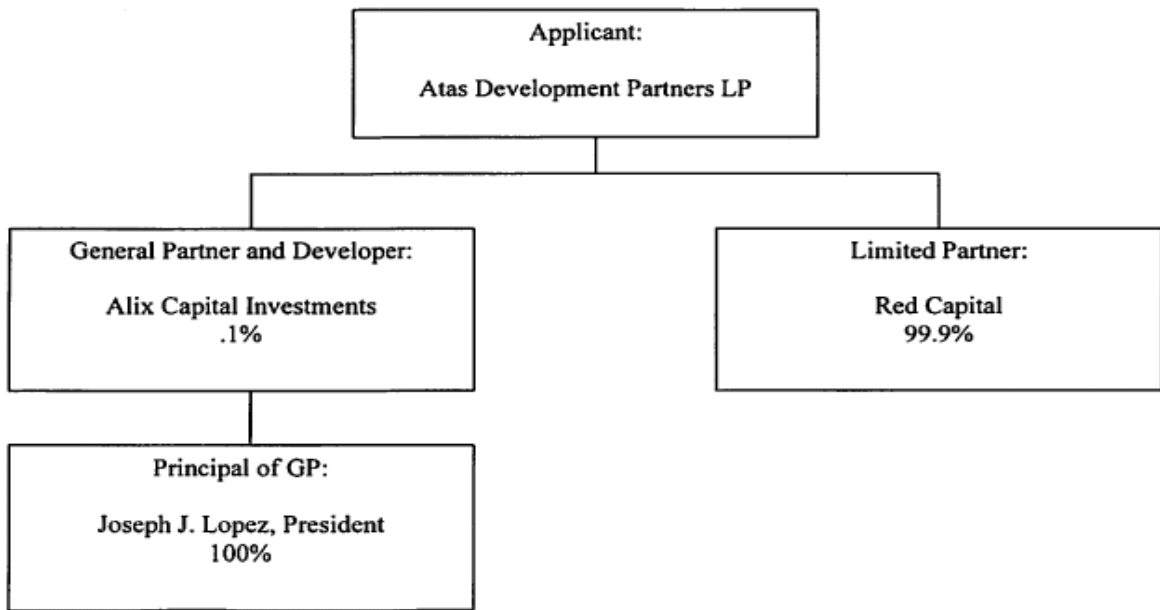
The proposed land acquisition price on a per developable unit basis is considerably higher than normally seen in affordable transactions.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269
 Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Alix Capital Investments	\$1,450,000	\$250,000	
Joseph J. Lopez	confidential	confidential	2 completed and 1 allocation (2006) of Housing Tax Credits reported

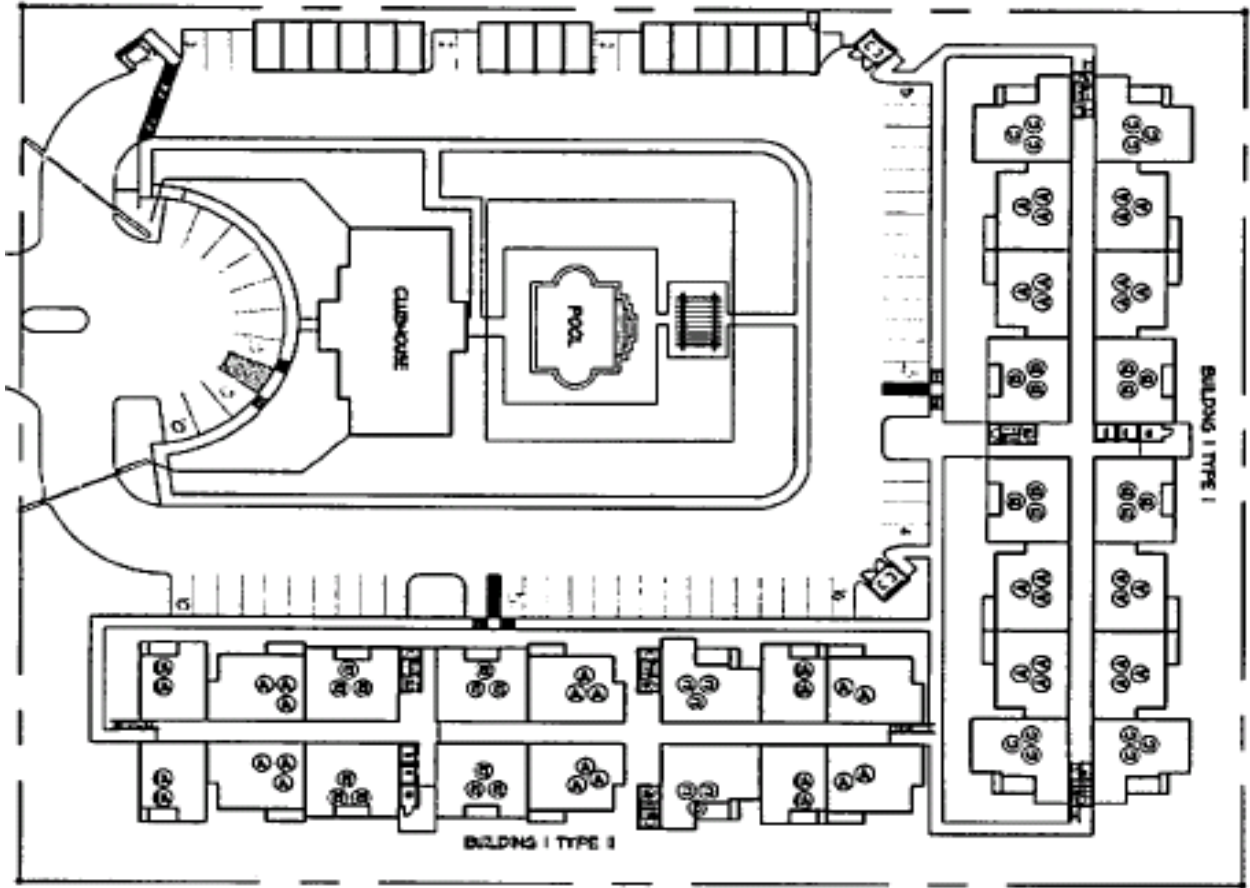
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2																		Total Buildings	
Floors/Stories	3	3																			
Number	1	1																			2

BR/BA	SF	Units										Total Units	Total SF	
1/1	751		8										8	6,008
2/2	994	24	16										40	39,760
2/2	1,049	12	6										18	18,882
2/2	1,052	12	12										24	25,248
Units per Building		48	42										90	89,898

SITE ISSUES

Total Size: 4 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: N/A Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 5/1/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: gas station, FM 1960 East: plant nursery, strip center
 South: multifamily, single family residential West: shopping center, commercial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/7/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 "This assessment has revealed no evidence of recognized environmental conditions." (p. 2)
 "A water well was observed on the northeast portion of the subject property. If the well is to be used for human consumption, it should be tested for drinking water parameters as established by the EPA before the water can be considered potable. If the well is to be put out of service, it should be properly abandoned in accordance with all applicable federal, state and local regulations." (p. 2)
 Comments:
 Receipt, review, and acceptance, prior to start of construction, of evidence that all Phase I ESA recommendations have been carried out, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/16/2007
 Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 58 square miles¹ 4.3 mile radius
 "For this analysis, we utilized a primary market area (PMA) encompassing 58.26 square miles (approximately equal to a radius of 4.3 miles). The boundaries of the PMA are Lake Houston to the north and east, Lake Houston Parkway extended to State Highway 59 to the south, and State Highway 59 to the west." (p. 31) "The competitive sub-market supply and demand analysis conducted by the Market Analyst included 374 affordable units within the PMA and 1,101 conventional units. The market reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro-market." (p. 109)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Pinnacle of Pleasant Humble	07141	153	147	N/A			

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	49	4	0	53	2	0	4%
1 BR / 60%	130	15	0	145	6	0	4%
2 BR / 30%	11	1	0	12	7	0	58%
2 BR / 60%	25	2	0	27	75	0	278%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. 54	6,101	100%	6,101	17%	1,015	18%	185	64%	119
Mkt. A. (HISTA)	p. 54							439	64%	283
Underwriter		15% 6,479	100%	6,479	17%	1,076	18%	196	46%	91
Underwriter (HISTA)								438	46%	203
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 54			471	17%	78	18%	14	100%	14
Mkt. A. (HISTA)	p. 54								100%	29
Underwriter			100%	330	17%	55	18%	10	100%	10
Underwriter (HISTA)									100%	29

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 55	90	0	0	90	133	68%
Mkt. A. (HISTA)	p. 54	90	0	0	90	312	29%
Underwriter		90	147	0	237	101	235%
Underwriter (HISTA)		90	147	0	237	232	102%
Underwriter		90	0	0	90	101	89%
Underwriter (HISTA)		90	0	0	90	232	39%

Another proposed senior project, the Pinnacle of Pleasant Humble, is located less than four miles west of the subject property, and would include 147 HTC units. The Analyst did not include this property in his calculations because the subject application received a higher score. The Underwriter, however, did an analysis with and without the Pinnacle property in order to understand the combined effect on the market. This is discussed in more detail below.

The Analyst provided two sets of demand calculations. The first series of data presented above is based on MapInfo demographic data, a traditional data source which has been applied in TDHCA reports for a number of years. Based on this data, the Analyst concluded an inclusive capture rate of 68%; if the Pinnacle of Pleasant Humble is included, this calculation increases to 178%, well above the limit of 75% for a senior project.

This section intentionally left blank.

The Analyst also presents a demand analysis based on another demographic source referred to as HISTA Data. HISTA Data information is being applied as an alternate source by most market analysts this year because it offers a greater degree of detail of renter tenure based on household income and household size. However, there have been some significant variations between the two sources of data; the subject application is one such case. The HISTA Data indicates a higher income-eligible population; based on this, the Analyst concluded an inclusive capture rate of 29% without including Pinnacle of Pleasant. If Pinnacle is included, the inclusive capture rate increases to 76%, which still exceeds the TDHCA guideline maximum. Both of the Analyst's demand calculations result in a conclusion that only one of the two developments should be recommended this year.

The Underwriter's calculations use the same basic data from the two data series but apply a different, more realistic turnover rate to get to demand. The Market Analyst explains: "Turnover information for existing projects is difficult to obtain ... In most cases, the on-site personnel do not track such information on an ongoing basis. As a result, one of the only sources for turnover information is the IREM Income and Expense publication, and even this has limited participation. IREM reports the turnover rate for the typical garden style project in Houston to be 64.4% per year." This rate unquestionably overstates turnover for elderly households. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households. But where an insufficient number of other senior developments are available, non-senior tax credit developments may provide a better localized estimate of turnover than city-wide IREM data for all multifamily unit types.

Since there are no stabilized senior developments operating in the vicinity of the PMA, the Underwriter determined the average turnover rate of all stabilized HTC developments in the vicinity to be 46%. With the MapInfo demographic data and a turnover rate of 46%, the Underwriter calculates an inclusive capture rate of 235% with Pinnacle of Pleasant Humble included in the supply, and 89% without Pinnacle. This data suggests the subject is not feasible even without considering Pinnacle. Using the HISTA Data, the Underwriter's inclusive capture rate is 102% with Pinnacle included, but 39% with Pinnacle excluded. All calculations based on this PMA indicate insufficient demand to support two new developments. But if the subject remains the priority transaction this study suggests their would be sufficient demand to support it and it alone.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 92.7% as a result of growing demand ... the forecast demand for new rental apartment units is considered to be growing ... The current stock of affordable housing consists of two family projects and no senior projects. The family projects are Countryside Village, an acquisition /rehab approved in 2006 and 99% occupied; and Atascocita Pines, a new construction of 192 units approved in 2005. Atascocita Pines is 100% occupied. There are also two properties located just outside the trade area that we included in our analysis of the 60% AMI rent. Fairlake Cove is a family project that is currently in lease-up. The second property is Humble Memorial Gardens, a senior project. Both of these projects confirmed for us that the maximum 60% AMI rent is achievable within the PMA and the surrounding areas, regardless of whether they are family or senior projects." (pp. 98-100)

Absorption Projections:

"Today, the PMA is 92.7% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 116 units per year. We expect this to increase as the number of new households continues to grow, and as additional rental units become available." (p. 100)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 751 sf 30%	\$251	\$251	\$745	\$251	\$494	
1 BR 751 sf 60%	\$594	\$594	\$745	\$594	\$151	
2 BR 994 sf 30%	\$303	\$303	\$875	\$303	\$572	
2 BR 994 sf 60%	\$715	\$715	\$875	\$715	\$160	
2 BR 1,049 sf 30%	\$303	\$303	\$900	\$303	\$597	
2 BR 1,049 sf 60%	\$715	\$715	\$900	\$715	\$185	
2 BR 1,052 sf 30%	\$303	\$303	\$900	\$303	\$597	
2 BR 1,052 sf 60%	\$715	\$715	\$900	\$715	\$185	

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing affordable (Family) housing projects have an overall occupancy of 98.9%. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 98)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the IAH/Lake Houston submarket within the Houston MSA. This submarket contains more than double the population of the subject PMA, and is three times the size in area. The subject PMA is almost entirely contained within the IAH/Lake Houston submarket. In this submarket, the Vogt, Williams study determines total one year growth-based demand for 11 units from senior households below 30% AMI, and negative demand (-210 units) from senior households between 51-60% AMI.

The Market Analyst for the subject application identified growth-based demand in the PMA for 14 units, and turnover-based demand for 119 units; the Underwriter identified demand for 10 units from growth and 126 units from turnover. The Analyst noted that the Vogt study does not consider turnover, and that the methodology to determine demand from growth is different than that normally applied in an application-specific market study. Using the demographic data contained in the Vogt study, the Analyst identified growth-based demand for 5 units, and turnover-based demand for 540 units in the IAH/Lake Houston submarket. The larger submarket also contains an additional property under construction, Langwick Senior Residences. Overall, the Analyst concluded an inclusive capture rate of 38% for the IAH/Lake Houston submarket. Given the wide variation among these calculations in market areas, populations, methodologies, and time, the results are fairly consistent: minimal (or negative) demand from household growth, and more substantial demand from household turnover.

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Conclusion:

The conclusion that sufficient demand exists to support the subject application requires reliance on the HISTA Data demographic information. The Analyst explains "HISTA Data comes from a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Claritas. It contains actual Census cross tabulations - not extrapolations of SF3 data. The key to this data is that it gives us the number of households by household size by income by age grouping (i.e. <55, 55-61, and 62+ years of age). This breakout is very useful in arriving at a capture rate for the subject." (p. 51) It should be added that another key parameter provided by HISTA Data is renter tenure. This application clearly demonstrates the value provided by the information available from HISTA Data, particularly for developments targeting seniors.

It is also worth noting that a different market analyst, Daniel Hollander of O'Connor & Associates, provided the market study for Pinnacle of Pleasant Humble. This analyst employed a much larger PMA, with a population of 202,000. Based on this larger PMA, the analyst for Pinnacle concluded sufficient demand to support both developments. Moreover, in conversations with Darrell Jack (the analyst for the subject), he confirms that a larger market area could be defined to support both developments. Nonetheless, the findings of the market study for Wentworth indicate demand for only one development. Therefore, the recommendations of this report will be conditioned on the subject (Wentworth) maintaining a higher priority than TDHCA Application #07141 Pinnacle of Pleasant Humble.

The Department's traditional underwriting methodology determines senior demand through extrapolation from overall household income distribution patterns and general renter percentages. The HISTA Data report provides a specific tabulation of income-qualified, age-specific renter households. Since this data is taken directly from the Census rather than calculated based on various assumptions, it is reasonable to believe that it more accurately depicts the age and income distribution patterns in the population. Based on this, and the fact that the subject is currently the higher scoring application and expected to remain such, it is the Underwriter's conclusion that there is sufficient demand to recommend a funding allocation to the subject.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2007

The Applicant's projected income is based on the maximum HTC program rents, adjusted for the utility allowances provided by the Harris County Housing Authority dated April 2007. The Applicant included secondary income of \$10 per unit per month, which is consistent with underwriting guidelines. The Applicant's provision for losses due to vacancy and collection is 7.0% of potential gross income; underwriting guidelines assume 7.5% of potential income for this allowance. This accounts for the 1% difference between the Applicant's projection for effective gross income and the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2007

The Applicant's projection for total annual operating expenses of \$4,194 is within 5% of the Underwriter's estimate. Specific line items with significant variances include: payroll & payroll tax (the Applicant's projection is \$40K less than the Underwriter's estimate); utilities (the Applicant's projection is lower by \$12K); property insurance (the Applicant's projection is greater by \$10K); and property tax (the Applicant's projection is greater by \$12K).

Conclusion:

The Applicant's projections for effective gross income and total annual operating expenses are each within 5% of the Underwriter's estimates; however, the Applicant's net operating income (NOI) is 7% higher than the Underwriter's estimate. Therefore the Underwriter's figures will be used to determine debt capacity. The Underwriter's NOI combined with the debt service on the primary mortgage provides a debt coverage ratio of 1.12, which is less than the Department's minimum requirement of 1.15.

Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The application included \$640,000 in permanent financing from Harris County in two possible forms: a) an in-kind contribution in the form of parking and other fee waivers, or b) a County HOME Loan with interest at or below the Applicable Federal Rate. The Applicant did not include any debt service expense for this financing. If the financing is received in the form of an in-kind contribution, the project would be considered financially feasible based on the current underwriting assumptions, including a decrease in the conventional loan amount.

On the other hand, if the Harris County financing takes the form of a HOME Loan, the rate will most likely be structured as a fully-amortizing loan with an interest rate at AFR (the underwriting analysis would assume a repayment term of 30 years). HOME is a federally funded program, and any federal funding at below market rates would disqualify the development for the DDA (Difficult Development Area) 30% boost to eligible basis. With the HOME Loan at AFR, currently 4.9%, the DCR drops below the breakeven level of 1.00. The primary mortgage amount would need to be reduced to \$2,440,000 in order to increase debt coverage to 1.15. This results in a need for approximately \$900K in additional funds; deferred fees in this amount would be repayable from development cashflow within 15 years. This scenario would therefore be considered financially feasible.

Another alternative for the HOME funds is that they could be excluded from eligible basis. Since there appears to be a significant amount of excess basis in this case, excluding the HOME funds would not require restructuring of the debt. Upon receipt of the final commitment for this source of financing, the underwriting analysis may need to be revisited; at that time the financial feasibility conclusion and/or recommended tax credit allocation may need to be adjusted.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 6.26 acres	\$1,208,643	Tax Year:	2007
Assessed Value per acre:	\$193,137	Valuation by:	Harris County CAD
pro rata 4.00 acres:	\$772,550	Tax Rate:	2.88297

Comments:

The site is derived from three tax assessment tracts. A tract of 0.695 acres facing Timber Forest Drive is included in its entirety. The site also includes part of a tract of 1.39 acres, adjacent to the north and also facing Timber Forest Drive; as well as part of a tract of 4.17 acres behind the first two tracts, with frontage on FM 1960. The tax assessments for the 1.39 and 4.17 acre tracts both indicate improvements, but a review of the survey of the subject 4.0 acres and aerial photos confirms that the improvements are located to the north of the subject. Aerial photos do indicate a small structure at the southeast corner of the site; this would appear to be a barn that was mentioned in the ESA Phase I report as the only improvement on the subject site.

This section intentionally left blank.

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 3.95
 Contract Expiration: 11/29/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$2,022,572 Other: _____
 Seller: Hamid Shojaei and Rick Shojaei Related to Development Team? Yes No

Comments:

The purchase consists of two contracts. One contract, for \$1,750,000, identifies the contract Property as "approximately 3.26 acres ... located at the southern end of the Seller's property ... A new survey shall be prepared by Buyer ... which shall identify the Property to the mutual, reasonable satisfaction of Buyer and Seller". The Applicant submitted a new survey indicating a total area of 4.0 acres; since the second tract of 0.6953 acres is entirely included, this means the first tract will now consist of only 3.3047 acres. The Applicant also submitted a revised title commitment for this exact acreage. The second contract, for the tract of 0.6953 acres, originally indicated a purchase price of \$225,000; this contract was amended on 1/27/07 to increase the purchase price to \$272,572.47.

TITLE

Comments:

Schedule C of the Title Commitment indicates a lien, in the principal amount of \$165,600, executed by the Resolution Trust Corporation, dated January 12, 1993.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2007

Acquisition Value:

As discussed above, the acquisition consists of two contracts, for a total cost of \$2,022,572, or \$505,643 per acre. This cost is assumed to be reasonable since the purchase is an arm's length transaction. However, at over \$22K per unit, the acquisition price is one of the highest per unit acquisition cost the Department has ever seen. The typical rule of thumb has been that you have to acquire your land for \$5K to \$8K per unit at the most to make a development work. Moreover the transaction includes a buyer broker fee of 6% paid to Prime Capital Corporation and such a fee could be considered a portion of the developer fee for the land acquisition. Receipt, review, and acceptance of documentation that confirms that the Applicant and its principals have no interest, beneficial or otherwise, in Prime Capital Corp., the buyer broker for the acquisition of the land, will be a condition of this report.

Direct Construction Cost:

The Applicant's projection for direct construction costs is within 1% of the Underwriter's estimate. The Underwriter's estimate includes costs for 16 detached garages as well as fire sprinklers in all residential areas. The Applicant confirmed that residents will not be charged for use of the garages, so these costs are included in eligible basis. The specifications and amenities page in the application indicated that all residential areas will be equipped with fire sprinklers, yet application points were not requested for this feature. The Applicant confirmed that fire sprinklers will be a featured amenity.

Conclusion:

The Applicant's projection for total development cost is within 5% of the Underwriter's estimate; therefore, the Applicants cost projections will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$9,395,823 is increased by 30% because Harris County has been designated a Difficult Development Area. The resulting adjusted basis of \$12,214,570 supports a tax credit allocation of \$1,044,346 per year. This amount will be compared to the Applicant's requested allocation, and the amount determined by the gap in financing.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2007

Source: JPMorgan Chase Type: Interim Financing

Principal: \$4,147,840 Interest Rate: 8.25% Fixed Term: 30 months

Comments:

Floating rate at JPMC Prime, underwritten at 8.25%

Source: First Edwards GP, LLC Type: Interim Financing

Principal: \$250,000 Interest Rate: TBD Fixed Term: 12 months

Comments:

First Edwards commitment letter indicates terms will be determined after allocation

Source: Citigroup Type: Permanent Financing

Principal: \$3,010,000 Interest Rate: 7.4% Fixed Amort: 360 months

Comments:

Also offering construction period of 24 months

Source: Harris County Type: Grant or Loan

Principal: \$640,000 Conditions: _____

Comments:

The application included \$640,000 in permanent financing from Harris County in two possible forms: a) an in-kind contribution in the form of parking and other fee waivers, or b) a County HOME Loan with interest at or below the Applicable Federal Rate. The Applicant did not include any debt service expense for this financing. If this financing takes the form of a HOME Loan, the rate will most likely be structured as a fully-amortizing loan with an interest rate at AFR (the underwriting analysis would assume a repayment term of 30 years). HOME is a federally funded program, and any federal funding at below market rates would disqualify the development for the DDA (Difficult Development Area) 30% boost to eligible basis.

Another alternative for the HOME funds is that they could be excluded from eligible basis. Since there appears to be a significant amount of excess basis in this case, excluding the HOME funds would not require restructuring of the debt. Upon receipt of the final commitment for this source of financing, the underwriting analysis may need to be revisited; at that time the financial feasibility conclusion and/or recommended tax credit allocation may need to be adjusted.

Source: Red Capital Group Type: Syndication

Proceeds: \$8,252,875 Syndication Rate: 91% Anticipated HTC: \$907,000

Comments:

The syndication price is at the low to middle of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$337,265 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to \$2,925,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Applicant's total development cost estimate less the revised permanent loan of \$2,925,000 and the additional \$640,000 in permanent financing, indicates the need for \$8,675,140 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$953,407 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Credit Amount:	<u>\$907,000</u>
Credit Amount Determined by Eligible Basis:	<u>\$1,044,346</u>
Credit Amount Determined by Gap in Financing:	<u>\$953,407</u>

The Applicant's request is recommended as it is the lowest of the three. An allocation of \$907,000 annually for ten years results in proceeds of \$8,252,875 at a syndication rate of 91%. As discussed above, the development may not be financially feasible if the \$640,000 in permanent funding is not structured properly, particularly if the funds are federally sourced and/ or HOME funds.

The recommended financing structure indicates the need for \$422,265 in additional funds beyond the \$640,000. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation. If the \$640,000 is sourced through deferred developer fee there would be insufficient cashflow to repay the deferred developer fee in 15 years and the transaction would be characterized as infeasible.

Underwriter:	_____	Date:	<u>July 15, 2007</u>
	<i>Thomas Cavanagh</i>		
Reviewing Underwriter:	_____	Date:	<u>July 15, 2007</u>
	<i>Lisa Vecchietti</i>		
Director of Real Estate Analysis:	_____	Date:	<u>July 15, 2007</u>
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

The Wentworth Apartments, Atascocita, 9% HTC #07300

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	751	\$343	\$251	\$502	\$0.33	\$92.00	\$41.31
TC 60%	6	1	1	751	\$686	594	3,564	0.79	92.00	41.31
TC 30%	2	2	2	994	\$411	303	606	0.30	108.00	41.31
TC 60%	38	2	2	994	\$823	715	27,170	0.72	108.00	41.31
TC 30%	2	2	2	1,049	\$411	303	606	0.29	108.00	41.31
TC 60%	16	2	2	1,049	\$823	715	11,440	0.68	108.00	41.31
TC 30%	3	2	2	1,052	\$411	303	909	0.29	108.00	41.31
TC 60%	21	2	2	1,052	\$823	715	15,015	0.68	108.00	41.31
TOTAL:	90		AVERAGE:	999		\$665	\$59,812	\$0.67	\$106.58	\$41.31

INCOME

Total Net Rentable Sq Ft: 89,898

POTENTIAL GROSS RENT

Laundry, vending, cable, etc. Per Unit Per Month: \$10.00

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.56%	\$417	0.42
Management	3.60%	270	0.27
Payroll & Payroll Tax	13.53%	1,013	1.01
Repairs & Maintenance	7.32%	548	0.55
Utilities	4.16%	311	0.31
Water, Sewer, & Trash	4.66%	349	0.35
Property Insurance	3.84%	287	0.29
Property Tax 2.88297	11.55%	865	0.87
Reserve for Replacements	3.34%	250	0.25
TDHCA Compliance Fees	0.53%	40	0.04
Other: Cable TV	0.36%	27	0.03
TOTAL EXPENSES	58.45%	\$4,377	\$4.38
NET OPERATING INC	41.55%	\$3,111	\$3.11

TDHCA	APPLICANT
\$717,744	\$717,744
10,800	10,800
0	0
\$728,544	\$728,544
(54,641)	(51,000)
0	0
\$673,903	\$677,544

COUNTY	IREM REGION	COMPT. REGION
Harris	Houston	6
\$10.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.00%	of Potential Gross Income	

PER SQ FT	PER UNIT	% OF EGI
\$0.37	\$374	4.97%
0.38	377	5.01%
0.57	571	7.58%
0.56	555	7.37%
0.18	178	2.36%
0.42	422	5.61%
0.40	400	5.31%
1.00	1,000	13.28%
0.25	250	3.32%
0.04	40	0.53%
0.03	27	0.35%
\$4.20	\$4,194	55.71%
\$3.34	\$3,334	44.29%

DEBT SERVICE

Citigroup	37.11%	\$2,779	\$2.78
Harris Co HOME or parking waivers	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.44%	\$332	\$0.33

TDHCA	APPLICANT
\$250,088	\$250,088
0	0
0	0
\$29,908	\$50,011
1.12	1.20
1.15	

AGGREGATE DEBT COVERAGE RATIO
RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		16.61%	\$22,473	\$22.50
Off-Sites		0.00%	0	0.00
Sitework		5.47%	7,400	7.41
Direct Construction		45.01%	60,893	60.96
Contingency	4.42%	2.23%	3,015	3.02
Contractor's Fees	12.64%	6.38%	8,631	8.64
Indirect Construction		3.34%	4,514	4.52
Ineligible Costs		4.62%	6,251	6.26
Developer's Fees	14.76%	9.86%	13,333	13.35
Interim Financing		4.36%	5,894	5.90
Reserves		2.13%	2,880	2.88
TOTAL COST		100.00%	\$135,283	\$135.44
Construction Cost Recap		59.09%	\$79,939	\$80.03

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$2,022,572	\$2,022,572	\$22.50	\$22,473	16.52%
0	0	0.00	0	0.00%
666,000	666,000	7.41	7,400	5.44%
5,480,333	5,545,000	61.68	61,611	45.30%
271,385	271,385	3.02	3,015	2.22%
776,790	776,790	8.64	8,631	6.35%
406,220	406,220	4.52	4,514	3.32%
562,567	562,567	6.26	6,251	4.60%
1,200,000	1,200,000	13.35	13,333	9.80%
530,428	530,428	5.90	5,894	4.33%
259,178	259,178	2.88	2,880	2.12%
\$12,175,473	\$12,240,140	\$136.16	\$136,002	100.00%
\$7,194,508	\$7,259,175	\$80.75	\$80,658	59.31%

SOURCES OF FUNDS

Citigroup	24.72%	\$33,444	\$33.48
Harris Co HOME or parking waivers	5.26%	\$7,111	\$7.12
HTC Syndication Proceeds	67.78%	\$91,699	\$91.80
Deferred Developer Fees	2.77%	\$3,747	\$3.75
Additional (Excess) Funds Req'd	-0.53%	(\$719)	(\$0.72)
TOTAL SOURCES			

TDHCA	APPLICANT	RECOMMENDED	
\$3,010,000	\$3,010,000	\$2,925,000	Developer Fee Available
640,000	640,000	640,000	\$1,200,000
8,252,875	8,252,875	8,252,875	% of Dev. Fee Deferred
337,265	337,265	422,265	35%
(64,667)	0	0	15-Yr Cumulative Cash Flow
\$12,175,473	\$12,240,140	\$12,240,140	\$1,012,314

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Wentworth Apartments, Atascocita, 9% HTC #07300

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.19	\$4,782,004
Adjustments				
Exterior Wall Finish	4.00%		\$2.13	\$191,280
Elderly	3.00%		1.60	143,460
9-Ft. Ceilings	3.50%		1.86	167,370
Garages	\$17	3,200	0.59	53,120
Subfloor			(0.85)	(76,568)
Floor Cover			2.43	218,452
Breezeways/Balconies	\$23.96	24,003	6.40	575,014
Plumbing Fixtures	\$805	762	6.82	613,410
Rough-ins	\$400	90	0.40	36,000
Built-In Appliances	\$1,850	90	1.85	166,500
Exterior Stairs	\$1,800	14	0.28	25,200
Fire Sprinklers	\$1.95	89,898	1.95	175,301
Heating/Cooling			1.90	170,806
hurricane wind adj	\$0.94	89,898	0.94	84,504
Comm &/or Aux Bldgs	\$65.36	3,908	2.84	255,437
Other: elevators	\$43,500	4	1.94	174,000
SUBTOTAL			86.27	7,755,289
Current Cost Multiplier	0.98		(1.73)	(155,106)
Local Multiplier	0.89		(9.49)	(853,082)
TOTAL DIRECT CONSTRUCTION COSTS			\$75.05	\$6,747,102
Plans, specs, survy, bld prm	3.90%		(\$2.93)	(\$263,137)
Interim Construction Interes	3.38%		(2.53)	(227,715)
Contractor's OH & Profit	11.50%		(8.63)	(775,917)
NET DIRECT CONSTRUCTION COSTS			\$60.96	\$5,480,333

PAYMENT COMPUTATION

Primary	\$3,010,000	Amort	360
Int Rate	7.40%	DCR	1.12

Secondary	\$640,000	Amort	
Int Rate		Subtotal DCR	1.12

Additional	\$8,252,875	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$243,025
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$36,971

Primary	\$2,925,000	Amort	360
Int Rate	7.40%	DCR	1.15

Secondary	\$640,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$8,252,875	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$717,744	\$739,276	\$761,455	\$784,298	\$807,827	\$936,493	\$1,085,652	\$1,258,568	\$1,691,411
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	728,544	750,400	772,912	796,100	819,983	950,585	1,101,988	1,277,506	1,716,862
Vacancy & Collection Loss	(54,641)	(56,280)	(57,968)	(59,707)	(61,499)	(71,294)	(82,649)	(95,813)	(128,765)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$673,903	\$694,120	\$714,944	\$736,392	\$758,484	\$879,291	\$1,019,339	\$1,181,693	\$1,588,097
EXPENSES at 4.00%									
General & Administrative	\$37,493	\$38,993	\$40,553	\$42,175	\$43,862	\$53,365	\$64,926	\$78,993	\$116,929
Management	24,269	24,997	25,747	26,520	27,315	31,666	36,709	42,556	57,192
Payroll & Payroll Tax	91,208	94,856	98,651	102,597	106,700	129,817	157,943	192,161	284,446
Repairs & Maintenance	49,339	51,313	53,365	55,500	57,720	70,225	85,439	103,950	153,872
Utilities	28,005	29,125	30,290	31,501	32,761	39,859	48,495	59,002	87,337
Water, Sewer & Trash	31,394	32,650	33,956	35,314	36,727	44,684	54,365	66,143	97,908
Insurance	25,859	26,893	27,969	29,087	30,251	36,805	44,779	54,480	80,644
Property Tax	77,840	80,954	84,192	87,560	91,062	110,791	134,794	163,998	242,756
Reserve for Replacements	22,500	23,400	24,336	25,309	26,322	32,025	38,963	47,404	70,170
Other	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
TOTAL EXPENSES	\$393,907	\$409,421	\$425,548	\$442,312	\$459,739	\$557,776	\$676,803	\$821,328	\$1,209,964
NET OPERATING INCOME	\$279,996	\$284,700	\$289,396	\$294,080	\$298,745	\$321,515	\$342,536	\$360,366	\$378,133
DEBT SERVICE									
First Lien Financing	\$243,025	\$243,025	\$243,025	\$243,025	\$243,025	\$243,025	\$243,025	\$243,025	\$243,025
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	\$36,971	\$41,674	\$46,371	\$51,055	\$55,719	\$78,490	\$99,511	\$117,340	\$135,108
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.23	1.32	1.41	1.48	1.56

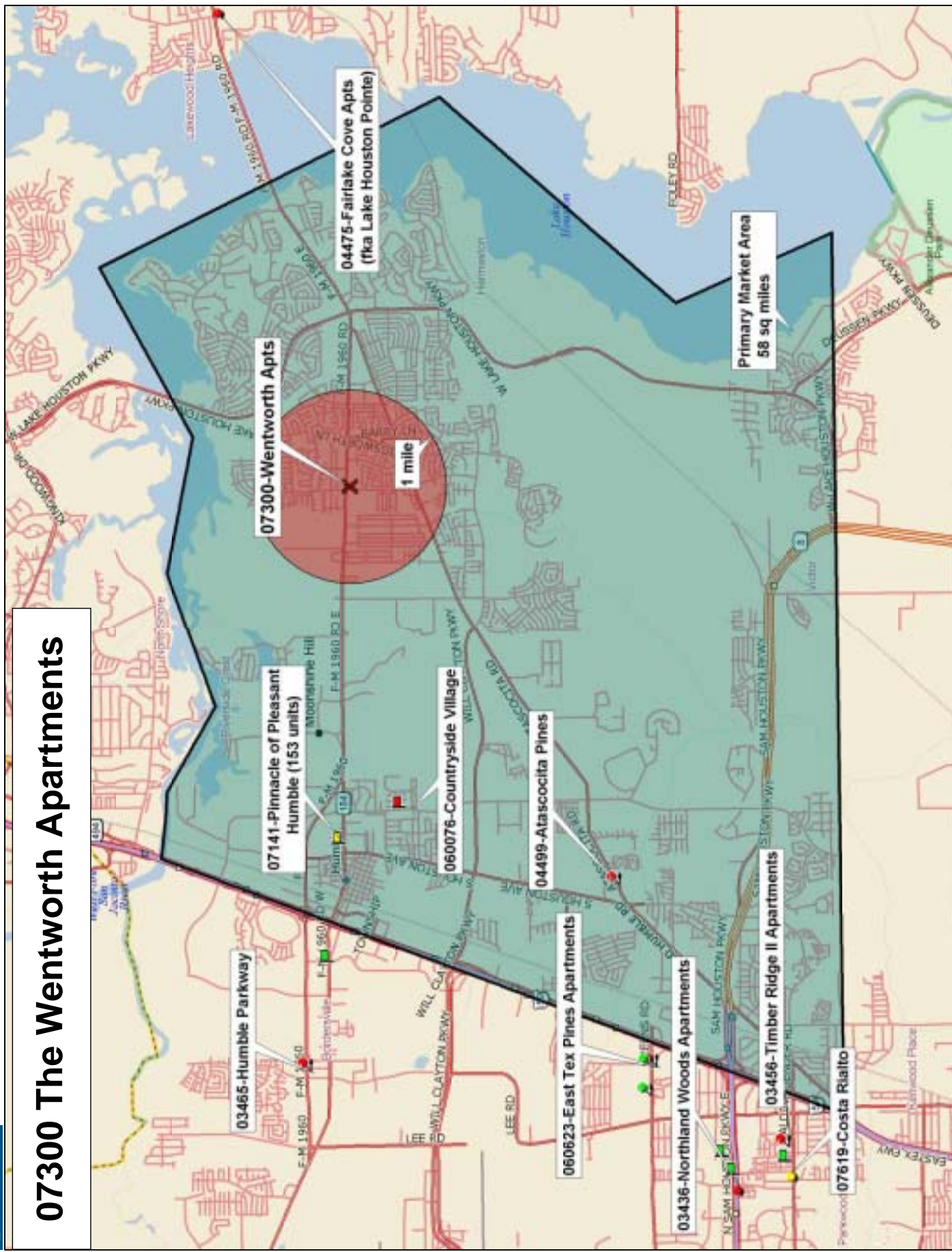
HTC ALLOCATION ANALYSIS -The Wentworth Apartments, Atascocita, 9% HTC #07300

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$2,022,572	\$2,022,572		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$666,000	\$666,000	\$666,000	\$666,000
Construction Hard Costs	\$5,545,000	\$5,480,333	\$5,545,000	\$5,480,333
Contractor Fees	\$776,790	\$776,790	\$776,790	\$776,790
Contingencies	\$271,385	\$271,385	\$271,385	\$271,385
Eligible Indirect Fees	\$406,220	\$406,220	\$406,220	\$406,220
Eligible Financing Fees	\$530,428	\$530,428	\$530,428	\$530,428
All Ineligible Costs	\$562,567	\$562,567		
Developer Fees				
Developer Fees	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Development Reserves	\$259,178	\$259,178		
TOTAL DEVELOPMENT COSTS	\$12,240,140	\$12,175,473	\$9,395,823	\$9,331,156

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$9,395,823	\$9,331,156
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$12,214,570	\$12,130,503
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$12,214,570	\$12,130,503
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$1,044,346	\$1,037,158

Syndication Proceeds	0.9099	\$9,502,596	\$9,437,195
Total Tax Credits (Eligible Basis Method)		\$1,044,346	\$1,037,158
Syndication Proceeds		\$9,502,596	\$9,437,195
Requested Tax Credits		\$907,000	
Syndication Proceeds		\$8,252,875	
Gap of Syndication Proceeds Needed		\$8,675,140	
Total Tax Credits (Gap Method)		\$953,407	

07300 The Wentworth Apartments



Applicant Evaluation

Project ID # **07300**

Name: **Wentworth Apartments**

City: **Atascocita**

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

Total # of Projects monitored: 2

Projects zero to nine: 0
 grouped ten to nineteen: 1
 by score twenty to twenty-nine: 1

Projects in Material Noncompliance

Yes No

in noncompliance: 0

monitored with a score less than thirty: 2

not yet monitored or pending review: 1

Projects not reported Yes
 in application No

of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 5/31/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Alton, TDHCA Number 07302

BASIC DEVELOPMENT INFORMATION

Site Address: NW Corner Trosper Rd. & Proposed Oxford St. Development #: 07302
 City: Alton Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78573 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Alton Housing Development, L.P.
 Owner Contact and Phone: Jean Coburn (512) 474-5003
 Developer: Rufino Contreras Affordable Housing Corp., Inc.
 Housing General Contractor: Rufino Contreras Affordable Housing Corp.. Inc.
 Architect: Rodriguez & Associates Architects & Planners, Inc.
 Market Analyst: Apartment Market Data Research Services, LLC
 Syndicator: CharterMac Capital
 Supportive Services: La Union del Pueblo Entero
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	73
	10	10	17	36	Market Rate Units:	2
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	4	36	32	4	0

Type of Building:

<input type="checkbox"/> Duplex	<input type="checkbox"/> 4 units or more per building	Total Development Units:	76
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	19
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$705,994	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Alton, TDHCA Number 07302

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S	Points: 7	US Representative: Cuellar, District 28, NC
TX Representative: Gonzales, District 41, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: **3** In Opposition **0**

Quantifiable Community Participation Input:

Alton Public Association (Asociacion Publica de Alton), Nancy Gonzalez Letter Score: 12 S or O: S

The city of Alton and our community is rapidly growing and there aren't any housing developments available that are affordable to meet their needs.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials, two non-officials and an unqualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Alton, TDHCA Number 07302

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

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Not competitive within USDA Allocation, and does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas on Raiford, TDHCA Number 07303

BASIC DEVELOPMENT INFORMATION

Site Address: Raiford Rd. Development #: 07303
 City: Carrollton Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75007 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Villas on Raiford Carrollton Senior Housing, L.P.
 Owner Contact and Phone: Chan Il Pak (972) 620-3877
 Developer: Villas on Raiford, LLC
 Housing General Contractor: KRR Construction Inc.
 Architect: Architettura-Inc.
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: The Richman Group
 Supportive Services: Hou-Dal Affordable Housing Corporation
 Consultant: Anderson Capital, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	172
	18 0 0 154	Market Rate Units:	8
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 94 86 0 0 0	Total Development Units:	180
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas on Raiford, TDHCA Number 07303

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapiro, District 8, S	Points: 7	US Representative: Marchant, District 24, NC
TX Representative: Jackson, District 115, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Eddie Bernice Johnson, Member of Congress 30th District

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7

The Council of Korean Churches in Dallas	S or O: S
Crystal Church	S or O: S
Nu Rea El Fellowship Church	S or O: S
Disciple Baptist Church	S or O: S
Na Num Church	S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas on Raiford, TDHCA Number 07303

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

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Zion Village Apartments, TDHCA Number 07306

BASIC DEVELOPMENT INFORMATION

Site Address: 3154 Gray St. Development #: 07306
 City: Houston Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77004 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Village of Zion, L.P.
 Owner Contact and Phone: Thomas Jones (713) 968-1600
 Developer: TK Net, LLC
 Housing General Contractor: Northwest Construction Services, L.P.
 Architect: SIR Architects, Inc.
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: The Richman Group of Companies
 Supportive Services: Greater Zion Missionary Baptist Church
 Consultant: Anderson Capital, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	50	
	2	0	48	0	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	13	37	0	0	0	
Type of Building:						Total Development Units:	50
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$6,299,247
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	1
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$597,543	\$541,928			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Zion Village Apartments, TDHCA Number 07306

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, S	Points: 7	US Representative: Jackson-Lee, District 18, NC
TX Representative: Coleman, District 147, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC	Resolution of Support from Local Government	<input type="checkbox"/>
S, Carol Alvarado, Council Member, District 1		

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Upper Third Ward Civic Club Association, Frence Thompson Letter Score: 24 S or O: S

The development is needed in this area, it will improve lives of seniors that live on a fixed income and can not afford the high cost of living. The development will enhance our community revitalization efforts and will provide support services for seniors in the community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance of a noise study and compliance with any further recommendations concerning noise.

Receipt, review, and acceptance by commitment of a letter from the Greater Zion Missionary Baptist Church that the sale of the property to TK Net, LLC was not conditional upon provision of supportive services to the subject property or documentation of the original acquisition by GZMBC to support the transfer price as would be required by the QAP.

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

Receipt of a commitment of funding from the City of Houston in the amount of \$350,000, or a commitment from a qualifying substitute source in an amount not less than \$343,360, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Amegy Bank / the Federal Home Loan Bank of Dallas in the amount of \$150,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$137,344, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Zion Village Apartments, TDHCA Number 07306

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

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$541,928

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/26/07

PROGRAM: 9% HTC

FILE NUMBER: 07306

DEVELOPMENT																		
Zion Village Apartments																		
Location: 3154 Gray Street				Region: 6														
City: Houston		County: Harris		Zip: 77004		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA												
Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount*	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$597,543			\$541,928														
*The Applicant increased the request to \$602,393 and then to \$631,208 in submissions after the application deadline																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of a noise study and compliance with any further recommendations concerning noise. 2 Receipt, review, and acceptance by commitment of a letter from the Greater Zion Missionary Baptist Church that the sale of the property to TK Net, LLC was not conditional upon provision of supportive services to the subject property or documentation of the original acquisition by GZMBC to support the transfer price as would be required by the QAP. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">48</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	2	50% of AMI	50% of AMI	48
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	2																
50% of AMI	50% of AMI	48																
PROS			CONS															
<p>The entire development is projected to serve households earning at or below the 50% of area median income level.</p> <p>The development is relatively small in size and is expected to spur revitalization in an inner-city infill lot location.</p>			<p>The Applicant's expense to income ratio exceeds the Department maximum as a result of extensive deep rent targeting but the Underwriter's ratio is slightly less than the maximum guideline and therefore considered to be acceptable.</p> <p>The Applicant's development costs appear to be significantly overstated due to contractor fees that are well in excess of the Department's limits.</p>															

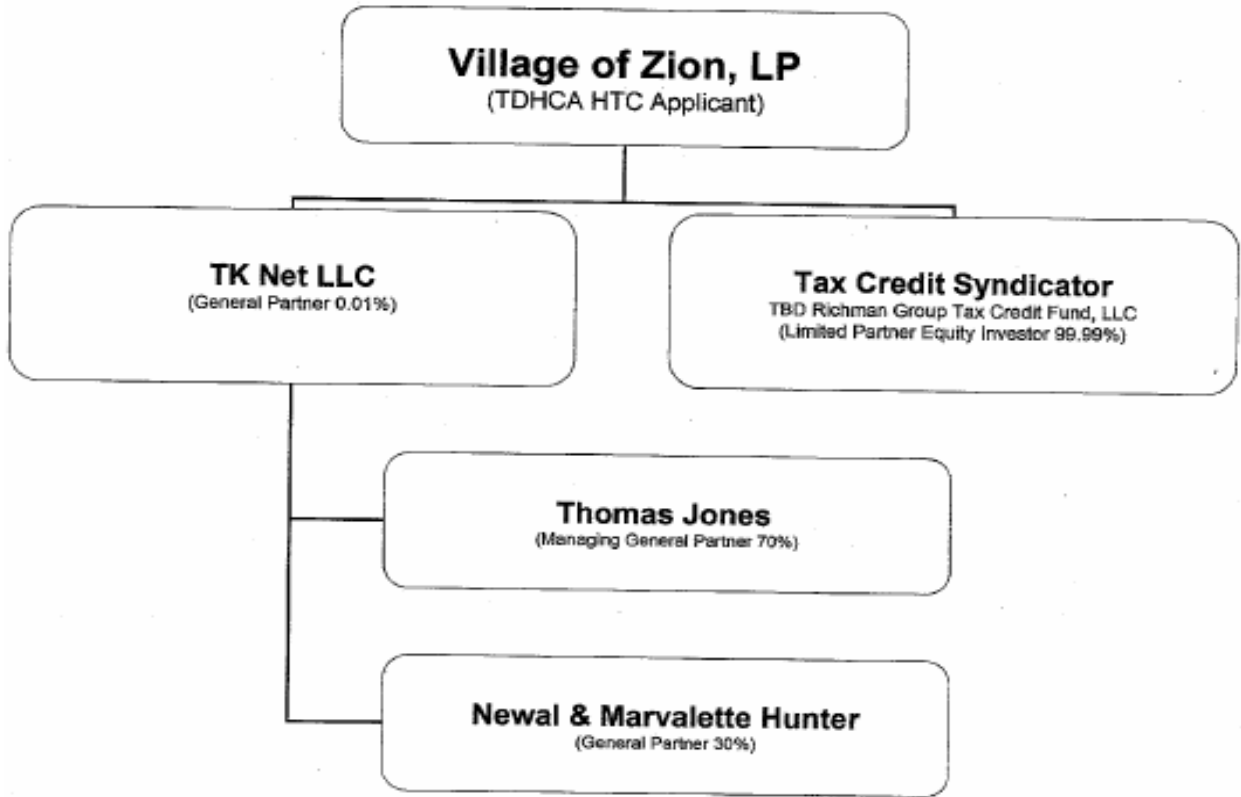
The Applicant's anticipated syndication proceeds as a percentage of total cost (85%) is higher than typical due to the 130% DDA boost, deep rent targeting, and extremely low syndication rate.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Thomas Jones, Jr Phone: 713.968.1600 Fax: 713.968.1601
 Email: tjones@mjlm.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
TK Net, LLC	No Material Statements		N/A
Thomas Jones, Jr	Confidential		No LIHTC Development Experience
Newell Hunter, Jr	Confidential		No LIHTC Development Experience
Marvalette Hunter	Confidential		1 LIHTC Development in Texas
Anderson Capital, LLC	Consultant		N/A

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

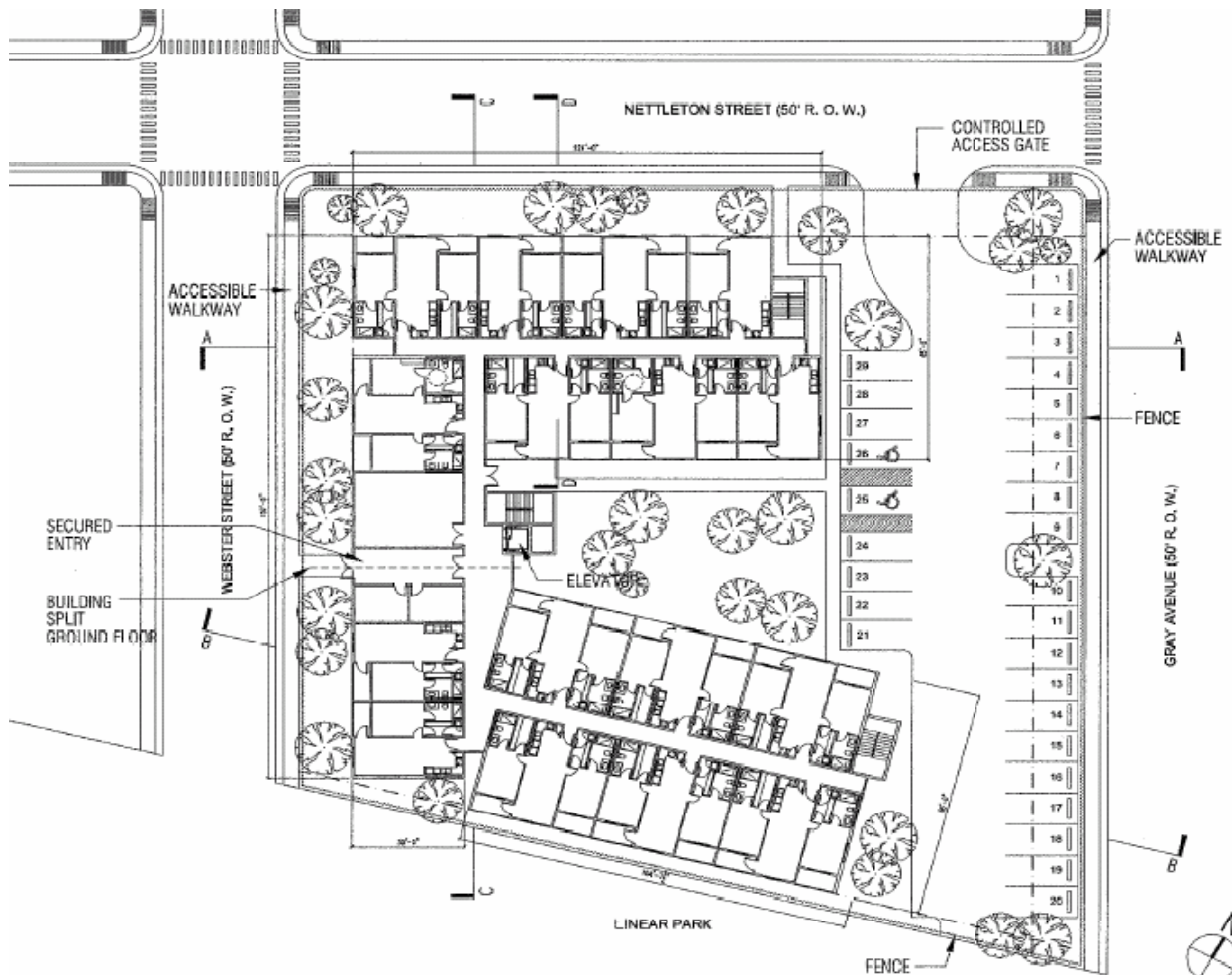
The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

The GP (TK Net, LLC) purchased the property from the Greater Zion Missionary Baptist Church (GZMBC) in January of 2007. At application, the Applicant listed GZMBC as the supportive service provider for the proposed transaction. However, The Department's guidelines and application consider the supportive service provider as a development team member and thus a transfer of the development site from the supportive service provider to the GP would constitute an identity of interest transaction. This identity of interest relationship was not initially understood by the applicant or disclosed as such in the application. As a result, the Applicant failed to submit the required documentation to meet the Department's guidelines for identity of interest acquisitions.

Ultimately, the Applicant amended the application and removed the GZMBC as a supportive service provider. However, the Underwriter requested that a letter from GZMBC be provided stating that the transfer of the property was not subject to the GZMBC providing services to the tenants of the property on an ongoing basis. Up to the date of this report, such a letter was not received. As a result, receipt, review, and acceptance of a letter from the Greater Zion Missionary Baptist Church that the sale of the property to TK Net, LLC was not conditional upon provision of supportive services to the subject property or documentation of the original acquisition by GZMBC to support the transfer price as would be required by the QAP is a condition of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I									Total Buildings
Floors/Stories	3									
Number	1									1

BR/BA	SF	Units								Total Units	Total SF
1/1	660	13								13	8,580
2/2	990	37								37	36,630
Units per Building	50									50	45,210

SITE ISSUES

Total Size: 0.89 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: No Zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: TDHCA Manufactured Housing Staff Date: 4/24/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Gray Street / IH-45 feeder road East: Former Railroad / Church
 South: Webster Street / Residential /Grocery West: Nettleton Street / New Single Family

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: DCH Environmental Consultants, LP Date: 2/24/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 A noise study is recommended in accordance with current HUD Guidelines do to the close proximity of IH-45 on the north side of the subject site.
 Comments:
 Receipt, review, and acceptance of a noise study and compliance with any further recommendations concerning noise is a condition of this report.

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc Date: 3/19/2007
 Contact: Edward A Ipser, Sr Phone: 817.927.2838 Fax: 817.927.0032
 Number of Revisions: 1 Date of Last Applicant Revision: 6/8/2007
 Primary Market Area (PMA): 16.68 square miles - 2.3 mile radius
 "The Market Area...encompasses 23 census tracts covering the southeast part of Houston, including the central business area" (p. 2-13).
 Secondary Market Area (SMA):
 The Market Analyst has not included a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Las Villas de Magnolia	HUD 202	116	116	N/A			

Comments:

The Market Analyst included a non-HTC property that cannot be verified by the Underwriter. The Analyst has indicated the Las Villas de Magnolia is a HUD 202 elderly property currently under construction within the PMA. As the Market Analyst has done, the Underwriter has included 116 units from this property in the inclusive capture rate.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	30	3	0	33	2	0	6%
1 BR/50% Rent Limit	35	2	0	37	11	0	30%
2 BR/50% Rent Limit	48	7	0	55	37	0	67%

OVERALL DEMAND											
			Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER											
Market Analyst	p.	N-1	8,000	100%	8,000	31%	2,457	46%	1,118	19%	211
Underwriter		#DIV/0!	9,407	100%	9,407	35%	3,292	47%	1,548	19%	291
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p.	N-1		100%	-70	31%	-21	46%	-10	100%	-10
Underwriter				100%	191	35%	67	47%	31	100%	31
DEMAND from OTHER SOURCES											
Market Analyst	p.	N-1									135
Underwriter											0

Comments:

The Applicant's demographics used for the overall demand calculations were derived based on a methodology not fully explained in the market study. As a result, the Underwriter used a secondary data source provided by the Market Analyst to determine the demand. This accounts for the differences between the Market Analyst's and Underwriter's demand calculations. Additionally, the Market Analyst included a portion of Houston's Section 8 waiting list. However, the Analyst did not demonstrate that this source of demand is not embedded in the turnover demand figure. As a result, the Underwriter did not include other demand.

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. N-1	50	116	0	166	336	49.40%
Underwriter		50	116	0	166	322	51.48%

Primary Market Occupancy Rates:

"Occupancy in multi-family units changed in the market area from 70.5% in 1990 (4,324 vacant multi-family units) to 85.5% in 2000 (2,082 vacant multi-family units)" (p. 2-14). "I&A surveyed of 284 elderly-designated units at 3 properties indicated a physical occupancy rate of 96.7% and an economic or leased occupancy rate of 98.5%, with 35 names on the combined waiting list" (p. 2-16). "The nearest elderly-designated HTC south of downtown Houston [but outside of the PMA] was South Union Place, a 125-unit HTC that opened in May 2006. Located 4.2 miles southwest and outside of the market area, South Union was 86.4% occupied and 88% leased" (p. 2-16).

Absorption Projections:

"Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that a 3 to 5 month lease-up period will be required to achieve 92.5% occupancy of the 50 units. Some tenants could be expected to relocate from multi-family complexes or from the higher cost, full-service retirement communities" (p. 2-23).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	660 SF	30%	\$257	\$257	\$540	\$257	\$283
1 BR	660 SF	50%	\$485	\$485	\$540	\$485	\$55
2 BR	990 SF	50%	\$582	\$582	\$700	\$582	\$118

Market Impact:

"The addition of 50 elderly housing units (all units with HTC rents) to the market area is not expected to have long-term impact on any existing multi-family units, private market or elderly. Physical and economic occupancy is high at many complexes in the area, including elderly-designated complexes, and any turnover from single family or other rental units is expected to be readily filled" (p. 3-5).

Comments:

The conclusions of the subject market study are consistent with the Department's Vogt, Williams, & Bowen market study for the Houston MSA. The subject property is located in the Inner Loop East submarket which indicates demand for 593 one-bedroom elderly units at the 30% level, 202 one-bedroom elderly units at the 50% level, and 127 two-bedroom elderly units at the 50% level in 2009, the property's expected place in service year.

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 6/11/2007

The Applicant's net rents are calculated based on the 2007 gross program rents less the current utility allowances maintained by the Housing Authority. The Market Analyst indicates that the maximum net rents can be achieved in the market. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards. As a result, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate. Tenants will be responsible for electric costs.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/26/2007

The Applicant's total operating expense estimate of \$4,075 is within 5% of the Underwriter's estimate of \$3,940 derived from the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of payroll and payroll tax (\$7K higher), repairs and maintenance(\$15K lower), and property tax (\$11K higher) are each significantly different from the Underwriter's estimates.

This section intentionally left blank.

Conclusion:

The Applicant's estimates of net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's proforma results in a Year One DCR below the Department's minimum guideline of 1.15; therefore, the Underwriter's recommended financing structure reflects a decrease in the permanent first lien in order to bring the DCR within the Department's DCR guideline of 1.15 to 1.35. Of note, the Applicant's expense to income ratio exceeds the Department's 65% maximum and the Underwriter's estimate is within 2%; however, since the Underwriter's expenses were used in the analysis and reflect a ratio slightly below the maximum, the development is considered feasible.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum when the permanent loan is adjusted as recommended. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	0.90 acres	\$0	Tax Year:	2006
Existing Buildings:		\$0	Valuation by:	Harris CAD
Total Assessed Value:		\$0	Tax Rate:	2.86215

EVIDENCE of PROPERTY CONTROL

Type:	Warranty Deed with Vendor's Lien	Acreage:	N/A
Contract Expiration:	N/A	Valid Through Board Date?	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> No
Acquisition Cost:	\$200,000	Other:	Settlement Statement provided
Seller:	Greater Zion Missionary Baptist Church	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 4 Date of Last Applicant Revision: 6/26/2007

Acquisition Value:

The Applicant provided a Warranty Deed with Vendor's Lien and a Settlement Statement indicating a purchase price of \$200,000. TK Net, LLC, the GP of the Applicant, purchased the subject property in January of 2007. As stated above, the application initially identified the seller as a related party; however, the Applicant subsequently changed the application to exclude the seller as a member of the development team.

The Applicant revised the development cost schedule to include a purchase price of \$200,000 plus \$50,000 in closing costs related to the transfer of the property from the GP to the Applicant. This appears to be substantially higher than typical and substantially higher than the closing costs for the purchase by TK Net which amounted to \$4,305. This is of concern for the Underwriter; However, the Department currently has no limit on closing costs for acquisitions. The Underwriter has assumed a transfer price of \$200,000 plus \$50,000 in closing costs.

Off-Site Cost:

The Applicant has include off site concrete costs of \$2,500. A third-party Architect has verified the Applicant's estimate.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,019 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$422K or 17% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

The Underwriter requested additional documentation to support the Applicant's cost estimate, and the Applicant provided the anticipated General Contractor's cost breakdown. The GC's cost breakdown indicates eligible sitework costs that are \$12K lower than the Applicant's costs and direct construction costs that are \$266K lower than the Applicant's direct costs. The cost breakdown indicates general requirements that are 17.5% of the sitework and direct costs. This is substantially higher than the standard 6% and alone exceeds the Department's maximum of 14% for all contractor fees (general requirements, overhead, and profit). Furthermore, it appears that when these costs were put in the development cost schedule, the excess general requirements cost was shifted to the direct costs line items. Therefore, the cost discrepancy appears to be largely the result of excess contractor fees rather than a direct construction cost discrepancy.

Interim Interest Expense:

The Applicant claimed \$46,000 in interim interest on a loan used to purchase the land by TK Net (the GP) in January of 2007. However, "interest expense incurred before production [physical alteration to the site] begins on land would be a land cost as opposed to a depreciable cost if this interest represents capitalized interest from a loan, where the proceeds of the loan finance directly the acquisition of the land. Thus, the interest expense before production begins generally would not be includable in eligible basis."* The Applicant has characterized this loan as a "predevelopment loan." The Underwriter requested documentation that the loan would not be characterized simply as a land loan but the Applicant stated that they could not provide such documentation. The Underwriter has reallocated this claimed interest to ineligible costs.

* See Section 3.68 of the Low-Income Housing Tax Credit Handbook, Novogradac & Company LLP, CPAs, 2004 Edition.

Contingency & Fees:

The Applicant's eligible contractor fees and contingencies exceed the Department's maximums by a total of \$3,211. In addition, the Applicant's developer fee exceeds the Department's 15% maximum by \$9,278. As a result, the Applicant's eligible basis has been adjusted downward by an amount equal to the total overstatement in fees and contingencies.

Reserves:

The Applicant provided a letter from the syndicator indicating that a lease-up reserve amount of approximately \$100,000 and a operating reserve amount of approximately \$285,000 will be required. This required reserve amount is substantially higher than typical; however, the syndicator's letter indicates that the requirement is higher than typical "in order to mitigate that risk associated with the minimal net worth of the guarantor for Zion Village and the slower lease-up of senior properties" (June 13, 2007). Subsequent to submission of this letter, the Applicant decreased reserves; however, the Underwriter has assumed the syndicator's required reserve amount of \$385,000.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,108,908 supports annual tax credits of \$567,855. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/26/2007

Source: Collateral Mortgage Type: Interim to Permanent Financing

Interim: \$3,650,000 Interest Rate: 7.25% Fixed Term: ? months
 Permanent: \$990,000 Interest Rate: 7.00% Fixed Amort: 360 months

Comments:

Subsequent to the submission of the lender's commitment, the Applicant revised the financing structure to reflect a permanent loan of \$750,000. However, a revised commitment was not submitted at this time. Moreover, based on the Underwriter's proforma, the development can support more debt than is reflected in the revised financing structure, and the development will still maintain a debt coverage ratio above the lender's minimum. As reflected below, the recommended financing structure reflects a permanent loan of \$976,575 can be supported, based on the terms reflected in the lender's commitment and the underwriting proforma.

Source: City of Houston Type: Interim to Permanent Financing

Principal: \$350,000 Interest Rate: AFR Fixed Term: 480 months

Comments:

The Applicant has indicated their intent to apply for a HOME loan from the City of Houston for \$350,000. The revised anticipated terms include an interest rate equal to AFR and a 40 year term/amortization. The original terms included an interest rate of 2% and interest only payments with principal repaid at maturity. Moreover, the Applicant originally removed this source from eligible basis in order to avoid the federal taint and possible loss of eligibility for 9% HTC's.

However, the Applicant revised the anticipated terms during Underwriting to reflect a rate equal to AFR and revised the development cost schedule to include the HOME loan in eligible basis. During correspondence, the Applicant indicated that the approved terms will likely reflect a 40 year amortization period, rather than the originally anticipated interest only payments until maturity. However, should City of Houston ultimately approved terms different than those reflected in the underwriting analysis, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

Source: Federal Home Loan Bank - Amegy Bank Type: Grant

Principal: \$150,000 Conditions: _____

Comments:

The Applicant has indicated their intent to apply through Amegy Bank for a Federal Home Loan Bank Grant. The Applicant initially removed the FHLB funds from basis and later submitted a revised cost schedule without this source removed from basis. The Underwriter has not removed this source of funds from basis as FHLB funds are generally not considered Federally sourced funds, and the Underwriter sees no other need to reduce eligible basis accordingly.

Source: The Richman Group Type: Syndication

Proceeds: \$5,360,757 Syndication Rate: 89% Anticipated HTC: \$ 602,393

Comments:

The syndication price is at the low end of current market prices however any increase in rate could reduce the final allocation of credits since there would be little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$241,054 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, the current underwriting analysis assumes a decrease in the permanent loan amount to \$976,575 based on the terms reflected in the lender's letter.

The Underwriter's total development cost estimate less the revised permanent loan of \$976,575, City of Houston HOME loan of \$350,000, and FHLB grant of \$150,000 indicates the need for \$4,822,672 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$541,928 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$597,543), the gap-driven amount (\$541,928), and eligible basis-derived estimate (\$567,855), the gap-derived amount of \$541,928 is recommended resulting in proceeds of \$4,822,672 based on a syndication rate of 89%.

The Underwriter's recommended financing structure indicates no need for additional permanent funds. Should the development ultimately not receive the anticipated \$150,000 FHLB grant or the \$350,000 HOME loan, the deferred developer fee would increase by a comparable amount to either \$150,000 or \$300,000. Deferred developer fees in these amounts appear to be repayable from available cashflow within 15 years. However, should both the HOME loan and FHLB grant not be received, deferred developer fee would increase to \$500,000 and this amount would not be repayable within 15 years based on the long-term proforma. Therefore, if these funding sources were excluded, the application would not be recommended for a tax credit allocation.

Underwriter:

Cameron Dorsey

Date: June 26, 2007

Reviewing Underwriter:

Lisa Vecchietti

Date: June 26, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: June 26, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Zion Village Apartments, Houston, 9% HTC #07306

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	660	\$343	\$257	\$514	\$0.39	\$86.00	\$38.31
TC 50%	11	1	1	660	\$571	485	5,335	0.73	86.00	38.31
TC 50%	37	2	2	990	\$686	582	21,534	0.59	104.00	41.31
TOTAL:	50		AVERAGE:	904		\$548	\$27,383	\$0.61	\$99.32	\$40.53

INCOME

Total Net Rentable Sq Ft: 45,210

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.22

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.51%	\$280	0.31	\$13,978	\$11,750	\$0.26	\$235	3.79%
Management	5.00%	310	0.34	15,481	15,481	0.34	310	5.00%
Payroll & Payroll Tax	12.46%	772	0.85	38,588	46,440	1.03	929	15.00%
Repairs & Maintenance	10.88%	674	0.75	33,685	18,825	0.42	377	6.08%
Utilities	3.36%	208	0.23	10,389	10,250	0.23	205	3.31%
Water, Sewer, & Trash	5.30%	328	0.36	16,401	16,500	0.36	330	5.33%
Property Insurance	6.57%	407	0.45	20,345	25,000	0.55	500	8.07%
Property Tax 2.86215	9.24%	572	0.63	28,622	40,000	0.88	800	12.92%
Reserve for Replacements	4.04%	250	0.28	12,500	12,500	0.28	250	4.04%
TDHCA Compliance Fees	0.65%	40	0.04	2,000	2,000	0.04	40	0.65%
Other: Supportive Services	1.61%	100	0.11	5,000	5,000	0.11	100	1.61%
TOTAL EXPENSES	63.62%	\$3,940	\$4.36	\$196,988	\$203,746	\$4.51	\$4,075	65.80%
NET OPERATING INC	36.38%	\$2,253	\$2.49	\$112,636	\$105,875	\$2.34	\$2,117	34.20%

DEBT SERVICE

Collateral Mortgage	19.34%	\$1,198	\$1.32	\$59,877	\$59,877	\$1.32	\$1,198	19.34%
Houston Home Loan	7.00%	\$433	\$0.48	21,662	21,662	\$0.48	\$433	7.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	10.04%	\$622	\$0.69	\$31,096	\$24,335	\$0.54	\$487	7.86%

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)		3.97%	\$5,000	\$5.53	\$250,000	\$250,000	\$5.53	\$5,000	3.64%
Off-Sites		0.04%	50	0.06	2,500	2,500	0.06	50	0.04%
Sitework		3.98%	5,019	5.55	250,928	250,928	5.55	5,019	3.65%
Direct Construction		40.51%	51,040	56.45	2,551,993	2,973,944	65.78	59,479	43.31%
Contingency	5.00%	2.22%	2,803	3.10	140,146	161,462	3.57	3,229	2.35%
Contractor's Fees	14.00%	6.23%	7,848	8.68	392,409	452,095	10.00	9,042	6.58%
Indirect Construction		12.01%	15,134	16.74	756,681	756,681	16.74	15,134	11.02%
Ineligible Costs		8.78%	11,057	12.23	552,839	552,839	12.23	11,057	8.05%
Developer's Fees	15.00%	10.58%	13,328	14.74	666,379	750,000	16.59	15,000	10.92%
Interim Financing		5.56%	7,007	7.75	350,372	350,372	7.75	7,007	5.10%
Reserves		6.11%	7,700	8.52	385,000	366,373	8.10	7,327	5.34%
TOTAL COST		100.00%	\$125,985	\$139.33	\$6,299,247	\$6,867,194	\$151.90	\$137,344	100.00%
Construction Cost Recap		52.95%	\$66,710	\$73.78	\$3,335,476	\$3,838,429	\$84.90	\$76,769	55.90%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Collateral Mortgage	15.72%	\$19,800	\$21.90	\$990,000	\$750,000	\$976,575	Developer Fee Available
Houston Home Loan	5.56%	\$7,000	\$7.74	350,000	350,000	350,000	\$741,698
FHLB Grant (Amegy)	2.38%	\$3,000	\$3.32	150,000	150,000	150,000	
The Richman Group Syndication	85.10%	\$107,215	\$118.57	5,360,757	5,168,554	4,822,672	% of Dev. Fee Deferred
Deferred Developer Fees	3.83%	\$4,821	\$5.33	241,054	241,054	0	0%
Additional (Excess) Funds Req'd	-12.58%	(\$15,851)	(\$17.53)	(792,564)	207,586	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$6,299,247	\$6,867,194	\$6,299,247	\$393,498

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Zion Village Apartments, Houston, 9% HTC #07306

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$52.69	\$2,382,324
Adjustments				
Exterior Wall Finish	6.00%		\$3.16	\$142,939
Elderly	3.00%		1.58	71,470
9-Ft. Ceilings	3.75%		1.98	89,337
Roofing			0.00	0
Subfloor			(0.82)	(37,223)
Floor Cover			2.43	109,860
Breezeways/Balconies	\$24.79	2,650	1.45	65,694
Plumbing Fixtures	\$805	111	1.98	89,355
Rough-ins	\$400	50	0.44	20,000
Built-In Appliances	\$1,850	50	2.05	92,500
Exterior Stairs	\$1,800	6	0.24	10,800
Enclosed Corridors	\$42.77	6,294	5.95	269,223
Heating/Cooling			1.90	85,899
Elevator	\$52,750	1	1.17	52,750
Comm &/or Aux Bldgs	\$78.44	821	1.42	64,395
Other: fire sprinkler	\$1.95	52,325	2.26	102,034
SUBTOTAL			79.88	3,611,358
Current Cost Multiplier	0.98		(1.60)	(72,227)
Local Multiplier	0.89		(8.79)	(397,249)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.50	\$3,141,881
Plans, specs, survy, bld prm	3.90%		(\$2.71)	(\$122,533)
Interim Construction Interes	3.38%		(2.35)	(106,038)
Contractor's OH & Profit	11.50%		(7.99)	(361,316)
NET DIRECT CONSTRUCTION COSTS			\$56.45	\$2,551,993

PAYMENT COMPUTATION

Primary	\$750,000	Amort	360
Int Rate	7.00%	DCR	1.88
Secondary	\$350,000	Amort	480
Int Rate	5.50%	Subtotal DCR	1.38
Additional		Amort	
Int Rate		Aggregate DCR	1.38

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$77,966
Secondary Debt Service	19,975
Additional Debt Service	0
NET CASH FLOW	\$14,695

Primary	\$976,575	Amort	360
Int Rate	7.00%	DCR	1.44
Secondary	\$350,000	Amort	480
Int Rate	4.90%	Subtotal DCR	1.15
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$328,596	\$338,454	\$348,607	\$359,066	\$369,838	\$428,743	\$497,031	\$576,195	\$774,358
Secondary Income	6,132	6,316	6,505	6,701	6,902	8,001	9,275	10,752	14,450
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	334,728	344,770	355,113	365,766	376,739	436,744	506,306	586,948	788,808
Vacancy & Collection Loss	(25,105)	(25,858)	(26,633)	(27,432)	(28,255)	(32,756)	(37,973)	(44,021)	(59,161)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$309,623	\$318,912	\$328,479	\$338,334	\$348,484	\$403,988	\$468,333	\$542,927	\$729,648
EXPENSES at 4.00%									
General & Administrative	\$13,978	\$14,537	\$15,118	\$15,723	\$16,352	\$19,894	\$24,205	\$29,449	\$43,591
Management	15,481	15,946	16,424	16,917	17,424	20,199	23,417	27,146	36,482
Payroll & Payroll Tax	38,588	40,131	41,736	43,406	45,142	54,922	66,821	81,298	120,341
Repairs & Maintenance	33,685	35,033	36,434	37,891	39,407	47,945	58,332	70,970	105,052
Utilities	10,389	10,805	11,237	11,687	12,154	14,787	17,991	21,889	32,401
Water, Sewer & Trash	16,401	17,057	17,739	18,449	19,187	23,343	28,401	34,554	51,148
Insurance	20,345	21,158	22,005	22,885	23,800	28,957	35,230	42,863	63,447
Property Tax	28,622	29,766	30,957	32,195	33,483	40,737	49,563	60,301	89,260
Reserve for Replacements	12,500	13,000	13,520	14,061	14,623	17,791	21,646	26,336	38,983
Other	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
TOTAL EXPENSES	\$196,988	\$204,432	\$212,170	\$220,213	\$228,572	\$275,577	\$332,606	\$401,805	\$587,708
NET OPERATING INCOME	\$112,636	\$114,480	\$116,309	\$118,121	\$119,912	\$128,412	\$135,728	\$141,121	\$141,940
DEBT SERVICE									
First Lien Financing	\$77,966	\$77,966	\$77,966	\$77,966	\$77,966	\$77,966	\$77,966	\$77,966	\$77,966
Second Lien	19,975	19,975	19,975	19,975	19,975	19,975	19,975	19,975	19,975
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$14,695	\$16,539	\$18,368	\$20,180	\$21,971	\$30,471	\$37,787	\$43,180	\$43,999
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.22	1.31	1.39	1.44	1.45

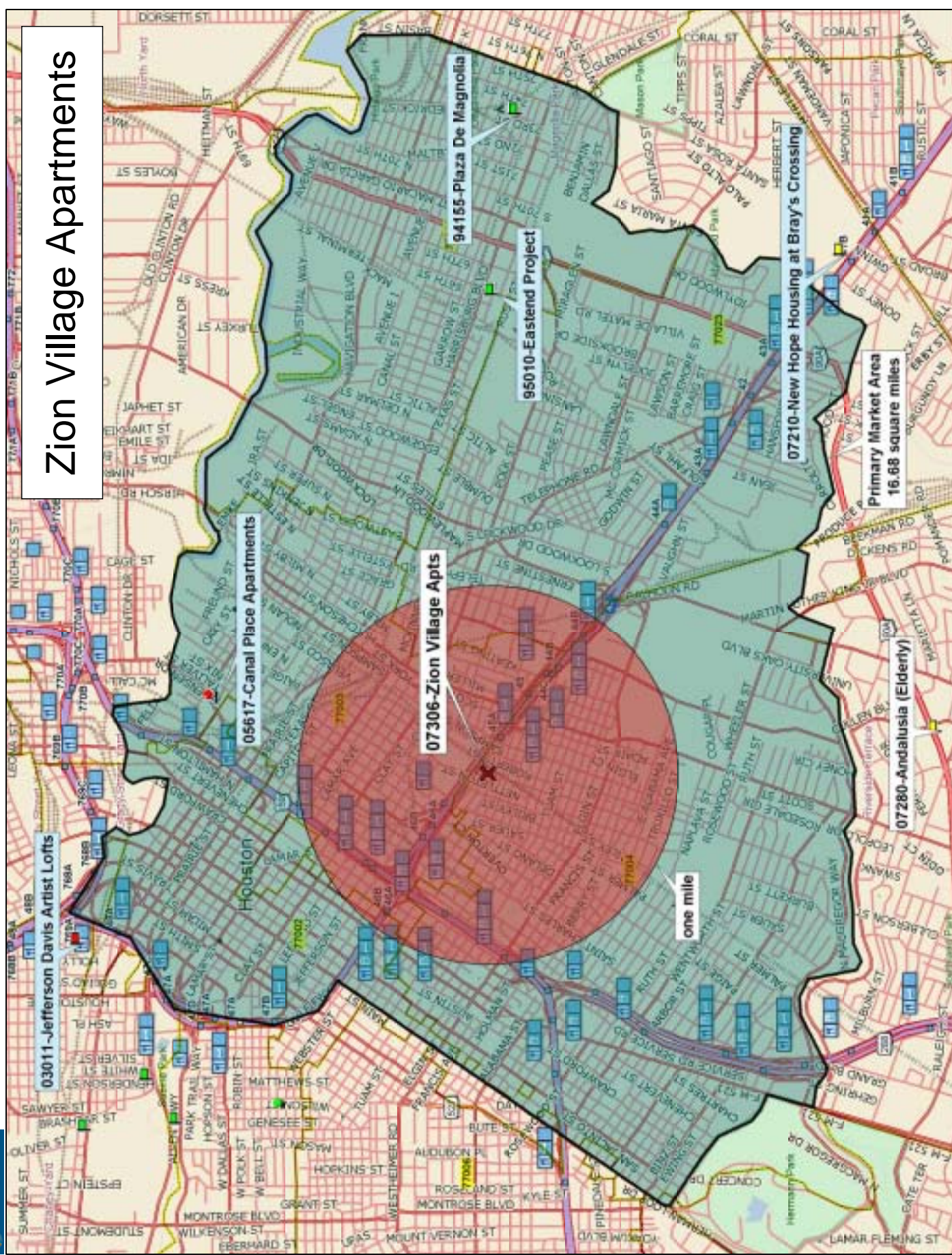
HTC ALLOCATION ANALYSIS -Zion Village Apartments, Houston, 9% HTC #07306

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$250,000	\$250,000		
Purchase of buildings				
Off-Site Improvements	\$2,500	\$2,500		
Sitework	\$250,928	\$250,928	\$250,928	\$250,928
Construction Hard Costs	\$2,973,944	\$2,551,993	\$2,973,944	\$2,551,993
Contractor Fees	\$452,095	\$392,409	\$451,482	\$392,409
Contingencies	\$161,462	\$140,146	\$161,244	\$140,146
Eligible Indirect Fees	\$756,681	\$756,681	\$756,681	\$756,681
Eligible Financing Fees	\$350,372	\$350,372	\$350,372	\$350,372
All Ineligible Costs	\$552,839	\$552,839		
Developer Fees			\$741,698	
Developer Fees	\$750,000	\$666,379		\$666,379
Development Reserves	\$366,373	\$385,000		
TOTAL DEVELOPMENT COSTS	\$6,867,194	\$6,299,247	\$5,686,348	\$5,108,908

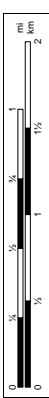
Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,686,348	\$5,108,908
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$7,392,253	\$6,641,581
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,392,253	\$6,641,581
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$632,038	\$567,855

Syndication Proceeds	0.8899	\$5,624,567	\$5,053,401
Total Tax Credits (Eligible Basis Method)		\$632,038	\$567,855
Syndication Proceeds		\$5,624,567	\$5,053,401
Requested Tax Credits		\$597,543	
Syndication Proceeds		\$5,317,596	
Gap of Syndication Proceeds Needed			\$4,822,672
Total Tax Credits (Gap Method)			\$541,928

Zion Village Apartments



Scale 1 : 43,750



1" = 3,645.8 ft Data Zoom 12-2

TN

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Applicant Evaluation

Project ID # **07306**

Name: **Zion Village Apartments**

City: **Houston**

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

Total # of Projects monitored: 0
 Projects grouped by score
 zero to nine: 0
 ten to nineteen: 0
 twenty to twenty-nine: 0

Projects in Material Noncompliance
 Yes No
 # monitored with a score less than thirty: 0
 # not yet monitored or pending review: 0

in noncompliance: 0
 Projects not reported in application Yes No
 # of projects not reported: 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 6/8/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth

Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia

Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell

Date 5/31/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Maria Cazares

Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead

Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Glenwood Trails, TDHCA Number 07309

BASIC DEVELOPMENT INFORMATION

Site Address: Glenwood Dr. N. of Holton Ave. Development #: 07309
 City: Deer Park Region: 6 Population Served: General
 County: Harris Zip Code: 77536 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Glenwood Trails LP
 Owner Contact and Phone: Les Kilday (713) 914-9400
 Developer: Kilday Partners LLC
 Housing General Contractor: To Be Determined
 Architect: Jim Gwin Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: Gannon Outsourcing, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	114	
	12	0	0	102	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	24	56	34	0	0	
Type of Building:						Total Development Units:	114
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building					Total Development Cost*:	\$12,535,563
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	19
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$942,176	\$942,176			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Glenwood Trails, TDHCA Number 07309

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

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$942,176

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/07

PROGRAM: 9% HTC

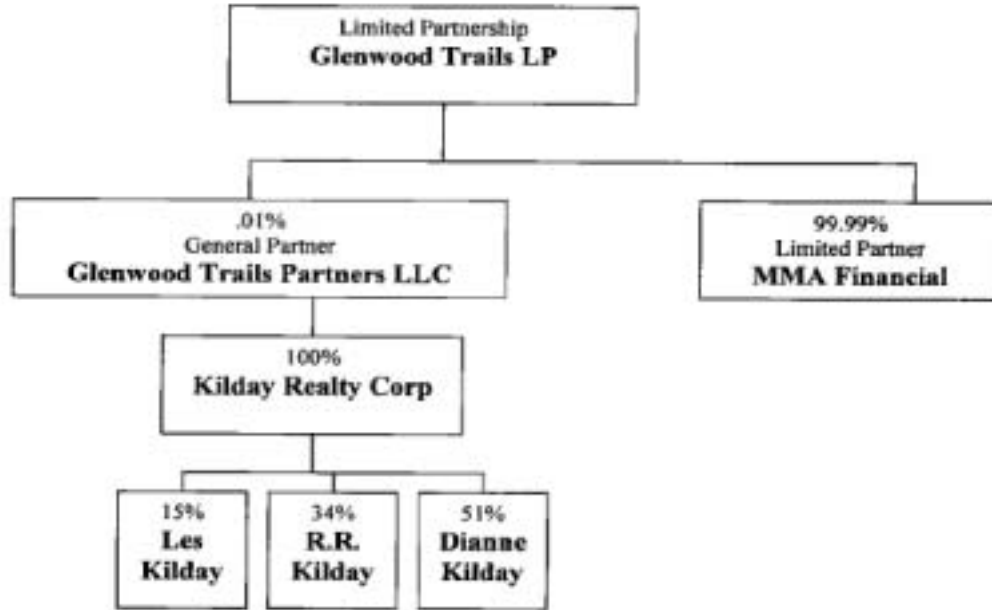
FILE NUMBER: 07309

DEVELOPMENT																		
Glenwood Trails																		
Location: <u>Glenwood Drive north of Holton Avenue</u>					Region: <u>6</u>													
City: <u>Deer Park</u>		County: <u>Harris</u>		Zip: <u>77536</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA												
Key Attributes: <u>Multifamily, New Construction, Urban/Exurban, Family</u>																		
ALLOCATION																		
	REQUEST *			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$942,176			\$942,176														
<p>*The application originally indicated a requested allocation of \$980,000. The Applicant has one additional application in the 2007 9% cycle with a request for \$1,000,000 in credits; and the Applicant previously received 2007 supplemental credits awarded by the Department to offset increased development costs for two projects allocated in 2004. The supplemental credits totaling \$57,824 are applied to the Applicant's limit for 2007. The 2007 QAP sets a limit of \$2,000,000 on the total tax credit allocation to a single applicant in one year. For this reason the Applicant chose to reduce the requested allocation for the subject property to \$942,176.</p>																		
CONDITIONS																		
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, before carryover, of documentation that the Applicant has confirmed the exact location of the pipeline on the site referenced in the ESA, if it does exist, and that no improvements are constructed on top of the pipeline. 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 allocation amount may be warranted. 																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">102</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	12	60% of AMI	60% of AMI	102
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	12																
60% of AMI	60% of AMI	102																
_____ PROS				_____ CONS														
The market for 2 bedroom and 3 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 100%.																		
PREVIOUS UNDERWRITING REPORTS																		
None																		

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

**Organization Chart
Glenwood Trails**



CONTACT

Contact: Les Kilday, Phyllis Sefeldt Phone: (713) 914-9400 Fax: (713) 914-9439
 Email: leskilday@earthlink.net, psefeldt@earthlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Kilday Realty Corp.	-\$130,611	-\$138,106	8 prior LIHTC developments reported
Kilday Partners LLC	\$460	\$460	8 prior LIHTC developments reported
Diane Kilday	confidential	confidential	8 prior LIHTC developments reported
R.R. Kilday	confidential	confidential	8 prior LIHTC developments reported
Les Kilday	confidential	confidential	8 prior LIHTC developments reported

¹ Liquidity = Current Assets - Current Liabilities

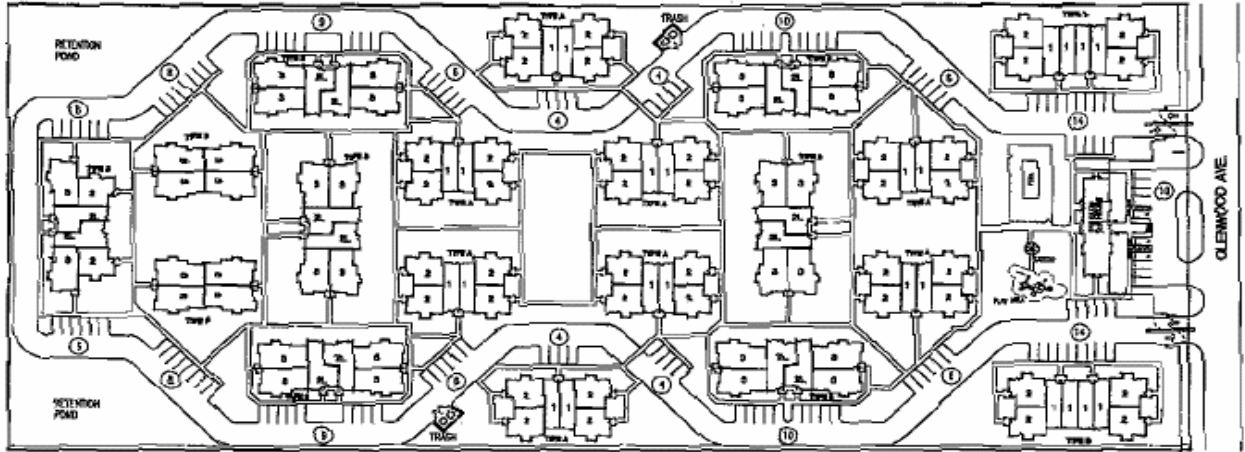
IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	3	5	6														Total Buildings
Floors/Stories	1	1	1	1	1														
Number	8	2	6	1	2														19

BR/BA	SF	Units										Total Units	Total SF
1/1	750	2	4									24	18,000
2/1	950	4	4	2	4							56	53,200
3/2	1,120			4	2	4						34	38,080
Units per Building		6	8	6	6	4						114	109,280

SITE ISSUES

Total Size: 12.224 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MS-2 Needs to be re-zoned? Yes No N/A

Comments:

The application materials include a letter from the Deer Park City Manager indicating that the site is zoned MF-2, which is subject to a 300-ft transitional zone adjacent to any property which is zoned single family. The entire site is within 300 ft. of single family zoning, and therefore subject to the transitional zone requirements. Multifamily development in the transitional zone is limited to a maximum density of no more than one dwelling unit per 4,000 sq. ft., and a maximum height of one story. The development has been designed to comply with these limits with one unit per 4,670 sq. ft.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/18/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: single family residential East: Glenwood Dr., wooded land
 South: single family residential West: wooded vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/1/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

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

A Kinder Morgan gas pipeline marker was observed at the northeast property corner. No spills or releases were on record with the Texas Commission on Environmental Quality or with the Emergency Response Notification System for the pipeline. No recognized environmental conditions appear to exist provided the pipeline is operated and maintained in accordance with all applicable federal, state, and local regulations.

Comments:

The ESA includes an Oil & Gas Well Map indicating a pipeline running along the north property line. The survey and site plans provided by the Applicant make no indication of the location of any pipeline, and the title insurance commitment makes no reference to a pipeline easement. Receipt, review, and acceptance, before carryover, of documentation that the Applicant has confirmed the exact location of the pipeline, if it exists and that no improvements are constructed on top of the pipeline, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, Inc. Date: 3/16/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"For this analysis, we utilized a "Primary Market Area" encompassing 54.2 square miles (equivalent to a 4.1 mile radius). The boundaries of the PMA are the Pasadena Freeway to the north, Galveston Bay to the east, Red Bluff Road and Port Road to the south, and Beltway 8 to the west." (p. 30)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units <small>25%</small>
Seville Place	04452	180	180	N/A			

Proposed, Under Construction & Unstabilized Comparable Developments:

"Within the PMA, there has only been one 'affordable' rental family project built within recent times. Seville Place is a 180 unit project, which was built in 2006. The site reports that it is already 99.4% occupied. This short lease-up time is indicative of the demand for affordable housing within the PMA." (p. 13)

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30%	77	0	0	77	3	0	4%
1 BR / 60%	157	-1	0	156	21	36	37%
2BR / 30%	48	-1	0	47	6	0	13%
2BR / 60%	110	-1	0	109	50	81	120%
3 BR / 30%	28	-1	0	27	3	0	11%
3 BR / 60%	93	0	0	93	31	63	101%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 54	30,899	96%	29,546	18%	5,289	58%	3,073	64%	1,983	
Underwriter		100%	31,239	96%	29,871	18%	5,357	58%	3,111	64%	2,003
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p.		96%	260	18%	47	58%	34	100%	34	
Underwriter			96%	344	18%	59	58%	34	100%	34	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 57	114	180	0	294	2,017	14.60%
Underwriter		114	180	0	294	2,038	14.43%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 94.1% as a result of stable demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing." (p. 10)

Absorption Projections:

"Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 107 units per year. We expect this to continue as the number of new households continues to grow, and as additional rental units become available." (p. 10) "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. 100)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$251	\$251	\$715	\$251	\$464
1 BR	750 SF	60%	\$594	\$594	\$715	\$594	\$121
2 BR	950 SF	30%	\$303	\$303	\$915	\$303	\$612
2 BR	950 SF	60%	\$715	\$715	\$915	\$715	\$200
3 BR	1,120 SF	30%	\$351	\$351	\$1,115	\$351	\$764
3 BR	1,120 SF	60%	\$827	\$827	\$1,115	\$827	\$288

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing affordable family housing projects have an overall occupancy rate of 97.2%. The last affordable project built in the PMA was Seville Place (2006), which is currently 99.4% occupied. This demonstrates that the demand for new affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p. 100)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units.

The proposed development is located in the Pasadena/Deer Park submarket (as defined by Vogt) within the Houston MSA. This submarket encompasses 109 sq. miles with a 2005 population of approximately 217K. The PMA defined in the subject application is 52 sq. miles situated in the southeast quadrant of the larger submarket. In its projections for 2009, the Vogt study determined the total growth-based demand which would be applicable to the subject property to be 138 units.

The Market Analyst for the subject application identified growth-based demand for 34 units, and demand from turnover for 1,983 units; the Underwriter identified demand for 34 units from growth and 2,003 units from turnover. The Analyst noted that the Vogt study does not consider turnover, and that the methodology to determine demand from growth is different than that normally applied in an application-specific market study. Using the demographic data contained in the Vogt study, the Analyst identified growth-based demand for 49 units, and turnover-based demand for 4,631 units in the Pasadena/Deer Park submarket. Given the wide variation among these calculations in market areas, populations, methodologies, and time, the results are fairly consistent: minimal demand based on household growth, but significant demand based on household turnover.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 6/1/2007

The Applicant's projected income is based on the maximum tax credit program rents, adjusted by the utility allowance maintained by the Harris County Housing Authority (HCHA). (The original application used the utility allowance dated April 2006. HCHA issued a new utility allowance dated April 2007. On request from the Underwriter, the Applicant submitted a revised rent schedule based on the new utility allowances.) The Applicant's projected secondary income of \$10 per unit per month, and provision for losses due to vacancy and collection, are consistent with current underwriting guidelines. The Applicant's projected effective gross income is equivalent to the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/1/2007

The Applicant's projection for total annual operating expenses of \$4,209 per unit is within 5% of the Underwriter's estimate of \$4,283. Specific line items with significant variances include Repairs & Maintenance (the Applicant's estimate is \$15K less than the Underwriter's) and Property Insurance (the Applicant's estimate is \$9K higher than the Underwriter's).

Interim Interest Expense:

Underwriting guidelines allow for interest on interim financing to be included in eligible basis up to a maximum of one year of interest on the fully drawn financing facility. The Applicant's claimed interest exceeded this limit by \$56K; eligible basis has been reduced accordingly, with this amount included in ineligible costs.

Contingency & Fees:

The Applicant's projected developer fee was within the eligibility guidelines; however, with the reduction in eligible basis due to interim interest, the fees now exceed the limit by \$8.4K; eligible basis has been reduced accordingly.

Conclusion:

The Applicant's projection for total development costs is within 5% of the Underwriter's estimate. The Applicant's figures will therefore be used to determine eligible basis and the need for permanent financing. The calculated eligible basis of \$10,714,911 is increased by 30% because Harris County has been designated a Difficult Development Area. The resulting adjusted basis of \$13,929,385 supports an annual tax credit allocation of \$1,190,962 at the syndication rate provided. This amount will be compared to the Applicant's requested amount of credits, as well as the amount determined by the gap in required financing; the lowest of the three amounts will be recommended.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Bank of America Type: Interim Financing

Principal: \$4,000,000 Interest Rate: 7.57% Fixed Term: 24 months

Comments:
variable rate at LIBOR + 2.25%, underwritten at 7.57%

Source: Amegy Bank Type: Interim Financing

Principal: \$275,000 Interest Rate: 8.25% Fixed Term: 24 months

Comments:
variable rate at Prime; underwritten at 8.25%

Source: Southeast Texas Housing Finance Corp Type: Interim Financing

Principal: \$750,000 Interest Rate: 4.90% Fixed Term: 24 months

Comments:
variable rate at the Applicable Federal Rate; underwritten at 4.9%

Source: MMA Financial Type: Permanent Financing

Principal: \$4,000,000 Interest Rate: 7.25% Fixed Amort: 360 months

Comments:
interest rate fixed at closing, at 10-year US T-Note + 260 bps; underwritten at 7.25%; interim financing is also offered at an underwriting rate of 7.82%.

Source: MMA Financial Type: Syndication

Proceeds: \$8,525,147 Syndication Rate: 87% Anticipated HTC: \$980,000

Comments:
Required replacement reserve at \$250 per unit per year. The syndication price is at the low end of current market prices and any increase in rate of more than 4¢ could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$10,413 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$4,000,000 indicates the need for \$8,535,563 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$981,197 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Credit Amount	<u>\$942,176</u>
Credit Amount Determined by Gap in Financing	<u>\$981,197</u>
Credit Amount Determined by Eligible Basis	<u>\$1,190,962</u>

The application originally indicated a requested allocation of \$980,000. The Applicant has one additional application in the 2007 9% cycle with a request for \$1,000,000 in credits; and the Applicant previously received \$57,824 in supplemental credits awarded by the Department to offset increased development costs for two projects allocated in 2004. The supplemental credits are applied to the Applicant's limit for 2007. The 2007 QAP sets a limit of \$2,000,000 on the total tax credit allocation to a single applicant in one year. For this reason the Applicant chose to reduce the requested allocation for the subject property to \$942,176. An annual allocation of \$942,176 for ten years results in proceeds of \$8,196,111 at a syndication rate of 87%. The Underwriter's recommended financing structure indicates the need for \$339,452 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>Thomas Cavanagh</i>		July 15, 2007
Reviewing Underwriter:	_____	Date:	_____
	<i>Lisa Vecchietti</i>		July 15, 2007
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 15, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Glenwood Trails, Deer Park, 9% HTC #07309

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	750	\$343	\$251	\$753	\$0.33	\$92.00	\$32.31
TC 60%	21	1	1	750	\$686	594	12,474	0.79	92.00	32.31
TC 30%	6	2	2	950	\$411	303	1,818	0.32	108.00	37.31
TC 60%	50	2	2	950	\$823	715	35,750	0.75	108.00	37.31
TC 30%	3	3	2	1,120	\$475	351	1,053	0.31	124.00	49.31
TC 60%	31	3	2	1,120	\$951	827	25,637	0.74	124.00	49.31
TOTAL:	114		AVERAGE:	959		\$680	\$77,485	\$0.71	\$109.40	\$39.84

INCOME

Total Net Rentable Sq Ft: 109,280

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.33%	\$408	0.43
Management	4.12%	315	0.33
Payroll & Payroll Tax	12.96%	992	1.03
Repairs & Maintenance	7.01%	537	0.56
Utilities	3.98%	304	0.32
Water, Sewer, & Trash	4.46%	341	0.36
Property Insurance	3.67%	281	0.29
Property Tax 3.17394	9.26%	709	0.74
Reserve for Replacements	3.27%	250	0.26
TDHCA Compliance Fees	0.52%	40	0.04
Other: Supportive Services	1.37%	105	0.11

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	37.52%	\$2,872	\$3.00
Additional Financing	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)		9.08%	\$10,051	\$10.49
Off-Sites		0.00%	0	0.00
Sitework		8.10%	8,964	9.35
Direct Construction		46.80%	51,780	54.02
Contingency 4.94%		2.71%	3,003	3.13
Contractor's Fees 13.84%		7.60%	8,407	8.77
Indirect Construction		4.52%	5,000	5.22
Ineligible Costs		3.43%	3,793	3.96
Developer's Fees 14.96%		11.15%	12,333	12.87
Interim Financing		4.76%	5,267	5.49
Reserves		1.86%	2,053	2.14
TOTAL COST		100.00%	\$110,652	\$115.43
Construction Cost Recap		65.21%	\$72,154	\$75.27

SOURCES OF FUNDS

	% OF TOTAL	PER UNIT	PER SQ FT
First Lien Mortgage	31.71%	\$35,088	\$36.60
Additional Financing	0.00%	\$0	\$0.00
HTC Syndication Proceeds	67.58%	\$74,782	\$78.01
Deferred Developer Fees	0.08%	\$91	\$0.10
Additional (Excess) Funds Req'd	0.62%	\$691	\$0.72
TOTAL SOURCES			

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT	\$929,820	\$929,820	Harris	Houston	6
Secondary Income	13,680	13,680	\$10.00	Per Unit Per Month	
Other Support Income:	0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME	\$943,500	\$943,500			
Vacancy & Collection Loss	(70,763)	(70,764)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions	0	0			
EFFECTIVE GROSS INCOME	\$872,738	\$872,736			
General & Administrative	\$46,498	\$44,400	\$0.41	\$389	5.09%
Management	35,966	43,637	0.40	383	5.00%
Payroll & Payroll Tax	113,091	114,780	1.05	1,007	13.15%
Repairs & Maintenance	61,182	46,600	0.43	409	5.34%
Utilities	34,700	27,000	0.25	237	3.09%
Water, Sewer, & Trash	38,927	41,000	0.38	360	4.70%
Property Insurance	32,062	41,393	0.38	363	4.74%
Property Tax 3.17394	80,807	76,000	0.70	667	8.71%
Reserve for Replacements	28,500	28,500	0.26	250	3.27%
TDHCA Compliance Fees	4,560	4,560	0.04	40	0.52%
Other: Supportive Services	12,000	12,000	0.11	105	1.37%
TOTAL EXPENSES	\$488,292	\$479,869	\$4.39	\$4,209	54.98%
NET OPERATING INC	\$384,446	\$392,867	\$3.60	\$3,446	45.02%
First Lien Mortgage	\$327,445	\$322,745	\$2.95	\$2,831	36.98%
Additional Financing	0	0	\$0.00	\$0	0.00%
Additional Financing	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$57,001	\$70,122	\$0.64	\$615	8.03%
AGGREGATE DEBT COVERAGE RATIO	1.17	1.22			
RECOMMENDED DEBT COVERAGE RATIO		1.20			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$1,145,826	\$1,145,826	\$10.49	\$10,051	9.14%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,021,856	1,021,856	9.35	8,964	8.15%
Direct Construction	5,902,932	5,824,217	53.30	51,090	46.46%
Contingency 4.94%	342,304	342,304	3.13	3,003	2.73%
Contractor's Fees 13.84%	958,450	958,450	8.77	8,407	7.65%
Indirect Construction	570,000	570,000	5.22	5,000	4.55%
Ineligible Costs	432,423	432,423	3.96	3,793	3.45%
Developer's Fees 14.96%	1,406,000	1,406,000	12.87	12,333	11.22%
Interim Financing	600,488	600,488	5.49	5,267	4.79%
Reserves	234,000	234,000	2.14	2,053	1.87%
TOTAL COST	\$12,614,278	\$12,535,563	\$114.71	\$109,961	100.00%
Construction Cost Recap	\$8,225,542	\$8,146,827	\$74.55	\$71,463	64.99%

	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	\$4,000,000	\$4,000,000	\$4,000,000	Developer Fee Available
Additional Financing	0	0	0	\$1,397,597
HTC Syndication Proceeds	8,525,147	8,525,147	8,196,111	% of Dev. Fee Deferred
Deferred Developer Fees	10,413	10,413	339,452	24%
Additional (Excess) Funds Req'd	78,718	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$12,614,278	\$12,535,563	\$12,535,563	\$1,735,590

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Glenwood Trails, Deer Park, 9% HTC #07309

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$63.06	\$6,891,616
Adjustments				
Exterior Wall Finish	2.10%		\$1.32	\$144,724
Elderly			0.00	0
9-Ft. Ceilings	3.30%		2.08	227,423
Roofing			0.00	0
Subfloor			(1.85)	(202,168)
Floor Cover			3.08	336,582
Breezeways/Balconies	\$19.81	540	0.10	10,697
Plumbing Fixtures	\$965	76	0.67	73,340
Rough-ins	\$425	114	0.44	48,450
Built-In Appliances	\$2,425	114	2.53	276,450
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	265,550
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$69.10	2,575	1.63	177,926
Hurricane Wind Adj	\$0.94	109,280	0.94	102,723
SUBTOTAL			76.44	8,353,315
Current Cost Multiplier	0.98		(1.53)	(167,066)
Local Multiplier	0.89		(8.41)	(918,865)
TOTAL DIRECT CONSTRUCTION COSTS			\$66.50	\$7,267,384
Plans, specs, survy, bld prm	3.90%		(\$2.59)	(\$283,428)
Interim Construction Interes	3.38%		(2.24)	(245,274)
Contractor's OH & Profit	11.50%		(7.65)	(835,749)
NET DIRECT CONSTRUCTION COSTS			\$54.02	\$5,902,932

PAYMENT COMPUTATION

Primary	\$4,000,000	Amort	360
Int Rate	7.25%	DCR	1.17

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.17

Additional	\$8,525,147	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$327,445
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$65,422

Primary	\$4,000,000	Amort	360
Int Rate	7.25%	DCR	1.20

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$8,525,147	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$929,820	\$957,715	\$986,446	\$1,016,039	\$1,046,521	\$1,213,204	\$1,406,436	\$1,630,445	\$2,191,182
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	943,500	971,805	1,000,959	1,030,988	1,061,918	1,231,053	1,427,128	1,654,433	2,223,420
Vacancy & Collection Loss	(70,764)	(72,885)	(75,072)	(77,324)	(79,644)	(92,329)	(107,035)	(124,082)	(166,756)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$872,736	\$898,920	\$925,887	\$953,664	\$982,274	\$1,138,724	\$1,320,094	\$1,530,350	\$2,056,663
EXPENSES at 4.00%									
General & Administrative	\$44,400	\$46,176	\$48,023	\$49,944	\$51,942	\$63,195	\$76,886	\$93,544	\$138,468
Management	43,637	44,946	46,294	47,683	49,114	56,936	66,005	76,518	102,833
Payroll & Payroll Tax	114,780	119,371	124,146	129,112	134,276	163,368	198,762	241,824	357,959
Repairs & Maintenance	46,600	48,464	50,403	52,419	54,515	66,326	80,696	98,179	145,329
Utilities	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Water, Sewer & Trash	41,000	42,640	44,346	46,119	47,964	58,356	70,999	86,381	127,865
Insurance	41,393	43,048	44,770	46,561	48,423	58,914	71,678	87,208	129,089
Property Tax	76,000	79,040	82,202	85,490	88,909	108,172	131,607	160,121	237,018
Reserve for Replacements	28,500	29,640	30,826	32,059	33,341	40,564	49,353	60,045	88,882
Other	16,560	17,222	17,911	18,628	19,373	23,570	28,677	34,889	51,645
TOTAL EXPENSES	\$479,869	\$498,628	\$518,124	\$538,386	\$559,444	\$677,831	\$821,418	\$995,594	\$1,463,290
NET OPERATING INCOME	\$392,867	\$400,292	\$407,764	\$415,278	\$422,830	\$460,893	\$498,675	\$534,757	\$593,373
DEBT SERVICE									
First Lien Financing	\$327,445	\$327,445	\$327,445	\$327,445	\$327,445	\$327,445	\$327,445	\$327,445	\$327,445
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$65,422	\$72,847	\$80,319	\$87,834	\$95,385	\$133,449	\$171,231	\$207,312	\$265,928
DEBT COVERAGE RATIO	1.20	1.22	1.25	1.27	1.29	1.41	1.52	1.63	1.81

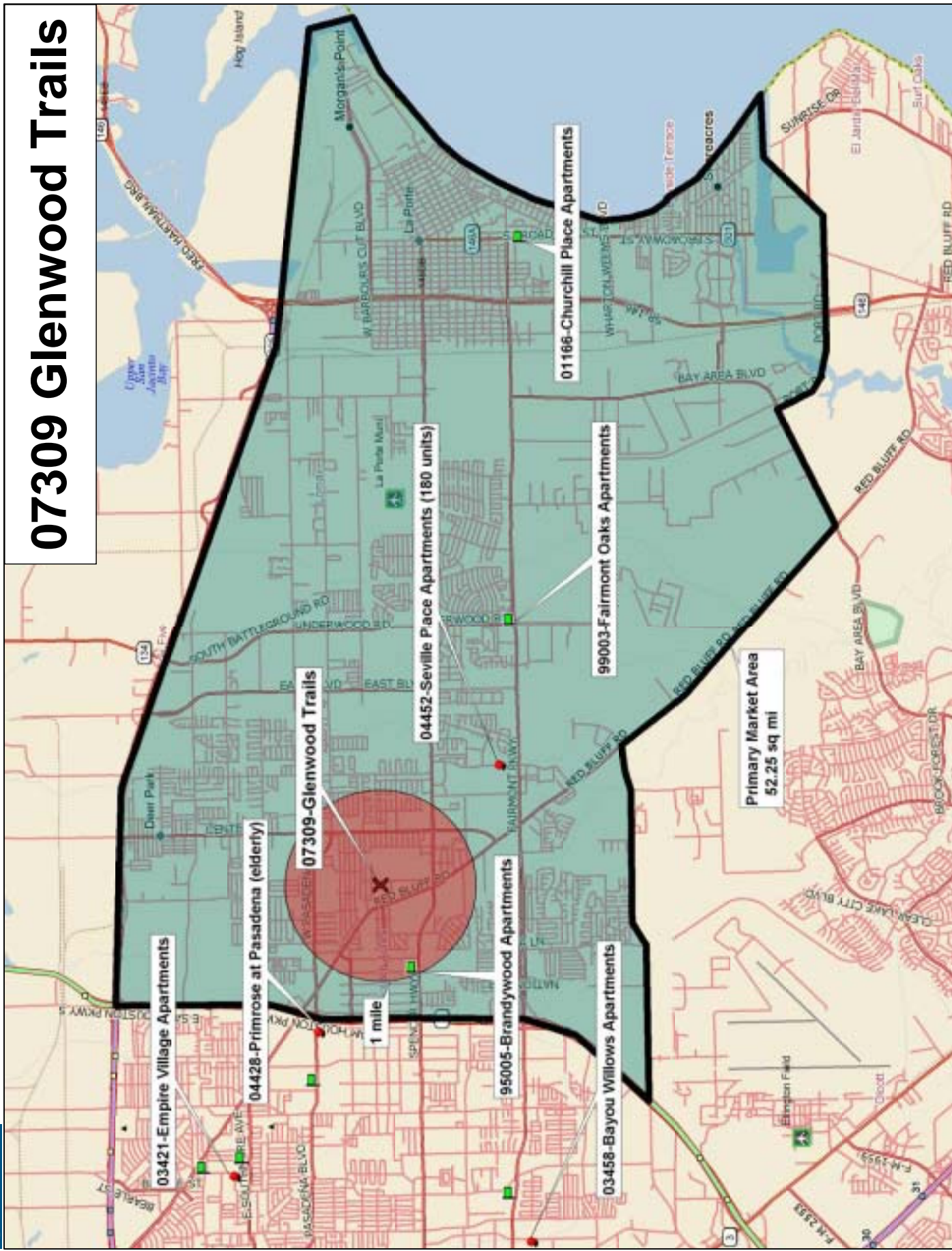
HTC ALLOCATION ANALYSIS -Glenwood Trails, Deer Park, 9% HTC #07309

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,145,826	\$1,145,826		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,021,856	\$1,021,856	\$1,021,856	\$1,021,856
Construction Hard Costs	\$5,824,217	\$5,902,932	\$5,824,217	\$5,902,932
Contractor Fees	\$958,450	\$958,450	\$958,450	\$958,450
Contingencies	\$342,304	\$342,304	\$342,304	\$342,304
Eligible Indirect Fees	\$570,000	\$570,000	\$570,000	\$570,000
Eligible Financing Fees	\$600,488	\$600,488	\$600,488	\$600,488
All Ineligible Costs	\$432,423	\$432,423		
Developer Fees			\$1,397,597	
Developer Fees	\$1,406,000	\$1,406,000		\$1,406,000
Development Reserves	\$234,000	\$234,000		
TOTAL DEVELOPMENT COSTS	\$12,535,563	\$12,614,278	\$10,714,911	\$10,802,030

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,714,911	\$10,802,030
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,929,385	\$14,042,639
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$13,929,385	\$14,042,639
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,190,962	\$1,200,646

Syndication Proceeds	0.8699	\$10,360,336	\$10,444,572
Total Tax Credits (Eligible Basis Method)		\$1,190,962	\$1,200,646
Syndication Proceeds		\$10,360,336	\$10,444,572
Requested Tax Credits		\$942,176	
Syndication Proceeds		\$8,196,111	
Gap of Syndication Proceeds Needed		\$8,535,563	
Total Tax Credits (Gap Method)		\$981,197	

07309 Glenwood Trails





MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gardens at Friendswood Lakes, TDHCA Number 07310

BASIC DEVELOPMENT INFORMATION

Site Address: 1400 Blk of FM 528 Development #: 07310
City: Friendswood Region: 6 Population Served: Elderly
County: Galveston Zip Code: 77546 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Gardens at Friendswood Lakes, LP
Owner Contact and Phone: Les Kilday (713) 914-9400
Developer: Kilday Partners LLC
Housing General Contractor: To Be Determined
Architect: Jim Gwin Architects
Market Analyst: Apartment Market Data Research Services, Inc.
Syndicator: MMA Financial, Inc.
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 114
12 0 0 102 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 96 18 0 0 0 Total Development Units: 114
Type of Building: Total Development Cost*: \$12,163,446
Number of Residential Buildings: 6
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 4 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,000,000 \$1,000,000
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gardens at Friendswood Lakes, TDHCA Number 07310

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, S Points: 7 US Representative: Paul, District 14, S
TX Representative: Taylor, District 24, S Points: 7 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, David J.H. Smith, Mayor, City of Friendswood Resolution of Support from Local Government

Individuals and Businesses In Support: 9 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Patriot Bank S or O: S
LinGo Properties, Inc. S or O: S
Mary Queen Catholic Church S or O: S
Safe Equity Planning S or O: S
Friendswood Community Church S or O: S
Good Shepherd Episcopal Church and School S or O: S

General Summary of Comment:

There was support from officials, three non-officials and civic organizations.

CONDITIONS OF COMMITMENT

Receipt, review, and acceptance, by commitment, of documentation that the appropriate zoning change and special use permit have been issued by the City of Friendswood.

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

Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation in the amount of \$650,000, or a commitment from a qualifying substitute source in an amount not less than \$608,173, as required by §49.9(i)(5) of the 2007 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.

Receipt of a commitment of funding from Amegy Bank in the amount of \$275,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$243,269, as required by §49.9(i)(25) of the 2007 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gardens at Friendswood Lakes, TDHCA Number 07310

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

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$1,000,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



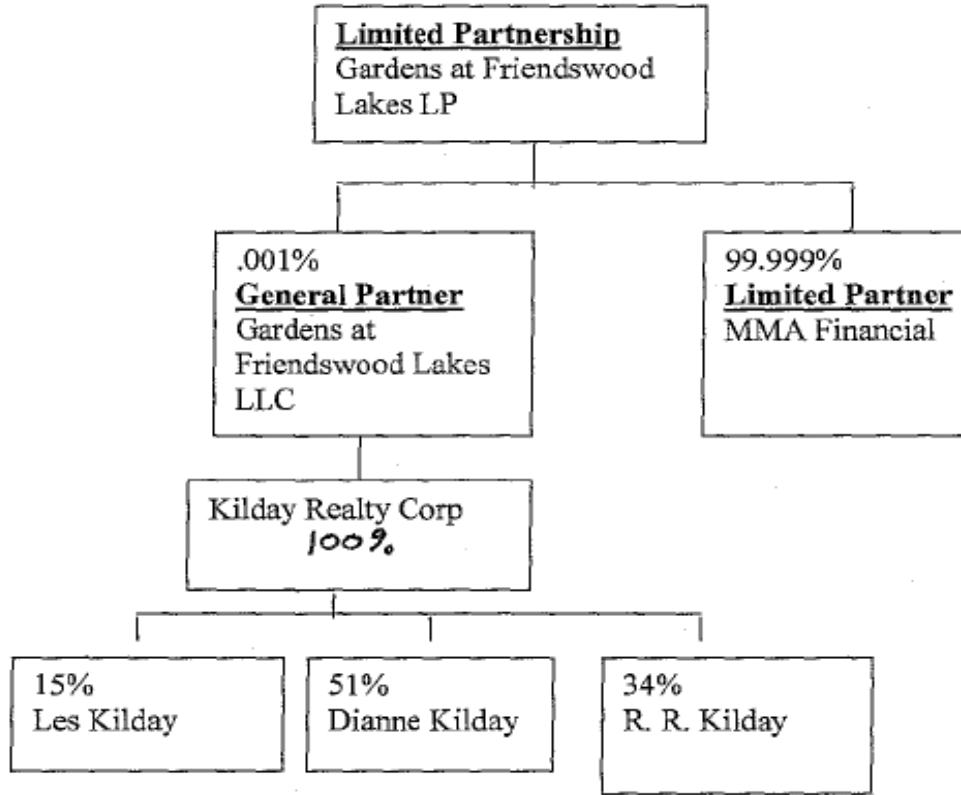
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/07 PROGRAM: 9% HTC FILE NUMBER: 07310

DEVELOPMENT																																	
Gardens at Friendswood Lakes																																	
Location: <u>1400 block of FM 528</u>				Region: <u>6</u>																													
City: <u>Friendswood</u>		County: <u>Galveston</u>		Zip: <u>77546</u>		<input type="checkbox"/> QCT <input checked="" type="checkbox"/> DDA																											
Key Attributes: <u>Multifamily, New Construction, Elderly, Urban/Exurban</u>																																	
ALLOCATION																																	
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2" style="width: 35%;"></th> <th colspan="3">REQUEST</th> <th colspan="3">RECOMMENDATION</th> </tr> <tr> <th>Amount</th> <th>Interest</th> <th>Amort/Term</th> <th>Amount</th> <th>Interest</th> <th>Amort/Term</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">TDHCA Program</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: left;">Housing Tax Credit (Annual)</td> <td>\$1,000,000</td> <td></td> <td></td> <td>\$1,000,000</td> <td></td> <td></td> </tr> </tbody> </table>								REQUEST			RECOMMENDATION			Amount	Interest	Amort/Term	Amount	Interest	Amort/Term	TDHCA Program							Housing Tax Credit (Annual)	\$1,000,000			\$1,000,000		
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<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, before carryover, of documentation that the appropriate zoning change and special use permit have been issued by the City of Friendswood. 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 allocation amount may be warranted. 																																	
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PROS			CONS																														
<p>This would be the first new construction tax credit transaction to be completed in the City of Friendswood.</p>			<p>The number of 2 bedroom units targeting 60% households may be more than needed based on the unit capture rate calculated by the Market Analyst.</p> <p>The Market Analysis reflects mixed conclusions, though using HISTA data an inclusive capture rate just under 75% can be concluded.</p>																														
PREVIOUS UNDERWRITING REPORTS																																	
None																																	

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Les Kilday Phone: (713) 914-9400 Fax: (713) 914-9439
 Email: leskilday@earthlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Kilday Realty Corp.	-\$130,611	-\$138,106	8 prior LIHTC developments reported
Kilday Partners LLC	\$460	\$460	8 prior LIHTC developments reported
Diane Kilday	confidential	confidential	8 prior LIHTC developments reported
R.R. Kilday	confidential	confidential	8 prior LIHTC developments reported
Les Kilday	confidential	confidential	8 prior LIHTC developments reported

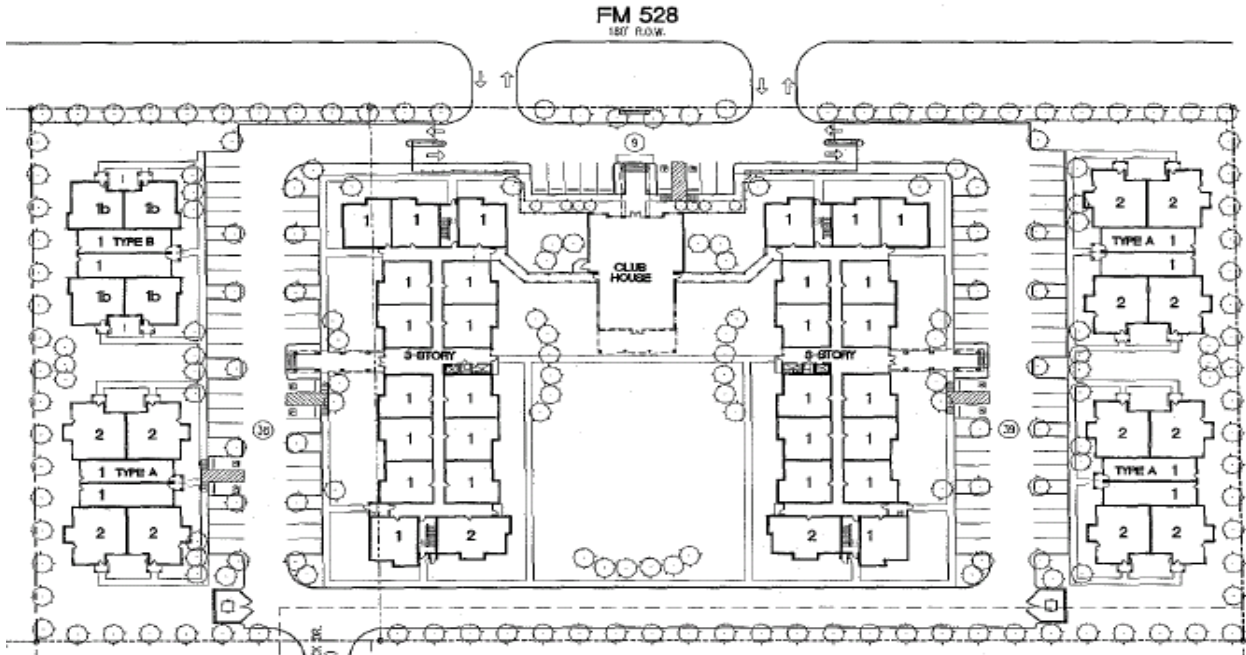
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	T								Total Buildings
Floors/Stories	1	1	3								
Number	3	1	2								6

BR/BA	SF	Units									Total Units	Total SF
1/1	750	2	6	42							96	72,000
2/2	925	4		3							18	16,650
Units per Building		6	6	45							114	88,650

SITE ISSUES

Total Size: 5 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: CSC Needs to be re-zoned? Yes No N/A
 Comments:

The Applicant has applied to the City of Friendswood to change the site zoning to PUD, and has provided evidence from the city zoning ordinance to document that PUD zoning will permit the proposed use "only after obtaining a specific use permit." Receipt, review, and acceptance, before carryover, of evidence that the zoning change and special use permit have been issued by the City of Friendswood, will be a condition of this report.

The survey provided in the application indicates a fire access easement across the property aligned with Red Rock Drive, a private road behind the property in the adjacent subdivision. The Applicant was asked to verify that the development would meet any restrictions related to this easement. The Applicant subsequently provided a new survey completed on 4/18/07, and a response from a former Friendswood City Engineer: "I am not certain of the source of this hand-drawn 'fire access easement'. As I understand it, the most recent on-the-ground survey, performed by FMS Surveying, did not identify any fire access easement on the property." In addition, a fire access easement is not listed in the Title Commitment. Therefore no further condition is recommended regarding this issue.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/26/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: farm, undeveloped land East: city offices, businesses
South: residential subdivision West: residential, schools

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"The Texas Railroad Commission Oil and Gas Well Map indicates a pipeline runs through the north portion of the subject property. No indications of a pipeline were noted on the aerial photographs, USGS topographic maps or during the site visit. No spills or releases were on record with TCEQ or with the Emergency Response Notification System for the pipeline. No recognized environmental conditions appear to exist provided the gas line is operated and maintained in accordance with all applicable federal, state, and local regulations." (p. 18)

"This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 18)

Comments:

The ESA makes no recommendation relative to the mentioned pipeline, and no easement is noted on the provided survey or in the title commitment. The Applicant was asked to investigate further the location of any pipeline on the site. The Applicant subsequently provided a new survey completed on 4/18/07, and a response from a former Friendswood City Engineer: "The ESA survey afforded a very cursory review of pipeline information. There are pipelines all throughout Friendswood, and the exact locations are unfortunately not identified on any one all-inclusive map. Therefore, it is imperative that the surveyor perform his due diligence in reviewing site conditions, as well as abstracting easements, etc. As I understand it, the most recent on-the-ground survey, performed by FMS Surveying, did not identify any pipelines encroaching on the property." The recent survey indicates no pipeline or pipeline easements, and contains the note: "There were no apparent visible signs of any pipelines on or across this tract at the time of the survey."

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/16/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 1 Date of Last Applicant Revision: 6/15/2007

Primary Market Area (PMA): 92.76 Square Miles (Á 5.4 Mile Radius)

"The boundaries of the PMA are Beltway 8 to the north, Interstate 45 to the east, FM 517 to the south, and State Highway 35 to the west." (p. 3) The Analyst identifies one unstabilized comparable senior HTC property in the PMA, Maplewood Crossing (# 04160, fka The Village on Hobbs Road), with 80 restricted units (100 units total). Maplewood is 5.5 miles east of the subject. The PMA does not consider Baybrook Retirement Center (# 04079), also 5.5 miles from the subject (but outside the PMA by less than a mile). Baybrook also has 80 HTC units out of 100 total units.

There is another proposed senior development, The Melbourne Apartments (# 07203) located seven miles south of the subject and less than two miles outside the PMA. Thus there are four proposed or unstabilized properties targeting elderly households, totaling 384 units, located within a 5.5 mile radius of the subject. The Underwriter believes it necessary and prudent to consider the combined effect of all four of these projects despite the fact that they were not all considered in the Analyst's original PMA. (It might also be noted that a fifth tax credit development targeting seniors, the proposed Oak Tree Village #07103 with 36 units, is located 9.5 miles east of the subject, and 2.6 miles outside the PMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
Melbourne Apartments	07203	110	Outside PMA	N/A			
Maplewood Crossing/ fka Village on Hobbs	04160	100	80				
Baybrook Park Retirement Center	04079	100	Outside PMA				
Baypoint Apartments	060425	236	Family				

INCOME LIMITS						
Galveston						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% AMI	91	7	0	98	10	0	10%
1 BR / 60% AMI	152	21	0	173	86	0	50%
2 BR / 30% AMI	22	2	0	24	2	9	46%
2 BR / 60% AMI	34	5	0	39	16	48	164%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 52	12,655	100%	12,655	15%	1,910	16%	300	64%	193
Mkt. A. (HISTA) p. 58							630	64%	406
Underwriter	18% 13,128	100%	13,128	15%	1,979	16%	311	44%	137
Underwriter (HISTA)							629	44%	277
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 54			758	15%	114	16%	18	100%	18
Mkt. A. (HISTA) p. 59									46
Underwriter		100%	497	15%	75	16%	12	100%	12
Underwriter (HISTA)									24

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst p. 55	114	80	0	194	211	92%	
Mkt. A. (HISTA) p. 60	114	80	0	194	452	43%	
Underwriter	114	80	0	194	149	131%	
Underwriter (HISTA)	114	80	0	194	301	65%	

Inclusive Capture Rate:

The Market Analyst provided two sets of demand calculations. The first series of data presented above is based on MapInfo demographic data, a traditional data source which has been applied in TDHCA reports for a number of years. Based on this data, the Analyst concluded an inclusive capture rate of 92%. This exceeds the underwriting guideline maximum of 75% for senior developments. The supply of unstabilized units includes the subject and 80 units at Maplewood Crossing (fka The Village on Hobbs Road), but does not include the 80-unit Baybrook Retirement Center less than a mile east of the PMA, or the proposed 76-unit Melbourne Apartments two miles south of the PMA. The Market Analyst's second series of data is based on HISTA data which is said to provide a more accurate demographic picture of the percentage of renters by income and by age. With this series the Market Analyst concluded a 43% capture rate; however, including either Baybrook or the proposed Melbourne would put the capture rate over the 75% allowed for developments targeting seniors.

The Underwriter's calculations use the same basic data from the two data series but apply a different, more realistic turnover rate to get to demand. The Market Analyst explains: "Turnover information for existing projects is difficult to obtain ... In most cases, the on-site personnel do not track such information on an ongoing basis. As a result, one of the only sources for turnover information is the IREM Income and Expense publication, and even this has limited participation. IREM reports the turnover rate for the typical garden style project in Houston to be 64.4% per year." This rate unquestionably overstates turnover for elderly households. Since the only senior developments in the vicinity are the proposed and newly constructed projects discussed above, it is difficult to obtain specific information to reflect the senior market in the area. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households.

The closest existing senior development to the PMA is Parkway Seniors, 10 miles north of the subject and 4 miles outside the PMA. The TDHCA database indicates the turnover rate for Parkway in 2006 was 15%. Since this is just one property the Underwriter looked at the average turnover rate for all stabilized tax credit developments in the vicinity of the subject. The Underwriter found four developments with over 700 households in the vicinity of the subject that had a turnover rate of 44% in 2006. Applying this turnover rate to the HISTA Data for the PMA results in a capture rate of 65%, which is an acceptable rate for a senior development (still excluding the supply from those properties outside the PMA. The Underwriter's re-analysis of the MapInfo data results in a capture rate of 131%.

The HISTA Data indicates a higher income-eligible population; based on this, the Market Analyst could consider Baybrook or Melbourne and the capture rate would still be less than the 75% maximum but including both without additional surrounding demand would exceed the maximum. Given the close proximity of these four senior developments, the Underwriter believes it is important to consider their combined impact on the market.

Inclusive Capture Rate for Larger Friendswood / Alvin area:

At the Underwriter's request, the Analyst looked at the greater Friendswood / Alvin area and evaluated a Primary Market Area that would include the subject property as well as the Melbourne Apartments and Maplewood Crossing/Village on Hobbs Road. Baybrook Park Retirement Center is actually just outside the boundary, but was included in the revised supply by the Market Analyst and thus accounted for in the capture rate. The revised PMA encompasses 373 square miles with a population of approximately 245,000 (the maximum population for senior developments is 250,000). Employing the HISTA Data demographics the Analyst calculated demand for 814 senior units in this market area.

With a supply of 384 units made up of the two proposed developments and the two unstabilized properties, the Analyst calculated a capture rate of 47%. However, with the MapInfo demographics, the Analyst identified demand for only 485 senior units, and a capture rate of 79%, exceeding the maximum. Both of these calculations are based on the IREM turnover rate of 65%. The Analyst reported that using HISTA Data, 39% is the minimum turnover rate required to achieve an inclusive capture rate of 75%. Underwriting analysis of the HISTA data with a 44% turnover rate (from properties in the vicinity as discussed above) indicates an inclusive capture rate of 69% for the larger PMA with all four competing properties. This suggests that there is sufficient demand to support both of the proposed developments in a larger PMA.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 95.5% as a result of growing demand." (p.11) "The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 200 affordable senior units and 792 conventional units within the PMA. (One of the affordable senior projects, Baybrook Park, is actually located just outside the PMA.) Both affordable senior projects are currently in lease-up. The market reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro market. The occupancy rate for income restricted one bedrooms is 70.6%, for income restricted two bedrooms it is 83.3%, and the overall average occupancy for income restricted units is 79.0%." (p. 14) Again, these do not represent stabilized occupancies. Both HTC projects are in the lease-up phase, and at least one has demonstrated a very strong absorption rate, as indicated in the following section.

Absorption Projections:

"Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 97 units per year. We expect this to continue as the number of new households continues to grow, and as additional rental units become available. Absorption has been limited in recent years due to a lack of new construction ... For projects built since 2000 we see the greatest positive absorption. From 2005 to 2006 we see the market has absorbed 818 units. One conclusion that might be drawn from this analysis is that newer 'affordable' rental projects are providing better quality housing that will attract residents out of older, less kept, rental units ...

Maplewood Crossing (fka the Village on Hobbs Road) began leasing in April 2006 and is currently 78% occupied. The project has leased an average of 7 units per month." (pp. 11-13) The Analyst provided some follow-up data on Maplewood Crossing in an email on June 29: "We just surveyed the project and they report 96 occupied units (96/100). Thus they have continued leasing at the same rate that we reported in the market study."

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$216	\$216	\$810	\$216	\$594
1 BR	750 SF	60%	\$559	\$559	\$810	\$559	\$251
2 BR	925 SF	30%	\$247	\$247	\$970	\$247	\$723
2 BR	925 SF	60%	\$659	\$659	\$970	\$659	\$311

It should be noted that the Market Analyst's market rents are higher in Friendswood but the underwriting rent will be higher in Alvin due to differences in the area median income between Brazoria and Galveston Counties and due to differences in utility allowances. Thus in theory the Friendswood development will provide better value economically to the tenants.

Market Impact:

"The proposed is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 14)

Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Friendswood/Clear Lake submarket within the Houston MSA. In this submarket, with a total population of 309,000, the Vogt, Williams study determines total one year growth-based demand for 47 units from senior households below 30% AMI, and negative demand (-41 units) from senior households between 51-60% AMI.

Conclusions:

The subject property is one of three new senior projects being proposed within ten miles of two existing unstabilized senior projects. One project, Oak Tree Village (#07103) is almost ten miles to the east of the subject and will be underwritten separately. But the subject is at the center of a 5.5 mile radius which includes the proposed Melbourne Apartments (#07203) as well as Maplewood Crossing and Baybrook Park. The same Market Analyst originally provided market studies with separate PMA's for each of the two proposed properties. The Analyst was challenged to define a market area to include all four properties. Furthermore, the Underwriter challenged the turnover rate as being unrealistically high. The Analyst responded with a market area that meets the Department guidelines for senior developments, and indicated that with a minimum turnover rate of 39% this PMA could support all four projects. The Underwriter independently determined from TDHCA data that the average turnover for all tax credit properties in the vicinity is 44%.

The Underwriter's analysis of the HISTA data with a 44% turnover rate indicates an inclusive capture rate of 65% for the original PMA with only one other competing property and 69% for the larger PMA with all four competing properties.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected income is based on the maximum HTC program rents for Galveston County, adjusted for utility allowances provided by the City of Friendswood dated December 2006. The Applicant included secondary income of \$10 per unit per month for laundry, and a provision for losses due to vacancy and collection equal to 7.5% of potential income; these amounts are consistent with underwriting guidelines. The Applicant's projection for effective gross income is equivalent to the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

The Applicant's projection of \$3,749 per unit for total annual operating expenses is within 1% of the Underwriter's estimate of \$3,752. In addition, each line item expense is comparable to the Underwriter's estimates based on the TDHCA database and third party sources.

Conclusion:

The Applicant's projections for effective gross income, total annual operating expenses, and net operating income (NOI) are each within 5% of the Underwriter's estimates. The Applicant's figures will therefore be used to determine debt capacity. The Applicant's projected NOI and debt service expense indicate a first year debt coverage ratio of 1.20, within the acceptable range of 1.15 to 1.35.

Feasibility:

The Applicant's projected NOI and debt service are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a debt coverage ratio that remains above 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	9.82 acres	<u> \$972,650 </u>	Tax Year:	<u> 2006 </u>
Assessed Value per acre:		<u> \$99,098 </u>	Valuation by:	<u> Galveston County CAD </u>
prorata 5 acres:		<u> \$495,492 </u>	Tax Rate:	<u> 2.83285 </u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract -- Unimproved Property Acreage: 5
 Contract Expiration: 11/5/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,415,700 Other: _____
 Seller: Friendswood Lakes Commercial Properties, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

Acquisition Value:

The acquisition cost of \$1,415,700, or \$283K per acre though higher than the typical tax credit development, is assumed to be reasonable as the purchase is an arm's length transaction. The Applicant also included \$1,000 in closing costs.

Direct Construction Cost:

The Applicant's projected direct construction cost of \$60 per square foot is somewhat higher than typical multifamily projects. The development consists of two large multifamily buildings and four relatively small buildings. Most of the units in the smaller buildings have two full sides exposed, indicative of townhome design. By applying townhome cost estimates to the smaller buildings, the Underwriter arrived at an overall estimate of \$58 per square foot, within 5% of the Applicant's projection.

Interim Interest Expense:

TDHCA underwriting guidelines allow interest on interim debt to be included in eligible basis up to the equivalent of one year of interest on the fully drawn interim credit facility. The Applicant's claimed eligible interest exceeded this limit by \$183K. This amount has been added to ineligible costs, and eligible basis has been reduced by the same amount.

Contingency & Fees:

As a result of the reduction in eligible basis, the Applicant's claimed developer fee exceeded the eligibility limit by \$34K. This amount has also been added to ineligible cost.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate; the Applicant's projection will therefore be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$9,994,777 is increased by 30% because Galveston County is a designated Difficult Development Area. The resulting adjusted basis of \$12,993,210 supports an annual tax credit allocation of \$1,110,919. This amount will be compared to the Applicant's requested credit amount, and the amount determined by the gap in financing; any recommendation will be based on the lowest of these three figures.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/24/2007

Source: Bank of America Type: Interim Financing

Principal: \$3,274,000 Interest Rate: 7.25% Fixed Term: 24 months

Comments:

Rate fixed at closing, based on the LIBOR plus 225 bps; permanent financing of \$2,700,000 was also offered.

Source: MMA Financial Type: Permanent Financing

Principal: \$2,700,000 Interest Rate: 7.25% Fixed Amort: 360 months

Comments:

Rate fixed at closing, based on the 10-year US Treasury rate plus 260 bps; interim loan of \$2,700,000 was also offered.

Source: MMA Financial Type: Syndication

Proceeds: \$9,098,180 Syndication Rate: 91% Anticipated HTC: \$1,000,000

Comments:

The syndication price is at the low end of current market prices and an increase in rate of more than 4¢ could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: \$365,266 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$2,700,000 indicates the need for \$9,463,446 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,040,147 annually would be required to fill this gap in financing. The three possible allocation amounts

Applicant's Requested Credit Amount:	<u>\$1,000,000</u>
Credit Amount Determined by Eligible Basis:	<u>\$1,110,919</u>
Credit Amount Determined by Gap in Financing:	<u>\$1,040,147</u>

The Applicant's requested amount would be recommended as it is the lowest of the three. An annual allocation of \$1,000,000 results in proceeds of \$9,098,180 at a syndication rate of 91%. The Underwriter's recommended financing structure indicates the need for \$365,266 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation. The development can therefore be characterized as financially feasible.

Underwriter: _____ Date: July 15, 2007

Thomas Cavanagh

Reviewing Underwriter: _____ Date: July 15, 2007

Lisa Vecchietti

Director of Real Estate Analysis: _____ Date: July 15, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Gardens at Friendswood Lakes, Friendswood, 9% HTC #07310

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	10	1	1	750	\$343	\$216	\$2,160	\$0.29	\$127.00	\$71.00
TC 60%	86	1	1	750	\$686	559	48,074	0.75	127.00	71.00
TC 30%	2	2	2	925	\$411	247	494	0.27	164.00	81.00
TC 60%	16	2	2	925	\$823	659	10,544	0.71	164.00	81.00
TOTAL:	114		AVERAGE:	778		\$537	\$61,272	\$0.69	\$132.84	\$72.58

INCOME

Total Net Rentable Sq Ft: **88,650**

POTENTIAL GROSS RENT

Secondary Income Laundry Per Unit Per Month: \$10.00

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.38%	\$388	0.50	\$44,226	\$39,400	\$0.44	\$346	5.69%
Management	4.69%	285	0.37	32,494	34,639	0.39	304	5.00%
Payroll & Payroll Tax	13.53%	822	1.06	\$93,750	97,786	1.10	858	14.12%
Repairs & Maintenance	6.31%	384	0.49	\$43,744	45,600	0.51	400	6.58%
Utilities	4.51%	274	0.35	31,227	25,000	0.28	219	3.61%
Water, Sewer, & Trash	5.07%	308	0.40	35,154	35,000	0.39	307	5.05%
Property Insurance	4.18%	254	0.33	28,950	37,000	0.42	325	5.34%
Property Tax 2.83285	10.55%	641	0.82	73,079	67,940	0.77	596	9.81%
Reserve for Replacements	4.11%	250	0.32	28,500	28,500	0.32	250	4.11%
TDHCA Compliance Fees	0.66%	40	0.05	4,560	4,560	0.05	40	0.66%
Other: support services	1.73%	105	0.14	12,000	12,000	0.14	105	1.73%
TOTAL EXPENSES	61.73%	\$3,752	\$4.82	\$427,683	\$427,425	\$4.82	\$3,749	61.70%
NET OPERATING INC	38.27%	\$2,325	\$2.99	\$265,090	\$265,347	\$2.99	\$2,328	38.30%

DEBT SERVICE

First Lien Mortgage	31.90%	\$1,939	\$2.49	\$221,025	\$217,853	\$2.46	\$1,911	31.45%
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	6.36%	\$387	\$0.50	\$44,065	\$47,494	\$0.54	\$417	6.86%

AGGREGATE DEBT COVERAGE RATIO

1.20

RECOMMENDED DEBT COVERAGE RATIO

1.20

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)		12.01%	\$12,427	\$15.98	\$1,416,700	\$1,416,700	\$15.98	\$12,427	11.65%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.53%	8,822	11.34	1,005,724	1,005,724	11.34	8,822	8.27%
Direct Construction		43.57%	45,074	57.96	5,138,394	5,383,978	60.73	47,228	44.26%
Contingency	5.00%	2.60%	2,695	3.47	307,206	319,485	3.60	2,803	2.63%
Contractor's Fees	14.00%	7.29%	7,545	9.70	860,177	894,559	10.09	7,847	7.35%
Indirect Construction		4.75%	4,912	6.32	560,000	560,000	6.32	4,912	4.60%
Ineligible Costs		3.85%	3,984	5.12	454,135	454,135	5.12	3,984	3.73%
Developer's Fees	15.00%	10.68%	11,051	14.21	1,259,830	1,338,000	15.09	11,737	11.00%
Interim Financing		4.47%	4,626	5.95	527,365	527,365	5.95	4,626	4.34%
Reserves		2.23%	2,311	2.97	263,500	263,500	2.97	2,311	2.17%
TOTAL COST		100.00%	\$103,448	\$133.03	\$11,793,031	\$12,163,446	\$137.21	\$106,697	100.00%
Construction Cost Recap		62.00%	\$64,136	\$82.48	\$7,311,501	\$7,603,746	\$85.77	\$66,700	62.51%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	22.89%	\$23,684	\$30.46	\$2,700,000	\$2,700,000	\$2,700,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,303,667
HTC Syndication Proceeds	77.15%	\$79,809	\$102.63	9,098,180	9,098,180	9,098,180	% of Dev. Fee Deferred
Deferred Developer Fees	3.10%	\$3,204	\$4.12	365,266	365,266	365,266	28%
Additional (Excess) Funds Req'd	-3.14%	(\$3,249)	(\$4.18)	(370,415)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$11,793,031	\$12,163,446	\$12,163,446	\$1,040,941

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Gardens at Friendswood Lakes, Friendswood, 9% HTC #07310

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.98	\$4,962,601
Adjustments				
Exterior Wall Finish	0.02%		\$0.01	\$1,191
Elderly	3.00%		1.68	148,878
9-Ft. Ceilings	3.30%		1.85	163,766
hurricane wind adjustment	\$0.94	106,122	0.94	83,331
Subfloor			(0.99)	(87,586)
Floor Cover			2.43	215,420
Breezeways/Balconies	\$20.33		0.00	0
Plumbing Fixtures	\$805	54	0.49	43,470
Rough-ins	\$400	228	1.03	91,200
Built-In Appliances	\$1,850	114	2.38	210,900
Exterior Stairs	\$1,800	8	0.16	14,400
Enclosed Corridors	\$49.63	17,472	9.78	867,130
Heating/Cooling			1.90	168,435
Elevators	\$43,500	2	0.98	87,000
Comm &/or Aux Bldgs	\$65.99	3,305	2.46	218,080
Other: fire sprinkler	\$1.95	86,022	1.89	167,743
SUBTOTAL			82.98	7,355,958
Current Cost Multiplier	0.98		(1.66)	(147,119)
Local Multiplier	0.88		(9.96)	(882,715)
TOTAL DIRECT CONSTRUCTION COSTS			\$71.36	\$6,326,124
Plans, specs, survy, bld prm	3.90%		(\$2.78)	(\$246,719)
Interim Construction Interest	3.38%		(2.41)	(213,507)
Contractor's OH & Profit	11.50%		(8.21)	(727,504)
NET DIRECT CONSTRUCTION COSTS			\$57.96	\$5,138,394

PAYMENT COMPUTATION

Primary	\$2,700,000	Amort	360
Int Rate	7.25%	DCR	1.20

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.20

Additional	\$9,098,180	Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	\$221,025
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$44,322

Primary	\$2,700,000	Amort	360
Int Rate	7.25%	DCR	1.20

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$9,098,180	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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

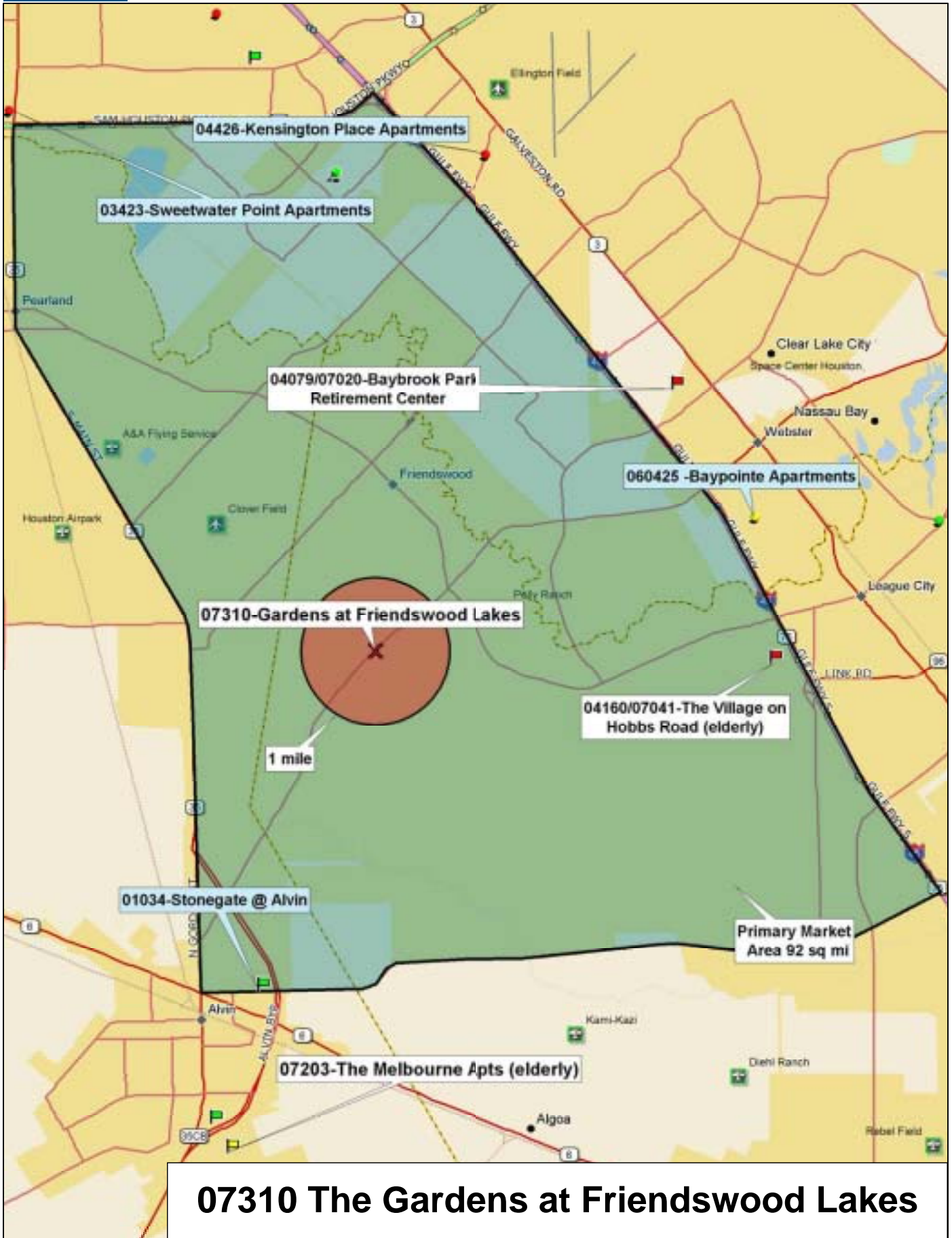
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$735,264	\$757,322	\$780,042	\$803,443	\$827,546	\$959,353	\$1,112,153	\$1,289,290	\$1,732,698
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	748,944	771,412	794,555	818,391	842,943	977,202	1,132,845	1,313,278	1,764,936
Vacancy & Collection Loss	(56,172)	(57,856)	(59,592)	(61,379)	(63,221)	(73,290)	(84,963)	(98,496)	(132,370)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$692,772	\$713,556	\$734,963	\$757,012	\$779,722	\$903,912	\$1,047,882	\$1,214,782	\$1,632,565
EXPENSES at 4.00%									
General & Administrative	\$39,400	\$40,976	\$42,615	\$44,320	\$46,092	\$56,078	\$68,228	\$83,010	\$122,875
Management	34,639	35,678	36,748	37,851	38,986	45,196	52,394	60,739	81,628
Payroll & Payroll Tax	97,786	101,697	105,765	109,996	114,396	139,180	169,334	206,020	304,960
Repairs & Maintenance	45,600	47,424	49,321	51,294	53,346	64,903	78,964	96,072	142,211
Utilities	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Water, Sewer & Trash	35,000	36,400	37,856	39,370	40,945	49,816	60,609	73,740	109,153
Insurance	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Property Tax	67,940	70,658	73,484	76,423	79,480	96,700	117,650	143,139	211,881
Reserve for Replacements	28,500	29,640	30,826	32,059	33,341	40,564	49,353	60,045	88,882
Other	16,560	17,222	17,911	18,628	19,373	23,570	28,677	34,889	51,645
TOTAL EXPENSES	\$427,425	\$444,175	\$461,586	\$479,681	\$498,490	\$604,253	\$732,572	\$888,280	\$1,306,591
NET OPERATING INCOME	\$265,347	\$269,381	\$273,378	\$277,330	\$281,232	\$299,659	\$315,309	\$326,502	\$325,974
DEBT SERVICE									
First Lien Financing	\$221,025	\$221,025	\$221,025	\$221,025	\$221,025	\$221,025	\$221,025	\$221,025	\$221,025
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	\$44,322	\$48,356	\$52,352	\$56,305	\$60,207	\$78,634	\$94,284	\$105,477	\$104,949
DEBT COVERAGE RATIO	1.20	1.22	1.24	1.25	1.27	1.36	1.43	1.48	1.47

HTC ALLOCATION ANALYSIS -Gardens at Friendswood Lakes, Friendswood, 9% HTC #07310

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,416,700	\$1,416,700		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,005,724	\$1,005,724	\$1,005,724	\$1,005,724
Construction Hard Costs	\$5,383,978	\$5,138,394	\$5,383,978	\$5,138,394
Contractor Fees	\$894,559	\$860,177	\$894,558	\$860,177
Contingencies	\$319,485	\$307,206	\$319,485	\$307,206
Eligible Indirect Fees	\$560,000	\$560,000	\$560,000	\$560,000
Eligible Financing Fees	\$527,365	\$527,365	\$527,365	\$527,365
All Ineligible Costs	\$454,135	\$454,135		
Developer Fees			\$1,303,667	
Developer Fees	\$1,338,000	\$1,259,830		\$1,259,830
Development Reserves	\$263,500	\$263,500		
TOTAL DEVELOPMENT COSTS	\$12,163,446	\$11,793,031	\$9,994,777	\$9,658,696

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$9,994,777	\$9,658,696
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$12,993,210	\$12,556,304
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$12,993,210	\$12,556,304
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		\$1,110,919	\$1,073,564

Syndication Proceeds	0.9098	\$10,107,345	\$9,767,479
Total Tax Credits (Eligible Basis Method)		\$1,110,919	\$1,073,564
Syndication Proceeds		\$10,107,345	\$9,767,479
Requested Tax Credits		\$1,000,000	
Syndication Proceeds		\$9,098,180	
Gap of Syndication Proceeds Needed		\$9,463,446	
Total Tax Credits (Gap Method)		\$1,040,147	

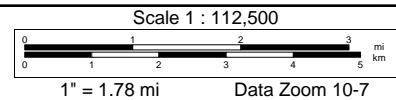


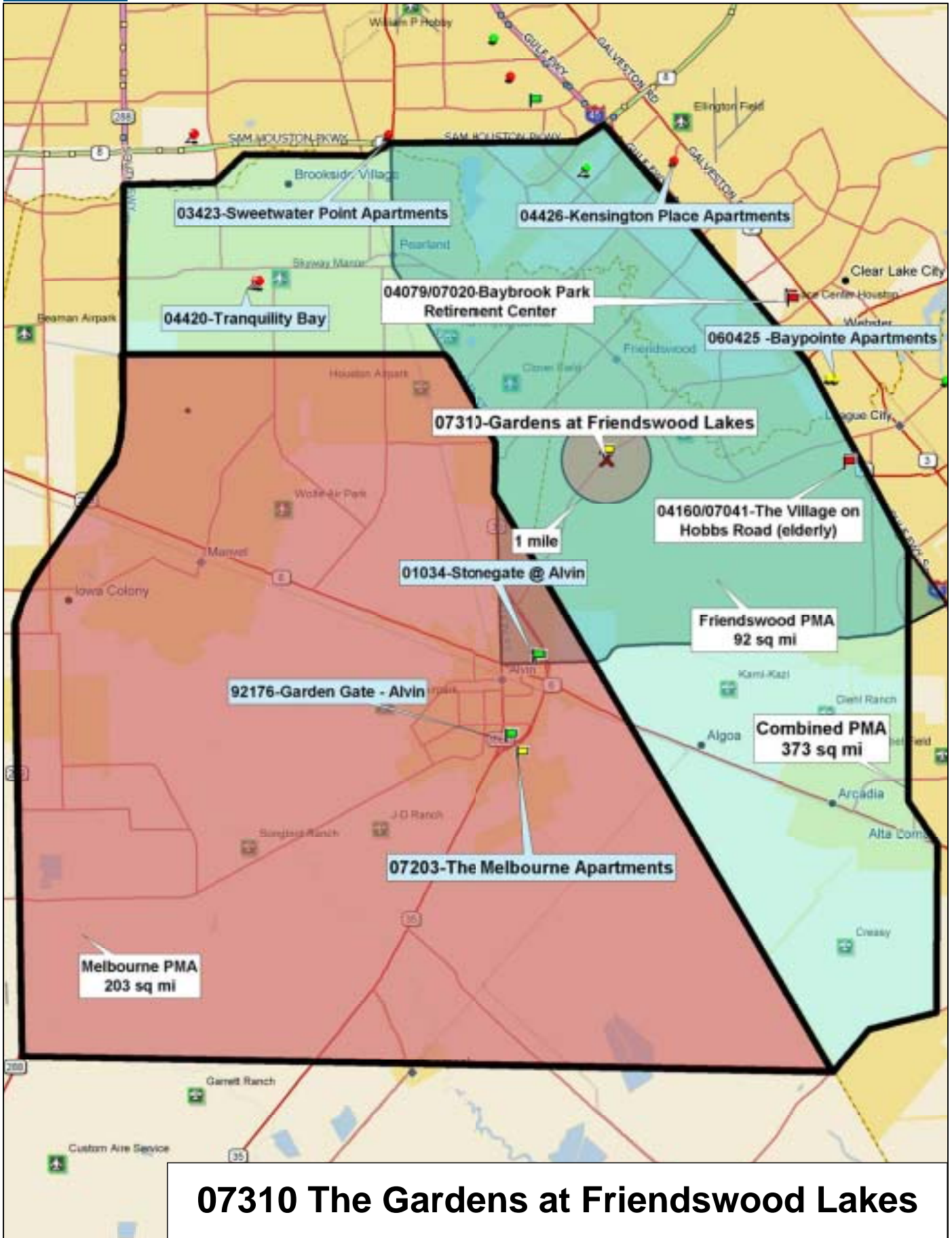
07310 The Gardens at Friendswood Lakes

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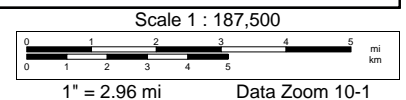


07310 The Gardens at Friendswood Lakes

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Applicant Evaluation

Project ID # **07310**

Name: **Gardens at Friendswood Lake**

City: **Friendswood**

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

Total # of Projects monitored: <u>9</u>	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	# in noncompliance: <u>0</u>
Projects zero to nine: <u>8</u>	# monitored with a score less than thirty: <u>9</u>	Projects not reported Yes <input type="checkbox"/>
grouped ten to nineteen: <u>1</u>	# not yet monitored or pending review: <u>3</u>	in application No <input checked="" type="checkbox"/>
by score twenty to twenty-nine: <u>0</u>		# of projects not reported <u>0</u>

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Portfolio Analysis

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Karen Curtice

Date 5/31/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth
 Date 5/31/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Sandy M. Garcia
 Date 5/30/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer D. Burrell
 Date 5/31/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF
 Date 6/1/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Maria Cazares
 Date 5/30/2007

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 6/4/2007



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Rabbit Hill, TDHCA Number 07313

BASIC DEVELOPMENT INFORMATION

Site Address: FM 1460 Across from Timberline Dr. Development #: 07313
 City: Round Rock Region: 7 Population Served: Elderly
 County: Williamson Zip Code: 78664 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Villas at Rabbit Hill, LP
 Owner Contact and Phone: Ebby Green (512) 255-9159
 Developer: Kilday Partners LLC
 Housing General Contractor: To Be Determined
 Architect: Jim Gwin Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: MMA Financial, Inc.
 Supportive Services: To Be Determined
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	136
	14	0	28	94	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	116	20	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 4 units or more per building	Total Development Units:	136
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	10
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	24
		HOME Low Total Units:	14

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,000,000	\$0			
HOME Activity Fund Amount:	\$750,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas at Rabbit Hill, TDHCA Number 07313

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S	Points: 7	US Representative: Carter, District 31, S
TX Representative: Krusee, District 52, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 7	
Texas Baptist Children's Home, Inc.	S or O: S
El Amistad Club of Round Rock	S or O: S
Habitat for Humanity of Greater Round Rock	S or O: S
Palm Valley Lutheran Church	S or O: S
Round Rock Texas Senior Citizens Foundation	S or O: S

General Summary of Comment:

There was support from officials and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Rabbit Hill, TDHCA Number 07313

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

Competitive Housing Tax Credits: Score: **194** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Not being recommended for HOME funds because not being recommended for an HTC allocation.

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 07318

BASIC DEVELOPMENT INFORMATION

Site Address: 4650 Old Brownsville Rd. Development #: 07318
City: Corpus Christi Region: 10 Population Served: Elderly
County: Nueces Zip Code: 78405 Allocation: Urban/Exurban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: RRAH Corpus Christi, LP
Owner Contact and Phone: Randy Stevenson (817) 261-5088
Developer: Rocky Ridge Developer, LP
Housing General Contractor: To Be Determined
Architect: Beeler, Guest, Owens Architects, L.P.
Market Analyst: Mark C. Temple & Associates, LLC
Syndicator: MMA Financial, Inc.
Supportive Services: To Be Determined
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 120
12 0 0 108 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 84 36 0 0 0 Total Development Units: 120
Type of Building: Total Development Cost*: \$0
Number of Residential Buildings: 21
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,103,844 \$0
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 07318

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S	Points: 7	US Representative: Ortiz, District 27, NC
TX Representative: Herrero, District 34, S	Points: 7	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Henry Garrett, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Westside Neighborhood Association, Miguel Morado Letter Score: 24 S or O: S

This development will create needed additional affordable neighborhood housing opportunities for our senior citizens in our area. A newly constructed, clean, landscaped project will be a visual benefit. The facility will provide our neighborhood the opportunity of additional jobs both during the construction phase and property operation phase when completed. There is a need for additional housing in the West Oso area due to loss in housing because of functional and physical obsolescence. The West Oso sector of affordable housing in Corpus Christi is underdeveloped and under served. The new project will create an increase in the county's tax basis.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

There was support from officials, non-officials, and a qualified neighborhood organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 30, 2007

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 07318

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

Competitive Housing Tax Credits: Score: **159** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).