TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF JANUARY 17, 2002

Michael Jones, Chair
C. Kent Conine, Vice-Chair

Beth Anderson, Member
Shadrick Bogany, Member
Vidal Gonzalez, Member
Norberto Salinas, Member

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

JANUARY 17, 2002

ROLL CALL

	Present	Absent
Michael Jones, Chair	___________	___________
Anderson, Beth, Member	___________	___________
Bogany, Shadrick, Member	___________	___________
Conine, C. Kent, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Salinas, Norberto, Member	___________	___________
Number Present	___________	
Number Absent		___________

_______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress Avenue, Room E1.016, Austin, Texas
January 17, 2002 10:00 a. m.

AGENDA

CALL TO ORDER, ROLL CALL	Michael Jones
CERTIFICATION OF QUORUM	Chair of Board

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of December 12, 2001 — Michael Jones

Item 2 Presentation, Discussion and Possible Approval of Report from Finance Committee: — C. Kent Conine
- a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Millstone Apartments, Houston, Texas in an Amount not to Exceed $12,500,000 and Other Related Matters
- b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Sugar Creek Apartments, Houston, Texas in an Amount not to Exceed $11,950,000 and Other Related Matters
- c) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for West Oaks/Finlay III Apartments, Houston, Texas in An Amount Not to Exceed $11,200,000 and Other Related Matters
- d) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Stone Hearst Apartments, Beaumont, Texas in an Amount not to Exceed $10,900,000 and Other Related Matters
- e) Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project

Item 3 Presentation, Discussion and Possible Approval of Public Comment Process — Michael Jones

Item 4 Presentation, Discussion and Possible Approval of Ex Parte Rule — Michael Jones

Item 5 Presentation, Discussion and Possible Approval of Amendments to The Deobligation Policy — Michael Jones

Item 6 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: — Michael Jones
- a) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions known as:
  01455, Millstone Apartments, Houston
  01456, Sugar Creek Apartments, Houston
  01457, Stone Hearst, Beaumont
  01458, Circle S Apartments, Austin
  01459, West Oak Apartments, Houston
- b) Request for Extension of Commencement of Substantial Construction for 00156, Laguna Heights, Rio Grande City; and Request for Approval of Change in Ownership Structure for 00156, Laguna Heights, Rio Grande City and 00059, Evergreen Townhomes, New Braunfels
- c) Ratification of the Adjustments in the 2001 Carryover Allocations Signed by the Acting Executive Director Prior to December 31, 2001 with the Permission of the Board for

the Following Developments:
01003, Villas at Willow Springs, San Marcos
01004, Fulton Village, Houston
01005, Chaparral Townhomes, Allen
01025, The Residences at Diamond Hill, Fort Worth
01143, Laredo Vista, Laredo

REPORT ITEMS

Report from Audit Committee: — Vidal Gonzalez
External Audit Reports:
Deloitte & Touche
Report to the Governing Board
General Purpose Financial Statements for the Year Ended August 31, 2001
Revenue Bond Enterprise Fund Financial Statements August 31, 2001 and 2000
Internal Audit Report, *Controls Over Single Family Loans*
Status of Prior Audit Issues
Summary Status of Internal/External Audits

Executive Directors Report — Ruth Cedillo
RMRB, Series 2001 A-E Pricing and Closing

EXECUTIVE SESSION — Michael Jones

Personnel Matters
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION — Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN — Michael Jones
Chair of Board

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

AGENDA ITEM NO. 1

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension, 1400 Congress, Room E1.012, Austin, Texas 78701
December 12, 2001 10:00 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM
The Board Meeting of the Texas Department of Housing and Community Affairs of December 12, 2001 was called to order by Board Vice-Chair C. Kent Conine at 10:18 a.m. It was held at the State Capitol Extension, Room E1.012, 1400 Congress, Austin, Texas. Roll call certified a quorum was present. Michael Jones and Elizabeth Anderson were absent.

Members present:
C. Kent Conine -- Vice Chair
Shadrick Bogany -- Member
Norberto Salinas -- Member
Vidal Gonzalez -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

Mr. Conine introduced the following guests attending the meeting: The Honorable Robby Cook, State Senator; Johnnie Morales, Speakers Office; and Donald Bethel, former Chairman of the Board and former Board Member.

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

Mr. Conine called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

Ann Denton, Director, Austin Office of The Enterprise Foundation, Austin, Texas
Ms. Denton stated they are a national nonprofit working with communities on affordable housing and community development. She commended the department for the work on the Consolidated Plan and the State Low Income Housing Plan. She thanked the department for holding the tenant-based rental set-aside under the HOME Program at 20%, for increasing the special needs set-aside in that program from 10% to 20% and for making a good faith effort to work with the planning groups on the implementation of the Olmstead Supreme Court decision.

Nicole Flores, Austin, Texas
Ms. Flores requested to speak at the time the item 3(c) was presented.

Jonas Schwarz, Austin, Texas
Mr. Schwarz requested to speak at the time the item was presented.

Tom McMullen, Tampa, Florida
Mr. McMullen spoke on the Kensington Apartments and stated he had an item on the board agenda last month and wanted the board to know that he had all documentation showing that he met all seven deadlines. He further stated he has contacted the Kensington Neighborhood Association in an attempt to work with them on the balance of their concerns but they replied that they were not willing to work with him unless he agreed to downsize the project as they felt 35 units was too many. He stated this project was not in the flood zone as was stated by the neighborhood association.

Bob Sherman, Consultant for Southeast Texas Community Dev. Corp.
Mr. Sherman stated when Spindletop Estates was considered for a tax credit award they made arrangements to purchase the land to accomplish the carryover before the end of the year. The other item he spoke on was asking for relief on the qualified allocation plan. He stated he felt the QAP contained a fundamental error that effectively prevents him from submitting properties under the preservation set-aside in the 2002 allocation round and prevents preservation of affordable housing. He asked the board to review this item and provide relief to the developers.

Frank Fonseca
Mr. Fonseca requested to speak when Item #3 was presented.

Mike Fields
Mr. Fields requested to speak when Item #3B was presented.

Barry Halla, Life Rebuilders
Mr. Halla stated Life Rebuilders owns the land for TDHCA No. 01036, Ennis Senior Estates, and they are able to downsize the development quickly and they can accept any returned or extra credits and meet carryover.

Granger McDonald, Boerne, Texas
Mr. McDonald stated they downsized their apartment complex, Boerne Park Meadows, and were ready to proceed with their elderly LIHTC project in Boerne, Region 8A.

Tim Merriwether,
Mr. Merriwether requested to speak at the time Item #3c was presented.

Patrick Law, Joe Newman, Ronnie McDonald, Robby Cook and Leslie Appelt
They requested to speak when Item #3A was presented.

Mr. Conine closed public comments at 10:50 a.m. but will allow all those who completed witness affirmation forms to defer comments to a particular item to testify.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of November 14, 2001
Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the minutes of the Board Meeting of November 14, 2001.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of Public Comment Process
This item was pulled from the agenda.

(3) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

(a) Approval of the Recommended Priority for Allocation of Returned Tax Credits from the Approved 2001 LIHTC Allocations to One or More of the Remaining 2001 Waiting List Developments which include:
01055, Laredo Viejo Apartments, Laredo
01143, Laredo Vista, Laredo
01028, Spindletop Estates, Beaumont
01039, Park Meadows, Boerne
01167, Bexar Creek, San Antonio
01095, Pueblo Montana, El Paso
01012, Winchester Lake, Bastrop
01098, Burgandy Palms Apartments, El Paso
01036, Ennis Seniors Estates, Ennis
Mr. David Burrell, Director of Housing Programs, stated the Board approved the allocation of the 2001 tax credit awards and at that time also approved the 2001 waiting list. At the November meeting, the board awarded the available credits. Since that time, there has been an additional $286,413 in tax credits returned to the department and they need to be allocated before December 31, 2001. In November the board approved an award in the amount of $174,895 in tax credits to Mission Oaks Development in Refugio. Since there are additional credits available, staff is now requesting that an additional $4,455 be allocated to Mission Oaks and with any balance and any credits that are returned between now and December 31st, that they be allocated to the following: Laredo Viejo Apartments, Laredo, $770,000; Laredo Vista, Laredo, $880,406; Spindletop Estates, Beaumont, $704,340; Park Meadows, Boerne, $408,647; Bexar Creek Apartments, San Antonio, $548,121, Pueblo Montana, El Paso, $175,557 and Winchester Lake, Bastrop $477,000. The last two projects listed, Burgandy Palms and Ennis Senior Estates were not given a recommendation by staff.

Mr. Burrell further stated that staff contacted all project owners in writing and the every owner responded in writing that they could meet carryover.

Mr. Conine stated he would highly recommend that the department work through issues in the next QAP and have a better understanding between the board and staff relative to how to compute set-asides, whether they be regional or whether they be categories.

Additional public comment was taken at this time

Frank Fonseca, Laredo Viejo Apartments, Laredo, Texas
Mr. Fonseca stated that in Region 8B, Laredo is the biggest underserved area in Texas and it is the largest growing city in Texas and second largest growing city in the U.S. He further stated they are reworking this transaction and they can restructure it to make it and there is not a problem in meeting carryover.

Patrick Law, Joe Newman, Ronnie McDonald, Honorable Robby Cook, Leslie Appelt, Bastrop, Texas
Mr. Law stated they are the applicants for a 72-unit development in Bastrop (originally was 120 units). They have resized the property and the project at 72 units is feasible at this level. Mr. Newman stated he is president of the Bastrop Economic Development Corporation and there is a tremendous need for apartments in Bastrop. There are school teachers and police officers in Bastrop who are in dire need of housing as some have to live in Austin and surrounding communities, as there is not enough affordable housing in Bastrop. Mr. McDonald stated the development of this apartment complex would allow those individuals to stay in this community and to be involved in different aspects of the community adding to the quality of life and letting the youth see these role models in their day-to-day lives. Representative Cook stated there is a tremendous amount of community support for this project. He further stated that many jobholders commute to Bastrop every day and housing is desperately needed. Leslie Appelt is the property owner and was available for any questions.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the awarding of an additional $4,455 to Mission Oaks Development.
Passed Unanimously

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the remainder of the waiting list as recommended by staff and if any more credits are returned that staff be allowed to reallocate those credits using the same formula.
Passed Unanimously

(b) Approval of Request for Extension of Commencement of Substantial Construction for Project No. 00059, Evergreen Townhomes, New Braunfels

Mr. David Burrell stated this is a request for an extension to place in service Evergreen Townhomes, New Braunfels, No. 00059 and this second request is for an extension through April 1, 2002.

Mike Fields, Amstada Affordable Housing
Mr. Fields stated they have followed all the rules according to the QAP and are willing to do anything to make this project work.

Motion made by Shadrick Bogany and seconded by C. Kent Conine to approve the request for extension of commencement of substantial construction for Project No. 00059, Evergreen Townhomes, New Braunfels to April 1, 2002.
Passed Unanimously

Mayor Salinas advised the developers that this would be the last extension granted for this project.

c) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions known as:
01451, Westchester Woods, Pflugerville
01452, Fallbrook Apartments, Houston
01453, The Oaks at Boggy Creek, Austin
01458, Circle S Apartments, Austin

Mr. Burrell stated Westchester Woods is a tax exempt bond project in Pflugerville is being recommended for a determination notice to be issued in the amount of $663,105. This will be a 250-unit apartment complex and 248 units will be low-income housing.

Motion made by Shadrick Bogany and seconded by Vidal Gonzalez to approve the determination notice in the amount of $663,105 for #01451, Westchester Woods, Pflugerville, Texas.
Passed Unanimously

Mr. Burrell stated Fallbrook Apartments in Houston is being recommended for a determination notice to be issued in the amount of $709,195.

Motion made by Shadrick Bogany and seconded by Norberto Salinas to approve the determination notice in the

amount of $709,195 for #01452, Fallbrook Apartments, Houston, Texas.
Passed Unanimously

Mr. Burrell stated the Oaks at Boggy Creek in Austin is being recommended for a determination notice to be issued in the amount of $214,358. This is a 150 unit complex and the bond issuer is Austin Housing Finance Corporation.

Motion made by Shadrick Bogany and seconded by Vidal Gonzalez to approve the determination notice in the amount of $214,258 for #01453, The Oaks at Boggy Creek, Austin, Texas.
Passed Unanimously

Mr. Burrell stated the Circle S Apartments are located in Austin and the bond issuer is Travis County Housing Finance Corporation. This is a 200-unit complex and is being recommended for a determination notice to be issued in the amount of $321,164.

Motion made by Shadrick Bogany and seconded by Vidal Gonzalez to approve the determination notice in the amount of $321,164 for #01458, Circle S Apartments, Austin, Texas.

Additional public comment was taken at this time.

Nicole Flores, Austin, Texas
Ms. Flores stated she is representing the applicant, One SDI Limited for No. 01458, Circle S Apartments, Austin, Texas. She stated this is a tax-exempt finance transaction and comes with 4% tax credits and this does affect the credits available under the 9% volume cap. The credit amount recommended by staff of $321,164 is a significant reduction from the original requested amount of $484,000. This credit amount as recommended effectively terminates this transaction. It will not be financially feasible. She further stated there is a disagreement between the department's underwriting staff and the development team. The primary issue that affected the adjustment of the tax credits was its termination of the land value. The development team is confident that with additional information submitted to the department, the department could reinstate the original land value.

She asked the board to request staff to consider additional information that includes an appraisal supporting a $1.3 million valuation on the land. The applicant request a $1.2 million valuation but the department's underwriting staff established the value of the land at $461,000, disregarding the information that was available to them in the appraisal.

Tim Merriwether advised the Board that he did not wish to speak.

Motion by Shad Bogany and second by Vidal Gonzalez was withdrawn.

Motion made by Shadrick Bogany and seconded by Vidal Gonzalez to have staff work with and review additional information from Ms. Flores and have staff present this additional information for consideration by the board, if appropriate, at the next meeting.
Passed Unanimously

d) **Approval of Possible Reduction in Qualified Units for 01058, Highland Gardens, Harlingen, Texas**
This item was pulled from the agenda.

e) **Approval for Acting Executive Director to Execute 2001 Tax Credit Carryover Allocations Before the Department's December 31, 2001 Carryover Deadline Subject to Re-Underwriting and Board Ratifications for 01005, Chaparral Townhomes, Allen, Texas and 01004, Fulton Village, Houston, Texas and any Other Developments That May Have Proposed Adjustments to their Original Allocation**
Mr. Burrell advised that the Executive Review and Award Committee is recommending to the Board that they grant approval to the Acting Executive Director to execute the 2001 Tax Credit Carryover Allocations before the December 31 carryover deadline.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the Acting Executive Director to Execute 2001 Tax Credit Carryover Allocations Before the Department's December 31, 2001 Carryover Deadline Subject to the reunderwriting and Board Ratifications for 01005, Chaparral Townhomes, Allen, Texas and 01004, Fulton Village, Houston, Texas and any Other Developments That May Have Proposed Adjustments to their Original Allocation.
Passed Unanimously

Mr. Conine had concerns on the staff receiving an original submission for a request for a certain amount of tax credits, what the Board approved, and what the department ultimately granted. The internal auditor will review this concern and he will report back to the board at a later date.

(4) Presentation, Discussion and Possible Approval of Report from Programs Committee:

a) Approval of 2001 HOME Program CHDO Set Aside Rental Housing Development Recommendations for Awards:
20010149, East Austin Economic Dev. Corp., Region 7, Score 212, 20 Units, Award of $999,890
20010151, St. John Colony Neighborhood, Region 7, Score 211, 36 Units, Award of $324,000
20010189, Foundation Communities Inc., Region 7, Score 158,85 Units, Award of $1,000,000
Mr. Shad Bogany, Chair of the Programs Committee, stated the Committee met earlier in the day and reviewed these items and are recommending them for approval by the full Board.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2001 HOME Program CHDO Set-Aside Rental Housing Development Recommendation for an award for 20010149, East Austin Economic Dev. Corp., Award of $999,890
Passed Unanimously

Motion made by Shad Bogany approve the 2001 HOME Program CHDO Set-Aside Rental Housing Development Recommendation for an award for 20010151, St. John Colony Neighborhood, Award of $324,000.
Passed Unanimously

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2001 HOME Program CHDO Set-Aside Rental Housing Development Recommendation for an award for 20010189, Foundation Communities Inc., Award of $1,000,000.
Passed Unanimously

b) Approval of 2002 State of Texas Low Income Housing Plan and Annual Report
Mr. Bogany stated the Programs Committee approved the 2002 State of Texas Low Income Housing Plan and Annual Report and the members are recommending approval by the full Board.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2002 State of Texas Low Income Housing Plan and Annual Report as presented.
Passed Unanimously

c) Approval of 2002 State of Texas Consolidated Plan - One Year Action Plan
Mr. Bogany stated the Programs Committee approved the 2002 State of Texas Consolidated Plan -One Year Action Plan and the members are recommending approval by the full Board.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2002 State of Consolidated Plan - One Year Action Plan as presented.

Upon discussions on this item, Mr. Conine was concerned that the department seems to be eliminating some of the for-profit groups who have done a good job with this program in the past, and he asked staff to comment on why funds were pulled from the CHDO set aside. He asked for comments on him making an amendment to the motion to have the for-profit groups back into this program and instruct staff to work with the various trade groups to get an interest in this program so the department can meet the legislative 15% goal.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2002 State of Consolidated Plan - One Year Action Plan with the amendment to the motion made by Mr. Conine to leave the demonstration fund in the Consolidated Plan in order to not eliminate the for-profit groups working with this program. Mr. Bogany and Mr. Salinas accepted the amendment.
Motion with the amendment passed unanimously.

d) Approval of 2002 TDHCA Regional Allocation Formula
Mr. Bogany stated the Programs Committee approved the 2002 Regional Allocation Formula State of Texas Low Income Housing Plan and Annual Report and the members are recommending approval by the full Board.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2002 Regional Allocation Formula as presented.
Passed Unanimously

(5) Presentation, Discussion and Possible Approval of Report from Finance Committee

a) **Approval of the Sale of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates and Other Related Matters**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the sale of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates.
Passed Unanimously

b) **Approval of Additional Funding for the Single Family Down Payment Assistance Program and Other Related Matters**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the additional funding for the Single Family Down Payment Assistance Program.
Passed Unanimously

c) **Approval of Recommendations Relating to the Issuance of Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A and Other Related Matters (Program 58)**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the issuance of the Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A.
Passed Unanimously

d) **Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For Fallbrook Apartments, Houston, Texas in an Amount not to Exceed $15,135,000 and Other Related Matters**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the issuance of the Multifamily Mortgage Revenue Bonds for Fallbrook Apartments, Houston, Texas in an amount not to Exceed $15,135,000 and to permit the Vice-Chairman to sign the resolution..
Passed Unanimously

e) **Approval of Amendments to Board Resolution No. 01-50 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Hillside Apartments And Other Related Matters**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to approve Resolution No. 01-50 approving the Issuance of Multifamily Mortgage Revenue Bonds for the Hillside Apartments and permitting the Vice-Chairman to sign the resolution.
Passed Unanimously

f) **Approval of Amendments to Board Resolution No. 01-51 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Oak Hollow Apartments**
Mr. C. Kent Conine, Chair of the Finance Committee stated the Finance Committee reviewed this item and are recommending approval by the full Board.

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to approve Resolution No. 01-51 approving the Issuance of Multifamily Mortgage Revenue Bonds for the Oak Hollow Apartments and permitting the Vice-Chairman to sign the resolution.
Passed Unanimously

g) **Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project**
This item was pulled from the agenda.

REPORT ITEMS

Executive Directors Report
RMRB, Series 2001 A-E Pricing and Closing
Projected Single Family Bond Issuance in 2002
Mr. Byron Johnson, Director of Bond Finance, stated this item would be presented at the next meeting.

EXECUTIVE SESSION

Personnel Matters
Personnel Matters on Executive Director Position and Applications
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
Consultation with Attorneys Concerning Litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County
The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Conine announced that the Executive Session was not necessary and would not be held at this meeting.

ADJOURN

The meeting adjourned at 12:15 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdmindec12/dg

AGENDA ITEM NO. 2
FINANCE COMMITTEE

FINANCE COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
State Capitol Extension, 1400 Congress, Room E1.016, Austin, Texas
January 17, 2002 9:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL **CERTIFICATION OF QUORUM**	C. Kent Conine Chair

PUBLIC COMMENT
The Finance Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

The Finance Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1	Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of December 12, 2001	C. Kent Conine
Item 2	Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Millstone Apartments, Houston, Texas in an Amount not to Exceed $12,500,000 and Other Related Matters	Ruth Cedillo
Item 3	Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Sugar Creek Apartments, Houston, Texas in an Amount not to Exceed $11,950,000 and Other Related Matters	Ruth Cedillo
Item 4	Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for West Oaks/Finlay III Apartments, Houston, Texas in An Amount Not to Exceed $11,200,000 and Other Related Matters	Ruth Cedillo
Item 5	Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Stone Hearst Apartments, Beaumont, Texas in an Amount not to Exceed $10,900,000 and Other Related Matters	Ruth Cedillo
Item 6	Presentation, Discussion and Possible Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project	Ruth Cedillo

ADJOURN	C. Kent Conine Chair

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Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

FINANCE COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress, State Capitol Extension, Room E1.012, Austin, Texas 78701
December 12, 2001 9:30 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Finance Committee Meeting of the Texas Department of Housing and Community Affairs of December 12, 2001 was called to order by Chairman C. Kent Conine at 9:35 a.m. It was held at the State Capitol Extension, 1400 Congress, Room E1.012, Austin, Texas. Roll call certified a quorum was present. Michael Jones was absent.

Members present:
C. Kent Conine -- Chair
Vidal Gonzalez -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT

Chair C. Kent Conine called for public comment and no one wished to give comments.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of August 21, 2001

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the minutes of the meeting of the Finance Committee of August 21, 2001.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of the Sale of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates and Other Related Matters

Mr. Byron Johnson, Director of Bond Finance, stated the department issued bonds in 1991 which will be redeemable starting January 1, 2002. There has been a decline in rates and in November this transaction was reviewed and determined that if the department sold the GNMAs, redeemed the bonds and there could be cash remaining. In December, the rates went up and he asked authorization for staff to review the transaction, ensure that it is in the best interest of the department and that it is a financially feasible transaction and execute the sale. At this time, the department could generate about $400,000 in excess surplus revenues. He recommended that any surplus be committed to the Bootstrap program.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to recommend to the full Board to allow staff to proceed toward the possible sale and consolidation of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates.
Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Additional Funding for the Single Family Down Payment Assistance Program and Other Related Matters

Mr. Johnson stated this program provides $5,000, $7,500 or $10,000 to first-time homebuyers in certain counties throughout the state, mostly in rural and border counties. He further stated that through reconciliation of funds from a 1994 transaction it was discovered that the funds from this transaction were not completely used and staff is asking for permission to use those funds for the down payment assistance program.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to transfer the remaining 1994B funds to the Single-Family Down Payment Assistance Program and to recommend approval to the full Board.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of Recommendations Relating to the Issuance of Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A and Other Related Matters (Program 58)

Mr. Johnson stated the Board, in August 2001, authorized staff to determine the feasibility of issuing taxable bonds under the Single Family indenture to access wealth in that indenture. There are certain stipulations regarding removing funds and monies from indentures and it has been determined that the transaction is feasible. The purpose of the transaction would be to tap equity that is built up over time in the indenture. The bond proceeds will be about $9-$10 million and there will be 20 to 30 year maturities on the bonds. He stated this is a unique financing opportunity and staff is recommending that a portion of the proceeds be used for down payment assistance. He also asked for approval of the underwriting fees.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the staff recommendations to structure a taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002 and the approval of the fees recommended. The Finance Committee will recommend approval to the full Board.
Passed Unanimously

(5) Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Fallbrook Apartments, Houston, Texas in an Amount not to Exceed $15,135,000 and Other Related Matters

Mr. Robert Onion stated that the Fallbrook Apartments complex is located in northwest Houston and the bond transaction is a private placement with Bank of America and Sun America as the equity provider. The bond amount for the tax-exempt portion will be $13,500,000 with an interest rate of 6.06% and the taxable portion will be $1,200,000 with a rate of 6.78%. He asked approval of the project and informed the committee that there is a change in the resolution attached. The change will allow the Vice-Chairman of the Board to sign the resolution instead of the Board Chairman.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the proposed issuance of multifamily mortgage revenue bonds for Fallbrook Apartments, Houston, Texas in an amount not to exceed $15,135,000 and to recommend approval to the full Board.
Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Amendments to Board Resolution No. 01-50 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Hillside Apartments And Other Related Matters

Mr. Robert Onion stated the Board approved this transaction in November; however, the interest rate on the bonds has changed from 7.2% to 7% and he asked for approval of the amended resolution. The maturity date on the taxable bonds will change from December 1, 2009 to October 1, 2009.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve the amendments of the interest rate change and the maturity date change to Board Resolution No. 01-50 approving the issuance of multifamily mortgage revenue bonds for Hillside Apartments and to recommend approval to the full Board.
Passed Unanimously

(7) Presentation, Discussion and Possible Approval of Amendments to Board Resolution No. 01-51 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Oak Hollow Apartments

Mr. Onion stated the Board also approved this agenda item in November; however, the interest rate on the bonds has changed from 7.2% to 7% and he asked for approval of the amended resolution. There will be no change on the maturity date.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve the amendment of the interest change to Board Resolution No. 01-51 approving the issuance of multifamily mortgage revenue bonds for the Oak Hollow Apartments and to recommend approval to the full Board.
Passed Unanimously

(8) Presentation, Discussion and Possible Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit 11 to EASY Audit 111 Project

This item was pulled from the agenda.

ADJOURN

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to adjourn the meeting.

The meeting adjourned at 9:50 a.m.

Respectfully submitted,

___________________________________, Board Secretary

fcmindec/dg

AGENDA ITEM NO. 2(A)

FINANCE COMMITTEE AND BOARD APPROVAL

MEMORANDUM

January 17, 2002

PROJECT: Millstone Apartments, Houston, Harris County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2001 Private-Activity Multifamily Revenue Bonds
(Reservation received 10/05/2001)

ACTION REQUESTED: Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Millstone Apartments L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental development to be constructed on approximately 14 acres of land located approximately 400 feet west of Grand Parkway on the south side of West Fernhurst Drive, unincorporated area of Houston, Harris County, Texas 77494 (the "Project").

BOND AMOUNT: $ 9,960,000Series 2002A-1, Tax Exempt Senior Bonds
$ 2,540,000Series 2002B, Tax Exempt Subordinate Bonds
$ 200,000Series 2002A-2, Taxable Bonds
$12,700,000Total (*)

(*)The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on October 5, 2001 pursuant to the Texas Bond Review Board's 2001 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 2, 2002, the anticipated closing date is January 29, 2002. A detailed Critical Date Schedule is included as Exhibit 2.

BORROWER: Millstone Apartments L.P., a Texas Limited Partnership, the managing general partner of which is Millstone Development, L.L.C. The principals of the general partner are William D. Henson and J. Steve Ford. An affiliate of SunAmerica Affordable Housing Partners, Inc. will provide the equity for the transaction by purchasing a 99.99% limited partnership interest.

COMPLIANCE

HISTORY: The Compliance Report reveals that the above principles of the managing general partner have a combined total of eleven properties monitored by the Department. Of the eleven properties being monitored, six have received a compliance score. Two of these six properties received a score of zero (no compliance issues) two received a score of 1 and two received a score of 3. All of these scores are well below the material non-compliance threshold score of 30.

ISSUANCE TEAM: Ambac Assurance Corporation (Bond Insurer)
SunAmerica Inc. (Construction Phase Credit Facility Provider)
SunAmerica Inc. (Guaranty Provider, Subordinate Bonds)
U.S. Bancorp Piper Jaffray (Subordinate Bond Purchaser)
Newman and Associates (Underwriter)
JP Morgan Chase Bank (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)

	Dain Rauscher, Inc. (Financial Advisor) McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)
BOND PURCHASER:	The Senior Bonds will be publicly offered on a limited basis on or about January 18, 2002 at which time the final pricing and Bond Purchaser(s) will be determined. The Subordinate Bonds will be privately purchased by U.S. Bancorp Piper Jaffray. The Series B (Subordinate Bonds) will have the same terms as the Series A bonds, except that the note rate will be forty-one (41) basis points higher than the longest term bond of the Series A-1 Bonds.
PROJECT DESCRIPTION:	The Project is a 248-unit multifamily residential rental development to be constructed on approximately 14 acres of land located approximately 400 feet west of Grand Parkway on the south side of West Fernhurst Drive, unincorporated area of Houston, Harris County, Texas 77494 (the "Project"). The Project will consist of twenty-three (23) two-story buildings, with a total of 233,951 net rentable square feet and an average unit size of 943 square feet. The property will also have a clubhouse consisting of offices, a community room, fitness center, computer classroom, study room, laundry room and bathrooms. The development will include perimeter fencing, a swimming pool and decking, playground equipment, and children's play area. There will be 270 open parking spaces and 248 garage spaces.

# Units	Unit Type	Square Footage
80	1 bed/1 bath	690
120	2 bed/2 bath	1015
48	3 bed/2 bath	1188
248		

SET-ASIDE UNITS:	For bond covenant purposes, forty (40%) of the units in the Project will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 100% of the units at sixty percent (60%) of the area median income.
RENT CAPS:	For bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income (see Exhibit 6).
TENANT SERVICES:	Borrower will be required to provide a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department's program guidelines.
DEPARTMENT ORIGINATION FEES:	\$1,000 Pre-Application Fee (Paid) \$10,000 Application Fee (Paid) \$63,500 Issuance Fee (.50% of the bond amount paid at closing)
DEPARTMENT ANNUAL FEES:	\$12,700 Bond Administration (0.10% of first year bond amount) \$6,200 Compliance (\$25/unit/year adjusted annually for CPI) *(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)*
ASSET OVERSIGHT FEE:	\$6,200 to TSAHC or assigns (\$25/unit/year adjusted annually for CPI)
TAX CREDITS:	The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credits equate to \$641,990 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$4,751,701 of

equity for the transaction.

BOND STRUCTURE & SECURITY FOR THE BONDS:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Project. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Project. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Ambac will provide a Bond Insurance Policy for the Senior Bonds. This insurance provides a guaranty for the full and timely payment of the principal and interest on the Senior Bonds should the Borrower fail to make any payments under the Mortgage Loan. In such event, the Trustee will have the right to require Ambac to fund any payment(s) in default.

During the Construction Phase, the Interim Lender will provide a Construction Phase Credit Facility to the benefit of Ambac to cover the construction and lease-up risk. This interim credit facility will be secured by a 2^{nd} lien mortgage on the property. According to the Intercreditor Agreement between the Interim Lender and the Bond Insurer, the Construction Phase Credit Facility will fund any deficiencies in payments on the Senior Bonds during the construction and lease-up period. Upon satisfaction of certain stabilization requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Ambac will return the Construction Phase Credit Facility to the Interim Lender. At this time, the Interim Lender's Deed of Trust and security documents cease to exist.

The Subordinate Bonds do not have the benefit of the bond insurance policy or the Construction Phase Credit Facility. The Subordinate Bonds will carry term risk credit support provided by SunAmerica. The Subordinate bonds will be privately placed with U.S. Bancorp Piper Jaffray. The Department expects the initial purchaser of the Subordinate Bonds to transfer the Subordinate Bonds into a custodial trust arrangement whereby beneficial interest in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The initial Subordinate Bond purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. As required by SunAmerica, purchasers of the trust certificates will be Qualified Institutional Buyers.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consist of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds) and any investment earnings thereon. See Funds and Accounts section, below.

The Bonds are mortgage revenue bonds and, as such, create no liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

CREDIT ENHANCEMENT:

Ambac's bond insurance allows for an anticipated rating of AAA/Aaa on the Senior

Bonds and an anticipated interest rate of 5.5% and 6.65% for the tax exempt and taxable bonds, respectively. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds.

While the Subordinate Bonds themselves are not rated, the guarantee provided by SunAmerica or AIG indirectly provides credit support for the Subordinate Bonds which allows for an interest rate of approximately 5.91%. Without the credit support, the Subordinate Bonds would command a higher interest rate from investors – approximately 10% or higher on similar maturity bonds.

FORM OF BONDS:

The Senior Bonds will be issued in book entry form and in denominations of $5,000 or any integral multiples thereof. The Subordinate Bonds will be issued in physical form and in denominations of $100,000 or any integral of $5,000 in excess thereof.

MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months beginning in the 36^{th} month. The Stabilization Date is anticipated to occur within thirty-six (36) months from the closing date of the Bonds, but must occur before the Final Balancing Date which is forty-eight (48) months from closing of the Bonds. Stabilization of the Project will convert the Mortgage Loan from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the documents. Among other things, these requirements include completion of the Project according to plans and specifications and achievement of certain occupancy and debt-coverage thresholds.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity, which is anticipated to be January 1, 2035.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an investment agreement; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by the Ambac under the bond insurance policy.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Senior Bonds are subject to optional redemption by the Borrower on or after June 1, 2012 (a preliminary date that is subject to change). After that date, the Bonds are subject to optional redemption with certain applicable premiums. The Subordinate Bonds are subject to optional redemption by the Borrower on or after June 1, 2012 without premium.

Mandatory Redemption:

(1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption starting July 1, 2005 (a preliminary date that is subject to change). The

Subordinate Bonds will only be redeemed to the extent that sufficient funds are available for such redemption and any insufficient amount for a period will be added to the installment due in the next succeeding period.

(2) The Bonds are subject to special mandatory redemption:

(a) in part to the extent that funds remain in the Construction Fund that are not required to pay costs of the Project;
(b) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Project;
(c) in whole or in part upon the occurrence of certain events of default under the documents;
(d) in whole with respect to the Senior Bonds at the direction of the Interim Lender if stabilization of the Project does not occur;
(e) in whole with respect to the Subordinate Bonds at the direction of the Interim Lender if stabilization of the Project does not occur; or
(f) in part with respect to the Senior Bonds only, within 60 days of the Stabilization Date, to satisfy stabilization requirements.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of either a conversion failure or certain events of default under the documents (during the period that the Construction Phase Credit Facility from the Interim Lender is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of a designated purchaser selected by the Interim Lender. Upon this special purchase, the Bonds would not benefit from the bond insurance and would not be transferable to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, JP Morgan Chase Bank (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Senior Bonds. The Senior Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Senior Bonds will be deposited with DTC. The Subordinate Bonds will be physical bonds.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to seven (7) funds with the following general purposes:

1) Revenue Fund (containing an Administrative Fees Account) – Used as the repository for most revenues and payments paid to the Trustee. The Administrative Fees Account is used to administer various ongoing administrative fees and expenses such as the Credit Enhancement fee, Trustee fee, Asset Oversight Agent’s fee, and Issuer fee;

2) Bond Fund (containing an Interest Account, Principal Account, Redemption Account and Subordinate Bond Account) – Used to receive, hold and payout bond interest and principal;

3) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-

exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;

4) Mortgage Recovery Fund – A fund used for receipt and disbursement of insurance or condemnation proceeds, if any, or proceeds realized from a foreclosure upon the occurrence of an event of default;

5) Servicing Fund (containing a Real Estate Tax and Insurance Account and Replacement Reserve Account) – A fund used in the servicing of the mortgage loans as a repository of certain payments made by the Borrower for on-going Project related costs and expenses;

6) Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

7) Construction Fund (containing a Tax-Exempt Bond Proceeds Account and a Taxable Bond Proceeds Account) - The Trustee shall deposit net bond proceeds and disburse for the purpose of paying the costs of the project and paying interest on the Bonds during the Construction Phase.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 36 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee – JP Morgan Chase Bank was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Underwriter – Newman and Associates. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department through an RFP process in early 1999.

5. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

(Statements regarding participation of women and minorities are contained within Exhibit 8).

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

2001-037 Millstone Apartments				
General Information		**Principal Contact**		
Bond Amount:	$ 12,500,000	Millstone Apartments, LP		
Program:	2001 Private Activity	Steve Ford		
Bond Structure:	AMBAC/SunAmerica	1800 Bering Drive, #850		
Purpose:	New Construction	Houston, Texas 77057		
Status:	Full Application	713-334-5514		
A/O:	RFO	713-334-5614		
Project(s)		**City**	**Units**	
Millstone Apartments		Houston	248	
Project History - Timeline		**Responsibility**	**Due Date**	**Status**
BRB Reservation received		BRB	10/5/2001	Done
Kick-of conference call		All		
TEFRA notice in newspaper		V&E, Applicant	11/4/2001	Done
Deadline to submit TEFRA notice to Tx Reg			11/7/2001	Done
Complete Application due to TDHCA		Applicant	11/8/2001	Done
35 day reservation filing		V&E	11/9/2001	Done
TEFRA notice published in Tx Reg		TDHCA, Tx Reg	11/16/2001	Done
TEFRA Signage on property		Applicant	11/19/2001	Done
1st due diligence conference call		All	11/26/2001	Done
TEFRA Hearing (5:00pm)		TDHCA, Applicant	12/4/2001	Done
1st draft of Bond Documents		V&E	11/29/2001	Done
Final construction plans, appraisal, sources & uses, and all other due diligence materials are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
All third party debt & equity commitments are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
2nd due diligence conference call (2:30 CST))		All	12/20/2001	Done
2001 CarryForward notice to BRB		**V&E**	**12/21/2001**	**Done**
Notice of Intent to the BRB		TDHCA	12/27/2001	Done
Board final write-ups due		TDHCA	12/31/2001	Next Action
TDHCA underwriting due		TDHCA	12/31/2001	Scheduled
Bond Review Board application due		TDHCA	1/2/2002	Scheduled
Final Bond Documents & Resolution		V&E	1/4/2002	Scheduled
Final OS published		Underwriter	1/4/2002	Scheduled
TDHCA Board Meeting agenda published		TDHCA	1/8/2002	Scheduled
BRB Planning session (2:00 CST)		TDHCA, V&E, FA, Applicant	1/10/2002	Scheduled
File transcripts with Attorney General		V&E	1/11/2002	Scheduled
Circulate draft of closing memorandum		Underwriter	1/16/2002	Scheduled
3rd due diligence conference call		All		
TDHCA Board Meeting (9:00 CST))		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
Bond Review Board Meeting (3:00 CST)		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
Price Bonds		Underwriter	1/18/2002	Scheduled
Circulate Closing Memorandum		Underwriter	1/25/2002	Scheduled
Final Building permits due to TDHCA		Applicant	1/28/2002	Scheduled
Pre-close Bonds		All	1/28/2002	Scheduled
Close Bonds		All	1/29/2002	Scheduled

	Reservation Expiration Date		BRB	2/1/2002	Scheduled

MILLSTONE APARTMENTS
EXHIBIT 3

Sources of Funds	
Series 2002A-1 Tax-Exempt Bond Proceeds	$ 9,960,000
Series 2002A-2 Tax-Exempt Bond Proceeds	$ 2,540,000
Series 2002B Taxable Bond Proceeds	$ 200,000
Tax Credit Proceeds	4,751,701
GIC Earnings from Bond Proceeds	123,423
Net Operating Income Prior to Stabilization	571,423
Deferred Developer's Fee	1,941,924
Total Sources	$ 20,088,471
Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 15,359,952
Capitalized Interest	1,484,120
Rent Up Reserves	50,000
Developer's Overhead & Fee	2,200,000
Costs of Issuance	
Direct Bond Related	394,135
Bond Purchaser Costs	319,968
Other Transaction Costs	187,296
Real Estate Closing Costs	93,000
Total Uses	$ 20,088,471
Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 63,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	6,200
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Borrower's Bond Counsel	60,000
Underwriter's Fee (Senior Lien)	86,360
Underwriter's Fee (Subordinate Lien)	25,400
Underwriter's Counsel	26,000
Trustee's Fees (Note 1)	7,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	3,175
TEFRA Hearing Publication Expenses	2,000
Total Direct Bond Related	$ 394,135
Bond Purchase Costs	
AMBAC Counsel & Expenses	38,000
AMBAC Fee (3 Years Capitalized)	124,968
SunAmerica Interim Credit Facility (2 Years Capitalized)	127,000

SunAmerica Bond Counsel & Expenses (Interim Credit Facility)	30,000	
Rating Agency	25,000	
Total	$ 319,968	
Other Transaction Costs		
Bridge Loan Fee	59,396	
Up-front Facility Fees	63,500	
Limited Partner Legal Counsel & Expenses	35,000	
Tax Credit Determination Fee (4% annual tax cr.)	25,680	
Tax Credit Applicantion Fee ($15/u)	3,720	
Broker's Fee, Construction	120,000	
Broker's Fee, Permanent	100,000	
Total	$ 187,296	
Real Estate Closing Costs		
Title & Recording (Const.& Perm.)	83,000	
Property Taxes	10,000	
Total Real Estate Costs	$ 93,000	
Estimated Total Costs of Issuance	$ 994,399	

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE:	January 7, 2002	**PROGRAM:**	Multifamily Bonds 4% LIHTC	**FILE NUMBER:**	2001-037 01455

DEVELOPMENT NAME

Millstone Apartments

APPLICANT

Name: Millstone Apartments, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5405 John Dreaper **City:** Houston **State:** TX

Zip: 77056 **Contact:** Dwayne Henson **Phone:** (713) 334-5808 **Fax:** (713) 334-5614

PRINCIPALS of the APPLICANT

Name	(%)	Title
Millstone Development, L.L.C.	.01	Managing General
SunAmerica Aforable Housing	99.99	Initial Limited Partner
Resolution Real Estate Services, L.L.C.		50% owner of MGP
Dwayne Henson Investment, Inc.		50% owner of MGP

GENERAL PARTNER

Name: Millstone Development, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5405 John Dreaper **City:** Houston **State:** TX

Zip: 77056 **Contact:** Dwayne Henson **Phone:** (713) 334-5808 **Fax:** (713) 334-5614

PROPERTY LOCATION

Location: Southeast corner of West Fernhurst and Cobia, near the southwest corner of Grand Parkway and I-10. ☐ **QCT** ☐ **DDA**

City: Unincorporated Harris County **County:** Harris **Zip:** 77494

REQUEST

Amount	Interest Rate	Amortization	Term
❶$12,500,000	5.91%	30 yrs	33 yrs
❷$200,000	9% (estimated)	30 yrs	33 yrs
❸$641,990	N/A	N/A	N/A

Other Requested Terms:
❶ Tax-exempt private activity mortgage revenue bonds through two series
❷ Taxable bonds
❸ Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 14 acres 609,840 square feet **Zoning/ Permitted Uses:** N/A

Flood Zone Designation:	X	**Status of Off-Sites:**	Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 248 **# Rental Buildings** 23 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
64	1	1	680
8	1	1	681
8	1	1	777
28	2	2	957
32	2	2	975
28	2	2	1,053
32	2	2	1,071
3	3	2	1,137
21	3	2	1,140
24	3	2	1,236

Net Rentable SF: 233,951 **Av Un SF:** 943 **Common Area SF:** 4,595 **Gross Bldng SF** 238,546

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

4,595 SF community building with multi-purpose room, management offices, fitness & laundry facilities, restrooms, computer center, central mailroom, swimming pool, equipped children's play area, picnic area, perimeter fencing with limited access gate

Uncovered Parking: 270 spaces **Carports:** N/A spaces **Garages:** 248 spaces

OTHER SOURCES of FUNDS

SENIOR TAX EXEMPT BONDS FINANCING

Source: Ambac Assurance Corporation (credit enhancer) **Contact:** Karen Robins

Principal Amount: $9,960,000 **Interest Rate:** 5.91% (insurance premium of .41% inchluded)

Additional Information: To be publicly offered through Newman & Associates with a S&P AAA rating

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

SUBORDIATE TAX-EXEMPT BONDS

Source: SunAmerica Affordable Housing Partners **Contact:** Dana Mayo

Principal Amount: $2,540,000 **Interest Rate:** 5.91%

Additional Information:

Subordinate tax-exempt bonds to be potentially acquired through Piper Jaffrey with SunAmerica guarantees

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $900,351 for all bonds **Lien Priority:** 1st **Commitment Date** 12/ 17/ 2001

SENIOR TAXABLE BONDS

Source: SunAmerica Affordable Housing Partners **Contact:** Dana Mayo

Principal Amount: $200,000 **Interest Rate:** unknown, estimated at 9%

Additional Information: Taxable bonds to be amortized with priority based on 30-year schedule for total debit

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $19,311 **Lien Priority:** 1st **Commitment Date** 12/ 17/ 2001

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners **Contact:** Dana Mayo

Address: One Sun America Center **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: $5,135,408 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 10/ 3/ 2001

Additional Information: Commitment letter reflects proceeds of $5,135,408 based on credits of $6,419,901. Most recent sources and uses indicates estimate of $4,751,701 in syndication proceeds

APPLICANT EQUITY

Amount: $1,737,219 **Source:** Deferred developer fee in original application

VALUATION INFORMATION

ASSESSED VALUE

Land: 125.512 ac. $4,163,710 **Assessment for the Year of:** 2001

Land: per acre value $33,174 **Valuation by:** Harris County Appraisal District

Land: 14 ac. prorated $464,436

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 3/ 15/ 2002 **Anticipated Closing Date:** 1/ 25/ 2002

Acquisition Cost: $ 1,829,520 **Other Terms/Conditions:** $1,000 earnest money plus $3 per foot for anything over 609,840 square feet

Seller: KNA Springfield Venture (John Beeson) **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Millstone Apartments is a proposed new construction project of 248 units of affordable housing located in western Harris County. The project is comprised of 23 residential buildings as follows:

- (2) Building Style 1 with 8 one-bedroom units;
- (2) Building Style 2 with 8 two-bedroom units;
- (3) Building Style 3 with 8 three-bedroom units;
- (7) Building Style 4 with 4 one-bedroom units and 8 two-bedroom units;
- (6) Building Style 5 with 4 one-bedroom units and 8 two-bedroom units;
- (3) Building Style 6 with 4 one-bedroom units and 8 three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building and swimming pool located near the entrance to the site. The 4,595-square foot community building is planned to have the management office, multi-purpose room, computer center, restrooms, and laundry facilities. There is also to be a swimming pool, equipped children's play area with perimeter financing with limited access gate.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities, family skills development program, education program, fun and freedom activities and the neighborhood advancement program. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000, plus $1,734 per month for these support services.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 248 of the units (100% of the total) will be reserved for low-income/elderly tenants. 248 of the units (100%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: 13 units (5%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 29, 2001 was prepared by Patrick O'Connor and Associates, L.P. and highlighted the following findings:

Definition of Market/Submarket : "The subject property is located near the confluences of three sub-markets; therefore, the subject's market area includes those properties located in the zip codes within a 10-mile radius of the subject site." (p. 15)

Total Regional Market Demand for Rental Units: "The overall occupancy level for separately-metered projects in the Houston area has hovered around 92+% to 93+% over the past several years. The September 2001 overall occupancy rate was reported at 93.44%, the highest level in a decade." (p. 35)

Total Local/Submarket Demand for Rental Units: "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. 49)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	363	15%
Resident Turnover	2077	85%
TOTAL ANNUAL DEMAND	**2,440**	**100%**

Ref: p. 76

Capture Rate: "There are approximately 248 units that are under construction, approved, or proposed in the subject's submarket. There are approximately 2,077 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market." This makes the capture rate 11.94%. (p. 76)

Local Housing Authority Waiting List Information: "There are thousands of families in the City of Houston currently on the growing waiting lists for low-rent public housing, apartment rental subsidies, or Section 8 vouchers administered by the Houston authority of the city of Houston. The waiting list for Section

8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers is approximately six years" (p. 50)

Market Rent Comparables: The market analyst surveyed 50 comparable apartment projects totaling 9,823 units in the market area. "The overall occupancy rate for separately-metered projects in this submarket was 96.23% as of September 2001." (p. 42)

RENT ANALYSIS (net tenant-paid rents)					
	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$588	$574	+$14	$645	-$66
2-Bedroom (60%)	$711	$682	+$29	$830	-$119
3-Bedroom (60%)	$823	$779	+$44	$950	-$127

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

Submarket Vacancy Rates: "The selected comparable apartments surveyed in the primary market area of the proposed subject complex exhibited very strong occupancies, with an average occupancy rate of 94.7%." (p. 23)

Absorption Projections: "Absorption in newer projects in the subject's primary market area has been brisk. Absorption over the past eight quarters ending September 2001 totals a positive 1,919 units, for an average of 240 units per quarter, or 80 units per month." (p. 67)

Known Planned Development: "There are seven proposed LIHTC projects in which applications will be filed with the TDHCA (according to the pre-application submission log) which are located within the subject's primary market area. The total number of units of the proposed projects is estimated to be 1,456." (p. 68)

Effect on Existing Housing Stock: "Most of the affordable multifamily projects in the subject's primary market area were built prior to 1980, and most of these older properties are in inferior physical condition and have less functional floor plans. Furthermore, most of the multifamily projects in the area are significantly inferior in quality, appeal, condition, and amenities. As newly-constructed multifamily development enters the market, the data indicates that many of the tenants that currently occupy the older projects are migrating into the new projects." (p. 68)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is a trapezoidally-shaped parcel located in western Harris County. It is conveniently located less than one-half mile south of Interstate Highway 10, which is the thoroughfare which traverses the region from east to west, through the Houston Business District. It is also located near the Grand Parkway, which is planned to be the third "loop" around the Houston area.

Population: The estimated 2000 population of the primary market area was 155,000. Within the primary market area there were estimated to be 78,099 households in 2000, and this number is expected to increase by 13% to approximately 87,871 by 2005.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with a 1,600,000 square foot Katy Mills Mall west of the intersection of Grand Parkway and Interstate 10. Other commercial development includes a new Randall's-anchored shopping center on Mason Road south of Interstate Highway 10, as well as a new 60-bed hospital and medical campus. The subject site is in a largely undeveloped area, and the surrounding land uses are undeveloped vacant land.

Site Access: Access to the property is from the east or west along Fernhurst Drive or the north or south from Cobia Drive. The project is to have one main entry, one from the east or west from Fernhurst Drive. Access to Interstate Highway I-10 is one miles north, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by METRO bus system.

Shopping & Services: The site is within a short driving distance of a major grocery store, a major shopping center, a multi-screen theater, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities also are located within a short driving distance from the site.

Special Adverse Site Characteristics: The site currently does not have open street access, however, a letter from the seller dated March 21, 2001 indicates that the plat has been filed with the City of Houston and streets should take three months to complete. The letter goes on to say that "The funds for the streets will be escrowed out of closing if they are not finished at the time of closing."

Site Inspection Findings: A TDHCA staff member performed a site inspection on November 30, 2001 and found the location to be an excellent site for the proposed development. The inspector noted the site does not have open street access at the present time.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 22, 2001 was prepared by The Murillo Company and contained the following findings and conclusions:

- "The subject site is, and has been, undeveloped land."
- "No registered sites of environmental concern were identified within the ASTM radius searched for each database."
- "Based upon TMC's site investigation of the subject property, surrounding properties, regulatory agency records review and inquired, interviews, and historical research, no direct evidence was found indicating recognized environmental conditions exist at the subject property."

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are $81K higher than the Underwriter's rents. This is due to the Applicant's use of lower City of Houston utility allowances rather than the Harris County allowances used by the Underwriter. While the site is clearly outside of the city limits, the Applicant claims that the site is within both the city and county jurisdiction for service. Since the county appears to have more jurisdiction over the site the county allowances were utilized for underwriting purposes. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,375 per unit is within 1.4% of the TDHCA database-derived estimate of $3,424 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($53K lower), payroll ($65K higher), utilities ($18K lower) and property tax ($12K higher). It should also be noted that the units are planned to be individually metered for water and sewer; therefore, a utility allowance adjustment was made in the net rent and the Underwriter's utility expenses contain a small amount of water and sewer expense for the common areas.

Conclusion: The Applicant's estimated gross income and operation expenses are consistent with the Underwriter's expectations, however, net income is 8% higher than the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage (bonds and trustee fee only) at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25. The Underwriter's proforma suggests that up to $15K of the TDHCA administrative and asset oversight fees may need to be deferred in order to maintain a 1.10 DCR in the first year of stabilized occupancy.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition contract indicates site cost of $1,829,520 ($3.00/SF) in an arm's-length transaction. The Applicant has indicated a need to increase the site size by 3,979 square feet increasing the acquisition cost by $11,932. The contract allows for such additional land to be purchased as determined by the surveyor, however, a copy of the current survey for the slightly larger site was not available at the time of this review. Receipt, review, and acceptance of a survey or other documentation substantiating the additional square footage is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of $5,958 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $317K or 3.26% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant included $372,240 in bond and underwriting fees as entirely eligible costs. The Underwriter moved 30/33rds of these costs to ineligible costs due to their predominant permanent financing purpose, resulting in a $338,400 reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's profit, overhead, and general and administrative fees exceed the 6% maximums allowed by LIHTC guidelines based on their own construction costs. This is primarily due to an additional $170,000 in itemized field supervision costs which must be contained within the 6%, 2%, 6%

limits. Consequently the Applicant's eligible fees in these areas have been reduced by $187,044 with the overage effectively moved to ineligible costs.

The Applicant's eligible developer's fees for overhead and profit are above the maximums allowed by TDHCA guidelines, primarily due to the reduction in eligible basis due to the misapplication of eligible basis discussed above. These fees, along with a $50,000 housing consulting fee, exceed the maximum limits by a total of $115,139. In addition, the Applicant has included as ineligible for basis $220,000 of brokerage commission to principals of the development. This fee is typically considered part of the developer's fee and was therefore eliminated entirely from the Underwriter's budget.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown as adjusted, is used to size the award recommendation, calculate eligible basis and determine the LIHTC allocation.

As a result an adjusted eligible basis of $16,367,266 is used to determine a credit allocations of $600,679 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued through TDHCA and SunAmerica Affordable Housing Partners, Inc. and publicly offered through Newman & Associates. As of the date of the underwriting analysis, there will be $9,960,000 in tax-exempt Senior Series A bonds and $2,540,000 in tax-exempt subordinate series A bonds and $200,000 in taxable Senior Series B bonds. The Underwriter used a blended interest rate of 5.92% based on the primary tax-exempt portions being priced at an estimated 5.91%. The final interest rate will be available prior to closing. The bonds will be amortized over 30 years at a fixed interest rate, which may be reset after three years at the conversion to permanent.

The Applicant intends to use SunAmerica Affordable Housing Partners, Inc. to be the financing conduit for all facets of financing, i.e., for the interim construction loan of $12.7M, the permanent loan and as the syndicator for the low-income housing tax credits.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,135,408 based on a syndication factor of 80% and credits of $641,862 annually. The funds would be disbursed in a three-phased pay-in schedule:

1. 2% upon admission to the partnership;
2. 88% on completion of construction;
3. 10% upon final closing of the permanent mortgage loan.

The most recent sources and uses provided by the placement underwriter (Newman & Associates) reflect tax credit proceeds of only $4,751,201, but it is assumed the syndication factor has not changed as no new syndication commitment has been issued.

Deferred Developer's Fees: The Applicant originally proposed deferred developer's fees of $1,737,219, but the most recent sources and uses statement suggest this amount will increase to $1,941,923.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $600,679 annually for ten years, resulting in syndication proceeds of approximately $4,804,949. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $1,867,099. This amount can be reasonably projected to be repaid in just over 10 years. The Underwriter's aggregate debt coverage ratio is slightly below the 1.10 minimum guide which suggests the possible need to defer $15K of TDHCA administration and oversight fees in the first year. Acceptance of this possibility or a future minor reduction in the bond amount as determined through the mandatory redemption provisions of the bonds is a condition of this report. If such a reduction in the bond amount is made, it is estimated that the reduction will not exceed $200K and can easily be absorbed by an equal amount of additional deferred development fee. Such a deferral will add less than one year to the deferred developer fee repayment period.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive, with varied rooflines. All units are of average size for market rate and LIHTC units, they have covered patios or balconies and utility closets with hookups for full-size appliances.

Each unit has a private exterior entry. The units are in two-story structures with mixed brick veneer/wood siding exterior finish and hipped roofs.

IDENTITIES of INTEREST

The Developer, Dwayne Henson, is a .005% limited partner, owns 50% of the General Partner, and is the General Contractor. These are typical relationships in tax credit transactions.

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

Financial Highlights

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 50% owner of the General Partner, Resolution Real Estate Services, L.L.C. submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $543K and consisting of $72K in cash, $390K in accounts receivables, $45K in stocks and securities, and $36K in other assets. Liabilities totaled $86K, resulting in a net worth of $457K.
- The 50% owner of the General Partner Dwayne Henson Investments, Inc., submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $7.5M and consisting of $78K in cash, $5.6M in receivables, $110K in real property, $12K in machinery equipment and fixtures and 1.7M in other assets. Liabilities totaled $702K, resulting in a net worth of $6.8M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 50% owner of the General Partner, William D. Henson, has completed 11 LIHTC/affordable housing projects totaling 1,458 units since 1995.
- J. Steve Ford, the other 50% owner of the General Partner, has completed three LIHTC/affordable housing projects totaling 596 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The project may not achieve the minimum required debt coverage ratio of 1.10 in the first year of stabilized operation if the full amount of bonds are issued and bond fees are not waived.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF TAX-EXEMPT BONDS TOTALING $12.7M AS REQUESTED AND AN LIHTC ALLOCATION NOT TO EXCEED $600,679 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

1. Receipt, review, and acceptance of a survey or other documentation substantiating the additional 3,979 site square footage to be acquired.
2. TDHCA Board acceptance of the potential deferral of a significant portion of the first year's administration and oversight fees (up to $15K) in order to maintain a 1.10 DCR, or a potential mandatory redemption of up to $200,000 in bonds at stabilization if the Applicant's projections are not achieved.

Underwriter:	________________ *Carl Hoover*	**Date:**	January 7, 2002
Director of Credit Underwriting:	________________ *Tom Gouris*	**Date:**	January 7, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Ana

Millstone Apartments, MFB #2001-037/4% LIHTC #01455

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit		Rent per SF
TC (60%)MFB	64	1	1	680	$658	$574	$36,707	$0.84
TC (60%)MFB	8	1	1	681	658	574	4,588	0.84
TC (60%)MFB	8	1	1	777	658	574	4,588	0.74
TC (60%)MFB	28	2	2	957	790	682	19,091	0.71
TC (60%)MFB	32	2	2	975	790	682	21,818	0.70
TC (60%)MFB	28	2	2	1,053	790	682	19,091	0.65
TC (60%)MFB	32	2	2	1,071	790	682	21,818	0.64
TC (60%)MFB	3	3	2	1,137	912	779	2,338	0.69
TC (60%)MFB	21	3	2	1,140	912	779	16,364	0.68
TC (60%)MFB	24	3	2	1,236	912	779	18,702	0.63
TOTAL:	248		AVERAGE:	943	$771	$666	$165,106	$0.71

INCOME		Total Net Rentable Sq Ft:		233,951		TDHCA	APPLICANT	
POTENTIAL GROSS RENT						$1,981,268	$2,062,368	
Secondary Income				Per Unit Per Month:	$10.00	29,760	29,760	$10.00
Other Support Income: (describe)						0	0	
POTENTIAL GROSS INCOME						$2,011,028	$2,092,128	
Vacancy & Collection Loss				% of Potential Gross Income:	-7.50%	(150,827)	(156,912)	-7.50%
Employee or Other Non-Rental Units or Concessions						0	0	
EFFECTIVE GROSS INCOME						$1,860,201	$1,935,216	
EXPENSES			% OF EGI	PER UNIT	PER SQ FT			PER SQ FT
General & Administrative			4.69%	$352	$0.37	$87,238	$34,000	$0.15
Management			5.00%	375	0.40	93,010	95,971	0.41
Payroll & Payroll Tax			4.00%	300	0.32	74,463	139,940	0.60
Repairs & Maintenance			5.41%	406	0.43	100,589	92,250	0.39
Utilities			4.30%	322	0.34	79,898	61,750	0.26
Trash only			1.70%	127	0.14	31,605	24,000	0.10
Property Insurance			2.01%	151	0.16	37,432	32,450	0.14
Property Tax		3.41552	13.66%	1,025	1.09	254,115	265,839	1.14
Reserve for Replacements			2.67%	200	0.21	49,600	49,600	0.21
Other: Supportive Services, Security			2.21%	166	0.18	41,200	41,200	0.18
TOTAL EXPENSES			45.65%	$3,424	$3.63	$849,149	$837,000	$3.58
NET OPERATING INC			54.35%	$4,077	$4.32	$1,011,052	$1,098,216	$4.69
DEBT SERVICE								
Tax-exempt Senior Bonds			48.70%	$3,653	$3.87	$905,891	$900,351	$3.85
Trustee Fee			0.24%	$18	$0.02	$4,500	0	$0.00
TDHCA Admin. Fees			0.68%	$51	$0.05	12,700	0	$0.00
Asset Oversight & Compliance Fees			0.67%	$50	$0.05	12,400	6,200	$0.03
NET CASH FLOW			4.06%	$305	$0.32	$75,560	$191,665	$0.82
AGGREGATE DEBT COVERAGE RATIO						1.08	1.21	

BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.11		
BONDS-ONLY DEBT COVERAGE RATIO					1.12		

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT
Acquisition Cost (site or bldng)		9.62%	$7,425	$7.87	$1,841,457	$1,839,700	$7.86
Off-Sites		0.00%	0	0.00	0	0	0.00
Sitework		7.72%	5,958	6.32	1,477,567	1,477,567	6.32
Direct Construction		50.73%	39,154	41.51	9,710,211	9,393,543	40.15
Contingency	2.23%	1.31%	1,008	1.07	250,000	250,000	1.07
General Requirements	6.00%	3.51%	2,707	2.87	671,267	834,500	3.57
Contractor's G & A	1.98%	1.15%	891	0.94	221,000	221,000	0.94
Contractor's Profit	5.94%	3.47%	2,679	2.84	664,500	664,500	2.84
Indirect Construction		2.35%	1,810	1.92	449,000	449,000	1.92
Ineligible Expenses		1.37%	1,056	1.12	261,898	481,898	2.06
Developer's G & A	2.00%	1.52%	1,176	1.25	291,678	300,000	1.28
Developer's Profit	13.00%	9.91%	7,645	8.10	1,895,905	2,170,000	9.28
Interim Financing		5.96%	4,598	4.87	1,140,340	1,140,340	4.87
Reserves		1.38%	1,069	1.13	264,991	150,000	0.64
TOTAL COST		100.00%	$77,177	$81.81	$19,139,813	$19,372,048	$82.80
Recap-Hard Construction Costs		*67.89%*	***$52,397***	***$55.54***	*$12,994,544*	*$12,841,110*	***$54.89***

SOURCES OF FUNDS

Description		% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMEN
Tax-exempt Senior Bonds		52.04%	$40,161	$42.57	$9,960,000	$9,960,000	$9,960,000
Tax-exempt Subordinate Bonds		13.27%	$10,242	$10.86	$2,540,000	$2,540,000	$2,540,000
Taxable Senior Bonds		1.04%	$806	$0.85	$200,000	$200,000	$200,000
LIHTC Syndication Proceeds		24.83%	$19,160	$20.31	4,751,701	4,751,701	4,804,949
Deferred Developer's Fee		10.15%	$7,830	$8.30	1,941,924	1,941,924	1,867,099
Additional (excess) Funds Required		-1.33%	($1,023)	($1.08)	(253,812)	(21,577)	0
TOTAL SOURCES					$19,139,813	$19,372,048	$19,372,048

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Millstone Apartments, MFB #2001-037/4% LIHTC #01455

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.65	$9,510,903
Adjustments				
Exterior Wall Finish	4.50%		$1.83	$427,991
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(229,272)
Floor Cover			1.82	425,791
Porches/Balconies	$28.10	22,928	2.75	644,277
Plumbing	$585	504	1.26	294,840
Built-In Appliances	$1,550	248	1.64	384,400
Interior Stairs	$865	92	0.34	79,580
Exterior Stairs	1350	32	0.18	43,200
Heating/Cooling			1.41	329,871
Garages/Carports	$11.23	49,600	2.38	557,008
Comm &/or Aux bldngs	$54.23	4,595	1.07	249,185
Other:			0.00	0
SUBTOTAL			54.36	12,717,773

PAYMENT COM

Primary	$12,700,000
Int Rate	5.92%
Secondary	
Int Rate	
Additional	
Int Rate	

ALTERNATIVE FINANC

Primary Debt Service

Trustee Fee

TDHCA Fees

NET CASH FLOW

Primary	$12,700,000
Int Rate	5.91%

Current Cost Multiplier	1.02		1.09	254,355	Secondary	
Local Multiplier	0.92		(4.35)	(1,017,422)	Int Rate	
TOTAL DIRECT CONSTRUCTION COSTS			$51.10	$11,954,707		
Plans, specs, survy, bld prmts	3.90%		($1.99)	($466,234)	Additional	
Interim Construction Interest	3.38%		(1.72)	(403,471)	Int Rate	
Contractor's OH & Profit	11.50%		(5.88)	(1,374,791)		
NET DIRECT CONSTRUCTION COSTS			$41.51	$9,710,211		

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTU

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS RENT		$1,981,268	$2,040,706	$2,101,927	$2,164,985	$2,229,935	$2,585,106	$2,996,846
Secondary Income		29,760	30,653	31,572	32,520	33,495	38,830	45,015
Other Support Income: (describe)		0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,011,028	2,071,359	2,133,500	2,197,505	2,263,430	2,623,936	3,041,861
Vacancy & Collection Loss		(150,827)	(155,352)	(160,012)	(164,813)	(169,757)	(196,795)	(228,140)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$1,860,201	$1,916,007	$1,973,487	$2,032,692	$2,093,673	$2,427,140	$2,813,721
EXPENSES at	4.00%							
General & Administrative		$87,238	$90,728	$94,357	$98,131	$102,056	$124,167	$151,068
Management		93,010	95,800	98,674	101,635	104,684	121,357	140,686
Payroll & Payroll Tax		74,463	77,441	80,539	83,760	87,111	105,984	128,945
Repairs & Maintenance		100,589	104,613	108,797	113,149	117,675	143,169	174,188
Utilities		79,898	83,093	86,417	89,874	93,469	113,719	138,357
Water, Sewer & Trash		31,605	32,869	34,184	35,551	36,974	44,984	54,730
Insurance		37,432	38,929	40,487	42,106	43,790	53,278	64,820
Property Tax		254,115	264,279	274,850	285,844	297,278	361,684	440,044
Reserve for Replacements		49,600	51,584	53,647	55,793	58,025	70,596	85,891
Other		41,200	42,848	44,562	46,344	48,198	58,640	71,345
TOTAL EXPENSES		$849,149	$882,185	$916,515	$952,188	$989,260	$1,197,579	$1,450,075
NET OPERATING INCOME		$1,011,052	$1,033,822	$1,056,973	$1,080,503	$1,104,413	$1,229,561	$1,363,646
DEBT SERVICE								
First Lien Financing		$905,302	$905,302	$905,302	$905,302	$905,302	$905,302	$905,302
Trustee Fee		3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees		12,700	12,542	12,373	12,195	12,006	10,873	9,352
Asset Oversight & 111Compliance Fees		12,400	12,896	13,412	13,948	14,506	17,649	21,473
Cash Flow		77,149	99,582	122,385	145,558	169,098	292,237	424,020
AGGREGATE DCR		1.08	1.11	1.13	1.16	1.18	1.31	1.45

LIHTC Allocation Calculation - Millstone Apartments, MFB #2001-037/4% LIHTC #01455

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NE ELIGIBLE B
(1) Acquisition Cost				
Purchase of land	$1,839,700	$1,841,457		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,477,567	$1,477,567	$1,477,567	$1,47
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,393,543	$9,710,211	$9,393,543	$9,71
(4) Contractor Fees & General Requirements				
Contractor overhead	$221,000	$221,000	$217,422	$22
Contractor profit	$664,500	$664,500	$652,267	$66
General requirements	$834,500	$671,267	$652,267	$67
(5) Contingencies	$250,000	$250,000	$250,000	$25
(6) Eligible Indirect Fees	$449,000	$449,000	$449,000	$44
(7) Eligible Financing Fees	$1,140,340	$1,140,340	$1,140,340	$1,14
(8) All Ineligible Costs	$481,898	$261,898		
(9) Developer Fees			$2,134,861	
Developer overhead	$300,000	$291,678		$29
Developer fee	$2,170,000	$1,895,905		$1,89
(10) Development Reserves	$150,000	$264,991		
TOTAL DEVELOPMENT COSTS	$19,372,048	$19,139,813	$16,367,266	$16,77

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		$16,367,266	$16,77
High Cost Area Adjustment		100%	
TOTAL ADJUSTED BASIS		$16,367,266	$16,77
Applicable Fraction		100%	
TOTAL QUALIFIED BASIS		$16,367,266	$16,77
Applicable Percentage		3.67%	
TOTAL AMOUNT OF TAX CREDITS		$600,679	$61
Syndication Proceeds	**0.7999**	**$4,804,949**	**$4,92**

$12,700,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

Series 2002

(Millstone Apartments)

Combined Senior Lien Bonds

Date	Principal	Pay Factor	Interest & Expenses	Total	Annual Debt Serv.	Outstanding Bonds
1/30/02						10,160,000
6/1/02	0	6.010%	197,828.61	197,828.61		10,160,000
12/1/02	0	6.010%	294,290.50	294,290.50	492,119	10,160,000
6/1/03	0	6.010%	294,290.50	294,290.50		10,160,000
12/1/03	0	6.010%	294,290.50	294,290.50	588,581	10,160,000
6/1/04	0	6.010%	294,290.50	294,290.50		10,160,000
12/1/04	0	6.010%	294,290.50	294,290.50	588,581	10,160,000
6/1/05	60,000	6.010%	294,290.50	354,290.50		10,100,000
12/1/05	65,000	6.010%	292,637.50	357,637.50	711,928	10,035,000
6/1/06	65,000	6.010%	290,846.75	355,846.75		9,970,000
12/1/06	65,000	6.010%	289,056.00	354,056.00	709,903	9,905,000
6/1/07	65,000	6.010%	287,127.75	352,127.75		9,840,000
12/1/07	70,000	6.010%	285,174.50	355,174.50	707,302	9,770,000
6/1/08	75,000	6.010%	283,071.00	358,071.00		9,695,000
12/1/08	70,000	6.010%	280,817.25	350,817.25	708,888	9,625,000
6/1/09	80,000	6.010%	278,713.75	358,713.75		9,545,000
12/1/09	75,000	6.010%	276,309.75	351,309.75	710,024	9,470,000
6/1/10	80,000	6.010%	274,056.00	354,056.00		9,390,000
12/1/10	85,000	6.010%	271,652.00	356,652.00	710,708	9,305,000
6/1/11	85,000	6.010%	269,097.75	354,097.75		9,220,000
12/1/11	90,000	6.010%	266,543.50	356,543.50	710,641	9,130,000
6/1/12	90,000	6.010%	263,839.00	353,839.00		9,040,000
12/1/12	95,000	6.010%	261,134.50	356,134.50	709,974	8,945,000
6/1/13	95,000	6.010%	258,279.75	353,279.75		8,850,000
12/1/13	100,000	6.010%	255,425.00	355,425.00	708,705	8,750,000
6/1/14	100,000	6.010%	252,420.00	352,420.00		8,650,000
12/1/14	105,000	6.010%	249,415.00	354,415.00	706,835	8,545,000
6/1/15	110,000	6.010%	246,259.75	356,259.75		8,435,000
12/1/15	110,000	6.010%	242,954.25	352,954.25	709,214	8,325,000
6/1/16	115,000	6.010%	239,648.75	354,648.75		8,210,000
12/1/16	120,000	6.010%	236,193.00	356,193.00	710,842	8,090,000
6/1/17	125,000	6.010%	232,587.00	357,587.00		7,965,000
12/1/17	125,000	6.010%	228,830.75	353,830.75	711,418	7,840,000
6/1/18	130,000	6.010%	225,074.50	355,074.50		7,710,000
12/1/18	135,000	6.010%	221,168.00	356,168.00	711,243	7,575,000
6/1/19	135,000	6.010%	217,111.25	352,111.25		7,440,000
12/1/19	140,000	6.010%	213,054.50	353,054.50	705,166	7,300,000
6/1/20	150,000	6.010%	208,847.50	358,847.50		7,150,000
12/1/20	150,000	6.010%	204,340.00	354,340.00	713,188	7,000,000
6/1/21	155,000	6.010%	199,832.50	354,832.50		6,845,000
12/1/21	160,000	6.010%	195,174.75	355,174.75	710,007	6,685,000
6/1/22	160,000	6.010%	190,366.75	350,366.75		6,525,000
12/1/22	170,000	6.010%	185,558.75	355,558.75	705,926	6,355,000
6/1/23	175,000	6.010%	180,450.25	355,450.25		6,180,000
12/1/23	180,000	6.010%	175,191.50	355,191.50	710,642	6,000,000

6/1/24	185,000	6.010%	169,782.50	354,782.50		5,815,000
12/1/24	190,000	6.010%	164,223.25	354,223.25	709,006	5,625,000
6/1/25	195,000	6.010%	158,513.75	353,513.75		5,430,000
12/1/25	205,000	6.010%	152,654.00	357,654.00	711,168	5,225,000
6/1/26	210,000	6.010%	146,493.75	356,493.75		5,015,000
12/1/26	210,000	6.010%	140,183.25	350,183.25	706,677	4,805,000
6/1/27	225,000	6.010%	133,872.75	358,872.75		4,580,000
12/1/27	225,000	6.010%	127,111.50	352,111.50	710,984	4,355,000
6/1/28	235,000	6.010%	120,350.25	355,350.25		4,120,000
12/1/28	240,000	6.010%	113,288.50	353,288.50	708,639	3,880,000
6/1/29	250,000	6.010%	106,076.50	356,076.50		3,630,000
12/1/29	255,000	6.010%	98,564.00	353,564.00	709,641	3,375,000
6/1/30	265,000	6.010%	90,901.25	355,901.25		3,110,000
12/1/30	285,000	6.010%	82,938.00	367,938.00	723,839	2,825,000
6/1/31	270,000	6.010%	74,373.75	344,373.75		2,555,000
12/1/31	295,000	6.010%	66,260.25	361,260.25	705,634	2,260,000
6/1/32	290,000	6.010%	57,395.50	347,395.50		1,970,000
12/1/32	310,000	6.010%	48,681.00	358,681.00	706,077	1,660,000
6/1/33	310,000	6.010%	39,365.50	349,365.50		1,350,000
12/1/33	325,000	6.010%	30,050.00	355,050.00	704,416	1,025,000
6/1/34	330,000	6.010%	20,283.75	350,283.75	705,334	695,000
12/1/34	345,000	6.010%	10,367.25	355,367.25		350,000
12/1/34	350,000	6.010%	10,517.50	360,517.50	710,801	345,000
Totals	10,160,000		13,154,080	23,314,080	23,664,046	

$12,700,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

Series 2002

(Millstone Apartments)

Senior Lien Tax Exempt Bonds

Date	Principal	Pay Factor	Interest & Expenses	Total	Annual Debt Serv.	Outstanding Bonds
1/30/02						9,960,000
6/1/02	0	6.010%	194,124.67	194,124.67		9,960,000
12/1/02	0	6.010%	288,780.50	288,780.50	482,905	9,960,000
6/1/03	0	6.010%	288,780.50	288,780.50		9,960,000
12/1/03	0	6.010%	288,780.50	288,780.50	577,561	9,960,000
6/1/04	0	6.010%	288,780.50	288,780.50		9,960,000
12/1/04	0	6.010%	288,780.50	288,780.50	577,561	9,960,000
6/1/05	0	6.010%	288,780.50	288,780.50		9,960,000
12/1/05	0	6.010%	288,780.50	288,780.50	577,561	9,960,000
6/1/06	0	6.010%	288,780.50	288,780.50		9,960,000
12/1/06	55,000	6.010%	288,780.50	343,780.50	632,561	9,905,000
6/1/07	65,000	6.010%	287,127.75	352,127.75		9,840,000
12/1/07	70,000	6.010%	285,174.50	355,174.50	707,302	9,770,000
6/1/08	75,000	6.010%	283,071.00	358,071.00		9,695,000
12/1/08	70,000	6.010%	280,817.25	350,817.25	708,888	9,625,000
6/1/09	80,000	6.010%	278,713.75	358,713.75		9,545,000
12/1/09	75,000	6.010%	276,309.75	351,309.75	710,024	9,470,000
6/1/10	80,000	6.010%	274,056.00	354,056.00		9,390,000
12/1/10	85,000	6.010%	271,652.00	356,652.00	710,708	9,305,000
6/1/11	85,000	6.010%	269,097.75	354,097.75		9,220,000
12/1/11	90,000	6.010%	266,543.50	356,543.50	710,641	9,130,000
6/1/12	90,000	6.010%	263,839.00	353,839.00		9,040,000
12/1/12	95,000	6.010%	261,134.50	356,134.50	709,974	8,945,000
6/1/13	95,000	6.010%	258,279.75	353,279.75		8,850,000
12/1/13	100,000	6.010%	255,425.00	355,425.00	708,705	8,750,000
6/1/14	100,000	6.010%	252,420.00	352,420.00		8,650,000
12/1/14	105,000	6.010%	249,415.00	354,415.00	706,835	8,545,000
6/1/15	110,000	6.010%	246,259.75	356,259.75		8,435,000
12/1/15	110,000	6.010%	242,954.25	352,954.25	709,214	8,325,000
6/1/16	115,000	6.010%	239,648.75	354,648.75		8,210,000
12/1/16	120,000	6.010%	236,193.00	356,193.00	710,842	8,090,000
6/1/17	125,000	6.010%	232,587.00	357,587.00		7,965,000
12/1/17	125,000	6.010%	228,830.75	353,830.75	711,418	7,840,000
6/1/18	130,000	6.010%	225,074.50	355,074.50		7,710,000
12/1/18	135,000	6.010%	221,168.00	356,168.00	711,243	7,575,000
6/1/19	135,000	6.010%	217,111.25	352,111.25		7,440,000
12/1/19	140,000	6.010%	213,054.50	353,054.50	705,166	7,300,000
6/1/20	150,000	6.010%	208,847.50	358,847.50		7,150,000
12/1/20	150,000	6.010%	204,340.00	354,340.00	713,188	7,000,000
6/1/21	155,000	6.010%	199,832.50	354,832.50		6,845,000
12/1/21	160,000	6.010%	195,174.75	355,174.75	710,007	6,685,000
6/1/22	160,000	6.010%	190,366.75	350,366.75		6,525,000
12/1/22	170,000	6.010%	185,558.75	355,558.75	705,926	6,355,000
6/1/23	175,000	6.010%	180,450.25	355,450.25		6,180,000

12/1/23	180,000	6.010%	175,191.50	355,191.50	710,642	6,000,000
6/1/24	185,000	6.010%	169,782.50	354,782.50		5,815,000
12/1/24	190,000	6.010%	164,223.25	354,223.25	709,006	5,625,000
6/1/25	195,000	6.010%	158,513.75	353,513.75		5,430,000
12/1/25	205,000	6.010%	152,654.00	357,654.00	711,168	5,225,000
6/1/26	210,000	6.010%	146,493.75	356,493.75		5,015,000
12/1/26	210,000	6.010%	140,183.25	350,183.25	706,677	4,805,000
6/1/27	225,000	6.010%	133,872.75	358,872.75		4,580,000
12/1/27	225,000	6.010%	127,111.50	352,111.50	710,984	4,355,000
6/1/28	235,000	6.010%	120,350.25	355,350.25		4,120,000
12/1/28	240,000	6.010%	113,288.50	353,288.50	708,639	3,880,000
6/1/29	250,000	6.010%	106,076.50	356,076.50		3,630,000
12/1/29	255,000	6.010%	98,564.00	353,564.00	709,641	3,375,000
6/1/30	265,000	6.010%	90,901.25	355,901.25		3,110,000
12/1/30	285,000	6.010%	82,938.00	367,938.00	723,839	2,825,000
6/1/31	270,000	6.010%	74,373.75	344,373.75		2,555,000
12/1/31	295,000	6.010%	66,260.25	361,260.25	705,634	2,260,000
6/1/32	290,000	6.010%	57,395.50	347,395.50		1,970,000
12/1/32	310,000	6.010%	48,681.00	358,681.00	706,077	1,660,000
6/1/33	310,000	6.010%	39,365.50	349,365.50		1,350,000
12/1/33	325,000	6.010%	30,050.00	355,050.00	704,416	1,025,000
6/1/34	330,000	6.010%	20,283.75	350,283.75		695,000
12/1/34	345,000	6.010%	10,367.25	355,367.25	705,651	350,000
6/1/35	350,000	6.010%	10,517.50	360,517.50	360,518	2,205,000
Totals	9,960,000		13,111,117	23,071,117	23,071,117	

$12,700,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

Series 2002

(Millstone Apartments)

Senior Lien Taxable Bonds

Date	Principal	Pay Factor	Interest & Expenses	Total	Annual Debt Serv.	Outstanding Bonds
1/30/02						200,000
6/1/02	0	5.510%	3,703.94	3,703.94		200,000
12/1/02	0	5.510%	5,510.00	5,510.00	9,214	200,000
6/1/03	0	5.510%	5,510.00	5,510.00		200,000
12/1/03	0	5.510%	5,510.00	5,510.00	11,020	200,000
6/1/04	0	5.510%	5,510.00	5,510.00		200,000
12/1/04	0	5.510%	5,510.00	5,510.00	11,020	200,000
6/1/05	60,000	5.510%	5,510.00	65,510.00		140,000
12/1/05	65,000	5.510%	3,857.00	68,857.00	134,367	75,000
6/1/06	65,000	5.510%	2,066.25	67,066.25		10,000
12/1/06	10,000	5.510%	275.50	10,275.50	77,342	0
6/1/07	0	5.510%	0.00	0.00		0
12/1/07	0	5.510%	0.00	0.00	0	0
6/1/08	0	5.510%	0.00	0.00		0
12/1/08	0	5.510%	0.00	0.00	0	0
6/1/09	0	5.510%	0.00	0.00		0
12/1/09	0	5.510%	0.00	0.00	0	0
6/1/10	0	5.510%	0.00	0.00		0
12/1/10	0	5.510%	0.00	0.00	0	0
6/1/11	0	5.510%	0.00	0.00		0
12/1/11	0	5.510%	0.00	0.00	0	0
6/1/12	0	5.510%	0.00	0.00		0
12/1/12	0	5.510%	0.00	0.00	0	0
6/1/13	0	5.510%	0.00	0.00		0
12/1/13	0	5.510%	0.00	0.00	0	0
6/1/14	0	5.510%	0.00	0.00		0
12/1/14	0	5.510%	0.00	0.00	0	0
6/1/15	0	5.510%	0.00	0.00		0
12/1/15	0	5.510%	0.00	0.00	0	0
6/1/16	0	5.510%	0.00	0.00		0
12/1/16	0	5.510%	0.00	0.00	0	0
6/1/17	0	5.510%	0.00	0.00		0
12/1/17	0	5.510%	0.00	0.00	0	0
6/1/18	0	5.510%	0.00	0.00		0
12/1/18	0	5.510%	0.00	0.00	0	0
6/1/19	0	5.510%	0.00	0.00		0
12/1/19	0	5.510%	0.00	0.00	0	0
6/1/20	0	5.510%	0.00	0.00		0
12/1/20	0	5.510%	0.00	0.00	0	0
6/1/21	0	5.510%	0.00	0.00		0
12/1/21	0	5.510%	0.00	0.00	0	0
6/1/22	0	5.510%	0.00	0.00		0
12/1/22	0	5.510%	0.00	0.00	0	0
6/1/23	0	5.510%	0.00	0.00		0

	12/1/23	0	5.510%	0.00	0.00	0	0	
	6/1/24	0	5.510%	0.00	0.00		0	
	12/1/24	0	5.510%	0.00	0.00	0	0	
	6/1/25	0	5.510%	0.00	0.00		0	
	12/1/25	0	5.510%	0.00	0.00	0	0	
	6/1/26	0	5.510%	0.00	0.00		0	
	12/1/26	0	5.510%	0.00	0.00	0	0	
	6/1/27	0	5.510%	0.00	0.00		0	
	12/1/27	0	5.510%	0.00	0.00	0	0	
	6/1/28	0	5.510%	0.00	0.00		0	
	12/1/28	0	5.510%	0.00	0.00	0	0	
	6/1/29	0	5.510%	0.00	0.00		0	
	12/1/29	0	5.510%	0.00	0.00	0	0	
	6/1/30	0	5.510%	0.00	0.00		0	
	12/1/30	0	5.510%	0.00	0.00	0	0	
	6/1/31	0	5.510%	0.00	0.00		0	
	12/1/31	0	5.510%	0.00	0.00	0	0	
	6/1/32	0	5.510%	0.00	0.00		0	
	12/1/32	0	5.510%	0.00	0.00	0	0	
	6/1/33	0	5.510%	0.00	0.00		0	
	12/1/33	0	5.510%	0.00	0.00	0	0	
	6/1/34	0	5.510%	0.00	0.00		0	
	12/1/34	0	5.510%	0.00	0.00	0	0	
	6/1/35	0	5.510%	0.00	0.00	0	0	
	Totals	200,000		42,963	242,963	242,963		

$12,700,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

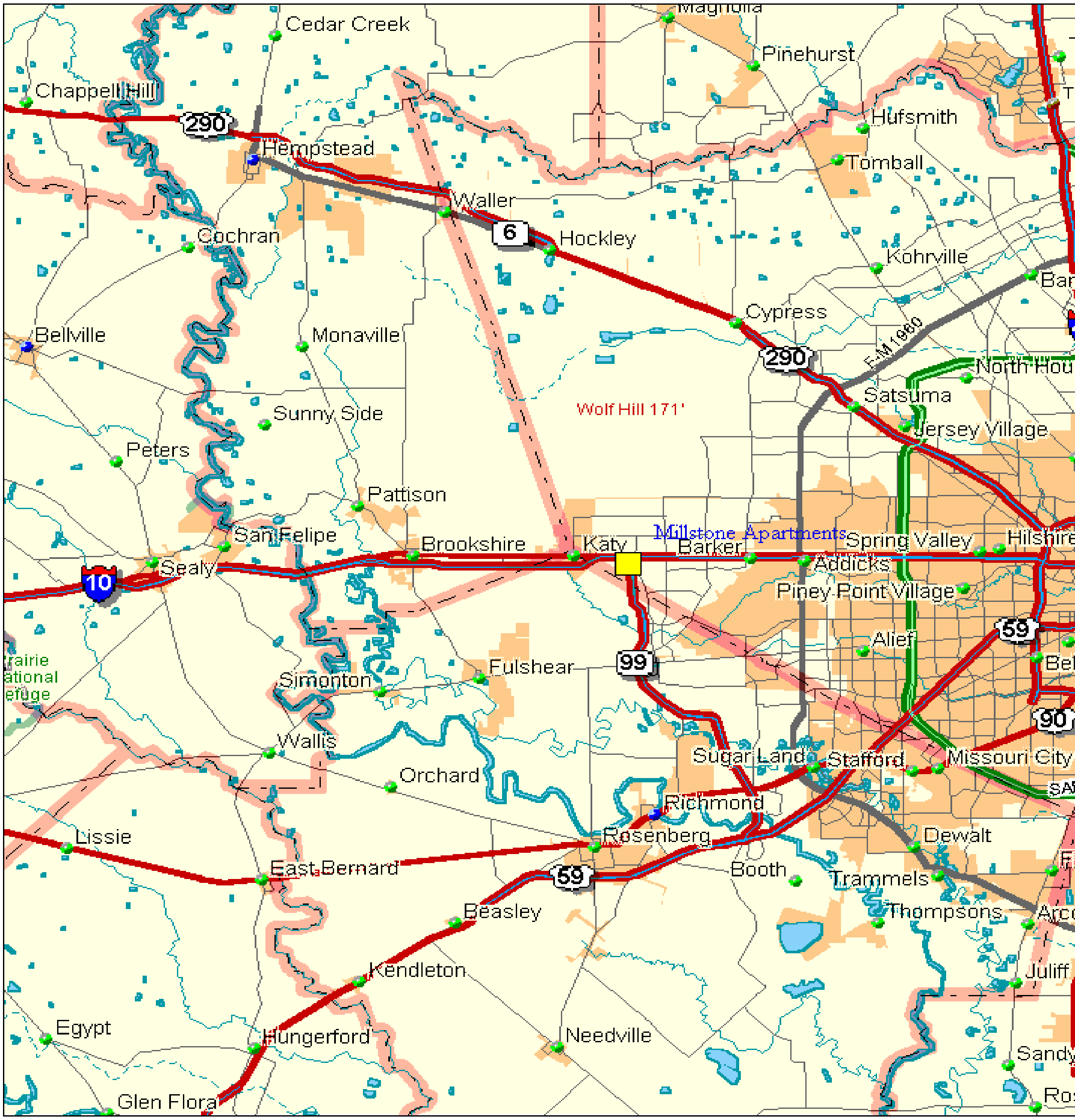
Series 2002

(Millstone Apartments)

Subordinate Lien Bonds

Date	Principal	Pay Factor	Interest	Total	Annual Debt Serv.	Outstanding Bonds
1/30/02						2,540,000
5/1/02	0	6.010%	49,591.68	49,591.68		2,540,000
11/1/02	0	6.010%	73,772.75	73,772.75	123,364	2,540,000
5/1/03	0	6.010%	73,772.75	73,772.75		2,540,000
11/1/03	0	6.010%	73,772.75	73,772.75	147,546	2,540,000
5/1/04	0	6.010%	73,772.75	73,772.75		2,540,000
11/1/04	0	6.010%	73,772.75	73,772.75	147,546	2,540,000
5/1/05	15,000	6.010%	73,772.75	88,772.75		2,525,000
11/1/05	15,000	6.010%	73,322.00	88,322.00	177,095	2,510,000
5/1/06	20,000	6.010%	72,871.25	92,871.25		2,490,000
11/1/06	15,000	6.010%	72,270.25	87,270.25	180,142	2,475,000
5/1/07	15,000	6.010%	71,819.50	86,819.50		2,460,000
11/1/07	20,000	6.010%	71,368.75	91,368.75	178,188	2,440,000
5/1/08	15,000	6.010%	70,767.75	85,767.75		2,425,000
11/1/08	20,000	6.010%	70,317.00	90,317.00	176,085	2,405,000
5/1/09	20,000	6.010%	69,716.00	89,716.00		2,385,000
11/1/09	20,000	6.010%	69,115.00	89,115.00	178,831	2,365,000
5/1/10	20,000	6.010%	68,514.00	88,514.00		2,345,000
11/1/10	20,000	6.010%	67,913.00	87,913.00	176,427	2,325,000
5/1/11	25,000	6.010%	67,312.00	92,312.00		2,300,000
11/1/11	20,000	6.010%	66,560.75	86,560.75	178,873	2,280,000
5/1/12	25,000	6.010%	65,959.75	90,959.75		2,255,000
11/1/12	20,000	6.010%	65,208.50	85,208.50	176,168	2,235,000
5/1/13	25,000	6.010%	64,607.50	89,607.50		2,210,000
11/1/13	25,000	6.010%	63,856.25	88,856.25	178,464	2,185,000
5/1/14	25,000	6.010%	63,105.00	88,105.00		2,160,000
11/1/14	30,000	6.010%	62,353.75	92,353.75	180,459	2,130,000
5/1/15	25,000	6.010%	61,452.25	86,452.25		2,105,000
11/1/15	30,000	6.010%	60,701.00	90,701.00	177,153	2,075,000
5/1/16	30,000	6.010%	59,799.50	89,799.50		2,045,000
11/1/16	30,000	6.010%	58,898.00	88,898.00	178,698	2,015,000
5/1/17	30,000	6.010%	57,996.50	87,996.50		1,985,000
11/1/17	30,000	6.010%	57,095.00	87,095.00	175,092	1,955,000
5/1/18	35,000	6.010%	56,193.50	91,193.50		1,920,000
11/1/18	30,000	6.010%	55,141.75	85,141.75	176,335	1,890,000
5/1/19	35,000	6.010%	54,240.25	89,240.25		1,855,000
11/1/19	35,000	6.010%	53,188.50	88,188.50	177,429	1,820,000
5/1/20	40,000	6.010%	52,136.75	92,136.75		1,780,000
11/1/20	35,000	6.010%	50,934.75	85,934.75	178,072	1,745,000
5/1/21	40,000	6.010%	49,883.00	89,883.00		1,705,000
11/1/21	40,000	6.010%	48,681.00	88,681.00	178,564	1,665,000
5/1/22	45,000	6.010%	47,479.00	92,479.00		1,620,000
11/1/22	40,000	6.010%	46,126.75	86,126.75	178,606	1,580,000
5/1/23	45,000	6.010%	44,924.75	89,924.75		1,535,000

11/1/23	45,000	6.010%	43,572.50	88,572.50	178,497	1,490,000
5/1/24	45,000	6.010%	42,220.25	87,220.25		1,445,000
11/1/24	50,000	6.010%	40,868.00	90,868.00	178,088	1,395,000
5/1/25	50,000	6.010%	39,365.50	89,365.50		1,345,000
11/1/25	50,000	6.010%	37,863.00	87,863.00	177,229	1,295,000
5/1/26	55,000	6.010%	36,360.50	91,360.50		1,240,000
11/1/26	50,000	6.010%	34,707.75	84,707.75	176,068	1,190,000
5/1/27	60,000	6.010%	33,205.25	93,205.25		1,130,000
11/1/27	55,000	6.010%	31,402.25	86,402.25	179,608	1,075,000
5/1/28	60,000	6.010%	29,749.50	89,749.50		1,015,000
11/1/28	60,000	6.010%	27,946.50	87,946.50	177,696	955,000
5/1/29	65,000	6.010%	26,143.50	91,143.50		890,000
11/1/29	65,000	6.010%	24,190.25	89,190.25	180,334	825,000
5/1/30	65,000	6.010%	22,237.00	87,237.00		760,000
11/1/30	70,000	6.010%	20,283.75	90,283.75	177,521	690,000
5/1/31	65,000	6.010%	18,180.25	83,180.25		625,000
11/1/31	75,000	6.010%	16,227.00	91,227.00	174,407	550,000
5/1/32	70,000	6.010%	13,973.25	83,973.25		480,000
11/1/32	75,000	6.010%	11,869.75	86,869.75	170,843	405,000
5/1/33	75,000	6.010%	9,616.00	84,616.00		330,000
11/1/33	80,000	6.010%	7,362.25	87,362.25	171,978	250,000
5/1/34	80,000	6.010%	4,958.25	84,958.25		170,000
11/1/34	85,000	6.010%	2,554.25	87,554.25	172,513	85,000
5/1/35	85,000	6.010%	2,554.25	87,554.25	87,554	540,000
Totals	2,540,000		3,281,469	5,821,469	5,821,469	



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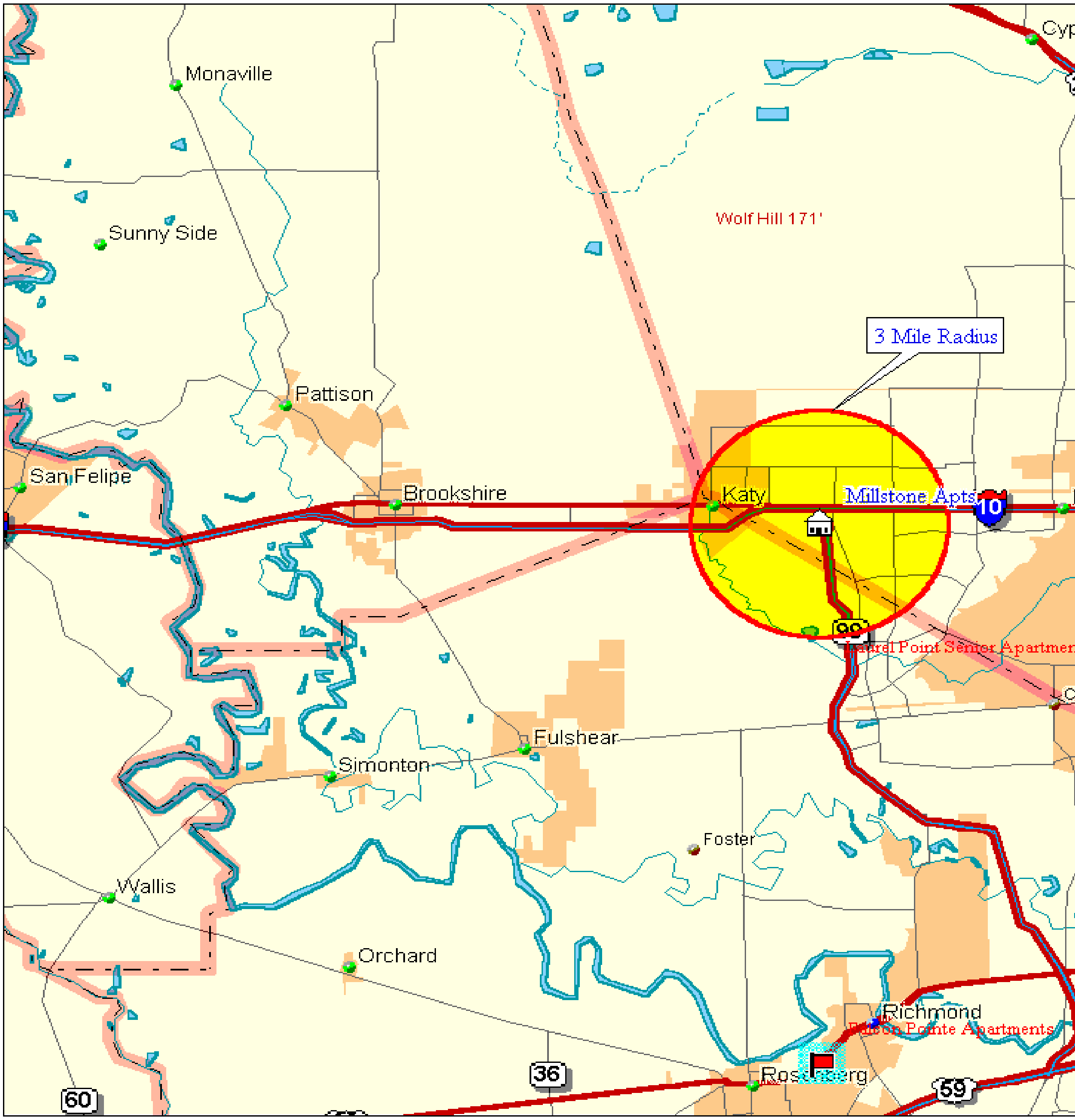

© 2000 [illegible]; © 2000 GDT, Inc., Rel. 04/2000
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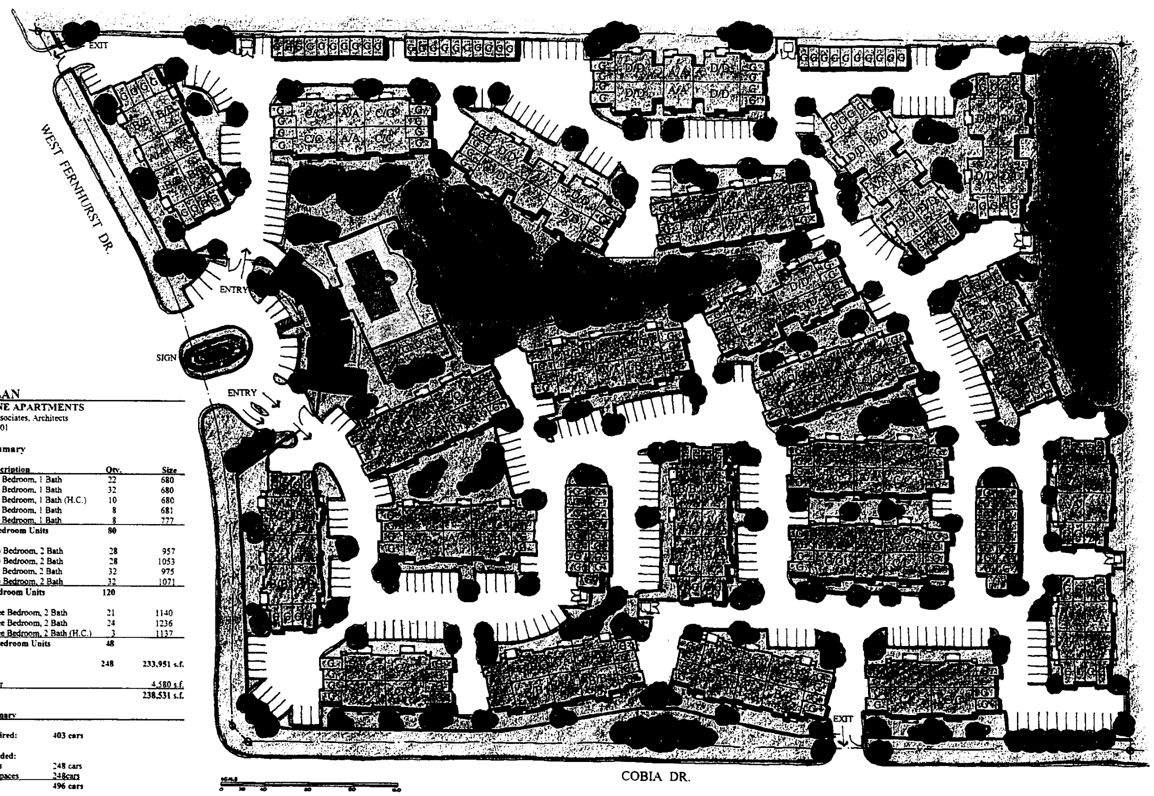


SITE PLAN

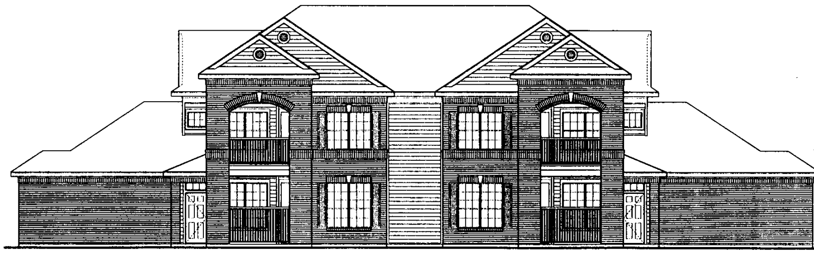
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
October 22, 2001

Project Summary

Type	Description	Qty.	Size
A1	One Bedroom, 1 Bath	22	680
A2	One Bedroom, 1 Bath	32	680
A3	One Bedroom, 1 Bath (H.C.)	10	680
A4	One Bedroom, 1 Bath	8	681
A5	One Bedroom, 1 Bath	8	777
Total	**One Bedroom Units**	**80**	
B1	Two Bedroom, 2 Bath	28	957
B2	Two Bedroom, 2 Bath	28	1053
C1	Two Bedroom, 2 Bath	32	975
C2	Two Bedroom, 2 Bath	32	1071
Total Two Bedroom Units		**120**	
D1	Three Bedroom, 2 Bath	21	1140
D2	Three Bedroom, 2 Bath	24	1236
D3	Three Bedroom, 2 Bath (H.C.)	3	1137
Total Three Bedroom Units		**48**	
Total Units		**248**	**233,951 s.f.**
Amenity Center			4,580 s.f.
Project Total			**238,531 s.f.**

Parking Summary

Parking Required:		**403 cars**
Parking Provided:		
	Garages	248 cars
	Open Spaces	248cars
	Total	**496 cars**



BUILDING TYPE 1 - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

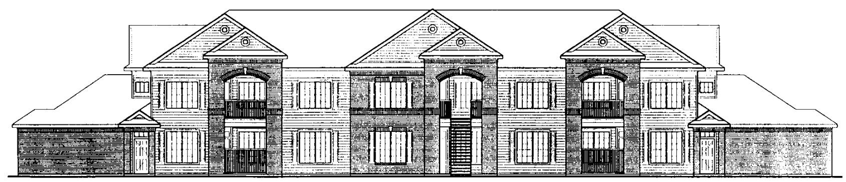
October 24, 2001

BUILDING TYPE 2 - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

October 24, 2001

BUILDING TYPE 3 - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

October 24, 2001

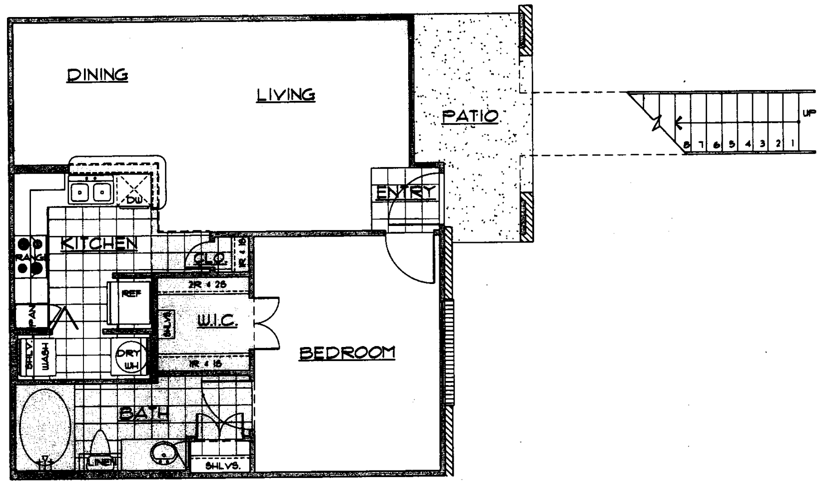


BUILDING TYPE 4 - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

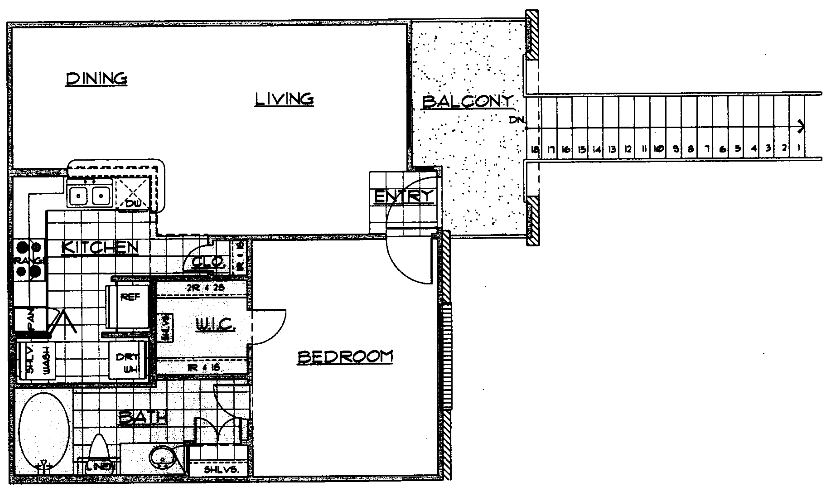
October 24, 2001

BUILDING TYPE 5 - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

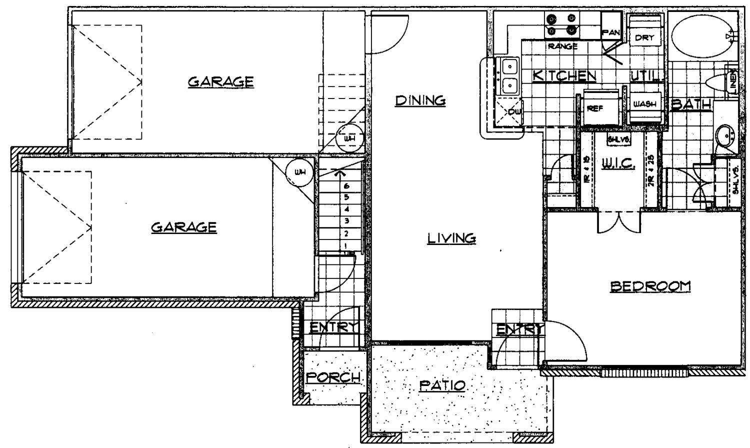
October 24, 2001



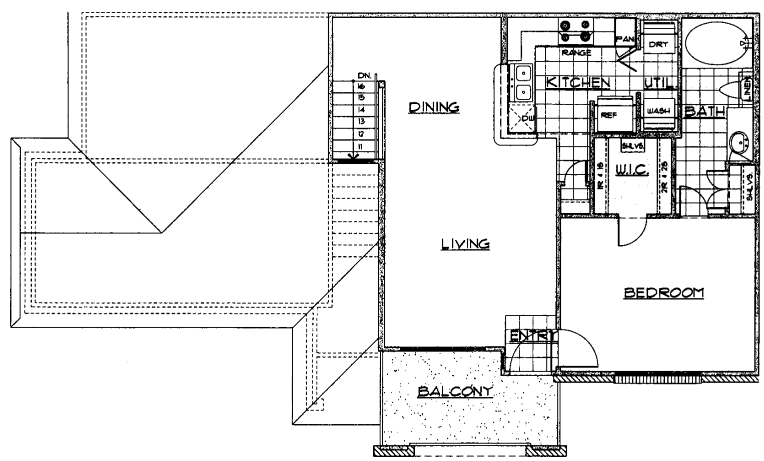
UNIT "A1": One Bedroom, 1 Bath 680 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



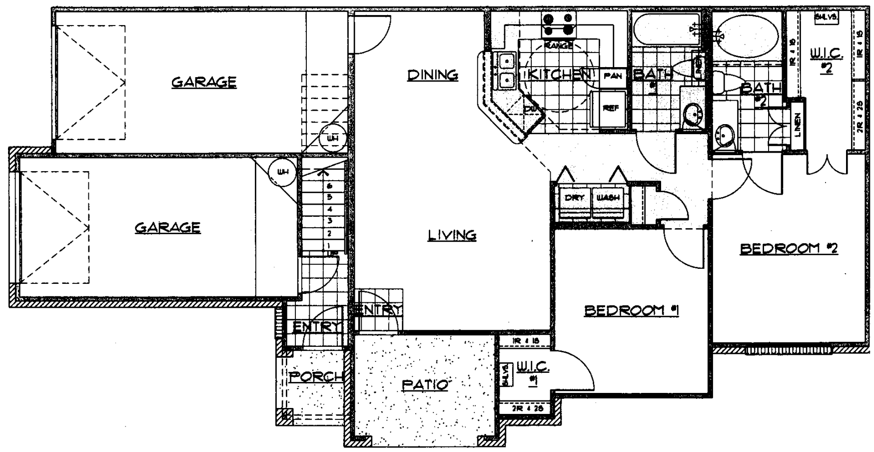
UNIT "A2": One Bedroom, 1 Bath 680 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



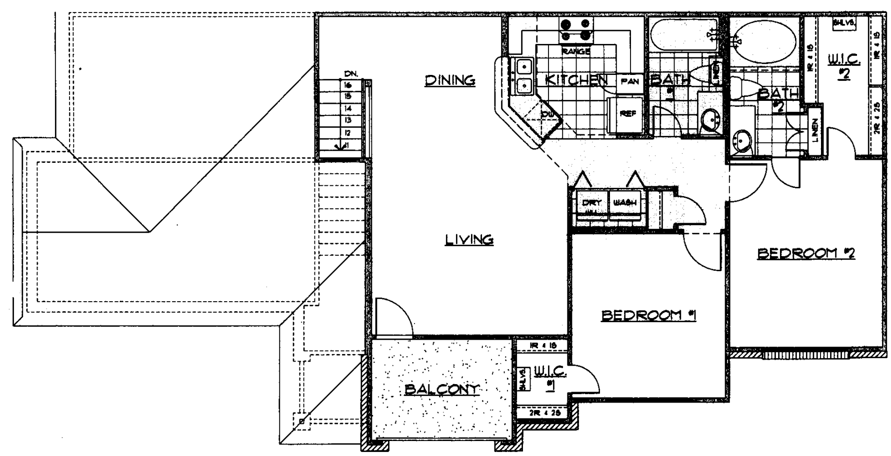
UNIT "A4": One Bedroom, 1 Bath 681 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



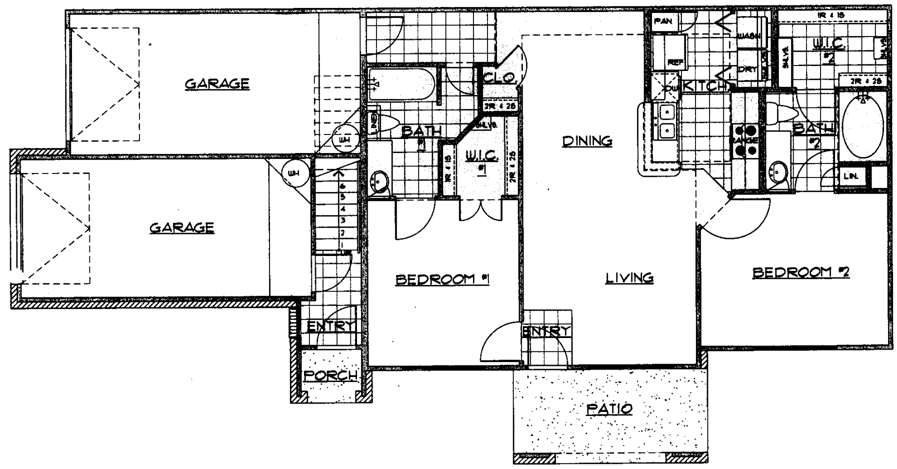
UNIT "A5": One Bedroom, 1 Bath 777 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



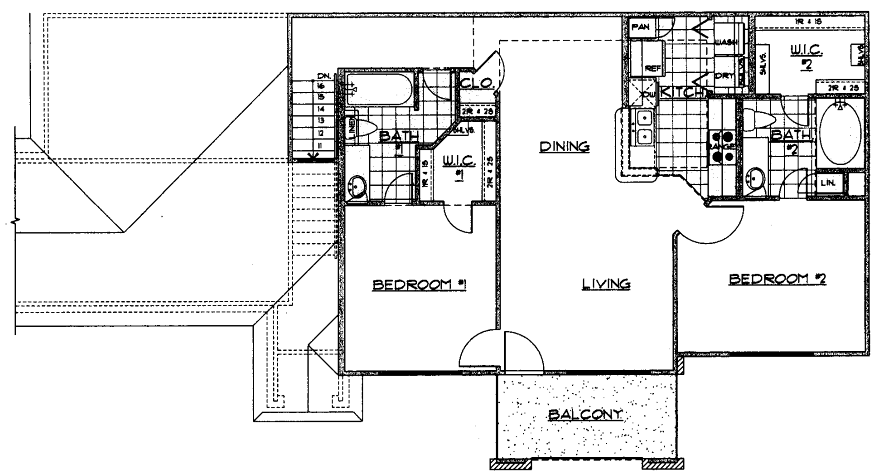
UNIT "B1": Two Bedroom, 2 Bath 957 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



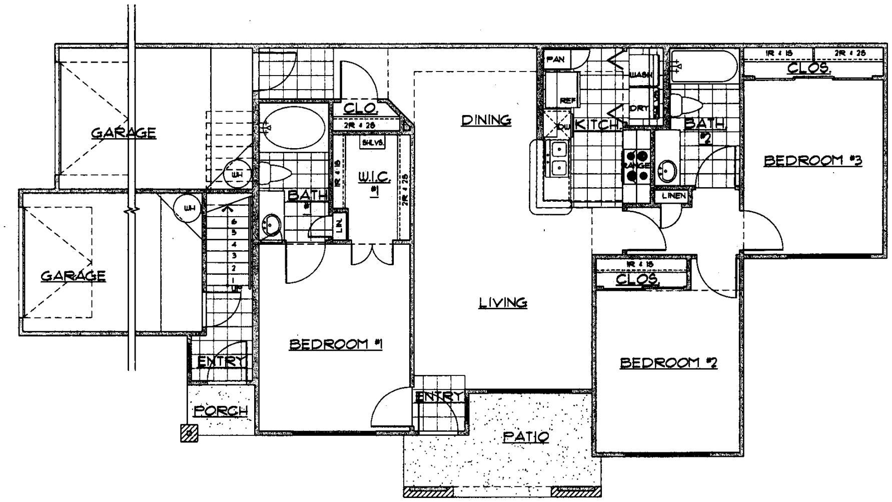
UNIT "B2": Two Bedroom, 2 Bath 1,053 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



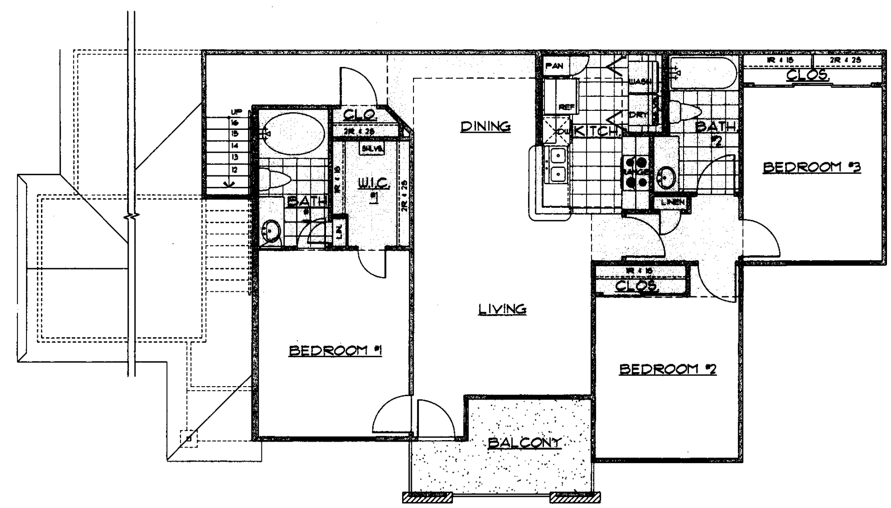
UNIT "C1": Two Bedroom, 2 Bath 975 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



UNIT "C2": Two Bedroom, 2 Bath 1,071 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



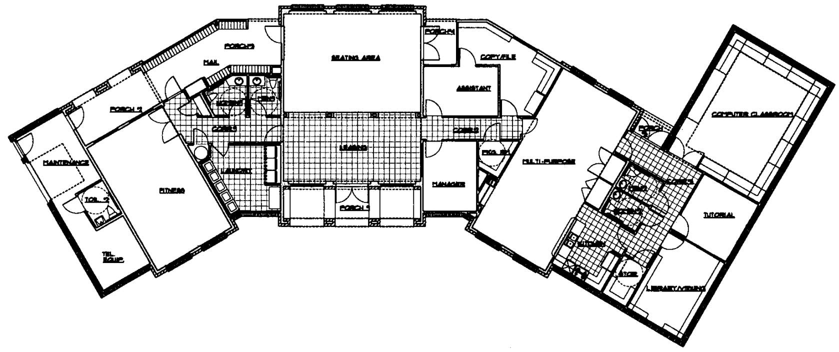
UNIT "D1": Three Bedroom, 2 Bath 1140 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



UNIT "D2": Three Bedroom, 2 Bath 1236 s.f.
MILLSTONE APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001

AMENITY CENTER - Front Elevation
Millstone Apartments
Mucasey & Associates, Architects

October 24, 2001



AMENITY CENTER - Floor Plan 4,595 s.f.
Millstone Apartments
Mucasey & Associates, Architects

October 24, 2001

Participation of Women and Minorities

A. Bond Counsel

Vinson & Elkins L.L.P. (V&E). V&E pursues a policy of recruiting and hiring that encourages women and mino
V&E is committed to equal employment opportunities without regard to age, race, sex, color, religion, national
status, consistent with federal and state laws.

The minority and female representation within the firm as of November 2001 was as follows:

Legal Personnel

Number of Attorneys Employed:	866
Male	610
Female	256
Number of Minority Attorneys Employed:	69
Black	23
Hispanic	29
Asian	16
Native American	1
Number of Minority Law Clerks and /or Paralegals Employed:	15
Black	4
Hispanic	8
Asian	3
Native American	0
Number of Women Law Clerks and or Paralegals Employed:	120
Number of Law Clearks and/or Paralegals Employed:	147
Number of Minority Legal Personnel Hired During the Last 12 Months:	
Attorneys	30
Law Clerks/Paralegals	4

Non-Legal Personnel

Number of Non-Legal Personnel Employed:	1086
Male	202
Female	884
Black	144
Hispanic	133
Asian	47
Native American	2

B. Financial Advisor

Dain Rauscher, Inc. It is the policy of Dain Rauscher, Inc. to provide equal opportunity to all persons without re national origin, religion, political affiliation, disability, marital status, sex or age. This policy will affect all empl including (but not limited to) recruiting selection, placement, transfer, promotion, training, compensation, other b recall, terminations, and in all company sponsored activities.

It is the responsibility of each member of management at every level throughout Dain Rauscher, Inc. to ensure th this policy and support it through positive leadership and personal example.

It is the responsibility of each employee to create an atmosphere on the job which is conducive to this policy.

Information regarding Dain Rauscher, Inc.'s women and minority employment status as of January 2, 2001 was a

	Officials and Managers	Professionals	Technicians	Sales Workers	Non Exempt	Total
White						
Male	258	535	20	1009	209	**2031**
Female	191	275	5	227	868	**1566**
Black						
Male	6	8	1	6	25	**46**
Female	3	10	1	0	51	**65**
Hispanic						
Male	1	6	1	6	4	**18**
Female	2	10	0	5	32	**49**
Asian						
Male	3	32	1	12	11	**59**
Female	2	17	0	1	19	**39**
American Indian						
Male	1	0	0	1	2	**4**
Female	0	1	0	0	7	**8**
Unidentified						
Male	2	12	1	13	9	**37**
Female	1	2	1	0	25	**29**
Total	**470**	**908**	**31**	**1280**	**1262**	**3951**

C. Disclosure Counsel

McCall, Parkhurst & Horton, L.L.P. maintains employment practices that are nondiscriminatory. In addition, the
taking affirmative action to assure equal employment opportunities to all groups within the work force. These af
goals relate to all aspects of the employment process including recruitment, retention as an employee, training an
compensation and advancement. The firm will continue to implement and maintain its affirmative action progra
representation in the work force based on race, color and gender, with particular emphasis on employees for lega
firm.

Breakdown of employment as of March 1, 2001:

Legal Personnel

Number of Attorneys:		18
	Male	16
	Female	2
Number of Minority Attorneys:		
	African American	1
	Hispanic	2

Non-Legal Personnel

Number of Law Clearks and/or Paralegals:		2
	Male	0
	Female	2
Number of Support Personnel (excluding Law Clerks/Paralegals:		20
	Male	2
	Female	18
	African American	1
	Hispanic	4
	Native American	1

McCall, Parkhurst & Horton, L.L.P. provides legal representation in the field of public finance. Due to recent ac
and the current economy of the State of Texas, the firm's personnel needs have diminished considerably in recent
January, 1986, the firm has only added six attorneys and two paralegals to its professional staff. The attorney po
with two African American attorneys (one of whom left the firm to establish an investment banking firm), two H
and two female attorneys and the paralegal positions were filled with women. Of these six attorneys, five remain
firm. The firm expects to make similar efforts to recruit women and minorities at such time as the need arises fo
and staff.

Affirmative Action Statement

McCall, Parkhurst & Horton, L.L.P. will expend the firm's energy and resources in its efforts to recruit, hire and
minorities in sufficient numbers to meet or exceed their proportions in the Texas work force.

D. Trustee

JPMorgan Chase: We are fully committed to equal opportunity and affirmative action as a cornerstone of the Co subsidiary companies. Our success as an organization depends on the full and effective use of the abilities of all objective is to maintain a work environment that encourages the personal and professional growth of employees to provide superior service to our clients.

Equal Employment Opportunity: It is JPMorgan Chase's policy to ensure equal opportunity for all qualified appl in all areas of human resources management: recruitment, employment, assignment, transfer, promotion, compe training, as well as company-sponsored education, social and recreational programs. It is our policy that you wil against or harassed because of your race, color, national origin, alienage or citizenship status, creed, religion, reli sex, marital status, sexual orientation, disability, veteran status or any other protected status under any law, regul guideline. These classifications do not affect our decisions about any aspect of your employment or our decision employment. In addition, it is our policy to reasonably accomodate employees' religious practices and beliefs pr cause undue hardship to the Company.

Affirmative Action: JPMorgan Chase fully endorses the concept and practice of affirmative action. Our Affirma reflects our commitment to maintain a diverse workforce of individuals who can work to their fullest potential. I recruitment initiatives, we have policies that make development and advancement opportunities available to all e both externally and internally focused programs, we act affirmatively to make development and career opportuni qualified minorities, women, Vietnam-era and disabled veterans and persons with disabilities.

Information regarding JPMorgan Chase employment status as of November 2001 was as follows:

	Officials and Managers	Professiona l	Technicians	Sales Workers	Office and Clerical	Skilled	Semi-Skilled	Unskille d
White								
Male	14,267	1,978	267	819	3,705	3	14	-
Female	10,492	2,146	107	693	10,428	-	-	-
Black								
Male	1,457	368	145	131	2,161	-	3	-
Female	2,742	967	92	282	8,286	-	-	-
Hispanic								
Male	1,020	278	58	102	1,192	-	4	-
Female	1,345	461	33	228	3,371	-	-	-
Asian								
Male	1,480	385	52	30	616	-	1	-
Female	1,282	449	23	71	1,196	-	-	-
Indian								
Male	46	13	-	2	37	-	-	-
Female	48	13	4	6	149	-	-	-
Total	**34,179**	**7,058**	**781**	**2,364**	**31,141**	**3**	**22**	**-**

E. **Underwriter**

Newman & Associates, Inc: It is the policy and practice of Newman & Associates to provide equal opportunity employees and applicants. No person shall be discriminated against in any condition of employment because of origin, sex, religion, age, disability, or veteran status.

The policy of equal employment opportunity shall apply to all terms, conditions and privileges of employment, i probation, testing, training and development, promotion, transfer, compensation, benefits, termination, layoffs, s programs, and retirement. Newman and Associates is committed to making employment decisions based on vali without regard to race, color, national origin, sex, religion, age, handicap, or veteran status.

Newman and Associates' EEO coordinator is R. Kent Erickson, Senior Vice President, at Newman and Associate located at 1801 California Street, Suite 3700, Denver, CO 80202. He is responisible for compliance with state a employment opportunity laws.

Newman and Associates endorse the policy of equal employment opportunity and asks its employees for continu support in maintaining an environment which reflects Newman & Associates' commitment to equal opportunity Action. All personnel with responsibilities for employment and personnel decisions are directed to perform thei with this policy.

Newman & Associates Equal Employment Opportunity
Number of Employees as of March 30, 2000

	Officials and Managers	Professionals	Technicians	Para-Professional	Office and Clerical	Operatives	Total
White							
Male	5	38	1	4	0	0	**48**
Female	1	12	2	5	18	0	**38**
Black							
Male	0	1	0	0	0	0	**1**
Female	0	0	0	0	3	0	**3**
Hispanic							
Male	0	0	0	0	1	0	**1**
Female	0	0	0	3	2	0	**5**
Asian							
Male	0	0	1	0	0	0	**1**
Female	0	0	0	0	0	0	**0**
Indian							
Male	0	0	0	0	0	0	**0**
Female	0	0	0	0	0	0	**0**
Total	**6**	**51**	**4**	**12**	**24**	**0**	**97**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
MILLSTONE APARTMENTS

PUBLIC HEARING

Meeting Room
Bear Creek Branch Library
16719 Clay Road
Houston, Texas

December 4, 2001
5:00 p.m.

BEFORE:

MARLIN W. HARLESS, Multifamily Loan Officer

<u>P R O C E E D I N G S</u>

MR. HARLESS: Good evening. My name is Wayne Harless. I would like to proceed with the public hearing. Let the record show that it is now 5:19 p.m., Tuesday, December 4, 2001, and we are at the Bear Creek Branch Library, 16719 Clay Road, Houston, Texas 77084.

I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code; the sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over the issue, which, for this issue, is the Attorney General.

No decisions regarding the project will be made at this hearing; there are no Department board members present. The Department's board will meet to consider this transaction on January 15, 2002, upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or board at any of their meetings.

The Department staff will also accept written comments from the public via facsimile at 512-475-3362 up to 5:00 p.m. on January 4, 2002.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $12,500,000 and in taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bond will be loaned to Millstone Apartments, LP, or a related person or affiliate entity thereof to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 248-unit multifamily residential rental development to be constructed on approximately 14 acres of land located approximately 400 feet west of Grand Parkway on the south side of West Fernhurst Drive, an unincorporated area of Houston, Harris County, Texas 77494.

The proposed multifamily rental housing community will be initially owned and operated by Millstone Apartments, LP, or a related person or affiliate thereof.

I would now like to open the floor for public comment. If you have signed up to speak, I will call your name in the order in which you signed. At that time, please come to the microphone and state your name for the record. You will then have three minutes to make your comments. If you have not already signed in and wish to speak, please come forward and sign in now before we begin.

Since there are so few people here, if someone would like to speak more than three minutes, we'll extend that up to five or six if you'd like, but anyway, first on the list, Sally Gaskin.

MS. GASKIN: No, I'm not going to speak.

MR. HARLESS: Okay. Lily Kasthekar, and then finally, Dwayne Henson.

MR. HENSON: I'd be happy to give you a brief overview or answer questions if someone would like to ask some questions, or if you'd like for me to give you a brief summary of the project, I'd be happy to do it. If it's not necessary, then I will not do it.

MR. HARLESS: It's not necessary.

In that case, if there's no other comments, then I want to thank everyone for attending the hearing. There are no comments, but if there were, they would be recorded. And the meeting is now adjourned, and the time is 5:23 p.m.

(Whereupon, at 5:23 p.m., the hearing was concluded.)

<u>C E R T I F I C A T E</u>

IN RE: Millstone Apartments

LOCATION: Houston, Texas

DATE: December 4, 2001

I do hereby certify that the foregoing pages, numbers 1 through 66, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joseph V. Gillis before the Texas Department of Housing and Community Affairs.

____________12/05/01
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Compliance Status Summary

ID#	01455
Project Name	Millstone Apartments
Address	SW. coner W. Ferhurst & Cobia
City	Houston

Type Funding
- ☐ LIHTC 9%
- ☒ LIHTC 4%
- ☒ BOND
- ☐ HOME
- ☐ HTF
- ☐ HSG. INFRAS.

Owner Name	Millstone Apartments, L. P.
Contact	J. Steve Ford & William D. Henson

Development Team	Role
J. Steve Ford	G. P.
William D. Henson	Co-G. P.& L. P.
Pamela G. Henson	President
Laura Henson	V. P.
Cheryl L. Henson	Treasurer

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes ☐
☐	Projects monitored by other states (National Previous Participation and Background Certification(s) attached) None	Issues of Compliance N/A ☐ No ☐ Yes ☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes ☐ - Single Audit not required
☐	Program Monitoring (Summary of finding(s) attached if applicable) None	Issues of Compliance N/A ☐ No ☐ Yes ☐

Completed by: (signatures required from each compliance area)

	Signature	Date
CMCM	Sara Carr Newson	11-13-2001
CMAD	[signature]	11-14-2001
CMPM	Ralph H. Hendricks	11/13/2001

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department

Application ID # _01455_

Millstone Apartments, Houston

ID#	Project Name	Score
95002	Blue Ash Apartments	0
96080	Wood Bayou Apartments	3
96026	Hollow Creek Apartments	1
97140	Sprucewood Apartments	3
97139	Bent Oaks Apartments	0
97141	Burnett Place Apartments	1
98155	Brazoswood Apartments	N/A
99003	Fairmont Oaks Apartments	N/A
99066	Shoreham Apartments	N/A
99014T	Quail Chase Apartments	N/A
00008T	Oaks of Hitchcock Apartments	N/A

RESOLUTION NO. 02-02

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE SENIOR BONDS (MILLSTONE APARTMENTS) 2002 SERIES A-1, MULTIFAMILY HOUSING REVENUE SENIOR BONDS (MILLSTONE APARTMENTS) TAXABLE 2002 SERIES A-2, AND MULTIFAMILY HOUSING REVENUE SUBORDINATE BONDS (MILLSTONE APARTMENTS) 2002 SERIES B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Senior Bonds (Millstone Apartments) 2002 Series A-1 (the “Series A-1 Bonds”), Multifamily Housing Revenue Senior Bonds (Millstone Apartments) Taxable 2002 Series A-2 (the “Series A-2 Bonds”, and together with the Series A-1 Bonds, the “Senior Bonds”),and Multifamily Housing Revenue Subordinate Bonds (Millstone Apartments) 2002 Series B (the “Subordinate Bonds”) (the Senior Bonds and the Subordinate Bonds are referred to herein, collectively, as the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and JPMorgan Chase Bank (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Millstone Apartments, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the

Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department its two promissory notes (the "Notes") one in an original principal amount corresponding to the original aggregate principal amount of the Senior Bonds and one in an amount corresponding to the original aggregate principal amount of the Subordinate Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Senior Bonds will be provided for initially by a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation; and

WHEREAS, it is anticipated that the Notes will each be secured by a separate Deed of Trust (with Security Agreement and Assignment of Rents) (collectively, the "Deeds of Trust") and a separate Assignment of Leases and Rents (collectively, the "Assignments of Leases and Rents") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan, including the Notes and the Deeds of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Notes (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Senior Bonds of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement") for use in the public offering and sale of the Senior Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower, Newman & Associates, Inc. (the "Underwriter") and U.S. Bancorp Piper Jaffray (the "Purchaser") and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Senior Bonds and the Purchaser will purchase the Subordinate Bonds from the Department and the Department will sell the Senior Bonds to the Underwriter or another party and sell the Subordinate Bonds to the Purchaser; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments of Leases and Rents, the Assignments, the Regulatory Agreement, the Preliminary Official Statement, and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1----Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

Section 1.2----Interest Rate, Principal Amount, Maturity and Price. (a) That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Agreement, the Senior Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director or the Acting Executive Director of the Department of the Indenture, and the Purchase Agreement; provided, however, that: (i) the net effective interest rate on the Series A-1 Bonds shall not exceed 6.5% per annum, and on the Series A-2 Bonds shall not exceed 8% per annum; (ii) the aggregate principal amount of the Series A-1 Bonds shall not exceed $10,750,000, and of the Series A-2 Bonds shall not exceed $300,000; (iii) the final maturity of the Series A-1 Bonds shall occur not later than June 1, 2035, and of the Series A-2 Bonds shall not occur later than June 1, 2035; and (iv) the fee paid to the Underwriter in connection with the marketing of the Senior Bonds shall not exceed the amount approved by the Texas Bond Review Board; and

(b) that: (i) the interest rate on the Subordinate Bonds shall be the interest rate on the Series A-1 Bond with the longest maturity plus 0.41% per annum; (ii) the aggregate principal amount of the Subordinate Bonds shall be 25% of the aggregate principal amount of the Senior Bonds plus amounts necessary to meet the denomination requirements pursuant to the Indenture; and (iii) the final maturity of the Subordinate Bonds shall occur on May 1, 2035.

Section 1.3----Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4----Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5----Acceptance of the Deeds of Trust and Notes. That the Deeds of Trust and the Notes are hereby accepted by the Department.

Section 1.6----Approval, Execution and Delivery of the Assignments of Leases and Rents. That the form and substance of the Assignments of Leases and Rights are hereby approved; and that the officers of the Department are each hereby authorized to execute, attest and affix the Department's seal to the Assignments of Leases and Rents and to deliver the Assignments of Leases and Rents to the Trustee.

Section 1.7----Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.8----Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chairman and the Executive Director or the Acting Executive Director are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Senior Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Preliminary Official Statement and the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director or the Acting Executive Director of the Department and the Department's counsel.

Section 1.9----Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement is hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement and to deliver the Purchase Agreement to the Borrower, the Underwriter, any additional party to the Purchase Agreement and the Purchaser as appropriate.

Section 1.10----Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.11----Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments of Leases and Rents
Exhibit F - Assignments
Exhibit G - Preliminary Official Statement
Exhibit H - Purchase Agreement

Section 1.12----Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.13----Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 1.14----Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the

Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1----Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2----Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3----Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4----Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5----Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.6----Underwriter. That the underwriter with respect to the issuance of the Senior Bonds shall be Newman & Associates, Inc..

Section 2.7----Purchaser. That the initial purchaser of the Subordinate Bonds shall be U.S. Bancorp Piper Jaffray.

Section 2.8----Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer, as stated in Section 7.15 of the Loan Agreement.

Section 2.9----Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1----Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

<u>Section 3.2----Determination of Eligible Tenants</u>. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

<u>Section 3.3----Sufficiency of Mortgage Loan Interest Rate</u>. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

<u>Section 3.4----No Gain Allowed</u>. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5----Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1----Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2----Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3----Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4----Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2002 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this ____ day of January, 2002.

[SEAL]

By:___________________________________

Chairman

Attest:______________________

Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

The Project is a 248-unit multifamily facility to be known as Millstone Apartments and to be located on a 14-acre tract on West Fernhurst, near southwest corner of the Grand Parkway and Interstate 10, Harris County, Texas. It will consist of 23 two story residential apartment buildings with approximately 233,951 net rentable square feet. The unit mix will consist of:

80	one-bedroom/one-bath units
120	two-bedroom/two-bath units
48	three-bedroom/two-bath units
248	Total Units

Unit sizes will range from approximately 680 square feet to approximately 1,236 square feet.

Common areas will include a swimming pool, community center and central laundry facilities, picnic area and a play area with playground equipment.

AGENDA ITEM 2(B)

FINANCE COMMITTEE AND BOARD APPROVAL

MEMORANDUM

January 17, 2002

PROJECT:	Sugar Creek Apartments, an unincorporated area of Harris County, Texas
PROGRAM:	Texas Department of Housing & Community Affairs 2001 Private-Activity Multifamily Revenue Bonds (Reservation received 10/05/2001)
ACTION REQUESTED:	Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.
PURPOSE:	The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Sugar Creek Apartments, L.P. a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 240-unit multifamily residential rental project located on the north side of Seattle Slew Drive between the intersections of West Road and Steeple Park Drive, an unincorporated area of Harris County, Texas (the "Project").
BOND AMOUNT:	$11,950,000Series 2002, Tax Exempt Bonds The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.
ANTICIPATED CLOSING DATE:	The Department received a volume cap allocation for the Bonds on October 5, 2001 pursuant to the Texas Bond Review Board's 2001 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 2, 2002, the anticipated closing date is January 30, 2002. A detailed Critical Date Schedule is included as Exhibit 2.
BORROWER:	Sugar Creek Apartments, L.P., a Texas Limited Partnership. The general partner is Sugar Creek Development, L.L.C. a Texas Limited Liability Company. The principals of the general partner are William D. Henson and family and Steve Ford. Boston Capital Partners, Inc. will provide the equity for the transaction by purchasing a 99.99% limited partnership interest.
COMPLIANCE HISTORY:	The Compliance Report reveals that the principles above have a combined total of eleven properties monitored by the Department. Of the eleven, six have received on-site reviews with two receiving a score of zero, two with score of one, and two with a score of three all of which are below the material non-compliance threshold score

of 30 points.

ISSUANCE TEAM:

QBE International Insurance Limited (Bond Insurer)
Newman & Associates, Inc. (Underwriter)
JP Morgan Chase Bank (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER:

The Bonds will be publicly offered on a limited basis on or about January 22, 2002 at which time the final pricing and Bond Purchaser(s) will be determined.

PROJECT DESCRIPTION:

The Project is a 240-unit apartment community to be constructed on approximately 11.58 acres of land located on the north side of Seattle Slew Drive between the intersections of West Road and Steeple Park Drive, an unincorporated area of Harris County, Texas (the "Project"). The Project will consist of twenty (20) two and three-story buildings, with a total of 223,666 net rentable square feet and an average unit size of 932 square feet. The property will also have a community building consisting of offices, bathrooms, and activity rooms. The development will include a swimming pool and decking, children's play area and equipment. There will be 240 open parking spaces and 240 garage units.

# Units	Unit Type	Square Footage
80	1 bed/1 bath	680
28	2-bed/2-bath	957
28	2-bed/2-bath	1053
32	2-bed/2-bath	975
32	2-bed/2-bath	1071
18	3-bed/2-bath	1140
20	3-bed/2-bath	1236
2	3 bed/2 bath	1137

SET-ASIDE UNITS:

For bond covenant purposes, forty percent (40%) of the units in the Project will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 100% of the units at sixty percent (60%) of the area median income.

RENT CAPS:

The rental rates on the set-aside units (which is 100% of the units for this project) will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income (see Exhibit 6).

TENANT SERVICES:

Borrower will be required to provide a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$59,750 Issuance Fee (0.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

Bond Administration - 0.10% of bond amount ($11,950 for 1st year).
Compliance Fee- $25/unit/year ($6,000), adjusted for CPI.

ASSET OVERSIGHT FEE:

$25/unit/year ($6,000), to TSAHC or assigns, adjusted for CPI.

(Department's annual fees or the Asset Oversight fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow.)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credits equate to $614,945 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $4,443,252 of equity for the transaction.

BOND STRUCTURE & SECURITY FOR THE BONDS:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Project. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Project. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee, and to the Bond Insurer, and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), QBE International Insurance Limited, ("QBE") will provide a bond insurance policy (the "Policy"). This Policy provides a guaranty for the full and timely payment of the principal and interest on the Bonds should the Borrower fail to make any payments under the Mortgage Loan. The Policy may be held by a separate trustee, which would be an affiliate of JPMorgan Chase Bank appointed by JPMorgan Chase Bank under the Indenture, subject to Department approval."

In addition to the credit enhanced Mortgage Loan, other security for the Bonds consists of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds and the Administrative Fees Account of the Bond Fund) and any investment earnings thereon. See Funds and Accounts section, below.

The Bonds are mortgage revenue bonds and, as such, create no liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

CREDIT ENHANCEMENT:

QBE's bond insurance allows for an anticipated bond rating of approximately "A" from Standard and Poors, and an anticipated interest rate of approximately 6.15% for the tax exempt bonds. The annual insurance fee and servicing fee will result in an all-in interest rate of 7.45%. The actual interest rate will be determined when the bonds are priced. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds.

FORM OF BONDS:

The Bonds will be issued in book entry form and in denominations of $5,000 or any integral multiples thereof.

TERMS OF THE MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for level payments of interest, semiannually, until January 1, 2004, and level payments of principal and interest for the remainder of the term of 456 months.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until an Adjustment Date of January 1, 2022, and the stated maturity of the Bonds is January 1, 2042.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan; (2) earnings derived from amounts held in Funds & Accounts (discussed below), which are currently expected to be placed on deposit in an investment agreement; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by QBE under the bond insurance policy.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Bonds are subject to optional redemption by the Borrower on or after January 1, 2012 (a preliminary date that is subject to change). On or after that date, the Bonds are subject to optional redemption with certain applicable premiums.

Mandatory Redemption:

(1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption starting 7/1/2004 (a preliminary date that is subject to change).

(3) The Bonds are subject to special mandatory redemption at a redemption price equal to 100% of the principal amount thereof, without premium as follows:

(g) in part to the extent that funds remain in the Construction Fund that are not required to pay costs of the Project;
(h) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Project;
(i) in whole or in part at the Direction of the Credit Enhancer in order to achieve the required debt coverage ratio at stabilization;
(j) in whole upon a Determination of Taxability in respect of the Bonds;
(k) in whole preceding the expiration of the Credit Enhancement, and the failure of the borrower to provide a Substitute Credit Facility; and
(l) in whole upon the occurrence of certain Events of Default or Non-compliance under the documents;

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, JPMorgan Chase Bank (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to eight (8) funds with the following general purposes:

8) Bond Fund (containing a Current Account, a Non-Current Account, a Credit Enhancement payment Account and an Administrative Fees Account) – Used to receive, hold and

payout bond interest and principal, the Administrative Fees Account is used to administer various ongoing administrative fees and expenses such as the Credit Enhancement fee, Trustee fee, Asset Oversight Agent's fee, and Issuer fee, the Credit Enhancement Payment Account is used to administer any draws on the credit enhancement;

9) Capitalized Interest Fund – fund into which moneys are deposited at closing to be used to pay, pending completion of the Project, interest on the Bonds and certain administrative fees;

10) Costs of Issuance Fund– A temporary fund into which amounts for the payment of the costs of issuance of the Bonds are deposited and disbursed by the Trustee;

11) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;

12) Construction Fund – Fund into which the Trustee shall deposit net bond proceeds and disburse for the purpose of paying Costs of the Project;

13) Equity Fund – Fund into which the Equity Contribution from the Borrower is deposited for the purpose of paying Costs of the Project and Costs of Issuance; the Equity fund is not subject to the lien of the Indenture and as such moneys therein are not available to pay debt service on the Bonds.

14) Bond Purchase Fund – Fund into which any proceeds from the remarketing of Bonds will be deposited; moneys on deposit in this fund will be used to pay bondholders who tender their Bonds on an Adjustment Date;

15) Capital Fund – Fund into which any balance remaining in the Equity Fund upon completion of the Project, together with certain Borrower payments not used to pay costs of the Project, will be deposited; moneys on deposit in this fund will be used to either (i) redeem bonds so as to meet the debt service coverage requirement or the Loan Agreement or (ii), if the requirement is met, to pay certain costs due the Credit Enhancer, with any remaining moneys going to the Borrower.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the construction phase (approximately 18 to 36 months) to finance the construction of the Project. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, although it is currently expected that a portion of costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 1998. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee – JP Morgan Chase Bank was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

6. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

7. Underwriter – Newman & Associates was selected by the Borrower from the Department’s list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department through an RFP process in early 1999.

5. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

(Statements regarding participation of women and minorities are contained within Exhibit 8).

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

2001-033 Sugar Creek Apartments				
General Information		**Principal Contact**		
Bond Amount:	$ 11,950,000	Sugar Creek Apartments, LP		
Program:	2001 Private Activity	Dwayne Henson		
Bond Structure:	Boston Capital	5405 John Dreaper		
Purpose:	New Construction	Houston, Texas 77056		
Status:	Full Application	713-334-5808		
A/O:	RFO	713-334-5614		
Project(s)		**City**	**Units**	
Sugar Creek Apartments		Houston	240	
Project History - Timeline		**Responsibility**	**Due Date**	**Status**
BRB Reservation received		BRB	10/5/2001	D
TEFRA notice in newspaper		V&E, Applicant	11/1/2001	D
Deadline to submit TEFRA notice to Tx Reg			11/7/2001	D
Complete Application due to TDHCA		Applicant	11/8/2001	D
35 day reservation filing		V&E	11/9/2001	D
TEFRA Signage on property		Applicant	11/15/2001	D
TEFRA notice published in Tx Reg		TDHCA, Tx Reg	11/16/2001	D
Kick-of conference call		All	11/19/2001	D
TEFRA Hearing (5:00pm)		TDHCA, Applicant	11/30/2001	D
Final construction plans, appraisal, sources & uses, and all other due diligence materials are due to TDHCA		**Applicant**	**12/17/2001**	**De**
All third party debt & equity commitments are due to TDHCA		**Applicant**	**12/17/2001**	**De**
1st due diligence conference call (2:30 cst)		All	12/18/2001	D
2001 CarryForward notice to BRB		**V&E**	**12/21/2001**	**De**
1st draft of Bond Documents		V&E	12/21/2001	D
2nd due diligence conference call		All	12/26/2001	D
Notice of Intent to the BRB		TDHCA	12/27/2001	D
Board final write-ups due		TDHCA	12/31/2001	N Act
TDHCA underwriting due		TDHCA	12/31/2001	Schedu
Bond Review Board application due		TDHCA	1/2/2002	Schedu
Final Bond Documents & Resolution		V&E	1/4/2002	Schedu
Final OS published		Underwriter	1/4/2002	Schedu
TDHCA Board Meeting agenda published		TDHCA	1/8/2002	Schedu
BRB Planning session (2:00pm)		TDHCA, V&E, FA, Applicant	1/10/2002	Schedu
File transcripts with Attorney General		V&E	1/11/2002	Schedu
Circulate draft of closing memorandum		Underwriter	1/16/2002	Schedu
TDHCA Board Meeting (9:00am)		TDHCA, V&E, FA, Applicant	1/17/2002	Schedu
Bond Review Board Meeting (3:00pm)		TDHCA, V&E, FA, Applicant	1/17/2002	Schedu
Price Bonds		Underwriter	1/22/2002	Schedu
Circulate Closing Memorandum		Underwriter	1/24/2002	Schedu
Final Building permits due to TDHCA		Applicant	1/28/2002	Schedu

Pre-close Bonds	All	1/28/2002	Schedu
Close Bonds	All	1/29/2002	Schedu
Reservation Expiration Date	BRB	2/1/2002	Schedu

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Tax-exempt Series 2002	$ 11,950,000
Tax Credit Proceeds	4,570,202
GIC Earnings from Bond Proceeds	105,662
Net Operating Income Prior to Stabilization	425,000
Deferred Developer's Fee	1,885,254
Total Sources	$ 18,936,118
Uses of Funds	
Construction funds	$ 13,907,236
Capitalized Interest	1,200,000
Developer's Overhead & Fee	2,370,000
Costs of Issuance	
Direct Bond Related	219,988
Underwriting Costs	116,512
Credit Enhancement Costs	408,500
Other Transaction Costs	199,382
Real Estate Closing Costs	254,500
Rent Up Reserves	260,000
Total Uses	$ 18,936,118

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 59,750
TDHCA Application Fees	11,000
TDHCA First Year's Bond Compliance Fee ($25 per unit)	6,000
Bond Counsel (Vinson and Elkins) (See Note 1)	60,000
Bond Counsel Expenses	5,000
Financial Advisor Fee and Expenses (Dain Rauscher)	30,000
Disclosure Counsel (McCall Parkhurst Horton) (See Note 1)	5,000
Official Statement Printing (Island Printing)	6,500
Trustee Closing and First Year Fees (JP Morgan Chase)	6,500
Trustee Counsel Fee and Expenses (Nathan Sommers et al.)	5,500
Rating Agency (Standard and Poor's)	18,500
Attorney General Transcript Fee ($1,250 per series, max. of $2,500)	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	2,988
TEFRA Hearing Publication Expenses	1,500
Total Direct Bond Related	$ 219,988
Underwriter's Fee and Expenses	

Underwriter (Newman & Associates)	$ 91,512
Underwriter's Counsel (Katten Muchen Zavis)	25,000
Total	$ 116,512
Credit Enhancement Costs	
QBE International Insurance Limited Origination Fee	$ 358,500
QBE Legal Counsel	35,000
QBE Inspection Fees	15,000
Total	$ 408,500
Other Transaction Costs	
Borrower's Counsel (Coats Rose Yale Ryman Lee)	$ 60,000
Borrower's Housing Consultant Fee (SGI Ventures, Inc.)	50,000
Borrower's Organizational Costs	8,000
Limited Partner's Legal Fees	20,000
Cost Certification Tax Opinion (Holland and Knight)	15,000
TDHCA's Tax Credit Application Fee ($15 per unit)	3,600
TDHCA's Tax Credit Determination Fee (4% of annual tax credit allocation)	22,782
Soft Cost/Financing Contingency	20,000
Total	$ 199,382
Real Estate Closing Costs	
Building Permits, Tap Fees and other Permits	$ 126,500
Real Estate Attorney	15,000
Title & Recording	80,000
Third Party Reports (Market Study, Appraisal, Environmental)	20,000
Property Taxes	13,000
Total Real Estate Costs	$ 254,500
Estimated Total Costs of Issuance & Transaction Costs	$ 1,198,882

Cost of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid From Bond Proceeds. Costs of issuance in excess of such two percent must be paid by an equity Contribution of the Borrower.

Note 1: The amounts represented are estimates. These estimates do not include direct, out-of-pocket Expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on hourly rates and actual direct, out-of-pocket expenses (e.g. travel). The above estimates also do not include on-going Administrative fees.

DATE: January 10, 2002 **PROGRAM:** 4% LIHTC Multifamily Bonds **FILE NUMBER:** 01456 2001-033

DEVELOPMENT NAME

Sugar Creek Apartments

APPLICANT

Name: Sugar Creek Apartments LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐

Address: 5405 John Dreaper **City:** Houston **State:** T

Zip: 77056 **Contact:** Dwayne Henson **Phone:** (713) 334-5808 **Fax:** (713) 334-561

PRINCIPALS of the APPLICANT

Name:	Sugar Creek Development LLC	**(%):**	0.01	**Title:**	Managing Genera
Name:	Boston Capital Partners, Inc.	**(%):**	99.98	**Title:**	Limited Partner
Name:	ZJL Housing Inc.	**(%):**	0.01	**Title:**	Special Limited
Name:	Dwayne Henson Investment, Inc. (William D.	**(%):**	N/A	**Title:**	50% owner of GP
Name:	Resolution Real Estate Services LLC (J. Steve	**(%):**	N/A	**Title:**	50% owner of GP
Name:	Sally Gaskin	**(%):**	N/A	**Title:**	Consultant

GENERAL PARTNER

Name: Sugar Creek Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐

Address: 5405 John Dreaper **City:** Houston **State:** T

Zip: 77056 **Contact:** Dwayne Henson **Phone:** (713) 334-5808 **Fax:** (713) 334-561

PROPERTY LOCATION

Location: SE corner of West Road at Seattle Slew Drive and NE corner of Steeplepark Drive at Seattle Slew Drive ☐ **QCT** ☐ **DD**

City: Unincorporated **County:** Harris **Zip:** 770

REQUEST

Amount	Interest Rate	Amortization	Term
① $614,945	N/A	N/A	N/A
② $11,950,000	To be Determined	30 yrs	30 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits ② Tax-exempt private activity mortgage revenue bonds

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: +/- 11 acres 504,948 square feet **Zoning/ Permitted Uses:** No zoning (Houston)

Flood Zone Designation: Zone X* **Status of Off-Sites:** Partially Improved

* The northern portion of the west tract may lie within an area of 500-year flood or 100-year flood with average depths of less than one foot or drainage areas of less than one square mile (ESA)

DESCRIPTION of IMPROVEMENTS

Total Units: 240 **# Rental Buildings** 20 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** n/a yrs **Vacant:** N/A

Number	Bedrooms	Bathroom	Size in SF
80	1	1	680
28	2	2	957
32	2	2	975
28	2	2	1,053
32	2	2	1,071
2	3	2	1,137
18	3	2	1,140
20	3	2	1,236

Net Rentable SF: 223,666 **Av Un SF:** 932 **Common Area SF:** 4,595 **Gross Bldng SF** 228,261

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Us

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade with grade beams, 50% masonry/b veneer/50% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfa composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refriger tile tub/shower walls, washer & dryer connections, ceiling fans, laminated counter tops, indivi water heaters

ON-SITE AMENITIES

Furnished community room, multipurpose room, management offices, fitness & laundry facili kitchen, restrooms, computer/business center, central mailroom, swimming pool, equi children's play area, perimeter fencing with limited access gate

Uncovered Parking: 227 spaces **Carports:** n/a spaces **Garages:** 240

OTHER SOURCES of FUNDS

CREDIT ENHANCEMENT

Source: QBE International Insurance Limited **Contact:** William Fazzano

Principal Amount: $11,950,000 **Interest Rate:** 1.5% enhancement, 0.15% servicing

Additional Information: Bond insurance through its representative European Tax Credit Corporation thro Boston Capital Finance LLC Bonds will be rated through S & P as A+. Commitment fees are 2% for perm, 1% for construction plus typical costs.

Amortization: 40 yrs **Term:** 20 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: variable **Lien Priority:** 1st **Commitment Date** 12/ 12/ 2001

PLACEMENT UNDERWRITER

Source: Newman & Associates **Contact:** Jerry Wright

Principal Amount: $11,950,000 **Interest Rate:** Bonds only, rate estimated to be 6.15%

Additional Information: Mr. Wright estimates a maximum all-in interest rate before TDHCA and trus fees of 7.45% for the entire debt amount.

Amortization: 40 yrs **Term:** 20 yrs **Commitment:** ☒ N/A ☐ Firm ☐ Conditional

Annual Payment: $950K variable

LIHTC SYNDICATION

Source: Boston Capital Partners, Inc. **Contact:** Thomas Dixon

Address: One Boston Place **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8900 **Fax:** (617) 624-8999

Net Proceeds: $4,443,252 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80.25 ¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 12/ 13/ 2001

Additional Information: Based on $553,732 in allocated credits

APPLICANT EQUITY

Amount: $1,409,834 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 240,713 SF $199,940 **Assessment for the Year of:** 2001

Land: 264,235 SF $219,100 **Valuation by:** Harris County Appraisal District

Total Assessed Value: $419,040 **Tax Rate:**

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (240,669 SF)

Contract Expiration Date: 02/ 15/ 2002 **Anticipated Closing Date:** 01/ 25/ 2002

Acquisition Cost: $ 536,692 **Other Terms/Conditions:** $3K earnest money

Seller: Fred Caldwell, Trustee **Related to Development Team Member:**

Type of Site Control: Earnest money contract (242,411 SF)

Contract Expiration Date: 02/ 15/ 2002 **Anticipated Closing Date:** 01/ 25/ 2002

Acquisition Cost: $ 635,11 **Other Terms/Conditions:** $3K earnest money

Seller: Fred Caldwell, Trustee **Related to Development Team Member:**

Type of Site Control: Earnest money contract (20,879 SF)

Contract Expiration Date: 02/ 15/ 2002 **Anticipated Closing Date:** 02/ 15/ 2002

Acquisition Cost: $ 54,703 **Other Terms/Conditions:** $3K earnest money

Seller: Fred Caldwell, Trustee **Related to Development Team Member:**

REVIEW of PREVIOUS UNDERWRITING REPORTS

Sugar Creek Apartments was submitted in the 1998 9% LIHTC cycle by a related applicant but on a diff site. At the time 246 units were proposed. The project was underwritten and the analysis recommende project be approved subject to the following conditions:

- A reduction of the primary loan to an amount not to exceed $7,752,900
- An allocation of tax credits not to exceed $1,056,695

The project did not receive an LIHTC allocation in 1998.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

<u>Description</u>: Sugar Creek Apartments is a proposed new construction project of 240 units of afford housing located in Harris County. The project is comprised of 20 residential buildings as follows:

- Five Building Style I with four two-bedroom (957 SF) units and four two-bedroom (1,053 SF) units;
- Seven Building Style II with four two-bedroom (975 SF) units and four two-bedroom (1,071 SF) unit
- Two Building Style III with four one-bedroom units, four two-bedroom (957 SF) units and four bedroom (1,053 SF) units;
- One Building Style IV with twelve one-bedroom units, four two-bedroom (975 SF) units and four bedroom (1,071 SF) units; and
- Five Building Style V with twelve one-bedroom units, four three-bedroom (1,140 SF) units and three-bedroom (1,236 SF) units.

Based on the site plan, the apartment buildings are distributed evenly throughout the site, with the commu building, playground and swimming pool located near the entrance. The 4,595-square foot commu building will include a sitting area, multipurpose room, computer classroom, library/viewing room, tut classroom, fully-functional kitchen, public laundry facility, fitness room and public restrooms as we leasing/management offices and maintenance area. A total of 240 attached and detached garages are indicated on the site plan.

<u>Supportive Services</u>: The Applicant proposes to contract with Texas Inter-Faith Housing Manage Company to provide the following supportive services to tenants: youth programs, adult education progr ESL classes, recreational programs, etc. These optional services will be provided at no cost to tenants. executed contract with terms was not provided and, therefore, receipt, review and acceptance of su document is a condition of this report.

<u>Schedule</u>: The Applicant anticipates construction to begin in February of 2002, to be completed in Febr of 2003. The project will be placed in service in January of 2003 and substantially leased-up in June of 2

POPULATIONS TARGETED

<u>Income Set-Aside</u>: The Applicant has elected the 40% at 60% or less of area median gross income (AM set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or le AMGI.

<u>Special Needs Set-Asides</u>: The Applicant plans to set-aside twelve units (5% of the total) for househ with handicapped/developmentally disabled individuals.

<u>Compliance Period Extension</u>: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 29, 2001 was prepared by O'Connor & Associates and highlig the following findings:

<u>Definition of Submarket</u>: "For the purposes of this analysis, the subject's primary market are considered to be those properties located within or in the immediate vicinity of a five-mile radius o subject site."

<u>Secondary Market Area Information</u>: The analyst considers the greater Houston area to be the subj secondary market area. Based on income levels, a 44% renter ratio and turnover of 65%, the analys estimated income-eligible renters in the secondary market of 86,604.

<u>Submarket Demand for Rental Units</u>: The primary market area was estimated to have 55,838 househ in 2000. The projected number of households in the year 2005 is 61,929. 33.5% of the population liv rental housing in the subject's market area in 1990. Assuming a maximum of 35% of a family's house income is available for rent expense, $20,160 is the maximum income that could afford to rent at the su property (($588 x 12 months)/35%). The maximum household income for LIHTC residents is 60% o Houston MSA median income, or $35,100 for a family of four ($58,000 x 60%). The analyst has estin that approximately 48.39% of those in the $15,000 to $24,999 income bracket are eligible. This calcul translates into 3.73% of the total households in the market positioned in this income bracket. 100% of t in the $25,000 to $34,999 income bracket are eligible, translating into 9.8% of the total households in market area positioned in this income bracket. 0.67% of those in the $35,000 to $49,999 income bracke eligible, translating into 0.12% of the total households in this market area positioned in this income bra This indicates that 13.65% (3.73% + 9.8% + 0.12%) of the market area's households are eligible. As s above, based on the 1990 census data, 33.5% of the market area's households were renter occu Assuming no significant change in renter/owner ratios from 1990 to today, 4.57% (13.65% x 33.5%) o market area's households are eligible and prefer to rent.

According to interviews with leasing managers in the subject's primary market, typical turnover rates of renters rang from 25% to 45% for market-rent properties. However, this market turnover rate does not directly apply to providing renters for LIHTC properties. The analyst believes that the majority of turnover demand will co from Class B, C, and D properties. Based on this and stabilization of LIHTC properties in 12 months, the analyst believes a higher turnover rate, say 60% to 70%, is applicable. Using a turnover rate of 65% and th percentage of income-eligible households (4.57%) that prefer to rent in the market area, the analyst has calculated a demand from turnover of 1,660 units ((4.57% x 65%) x 55,838 households). The percentage o market area that is both income-eligible and prefers to rent is expected to grow at the same rate as the proje 2005 aggregate households. This would indicate an increase in the number of eligible households of +/-18 the year 2005.

Based on a "normative" ten-year growth rate of 27.8%, the analyst has calculated an increase in eligible households 1,566. Using the percentage of renter households (33.5%) indicated in the turnover analysis indicates an Underwriter calculated income-eligible renter demand from growth of 525 units, or 53 units annually.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	53	3%
Resident Turnover	1,660	97%
TOTAL ANNUAL DEMAND	**1,713**	**100%**

Ref: p. 78-79

A survey of various low-income housing properties in the Greater Houston area revealed that those prope that offer handicap units report that the units are full and tend to have a waiting list.

Penetration Rate: Not discussed in submitted market study.

Capture Rate: Based on the analyst's research, the subject property (240 units) and Windfern II Townho (144 units) are currently proposed, under construction, or have been approved for construction in subject's submarket. The analyst calculated a capture rate of 23.13% ((240 units + 144 units)/1,6 23.13%). This rate is slightly understated if the projected growth demand figure is added to the total dema

Local Housing Authority Waiting List Information: "There are thousands of families in the Cit Houston currently on the growing waiting list for low-rent public housing, apartment rental subsidie Section 8 vouchers administered by the Houston authority of the City of Houston. The waiting lis Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. Accor to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers alon approximately six years."

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1 units in the market area. "The proposed subject property is to be a separately-metered project; therefore analysis will concentrate on this type of project. The average rental rate for separately-metered apartmen the primary market area (2,420 properties within a five mile radius from the subject site representing 413 units) is $0.76 per square foot per month. Comparable apartments surveyed in the primary market area o proposed subject complex report average rental rates of $0.90 per square foot. Rental rates are report $0.74 per square foot and $0.67 per square foot, respectively, at two LIHTC projects located within a mile radius.The amenities at the subject property will be superior to the amenities found at most comp properties."

RENT ANALYSIS (net tenant-paid rents)					
	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$588	$574	+$14	$650	-$62
2-Bedroom (60%)	$711	$681	+$30	$890	-$179
3-Bedroom (60%)	$823	$779	+$44	$1,020	-$197

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

Submarket Vacancy Rates: **"**The average occupancy for separately-metered apartments in the pri market area (properties within a five mile radius from the subject site) is 94.84%. Comparable apartn surveyed in the primary market area of the proposed subject complex exhibited a very strong occupancy with an average occupancy level of 93.80%. Occupancy is reported at 95% and 100%, respectively, at LIHTC projects located within a five-mile radius. Each LIHTC project has a waiting list of over one ye effect. Despite new apartment development in the primary market area, occupancy rates have rema generally stable, indicating supply and demand are generally in balance."
Absorption Projections: **"**Absorption in the subject's primary market area over the past eight qua ending September 2001 totals a positive 1,301 units, for an average of 163 units per quarter, or 54 unit month. Other than this past quarter, absorption has been positive in the primary market area every qu since December 1995. Sprucewood Apartments, an LIHTC facility located several blocks to the west o subject site, was reported to have an absorption rate of +/-20 units per month during the initial lease-up p Other recently constructed projects in the Houston area report average monthly absorption rates of +/-26 to +/-44 units. Based on our statistics, most LIHTC projects that are constructed in the Houston typically lease up within 12 months. The subject should be able to reach stabilized occupancy level with months of completion. Pre-leasing should commence prior to the completion of construction."
Known Planned Development: **"**Presently, there is one project proposed and no projects under constru in this market area. The Windfern II Townhomes is a proposed LIHTC project to be located four miles of the subject site and will contain 144 total units."
Effect on Existing Housing Stock: **"**There are two existing projects in the subject's primary market ar which rents are based on income or otherwise restricted, Sprucewood and Willow Green."

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located at the east corner of West Road and Seattle Slew Drive, in H County, one-half mile north of US Highway 290.
Population: The 2000 estimate of population for the Houston Consolidated Metropolitan Statistical (CMSA) was in 2000 at +/-4,263,219 people. Houston's seven-county CMSA is projected to increase b additional 1.48 million people through the year 2010, according to a task force working for the Hou Galveston Area Council. CACI/IDS has estimated 55,838 households in the primary market area for 2 and projected 61,929 for the year 2005.
Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed. Adjacent uses include:

- **North:** vacant commercial land, a multi-tenant retail center, and other apartment complexes
- **South:** other apartment complexes and a Metro Park and Ride facility (one block southwest)

Site Access: The site can be accessed directly from West Road, Seattle Slew Drive and Steeplepark D The principal thoroughfares servicing the subject property's market area include US Highway 290, FM 1 State Highway 249, State Highway 6 and the Sam Houston Tollway.
Public Transportation: A Metro Park and Ride facility is located one block south of the subject site.
Shopping & Services: The area is served by the Cypress Fairbanks Independent school District. Shop

convenient to the subject property includes Willowbrook Mall and neighborhood shopping and strip cen Medical facilities include the Cypress Fairbanks Medical Center, which is located within two miles.

Special Adverse Site Condition: According to the Federal Emergency Management Act (FEMA) F Insurance Rate Map (FIRM) Panel No. 48201C0440 J, the northern portion of the west tract may lie w an area of 500-year flood or 100-year flood with average depths of less than one foot or drainage areas of than one square mile. Receipt, review and acceptance of a survey, certifying the location of any an floodplains is a condition of this report. In addition, should any of the proposed residential building located in a floodplain, receipt, review, and acceptance of a flood mitigation plan is also a condition of report.

Site Inspection Findings: TDHCA staff performed a site inspection on November 30, 2001 and foun location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 2001 was prepared by The Murillo Com and contained the following findings and recommendations:

- The subject site is undeveloped land proposed for multifamily development.
- Three Resource Conservation and Recovery Act-Generator (RCRA-G) sites were identified within mile radius of the subject site.
- Three leaking underground storage tank (LUST) sites were identified within a 0.5-mile radius o subject property.
- One underground storage tank (UST) site was identified within a 0.25-mile radius of the subject prop
- "Based upon TMC's site investigation of the subject property, surrounding properties, regulatory ag records review and inquiries, interviews, and historical research, no direct evidence was found indic recognized environmental conditions exist at the subject site."

According to the Federal Emergency Management Act (FEMA) Flood Insurance Rate Map (FIRM) F No. 48201C0440 J, the northern portion of the west tract may lie within an area of 500-year flood or 100- flood with average depths of less than one foot or drainage areas of less than one square mile. This shou determined by a professional surveyor. As mentioned above, receipt, review, and acceptance of a su certifying the location of any and all floodplains is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly above the maximum rents allowed under LI guidelines because they used the lower city of Houston utility allowance rather than the Harris Co allowance. This results in a $77K overstatement of potential gross rent annually. It should be noted tenants will pay water and sewer. The Applicant used the standard secondary income estimate of $10 per per month and a normal 7.5% vacancy and collection loss. The resulting effective gross income is 4% h than the Underwriter's estimate.

Expenses: The Applicant's operating expenses overall are consistent with the Underwriter's TD database-derived estimate. However, significant deviations exist in the Applicant's estimates for genera administrative ($39K lower), payroll & payroll tax ($58K higher), repairs and maintenance ($26K hig and utilities ($31K lower)

NOI: As a result of higher projected net rents, the Applicant's projected net operating income is $71K o higher than the Underwriter's estimate.

Conclusion: Since the Applicant's NOI is not within 5% of the Underwriter's estimate, the Underwr estimate will be used to determine debt service based on the most current proposed debt structure terms. project will not be able to service the debt within the 1.10 to 1.25 acceptable debt coverage ratio range. Applicant's original estimated debt service reflects an early commitment letter rate of 6.75%. Accordin the Placement Underwriter, this rate will more likely be up to 7.45% when the bonds are finally priced. A lower rate the Underwriter estimates an acceptable 1.10 DCR. If the higher rate, now being estimate closer to actual rate the amount of the debt may need to be reduced. This will be discussed in greater le in the financing structure section of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted three arm's-length contracts to support the total land acquisition of $1,226,512.

Sitework Cost: The Applicant's claimed sitework costs of $5,742 per unit are considered reasor compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $197K or 2% lower tha Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This is an accep deviation.

Ineligible Costs: The Applicant included all of the permanent loan origination fees of $238,000 as eli costs when all of this cost is ineligible. Similarly, all of the underwriting and bond closing fees characterized as eligible costs when in fact only the portion that can be attributed to construction finar can be capitalized. The Underwriter therefore removed 40/42nds of this financing cost to ineligible. result, $571,610 of the Applicant's costs were reassigned to recalculate the Applicant's eligible basis.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contrac profits exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own constru costs. $150K of this $159K excess is due to additional field supervision. Consequently the Applic eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. result, the Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and there the eligible potion of the Applicant's developer fee must be reduced by an additional $150,714.

The Applicant also included $220,000 in brokerage fees that were payable to principals of developer and were classified as ineligible for basis purposes. The Underwriter excluded these costs fron TDHCA budget since they are typically fees that should be incorporated as part of the developer fee.

Conclusion: The Applicant's total costs are within $393K or 2% of the Underwriter's estimate and ca used as the basis to determine the project's total cost. The Applicant's eligible basis must be adju downward to $893,326 based on misallocated basis discussed above. After applying the January underwriting applicable percentage of 3.67%, a recommended credit amount of $576,601 results. It shou noted that the underwriting rate is currently 17 basis points above the actual rate for January, thus produ an extra cushion of $26,709 in credits over what could actually be completed today.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing:

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA offered publicly through William R. Hough and Company. QBE International Insurance Limited has ag to provide credit enhancement during both the construction and permanent phases of the bonds to ensur A+ Standard & Poor's rating. The entire $11,950,000 issue is scheduled to be tax-exempt and to be re over a 40-year term subject to a mandatory 20-year call. In addition the bonds will provide for re-s subject to the debt coverage at stabilization. As of the December 12, 2001 commitment letter the estin all-in interest rate including enhancement fee and annual service fee was 6.75%. Since that time Placement Underwriter has indicated that this rate may rise to as high as 7.45%, which is the rate use TDHCA to underwrite this transaction. At that rate however, the attached comparative analysis suggest the debt amount will ultimately be curtailed to $11,350,000.

LIHTC Syndication: Boston Capitol Partners has agreed to purchase a limited partnership interest in project for $4,443,252 in exchange for a 99.99% interest in the credit amount, estimated in the Decemb 2001 commitment to be $553,732. The Applicant adjusted his original request via a new cost breakdov $612,707; however, based on the adjustments to eligible basis described above the recommended credit be $576,601. The syndication commitment includes five capital contributions:

1) 30% at construction closing
2) 30% at 50% completion
3) 25% at completion and cost certification
4) 14% at 100% occupancy
5) 1% at receipt of tax return for the year in which Rental Achievement occurred (July 2004)

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees was amende $1,409,834 or 69% of the fee. If the lower interest rate is achieved this deferred fee would rise to $1,717 or 89% of the total eligible fee. If the higher interest rate and subsequent debt reduction occurs, an addit $600,000 of fees will need to be deferred and thus would necessitate the deferral of roughly $300 contractor fee as well. Even this larger deferral of fees can be reasonably projected to be repaid in a over 12 years.

Financing Conclusions: Due to the higher interest rate currently being projected the amount of the bond may be reduced via the mandatory redemption clauses when the project achieves stabilized occupancy le If such an event occurs the Underwriter projects a possible redemption of $600,000 in bonds, reducin total bond amount to $11,350,000. If pricing is more favorable than the rate projected in the commitmen full $11,950,000 is likely to be achievable. The recommended $576,601 in tax credits will pro $4,626,754 in syndication proceeds, leaving a high but repayable level of developer fee to be deferred.

REVIEW of ARCHITECTURAL DESIGN

The submitted elevation drawings for the residential buildings indicate attractive combination veneer/siding exteriors with varied rooflines. All of the individual units appear to be well designed adequate storage space, wash/dryer closets, and private patios/balconies. While the one-bedroom unit accessed by exterior stairways, the larger second story units are accessed through interior stairways addition, all of the two- and three-bedroom units include attached garages. It appears from the site plan there are also enough detached garages to serve tenants in the one-bedroom units.

The clubhouse will house many tenant-accessible areas. The exterior of the building will be in line the appearance of the residential buildings.

IDENTITIES of INTEREST

The Developer, General Contractor, and Cost Estimator are related entities. These are common identiti interest for LIHTC/bond-financed projects.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of rece assistance from TDHCA and therefore have no material financial statements.
- Resolution Real Estate Services, L.L.C., 50% owner of the General Partner, submitted an unau financial statement as of 12/31/00 reporting total assets of $543K and consisting of $72K in cash, $3 in receivables, $45K in stocks and securities, and $36K in machinery, equipment, and fixt Liabilities totaled $86K, resulting in a net worth of $457K.
- Dwayne Henson Investments, Inc., 50% owner of the General Partner, submitted an unaudited fina statement as of 12/31/00 reporting total assets of $7.5M and consisting of $78K in cash, $5.6 receivables, $110K in real property, $12K in machinery, equipment, and fixtures, and $1.7M in LI investments. Liabilities totaled $702K, resulting in a net worth of $6.8M.

Background & Experience:

- The Applicant and general partner are new entities formed for the purpose of developing the project.
- J. Steve Ford and Resolution Real Estate Services, L.L.C. listed participation as general pa developer, and/or general contractor in three LIHTC housing projects totaling 596 units since 1999.
- William D. Henson and Dwayne Henson Investments, Inc. listed participation as general pa developer, and/or general contractor in 11 LIHTC housing projects totaling 1,458 units since 1995.
- Sally Gaskin listed participation as majority member of the general partner, co-developer, and ge contractor in five LIHTC housing projects totaling 403 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verif range.
- The project may not achieve the minimum required debt coverage ratio of 1.10 in the first ye stabilized operation if the full amount of bonds are issued and bond fees are not waived.
- Significant environmental/locational risks exist regarding potential floodplain.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $576 ANNUALLY FOR TEN YEARS, AND A MAXIMUM BOND OF $11,950,000 SUBJECT CONDITIONS.

CONDITIONS

3. Receipt, review, and acceptance of a supportive services contract with terms by cost certifica
4. Receipt, review, and acceptance of a survey evidencing the boundaries of the 100-year flood and proximate proximity to any proposed building. Should any building encroach upon the year floodplain a flood mitigation plan should be provided, to include a plan for insuranc both the buildings and the tenants, acceptable to the Department.
5. Should the all-in bond interest plus enhancement and servicing fees exceed 6.75% a reducti the bond debt amount of up to $600,000 may be required, either at closing or at the tim project reaches stabilized occupancy.

Director of Credit Underwriting:	*Tom Gouris*	**Date:**	January 10, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Ana

Sugar Creek Apartments, Harris County, MFB #2001-033/4% LIHTC #01456

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	
TC 60%	80	1	1	680	$658	$574	$45,884	$0.84
TC 60%	28	2	2	957	790	681	19,079	0.71
TC 60%	32	2	2	975	790	681	21,805	0.70
TC 60%	28	2	2	1,053	790	681	19,079	0.65
TC 60%	32	2	2	1,071	790	681	21,805	0.64
TC 60%	2	3	2	1,137	912	779	1,559	0.69
TC 60%	18	3	2	1,140	912	779	14,027	0.68
TC 60%	20	3	2	1,236	912	779	15,585	0.63
TOTAL:	240		AVERAGE:	932	$766	$662	$158,824	$0.71

INCOME	Total Net Rentable Sq Ft:		223,666		TDHCA	APPLICANT		
POTENTIAL GROSS RENT					$1,905,883	$1,983,360		
Secondary Income			Per Unit Per Month:	$10.00	28,800	28,800	$10.00	Pe
Other Support Income: (describe)					0	0		
POTENTIAL GROSS INCOME					$1,934,683	$2,012,160		
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(145,101)	(150,912)	-7.50%	of
Employee or Other Non-Rental Units or Concessions					0	0		
EFFECTIVE GROSS INCOME					$1,789,582	$1,861,248		
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	
General & Administrative		4.69%	$349	$0.38	$83,876	$44,392	$0.20	
Management		5.00%	373	0.40	89,479	92,352	0.41	
Payroll & Payroll Tax		3.98%	297	0.32	71,189	129,500	0.58	
Repairs & Maintenance		5.40%	403	0.43	96,720	122,956	0.55	
Utilities		4.69%	350	0.38	83,944	53,000	0.24	
Trash Only		1.71%	127	0.14	30,586	24,000	0.11	
Property Insurance		2.00%	149	0.16	35,787	32,000	0.14	
Property Tax	3.171	12.76%	951	1.02	228,285	222,800	1.00	
Reserve for Replacements		2.68%	200	0.21	48,000	48,000	0.21	
Supportive Services, Security		2.29%	171	0.18	41,000	41,000	0.18	
TOTAL EXPENSES		45.20%	$3,370	$3.62	$808,866	$810,000	$3.62	
NET OPERATING INC		54.80%	$4,086	$4.38	$980,716	$1,051,248	$4.70	
DEBT SERVICE								
1st Lien Mortgage		52.44%	$3,910	$4.20	$938,379	$868,154	$3.88	
Trustee Fee		0.25%	$19	$0.02	$4,500	0	$0.00	
TDHCA Admin. Fees		0.67%	$50	$0.05	11,950	0	$0.00	
Asset Oversight & Compliance Fees		0.67%	$50	$0.05	12,000	6,000	$0.03	
NET CASH FLOW		0.78%	$58	$0.06	$13,887	$177,094	$0.79	
AGGREGATE DEBT COVERAGE RATIO					1.01	1.20	RECOMMENDED	
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.04		1.10	
BONDS-ONLY DEBT COVERAGE RATIO					1.05		1.09	
CONSTRUCTION COST								
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	
Acquisition Cost (site or bldg)		6.85%	$5,110	$5.48	$1,226,512	$1,226,512	$5.48	
Off-Sites		0.00%	0	0.00	0	0	0.00	
Sitework		7.70%	5,742	6.16	1,378,000	1,378,000	6.16	
Direct Construction		52.19%	38,929	41.77	9,343,051	9,145,880	40.89	
Contingency	2.33%	1.40%	1,042	1.12	250,000	250,000	1.12	
General Requirements	6.00%	3.59%	2,680	2.88	643,263	790,433	3.53	

Contractor's G & A	1.99%	1.19%	889	0.95	213,478	213,478	0.95
Contractor's Profit	5.97%	3.58%	2,668	2.86	640,433	640,433	2.86
Indirect Construction		2.52%	1,883	2.02	452,000	452,000	2.02
Ineligible Expenses		2.49%	1,855	1.99	445,110	665,110	2.97
Developer's G & A	2.00%	1.55%	1,157	1.24	277,658	556,595	2.49
Developer's Profit	13.00%	10.08%	7,520	8.07	1,804,778	1,863,405	8.33
Interim Financing		5.38%	4,011	4.30	962,681	962,681	4.30
Reserves		1.48%	1,102	1.18	264,391	150,000	0.67
TOTAL COST		100.00%	$74,589	$80.04	$17,901,355	$18,294,527	$81.79
Recap-Hard Construction Costs		*69.65%*	***$51,951***	***$55.74***	*$12,468,225*	*$12,418,224*	***$55.52***
SOURCES OF FUNDS							RECOMMENDED
1st Lien Mortgage		66.75%	$49,792	$53.43	$11,950,000	$11,950,000	$11,350,000
LIHTC Syndication Proceeds		27.56%	$20,560	$22.06	4,934,440	4,934,440	4,626,754
Additional Financing		0.00%	$0	$0.00	0	0	0
Deferred Developer's Fee		7.88%	$5,874	$6.30	1,409,834	1,409,834	1,717,773
Additional (excess) Funds Required		-2.19%	($1,637)	($1.76)	(392,919)	253	600,000
TOTAL SOURCES					$17,901,355	$18,294,527	$18,294,527

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Sugar Creek Apartments, Harris County, MFB #2001-033/4% LIHTC #01456

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.77	$9,117,960
Adjustments				
Exterior Wall Finish	4.50%		$1.83	$410,308
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(219,193)
Floor Cover			1.82	407,072
Porches/Balconies	$19.68	33,402	2.94	657,351
Plumbing	$585	480	1.26	280,800
Built-In Appliances	$1,550	240	1.66	372,000
Interior Stairs	$865	80	0.31	69,200
Exterior Stairs	1350	28	0.17	37,800
Heating/Cooling			1.41	315,369
Garages	$11.23	48,000	2.41	539,040
Comm &/or Aux bldngs	$54.23	4,595	1.11	249,185
Other:			0.00	0
SUBTOTAL			54.71	12,236,892
Current Cost Multiplier	1.02		1.09	244,738
Local Multiplier	0.92		(4.38)	(978,951)
TOTAL DIRECT CONSTRUCTION COSTS			$51.43	$11,502,679
Plans, specs, survy, bld prmts	3.90%		($2.01)	($448,604)
Interim Construction Interest	3.38%		(1.74)	(388,215)
Contractor's OH & Profit	11.50%		(5.91)	(1,322,808)
NET DIRECT CONSTRUCTION COSTS			$41.77	$9,343,051

PAYMENT COMP

Primary	$11,950,000
Int Rate	7.45%
Secondary	
Int Rate	
Additional	
Int Rate	

RECOMMENDED FINANC

Primary Debt Service

Trustee Fee

TDHCA Fees

NET CASH FLOW

Recommended	
Int Rate	7.45%
Trustee	
Int Rate	
Alternative	$11,950,000
Int Rate	6.75%
Trustee	
Int Rate	

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTU

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS RENT		$1,905,883	$1,963,060	$2,021,951	$2,082,610	$2,145,088	$2,486,745	$2,882,819
Secondary Income		28,800	29,664	30,554	31,471	32,415	37,577	43,563
Other Support Income: (describe)		0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		1,934,683	1,992,724	2,052,505	2,114,081	2,177,503	2,524,323	2,926,382
Vacancy & Collection Loss		(145,101)	(149,454)	(153,938)	(158,556)	(163,313)	(189,324)	(219,479)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$1,789,582	$1,843,269	$1,898,568	$1,955,525	$2,014,190	$2,334,999	$2,706,903
EXPENSES at	4.00%							
General & Administrative		$83,876	$87,231	$90,721	$94,349	$98,123	$119,382	$145,247
Management		89,479	92,163	94,928	97,776	100,710	116,750	135,345
Payroll & Payroll Tax		71,189	74,037	76,998	80,078	83,281	101,324	123,277
Repairs & Maintenance		96,720	100,589	104,612	108,797	113,149	137,663	167,488
Utilities		83,944	87,302	90,794	94,426	98,203	119,479	145,364
Water, Sewer & Trash		30,586	31,809	33,081	34,405	35,781	43,533	52,964
Insurance		35,787	37,218	38,707	40,255	41,865	50,935	61,971
Property Tax		228,285	237,416	246,913	256,789	267,061	324,920	395,315
Reserve for Replacements		48,000	49,920	51,917	53,993	56,153	68,319	83,120
Other		41,000	42,640	44,346	46,119	47,964	58,356	70,999
TOTAL EXPENSES		$808,866	$840,325	$873,017	$906,988	$942,290	$1,140,661	$1,381,090
NET OPERATING INCOME		$980,716	$1,002,944	$1,025,551	$1,048,536	$1,071,900	$1,194,337	$1,325,814
DEBT SERVICE								
First Lien Financing		$891,264	$891,264	$891,264	$891,264	$891,264	$891,264	$891,264
Trustee Fee		3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees		11,950	11,303	11,252	11,197	11,138	10,767	10,229
Asset Oversight & Compliance Fees		12,000	12,480	12,979	13,498	14,038	17,080	20,780
Cash Flow		62,003	84,398	106,556	129,077	151,960	271,727	400,041
AGGREGATE DCR		1.07	1.09	1.12	1.14	1.17	1.29	1.43

LIHTC Allocation Calculation - Sugar Creek Apartments, Harris County, MFB #20
#01456

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/N
(1) Acquisition Cost				
Purchase of land	$1,226,512	$1,226,512		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,378,000	$1,378,000	$1,378,000	$1,3
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,145,880	$9,343,051	$9,145,880	$9,3
(4) Contractor Fees & General Requirements				
Contractor overhead	$213,478	$213,478	$210,478	$2
Contractor profit	$640,433	$640,433	$631,433	$6
General requirements	$790,433	$643,263	$631,433	$6
(5) Contingencies	$250,000	$250,000	$250,000	$2
(6) Eligible Indirect Fees	$452,000	$452,000	$452,000	$4
(7) Eligible Financing Fees	$962,681	$962,681	$962,681	$9
(8) All Ineligible Costs	$665,110	$445,110		
(9) Developer Fees			$2,049,286	
Developer overhead	$556,595	$277,658		$2
Developer fee	$1,863,405	$1,804,778		$1,8
(10) Development Reserves	$150,000	$264,391		
TOTAL DEVELOPMENT COSTS	$18,294,527	$17,901,355	$15,711,189	$15,9

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			$15,711,189	$15,9
High Cost Area Adjustment			100%	
TOTAL ADJUSTED BASIS			$15,711,189	$15,9
Applicable Fraction			100%	
TOTAL QUALIFIED BASIS			$15,711,189	$15,9
Applicable Percentage			3.67%	
TOTAL AMOUNT OF TAX CREDITS			$576,601	$5
	Syndication Proceeds	**0.8024**	**$4,626,754**	**$4,7**

$11,950,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

Series 2002

(Sugarcreek Apartments)

Total Debt Service

Date	Principal	Pay Factor	Interest & Expenses	Trustee Expenses	Total	Annual Debt Serv.	Outstanding Bonds
1/30/02							11,950,000
7/1/02	0	7.550%	378,433	3,000	381,433		11,950,000
1/1/03	0	7.550%	451,113	3,000	454,113	835,546	11,950,000
7/1/03	0	7.550%	451,113	3,000	454,113		11,950,000
1/1/04	0	7.550%	451,113	3,000	454,113	908,225	11,950,000
7/1/04	20,000	7.550%	451,113	3,000	474,113		11,930,000
1/1/05	25,000	7.550%	450,358	3,000	478,358	952,470	11,905,000
7/1/05	25,000	7.550%	449,414	3,000	477,414		11,880,000
1/1/06	25,000	7.550%	448,470	3,000	476,470	953,884	11,855,000
7/1/06	25,000	7.550%	447,526	3,000	475,526		11,830,000
1/1/07	30,000	7.550%	446,583	3,000	479,583	955,109	11,800,000
7/1/07	25,000	7.550%	445,450	3,000	473,450		11,775,000
1/1/08	30,000	7.550%	444,506	3,000	477,506	950,956	11,745,000
7/1/08	30,000	7.550%	443,374	3,000	476,374		11,715,000
1/1/09	35,000	7.550%	442,241	3,000	480,241	956,615	11,680,000
7/1/09	30,000	7.550%	440,920	3,000	473,920		11,650,000
1/1/10	35,000	7.550%	439,788	3,000	477,788	951,708	11,615,000
7/1/10	35,000	7.550%	438,466	3,000	476,466		11,580,000
1/1/11	40,000	7.550%	437,145	3,000	480,145	956,611	11,540,000
7/1/11	35,000	7.550%	435,635	3,000	473,635		11,505,000
1/1/12	40,000	7.550%	434,314	3,000	477,314	950,949	11,465,000
7/1/12	40,000	7.550%	432,804	3,000	475,804		11,425,000
1/1/13	45,000	7.550%	431,294	3,000	479,294	955,098	11,380,000
7/1/13	45,000	7.550%	429,595	3,000	477,595		11,335,000
1/1/14	45,000	7.550%	427,896	3,000	475,896	953,491	11,290,000
7/1/14	45,000	7.550%	426,198	3,000	474,198		11,245,000
1/1/15	50,000	7.550%	424,499	3,000	477,499	951,696	11,195,000
7/1/15	50,000	7.550%	422,611	3,000	475,611		11,145,000
1/1/16	55,000	7.550%	420,724	3,000	478,724	954,335	11,090,000
7/1/16	55,000	7.550%	418,648	3,000	476,648		11,035,000
1/1/17	55,000	7.550%	416,571	3,000	474,571	951,219	10,980,000
7/1/17	60,000	7.550%	414,495	3,000	477,495		10,920,000
1/1/18	65,000	7.550%	412,230	3,000	480,230	957,725	10,855,000
7/1/18	60,000	7.550%	409,776	3,000	472,776		10,795,000
1/1/19	70,000	7.550%	407,511	3,000	480,511	953,288	10,725,000
7/1/19	70,000	7.550%	404,869	3,000	477,869		10,655,000
1/1/20	70,000	7.550%	402,226	3,000	475,226	953,095	10,585,000
7/1/20	75,000	7.550%	399,584	3,000	477,584		10,510,000
1/1/21	75,000	7.550%	396,753	3,000	474,753	952,336	10,435,000
7/1/21	80,000	7.550%	393,921	3,000	476,921		10,355,000
1/1/22	85,000	7.550%	390,901	3,000	478,901	955,823	10,270,000
7/1/22	85,000	7.550%	387,693	3,000	475,693		10,185,000
1/1/23	90,000	7.550%	384,484	3,000	477,484	953,176	10,095,000
7/1/23	90,000	7.550%	381,086	3,000	474,086		10,005,000

1/1/24	95,000	7.550%	377,689	3,000	475,689	949,775	9,910,000
7/1/24	100,000	7.550%	374,103	3,000	477,103		9,810,000
1/1/25	105,000	7.550%	370,328	3,000	478,328	955,430	9,705,000
7/1/25	110,000	7.550%	366,364	3,000	479,364		9,595,000
1/1/26	110,000	7.550%	362,211	3,000	475,211	954,575	9,485,000
7/1/26	115,000	7.550%	358,059	3,000	476,059		9,370,000
1/1/27	120,000	7.550%	353,718	3,000	476,718	952,776	9,250,000
7/1/27	125,000	7.550%	349,188	3,000	477,188		9,125,000
1/1/28	130,000	7.550%	344,469	3,000	477,469	954,656	8,995,000
7/1/28	135,000	7.550%	339,561	3,000	477,561		8,860,000
1/1/29	140,000	7.550%	334,465	3,000	477,465	955,026	8,720,000
7/1/29	145,000	7.550%	329,180	3,000	477,180		8,575,000
1/1/30	150,000	7.550%	323,706	3,000	476,706	953,886	8,425,000
7/1/30	155,000	7.550%	318,044	3,000	476,044		8,270,000
1/1/31	165,000	7.550%	312,193	3,000	480,193	956,236	8,105,000
7/1/31	165,000	7.550%	305,964	3,000	473,964		7,940,000
1/1/32	175,000	7.550%	299,735	3,000	477,735	951,699	7,765,000
7/1/32	180,000	7.550%	293,129	3,000	476,129		7,585,000
1/1/33	190,000	7.550%	286,334	3,000	479,334	955,463	7,395,000
7/1/33	190,000	7.550%	279,161	3,000	472,161		7,205,000
1/1/34	205,000	7.550%	271,989	3,000	479,989	952,150	7,000,000
7/1/34	205,000	7.550%	264,250	3,000	472,250		6,795,000
1/1/35	220,000	7.550%	256,511	3,000	479,511	951,761	6,575,000
7/1/35	225,000	7.550%	248,206	3,000	476,206		6,350,000
1/1/36	235,000	7.550%	239,713	3,000	477,713	953,919	6,115,000
7/1/36	245,000	7.550%	230,841	3,000	478,841		5,870,000
1/1/37	250,000	7.550%	221,593	3,000	474,593	953,434	5,620,000
7/1/37	265,000	7.550%	212,155	3,000	480,155		5,355,000
1/1/38	270,000	7.550%	202,151	3,000	475,151	955,306	5,085,000
7/1/38	285,000	7.550%	191,959	3,000	479,959		4,800,000
1/1/39	290,000	7.550%	181,200	3,000	474,200	954,159	4,510,000
7/1/39	305,000	7.550%	170,253	3,000	478,253		4,205,000
1/1/40	315,000	7.550%	158,739	3,000	476,739	954,991	3,890,000
7/1/40	330,000	7.550%	146,848	3,000	479,848		3,560,000
1/1/41	335,000	7.550%	134,390	3,000	472,390	952,238	3,225,000
7/1/41	355,000	7.550%	121,744	3,000	479,744		2,870,000
1/1/42	365,000	7.550%	108,343	3,000	476,343	956,086	2,505,000
7/1/42	380,000	7.550%	94,564	3,000	477,564		2,125,000
1/1/43	395,000	7.550%	80,219	3,000	478,219	955,783	1,730,000
7/1/43	410,000	7.550%	65,308	3,000	478,308		1,320,000
1/1/44	425,000	7.550%	49,830	3,000	477,830	956,138	895,000
7/1/44	440,000	7.550%	33,786	3,000	476,786		455,000
1/1/45	455,000	7.550%	17,176	3,000	475,176	951,963	1,275,000
Totals	11,950,000		28,642,802	258,000	40,850,802	40,850,802	

$11,950,000

Texas Department of Housing and Community Affairs

Multi-Family Housing Revenue Bonds

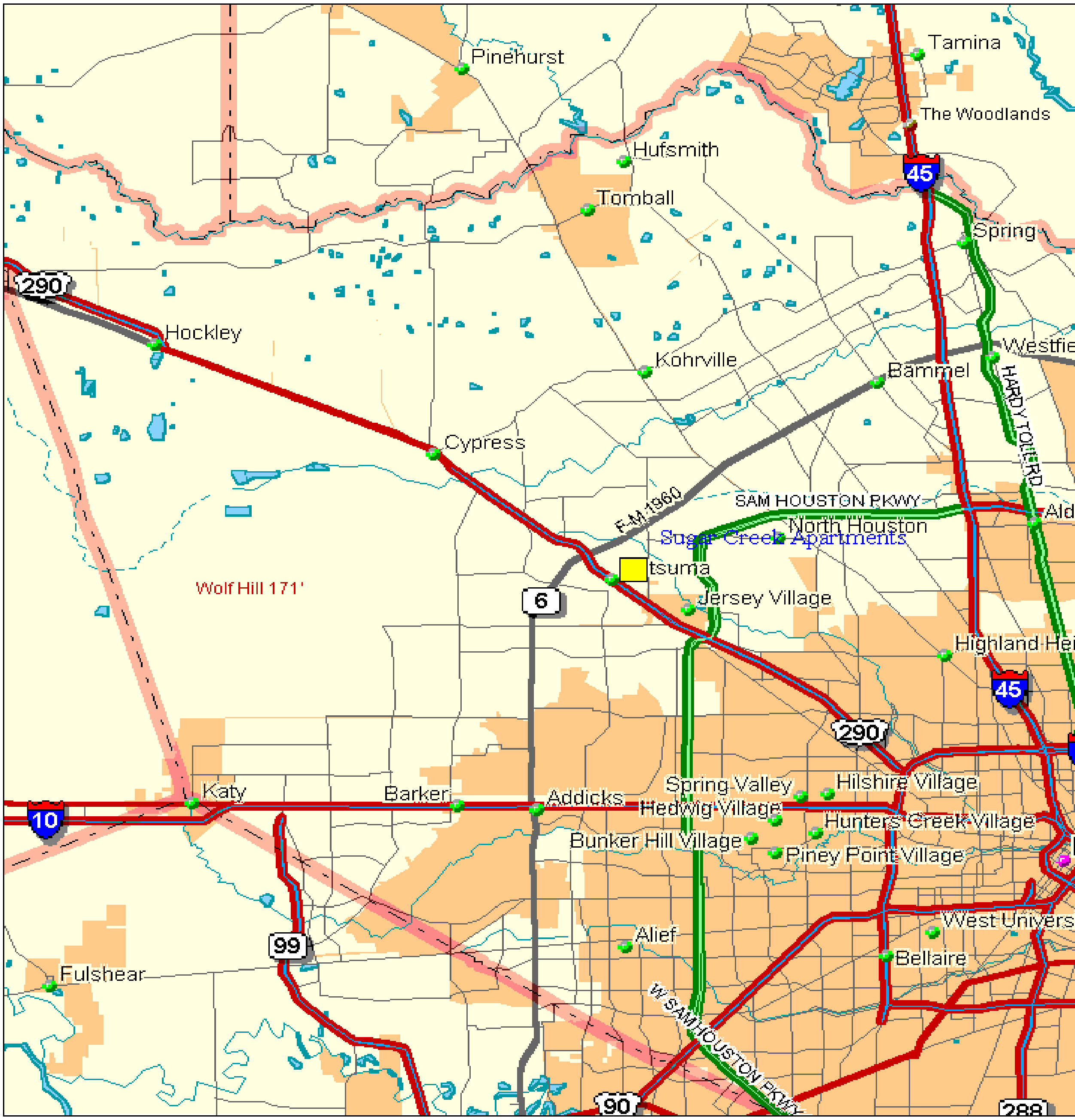
Series 2002

(Sugarcreek Apartments)

Tax-Exempt Bonds

Date	Principal	Coupon	Interest	Total	Annual P & I	Outstanding Bonds
1/30/02						11,950,000
7/1/02	0	6.150%	308,260.21	308,260.21		11,950,000
1/1/03	0	6.150%	367,462.50	367,462.50	675,723	11,950,000
7/1/03	0	6.150%	367,462.50	367,462.50		11,950,000
1/1/04	0	6.150%	367,462.50	367,462.50	734,925	11,950,000
7/1/04	20,000	6.150%	367,462.50	387,462.50		11,930,000
1/1/05	25,000	6.150%	366,847.50	391,847.50	779,310	11,905,000
7/1/05	25,000	6.150%	366,078.75	391,078.75		11,880,000
1/1/06	25,000	6.150%	365,310.00	390,310.00	781,389	11,855,000
7/1/06	25,000	6.150%	364,541.25	389,541.25		11,830,000
1/1/07	30,000	6.150%	363,772.50	393,772.50	783,314	11,800,000
7/1/07	25,000	6.150%	362,850.00	387,850.00		11,775,000
1/1/08	30,000	6.150%	362,081.25	392,081.25	779,931	11,745,000
7/1/08	30,000	6.150%	361,158.75	391,158.75		11,715,000
1/1/09	35,000	6.150%	360,236.25	395,236.25	786,395	11,680,000
7/1/09	30,000	6.150%	359,160.00	389,160.00		11,650,000
1/1/10	35,000	6.150%	358,237.50	393,237.50	782,398	11,615,000
7/1/10	35,000	6.150%	357,161.25	392,161.25		11,580,000
1/1/11	40,000	6.150%	356,085.00	396,085.00	788,246	11,540,000
7/1/11	35,000	6.150%	354,855.00	389,855.00		11,505,000
1/1/12	40,000	6.150%	353,778.75	393,778.75	783,634	11,465,000
7/1/12	40,000	6.150%	352,548.75	392,548.75		11,425,000
1/1/13	45,000	6.150%	351,318.75	396,318.75	788,868	11,380,000
7/1/13	45,000	6.150%	349,935.00	394,935.00		11,335,000
1/1/14	45,000	6.150%	348,551.25	393,551.25	788,486	11,290,000
7/1/14	45,000	6.150%	347,167.50	392,167.50		11,245,000
1/1/15	50,000	6.150%	345,783.75	395,783.75	787,951	11,195,000
7/1/15	50,000	6.150%	344,246.25	394,246.25		11,145,000
1/1/16	55,000	6.150%	342,708.75	397,708.75	791,955	11,090,000
7/1/16	55,000	6.150%	341,017.50	396,017.50		11,035,000
1/1/17	55,000	6.150%	339,326.25	394,326.25	790,344	10,980,000
7/1/17	60,000	6.150%	337,635.00	397,635.00		10,920,000
1/1/18	65,000	6.150%	335,790.00	400,790.00	798,425	10,855,000
7/1/18	60,000	6.150%	333,791.25	393,791.25		10,795,000
1/1/19	70,000	6.150%	331,946.25	401,946.25	795,738	10,725,000
7/1/19	70,000	6.150%	329,793.75	399,793.75		10,655,000
1/1/20	70,000	6.150%	327,641.25	397,641.25	797,435	10,585,000
7/1/20	75,000	6.150%	325,488.75	400,488.75		10,510,000
1/1/21	75,000	6.150%	323,182.50	398,182.50	798,671	10,435,000
7/1/21	80,000	6.150%	320,876.25	400,876.25		10,355,000
1/1/22	85,000	6.150%	318,416.25	403,416.25	804,293	10,270,000
7/1/22	85,000	6.150%	315,802.50	400,802.50		10,185,000
1/1/23	90,000	6.150%	313,188.75	403,188.75	803,991	10,095,000
7/1/23	90,000	6.150%	310,421.25	400,421.25		10,005,000

	1/1/24	95,000	6.150%	307,653.75	402,653.75	803,075	9,910,000		
	7/1/24	100,000	6.150%	304,732.50	404,732.50		9,810,000		
	1/1/25	105,000	6.150%	301,657.50	406,657.50	811,390	9,705,000		
	7/1/25	110,000	6.150%	298,428.75	408,428.75		9,595,000		
	1/1/26	110,000	6.150%	295,046.25	405,046.25	813,475	9,485,000		
	7/1/26	115,000	6.150%	291,663.75	406,663.75		9,370,000		
	1/1/27	120,000	6.150%	288,127.50	408,127.50	814,791	9,250,000		
	7/1/27	125,000	6.150%	284,437.50	409,437.50		9,125,000		
	1/1/28	130,000	6.150%	280,593.75	410,593.75	820,031	8,995,000		
	7/1/28	135,000	6.150%	276,596.25	411,596.25		8,860,000		
	1/1/29	140,000	6.150%	272,445.00	412,445.00	824,041	8,720,000		
	7/1/29	145,000	6.150%	268,140.00	413,140.00		8,575,000		
	1/1/30	150,000	6.150%	263,681.25	413,681.25	826,821	8,425,000		
	7/1/30	155,000	6.150%	259,068.75	414,068.75		8,270,000		
	1/1/31	165,000	6.150%	254,302.50	419,302.50	833,371	8,105,000		
	7/1/31	165,000	6.150%	249,228.75	414,228.75		7,940,000		
	1/1/32	175,000	6.150%	244,155.00	419,155.00	833,384	7,765,000		
	7/1/32	180,000	6.150%	238,773.75	418,773.75		7,585,000		
	1/1/33	190,000	6.150%	233,238.75	423,238.75	842,013	7,395,000		
	7/1/33	190,000	6.150%	227,396.25	417,396.25		7,205,000		
	1/1/34	205,000	6.150%	221,553.75	426,553.75	843,950	7,000,000		
	7/1/34	205,000	6.150%	215,250.00	420,250.00		6,795,000		
	1/1/35	220,000	6.150%	208,946.25	428,946.25	849,196	6,575,000		
	7/1/35	225,000	6.150%	202,181.25	427,181.25		6,350,000		
	1/1/36	235,000	6.150%	195,262.50	430,262.50	857,444	6,115,000		
	7/1/36	245,000	6.150%	188,036.25	433,036.25		5,870,000		
	1/1/37	250,000	6.150%	180,502.50	430,502.50	863,539	5,620,000		
	7/1/37	265,000	6.150%	172,815.00	437,815.00		5,355,000		
	1/1/38	270,000	6.150%	164,666.25	434,666.25	872,481	5,085,000		
	7/1/38	285,000	6.150%	156,363.75	441,363.75		4,800,000		
	1/1/39	290,000	6.150%	147,600.00	437,600.00	878,964	4,510,000		
	7/1/39	305,000	6.150%	138,682.50	443,682.50		4,205,000		
	1/1/40	315,000	6.150%	129,303.75	444,303.75	887,986	3,890,000		
	7/1/40	330,000	6.150%	119,617.50	449,617.50		3,560,000		
	1/1/41	335,000	6.150%	109,470.00	444,470.00	894,088	3,225,000		
	7/1/41	355,000	6.150%	99,168.75	454,168.75		2,870,000		
	1/1/42	365,000	6.150%	88,252.50	453,252.50	907,421	2,505,000		
	7/1/42	380,000	6.150%	77,028.75	457,028.75		2,125,000		
	1/1/43	395,000	6.150%	65,343.75	460,343.75	917,373	1,730,000		
	7/1/43	410,000	6.150%	53,197.50	463,197.50		1,320,000		
	1/1/44	425,000	6.150%	40,590.00	465,590.00	928,788	895,000		
	7/1/44	440,000	6.150%	27,521.25	467,521.25		455,000		
	1/1/45	455,000	6.150%	13,991.25	468,991.25	936,513	6,340,000		
	Totals	11,950,000		23,331,554	35,281,554	35,281,554			



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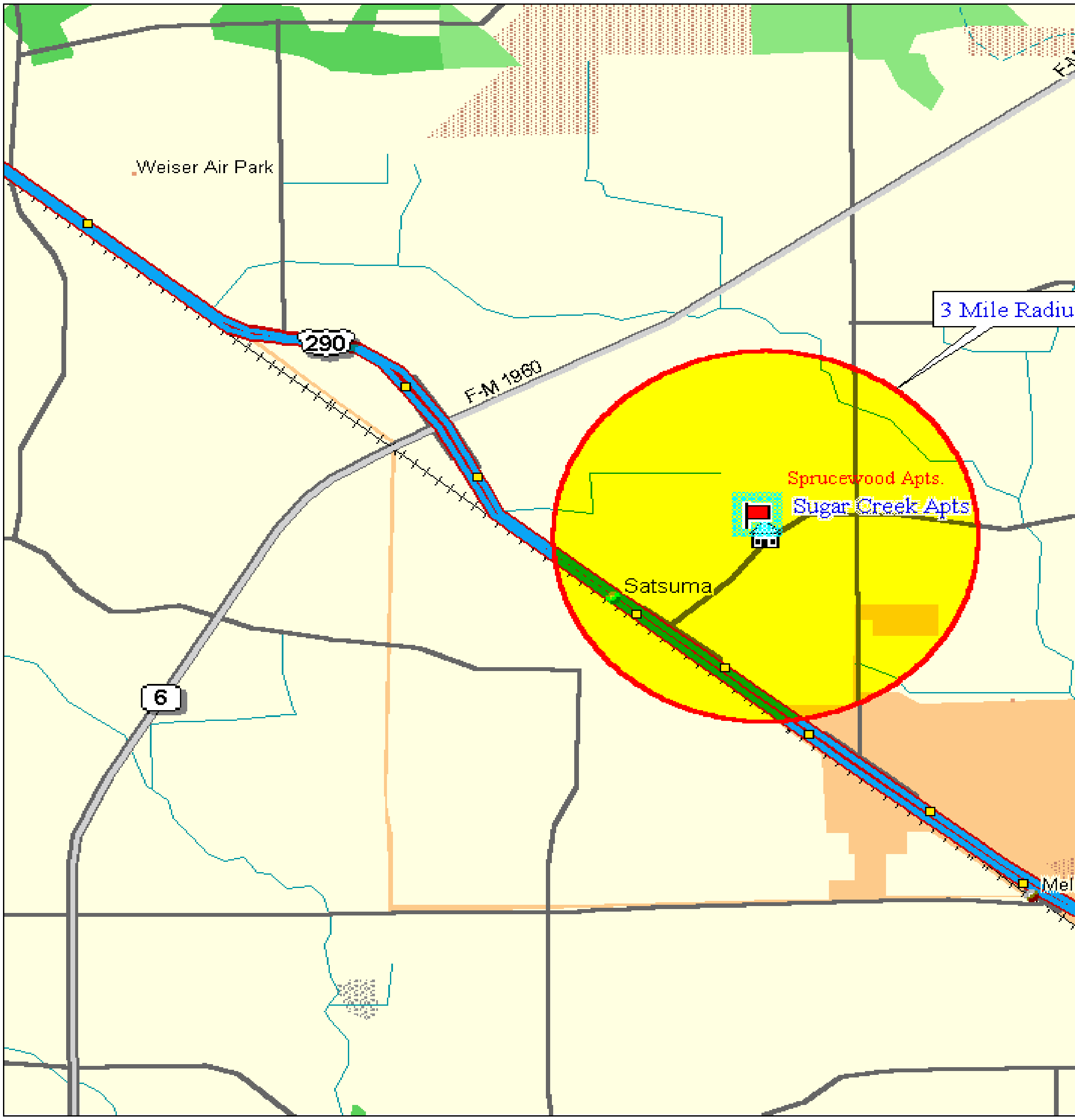
Scale: 1 : 200,000 Zoom Level: 8-5 Datum: WGS84



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Scale: 1 : 43,750 Zoom Level: 11-3 Datum: WGS84

SITE PLAN

SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
October 22, 2001

Project Summary

Type	Description	Qty.	Size
A1	One Bedroom, 1 Bath	30	680
A2	One Bedroom, 1 Bath	40	680
A3	One Bedroom, 1 Bath (H.C.)	10	680
Total	**One Bedroom Units**	**80**	
B1	Two Bedroom, 2 Bath	28	957
B2	Two Bedroom, 2 Bath	28	1053
C1	Two Bedroom, 2 Bath	32	975
C2	Two Bedroom, 2 Bath	32	1071
Total Two Bedroom Units		**120**	
D1	Three Bedroom, 2 Bath	18	1140
D2	Three Bedroom, 2 Bath	20	1236
D3	Three Bedroom, 2 Bath (H.C.)	2	1137
Total Three Bedroom Units		**40**	
Total Units		**240**	**223,666 s.f.**
Amenity Center			4,580 s.f.
Project Total			**228,246 s.f.**

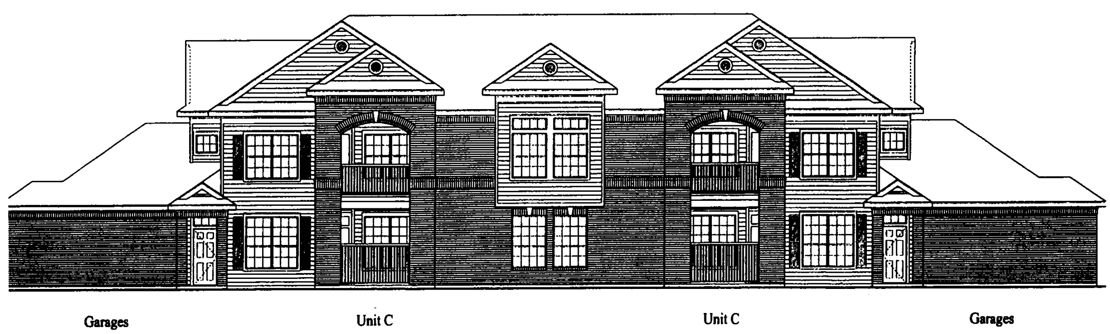
Parking Summary

Parking Required: **387 cars**

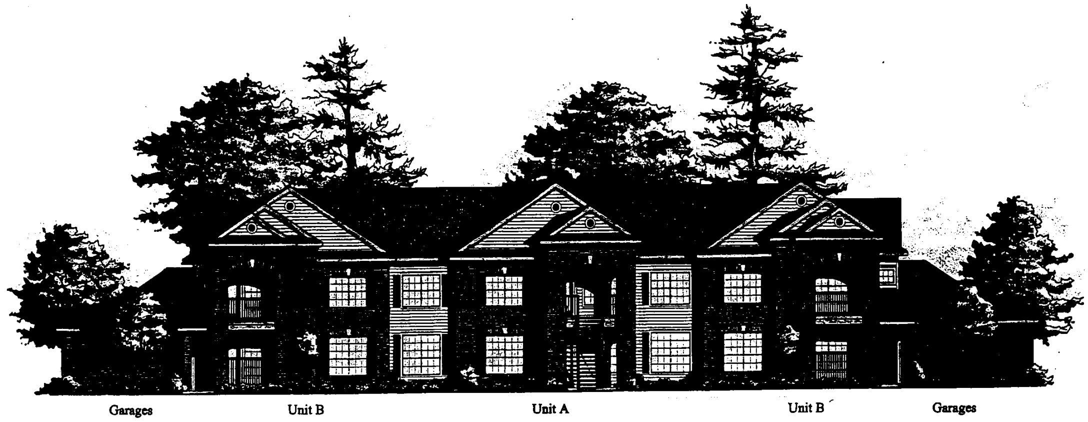
Parking Provided:

Garages	240 cars
Open Spaces	240 cars
Total	**480 cars**

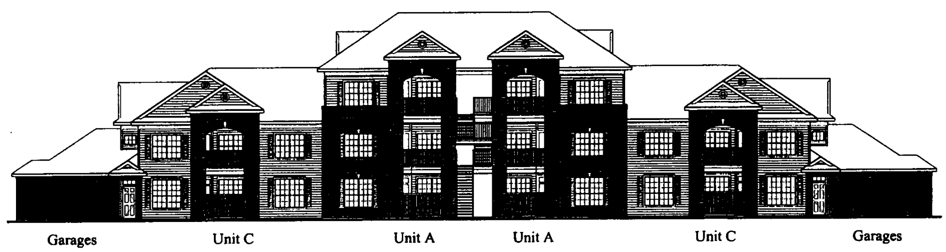
BUILDING TYPE 1 - Front Elevation
Sugar Creek Apartments
Mucasey & Associates, Architects



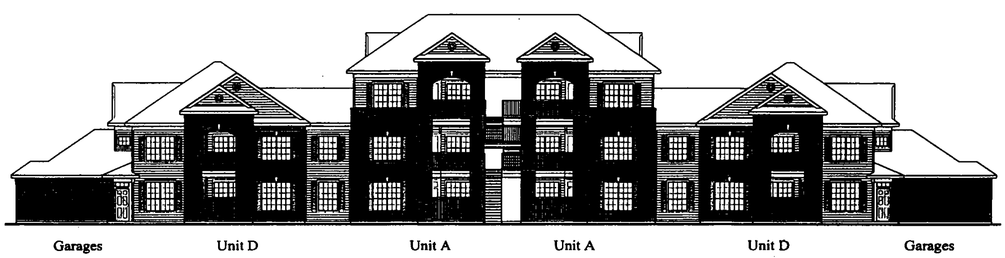
BUILDING TYPE 2 - Front Elevation
Sugar Creek Apartments
Mucasey & Associates, Architects



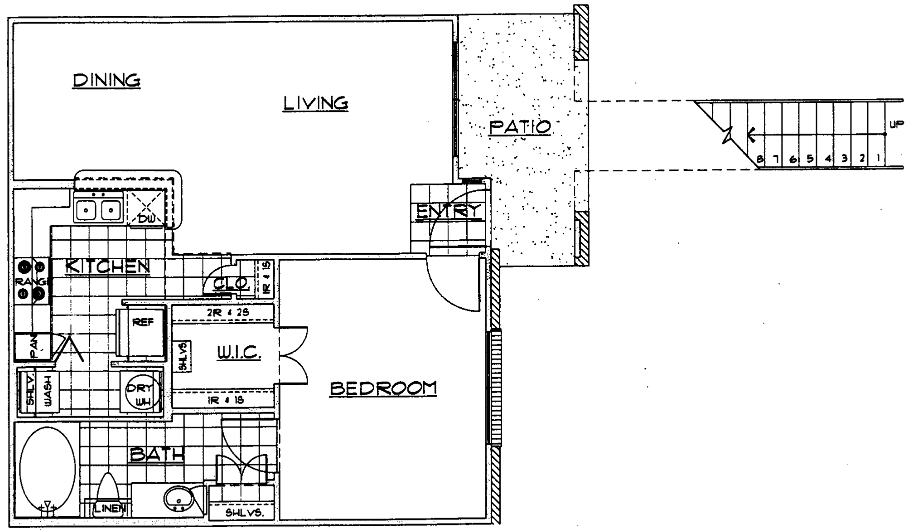
BUILDING TYPE 3 - Front Elevation
Sugar Creek Apartments



BUILDING TYPE 4 - Front Elevation
Sugar Creek Apartments

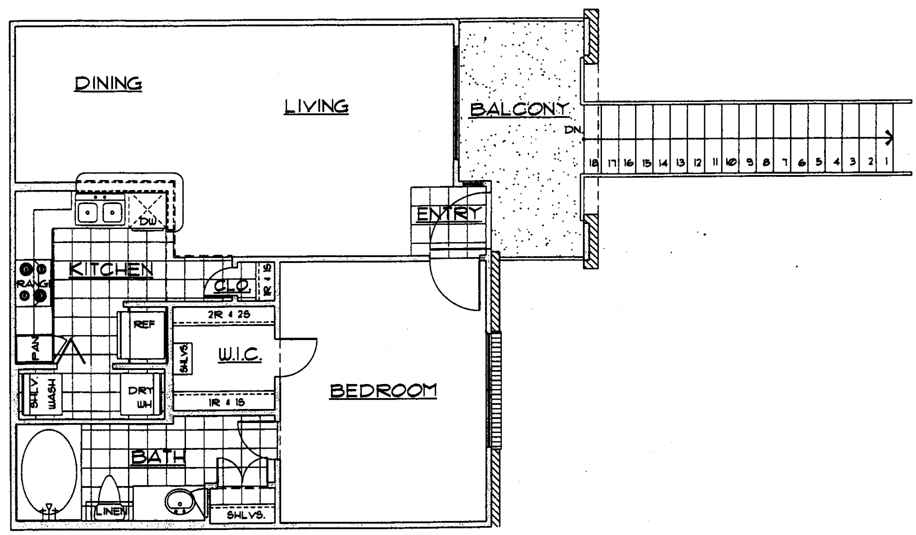


BUILDING TYPE 5 - Front Elevation
Sugar Creek Apartments



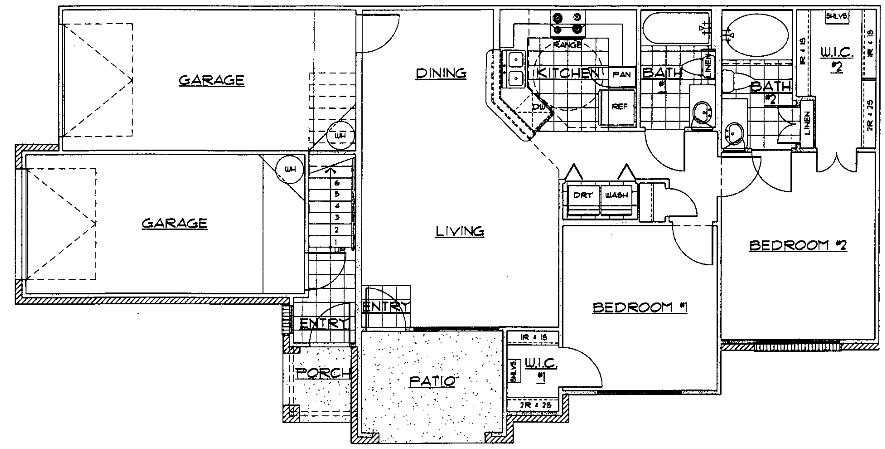
UNIT "A1": One Bedroom, 1 Bath 680 s.f.

SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001

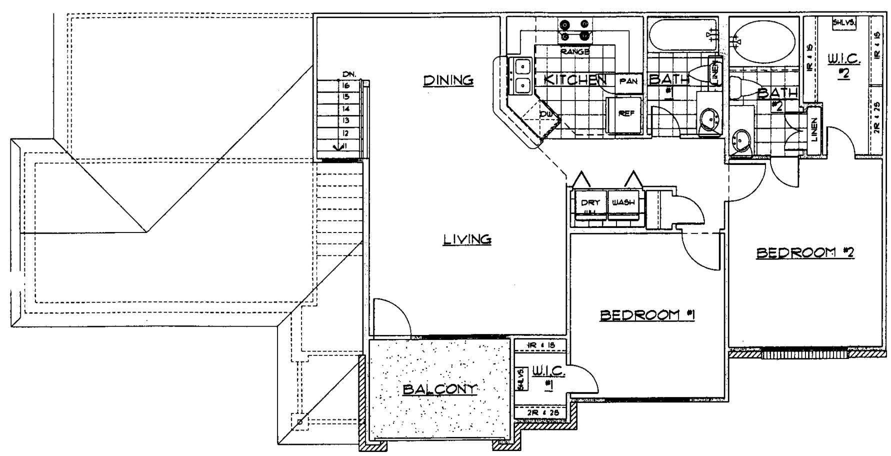


UNIT "A2": One Bedroom, 1 Bath 680 s.f.

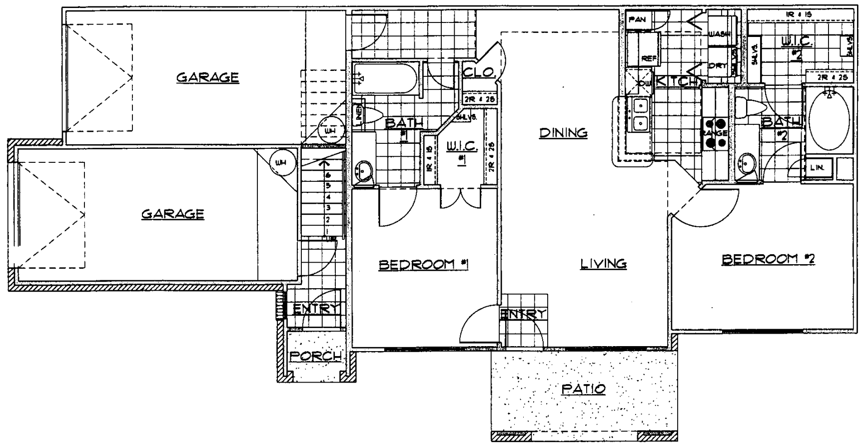
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



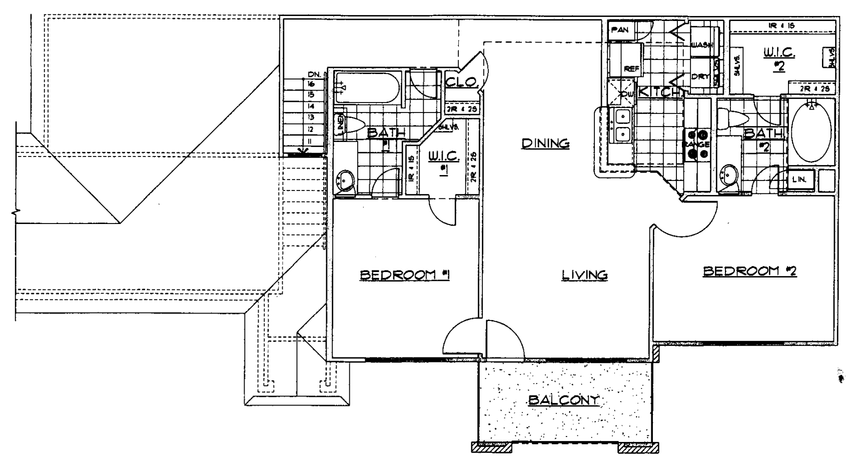
UNIT "B1": Two Bedroom, 2 Bath 957 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



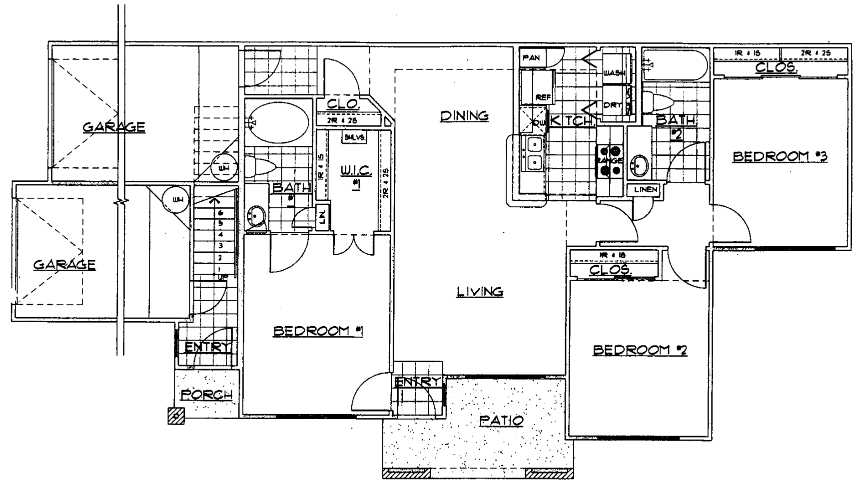
UNIT "B2": Two Bedroom, 2 Bath 1,053 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



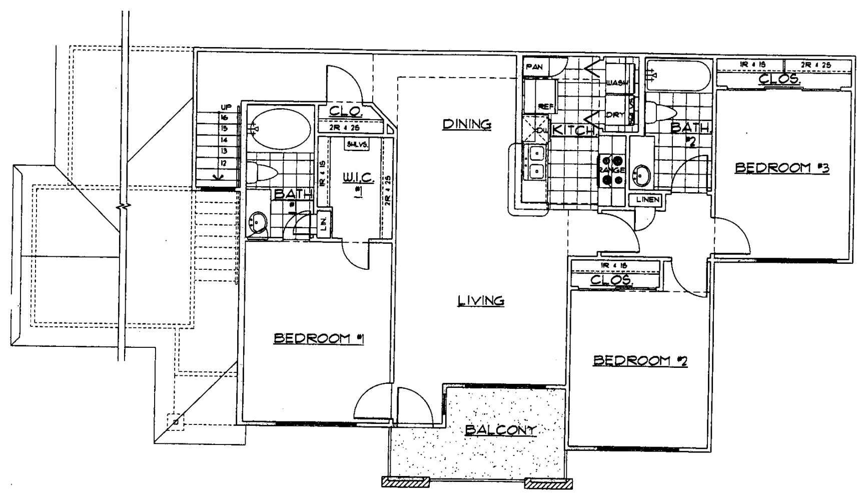
UNIT "C1": Two Bedroom, 2 Bath 975 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



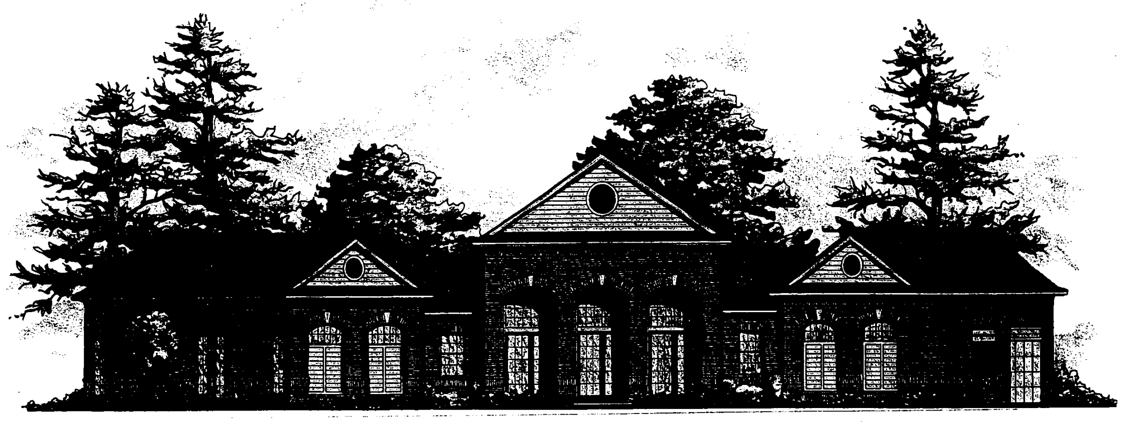
UNIT "C2": Two Bedroom, 2 Bath 1,071 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



UNIT "D1": Three Bedroom, 2 Bath 1140 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001

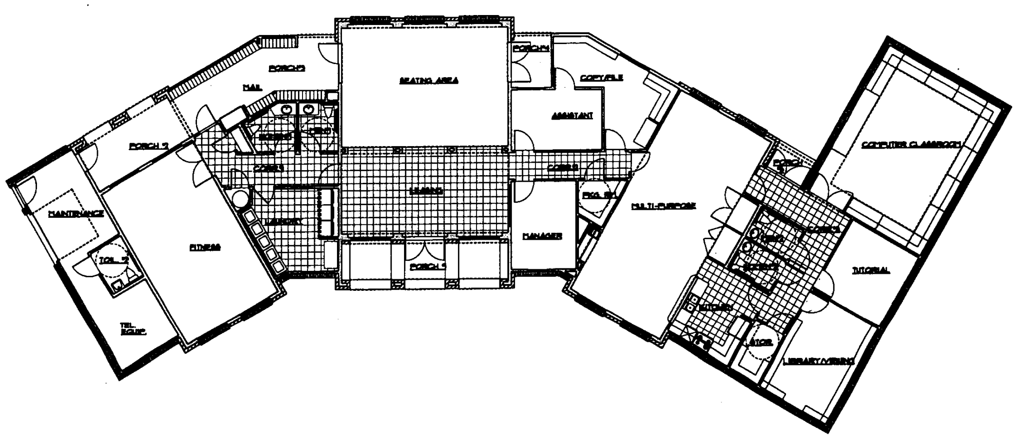


UNIT "D2": Three Bedroom, 2 Bath 1236 s.f.
SUGAR CREEK APARTMENTS
Mucasey & Associates, Architects
Scale: 1/4" = 1'-0"
October 22, 2001



AMENITY CENTER - Front Elevation

Sugar Creek Apartments



AMENITY CENTER - Floor Plan 4,595 s.f.

Sugar Creek Apartments

Mucasey & Associates, Architects

Participation of Women and Minorities

A. Bond Counsel

Vinson & Elkins L.L.P. (V&E). V&E pursues a policy of recruiting and hiring that encourages women and minorities to the firm. V&E is c employment opportunities without regard to age, race, sex, color, religion, national origin or handicapped status, consistent with federal and s

The minority and female representation within the firm as of November 2001 was as follows:

Legal Personnel

Number of Attorneys Employed:		866
	Male	610
	Female	256
Number of Minority Attorneys Employed:		69
	Black	23
	Hispanic	29
	Asian	16
	Native American	1
Number of Minority Law Clerks and /or Paralegals Employed:		15
	Black	4
	Hispanic	8
	Asian	3
	Native American	0
Number of Women Law Clerks and or Paralegals Employed:		120
Number of Law Clearks and/or Paralegals Employed:		147
Number of Minority Legal Personnel Hired During the Last 12 Months:		
	Attorneys	30
	Law Clerks/Paralegals	4

Non-Legal Personnel

Number of Non-Legal Personnel Employed:		1086
	Male	202
	Female	884
	Black	144
	Hispanic	133
	Asian	47
	Native American	2

B. Financial Advisor

Dain Rauscher, Inc. It is the policy of Dain Rauscher, Inc. to provide equal opportunity to all persons without regard to race, color, national affiliation, disability, marital status, sex or age. This policy will affect all employment practices, including (but not limited to) recruiting sele promotion, training, compensation, other benefits, layoff and recall, terminations, and in all company sponsored activities.

It is the responsibility of each member of management at every level throughout Dain Rauscher, Inc. to ensure the implementation of this pol positive leadership and personal example.

It is the responsibility of each employee to create an atmosphere on the job which is conducive to this policy.

Information regarding Dain Rauscher, Inc.'s women and minority employment status as of January 2, 2001 was as follows:

	Officials and Managers	Professionals	Technicians	Sales Workers	Non Exempt	Total
White						
Male	258	535	20	1009	209	**2031**
Female	191	275	5	227	868	**1566**
Black						
Male	6	8	1	6	25	**46**
Female	3	10	1	0	51	**65**
Hispanic						
Male	1	6	1	6	4	**18**
Female	2	10	0	5	32	**49**
Asian						
Male	3	32	1	12	11	**59**
Female	2	17	0	1	19	**39**
American Indian						
Male	1	0	0	1	2	**4**
Female	0	1	0	0	7	**8**
Unidentified						
Male	2	12	1	13	9	**37**
Female	1	2	1	0	25	**29**
Total	**470**	**908**	**31**	**1280**	**1262**	**3951**

C. Disclosure Counsel

McCall, Parkhurst & Horton, L.L.P. maintains employment practices that are nondiscriminatory. In addition, the firm is committed to taking assure equal employment opportunities to all groups within the work force. These affirmative action goals relate to all aspects of the employ recruitment, retention as an employee, training and job description, compensation and advancement. The firm will continue to implement an action program to mirror the representation in the work force based on race, color and gender, with particular emphasis on employees for leg firm.

Breakdown of employment as of March 1, 2001:

Legal Personnel

Number of Attorneys:	18
Male	16
Female	2
Number of Minority Attorneys:	
African American	1
Hispanic	2

Non-Legal Personnel

Number of Law Clearks and/or Paralegals:	2
Male	0
Female	2
Number of Support Personnel (excluding Law Clerks/Paralegals:	20
Male	2
Female	18
African American	1
Hispanic	4
Native American	1

McCall, Parkhurst & Horton, L.L.P. provides legal representation in the field of public finance. Due to recent actions by Congress and the cu of Texas, the firm's personnel needs have diminished considerably in recent years. Since January, 1986, the firm has only added six attorney professional staff. The attorney positions were filled with two African American attorneys (one of whom left the firm to establish an investm Hispanic attorneys, and two female attorneys and the paralegal positions were filled with women. Of these six attorneys, five remain employ expects to make similar efforts to recruit women and minorities at such time as the need arises for additional attorneys and staff.

Affirmative Action Statement

McCall, Parkhurst & Horton, L.L.P. will expend the firm's energy and resources in its efforts to recruit, hire and promote women and minorit to meet or exceed their proportions in the Texas work force.

D. Trustee

JPMorgan Chase: We are fully committed to equal opportunity and affirmative action as a cornerstone of the Corporation and its subsidiary an organization depends on the full and effective use of the abilities of all employees. Our objective is to maintain a work environment that and professional growth of employees at all levels in order to provide superior service to our clients.

Equal Employment Opportunity: It is JPMorgan Chase's policy to ensure equal opportunity for all qualified applicants and employees in all a management: recruitment, employment, assignment, transfer, promotion, compensation, benefits and training, as well as company-sponsore recreational programs. It is our policy that you will not be discriminated against or harassed because of your race, color, national origin, alie creed, religion, religious affiliation, age, sex, marital status, sexual orientation, disability, veteran status or any other protected status under a guideline. These classifications do not affect our decisions about any aspect of your employment or our decisions about applicants for emplo our policy to reasonably accomodate employees' religious practices and beliefs provided it does not cause undue hardship to the Company.

Affirmative Action: JPMorgan Chase fully endorses the concept and practice of affirmative action. Our Affirmative Action Program reflects maintain a diverse workforce of individuals who can work to their fullest potential. In addition to specific recruitment initiatives, we have p development and advancement opportunities available to all employees. Through both externally and internally focused programs, we act af development and career opportunities available to qualified minorities, women, Vietnam-era and disabled veterans and persons with disabilit

Information regarding JPMorgan Chase employment status as of November 2001 was as follows:

	Officials and Managers	Professiona l	Technicians	Sales Workers	Office and Clerical	Skilled	Semi-Skilled	Unskille d
White								
Male	14,267	1,978	267	819	3,705	3	14	-
Female	10,492	2,146	107	693	10,428	-	-	-
Black								
Male	1,457	368	145	131	2,161	-	3	-
Female	2,742	967	92	282	8,286	-	-	-
Hispanic								
Male	1,020	278	58	102	1,192	-	4	-
Female	1,345	461	33	228	3,371	-	-	-
Asian								
Male	1,480	385	52	30	616	-	1	-
Female	1,282	449	23	71	1,196	-	-	-
Indian								
Male	46	13	-	2	37	-	-	-
Female	48	13	4	6	149	-	-	-
Total	**34,179**	**7,058**	**781**	**2,364**	**31,141**	**3**	**22**	**-**

E. **Underwriter**

Newman & Associates, Inc: It is the policy and practice of Newman & Associates to provide equal opportunity in employment to all employ person shall be discriminated against in any condition of employment because of race, color, national origin, sex, religion, age, disability, or

The policy of equal employment opportunity shall apply to all terms, conditions and privileges of employment, including hiring, probation, t development, promotion, transfer, compensation, benefits, termination, layoffs, social and recreational programs, and retirement. Newman a committed to making employment decisions based on valid requirements, without regard to race, color, national origin, sex, religion, age, ha

Newman and Associates' EEO coordinator is R. Kent Erickson, Senior Vice President, at Newman and Associates, Inc.'s offices located at 18 3700, Denver, CO 80202. He is responisible for compliance with state and federal equal employment opportunity laws.

Newman and Associates endorse the policy of equal employment opportunity and asks its employees for continued assistance and support in environment which reflects Newman & Associates' commitment to equal opportunity and Affirmative Action. All personnel with responsibi personnel decisions are directed to perform their duties in accordance with this policy.

Newman & Associates Equal Employment Opportunity

Number of Employees as of March 30, 2000

	Officials and Managers	Professionals	Technicians	Para-Professional	Office and Clerical	Operatives	Total
White							
Male	5	38	1	4	0	0	**48**
Female	1	12	2	5	18	0	**38**
Black							
Male	0	1	0	0	0	0	**1**
Female	0	0	0	0	3	0	**3**
Hispanic							
Male	0	0	0	0	1	0	**1**
Female	0	0	0	3	2	0	**5**
Asian							
Male	0	0	1	0	0	0	**1**
Female	0	0	0	0	0	0	**0**
Indian							
Male	0	0	0	0	0	0	**0**
Female	0	0	0	0	0	0	**0**
Total	**6**	**51**	**4**	**12**	**24**	**0**	**97**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
SUGAR CREEK APARTMENTS

PUBLIC HEARING

Fairbanks Branch Library
7122 N. Gessner
Houston, Texas

November 30, 2001
5:22 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer. I'd like to proceed with the public hearing. Let the record show that it is now 5:22, Friday, November 30, 2001, and we're at the Fairbanks Branch Library at 7122 North Gessner, Houston, Texas 77040.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential-rental community.

This hearing is required by the Internal Revenue Code; the sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which, for this issue, is the Attorney General's office.

No decisions regarding the project will be made at this hearing; there are no Department board members present. The Department's board will meet to consider this transaction on January 15, 2002, upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or to the board at any of their meetings.

The Department staff will also accept written comments from the public via facsimile at 512-475-3362 up to five o'clock on January 7, 2002.

The bonds will be issued as tax-exempt multifamily revenue bonds in an aggregate principal amount not to exceed $11,950,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bond will be loaned to Sugar Creek Apartments, LP, or related person or affiliate, entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 240-unit multifamily residential rental development to be constructed on approximately 11.58 acres of land located on the north side of Seattle Slew Drive between the intersections of West Road and Steeple Park Drive, an unincorporated area of Houston, Harris County, Texas 77064.

The proposed multifamily rental housing community will be initially owned and operated by Sugar Creek Apartments, LP, or related person or affiliate thereof.

I'd like to now open the floor for public comment.

(No response.)

MS. MEYER: Well, seeing that there are no comments, I will adjourn this meeting, and it is now 5:25.

(Whereupon, at 5:25 p.m., the hearing was concluded.)

<u>C E R T I F I C A T E</u>

IN RE: Sugar Creek Apartments

LOCATION: Houston, Texas

DATE: November 30, 2001

I do hereby certify that the foregoing pages, numbers 1 through 125, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sue J. Brindley before the Texas Department of Housing and Community Affairs.

12/05/01
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Compliance Status Summary

ID# 01456
Project Name Sugar Creek Apartments
Address SE. coner of W. Rd & Seattle Slew Drive
City Houston

Type Funding
☐LIHTC 9%
☒LIHTC 4%
☒BOND
☐HOME
☐HTF
☐HSG. INFRAS.

Owner Name Sugar Creek Apartments, L.P.
Contact J. Steve Ford & William D. Henson

Development Team	Role
J. Steve Ford	G. P.
William D. Henson	Co-G. P.& L. P.
Pamela G. Henson	President
Laura Henson	V. P.
Cheryl L. Henson	Treasurer

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes☐
☐	Projects monitored by other states (National Previous Participation and Background Certification(s) attached) (none)	Issues of Compliance N/A ☐ No ☐ Yes☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes☐ – Single Audit not required
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐

Completed by: (signatures required from each compliance area) Date
CMCM Sara Cage Newsom 11-13-2001
CMAD [signature] 11-14-2001
CMPM [signature] c/cs 11/13/2001

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department		
Application ID # <u>01456</u>		
Millstone Apartments, Houston		
ID#	**Project Name**	**Score**
95002	Blue Ash Apartments	0
96080	Wood Bayou Apartments	3
96026	Hollow Creek Apartments	1
97140	Sprucewood Apartments	3
97139	Bent Oaks Apartments	0
97141	Burnett Place Apartments	1
98155	Brazoswood Apartments	N/A
99003	Fairmont Oaks Apartments	N/A
99066	Shoreham Apartments	N/A
99014T	Quail Chase Apartments	N/A
00008T	Oaks of Hitchcock Apartments	N/A

RESOLUTION NO. 02-03

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (SUGAR CREEK APARTMENTS) SERIES 2002; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the “Act”), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the “Board”) from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the “State”) intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Sugar Creek Apartments) Series 2002 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and JPMorgan Chase Bank (the “Trustee”), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Sugar Creek Apartments, L.P. (the “Borrower”), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the “Project”) located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the “Loan Agreement”) pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the “Mortgage Loan”) to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a note (the “Mortgage Note”) in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Loan Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by an Unconditional Payment Bond issued by QBE International Insurance Limited (“QBE”); and

WHEREAS, it is anticipated that the Mortgage Note will be secured by a Deed of Trust, Security Agreement and Assignment of Leases and Rents (the "Mortgage") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Mortgage Loan, including the Mortgage Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to QBE, as its interests may appear, pursuant to an Assignment (the "Assignment") from the Department to the Trustee and QBE and acknowledged, accepted and agreed to by the Borrower; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement") for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower and Newman & Associates, Inc. (the "Underwriter"), setting forth certain terms and conditions upon which the Underwriter will purchase the Bonds from the Department and the Department will sell the Bonds to the Underwriter and any other parties to such Bond Purchase Agreement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignment, the Regulatory Agreement, the Preliminary Official Statement and the Bond Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; **NOW, THEREFORE,**

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the Underwriter pursuant to the Bond Purchase Agreement.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture, the Bond Purchase Agreement and the Official Statement; provided, however, that: (i) the net effective interest rate on the Bonds shall not exceed 6.50% per annum; (ii) the aggregate principal amount of the Bonds shall not exceed $11,950,000; (iii) the final maturity of the Bonds shall occur not later than January 1, 2042; and (iv) the fee paid to the Underwriter in connection with the marketing of the Bonds shall not exceed the amount approved by the Texas Bond Review Board.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower and the Underwriter and any other party to the Bond Purchase Agreement.

Section 1.6--Acceptance of the Mortgage and Mortgage Note. That the Mortgage and the Mortgage Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are authorized to endorse the Mortgage Note to the order of the Trustee and QBE, as their interests may appear, without recourse.

Section 1.7--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the officers of the Department are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Trustee, QBE and the Borrower.

Section 1.8--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chairman and the Executive Director are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Preliminary Official Statement and the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Bond Purchase Agreement
Exhibit F - Assignment
Exhibit G - Preliminary Official Statement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

Section 2.4--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.5--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.6--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Newman & Associates.

Section 2.8–Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer as stated in Section 4(b) of the Regulatory Agreement.

Section 2.9--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Section 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Law, Chapter 551, Texas Government Code; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code.

PASSED AND APPROVED this 17th day of January, 2002.

____
Chairman

Attest:

____
Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

The Project is a 240-unit multifamily facility to be known as Sugar Creek Apartments and to be located on the north side of Seattle Slew Drive between West Road and Steeple Park Drive in an unincorporated area of Harris County, Texas. It will consist of 20 two- and three-story residential apartment buildings with 223,666 net rentable square feet. The unit mix will consist of:

80	one-bedroom/one-bath units
120	two-bedroom/two-bath units
40	three-bedroom/two-bath units
240	Total Units

Unit sizes will range from approximately 680 square feet to approximately 1,236 square feet.

Common areas will include a swimming pool, a recreation room, laundry facilities, a community room and a play area with playground equipment. All of the ground units are wheelchair accessible. All of the units will have individual heating and a/c units.

AGENDA ITEM NO. 2(C)

FINANCE COMMITTEE AND BOARD APPROVAL

MEMORANDUM

January 17, 2002

PROJECT:	West Oak Apartments, Harris County, Texas
PROGRAM:	Texas Department of Housing & Community Affairs 2001 Private-Activity Multifamily Mortgage Revenue Bonds (Reservation received 10/5/2001)
ACTION REQUESTED:	Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.
PURPOSE:	The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to West Oaks/Finlay Partners III, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a new, 168 unit multifamily residential rental project located at the northeast corner of the intersection of Gray Ridge Drive and Addicks-Clodine Road in Harris County, Texas 77082. (the "Project"). The Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.
BOND AMOUNT:	$10,150,000 Series 2002, Tax Exempt Bonds (*) (*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.
ANTICIPATED CLOSING DATE:	The Department received a volume cap allocation for the Bonds on October 5, 2001 pursuant to the Texas Bond Review Board's 2001 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 2, 2002, the anticipated closing date is January 31, 2002.
BORROWER:	West Oaks/Finlay Partners III, L.P., a Texas Limited Partnership the general partner of which is West Oaks/Finlay III, L.L.C., a Texas limited liability company, the sole member of which is Finlay GP Holdings, Ltd., a Florida limited partnership, the general partner of which is Finlay Holdings, Inc., a Florida corporation. The sole principal of the first general partner is Christopher C. Finlay, President.
COMPLIANCE HISTORY:	The Compliance Report reveals that the principle above has a total of one property monitored by the Department. This property has not yet received a compliance score.
ISSUANCE TEAM & ADVISORS:	First Union National Bank (Equity Provider) Wells Fargo Bank, Texas, NA, (Trustee) Vinson & Elkins L.L.P. (Bond Counsel) Dain Rauscher, Inc. (Financial Advisor) McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel) First Union National Bank (Letter of Credit Provider)
BOND PURCHASER:	The tax-exempt bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

PROJECT DESCRIPTION:

The Project is a 168-unit multifamily residential rental development to be constructed on approximately 9.7 acres of land located at the northeast corner of the intersection of Gray Ridge Drive and Addicks-Clodine Road in Harris County, Texas 77082. The site density will be 17.26 dwelling units per acre. The Project will include a total of seven (7) three story wood-framed buildings with a total of 188,160 net rentable square feet and an average unit size of 1,120 square feet. The project will include a clubhouse with offices, a community room, computer room, laundry room, kitchen facilities and public restrooms. On-site amenities will include a swimming pool, children's play area, and playground equipment. 303 uncovered parking spaces are planned.

Units	Unit Type	Square Feet
84	2-Bedrooms/2-Baths	1000
84	3-Bedrooms/2-Baths	1240
168		

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are both rent restricted and occupied by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES:

[Undetermined.] Borrower will be required to provide a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$50,750 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

$10,150 Bond Administration (0.10% of first year bond amount)
$4,200 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE:

$4,200 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $438,701 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $3,640,854 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Project.

During the Construction Phase, the Letter of Credit Provider will provide a Letter of Credit to the benefit of the Bond Purchaser to secure the Borrower's reimbursement obligations during the construction phase. The Borrower's reimbursement obligations to the Letter of Credit Provider will be secured by a 2nd lien mortgage on the property and certain related obligations to the Trustee on behalf of the Bond Purchaser. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase. The Bond Purchaser will return the Letter of Credit to the Letter of Credit Provider upon completion of construction.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 7.50% until January 31, 2003 and then shall be set at 7.15% thereafter.

CREDIT **ENHANCEMENT:** The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry form and in denominations of $100,000 or any integral multiple of $1.00 in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Owner (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Owner's interest in the project to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY: The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

(a) Under certain circumstances, the Bonds are subject to mandatory redemption in whole or in part, in the event of: (1) the project has not achieved Stabilization within twenty-four (24) months from the Construction Period; or, (2) damage to or destruction or condemnation of the Project to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Revenue Fund and are not to be used to repair or restore the Project.

(b) A portion of the Bonds are subject to mandatory redemption from proceeds remaining in the Construction Fund that are not needed to complete the project which are not qualified project costs.

(c) The Bonds are subject to a mandatory redemption in part according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule.

(d) The Bonds are subject to redemption, in whole or in part, following the occurrence of an Event of Default under the Facility Agreement.

(e) The Bonds are subject to mandatory redemption upon the determination of Taxability if, within 180 days thereof, the Owner of a Bond presents his Bond or Bonds for redemption, on any date selected by such Owner, specified in a notice in writing delivered to the Borrower and the Issuer at least thirty (30) days prior to such date.

(f) The Bonds are subject to mandatory redemption, in whole, if the Owner of all of the Bonds, on any interest payment date on or after December 1, 2018, if the Owners elect redemption and provide a 180 day written notice to the Issuer, Trustee and Borrower.

Optional Redemption:

(a) The Bonds are subject to redemption, in whole, at the option of the Borrower, at any time on or after December 1, 2018, based upon an optional prepayment of the Loan by the Borrower.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture Wells Fargo Bank Texas N.A. (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to Five (5) funds with the following general purposes:

1. Construction Fund – On the closing date, the proceeds of the Tax-exempt Bonds shall be deposited in the Construction Fund which consists of four (4) main accounts as follows:

   (a) Loan Account– represents a portion of the proceeds of the sale of the bonds. Bond proceeds are used to pay for Qualified Project Costs;

   (b) Cost of Issuance Account – represents a portion of the initial equity contribution of the Borrower of which amounts for the payments of the costs of issuance are deposited and disbursed;

   (c) Interim Loan Account – represents the balance of the initial equity contribution of the Borrower from an Interim Loan until tax credits are received; and,

   (d) Capitalized Interest Account – represents a portion of the initial equity contribution of the Borrower from which amounts may be transferred to the

Revenue Fund in order to pay interest on the Bonds until the completion date of the project.

2. Replacement Reserve Fund – Fund into which amounts are held in reserve to cover replacement costs and ongoing maintenance to the project.

3. Tax and Insurance Fund – moneys in the Tax and Insurance Fund are applied to the payment of real estate taxes and insurance premiums.

4. Revenue Fund – Revenues from the project are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Indenture: (1) to the payment of Interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (not to exceed 12 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee Wells Fargo Bank Texas N.A. formerly Norwest Bank N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

General Information		**Principal Contact**		
Bond Amount:	$ 11,200,000	West Oaks/Finlay Partners III, LP		
Program:	2001 Private Activity	Christopher C Finlay		
Bond Structure:	Charter Mac/Related	8601 Beach Blvd.		
Rate:	7.15% Permanent	Jacksonville, FL 32216		
Purpose:	New Construction	904-645-3030		
Status:	Full Application	904-620-8483		
A/O:	RFO			
Project(s)		**City**	**Units**	
West Oaks Finlay III		Houston	168	
Project History - Timeline		**Responsibility**	**Due Date**	**Status**
BRB Reservation received		BRB	10/5/2001	Done
Complete Application due to TDHCA		Applicant	11/8/2001	Done
35 day reservation filing		V&E	11/9/2001	Done
TEFRA notice in newspaper		V&E, Applicant	11/17/2001	Done
Kick-of conference call		All	11/20/2001	Done
Deadline to submit TEFRA notice to Tx Reg		TDHCA	11/21/2001	Done
TEFRA notice published in Tx Reg		TDHCA, Tx Reg	11/30/2001	Done
TEFRA Signage on property		Applicant	12/3/2001	Done
1st due diligence conference call (2:00 cst)		All	12/7/2001	Done
2nd due diligence conference call (9:00am cst))		All	12/11/2001	Done
TEFRA Hearing (6:00pm)		TDHCA, Applicant	12/17/2001	Done
Final construction plans, appraisal, sources & uses, and all other due diligence materials are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
All third party debt & equity commitments are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
3rd due diligence conference call (3:00pm CST)		All	12/20/2001	Done
2001 CarryForward notice to BRB		**V&E**	**12/21/2001**	**Done**
Notice of Intent to the BRB		TDHCA	12/27/2001	Done
1st draft of Bond Documents		V&E	12/27/2001	Done
Board final write-ups due		TDHCA	12/31/2001	Next Action
TDHCA underwriting due		TDHCA	12/31/2001	Scheduled
Bond Review Board application due		TDHCA	1/2/2002	Scheduled
Final conference call (10:00 CST)		All	1/3/2002	Scheduled
Final Bond Documents & Resolution		V&E	1/4/2002	Scheduled
TDHCA Board Meeting agenda published		TDHCA	1/8/2002	Scheduled
BRB Planning session (3:00 CST)		TDHCA, V&E, FA, Applicant	1/10/2002	Scheduled
File transcripts with Attorney General		V&E	1/15/2001	Scheduled
Circulate draft of closing memorandum		Underwriter	1/16/2002	Scheduled
TDHCA Board Meeting (9:00 CST)		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
Bond Review Board Meeting (2:00 CST)		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
Price Bonds		Underwriter	1/24/2002	Scheduled
Circulate Closing Memorandum		Underwriter	1/28/2002	Scheduled
Final Building permits due to TDHCA		Applicant	1/30/2002	Scheduled
Pre-close Bonds		All	1/30/2002	Scheduled

Close Bonds		All	1/31/2002	Scheduled
Reservation Expiration Date		BRB	2/1/2002	Scheduled

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Series 2002 Bonds (Tax-Exempt)	$ 10,150,000
Tax Credit Proceeds	3,640,854
GIC Earnings from Bond Proceeds	78,859
Deferred Developer's Fee	609,381
Total Sources	$ 14,479,094
Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 11,358,129
Capitalized Interest	731,786
Marketing	42,600
Developer's Overhead & Fee	1,658,606
Costs of Issuance	
Direct Bond Related	238,700
Bond Purchaser Costs	158,500
Other Transaction Costs	199,551
Real Estate Closing Costs	91,222
Total Uses	$ 14,479,094

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 50,750
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	4,200
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	40,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	21,000
Placement Agent	25,000
Trustee's Fees (Note 1)	7,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,000
TEFRA Hearing Publication Expenses	2,000
Total Direct Bond Related	$ 238,700
Bond Purchase Costs	
Loan Origination Fee (Charter Mac @1%)	101,500
Due Diligence Cost (Charter Mac)	22,000
Bond Counsel & Expenses (Charter Mac)	35,000
Total	$ 158,500
Other Transaction Costs	

Letter of Credit Origination Fee @ 1.57%	159,483
Letter of Credit Legal Fees	20,000
Tax Credit Determination Fee (4% annual tax cr.)	17,548
Tax Credit Applicantion Fee ($15/u)	2,520
Total	$ 199,551
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	65,000
Property Taxes	26,222
Total Real Estate Costs	$ 91,222
Estimated Total Costs of Issuance	$ 687,973

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond procee
Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: January 7, 2001 **PROGRAM:** Multifamily Bonds 4% LIHTC **FILE NUMBER:** 2001-048 01459

DEVELOPMENT NAME

West Oak Apartments

APPLICANT

Name:	West Oaks/Finlay III, Ltd.	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	4300 Marsh Landing Boulevard	**City:**	Jacksonville Beach **State:** FL
Zip:	32250 **Contact:** Jeffrey Spicer	**Phone:**	(904) 280-1000 **Fax:** (904) 280-9993

PRINCIPALS of the APPLICANT

Name:	West Oaks.Finlay III GP, LLC	**(%):**	.01	**Title:**	Managing General
Name:	Midland Equity Corporation	**(%):**	99.99	**Title:**	Initial Limited Partner
Name:	Christopher Finlay	**(%):**		**Title:**	President & owner of

GENERAL PARTNER

Name:	West Oaks Finlay III GP, LLC	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	4300 Marsh Landing Boulevard, Suite 101	**City:**	Jacksonville Beach **State:** FL
Zip:	32250 **Contact:** Jeffrey Spicer	**Phone:**	(904) 280-1000 **Fax:** (904) 280-9993

PROPERTY LOCATION

Location: Northwest corner of Addicks-Clodine Road & Gray Ridge ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77082

REQUEST

Amount	Interest Rate	Amortization	Term
❶ $10,150,000	7.15%	40 yrs	40 yrs
❷ $438,701	N/A	N/A	N/A

Other Requested Terms:
❶ Tax-exempt private activity mortgage revenue bonds
❷ Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 9.729 acres 423,795 square feet **Zoning/ Permitted Uses:** No zoning (Houston)

Flood Zone Designation:	Zone X	**Status of Off-Sites:**	Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 168 **# Rental Buildings** 7 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
84	2	2	1,017
84	3	2	1,215

Net Rentable SF: 187,488 **Av Un SF:** 1,116 **Common Area SF:** 2,066 **Gross Bldng SF** 189,554

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 50% brick veneer/50% vinyl siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

2,066 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area, sports court, perimeter fencing with limited access gate

Uncovered Parking: 252 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Charter Municipal Mortgage Acceptance Co. **Contact:** James Spound

Principal Amount: $10,150,000 **Interest Rate:** 7.5%

Additional Information: Tax-exempt bond proceeds

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

INTERIM CONSTRUCTION or GAP FINANCING

Source: First Union Affordable Housing Community Development Corporation **Contact:** Rick Davis

Principal Amount: $3,050,253 **Interest Rate:** Market rate

Additional Information: Equity gap bridge loan during construction stage

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Charter Municipal Mortgage Acceptance Co. **Contact:** James Spound

Principal Amount: $10,150,000 **Interest Rate:** 7.15%

Additional Information: Tax-exempt bond proceeds

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

Annual Payment: $740,399 **Lien Priority:** 1st **Commitment Date** 12/ 17/ 2001

LIHTC SYNDICATION			
Source: First Union Affordable Housing Community Development Corporation		**Contact:** Rick Davis	
Address: 201 S. College Street, CP-8		**City:** Charlotte	
State: NC	**Zip:** 28288	**Phone:** (704) 383-9705	**Fax:** (704) 383-9525
Net Proceeds: $3,640,854	**Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 83¢		
Commitment	☐ None ☐ Firm ☒ Conditional	**Date:** 12/ 19/ 2001	
Additional Information: Commitment letter reflects proceeds of $3,640,854 based on credits of $4,387,010			

APPLICANT EQUITY	
Amount: $775,155	**Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$950,000	**Date of Valuation:**	11/ 23/ 2001
Proposed Building: as completed	$10,460,000	**Date of Valuation:**	11/ 23/ 2002
Appraiser: Patrick O'Connor & Associates	**City:** Houston	**Phone:**	(713) 686-9955

ASSESSED VALUE

Land:	$211,700	**Assessment for the Year of:**	2001
Building:	N/A	**Valuation by:**	Harris County Tax Assessor-Collector
Total Assessed Value:	$211,700		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract		
Contract Expiration Date:	2/ 2/ 2002	**Anticipated Closing Date:**	2/ 1/ 2002
Acquisition Cost:	$ 953,543.25	**Other Terms/Conditions:**	$26,000 earnest money
Seller:	CoReig, Ltd.	**Related to Development Team Member:**	No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: West Oak Apartments is a proposed new construction project of 168 units of affordable housing located in southwest Houston. The project is comprised of seven residential buildings, each with 12 each 2-BR/2-BA and 3-BR/2-BA units.

Based on the site plan the apartment buildings are distributed evenly throughout the site and arranged around two interior parking areas, with the community building and swimming pool located near the entrance to the site. The 2,066-square foot community building is planned to have the management office, a community room, exercise room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has indicated that the Texas Inter-Faith Housing Corporation will be used to provide the following supportive services to tenants: family skills development, educational programs, and child care and after school programs. These services will be provided at no cost to tenants. Although no contract was provided in the application, the Applicant included an estimated expense of $8,568 for provision of the services. Receipt, review and acceptance of a supportive services contract with terms by cost certification is a condition of this report.

Schedule: The Applicant anticipates construction to begin in February of 2001, to be completed in February of 2003, and to be substantially leased-up in April of 2003.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated December 3, 2001 was prepared by Allen & Associates Consulting, Inc. and highlighted the following findings:

Definition of Market Areas: "Property managers and other local real estate professionals reported that approximately 80% of their demand comes from a part of Harris County bounded by I-10 on the north, Highway 6 on the east, Alief-Clodine Road on the south, and Westheimer on the west. This shall be our definition of the primary market area…The primary market area includes [16] census tracts. The site is located in Census Tract 437.11…we will assume that 20% of demand will come from areas outside the primary market area." (p.20)

Total Regional Market Demand for Rental Units: "According to local economic development officials, the picture for the top Houston employers has been fairly stable over the past couple of years…The events of September 11 have already had a tremendous impact on the energy and airline sectors…Since the energy and airline sectors are such a large part of the Houston economy, we believe that Houston will undergo an economic correction over the next 12-24 months. The severity of this correction will be a function of the severity of the recession that will impact the rest of the country." (p. 26)

Total Local/Submarket Demand for Rental Units: "We estimate total income-qualified market need of 1,429 and 577 for the 2- and 3-BR units, respectively…[and] income-qualified movership demand of 1,860 and 750 for the 2- and 3-BR units, respectively." (p. 8) (Note: These demand figures are not additive but represent two different demand models used by the analyst.)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	88	3%
Resident Turnover	2,022	72%
From Outside Primary Market	703	25%
TOTAL ANNUAL DEMAND	**2,813**	**100%**

Ref: p. 92, 94

Capture Rate: "We estimate income-qualified, need-based capture rates of 5.9% and 14.6% for the 2- and 3-BR units, respectively." (p. 93) "We estimate income-qualified, movership-based capture rates of 4.5% and 11.2% for the 2- and 3-BR units, respectively. These low capture rates suggest that there are an appropriate number and mix of units for the subject property." (p. 95)

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The market analyst surveyed 19 comparable apartment projects totaling 4,182 units in the market area. All were conventionally financed family properties. (p. 42)

RENT ANALYSIS (net tenant-paid rents)					
	Proposed	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (60%)	$681	$681	$0	$763	-$82
3-Bedroom (60%)	$779	$779	$0	$989	-$210

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

Submarket Vacancy Rates: "Market rate occupancies currently stand at 95%, indicating a fairly strong rental market…There are no known restricted rent and income properties in the market area." (p. 6)
Absorption Projections: "Assuming a 10% market share, we estimate an absorption period of 5 and 13 months for the 2- and 3-BR units, respectively." (p. 96)
Known Planned Development: "…we learned of a 1,000-unit market rate development planned to be constructed off of Westheimer. The proposed project is said to be a high-end community catering to a high-end clientele…We also learned of a townhome project being constructed [approximately one-quarter mile northeast]. It is not known whether the project will be for-sale or for-rent. Preliminary indications from local property managers suggest it will be for-sale. In our opinion, therefore, these developments will not compete directly with the subject property." (p. 83)
Effect on Existing Housing Stock: "The fairly high occupancy rates, the absence of rent- and income-restricted properties in the market area, and the broad rental market suggest that the proposed development will not adversely impact any other properties in the market area." (p. 83)
The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a square-shaped parcel located in the western area of Houston, approximately 15 miles from the central business district. The site is situated on the northwest corner of the intersection of Grey Ridge Drive and Addicks-Clodine Road.
Population: The estimated 2001 population of the market area is 125,846 and is expected to increase by 8.1% to approximately 136,158 by 2006. Within the primary market area there were estimated to be 55,892 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly residential, with some vacant land and commercial uses. Adjacent land uses include:

- **North:** Vacant land
- **South:** Vacant land
- **East:** Multifamily residential
- **West:** Single-family residential

Site Access: Access to the property is from the east or west along Grey Ridge Drive or the north or south from Addicks-Clodine Road. The project is to have two entries, one from the north or south from Addicks-Clodine Road and one from the east or west from Grey Ridge Drive. Access to Interstate Highway 10 is three miles north, which provides connections to all other major roads serving the Houston area.
Public Transportation: Public bus transportation is provided the City of Houston, but the site-specific availability is unknown.
Shopping & Services: The site is within two miles of three major grocery/pharmacies, a shopping mall, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Site Inspection Findings: A TDHCA staff member performed a site inspection on November 30, 2001 and found the location to be acceptable for the proposed development. The inspector noted the site is a corner lot with single-family residences across Addicks-Clodine Road and multifamily residential to the rear.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated November 26, 2001 was prepared by Allen & Associates Consulting, Inc. and contained the following finding: "This assessment has revealed no recognized environmental conditions in connection with the property." (p. 17)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and the market study data provided indicate that these rents are achievable. The Applicant indicates that tenants will be responsible for their own water and sewer costs, therefore these utility costs were reduced from the maximum rent. The Applicant's secondary income estimate of $18.67/unit/month is significantly higher than the TDHCA underwriting guideline of $10, and as no substantiation was provided the total is regarded to be overstated by $17.5K. The Applicant's estimate of vacancy and collection losses, at 7%, are slightly lower than the TDHCA underwriting guideline of 7.5% and are regarded to be understated by $6.2K. The net result is that the Applicant's effective gross income is $23K higher than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,292 per unit compares favorably though just over 5% higher than the TDHCA database-derived estimate of $3,135 per unit for comparably-sized projects. Several of the Applicant's budget line item estimates, however, deviate significantly when compared to the database averages, particularly general and administrative ($31K lower), payroll ($71K higher), repairs and maintenance ($19K higher), utilities ($44K lower), and property tax ($23K higher). The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. As the Harris County utility allowances do not include a trash allowance, the Underwriter used $10/unit from the draft Houston allowances as a proxy. The Applicant did not include approximately $18.9K in TDHCA bond trustee, administrative, and asset oversight fees in either expenses or debt service estimates.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations, however, total operating expenses are just above 5% of the database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. The Applicant appears to have understated primary debt service, however, by almost $30K, and if TDHCA bond fees are included there is insufficient net operating income in the first two years of stabilized operation to service the proposed first lien permanent mortgage and fees at a debt coverage ratio that is above the minimum acceptable TDHCA underwriting guideline of 1.10. Therefore, either a potential deferral of TDHCA administration and oversight fees of up to $26K or, alternatively, a reduction in the debt to achieve the minimum 1.10 DCR may be required. It should also be noted that the lender has not confirmed the final sizing of the project and at one point recently indicated that the amount of the bonds at conversion to permanent loan would be $9,757,150. The remainder of the bonds ($392,850) would be held in an earn-out status to be paid if the project meets to-be-specified occupancy and DCR targets.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $953,543.25 ($2.25/SF or $98K/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant claimed sitework costs of $7,088 per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is $4.5K to $6.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to $6.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate not verify the sitework costs as presented, a modification to the allocation of tax credits could be made.

Direct Construction Cost: The Applicant's direct construction cost estimate is $275K or 3.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant's contingency allowance exceeds the TDHCA guideline by $67,874, and therefore the Applicant's eligible basis was reduced by that amount.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's eligible developer's fee is reduced by $10,182 due to the contingency allowance overstatement discussed above.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total project cost estimate is not within the TDHCA maximum cost guideline. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $12,637,920 is used to determine a credit allocation of $463,812 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. This is $25,111 more than originally requested by the Applicant due to the use of a lower applicable percentage (3.45%) rather than the 3.67% underwriting rate used for January 2002 and provides the project with an equal amount of cushion to absorb potential cost overruns.

FINANCING STRUCTURE ANALYSIS

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

Bonds: The bonds are $10,150,000 in tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with Charter Municipal Mortgage Acceptance Company. The interest rate will be 7.5% during the construction period, which is not to exceed 16 months, and fixed at 7.15% thereafter. The bonds will be amortized over 40 years.

LIHTC Syndication: First Union Affordable Housing Community Development Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,640,854 based on a syndication factor of 83%. The funds would be disbursed in a three-phased pay-in schedule:

4. 2.75% upon admission to the partnership and closing of the construction loan;
5. 87.21% upon completion of construction;
6. 10.04% upon the later of: final closing of the permanent mortgage loan, attainment of 1.1 DCR for 90 consecutive days, or receipt of IRS Forms 8609.

Bridge Loan: First Union has also agreed to provide an equity bridge loan in the amount of $3,050,253 during the construction stage, at market rate and terms. The loan will be repaid by the second equity pay-in.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $775,155 amount to 47% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $463,812 annually for ten years, resulting in syndication proceeds of approximately $3,849,252. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $566,757, which represents 34% of the total eligible fees and should be repayable within six years. Should the final bond amount be reduced by the full earn-out portion of the bonds ($392,850), additional deferred developer's fee would be available to fund the development cost gap and could be repaid out of cashflow within 10 years. Multifamily Bond Program staff have indicated a willingness, in light of the project's favorable proforma, to issue the full amount of bonds ($10.15M) and seek a Board bond fee waiver to allow a bond-only DCR of 1.10.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive and typical of current affordable and market rate design. The units are of average size for market rate and LIHTC units, and have covered patios or balconies and utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with another unit. The units are in three-story walk-up structures with mixed brick veneer and vinyl siding exterior finish and pitched roofs.

Unit Floorplans:

1. Entry to the 2-BR/2-BA unit is through a foyer and entry hallway into the living and dining areas, with the kitchen and secondary bedroom off the entry hallway. The kitchen is separated from the dining area. Both bathrooms are accessible from the living area. The master bedroom and bathroom are off a short hall beyond the living area. Both bedrooms have walk-in closets, and there is also a small outdoor storage closet.
2. The 3-BR/2-BA unit is arranged very similarly to the 2-BR unit, with the third bedroom separated from the master bedroom by a bathroom.

IDENTITIES of INTEREST

Christopher Finlay is the owner of the General Partner and the Developer (Finlay Development, Inc.) and is married to the owner of the General Contractor (Finlay Construction, Inc.). These are typical relationships for tax credit funded projects.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

- The owner of the General Partner, Finlay Properties, Inc., submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $3.36M and consisting of $120K in cash and equivalents, $629K in receivables, $209K in real property, $835K in machinery, equipment, and fixtures, and $1.6M in other assets. Liabilities totaled $2.7M, resulting in net equity of $650K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Christopher Finlay, the owner of the General Partner, listed participation as developer and general partner on nine previous LIHTC housing projects totaling 898 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable range.
- The project may not achieve the minimum required debt coverage ratio of 1.10 in the first years of stabilized operation if the full amount of bonds are issued and bond fees are not waived.

RECOMMENDATIONS

☑ RECOMMEND ISSUANCE OF TAX-EXEMPT BONDS AS REQUESTED AT $10,150,000 TO BE FULLY AMORTIZED OVER 40 YEARS. THE INTEREST RATE OF THE BONDS WILL BE 7.15%, AND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $463,812 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

6. Receipt, review and acceptance of a supportive services contract with terms by cost certification;
7. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
8. TDHCA Board acceptance of the potential deferral of all of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation and partial deferral in the second year, up to $26K, in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline.
9. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

Credit Underwriting Supervisor:	Jim Anderson	**Date:**	January 7, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	January 7, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Ana

West Oak Apartments, MFB #2001-048/4% LIHTC #01459

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF
TC (60%)	83	2	2	1,017	$790	$681	$56,557	$0.67
EO	1	2	2	1,017		0	0	0.00
TC (60%)	84	3	2	1,215	912	779	65,458	0.64
TOTAL:	168		AVERAGE:	1,116	$846	$726	$122,015	$0.65

INCOME	Total Net Rentable Sq Ft:	187,488		TDHCA	APPLICANT		
POTENTIAL GROSS RENT				$1,464,178	$1,463,508		
Secondary Income		Per Unit Per Month:	$10.00	20,160	37,632	$18.67	Pe
Other Support Income:				0	0		
POTENTIAL GROSS INCOME				$1,484,338	$1,501,140		
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(111,325)	(105,084)	-7.00%	of
Employee or Other Non-Rental Units or Concessions				0	0		
EFFECTIVE GROSS INCOME				$1,373,013	$1,396,056		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT
General & Administrative		4.73%	$386	$0.35	$64,898	$34,022	$0.18
Management		5.00%	409	0.37	68,651	55,842	0.30
Payroll & Payroll Tax		3.71%	303	0.27	50,951	121,654	0.65
Repairs & Maintenance		5.44%	445	0.40	74,754	93,580	0.50
Utilities		4.52%	369	0.33	62,031	18,462	0.10
Water, Sewer, & Trash		1.47%	120	0.11	20,160	13,355	0.07
Property Insurance		2.18%	179	0.16	29,998	37,432	0.20
Property Tax	3.2027	8.23%	673	0.60	112,991	136,534	0.73
Reserve for Replacements		2.45%	200	0.18	33,600	33,600	0.18
Other: Supportive services		0.62%	51	0.05	8,568	8,568	0.05
TOTAL EXPENSES		38.35%	$3,135	$2.81	$526,602	$553,049	$2.95
NET OPERATING INC		61.65%	$5,038	$4.51	$846,411	$843,007	$4.50
DEBT SERVICE							
1st Lien Mortgage		56.10%	$4,585	$4.11	$770,210	$740,399	$3.95
Trustee Fee		0.33%	$27	$0.02	$4,500	0	$0.00
TDHCA Admin. Fees		0.74%	$60	$0.05	10,150	0	$0.00
Asset Oversight & Compliance Fees		0.61%	$50	$0.04	8,400	4,200	$0.02
NET CASH FLOW		3.87%	$316	$0.28	$53,151	$98,408	$0.52
AGGREGATE DEBT COVERAGE RATIO					1.07	1.13	
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.09		
BONDS-ONLY DEBT COVERAGE RATIO					1.10		

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT
Acquisition Cost (site or bldng)		6.63%	$5,795	$5.19	$973,543	$973,543	$5.19
Off-Sites		0.00%	0	0.00	0	0	0.00
Sitework		7.44%	6,500	5.82	1,092,000	1,190,847	6.35
Direct Construction		49.18%	42,982	38.51	7,221,006	6,945,849	37.05
Contingency	5.00%	2.83%	2,474	2.22	415,650	474,709	2.53
General	5.87%	3.32%	2,906	2.60	488,202	488,202	2.60

Requirements								
Contractor's G & A	1.96%	1.11%	969	0.87	162,734	162,734	0.87	
Contractor's Profit	5.87%	3.32%	2,906	2.60	488,202	488,202	2.60	
Indirect Construction		2.92%	2,550	2.28	428,321	428,321	2.28	
Ineligible Expenses		4.32%	3,777	3.38	634,490	634,490	3.38	
Developer's G & A	4.95%	3.77%	3,291	2.95	552,869	552,869	2.95	
Developer's Profit	9.90%	7.53%	6,582	5.90	1,105,737	1,105,737	5.90	
Interim Financing		5.98%	5,229	4.69	878,506	878,506	4.69	
Reserves		1.65%	1,440	1.29	242,000	242,000	1.29	
TOTAL COST		100.00%	$87,400	$78.32	$14,683,260	$14,566,009	$77.69	
Recap-Hard Construction Costs		*67.20%*	***$58,737***	***$52.63***	*$9,867,794*	*$9,750,543*	***$52.01***	
SOURCES OF FUNDS							RECOMMENDE	
1st Lien Mortgage		69.13%	$60,417	$54.14	$10,150,000	$10,150,000	$10,150,000	$1
LIHTC Syndication Proceeds		24.80%	$21,672	$19.42	3,640,854	3,640,854	3,849,252	$1
Additional Financing		0.00%	$0	$0.00	0	0	0	
Deferred Developer's Fee		5.28%	$4,614	$4.13	775,155	775,155	566,757	
Additional (excess) Funds Required		0.80%	$698	$0.63	117,251	0	0	
TOTAL SOURCES					$14,683,260	$14,566,009	$14,566,009	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

West Oak Apartments, MFB #2001-048/4% LIHTC #01459

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.20	$7,350,136
Adjustments				
Exterior Wall Finish	4.50%		$1.76	$330,756
9-Foot Ceilings	4.00%		1.57	294,005
Roofing			0.00	0
Subfloor			(0.65)	(122,492)
Floor Cover			1.82	341,228
Porches/Balconies	$17.07	16,212	1.48	276,739
Plumbing	$585	504	1.57	294,840
Built-In Appliances	$1,550	168	1.39	260,400
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.66	311,230
Garages/Carports			0.00	0
Comm &/or Aux bldngs	$58.44	2,066	0.64	120,740
Other:			0.00	0
SUBTOTAL			50.44	9,457,582
Current Cost Multiplier	1.02		1.01	189,152
Local Multiplier	0.92		(4.04)	(756,607)
TOTAL DIRECT CONSTRUCTION COSTS			$47.42	$8,890,127
Plans, specs, survy, bld prmts	3.90%		($1.85)	($346,715)
Interim Construction Interest	3.38%		(1.60)	(300,042)
Contractor's OH & Profit	11.50%		(5.45)	(1,022,365)
NET DIRECT CONSTRUCTION COSTS			$38.51	$7,221,006

PAYMENT COMP

Primary	$10,150,000	
Int Rate	7.15%	
Secondary		
Int Rate		Su
Additional		
Int Rate		A

ALTERNATIVE FINANCIN

Primary Debt Service

Trustee Fee

TDHCA Fees

NET CASH FLOW

Primary	$10,150,000	
Int Rate	7.15%	
Secondary		
Int Rate		Su
Additional		
Int Rate		A

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTUR

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS RENT		$1,464,178	$1,508,104	$1,553,347	$1,599,947	$1,647,946	$1,910,421	$2,214,701
Secondary Income		20,160	20,765	21,388	22,029	22,690	26,304	30,494
Other Support Income:		0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		1,484,338	1,528,869	1,574,735	1,621,977	1,670,636	1,936,725	2,245,195
Vacancy & Collection Loss		(111,325)	(114,665)	(118,105)	(121,648)	(125,298)	(145,254)	(168,390)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$1,373,013	$1,414,203	$1,456,630	$1,500,328	$1,545,338	$1,791,471	$2,076,805
EXPENSES at	4.00%							
General & Administrative		$64,898	$67,494	$70,194	$73,001	$75,922	$92,370	$112,382
Management		68,651	70,710	72,831	75,016	77,267	89,574	103,840
Payroll & Payroll Tax		50,951	52,989	55,108	57,312	59,605	72,518	88,230
Repairs & Maintenance		74,754	77,744	80,854	84,088	87,451	106,398	129,450
Utilities		62,031	64,513	67,093	69,777	72,568	88,290	107,418
Water, Sewer & Trash		20,160	20,966	21,805	22,677	23,584	28,694	34,911
Insurance		29,998	31,198	32,446	33,744	35,094	42,697	51,947
Property Tax		112,991	117,511	122,211	127,100	132,184	160,822	195,664
Reserve for Replacements		33,600	34,944	36,342	37,795	39,307	47,823	58,184
Other		8,568	8,911	9,267	9,638	10,023	12,195	14,837
TOTAL EXPENSES		$526,602	$546,980	$568,152	$590,149	$613,005	$741,381	$896,864
NET OPERATING INCOME		$846,411	$867,224	$888,478	$910,179	$932,333	$1,050,090	$1,179,942
DEBT SERVICE								
First Lien Financing		$770,210	$770,210	$770,210	$770,210	$770,210	$770,210	$770,210
Trustee Fee		3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees		10,150	10,104	10,055	10,002	9,945	9,590	9,084
Asset Oversight & Compliance Fees		8,400	8,736	9,085	9,449	9,827	11,956	14,546
Cash Flow		54,151	74,674	95,628	117,019	138,852	254,834	382,601
AGGREGATE DCR		1.07	1.09	1.12	1.15	1.17	1.32	1.48

LIHTC Allocation Calculation - West Oak Apartments, MFB #2001-048/4% LIHTC #0

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/N ELIGIBLE
(1) Acquisition Cost				
Purchase of land	$973,543	$973,543		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,190,847	$1,092,000	$1,190,847	$1,0
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,945,849	$7,221,006	$6,945,849	$7,2
(4) Contractor Fees & General Requirements				
Contractor overhead	$162,734	$162,734	$162,734	$1
Contractor profit	$488,202	$488,202	$488,202	$4
General requirements	$488,202	$488,202	$488,202	$4
(5) Contingencies	$474,709	$415,650	$406,835	$4
(6) Eligible Indirect Fees	$428,321	$428,321	$428,321	$4
(7) Eligible Financing Fees	$878,506	$878,506	$878,506	$8
(8) All Ineligible Costs	$634,490	$634,490		
(9) Developer Fees			$1,648,424	
Developer overhead	$552,869	$552,869		$5
Developer fee	$1,105,737	$1,105,737		$1,1
(10) Development Reserves	$242,000	$242,000		
TOTAL DEVELOPMENT COSTS	$14,566,009	$14,683,260	$12,637,920	$12,8

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			$12,637,920	$12,8
High Cost Area Adjustment			100%	
TOTAL ADJUSTED BASIS			$12,637,920	$12,8
Applicable Fraction			100%	
TOTAL QUALIFIED BASIS			$12,637,920	$12,8
Applicable Percentage			3.67%	
TOTAL AMOUNT OF TAX CREDITS			$463,812	$4
	Syndication Proceeds	0.8299	$3,849,252	$3,9

Date	Principal	Date	Principal	Date	Principal
1/1/2004	3,707.08	2/1/2008	4,959.65	3/1/2012	6,635.46
2/1/2004	3,729.16	3/1/2008	4,989.20	4/1/2012	6,674.99
3/1/2004	3,751.38	4/1/2008	5,018.93	5/1/2012	6,714.77
4/1/2004	3,773.74	5/1/2008	5,048.83	6/1/2012	6,754.77
5/1/2004	3,796.22	6/1/2008	5,078.92	7/1/2012	6,795.02
6/1/2004	3,818.84	7/1/2008	5,109.18	8/1/2012	6,835.51
7/1/2004	3,841.59	8/1/2008	5,139.62	9/1/2012	6,876.24
8/1/2004	3,864.48	9/1/2008	5,170.25	10/1/2012	6,917.21
9/1/2004	3,887.51	10/1/2008	5,201.05	11/1/2012	6,958.42
10/1/2004	3,910.67	11/1/2008	5,232.04	12/1/2012	6,999.88
11/1/2004	3,933.97	12/1/2008	5,263.22	1/1/2013	7,041.59
12/1/2004	3,957.41	1/1/2009	5,294.58	2/1/2013	7,083.55
1/1/2005	3,980.99	2/1/2009	5,326.12	3/1/2013	7,125.75
2/1/2005	4,004.71	3/1/2009	5,357.86	4/1/2013	7,168.21
3/1/2005	4,028.57	4/1/2009	5,389.78	5/1/2013	7,210.92
4/1/2005	4,052.58	5/1/2009	5,421.89	6/1/2013	7,253.89
5/1/2005	4,076.73	6/1/2009	5,454.20	7/1/2013	7,297.11
6/1/2005	4,101.02	7/1/2009	5,486.70	8/1/2013	7,340.59
7/1/2005	4,125.45	8/1/2009	5,519.39	9/1/2013	7,384.32
8/1/2005	4,150.03	9/1/2009	5,552.28	10/1/2013	7,428.32
9/1/2005	4,174.76	10/1/2009	5,585.36	11/1/2013	7,472.58
10/1/2005	4,199.63	11/1/2009	5,618.64	12/1/2013	7,517.11
11/1/2005	4,224.66	12/1/2009	5,652.12	1/1/2014	7,561.90
12/1/2005	4,249.83	1/1/2010	5,685.79	2/1/2014	7,606.95
1/1/2006	4,275.15	2/1/2010	5,719.67	3/1/2014	7,652.28
2/1/2006	4,300.62	3/1/2010	5,753.75	4/1/2014	7,697.87
3/1/2006	4,326.25	4/1/2010	5,788.03	5/1/2014	7,743.74
4/1/2006	4,352.02	5/1/2010	5,822.52	6/1/2014	7,789.88
5/1/2006	4,377.96	6/1/2010	5,857.21	7/1/2014	7,836.29
6/1/2006	4,404.04	7/1/2010	5,892.11	8/1/2014	7,882.98
7/1/2006	4,430.28	8/1/2010	5,927.22	9/1/2014	7,929.95
8/1/2006	4,456.68	9/1/2010	5,962.54	10/1/2014	7,977.20
9/1/2006	4,483.23	10/1/2010	5,998.06	11/1/2014	8,024.73
10/1/2006	4,509.95	11/1/2010	6,033.80	12/1/2014	8,072.55
11/1/2006	4,536.82	12/1/2010	6,069.75	1/1/2015	8,120.65
12/1/2006	4,563.85	1/1/2011	6,105.92	2/1/2015	8,169.03
1/1/2007	4,591.04	2/1/2011	6,142.30	3/1/2015	8,217.71
2/1/2007	4,618.40	3/1/2011	6,178.90	4/1/2015	8,266.67
3/1/2007	4,645.92	4/1/2011	6,215.71	5/1/2015	8,315.93
4/1/2007	4,673.60	5/1/2011	6,252.75	6/1/2015	8,365.47
5/1/2007	4,701.44	6/1/2011	6,290.00	7/1/2015	8,415.32
6/1/2007	4,729.46	7/1/2011	6,327.48	8/1/2015	8,465.46
7/1/2007	4,757.64	8/1/2011	6,365.18	9/1/2015	8,515.90
8/1/2007	4,785.98	9/1/2011	6,403.11	10/1/2015	8,566.64
9/1/2007	4,814.50	10/1/2011	6,441.26	11/1/2015	8,617.68
10/1/2007	4,843.19	11/1/2011	6,479.64	12/1/2015	8,669.03
11/1/2007	4,872.04	12/1/2011	6,518.25	1/1/2016	8,720.68
12/1/2007	4,901.07	1/1/2012	6,557.09	2/1/2016	8,772.64
1/1/2008	4,930.28	2/1/2012	6,596.15	3/1/2016	8,824.91

Date Principal Date Principal Date Principal

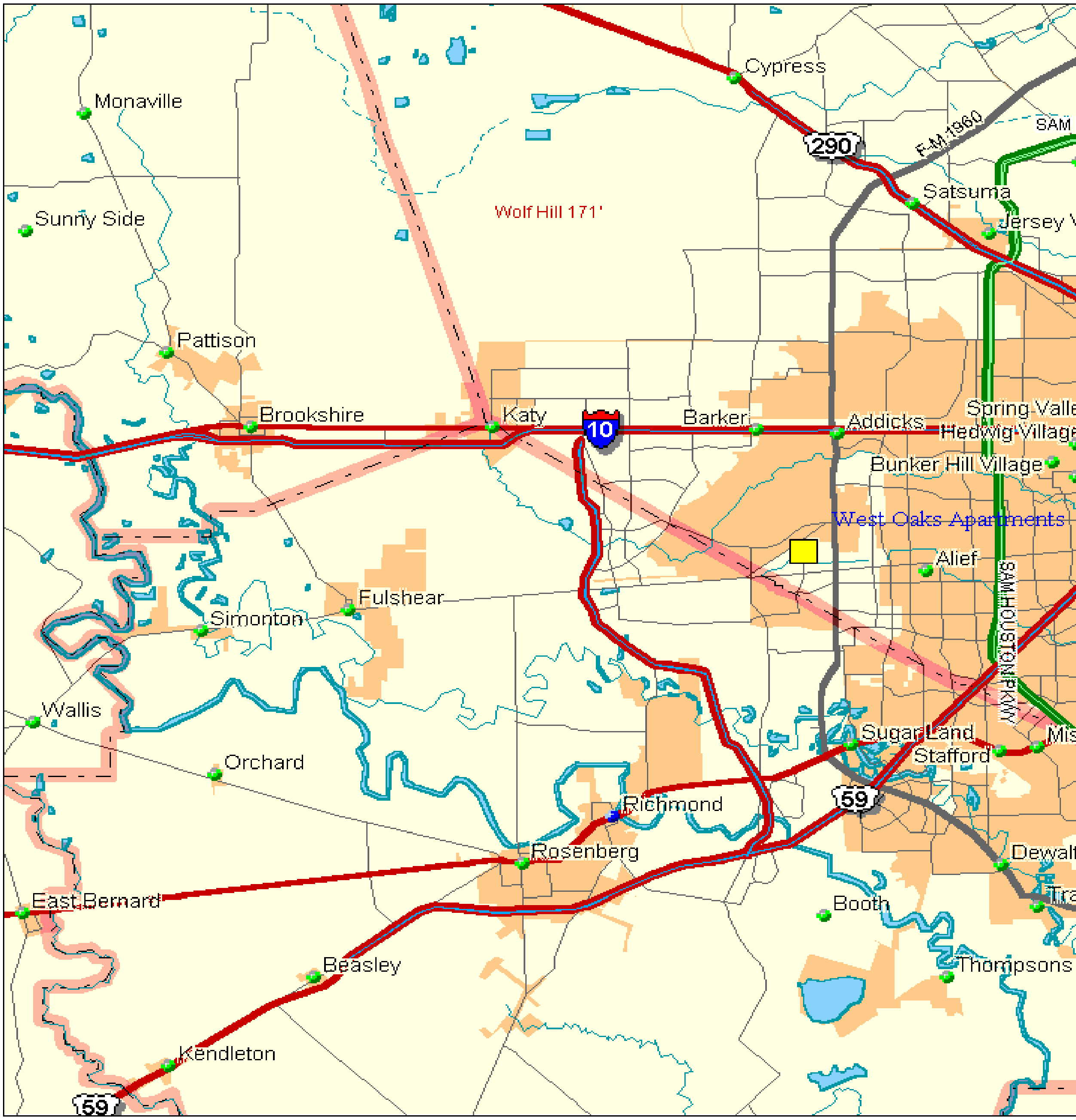
4/1/2016	8,877.50	5/1/2020	11,877.09	6/1/2024	15,890.21
5/1/2016	8,930.39	6/1/2020	11,947.86	7/1/2024	15,984.89
6/1/2016	8,983.60	7/1/2020	12,019.05	8/1/2024	16,080.14
7/1/2016	9,037.13	8/1/2020	12,090.66	9/1/2024	16,175.95
8/1/2016	9,090.97	9/1/2020	12,162.70	10/1/2024	16,272.33
9/1/2016	9,145.14	10/1/2020	12,235.17	11/1/2024	16,369.29
10/1/2016	9,199.63	11/1/2020	12,308.07	12/1/2024	16,466.82
11/1/2016	9,254.45	12/1/2020	12,381.41	1/1/2025	16,564.93
12/1/2016	9,309.59	1/1/2021	12,455.18	2/1/2025	16,663.63
1/1/2017	9,365.06	2/1/2021	12,529.39	3/1/2025	16,762.92
2/1/2017	9,420.86	3/1/2021	12,604.05	4/1/2025	16,862.80
3/1/2017	9,476.99	4/1/2021	12,679.15	5/1/2025	16,963.27
4/1/2017	9,533.46	5/1/2021	12,754.69	6/1/2025	17,064.35
5/1/2017	9,590.26	6/1/2021	12,830.69	7/1/2025	17,166.02
6/1/2017	9,647.40	7/1/2021	12,907.14	8/1/2025	17,268.30
7/1/2017	9,704.88	8/1/2021	12,984.04	9/1/2025	17,371.19
8/1/2017	9,762.71	9/1/2021	13,061.41	10/1/2025	17,474.70
9/1/2017	9,820.88	10/1/2021	13,139.23	11/1/2025	17,578.82
10/1/2017	9,879.40	11/1/2021	13,217.52	12/1/2025	17,683.56
11/1/2017	9,938.26	12/1/2021	13,296.27	1/1/2026	17,788.92
12/1/2017	9,997.48	1/1/2022	13,375.50	2/1/2026	17,894.91
1/1/2018	10,057.04	2/1/2022	13,455.19	3/1/2026	18,001.54
2/1/2018	10,116.97	3/1/2022	13,535.36	4/1/2026	18,108.80
3/1/2018	10,177.25	4/1/2022	13,616.01	5/1/2026	18,216.69
4/1/2018	10,237.89	5/1/2022	13,697.14	6/1/2026	18,325.24
5/1/2018	10,298.89	6/1/2022	13,778.75	7/1/2026	18,434.42
6/1/2018	10,360.25	7/1/2022	13,860.85	8/1/2026	18,544.26
7/1/2018	10,421.98	8/1/2022	13,943.44	9/1/2026	18,654.76
8/1/2018	10,484.08	9/1/2022	14,026.52	10/1/2026	18,765.91
9/1/2018	10,546.55	10/1/2022	14,110.09	11/1/2026	18,877.72
10/1/2018	10,609.39	11/1/2022	14,194.17	12/1/2026	18,990.20
11/1/2018	10,672.60	12/1/2022	14,278.74	1/1/2027	19,103.35
12/1/2018	10,736.19	1/1/2023	14,363.82	2/1/2027	19,217.17
1/1/2019	10,800.16	2/1/2023	14,449.40	3/1/2027	19,331.68
2/1/2019	10,864.51	3/1/2023	14,535.50	4/1/2027	19,446.86
3/1/2019	10,929.25	4/1/2023	14,622.10	5/1/2027	19,562.73
4/1/2019	10,994.37	5/1/2023	14,709.23	6/1/2027	19,679.29
5/1/2019	11,059.87	6/1/2023	14,796.87	7/1/2027	19,796.55
6/1/2019	11,125.77	7/1/2023	14,885.03	8/1/2027	19,914.50
7/1/2019	11,192.06	8/1/2023	14,973.72	9/1/2027	20,033.16
8/1/2019	11,258.75	9/1/2023	15,062.94	10/1/2027	20,152.52
9/1/2019	11,325.83	10/1/2023	15,152.69	11/1/2027	20,272.60
10/1/2019	11,393.32	11/1/2023	15,242.98	12/1/2027	20,393.39
11/1/2019	11,461.20	12/1/2023	15,333.80	1/1/2028	20,514.90
12/1/2019	11,529.49	1/1/2024	15,425.16	2/1/2028	20,637.14
1/1/2020	11,598.19	2/1/2024	15,517.07	3/1/2028	20,760.10
2/1/2020	11,667.29	3/1/2024	15,609.53	4/1/2028	20,883.79
3/1/2020	11,736.81	4/1/2024	15,702.53	5/1/2028	21,008.23
4/1/2020	11,806.74	5/1/2024	15,796.10	6/1/2028	21,133.40

Date	**Principal**	**Date**	**Principal**	**Date**	**Principal**
7/1/2028	21,259.32	8/1/2032	28,442.58	9/1/2036	38,052.98
8/1/2028	21,385.99	9/1/2032	28,612.05	10/1/2036	38,279.71

9/1/2028	21,513.42
10/1/2028	21,641.60
11/1/2028	21,770.55
12/1/2028	21,900.26
1/1/2029	22,030.75
2/1/2029	22,162.02
3/1/2029	22,294.07
4/1/2029	22,426.90
5/1/2029	22,560.53
6/1/2029	22,694.95
7/1/2029	22,830.18
8/1/2029	22,966.21
9/1/2029	23,103.05
10/1/2029	23,240.70
11/1/2029	23,379.18
12/1/2029	23,518.48
1/1/2030	23,658.61
2/1/2030	23,799.58
3/1/2030	23,941.38
4/1/2030	24,084.03
5/1/2030	24,227.54
6/1/2030	24,371.89
7/1/2030	24,517.11
8/1/2030	24,663.19
9/1/2030	24,810.14
10/1/2030	24,957.97
11/1/2030	25,106.67
12/1/2030	25,256.27
1/1/2031	25,406.75
2/1/2031	25,558.14
3/1/2031	25,710.42
4/1/2031	25,863.61
5/1/2031	26,017.71
6/1/2031	26,172.74
7/1/2031	26,328.68
8/1/2031	26,485.56
9/1/2031	26,643.37
10/1/2031	26,802.12
11/1/2031	26,961.81
12/1/2031	27,122.46
1/1/2032	27,284.07
2/1/2032	27,446.63
3/1/2032	27,610.17
4/1/2032	27,774.68
5/1/2032	27,940.17
6/1/2032	28,106.65
7/1/2032	28,274.12
10/1/2032	28,782.53
11/1/2032	28,954.03
12/1/2032	29,126.55
1/1/2033	29,300.09
2/1/2033	29,474.67
3/1/2033	29,650.29
4/1/2033	29,826.96
5/1/2033	30,004.68
6/1/2033	30,183.46
7/1/2033	30,363.30
8/1/2033	30,544.21
9/1/2033	30,726.21
10/1/2033	30,909.28
11/1/2033	31,093.45
12/1/2033	31,278.72
1/1/2034	31,465.08
2/1/2034	31,652.56
3/1/2034	31,841.16
4/1/2034	32,030.88
5/1/2034	32,221.73
6/1/2034	32,413.72
7/1/2034	32,606.85
8/1/2034	32,801.13
9/1/2034	32,996.57
10/1/2034	33,193.18
11/1/2034	33,390.95
12/1/2034	33,589.91
1/1/2035	33,790.05
2/1/2035	33,991.38
3/1/2035	34,193.91
4/1/2035	34,397.65
5/1/2035	34,602.60
6/1/2035	34,808.78
7/1/2035	35,016.18
8/1/2035	35,224.82
9/1/2035	35,434.70
10/1/2035	35,645.83
11/1/2035	35,858.22
12/1/2035	36,071.88
1/1/2036	36,286.80
2/1/2036	36,503.01
3/1/2036	36,720.51
4/1/2036	36,939.30
5/1/2036	37,159.40
6/1/2036	37,380.81
7/1/2036	37,603.54
8/1/2036	37,827.59
11/1/2036	38,507.80
12/1/2036	38,737.24
1/1/2037	38,968.05
2/1/2037	39,200.23
3/1/2037	39,433.80
4/1/2037	39,668.76
5/1/2037	39,905.12
6/1/2037	40,142.89
7/1/2037	40,382.07
8/1/2037	40,622.68
9/1/2037	40,864.73
10/1/2037	41,108.21
11/1/2037	41,353.15
12/1/2037	41,599.54
1/1/2038	41,847.41
2/1/2038	42,096.75
3/1/2038	42,347.57
4/1/2038	42,599.90
5/1/2038	42,853.72
6/1/2038	43,109.06
7/1/2038	43,365.91
8/1/2038	43,624.30
9/1/2038	43,884.23
10/1/2038	44,145.71
11/1/2038	44,408.74
12/1/2038	44,673.35
1/1/2039	44,939.52
2/1/2039	45,207.29
3/1/2039	45,476.65
4/1/2039	45,747.61
5/1/2039	46,020.19
6/1/2039	46,294.40
7/1/2039	46,570.23
8/1/2039	46,847.72
9/1/2039	47,126.85
10/1/2039	47,407.65
11/1/2039	47,690.12
12/1/2039	47,974.27
1/1/2040	48,260.12
2/1/2040	48,547.67
3/1/2040	48,836.93
4/1/2040	49,127.92
5/1/2040	49,420.64
6/1/2040	49,715.10
7/1/2040	50,011.32
8/1/2040	50,309.31
9/1/2040	50,609.07

Date	**Principal**
10/1/2040	50,910.61
11/1/2040	51,213.95
12/1/2040	51,519.10
1/1/2041	51,826.07

2/1/2041	52,134.87
3/1/2041	52,445.51
4/1/2041	52,757.99
5/1/2041	53,072.34
6/1/2041	53,388.57
7/1/2041	53,706.67
8/1/2041	54,026.67
9/1/2041	54,348.58
10/1/2041	54,672.41
11/1/2041	54,998.17
12/1/2041	55,325.86
1/1/2042	1,431,381.05



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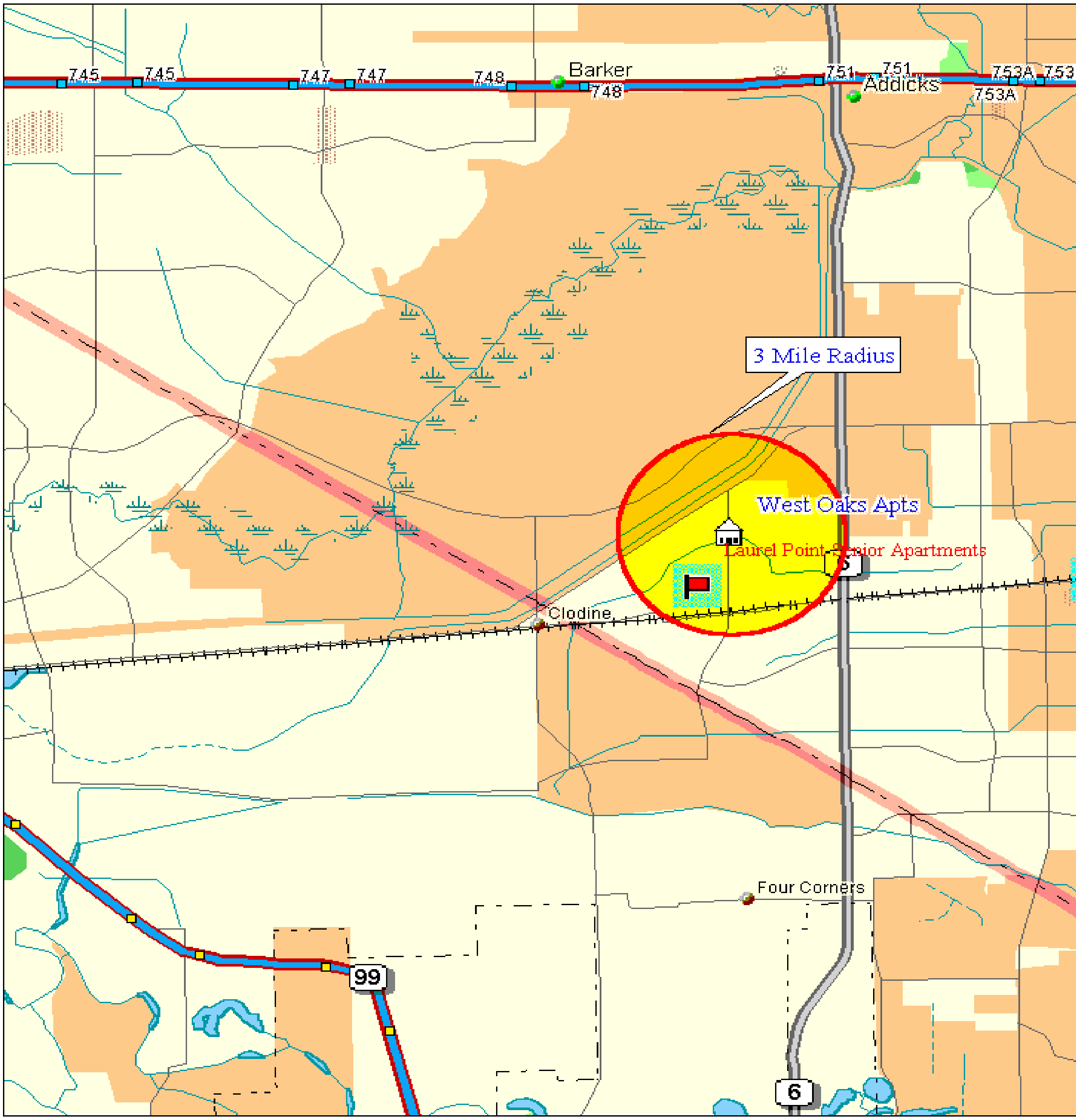
Scale: 1 : 300,000 Zoom Level: 8-5 Datum: WGS84



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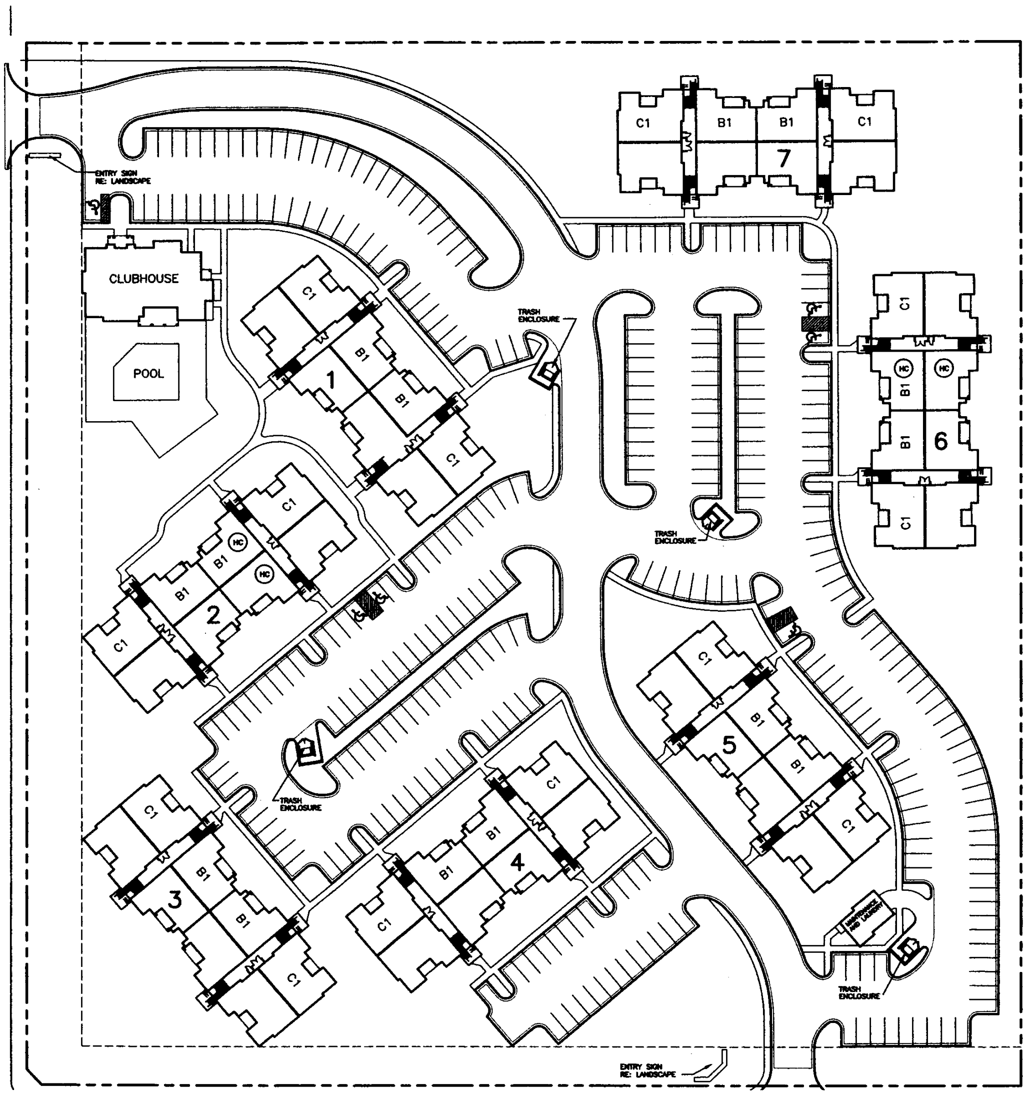
Scale 1 : 41,250 Zoom Level: 10-4 Datum: WGS84



SITE LEGEND

♿	HC PARKING. NOTE, ADDITIONAL SPACES TO BE DESIGNATED FOR UNITS BUILT OUT AS ACCESSIBLE IN FUTURE AS REQUIRED.
HC	HC ACCESSIBLE UNITS TO BE ADAPTABLE TO ANSI A117.1-1986 (4 TOTAL UNITS)

West Oaks Apartments

1 FRONT ELEVATION
1/8"=1'-0"

2 REAR ELEVATION
1/8"=1'-0"

KEYNOTES

162. STRUCTURAL COLUMN WITH PAINTED 1X CLADDING, FOR A FINISHED SIZE OF 14X14, (06100) WITH 1X2 TRIM ON 1X8 ON 1X8 TRIM AT TOP AND 1X8 TRIM AT BOTTOM MITER ALL CORNERS.
163. 6X6 STRUCTURAL COLUMN WITH PAINTED 1X CLADDING, FOR A FINISHED SIZE OF 7X7, (06100) WITH 1X4 ON 1X6 TRIM AT TOP AND 1X6 TRIM AT BOTTOM MITER ALL CORNERS.
200. FIBER-CEMENT SIDING ATTACHED TO MOISTURE RESISTANT, AND SHEATHING AND STUDS PER SCHEDULE (06140) WITH R-13 BATT INSULATION (7200) AND 5/8" FIRE-CODED GYPSUM BOARD AT INTERIOR (09250). OMIT INSULATION AT NON CONDITIONED SPACES.
202. FIBER-CEMENT SIDING (06140) ATTACHED TO MOISTURE RESISTANT BARRIER AND SHEATHING AND ROOF TRUSSES (06100).
215. BRICK VENEER (04300) ATTACHED TO MOISTURE RESISTANT BARRIER AND SHEATHING AND STUDS (06100) PER SCHEDULE, W/R-13 BATT INSULATION (07210)& 5/8" FIRE RATED GYP. BD.
216. BRICK VENEER (04300) ATTACHED TO MOISTURE RESISTANT BARRIER AND SHEATHING AND STUDS PER SCHEDULE.
400. COMPOSITION SHINGLES (07300) ON #30 ROOFING FELT ON DECKING PER SCHEDULE (06100) ON ROOF TRUSSES (06192) WITH R-30 INSULATION (7200) WITH 2 LAYERS OF 5/8" FIRE RESISTANT GYPSUM AT CEILING (09250). OMIT INSULATION OVER NON CONDITIONED SPACES.
470. CONTINUOUS RIDGE VENT (10230).
471. 9" DIAMETER ROOF VENT.
511. BRICK ROWLOCK COURSE (04300).
515. BRICK SOLDIER COURSE (04300).
520. 10" WIDE PRE-MFR WOOD OR PLASTIC ARCH TRIM WITH 10" KEY.
540. GALVANIZED DRIP ON 2 x 6 FASCIA (06100). ALUMINUM CLAD.
544. GUTTER WITH DOWN SPOUTS (07700). REFER TO ROOF PLAN FOR LOCATIONS.
568. 36" DIAMETER PRE MANUFACTURED ALUMINUM VENT.
577. TEK-RAIL STYLE 'C' OR EQUAL RAILING SYSTEM AT 3'-6" A.F.F. MOUNTED PER MFR AND LOCAL CODE REQUIREMENTS.
580. PAINTED 1X6 TRIM ON 2X8 TRIM (06400).
582. PAINTED 1X6 TRIM ON 1X8 TRIM ON 16" WIDE MDF BOARD ATTACHED TO FACE OF BRICK (06400).
583. PAINTED 1X12 CEMENT BOARD TRIM ON BEAM PER FRAMING PLANS (06400).
587. BEAM PER FRAMING PLANS W/ PAINTED 1X CLADDING.
591. DENTAL MOULDING TRIM UNDER GABLE.
595. SMOOTH FINISH STUCCO (09200) ON WOOD OR FOAM TRIM.

West Oaks Apartments

Houston, Texas

Parker Associates
2202 East 49th Street South,
Suite 200
Tulsa, OK 74105
(918)-742-2485

Finlay Construction Inc.

JOB NUMBER:	21045
DRAWN BY:	JEP,SL,BH,AB,JB
DATE:	12/19/01

BUILDING ELEVATIONS

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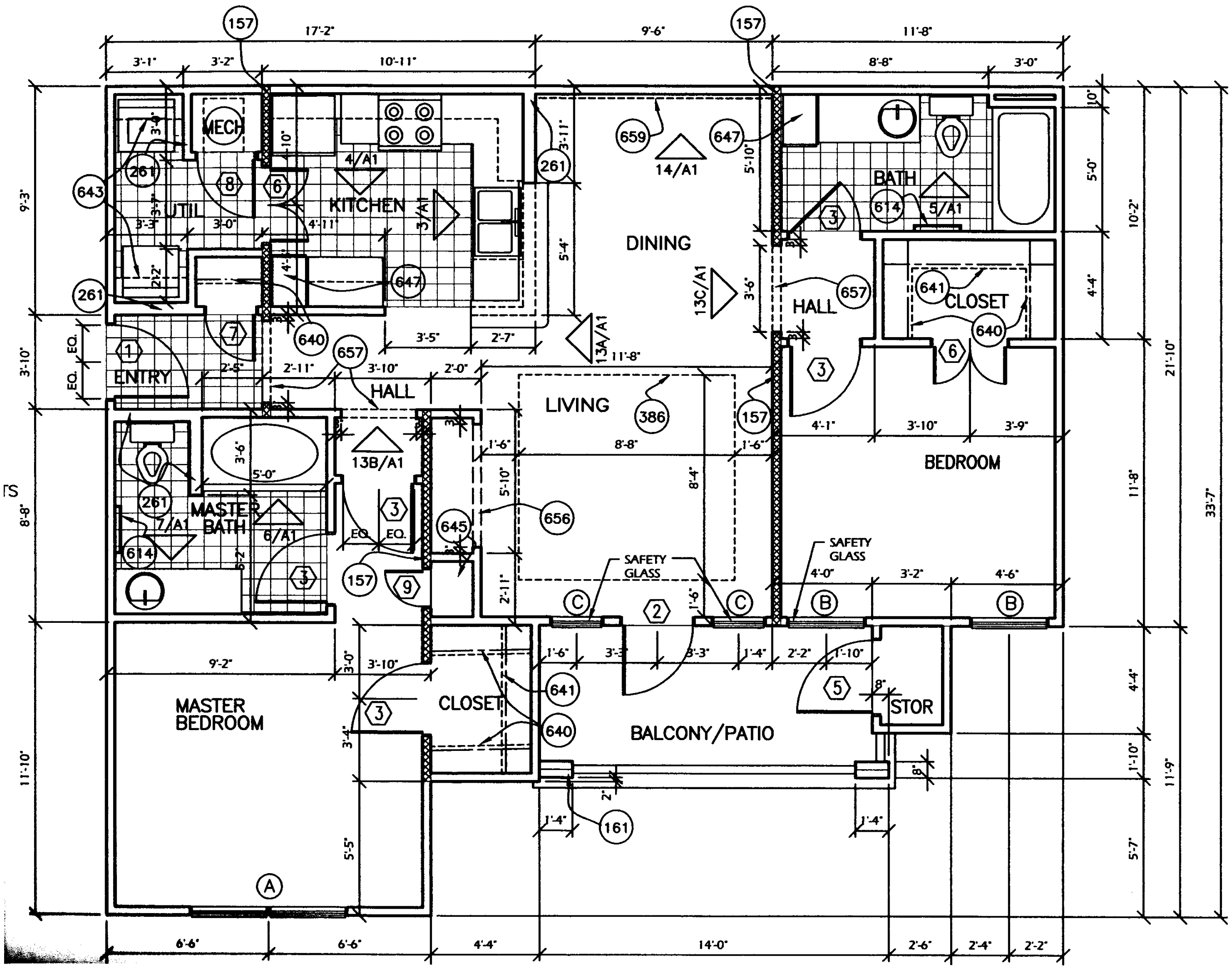

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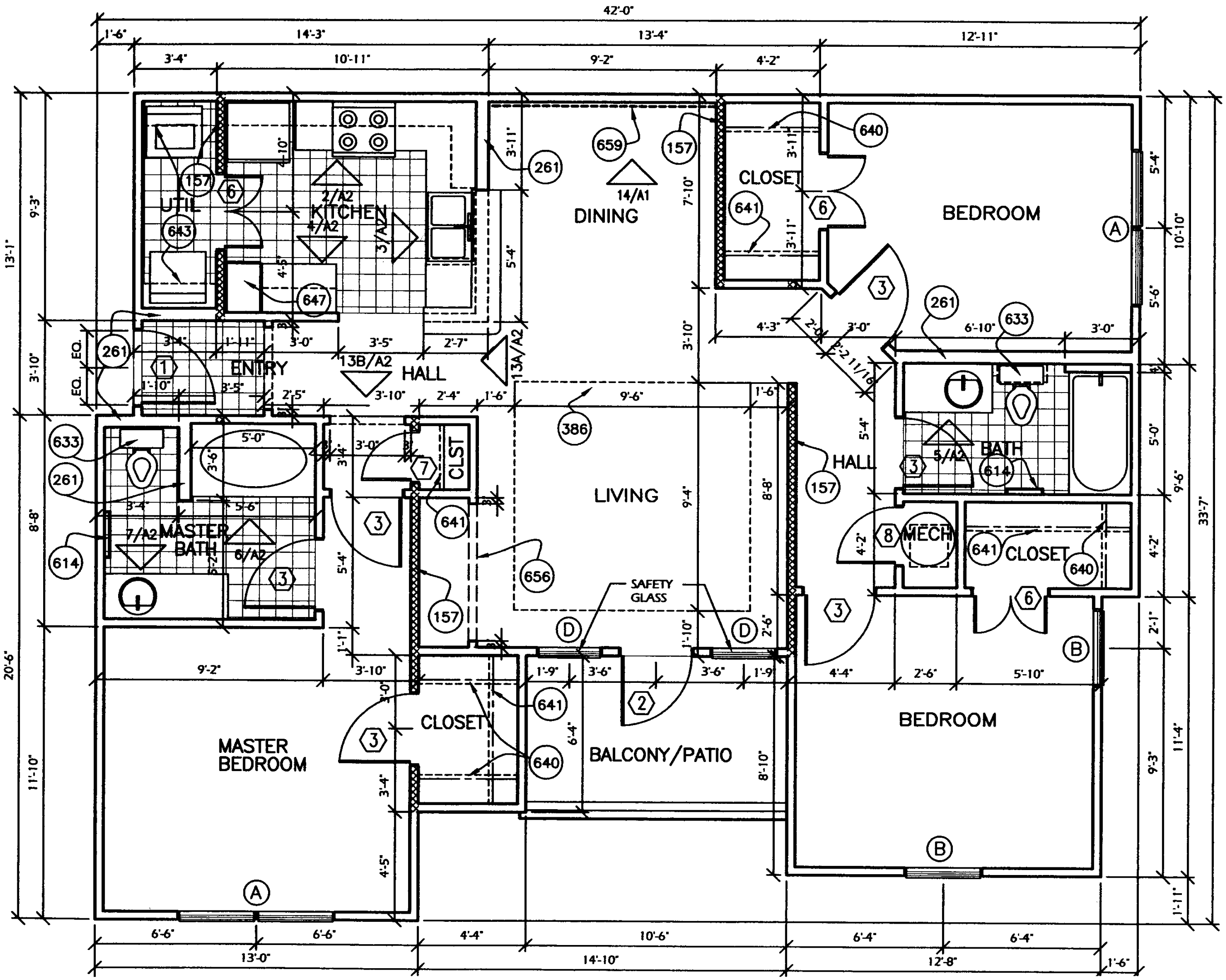

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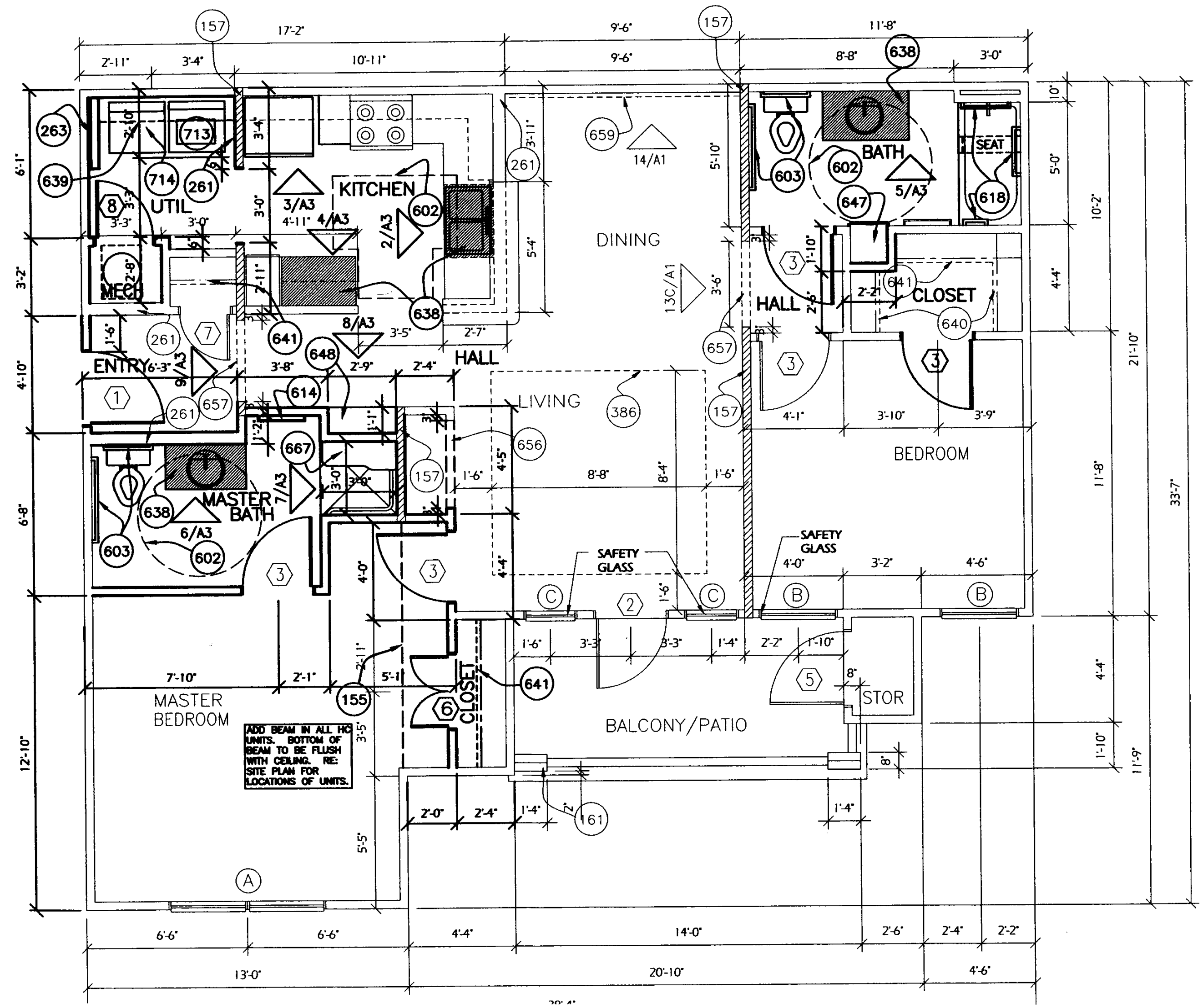

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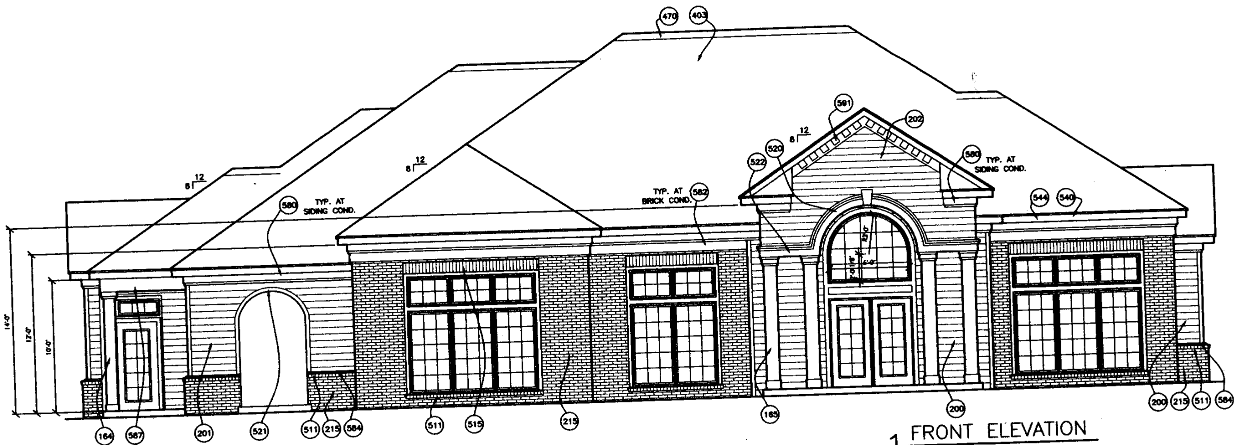
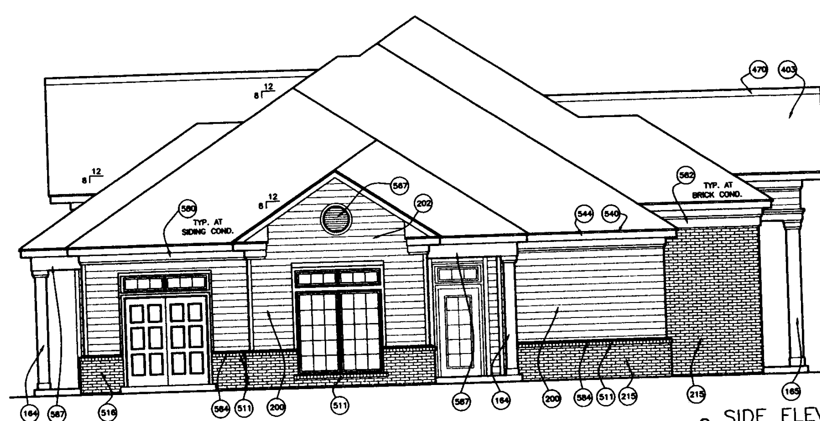
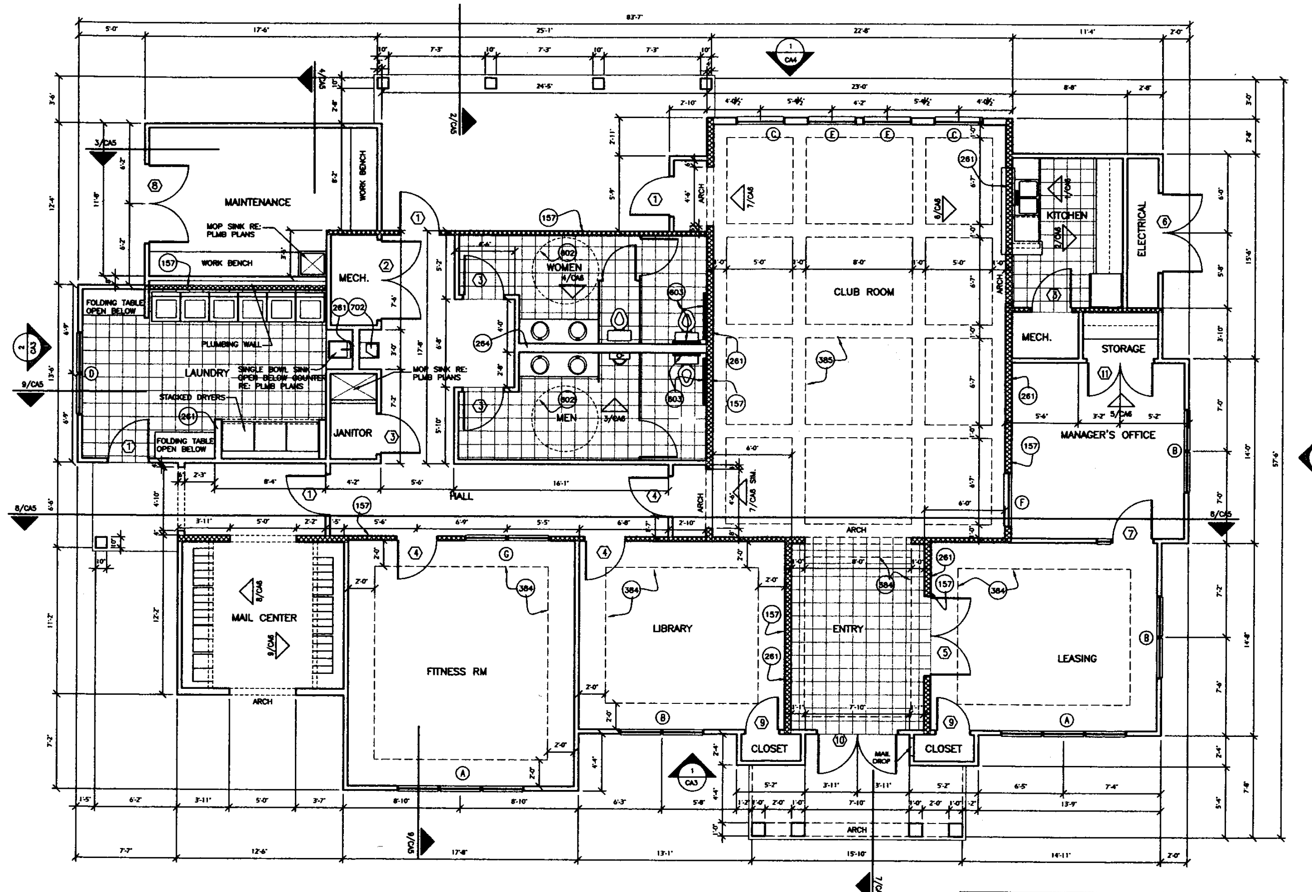


1 FRONT ELEVATION
1/4"=1'-0"



2 SIDE ELEVATION
1/4"=1'-0"



1 CLUBHOUSE PLAN
1/4"=1'-0"

CLUBHOUSE FINISH SCHEDULE

ALL SURFACES

INDIVIDUAL WALLS

CEILING	CROWN MOLDING
	PAINTED (TEXTURE FIN
	PAINTED (SMOOTH FIN
WALLS	PAINTED (TEXTURE FIN
	WALLPAPER ABOVE CE
	PAINTED (SMOOTH FIN
FLOOR *	CARPET
	VINYL TILE
	CERAMIC TILE (6x6) ACCENT
	CERAMIC TILE (12x12)
	CONCRETE
BASE	WOOD
	CERAMIC TILE
	VINYL BASE
	NONE

* NOTE: FINAL FLOOR FIN

WINDOW SCHEDULE – CLUBHOUSE

	MARK	DESCRIPTION	SIZE	REMARKS
(2)	A	TRIPLE FIXED WINDOW	3–3/0 6/0	W/ 2/0 TRANSOM RE: ELEV.
(2)	B	DOUBLE FIXED WINDOW	2–3/0 6/0	W/ 2/0 TRANSOM RE: ELEV.
(2)	C	FIXED WINDOW	3/6 6/0	W/ 1/2 TRANSOM RE: ELEV.
(2)	D	DOUBLE FIXED WINDOW	2–3/0 6/0	W/ 1/0 TRANSOM RE: ELEV.

DOOR SCHEDULE – CLUBHOUSE

	MARK	DESCRIPTION	SIZE	REMARKS
(6)(5)(1)	1	WOOD DOOR W/ FULL LITE	3/0 6/8 1 3/4	W/ 3/0 1/0 TRANSOM
(4)(2)	2	PAIR 6 PANEL WOOD DOORS	2–3/0 6/8 1 3/4	INTERIOR
(4)(3)(2)	3	6 PANEL WOOD DOOR	3/0 6/8 1 3/4	INTERIOR DOOR
(6)(4)(2)	4	WOOD DOOR W/ FULL LITE	3/0 6/8 1 3/4	INTERIOR W/ 3/0 1/0 TRANSOM
(6)(5)(2)	5	PAIR WOOD DOORS W/ FULL LITE	2–2/6 6/8 1 3/4	W/ 5/0 2/0 TRANSOM
(2)	6	PAIR 6 PANEL METAL DOORS	2–3/0 6/8 1 3/4	
(7)(6)(4)(2)	7	WOOD DOOR W/ FULL LITE	3/0 6/8 1 3/4	W/ 1/0 6/0 SIDELITE AND TRANSOM
(1)	8	PAIR 6 PANEL METAL DOORS	2–3/0 6/8 1 3/4	W/ 3/0 1/0 TRANSOM
(2)	9	6 PANEL WOOD DOOR	2/6 6/8 1 3/4	
(6)(5)(4)(1)	10	PAIR INSUL. WOOD DOORS W/ FULL LITE	2–3/0 6/8 1 3/4	W/ 6/0 ARCHED TRANSOM RE: ELEV.
	11	PAIR 6 PANEL WOOD DOORS	2–2/6 6/8 1 3/4	

Participation of Women and Minorities

A. Bond Counsel

Vinson & Elkins L.L.P. (V&E). V&E pursues a policy of recruiting and hiring that encourages women and minorities to the firm. V&E is committed to equal employment opportunities without regard to age, race, sex, color, religion, national origin or handicapped status, consistent with federal and state laws.

The minority and female representation within the firm as of November 2001 was as follows:

Legal Personnel	
Number of Attorneys Employed:	866
Male	610
Female	256
Number of Minority Attorneys Employed:	69
Black	23
Hispanic	29
Asian	16
Native American	1
Number of Minority Law Clerks and /or Paralegals Employed:	15
Black	4
Hispanic	8
Asian	3
Native American	0
Number of Women Law Clerks and or Paralegals Employed:	120
Number of Law Clearks and/or Paralegals Employed:	147
Number of Minority Legal Personnel Hired During the Last 12 Months:	
Attorneys	30
Law Clerks/Paralegals	4

Non-Legal Personnel	
Number of Non-Legal Personnel Employed:	1086
Male	202
Female	884
Black	144
Hispanic	133
Asian	47
Native American	2

B. Financial Advisor

Dain Rauscher, Inc. It is the policy of Dain Rauscher, Inc. to provide equal opportunity to all persons without regard to race, color, national origin, religion, political affiliation, disability, marital status, sex or age. This policy will affect all employment practices, including (but not limited to) recruiting selection, placement, transfer, promotion, training, compensation, other benefits, layoff and recall, terminations, and in all company sponsored activities.

It is the responsibility of each member of management at every level throughout Dain Rauscher, Inc. to ensure the implementation of this policy and support it through positive leadership and personal example.

It is the responsibility of each employee to create an atmosphere on the job which is conducive to this policy.

Information regarding Dain Rauscher, Inc.'s women and minority employment status as of January 2, 2001 was as follows:

	Officials and Managers	Professionals	Technicians	Sales Workers	Non Exempt	Total
White						
Male	258	535	20	1009	209	**2031**
Female	191	275	5	227	868	**1566**
Black						
Male	6	8	1	6	25	**46**
Female	3	10	1	0	51	**65**
Hispanic						
Male	1	6	1	6	4	**18**
Female	2	10	0	5	32	**49**
Asian						
Male	3	32	1	12	11	**59**
Female	2	17	0	1	19	**39**
American Indian						
Male	1	0	0	1	2	**4**
Female	0	1	0	0	7	**8**
Unidentified						
Male	2	12	1	13	9	**37**
Female	1	2	1	0	25	**29**
Total	**470**	**908**	**31**	**1280**	**1262**	**3951**

C. Disclosure Counsel

McCall, Parkhurst & Horton, L.L.P. maintains employment practices that are nondiscriminatory. In addition, the firm is committed to taking affirmative action to assure equal employment opportunities to all groups within the work force. These affirmative action goals relate to all aspects of the employment process including recruitment, retention as an employee, training and job description, compensation and advancement. The firm will continue to implement and maintain its affirmative action program to mirror the representation in the work force based on race, color and gender, with particular emphasis on employees for legal positions within the firm.

Breakdown of employment as of March 1, 2001:

Legal Personnel

Number of Attorneys:	18
Male	16
Female	2
Number of Minority Attorneys:	
African American	1
Hispanic	2

Non-Legal Personnel

Number of Law Clearks and/or Paralegals:	2
Male	0
Female	2
Number of Support Personnel (excluding Law Clerks/Paralegals:	20
Male	2
Female	18
African American	1
Hispanic	4
Native American	1

McCall, Parkhurst & Horton, L.L.P. provides legal representation in the field of public finance. Due to recent actions by Congress and the current economy of the State of Texas, the firm's personnel needs have diminished considerably in recent years. Since January, 1986, the firm has only added six attorneys and two paralegals to its professional staff. The attorney positions were filled with two African American attorneys (one of whom left the firm to establish an investment banking firm), two Hispanic attorneys, and two female attorneys and the paralegal positions were filled with women. Of these six attorneys, five remain employed by the firm. The firm expects to make similar efforts to recruit women and minorities at such time as the need arises for additional attorneys and staff.

Affirmative Action Statement

McCall, Parkhurst & Horton, L.L.P. will expend the firm's energy and resources in its efforts to recruit, hire and promote women and minorities in sufficient numbers to meet or exceed their proportions in the Texas work force.

D. **Trustee**

Wells Fargo bank Texas, NA, Corporate Trust Services: It is the policy of Wells Fargo Bank Texas, NA to afford equal opportunity to all individuals regardless of race, color, national origin, sex religion, age, handicap or veteran status. The purpose of this policy directive is to reaffirm our established policy on equal employment opportunity.

Wells Fargo Bank Texas, NA is strongly committed to equality of opportunity as a basic goal of the American society. Therefore, the Bank will take affirmative action to ensure that we will: (1) recruit, hire, train and promote in all job titles without regard to race, color, national origin, sex religion, age, handicap or veteran status; (2) base decisions on employment so as to further the principal of equal employment opportunity; (3) ensure that promotion decisions are in accord with principals of equal employment opportunity by imposing only valid requirements for promotional opportunities; and (4) ensure that all personnel actions such as compensation, benefits, transfers, layoffs, return from layoff, Bank-sponsored training, education, tuition assistance, or social or recreational programs will be administered without regard to race, color, national origin, sex religion, age, handicap or veteran status.

The successful achievement of a non-discriminatory employment program requires a maximum of cooperation between management and employees. In fulfilling its part in this cooperative effort, management is oliged to lead the way by establishing and implementing affirmative procedures and practices which will ensure our objectives; namely equal employment opportunity for all.

Information regarding Wells Fargo's employment status as of December 2000 was as follows:

	Officials and Managers	Professionals	Technicians	Sales Workers	Office and Clerical	Operatives	Total
White							
Male	30	115	1	7	76	0	**229**
Female	32	119	0	3	135	0	**289**
Black							
Male	1	7	0	0	25	0	**33**
Female	2	12	0	0	56	0	**70**
Hispanic							
Male	1	3	0	0	4	0	**8**
Female	1	4	0	0	6	0	**11**
Asian							
Male	1	12	0	0	11	0	**24**
Female	0	5	0	0	23	0	**28**
Indian							
Male	0	0	0	0	1	0	**1**
Female	0	0	0	0	5	0	**5**
Total	**68**	**277**	**1**	**10**	**342**	**0**	**698**

E. Underwriter

William R. Hough & Company: **Affirmative Action Plan** - It is the policy of William R. Hough & Company to afford equal opportunity for employment to all individuals regardless of race, color, religion, sex, marital status, national origin, age physical handicaps or ancestry. William R. Hough & Co. adheres to all state, federal and local laws, including Executive Order 11246, Equal Employment Act of 1972 and Civil rights Act of 1964.

This corporation will take affirmative action to ensure that we will (1) recruit, hire and promote for all job classifications without regard to race, color, religion, sex, national origin, age, physical handicap or ancestry, (2) base decisions on employment so as to further the principles of equal employment, (3) ensure that promotion decisions are in accord with the principles of equal employment opportunity, (4) provide a working environment that is free from sexual harassment, (5) ensure that all personnel actions such as compensation, benefits, transfers, layoffs, return from layoff, company-sponsored training, education, tuition assistance, social and recreation programs will be administered without regard to race, color, religion, sex, national origin, age, physical handicap or ancestry.

The successful achievement of a non-discriminatory employment program requires a maximum of cooperation between management and employees. Supervisory personnel have been made to understand that their work performance is being evaluated on the basis of their equal opportunity efforts and results as will as other criteria.

Equal Employment Opportunity Policy - William R. Hough & Company is an equal opportunity employer. It is William R. Hough & Co.'s policy to employ, promote and otherwise treat any and all employees and applicants on the basis of merit, qualifications and competence. William R. Hough & Co.'s policy prohibits unlawful discrimination based upon race, sex, religion, color, national origin, ancestry, disability, medical condition, marital status, age, or any other basis protected by law. William R. Hough & Co. will make reasonable accomodation to employees when needed because of their religion or disability.

William R. Hough & Co. is committed to provide a work environment free from unlawful harassment. Company policy prohibits sexual harassment as well as harassment because of any other basis protected by law.

If an employee believes that she/he has been unlawfully harassed or discriminated against, the employee should provide a written complaint to his/her supervisor or the Legal Department as soon as possible. The complaint should include the details of the incident or incidents, the names of the individuals involved, and the names of any witnesses. William R. Hough & Co. will immediately undertake an effective, thorough and objective investigation of the complaint.

Please contact the Human resources Department if you have any questions about William R. Hough & Co.'s policies with regard to the Americans with Disabilities Act, The Civil Rights Act of 1991, and /or Equal Employment Opportunity (EEO)

William R. Hough & Company Equal Employment Opportunity
Number of Employees as of January 31, 2000

	Owners	Directors and Managing Directors	Vice Presidents	Associates	Analysts	Clerical and Technical Support	Total
White							
Male	1	3	71	21	9	11	**116**
Female	0	1	28	9	2	45	**85**
Black							

Male	0	0	1	0	0	1	**2**
Female	0	0	1	0	0	2	**3**
Hispanic							
Male	0	0	1	0	0	1	**2**
Female	0	0	1	0	0	1	**2**
Other							
Male	0	0	1	0	0	1	**2**
Female	0	0	0	1	1	0	**2**
Total	**1**	**4**	**104**	**31**	**12**	**62**	**214**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
WEST OAKS/FINLAY III APARTMENTS

PUBLIC HEARING

Kendall Branch Library
14330 Memorial Drive
Houston, Texas

December 17, 2001
6:08 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer, and I would like to proceed with the public hearing. Let the record show that it is 6:08, Monday, December 17 of 2001, and we're at the Kendall Branch Library at 14330 Memorial Drive, Houston, Texas 77079.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential-rental community.

This hearing is required by the Internal Revenue Code; the sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which, for this issue, is the Attorney General.

No decisions regarding the project will be made at this hearing; there are no Department board members present. The Department's board will meet to consider the transaction on January 17, 2002, upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or the board at any of their meetings.

The Department staff will also accept written comments from the public via facsimile at 512-475-3362 up to 5:00 p.m. on December 28, 2001.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $11,200,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to West Oaks/Finlay Partners III, LP, or a related person or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 168-unit multifamily residential rental development to be constructed on approximately 9.7 acres of land located on the northeast corner of the intersection of Gray Ridge and Addicks-Clodine Road in Houston, Harris County, Texas 77082.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would like to now open the floor for public comment.

(No response.)

MS. MEYER: Let the record show that there are no attendees; therefore, the meeting is now adjourned, and the time is now 6:10.

(Whereupon, at 6:10 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: West Oaks/Finlay III Apartments

LOCATION: Houston, Texas

DATE: December 17, 2001

I do hereby certify that the foregoing pages, numbers 1 through 183, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sue J. Brindley before the Texas Department of Housing and Community Affairs.

___________ 12/20/01
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Compliance Status Summary

ID#	01459	Type Funding	
Project Name	West Oak Apartments	☐LIHTC	9%
Address	Clodine and Gray	☒LIHTC	4%
City	Houston	☐BOND	
		☐HOME	
		☐HTF	
		☐HSG. INFRAS.	

Owner Name: Christopher Finlay
Contact: Bob Seldomridge

Development Team	Role
Christopher Finlay	Owner
Cynthia Bast	

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☒ No ☐ Yes☐
☒	Projects monitored by other states (National Previous Participation and Background Certification(s) attached)	Issues of Compliance N/A ☒ No ☐ Yes☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☑ No ☐ Yes☐ For Profit
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐ None

Completed by: (signatures required from each compliance area)

	Signature	Date
CMCM	Kathryn Murray	12.27.01
CMAD	Carole Thornton	1/4/02
CMPM	Ralph Henderson	1/2/02

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department		
Application ID # 01459		
West Oaks/Finlay III Apartments, Houston		
ID#	**Project Name**	**Score**
01411	Newport Apartments	NA

RESOLUTION NO. 02-04

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (WEST OAKS APARTMENTS) SERIES 2002; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (West Oaks Apartments) Series 2002 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to West Oaks/Finlay Partners III, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust, will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County; and

WHEREAS, the Board has determined that the Department, the Trustee and First Union National Bank, a national banking association, will enter into an Intercreditor Agreement (the "Intercreditor Agreement") that will outline the interests of the various parties with respect to the Indenture, Loan Agreement, Deed of Trust and Regulatory Agreement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Intercreditor Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.11, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE V

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 5.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 5.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be (A) from the date of issuance through, and including, January 31, 2003, 7.5% per annum, and (B) thereafter until the maturity date thereof, 7.15%; (ii) the aggregate principal amount of the Bonds shall be $10,150,000; and (iii) the final maturity of the Bonds shall occur on January 1, 2042.

Section 5.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 5.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 5.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 5.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 5.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement.

Section 5.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and deliver the Intercreditor Agreement.

Section 5.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 5.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B-Indenture
Exhibit C-Loan Agreement
Exhibit D-Regulatory Agreement
Exhibit E-Assignments
Exhibit F-Purchase Agreement
Exhibit G-Intercreditor Agreement

Section 5.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 5.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 5.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE VI

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 6.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 6.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 6.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 6.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 6.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit F to the Loan Agreement and shall be annually redetermined by the Issuer as stated in Section 2.3(s) of the Loan Agreement.

Section 6.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE VII

CERTAIN FINDINGS AND DETERMINATIONS

Section 7.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 7.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 7.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 7.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 7.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 8.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 8.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 8.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 17th day of January, 2002.

By:____________________________________
Chairman

Attest: ________________________
Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: West Oaks/Finlay Partners III, L.P., a Texas limited partnership

Project: The Project is a 168-unit multifamily facility to be known as West Oaks Apartments and to be located at the northeast corner of the intersection of Gray Ridge Drive and Addicks-Clodine Road in Harris County, Texas. The Project will include a total of seven (7) three story residential apartment buildings with approximately 188,160 net rentable square feet and an approximate average unit size of 1,120 square feet. The unit mix will consist of:

84 two-bedroom/two-bath units
84 three-bedroom/two-bath units

168 Total Units

Unit sizes will range from approximately 1,000 square feet to approximately 1,240 square feet.

The Project will include a clubhouse with offices, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children's play area, and playground equipment. All ground units will be wheelchair accessible and all individual units will have washer/dryer connections.

AGENDA ITEM NO. 2(D)

FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM

January 17, 2002

PROJECT: Stone Hearst Apartments, 1650 block of East Lucas Drive, Beaumont, Jefferson County, Texas 77703

PROGRAM: Texas Department of Housing & Community Affairs
2001 Private-Activity Multifamily Mortgage Revenue Bonds
(Reservation received 10/05/2001)

ACTION REQUESTED: Approve the issuance of tax-exempt multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, as amended, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Stone Way Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a new, 216 unit multifamily residential rental project located at 1650 East

Lucas Drive, in Beaumont, Jefferson County, Texas 77703 (the "Project"). The Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.

BOND AMOUNT:

$ 8,720,000 Tax-exempt bonds, Series 2002A-1
$ 2,180,000 Tax-exempt bonds, Series 2002A-2
$10,900,000 Total (*)

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE:

The Department received a volume cap allocation for the Bonds on October 5, 2001 pursuant to the Texas Bond Review Board's 2001 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before February 2, 2002, the anticipated closing date is January 31, 2002 (see Exhibit 2).

BORROWER: Stone Way Limited Partnership, the general partner of which is EM Texas I, Inc, a Texas corporation with 51% interest and Merritt Housing or an entity to be formed with 49% interest. The principals of the general partnership are R.J. Collins for Em Texas I, Inc, and Michael Hartman for Merritt Housing

COMPLIANCE HISTORY: The Compliance Report reveals that there are no material non-compliance issues at this time.

ISSUANCE TEAM/ ADVISORS:

Municipal Mortgage & Equity, LLC, or affiliate thereof (Equity Provider)
Bank One, National Association (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher , Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

(See Exhibit 8 for information on participation of women and minorities for those advisors selected by the Department)

BOND PURCHASER: The Bonds will be purchased by either Municipal Mortgage & Equity, LLC or an affiliate thereof.

PROJECT DESCRIPTION: The Project is a 216-unit apartment community to be constructed on a 27 acres site located on the north side of East Lucas Drive approximately two miles east of U.S. Highway 69/96/287 (Eastex Freeway), on the north side of the City of Beaumont, Jefferson County, Texas. The Project will consist of fifty-four (54) two -story buildings and one (1) one-story recreational building with a total of 285,600 net rentable square feet and an average unit size of 1322 square feet. The property will also have a community building consisting of offices, bathrooms, and community/recreation room, swimming pool, and community laundry facility. Parking will be provided for 236 spaces.

# Units	Unit Type	Square Footage
86	3-Bedrooms/2-Baths	1250
130	4-Bedrooms/2-Baths	1370
216		

SET-ASIDE UNITS: Forty (40%) of the units in the Project will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS: The rental rates on the set-aside units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income (see Exhibit 6).

TENANT SERVICES: Undetermined. Borrower will be required to provide a Tenant Services Plan based on the Tenant Profile upon lease-up that conforms to the Department's program guidelines.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$54,500 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

$10,900 Bond Administration (0.10% of first year bond amount)
$5,400 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE:

$5,400 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a reservation for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $802,540 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $6,382,234 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser.
The Bond Purchaser contemplates transferring the Series A-l Bonds to a custodial or trust arrangement whereby beneficial interests in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors. The Series A-2 will be held by Municipal Mortgage & Equity, LLC or an affiliate thereof.

Municipal Mortgage & Equity, LLC or an affiliate thereof will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust.
The Bonds will be 40-year Bonds. During the construction and lease-up period, the Bonds will pay as to interest only.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

BOND INTEREST RATES:

The blended interest rate for the total permanent financing ($10,900,000) is 7.35% amortized over 40 years. The interest rate on the Series A-1 and Series A-2 Tax Exempt Bonds will be approximately 6.97% and 8.68% respectively.

CREDIT ENHANCEMENT:

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued in physical form and in denominations of $100,000 or any amount in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN:

The Mortgage Loan is a nonrecourse obligation of the Owner (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Owner's interest in the project to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

(g) Under certain circumstances, the Bonds are subject to mandatory redemption in whole or in part, in the event of (1) sale of the property, or (2) damage to or destruction or condemnation of the Project or any part thereof, on any date, at a redemption price equal to the outstanding principal amount, plus accrued interest.

(h) A portion of the Bonds are subject to mandatory redemption from proceeds remaining in the Construction Fund that are not needed to complete the project which are not qualified project costs.

Optional Redemption:

(a) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Servicing Agent, from and to the extent of amounts on deposit in the Construction Fund if Construction of the Project has not lawfully commenced within sixty (60) days of the Closing Date.

(b) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Sole Holder or, if there is no Sole Holder, at the direction of the Servicing Agent, upon the occurrence of an Event of Taxability, but only if so directed by the Sole Holder or the Servicing Agent in writing within ninety (90) days of the occurrence of the Event of Taxability, at a redemption price equal to 106% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date.

(c) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of 100% of the outstanding principal amount of the Bonds, at any time after the seventeenth (17^{th}) anniversary of the Closing Date without premium, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, but only if the Holders provide the Issuer, the Trustee and the Borrower with written notice of their election to require the redemption of the Bonds at least ninety (90) days prior to the date set for redemption.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, Bank One, Texas, N.A. (the "Trustee") will serve as registrar, and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to eight (8) funds with the following general purposes:

1. Bond Proceeds Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and immediately applied by the trustee to other funds.

2. Revenue Fund – Revenues from the project are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the indenture – first to the Fee and Expense Account, second to the Tax and Insurance Account, third to the Interest Account, and fourth to the Principal Account.

6. Cost of Issuance Fund – Fund into which amounts for the payments of the costs of issuance are deposited and disbursed.

7. Construction Fund – Fund into which amounts needed to complete construction of the improvements are placed together with the amount necessary to fund capitalized interest during construction.

8. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

9. Replacement Fund – Fund into which amounts are held in reserve to cover replacement cost and ongoing maintenance to the project.

10. Lease-Up Fund (lease-up reserves) – An interim fund into which amounts are held to pay interest due on the Bonds and to pay operating expenses of the project to the extent that the Project's new cash flow is insufficient to pay such amounts.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 24 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Bank One, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in

1998.

(Statements regarding participation of women and minorities are contained within Exhibit 8).

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

2001-012 Stone Hearst					
	General Information		**Principal Contact**		
	Bond Amount:	$ 10,900,000	Stone Way, LP		
	Program:	2001 Private Activity	R J Collins		
	Bond Structure:	Muni Mae	8455 Lyndon Lane		
	Purpose:	New Construction	Austin, Texas 78729		
	Status:	Full Application	512-249-6240		
	A/O:	RFO	512-249-6660		
	Project(s)		**City**	**Units**	
	Stone Hurst Apartments		Beaumont	216	
	Project History - Timeline		**Responsibility**	**Due Date**	**Status**
	BRB Reservation received		BRB	10/5/2001	Done
	Complete Application due to TDHCA		Applicant	11/8/2001	Done
	35 day reservation filing		V&E	11/9/2001	Done
	TEFRA notice in newspaper		V&E, Applicant	11/18/2001	Done
	Deadline to submit TEFRA notice to Tx Reg			11/21/2001	Done
	TEFRA notice published in Tx Reg		TDHCA, Tx Reg	11/30/2001	Done
	TEFRA Signage on property		Applicant	12/3/2001	Done
	Final construction plans, appraisal, sources & uses, and all other due diligence materials are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
	All third party debt & equity commitments are due to TDHCA		**Applicant**	**12/17/2001**	**Done**
	TEFRA Hearing (6:00pm)		TDHCA, Applicant	12/18/2001	Done
	2001 CarryForward notice to BRB		**V&E**	**12/21/2001**	**Done**
	Notice of Intent to the BRB		TDHCA	12/27/2001	Done
	Board final write-ups due		TDHCA	12/28/2001	Scheduled
	TDHCA underwriting due		TDHCA	12/28/2001	Scheduled
	1st due diligence conference call		All	1/2/2002	Scheduled
	Bond Review Board application due		TDHCA	1/2/2002	Scheduled
	1st draft of Bond Documents		V&E	1/4/2002	Scheduled
	2nd due diligence conference call		All		
	Final Bond Documents & Resolution		V&E	1/4/2002	Scheduled
	TDHCA Board Meeting agenda published		TDHCA	1/8/2002	Scheduled
	BRB Planning session (3:00 CST)		TDHCA, V&E, FA, Applicant	1/10/2002	Scheduled
	File transcripts with Attorney General		V&E	1/15/2002	Scheduled
	Circulate draft of closing memorandum		Underwriter	1/16/2002	Scheduled
	3rd due diligence conference call		All		
	TDHCA Board Meeting (9:00 CST)		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
	Bond Review Board Meeting (2:00 CST)		TDHCA, V&E, FA, Applicant	1/17/2002	Scheduled
	Price Bonds		Underwriter	1/21/2002	Scheduled
	Circulate Closing Memorandum		Underwriter	1/25/2002	Scheduled
	Final Building permits due to TDHCA		Applicant	1/30/2002	Scheduled
	Pre-close Bonds		All	1/30/2002	Scheduled
	Close Bonds		All	1/31/2002	Scheduled
	Reservation Expiration Date		BRB	2/1/2002	Scheduled

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2002A-1 Tax-Exempt Bond Proceeds	$ 8,720,000
Series 2002A-2 Tax-Exempt Bond Proceeds	$ 2,180,000
Tax Credit Proceeds	6,382,234
Taxable Loan	362,000
GIC Earnings from Bond Proceeds	129,276
Deferred Developer's Fee	1,599,576
Total Sources	$ 19,373,086
Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 14,602,234
Construction Period Interest	1,123,413
Bridge Loan Interest	118,768
Rent Up Reserve	416,557
Operating Reserve	211,573
Developer's Overhead & Fee	2,248,672
Costs of Issuance	
Direct Bond Related	187,625
Bond Purchaser Costs	310,240
Other Transaction Costs	52,264
Real Estate Closing Costs	101,740
Total Uses	$ 19,373,086

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 54,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	5,400
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Placement Agent Fee	5,000
Trustee's Fees (Note 1)	6,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	2,725
TEFRA Hearing Publication Expenses	2,000
Total Direct Bond Related	$ 187,625
Bond Purchase Costs	
MMM Origination Fee	225,240
MMM Application Fee	25,000
MMM Legal Fees	45,000

MMM Inspecting Engineer	15,000
Total	$ 310,240
Other Transaction Costs	
Bridge Loan Commitment Fee (1%)	16,922
Tax Credit Determination Fee (4% annual tax cr.)	32,102
Tax Credit Applicantion Fee ($15/u)	3,240
Total	$ 52,264
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	101,740
Total Real Estate Costs	$ 101,740
Estimated Total Costs of Issuance	$ 651,869

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: January 7, 2002 **PROGRAM:** Multifamily Bonds 4% LIHTC **FILE NUMBER:** 2001-012 01457

DEVELOPMENT NAME

Stone Hearst Apartments

APPLICANT

Name: Stone Way Limited Partnership **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 8455 Lyndon Lane **City:** Austin **State:** TX

Zip: 78729 **Contact:** R. J. Collins **Phone:** (512) 249-6240 **Fax:** (512) 249-6660

PRINCIPALS of the APPLICANT

Name	(%)	Title
EM Texas I, Inc.	.01	Managing General
SunAmerica Affordable Housing	99.99	Initial Limited Partner
Ralph J. Collins		100% owner of MGP

GENERAL PARTNER

Name: EM Texas I, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 8455 Lyndon Lane **City:** Austin **State:** TX

Zip: 78729 **Contact:** R. J. Collins **Phone:** (512) 249-6240 **Fax:** (512) 249-6660

PROPERTY LOCATION

Location: 1700 Block of East Lucas Drive ☒ QCT ☐ DDA

City: Beaumont **County:** Jefferson **Zip:** 77703

REQUEST

Amount	Interest Rate	Amortization	Term
$8,720,000	6.9731%	30 yrs	30 yrs
$2,180,000	8.6838%	40 yrs	40 yrs
$797,859	N/A	N/A	N/A

Other Requested Terms:
➊ Series A-1 tax-exempt private activity mortgage revenue bonds
➋ Series A-2 tax-exempt private activity mortgage revenue bonds
➌ Annual ten-year allocation of low-income housing tax credits based on a 3.56% applicable percentage

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 27 acres 1,176,120 square feet **Zoning/ Permitted Uses:** RM-H, Residential Multiple Family Dwelling – Highest

			Density
Flood Zone Designation:	Zone C	**Status of Off-Sites:**	Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 216 **# Rental Buildings** 54 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** NA yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
86	3	2	1,250
130	4	2	1,370

Net Rentable SF: 285,600 **Av Un SF:** 1,322 **Common Area SF:** 3,300 **Gross Bldng SF** 288,900

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,300 SF community building with community room, management offices, fitness & laundry facilities, restrooms, computer center, swimming pool, equipped children's play area, volleyball courts

Uncovered Parking: 236 spaces **Carports:** 0 spaces **Garages:** 216 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland, LLC **Contact:** Jack Westbrook

Principal Amount: $10,900,000 **Interest Rate:** 8.35% (blended rate for 2 series)

Additional Information: Interim to permanent loan based on tax-exempt bond proceeds, 30-month interest-only construction period

Amortization: N/A yrs **Term:** 2.5 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland, LLC **Contact:** Jack Westbrook

Principal Amount: $362,000 **Interest Rate:** 8.76%

Additional Information: Taxable loan, 30-month interest-only construction period

Amortization: N/A yrs **Term:** 2.5 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland, LLC **Contact:** Jack Westbrook

Principal Amount: $1,692,225 **Interest Rate:** Wall Street Journal prime rate + 1.5%, floating

Additional Information: Bridge loan during construction period

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: MuniMae Midland, LLC **Contact:** Jack Westbrook

Principal Amount: $10,900,000 **Interest Rate:** 7.35% (blended rate for 2 series)

Additional Information: Interim to permanent loan based on tax-exempt bond proceeds

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $846,293 **Lien Priority:** 1st **Commitment Date** 12/ 26/ 2001

LONG TERM/PERMANENT FINANCING

Source: MuniMae Midland LLC **Contact:** Jack Westbrook/C.W. Early

Principal Amount: $362,000 **Interest Rate:** 8.76%

Additional Information: Taxable loan proceeds based on most recent sources and uses statement, commitment shows amount of $543,200

Amortization: 40 yrs **Term:** 15 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $43,442 **Lien Priority:** 2nd **Commitment Date** 12/ 26/ 2001

LIHTC SYNDICATION

Source: MuniMae Midland LLC **Contact:** Jack Westbrook/C.W. Early

Address: 33 North Garden Avenue, Suite 1200 **City:** Clearwater

State: FL **Zip:** 33755 **Phone:** (443) 263-2955 **Fax:** (410) 727-5387

Net Proceeds: $6,382,234 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 12/ 20/ 2001

Additional Information: Commitment letter reflects proceeds of $6,382,234 based on credits of $7,978,590

APPLICANT EQUITY

Amount: $1,599,576 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 23.86 ac. $60,940 **Assessment for the year of:** 2000

Land: 1.0 ac $2,554 **Valuation by:** Jefferson County Appraisal District

Total Land Value: 27 ac. $68,960

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 2/ 28/ 2002 **Anticipated Closing Date:** 2/ 01/ 2002

Acquisition Cost: $ 650,000 **Other Terms/Conditions:** $4,000 earnest money

Seller: Donald Heisig and Mary Carlisi **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Stone Hearst Apartments is a proposed new construction project of 216 units of affordable housing located in north Beaumont. The project is comprised of 54 one- and two-story townhouse-style residential buildings as follows:

- (20) Building Style A with four 3-bedroom/2-bath units
- (28) Building Style B with four 4-bedroom/2-bath units
- (3) Building Style C with two 3-bedroom/2-bath units and two 4-bedroom/2-bath units
- (3) Building Style D with four 4-bedroom/2-bath units

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,300-square foot community building is planned to have the management office, a large community room, exercise room, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive service programs to tenants: Personal Growth Opportunities, Family Skills Development, Education, Fun and Freedom Activities, and Neighborhood Advancement. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and to pay a one-time startup fee of $1,000 plus $1,592 per month for these support services.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 216 of the units (100% of the total) will be reserved for low-income tenants. 216 units (100%) will be reserved for households earning 60% or less of AMGI.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated October 17, 2001 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: "For this analysis, we defined the primary market as Jefferson County. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing." (p. 3)

Total Regional Market Demand for Rental Units: "**Jefferson County has experienced negligible employment growth over the past nine years** [analyst's emphasis]. The economy of the Beaumont/Port Arthur area is almost totally dependent on the distilling of petroleum products. As such, it is very sensitive to the price of crude oil and natural gas, as well as external conditions around the world…It is apparent from the occupancy and rental rates of the marketplace that there is a need for additional rental housing. Additionally, the stock of quality affordable housing is in short supply." (p. 67)

Total Local/Submarket Demand for Rental Units: "In the primary market area, we have determined that there is a demand for a minimum of 285 rental units per year, based on the household growth analysis." (p. 16) Although this figure of 285 units was the only quantitative demand measure provided by the market analyst, the analyst also noted that, "…with the implementation of income restrictions, the primary renter profile will…represent 10.1% of the households in the area." (p. 38) Therefore, income-qualified household growth demand amounts to 29 units as shown below. The Applicant also provided data which allowed the Underwriter to calculate eligible turnover demand from existing households.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	29*	4%
Turnover Demand **	673**	96%
TOTAL ANNUAL DEMAND	**702**	**100%**

* Calculated by Underwriter (285 total annual units of renter growth demand X 10.1% income-qualified households) (ref: p. 38, 49)

** Calculated by Underwriter (9,787 income-qualified households X 32.7% renter households X 24.22% 4+ person households) (ref: p. 34, 39, 41)

Capture Rate: Calculated by the Underwriter to be 31% (216 proposed units/702 units of demand). This rate exceeds the Department's concentration capture policy guideline of 25% for urban areas indicating a lack of market demand for the project. Because of this failure to meet the concentration capture rate, any approval of this project should be conditioned upon TDHCA Board approval of a waiver of the concentration policy guideline or a reduction of units to not more than 175 units, resizing of the bonds and a re-underwriting of the project.

Market Rent Comparables: The market analyst surveyed 14 comparable apartment projects totaling 2,228 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
	Proposed	Program Max	Differential	Market	Differential
3-Bedroom (60%)	$645	$658	-$13	$768	-$123
4-Bedroom (60%)	$712	$732	-$20	*	*

*There were no four-bedroom units in any of the 14 comparable projects in the primary market for comparison..

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

Submarket Vacancy Rates: "As a result of household growth and limited new construction of apartments in the 1990's, the occupancy rate reported by existing projects is 96.6%" (p. 7)

Absorption Projections: "Absorption over the previous eleven years has been 327 units per year, and we expect this to increase as the number of households continues to grow, and as additional rental units become available." (p. 9)

Known Planned Development: The analyst listed the following recent LIHTC project allocations (p. 73):

- The Woodlands (2000 allocation), 140 units, 6 miles south (These units were not considered in the concentration calculation above)
- Port Arthur Townhomes (2001 allocation), 104 units, 14 miles southeast (Orange County)
- The Greens on Turtle Creek (elderly, 2001 allocation), 84 units, 14 miles southeast (Orange County)

Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout Beaumont, and especially at quality affordable housing communities." (p. 73)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Beaumont is located in southeast Texas, approximately 88 miles east of Houston in Jefferson County. The site is a rectangularly-shaped parcel located in the northern area of Beaumont, approximately two miles east of U.S. Highway 69/96/287 (Eastex Freeway). The site is situated on the north side of East Lucas Drive.

Population: The estimated 2001 population of Jefferson County was 252,324 and is expected to increase by 4% to approximately 262,266 by 2006. Within the primary market area (Jefferson County) there were estimated to be 96,326 households in 2001.

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

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

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

surrounding communities.
Public Transportation: The availability of public transportation is unknown.
Shopping & Services: Most of Beaumont's growth is occurring along the Eastex Freeway, north of Interstate 10, and along Interstate Highway 10 in the western section of the city. The subject site is located convenient to both of these highways, which will give residents easy access to all employment and services areas of Beaumont and Jefferson County.
Site Inspection Findings: A TDHCA staff member performed a site inspection on December 18, 2001 and found the location to be acceptable for the proposed development. The inspector noted the site is heavily wooded with standing water visible, and that the "entire neighborhood is old, tired, and decaying". The inspector also noted that all improvements will be raised approximately one foot above grade and that surface water retention areas are planned.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 24, 2001 was prepared by AD Environmental Services and contained the following findings and recommendations: "There did not appear to be any containers or hazardous waste materials present on the property during the on-site inspection that would warrant any adverse environmental concerns. The subject property appears to have been operated and maintained in a professional and environmentally safe manner. There were no indications of any contamination such as soil staining, or addition of any materials not native to the area that would suggest there have been any spills of hazardous contents located on the subject property. This property appears to be environmentally sound and would not warrant additional information that would be provided in a Phase II Environmental site Assessment." (p. 16)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and the market study information suggests that the market could support rents at the rent limit maximums. The Applicant used the Port Arthur Housing Authority's utility allowances instead of Beaumont's, which are from $13-$20 lower per unit. The result is that the Applicant's potential rental income is understated by $44.4K. The Applicant, however, overstated secondary income by $28.5K by including $11/unit/month in cable TV income and washer and dryer rental. The net result is that the Applicant's effective gross income estimate is regarded to be understated by $14.7K.
Expenses: The Applicant's total expense estimate of $3,306 per unit compares favorably with TDHCA database-derived estimate of $3,250 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($14K lower), payroll ($79K higher), utilities ($38K lower), insurance ($8K higher), and property tax ($24K lower). The Applicant did not include any TDHCA compliance or other fees in expenses or debt service, or a $7,500 annual review fee required by the equity provider/syndicator.
Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price of $650,000 ($24,074/acre or $0.55/SF), although over nine times the assessed value, is assumed be reasonable since the acquisition is an arm's-length transaction.
Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit, though at precisely the guideline maximum, are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's costs are more than $2M (17%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are significantly understated or that the Applicant is intending to build to a less than average quality construction standard.
Interim Financing Fees: The Underwriter reduced the Applicant's interim financing fees by $129,276 to reflect the net effect of the Applicant's projection of that amount in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis.

Fees: The Applicant's contractor's general requirements, general and administrative expenses, and profit all exceed the maximums allowed by TDHCA guidelines by a cumulative $369,360 based on the Applicant's own costs and therefore are reduced accordingly.

Developer fees also exceed the 15% of eligible cost limit by $18,447, and therefore the Applicant's eligible basis must be further reduced by an equal amount.

Conclusion: The Applicant's total project cost estimate is within the maximum cost guideline, but the Underwriter regards total costs to be understated by $1.8M or 8.6%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the project. The Applicant's requested credit amount, as adjusted for the current applicable percentage, is less than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $17,098,394 is used to determine a credit allocation of $815,764 from this method. This is $17,905 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.56% rather than the 3.67% Underwriting rate for projects being presented to the Board in January 2002. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: an interim to permanent loan based on tax-exempt bond proceeds, an interim to permanent taxable loan, syndicated LIHTC equity, a bridge loan, and deferred developer's fees. The Applicant also included $129.3K in GIC income, which the Underwriter netted out from interim financing costs so as not to overstate eligible construction interest.

Bonds and Interim to Permanent Loans: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with MuniMae Midland LLC. As of the date of the underwriting analysis, there will be $8,720,000 in tax-exempt Series A-1 bonds, with an amortization period of 30 years and an interest rate of 6.9731%; and $2,180,000 in tax-exempt Series A-2 bonds, with an amortization period of 40 years and an interest rate of 8.6838%. The Underwriter used a blended interest rate of 7.35% for the two series. MuniMae will also provide a taxable loan of $362,000 with an amortization period of 15 years and an interest rate of 8.76%.

LIHTC Syndication: Midland Equity Corporation, a subsidiary of MuniMae Midland LLC, has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,382,234 based on a syndication factor of 80%. The funds would be disbursed in a three-phased pay-in schedule:

7. 60% upon the later of: admission to the partnership or closing of the construction loan, bond issuance, and land acquisition ;
8. 20% within 30 days of the later of: completion of construction or receipt of final cost certification;
9. 20% within 30 days of the later of: commencement of amortization of the permanent loan, receipt of IRS Forms 8609, 90% physical occupancy for three consecutive months, or achievement of 1.10 DCR for 90 consecutive days.

Bridge Loan: MuniMae Midland will also provide a bridge loan of $1,692,225 during construction, with a variable interest rate equal to 1.5% over the Wall Street Journal prime rate.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,599,576 amount to 71% of the total fees.

Financing Conclusions: Based on the Applicant's request and estimate of eligible basis, as adjusted for the current underwriting applicable percentage of 3.67%, the LIHTC allocation should not exceed $815,764 annually for ten years, resulting in syndication proceeds of approximately $6,525,462. Based on the Underwriter's significantly higher total development cost estimate, the Applicant's deferred developer fee is expected to increase substantially to $3,277,177. As this amount exceeds the total amount of developer's fees available, a portion of the related general contractor's fees may need to be deferred as well. These deferred fees are not expected to be repayable within ten years but are projected to be repaid within 15 years based on the Underwriter's proforma.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are simple, with varied rooflines and mixed brick veneer and siding exterior wall finish. Each unit has a private exterior entry and one-car garage. All units are of average size for market rate and LIHTC units, and all except the 12 handicapped units have covered patios.

Unit Floorplans:

3. Entry to the two-story, 3- and 4-BR townhouse units is into a small foyer, with the living area beyond and the stairway to the second floor directly ahead. The kitchen is beyond the living room, and the separate dining room is at the rear of the unit. The master bedroom and downstairs bathroom are off the dining area, and the bathroom is accessible from the living area and has a linen closet. The secondary bedrooms and bathroom are located upstairs; all bedrooms feature conventional closets.
4. Entry to the one-story, 3- and 4-BR/2-BA handicapped-accessible units is through an entry hallway into the combined living and dining area, and the kitchen is separated from the dining area by a breakfast bar. The bedrooms and bathrooms are all accessed by a hallway off the living area, and one bathroom is accessible from the living area. The master bedroom has a walk-in closet and the secondary bedrooms have conventional closets.

IDENTITIES of INTEREST

R.J. Collins owns 100% of the Developer, the General Partner, and the General Contractor. These are typically acceptable tax credit project relationships.

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

Financial Highlights: The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The owner of the General Partner and General Contractor, R.J. Collins, has completed six affordable and conventional housing projects totaling 1,173 units since 1971.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- The development's projected concentration capture rate exceeds 25%.
- Fewer than 25% of existing households in the market area are of an appropriate size (four persons or larger) to qualify for the development's proposed unit mix of 100% 3- and 4-BR units.
- The market analyst noted that area employment growth has been negligible in recent years and that the area is highly dependent on the petroleum refining industry.

RECOMMENDATION

☑ RECOMMEND DECLINE DUE TO EXCESSIVE PROJECTED CONCENTRATION CAPTURE RATE

ALTERNATIVE

ANY ALLOCATION OF FUNDS FOR THIS PROJECT SHOULD BE CONDITIONED UPON THE FOLLOWING:

1. TDHCA Board approval of a waiver of the Department policy restriction on allocation of tax credits to urban projects with estimated concentration capture rates in excess of 25%;
2. Acknowledgement and acceptance by the lender of the demand risk issues identified above;
3. Approval of an LIHTC allocation not to exceed $815,764 annually for ten years and bonds as indicated in the request portion of this report.

Underwriter: ____________________ **Date:** January 7, 2002

Carl Hoover

Credit Underwriting Supervisor:	**Jim Anderson**	**Date:**	January 7, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	January 7, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Ana

Stone Hearst Apartments, Beaumont, MFB #2001-012/LIHTC #01457

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF
TC(60%)	86	3	2	1,250	$729	$658	$56,616	$0.53
TC(60%)	130	4	2	1,370	814	732	95,113	0.53
TOTAL:	216		AVERAGE:	1,322	$780	$702	$151,730	$0.53

					TDHCA	APPLICANT		
INCOME	Total Net Rentable Sq Ft:		285,600					
POTENTIAL GROSS RENT					$1,820,755	$1,776,360		
Secondary Income			Per Unit Per Month:	$10.00	25,920	12,960	$5.00	P
Other Support Income: Cable TV & Washer/Dryer Rental					0	41,472	$16.00	
POTENTIAL GROSS INCOME					$1,846,675	$1,830,792		
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(138,501)	(137,304)	-7.67%	o
Employee or Other Non-Rental Units or Concessions					0	0		
EFFECTIVE GROSS INCOME					$1,708,174	$1,693,488		
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	
General & Administrative		5.41%	$428	$0.32	$92,350	$78,030	$0.27	
Management		5.00%	395	0.30	85,409	84,674	0.30	
Payroll & Payroll Tax		4.25%	336	0.25	72,597	151,200	0.53	
Repairs & Maintenance		6.22%	492	0.37	106,268	106,920	0.37	
Utilities		3.01%	238	0.18	51,360	12,960	0.05	
Water, Sewer, & Trash		1.53%	121	0.09	26,127	27,864	0.10	
Property Insurance		2.68%	212	0.16	45,696	54,000	0.19	
Property Tax	2.8	9.54%	754	0.57	162,884	139,104	0.49	
Reserve for Replacements		2.53%	200	0.15	43,200	43,200	0.15	
Other: Supportive services		0.95%	75	0.06	16,200	16,200	0.06	
TOTAL EXPENSES		41.10%	$3,250	$2.46	$702,091	$714,152	$2.50	
NET OPERATING INC		58.90%	$4,658	$3.52	$1,006,084	$979,336	$3.43	
Primary Debt Service		52.09%	$4,119	$3.12	$889,735	$889,735	$3.12	
Trustee Fee		0.26%	$21	$0.02	$4,500	0	$0.00	
TDHCA Admin. Fees		0.64%	$50	$0.04	10,900	0	$0.00	
Asset Oversight & Compliance Fees		0.63%	$50	$0.04	10,800	0	$0.00	
NET CASH FLOW		5.28%	$417	$0.32	$90,149	$89,601	$0.31	
AGGREGATE DEBT COVERAGE RATIO					1.10	1.10		
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.13			
BONDS & TAXABLE DEBT-ONLY DCR					1.13			

CONSTRUCTION COST							
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT
Acquisition Cost (site or bldng)		3.09%	$3,009	$2.28	$650,000	$650,000	$2.28
Off-Sites		0.00%	0	0.00	0	0	0.00
Sitework		6.67%	6,500	4.92	1,404,000	1,404,000	4.92
Direct Construction		55.84%	54,452	41.18	11,761,708	9,720,000	34.03
Contingency	2.80%	1.75%	1,706	1.29	368,440	368,440	1.29
General	6.00%	3.75%	3,657	2.77	789,942	1,010,880	3.54

Requirements							
Contractor's G & A	1.74%	1.09%	1,060	0.80	228,960	228,960	0.80
Contractor's Profit	5.22%	3.26%	3,180	2.41	686,880	686,880	2.41
Indirect Construction		2.65%	2,580	1.95	557,180	557,180	1.95
Ineligible Expenses		2.28%	2,220	1.68	479,479	479,479	1.68
Developer's G & A	0.18%	0.15%	144	0.11	31,093	0	0.00
Developer's Profit	13.00%	10.53%	10,267	7.76	2,217,579	2,248,672	7.87
Interim Financing		5.99%	5,839	4.42	1,261,189	1,261,189	4.42
Reserves		2.98%	2,908	2.20	628,130	628,130	2.20
TOTAL COST		100.00%	$97,521	$73.76	$21,064,580	$19,243,810	$67.38
Recap-Hard Construction Costs		*72.35%*	***$70,555***	***$53.36***	*$15,239,930*	*$13,419,160*	***$46.99***

SOURCES OF FUNDS							RECOMMEND
Tax-Exempt Bonds	51.75%	$50,463	$38.17	$10,900,000	$10,900,000	$10,900,000	
Taxable Bonds	1.72%	$1,676	$1.27	362,000	362,000	362,000	
LIHTC Syndication Proceeds	30.30%	$29,547	$22.35	6,382,234	6,382,234	6,525,462	
Deferred Developer's Fee	7.59%	$7,405	$5.60	1,599,576	1,599,576	3,277,117	
Additional (excess) Funds Required	8.64%	$8,429	$6.38	1,820,770	0	0	
TOTAL SOURCES				$21,064,580	$19,243,810	$21,064,580	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Stone Hearst Apartments, Beaumont, MFB #2001-012/LIHTC #01457

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 41.32	$11,802,324
Adjustments				
Exterior Wall Finish	4.00%		$1.65	$472,093
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.12)	(318,444)
Floor Cover			2.43	694,008
Porches/Balconies	$24.47	15,640	1.34	382,711
Plumbing	$675	216	0.51	145,800
Built-In Appliances	$2,000	216	1.51	432,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	522,648
Garages	$15.65	59,009	3.23	923,483
Comm &/or Aux bldngs	$56.34	3,300	0.65	185,907
Other:			0.00	0
SUBTOTAL			53.37	15,242,530
Current Cost Multiplier	1.03		1.60	457,276
Local Multiplier	0.92		(4.27)	(1,219,402)
TOTAL DIRECT CONSTRUCTION COSTS			$50.70	$14,480,403
Plans, specs, survy, bld prmts	3.90%		($1.98)	($564,736)
Interim Construction Interest	3.38%		(1.71)	(488,714)
Contractor's OH & Profit	11.50%		(5.83)	(1,665,246)
NET DIRECT CONSTRUCTION COSTS			$41.18	$11,761,708

PAYMENT COM

Primary	$10,900,000
Int Rate	7.35%
Secondary	
Int Rate	8.76%
All-In	
Int Rate	

ALTERNATIVE FINANCI

Primary Debt Service

Trustee Fee

TDHCA Fees

NET CASH FLOW

Primary	$10,900,000
Int Rate	7.35%
Secondary	
Int Rate	8.76%
All-In	
Int Rate	

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTU

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS RENT		$1,820,755	$1,875,378	$1,931,639	$1,989,588	$2,049,276	$2,375,672	$2,754,055
Secondary Income		25,920	26,698	27,499	28,323	29,173	33,820	39,206
Other Support Income: Cable TV & Washer/Dryer Rental		0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		1,846,675	1,902,075	1,959,137	2,017,912	2,078,449	2,409,492	2,793,262
Vacancy & Collection Loss		(138,501)	(142,656)	(146,935)	(151,343)	(155,884)	(180,712)	(209,495)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$1,708,174	$1,759,420	$1,812,202	$1,866,568	$1,922,565	$2,228,780	$2,583,767
EXPENSES at	4.00%							
General & Administrative		$92,350	$96,044	$99,885	$103,881	$108,036	$131,442	$159,920
Management		85,409	87,971	90,610	93,328	96,128	111,439	129,188
Payroll & Payroll Tax		72,597	75,500	78,521	81,661	84,928	103,328	125,714
Repairs & Maintenance		106,268	110,519	114,939	119,537	124,318	151,252	184,022
Utilities		51,360	53,415	55,551	57,773	60,084	73,102	88,939
Water, Sewer & Trash		26,127	27,172	28,259	29,390	30,565	37,187	45,244
Insurance		45,696	47,524	49,425	51,402	53,458	65,040	79,131
Property Tax		162,884	169,400	176,176	183,223	190,551	231,835	282,063
Reserve for Replacements		43,200	44,928	46,725	48,594	50,538	61,487	74,808
Other		16,200	16,848	17,522	18,223	18,952	23,058	28,053
TOTAL EXPENSES		$702,091	$729,320	$757,613	$787,012	$817,559	$989,170	$1,197,082
NET OPERATING INCOME		$1,006,084	$1,030,099	$1,054,589	$1,079,556	$1,105,006	$1,239,610	$1,386,685
DEBT SERVICE								
First Lien Financing		$889,735	$889,735	$889,735	$889,735	$889,735	$889,735	$889,735
Trustee Fee		3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees		10,900	10,808	10,710	10,604	10,490	9,775	8,743
Asset Oversight & Compliance Fees		10,800	11,232	11,681	12,149	12,634	15,372	18,702
Cash Flow		91,149	114,824	138,963	163,570	188,648	321,229	466,005
AGGREGATE DCR		1.10	1.13	1.15	1.18	1.21	1.35	1.51

LIHTC Allocation Calculation - Stone Hearst Apartments, Beaumont, MFB #2001-0 #01457

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/N ELI
(1) Acquisition Cost				
Purchase of land	$650,000	$650,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,404,000	$1,404,000	$1,404,000	$1,4
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,720,000	$11,761,708	$9,720,000	$11,7
(4) Contractor Fees & General Requirements				
Contractor overhead	$228,960	$228,960	$222,480	$2
Contractor profit	$686,880	$686,880	$667,440	$6
General requirements	$1,010,880	$789,942	$667,440	$7
(5) Contingencies	$368,440	$368,440	$368,440	$3
(6) Eligible Indirect Fees	$557,180	$557,180	$557,180	$5
(7) Eligible Financing Fees	$1,261,189	$1,261,189	$1,261,189	$1,2
(8) All Ineligible Costs	$479,479	$479,479		
(9) Developer Fees			$2,230,225	
Developer overhead		$31,093		$
Developer fee	$2,248,672	$2,217,579		$2,2
(10) Development Reserves	$628,130	$628,130		
TOTAL DEVELOPMENT COSTS	$19,243,810	$21,064,580	$17,098,394	$19,3

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			$17,098,394	$19,3
High Cost Area Adjustment			130%	
TOTAL ADJUSTED BASIS			$22,227,912	$25,0
Applicable Fraction			100%	
TOTAL QUALIFIED BASIS			$22,227,912	$25,0
Applicable Percentage			3.67%	
TOTAL AMOUNT OF TAX CREDITS			$815,764	$9
	Syndication Proceeds	**0.7999**	**$6,525,462**	**$7,30**

	STONE HEARST				
		Construction		**Permanent**	
	Principal	10,900,000		10,900,000	
	Interest	8.3500%		7.3500%	
	Amortization	N/A		40	
	Constant	75,846		$70,524.41	7.76%
	Begins	2/1/2001		8/1/2004	
				Total	Outstanding
	Due Date	Interest	Principal	Debt Service	Principal
				(10,900,000)	10,900,000
1	2/1/2002	75,845.83	-	$75,845.83	10,900,000
2	3/1/2002	75,845.83	-	$75,845.83	10,900,000
3	4/1/2002	75,845.83	-	$75,845.83	10,900,000
4	5/1/2002	75,845.83	-	$75,845.83	10,900,000
5	6/1/2002	75,845.83	-	$75,845.83	10,900,000
6	7/1/2002	75,845.83	-	$75,845.83	10,900,000
7	8/1/2002	75,845.83	-	$75,845.83	10,900,000
8	9/1/2002	75,845.83	-	$75,845.83	10,900,000
9	10/1/2002	75,845.83	-	$75,845.83	10,900,000
10	11/1/2002	75,845.83	-	$75,845.83	10,900,000
11	12/1/2002	75,845.83	-	$75,845.83	10,900,000
12	1/1/2003	75,845.83	-	$75,845.83	10,900,000
13	2/1/2003	75,845.83	-	$75,845.83	10,900,000
14	3/1/2003	75,845.83	-	$75,845.83	10,900,000
15	4/1/2003	75,845.83	-	$75,845.83	10,900,000
16	5/1/2003	75,845.83	-	$75,845.83	10,900,000
17	6/1/2003	75,845.83	-	$75,845.83	10,900,000
18	7/1/2003	75,845.83	-	$75,845.83	10,900,000
19	8/1/2003	75,845.83	-	$75,845.83	10,900,000
20	9/1/2003	75,845.83	-	$75,845.83	10,900,000
21	10/1/2003	75,845.83	-	$75,845.83	10,900,000
22	11/1/2003	75,845.83	-	$75,845.83	10,900,000
23	12/1/2003	75,845.83	-	$75,845.83	10,900,000
24	1/1/2004	75,845.83	-	$75,845.83	10,900,000
25	2/1/2004	75,845.83	-	$75,845.83	10,900,000
26	3/1/2004	75,845.83	-	$75,845.83	10,900,000
27	4/1/2004	75,845.83	-	$75,845.83	10,900,000
28	5/1/2004	75,845.83	-	$75,845.83	10,900,000
29	6/1/2004	75,845.83	-	$75,845.83	10,900,000
30	7/1/2004	75,845.83	-	$75,845.83	10,900,000
31	8/1/2004	66,762.50	3,761.91	$70,524.41	10,896,238

32	9/1/2004	66,739.46	3,784.95	$70,524.41	10,892,453
33	10/1/2004	66,716.28	3,808.13	$70,524.41	10,888,645
34	11/1/2004	66,692.95	3,831.46	$70,524.41	10,884,814
35	12/1/2004	66,669.48	3,854.92	$70,524.41	10,880,959
36	1/1/2005	66,645.87	3,878.54	$70,524.41	10,877,080
37	2/1/2005	66,622.12	3,902.29	$70,524.41	10,873,178
38	3/1/2005	66,598.21	3,926.19	$70,524.41	10,869,252
39	4/1/2005	66,574.17	3,950.24	$70,524.41	10,865,301
40	5/1/2005	66,549.97	3,974.44	$70,524.41	10,861,327
41	6/1/2005	66,525.63	3,998.78	$70,524.41	10,857,328
42	7/1/2005	66,501.13	4,023.27	$70,524.41	10,853,305
43	8/1/2005	66,476.49	4,047.91	$70,524.41	10,849,257
44	9/1/2005	66,451.70	4,072.71	$70,524.41	10,845,184
45	10/1/2005	66,426.75	4,097.65	$70,524.41	10,841,087
46	11/1/2005	66,401.66	4,122.75	$70,524.41	10,836,964
47	12/1/2005	66,376.40	4,148.00	$70,524.41	10,832,816
48	1/1/2006	66,351.00	4,173.41	$70,524.41	10,828,642
49	2/1/2006	66,325.43	4,198.97	$70,524.41	10,824,443
50	3/1/2006	66,299.72	4,224.69	$70,524.41	10,820,219
51	4/1/2006	66,273.84	4,250.57	$70,524.41	10,815,968
52	5/1/2006	66,247.81	4,276.60	$70,524.41	10,811,692
53	6/1/2006	66,221.61	4,302.80	$70,524.41	10,807,389
54	7/1/2006	66,195.26	4,329.15	$70,524.41	10,803,060
55	8/1/2006	66,168.74	4,355.67	$70,524.41	10,798,704
56	9/1/2006	66,142.06	4,382.34	$70,524.41	10,794,322
57	10/1/2006	66,115.22	4,409.19	$70,524.41	10,789,912
58	11/1/2006	66,088.21	4,436.19	$70,524.41	10,785,476
59	12/1/2006	66,061.04	4,463.36	$70,524.41	10,781,013
60	1/1/2007	66,033.70	4,490.70	$70,524.41	10,776,522
61	2/1/2007	66,006.20	4,518.21	$70,524.41	10,772,004
62	3/1/2007	65,978.52	4,545.88	$70,524.41	10,767,458
63	4/1/2007	65,950.68	4,573.73	$70,524.41	10,762,884
64	5/1/2007	65,922.67	4,601.74	$70,524.41	10,758,283
65	6/1/2007	65,894.48	4,629.93	$70,524.41	10,753,653
66	7/1/2007	65,866.12	4,658.28	$70,524.41	10,748,994
67	8/1/2007	65,837.59	4,686.82	$70,524.41	10,744,308
68	9/1/2007	65,808.88	4,715.52	$70,524.41	10,739,592
69	10/1/2007	65,780.00	4,744.41	$70,524.41	10,734,848
70	11/1/2007	65,750.94	4,773.46	$70,524.41	10,730,074
71	12/1/2007	65,721.70	4,802.70	$70,524.41	10,725,272
72	1/1/2008	65,692.29	4,832.12	$70,524.41	10,720,439
73	2/1/2008	65,662.69	4,861.72	$70,524.41	10,715,578
74	3/1/2008	65,632.91	4,891.49	$70,524.41	10,710,686
75	4/1/2008	65,602.95	4,921.45	$70,524.41	10,705,765
76	5/1/2008	65,572.81	4,951.60	$70,524.41	10,700,813
77	6/1/2008	65,542.48	4,981.93	$70,524.41	10,695,831
78	7/1/2008	65,511.97	5,012.44	$70,524.41	10,690,819
79	8/1/2008	65,481.27	5,043.14	$70,524.41	10,685,776
80	9/1/2008	65,450.38	5,074.03	$70,524.41	10,680,702
81	10/1/2008	65,419.30	5,105.11	$70,524.41	10,675,596

82	11/1/2008	65,388.03	5,136.38	$70,524.41	10,670,460
83	12/1/2008	65,356.57	5,167.84	$70,524.41	10,665,292
84	1/1/2009	65,324.92	5,199.49	$70,524.41	10,660,093
85	2/1/2009	65,293.07	5,231.34	$70,524.41	10,654,861
86	3/1/2009	65,261.03	5,263.38	$70,524.41	10,649,598
87	4/1/2009	65,228.79	5,295.62	$70,524.41	10,644,302
88	5/1/2009	65,196.35	5,328.05	$70,524.41	10,638,974
89	6/1/2009	65,163.72	5,360.69	$70,524.41	10,633,614
90	7/1/2009	65,130.88	5,393.52	$70,524.41	10,628,220
91	8/1/2009	65,097.85	5,426.56	$70,524.41	10,622,794
92	9/1/2009	65,064.61	5,459.80	$70,524.41	10,617,334
93	10/1/2009	65,031.17	5,493.24	$70,524.41	10,611,841
94	11/1/2009	64,997.52	5,526.88	$70,524.41	10,606,314
95	12/1/2009	64,963.67	5,560.74	$70,524.41	10,600,753
96	1/1/2010	64,929.61	5,594.79	$70,524.41	10,595,158
97	2/1/2010	64,895.34	5,629.06	$70,524.41	10,589,529
98	3/1/2010	64,860.87	5,663.54	$70,524.41	10,583,866
99	4/1/2010	64,826.18	5,698.23	$70,524.41	10,578,167
100	5/1/2010	64,791.27	5,733.13	$70,524.41	10,572,434
101	6/1/2010	64,756.16	5,768.25	$70,524.41	10,566,666
102	7/1/2010	64,720.83	5,803.58	$70,524.41	10,560,862
103	8/1/2010	64,685.28	5,839.12	$70,524.41	10,555,023
104	9/1/2010	64,649.52	5,874.89	$70,524.41	10,549,148
105	10/1/2010	64,613.53	5,910.87	$70,524.41	10,543,238
106	11/1/2010	64,577.33	5,947.08	$70,524.41	10,537,290
107	12/1/2010	64,540.90	5,983.50	$70,524.41	10,531,307
108	1/1/2011	64,504.25	6,020.15	$70,524.41	10,525,287
109	2/1/2011	64,467.38	6,057.03	$70,524.41	10,519,230
110	3/1/2011	64,430.28	6,094.12	$70,524.41	10,513,136
111	4/1/2011	64,392.96	6,131.45	$70,524.41	10,507,004
112	5/1/2011	64,355.40	6,169.01	$70,524.41	10,500,835
113	6/1/2011	64,317.62	6,206.79	$70,524.41	10,494,628
114	7/1/2011	64,279.60	6,244.81	$70,524.41	10,488,384
115	8/1/2011	64,241.35	6,283.06	$70,524.41	10,482,101
116	9/1/2011	64,202.87	6,321.54	$70,524.41	10,475,779
117	10/1/2011	64,164.15	6,360.26	$70,524.41	10,469,419
118	11/1/2011	64,125.19	6,399.22	$70,524.41	10,463,019
119	12/1/2011	64,085.99	6,438.41	$70,524.41	10,456,581
120	1/1/2012	64,046.56	6,477.85	$70,524.41	10,450,103
121	2/1/2012	64,006.88	6,517.52	$70,524.41	10,443,586
122	3/1/2012	63,966.96	6,557.44	$70,524.41	10,437,028
123	4/1/2012	63,926.80	6,597.61	$70,524.41	10,430,431
124	5/1/2012	63,886.39	6,638.02	$70,524.41	10,423,793
125	6/1/2012	63,845.73	6,678.68	$70,524.41	10,417,114
126	7/1/2012	63,804.82	6,719.58	$70,524.41	10,410,394
127	8/1/2012	63,763.67	6,760.74	$70,524.41	10,403,634
128	9/1/2012	63,722.26	6,802.15	$70,524.41	10,396,831
129	10/1/2012	63,680.59	6,843.81	$70,524.41	10,389,988
130	11/1/2012	63,638.67	6,885.73	$70,524.41	10,383,102
131	12/1/2012	63,596.50	6,927.91	$70,524.41	10,376,174

132	1/1/2013	63,554.07	6,970.34	$70,524.41	10,369,204
133	2/1/2013	63,511.37	7,013.03	$70,524.41	10,362,191
134	3/1/2013	63,468.42	7,055.99	$70,524.41	10,355,135
135	4/1/2013	63,425.20	7,099.21	$70,524.41	10,348,035
136	5/1/2013	63,381.72	7,142.69	$70,524.41	10,340,893
137	6/1/2013	63,337.97	7,186.44	$70,524.41	10,333,706
138	7/1/2013	63,293.95	7,230.46	$70,524.41	10,326,476
139	8/1/2013	63,249.66	7,274.74	$70,524.41	10,319,201
140	9/1/2013	63,205.11	7,319.30	$70,524.41	10,311,882
141	10/1/2013	63,160.28	7,364.13	$70,524.41	10,304,518
142	11/1/2013	63,115.17	7,409.24	$70,524.41	10,297,108
143	12/1/2013	63,069.79	7,454.62	$70,524.41	10,289,654
144	1/1/2014	63,024.13	7,500.28	$70,524.41	10,282,154
145	2/1/2014	62,978.19	7,546.22	$70,524.41	10,274,607
146	3/1/2014	62,931.97	7,592.44	$70,524.41	10,267,015
147	4/1/2014	62,885.47	7,638.94	$70,524.41	10,259,376
148	5/1/2014	62,838.68	7,685.73	$70,524.41	10,251,690
149	6/1/2014	62,791.60	7,732.80	$70,524.41	10,243,957
150	7/1/2014	62,744.24	7,780.17	$70,524.41	10,236,177
151	8/1/2014	62,696.59	7,827.82	$70,524.41	10,228,349
152	9/1/2014	62,648.64	7,875.77	$70,524.41	10,220,474
153	10/1/2014	62,600.40	7,924.01	$70,524.41	10,212,550
154	11/1/2014	62,551.87	7,972.54	$70,524.41	10,204,577
155	12/1/2014	62,503.03	8,021.37	$70,524.41	10,196,556
156	1/1/2015	62,453.90	8,070.50	$70,524.41	10,188,485
157	2/1/2015	62,404.47	8,119.93	$70,524.41	10,180,365
158	3/1/2015	62,354.74	8,169.67	$70,524.41	10,172,196
159	4/1/2015	62,304.70	8,219.71	$70,524.41	10,163,976
160	5/1/2015	62,254.35	8,270.05	$70,524.41	10,155,706
161	6/1/2015	62,203.70	8,320.71	$70,524.41	10,147,385
162	7/1/2015	62,152.73	8,371.67	$70,524.41	10,139,014
163	8/1/2015	62,101.46	8,422.95	$70,524.41	10,130,591
164	9/1/2015	62,049.87	8,474.54	$70,524.41	10,122,116
165	10/1/2015	61,997.96	8,526.45	$70,524.41	10,113,590
166	11/1/2015	61,945.74	8,578.67	$70,524.41	10,105,011
167	12/1/2015	61,893.19	8,631.22	$70,524.41	10,096,380
168	1/1/2016	61,840.33	8,684.08	$70,524.41	10,087,696
169	2/1/2016	61,787.14	8,737.27	$70,524.41	10,078,958
170	3/1/2016	61,733.62	8,790.79	$70,524.41	10,070,168
171	4/1/2016	61,679.78	8,844.63	$70,524.41	10,061,323
172	5/1/2016	61,625.60	8,898.80	$70,524.41	10,052,424
173	6/1/2016	61,571.10	8,953.31	$70,524.41	10,043,471
174	7/1/2016	61,516.26	9,008.15	$70,524.41	10,034,463
175	8/1/2016	61,461.08	9,063.32	$70,524.41	10,025,399
176	9/1/2016	61,405.57	9,118.84	$70,524.41	10,016,280
177	10/1/2016	61,349.72	9,174.69	$70,524.41	10,007,106
178	11/1/2016	61,293.52	9,230.88	$70,524.41	9,997,875
179	12/1/2016	61,236.98	9,287.42	$70,524.41	9,988,587
180	1/1/2017	61,180.10	9,344.31	$70,524.41	9,979,243
181	2/1/2017	61,122.86	9,401.54	$70,524.41	9,969,842

182	3/1/2017	61,065.28	9,459.13	$70,524.41	9,960,383
183	4/1/2017	61,007.34	9,517.06	$70,524.41	9,950,865
184	5/1/2017	60,949.05	9,575.36	$70,524.41	9,941,290
185	6/1/2017	60,890.40	9,634.01	$70,524.41	9,931,656
186	7/1/2017	60,831.39	9,693.01	$70,524.41	9,921,963
187	8/1/2017	60,772.02	9,752.38	$70,524.41	9,912,211
188	9/1/2017	60,712.29	9,812.12	$70,524.41	9,902,399
189	10/1/2017	60,652.19	9,872.22	$70,524.41	9,892,526
190	11/1/2017	60,591.72	9,932.68	$70,524.41	9,882,594
191	12/1/2017	60,530.89	9,993.52	$70,524.41	9,872,600
192	1/1/2018	60,469.68	10,054.73	$70,524.41	9,862,545
193	2/1/2018	60,408.09	10,116.32	$70,524.41	9,852,429
194	3/1/2018	60,346.13	10,178.28	$70,524.41	9,842,251
195	4/1/2018	60,283.79	10,240.62	$70,524.41	9,832,010
196	5/1/2018	60,221.06	10,303.34	$70,524.41	9,821,707
197	6/1/2018	60,157.95	10,366.45	$70,524.41	9,811,340
198	7/1/2018	60,094.46	10,429.95	$70,524.41	9,800,910
199	8/1/2018	60,030.58	10,493.83	$70,524.41	9,790,417
200	9/1/2018	59,966.30	10,558.11	$70,524.41	9,779,859
201	10/1/2018	59,901.63	10,622.77	$70,524.41	9,769,236
202	11/1/2018	59,836.57	10,687.84	$70,524.41	9,758,548
203	12/1/2018	59,771.11	10,753.30	$70,524.41	9,747,795
204	1/1/2019	59,705.24	10,819.16	$70,524.41	9,736,975
205	2/1/2019	59,638.97	10,885.43	$70,524.41	9,726,090
206	3/1/2019	59,572.30	10,952.11	$70,524.41	9,715,138
207	4/1/2019	59,505.22	11,019.19	$70,524.41	9,704,119
208	5/1/2019	59,437.73	11,086.68	$70,524.41	9,693,032
209	6/1/2019	59,369.82	11,154.59	$70,524.41	9,681,877
210	7/1/2019	59,301.50	11,222.91	$70,524.41	9,670,655
211	8/1/2019	59,232.76	11,291.65	$70,524.41	9,659,363
212	9/1/2019	59,163.60	11,360.81	$70,524.41	9,648,002
213	10/1/2019	59,094.01	11,430.39	$70,524.41	9,636,572
214	11/1/2019	59,024.00	11,500.41	$70,524.41	9,625,071
215	12/1/2019	58,953.56	11,570.85	$70,524.41	9,613,500
216	1/1/2020	58,882.69	11,641.72	$70,524.41	9,601,859
217	2/1/2020	58,811.38	11,713.02	$70,524.41	9,590,146
218	3/1/2020	58,739.64	11,784.76	$70,524.41	9,578,361
219	4/1/2020	58,667.46	11,856.95	$70,524.41	9,566,504
220	5/1/2020	58,594.84	11,929.57	$70,524.41	9,554,574
221	6/1/2020	58,521.77	12,002.64	$70,524.41	9,542,572
222	7/1/2020	58,448.25	12,076.15	$70,524.41	9,530,496
223	8/1/2020	58,374.29	12,150.12	$70,524.41	9,518,346
224	9/1/2020	58,299.87	12,224.54	$70,524.41	9,506,121
225	10/1/2020	58,224.99	12,299.42	$70,524.41	9,493,822
226	11/1/2020	58,149.66	12,374.75	$70,524.41	9,481,447
227	12/1/2020	58,073.86	12,450.55	$70,524.41	9,468,996
228	1/1/2021	57,997.60	12,526.80	$70,524.41	9,456,469
229	2/1/2021	57,920.88	12,603.53	$70,524.41	9,443,866
230	3/1/2021	57,843.68	12,680.73	$70,524.41	9,431,185
231	4/1/2021	57,766.01	12,758.40	$70,524.41	9,418,427

232	5/1/2021	57,687.86	12,836.54	$70,524.41	9,405,590
233	6/1/2021	57,609.24	12,915.17	$70,524.41	9,392,675
234	7/1/2021	57,530.13	12,994.27	$70,524.41	9,379,681
235	8/1/2021	57,450.55	13,073.86	$70,524.41	9,366,607
236	9/1/2021	57,370.47	13,153.94	$70,524.41	9,353,453
237	10/1/2021	57,289.90	13,234.51	$70,524.41	9,340,219
238	11/1/2021	57,208.84	13,315.57	$70,524.41	9,326,903
239	12/1/2021	57,127.28	13,397.13	$70,524.41	9,313,506
240	1/1/2022	57,045.22	13,479.18	$70,524.41	9,300,027
241	2/1/2022	56,962.66	13,561.74	$70,524.41	9,286,465
242	3/1/2022	56,879.60	13,644.81	$70,524.41	9,272,820
243	4/1/2022	56,796.02	13,728.38	$70,524.41	9,259,092
244	5/1/2022	56,711.94	13,812.47	$70,524.41	9,245,279
245	6/1/2022	56,627.34	13,897.07	$70,524.41	9,231,382
246	7/1/2022	56,542.22	13,982.19	$70,524.41	9,217,400
247	8/1/2022	56,456.57	14,067.83	$70,524.41	9,203,332
248	9/1/2022	56,370.41	14,154.00	$70,524.41	9,189,178
249	10/1/2022	56,283.72	14,240.69	$70,524.41	9,174,937
250	11/1/2022	56,196.49	14,327.92	$70,524.41	9,160,610
251	12/1/2022	56,108.73	14,415.67	$70,524.41	9,146,194
252	1/1/2023	56,020.44	14,503.97	$70,524.41	9,131,690
253	2/1/2023	55,931.60	14,592.81	$70,524.41	9,117,097
254	3/1/2023	55,842.22	14,682.19	$70,524.41	9,102,415
255	4/1/2023	55,752.29	14,772.12	$70,524.41	9,087,643
256	5/1/2023	55,661.81	14,862.59	$70,524.41	9,072,780
257	6/1/2023	55,570.78	14,953.63	$70,524.41	9,057,827
258	7/1/2023	55,479.19	15,045.22	$70,524.41	9,042,781
259	8/1/2023	55,387.04	15,137.37	$70,524.41	9,027,644
260	9/1/2023	55,294.32	15,230.09	$70,524.41	9,012,414
261	10/1/2023	55,201.04	15,323.37	$70,524.41	8,997,091
262	11/1/2023	55,107.18	15,417.23	$70,524.41	8,981,673
263	12/1/2023	55,012.75	15,511.66	$70,524.41	8,966,162
264	1/1/2024	54,917.74	15,606.67	$70,524.41	8,950,555
265	2/1/2024	54,822.15	15,702.26	$70,524.41	8,934,853
266	3/1/2024	54,725.97	15,798.43	$70,524.41	8,919,054
267	4/1/2024	54,629.21	15,895.20	$70,524.41	8,903,159
268	5/1/2024	54,531.85	15,992.56	$70,524.41	8,887,167
269	6/1/2024	54,433.89	16,090.51	$70,524.41	8,871,076
270	7/1/2024	54,335.34	16,189.07	$70,524.41	8,854,887
271	8/1/2024	54,236.18	16,288.22	$70,524.41	8,838,599
272	9/1/2024	54,136.42	16,387.99	$70,524.41	8,822,211
273	10/1/2024	54,036.04	16,488.37	$70,524.41	8,805,722
274	11/1/2024	53,935.05	16,589.36	$70,524.41	8,789,133
275	12/1/2024	53,833.44	16,690.97	$70,524.41	8,772,442
276	1/1/2025	53,731.21	16,793.20	$70,524.41	8,755,649
277	2/1/2025	53,628.35	16,896.06	$70,524.41	8,738,753
278	3/1/2025	53,524.86	16,999.55	$70,524.41	8,721,753
279	4/1/2025	53,420.74	17,103.67	$70,524.41	8,704,650
280	5/1/2025	53,315.98	17,208.43	$70,524.41	8,687,441
281	6/1/2025	53,210.58	17,313.83	$70,524.41	8,670,127

282	7/1/2025	53,104.53	17,419.88	$70,524.41	8,652,707
283	8/1/2025	52,997.83	17,526.57	$70,524.41	8,635,181
284	9/1/2025	52,890.48	17,633.92	$70,524.41	8,617,547
285	10/1/2025	52,782.47	17,741.93	$70,524.41	8,599,805
286	11/1/2025	52,673.81	17,850.60	$70,524.41	8,581,954
287	12/1/2025	52,564.47	17,959.94	$70,524.41	8,563,994
288	1/1/2026	52,454.47	18,069.94	$70,524.41	8,545,925
289	2/1/2026	52,343.79	18,180.62	$70,524.41	8,527,744
290	3/1/2026	52,232.43	18,291.98	$70,524.41	8,509,452
291	4/1/2026	52,120.39	18,404.01	$70,524.41	8,491,048
292	5/1/2026	52,007.67	18,516.74	$70,524.41	8,472,531
293	6/1/2026	51,894.25	18,630.15	$70,524.41	8,453,901
294	7/1/2026	51,780.14	18,744.26	$70,524.41	8,435,157
295	8/1/2026	51,665.34	18,859.07	$70,524.41	8,416,298
296	9/1/2026	51,549.82	18,974.58	$70,524.41	8,397,323
297	10/1/2026	51,433.60	19,090.80	$70,524.41	8,378,232
298	11/1/2026	51,316.67	19,207.73	$70,524.41	8,359,025
299	12/1/2026	51,199.03	19,325.38	$70,524.41	8,339,699
300	1/1/2027	51,080.66	19,443.75	$70,524.41	8,320,255
301	2/1/2027	50,961.56	19,562.84	$70,524.41	8,300,693
302	3/1/2027	50,841.74	19,682.66	$70,524.41	8,281,010
303	4/1/2027	50,721.19	19,803.22	$70,524.41	8,261,207
304	5/1/2027	50,599.89	19,924.52	$70,524.41	8,241,282
305	6/1/2027	50,477.85	20,046.55	$70,524.41	8,221,236
306	7/1/2027	50,355.07	20,169.34	$70,524.41	8,201,066
307	8/1/2027	50,231.53	20,292.88	$70,524.41	8,180,773
308	9/1/2027	50,107.24	20,417.17	$70,524.41	8,160,356
309	10/1/2027	49,982.18	20,542.23	$70,524.41	8,139,814
310	11/1/2027	49,856.36	20,668.05	$70,524.41	8,119,146
311	12/1/2027	49,729.77	20,794.64	$70,524.41	8,098,351
312	1/1/2028	49,602.40	20,922.01	$70,524.41	8,077,429
313	2/1/2028	49,474.25	21,050.15	$70,524.41	8,056,379
314	3/1/2028	49,345.32	21,179.08	$70,524.41	8,035,200
315	4/1/2028	49,215.60	21,308.81	$70,524.41	8,013,891
316	5/1/2028	49,085.08	21,439.32	$70,524.41	7,992,452
317	6/1/2028	48,953.77	21,570.64	$70,524.41	7,970,881
318	7/1/2028	48,821.65	21,702.76	$70,524.41	7,949,179
319	8/1/2028	48,688.72	21,835.69	$70,524.41	7,927,343
320	9/1/2028	48,554.98	21,969.43	$70,524.41	7,905,373
321	10/1/2028	48,420.41	22,103.99	$70,524.41	7,883,269
322	11/1/2028	48,285.03	22,239.38	$70,524.41	7,861,030
323	12/1/2028	48,148.81	22,375.60	$70,524.41	7,838,654
324	1/1/2029	48,011.76	22,512.65	$70,524.41	7,816,142
325	2/1/2029	47,873.87	22,650.54	$70,524.41	7,793,491
326	3/1/2029	47,735.13	22,789.27	$70,524.41	7,770,702
327	4/1/2029	47,595.55	22,928.86	$70,524.41	7,747,773
328	5/1/2029	47,455.11	23,069.30	$70,524.41	7,724,704
329	6/1/2029	47,313.81	23,210.60	$70,524.41	7,701,493
330	7/1/2029	47,171.65	23,352.76	$70,524.41	7,678,140
331	8/1/2029	47,028.61	23,495.80	$70,524.41	7,654,645

332	9/1/2029	46,884.70	23,639.71	$70,524.41	7,631,005
333	10/1/2029	46,739.91	23,784.50	$70,524.41	7,607,220
334	11/1/2029	46,594.23	23,930.18	$70,524.41	7,583,290
335	12/1/2029	46,447.65	24,076.75	$70,524.41	7,559,214
336	1/1/2030	46,300.18	24,224.22	$70,524.41	7,534,989
337	2/1/2030	46,151.81	24,372.60	$70,524.41	7,510,617
338	3/1/2030	46,002.53	24,521.88	$70,524.41	7,486,095
339	4/1/2030	45,852.33	24,672.08	$70,524.41	7,461,423
340	5/1/2030	45,701.21	24,823.19	$70,524.41	7,436,600
341	6/1/2030	45,549.17	24,975.23	$70,524.41	7,411,624
342	7/1/2030	45,396.20	25,128.21	$70,524.41	7,386,496
343	8/1/2030	45,242.29	25,282.12	$70,524.41	7,361,214
344	9/1/2030	45,087.44	25,436.97	$70,524.41	7,335,777
345	10/1/2030	44,931.63	25,592.77	$70,524.41	7,310,184
346	11/1/2030	44,774.88	25,749.53	$70,524.41	7,284,435
347	12/1/2030	44,617.16	25,907.24	$70,524.41	7,258,528
348	1/1/2031	44,458.48	26,065.93	$70,524.41	7,232,462
349	2/1/2031	44,298.83	26,225.58	$70,524.41	7,206,236
350	3/1/2031	44,138.20	26,386.21	$70,524.41	7,179,850
351	4/1/2031	43,976.58	26,547.83	$70,524.41	7,153,302
352	5/1/2031	43,813.97	26,710.43	$70,524.41	7,126,592
353	6/1/2031	43,650.37	26,874.03	$70,524.41	7,099,717
354	7/1/2031	43,485.77	27,038.64	$70,524.41	7,072,679
355	8/1/2031	43,320.16	27,204.25	$70,524.41	7,045,475
356	9/1/2031	43,153.53	27,370.87	$70,524.41	7,018,104
357	10/1/2031	42,985.89	27,538.52	$70,524.41	6,990,565
358	11/1/2031	42,817.21	27,707.20	$70,524.41	6,962,858
359	12/1/2031	42,647.51	27,876.90	$70,524.41	6,934,981
360	1/1/2032	42,476.76	28,047.65	$70,524.41	6,906,933
361	2/1/2032	42,304.97	28,219.44	$70,524.41	6,878,714
362	3/1/2032	42,132.12	28,392.28	$70,524.41	6,850,322
363	4/1/2032	41,958.22	28,566.19	$70,524.41	6,821,756
364	5/1/2032	41,783.25	28,741.15	$70,524.41	6,793,014
365	6/1/2032	41,607.21	28,917.19	$70,524.41	6,764,097
366	7/1/2032	41,430.10	29,094.31	$70,524.41	6,735,003
367	8/1/2032	41,251.89	29,272.51	$70,524.41	6,705,730
368	9/1/2032	41,072.60	29,451.81	$70,524.41	6,676,279
369	10/1/2032	40,892.21	29,632.20	$70,524.41	6,646,646
370	11/1/2032	40,710.71	29,813.70	$70,524.41	6,616,833
371	12/1/2032	40,528.10	29,996.31	$70,524.41	6,586,836
372	1/1/2033	40,344.37	30,180.03	$70,524.41	6,556,656
373	2/1/2033	40,159.52	30,364.89	$70,524.41	6,526,291
374	3/1/2033	39,973.54	30,550.87	$70,524.41	6,495,741
375	4/1/2033	39,786.41	30,738.00	$70,524.41	6,465,003
376	5/1/2033	39,598.14	30,926.27	$70,524.41	6,434,076
377	6/1/2033	39,408.72	31,115.69	$70,524.41	6,402,961
378	7/1/2033	39,218.13	31,306.27	$70,524.41	6,371,654
379	8/1/2033	39,026.38	31,498.02	$70,524.41	6,340,156
380	9/1/2033	38,833.46	31,690.95	$70,524.41	6,308,465
381	10/1/2033	38,639.35	31,885.06	$70,524.41	6,276,580

382	11/1/2033	38,444.05	32,080.35	$70,524.41	6,244,500
383	12/1/2033	38,247.56	32,276.84	$70,524.41	6,212,223
384	1/1/2034	38,049.87	32,474.54	$70,524.41	6,179,749
385	2/1/2034	37,850.96	32,673.45	$70,524.41	6,147,075
386	3/1/2034	37,650.84	32,873.57	$70,524.41	6,114,202
387	4/1/2034	37,449.48	33,074.92	$70,524.41	6,081,127
388	5/1/2034	37,246.90	33,277.51	$70,524.41	6,047,849
389	6/1/2034	37,043.08	33,481.33	$70,524.41	6,014,368
390	7/1/2034	36,838.00	33,686.40	$70,524.41	5,980,681
391	8/1/2034	36,631.67	33,892.73	$70,524.41	5,946,789
392	9/1/2034	36,424.08	34,100.33	$70,524.41	5,912,688
393	10/1/2034	36,215.22	34,309.19	$70,524.41	5,878,379
394	11/1/2034	36,005.07	34,519.33	$70,524.41	5,843,860
395	12/1/2034	35,793.64	34,730.77	$70,524.41	5,809,129
396	1/1/2035	35,580.92	34,943.49	$70,524.41	5,774,186
397	2/1/2035	35,366.89	35,157.52	$70,524.41	5,739,028
398	3/1/2035	35,151.55	35,372.86	$70,524.41	5,703,655
399	4/1/2035	34,934.89	35,589.52	$70,524.41	5,668,066
400	5/1/2035	34,716.90	35,807.50	$70,524.41	5,632,258
401	6/1/2035	34,497.58	36,026.83	$70,524.41	5,596,231
402	7/1/2035	34,276.92	36,247.49	$70,524.41	5,559,984
403	8/1/2035	34,054.90	36,469.51	$70,524.41	5,523,514
404	9/1/2035	33,831.53	36,692.88	$70,524.41	5,486,821
405	10/1/2035	33,606.78	36,917.63	$70,524.41	5,449,904
406	11/1/2035	33,380.66	37,143.75	$70,524.41	5,412,760
407	12/1/2035	33,153.16	37,371.25	$70,524.41	5,375,389
408	1/1/2036	32,924.26	37,600.15	$70,524.41	5,337,789
409	2/1/2036	32,693.96	37,830.45	$70,524.41	5,299,958
410	3/1/2036	32,462.24	38,062.16	$70,524.41	5,261,896
411	4/1/2036	32,229.11	38,295.29	$70,524.41	5,223,601
412	5/1/2036	31,994.55	38,529.85	$70,524.41	5,185,071
413	6/1/2036	31,758.56	38,765.85	$70,524.41	5,146,305
414	7/1/2036	31,521.12	39,003.29	$70,524.41	5,107,302
415	8/1/2036	31,282.22	39,242.18	$70,524.41	5,068,060
416	9/1/2036	31,041.87	39,482.54	$70,524.41	5,028,577
417	10/1/2036	30,800.03	39,724.37	$70,524.41	4,988,853
418	11/1/2036	30,556.72	39,967.68	$70,524.41	4,948,885
419	12/1/2036	30,311.92	40,212.49	$70,524.41	4,908,673
420	1/1/2037	30,065.62	40,458.79	$70,524.41	4,868,214
421	2/1/2037	29,817.81	40,706.60	$70,524.41	4,827,507
422	3/1/2037	29,568.48	40,955.93	$70,524.41	4,786,551
423	4/1/2037	29,317.63	41,206.78	$70,524.41	4,745,344
424	5/1/2037	29,065.23	41,459.17	$70,524.41	4,703,885
425	6/1/2037	28,811.30	41,713.11	$70,524.41	4,662,172
426	7/1/2037	28,555.80	41,968.60	$70,524.41	4,620,204
427	8/1/2037	28,298.75	42,225.66	$70,524.41	4,577,978
428	9/1/2037	28,040.11	42,484.29	$70,524.41	4,535,494
429	10/1/2037	27,779.90	42,744.51	$70,524.41	4,492,749
430	11/1/2037	27,518.09	43,006.32	$70,524.41	4,449,743
431	12/1/2037	27,254.67	43,269.73	$70,524.41	4,406,473

432	1/1/2038	26,989.65	43,534.76	$70,524.41	4,362,938
433	2/1/2038	26,723.00	43,801.41	$70,524.41	4,319,137
434	3/1/2038	26,454.71	44,069.69	$70,524.41	4,275,067
435	4/1/2038	26,184.79	44,339.62	$70,524.41	4,230,728
436	5/1/2038	25,913.21	44,611.20	$70,524.41	4,186,116
437	6/1/2038	25,639.96	44,884.44	$70,524.41	4,141,232
438	7/1/2038	25,365.05	45,159.36	$70,524.41	4,096,073
439	8/1/2038	25,088.44	45,435.96	$70,524.41	4,050,637
440	9/1/2038	24,810.15	45,714.26	$70,524.41	4,004,922
441	10/1/2038	24,530.15	45,994.26	$70,524.41	3,958,928
442	11/1/2038	24,248.43	46,275.97	$70,524.41	3,912,652
443	12/1/2038	23,964.99	46,559.41	$70,524.41	3,866,093
444	1/1/2039	23,679.82	46,844.59	$70,524.41	3,819,248
445	2/1/2039	23,392.89	47,131.51	$70,524.41	3,772,117
446	3/1/2039	23,104.21	47,420.19	$70,524.41	3,724,696
447	4/1/2039	22,813.77	47,710.64	$70,524.41	3,676,986
448	5/1/2039	22,521.54	48,002.87	$70,524.41	3,628,983
449	6/1/2039	22,227.52	48,296.89	$70,524.41	3,580,686
450	7/1/2039	21,931.70	48,592.71	$70,524.41	3,532,093
451	8/1/2039	21,634.07	48,890.34	$70,524.41	3,483,203
452	9/1/2039	21,334.62	49,189.79	$70,524.41	3,434,013
453	10/1/2039	21,033.33	49,491.08	$70,524.41	3,384,522
454	11/1/2039	20,730.20	49,794.21	$70,524.41	3,334,728
455	12/1/2039	20,425.21	50,099.20	$70,524.41	3,284,629
456	1/1/2040	20,118.35	50,406.06	$70,524.41	3,234,223
457	2/1/2040	19,809.61	50,714.79	$70,524.41	3,183,508
458	3/1/2040	19,498.99	51,025.42	$70,524.41	3,132,482
459	4/1/2040	19,186.45	51,337.95	$70,524.41	3,081,144
460	5/1/2040	18,872.01	51,652.40	$70,524.41	3,029,492
461	6/1/2040	18,555.64	51,968.77	$70,524.41	2,977,523
462	7/1/2040	18,237.33	52,287.08	$70,524.41	2,925,236
463	8/1/2040	17,917.07	52,607.34	$70,524.41	2,872,629
464	9/1/2040	17,594.85	52,929.56	$70,524.41	2,819,699
465	10/1/2040	17,270.66	53,253.75	$70,524.41	2,766,446
466	11/1/2040	16,944.48	53,579.93	$70,524.41	2,712,866
467	12/1/2040	16,616.30	53,908.10	$70,524.41	2,658,958
468	1/1/2041	16,286.11	54,238.29	$70,524.41	2,604,719
469	2/1/2041	15,953.91	54,570.50	$70,524.41	2,550,149
470	3/1/2041	15,619.66	54,904.75	$70,524.41	2,495,244
471	4/1/2041	15,283.37	55,241.04	$70,524.41	2,440,003
472	5/1/2041	14,945.02	55,579.39	$70,524.41	2,384,424
473	6/1/2041	14,604.59	55,919.81	$70,524.41	2,328,504
474	7/1/2041	14,262.09	56,262.32	$70,524.41	2,272,241
475	8/1/2041	13,917.48	56,606.93	$70,524.41	2,215,634
476	9/1/2041	13,570.76	56,953.65	$70,524.41	2,158,681
477	10/1/2041	13,221.92	57,302.49	$70,524.41	2,101,378
478	11/1/2041	12,870.94	57,653.46	$70,524.41	2,043,725
479	12/1/2041	12,517.82	58,006.59	$70,524.41	1,985,718
480	1/1/2042	12,162.52	58,361.88	$70,524.41	1,927,356
481	2/1/2042	11,805.06	58,719.35	$70,524.41	1,868,637

482	3/1/2042	11,445.40	59,079.00	$70,524.41	1,809,558
483	4/1/2042	11,083.54	59,440.86	$70,524.41	1,750,117
484	5/1/2042	10,719.47	59,804.94	$70,524.41	1,690,312
485	6/1/2042	10,353.16	60,171.24	$70,524.41	1,630,141
486	7/1/2042	9,984.61	60,539.79	$70,524.41	1,569,601
487	8/1/2042	9,613.81	60,910.60	$70,524.41	1,508,691
488	9/1/2042	9,240.73	61,283.68	$70,524.41	1,447,407
489	10/1/2042	8,865.37	61,659.04	$70,524.41	1,385,748
490	11/1/2042	8,487.71	62,036.70	$70,524.41	1,323,711
491	12/1/2042	8,107.73	62,416.68	$70,524.41	1,261,295
492	1/1/2043	7,725.43	62,798.98	$70,524.41	1,198,496
493	2/1/2043	7,340.79	63,183.62	$70,524.41	1,135,312
494	3/1/2043	6,953.79	63,570.62	$70,524.41	1,071,741
495	4/1/2043	6,564.42	63,959.99	$70,524.41	1,007,781
496	5/1/2043	6,172.66	64,351.75	$70,524.41	943,430
497	6/1/2043	5,778.51	64,745.90	$70,524.41	878,684
498	7/1/2043	5,381.94	65,142.47	$70,524.41	813,541
499	8/1/2043	4,982.94	65,541.47	$70,524.41	748,000
500	9/1/2043	4,581.50	65,942.91	$70,524.41	682,057
501	10/1/2043	4,177.60	66,346.81	$70,524.41	615,710
502	11/1/2043	3,771.22	66,753.18	$70,524.41	548,957
503	12/1/2043	3,362.36	67,162.05	$70,524.41	481,795
504	1/1/2044	2,950.99	67,573.41	$70,524.41	414,221
505	2/1/2044	2,537.11	67,987.30	$70,524.41	346,234
506	3/1/2044	2,120.68	68,403.72	$70,524.41	277,830
507	4/1/2044	1,701.71	68,822.70	$70,524.41	209,008
508	5/1/2044	1,280.17	69,244.24	$70,524.41	139,763
509	6/1/2044	856.05	69,668.36	$70,524.41	70,095
510	7/1/2044	429.33	70,095.07	$70,524.41	(0)

	STONE HEARST				
	AMORTIZATION SCHEDULE				
	SERIES A-1 BONDS				
		Construction		**Permanent**	
	Principal	8,720,000		8,720,000	
	Interest	7.9731%		6.9731%	
	Amortization	N/A		30	
	Constant	57,938		$57,856.68	7.96%
	Begins	2/1/2001		8/1/2004	
				Total	Outstanding
	Due Date	Interest	Principal	Debt Service	Principal
				(8,720,000)	8,720,000
1	2/1/2002	57,937.56	-	$57,937.56	8,720,000
2	3/1/2002	57,937.56	-	$57,937.56	8,720,000
3	4/1/2002	57,937.56	-	$57,937.56	8,720,000
4	5/1/2002	57,937.56	-	$57,937.56	8,720,000
5	6/1/2002	57,937.56	-	$57,937.56	8,720,000
6	7/1/2002	57,937.56	-	$57,937.56	8,720,000
7	8/1/2002	57,937.56	-	$57,937.56	8,720,000
8	9/1/2002	57,937.56	-	$57,937.56	8,720,000
9	10/1/2002	57,937.56	-	$57,937.56	8,720,000
10	11/1/2002	57,937.56	-	$57,937.56	8,720,000
11	12/1/2002	57,937.56	-	$57,937.56	8,720,000
12	1/1/2003	57,937.56	-	$57,937.56	8,720,000
13	2/1/2003	57,937.56	-	$57,937.56	8,720,000
14	3/1/2003	57,937.56	-	$57,937.56	8,720,000
15	4/1/2003	57,937.56	-	$57,937.56	8,720,000
16	5/1/2003	57,937.56	-	$57,937.56	8,720,000
17	6/1/2003	57,937.56	-	$57,937.56	8,720,000
18	7/1/2003	57,937.56	-	$57,937.56	8,720,000
19	8/1/2003	57,937.56	-	$57,937.56	8,720,000
20	9/1/2003	57,937.56	-	$57,937.56	8,720,000
21	10/1/2003	57,937.56	-	$57,937.56	8,720,000
22	11/1/2003	57,937.56	-	$57,937.56	8,720,000
23	12/1/2003	57,937.56	-	$57,937.56	8,720,000
24	1/1/2004	57,937.56	-	$57,937.56	8,720,000
25	2/1/2004	57,937.56	-	$57,937.56	8,720,000
26	3/1/2004	57,937.56	-	$57,937.56	8,720,000
27	4/1/2004	57,937.56	-	$57,937.56	8,720,000
28	5/1/2004	57,937.56	-	$57,937.56	8,720,000
29	6/1/2004	57,937.56	-	$57,937.56	8,720,000
30	7/1/2004	57,937.56	-	$57,937.56	8,720,000
31	8/1/2004	50,670.89	7,185.79	$57,856.68	8,712,814

32	9/1/2004	50,629.13	7,227.55	$57,856.68	8,705,587
33	10/1/2004	50,587.14	7,269.55	$57,856.68	8,698,317
34	11/1/2004	50,544.89	7,311.79	$57,856.68	8,691,005
35	12/1/2004	50,502.41	7,354.28	$57,856.68	8,683,651
36	1/1/2005	50,459.67	7,397.01	$57,856.68	8,676,254
37	2/1/2005	50,416.69	7,440.00	$57,856.68	8,668,814
38	3/1/2005	50,373.45	7,483.23	$57,856.68	8,661,331
39	4/1/2005	50,329.97	7,526.71	$57,856.68	8,653,804
40	5/1/2005	50,286.23	7,570.45	$57,856.68	8,646,234
41	6/1/2005	50,242.24	7,614.44	$57,856.68	8,638,619
42	7/1/2005	50,198.00	7,658.69	$57,856.68	8,630,961
43	8/1/2005	50,153.49	7,703.19	$57,856.68	8,623,257
44	9/1/2005	50,108.73	7,747.95	$57,856.68	8,615,509
45	10/1/2005	50,063.71	7,792.98	$57,856.68	8,607,716
46	11/1/2005	50,018.42	7,838.26	$57,856.68	8,599,878
47	12/1/2005	49,972.88	7,883.81	$57,856.68	8,591,994
48	1/1/2006	49,927.06	7,929.62	$57,856.68	8,584,065
49	2/1/2006	49,880.99	7,975.70	$57,856.68	8,576,089
50	3/1/2006	49,834.64	8,022.04	$57,856.68	8,568,067
51	4/1/2006	49,788.03	8,068.66	$57,856.68	8,559,998
52	5/1/2006	49,741.14	8,115.54	$57,856.68	8,551,883
53	6/1/2006	49,693.98	8,162.70	$57,856.68	8,543,720
54	7/1/2006	49,646.55	8,210.14	$57,856.68	8,535,510
55	8/1/2006	49,598.84	8,257.84	$57,856.68	8,527,252
56	9/1/2006	49,550.85	8,305.83	$57,856.68	8,518,946
57	10/1/2006	49,502.59	8,354.09	$57,856.68	8,510,592
58	11/1/2006	49,454.05	8,402.64	$57,856.68	8,502,190
59	12/1/2006	49,405.22	8,451.46	$57,856.68	8,493,738
60	1/1/2007	49,356.11	8,500.58	$57,856.68	8,485,237
61	2/1/2007	49,306.71	8,549.97	$57,856.68	8,476,687
62	3/1/2007	49,257.03	8,599.65	$57,856.68	8,468,088
63	4/1/2007	49,207.06	8,649.63	$57,856.68	8,459,438
64	5/1/2007	49,156.80	8,699.89	$57,856.68	8,450,738
65	6/1/2007	49,106.24	8,750.44	$57,856.68	8,441,988
66	7/1/2007	49,055.39	8,801.29	$57,856.68	8,433,187
67	8/1/2007	49,004.25	8,852.43	$57,856.68	8,424,334
68	9/1/2007	48,952.81	8,903.87	$57,856.68	8,415,430
69	10/1/2007	48,901.07	8,955.61	$57,856.68	8,406,475
70	11/1/2007	48,849.03	9,007.65	$57,856.68	8,397,467
71	12/1/2007	48,796.69	9,059.99	$57,856.68	8,388,407
72	1/1/2008	48,744.04	9,112.64	$57,856.68	8,379,294
73	2/1/2008	48,691.09	9,165.59	$57,856.68	8,370,129
74	3/1/2008	48,637.83	9,218.85	$57,856.68	8,360,910
75	4/1/2008	48,584.26	9,272.42	$57,856.68	8,351,638
76	5/1/2008	48,530.38	9,326.30	$57,856.68	8,342,311
77	6/1/2008	48,476.19	9,380.50	$57,856.68	8,332,931
78	7/1/2008	48,421.68	9,435.01	$57,856.68	8,323,496
79	8/1/2008	48,366.85	9,489.83	$57,856.68	8,314,006
80	9/1/2008	48,311.71	9,544.98	$57,856.68	8,304,461
81	10/1/2008	48,256.24	9,600.44	$57,856.68	8,294,860

82	11/1/2008	48,200.45	9,656.23	$57,856.68	8,285,204
83	12/1/2008	48,144.34	9,712.34	$57,856.68	8,275,492
84	1/1/2009	48,087.91	9,768.78	$57,856.68	8,265,723
85	2/1/2009	48,031.14	9,825.54	$57,856.68	8,255,898
86	3/1/2009	47,974.05	9,882.64	$57,856.68	8,246,015
87	4/1/2009	47,916.62	9,940.07	$57,856.68	8,236,075
88	5/1/2009	47,858.86	9,997.83	$57,856.68	8,226,077
89	6/1/2009	47,800.76	10,055.92	$57,856.68	8,216,021
90	7/1/2009	47,742.33	10,114.36	$57,856.68	8,205,907
91	8/1/2009	47,683.56	10,173.13	$57,856.68	8,195,734
92	9/1/2009	47,624.44	10,232.24	$57,856.68	8,185,501
93	10/1/2009	47,564.98	10,291.70	$57,856.68	8,175,210
94	11/1/2009	47,505.18	10,351.51	$57,856.68	8,164,858
95	12/1/2009	47,445.03	10,411.66	$57,856.68	8,154,447
96	1/1/2010	47,384.53	10,472.16	$57,856.68	8,143,974
97	2/1/2010	47,323.67	10,533.01	$57,856.68	8,133,441
98	3/1/2010	47,262.47	10,594.22	$57,856.68	8,122,847
99	4/1/2010	47,200.91	10,655.78	$57,856.68	8,112,191
100	5/1/2010	47,138.99	10,717.70	$57,856.68	8,101,474
101	6/1/2010	47,076.71	10,779.98	$57,856.68	8,090,694
102	7/1/2010	47,014.07	10,842.62	$57,856.68	8,079,851
103	8/1/2010	46,951.06	10,905.62	$57,856.68	8,068,945
104	9/1/2010	46,887.69	10,969.00	$57,856.68	8,057,976
105	10/1/2010	46,823.95	11,032.73	$57,856.68	8,046,944
106	11/1/2010	46,759.84	11,096.84	$57,856.68	8,035,847
107	12/1/2010	46,695.36	11,161.33	$57,856.68	8,024,686
108	1/1/2011	46,630.50	11,226.18	$57,856.68	8,013,459
109	2/1/2011	46,565.27	11,291.42	$57,856.68	8,002,168
110	3/1/2011	46,499.65	11,357.03	$57,856.68	7,990,811
111	4/1/2011	46,433.66	11,423.03	$57,856.68	7,979,388
112	5/1/2011	46,367.28	11,489.40	$57,856.68	7,967,898
113	6/1/2011	46,300.52	11,556.17	$57,856.68	7,956,342
114	7/1/2011	46,233.37	11,623.32	$57,856.68	7,944,719
115	8/1/2011	46,165.82	11,690.86	$57,856.68	7,933,028
116	9/1/2011	46,097.89	11,758.79	$57,856.68	7,921,269
117	10/1/2011	46,029.56	11,827.12	$57,856.68	7,909,442
118	11/1/2011	45,960.83	11,895.85	$57,856.68	7,897,546
119	12/1/2011	45,891.71	11,964.97	$57,856.68	7,885,581
120	1/1/2012	45,822.18	12,034.50	$57,856.68	7,873,547
121	2/1/2012	45,752.25	12,104.43	$57,856.68	7,861,442
122	3/1/2012	45,681.91	12,174.77	$57,856.68	7,849,268
123	4/1/2012	45,611.17	12,245.52	$57,856.68	7,837,022
124	5/1/2012	45,540.01	12,316.67	$57,856.68	7,824,705
125	6/1/2012	45,468.44	12,388.24	$57,856.68	7,812,317
126	7/1/2012	45,396.45	12,460.23	$57,856.68	7,799,857
127	8/1/2012	45,324.05	12,532.64	$57,856.68	7,787,324
128	9/1/2012	45,251.22	12,605.46	$57,856.68	7,774,719
129	10/1/2012	45,177.97	12,678.71	$57,856.68	7,762,040
130	11/1/2012	45,104.30	12,752.39	$57,856.68	7,749,288
131	12/1/2012	45,030.20	12,826.49	$57,856.68	7,736,461

132	1/1/2013	44,955.66	12,901.02	$57,856.68	7,723,560
133	2/1/2013	44,880.70	12,975.99	$57,856.68	7,710,584
134	3/1/2013	44,805.29	13,051.39	$57,856.68	7,697,533
135	4/1/2013	44,729.45	13,127.23	$57,856.68	7,684,406
136	5/1/2013	44,653.17	13,203.51	$57,856.68	7,671,202
137	6/1/2013	44,576.45	13,280.23	$57,856.68	7,657,922
138	7/1/2013	44,499.28	13,357.40	$57,856.68	7,644,565
139	8/1/2013	44,421.66	13,435.02	$57,856.68	7,631,130
140	9/1/2013	44,343.59	13,513.09	$57,856.68	7,617,616
141	10/1/2013	44,265.07	13,591.61	$57,856.68	7,604,025
142	11/1/2013	44,186.09	13,670.59	$57,856.68	7,590,354
143	12/1/2013	44,106.65	13,750.03	$57,856.68	7,576,604
144	1/1/2014	44,026.75	13,829.93	$57,856.68	7,562,774
145	2/1/2014	43,946.39	13,910.30	$57,856.68	7,548,864
146	3/1/2014	43,865.56	13,991.13	$57,856.68	7,534,873
147	4/1/2014	43,784.26	14,072.43	$57,856.68	7,520,800
148	5/1/2014	43,702.48	14,154.20	$57,856.68	7,506,646
149	6/1/2014	43,620.23	14,236.45	$57,856.68	7,492,410
150	7/1/2014	43,537.51	14,319.18	$57,856.68	7,478,091
151	8/1/2014	43,454.30	14,402.38	$57,856.68	7,463,688
152	9/1/2014	43,370.61	14,486.07	$57,856.68	7,449,202
153	10/1/2014	43,286.43	14,570.25	$57,856.68	7,434,632
154	11/1/2014	43,201.77	14,654.92	$57,856.68	7,419,977
155	12/1/2014	43,116.61	14,740.07	$57,856.68	7,405,237
156	1/1/2015	43,030.96	14,825.73	$57,856.68	7,390,411
157	2/1/2015	42,944.81	14,911.88	$57,856.68	7,375,499
158	3/1/2015	42,858.16	14,998.53	$57,856.68	7,360,501
159	4/1/2015	42,771.00	15,085.68	$57,856.68	7,345,415
160	5/1/2015	42,683.34	15,173.34	$57,856.68	7,330,242
161	6/1/2015	42,595.17	15,261.52	$57,856.68	7,314,980
162	7/1/2015	42,506.49	15,350.20	$57,856.68	7,299,630
163	8/1/2015	42,417.29	15,439.40	$57,856.68	7,284,191
164	9/1/2015	42,327.57	15,529.11	$57,856.68	7,268,662
165	10/1/2015	42,237.33	15,619.35	$57,856.68	7,253,042
166	11/1/2015	42,146.57	15,710.11	$57,856.68	7,237,332
167	12/1/2015	42,055.28	15,801.40	$57,856.68	7,221,531
168	1/1/2016	41,963.46	15,893.22	$57,856.68	7,205,637
169	2/1/2016	41,871.11	15,985.58	$57,856.68	7,189,652
170	3/1/2016	41,778.22	16,078.47	$57,856.68	7,173,573
171	4/1/2016	41,684.79	16,171.90	$57,856.68	7,157,401
172	5/1/2016	41,590.81	16,265.87	$57,856.68	7,141,136
173	6/1/2016	41,496.30	16,360.39	$57,856.68	7,124,775
174	7/1/2016	41,401.23	16,455.46	$57,856.68	7,108,320
175	8/1/2016	41,305.61	16,551.08	$57,856.68	7,091,769
176	9/1/2016	41,209.43	16,647.25	$57,856.68	7,075,121
177	10/1/2016	41,112.70	16,743.99	$57,856.68	7,058,377
178	11/1/2016	41,015.40	16,841.29	$57,856.68	7,041,536
179	12/1/2016	40,917.54	16,939.15	$57,856.68	7,024,597
180	1/1/2017	40,819.10	17,037.58	$57,856.68	7,007,559
181	2/1/2017	40,720.10	17,136.58	$57,856.68	6,990,423

182	3/1/2017	40,620.52	17,236.16	$57,856.68	6,973,187
183	4/1/2017	40,520.36	17,336.32	$57,856.68	6,955,850
184	5/1/2017	40,419.63	17,437.06	$57,856.68	6,938,413
185	6/1/2017	40,318.30	17,538.38	$57,856.68	6,920,875
186	7/1/2017	40,216.39	17,640.30	$57,856.68	6,903,235
187	8/1/2017	40,113.88	17,742.80	$57,856.68	6,885,492
188	9/1/2017	40,010.78	17,845.90	$57,856.68	6,867,646
189	10/1/2017	39,907.08	17,949.60	$57,856.68	6,849,696
190	11/1/2017	39,802.78	18,053.91	$57,856.68	6,831,642
191	12/1/2017	39,697.87	18,158.82	$57,856.68	6,813,484
192	1/1/2018	39,592.35	18,264.34	$57,856.68	6,795,219
193	2/1/2018	39,486.22	18,370.47	$57,856.68	6,776,849
194	3/1/2018	39,379.47	18,477.22	$57,856.68	6,758,372
195	4/1/2018	39,272.10	18,584.58	$57,856.68	6,739,787
196	5/1/2018	39,164.11	18,692.58	$57,856.68	6,721,094
197	6/1/2018	39,055.49	18,801.20	$57,856.68	6,702,293
198	7/1/2018	38,946.23	18,910.45	$57,856.68	6,683,383
199	8/1/2018	38,836.35	19,020.34	$57,856.68	6,664,362
200	9/1/2018	38,725.82	19,130.86	$57,856.68	6,645,232
201	10/1/2018	38,614.66	19,242.03	$57,856.68	6,625,990
202	11/1/2018	38,502.84	19,353.84	$57,856.68	6,606,636
203	12/1/2018	38,390.38	19,466.30	$57,856.68	6,587,169
204	1/1/2019	38,277.26	19,579.42	$57,856.68	6,567,590
205	2/1/2019	38,163.49	19,693.19	$57,856.68	6,547,897
206	3/1/2019	38,049.05	19,807.63	$57,856.68	6,528,089
207	4/1/2019	37,933.96	19,922.73	$57,856.68	6,508,166
208	5/1/2019	37,818.19	20,038.50	$57,856.68	6,488,128
209	6/1/2019	37,701.75	20,154.94	$57,856.68	6,467,973
210	7/1/2019	37,584.63	20,272.06	$57,856.68	6,447,701
211	8/1/2019	37,466.83	20,389.86	$57,856.68	6,427,311
212	9/1/2019	37,348.35	20,508.34	$57,856.68	6,406,803
213	10/1/2019	37,229.17	20,627.51	$57,856.68	6,386,175
214	11/1/2019	37,109.31	20,747.37	$57,856.68	6,365,428
215	12/1/2019	36,988.75	20,867.93	$57,856.68	6,344,560
216	1/1/2020	36,867.49	20,989.20	$57,856.68	6,323,571
217	2/1/2020	36,745.52	21,111.16	$57,856.68	6,302,460
218	3/1/2020	36,622.85	21,233.84	$57,856.68	6,281,226
219	4/1/2020	36,499.46	21,357.22	$57,856.68	6,259,868
220	5/1/2020	36,375.36	21,481.33	$57,856.68	6,238,387
221	6/1/2020	36,250.53	21,606.15	$57,856.68	6,216,781
222	7/1/2020	36,124.98	21,731.70	$57,856.68	6,195,049
223	8/1/2020	35,998.70	21,857.98	$57,856.68	6,173,191
224	9/1/2020	35,871.69	21,985.00	$57,856.68	6,151,206
225	10/1/2020	35,743.93	22,112.75	$57,856.68	6,129,094
226	11/1/2020	35,615.44	22,241.25	$57,856.68	6,106,852
227	12/1/2020	35,486.20	22,370.49	$57,856.68	6,084,482
228	1/1/2021	35,356.21	22,500.48	$57,856.68	6,061,981
229	2/1/2021	35,225.46	22,631.23	$57,856.68	6,039,350
230	3/1/2021	35,093.95	22,762.73	$57,856.68	6,016,587
231	4/1/2021	34,961.68	22,895.01	$57,856.68	5,993,692

232	5/1/2021	34,828.64	23,028.05	$57,856.68	5,970,664
233	6/1/2021	34,694.83	23,161.86	$57,856.68	5,947,503
234	7/1/2021	34,560.23	23,296.45	$57,856.68	5,924,206
235	8/1/2021	34,424.86	23,431.82	$57,856.68	5,900,774
236	9/1/2021	34,288.70	23,567.98	$57,856.68	5,877,206
237	10/1/2021	34,151.75	23,704.93	$57,856.68	5,853,501
238	11/1/2021	34,014.00	23,842.68	$57,856.68	5,829,659
239	12/1/2021	33,875.46	23,981.23	$57,856.68	5,805,677
240	1/1/2022	33,736.11	24,120.58	$57,856.68	5,781,557
241	2/1/2022	33,595.94	24,260.74	$57,856.68	5,757,296
242	3/1/2022	33,454.97	24,401.72	$57,856.68	5,732,894
243	4/1/2022	33,313.17	24,543.51	$57,856.68	5,708,351
244	5/1/2022	33,170.55	24,686.13	$57,856.68	5,683,665
245	6/1/2022	33,027.10	24,829.58	$57,856.68	5,658,835
246	7/1/2022	32,882.82	24,973.86	$57,856.68	5,633,861
247	8/1/2022	32,737.70	25,118.98	$57,856.68	5,608,742
248	9/1/2022	32,591.74	25,264.94	$57,856.68	5,583,477
249	10/1/2022	32,444.93	25,411.76	$57,856.68	5,558,066
250	11/1/2022	32,297.26	25,559.42	$57,856.68	5,532,506
251	12/1/2022	32,148.74	25,707.94	$57,856.68	5,506,798
252	1/1/2023	31,999.35	25,857.33	$57,856.68	5,480,941
253	2/1/2023	31,849.10	26,007.58	$57,856.68	5,454,933
254	3/1/2023	31,697.97	26,158.71	$57,856.68	5,428,775
255	4/1/2023	31,545.97	26,310.72	$57,856.68	5,402,464
256	5/1/2023	31,393.08	26,463.60	$57,856.68	5,376,000
257	6/1/2023	31,239.30	26,617.38	$57,856.68	5,349,383
258	7/1/2023	31,084.63	26,772.05	$57,856.68	5,322,611
259	8/1/2023	30,929.06	26,927.62	$57,856.68	5,295,683
260	9/1/2023	30,772.59	27,084.09	$57,856.68	5,268,599
261	10/1/2023	30,615.21	27,241.48	$57,856.68	5,241,358
262	11/1/2023	30,456.91	27,399.77	$57,856.68	5,213,958
263	12/1/2023	30,297.69	27,558.99	$57,856.68	5,186,399
264	1/1/2024	30,137.55	27,719.13	$57,856.68	5,158,680
265	2/1/2024	29,976.48	27,880.21	$57,856.68	5,130,800
266	3/1/2024	29,814.47	28,042.21	$57,856.68	5,102,757
267	4/1/2024	29,651.52	28,205.16	$57,856.68	5,074,552
268	5/1/2024	29,487.62	28,369.06	$57,856.68	5,046,183
269	6/1/2024	29,322.77	28,533.91	$57,856.68	5,017,649
270	7/1/2024	29,156.97	28,699.72	$57,856.68	4,988,950
271	8/1/2024	28,990.20	28,866.49	$57,856.68	4,960,083
272	9/1/2024	28,822.46	29,034.23	$57,856.68	4,931,049
273	10/1/2024	28,653.74	29,202.94	$57,856.68	4,901,846
274	11/1/2024	28,484.05	29,372.64	$57,856.68	4,872,473
275	12/1/2024	28,313.37	29,543.32	$57,856.68	4,842,930
276	1/1/2025	28,141.69	29,714.99	$57,856.68	4,813,215
277	2/1/2025	27,969.02	29,887.66	$57,856.68	4,783,327
278	3/1/2025	27,795.35	30,061.33	$57,856.68	4,753,266
279	4/1/2025	27,620.67	30,236.02	$57,856.68	4,723,030
280	5/1/2025	27,444.97	30,411.72	$57,856.68	4,692,618
281	6/1/2025	27,268.25	30,588.43	$57,856.68	4,662,030

282	7/1/2025	27,090.50	30,766.18	$57,856.68	4,631,264
283	8/1/2025	26,911.73	30,944.96	$57,856.68	4,600,319
284	9/1/2025	26,731.91	31,124.78	$57,856.68	4,569,194
285	10/1/2025	26,551.05	31,305.64	$57,856.68	4,537,888
286	11/1/2025	26,369.13	31,487.55	$57,856.68	4,506,401
287	12/1/2025	26,186.16	31,670.52	$57,856.68	4,474,730
288	1/1/2026	26,002.13	31,854.56	$57,856.68	4,442,876
289	2/1/2026	25,817.03	32,039.66	$57,856.68	4,410,836
290	3/1/2026	25,630.85	32,225.84	$57,856.68	4,378,610
291	4/1/2026	25,443.59	32,413.10	$57,856.68	4,346,197
292	5/1/2026	25,255.24	32,601.45	$57,856.68	4,313,596
293	6/1/2026	25,065.79	32,790.89	$57,856.68	4,280,805
294	7/1/2026	24,875.25	32,981.43	$57,856.68	4,247,823
295	8/1/2026	24,683.60	33,173.09	$57,856.68	4,214,650
296	9/1/2026	24,490.83	33,365.85	$57,856.68	4,181,284
297	10/1/2026	24,296.95	33,559.74	$57,856.68	4,147,725
298	11/1/2026	24,101.94	33,754.75	$57,856.68	4,113,970
299	12/1/2026	23,905.79	33,950.89	$57,856.68	4,080,019
300	1/1/2027	23,708.51	34,148.18	$57,856.68	4,045,871
301	2/1/2027	23,510.08	34,346.61	$57,856.68	4,011,524
302	3/1/2027	23,310.49	34,546.19	$57,856.68	3,976,978
303	4/1/2027	23,109.75	34,746.94	$57,856.68	3,942,231
304	5/1/2027	22,907.84	34,948.85	$57,856.68	3,907,282
305	6/1/2027	22,704.76	35,151.93	$57,856.68	3,872,130
306	7/1/2027	22,500.49	35,356.19	$57,856.68	3,836,774
307	8/1/2027	22,295.04	35,561.64	$57,856.68	3,801,212
308	9/1/2027	22,088.40	35,768.29	$57,856.68	3,765,444
309	10/1/2027	21,880.55	35,976.13	$57,856.68	3,729,468
310	11/1/2027	21,671.50	36,185.19	$57,856.68	3,693,283
311	12/1/2027	21,461.23	36,395.45	$57,856.68	3,656,887
312	1/1/2028	21,249.74	36,606.94	$57,856.68	3,620,280
313	2/1/2028	21,037.02	36,819.66	$57,856.68	3,583,461
314	3/1/2028	20,823.07	37,033.62	$57,856.68	3,546,427
315	4/1/2028	20,607.87	37,248.82	$57,856.68	3,509,178
316	5/1/2028	20,391.42	37,465.26	$57,856.68	3,471,713
317	6/1/2028	20,173.71	37,682.97	$57,856.68	3,434,030
318	7/1/2028	19,954.74	37,901.94	$57,856.68	3,396,128
319	8/1/2028	19,734.50	38,122.18	$57,856.68	3,358,006
320	9/1/2028	19,512.98	38,343.71	$57,856.68	3,319,662
321	10/1/2028	19,290.17	38,566.52	$57,856.68	3,281,096
322	11/1/2028	19,066.06	38,790.62	$57,856.68	3,242,305
323	12/1/2028	18,840.65	39,016.03	$57,856.68	3,203,289
324	1/1/2029	18,613.93	39,242.75	$57,856.68	3,164,046
325	2/1/2029	18,385.90	39,470.78	$57,856.68	3,124,575
326	3/1/2029	18,156.54	39,700.14	$57,856.68	3,084,875
327	4/1/2029	17,925.85	39,930.84	$57,856.68	3,044,945
328	5/1/2029	17,693.81	40,162.87	$57,856.68	3,004,782
329	6/1/2029	17,460.43	40,396.25	$57,856.68	2,964,385
330	7/1/2029	17,225.69	40,630.99	$57,856.68	2,923,754
331	8/1/2029	16,989.59	40,867.09	$57,856.68	2,882,887

332	9/1/2029	16,752.12	41,104.57	$57,856.68	2,841,783
333	10/1/2029	16,513.26	41,343.42	$57,856.68	2,800,439
334	11/1/2029	16,273.02	41,583.66	$57,856.68	2,758,856
335	12/1/2029	16,031.38	41,825.30	$57,856.68	2,717,030
336	1/1/2030	15,788.34	42,068.34	$57,856.68	2,674,962
337	2/1/2030	15,543.89	42,312.80	$57,856.68	2,632,649
338	3/1/2030	15,298.01	42,558.67	$57,856.68	2,590,091
339	4/1/2030	15,050.71	42,805.97	$57,856.68	2,547,285
340	5/1/2030	14,801.97	43,054.71	$57,856.68	2,504,230
341	6/1/2030	14,551.78	43,304.90	$57,856.68	2,460,925
342	7/1/2030	14,300.14	43,556.54	$57,856.68	2,417,368
343	8/1/2030	14,047.04	43,809.64	$57,856.68	2,373,559
344	9/1/2030	13,792.47	44,064.21	$57,856.68	2,329,495
345	10/1/2030	13,536.42	44,320.27	$57,856.68	2,285,174
346	11/1/2030	13,278.88	44,577.81	$57,856.68	2,240,596
347	12/1/2030	13,019.84	44,836.84	$57,856.68	2,195,760
348	1/1/2031	12,759.30	45,097.38	$57,856.68	2,150,662
349	2/1/2031	12,497.24	45,359.44	$57,856.68	2,105,303
350	3/1/2031	12,233.67	45,623.02	$57,856.68	2,059,680
351	4/1/2031	11,968.56	45,888.13	$57,856.68	2,013,792
352	5/1/2031	11,701.91	46,154.78	$57,856.68	1,967,637
353	6/1/2031	11,433.71	46,422.98	$57,856.68	1,921,214
354	7/1/2031	11,163.95	46,692.74	$57,856.68	1,874,521
355	8/1/2031	10,892.62	46,964.06	$57,856.68	1,827,557
356	9/1/2031	10,619.72	47,236.97	$57,856.68	1,780,320
357	10/1/2031	10,345.23	47,511.45	$57,856.68	1,732,809
358	11/1/2031	10,069.15	47,787.54	$57,856.68	1,685,021
359	12/1/2031	9,791.46	48,065.23	$57,856.68	1,636,956
360	1/1/2032	9,512.16	48,344.53	$57,856.68	1,588,611
361	2/1/2032	9,231.23	48,625.45	$57,856.68	1,539,986
362	3/1/2032	8,948.68	48,908.01	$57,856.68	1,491,078
363	4/1/2032	8,664.48	49,192.21	$57,856.68	1,441,886
364	5/1/2032	8,378.63	49,478.06	$57,856.68	1,392,408
365	6/1/2032	8,091.12	49,765.57	$57,856.68	1,342,642
366	7/1/2032	7,801.93	50,054.75	$57,856.68	1,292,587
367	8/1/2032	7,511.07	50,345.61	$57,856.68	1,242,242
368	9/1/2032	7,218.52	50,638.16	$57,856.68	1,191,604
369	10/1/2032	6,924.27	50,932.42	$57,856.68	1,140,671
370	11/1/2032	6,628.31	51,228.38	$57,856.68	1,089,443
371	12/1/2032	6,330.62	51,526.06	$57,856.68	1,037,917
372	1/1/2033	6,031.21	51,825.47	$57,856.68	986,091
373	2/1/2033	5,730.06	52,126.62	$57,856.68	933,965
374	3/1/2033	5,427.16	52,429.53	$57,856.68	881,535
375	4/1/2033	5,122.50	52,734.19	$57,856.68	828,801
376	5/1/2033	4,816.06	53,040.62	$57,856.68	775,760
377	6/1/2033	4,507.85	53,348.83	$57,856.68	722,411
378	7/1/2033	4,197.85	53,658.84	$57,856.68	668,753
379	8/1/2033	3,886.04	53,970.64	$57,856.68	614,782
380	9/1/2033	3,572.43	54,284.26	$57,856.68	560,498
381	10/1/2033	3,256.99	54,599.70	$57,856.68	505,898

382	11/1/2033	2,939.71	54,916.97	$57,856.68	450,981
383	12/1/2033	2,620.60	55,236.09	$57,856.68	395,745
384	1/1/2034	2,299.63	55,557.06	$57,856.68	340,188
385	2/1/2034	1,976.79	55,879.89	$57,856.68	284,308
386	3/1/2034	1,652.08	56,204.60	$57,856.68	228,103
387	4/1/2034	1,325.48	56,531.20	$57,856.68	171,572
388	5/1/2034	996.99	56,859.70	$57,856.68	114,713
389	6/1/2034	666.58	57,190.10	$57,856.68	57,522
390	7/1/2034	334.26	57,522.43	$57,856.68	0

	STONE HEARST				
	AMORTIZATION SCHEDULE				
	SERIES A-2 BONDS				
		Construction		**Permanent**	
	Principal	2,180,000		2,180,000	
	Interest	9.8578%		8.6838%	
	Amortization	N/A		40	
	Constant	See Below		See Below	
	Begins	2/1/2001		8/1/2004	
				Total	Outstanding
	Due Date	Interest	Principal	Debt Service	Principal
				(2,180,000)	2,180,000
1	2/1/2002	17,908.28	-	17,908.28	2,180,000
2	3/1/2002	17,908.28	-	17,908.28	2,180,000
3	4/1/2002	17,908.28	-	17,908.28	2,180,000
4	5/1/2002	17,908.28	-	17,908.28	2,180,000
5	6/1/2002	17,908.28	-	17,908.28	2,180,000
6	7/1/2002	17,908.28	-	17,908.28	2,180,000
7	8/1/2002	17,908.28	-	17,908.28	2,180,000
8	9/1/2002	17,908.28	-	17,908.28	2,180,000
9	10/1/2002	17,908.28	-	17,908.28	2,180,000
10	11/1/2002	17,908.28	-	17,908.28	2,180,000
11	12/1/2002	17,908.28	-	17,908.28	2,180,000
12	1/1/2003	17,908.28	-	17,908.28	2,180,000
13	2/1/2003	17,908.28	-	17,908.28	2,180,000
14	3/1/2003	17,908.28	-	17,908.28	2,180,000
15	4/1/2003	17,908.28	-	17,908.28	2,180,000
16	5/1/2003	17,908.28	-	17,908.28	2,180,000
17	6/1/2003	17,908.28	-	17,908.28	2,180,000
18	7/1/2003	17,908.28	-		2,180,000

				17,908.28	
19	8/1/2003	17,908.28	-	17,908.28	2,180,000
20	9/1/2003	17,908.28	-	17,908.28	2,180,000
21	10/1/2003	17,908.28	-	17,908.28	2,180,000
22	11/1/2003	17,908.28	-	17,908.28	2,180,000
23	12/1/2003	$17,908.28	-	17,908.28	2,180,000
24	1/1/2004	$17,908.28	-	17,908.28	2,180,000
25	2/1/2004	$17,908.28	-	17,908.28	2,180,000
26	3/1/2004	$17,908.28	-	17,908.28	2,180,000
27	4/1/2004	$17,908.28	-	17,908.28	2,180,000
28	5/1/2004	$17,908.28	-	17,908.28	2,180,000
29	6/1/2004	$17,908.28	-	17,908.28	2,180,000
30	7/1/2004	$17,908.28	-	17,908.28	2,180,000
31	8/1/2004	$12,667.72	-	12,667.72	2,180,000
32	9/1/2004	$12,667.72	-	12,667.72	2,180,000
33	10/1/2004	$12,667.72	-	12,667.72	2,180,000
34	11/1/2004	$12,667.72	-	12,667.72	2,180,000
35	12/1/2004	$12,667.72	-	12,667.72	2,180,000
36	1/1/2005	$12,667.72	-	12,667.72	2,180,000
37	2/1/2005	$12,667.72	-	12,667.72	2,180,000
38	3/1/2005	$12,667.72	-	12,667.72	2,180,000
39	4/1/2005	$12,667.72	-	12,667.72	2,180,000
40	5/1/2005	$12,667.72	-	12,667.72	2,180,000
41	6/1/2005	$12,667.72	-	12,667.72	2,180,000
42	7/1/2005	$12,667.72	-	12,667.72	2,180,000
43	8/1/2005	$12,667.72	-	12,667.72	2,180,000
44	9/1/2005	$12,667.72	-	12,667.72	2,180,000
45	10/1/2005	$12,667.72	-	12,667.72	2,180,000
46	11/1/2005	$12,667.72	-	12,667.72	2,180,000

47	12/1/2005	$12,667.72	-	12,667.72	2,180,000
48	1/1/2006	$12,667.72	-	12,667.72	2,180,000
49	2/1/2006	$12,667.72	-	12,667.72	2,180,000
50	3/1/2006	$12,667.72	-	12,667.72	2,180,000
51	4/1/2006	$12,667.72	-	12,667.72	2,180,000
52	5/1/2006	$12,667.72	-	12,667.72	2,180,000
53	6/1/2006	$12,667.72	-	12,667.72	2,180,000
54	7/1/2006	$12,667.72	-	12,667.72	2,180,000
55	8/1/2006	$12,667.72	-	12,667.72	2,180,000
56	9/1/2006	$12,667.72	-	12,667.72	2,180,000
57	10/1/2006	$12,667.72	-	12,667.72	2,180,000
58	11/1/2006	$12,667.72	-	12,667.72	2,180,000
59	12/1/2006	$12,667.72	-	12,667.72	2,180,000
60	1/1/2007	$12,667.72	-	12,667.72	2,180,000
61	2/1/2007	$12,667.72	-	12,667.72	2,180,000
62	3/1/2007	$12,667.72	-	12,667.72	2,180,000
63	4/1/2007	$12,667.72	-	12,667.72	2,180,000
64	5/1/2007	$12,667.72	-	12,667.72	2,180,000
65	6/1/2007	$12,667.72	-	12,667.72	2,180,000
66	7/1/2007	$12,667.72	-	12,667.72	2,180,000
67	8/1/2007	$12,667.72	-	12,667.72	2,180,000
68	9/1/2007	$12,667.72	-	12,667.72	2,180,000
69	10/1/2007	$12,667.72	-	12,667.72	2,180,000
70	11/1/2007	$12,667.72	-	12,667.72	2,180,000
71	12/1/2007	$12,667.72	-	12,667.72	2,180,000
72	1/1/2008	$12,667.72	-	12,667.72	2,180,000
73	2/1/2008	$12,667.72	-	12,667.72	2,180,000
74	3/1/2008	$12,667.72	-	12,667.72	2,180,000
75	4/1/2008	$12,667.72	-		2,180,000

				12,667.72	
76	5/1/2008	$12,667.72	-	12,667.72	2,180,000
77	6/1/2008	$12,667.72	-	12,667.72	2,180,000
78	7/1/2008	$12,667.72	-	12,667.72	2,180,000
79	8/1/2008	$12,667.72	-	12,667.72	2,180,000
80	9/1/2008	$12,667.72	-	12,667.72	2,180,000
81	10/1/2008	$12,667.72	-	12,667.72	2,180,000
82	11/1/2008	$12,667.72	-	12,667.72	2,180,000
83	12/1/2008	$12,667.72	-	12,667.72	2,180,000
84	1/1/2009	$12,667.72	-	12,667.72	2,180,000
85	2/1/2009	$12,667.72	-	12,667.72	2,180,000
86	3/1/2009	$12,667.72	-	12,667.72	2,180,000
87	4/1/2009	$12,667.72	-	12,667.72	2,180,000
88	5/1/2009	$12,667.72	-	12,667.72	2,180,000
89	6/1/2009	$12,667.72	-	12,667.72	2,180,000
90	7/1/2009	$12,667.72	-	12,667.72	2,180,000
91	8/1/2009	$12,667.72	-	12,667.72	2,180,000
92	9/1/2009	$12,667.72	-	12,667.72	2,180,000
93	10/1/2009	$12,667.72	-	12,667.72	2,180,000
94	11/1/2009	$12,667.72	-	12,667.72	2,180,000
95	12/1/2009	$12,667.72	-	12,667.72	2,180,000
96	1/1/2010	$12,667.72	-	12,667.72	2,180,000
97	2/1/2010	$12,667.72	-	12,667.72	2,180,000
98	3/1/2010	$12,667.72	-	12,667.72	2,180,000
99	4/1/2010	$12,667.72	-	12,667.72	2,180,000
100	5/1/2010	$12,667.72	-	12,667.72	2,180,000
101	6/1/2010	$12,667.72	-	12,667.72	2,180,000
102	7/1/2010	$12,667.72	-	12,667.72	2,180,000
103	8/1/2010	$12,667.72	-	12,667.72	2,180,000

104	9/1/2010	$12,667.72	-	12,667.72	2,180,000
105	10/1/2010	$12,667.72	-	12,667.72	2,180,000
106	11/1/2010	$12,667.72	-	12,667.72	2,180,000
107	12/1/2010	$12,667.72	-	12,667.72	2,180,000
108	1/1/2011	$12,667.72	-	12,667.72	2,180,000
109	2/1/2011	$12,667.72	-	12,667.72	2,180,000
110	3/1/2011	$12,667.72	-	12,667.72	2,180,000
111	4/1/2011	$12,667.72	-	12,667.72	2,180,000
112	5/1/2011	$12,667.72	-	12,667.72	2,180,000
113	6/1/2011	$12,667.72	-	12,667.72	2,180,000
114	7/1/2011	$12,667.72	-	12,667.72	2,180,000
115	8/1/2011	$12,667.72	-	12,667.72	2,180,000
116	9/1/2011	$12,667.72	-	12,667.72	2,180,000
117	10/1/2011	$12,667.72	-	12,667.72	2,180,000
118	11/1/2011	$12,667.72	-	12,667.72	2,180,000
119	12/1/2011	$12,667.72	-	12,667.72	2,180,000
120	1/1/2012	$12,667.72	-	12,667.72	2,180,000
121	2/1/2012	$12,667.72	-	12,667.72	2,180,000
122	3/1/2012	$12,667.72	-	12,667.72	2,180,000
123	4/1/2012	$12,667.72	-	12,667.72	2,180,000
124	5/1/2012	$12,667.72	-	12,667.72	2,180,000
125	6/1/2012	$12,667.72	-	12,667.72	2,180,000
126	7/1/2012	$12,667.72	-	12,667.72	2,180,000
127	8/1/2012	$12,667.72	-	12,667.72	2,180,000
128	9/1/2012	$12,667.72	-	12,667.72	2,180,000
129	10/1/2012	$12,667.72	-	12,667.72	2,180,000
130	11/1/2012	$12,667.72	-	12,667.72	2,180,000
131	12/1/2012	$12,667.72	-	12,667.72	2,180,000
132	1/1/2013	$12,667.72	-		2,180,000

				12,667.72	
133	2/1/2013	$12,667.72	-	12,667.72	2,180,000
134	3/1/2013	$12,667.72	-	12,667.72	2,180,000
135	4/1/2013	$12,667.72	-	12,667.72	2,180,000
136	5/1/2013	$12,667.72	-	12,667.72	2,180,000
137	6/1/2013	$12,667.72	-	12,667.72	2,180,000
138	7/1/2013	$12,667.72	-	12,667.72	2,180,000
139	8/1/2013	$12,667.72	-	12,667.72	2,180,000
140	9/1/2013	$12,667.72	-	12,667.72	2,180,000
141	10/1/2013	$12,667.72	-	12,667.72	2,180,000
142	11/1/2013	$12,667.72	-	12,667.72	2,180,000
143	12/1/2013	$12,667.72	-	12,667.72	2,180,000
144	1/1/2014	$12,667.72	-	12,667.72	2,180,000
145	2/1/2014	$12,667.72	-	12,667.72	2,180,000
146	3/1/2014	$12,667.72	-	12,667.72	2,180,000
147	4/1/2014	$12,667.72	-	12,667.72	2,180,000
148	5/1/2014	$12,667.72	-	12,667.72	2,180,000
149	6/1/2014	$12,667.72	-	12,667.72	2,180,000
150	7/1/2014	$12,667.72	-	12,667.72	2,180,000
151	8/1/2014	$12,667.72	-	12,667.72	2,180,000
152	9/1/2014	$12,667.72	-	12,667.72	2,180,000
153	10/1/2014	$12,667.72	-	12,667.72	2,180,000
154	11/1/2014	$12,667.72	-	12,667.72	2,180,000
155	12/1/2014	$12,667.72	-	12,667.72	2,180,000
156	1/1/2015	$12,667.72	-	12,667.72	2,180,000
157	2/1/2015	$12,667.72	-	12,667.72	2,180,000
158	3/1/2015	$12,667.72	-	12,667.72	2,180,000
159	4/1/2015	$12,667.72	-	12,667.72	2,180,000
160	5/1/2015	$12,667.72	-	12,667.72	2,180,000

161	6/1/2015	$12,667.72	-	12,667.72	2,180,000
162	7/1/2015	$12,667.72	-	12,667.72	2,180,000
163	8/1/2015	$12,667.72	-	12,667.72	2,180,000
164	9/1/2015	$12,667.72	-	12,667.72	2,180,000
165	10/1/2015	$12,667.72	-	12,667.72	2,180,000
166	11/1/2015	$12,667.72	-	12,667.72	2,180,000
167	12/1/2015	$12,667.72	-	12,667.72	2,180,000
168	1/1/2016	$12,667.72	-	12,667.72	2,180,000
169	2/1/2016	$12,667.72	-	12,667.72	2,180,000
170	3/1/2016	$12,667.72	-	12,667.72	2,180,000
171	4/1/2016	$12,667.72	-	12,667.72	2,180,000
172	5/1/2016	$12,667.72	-	12,667.72	2,180,000
173	6/1/2016	$12,667.72	-	12,667.72	2,180,000
174	7/1/2016	$12,667.72	-	12,667.72	2,180,000
175	8/1/2016	$12,667.72	-	12,667.72	2,180,000
176	9/1/2016	$12,667.72	-	12,667.72	2,180,000
177	10/1/2016	$12,667.72	-	12,667.72	2,180,000
178	11/1/2016	$12,667.72	-	12,667.72	2,180,000
179	12/1/2016	$12,667.72	-	12,667.72	2,180,000
180	1/1/2017	$12,667.72	-	12,667.72	2,180,000
181	2/1/2017	$12,667.72	-	12,667.72	2,180,000
182	3/1/2017	$12,667.72	-	12,667.72	2,180,000
183	4/1/2017	$12,667.72	-	12,667.72	2,180,000
184	5/1/2017	$12,667.72	-	12,667.72	2,180,000
185	6/1/2017	$12,667.72	-	12,667.72	2,180,000
186	7/1/2017	$12,667.72	-	12,667.72	2,180,000
187	8/1/2017	$12,667.72	-	12,667.72	2,180,000
188	9/1/2017	$12,667.72	-	12,667.72	2,180,000
189	10/1/2017	$12,667.72	-		2,180,000

				12,667.72	
190	11/1/2017	$12,667.72	-	12,667.72	2,180,000
191	12/1/2017	$12,667.72	-	12,667.72	2,180,000
192	1/1/2018	$12,667.72	-	12,667.72	2,180,000
193	2/1/2018	$12,667.72	-	12,667.72	2,180,000
194	3/1/2018	$12,667.72	-	12,667.72	2,180,000
195	4/1/2018	$12,667.72	-	12,667.72	2,180,000
196	5/1/2018	$12,667.72	-	12,667.72	2,180,000
197	6/1/2018	$12,667.72	-	12,667.72	2,180,000
198	7/1/2018	$12,667.72	-	12,667.72	2,180,000
199	8/1/2018	$12,667.72	-	12,667.72	2,180,000
200	9/1/2018	$12,667.72	-	12,667.72	2,180,000
201	10/1/2018	$12,667.72	-	12,667.72	2,180,000
202	11/1/2018	$12,667.72	-	12,667.72	2,180,000
203	12/1/2018	$12,667.72	-	12,667.72	2,180,000
204	1/1/2019	$12,667.72	-	12,667.72	2,180,000
205	2/1/2019	$12,667.72	-	12,667.72	2,180,000
206	3/1/2019	$12,667.72	-	12,667.72	2,180,000
207	4/1/2019	$12,667.72	-	12,667.72	2,180,000
208	5/1/2019	$12,667.72	-	12,667.72	2,180,000
209	6/1/2019	$12,667.72	-	12,667.72	2,180,000
210	7/1/2019	$12,667.72	-	12,667.72	2,180,000
211	8/1/2019	$12,667.72	-	12,667.72	2,180,000
212	9/1/2019	$12,667.72	-	12,667.72	2,180,000
213	10/1/2019	$12,667.72	-	12,667.72	2,180,000
214	11/1/2019	$12,667.72	-	12,667.72	2,180,000
215	12/1/2019	$12,667.72	-	12,667.72	2,180,000
216	1/1/2020	$12,667.72	-	12,667.72	2,180,000
217	2/1/2020	$12,667.72	-	12,667.72	2,180,000

218	3/1/2020	$12,667.72	-	12,667.72	2,180,000
219	4/1/2020	$12,667.72	-	12,667.72	2,180,000
220	5/1/2020	$12,667.72	-	12,667.72	2,180,000
221	6/1/2020	$12,667.72	-	12,667.72	2,180,000
222	7/1/2020	$12,667.72	-	12,667.72	2,180,000
223	8/1/2020	$12,667.72	-	12,667.72	2,180,000
224	9/1/2020	$12,667.72	-	12,667.72	2,180,000
225	10/1/2020	$12,667.72	-	12,667.72	2,180,000
226	11/1/2020	$12,667.72	-	12,667.72	2,180,000
227	12/1/2020	$12,667.72	-	12,667.72	2,180,000
228	1/1/2021	$12,667.72	-	12,667.72	2,180,000
229	2/1/2021	$12,667.72	-	12,667.72	2,180,000
230	3/1/2021	$12,667.72	-	12,667.72	2,180,000
231	4/1/2021	$12,667.72	-	12,667.72	2,180,000
232	5/1/2021	$12,667.72	-	12,667.72	2,180,000
233	6/1/2021	$12,667.72	-	12,667.72	2,180,000
234	7/1/2021	$12,667.72	-	12,667.72	2,180,000
235	8/1/2021	$12,667.72	-	12,667.72	2,180,000
236	9/1/2021	$12,667.72	-	12,667.72	2,180,000
237	10/1/2021	$12,667.72	-	12,667.72	2,180,000
238	11/1/2021	$12,667.72	-	12,667.72	2,180,000
239	12/1/2021	$12,667.72	-	12,667.72	2,180,000
240	1/1/2022	$12,667.72	-	12,667.72	2,180,000
241	2/1/2022	$12,667.72	-	12,667.72	2,180,000
242	3/1/2022	$12,667.72	-	12,667.72	2,180,000
243	4/1/2022	$12,667.72	-	12,667.72	2,180,000
244	5/1/2022	$12,667.72	-	12,667.72	2,180,000
245	6/1/2022	$12,667.72	-	12,667.72	2,180,000
246	7/1/2022	$12,667.72	-		2,180,000

				12,667.72	
247	8/1/2022	$12,667.72	-	12,667.72	2,180,000
248	9/1/2022	$12,667.72	-	12,667.72	2,180,000
249	10/1/2022	$12,667.72	-	12,667.72	2,180,000
250	11/1/2022	$12,667.72	-	12,667.72	2,180,000
251	12/1/2022	$12,667.72	-	12,667.72	2,180,000
252	1/1/2023	$12,667.72	-	12,667.72	2,180,000
253	2/1/2023	$12,667.72	-	12,667.72	2,180,000
254	3/1/2023	$12,667.72	-	12,667.72	2,180,000
255	4/1/2023	$12,667.72	-	12,667.72	2,180,000
256	5/1/2023	$12,667.72	-	12,667.72	2,180,000
257	6/1/2023	$12,667.72	-	12,667.72	2,180,000
258	7/1/2023	$12,667.72	-	12,667.72	2,180,000
259	8/1/2023	$12,667.72	-	12,667.72	2,180,000
260	9/1/2023	$12,667.72	-	12,667.72	2,180,000
261	10/1/2023	$12,667.72	-	12,667.72	2,180,000
262	11/1/2023	$12,667.72	-	12,667.72	2,180,000
263	12/1/2023	$12,667.72	-	12,667.72	2,180,000
264	1/1/2024	$12,667.72	-	12,667.72	2,180,000
265	2/1/2024	$12,667.72	-	12,667.72	2,180,000
266	3/1/2024	$12,667.72	-	12,667.72	2,180,000
267	4/1/2024	$12,667.72	-	12,667.72	2,180,000
268	5/1/2024	$12,667.72	-	12,667.72	2,180,000
269	6/1/2024	$12,667.72	-	12,667.72	2,180,000
270	7/1/2024	$12,667.72	-	12,667.72	2,180,000
271	8/1/2024	$12,667.72	-	12,667.72	2,180,000
272	9/1/2024	$12,667.72	-	12,667.72	2,180,000
273	10/1/2024	$12,667.72	-	12,667.72	2,180,000
274	11/1/2024	$12,667.72	-	12,667.72	2,180,000

275	12/1/2024	$12,667.72	-	12,667.72	2,180,000
276	1/1/2025	$12,667.72	-	12,667.72	2,180,000
277	2/1/2025	$12,667.72	-	12,667.72	2,180,000
278	3/1/2025	$12,667.72	-	12,667.72	2,180,000
279	4/1/2025	$12,667.72	-	12,667.72	2,180,000
280	5/1/2025	$12,667.72	-	12,667.72	2,180,000
281	6/1/2025	$12,667.72	-	12,667.72	2,180,000
282	7/1/2025	$12,667.72	-	12,667.72	2,180,000
283	8/1/2025	$12,667.72	-	12,667.72	2,180,000
284	9/1/2025	$12,667.72	-	12,667.72	2,180,000
285	10/1/2025	$12,667.72	-	12,667.72	2,180,000
286	11/1/2025	$12,667.72	-	12,667.72	2,180,000
287	12/1/2025	$12,667.72	-	12,667.72	2,180,000
288	1/1/2026	$12,667.72	-	12,667.72	2,180,000
289	2/1/2026	$12,667.72	-	12,667.72	2,180,000
290	3/1/2026	$12,667.72	-	12,667.72	2,180,000
291	4/1/2026	$12,667.72	-	12,667.72	2,180,000
292	5/1/2026	$12,667.72	-	12,667.72	2,180,000
293	6/1/2026	$12,667.72	-	12,667.72	2,180,000
294	7/1/2026	$12,667.72	-	12,667.72	2,180,000
295	8/1/2026	$12,667.72	-	12,667.72	2,180,000
296	9/1/2026	$12,667.72	-	12,667.72	2,180,000
297	10/1/2026	$12,667.72	-	12,667.72	2,180,000
298	11/1/2026	$12,667.72	-	12,667.72	2,180,000
299	12/1/2026	$12,667.72	-	12,667.72	2,180,000
300	1/1/2027	$12,667.72	-	12,667.72	2,180,000
301	2/1/2027	$12,667.72	-	12,667.72	2,180,000
302	3/1/2027	$12,667.72	-	12,667.72	2,180,000
303	4/1/2027	$12,667.72	-		2,180,000

				12,667.72	
304	5/1/2027	$12,667.72	-	12,667.72	2,180,000
305	6/1/2027	$12,667.72	-	12,667.72	2,180,000
306	7/1/2027	$12,667.72	-	12,667.72	2,180,000
307	8/1/2027	$12,667.72	-	12,667.72	2,180,000
308	9/1/2027	$12,667.72	-	12,667.72	2,180,000
309	10/1/2027	$12,667.72	-	12,667.72	2,180,000
310	11/1/2027	$12,667.72	-	12,667.72	2,180,000
311	12/1/2027	$12,667.72	-	12,667.72	2,180,000
312	1/1/2028	$12,667.72	-	12,667.72	2,180,000
313	2/1/2028	$12,667.72	-	12,667.72	2,180,000
314	3/1/2028	$12,667.72	-	12,667.72	2,180,000
315	4/1/2028	$12,667.72	-	12,667.72	2,180,000
316	5/1/2028	$12,667.72	-	12,667.72	2,180,000
317	6/1/2028	$12,667.72	-	12,667.72	2,180,000
318	7/1/2028	$12,667.72	-	12,667.72	2,180,000
319	8/1/2028	$12,667.72	-	12,667.72	2,180,000
320	9/1/2028	$12,667.72	-	12,667.72	2,180,000
321	10/1/2028	$12,667.72	-	12,667.72	2,180,000
322	11/1/2028	$12,667.72	-	12,667.72	2,180,000
323	12/1/2028	$12,667.72	-	12,667.72	2,180,000
324	1/1/2029	$12,667.72	-	12,667.72	2,180,000
325	2/1/2029	$12,667.72	-	12,667.72	2,180,000
326	3/1/2029	$12,667.72	-	12,667.72	2,180,000
327	4/1/2029	$12,667.72	-	12,667.72	2,180,000
328	5/1/2029	$12,667.72	-	12,667.72	2,180,000
329	6/1/2029	$12,667.72	-	12,667.72	2,180,000
330	7/1/2029	$12,667.72	-	12,667.72	2,180,000
331	8/1/2029	$12,667.72	-	12,667.72	2,180,000

332	9/1/2029	$12,667.72	-	12,667.72	2,180,000
333	10/1/2029	$12,667.72	-	12,667.72	2,180,000
334	11/1/2029	$12,667.72	-	12,667.72	2,180,000
335	12/1/2029	$12,667.72	-	12,667.72	2,180,000
336	1/1/2030	$12,667.72	-	12,667.72	2,180,000
337	2/1/2030	$12,667.72	-	12,667.72	2,180,000
338	3/1/2030	$12,667.72	-	12,667.72	2,180,000
339	4/1/2030	$12,667.72	-	12,667.72	2,180,000
340	5/1/2030	$12,667.72	-	12,667.72	2,180,000
341	6/1/2030	$12,667.72	-	12,667.72	2,180,000
342	7/1/2030	$12,667.72	-	12,667.72	2,180,000
343	8/1/2030	$12,667.72	-	12,667.72	2,180,000
344	9/1/2030	$12,667.72	-	12,667.72	2,180,000
345	10/1/2030	$12,667.72	-	12,667.72	2,180,000
346	11/1/2030	$12,667.72	-	12,667.72	2,180,000
347	12/1/2030	$12,667.72	-	12,667.72	2,180,000
348	1/1/2031	$12,667.72	-	12,667.72	2,180,000
349	2/1/2031	$12,667.72	-	12,667.72	2,180,000
350	3/1/2031	$12,667.72	-	12,667.72	2,180,000
351	4/1/2031	$12,667.72	-	12,667.72	2,180,000
352	5/1/2031	$12,667.72	-	12,667.72	2,180,000
353	6/1/2031	$12,667.72	-	12,667.72	2,180,000
354	7/1/2031	$12,667.72	-	12,667.72	2,180,000
355	8/1/2031	$12,667.72	-	12,667.72	2,180,000
356	9/1/2031	$12,667.72	-	12,667.72	2,180,000
357	10/1/2031	$12,667.72	-	12,667.72	2,180,000
358	11/1/2031	$12,667.72	-	12,667.72	2,180,000
359	12/1/2031	$12,667.72	-	12,667.72	2,180,000
360	1/1/2032	$12,667.72	-		2,180,000

				12,667.72	
361	2/1/2032	$12,667.72	-	12,667.72	2,180,000
362	3/1/2032	$12,667.72	-	12,667.72	2,180,000
363	4/1/2032	$12,667.72	-	12,667.72	2,180,000
364	5/1/2032	$12,667.72	-	12,667.72	2,180,000
365	6/1/2032	$12,667.72	-	12,667.72	2,180,000
366	7/1/2032	$12,667.72	-	12,667.72	2,180,000
367	8/1/2032	$12,667.72	-	12,667.72	2,180,000
368	9/1/2032	$12,667.72	-	12,667.72	2,180,000
369	10/1/2032	$12,667.72	-	12,667.72	2,180,000
370	11/1/2032	$12,667.72	-	12,667.72	2,180,000
371	12/1/2032	$12,667.72	-	12,667.72	2,180,000
372	1/1/2033	$12,667.72	-	12,667.72	2,180,000
373	2/1/2033	$12,667.72	-	12,667.72	2,180,000
374	3/1/2033	$12,667.72	-	12,667.72	2,180,000
375	4/1/2033	$12,667.72	-	12,667.72	2,180,000
376	5/1/2033	$12,667.72	-	12,667.72	2,180,000
377	6/1/2033	$12,667.72	-	12,667.72	2,180,000
378	7/1/2033	$12,667.72	-	12,667.72	2,180,000
379	8/1/2033	$12,667.72	-	12,667.72	2,180,000
380	9/1/2033	$12,667.72	-	12,667.72	2,180,000
381	10/1/2033	$12,667.72	-	12,667.72	2,180,000
382	11/1/2033	$12,667.72	-	12,667.72	2,180,000
383	12/1/2033	$12,667.72	-	$12,667.72	2,180,000
384	1/1/2034	$12,667.72	-	$12,667.72	2,180,000
385	2/1/2034	$12,667.72	-	$12,667.72	2,180,000
386	3/1/2034	$12,667.72	-	$12,667.72	2,180,000
387	4/1/2034	$12,667.72	-	$12,667.72	2,180,000
388	5/1/2034	$12,667.72	-	$12,667.72	2,180,000
389	6/1/2034	$12,667.72	-	$12,667.72	2,180,000
390	7/1/2034	$12,667.72	-	$12,667.72	2,180,000
391	8/1/2034	$52,357.74	18,166.67	$70,524.41	2,161,833
392	9/1/2034	$52,357.74	18,166.67	$70,524.41	2,143,667

393	10/1/2034	$52,357.74	18,166.67	$70,524.41	2,125,500
394	11/1/2034	$52,357.74	18,166.67	$70,524.41	2,107,333
395	12/1/2034	$52,357.74	18,166.67	$70,524.41	2,089,167
396	1/1/2035	$52,357.74	18,166.67	$70,524.41	2,071,000
397	2/1/2035	$52,357.74	18,166.67	$70,524.41	2,052,833
398	3/1/2035	$52,357.74	18,166.67	$70,524.41	2,034,667
399	4/1/2035	$52,357.74	18,166.67	$70,524.41	2,016,500
400	5/1/2035	$52,357.74	18,166.67	$70,524.41	1,998,333
401	6/1/2035	$52,357.74	18,166.67	$70,524.41	1,980,167
402	7/1/2035	$52,357.74	18,166.67	$70,524.41	1,962,000
403	8/1/2035	$52,357.74	18,166.67	$70,524.41	1,943,833
404	9/1/2035	$52,357.74	18,166.67	$70,524.41	1,925,667
405	10/1/2035	$52,357.74	18,166.67	$70,524.41	1,907,500
406	11/1/2035	$52,357.74	18,166.67	$70,524.41	1,889,333
407	12/1/2035	$52,357.74	18,166.67	$70,524.41	1,871,167
408	1/1/2036	$52,357.74	18,166.67	$70,524.41	1,853,000
409	2/1/2036	$52,357.74	18,166.67	$70,524.41	1,834,833
410	3/1/2036	$52,357.74	18,166.67	$70,524.41	1,816,667
411	4/1/2036	$52,357.74	18,166.67	$70,524.41	1,798,500
412	5/1/2036	$52,357.74	18,166.67	$70,524.41	1,780,333
413	6/1/2036	$52,357.74	18,166.67	$70,524.41	1,762,167
414	7/1/2036	$52,357.74	18,166.67	$70,524.41	1,744,000
415	8/1/2036	$52,357.74	18,166.67	$70,524.41	1,725,833
416	9/1/2036	$52,357.74	18,166.67	$70,524.41	1,707,667
417	10/1/2036	$52,357.74	18,166.67	$70,524.41	1,689,500
418	11/1/2036	$52,357.74	18,166.67	$70,524.41	1,671,333
419	12/1/2036	$52,357.74	18,166.67	$70,524.41	1,653,167
420	1/1/2037	$52,357.74	18,166.67	$70,524.41	1,635,000
421	2/1/2037	$52,357.74	18,166.67	$70,524.41	1,616,833
422	3/1/2037	$52,357.74	18,166.67	$70,524.41	1,598,667
423	4/1/2037	$52,357.74	18,166.67	$70,524.41	1,580,500
424	5/1/2037	$52,357.74	18,166.67	$70,524.41	1,562,333
425	6/1/2037	$52,357.74	18,166.67	$70,524.41	1,544,167
426	7/1/2037	$52,357.74	18,166.67	$70,524.41	1,526,000
427	8/1/2037	$52,357.74	18,166.67	$70,524.41	1,507,833
428	9/1/2037	$52,357.74	18,166.67	$70,524.41	1,489,667
429	10/1/2037	$52,357.74	18,166.67	$70,524.41	1,471,500
430	11/1/2037	$52,357.74	18,166.67	$70,524.41	1,453,333
431	12/1/2037	$52,357.74	18,166.67	$70,524.41	1,435,167
432	1/1/2038	$52,357.74	18,166.67	$70,524.41	1,417,000
433	2/1/2038	$52,357.74	18,166.67	$70,524.41	1,398,833
434	3/1/2038	$52,357.74	18,166.67	$70,524.41	1,380,667
435	4/1/2038	$52,357.74	18,166.67	$70,524.41	1,362,500
436	5/1/2038	$52,357.74	18,166.67	$70,524.41	1,344,333
437	6/1/2038	$52,357.74	18,166.67	$70,524.41	1,326,167
438	7/1/2038	$52,357.74	18,166.67	$70,524.41	1,308,000
439	8/1/2038	$52,357.74	18,166.67	$70,524.41	1,289,833
440	9/1/2038	$52,357.74	18,166.67	$70,524.41	1,271,667
441	10/1/2038	$52,357.74	18,166.67	$70,524.41	1,253,500
442	11/1/2038	$52,357.74	18,166.67	$70,524.41	1,235,333

443	12/1/2038	$52,357.74	18,166.67	$70,524.41	1,217,167
444	1/1/2039	$52,357.74	18,166.67	$70,524.41	1,199,000
445	2/1/2039	$52,357.74	18,166.67	$70,524.41	1,180,833
446	3/1/2039	$52,357.74	18,166.67	$70,524.41	1,162,667
447	4/1/2039	$52,357.74	18,166.67	$70,524.41	1,144,500
448	5/1/2039	$52,357.74	18,166.67	$70,524.41	1,126,333
449	6/1/2039	$52,357.74	18,166.67	$70,524.41	1,108,167
450	7/1/2039	$52,357.74	18,166.67	$70,524.41	1,090,000
451	8/1/2039	$52,357.74	18,166.67	$70,524.41	1,071,833
452	9/1/2039	$52,357.74	18,166.67	$70,524.41	1,053,667
453	10/1/2039	$52,357.74	18,166.67	$70,524.41	1,035,500
454	11/1/2039	$52,357.74	18,166.67	$70,524.41	1,017,333
455	12/1/2039	$52,357.74	18,166.67	$70,524.41	999,167
456	1/1/2040	$52,357.74	18,166.67	$70,524.41	981,000
457	2/1/2040	$52,357.74	18,166.67	$70,524.41	962,833
458	3/1/2040	$52,357.74	18,166.67	$70,524.41	944,667
459	4/1/2040	$52,357.74	18,166.67	$70,524.41	926,500
460	5/1/2040	$52,357.74	18,166.67	$70,524.41	908,333
461	6/1/2040	$52,357.74	18,166.67	$70,524.41	890,167
462	7/1/2040	$52,357.74	18,166.67	$70,524.41	872,000
463	8/1/2040	$52,357.74	18,166.67	$70,524.41	853,833
464	9/1/2040	$52,357.74	18,166.67	$70,524.41	835,667
465	10/1/2040	$52,357.74	18,166.67	$70,524.41	817,500
466	11/1/2040	$52,357.74	18,166.67	$70,524.41	799,333
467	12/1/2040	$52,357.74	18,166.67	$70,524.41	781,167
468	1/1/2041	$52,357.74	18,166.67	$70,524.41	763,000
469	2/1/2041	$52,357.74	18,166.67	$70,524.41	744,833
470	3/1/2041	$52,357.74	18,166.67	$70,524.41	726,667
471	4/1/2041	$52,357.74	18,166.67	$70,524.41	708,500
472	5/1/2041	$52,357.74	18,166.67	$70,524.41	690,333
473	6/1/2041	$52,357.74	18,166.67	$70,524.41	672,167
474	7/1/2041	$52,357.74	18,166.67	$70,524.41	654,000
475	8/1/2041	$52,357.74	18,166.67	$70,524.41	635,833
476	9/1/2041	$52,357.74	18,166.67	$70,524.41	617,667
477	10/1/2041	$52,357.74	18,166.67	$70,524.41	599,500
478	11/1/2041	$52,357.74	18,166.67	$70,524.41	581,333
479	12/1/2041	$52,357.74	18,166.67	$70,524.41	563,167
480	1/1/2042	$52,357.74	18,166.67	$70,524.41	545,000
481	2/1/2042	$52,357.74	18,166.67	$70,524.41	526,833
482	3/1/2042	$52,357.74	18,166.67	$70,524.41	508,667
483	4/1/2042	$52,357.74	18,166.67	$70,524.41	490,500
484	5/1/2042	$52,357.74	18,166.67	$70,524.41	472,333
485	6/1/2042	$52,357.74	18,166.67	$70,524.41	454,167
486	7/1/2042	$52,357.74	18,166.67	$70,524.41	436,000
487	8/1/2042	$52,357.74	18,166.67	$70,524.41	417,833
488	9/1/2042	$52,357.74	18,166.67	$70,524.41	399,667
489	10/1/2042	$52,357.74	18,166.67	$70,524.41	381,500
490	11/1/2042	$52,357.74	18,166.67	$70,524.41	363,333
491	12/1/2042	$52,357.74	18,166.67	$70,524.41	345,167
492	1/1/2043	$52,357.74	18,166.67	$70,524.41	327,000

493	2/1/2043	$52,357.74	18,166.67	$70,524.41	308,833
494	3/1/2043	$52,357.74	18,166.67	$70,524.41	290,667
495	4/1/2043	$52,357.74	18,166.67	$70,524.41	272,500
496	5/1/2043	$52,357.74	18,166.67	$70,524.41	254,333
497	6/1/2043	$52,357.74	18,166.67	$70,524.41	236,167
498	7/1/2043	$52,357.74	18,166.67	$70,524.41	218,000
499	8/1/2043	$52,357.74	18,166.67	$70,524.41	199,833
500	9/1/2043	$52,357.74	18,166.67	$70,524.41	181,667
501	10/1/2043	$52,357.74	18,166.67	$70,524.41	163,500
502	11/1/2043	$52,357.74	18,166.67	$70,524.41	145,333
503	12/1/2043	$52,357.74	18,166.67	$70,524.41	127,167
504	1/1/2044	$52,357.74	18,166.67	$70,524.41	109,000
505	2/1/2044	$52,357.74	18,166.67	$70,524.41	90,833
506	3/1/2044	$52,357.74	18,166.67	$70,524.41	72,667
507	4/1/2044	$52,357.74	18,166.67	$70,524.41	54,500
508	5/1/2044	$52,357.74	18,166.67	$70,524.41	36,333
509	6/1/2044	$52,357.74	18,166.67	$70,524.41	18,167

STONE HEARST
AMORTIZATION SCHEDULE
SERIES A-2 BONDS

		Construction		**Permanent**	
	Principal	2,180,000		2,180,000	
	Interest	9.8578%		8.6838%	
	Amortization	N/A		40	
	Constant	See Below		See Below	
	Begins	2/1/2001		8/1/2004	
				Total	Outstanding
	Due Date	Interest	Principal	Debt Service	Principal
				(2,180,000)	2,180,000
1	2/1/2002	17,908.28	-	17,908.28	2,180,000
2	3/1/2002	17,908.28	-	17,908.28	2,180,000
3	4/1/2002	17,908.28	-	17,908.28	2,180,000
4	5/1/2002	17,908.28	-	17,908.28	2,180,000
5	6/1/2002	17,908.28	-	17,908.28	2,180,000
6	7/1/2002	17,908.28	-	17,908.28	2,180,000
7	8/1/2002	17,908.28	-	17,908.28	2,180,000
8	9/1/2002	17,908.28	-	17,908.28	2,180,000
9	10/1/2002	17,908.28	-	17,908.28	2,180,000
10	11/1/2002	17,908.28	-	17,908.28	2,180,000
11	12/1/2002	17,908.28	-	17,908.28	2,180,000
12	1/1/2003	17,908.28	-	17,908.28	2,180,000
13	2/1/2003	17,908.28	-	17,908.28	2,180,000
14	3/1/2003	17,908.28	-	17,908.28	2,180,000
15	4/1/2003	17,908.28	-	17,908.28	2,180,000
16	5/1/2003	17,908.28	-	17,908.28	2,180,000
17	6/1/2003	17,908.28	-	17,908.28	2,180,000
18	7/1/2003	17,908.28	-		2,180,000

				17,908.28		
19	8/1/2003	17,908.28	-	17,908.28	2,180,000	
20	9/1/2003	17,908.28	-	17,908.28	2,180,000	
21	10/1/2003	17,908.28	-	17,908.28	2,180,000	
22	11/1/2003	17,908.28	-	17,908.28	2,180,000	
23	12/1/2003	$17,908.28	-	17,908.28	2,180,000	
24	1/1/2004	$17,908.28	-	17,908.28	2,180,000	
25	2/1/2004	$17,908.28	-	17,908.28	2,180,000	
26	3/1/2004	$17,908.28	-	17,908.28	2,180,000	
27	4/1/2004	$17,908.28	-	17,908.28	2,180,000	
28	5/1/2004	$17,908.28	-	17,908.28	2,180,000	
29	6/1/2004	$17,908.28	-	17,908.28	2,180,000	
30	7/1/2004	$17,908.28	-	17,908.28	2,180,000	
31	8/1/2004	$12,667.72	-	12,667.72	2,180,000	
32	9/1/2004	$12,667.72	-	12,667.72	2,180,000	
33	10/1/2004	$12,667.72	-	12,667.72	2,180,000	
34	11/1/2004	$12,667.72	-	12,667.72	2,180,000	
35	12/1/2004	$12,667.72	-	12,667.72	2,180,000	
36	1/1/2005	$12,667.72	-	12,667.72	2,180,000	
37	2/1/2005	$12,667.72	-	12,667.72	2,180,000	
38	3/1/2005	$12,667.72	-	12,667.72	2,180,000	
39	4/1/2005	$12,667.72	-	12,667.72	2,180,000	
40	5/1/2005	$12,667.72	-	12,667.72	2,180,000	
41	6/1/2005	$12,667.72	-	12,667.72	2,180,000	
42	7/1/2005	$12,667.72	-	12,667.72	2,180,000	
43	8/1/2005	$12,667.72	-	12,667.72	2,180,000	
44	9/1/2005	$12,667.72	-	12,667.72	2,180,000	
45	10/1/2005	$12,667.72	-	12,667.72	2,180,000	
46	11/1/2005	$12,667.72	-	12,667.72	2,180,000	

47	12/1/2005	$12,667.72	-	12,667.72	2,180,000	
48	1/1/2006	$12,667.72	-	12,667.72	2,180,000	
49	2/1/2006	$12,667.72	-	12,667.72	2,180,000	
50	3/1/2006	$12,667.72	-	12,667.72	2,180,000	
51	4/1/2006	$12,667.72	-	12,667.72	2,180,000	
52	5/1/2006	$12,667.72	-	12,667.72	2,180,000	
53	6/1/2006	$12,667.72	-	12,667.72	2,180,000	
54	7/1/2006	$12,667.72	-	12,667.72	2,180,000	
55	8/1/2006	$12,667.72	-	12,667.72	2,180,000	
56	9/1/2006	$12,667.72	-	12,667.72	2,180,000	
57	10/1/2006	$12,667.72	-	12,667.72	2,180,000	
58	11/1/2006	$12,667.72	-	12,667.72	2,180,000	
59	12/1/2006	$12,667.72	-	12,667.72	2,180,000	
60	1/1/2007	$12,667.72	-	12,667.72	2,180,000	
61	2/1/2007	$12,667.72	-	12,667.72	2,180,000	
62	3/1/2007	$12,667.72	-	12,667.72	2,180,000	
63	4/1/2007	$12,667.72	-	12,667.72	2,180,000	
64	5/1/2007	$12,667.72	-	12,667.72	2,180,000	
65	6/1/2007	$12,667.72	-	12,667.72	2,180,000	
66	7/1/2007	$12,667.72	-	12,667.72	2,180,000	
67	8/1/2007	$12,667.72	-	12,667.72	2,180,000	
68	9/1/2007	$12,667.72	-	12,667.72	2,180,000	
69	10/1/2007	$12,667.72	-	12,667.72	2,180,000	
70	11/1/2007	$12,667.72	-	12,667.72	2,180,000	
71	12/1/2007	$12,667.72	-	12,667.72	2,180,000	
72	1/1/2008	$12,667.72	-	12,667.72	2,180,000	
73	2/1/2008	$12,667.72	-	12,667.72	2,180,000	
74	3/1/2008	$12,667.72	-	12,667.72	2,180,000	
75	4/1/2008	$12,667.72	-		2,180,000	

				12,667.72			
76	5/1/2008	$12,667.72	-	12,667.72	2,180,000		
77	6/1/2008	$12,667.72	-	12,667.72	2,180,000		
78	7/1/2008	$12,667.72	-	12,667.72	2,180,000		
79	8/1/2008	$12,667.72	-	12,667.72	2,180,000		
80	9/1/2008	$12,667.72	-	12,667.72	2,180,000		
81	10/1/2008	$12,667.72	-	12,667.72	2,180,000		
82	11/1/2008	$12,667.72	-	12,667.72	2,180,000		
83	12/1/2008	$12,667.72	-	12,667.72	2,180,000		
84	1/1/2009	$12,667.72	-	12,667.72	2,180,000		
85	2/1/2009	$12,667.72	-	12,667.72	2,180,000		
86	3/1/2009	$12,667.72	-	12,667.72	2,180,000		
87	4/1/2009	$12,667.72	-	12,667.72	2,180,000		
88	5/1/2009	$12,667.72	-	12,667.72	2,180,000		
89	6/1/2009	$12,667.72	-	12,667.72	2,180,000		
90	7/1/2009	$12,667.72	-	12,667.72	2,180,000		
91	8/1/2009	$12,667.72	-	12,667.72	2,180,000		
92	9/1/2009	$12,667.72	-	12,667.72	2,180,000		
93	10/1/2009	$12,667.72	-	12,667.72	2,180,000		
94	11/1/2009	$12,667.72	-	12,667.72	2,180,000		
95	12/1/2009	$12,667.72	-	12,667.72	2,180,000		
96	1/1/2010	$12,667.72	-	12,667.72	2,180,000		
97	2/1/2010	$12,667.72	-	12,667.72	2,180,000		
98	3/1/2010	$12,667.72	-	12,667.72	2,180,000		
99	4/1/2010	$12,667.72	-	12,667.72	2,180,000		
100	5/1/2010	$12,667.72	-	12,667.72	2,180,000		
101	6/1/2010	$12,667.72	-	12,667.72	2,180,000		
102	7/1/2010	$12,667.72	-	12,667.72	2,180,000		
103	8/1/2010	$12,667.72	-	12,667.72	2,180,000		

104	9/1/2010	$12,667.72	-	12,667.72	2,180,000	
105	10/1/2010	$12,667.72	-	12,667.72	2,180,000	
106	11/1/2010	$12,667.72	-	12,667.72	2,180,000	
107	12/1/2010	$12,667.72	-	12,667.72	2,180,000	
108	1/1/2011	$12,667.72	-	12,667.72	2,180,000	
109	2/1/2011	$12,667.72	-	12,667.72	2,180,000	
110	3/1/2011	$12,667.72	-	12,667.72	2,180,000	
111	4/1/2011	$12,667.72	-	12,667.72	2,180,000	
112	5/1/2011	$12,667.72	-	12,667.72	2,180,000	
113	6/1/2011	$12,667.72	-	12,667.72	2,180,000	
114	7/1/2011	$12,667.72	-	12,667.72	2,180,000	
115	8/1/2011	$12,667.72	-	12,667.72	2,180,000	
116	9/1/2011	$12,667.72	-	12,667.72	2,180,000	
117	10/1/2011	$12,667.72	-	12,667.72	2,180,000	
118	11/1/2011	$12,667.72	-	12,667.72	2,180,000	
119	12/1/2011	$12,667.72	-	12,667.72	2,180,000	
120	1/1/2012	$12,667.72	-	12,667.72	2,180,000	
121	2/1/2012	$12,667.72	-	12,667.72	2,180,000	
122	3/1/2012	$12,667.72	-	12,667.72	2,180,000	
123	4/1/2012	$12,667.72	-	12,667.72	2,180,000	
124	5/1/2012	$12,667.72	-	12,667.72	2,180,000	
125	6/1/2012	$12,667.72	-	12,667.72	2,180,000	
126	7/1/2012	$12,667.72	-	12,667.72	2,180,000	
127	8/1/2012	$12,667.72	-	12,667.72	2,180,000	
128	9/1/2012	$12,667.72	-	12,667.72	2,180,000	
129	10/1/2012	$12,667.72	-	12,667.72	2,180,000	
130	11/1/2012	$12,667.72	-	12,667.72	2,180,000	
131	12/1/2012	$12,667.72	-	12,667.72	2,180,000	
132	1/1/2013	$12,667.72	-		2,180,000	

				12,667.72			
133	2/1/2013	$12,667.72	-	12,667.72	2,180,000		
134	3/1/2013	$12,667.72	-	12,667.72	2,180,000		
135	4/1/2013	$12,667.72	-	12,667.72	2,180,000		
136	5/1/2013	$12,667.72	-	12,667.72	2,180,000		
137	6/1/2013	$12,667.72	-	12,667.72	2,180,000		
138	7/1/2013	$12,667.72	-	12,667.72	2,180,000		
139	8/1/2013	$12,667.72	-	12,667.72	2,180,000		
140	9/1/2013	$12,667.72	-	12,667.72	2,180,000		
141	10/1/2013	$12,667.72	-	12,667.72	2,180,000		
142	11/1/2013	$12,667.72	-	12,667.72	2,180,000		
143	12/1/2013	$12,667.72	-	12,667.72	2,180,000		
144	1/1/2014	$12,667.72	-	12,667.72	2,180,000		
145	2/1/2014	$12,667.72	-	12,667.72	2,180,000		
146	3/1/2014	$12,667.72	-	12,667.72	2,180,000		
147	4/1/2014	$12,667.72	-	12,667.72	2,180,000		
148	5/1/2014	$12,667.72	-	12,667.72	2,180,000		
149	6/1/2014	$12,667.72	-	12,667.72	2,180,000		
150	7/1/2014	$12,667.72	-	12,667.72	2,180,000		
151	8/1/2014	$12,667.72	-	12,667.72	2,180,000		
152	9/1/2014	$12,667.72	-	12,667.72	2,180,000		
153	10/1/2014	$12,667.72	-	12,667.72	2,180,000		
154	11/1/2014	$12,667.72	-	12,667.72	2,180,000		
155	12/1/2014	$12,667.72	-	12,667.72	2,180,000		
156	1/1/2015	$12,667.72	-	12,667.72	2,180,000		
157	2/1/2015	$12,667.72	-	12,667.72	2,180,000		
158	3/1/2015	$12,667.72	-	12,667.72	2,180,000		
159	4/1/2015	$12,667.72	-	12,667.72	2,180,000		
160	5/1/2015	$12,667.72	-	12,667.72	2,180,000		

161	6/1/2015	$12,667.72	-	12,667.72	2,180,000	
162	7/1/2015	$12,667.72	-	12,667.72	2,180,000	
163	8/1/2015	$12,667.72	-	12,667.72	2,180,000	
164	9/1/2015	$12,667.72	-	12,667.72	2,180,000	
165	10/1/2015	$12,667.72	-	12,667.72	2,180,000	
166	11/1/2015	$12,667.72	-	12,667.72	2,180,000	
167	12/1/2015	$12,667.72	-	12,667.72	2,180,000	
168	1/1/2016	$12,667.72	-	12,667.72	2,180,000	
169	2/1/2016	$12,667.72	-	12,667.72	2,180,000	
170	3/1/2016	$12,667.72	-	12,667.72	2,180,000	
171	4/1/2016	$12,667.72	-	12,667.72	2,180,000	
172	5/1/2016	$12,667.72	-	12,667.72	2,180,000	
173	6/1/2016	$12,667.72	-	12,667.72	2,180,000	
174	7/1/2016	$12,667.72	-	12,667.72	2,180,000	
175	8/1/2016	$12,667.72	-	12,667.72	2,180,000	
176	9/1/2016	$12,667.72	-	12,667.72	2,180,000	
177	10/1/2016	$12,667.72	-	12,667.72	2,180,000	
178	11/1/2016	$12,667.72	-	12,667.72	2,180,000	
179	12/1/2016	$12,667.72	-	12,667.72	2,180,000	
180	1/1/2017	$12,667.72	-	12,667.72	2,180,000	
181	2/1/2017	$12,667.72	-	12,667.72	2,180,000	
182	3/1/2017	$12,667.72	-	12,667.72	2,180,000	
183	4/1/2017	$12,667.72	-	12,667.72	2,180,000	
184	5/1/2017	$12,667.72	-	12,667.72	2,180,000	
185	6/1/2017	$12,667.72	-	12,667.72	2,180,000	
186	7/1/2017	$12,667.72	-	12,667.72	2,180,000	
187	8/1/2017	$12,667.72	-	12,667.72	2,180,000	
188	9/1/2017	$12,667.72	-	12,667.72	2,180,000	
189	10/1/2017	$12,667.72	-		2,180,000	

				12,667.72			
190	11/1/2017	$12,667.72	-	12,667.72	2,180,000		
191	12/1/2017	$12,667.72	-	12,667.72	2,180,000		
192	1/1/2018	$12,667.72	-	12,667.72	2,180,000		
193	2/1/2018	$12,667.72	-	12,667.72	2,180,000		
194	3/1/2018	$12,667.72	-	12,667.72	2,180,000		
195	4/1/2018	$12,667.72	-	12,667.72	2,180,000		
196	5/1/2018	$12,667.72	-	12,667.72	2,180,000		
197	6/1/2018	$12,667.72	-	12,667.72	2,180,000		
198	7/1/2018	$12,667.72	-	12,667.72	2,180,000		
199	8/1/2018	$12,667.72	-	12,667.72	2,180,000		
200	9/1/2018	$12,667.72	-	12,667.72	2,180,000		
201	10/1/2018	$12,667.72	-	12,667.72	2,180,000		
202	11/1/2018	$12,667.72	-	12,667.72	2,180,000		
203	12/1/2018	$12,667.72	-	12,667.72	2,180,000		
204	1/1/2019	$12,667.72	-	12,667.72	2,180,000		
205	2/1/2019	$12,667.72	-	12,667.72	2,180,000		
206	3/1/2019	$12,667.72	-	12,667.72	2,180,000		
207	4/1/2019	$12,667.72	-	12,667.72	2,180,000		
208	5/1/2019	$12,667.72	-	12,667.72	2,180,000		
209	6/1/2019	$12,667.72	-	12,667.72	2,180,000		
210	7/1/2019	$12,667.72	-	12,667.72	2,180,000		
211	8/1/2019	$12,667.72	-	12,667.72	2,180,000		
212	9/1/2019	$12,667.72	-	12,667.72	2,180,000		
213	10/1/2019	$12,667.72	-	12,667.72	2,180,000		
214	11/1/2019	$12,667.72	-	12,667.72	2,180,000		
215	12/1/2019	$12,667.72	-	12,667.72	2,180,000		
216	1/1/2020	$12,667.72	-	12,667.72	2,180,000		
217	2/1/2020	$12,667.72	-	12,667.72	2,180,000		

218	3/1/2020	$12,667.72	-	12,667.72	2,180,000	
219	4/1/2020	$12,667.72	-	12,667.72	2,180,000	
220	5/1/2020	$12,667.72	-	12,667.72	2,180,000	
221	6/1/2020	$12,667.72	-	12,667.72	2,180,000	
222	7/1/2020	$12,667.72	-	12,667.72	2,180,000	
223	8/1/2020	$12,667.72	-	12,667.72	2,180,000	
224	9/1/2020	$12,667.72	-	12,667.72	2,180,000	
225	10/1/2020	$12,667.72	-	12,667.72	2,180,000	
226	11/1/2020	$12,667.72	-	12,667.72	2,180,000	
227	12/1/2020	$12,667.72	-	12,667.72	2,180,000	
228	1/1/2021	$12,667.72	-	12,667.72	2,180,000	
229	2/1/2021	$12,667.72	-	12,667.72	2,180,000	
230	3/1/2021	$12,667.72	-	12,667.72	2,180,000	
231	4/1/2021	$12,667.72	-	12,667.72	2,180,000	
232	5/1/2021	$12,667.72	-	12,667.72	2,180,000	
233	6/1/2021	$12,667.72	-	12,667.72	2,180,000	
234	7/1/2021	$12,667.72	-	12,667.72	2,180,000	
235	8/1/2021	$12,667.72	-	12,667.72	2,180,000	
236	9/1/2021	$12,667.72	-	12,667.72	2,180,000	
237	10/1/2021	$12,667.72	-	12,667.72	2,180,000	
238	11/1/2021	$12,667.72	-	12,667.72	2,180,000	
239	12/1/2021	$12,667.72	-	12,667.72	2,180,000	
240	1/1/2022	$12,667.72	-	12,667.72	2,180,000	
241	2/1/2022	$12,667.72	-	12,667.72	2,180,000	
242	3/1/2022	$12,667.72	-	12,667.72	2,180,000	
243	4/1/2022	$12,667.72	-	12,667.72	2,180,000	
244	5/1/2022	$12,667.72	-	12,667.72	2,180,000	
245	6/1/2022	$12,667.72	-	12,667.72	2,180,000	
246	7/1/2022	$12,667.72	-		2,180,000	

				12,667.72			
247	8/1/2022	$12,667.72	-	12,667.72	2,180,000		
248	9/1/2022	$12,667.72	-	12,667.72	2,180,000		
249	10/1/2022	$12,667.72	-	12,667.72	2,180,000		
250	11/1/2022	$12,667.72	-	12,667.72	2,180,000		
251	12/1/2022	$12,667.72	-	12,667.72	2,180,000		
252	1/1/2023	$12,667.72	-	12,667.72	2,180,000		
253	2/1/2023	$12,667.72	-	12,667.72	2,180,000		
254	3/1/2023	$12,667.72	-	12,667.72	2,180,000		
255	4/1/2023	$12,667.72	-	12,667.72	2,180,000		
256	5/1/2023	$12,667.72	-	12,667.72	2,180,000		
257	6/1/2023	$12,667.72	-	12,667.72	2,180,000		
258	7/1/2023	$12,667.72	-	12,667.72	2,180,000		
259	8/1/2023	$12,667.72	-	12,667.72	2,180,000		
260	9/1/2023	$12,667.72	-	12,667.72	2,180,000		
261	10/1/2023	$12,667.72	-	12,667.72	2,180,000		
262	11/1/2023	$12,667.72	-	12,667.72	2,180,000		
263	12/1/2023	$12,667.72	-	12,667.72	2,180,000		
264	1/1/2024	$12,667.72	-	12,667.72	2,180,000		
265	2/1/2024	$12,667.72	-	12,667.72	2,180,000		
266	3/1/2024	$12,667.72	-	12,667.72	2,180,000		
267	4/1/2024	$12,667.72	-	12,667.72	2,180,000		
268	5/1/2024	$12,667.72	-	12,667.72	2,180,000		
269	6/1/2024	$12,667.72	-	12,667.72	2,180,000		
270	7/1/2024	$12,667.72	-	12,667.72	2,180,000		
271	8/1/2024	$12,667.72	-	12,667.72	2,180,000		
272	9/1/2024	$12,667.72	-	12,667.72	2,180,000		
273	10/1/2024	$12,667.72	-	12,667.72	2,180,000		
274	11/1/2024	$12,667.72	-	12,667.72	2,180,000		

275	12/1/2024	$12,667.72	-	12,667.72	2,180,000	
276	1/1/2025	$12,667.72	-	12,667.72	2,180,000	
277	2/1/2025	$12,667.72	-	12,667.72	2,180,000	
278	3/1/2025	$12,667.72	-	12,667.72	2,180,000	
279	4/1/2025	$12,667.72	-	12,667.72	2,180,000	
280	5/1/2025	$12,667.72	-	12,667.72	2,180,000	
281	6/1/2025	$12,667.72	-	12,667.72	2,180,000	
282	7/1/2025	$12,667.72	-	12,667.72	2,180,000	
283	8/1/2025	$12,667.72	-	12,667.72	2,180,000	
284	9/1/2025	$12,667.72	-	12,667.72	2,180,000	
285	10/1/2025	$12,667.72	-	12,667.72	2,180,000	
286	11/1/2025	$12,667.72	-	12,667.72	2,180,000	
287	12/1/2025	$12,667.72	-	12,667.72	2,180,000	
288	1/1/2026	$12,667.72	-	12,667.72	2,180,000	
289	2/1/2026	$12,667.72	-	12,667.72	2,180,000	
290	3/1/2026	$12,667.72	-	12,667.72	2,180,000	
291	4/1/2026	$12,667.72	-	12,667.72	2,180,000	
292	5/1/2026	$12,667.72	-	12,667.72	2,180,000	
293	6/1/2026	$12,667.72	-	12,667.72	2,180,000	
294	7/1/2026	$12,667.72	-	12,667.72	2,180,000	
295	8/1/2026	$12,667.72	-	12,667.72	2,180,000	
296	9/1/2026	$12,667.72	-	12,667.72	2,180,000	
297	10/1/2026	$12,667.72	-	12,667.72	2,180,000	
298	11/1/2026	$12,667.72	-	12,667.72	2,180,000	
299	12/1/2026	$12,667.72	-	12,667.72	2,180,000	
300	1/1/2027	$12,667.72	-	12,667.72	2,180,000	
301	2/1/2027	$12,667.72	-	12,667.72	2,180,000	
302	3/1/2027	$12,667.72	-	12,667.72	2,180,000	
303	4/1/2027	$12,667.72	-		2,180,000	

				12,667.72			
304	5/1/2027	$12,667.72	-	12,667.72	2,180,000		
305	6/1/2027	$12,667.72	-	12,667.72	2,180,000		
306	7/1/2027	$12,667.72	-	12,667.72	2,180,000		
307	8/1/2027	$12,667.72	-	12,667.72	2,180,000		
308	9/1/2027	$12,667.72	-	12,667.72	2,180,000		
309	10/1/2027	$12,667.72	-	12,667.72	2,180,000		
310	11/1/2027	$12,667.72	-	12,667.72	2,180,000		
311	12/1/2027	$12,667.72	-	12,667.72	2,180,000		
312	1/1/2028	$12,667.72	-	12,667.72	2,180,000		
313	2/1/2028	$12,667.72	-	12,667.72	2,180,000		
314	3/1/2028	$12,667.72	-	12,667.72	2,180,000		
315	4/1/2028	$12,667.72	-	12,667.72	2,180,000		
316	5/1/2028	$12,667.72	-	12,667.72	2,180,000		
317	6/1/2028	$12,667.72	-	12,667.72	2,180,000		
318	7/1/2028	$12,667.72	-	12,667.72	2,180,000		
319	8/1/2028	$12,667.72	-	12,667.72	2,180,000		
320	9/1/2028	$12,667.72	-	12,667.72	2,180,000		
321	10/1/2028	$12,667.72	-	12,667.72	2,180,000		
322	11/1/2028	$12,667.72	-	12,667.72	2,180,000		
323	12/1/2028	$12,667.72	-	12,667.72	2,180,000		
324	1/1/2029	$12,667.72	-	12,667.72	2,180,000		
325	2/1/2029	$12,667.72	-	12,667.72	2,180,000		
326	3/1/2029	$12,667.72	-	12,667.72	2,180,000		
327	4/1/2029	$12,667.72	-	12,667.72	2,180,000		
328	5/1/2029	$12,667.72	-	12,667.72	2,180,000		
329	6/1/2029	$12,667.72	-	12,667.72	2,180,000		
330	7/1/2029	$12,667.72	-	12,667.72	2,180,000		
331	8/1/2029	$12,667.72	-	12,667.72	2,180,000		

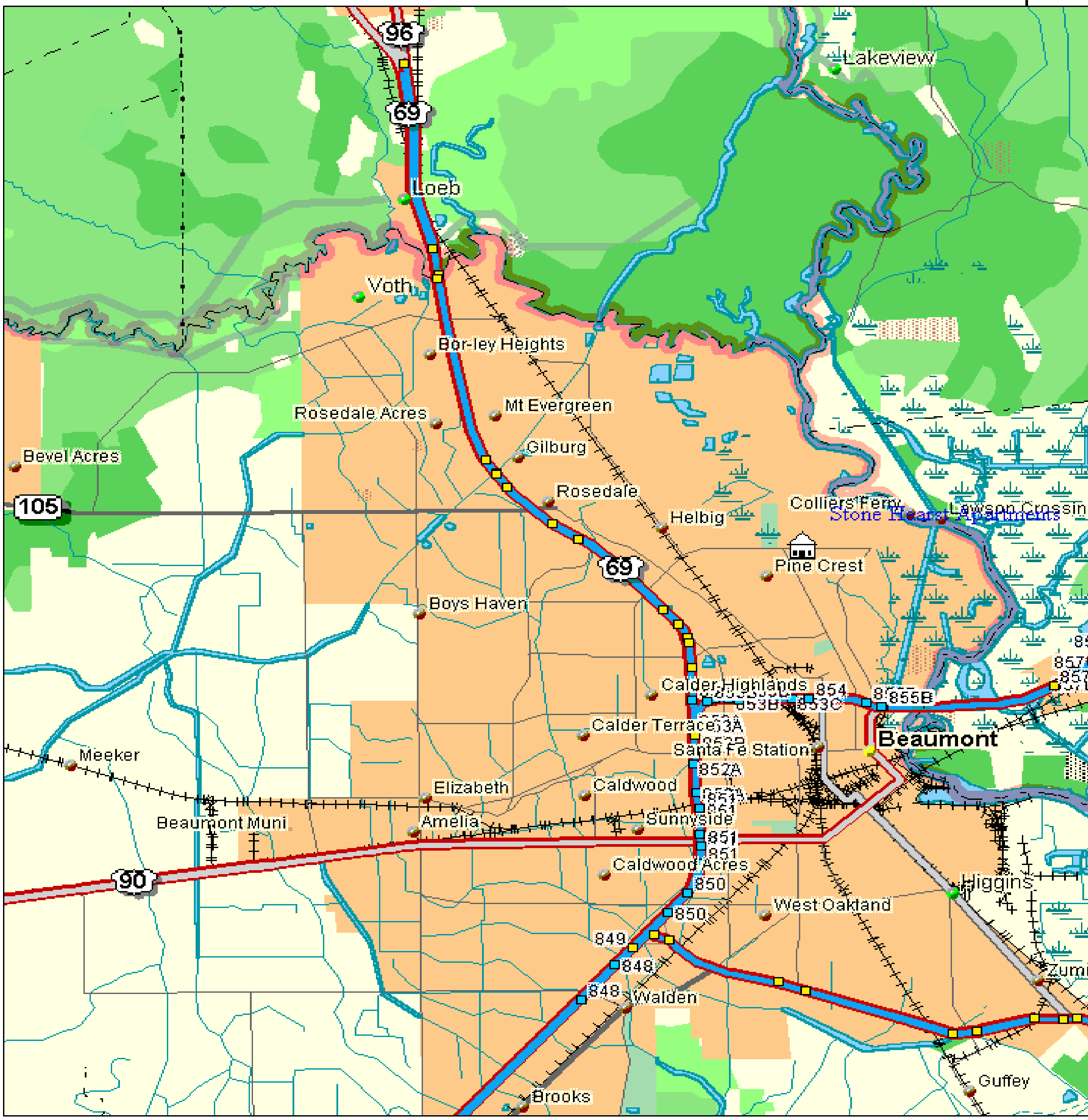
332	9/1/2029	$12,667.72	-	12,667.72	2,180,000	
333	10/1/2029	$12,667.72	-	12,667.72	2,180,000	
334	11/1/2029	$12,667.72	-	12,667.72	2,180,000	
335	12/1/2029	$12,667.72	-	12,667.72	2,180,000	
336	1/1/2030	$12,667.72	-	12,667.72	2,180,000	
337	2/1/2030	$12,667.72	-	12,667.72	2,180,000	
338	3/1/2030	$12,667.72	-	12,667.72	2,180,000	
339	4/1/2030	$12,667.72	-	12,667.72	2,180,000	
340	5/1/2030	$12,667.72	-	12,667.72	2,180,000	
341	6/1/2030	$12,667.72	-	12,667.72	2,180,000	
342	7/1/2030	$12,667.72	-	12,667.72	2,180,000	
343	8/1/2030	$12,667.72	-	12,667.72	2,180,000	
344	9/1/2030	$12,667.72	-	12,667.72	2,180,000	
345	10/1/2030	$12,667.72	-	12,667.72	2,180,000	
346	11/1/2030	$12,667.72	-	12,667.72	2,180,000	
347	12/1/2030	$12,667.72	-	12,667.72	2,180,000	
348	1/1/2031	$12,667.72	-	12,667.72	2,180,000	
349	2/1/2031	$12,667.72	-	12,667.72	2,180,000	
350	3/1/2031	$12,667.72	-	12,667.72	2,180,000	
351	4/1/2031	$12,667.72	-	12,667.72	2,180,000	
352	5/1/2031	$12,667.72	-	12,667.72	2,180,000	
353	6/1/2031	$12,667.72	-	12,667.72	2,180,000	
354	7/1/2031	$12,667.72	-	12,667.72	2,180,000	
355	8/1/2031	$12,667.72	-	12,667.72	2,180,000	
356	9/1/2031	$12,667.72	-	12,667.72	2,180,000	
357	10/1/2031	$12,667.72	-	12,667.72	2,180,000	
358	11/1/2031	$12,667.72	-	12,667.72	2,180,000	
359	12/1/2031	$12,667.72	-	12,667.72	2,180,000	
360	1/1/2032	$12,667.72	-		2,180,000	

				12,667.72			
361	2/1/2032	$12,667.72	-	12,667.72	2,180,000		
362	3/1/2032	$12,667.72	-	12,667.72	2,180,000		
363	4/1/2032	$12,667.72	-	12,667.72	2,180,000		
364	5/1/2032	$12,667.72	-	12,667.72	2,180,000		
365	6/1/2032	$12,667.72	-	12,667.72	2,180,000		
366	7/1/2032	$12,667.72	-	12,667.72	2,180,000		
367	8/1/2032	$12,667.72	-	12,667.72	2,180,000		
368	9/1/2032	$12,667.72	-	12,667.72	2,180,000		
369	10/1/2032	$12,667.72	-	12,667.72	2,180,000		
370	11/1/2032	$12,667.72	-	12,667.72	2,180,000		
371	12/1/2032	$12,667.72	-	12,667.72	2,180,000		
372	1/1/2033	$12,667.72	-	12,667.72	2,180,000		
373	2/1/2033	$12,667.72	-	12,667.72	2,180,000		
374	3/1/2033	$12,667.72	-	12,667.72	2,180,000		
375	4/1/2033	$12,667.72	-	12,667.72	2,180,000		
376	5/1/2033	$12,667.72	-	12,667.72	2,180,000		
377	6/1/2033	$12,667.72	-	12,667.72	2,180,000		
378	7/1/2033	$12,667.72	-	12,667.72	2,180,000		
379	8/1/2033	$12,667.72	-	12,667.72	2,180,000		
380	9/1/2033	$12,667.72	-	12,667.72	2,180,000		
381	10/1/2033	$12,667.72	-	12,667.72	2,180,000		
382	11/1/2033	$12,667.72	-	12,667.72	2,180,000		
383	12/1/2033	$12,667.72	-	$12,667.72	2,180,000		
384	1/1/2034	$12,667.72	-	$12,667.72	2,180,000		
385	2/1/2034	$12,667.72	-	$12,667.72	2,180,000		
386	3/1/2034	$12,667.72	-	$12,667.72	2,180,000		
387	4/1/2034	$12,667.72	-	$12,667.72	2,180,000		
388	5/1/2034	$12,667.72	-	$12,667.72	2,180,000		
389	6/1/2034	$12,667.72	-	$12,667.72	2,180,000		
390	7/1/2034	$12,667.72	-	$12,667.72	2,180,000		
391	8/1/2034	$52,357.74	18,166.67	$70,524.41	2,161,833		
392	9/1/2034	$52,357.74	18,166.67	$70,524.41	2,143,667		

393	10/1/2034	$52,357.74	18,166.67	$70,524.41	2,125,500	
394	11/1/2034	$52,357.74	18,166.67	$70,524.41	2,107,333	
395	12/1/2034	$52,357.74	18,166.67	$70,524.41	2,089,167	
396	1/1/2035	$52,357.74	18,166.67	$70,524.41	2,071,000	
397	2/1/2035	$52,357.74	18,166.67	$70,524.41	2,052,833	
398	3/1/2035	$52,357.74	18,166.67	$70,524.41	2,034,667	
399	4/1/2035	$52,357.74	18,166.67	$70,524.41	2,016,500	
400	5/1/2035	$52,357.74	18,166.67	$70,524.41	1,998,333	
401	6/1/2035	$52,357.74	18,166.67	$70,524.41	1,980,167	
402	7/1/2035	$52,357.74	18,166.67	$70,524.41	1,962,000	
403	8/1/2035	$52,357.74	18,166.67	$70,524.41	1,943,833	
404	9/1/2035	$52,357.74	18,166.67	$70,524.41	1,925,667	
405	10/1/2035	$52,357.74	18,166.67	$70,524.41	1,907,500	
406	11/1/2035	$52,357.74	18,166.67	$70,524.41	1,889,333	
407	12/1/2035	$52,357.74	18,166.67	$70,524.41	1,871,167	
408	1/1/2036	$52,357.74	18,166.67	$70,524.41	1,853,000	
409	2/1/2036	$52,357.74	18,166.67	$70,524.41	1,834,833	
410	3/1/2036	$52,357.74	18,166.67	$70,524.41	1,816,667	
411	4/1/2036	$52,357.74	18,166.67	$70,524.41	1,798,500	
412	5/1/2036	$52,357.74	18,166.67	$70,524.41	1,780,333	
413	6/1/2036	$52,357.74	18,166.67	$70,524.41	1,762,167	
414	7/1/2036	$52,357.74	18,166.67	$70,524.41	1,744,000	
415	8/1/2036	$52,357.74	18,166.67	$70,524.41	1,725,833	
416	9/1/2036	$52,357.74	18,166.67	$70,524.41	1,707,667	
417	10/1/2036	$52,357.74	18,166.67	$70,524.41	1,689,500	
418	11/1/2036	$52,357.74	18,166.67	$70,524.41	1,671,333	
419	12/1/2036	$52,357.74	18,166.67	$70,524.41	1,653,167	
420	1/1/2037	$52,357.74	18,166.67	$70,524.41	1,635,000	
421	2/1/2037	$52,357.74	18,166.67	$70,524.41	1,616,833	
422	3/1/2037	$52,357.74	18,166.67	$70,524.41	1,598,667	
423	4/1/2037	$52,357.74	18,166.67	$70,524.41	1,580,500	
424	5/1/2037	$52,357.74	18,166.67	$70,524.41	1,562,333	
425	6/1/2037	$52,357.74	18,166.67	$70,524.41	1,544,167	
426	7/1/2037	$52,357.74	18,166.67	$70,524.41	1,526,000	
427	8/1/2037	$52,357.74	18,166.67	$70,524.41	1,507,833	
428	9/1/2037	$52,357.74	18,166.67	$70,524.41	1,489,667	
429	10/1/2037	$52,357.74	18,166.67	$70,524.41	1,471,500	
430	11/1/2037	$52,357.74	18,166.67	$70,524.41	1,453,333	
431	12/1/2037	$52,357.74	18,166.67	$70,524.41	1,435,167	
432	1/1/2038	$52,357.74	18,166.67	$70,524.41	1,417,000	
433	2/1/2038	$52,357.74	18,166.67	$70,524.41	1,398,833	
434	3/1/2038	$52,357.74	18,166.67	$70,524.41	1,380,667	
435	4/1/2038	$52,357.74	18,166.67	$70,524.41	1,362,500	
436	5/1/2038	$52,357.74	18,166.67	$70,524.41	1,344,333	
437	6/1/2038	$52,357.74	18,166.67	$70,524.41	1,326,167	
438	7/1/2038	$52,357.74	18,166.67	$70,524.41	1,308,000	
439	8/1/2038	$52,357.74	18,166.67	$70,524.41	1,289,833	
440	9/1/2038	$52,357.74	18,166.67	$70,524.41	1,271,667	
441	10/1/2038	$52,357.74	18,166.67	$70,524.41	1,253,500	
442	11/1/2038	$52,357.74	18,166.67	$70,524.41	1,235,333	

443	12/1/2038	$52,357.74	18,166.67	$70,524.41	1,217,167	
444	1/1/2039	$52,357.74	18,166.67	$70,524.41	1,199,000	
445	2/1/2039	$52,357.74	18,166.67	$70,524.41	1,180,833	
446	3/1/2039	$52,357.74	18,166.67	$70,524.41	1,162,667	
447	4/1/2039	$52,357.74	18,166.67	$70,524.41	1,144,500	
448	5/1/2039	$52,357.74	18,166.67	$70,524.41	1,126,333	
449	6/1/2039	$52,357.74	18,166.67	$70,524.41	1,108,167	
450	7/1/2039	$52,357.74	18,166.67	$70,524.41	1,090,000	
451	8/1/2039	$52,357.74	18,166.67	$70,524.41	1,071,833	
452	9/1/2039	$52,357.74	18,166.67	$70,524.41	1,053,667	
453	10/1/2039	$52,357.74	18,166.67	$70,524.41	1,035,500	
454	11/1/2039	$52,357.74	18,166.67	$70,524.41	1,017,333	
455	12/1/2039	$52,357.74	18,166.67	$70,524.41	999,167	
456	1/1/2040	$52,357.74	18,166.67	$70,524.41	981,000	
457	2/1/2040	$52,357.74	18,166.67	$70,524.41	962,833	
458	3/1/2040	$52,357.74	18,166.67	$70,524.41	944,667	
459	4/1/2040	$52,357.74	18,166.67	$70,524.41	926,500	
460	5/1/2040	$52,357.74	18,166.67	$70,524.41	908,333	
461	6/1/2040	$52,357.74	18,166.67	$70,524.41	890,167	
462	7/1/2040	$52,357.74	18,166.67	$70,524.41	872,000	
463	8/1/2040	$52,357.74	18,166.67	$70,524.41	853,833	
464	9/1/2040	$52,357.74	18,166.67	$70,524.41	835,667	
465	10/1/2040	$52,357.74	18,166.67	$70,524.41	817,500	
466	11/1/2040	$52,357.74	18,166.67	$70,524.41	799,333	
467	12/1/2040	$52,357.74	18,166.67	$70,524.41	781,167	
468	1/1/2041	$52,357.74	18,166.67	$70,524.41	763,000	
469	2/1/2041	$52,357.74	18,166.67	$70,524.41	744,833	
470	3/1/2041	$52,357.74	18,166.67	$70,524.41	726,667	
471	4/1/2041	$52,357.74	18,166.67	$70,524.41	708,500	
472	5/1/2041	$52,357.74	18,166.67	$70,524.41	690,333	
473	6/1/2041	$52,357.74	18,166.67	$70,524.41	672,167	
474	7/1/2041	$52,357.74	18,166.67	$70,524.41	654,000	
475	8/1/2041	$52,357.74	18,166.67	$70,524.41	635,833	
476	9/1/2041	$52,357.74	18,166.67	$70,524.41	617,667	
477	10/1/2041	$52,357.74	18,166.67	$70,524.41	599,500	
478	11/1/2041	$52,357.74	18,166.67	$70,524.41	581,333	
479	12/1/2041	$52,357.74	18,166.67	$70,524.41	563,167	
480	1/1/2042	$52,357.74	18,166.67	$70,524.41	545,000	
481	2/1/2042	$52,357.74	18,166.67	$70,524.41	526,833	
482	3/1/2042	$52,357.74	18,166.67	$70,524.41	508,667	
483	4/1/2042	$52,357.74	18,166.67	$70,524.41	490,500	
484	5/1/2042	$52,357.74	18,166.67	$70,524.41	472,333	
485	6/1/2042	$52,357.74	18,166.67	$70,524.41	454,167	
486	7/1/2042	$52,357.74	18,166.67	$70,524.41	436,000	
487	8/1/2042	$52,357.74	18,166.67	$70,524.41	417,833	
488	9/1/2042	$52,357.74	18,166.67	$70,524.41	399,667	
489	10/1/2042	$52,357.74	18,166.67	$70,524.41	381,500	
490	11/1/2042	$52,357.74	18,166.67	$70,524.41	363,333	
491	12/1/2042	$52,357.74	18,166.67	$70,524.41	345,167	
492	1/1/2043	$52,357.74	18,166.67	$70,524.41	327,000	

493	2/1/2043	$52,357.74	18,166.67	$70,524.41	308,833		
494	3/1/2043	$52,357.74	18,166.67	$70,524.41	290,667		
495	4/1/2043	$52,357.74	18,166.67	$70,524.41	272,500		
496	5/1/2043	$52,357.74	18,166.67	$70,524.41	254,333		
497	6/1/2043	$52,357.74	18,166.67	$70,524.41	236,167		
498	7/1/2043	$52,357.74	18,166.67	$70,524.41	218,000		
499	8/1/2043	$52,357.74	18,166.67	$70,524.41	199,833		
500	9/1/2043	$52,357.74	18,166.67	$70,524.41	181,667		
501	10/1/2043	$52,357.74	18,166.67	$70,524.41	163,500		
502	11/1/2043	$52,357.74	18,166.67	$70,524.41	145,333		
503	12/1/2043	$52,357.74	18,166.67	$70,524.41	127,167		



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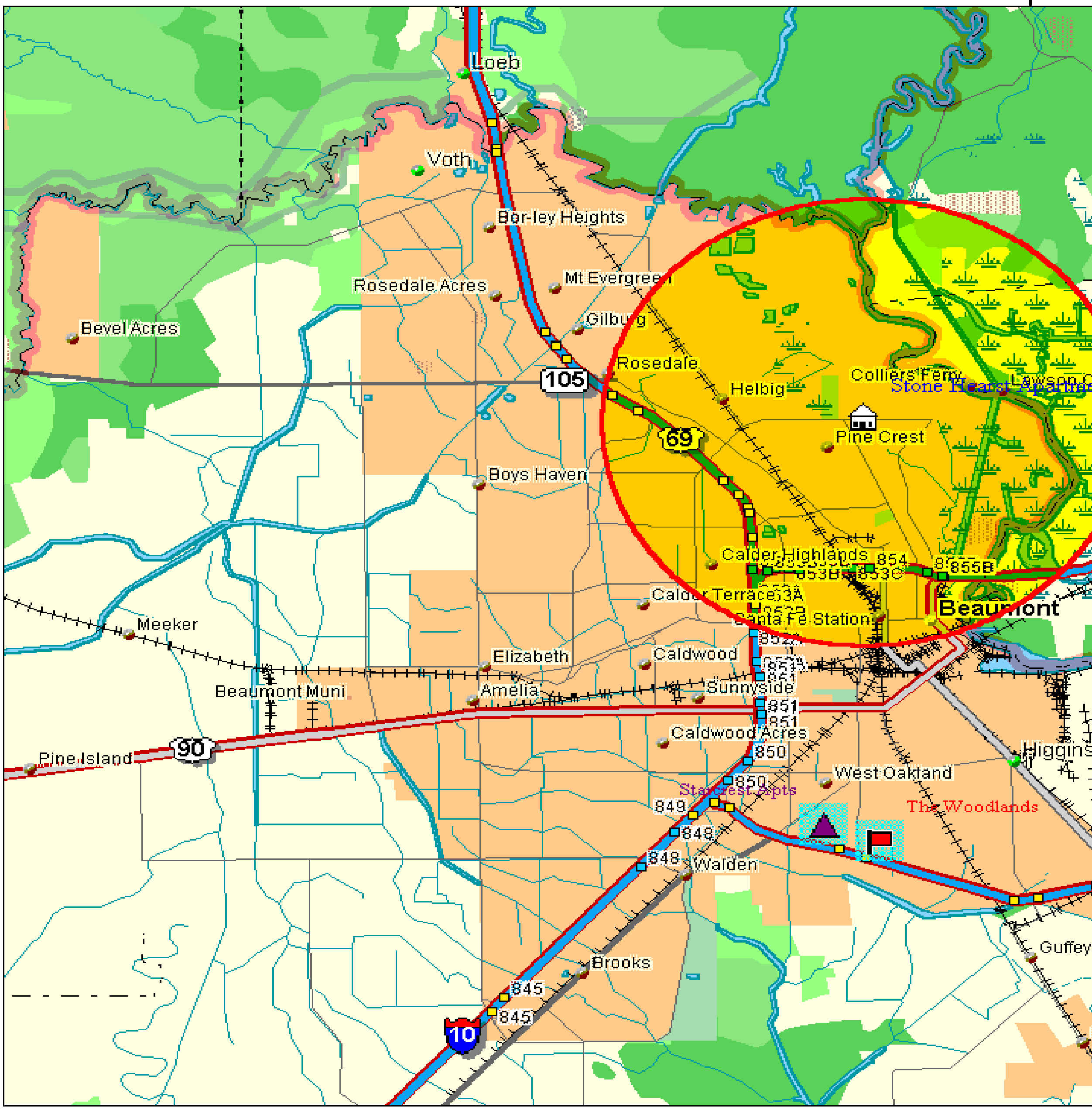

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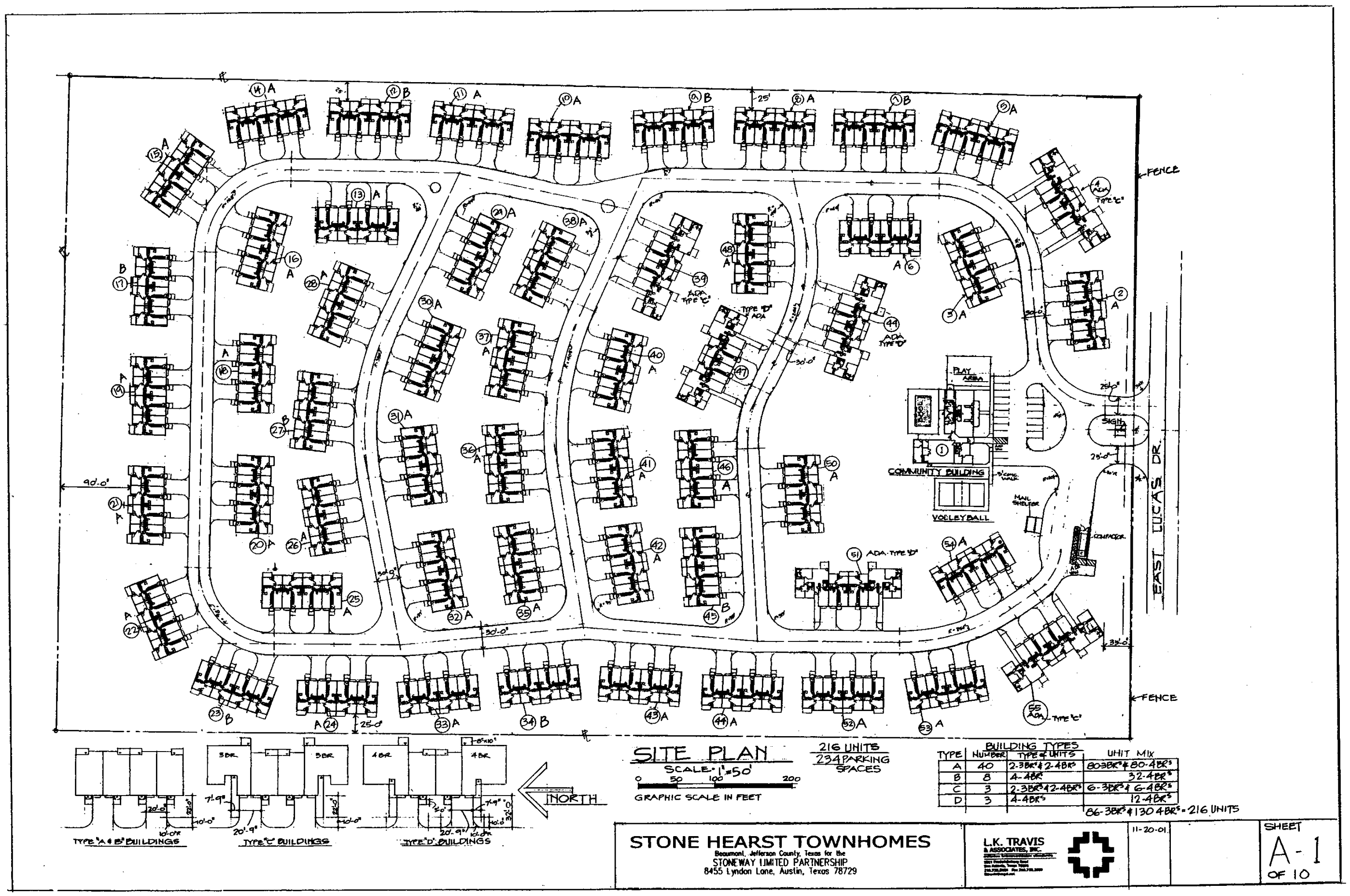
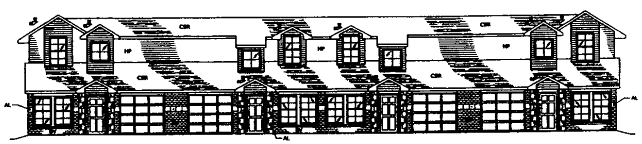
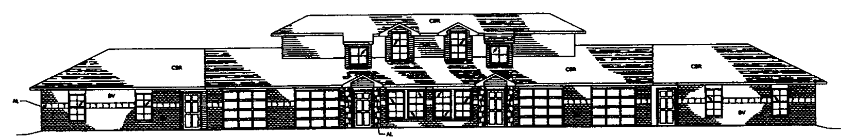

SITE PLAN
SCALE: 1"=50'
0 50 100 200
GRAPHIC SCALE IN FEET
216 UNITS
234 PARKING SPACES
BUILDING TYPES
TYPE NUMBER TYPE & UNITS
A 40 2-3BR & 2-4BR
B 8 4-4BR
C 3 2-3BR & 2-4BR
D 3 4-4BR
UNIT MIX
80 3BR & 80 4BR
32 4BR
6 3BR & 6 4BR
12 4BR
86 3BR & 130 4BR = 216 UNITS
STONE HEARST TOWNHOMES
Beaumont, Jefferson County, Texas for the
STONEWAY LIMITED PARTNERSHIP
8455 Lyndon Lane, Austin, Texas 78729
L.K. TRAVIS & ASSOCIATES, INC.
11-20-01
SHEET
A-1
OF 10
NORTH
EAST LUCAS DR.
FENCE
COMMUNITY BUILDING
VOLLEYBALL
PLAY AREA
SIGN
ADA TYPE "D"
TYPE "A & B" BUILDINGS
TYPE "C" BUILDINGS
TYPE "D" BUILDINGS



(1) BUILDING TYPE "A" FRONT ELEVATION

(2) BUILDING TYPE "B" FRONT ELEVATION

(3) BUILDING TYPE "C" FRONT ELEVATION



(4) BUILDING TYPE "D" FRONT ELEVATION

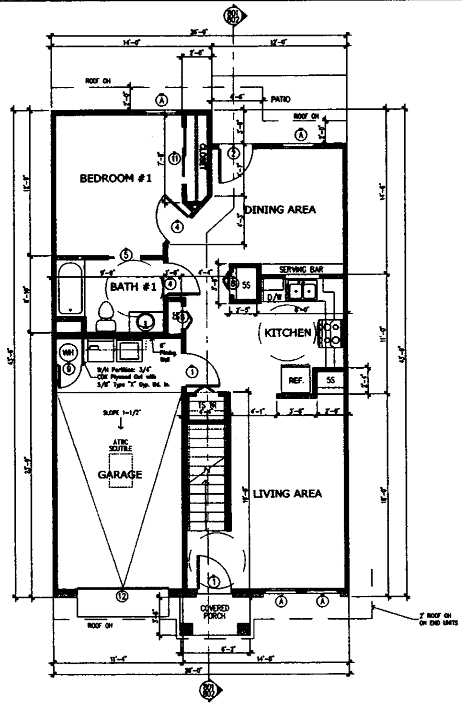
CSR = COMPOSITION SHINGLE ROOF
BV = BRICK VENEER
HP = HARDI-PLANK
AL = AUSTIN LIMESTONE

L.K. TRAVIS
& ASSOCIATES, INC.
architecture landscape architecture urban planning
1511 Fredericksburg Road
San Antonio, Texas 78201
210.732.2828 Fax 210.732.2839
lktravis@mgd.com

STONE HEARST TOWNHOMES
27 Acres – East Lucas Drive
Beaumont, Jefferson County, Texas
STONE WAY LIMITED PARTNERSHIP

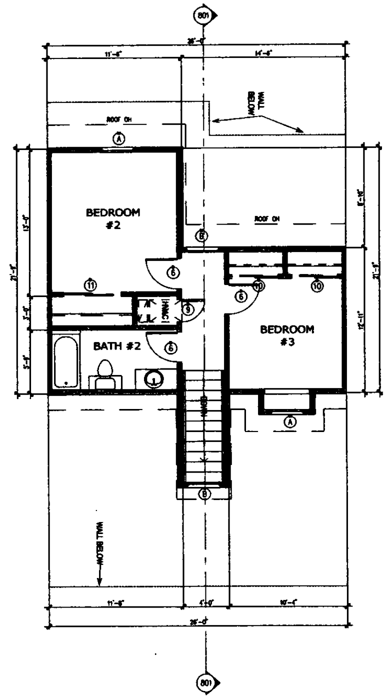
Job No: 200120
Issue Date:
Drawn By: LTA
File Name: Stone A-7
Revisions:

SHEET
A-7
of 10



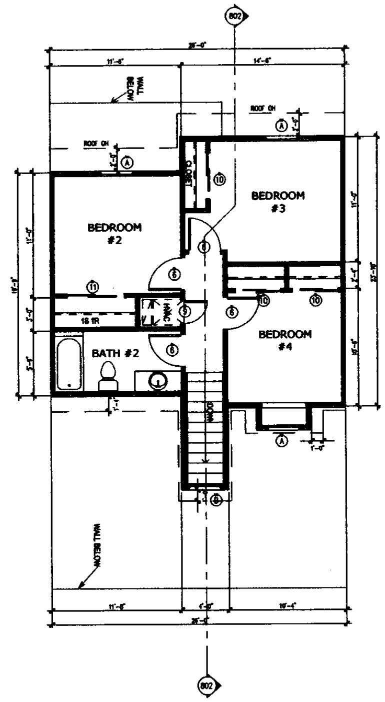
1 FIRST FLOOR - 3 & 4 BEDROOM UNITS

SCALE: 1/4" = 1'-0"



2 SECOND FLOOR - 3 BEDROOM UNITS

SCALE: 1/4" = 1'-0"



3 SECOND FLOOR - 4 BEDROOM UNITS

SCALE: 1/4" = 1'-0"

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STONE HEARST TOWNHOMES
27 Acres – East Lucas Drive
Beaumont, Jefferson County, Texas
STONE WAY LIMITED PARTNERSHIP

Job No: 200120
Issue Date: 12/17/2001
Drawn By: LTA
File Name: Stone A-3
Revisions:

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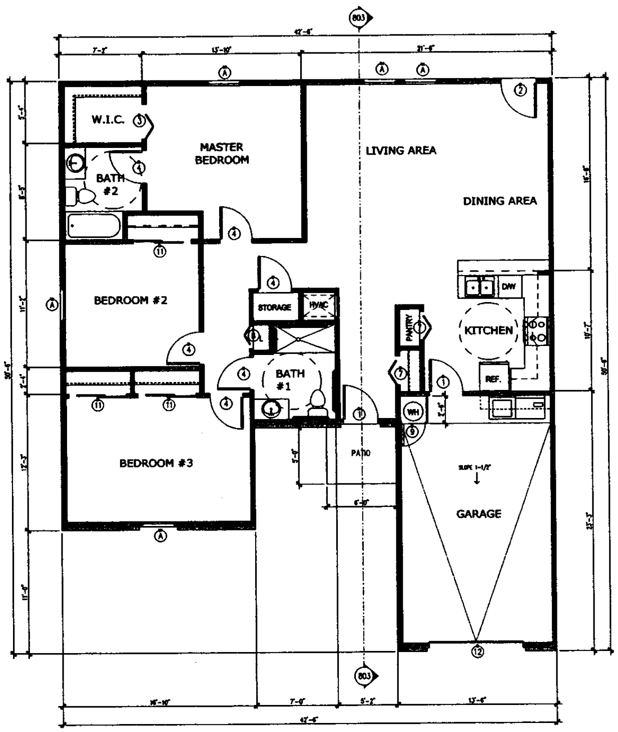
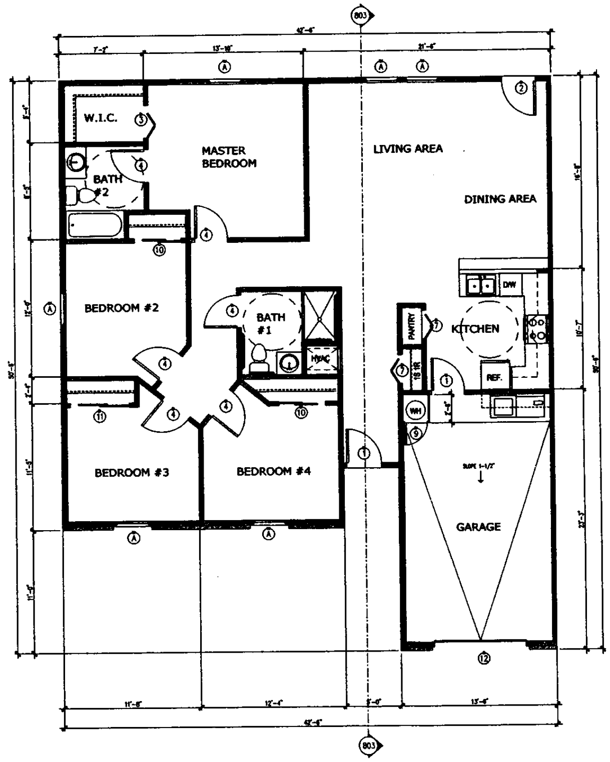
A-3
of 10



1 FLOOR PLAN - 3 BEDROOM ACCESSIBLE UNIT

SCALE: 1/4" = 1'-0"



2 FLOOR PLAN - 4 BEDROOM ACCESSIBLE UNIT

SCALE: 1/4" = 1'-0"

DOOR SCHEDULE

WINDOW SCHEDULE

FINISH SCHEDULE

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STONE HEARST TOWNHOMES
27 Acres – East Lucas Drive
Beaumont, Jefferson County, Texas
STONE WAY LIMITED PARTNERSHIP

Job No: 200120
Issue Date: 12/17/2001
Drawn By: LTA
File Name: Stone A-2
Revisions:

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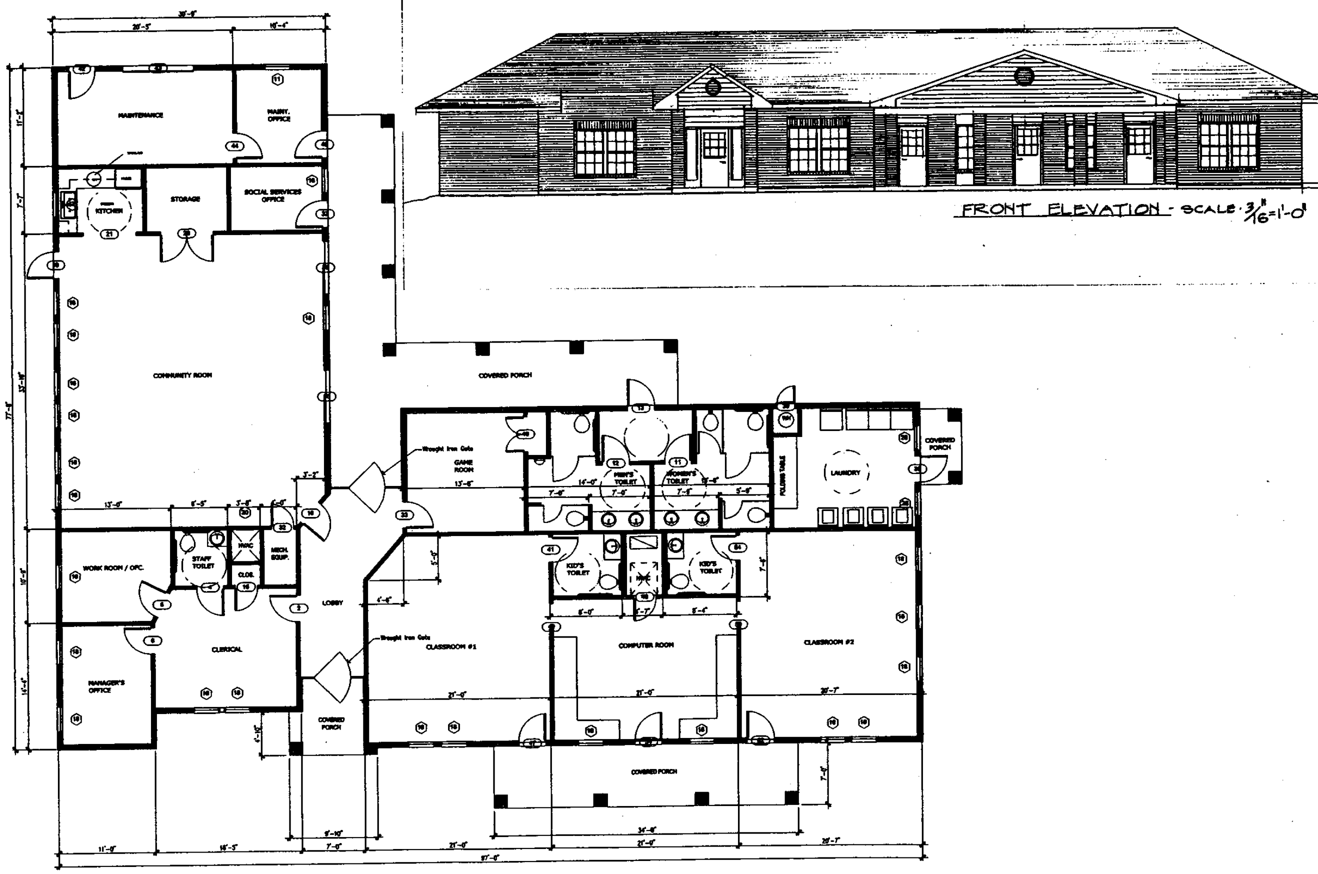
of 10



FRONT ELEVATION - SCALE: 3/16" = 1'-0"

1 COMMUNITY BUILDING
SCALE: 3/16" = 1'-0"

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STONE HEARST TOWNHOMES
27 Acres – East Lucas Drive
Beaumont, Jefferson County, Texas
STONE WAY LIMITED PARTNERSHIP

Job No: 200120
Issue Date: 12/17/2001
Drawn By: LTA
File Name: Stone A-10
Revisions:

SHEET
A-10
OF 10

Participation of Women and Minorities

A. Bond Counsel

Vinson & Elkins L.L.P. (V&E). V&E pursues a policy of recruiting and hiring that encourages women and minorities to the firm. V&E is committed to equal employment opportunities without regard to age, race, sex, color, religion, national origin or handicapped status, consistent with federal and state laws.

The minority and female representation within the firm as of November 2001 was as follows:

Legal Personnel	
Number of Attorneys Employed:	866
Male	610
Female	256
Number of Minority Attorneys Employed:	69
Black	23
Hispanic	29
Asian	16
Native American	1
Number of Minority Law Clerks and /or Paralegals Employed:	15
Black	4
Hispanic	8
Asian	3
Native American	0
Number of Women Law Clerks and or Paralegals Employed:	120
Number of Law Clearks and/or Paralegals Employed:	147
Number of Minority Legal Personnel Hired During the Last 12 Months:	
Attorneys	30
Law Clerks/Paralegals	4

Non-Legal Personnel	
Number of Non-Legal Personnel Employed:	1086
Male	202
Female	884
Black	144
Hispanic	133
Asian	47
Native American	2

B. **Financial Advisor**

Dain Rauscher, Inc. It is the policy of Dain Rauscher, Inc. to provide equal opportunity to all persons without regard to race, color, national origin, religion, political affiliation, disability, marital status, sex or age. This policy will affect all employment practices, including (but not limited to) recruiting selection, placement, transfer, promotion, training, compensation, other benefits, layoff and recall, terminations, and in all company sponsored activities.

It is the responsibility of each member of management at every level throughout Dain Rauscher, Inc. to ensure the implementation of this policy and support it through positive leadership and personal example.

It is the responsibility of each employee to create an atmosphere on the job which is conducive to this policy.

Information regarding Dain Rauscher, Inc.'s women and minority employment status as of January 2, 2001 was as follows:

	Officials and Managers	Professionals	Technicians	Sales Workers	Non Exempt	Total
White						
Male	258	535	20	1009	209	**2031**
Female	191	275	5	227	868	**1566**
Black						
Male	6	8	1	6	25	**46**
Female	3	10	1	0	51	**65**
Hispanic						
Male	1	6	1	6	4	**18**
Female	2	10	0	5	32	**49**
Asian						
Male	3	32	1	12	11	**59**
Female	2	17	0	1	19	**39**
American Indian						
Male	1	0	0	1	2	**4**
Female	0	1	0	0	7	**8**
Unidentified						
Male	2	12	1	13	9	**37**
Female	1	2	1	0	25	**29**
Total	**470**	**908**	**31**	**1280**	**1262**	**3951**

C. **Disclosure Counsel**

McCall, Parkhurst & Horton, L.L.P. maintains employment practices that are nondiscriminatory. In addition, the firm is committed to taking affirmative action to assure equal employment opportunities to all groups within the work force. These affirmative action goals relate to all aspects of the employment process including recruitment, retention as an employee, training and job description, compensation and advancement. The firm will continue to implement and maintain its affirmative action program to mirror the representation in the work force based on race, color and gender, with particular emphasis on employees for legal positions within the firm.

Breakdown of employment as of March 1, 2001:

Legal Personnel

Number of Attorneys:	18
Male	16
Female	2
Number of Minority Attorneys:	
African American	1
Hispanic	2

Non-Legal Personnel

Number of Law Clearks and/or Paralegals:	2
Male	0
Female	2
Number of Support Personnel (excluding Law Clerks/Paralegals:	20
Male	2
Female	18
African American	1
Hispanic	4
Native American	1

McCall, Parkhurst & Horton, L.L.P. provides legal representation in the field of public finance. Due to recent actions by Congress and the current economy of the State of Texas, the firm's personnel needs have diminished considerably in recent years. Since January, 1986, the firm has only added six attorneys and two paralegals to its professional staff. The attorney positions were filled with two African American attorneys (one of whom left the firm to establish an investment banking firm), two Hispanic attorneys, and two female attorneys and the paralegal positions were filled with women. Of these six attorneys, five remain employed by the firm. The firm expects to make similar efforts to recruit women and minorities at such time as the need arises for additional attorneys and staff.

Affirmative Action Statement

McCall, Parkhurst & Horton, L.L.P. will expend the firm's energy and resources in its efforts to recruit, hire and promote women and minorities in sufficient numbers to meet or exceed their proportions in the Texas work force.

D. Trustee

Bank One, Texas, NA.: It is the policy of Bank One to take affirmative action in accordance with all applicable Federal and State laws, rules, regulations, and guidelines covering employment, including recruiting, hiring, training, education, promotion, transfer, termination, compensation, benefits, company sponsored social and recreational activities, and use of company facilities. These actions shall be administered without regard to race, color, religion, sex, sexual orientation, ancestry, national origin, handicap, disability, age or veteran status. It is also Bank One's intent to employ and advance in employment only those persons who are either citizen's or aliens certified under the Immigration Reform and Control Act of 1986 as eligible for employment.

The Chief Executive Officers have the final authority and responsibility for the administration of Equal Employment Opportunity. The Chief Executive Officers working through the Senior Executive of Human Resources will ensure that all officers, division managers, and supervisors share this responsibility. Performance appraisals of officers, managers, and supervisors will include evaluation of the compliance with the Bank's Affirmative Action Program. Senior Management will annually review this policy and monitor the results. The Affirmative Action Program, as required, will be available for review by employees or applicants through the Affirmative Action Manager during normal business hours.

All employees are expected to assist in Bank One's effort to achieve Equal Employment Opportunity. Each employee is encouraged to strive to insure the entry and growth of minorities and women in the work force until it is emphatically clear that equality of opportunity at Bank One is a fact as well as an ideal.

Information regarding Bank One's employment status as of January 2000 was as follows:

	Officials and Managers	Professionals	Technicians	Sales Workers	Office and Clerical	Operatives	Total
White							
Male	333	470	12	199	347	0	**1361**
Female	473	965	9	253	1899	1	**3600**
Black							
Male	43	55	8	28	239	0	**373**
Female	103	214	1	25	1527	0	**1870**
Hispanic							
Male	26	46	7	38	254	0	**371**
Female	67	130	9	51	845	0	**1102**
Asian							
Male	10	27	4	3	64	0	**108**
Female	12	27	2	12	227	0	**280**
Indian							
Male	3	3	1	2	4	0	**13**
Female	2	4	0	1	17	0	**24**
Total	**1072**	**1941**	**53**	**612**	**5423**	**1**	**9102**

E. **Underwriter**

Newman & Associates, Inc: It is the policy and practice of Newman & Associates to provide equal opportunity in employment to all employees and applicants. No person shall be discriminated against in any condition of employment because of race, color, national origin, sex, religion, age, disability, or veteran status.

The policy of equal employment opportunity shall apply to all terms, conditions and privileges of employment, including hiring, probation, testing, training and development, promotion, transfer, compensation, benefits, termination, layoffs, social and recreational programs, and retirement. Newman and Associates is committed to making employment decisions based on valid requirements, without regard to race, color, national origin, sex, religion, age, handicap, or veteran status.

Newman and Associates' EEO coordinator is R. Kent Erickson, Senior Vice President, at Newman and Associates, Inc.'s offices located at 1801 California Street, Suite 3700, Denver, CO 80202. He is responisible for compliance with state and federal equal employment opportunity laws.

Newman and Associates endorse the policy of equal employment opportunity and asks its employees for continued assistance and support in maintaining an environment which reflects Newman & Associates' commitment to equal opportunity and Affirmative Action. All personnel with responsibilities for employment and personnel decisions are directed to perform their duties in accordance with this policy.

Newman & Associates Equal Employment Opportunity
Number of Employees as of March 30, 2000

	Officials and Managers	Professionals	Technicians	Para-Professional	Office and Clerical	Operatives	Total
White							
Male	5	38	1	4	0	0	**48**
Female	1	12	2	5	18	0	**38**
Black							
Male	0	1	0	0	0	0	**1**
Female	0	0	0	0	3	0	**3**
Hispanic							
Male	0	0	0	0	1	0	**1**
Female	0	0	0	3	2	0	**5**
Asian							
Male	0	0	1	0	0	0	**1**
Female	0	0	0	0	0	0	**0**
Indian							
Male	0	0	0	0	0	0	**0**
Female	0	0	0	0	0	0	**0**
Total	**6**	**51**	**4**	**12**	**24**	**0**	**97**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
STONE HEARST APARTMENTS

PUBLIC HEARING

Beaumont Civic Center
701 Main Street
Beaumont, Texas

December 18, 2001
6:34 p.m.

BEFORE:

MARLIN W. HARLESS, Multifamily Loan Officer

I N D E X

P R O C E E D I N G S

MR. HARLESS: Good evening. My name is Wayne Harless. I would like to proceed with the public hearing. Let the record show that it is 6:34 p.m., Tuesday, December 18, 2001, and we are at the Beaumont Civic Center at 701 Main Street, Beaumont, Texas 77701.

I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code; the sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over the issue, which, for this issue, is the Attorney General.

No decisions regarding the project will be made at this hearing; there are no Department board members present. The Department's board will meet to consider this transaction on January 17, 2002, upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comments directly to the Finance Committee or the board at any of their meetings.

The Department staff will also accept written comments from the public via facsimile at 512-475-3362 up to 5:00 p.m. on December 28, 2001.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $10,900,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bond will be loaned to Stoneway Limited Partnership or a related person or affiliate entity thereof to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 216-unit multifamily residential rental development to be constructed on approximately 27 acres of land located at the 1700 block of East Lucas Drive, next to Lucas Elementary, Beaumont, Jefferson County, Texas 77703.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would like to now open the floor for public comment. If you have signed up to speak, I will call your name in the order in which you have signed. At that time, please come to the microphone here at this table and state your name for the record. You will then have three minutes to make your comments. There being so few here, we'll allow five minutes. And after that, then we will bring the meeting to a close.

First on the list I have Theresa.

MR. HARLESS: Just state your name and then make your comments.

MS. EMERY: My name is Theresa Emery. I am a concerned citizen across from the project. My concern is basically property taxes, the type of housing, what type of individuals that are going to be allowed into the area, what's going to happen to the school. I'm concerned about the roadway on Lucas.

I had so many questions prior to this -- the type of income; the waterway, with flooding that's possible that may be corrected due to the removal of timber.

Questions, mostly. I'm just real concerned because my property is right across the street, and it is something that I need to know for the future of my

Compliance Status Summary

ID#	01457	Type Funding	
Project Name	Stone Hearst Apartments	☐LIHTC	9%
Address	East Lucas Drive	☒LIHTC	4%
City	Beaumont	☒BOND	
		☐HOME	
		☐HTF	
		☐HSG. INFRAS.	
Owner Name	Stone Way Limited Partnership		
Contact	Ralph Collins		

Development Team	Role
EM Tx I, Inc	General Partner 51%
Ralph Collins	Pres
Merritt Housing	General Partner 49%
Michael Hartman	President
Donald Pace	Vice President
TWC, Chris Hunt	Owner
Ralph Collins	Gen Contractor

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes☐
☐	Projects monitored by other states (National Previous Participation and Background Certification(s) attached)	Issues of Compliance N/A ☐ No ☐ Yes☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes☐ For Profit
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐ None

Completed by: (signatures required from each compliance area)

		Date
CMCM	Sara Carr Newsom	1-7-2002
CMAD	Carole Thornton	1-8-2002
CMPM	Ralph Hendricks	1-8-2002

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department		
Application ID # _01457		
Stone Hearst, Beaumont		
ID#	**Project Name**	**Score**
98089	Franklin Place Townhomes	0
00078	Cypress Ridge	NA
01475	Chaparral Village	NA
01480	Salam Village	NA
01477	Los Ebanos	NA
99010T	San Jose	17
99095	Western Mesa Hills	0
00007T	Texas Pueblo, Ltd	NA
00044T	Redhill Villas	0
01479	River Park Village	NA
01472	Garden Apartments	NA
01473	Spring Terrace	NA
01481	Sierra Vista Apartments	NA
01474	Win-Lin Apartments	NA
00006T	Champions	NA
01425	Skyway Villas	NA
01430	Blunn Creek Apartment	NA
01108	Logan's Pointe	NA
01032	Cantibury Pointe	NA

AGENDA ITEM NO. 2(D)

RESOLUTION NO. 02-05

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (STONE HEARST) SERIES 2002 A-1, AND MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (STONE HEARST) SERIES 2002 A-2; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Stone Hearst) Series 2002 A-1 (the "Series A-1 Bonds"), and Multifamily Housing Mortgage Revenue Bonds (Stone Hearst) Series 2002 A-2 (the "Series A-2 Bonds") (the Series A-1 Bonds and the Series A-2 Bonds are referred to herein, collectively, as the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Bank One, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Stone Way Limited Partnership, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by two (2) Deeds of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement (collectively, the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Borrower and Municipal Mortgage & Equity, LLC, a Delaware limited liability company, or an affiliate thereof, will execute a Bond Purchase Commitment Letter (the "Commitment Letter"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Jefferson County; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement and the Commitment Letter, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE IX
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

<u>Section 9.1--Issuance, Execution and Delivery of the Bonds</u>. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 9.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Series A-1 Bonds shall be (A) from the date of issuance through, and including, June 30, 2004, 7.9731% per annum, and (B) thereafter until the maturity date thereof, 6.9731%, and the interest rate on the Series A-2 Bonds shall be (A) from the date of issuance through, and including, June 30, 2004, 9.8578% per annum, and (B) thereafter until the maturity date thereof, 8.6838%; (ii) the aggregate principal amount of the Series A-1 Bonds shall be $8,720,000 and the aggregate principal amount of the Series A-2 Bonds shall be $2,180,000; and (iii) the final maturity of the Series A-1 Bonds shall occur on July 1, 2034, and the final maturity of the Series A-2 Bonds shall occur on January 1, 2042.

Section 9.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 9.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 9.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 9.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 9.7--Approval, Execution and Delivery of the Commitment Letter. That the form and substance of the Commitment Letter are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Commitment Letter.

Section 9.8--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 9.9--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B-Indenture
Exhibit C-Loan Agreement
Exhibit D-Regulatory Agreement
Exhibit E-Assignments

Exhibit F-Commitment Letter

Section 9.10--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 9.11--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman or Vice Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 9.12--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE X
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 10.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 10.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 10.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 10.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 10.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually re-determined by the Issuer as stated in Section 5 of the Regulatory Agreement.

Section 10.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE XI
CERTAIN FINDINGS AND DETERMINATIONS

Section 11.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 11.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 11.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 11.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 11.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE XII
GENERAL PROVISIONS

Section 12.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 12.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 12.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 12.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 17th day of January, 2002.

By:__________________________________
Chairman

Attest: ______________________
Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Stone Way Limited Partnership, a Texas limited partnership

Project: The Project is a 216-unit multifamily facility to be known as Stone Hearst and to be located at 1650 East Lucas Drive, Beaumont, Jefferson County, Texas. The Project will include a total of fifty-four (54) one and two story residential townhome buildings with a total of 285,600 net rentable square feet and an average unit size of 1322 square feet. The unit mix will consist of:

130 four-bedroom/two-bath units
86 three-bedroom/two-bath units

216 Total Units

Unit sizes will range from approximately 1250 square feet to approximately 1370 square feet.

Common areas will include a picnic area, a swimming pool, a children's play area, and a community center with computer room and laundry facilities. All ground units will be wheelchair accessible and all individual units will have washer/dryer connections.

AGENDA ITEM NO. 2(E)

TO:	Finance Committee and Board of Directors Texas Department of Housing and Community Affairs
FROM:	Ruth Cedillo Acting Executive Director
SUBJECT:	Request for Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project
DATE:	January 7, 2002

INTRODUCTION

On November 21, 2001, TDHCA submitted its Biennial Operating Plan (BOP) to the Legislative Budget Board. The BOP contains descriptions of all information technology projects and related budgeted or recommended appropriations for fiscal years 2002 through 2005. Funds for two BOP projects planned for Fiscal Years 2002 and 2003 are not included in the capital budget appropriations for those fiscal years. These projects are the Weatherization Assistance Program (WAP) Project and the Conversion of EASY Audit II to EASY Audit III Project.

In June 2001, the Department received increased funds for the Weatherization Assistance Program through the U.S. Department of Energy (DOE). Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. The receipt of the funds occurred after the close of the 77th Legislative Session. The timely expenditure of these funds will assist the Department's subgrantees by providing funds necessary to weatherize approximately 2000 more homes. This benefit, however, can only be realized if program productivity of the EASY Audit II application is enhanced and converted into a web-based application.

REQUIRED FUNDING

Funding for both projects will come from the DOE Weatherization Assistance Program (WAP), Low Income Housing and Energy Assistance Program (LIHEAP), and Investor Owned Utility (IOU) Administration. In order to proceed, the Board must request approval from the Governor's Office and the Legislative Budget Board to exceed the limitation on capital budget expenditures as defined in the General Appropriations Act.

We have prepared a letter for your signature to move forward with this initiative.

To complete the WAP Project, $150,000 is required in FY 2002 for a contract with National Laboratories, a working partner of the Department of Energy (DOE), and $130,000 is required in FY 2003 for a contract with (CRN) Applications. CRN Applications has assisted the Department with the EASY Audit II and PRISM programs.

To complete the Conversion of EASY Audit II to EASY Audit III Project, $190,000 is required in FY 2002 and $50,000 is required in FY 2003 for a contract with CRN Applications. CRN Applications works closely with Oakridge Laboratories, a contractor of the Department of Energy, and has provided services to the Department with existing software programs.

PROJECT DESCRIPTIONS FROM THE BIENNIAL OPERATING PLAN

The remainder of this memorandum provides the descriptions and justifications for the two projects. Most of the content is taken from the most recently submitted Biennial Operating Plan November 21, 2001.

Project #1
Weatherization Assistance Program (WAP) Project

PROJECT DESCRIPTION

The Weatherization Assistance Program (WAP) Evaluation will allow for accurate measurement of energy savings associated with WAP measures, especially as it relates to cooling measures. TDHCA will contract with two third-party contractors to implement the project. One contractor will be Oak Ridge National Laboratory (ORNL), which possesses skills unique to research in cooling energy consumption analysis. The Department will seek another contractor with skills related to software development for energy consumption analysis. The first part of this project, undertaken by Oak Ridge

National Laboratory (ORNL), will analyze existing energy consumption data. ORNL will develop and test two types of aggregate models that may prove to be suitable alternatives to the standard Princeton Scorekeeping Method (PRISM). These model types are: 1) aggregate weather-normalization models, which will use the basic PRISM approach to weather-normalization, but which will eliminate the high linear model failure rates of standard PRISM by performing weather adjustments only on larger groups of households and 2) longitudinal multivariate regression models, which will adjust for yearly variations in weather (this is an essential step in any effort to measure program impacts) and also will incorporate a number of other important independent variables. Some additional independent variables that may be incorporated into the longitudinal model structures include dwelling characteristics (as reported in the EASY Audit files) and occupant characteristics (such as the number and ages of household members). The second part of the project would entail development and testing of software that would incorporate the design and implementation of the above model types #1 and #2.

NEEDS ANALYSIS SUMMARY
In order to ensure high quality standards in the weatherization program, TDHCA conducts on-going analysis of weatherized dwelling units to determine the energy savings associated with various weatherization measures. The Department of Energy (DOE) caps weatherization measures at $1,500 per household, thereby restricting the number of measures each household can receive through these funds. TDHCA must therefore evaluate which measures will be cost-effective for specific households to ensure that WAP clients receive the greatest benefit from the program. At present, TDHCA lacks software to adequately evaluate the effectiveness of "cooling" weatherization measures installed. TDHCA currently analyzes cost-effectiveness of measures using PRISM. When PRISM was developed, it was tailored around existing DOE Weatherization Assistance Program standards. The DOE program has subsequently been modified to allow "cooling" weatherization measures to be installed in warm climate states such as Texas. The PRISM software, as currently configured, has been unable to perform the analysis of these measures. A method to accurately evaluate energy savings derived from cooling measures such as installing Energy Star rated refrigerated air conditioner units does not exist. TDHCA needs an improved energy saving analysis software that can accurately capture energy savings associated with both heating and cooling measures. Developing software of this nature will require two separate contractors, one possessing skills to perform research in cooling energy consumption analysis and one with skills related to software development for energy consumption analysis.

PROJECT JUSTIFICATION
Weather related crises in recent years associated with heat-waves and sharp increases in energy costs underscore the need to ensure that low income citizens benefit from energy efficient cooling and heating systems that allow them to maintain their homes in healthy temperatures. Towards that end, TDHCA has the responsibility to provide the most effective measures to households served through WAP. It is important that TDHCA accurately identify which weatherization measures will be effective for specific homes. In this manner, installation of unnecessary or ineffective measures can be avoided, making WAP more cost effective. The current system used to evaluate the effectiveness of weatherization measures is no longer adequate for contemporary standards and does not capture cost savings associated with cooling measures such as installation of energy-efficient air-conditioners. TDHCA needs a software program that provides more accurate data and that can measure both heating and cooling methods. This will allow TDHCA to provide better and more service to its clients while meeting increasingly stringent federal and state energy efficiency requirements. Both DOE's WAP and the System Benefit Fund energy efficiency program stress the need for more aggressive energy savings. Achieving the energy savings goals for these programs requires an improved system of measurement.

FISCAL MEASURES
This project will increase the cost effectiveness of the weatherization program. With limited DOE expenditures allowed per household, it becomes increasingly important that only those weatherization measures determined by actual analytical evaluation be installed on weatherized homes. Current efforts to measure energy savings of cooling elements are narrow in scope and expensive. The Department is currently involved in three such projects with ORNL that involve the installation of SPEED meters on each of 70 houses. The meter is directly connected to the electric utility meter and provides via modem actual usage of each electric appliance in a house. These projects will determine the level of electric baseload energy consumption at each house both twelve months before and twelve months after weatherization. While this will be valuable information for determining the future direction of the DOE Weatherization Assistance Program, it is costly ($7,500 per meter) and cannot serve to evaluate the energy savings on 5000 to 6000 units weatherized each year through TDHCA. TDHCA needs an improved energy saving analysis software that can accurately capture energy savings associated with both heating and cooling measures.

PERFORMANCE MEASURES
There are two performance measurements for each part of the project that will be made during this project: 1) developments and 2) testing.

For the first phase of this project, ORNL will prepare a report documenting the test results of each model development effort. This report will include appendices that provide the detailed mathematical equations needed to support the second phase of the project, which is the software development by CRN Applications. ORNL also will provide additional information at the request of CRN Applications so that they can create the software needed to determine program impacts with the models that ORNL develops on an ongoing basis and in the future. The specific task for the development of both model types will include:

1) Design of the mathematical model structure(s)
2) Reformat Standard PRISM meter and temperature input files to fit the new model structure(s)
3) Run model test and evaluate the results, using the feedback obtained to tune the model structures

Development of the longitudinal models would also include adding independent variables from EASY Audit files into the model structures being tested.

For the second phase of this project, the software development, 30% of the project time will be spent in specification development of the browser interface, 10% integrating the required database files, 40-45% programming the interface and calculation engine on the server and 10% on testing and documentation. The Information Systems Division (ISD) will be the Project Manager and oversee and ensure that all development work is done according to the standards established for our Department.

ACQUISITION OF ALTERNATIVES ANALYSIS

ORNL has been involved with the Department in working in a variety of weatherization analysis projects for the past six to seven years. Currently, ORNL is ~~the~~ in the process of submitting a final report on traditional PRISM analysis on 1997 data. It is this data that will be used by ORNL in developing new models for analysis. In discussion with ORNL on the preliminary project report, and with the realization that the traditional linear PRISIM analysis does not in fact correctly analyze cooling measures, the possibilities of developing alternative models for analysis surfaced. ORNL is in a unique position to conduct phase one of this project. CRN Applications has been involved with the Department over the past seven years in the development and refinement of EASY Audit. The institutional knowledge of CRN Applications of the Weatherization Assistance Program, and its relationship with DOE and ORNL make it uniquely qualified to perform the second part of the project.

Project #2
Conversion of EASY Audit II to EASY Audit III

PROJECT DESCRIPTION
The EASY Audit II system for Texas is currently a stand-alone audit system used by each of TDHCA's thirty-six Weatherization Assistance Program sub-grantees to conduct 5000-6000 energy audits per year. Audits for homes weatherized are currently provided to TDHCA by each of the agencies via a 6-8 page fax or by downloading a copy of the audit to disc mailing the disc to TDHCA. This cumbersome and time-consuming process often contributes to delays in the delivery of services. This project will link sub-grantees to TDHCA, allowing electronic transferal of data. The project would also integrate the system into the Department's planned web-based central database system. The project would first develop workflow, design and create data tables, design and develop JSP pages, deploy audit JAVA beans, code the calculation engine, code the analysis engine and write end-user technical and training manuals. Portal technology in the project will create greater controls between TDHCA and sub-grantees. This project would be implemented by the 3rd party vendor (CRN) and maintained by TDHCA Information Systems Division (ISD) staff. Close monitoring by ISD staff will also be done to ensure that the system is compatible with the central database. The goal of ISD staff will be to develop full knowledge of the program and maintain the integrity of the data, which will ensure the efficiency of future maintenance.

NEEDS ANALYSIS SUMMARY
The current system resides as a stand-alone system on individual laptop computers. For reports, individual queries are required on each laptop and then consolidated to make one final report. For the Department to effectively and efficiently administer and track the anticipated increase in production, the EASY Audit II application should be converted to a web-based program so that all audits are immediately available to Energy Assistance staff for review. The web-based audits would be stored in a central database, Oracle. The Department would maintain a secure file of all audits. Maintaining the audits in a central database will enable Energy Assistance staff to ensure that all audits are correctly and accurately delivered. This project would be implemented by the 3rd party vendor (CRN) and maintained by TDHCA Information Systems Division staff. Close monitoring by ISD staff will also be needed to ensure the development of the web-based system in conjunction the central database. The goal of ISD staff will be to develop full knowledge of the program and maintain the integrity of the data, which will ensure the efficiency of future maintenance.

PROJECT JUSTIFICATION
In June 2001, the Department received increased funds for the Weatherization Assistance Program through the U.S. Department of Energy (DOE). Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. The Department has also received SBF appropriations for use in energy efficiency programs. This increased funding will allow TDHCA and its sub-grantees to provide service to approximately 2000 additional households. However, this benefit can only be realized if program productivity is increased. This project will increase sub-grantee productivity allowing them to serve more households. Clients will also receive better service since homes will be weatherized more quickly through this process. In order to ensure expeditious use of SFY 2002 funds, the Department ~~will~~ seeks board approval for this project in the December board meeting. The current EASY Audit II application is a stand-alone system utilizing a non-conforming database to the Oracle database system established by TDHCA. Each energy audit is performed on an individual laptop. There is not a consolidation of this information other than running separate queries on each laptop and then consolidating this information to make decision-making reports. The developer responsible for the Easy Audit application will be providing the conversion developer via JAVA over to a web-based system that will integrate with the Central Database Project. The TDHCA Senior Database Administrator (DBA) will work closely with the 3rd party ensuring that all TDHCA standards are maintained. This development will meet all DOE requirements. This upgrade will incorporate sophisticated analysis tools in evaluating program effectiveness.

FISCAL MEASURES
This project will help ensure timely expenditure of approximately $2 million in additional DOE funding for SFY 2002 as well as $17 million in System Benefit Fund appropriations over the biennium. <u>Timely expenditure of these funds will assist the Department sub-grantees to provide weatherization of approximately 2000 more homes.</u> If the approvals sought via waiver for this project are not approved, in-house development staff will have to re-create the proprietary application and will not be able to funnel their full resources to the overall Department's Central Database Project.

PERFORMANCE MEASURES
There are two performance measurements that will be made during this project, 1) implementation and 2) production. The contractor will utilize Microsoft Project to monitor performance of the overall implementation of the project for timelines and milestones for the deliverables. The contract will conform to a deliverables method of payment. This will ensure activities are completed before payments are made. Weekly meetings and/or status reports on tasks associated with the project will be closely monitored to ensure success at meeting the production date set out by the plan. Post

implementation performance will be measured by all field inspectors for Energy Assistance being able to upload and download information to their laptops directly into the central database. Timely report generation will also be an indication of post implementation success. And, most importantly, timely energy audits will enhance delivery of weatherization service delivery.

ACQUISITION OF ALTERNATIVES ANALYSIS

The current EASY Audit II application is actually a third generation product developed by a company called CRN in Austin, Texas. CRN has worked closely with the U.S. Department of Energy (DOE) and the Energy Assistance section at TDHCA. The software application includes a calculation engine with many of the required thresholds established by the DOE already built into the application. No other vendors were found to have the knowledge or comparable application available for purchase. Application development by in-house staff is estimated to have a negative impact on the Central Database Project timeline. The best alternative is to remain with the same 3rd party, CRN, and assist in the integration with their web-based version of the program with the Department's overall Central Database Project. The development staff will work closely with CRN to ensure TDHCA software development standards are maintained.

Mr. John Keel January 7, 2002
Legislative Budget Board
105 West 15th Street, Suite 300
Austin, Texas 78701

Re: Request for Approval to Exceed the Limitation on Capital Budget Expenditures for the Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project

Dear Mr. Keel:

As Chairman of the Board of Directors of the Texas Department of Housing and Community Affairs (Department), I am writing to request approval for the Department to exceed the limitation on Capital Budget expenditures for SFY 2002 and SFY 2003 in order to develop the Weatherization Assistance Program (WAP) Evaluation Project and to convert the existing EASY Audit II software application to EASY Audit III, a web-based application pursuant to SB1, Article IX, Section 6.17 (b).

The Department of Energy (DOE) caps weatherization expenditures at $1,500 per household, thereby limiting the service level that each household can receive with these funds. To ensure that WAP clients receive the greatest benefit from the program, the Department must evaluate the weatherization needs of the household and determine the level of service that will be cost-effective for specific households. At present, the Department lacks software to adequately evaluate the work, and the effectiveness of devices installed for "cooling" a dwelling.

In June 2001, the Department received increased funds for the Weatherization Assistance Program through DOE. Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. This increased funding will allow the Department and its sub-grantees to provide service to approximately 2000 additional households. This benefit, however, can only be realized if program productivity of the EASY Audit II application is enhanced and converted into a web-based application. The current EASY Audit II system is stand-alone and resides on individual laptop computers.

On December 12, 2001, the TDHCA Board of Directors agreed to request approval from the Legislative Budget Board to exceed the Department's Capital Budget expenditures by $520,000. These funds will be used in the development of the two above-mentioned projects. Funding for these projects will come from the Department of Energy's Weatherization Assistance Program, the Low Income Housing Energy Assistance Program (LIHEAP) and the Investor Owned Utility (IOU) Administration.

Without the expansion and enhancement of these applications, critical agency initiatives will not be able to proceed.

Thank you in advance for your consideration and approval of our proposed projects.

Sincerely,

Michael Jones
Chair
Board of Directors
Texas Department of Housing and Community Affairs

ATTACHMENT

cc: Mr. Wayne Roberts, Governor's Budget Office

Mr. Wayne Roberts
Office of the Governor
1100 San Jacinto, Room 4.300
Austin, Texas 78701

January 7, 2002

Re: Request for Approval to Exceed the Limitation on Capital Budget Expenditures for the Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project

Dear Mr. Roberts:

As Chairman of the Board of Directors of the Texas Department of Housing and Community Affairs (Department), I am writing to request approval for the Department to exceed the limitation on Capital Budget expenditures for SFY 2002 and SFY 2003 in order to develop the Weatherization Assistance Program (WAP) Evaluation Project and to convert the existing EASY Audit II software application to EASY Audit III, a web-based application pursuant to SB1, Article IX, Section 6.17 (b).

The Department of Energy (DOE) caps weatherization expenditures at $1,500 per household, thereby limiting the service level that each household can receive with these funds. To ensure that WAP clients receive the greatest benefit from the program, the Department must evaluate the weatherization needs of the household and determine the level of service that will be cost-effective for specific households. At present, the Department lacks software to adequately evaluate the work, and the effectiveness of devices installed for "cooling" a dwelling.

In June 2001, the Department received increased funds for the Weatherization Assistance Program through DOE. Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. This increased funding will allow the Department and its sub-grantees to provide service to approximately 2000 additional households. This benefit, however, can only be realized if program productivity of the EASY Audit II application is enhanced and converted into a web-based application. The current EASY Audit II system is stand-alone and resides on individual laptop computers.

On December 12, 2001, the TDHCA Board of Directors agreed to request approval from the Legislative Budget Board to exceed the Department's Capital Budget expenditures by $520,000. These funds will be used in the development of the two above-mentioned projects. Funding for these projects will come from the Department of Energy's Weatherization Assistance Program, the Low Income Housing Energy Assistance Program (LIHEAP) and the Investor Owned Utility (IOU) Administration.

Without the expansion and enhancement of these applications, critical agency initiatives will not be able to proceed.

Thank you in advance for your consideration and approval of our proposed projects.

Sincerely,

Michael Jones
Chair
Board of Directors
Texas Department of Housing and Community Affairs

ATTACHMENT

cc: Mr. John Keel, Legislative Budget Board

AGENDA ITEM NO. 3
Public Comment Process

Title 10. COMMUNITY DEVELOPMENT
Part I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Chapter 1. ADMINISTRATION
Subchapter A. GENERAL POLICIES AND PROCEDURES
10 TAC §1.10, Public Comment at Public Hearings and Meetings

The Texas Department of Housing and Community Affairs (TDHCA) proposes new §1.10 to establish procedures for hearing public comments on issues being presented at meetings open to the public held by the Texas Department of Housing and Community Affairs. The new section is necessary to comply with Section 2306.032 of the Texas Government Code, as added by SB 322, 77th Session of the Texas Legislature.

Ruth Cedillo, Acting Executive Director, has determined that for the first five-year period the section is in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

Ms. Cedillo also has determined that for each year of the first five years the section is in effect, the public benefit anticipated as a result of enforcing the section will be an opportunity to participate in the decision making process of the board. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the sections as proposed.

Comments may be submitted to Anne O. Paddock, Deputy General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: apaddock@tdhca.state.tx.us.

The proposed new section is proposed under the Texas Government Code, Chapter 2306. The new section affects no other code, article or statute.

§1.10 Public Comment at Public Hearings and Meetings
(a) Purpose. The purpose of this section is to establish procedures for hearing public comments on issues being presented at meetings open to the public held by the Texas Department of Housing and Community Affairs in accordance with Section 2306.032 of the Government Code.
(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.
(1) Board - The board of directors of the Department.
(2) Department - The Texas Department of Housing and Community Affairs.
(3) Meeting - A deliberation between a quorum of the board of the Department, or between a quorum of the board of the Department and another person, as defined under Section 551.001(4) of the Government Code.
(4) Open Meetings Act - Chapter 551, Government Code.
(c) Procedures.
(1) Members of the public may give testimony at the beginning of a board meeting.
(2) Members of the public may also give testimony on any agenda item of a board meeting after the presentation made by department staff and motions made by the board.
(3) The Department shall provide witness affirmation forms at each board meeting for the public to complete in order to give public testimony.

(d) The Department may set reasonable limits on the number, frequency and length of presentations before it but may not unfairly discriminate among speakers for or against a particular point of view.

(1) The board may consider the following when limiting the amount of time and the frequency each member of the public is allowed to provide testimony:

(A) the number of witness affirmations received;
(B) the number of agenda items to be heard; and
(C) the time duration for the meeting.

(2) If the board limits the number of presentations, the board will limit the number of presentations equally among those speakers that are for a particular point of view and those speakers that are against a particular point of view, if practical.

(e) Members of the public may raise a subject that has not been included in the notice for the meeting; however, any discussion of the subject by the board must be limited to a proposal to place the subject on the agenda for a future meeting.
(1) The notice requirements under the Open Meetings Act do not apply to:
(A) a statement of specific factual information given in response to the inquiry; or
(B) a recitation of existing policy in response to the inquiry.
(2) Any deliberation of or decision about the subject of the inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.
(f) This rule does not entitle a member of the public to choose the items to be discussed.

AGENDA ITEM 4

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1. ADMINISTRATION
SUBCHAPTER A. GENERAL POLICIES AND PROCEDURES
10 TAC §1.9 Ex Parte Communications

The Texas Department of Housing and Community Affairs proposes new §1.9 concerning a program wide ex parte communications policy. The new section is necessary to comply with Section 2306.113 of the Texas Government Code, as added by SB 322, 77th Session of the Texas Legislature.

Ruth Cedillo, Acting Executive Director, has determined that for the first five-year period the sections are in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

Ms. Cedillo also has determined that for each year of the first five years the sections are in effect, the public benefit anticipated as a result of enforcing the section will be the avoidance of the appearance of impropriety and a greater likelihood that Department funds and other assistance will be distributed on a fair and equitable basis. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the sections as proposed. The proposed sections will not have an impact on any local economy.

Comments may be submitted to Anne O. Paddock, Deputy General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: apaddock@tdhca.state.tx.us.

The new section is proposed under the Texas Government Code, Chapter 2306. No other code, article or statute is affected by the new section.

§1.9. Ex Parte Communications.

(a) Definitions. The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Applicant - A person who submits an application ~~, or is preparing to submit,~~ to the Department ~~an application~~ for Department funds or other assistance.

(2) Application - The written request for Department funds or other assistance in the format required by the Department including any exhibits or other supporting material.

(3) Board - The board of directors of the Texas Department of Housing and Community Affairs.

(4) Department - The Texas Department of Housing and Community Affairs.

(5) Executive Award and Review Advisory Committee – The committee appointed by the executive director that is composed of the executive director and the directors of the Department's housing finance division, housing programs division, community affairs division, multifamily finance ~~housing~~ division, underwriting division, compliance division, and the Housing Resource Center to perform the responsibilities specified in §2306.1112, Texas Government Code.

(6) Low-income housing tax credit - The credit against federal income tax as provided for in Section 42 of the Internal Revenue Code (42 U.S.C. Section 42.)

(7) Related Party – An individual or entity specified in Section 2306.6702(a)(11) of the Texas Government Code.

(b) Policy.

(1) From the date an application is submitted to the Department until the date all appeals concerning applications submitted in the same application cycle have been resolved by the board, neither a member of the board nor a member of the Executive Award and Review Advisory Committee may communicate concerning the application with the applicant or a related party; any person who is active in the construction,

rehabilitation, ownership, or control of the project proposed in the application, including a general partner or contractor, a principal or affiliate of a general contractor; or employed as a lobbyist by the applicant or related party.

(2) It is not a violation of subsection (a) for an applicant or any other person specified in subsection (a) to communicate with members of the board or of the Executive Award and Review Advisory Committee in the course of presenting testimony at a board meeting or public hearing held by the Department.

(c) Exception. This section does not apply to the Low Income Housing Tax Credit Program. Rules governing ex parte communications for the Low Income Housing Tax Credit Program are governed by section 49 or 50 of this title as promulgated for the year in which a tax credit is allocated. This section does not apply by its terms to applications submitted to the Community Affairs and Multifamily Finance Divisions.

AGENDA ITEM NO. 5

Texas Department of Housing and Community Affairs
DEOBLIGATION POLICY

Request for Approval of Amended Deobligation Policy

BACKGROUND

On October 13, 2000 the Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) approved the current Deobligation Policy that is used by the Department for reallocating deobligated funds. The policy was developed by the Deobligation Policy Committee which consists of TDHCA senior staff to provide guidelines for the reallocation of unexpended funds and program income such as awards, loans and grants when it is determined that the funds cannot be used for the original award or allocation purposes intended.

Since board approval in October 2000 the Department has experienced program changes such as the development of an Appeal Process that makes it necessary to revise and amend the current Deobligation Policy.

The responsibilities of the Deobligation Policy Committee will now be transferred to the Executive Award and Review Advisory Committee for future recommendations.

A copy of the Deobligation Policy Committee's recommended revisions are attached for your review and approval.

RECOMMENDATION

The Committee recommends approval of the revised Deobligation Policy.

Texas Department of Housing and Community Affairs

DEOBLIGATION POLICY

1) To create and maintain a written policy at the program level for the de-obligation of awards, loans or grants. The policies must address the re-obligation of de-obligated or otherwise unexpended funds and program income;

2) To track and monitor de-obligated funds/balances as part of the normal accounting of program funds at both the program and departmental level;

3) To track program income including fees earned, loan repayments, etc;

4) ~~To fund successful appeals as allowable under program rules and regulations.~~

4.) To ~~prioritize the following areas~~ identify activities for funding with de-obligated funds as allowable under program rules and regulations, prioritized in the following order:

a.) Successful appeals
b.) Disaster Relief
c.) Special Needs
d.) Colonias
e.) Other projects/uses as determined by the Executive Director or Board including the next year's funding cycle for each respective program

5.) To provide ~~If applicable,~~ adequate public disclosure, if applicable, ~~will be made~~ if the funds are to be offered via a NOFA;

6.) To provide information regarding the use of de-obligated funds through the State Low Income Housing Plan and Annual Report.

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Millstone Apartments** TDHCA#: 01455

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Millstone Apartments, L.P.			
General Partner(s):	Millstone Development, L.L.C., Dwayne Henson, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: TDHCA		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $641,990 Eligible Basis Amt: 600,679 Equity/Gap Amt.: $834,006

Annual Tax Credit Allocation Recommendation: 600,679

Total Tax Credit Allocation Over Ten Years: $6,006,790

PROPERTY INFORMATION

Unit and Building Information

Total Units: 248 LIHTC Units: 248 % of LIHTC Units: 100%

Gross Square Footage: 238,546

Average Square Footage/Unit: 943

Number of Buildings: 23

Currently Occupied: N

Development Cost

Total Cost: 19,372,048 Total Cost/Net Rentable Sq. Ft.: $82.80

Income and Expenses

Effective Gross Income:[1] $1,860,201 Ttl. Expenses: $849,149 Net Operating Inc.: $1,011,052

Estimated 1st Year DCR: 1.08

DEVELOPMENT TEAM

Consultant:	Sally Gaskin	Manager:	Orion Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Mark S. Mucasey, A.I.A.
Accountant:	Rezick, Fedder & Silverman	Engineer:	David Brown Engineering Services dba Lott & Brown Engineering Services
Market Analyst:	O'Connor & Associates	Lender:	
Contractor:	Dwayne Henson Investments, Inc.	Syndicator:	Sun America Affordable Housing Partners

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. J.E. Buster Brown, District 17 - NC Rep. William Callegari, District 130 - NC Judge Robert Eckels - NC Bruce Austin, Director, Harris County Community Development Dept. Consistent with the Consolidated Plan for Harris County.

CONDITION(S) TO COMMITMENT

1. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of a survey or other documentation substantiating the additional 3,979 site square footage to be aquired.
3. TDHCA Board acceptance of the potential deferral of a significant portion of the first year's administration and oversight fees (up to $15K) in order to maintain 1.10 DCR, or a potential mandatory redemption of up to $200,000 in bonds at stabilization if the Applicant's projections are not achieved.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).____

Ruth Cedillo, Acting Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).____

Ruth Cedillo, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature: ____ ____________

Michael E. Jones, Attorney At Law Date

See underwriting report in Agenda Item 2A

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Sugar Creek Apartments** TDHCA#: 01456

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: Sugar Creek Apartments, L.P.
General Partner(s): Sugar Creek Development, L.L.C., Dwayne Henson, 100%
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $614,945 Eligible Basis Amt: 576,601 Equity/Gap Amt.: $865,362
Annual Tax Credit Allocation Recommendation: 576,601
Total Tax Credit Allocation Over Ten Years: $5,766,010

PROPERTY INFORMATION

Unit and Building Information
Total Units: 240 LIHTC Units: 240 % of LIHTC Units: 100%
Gross Square Footage: 228,261
Average Square Footage/Unit: 1,035
Number of Buildings: 20
Currently Occupied: N
Development Cost
Total Cost: 18,294,527 Total Cost/Net Rentable Sq. Ft.: $81.79
Income and Expenses
Effective Gross Income:[1] $1,789,582 Ttl. Expenses: $808,866 Net Operating Inc.: $980,716
Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant:	Sally Gaskin	Manager:	Orion Real Estate Services
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Mark S. Mucasey, A.I.A.
Accountant:	Rezick, Fedder & Silverman	Engineer:	David Brown Engineering Services dba Lott & Brown Engineering Services
Market Analyst:	O'Connor & Associates	Lender:	QBE International Insurance Limited
Contractor:	Dwayne Henson Investments, Inc.	Syndicator:	Boston Capital Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. John Whitmire, District 15 - NC Rep. Gary Elkins, District 135 - NC Judge Robert Eckels - NC Bruce Austin, Director, Harris County Community Development Dept. Consistent with the Consolidated Plan for Harris County.

CONDITION(S) TO COMMITMENT

4. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
5. Receipt, review, and acceptance of a supportive services contract with terms by cost certification.
6. Receipt, review, and acceptance of a survey evidencing the boundaries of the 100-year floodplain and proximate proximity to any proposed building. Should any building encroach upon the 100-year flood plain, a flood mitigation plan should be provided, to include a plan for insurance for both the buildings and the tenants, acceptable to the Department.
7. Should the all-in bond interest plus enhancement and servicing fees exceed 6.75% a reduction in the bond debt amount of up to $600,000 may be required, either at closing or at the time the project reaches stabilized occupancy.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager ____ Date ____ David Burrell, Director of Housing Programs ____ Date ____

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Ruth Cedillo, Acting Executive Director ____ Date ____

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Ruth Cedillo, Chair, Executive Award & Review Committee ____ Date ____

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature: ____

Michael E. Jones, Attorney At Law Date

See underwriting report in 2B

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Stone Hearst** TDHCA#: 01457

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Beaumont	QCT: Y	DDA: N	TTC: N
Development Owner:	Stone Way Limited Partnership			
General Partner(s):	EM Texas I, Inc., R.J. Collins, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $797,859 Eligible Basis Amt: 815,764 Equity/Gap Amt.: $1,225,323

Annual Tax Credit Allocation Recommendation: 815,764, if the concentration policy issue is resolved.

Total Tax Credit Allocation Over Ten Years: $8,157,640

PROPERTY INFORMATION

Unit and Building Information

Total Units: 216 LIHTC Units: 216 % of LIHTC Units: 100%

Gross Square Footage: 288,900

Average Square Footage/Unit: 1,322

Number of Buildings: 54

Currently Occupied: N

Development Cost

Total Cost: 21,064,580 Total Cost/Net Rentable Sq. Ft.: $73.76

Income and Expenses

Effective Gross Income:[1] $1,708,174 Ttl. Expenses: $702,091 Net Operating Inc.: $1,006,083

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Merritt Housing, LLC	Manager:	Orion Real Estate Services
Attorney:	Broad & Cassel	Architect:	L. K. Travis
Accountant:	Novogradac & Company LLP	Engineer:	Unknown
Market Analyst:	Apartment Market Data	Lender:	MuniMae Midland, LLC
Contractor:	Charter Builders	Syndicator:	MuniMae Midland LLC

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. David Bernsen, District 4 - NC Rep. Joseph Deshotel, District 22 - NC Mayor David Moore - Consistent with the consolidated plan and supported by the City of Beaumont.

CONDITION(S) TO COMMITMENT

8. Recommend decline due to excessive projected concentration capture rate. However, any allocation should have the following conditions.
9. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
10. TDHCA Board approval of a waiver of the Department policy restriction on allocation of tax credits to urban projects with estimated concentration capture rates in excess of 25%.
11. Acknowledgement and acceptance by the lender of the demand risk issues identified in Condition 3.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

______________________________ __________ ______________________________ ______

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).______________________________

____

______________________________ __________

Ruth Cedillo, Acting Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable). The Committee agreed to the recommendation of underwriting to decline based upon information available as to the concentration capture rate at the January 8, 2002 meeting. However due to expiration of the bond reservation the Committee agreed to accept additional information prior to the Board meeting to present to the Board for its determination as to whether to waive the Concentration Policy as to the capture rate.______________________________

______________________________ __________

Ruth Cedillo, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

____

____

Committee Chairperson Signature: ______________________________ __________

Michael E. Jones, Attorney At Law Date

See underwriting report in 2C

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Circle S Apartments – Amended per 1/7/02 Underwriting Addendum**

TDHCA#: 01458

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Austin	QCT: N	DDA: N	TTC: N
Development Owner:	One SDI, Ltd.			
General Partner(s):	One Circle S Management, LLC, , 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Travis County HFC		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $484,433 Eligible Basis Amt: 482,351 Equity/Gap Amt.: $436,575

Annual Tax Credit Allocation Recommendation: 436,575

Total Tax Credit Allocation Over Ten Years: $4,365,750

PROPERTY INFORMATION

Unit and Building Information

Total Units: 200 LIHTC Units: 200 % of LIHTC Units: 100%

Gross Square Footage: 171,651

Average Square Footage/Unit: 843

Number of Buildings: 9

Currently Occupied: N

Development Cost

Total Cost: 14,410,425 Total Cost/Net Rentable Sq. Ft.: $85.49

Income and Expenses

Effective Gross Income:[1] $1,704,960 Ttl. Expenses: $742,317 Net Operating Inc.: $962,643

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Madhouse Development Services, Inc.	Manager:	Picerne Management Corp.
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Chiles Architects, Inc.
Accountant:	Rezick, Fedder & Silverman	Engineer:	Urban Design Group
Market Analyst:	The Siegel Group, Inc.	Lender:	Charter Municipal Mortgage Acceptance Co.
Contractor:	Picerne Construction Corp.	Syndicator:	First Union Affordable Housing Community Development Corp.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. Gonzalo Barrientos, District 14 - NC Rep. Ann Kitchen, District 48 - NC Mayor Kirk Watson - NC Paul Hiligers, City of Austin Community Development Officer Consistent with Consolidated Plan.

CONDITION(S) TO COMMITMENT

12. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
13. Receipt, review, and acceptance of a revised project cost schedule reflecting the portion of sitework costs attributable to demolition activity to remove the structures and slabs noted in the site inspection report.
14. Receipt, review, and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer, terms, and amounts consistent with the Underwriter's assumptions (tax-exempt bond of $9.3M at 7.25% interest amortized over 40 years, taxable bonds of $1,640,000 at 9.25%).
15. Receipt, review, and acceptance of a commitment for a letter of credit under the terms stated in the submitted and/or revised commitment for permanent financing.
16. Should the rates and terms of the bonds change or the total amount of taxable and tax-exempt bonds exceed $10,940,367, a review of and reduction in the tax credit amount may be warranted.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager — Date — David Burrell, Director of Housing Programs — Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).

Ruth Cedillo, Acting Executive Director — Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable). The recommendation of underwriting was accepted because it is consistent with the QAP in

Ruth Cedillo, Chair, Executive Award & Review Committee — Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature: ______________________
Michael E. Jones, Attorney At Law — Date

DATE: January 10, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01458

DEVELOPMENT NAME

Circle S Apartments

APPLICANT

Name:	One SDI, Ltd.	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	247 N Westmonte Drive	**City:**	Altamonte Springs **State:** FL
Zip:	32714 **Contact:** Robert M Picerne	**Phone:**	(407) 772-0200 **Fax:** (407) 772-0220

PRINCIPALS of the APPLICANT

Name	(%)	Title
One Circle S Management, LLC	0.01	Managing General Partner
First Union Affordable Housing CDC	99.99	Limited Partner
Robert M. Picerne	N/A	50% owner of MGP
Picerne Development Corporation	N/A	50% owner of MGP
K. Nicole Flores	N/A	Consultant
Spicewood Development, Inc.	N/A	Land seller/developer and initial .01% General Partner

GENERAL PARTNER

Name:	One Circle S Management, LLC	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	350 N Saint Paul Street	**City:**	Dallas **State:** TX
Zip:	75201 **Contact:** CT Corporation System	**Phone:**	( ) **Fax:** ( )

PROPERTY LOCATION

Location: 7201-7401 S. Congress Avenue ☐ **QCT** ☐ **DDA**

City: Austin **County:** Travis **Zip:** 78745

REQUEST

Amount	Interest Rate	Amortization	Term
$484,433	N/A	N/A	N/A

Other Requested Terms:	Annual ten-year allocation of low-income housing tax credits;		
Proposed Use of Funds:	New construction	**Set-Aside:**	☒ General ☐ Rural ☐ Non-Profit

ADDENDUM

Subsequent to the completion of the original underwriting report the Consultant provided several pieces of correspondence to clarify the Applicant's concerns regarding the report. These concerns revolve primarily around three issues which can be summarized as follows: 1) The identity of interest sale of the property should be included in the project cost schedule at its current appraised value rather than actual cost; 2) The Department's estimate of construction costs are too low and need to be re-evaluated based on a higher standard; 3) The Department's estimated interest rate on the debt is significantly understated and needs to be re-evaluated. This addendum will specifically address these issues. While this report will supercede the original report in areas which it covers, the reader should review the original report for information not contained in this addendum.

Land Costs: The Applicant provided additional documentation as to the holding and development costs incurred to date by the current owner of the property, Spicewood Development, Inc., to secure rezoning and entitle the land to develop 200 units of multifamily housing. The Applicant also provided an additional letter from the appraiser to further substantiate the value estimate provided previously. The Underwriter believes that the value versus cost issue is really rendered a moot point since the difference is value attributed to the development of the property and should be reconciled in developer fee as discussed below.

The Applicant's concern is that the land seller has incurred considerable cost and taken on considerable risk to secure development rights to the proposed project and is due the ability to sell the property to the partnership at its current market value. Spicewood Development Inc. placed the land under contract in early 2000 and began moving forward in up-zoning the property which at that time was platted as six separately tracts ranging from .07 acres to 3.32 acres in size. Zoning for the tracts at the time the property was placed under contract is said to have been predominately single family. According to the Applicant and a letter from the city, all of the tracts were successfully rezoned to the current MF-3 zoning by August 2000. According to the settlement statement and the current title commitment, Spicewood Development, Inc. subsequently closed on the contract in October 2000. In the same month, the property and project were included in an application through Travis County HFC to the Texas Bond Review Board for tax-exempt multifamily bonds under Tier II of the tax-exempt bond private activity cap program. Spicewood Development, Inc. continued to proceed with additional entitlement work as they also attempted to find a purchaser for the project. The Applicant subsequently agreed to purchase the project but, due to Texas Bond Review Board rules, is required to maintain Spicewood Development as a partner in the transaction until the bonds close. Therefore, while Spicewood Development is not going to be part of the ultimate ownership of the General Partner, it was correctly identified as a related seller in the tax credit application and for tax-exempt bond purposes. Spicewood Development submitted a settlement statement that verified the original acquisition price of \$435,000 and a closing date of October 3, 2000 and \$5,405 in closing costs. They also submitted documentation for land carrying costs that generally justify \$166,942 in third party expenses such as property taxes, engineering fees, surveying, and interest on a loan and estimated project overhead costs of an additional \$103,910 but provided no additional documentation for such an estimate.

The Underwriter agrees that Spicewood Development has completed considerable development work in regards to the project, but believes that they should be compensated as a development partner through the cost constraints associated with the 15% maximum developer fee established by the Department for all multifamily projects. To this end the Underwriter has revised the site acquisition cost to include all of the third party costs and land costs (though some, depending on their timing, could more correctly be considered indirect construction costs) and moved the estimated overhead costs to developer overhead and the remaining appreciation in value to developer profit. These items, combined with the \$1,819,582 and the \$90,000 in housing consulting fees itemized in the application, total to \$2,528,235 in total developer fees or approximately 21% of the Applicant's estimated eligible costs (excluding the developer fees themselves). This amount of developer fee clearly exceeds the Department's stated 15% maximum allowable fee and therefore the excess is not included in the Underwriter's development cost budget.

Direct Construction Cost: The Applicant contends that the project has been unduly characterized as an "average quality" project under Marshall & Swift *Residential Cost Handbook* rather than a "good quality" project. It has been the Department's standard operating policy to underwrite construction cost using average quality as the basis as evidenced in the 2001 Low Income Housing Tax Credit Application Submission Procedures Manual and in the 2002 Qualified Allocation Plan. Adjustments to the base costs under this approach can and in this case were made for quality differences identified with the project such as 9-foot ceilings, exterior composition, specialty fire systems, number of floors per building, extensive patio and balcony areas, additional plumbing features, and energy efficient heating and cooling systems. In conducting an extensive review of the original cost estimation method the Underwriter used all of the elements indicated in the Consultant's and Architect's follow-up correspondence. An error was discovered, however, in the calculation of the subfloor adjustment and this error lead to an underestimation of the Marshal and Swift-based costs of $220K. As a result the Applicant's direct costs are now $492K or 7% higher than the Underwriter's revised estimate.

With the adjustments to the Underwriter's direct costs and to land cost for the third party work provided, the Applicant's total development cost budget now appears to be $1.396M or 9.69% higher than the Underwriter's total budget.

Financing Structure: The Applicant identified a third area of concern regarding the blended interest rate of 6.94% used by the Underwriter where the tax-exempt debt had a commitment rate of 7.25% and the taxable bonds had an anticipated rate of 9.25%. Based on these rates, there was a clear miscalculation of the blended rate which should have been 7.55%. While the actual rate is somewhat high for a tax-exempt bond issue in the current market, it is due to an extended 40-year amortization and an unusually large tax-exempt bond series (19% of the debt). The resulting blended rate is, in fact, not significantly better than could be achieved today for a conventional loan in a 9% LIHTC transaction, although the loan to value ratio with this transaction is higher than the typical 9% transaction.

Regardless of the efficacy of the blended rate, the higher debt service amount does have a material effect on the project's feasibility. As was discussed in the original report the Underwriter's proforma is significantly different than the Applicant's proforma. The Applicant's income and expenses both were considerably lower than the Underwriter's estimate based on the rent limit rents and the TDHCA comparable expense database. The Applicant estimated $65K more in net operating income than the Underwriter could verify and this amounted to a 6.8% difference or more than the 5% tolerance guideline. As a result of the higher blended rate, the Applicant's original debt service amount of $923,064 is more consistent with the Underwriter's revised estimate of $922,608, but this is significantly higher than the Underwriter's original $852,005 estimate. As such, the Underwriter's proforma projects insufficient income to service the projected debt at a minimum 1.10 DCR. Therefore, the proposed taxable bond amount at the corrected interest rate appears to be too high and must be reduced by $560,000. If such an adjustment occurs, the additional gap of financing, in the same amount, could be filled with the tax credit syndication proceeds if available. This would allow the Underwriter's recommended tax credits based on the gap method to increase to $436,575 (an $115,411 increase over the original recommendation but still $47,858 less than requested.) The Underwriter and Applicant agree that additional eligible basis exists to support a gap of funds based need of that amount, if needed. However, since a lower interest rate could also provide a satisfactory debt coverage ratio, this report and the tax credit amount recommended is conditioned upon the taxable bonds being reduced to $1,640,000 and any subsequent change to the terms or amount should be subject to re-review of the continued appropriateness of the recommended tax credit amount.

Site Inspection: A site inspection was also completed after the submission of the original underwriting report. The inspectors found the site to be suitable for the proposed development but noted several less than ideal attributes including its adjacency to a small but full one-acre cemetery (along the center eastern boundary) and the controversial Longhorn Gas pipeline (along the southern boundary). The site is long and narrow along busy South Congress Avenue and though it appears to have physical access to the quieter Circle S road to the east, the zoning approval ordinance indicates that no vehicular access to Circle S Road is allowed. The site also did have several existing structures and slabs which will have to be removed prior to construction. The cost of this demolition is not considered part of eligible basis since it is an improvement to the land but no such accommodation for ineligible demolition costs were included in the Applicant's budget. Receipt, review, and acceptance of a revised project cost schedule reflecting the portion of sitework costs attributable to demolition activity is a further condition of this report.

Conclusions: Based on the Underwriter's proformas for the first year of stabilized operation, the project cannot support permanent annual debt service of more than $874,476 and the results in the reduction in serviceable taxable bonds of $560,000. If this is ultimately substantiated by the final firm financing commitment, the additional gap created can justify a significantly higher credit amount. In addition, the re-evaluation of the Marshal & Swift based direct cost analysis reflects an increase of $220K in the Underwriters direct cost and eligible basis. The Applicant also substantiated acquisition and holding/entitlement costs of $607,347 which is $146,347 more than originally included in the Underwriter's budget. In total the Underwriter's total budget has increased $357,430. When combined with the additional anticipated gap from a reduction in anticipated taxable bonds, the total syndication proceeds need is $3,470,425. Based on the anticipated syndication rate, this amounts to a recommended credit amount of $436,575.

SUMMARY OF SALIENT RISKS AND ISSUES

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

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $436,575 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

1. Receipt, review, and acceptance of a revised project cost schedule reflecting the portion of sitework costs attributable to demolition activity to remove the structures and slabs noted in the site inspection report;
2. Receipt, review, and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer, terms, and amounts consistent with the Underwriter's assumptions (tax-exempt bonds of $9.3M at 7.25% interest amortized over 40 years, taxable bonds of $1,640,000 at 9.25%);
3. Receipt, review, and acceptance of a commitment for a letter of credit under the terms stated in the submitted and/or revised commitment for permanent financing;
4. Should the rates and terms of the bonds change or the total amount of taxable and tax-exempt bonds exceed $10,940,367, a review of and reduction in the tax credit amount may be warranted.

Director of Credit Underwriting: ______________________ **Date:** January 10, 2002

Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Circle S Apartments, Austin, LIHTC #01458

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit		Rent per Month	Rent per SF	Tnt Pd Util	Wt
TC 60%	76	1	1	700	$728	$664		$50,464	$0.95	$64.00	$
TC 60%	100	2	2	880	873	792		79,200	0.90	81.00	4
TC 60%	24	3	2	1,140	1,009	914		21,936	0.80	95.00	6

TOTAL:	200		**AVERAGE:**	843	$834	$758		$151,600	$0.90	$76.22	$
INCOME	Total Net Rentable Sq Ft:		168,560			**TDHCA**		**APPLICANT**			
POTENTIAL GROSS RENT						$1,819,200		$1,812,624			
Secondary Income			Per Unit Per Month:	$10.00		24,000		24,000	$10.00	Per Unit Per Month	
Other Support Income: (describe)						0		0			
POTENTIAL GROSS INCOME						$1,843,200		$1,836,624			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%		(138,240)		(137,548)	-7.49%	of Potential Gross	
Employee or Other Non-Rental Units or Concessions						0		0			
EFFECTIVE GROSS INCOME						$1,704,960		$1,699,076			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	%
General & Administrative		3.89%	$332	$0.39		$66,331		$39,100	$0.23	$196	2
Management		5.00%	426	0.51		85,248		58,000	0.34	290	3
Payroll & Payroll Tax		7.32%	624	0.74		124,734		121,000	0.72	605	7
Repairs & Maintenance		4.49%	383	0.45		76,535		68,000	0.40	340	4
Utilities		2.74%	233	0.28		46,647		45,000	0.27	225	2
Water, Sewer, & Trash		5.51%	470	0.56		93,938		60,000	0.36	300	3
Property Insurance		1.58%	135	0.16		26,970		30,000	0.18	150	1
Property Tax	2.5319	8.91%	760	0.90		151,914		180,000	1.07	900	1
Reserve for Replacements		2.35%	200	0.24		40,000		40,000	0.24	200	2
Supportive Services, Security		1.76%	150	0.18		30,000		30,000	0.18	150	1
TOTAL EXPENSES		43.54%	$3,712	$4.40		$742,317		$671,100	$3.98	$3,356	3
NET OPERATING INC		56.46%	$4,813	$5.71		$962,643		$1,027,976	$6.10	$5,140	6
DEBT SERVICE											
Tax-Exempt Bonds		41.87%	$3,569	$4.24		$713,874		$923,064	$5.48	$4,615	5
Taxable Bonds		12.24%	$1,044	$1.24		$208,734		0	$0.00	$0	0
Trustee Fee		0.00%	$0	$0.00		0		0	$0.00	$0	0
Compliance Fees		0.29%	$25	$0.03		5,000		7,000	$0.04	$35	0
NET CASH FLOW		2.05%	$175	$0.21		$35,035		$97,912	$0.58	$490	5
AGGREGATE DEBT COVERAGE RATIO						1.04		1.11			
BONDS-ONLY DEBT COVERAGE RATIO						1.04					
ALTERNATIVE DCR						1.10					
CONSTRUCTION COST											
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT		**TDHCA**	**APPLICANT'S ADJUSTED**	**APPLICANT**	PER SQ FT	PER UNIT	% o
Acquisition Cost (site or bldng)		4.21%	$3,037	$3.60		$607,347	$607,347	$1,226,000	$7.27	$6,130	7
Off-Sites		0.00%	0	0.00		0	0	0	0.00	0	0
Sitework		7.12%	5,129	6.09		1,025,760	1,025,760	1,025,760	6.09	5,129	6
Direct Construction		48.93%	35,255	41.83		7,050,966	7,543,200	7,543,200	44.75	37,716	4
Contingency	1.86%	1.04%	750	0.89		150,000	150,000	150,000	0.89	750	0
General Requirements	6.00%	3.36%	2,423	2.87		484,604	523,138	523,138	3.10	2,616	3
Contractor's G & A	2.00%	1.12%	808	0.96		161,535	174,379	174,379	1.03	872	1
Contractor's Profit	6.00%	3.36%	2,423	2.87		484,604	523,138	523,138	3.10	2,616	3
Indirect Construction		2.04%	1,471	1.75		294,150	294,150	294,150	1.75	1,471	1
Ineligible Expenses		1.11%	800	0.95		160,000	160,000	160,000	0.95	800	1
Developer's G & A	2.00%	1.59%	1,143	1.36		228,575	103,910	0	0.00	0	0
Developer's	13.00%	10.31%	7,429	8.81		1,485,739	2,424,325	1,909,582	11.33	9,548	1

Profit									
Interim Financing	12.33%	8,886	10.54	1,777,146	1,777,146	1,777,146	10.54	8,886	1
Reserves	3.47%	2,500	2.97	500,000	500,000	500,000	2.97	2,500	3
TOTAL COST	100.00%	$72,052	$85.49	$14,410,425	$15,806,493	$15,806,493	$93.77	$79,032	10
Recap-Hard Construction Costs	*64.94%*	***$46,787***	***$55.51***	*$9,357,468*	*$9,939,615*	*$9,939,615*	***$58.97***	***$49,698***	*6*
SOURCES OF FUNDS							**RECOMMENDED**		
Tax-Exempt Bonds	64.54%	$46,500	$55.17	$9,300,000		$9,300,000	$9,300,000	**Max. Cost Guid**	
Taxable Bonds	15.27%	$11,000	$13.05	2,200,000		2,200,000	1,640,000	$11,967,760	
LIHTC Syndication Proceeds	26.73%	$19,256	$22.85	3,851,243		3,851,243	3,470,425		
Deferred Developer's Fee	3.16%	$2,276	$2.70	455,249		455,249			
Additional (excess) Funds Required	-9.69%	($6,980)	($8.28)	(1,396,067)		1	0		
TOTAL SOURCES				$14,410,425		$15,806,493	$14,410,425		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Circle S Apartments, Austin, LIHTC #01458

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT	
Base Cost			$42.43	$7,152,810	
Adjustments					
Exterior Wall Finish	3.10%		$1.32	$221,737	
Elderly			0.00	0	
Roofing			0.00	0	
Subfloor			(0.65)	(110,126)	220,252
Floor Cover			1.82	306,779	
Porches/Balconies	$22.61	27,804	3.73	628,556	
Plumbing	$585	372	1.29	217,620	
Built-In Appliances	$2,110	200	2.50	422,000	
Exterior Stairs	$1,350	66	0.53	89,100	
Floor Insulation			0.00	0	
Heating/Cooling			1.66	279,810	
Garages/Carports			0.00	0	
Comm &/or Aux bldngs	$56.86	3,091	1.04	175,760	
Fire Sprinkler System	$1.55	168,560	1.55	261,268	
SUBTOTAL			57.22	9,645,315	
Current Cost Multiplier	1.02		1.14	192,906	
Local Multiplier	0.88		(6.87)	(1,157,438)	
TOTAL DIRECT CONSTRUCTION COSTS			$51.50	$8,680,783	
Plans, specs, survy, bld prmts	3.90%		($2.01)	($338,551)	
Interim Construction Interest	3.38%		(1.74)	(292,976)	
Contractor's OH & Profit	11.50%		(5.92)	(998,290)	
NET DIRECT CONSTRUCTION COSTS			$41.83	$7,050,966	

PAYMENT COMPUTATION

Primary	$9,300,000	Term	
Int Rate	7.25%	DCR	
Secondary	$2,200,000	Term	
Int Rate	9.25%	Subtotal DCR	
Additional		Term	
Int Rate		Aggregate DCR	

ALTERNATIVE FINANCING STRUCTU

Primary Debt Service	$713,874
Taxable Bonds	$155,602
Compliance Fees	5,000
NET CASH FLOW	$88,167

Primary	$9,300,000	Term	
Int Rate	7.25%	DCR	
Secondary	$1,640,000	Term	
Int Rate	9.25%	Subtotal DCR	
Additional		Term	
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	YE

POTENTIAL GROSS RENT	$1,819,200	$1,873,776	$1,929,989	$1,987,889	$2,047,526	$2,373,643	$2,751,703	$3,189,978	$4,
Secondary Income	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	
Other Support Income: (describe)	0	0	0	0	0	0	0	0	
POTENTIAL GROSS INCOME	1,843,200	1,898,496	1,955,451	2,014,114	2,074,538	2,404,958	2,788,005	3,232,062	4,3
Vacancy & Collection Loss	(138,240)	(142,387)	(146,659)	(151,059)	(155,590)	(180,372)	(209,100)	(242,405)	(32
Employee or Other Non-Rental Units or Concessions	0	0	0	0	0	0	0	0	
EFFECTIVE GROSS INCOME	$1,704,960	$1,756,109	$1,808,792	$1,863,056	$1,918,948	$2,224,586	$2,578,905	$2,989,658	$4,
EXPENSES at 4.00%									
General & Administrative	$66,331	$68,984	$71,744	$74,613	$77,598	$94,410	$114,864	$139,750	$2
Management	85,248	87,805	90,440	93,153	95,947	111,229	128,945	149,483	2
Payroll & Payroll Tax	124,734	129,724	134,913	140,309	145,922	177,536	216,000	262,797	3
Repairs & Maintenance	76,535	79,597	82,780	86,092	89,535	108,933	132,534	161,248	2
Utilities	46,647	48,513	50,453	52,471	54,570	66,393	80,777	98,277	1
Water, Sewer & Trash	93,938	97,696	101,603	105,667	109,894	133,703	162,670	197,913	2
Insurance	26,970	28,048	29,170	30,337	31,551	38,386	46,703	56,821	
Property Tax	151,914	157,991	164,310	170,883	177,718	216,221	263,066	320,060	4
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	1
Other	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	
TOTAL EXPENSES	$742,317	$771,157	$801,125	$832,266	$864,625	$1,046,443	$1,266,776	$1,533,828	$2,
NET OPERATING INCOME	$962,643	$984,952	$1,007,667	$1,030,790	$1,054,323	$1,178,143	$1,312,129	$1,455,830	$1,
DEBT SERVICE									
First Lien Financing	$713,874	$713,874	$713,874	$713,874	$713,874	$713,874	$713,874	$713,874	$7
Taxable Bonds	155,602	155,602	155,602	155,602	155,602	155,602	155,602	155,602	1
Trustee Fee	0	0	0	0	0	0	0	0	
Compliance Fees	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	
Cash Flow	88,167	110,276	132,783	155,690	178,997	301,551	433,995	575,820	8
AGGREGATE DCR	1.10	1.13	1.15	1.18	1.20	1.34	1.49	1.65	

LIHTC Allocation Calculation - Circle S Apartments, Austin, LIHTC 01458/MFB 2001-

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,226,000	$461,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,025,760	$1,025,760	$1,025,760	$1,025,760
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$7,543,200	$6,889,957	$7,543,200	$6,889,957
(4) Contractor Fees & General Requirements				
Contractor overhead	$174,379	$158,314	$171,379	$158,314
Contractor profit	$523,138	$474,943	$514,138	$474,943
General requirements	$523,138	$474,943	$514,138	$474,943
(5) Contingencies	$150,000	$150,000	$150,000	$150,000
(6) Eligible Indirect Fees	$294,150	$294,150	$294,150	$294,150
(7) Eligible Financing Fees	$1,777,146	$1,777,146	$1,777,146	$1,777,146
(8) All Ineligible Costs	$160,000	$160,000		
(9) Developer Fees			$1,798,487	
Developer overhead		$224,904		$224,904
Developer fee	$1,909,582	$1,461,878		$1,461,878

(10) Development Reserves	$500,000	$500,000		
TOTAL DEVELOPMENT COSTS	$15,806,493	$14,052,995	$13,788,397	$12,931,995

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		$13,788,397	$12,931,995
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$13,788,397	$12,931,995
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$13,788,397	$12,931,995
Applicable Percentage		3.68%	3.68%
TOTAL AMOUNT OF TAX CREDITS		$507,413	$475,897
Syndication Proceeds	0.7949	$4,033,530	$3,783,006
		Gap-Driven Need for Syndication Proceeds	$2,552,995
		Gap-Driven Annual Allocation	$321,164

DATE: January 10, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01458

DEVELOPMENT NAME

Circle S Apartments

APPLICANT

Name: One SDI, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 247 N Westmonte Drive **City:** Altamonte Springs **State:** FL

Zip: 32714 **Contact:** Robert M Picerne **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PRINCIPALS of the APPLICANT

Name	(%)	Title
One Circle S Management, LLC	0.01	Managing General
First Union Affordable Housing CDC	99.99	Limited Partner
Robert M Picerne	n/a	50% owner of MGP
Picerne Development Corporation	n/a	50% owner of MGP
K Nicole Flores	n/a	Consultant

GENERAL PARTNER

For Profit Non-Profit Municipal Other

Name:	One Circle S Management, LLC		**Type:**	☒	☐	☐	☐
Address:	350 N Saint Paul Street		**City:**	Dallas		**State:**	TX
Zip:	75201	**Contact:** CT Corporation System	**Phone:**	( )		**Fax:**	( )

PROPERTY LOCATION

Location:	7201-7401 S Congress Avenue		☐ **QCT**		☐ **DDA**
City:	Austin	**County:**	Travis	**Zip:**	78745

REQUEST

Amount	Interest Rate	Amortization	Term
$484,433	n/a	n/a	n/a

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits;

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size:	8.71 acres	379,408 square feet	**Zoning/ Permitted Uses:**	MF3-CO/Multifamily	
Flood Zone Designation:	Zone X	**Status of Off-Sites:**	Partially Improved		

DESCRIPTION of IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 9 **# Common Area Bldngs** 2* **# of Floors** 3 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
76	1	1	700
100	2	2	880
24	3	2	1,140

Net Rentable SF: 168,560 **Av Un SF:** 843 **Common Area SF:** 3,091* **Gross Bldng SF** 171,651

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

* Includes separate laundry facility/maintenance room

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 30% masonry/brick veneer/70% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Furnished community activity room, management offices, laundry facilities, restrooms, computer/business center, swimming pool, perimeter fencing

Uncovered Parking: 363 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Charter/MAC **Contact:** James Spounds

Principal Amount: $9,300,000 **Interest Rate:** 7.9% interim; 7.25% permanent

Additional Information: Tax-Exempt Bonds to be issued by Travis County HFC; Interim period of up to 16 months

Amortization: 40 yrs **Term:** 40 Yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $714,240 **Lien Priority:** 1st **Commitment Date** 11/ 05/ 2001

INTERIM to PERMANENT FINANCING

Source: Charter/MAC **Contact:** James Spounds

Principal Amount: $2,200,000 **Interest Rate:** 9.25%

Additional Information: Taxable Bonds to be issued by Travis County HFC

Amortization: 40 yrs **Term:** 18 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $208,824 **Lien Priority:** 1st **Commitment Date** 11 / 05/ 2001

LIHTC SYNDICATION

Source: First Union Affordable Housing CDC (Wachovia Securities) **Contact:** Dan Metz

Address: 201 South College Street, 8th Floor **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 715-1307 **Fax:** (704) 383-9525

Net Proceeds: $3,851,243 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 79.5¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 11/ 05/ 2001

Additional Information:

APPLICANT EQUITY

Amount: $455,249 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 8.71 ac $1,300,000 **Date of Valuation:** 10/ 25/ 2001

Appraiser: The WF Smith Company **City:** Dripping Springs **Phone:** (512) 328-4330

ASSESSED VALUE

Land: 6 ac + 7 lots	$421,932	**Assessment for the Year of:**	2001
Building: SFR	$12,379	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$434,311	**Tax Rate:**	2.5319

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (7201-7401 S Congress - 8.71 acres)

Contract Expiration Date: 02/ 15/ 2002 **Anticipated Closing Date:** 01/ 30/ 2002

Acquisition Cost: $ 1,200,000 **Other Terms/Conditions:** $1K earnest money

Seller: 7400 Congress, Ltd. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Circle S Apartments is a proposed new construction project of 200 units of affordable housing located in south Austin. The project is comprised of nine residential buildings as follows:

- Six Building Style I with twelve one-bedroom units and twelve two-bedroom units;
- Two Building Style II with twelve two-bedroom units and twelve three-bedroom units; and
- One Building Style III with four one-bedroom units and four two-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, separate laundry facility and swimming pool located in the southern portion of the site. The 2,500-square foot community building will include a common room with kitchen, a second large room with a separate exterior entrance, public restrooms and leasing/management offices.

Supportive Services: The Applicant has submitted a supportive services program agreement. The proposed provider, Picerne Management Corporation, will offer the following supportive services to tenants: an after school youth program, resident support group meetings, community resources, adult resident services, and health and well-being programs. These services will be provided at no cost to tenants. Although signed, the five-year contract is not complete as it indicates that the provider will be paid a "to be determined" community services fee. In addition, the provider is related to the owner and is the proposed management company.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI.

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

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 23, 2001 was prepared by The Siegel Group and highlighted the following findings:

Definition of Market/Submarket: The Primary Market Area (PMA) is defined as a five-mile radius around the subject property. Boundaries include Barton Hill Drive to the north, FM 1327 to the south, Shaw Lane to the east and Idalia Drive to the west. The Secondary Market Area is defined as a ten-mile radius. (p. 3)

Total Regional Market Demand for Rental Units: According to the City of Austin Consolidated Plan, there is a need for an additional 1,306 affordable multifamily rental units in the City of Austin between 2000 and 2004. (p. 88) 53.6% of households in the SMA are renters. (p. 34) There are 33,225 total income qualified renter households located within the SMA. (p. 91)

Total Local/Submarket Demand for Rental Units: The target market consists primarily of one- to six-person households in the Austin area who earn at or below 60% of the area median income, adjusted for size. This income range is estimated to be from a minimum of $21,840 for a one-person household to a maximum income of $45,060 for a six-person household. (p. 3) 58.3% of the households in the PMA are renters. (p. 34) There are 19,410 total income qualified renter households in the PMA. (p. 90)

Penetration Rate: The PMA has 33,293 income qualified households, inclusive of one year of growth, and the SMA has 61,987 households, inclusive of one year of growth. Given the above approximations, the subject units require a penetration rate in the PMA of 0.60% and 0.32% for the SMA. (p. 90)

Capture Rate: There are 19,410 total income qualified renter households in the PMA, resulting in a capture rate of 1.03%. If the 380 proposed units currently under construction and in the planning phase within two-miles of the subject site are added to the market, a more refined capture rate of 2.99% would result. (p. 90) There are 33,225 total income qualified renter households located within the SMA, resulting in a capture rate of 0.60%. If all existing and proposed income restricted units in the PMA and the SMA are deducted from the market, an effective capture rate of 0.67% would result. (p. 91) If the proposed additional 280 units known as Blunn Creek are incorporated into the capture rate, a more refined capture rate of 4.43% (860 units/19,410 income eligible renter households) would result. If the proposed units to be developed at Blunn Creek are incorporated into the effective capture rate, there would be 17,853 effective income qualified renter households, resulting in an effective capture rate of 1.12% (200 units/17,853 income eligible renter households).

Local Housing Authority Waiting List Information: The Austin Housing Authority reports there are 2,200 Section 8 vouchers and certificates currently in use, with an additional 5,000 families on a waiting list. (p. 88)

Market Rent Comparables: There were 14 apartment communities surveyed in the area. The survey included federally subsidized as well as market-rate properties. Constructed from one to 25 years ago, the properties surveyed ranged from "A" to "C" in grading. Statistical data for the comparable properties' rent restricted units was not incorporated in the comparable property market averages to avoid skewing the market rent estimates. (p. 47) For every four jobs created, only one housing unit was created in the 1990s. The resulting demand for rental housing caused rents to increase an average of 7% every year with increases that exceeded 10% between 1992 and 1993. (p. 43)

RENT ANALYSIS (net tenant-paid rents)					
	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$662	$664	-$2	$794	-$132
2-Bedroom (60%)	$789	$792	-$3	$996	-$207
3-Bedroom (60%)	$910	$914	-$4	$1,285	-$375

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

While many economic pundits now argue that the Austin apartment market is overbuilt, the new product in the market has created primarily high-end renters with Class A, highly "amenitized," units. The Crossing Apartment Homes, located in the PMA, was completed in 2000 and reached 100% within six months of the completion of construction. With rents ranging from $750 for a one-bedroom to $1,425 for a four-bedroom, the development catered to upper-end renters and, thereby, was not designed to meet the needs of low-income households. With recent downturns in the economy that have disproportionately affected upper-end renters, The Crossing is now offering discounts of up to $145 off monthly rents. However, even with discounted rents ranging between $685 and $1,280, the proposed maximum rents allowable under the LIHTC Program are still below the concessions currently offered in the market. However, if the high tech industry does not recover quickly, market rents will continue to drop. As a result, the subject will experience increased competition with market properties. If so, the proposed amenities such as social services, the business center and clubhouse will be crucial components of attracting and maintaining eligible tenants. (p. 88)

Submarket Vacancy Rates: While apartment managers surveyed in the PMA admit that occupancy rates have dropped 2-3% within the last 12-months, they are currently at 94%. Housing units in the PMA are 89.7% occupied. Of the occupied units in the market, 41.7% are owner occupied and 58.3% are renter occupied. (p. 43)

Absorption Projections: Although vacancies averaged 6% among 14 projects surveyed, the persistent need for affordable housing, the projected rental rate, newer units and competitive amenities contemplated should further enhance the attractiveness of the development and sustain the proposed lease-up rate of 15 units per month. (p. 88)

Known Planned Development: According to the City of Austin, developers within the Austin city limits currently have nearly 11,000 units under construction and more than 14,000 additional units in the planning phase. (p. 44) There are two other affordable housing properties in the PMA coming online in 2002. Spring Valley Townhomes, an LIHTC development, is a 230-unit development and Oaks at Boggy Creek is a 150-unit LIHTC/Bond development. Together with the subject development, they will infuse an additional 530 units of affordable housing into the market over a 12 to 24 month period. According to the City of Austin Consolidated Plan, there is a need for an additional 1,306 affordable multifamily rental units in the City of Austin between 2000 and 2004. The three developments address approximately 40.5% of that documented need. (p. 88)

Upon request, the analyst also took into consideration a proposed 280 unit LIHTC/Bond-financed project known as Blunn Creek, located in the defined primary market area. Altogether, the four developments will infuse an additional 860 units of affordable housing into the market over a 12 to 14 month period, addressing approximately 65.8% of the need documented by the City of Austin Consolidated Plan (which is not specific to the primary market area defined by the analyst).

Effect on Existing Housing Stock: Not discussed in submitted market study.

Other Relevant Information: The rapid growth combined with the desire of developers to cater to upper-income households, has put average housing prices and rents out of the reach of many Austin middle class residents and places burdens on the poor and those on fixed incomes. Based on a comparison of cost of living differences among urban areas, produced by the American Chamber of Commerce Research Association, assuming the US average is 100, the metropolitan area has a cost of living rate of 1.17. As a result, according to the Housing Affordability Index, only 56% of area households can afford a median priced home. Further, the PMA has experienced an increase in property values, evidenced by the rise in average home value from $75,897 in 1990 to $129,347 in 2000, an annual increase of 7.0%. Values in the area are expected to continue increasing at a rate of approximately 4.4% annually, to a level of $157,894 by the year 2005. (p. 34)

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

The Underwriter has also independently calculated demand based on the information derived from the submitted market study. The 2000 population for the defined primary market area (five mile radius) is estimated at 201,008 persons in 83,140 households. The number of households in 2005 is projected at 92,013 households indicating an annual growth of approximately 1,775 households.

The market analyst's income band calculator included households with up to six members with an income range from $21,840 to $45,060. Because household size per unit is limited to 1.5 persons per bedroom, the largest household qualified for this project, based on the largest unit including only three bedrooms, is a five-member household. This reduces the maximum income to $41,940. The market analyst's 2000 Projected Income Estimates chart indicates that 29%, or 24,102 households, fall within this range (information on household size within the income band was not available at completion of this report). Applying the 29% to the projected annual household growth results in an additional 515 income qualified households.

The market analyst has indicated that 58.3% of households in the primary market area are renter households. Therefore, the projected income qualified renter household growth is 300 households per year through 2005 based on the 2000 projected existing income qualified renter households in the primary market area of 14,052. However, only a portion of the existing households in the primary market area will turnover and contribute to the demand for new supply. Assuming a conservative turnover rate of 25% for the market area, the Underwriter has calculated a demand of 3,626 units from existing income qualified renter households. Adding demand from one year of household growth of 300 units results in a total income qualified demand for 3,926 rental units.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	300	8%
Resident Turnover	3,626	92%
TOTAL ANNUAL DEMAND	**3,926**	**100%**

The Underwriter has calculated capture rate by dividing the number of units proposed for the subject project (200 units) plus comparable units proposed for the primary market area (230 + 150 + 280 = 660) by total annual income eligible demand (3,926 units including one year of growth). The calculation resulted in a capture rate of 28%, which points to a concentration concern as it exceeds the Department's 25% maximum guideline. As the project is slated for completion and lease-up in early 2003, it is reasonable to include an additional year of household growth to total demand. This would increase the demand by 300 units for a total of 4,226 units and reduce the capture rate to 20%, which would alleviate the Underwriter's concerns about possible concentration issues.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject property is located between 7201 and 7401 South Congress in Austin, Travis County. Specifically it is located on the east side of South Congress, between William Cannon Drive and Dittmar Road. The Austin metropolitan area is located along the Interstate 35 corridor, a major north-south thoroughfare.

Population: The PMA, a five-mile radius surrounding the subject property, contains approximately 201,008 people in 83,140 households. The SMA, a ten-mile radius surrounding the subject property, contains approximately 426,153 people in 171,157 households. Year 2005 projections indicate a population of 221,057 persons in the PMA and 467,940 persons in the SMA.

Adjacent Land Uses: The immediate neighborhoods surrounding the subject property are low to moderate-income communities of single-family homes and older multifamily developments. Adjacent land uses include:

- **North:** vacant land, Centennial Place Apartments beyond
- **South:** Longhorn Pipeline right of way and vacant lots, KL Motors beyond
- **East:** vacant lots and a cemetery, Circle S Drive and Commemorative Brands, Inc. Plant beyond
- **West:** South Congress Avenue, moderate-income single-family subdivision and public storage beyond

Site Access: The subject property will be accessed through two points of egress and ingress, with the primary entrance on South Congress, 0.5 miles south of William Cannon and 1.0 mile west of Interstate 35. Major arteries in the PMA include Loop 1 (Mopac), US Highway 290 West and Interstate 35. In addition, the SMA includes US Highway 183 and Loop 360 (Capital of Texas Highway).

Public Transportation: Public transportation needs are served by Capital Metro, which provides service to as far north as Cedar Park and Pflugerville and as far south as Manchaca. There is a Capital Metro bus stop at the corner of South Congress and William Cannon, approximately 0.5 miles north of the subject.
Shopping & Services: The Austin metropolitan area is home to seven area colleges and universities. Primary schools are located within 0.5 miles, while a high school is located within 2 miles of the subject. With eleven major hospitals and one children's hospital, recent medical center expansions bring the total number of hospital beds to more than 2,500. A convenience and major grocery stores are located within 2 miles of the subject. The Dittmar Recreation Center and Pleasant Hill Branch Library are located within 0.5 miles.
Special Adverse Site Characteristics: The title commitment indicates a vendor's lien retained in Deed dated October 3, 2000 securing payment of one promissory note in the principal sum of $325,000. It appears that there will be adequate proceeds from the sale of the property to clear this lien.
Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 2001 was prepared by Horizon Environmental Services, Inc. and contained the following findings and recommendations:

"Based upon a review of regulatory literature, historical information, and a site reconnaissance, the subject site was found to have a low probability for environmental risk or liability from hazardous materials and Horizon recommends no additional investigations, studies, or sampling efforts for any hazardous substances or materials." (Executive Summary)

The ESA also noted the existence of an abandoned single family home and sheds as well as slabs for a demolished service station and duplex. In addition, a pipeline right of way (ROW) is immediately adjacent to the southern boundary of the site with three pipelines: an 18-inch abandoned Longhorn pipeline, a 24-inch crude oil Rancho pipeline, and a 10.75-inch natural gas pipeline operated by Phillips 66. Longhorn plans to use its line to transport refined products from the Gulf Coast to El Paso. Segments of the pipeline are currently undergoing construction to replace and upgrade portions of the line within Travis County. These pipeline ROWs appear to be in good condition and Horizon observed no soil staining or stressed vegetation along the ROWs.

OPERATING PROFORMA ANALYSIS

Income: The Applicant has assumed comparable net rents, secondary income, and vacancy and collection loss assumptions for an effective gross income estimate that is less than 1% lower than the Underwriter's estimate.
Expenses: In contrast, the Applicant's total annual expense estimate is 10%, or $71K, lower than the Underwriter's TDHCA database-derived estimate. Several significant line-item differences include: general and administrative ($27K lower), management fee ($27K lower), repairs and maintenance ($8.5K lower), and water, sewer and trash ($34K lower).
Conclusion: Overall, the Applicant's net operating income estimate is 7%, or $65K, higher than the Underwriter's estimate. Because this difference exceeds the 5% tolerance range, the Underwriter's proforma should be used to determine the project's permanent financing structure.

DEVELOPMENT COST ESTIMATE EVALUATION

Land Value: The principles of the current owner of the proposed site are related to the principles of the Applicant. The submitted Project Cost Schedule (E.102) indicates that the properties composing the site will be purchased for $1,200,000 and closing costs are estimated at $26,000 for a total acquisition cost of $1,226,000. According to a letter, dated November 1, 2001 and signed by a principle of both the seller and the Applicant, the properties were purchased in October of 2000 for $435,000. Holding costs noted include $150,000 spent for architectural and engineering services to design and permit a 200-unit complex on the site and other administrative costs in excess of $50,000. Architectural and engineering fees of $134,500 are included in the proposed project's current cost schedule and no documentation for the other holding costs of $50,000 was submitted.

An appraisal of the subject property, prepared by The WF Smith Company, indicates an "As Is" market value as of October 25, 2001 of $1,300,000, which supports the proposed sale price of $1,200,000. Inconsistencies were noted in the body of the appraisal report including misidentification of the location of the subject site. In addition, the adjustments to the sale price of the comparable land sales are questionable as is the use of a per dwelling unit sale price comparison rather than a per acre/square foot comparison for land valuation. For instance, all four sales were adjusted upward to the amount of $500 per dwelling unit to indicate the potential market value for the subject property, with its "entitlements" in place.

This underwriting analysis includes only the October 2000 sale price of $435,000 plus the Applicant's estimated closing costs of $26,000 for a total acquisition cost of $461,000. Although the difference of $765,000 will not affect eligible basis, it will play a role in the project's gap-driven need for syndication proceeds.

Site Work Cost: Although, the ESA noted the existence of an abandoned single family home and sheds as well as slabs for a demolished service station and duplex, the Applicant's cost schedule does not include demolition costs, which would be considered an ineligible cost for basis purposes. Upon request, a principle of both the Applicant and current owner of the site submitted a letter stating, "At the time of acquisition in October 2000, the old house on the property was vacant and in uninhabitable condition and has since been removed for liability reasons." This statement does not account for the slabs mentioned in the ESA. As noted earlier, receipt, review and acceptance of a site inspection by TDHCA staff is a condition of this report. Should the existence of any structures and or slabs be noted on the site, receipt, review and acceptance of a revised cost schedule with a line-item cost for demolition is a condition of this report.

Otherwise, proposed site work costs of $5,129 per unit appear to be reasonable based on costs for similarly sized projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is 9%, or $653K, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. As a result of conversations with the Applicant, the underwriting analysis of direct costs includes allowances for nine-foot ceilings, a fire sprinkler system, upgraded heating/cooling systems, and upgraded water-heating units.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees plus housing consultant fees of $90,000 also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible potion of the Applicant's developer fee must be reduced by $111,095.

Conclusion: As a result of a higher acquisition cost and direct construction costs, the Applicant's total development cost estimate is 13%, or $1.75M, higher than the Underwriter's estimate. Because this difference exceeds the 5% tolerance range, the Underwriter's total development cost estimate will be used to calculate the project's eligible basis and permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: mortgage revenue bonds, syndicated LIHTC equity and deferred developer fees.

Bonds: The bonds are private activity mortgage revenue bonds to be issued by Travis County Housing Finance Corporation and purchased by Charter/MAC. The commitment letter, dated October 3, 2001, from Charter/MAC indicates that the issuer will be TDHCA. As this is incorrect, receipt, review and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer and terms, is a condition of this report. As of the date of the underwriting analysis, there will be $9,300,000 in tax-exempt Series A bonds and $2,200,000 in taxable Series B bonds.

The taxable bonds will amortize based upon an accelerated special sinking fund schedule, whereby principal payments, as calculated from the level monthly debt service on the bonds, will be applied to redeem the taxable bonds first. The tax-exempt bonds and taxable bonds shall mature 40 years and approximately 18 years, respectively, after the conversion date. From the closing date to the completion date, the interest rate on the tax-exempt bonds shall be 7.90% and, thereafter, the rate shall be 7.25%. The interest rate on the taxable bonds shall be set at 9.25%. The stated interest rates reflect all-in rates, including loan servicing, but excluding annual trustee fees, issuer fees or other trust indenture expenses. The Underwriter used a blended interest rate of 6.94%, resulting in a term of approximately 21 years for the taxable bonds.

Charter shall arrange for a direct pay letter of credit to be issued for the benefit of the Bond Trustee by a Charter-approved financial institution. Obtaining the letter of credit shall be a condition precedent to Charter's obligation to provide the Financing Facility. The letter of credit shall remain outstanding during and for fifteen days following the expiration of the construction period and shall at all times have a face amount equal to at least one hundred percent of the outstanding amount of the bonds. The construction period shall not exceed 16 months. Receipt, review and acceptance of a commitment for a letter of credit under the above stated terms is a condition of this report.

LIHTC Syndication: First Union Housing Development Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,851,243 based on a syndication factor of 79.5%. The funds would be disbursed in a three-phased pay-in schedule:

10. 65% upon admission to the partnership;
11. 17.5% upon lien free project completion and final certificate of occupancy; and
12. 17.5% upon permanent loan closing, attainment of 1.10 debt coverage ratio for 90 consecutive days and receipt of forms 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $455,249 amount to 24% of the proposed total fees.

Financing Conclusions: Based on the Underwriter's and the Applicant's proformas for the first year of stabilized operation, the project can support both the proposed permanent annual debt service of $923,064 and the Underwriter's calculated annual debt service of $852,005, while maintaining a debt coverage ratio within the Department's guideline of 1.10 to 1.25. Therefore, the proposed bond amounts and interest rates appear to be acceptable.

As stated above, the Underwriter's total development cost estimate was used to calculate the project's eligible basis resulting in an eligible annual LIHTC allocation of $475,897. However, based on the proposed total bond amount and the Underwriter's total development cost estimate, the project has a gap-driven need of only $2,552,995 in syndication proceeds. This amount is $1,298,248 less than anticipated by the Applicant, with $765,000, or 59%, attributable to the overstatement of land cost for the identity of interest transfer. The letter of interest for syndication of the tax credits indicates a rate of 79.5%, resulting in a need for an annual LIHTC allocation of only $321,164. This figure is $154,733 less than the eligible annual allocation and $163,269 less than the Applicant's request.

It should be noted that no deferred developer fees are required under the recommended permanent financing structure. Should the project's total development cost mirror the Applicant's estimate, the difference of $1.75M can be financed through the deferral of a portion of the proposed developer fees and a reduction in the transfer price of the land. This amount would be repayable from project cash flow within the first ten years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The submitted elevation drawings indicate attractive combination siding/stone veneer exteriors. The individual floorplans appear to be well designed with adequate storage, private decks/patios and utility closets with hook-ups for full-sized appliances. The common area buildings will have exteriors similar to the residential buildings.

IDENTITIES of INTEREST

The seller of the proposed site and the principles of the Applicant are related entities. The identity of interest land sale was discussed in detail in the development cost estimate evaluation section of this report. In addition, the principles of the Applicant, the developer, the general contractor, the property manager, cost estimator and supportive services provider are related entities. These are common identities of interest for LIHTC/Bond-financed projects.

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

Financial Highlights: The Applicant and general partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and, therefore, have no material financial statements. An audited financial statement was provided for Picerne Investment Corporation, 50% owner of the general partner, and an interim financial statement was provided for Robert M. Picerne, 50% owner of the general partner.

As of year ended March 31, 2001, Picerne Investment Corporation had total assets of $633M comprised of cash, real estate, receivables, and prepaid expenses. Total liabilities equaled $628M for owner's equity of $5M. Ron Picerne owns 100% of voting stock in Picerne Investment Corporation, but in the past, he has declined to provide a personal financial statement based on his passive investment in the general partner.

Background & Experience: Picerne Investment Corporation has participated in numerous affordable housing projects, including LIHTC-funded projects, throughout the US since 1969.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $321,164 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

5. Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff;
6. Should the existence of any structures and or slabs be noted on the site (as mentioned in the submitted ESA), receipt, review and acceptance of a revised cost schedule with a line-item cost for demolition;
7. Receipt, review and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer and terms; and
8. Receipt, review and acceptance of a commitment for a letter of credit under the terms stated in the submitted and/or revised commitment for permanent financing.

Underwriter:	______________ *Lisa Vecchietti*	**Date:**	January 10, 2002
Director of Credit Underwriting:	______________ *Tom Gouris*	**Date:**	January 10, 2002

LIHTC Allocation Calculation - Circle S Apartments, Austin, LIHTC 01458/MFB 2001-

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,226,000	$461,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,025,760	$1,025,760	$1,025,760	$1,025,760
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$7,543,200	$6,889,957	$7,543,200	$6,889,957
(4) Contractor Fees & General Requirements				
Contractor overhead	$174,379	$158,314	$171,379	$158,314
Contractor profit	$523,138	$474,943	$514,138	$474,943
General requirements	$523,138	$474,943	$514,138	$474,943
(5) Contingencies	$150,000	$150,000	$150,000	$150,000
(6) Eligible Indirect Fees	$294,150	$294,150	$294,150	$294,150
(7) Eligible Financing Fees	$1,777,146	$1,777,146	$1,777,146	$1,777,146
(8) All Ineligible Costs	$160,000	$160,000		
(9) Developer Fees			$1,798,487	
Developer overhead		$224,904		$224,904
Developer fee	$1,909,582	$1,461,878		$1,461,878
(10) Development Reserves	$500,000	$500,000		
TOTAL DEVELOPMENT COSTS	$15,806,493	$14,052,995	$13,788,397	$12,931,995

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			$13,788,397	$12,931,995
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$13,788,397	$12,931,995
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$13,788,397	$12,931,995
Applicable Percentage			3.68%	3.68%
TOTAL AMOUNT OF TAX CREDITS			$507,413	$475,897
	Syndication Proceeds	0.7949	$4,033,530	$3,783,006
			Gap-Driven Need for Syndication Proceeds	$2,552,995
			Gap-Driven Annual Allocation	$321,164

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **West Oak Apartments** TDHCA#: 01459

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	West Oaks/Findlay III, Ltd.			
General Partner(s):	West Oaks/Finlay III GP, LLC, Jeffrey S. Spicer, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: 438,701 Eligible Basis Amt: 463,812 Equity/Gap Amt.: $532,049

Annual Tax Credit Allocation Recommendation: 463,812

Total Tax Credit Allocation Over Ten Years: $4,638,120

PROPERTY INFORMATION

Unit and Building Information

Total Units: 168 LIHTC Units: 167 % of LIHTC Units: 100%

Gross Square Footage: 189,554

Average Square Footage/Unit: 1,116

Number of Buildings: 7

Currently Occupied: N

Development Cost

Total Cost: $14,566,009 Total Cost/Net Rentable Sq. Ft.: $77.69

Income and Expenses

Effective Gross Income:[1] $1,373,013 Ttl. Expenses: $526,602 Net Operating Inc.: $846,411

Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant:	Finlay Properties, Inc.	Manager:	Orion Real Estate Services
Attorney:	Broad & Cassel	Architect:	Parker & Assoc.
Accountant:	Novogradac & Company LLP	Engineer:	Kaw Valley Engineering
Market Analyst:	The Gerald A. Teel Co.	Lender:	Charter Municipal Mortgage Acceptance Co.
Contractor:	Finlay Construction, Inc.	Syndicator:	First Union Affordable Housing Community Development Corp.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. J. E. "Buster" Brown, District 17 - NC Rep. Talmadge Heflin, District 149 - NC Judge Robert Eckels - NC Bruce Austin, Director, Harris County Community Development Dept. Consistent with the Consolidated Plan for Harris County.

CONDITION(S) TO COMMITMENT

17. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
18. Receipt, review, and acceptance of a supportive services contract with terms by Cost Certification.
19. Receipt, review, and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
20. TDHCA Board acceptance of the potential deferral of all of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation and partial deferral in the second year, up to $26K, in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guidelines.
21. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager ____________ Date ____________ David Burrell, Director of Housing Programs ____________ Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).________________________________

Ruth Cedillo, Acting Executive Director ____________ Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).________________________________

Ruth Cedillo, Chair, Executive Award & Review Committee ____________ Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature: ________________________________ ____________
Michael E. Jones, Attorney At Law Date

See Underwriting Report in 2D

AGENDA ITEM 6(B)

M E M O R A N D U M

TO: Ruth Cedillo, Acting Executive Director
CC: Board of Directors; David Burrell, Director of Housing Programs
FROM: Charles E. Nwaneri, Acting Manager of LIHTC
DATE: December 7, 2002

SUBJECT: **1. Request for extension of commencement of substantial construction**
2. Request for approval of change in ownership structure

Amistad Affordable Housing, Inc., has requested an extension and paid the mandatory $2,500 extension request fee. The applicant also has requested approval for a change in ownership of the project associated with the extension request and a second project. Other applicants have requested approval for changes in project features. Staff has reviewed the requests and made recommendations. Summaries of the requests and salient information are given below.

Request for Extension of Commencement of Substantial Construction – Laguna Heights; and Request for Approval of Change in Ownership - Laguna Heights and Evergreen Townhomes

Synopsis: The project owner, Amistad Affordable Housing, Inc., was allocated $286,413 for Villas del Monte (LIHTC #01157) in Hebbronville, $373,339 for Laguna Heights (00156) in Rio Grande City, and $340,642 for Evergreen Townhomes (00059) in New Braunfels. When the California energy crisis incapacitated the original equity investor, all financing shifted to the project owner. The financial drain on the owner ultimately prevented alliance with any new equity investor. The owner was forced to request Board approval to extend the deadline to commence construction and approval to sell Laguna and Evergreen. Despite a letter of commitment, the anticipated buyer refused the purchases, forcing the owner to return the credits of Villas del Monte and to seek a new buyer for Evergreen and Laguna.

The owner requested help from Barry Halla, President of Life Rebuilders, Inc., a nonprofit with a successful track record as a participant in the Department's LIHTC Program. A member of LIHTC staff has met extensively with both Mr. Fields, representing Amistad, and Mr. Halla to determine the feasibility of restructuring the ownership or an outright sale. Staff expects to receive a commitment from the construction lender prior to the January meeting of the TDHCA Board and has received assurances from Mr. Halla that he and key members of the development team will attend the meeting. These people include David Turek, WNC and Associates, Inc., the proposed syndicator; Dennis Hansen, Executive Vice-President of Stearns Bank, the proposed construction lender; James Bryant, Executive Vice-President of Tellepsen Builders, L.P., the proposed general contractor; Juan Cantu, Community Action Council of South Texas in Rio Grande City, the proposed location of Laguna Heights; and Louis Ramirez, Community Council of South Central Texas in New Braunfels, the proposed location of Evergreen Townhomes. The construction lender will submit a commitment prior to the TDHCA January Board Meeting. The general contractor has reviewed the plans and will submit an AIA contract prior to the Board Meeting to complete Evergreen in eight months and Laguna in seven months. Construction is proposed to begin February 1, thus avoiding the need for future extensions or any other special treatment from the Board, except for extension of the current February 15 deadline of achieving framing to evidence commencement of substantial construction. Neither project is proposed for change from the plans submitted at application.

Mr. Halla's involvement is direct and prominent. He is a developer with extensive experience in the LIHTC Program and has given his personal assurances of performance in conformity with LIHTC Program requirements. Mr. Halla does request that the Board's approval to extend the commencement of construction deadline of Laguna Heights not be counted against his organization in future application rounds.

<u>Project No. 00156, Laguna Heights</u>

City/County:	Rio Grande City / Starr
Set-Aside:	Rural
Type of Project:	New Construction
Units:	52 LIHTC units
Allocation:	$373,339
Allocation per LIHTC Unit:	$7,180
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Extension to commence substantial construction
Current Deadline:	2/15/02
New Deadline Requested:	4/1/02
Prior Extensions on Project:	Yes
Construction Loan Closing:	Extended from 6/15/01 to 7/15/01
Commencement of Construction:	Extended from 11/15/01 to 2/15/02
Reason for Extension Request, etc.:	Has not found a syndicator
Staff Recommendation:	Grant extension and approval to proceed with sale or reorganization and assess no penalty points against the buyer.

Project No. 00059, Evergreen Townhomes

City/County:	New Braunfels / Comal
Set-Aside:	General
Type of Project:	New Construction
Units:	60 LIHTC units and 20 market rate units
Allocation:	$340,642
Allocation per LIHTC Unit:	$5,677
Extension Request Fee Paid:	$2,500
Type of Request:	Approval for sale or restructuring of ownership
Current Deadline:	4/1/02
New Deadline Requested:	NA
Prior Extensions on Project:	Yes
Construction Loan Closing:	Extended from 6/15/01 to 7/15/01
Commencement of Construction:	Extended from 11/15/01 to 1/15/02
Commencement of Construction:	Extended from 1/15/02 to 4/1/02
Reason for request:	Necessary to consummate sale of the project
Staff Recommendation:	Grant approval to proceed with sale or reorganization

AGENDA ITEM 6(C)

M E M O R A N D U M

TO: Ruth Cedillo, Acting Executive Director

CC: Board of Directors; David Burrell, Director of Housing Programs

FROM: Charles E. Nwaneri, Acting Manager of LIHTC

DATE: December 7, 2002

SUBJECT: **Ratification of the Adjustments in the 2001 Carryover Allocations Signed by the Acting Executive Director Prior to December 31, 2001 with the Permission of the Board for the Following Developments**

Project No. 01003, Villas at Willow Springs

Synopsis: Project is a forward commitment from 2000 that received $1,099,075 in 2001 credits. Owner wishes to dedicate four (4) acres of land to the city for a park and playground, decreasing the 22.93 acres proposed at application to 18.8. The dedication and use would not affect the project's score at application. The Credit Underwriting Department was consulted prior to the Acting Executive Director's execution of the Carryover Allocation Form, which was based on the 18.8 acre land area.

City/County:	San Marcos / Hays
Set-Aside:	General
Type of Project:	New Construction
Units:	135 LIHTC units and 85 market rate units
Allocation:	$1,099,075
Allocation per LIHTC Unit:	$8,141
Type of Request:	Dedicate four acres of park land to city
Prior Extensions on Project:	No
Reason for request:	Land can not be developed but would benefit the project as an adjacent park if dedicated.
Staff Recommendation:	Recommend ratification of Acting Executive Director's action

Project No. 01004, Fulton Village Apartments

Synopsis: Fulton Village Apartments, LP received a forward commitment in 2000 for 2001 tax credits in the amount of $573,256. Upon receipt of the carryover, it was determined that there were material alterations to the development. Most notably, the net rentable area of the project was decreased by 10%, from 120,953 square feet to 110,164 square feet. Additional alterations include, increase in on-site parking, removal of some non-essential corridors to improve HVAC efficiency, in size of garages for handicapped units, and the redesign of the three and four bedroom units to make handicapped accessible. Features of the development that have been revised include site plan, floor plans and elevations. The Credit Underwriting Department reviewed the revisions and recommended no change from the previously recommended allocation. The Acting Executive Director executed the carryover.

City/County:	Houston/Harris
Set-Aside:	General
Type of Project:	New Construction
Units:	81 LIHTC units and 27 market rate units
Original Allocation:	$573,256
Allocation per LIHTC Unit:	$7,077
New Allocation:	Same as original
Type of Amendment Requested:	Approval of changes in building areas, unit mix, site plan, floor plans and elevations
Prior Extensions on Project:	Yes
Submission of Carryover:	Extended from 3/30/01 to 5/30/01
Staff Recommendation:	Recommend ratification of Acting Executive Director's action

Project No. 01005, Chaparral Townhomes

Synopsis: This project was awarded a forward commitment in the 2000 LIHTC cycle and received a 2001 allocation in the amount of $735,630. The proposed mixed-income project consisted of 160 units. Subsequent to the allocation, the site was de-annexed by Plano and annexed by Allen. The change in development code forced the Applicant to request a reduction in size to 132 units. The project was re-underwritten and the allocation was reduced to $717,690. The Acting Executive Director executed the carryover with a decrease to 126 units because of additional site design requirements imposed by the City of Allen.

City/County:	Allen / Collin
Set-Aside:	General
Type of Project:	New Construction
Units in Application:	120 LIHTC units and 40 market rate units
Units in Original Allocation:	99 LIHTC units and 32 market rate units
Units in Final (Carryover) Allocation:	94 LIHTC units and 32 market rate units
Original Allocation:	$735,630 (99 LIHTC units and 33 market rate units)
New Allocation:	$703,955
Type of Request:	Approval of change in units from 132 to 126 and associated changes (site plan, net rentable area, etc.)
Prior Extensions on Project:	Yes
Submission of Carryover:	Extended from 5/31/01 to 6/30/01; Carryover was received on 7/2/01
Staff Recommendation:	Recommend ratification of Acting Executive Director's action

Project No. 01025, Residences at Diamond Hill

Synopsis: Acting Executive Director executed carryover evidencing increase in land area and number of buildings. The site plan and associated features also changed. The number of units and unit mix remained unchanged. Credit Underwriting reviewed the changes and recommended no change in the amount of credits.

City/County:	Fort Worth / Tarrant
Set-Aside:	General
Type of Project:	New Construction
Original Number of Units:	122 LIHTC units and 81 market rate units
Original Allocation:	$993,399
New Allocation:	$993,399
Type of Request:	Approval of increase in number of buildings from 29 to 38 and increase in land area from 24.95 to 36.59 acres
Prior Extensions on Project:	None
Staff Recommendation:	Recommend ratification of Acting Executive Director's action

Project No. 01143, Laredo Vista

Synopsis: Laredo Vista was the second project on the 2001 Waiting List. After the commitment to the first project on the Waiting List expired unfulfilled, Laredo Vista was given a commitment. The owner fulfilled the terms of the original commitment and received a carryover allocation executed by the Acting Executive Director subject to an evaluation by the Credit Underwriting Department of the proposed development which has been downsized from the application in order to use the 2001 credits that remained available. The number of units and other factors are subject to revision if recommended by Credit Underwriting.

City/County:	Laredo / Webb
Set-Aside:	General
Type of Project:	New Construction
Original Number of Units:	136 LIHTC units and 24 market rate units
Amended Number of Units	38 LIHTC units and 7 market rate units
Original Allocation:	$888,406
Original Allocation per LIHTC Unit:	$6,532
New Allocation:	$295,693
New Allocation per LIHTC Unit:	$7,781
Type of Amendment Requested:	Must resize project to use reduced amount of credits.
Prior Extensions on Project:	None
Staff Recommendation:	Recommend ratification of Acting Executive Director's action

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension, 1400 Congress, Room e1.016, Austin, Texas
January 17, 2002 9:00 a.m.

AGENDA

CALL TO ORDER, ROLL CALL	Vidal Gonzalez
CERTIFICATION OF QUORUM	Chair

PUBLIC COMMENT
The Committee will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

ACTION ITEMS

Tab 1	Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of October 17, 2001	Vidal Gonzalez

REPORT ITEMS
External Audit Reports:

Deloitte & Touche — David Gaines

- Report to the Governing Board - General Purpose Financial Statements for the Year Ended August 31, 2001
- General Purpose Financial Statements for the Year Ended August 31, 2001
- Revenue Bond Enterprise Fund Financial Statements August 31, 2001 and 2000

Internal Audit Report, *Controls Over Single Family Loans*	Sam Ramsey
Status of Prior Audit Issues	David Gaines
Summary Status of Internal/External Audits	David Gaines

ADJOURN	Vidal Gonzalez Chair

Individuals who require auxiliary aids or services for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

REPORT ITEMS

Report from Audit Committee
External Audit Report
Deloitte & Touche
Report to the Governing Board

Please refer to
http://www.tdhca.state.tx.us/finan.htm

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Deloitte & Touche

November 30, 2001

The Audit Committee of Board of Trustees
Texas Department of Housing and Community Affairs

We have audited the general purpose financial statements of the Texas Department of Housing and Community Affairs (the "Department") for the year ended August 31, 2001, and have issued our report thereon dated November 30, 2001.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Department is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERCIA AND GOVERNMENT AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and *Government Auditing Standards* issued by the Comptroller General of the United States has been described to you in our engagement letter. As described in that letter, those standards require, among other things, that we obtain an understanding of the Department's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, also dated November 30, 2001, containing our comments on the Department's internal control.

SIGNIFICANT ACCOUNTING POLICIES

The Department's significant accounting policies are set forth in Note 1 to the Department's 2001 general purpose financial statements. During the year ended August 31, 2001, there were no significant changes in previously adopted accounting policies or their application.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Department's 2001 financial statements include the allowance for doubtful accounts.

AUDIT ADJUSTMENTS

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the Department's financial reporting process. There were no significant audit adjustments in 2001.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There are no such uncorrected misstatements, as all misstatements detected in our audit have been corrected by management.

OTHER INFORMATION IN THE FINANCIAL STATEMENTS

When audited financial statements are included in documents containing other information such as the schedules included with the general purpose financial statements, generally accepted auditing standards require that we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the schedules and have inquired as to the methods of measurement and presentation of such information. If we had noted a material inconsistency, or if we had obtained any knowledge of a material misstatement of fact in the other information, we would have discussed this matter with management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Department's 2001 financial statements. We received the full cooperation of management during our audit.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2001.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Department's management and staff and had unrestricted access to the Department's senior management in the performance of our audit.

MANAGEMENT ADVISORY SERVICES

The Department did not engage us to perform any management advisory services during 2001.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Department and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss this report with you further at your convenience.

Yours truly,

Deloitte + Touche LLP

REPORT ITEMS

Report from Audit Committee
External Audit Report
Deloitte & Touche
General Purpose Financial Statements for the Year Ended August 31, 2001

Please refer to
http://www.tdhca.state.tx.us/finan.htm

REPORT ITEMS

Report from Audit Committee
External Audit Report
Deloitte & Touche
Revenue Bond Enterprise Fund Financial Statements August 31, 2001 and 2000

Please refer to
http://www.tdhca.state.tx.us/finan.htm

REPORT ITEMS

Report from Audit Committee
Internal Audit Report, *Controls Over Single Family Loans*

January 10, 2002

Members of the Texas Department of Housing and
Community Affairs Audit Committee:

Mr. Vidal Gonzalez, Chair
Ms. Elizabeth Anderson, Member
Mr. Shadrick Bogany, Member

Re: Internal Auditing Report on Controls Over Single Family Loans; Report No. 1.05

The Internal Auditing Division has completed its audit of controls over single family loans serviced by the Texas Department of Housing and Community Affairs (Department). Controls are generally adequate to ensure that the Department's financial interests are protected except for the HOME Homebuyer Assistance Program (HAP) loans administered by the HOME Program.

As of June 2001, HAP had over 7,300 disbursements totaling $35.7 million, involving 195 contracts. Our review of 23 contracts identified 2,055 of 3,006 disbursements (68%) totaling $9,854,550 of $14,036,511 (70%) as loans. However, only 402 HAP loans approximating $2.5 million were recorded in the Department's loan servicing system for monitoring and reporting purposes.

Other areas for improvement include reconciliation processes between program records, loan administration records and accounting records, and procedures for ensuring complete loan documentation. We also noted that the Department needs to establish formal policies and procedures for advanced collection efforts and write-offs of delinquent loans.

Program management reports that they have taken corrective action on some of the issues identified by this report and are in the process of correcting the remaining issues.

Sincerely,

Assigned to this audit:
Sam J. Ramsey, CIA, CFE

David Gaines, CPA
Director of Internal Auditing

cc: Mr. Michael E. Jones, Chair TDHCA Governing Board
Ms. Ruth Cedillo, Acting Executive Director
Ms. Pam Morris, Housing Finance Program Director
Mr. William Dally, Chief Financial Officer

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CONTROLS OVER SINGLE FAMILY LOANS

This report relates to whether adequate controls are in place over single family loans serviced by the Texas Department of Housing and Community Affairs' (Department) to ensure that its financial interests are adequately protected.

Executive Summary

The Department's controls in place over single family loans serviced by the Department are generally adequate to ensure that the Department's financial interests are adequately protected except for the HOME Homebuyer Assistance Program (HAP) loans administered by the HOME Program.

As of June 2001, HAP had over 7,300 disbursements totaling $35.7 million, involving 195 contracts. Our review of 23 contracts identified 2,055 of 3,006 disbursements (68%) totaling $9,854,550 of $14,036,511 (70%) as loans. However, only 402 HAP loans approximating $2.5 million were recorded in the Department's loan servicing system for monitoring and reporting purposes.

Other opportunities for improvement noted during our review include the following:

- The reconciliation process between the Department's Loan Servicing and Account Management (LSAM) system and the accounting records needs improvement to ensure the completeness and accuracy of both systems.

- Procedures to ensure that loan originations recorded on the Department's The Mortgage Origination System are properly transferred to the LSAM need improvement to ensure the completeness and accuracy of both systems.

- Procedures for ensuring complete loan documentation can be improved. Although documentation supporting loans being serviced by the Department's Loan Administration Division was generally adequate to protect the Department's financial interests, an audit sample of 59 loans recorded on LSAM identified instances of missing and/or unrecorded loan documents. Additionally, loans not accounted for on LSAM generally do not have adequate documentation to support the Department's financial interests.

- The Department has not established formal policies and procedures for advanced collection efforts and write-offs of delinquent loans being serviced by the Loan Administration Division.

Single Family Loans - Background

One of the purposes of the Department in its enabling legislation is to provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate-income. To fulfill this purpose, the Department makes loans, grants and incentives available to fund eligible housing activities of both single and multi-family properties.

As discussed in our Objectives, Scope and Methodology section of this report, our review was limited to single family loans serviced by the Department. Single family loans totaled approximately $20.7 million or 10.4% of the Department's total loan portfolio as of September 30, 2001. See Appendix 1 for summary information of this and the other Department's loan portfolios discussed below.

The single family loan activities and programs considered within the scope of this audit included the following:

- The Single Family Down Payment Assistance Program (DPAP) and the HOME Homebuyer Assistance Program (HAP) provide down payment and closing cost assistance to qualified homebuyers for the acquisition of affordable single family housing. In instances of deferred loans, the homebuyer repays the loans at the time of resale of the property or refinance or repayment of the first lien obligation. In instances of forgivable loans, minimum occupancy periods are required and the loan balances are amortized, or forgiven, at a proportional percent per year of the assisted homebuyer's occupancy.

  DPAP assists families who qualify for a mortgage loan through the Department's First Time Homebuyer Program (FTHB). The assistance is in the form of a non-interest bearing second lien mortgage with terms that run concurrently with the first lien loan. Monthly payments are not required. DPAP is financed by available bond and Housing Trust Fund (HTF) funds and is administered by the Department's Single Family Lending Division.

  HOME HAP provides down payment and closing cost assistance to homebuyers for the acquisition of affordable single family housing. HOME HAP funding source is U.S. Department of Housing and Urban Development and is administered by the HOME Program section.

- The Home Construction and Acquisition Loan Program (HCALP) provides interest-free loans to help low and very low income families build their own homes. The program primarily assists colonia residents and is coordinated through the Office of Colonia Initiatives (OCI). The HOME and the HTF programs finance this program and the Department's Single Family Lending Division administers the loan funding and closing. This program has evolved into the Home Improvement Loan Program, the CASA Fronteriza Program and, recently, the Bootstrap Program.

- The Contract for Deed Conversion Initiative program (CFDC) provides loans for converting a contract for deed into a traditional note and deed of trust. Residents who are purchasing residential property within 150 miles of the Texas-Mexico border and reside in a colonia identified by the Texas Water Development Board or meet the Department's definition of a colonia are eligible to apply for conversion assistance. The program has been financed from

State General Fund Appropriations, HOME Program funds and bond surplus funds and is coordinated through OCI.

The Department's Single Family Lending Division has historically administered the funding and closing of the loans of the OCI programs. OCI assumed this responsibility in August 2001.

While these loan activities and programs comprise a relatively small percentage of the Department's total loan portfolio, the scope of the audit focused on these loans due to the perceived risks associated with these loans and the significance of the dollars involved.

Other loan activities and programs, not considered within the scope of this audit and the reasons for their exclusion, are discussed below.

Portfolio A

Portfolio "A" loans, approximating $64.5 million or 32.6 percent of the Department's total loan portfolio as of September 30, 2001, were not included in the audit scope. These loans consist of Community Development Block Grants (CDBD) and Multifamily loans. The CDBD program did not finance any single-family loans to which the audit scope was limited.

Whole Loan Portfolio

The Whole Loan Portfolio, approximating $106.6 million or 53.8 percent of the Department's total portfolio as of September 30, 2001, was not included in the audit scope. These are traditional loans funded in the Department's name and collateralized by a deed of trust.

Lenders approved by the Department originated these loans. The lenders were required to comply with GNMA guidelines, which dictates how lending institutions process, underwrite and fund loans, including proper lien filing and closing with an attorney or licensed title company. The Department purchased these loans with FTHB bond funds after funding requirements were met. All servicing of these loans has been by independent third parties, normally the lender, that hold documentation supporting the Department's ownership rights and financial interests. At no time during the life of these loans has the Department assumed responsibility for filing or releasing liens or for collecting payments or payoffs. The last of these loans were originated in 1987.

Mortgage Revenue Bond (MRB) Loans Purchased and Not Pooled

The Mortgage Revenue Bond (MRB) Loans Purchased and Not Pooled Portfolio, approximating $ 6.4 million in mortgage revenue bond loans or 3.2 percent of the Department's total loan portfolio as of September 30, 2001, was excluded from the audit scope. These are loans that have been made and transferred to the master servicer that is holding the loans until there is a sufficient number to serve as support for GNMA and FNMA certificates. The Department converts its ownership rights in the loans to GNMA and FNMA certificates once the loans are pooled, at which time the Department's financial interests in the loans and the associated risks ceases, as discussed below (Securitized Loan Portfolio).

Securitized Loan Portfolio

The Securitized Loan Portfolio of over $787 million, as of September 30, 2001, was excluded from the audit scope. These are mortgage revenue bond loans that do not actually belong to the Department but have been converted to fixed income Ginnie Mae (GNMA) and Fannie Mae (FNMA) certificates.

The loans are traditional loans (VA, FHA, conventional); whereby a third party loan originator routes loan applications with support to the Department to review for compliance with FTHB requirements. If support is adequate, the originator is provided a "letter of approval" authorizing funding of the loans from bond proceeds allocated by the Department (the bond issuer) to the originator.

The lender transfers the loans to a master servicer that pools the loans as underlying assets and sources of revenue streams supporting GNMA and FNMA certificates. The Department converts its ownership rights in the loans for ownership rights in GNMA and FNMA certificates that serve as collateral for the bondholders. Upon conversion, the Department's financial interests in the loans and, accordingly, its risk associated with holding the loans ceases.

Findings and Recommendations

Properly Account for HOME Homebuyer Assistance Program Loans

The Department does not have adequate control or proper accounting over HOME Homebuyer Assistance Program (HAP) loans to ensure that its financial interests in the loans are protected.

The initial posting of a HAP loan is on the Department's Genesis System; however, Genesis is not used to control or account for the HAP loans. Additionally, the loans are not posted as receivables to the Loan Servicing and Account Management System (LSAM; a loan servicing system) administered by the Loan Administration section of the Department until certain documentation requirements are met (e.g., receipt of the original note, original recorded deed of trust, and/or transfer of lien or other key lien related documents depending on the loan type).

Over 7,300 HOME HAP disbursements totaling approximately $35.7 million involving 195 contracts had been posted to Genesis as of June 27, 2001. Our review of 23 contracts identified 2,055 of 3,006 disbursements (68%) totaling $9,854,550 of $14,036,511 (70%) as loans. However, only 402 HOME HAP loans approximating $2.5 million were formally accounted for on LSAM, which serves as the basis for posting HAP mortgage loans receivable to the accounting records. Accordingly, the accounting records are understated by the amount of HOME HAP loans that have not been posted to LSAM.

Primary reasons for the differences between Genesis and LSAM include the following:

- A lack of formalized procedures that are designed and enforced to ensure that HOME HAP loans made by HOME administrators/subrecipients and due to the Department are recognized and posted to LSAM.
- Disbursing funds prior to closing at which time loan related documentation is generated but not necessarily forwarded to the Department.
- Policies adopted by Loan Administration whereby only those loans with all the necessary loan documents on file are posted to the loan servicing system.
- Loans are not differentiated from other disbursements on Genesis. For example, although our tests identified 2,055 disbursements totaling $9,854,550 as loans on Genesis, as discussed above, one contract supporting 740 disbursements totaling $2,699,515 on Genesis did not specifically identify the purpose of the funds as loans. Two other contracts supporting 158 disbursements totaling $1,237,561 on Genesis could not be located to determine whether the disbursements were loans or not.

Recommendation:

We recommend HOME program management in coordination with Loan Administration management develop and enforce policies and procedures to specifically identify all HOME HBA program loans posted to Genesis, as loan proceeds are disbursed. We also recommend that the number and amount of loans posted to the Genesis system be reconciled to the loan servicing system on a regular basis and differences, if any, investigated and corrected. The reconciliations would help ensure the completeness and accuracy of the loan servicing system, which could then serve as a basis of control over HAP loans due to the Department and serve as support for periodic adjustments to the Department's accounting records.

Management's Response: *Management is aware that a number of HOME HBA loans are not accounted for on the LSAM system. In July 1999, new HOME management requested that all HOME draws that are documented as loans be accounted for on the loan servicing system with multifamily loans being the first priority. Staff has continued to reconcile the single family HBA loans that have been originated through the program since 1992.*

HOME management implemented a change in procedure starting in November 2000 (HOME Issuance #00-12.3) whereby each administrator must provide original closing documents on HBA draws within five days of closing of the purchase of the home. Administrators must ensure that the Note and Deed of Trust are transferred to TDHCA via a Transfer of Lien document and proper Note endorsement. If administrators fail to supply HOME with the required documents it will result in subsequent draws not being approved until the referenced documents are received and approved by HOME Program.

The HOME Implementation Manual is being modified for the 2001 and future contracts to include these procedures. It should also be noted that language has been changed in the 2002 HOME Consolidated Plan reflecting that HBA contracts will be required to originate 10 year forgivable loans instead of the previously allowed 30 year deferred loans. This should help lower the administrative burden of tracking numerous small loan balances over 30 year terms.

Once Loan Administration has successfully converted the loan servicing system to the new Mitas system, which is estimated to be complete by the Spring of 2002, they will be able to better track set-ups that have been processed by the HOME Program indicating that a loan may be potentially booked to the loan servicing system once the loan has closed. Formal procedures regarding tracking and fund reconciliations will then be prepared and implemented once the Mitas system is in place.

Target Date for Completion: *June 2002*

Reconcile The Mortgage Origination System with the Loan Servicing and Account Management System

> **TMO**
> The Mortgage Origination System, a loan origination system, is used to serve as control over the origination of loans made by single family bond lending programs, the Office of Colonia Initiative lending programs and other lending programs administered by the Single Family Lending Division.

Procedures to ensure that loan originations recorded on The Mortgage Origination System (TMO) are transferred to the LSAM are generally adequate; however, need improvement to ensure the completeness and accuracy of both systems.

Management reports that new loans that have been funded and recorded on TMO are normally, depending on the number of loans closed, electronically transferred to LSAM on a weekly basis. The transfer provides some assurance that funded loans are posted to the LSAM system; however, the transfer is contingent upon manual actions initiated by the Department's Information Systems Division. The transfer of data from TMO to LSAM may be overlooked or relevant data may not be fully or accurately processed. Additionally, the lack of complete reconciliations between LSAM and the accounting system, as discussed below, increases the risk of loan disbursements being made without being posted for servicing and errors or omissions not being detected during the normal course of business.

We also noted that management had not formally approved the written operating policies and procedures, which appeared adequate, for the weekly transfer of data from TMO to LSAM.

Recommendation - We recommend management develop and implement formal written policies and procedures for periodic reconciliations between TMO and LSAM to ensure program loans recorded on TMO are properly transferred to LSAM for loan servicing. We also recommend that policies and procedures developed for the weekly transfer of funded loans from TMO to LSAM be formalized.

Management's Response: *Once Loan Administration has successfully converted the loan servicing system to the new Mitas system, which is estimated to be complete by the Spring of 2002, the loan origination data will automatically be transferred to the loan servicing system without the problems of bridging the loans as experienced with TMO and LSAMS. Formal procedures will be written based on the new system and the flow of information.*

Target Date for Completion: *June 2002*

Enhance Reconciliation Procedures Between the Accounting Records and LSAM

The reconciliation process between the LSAM and the accounting records is generally adequate; however, needs improvement to ensure the completeness and accuracy of both systems. Our review of the March 31, 2001 reconciliations noted the following conditions:

- HOME and HTF loan balances are not recorded or maintained as receivables in the accounting system. Historically, the Department has adjusted the accounting records at fiscal year end to recognize these loan receivable balances, for financial reporting purposes, based on LSAM balances. However, as previously noted at *Properly Account for HOME Homebuyer Assistance Program Loans*, LSAM balances are incomplete.
- Single family home mortgages financed with 1980 Single Family Surplus Revenue funds, General Ledger Account No. 1212 (Mortgage Loans Receivable - Down Payment Assistance Program), are not being reconciled. The accounting balance of $6,624,834 was $331,536 more than the corresponding LSAM balance at March 31, 2001. Not reconciling this account has been an oversight based on discussions with Accounting and Loan Administration personnel.
- Records are considered adequately reconciled by Loan Administration and Accounting staff if differences between LSAM balances and accounting balances are less than $10,000. For the March 31, 2001 reconciliations reviewed, four general ledger account balances totaling $8,490,653 differed from LSAM balances by $11,678.

Recommendation - We recommend a full and complete reconciliation of loan balances and accounts between LSAM and Accounting on a monthly basis. All differences between the two systems should be investigated and adjustments made, when warranted, to correct the appropriate system(s).

***Management's Response**: Accounting staff has begun working with Loan Administration in reconciling both systems on a monthly basis. All differences will be investigated and adjustments made, when warranted, to correct the appropriate system(s).*

***Target Date for Completion:** Beginning with September 30, 2001, which will be reconciled by December 15, 2001, reconciliations will be done monthly.*

Obtain Documentation to Support HOME Homebuyer Assistance Program Loans

Less than six percent, or 402, of 7,304 HOME HAP drawdowns posted to Genesis have been specifically identified as loans and met management's documentation criterion to post the loans to LSAM, according to a management checklist, dated June 1, 2001, that is maintained as documentation is received. An additional 1,322 drawdowns identified as loans had partial documentation. Additionally, there may be other HAP loans without adequate documentation because they not been specifically identified or accounted for, as previously discussed at the audit finding, "*Properly Account for HOME Homebuyer Assistance Program Loans."*

Loan documentation is lacking due to disbursing funds prior to loan closing, to be available at the time of closing, at which time the loan related documentation is generated but not necessarily forwarded to the Department, as required by contractual agreement. Additionally, there is a lack of formalized policies and procedures designed and enforced to ensure that necessary documentation is obtained to support the disbursement of funds for HOME HAP loans.

Recommendation - We recommend that HOME program management develop and implement processes to ensure that all required/necessary loan documentation is acquired to adequately support and protect the Department's interests in HAP loans. Decisions should be made and strategies developed relating to accumulating documentation of HAP loans already made by the Department. Formalized policies and procedures should be developed and enforced to ensure proper documentation is obtained for potential future loans.

***Management's Response:** HOME management implemented a change in procedure starting in November 2000 (HOME Issuance #00-12.3) whereby each administrator must provide original closing documents on HBA draws within five days of closing of the purchase of the home. Administrators must ensure that the Note and Deed of Trust are transferred to TDHCA via a Transfer of Lien document and proper Note endorsement. If administrators fail to supply HOME with the required documents it will result in subsequent draws not being approved until the referenced documents are received and approved by HOME Program.*

The HOME Implementation Manual is being modified for the 2001 and future contracts to include these procedures. In addition to ongoing efforts to address documentation issues, HOME will be formulating a revised plan to address the documentation issues for those disbursements in Genesis that are identified as HAP loans.

***Target Date for Completion:** May 2002*

Improve Collection of Loan Documentation Procedures

Documentation supporting loans being serviced by the Department's Loan Administration Division was generally adequate to protect the Department's financial interests. However, an audit sample of 59 loans recorded on LSAM noted the following loan documentation exceptions (e.g., missing and/or unrecorded loan documents):

- Five occurrences of the original or certified documents (e.g., Transfer of Lien, Warranty Deeds) being on file, but no evidence of formal recording in the applicable county official property records.
- Three instances of required original or certified copies of documents (e.g., Transfer of Lien and Mechanic Lien Contracts) not on file, although photocopies were on file.
- One instance of a "Transfer of Lien," documented in the file by staff in 1996 as being needed, not on file.
- One instance of a warranty deed relating to the Office of Colonia initiative contract for deed conversion program was not on file.

Reasons for the documentation exceptions include the lack of formal policies and procedures, including supervisory review procedures, designed to ensure that the necessary loan documentation is obtained for all loans being serviced by the Department. Additionally, the use of the document control checklists by program staff to ensure complete loan documentation was lacking in several respects. Of the 59 sample files reviewed, twelve instances of the document control checklists not being completed or used were noted. In two other instances, the document control checklist was not completed but it was signed off as being reviewed by a supervisor; however, in these instances, the necessary loan documents were on file.

Recommendation - To improve quality control processes over the collection of loan documentation and to ensure that documentation is in place to protect the Department's financial interests, we recommend management develop and implement written formal standard operating procedures regarding required loan documentation. Procedures should include the use of the checklist, as intended by management, and the supervisory review process to ensure compliance with prescribed procedures.

Management's Response: *As stated above, HOME management is significantly improving the HOME Implementation Manual so that the risk of administrators missing important documentation is minimized. In addition, formal SOP's will be developed and implemented as to the staff use of documentation checklists and subsequent supervisory reviews to ensure the completeness of loan documentation files.*

Loan Administration will also utilize the Exception Report component of the new Mitas system to track trailing documents to ensure they are properly monitored.

Target Date for Completion: *May 2002*

Develop Formal Policies and Procedures for Delinquent Loan Collection Efforts and Loan Write-offs

The Department has not established policies and procedures for advanced collection efforts and write-offs of delinquent loans being serviced by the Loan Administration Division. See Appendices 2 and 3 for summaries of loan delinquencies and write-offs, respectively.

Based on interviews with management, delinquent loans are handled on a case by case basis with the decision to write-off a delinquent loan being a resort of last action. Loan Administration staff will normally notify program management of a delinquent loan and schedule a meeting to address all the possible means of salvaging the loan. If a reasonable method to recover the loan is not identified, Loan Administration prepares a memorandum that outlines the loan default circumstances and the loan amount to be written-off. Loan Administration requests signature approval by the Program Director and a Legal Division representative to support the subsequent loan write off.

Based on loan information provided by management, five single family loans have been written off. Our review of the related documentation disclosed the following conditions:

- Three of the loans were not write-offs, but paid off loans that had been misclassified in LSAM.
- One HCALP home improvement loan, totaling $25,506.75, including fees and penalties, was considered too costly to pursue recovery based on a program director memorandum. The memorandum contained information obtained from the Department's Legal Division that indicated the services of the Attorney General's office would be required to pursue collection and that a judgement in the Department's favor would be doubtful. Program management approval of the write-off was on file.
- Another HCALP loan, totaling $2,500, was removed from LSAM as a write-off, which was the result of a judgment in favor of the Department and subsequent actions taken by the Attorney General's office on behalf of the Department.

Without a formal policy in place, actions could be taken that are not consistent with management expectations. The lack of a formalized loan collection/write-off policies and procedures place the Department at risk of:

- inefficient or ineffective collection efforts,
- untimely collection efforts, which increases the risk of not collecting,
- the costs of collection or asset recovery efforts exceeding the expected recovery amounts, and
- loans written off in an inconsistent manner, without sufficient justification, and contrary to Department management's or Governing Board's expectations.

Recommendation - We recommend the Department develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.

Management's Response: *Management will work on developing formal procedures for collection efforts, workouts, foreclosures and deed-in-lieu, real estate owned after foreclosure and write-offs. Some of these procedures will require policy directives from Executive Management as well as the opinions of other Directors affected so that the Department will be in agreement on the collection of Department debt.*

Target Date for Completion: *June 2002*

Enhance Loan Portfolio Documentation Physical Security

The Loan Administration Division is the custodian of loan documentation for loans serviced by the Department. As loan documents are received and compiled by Loan Administration staff, they are filed in an office within the Loan Administration Division. Based on our observations of the loan document office, we noted the following:

- The door to the loan document office was kept open during business hours, accessible by Department employees not needing access to perform their job duties and by others that may gain access to the eighth floor.
- Loan document filing cabinets containing original documents were generally not locked.
- Loan Administration personnel stated that filing procedures called for original promissory notes to be filed in fireproof cabinets, however we noted that the original promissory notes in our audit sample were not filed in the fireproof cabinets.

Additionally, there were no formal standard operating procedures relating to the security of loan documentation. Without standard operating procedures, there are risks that management's expectations will be misunderstood with regard to security over loan documentation.

Recommendation - We recommend that Loan Administration management development, implement and enforce formal policies and procedures relating to access and storage of the Department's critical loan documentation.

Management's Response: *Loan Administration will formalize SOPs outlining access and storage of documents in the Collateral File Room. The room will be kept locked with limited access to the code. An inventory of all original loan documents in the file room will be conducted to ensure that all originals are in a fireproof cabinet and are locked.*

Target Date for Completion: *February 2002*

Appendix 1:

Loan Portfolios - Principal Balances
As of September 30, 2001
(Unaudited)
(Source: Loan Administration)

Loans Owned by Department	Number of Loans	Principal Balance	Percent of Total
Loans Subject to Audit Scope - Portfolio B (Serviced by TDHCA)			
Down Payment & Closing Cost Assistance Programs			
• Single Family Lending - DPAP	1,176	4,763,017	2.4
• HTF - DPAP	314	2,259,440	1.1
• HOME - DPAP	402	2,456,081	1.2
• Unencumbered - DPAP	366	2,463,830	1.3
Home Construction & Acquisition Loan Programs			
• HTF - HCALP	12	196,687	0.1
• OCI - HCALP	248	4,131,742	2.1
• OCI - Home Improvement Loan Program	79	999,570	0.5
• OCI - CASA Fronteriza	98	810,291	0.4
OCI - Contract For Deed Conversion/ESF	215	2,580,669	1.3
Subtotal	**2,910**	**20,661,327**	**10.4**
Loans Not Subject to Audit Scope			
Portfolio A - Serviced by TDHCA			
• HOME Program	105	40,993,259	20.7
• Housing Trust Fund	24	5,929,951	3.0
• OCI	3	449,452	0.2
• CDBG	51	16,516,344	8.4
• Multifamily	3	627,678	0.3
Subtotal	**186**	**$ 64,516,684**	**32.6**
Loans Serviced by Others			
• Whole Loan Portfolio	2,813	$ 106,592,776	53.8
• MRB Loans Purchased & Not Pooled	84	6,363,740	3.2
Subtotal	**2,897**	**112,956,516**	**57.0**
Subtotal	**3,083**	**$177,473,200**	**89.6**
Total Loans Owned by the Department	**5,993**	**$198,134,527**	**100.0**

Loans Owned by Others	Number of Loans	Principal Balance
Securitized Loan Portfolio	**13,258**	**$787,249,005**

Note - These loans were funded with Department bond proceeds; however, were converted to GNMA and FNMA Certificates and are no longer owned by the Department. See the discussion of the Securitized Loan Portfolio on the page 3 for more information.

Appendix 2:

Loan Portfolios - Delinquency Report
As of September 30, 2001
(Unaudited)
(Source: Loan Administration)

Loans Owned by the Department	Current Balance	Total Loans	Current	1 Month	2 Months	3 + Months	In Foreclosure
Loans Subject to Audit Scope - Portfolio B (Serviced by TDHCA)							
Down Payment & Closing Cost Assistance Programs							
• Single Family Lending - DPAP	4,763,017	1,176	1,176	0	0	0	0
• HTF - DPAP	2,259,440	314	314	0	0	0	0
• HOME - DPAP	2,456,081	402	402	0	0	0	0
• Unencumbered - DPAP	2,463,830	366	366	0	0	0	0
Home Construction & Acquisition Loan Programs							
• HTF - HCALP	196,687	12	9	2	1	0	0
• OCI - HCALP	4,131,742	248	181	37	11	19	0
• OCI - Home Improvement Loan Program	999,570	79	57	7	1	14	0
• OCI - CASA Fronteriza	810,291	98	83	5	2	8	0
OCI - Contract For Deed Conversion/ESF	2,580,669	215	119	29	21	46	0
Subtotal	**20,661,327**	**2,910**	**2,707**	**80**	**36**	**87**	**0**
Loans Not Subject to Audit Scope							
Portfolio A - Serviced by TDHCA							
• HOME Program	40,993,259	105	70	15	1	19	0
• Housing Trust Fund	5,929,951	24	18	5	0	1	0
• OCI	449,452	3	2	0	0	1	0
• CDBG	16,516,344	51	31	8	4	8	0
• Multifamily	627,678	3	3	0	0	0	0
Subtotal	**64,516,684**	**186**	**124**	**28**	**5**	**29**	**0**
Loans Serviced by Others							
• Whole Loan Portfolio	$ 106,592,776	2,813	2,512	193	39	37	32
• MRB Loans Purchased & Not Pooled	6,363,740	84	0	0	0	0	0
Subtotal	**$112,956,516**	**2,897**	**2,512**	**193**	**39**	**37**	**32**
Subtotal	**$177,473,200**	**3,083**	**2,636**	**221**	**44**	**66**	**32**
Total Loans Owned by the Department	**$198,134,527**	**5,993**	**5,343**	**301**	**80**	**153**	**32**

Loans Owned by Others	Current Balance	Total Loans	Current	1 Month	2 Months	3 + Months	In Foreclosure
Securitized Loan Portfolio	**$787,249,005**	**13,258**	**11,938**	**855**	**252**	**172**	**41**

Appendix 3:

Loan Write-offs
As of September 30, 2001
(Unaudited)
(Source: Loan Administration)

TDHCA Portfolio Loans	Number of Loans	Total Amount
Loans Subject to Audit Scope - Portfolio B (Serviced by TDHCA)		
Down Payment & Closing Cost Assistance Programs		
• Single Family Lending - DPAP	0	$ 0
• HTF - DPAP	0	0
• HOME - DPAP	0	0
• Unencumbered - DPAP	0	0
Home Construction & Acquisition Loan Programs		
• HTF - HCALP	0	0
• OCI - HCALP	2	27,500
• OCI Home Improvement Loan Program	0	0
• OCI - CASA Fronteriza	0	0
OCI - Contract for Deed Conversion/ESF	0	0
Subtotal	**2**	**$ 27,500**
Loans Not Subject to Audit Scope		
Portfolio A - Serviced by TDHCA		
• HOME Program	0	$ 0
• Housing Trust Fund	0	0
• OCI	0	0
• CDBG	8	762,929
• Multifamily	0	0
Subtotal	**8**	**$762,929**
Loans Serviced by Others		
• Whole Loan Portfolio	2	100,232
• MRB Loans Purchased & Not Pooled	0	0
Subtotal	**2**	**100,232**
Subtotal	**10**	**$ 863,161**
Total Portfolio Loan Write-offs	**12**	**$ 890,661**

Loans Owned by Others

Securitized Loan Portfolio - Loan write-off data is not maintained on the Securitized Loan Portfolio. These loans were funded with Department bond proceeds; however, were converted to GNMA and FNMA Certificates and are no longer owned by the Department. See the discussion of the Securitized Loan Portfolio on page 3 for more information.

Appendix 4:

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives - ***The objectives of the audit were to assess whether the Department's programs have adequate controls in place over single family loans serviced by the Department to ensure that the Department's financial interests are adequately protected.***

Scope - The scope of this audit was limited to single family loans serviced by the Department. The audit scope included the following types of loans:

- Down payment assistance loans (HOME, HTF and Single Family Lending)
- OCI Home Construction and Acquisition Loan Program (HCALP) & Home Improvement Loan Program (HILP)
- OCI CASA self help or turnkey new single-family home construction loans
- OCI Contract for Deed Conversion program (CFDC) loans

Methodology - ***The methodology on this project consisted of:***

- ***Gaining an understanding of the controls over single family loans serviced by the Department. An understanding was gained through interviewing management and staff and by reviewing policies and procedures and relevant laws and regulations.***

- Performing tests to determine that controls over single family loans serviced by the Department were operating as intended. Tests included (1) comparing standard operating policies and procedures with actual procedures performed, (2) reviewing documentation supporting the Department's financial interests in single family loans, (3) analyzing information to determine the extent of monitoring efforts to ensure the department's financial interests were protected, and (4) inquiries of program personnel.

Other Information - Fieldwork was conducted from July 9, 2001 through October 12, 2001. This report does not reflect events subsequent to the end of fieldwork. The audit was conducted in accordance with applicable professional standards, including *Government Auditing Standards* issued by the Comptroller of the United State and *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

Appendix 5:

REPORT DISTRIBUTION

Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the following parties:

- the Department's Governing Board
- the Governor's Office of Budget and Planning
- the Legislative Budget Board
- the Office of the State Auditor

Assigned to this audit:	
Sam J. Ramsey, CIA, CFE, Audit Manager/Auditor David Gaines, CPA , Director	Report No. 1.05 January 10, 2002

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
136	IA Identification and Tracking of Subrecipients - Rpt. No. 9.09-1	06/04/99 To assess the adequacy of the Department's subrecipient monitoring systems and related policies and procedures.	Multiple	***Planned Target Date -*** 12/31/1999 The Department does not have formalized processes in place to identify and capture monitoring-related information that should be used to monitor and evaluate the performance of subrecipients, to plan and track the results of monitoring reviews and to share between the Department's program areas for planning and monitoring purposes to effectively and efficiently carry out monitoring responsibilities.	Px Px Pxx Px Px Px	09/30/99 03/15/00 08/29/00 01/16/01 07/25/01 01/08/02	04/30/00 04/30/00 NR 07/31/01 Not Provided Not Provided

Internal Audit Comments, if any:

1/08/02 - Management has reported that all program areas have implemented this issue except as noted below.

In January 2002, Management reported that Community Services continues to work with ISD to incorporate an electronic process to gather monitoring related information. In January 2001, Management reported that Section 8 needs to incorporate a formal monitoring process in its current operations.

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
118	IA Selection of Subrecipients for Monitoring Reviews - Rpt. No. 9.09-2	06/04/99 To assess the Department's management controls (systems, policies, procedures) used to select subrecipients for monitoring reviews.	Multiple	***Planned Target Date -*** 03/31/2000 A formal risk assessment is not used by any of the Department's programs to select subrecipients for monitoring reviews or on-site monitoring visits.	Px Px Pxx Px Px Px	09/30/99 03/15/00 08/29/00 01/16/01 06/12/01 07/25/01	12/31/99 04/30/00 NR 07/31/01 NR 08/31/01
					Internal Audit Comments, if any: 9/28/01 - Management reports that the recommendations have been implemented for the HTF and Section 8 Programs. All other programs have previously reported that the recommendations have been implemented except for formalizing SOPs as discussed below. 8/1/01: Management has reported that it has established risk assessment processes for the HOME, Community Services and Energy Assistance programs. Draft SOPs have been developed that outlines Performance Monitoring and Risk Assessment Procedures.		
119	IA Selection of Subrecipients for Monitoring Reviews - Rpt. No. 9.09-2	06/04/99 To assess the Department's management controls (systems, policies, procedures) used to select subrecipients for monitoring reviews.	Multiple	***Planned Target Date -*** The Department does not have formal policies and procedures regarding "joint" monitoring visits to review multiple programs, if applicable, simultaneously, rather than monitoring individual programs separately.	Px Px Px Px Px	09/30/99 03/15/00 08/29/00 01/18/01 07/27/01	12/31/99 05/31/00 12/31/00 04/30/01 NR
					Internal Audit Comments, if any: 8/1/01 - A draft SOP is in process of review & processes currently being field tested.		

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
162	IA Housing Trust Fund - Subrecipient Monitoring, Rpt. No. 0.04	07/24/00 The HTF program's subrecipient monitoring function.	Housing Trust Fund	***Planned Target Date -*** 10/31/2000 Develop and implement formal policies and procedures to ensure compliance with the UGMS. At a minimum, management should: * identify changes that need to be made in the HTF contracts, * establish processes to identify subrecipients subject to UGMS and develop monitoring procedures to provide reasonable assurance that those subrecipients comply, and * consider extending the UGMS to all subrecipients to further consistency and accountability.	Px Px Px Ix ***Internal Audit Comments, if any:***	08/24/00 03/09/01 07/25/01 09/28/01	10/31/00 05/31/01 08/31/01
163	IA Housing Trust Fund - Subrecipient Monitoring, Rpt. No. 0.04	07/24/00 The HTF program's subrecipient monitoring function.	Housing Trust Fund	***Planned Target Date -*** 01/31/2001 We recommend that management of the HTF program (1) add report distribution procedures to its monitoring SOPs, (2) use the results of the monitoring function to identify and risk rank subrecipients and compliance requirements, (3) add quality control review procedures to its monitoring SOPs, (4) enhance their policies and procedures regarding the required content of subrecipient monitoring reports and (5) develop and implement SOPs to follow up on reported deficiencies that result from the subrecipient monitoring function.	Dx Px Ix ***Internal Audit Comments, if any:***	08/24/00 07/25/01 9/28/01	06/30/01 08/31/01
164	IA Housing Trust Fund - Subrecipient Monitoring, Rpt. No. 0.04	07/24/00 The HTF program's subrecipient monitoring function.	Housing Trust Fund	***Planned Target Date -*** 08/01/2000 Improve its financial management reporting systems and procedures to allow for more effective monitoring of HTF awards, expenditures, deobligations and funds at risk of lapsing. Additionally, HTF management should analyze the data on a periodic basis (monthly) for monitoring funds available for awards, funds that are at risk of lapsing, and expenditure rates and trends at the both the award and program levels.	Px Px Px Ix ***Internal Audit Comments, if any:***	08/24/00 03/09/01 07/25/01 09/28/01	08/01/00 05/31/01

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
252	IA Housing Trust Fund - Subrecipient Monitoring, Rpt. No. 0.04	07/24/00 The HTF program's subrecipient monitoring function.	Department-wide	***Planned Target Date -*** 12/31/2000 We recommend that Department management explore alternatives regarding the inspection of its construction projects, including (1.) establishing an agency-wide construction inspection section, (2.) formally evaluating the costs and benefits associated with contracting with third parties, (3.) formally evaluating the degree of overlap between HTF's construction inspection objectives and procedures and those of third parties and (4.) considering obtaining additional inspection resources.	Px Px Px Px Pxx ***Internal Audit Comments, if any:*** 1/7/02 - Progress on this issue appears to have stalled. Specific responsibility with commensurate authority & resources needs to be assigned to successfully implement these recommendations.	08/24/00 04/18/01 07/25/01 09/28/01 1/7/02	12/31/00 05/31/01 08/31/01 Not Provided
185	HUD Section 8 Management Review	09/19/00 Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Section 8	***Planned Target Date -*** Finding No. 15: Provide an explanation of discrepancies identified by comparing several files (16 in total) to the HAP Register. Also conduct an audit (program specific) for the Section 8 Certificate and Voucher Programs which includes a review of TDHCA's compliance with Section 8 financial and management requirements.	Pxx Px Px Ixx ***Internal Audit Comments, if any:*** 8/2/01 - Program Specific Audit completed with a report date of August 2, 2001.	01/03/01 03/04/01 05/16/01 08/02/01	 08/31/01 08/31/01
187	HUD Section 8 Management Review	09/19/00 Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Section 8	***Planned Target Date -*** Finding No. 17: Contract of Participation and Establishment of Escrow Account, Documentation could not Be Provided to Support Implementation of a Family Self-Sufficiency (FSS) Program (Repeat Finding).	Dx Dx Dx Dx ***Internal Audit Comments, if any:*** 11/28/01 - Status pending HUD's response to waiver request. HUD Letter dated 7/10/01 stated that this issue remains open. Management indicates that it is gathering information to evaluate options in the event HUD does not approve the Dept.'s wiaver request.	01/03/01 03/04/01 04/18/01 11/28/01	

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Ref. #	Auditors Report Name	Report Date Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date	
196	SAO An Audit Report on the Texas Department of Housing and Community Affairs, Report No. 01-009	12/01/00 Applications submitted and Contracts awarded by the Department of the LIHTC HOME and HTF Programs from FY 1995 - 1999. Tests of financial information, needs assessment procedures & related data, review of performance measures & Dept.-wide needs assessment.	LIHTC & Accounting	***Planned Target Date -*** 09/30/2001 Develop procedures to ensure compliance with Government Code that states, "a fee charged by the department to an applicant for a low income housing tax credit may not be excessive and must reflect the department's actual costs in processing the applications and providing copies of documents in connection with the application process."	Px Px	01/05/01 11/29/01	09/30/01 03/31/02	***Internal Audit Comments, if any:*** 11/29/01: LIHTC is analyzing 2001 tax credit application process time and cost data to determine whether the fees charged to LIHTC applicants are appropriate.
197	SAO An Audit Report on the Texas Department of Housing and Community Affairs, Report No. 01-009	12/01/00 Applications submitted and Contracts awarded by the Department of the LIHTC HOME and HTF Programs from FY 1995 - 1999. Tests of financial information, needs assessment procedures & related data, review of performance measures & Dept.-wide needs assessment.	Housing Resource Center	***Planned Target Date -*** The Statewide needs assessment for affordable housing does not include sufficient consideration of the supply of housing or funding from other sources provided to Texas cities. The assessment should include an adequate assessment of the current supply of affordable housing and consider funding provided from all sources.	Px Ix	01/05/01 12/07/01	12/18/01	***Internal Audit Comments, if any:***
219	KPMG / Mendoza Letter on Internal Control and Accounting Procedures - August 31, 2000	12/06/00 Annual independent audit of Department's general purpose financial statements for FY 1999.	Accounting and Finance	***Planned Target Date -*** Repeat Finding - Begin planning for the implementation of GASB Statement No. 34 and be ready for full implementation by September 1, 2001 (the start of the fiscal year).	Px Pxx	08/01/01 01/07/02	08/31/01 08/31/02	***Internal Audit Comments, if any:*** 01/07/02 - Management indicates that it is working with the Comptroller's Office and its external auditor's to ensure that GASB 34 is fully implemented, as required by professional standards, for the FY ending August 31, 2002.
220	KPMG / Mendoza Letter on Internal Control and Accounting Procedures - August 31, 2000	12/06/00 Annual independent audit of Department's general purpose financial statements for FY 1999.	Community Affairs	***Planned Target Date -*** Establish procedures to monitor the timely submission of LIHEAP subrecipient final reports. These procedures should include provision for collecting final reports within sixty to ninety days after the contract period has closed and test transactions that were charged on the final report to verify that the obligations occurred within the period of availability and that the liquidation was made within the allowed time period.	Px Px Px	06/12/01 08/08/01 01/08/02	 01/31/02	***Internal Audit Comments, if any:*** 1/8/02 - Management reports that SOPs are being developed for LIHEAP/CEAP & LIHEAP/WAP closeout procedures.

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
226	IA Software License and Selected Software Management Controls, Report No. 1.02	04/09/01 Software license audits conducted in August and December 2000.	Information Systems	*Planned Target Date -* V.T.C.A., Government Code §2054.122 and LBB reporting requirements were not met.	Px Nx	08/06/01 11/26/01	09/30/01
					Internal Audit Comments, if any: The reporting requirments that resulted in the audit recommendation are no longer applicable.		
223	CPA Post-Payment Audit	04/30/01 Compliance with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system. (USAS).	Accounting and Finance	*Planned Target Date -* The Department does not utilize the payroll lockout security feature available in the Uniform Statewide Payroll System (USPS). By not utilizing the lockout feature, the personnel and payroll information can be altered by other agency employees after the authorized approver releases the payroll.	Px Ix	08/10/01 01/03/02	09/01/01
					Internal Audit Comments, if any:		
238	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* A lack of supervision and review exists within several program areas. The Department should develop a procedure for the review of participant files and should assign the task of reviewing all files to at least one Section 8 staff member in a supervisory position. Supervision and review procedures over the maintenance of participant files should be given priority.	Ixx	08/02/01	
					Internal Audit Comments, if any:		
239	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* Documentation could not be provided to perform procedures to ensure that applicants whose names reached the top of the waiting list had been either admitted or given the opportunity to be admitted into the program. The Department should maintain a copy of the waiting list of applicants reaching the top of the list and documentation that they were properly contacted and/or admitted into the program. Additionally, the Department should follow all procedures in its Administrative Plan.	Ixx	08/02/01	
					Internal Audit Comments, if any:		

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
240	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* Documentation supporting the annual performance of required housing quality control reinspections and on procedures performed relating to failed Housing Quality Standards (HQS) inspections that had been repaired within the required allowable time and was lacking. Follow procedures in the Administrative Plan for the Statewide Housing Assistance Payments Program, Section XX, Inspection Standards. Procedures regarding follow-up of HQS failed inspections should be implemented within the Department to provide sufficient documentation and control that Local Operators are performing the procedures outlined within the Administrative Plan.	Ixx *Internal Audit Comments, if any:*	08/02/01	
241	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* The Department was not performing the “determination of rent reasonableness” procedures as outlined in the Administrative Plan. Implement procedures to document this determination and follow all procedures as is outlined in the Administrative Plan.	Ixx *Internal Audit Comments, if any:*	08/02/01	
242	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* The Department was missing or contained inaccurate information relating to the submission of HUD 50058 forms. The Department should follow the Section 8 program requirements for submitting the HUD 50058 forms and develop a system whereby the HUD 50058 forms are reviewed for accuracy of information prior to submission to HUD.	Ix *Internal Audit Comments, if any:*	08/02/01	
243	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	*Planned Target Date -* The Department was missing or maintained incomplete income verification documentation. Develop a procedure whereby the participant files are reviewed to ensure that income verification is proper and complete and performed at least every twelve months	Ixx *Internal Audit Comments, if any:*	08/02/01	

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p

Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
244	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	***Planned Target Date -*** The Department maintained incomplete and/or inaccurate total tenant payment and housing assistance payment computation worksheets in the participant files. Develop procedures to ensure that the worksheets used to calculate the housing assistance payments are included in the participant files and that they have been reviewed to ensure that calculations are correct and that the total family contribution is affordable for the participant.	Ix ***Internal Audit Comments, if any:***	08/02/01	
245	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	***Planned Target Date -*** The Department did not maintain the required documentation for initial determination of eligibility and admission into the Section 8 program. Implement a review process to ensure that local operators are following the Section 8 requirements as well as the procedures in the Administrative Plan regarding completion of application, release forms and privacy act notice.	Ix ***Internal Audit Comments, if any:***	08/02/01	
246	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	***Planned Target Date -*** The Department allowed overpayments to be made under the Section 8 program. Develop a review procedure whereby disbursements and adjustments are reviewed to ensure that utility allowance payments as well as housing assistance payments are proper and are supported by proper documentation.	Ix ***Internal Audit Comments, if any:***	08/02/01	
247	Rick Mendoza Section 8 Rental Certificate and Rental Voucher Program-Specific Audit Report	08/02/01 Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	Section 8	***Planned Target Date -*** The Department was using the incorrect HAP contract and/or lease addendum forms. Develop a review procedure whereby participant files are reviewed to ensure that the correct HAP contract and Lease Addendum forms are being used.	Ixx ***Internal Audit Comments, if any:***	08/02/01	

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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
233	IA Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	08/15/01 The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Community Affairs	*Planned Target Date -* 01/01/2002 Community Services management is not recognizing other monitoring related activities being performed within the Department and the results of those activities as procedures and results that could be relied upon to assist in accomplishing its monitoring responsibilities and for use in its risk assessment processes.	Pxx	01/04/02 *Internal Audit Comments, if any:* 1/4/02 - While Community Services (CS) management reports that it has revised its monitoring SOPs to recognize monitoring activities by other areas of the Department, CS reports that it does not have access to the results of other other in-house monitoring activities for its risk assessment processes.	
234	IA Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	08/15/01 The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Community Affairs	*Planned Target Date -* 01/01/2001 The nature and extent of monitoring procedures applied to a subrecipient is not based upon an assessment of associated risks such as the the complexity of the compliance requirements or the subrecipient's prior compliance history, its responsiveness to correcting prior monitoring findings, its prior performance with the program or similar programs and the results of other audits or oversight activities.	Ix	01/04/02 *Internal Audit Comments, if any:*	
235	IA Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	08/15/01 The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Community Affairs	*Planned Target Date -* 01/01/2002 On-site monitoring checklists should be expanded to include consideration of eligible activities and the achievement of performance goals. Detailed formal SOPs relating to the use and extent of use of all monitoring tools should be established.	Ix	01/04/02 *Internal Audit Comments, if any:*	

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation;
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Ref. #	Auditors / Report Name	Report Date / Audit Scope	Division	Issue/Recommendation	Status Codes*	Status Date	Target Date
236	IA Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	08/15/01 The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Community Affairs	***Planned Target Date -*** 09/01/2001 Enhance standard operating procedures to include (1) quality control review procedures, (2) report distribution procedures and (3) the use of the results of the monitoring function to identify and risk rank subrecipients and compliance requirements for determining subrecipients to be monitored and procedures to be applied.	Ix ***Internal Audit Comments, if any:***	01/04/02	
237	IA Internal Auditing Report on Community Services Programs - Subrecipient Monitoring Function; Rpt. No. 1.04	08/15/01 The Community Services programs' subrecipient monitoring function for the 1999-2000 program years.	Community Affairs	***Planned Target Date -*** 01/01/2002 Develop and implement a system to track the status of reported deficiencies supported by formal standard operating procedures.	Pxx ***Internal Audit Comments, if any:*** 1/04/02 - Reclassified Management's status from "Partially Implemented" to "In-process of Implementation." Management reported that it will enhance its current system to track the status of reported deficiencies and that the system will be supported by Standard Operating Procedures.	01/04/02	

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D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

REPORT ITEMS

Report from Audit Committee
Summary Status of Internal/External Audits

External Audits/Reviews	Scope	Stage of Completion	Anticipated/Actual Report Release Date
Richard Mendoza, CPA	Section 8 - Program Specific Audit	Completed	August 2, 2001
State Auditor's Office / KPMG	Statewide Single Audit 8/31/01	Fieldwork	Financial Opinions - February 2002 Single Audit Opinions & related schedules/reports - March 2002
Deloitte & Touche /	Revenue Bond Enterprise Fund Audit – FY 2001	Complete	November 30, 2001
Garza, Gonzales and Associates	General Purpose Financial Statements – FY 2001	Complete	November 30, 2001
	Computation of Unencumbered Fund Balance – FY 2001	Complete	December 7, 2001
HUD HOME Monitoring	A HOME monitoring review of the Department's contracts with the Texas State Affordable Housing Corporation	Complete	November 16, 2001
Internal Audits/Reviews			
Single Family Loans	To assess whether the Department's programs have adequate procedures in place over single family loans serviced by the Department to ensure that the Department's financial interests are adequately protected.	Reporting	January 4, 2002
Central Data Base	To review and determine that the project management tools and procedures (methodology) being utilized by Texas Department of Housing and Community Affairs' (Department) Project Development Team (Development Team) for the development of the Department's Centralized Database (Database) are adequate to ensure the success of the project	Planning	March 2002
LIHTC - Review of Controls over LIHTC Project Deliverables	To review Department controls to determine whether they are adequate to provide reasonable assurance that LIHTC project deliverables associated with tax credits awarded by the Department's Governing Board are actually delivered.	Planning	April 2002

Executive Directors Report

RMRB, Series 2001 A-E Pricing and Closing

Projected Single Family Bond Issuance in 2002

Texas Department of Housing and Community Affairs

Review of 2001 Single Family Program

November 2001

SALOMON SMITH BARNEY
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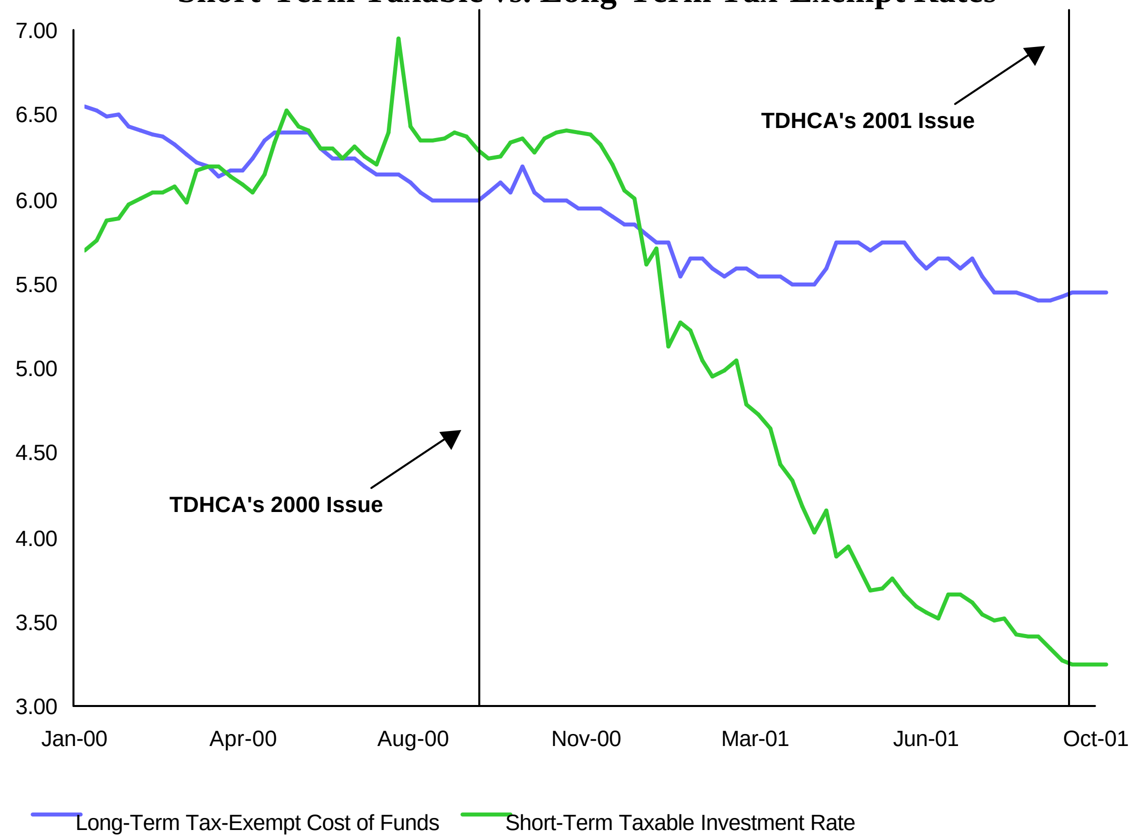
2001 Single Family Program: Key Challenges

Three issues distinguish the Department's 2001 Single Family issue from prior issues: negative arbitrage, the funding of Down Payment Assistance ("DPA") using the capital markets, and uncertain market conditions.

Negative Arbitrage

- Since TDHCA's single family bond sale in September 2000, short-term rates have declined sharply while long-term rates have only changed modestly.
- As a result, TDHCA will incur "negative arbitrage" on its bond proceeds prior to using them to fund mortgages.
- Negative arbitrage represents an additional cost to TDHCA and reduces its earnings.
- TDHCA will minimize this cost to the greatest extent possible by limiting the amount of bond proceeds it has available at any time to fund mortgages.

Short-Term Taxable vs. Long-Term Tax-Exempt Rates



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2001 Single Family Program: Key Challenges

Down Payment Assistance

- The Department has recently funded $5,000 to $10,000 (per loan) DPA using its surplus funds.
- The Department no longer has surplus funds available to fund DPA.
- The capital markets can efficiently provide DPA to the Department, although at a cost to the borrower in the form of a higher mortgage rate.
- The mortgage rate increase on DPA loans may be mitigated by refunding prior bond issues.

Fully-Priced Loan Rates for Various DPA Amounts
(Assumes $70,000 First Mortgage Number)

Amount of DPA*	Rate on Loan without DPA	Rate on Loan with DPA	DPA Loans as % of All Program Loans
$700 (1%)*	6.00%	6.15%	100.00%
$1,400 (2%)*	6.00%	6.30%	100.00%
$2,100 (3%)*	6.00%	6.45%	83.33%
$2,800 (4%)*	6.00%	6.60%	62.50%
$3,500 (5%)*	6.00%	6.74%	50.00%
$5,000	6.00%	7.05%	35.00%
$7,500	6.00%	7.56%	23.33%
$10,000	6.00%	8.07%	17.50%

* Of Mortgage Amount

2001 Single Family Program: Plan of Finance

The Financing Team implemented the following financing plan in order to help the Department best meet its goals:

- **Warehouse Bond Authority and Reduce Proceeds Available Today** - Reduces negative arbitrage.
- **Premium Bonds** - Enables the Department to fund DPA through the capital markets eliminating the need to use surplus funds.
- **Refund Series 1988A/1989A Issue** - Increases the Department's retainable earnings and also provides the means of minimizing the cost to borrowers receiving DPA.
- **Funding Negative Arbitrage and Cost of Issuance** - The Department relied on the financial strength of the indenture to cover the cost of these items.

EXECUTIVE SESSION

Personnel Matters

Deliberate and Discuss Action on Employment of an Executive Director for the Texas Department of Housing and Community Affairs Under Section 551.074 and Possible Approval of Selection and Appointment of the Executive Director Of the Texas Department of Housing and Community Affairs, Under Section 551.074 Texas Government Code

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code

The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.