TDHCA

02030

Region 4

General
Set-Aside

LOW INCOME HOUSING TAX CREDIT PROGRAM

2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Ray's Pointe** TDHCA #: **02030**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4
Site Address: Robinson Rd., NW of S. Lake Drive
City: Texarkana
County: Bowie
Zip Code: 75501

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

LIHTC Primary Set Aside: G
Additional Elderly Set Aside ☐
Purpose / Activity: NC
Development Type: Family
☐ TTC ☐ DDA ☑ QCT

Special Needs: 8 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Houston Lake Pointe, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Houston Lake Pointe, LLC	Michael Hartman	90 %
Kegley, Inc.		10 %
Merritt Housing GP, LLC	WL Hunt	0 %
		%
		%

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$1,047,330** Allocation over 10 Years: $10,473,300

Credits Requested: $1,045,881 Eligible Basis Amount: $1,047,330 Equity/Gap Amount: $1,138,818

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	1	6	5	0	12
50%	0	0	3	12	8	0	23
60%	0	0	12	40	28	0	80
MR	0	0	4	14	11	0	29
Total	0	0	20	72	52	0	

Total LI Units: 115
Owner/Employee Units: 0
Total Project Units: 144
Applicable Fraction: 80.00

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

BUILDING INFORMATION

Total Development Cost: **$12,994,996**
Gross Building Square Feet: 180,880
Total NRA SF: 175,880
Gross/Net Rentable: 1.03
Average Square Feet/Unit: 1,221
Cost Per Net Rentable Square Foot: $73.89
Credits per Low Income Unit $9,107

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $854,722
Total Expenses: $494,548
Net Operating Income: $360,174
Estimated 1st Year Debt Coverage Ratio: 1.10

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Merrit Housing, LLC
Housing GC: Jencra, Inc.
Infrastructure GC: NA
Cost Estimator: NA
Architect: Baker & Associates
Property Manager: Orion Real Estate Services, Inc.
Engineer: Whitten Civil Engineering, Inc.
Syndicator: Columbia Housing Partners

Market Analyst: Apartment Market Data Research
Originator/UW: NA
Appraiser: NA
Attorney: Broad & Cassel
Supp Services: Texas Inter-Faith Management Corporation
Accountant: Novogradac & Company, LLP
Permanent Lender: PNC Bank

DEPARTMENT EVALUATION

Points Awarded: 126 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Ray's Pointe　　　　Project Number: 02030

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials):　Support: **1**　Opposition: **2**

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	James W. Bramlett, Mayor, S	James L. Fantroy, Councilmember #8, S
TX Rep.:	Barry Telford, Dist. 1 S	Willy J. Ray, Councilmember #2, S
TX Sen.:	Bill Ratliff, Dist. 1 NC	
US Rep.:		
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the City of Texarkana confirming that the site has been rezoned and that the proposed development is a conforming use is a condition of this report.

Alternate Recommendation:

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

☑ Score　☐ Meeting Required Set Aside　☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This was one of the highest scoring developments in Region 4.

Brooke Boston, Acting LIHTC Co-Manager　　Date　　David Burrell, Director of Housing Programs　　Date

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

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

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

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

Approved Credit Amount: ______　Date of Determination: ______

Michael E. Jones, Chairman of the Board　　Date

Compliance Status Summary

Project ID #: 02030 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Houston Lake Pointe, Ltd — HOME ☐ HTF ☐

Project City: Houston — BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 0 — # not yet monitored or pending review 13

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

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received: No

Non-Compliance Reported:

Completed by Sara Carr Newsom — **Completed on** 05/09/2002

Single Audit

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

single audit not applicable ☑ — no outstanding issues ☐ — outstanding issues ☐

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ — monitoring review pending ☐

reviewed; no unresolved issues ☐ — reviewed; unresolved issues found ☐

Comments:

Completed by Ralph Hendrickson — **Completed on** 05/17/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ______________ **Completed on** ______________

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

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

DATE: June 4, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02030

DEVELOPMENT NAME

Ray's Pointe

APPLICANT

Name: Houton Lake Pointe, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 585 N. Courtenay Pkwy., Suite 101 **City:** Merritt Island **State:** FL

Zip: 32953 **Contact:** Michael Hartman **Phone:** (321) 453-2932 **Fax:** (321) 453-3801

PRINCIPALS of the APPLICANT

Name	(%)	Title
Houston Lake Pointe, LLC	.009	Managing General Partner
Columbia Housing Partners, L.P.	99.99	Limited Partner
Kegley, Inc.	.001	Co-General Partner
Merritt Housing GP, LLC	n/a	100% owner of Managing GP
WL Hunt	n/a	60% owner of Merrit Housing
Michael Hart	n/a	20% owner of Merrit Housing
Donald Pace	n/a	20% owner of Merrit Housing

GENERAL PARTNER

Name: Houston Lake Point, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 585 N Courtenay Pkwy., Suite 101 **City:** Merrit Island **State:** FL

Zip: 32953 **Contact:** Michael Hartman **Phone:** (321) 453-2932 **Fax:** (321) 453-3801

PROPERTY LOCATION

Location: Robison Road just northwest of S. Lake Drive ☒ **QCT** ☐ **DDA**

City: Texarkana **County:** Bowie **Zip:** 75501

REQUEST

Amount	Interest Rate	Amortization	Term
$1,045,881	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: 23.02 acres 1,002,751 square feet **Zoning/ Permitted Uses:** SF-2

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

DESCRIPTION of IMPROVEMENTS

Total Units: 144 **# Rental Buildings** 36 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** n/a

Number	Bedrooms	Bathroom	Size in SF
20	2	2	980
72	3	2	1210
52	4	2	1330

Net Rentable SF: 175,880 **Av Un SF:** 1,221 **Common Area SF:** 5,000 **Gross Bldng SF** 180,880

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 75% brick veneer/25% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

5,000 SF community building with multi-purpose room, two conference rooms, management offices, laundry facilities, kitchen, restrooms, computer room, central mailroom, swimming pool, equipped children's play area, sports courts, public telephones

Uncovered Parking: 154 spaces **Carports:** n/a spaces **Garages:** 144 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION FINANCING

Source: PNC Bank **Contact:** Robert Courtney

Principal Amount: $4,063,352 **Interest Rate:** 6.55%

Additional Information:

Amortization: 0 yrs **Term:** 2 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: PNC Bank **Contact:** Robert Courtney

Principal Amount: $4,063,352 **Interest Rate:** 7.25%

Additional Information: n/a

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

Annual Payment: $332,631 **Lien Priority:** 1st **Commitment Date** 02/ 22/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Columbia Housing Partners, L.P. **Contact:** Robert Courtney
Address: 500 W. Jefferson Avenue, Suite 400 **City:** Louisville
State: KY **Zip:** 40202 **Phone:** (502) 581-3260 **Fax:** (502) 581-3209
Net Proceeds: $8,261,634 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 79¢
Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 02/ 22/ 2002
Additional Information:

ANT EQUITY

Amount: $670,010 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land (119.25 acres):	$174,475	**Assessment for the Year of:**	2001
Prorated Value (23.02 acres):	$33,680	**Valuation by:**	Bowie County Appraisal District
	$1,463/acre	**Tax Rate:**	2.1434742

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Property Contract and Assignment of Contract
Contract Expiration Date: 10/ 15/ 2002 **Anticipated Closing Date:** 10/ 10/ 2002
Acquisition Cost: $ 506,000 **Other Terms/Conditions:** $5,000 earnest money deposit
Seller: Camarata Partners **Related to Development Team Member:** No

Ray's Pointe Apartments was submitted and underwritten in the 2001 LIHTC cycle. The site appears to have changed and the total number of units has increased by 24 units. The underwriting analysis recommended the project be approved subject to the following conditions:

- Receipt, review and acceptance of a revised rent schedule which accurately reflects the additional 1,283 SF 3-bedroom unit and a 1,350 SF 4-bedroom unit;
- Receipt, review and acceptance of a breakdown of building floor plans identifying the number of buildings on the site and the units contained in each building type;
- Receipt, review and acceptance of documentation of the rezoning approval by the City of Texarkana to TH-PD.

The report recommended an allocation of $832,562 in the 2001 year cycle however, due to limited funding, the development did not receive an allocation.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

<u>Description</u>: Ray's Pointe is a proposed new construction development of 115 affordable housing units and 29 market rate units located in Texarkana. The development is comprised of 36 residential buildings as follows:

- (8) Building Type I with two 2-bedroom units and two 3- bedroom units;
- (2) Building Type II with two 2- bedroom handicap accessible units and two 3-bedroom units;
- (12) Building Type III with four 3- bedroom units;

- (1) Building Type IV with two 3- bedroom handicap accessible units and two 3- bedroom units;
- (12) Building Type V with four 4- bedroom units; and
- (1) Building Type VI with two 4- bedroom handicap accessible units and two 4- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,000 -square foot community building plan includes the management office, a multi-purpose room, two conference rooms, a computer room, kitchen, restrooms, laundry facilities and maintenance room.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities program, family skills development program, education program, fun and freedom activities program, neighborhood advancement program, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000 plus $9.36/unit per month for these support services. The Applicant has reflected this expense amount in their operating budget.

Schedule: The Applicant anticipates construction to begin in February of 2003, to be completed in April of 2004, and to be substantially leased-up in October 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. 115 of the units will be reserved for low-income tenants and 29 units will be set at market rents. 12 (8%) units will be reserved for households earning 40% or less of AMGI, 23 (16%) units will be reserved for households earning 50% or less of AMGI, 80 (56%) units will be reserved for households earning 60% or less of AMGI and the remaining 29 (20%) units will be offered at market rents.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated January 2, 2002 was prepared by Apartment Market Data Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: "For this analysis, we defined the Primary Market Area as a 7.5 mile radius around the site, however this Primary Market Area only takes into account the demographics on the Texas side of Texarkana and the surrounding areas. This area was utilized as it was felt that the radius defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing." (p. 30)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	25	1.3%
Turnover Demand	1,489	77.8%
Pent-up Demand	400	20.9%
TOTAL ANNUAL DEMAND	**1,914**	**100%**

Ref: p. 41

Capture Rate: The market analyst calculated a capture rate of 6% based on the subject's proposed number of LIHTC units plus other previous LIHTC units in the primary market area, divided by the total demand as calculated above. (p.41)

Local Housing Authority Waiting List Information: "Pent-up Demand consists of the households on the Housing Authority of the City of Texarkana's combined Public Housing and Section 8 waiting list…These Under Qualified Households represent an additional 6,265 households (19.4% of all households)." (p. 41)

Market Rent Comparables: "The competitive sub-market supply and demand analysis conducted by

Apartment Market Data Research Services consisted of 1,384 units within the Primary Market Area." (p. 84)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (40%)	$285	$285	$0	$537	-$252
2-Bedroom (50%)	$376	$376	$0	$537	-$161
2-Bedroom (60%)	$468	$468	$0	$537	-$69
2-Bedroom (MR)	$492	$492	$0	$537	-$45
3-Bedroom (40%)	$325	$322	+$3	$696	-$371
3-Bedroom (50%)	$431	$428	+$3	$696	-$265
3-Bedroom (60%)	$537	$534	+$3	$696	-$159
3-Bedroom (MR)	$564	$564	$0	$696	-$132
4-Bedroom (40%)	$366	$366	$0	N/A	N/A
4-Bedroom (50%)	$484	$484	$0	N/A	N/A
4-Bedroom (60%)	$602	$602	$0	N/A	N/A
4-Bedroom (MR)	$633	$633	$0	N/A	N/A

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

The market rent analysis indicates that there are no comparable four-bedroom multifamily units in the Texarkana area and thus provides no information on applicable market rates for these units.

Submarket Vacancy Rates: "The current occupancy of the market area is 99.5% as a result of ever increasing demand." (p. 79)

Absorption Projections: "Absorption in the Primary Market Area has been strong over the last decade, averaging 134+ units per year. Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units." (p. 78)

Known Planned Development: "Sunset Apartments (HUD), Town North Apartments (HUD), Summerhill Woods Apartments (HUD), and Winfield Estates Senior Apartments (LIHTC) are located within the 7.5-mile Primary Market Area of the proposed subject. Winfield Estates should be fully leased by the time the subject begins leasing activity." (p. 77)

Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout Texarkana." (p. 77)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Texarkana is located in northeast Texas, approximately 177 miles northeast from Dallas in Bowie County. The site is a rectangular-shaped parcel located in the southwest area of Texarkana, approximately 1 mile from the central business district.

Population: The estimated 2001 population of the market area was 85,064 and is expected to increase by 3.4% to approximately 87,957 by 2006. Within the primary market area there were estimated to be 32,205 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with single-family homes, retail and industrial uses, churches, schools and undeveloped land. Adjacent land uses include:

- **North:** industrial park
- **South:** vacant land, retail, churches, schools
- **East:** single-family homes, retail
- **West:** single-family homes, hospitals

Site Access: Access to the property is from the east or west along South Lake Drive. The development is to have one main entry from the east or west from South Lake Drive. Access to Loop 59 is 1.1 miles, which provides connections to all other major roads serving the Texarkana area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 3.2 miles of 3 major grocery/supermarket, within 4 miles of a shopping mall, and within 4-7 miles of a variety recreational facilities and other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The subject site is currently zoned SF-2. The Applicant submitted a letter dated December 28, 2001 from the City of Texarkana confirming receipt of a rezoning request dated December 28, 2001 and indicating that the requested zoning is from SF-2 to MF-2. The City Council was to meet on February 11, 2001 to decide rezoning. Receipt of documentation from the City of Texarkana confirming that the site has been rezoned and that the proposed development is a conforming use is a condition of this report.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 27, 2002 was prepared by Handex of Texas, Inc. and contained the following findings and recommendations:

Recommendations: "Based upon the foregoing assessment, it is the opinion of Handex that there is no reason to suspect a recognized environmental condition affecting the site at this time. Therefore, no further assessment is warranted at this time." (p. 12)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines for 115 of the units, while the remaining 29 units were set at market rates. Estimates of secondary income are estimated at $15/unit, and are like vacancy and collection loss estimates in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. While the Underwriter used the same recent utility allowance sheet for Bowie County as the Applicant, it appears that the Applicant miscalculated the utility allowance for the 3-bedroom units, resulting in a slightly lower allowance of $98 instead of the Underwriter's estimate of $101. As a result, the Applicant's effective gross income estimate is $2K higher than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $467,327 is $27K lower than the Underwriter's TDHCA database-derived estimate. The Underwriter adjusted several line item estimates based on IREM Region 6 database expenses and experience of other local properties. Management fees were adjusted to 5%, payroll was adjusted to use the lower IREM per unit cost and utilities and water, sewer and trash were adjusted to reflect tenant paid water and sewer. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($8K lower), payroll ($19K lower), repairs and maintenance ($18K higher), utilities ($18K lower) and property insurance ($4K higher).

Conclusion: The Applicant's net operating income is $29K or just over 5% higher than the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the proposed financing structure and the Underwriter's proforma, the development would have a debt coverage ratio (DCR) of 1.08, which is slightly less than the program minimum standard of 1.10. In order to raise the development's DCR to a 1.10 minimum, the annual total debt service should be limited to $327,402 by a reduction of the permanent loan amount or a reduction in the interest rate.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted an Unimproved Property Commercial Contract wherein CDHM Construction and Development, Inc., is purchasing the property from Camarata Partners, LP for the purchase price of $506,000. An Assignment of Contract was also submitted wherein the purchaser of the property, CDHM Construction and Development, Inc., assigned all of its rights and obligations under the contract to the Applicant, Houston Lake Pointe, Ltd. The property sale appears to be an arm's length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects as they are equal to the maximum threshold guideline.

Direct Construction Cost: The Applicant's direct construction cost estimate is $317K or 4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $85K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Developer fees however exceed the 15% limit by $12,776 after the adjustment to eligible interest expense is made. Therefore, eligible developer fees have been adjusted accordingly.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's cost breakdown, as adjusted above, is used to calculate eligible basis and determine the LIHTC allocation. As a result, a credit allocation of $1,047,330 annually is derived from this method. The resulting syndication proceeds will be used to compare the gap of need using the Applicant's costs to determine the recommended credit amount. This is $1,449 more than initially requested due to the Applicant's use of a lower applicable percentage of 8.36% rather than the 8.44% current underwriting rate.

FINANCING STRUCTURE ANALYSIS

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

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through PNC Bank in the amount of $4,063,352. The commitment letter indicated a term of 18 years with an amortization term of 30 years. The interest rate will be 7.25%.

Construction Financing: There is a commitment for construction financing through PNC Bank in the amount of $4,063,352. The commitment letter indicated a term of 2 years with a fixed interest rate upon execution of a rate lock agreement and subsequent closing of the Term Loan simultaneous with the Construction Loan.

LIHTC Syndication: Columbia Housing Partners, L.P. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $8,261,634 based on a syndication factor of 79%. The funds would be disbursed in a three-phased pay-in schedule:

1. $1,487,094 upon the latest of: i) fully executed Partnership Agreement, ii) the Project and Partnership due diligence documents including but not limited to (a) valid tax credit reservation/allocation, (b) carryover allocation and written certification from an independent accountant of carryover basis and backup documentation evidencing costs, if applicable, (c) an owner's title insurance policy or an endorsement thereto issued to the Partnership meeting the requirements of Condition 8(G), (d) fully executed construction loan closing documents, (e) valid written commitment from the permanent lender, and (f) proper issuance of building permits and all regulatory approvals necessary for construction start, iii) the General Partner's attorney opinion letter, and iv) a tax opinion issued by the Investment Limited Partner's counsel;
2. $5,948,376 upon the latest of: i) satisfaction of all conditions of the First Installment (Note: the Second Installment shall be funded in monthly disbursements following the achievement of the above benchmarks and upon receipt of draw request documentation in form and content acceptable to the Investment Limited Partner);
3. $826,164 upon the latest of: i) satisfaction of all conditions of the Second Installment, ii) construction completion, iii) the final development cost and qualified basis certification prepared by an accountant/CPA, iv) verification that the Partnership and Project are covered by insurance, v) full disbursement of the construction financing less required retainage, vi) 100% initial occupancy of 100% of the units by tax credit qualified tenants, vii) IRS Form(s) 8609 for each building and an executed and a recorded copy of the Regulatory Agreement, viii) permanent mortgage loan commencement or

conversion, ix) achievement of debt service coverage ratio evidencing that six (6) consecutive full months of 1.15 debt service coverage have been achieved as certified by an independent accountant, and x) 100% physical occupancy by tax credit qualified tenants.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $670,010 amount to 43% of the total fees. However, based on the Applicant's total development cost estimate, the developer would have to defer $722,439 in fees, which is $52,429 more than originally anticipated.

Financing Conclusions: The Applicant's total development cost estimate, adjusted for overstated financing fees, was used to determine the development's eligible basis and recommended tax credit allocation of $1,047,330 annually for ten years, resulting in syndication proceeds of approximately $8,273,083. Based on the Applicant's total development cost estimate, the developer would need to defer $722,439 in fees. The deferred fee appears to be repayable from development cashflow by the end of year 12 of stabilized occupancy.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porches. Each unit has a private exterior entry. The units are in two-story fourplex structures with mixed brick veneer/HardiPlank siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

The owners of the developer, Merritt Housing, LLC, are also owners of the Managing General Partner, Houston Lake Pointe, LLC.

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 Managing General Partner, Merritt Housing GP, LLC, submitted an unaudited financial statement as of March 21st, 2002, reporting total assets of $144,330. Liabilities totaled $144,180, resulting in a net worth of $150.
- The owner of the Co-General Partner, Kegley, Inc. submitted an unaudited financial statement as of February 16, 2002, reporting total assets of $520K and consisting of $375K in current assets and $144K in property and equipment. Liabilities totaled $489K, resulting in a net worth of $31K.
- The owners of the Co-General Partners, Michael Hartman, Anita Kegley, and Donald Pace submitted personal financial statements as of February 7, 2002, February 16, 2002 and February 20, 2002, respectively.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Hunt, ELP, Ltd., the sole owner of TWC Housing, LLC, which is a 60% owner of Merritt Housing GP, LLC, has completed 13 LIHTC housing developments totaling 2,674 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports or analysis have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $1,047,330 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation from the City of Texarkana confirming that the site has been rezoned and that the proposed development is a conforming use is a condition of this report;
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;

Associate Underwriter:	______________________ *Raquel Morales*	**Date:**	June 4, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	June 4, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Ray's Point, Texarkana, LIHTC # 02030

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tenant Pd. Util	Trash only
TC 40%	1	2	2	980	$366	$285	$285	$0.29	$81.00	$12.00
TC 50%	3	2	2	980	$457	$376	1,128	0.38	81.00	12.00
TC 60%	12	2	2	980	$549	$468	5,616	0.48	81.00	12.00
MR	4	2	2	980	$599	$492	1,968	0.50	81.00	12.00
TC 40%	6	3	2	1,210	$423	$322	1,932	0.27	101.00	12.00
TC 50%	12	3	2	1,210	$529	$428	5,136	0.35	101.00	12.00
TC 60%	40	3	2	1,210	$635	$534	21,360	0.44	101.00	12.00
MR	14	3	2	1,210	$697	$564	7,896	0.47	101.00	12.00
TC 40%	5	4	2	1,330	$472	$366	1,830	0.28	106.00	12.00
TC 50%	8	4	2	1,330	$590	$484	3,872	0.36	106.00	12.00
TC 60%	28	4	2	1,330	$708	$602	16,856	0.45	106.00	12.00
MR	11	4	2	1,330	$770	$633	6,963	0.48	106.00	12.00
TOTAL:	144		AVERAGE:	1,221	$626	$520	$74,842	$0.43	$100.03	$12.00

INCOME	otal Net Rentable Sq Ft 175,880				TDHCA	APPLICANT			
POTENTIAL GROSS RENT					$898,104	$900,192			
Secondary Income		Per Unit Per Month:		$15.00	25,920	25,920	$15.00	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$924,024	$926,112			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(69,302)	(69,456)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$854,722	$856,656			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.42%	$381	$0.31	$54,866	$46,736	$0.27	$325	5.46%
Management		5.00%	297	0.24	42,736	42,833	0.24	297	5.00%
Payroll & Payroll Tax		14.03%	833	0.68	119,952	100,800	0.57	700	11.77%
Repairs & Maintenance		7.54%	448	0.37	64,475	82,224	0.47	571	9.60%
Utilities		3.57%	212	0.17	30,502	12,960	0.07	90	1.51%
Water, Sewer, & Trash		4.01%	238	0.20	34,310	28,800	0.16	200	3.36%
Property Insurance		3.29%	195	0.16	28,141	32,400	0.18	225	3.78%
Property Tax	2.14347238	8.31%	493	0.40	70,992	72,000	0.41	500	8.40%
Reserve for Replacements		3.37%	200	0.16	28,800	28,800	0.16	200	3.36%
Other Expenses:Supp Svcs/Comp F		2.31%	137	0.11	19,774	19,774	0.11	137	2.31%
TOTAL EXPENSES		57.86%	$3,434	$2.81	$494,548	$467,327	$2.66	$3,245	54.55%
NET OPERATING INC		42.14%	$2,501	$2.05	$360,174	$389,329	$2.21	$2,704	45.45%
DEBT SERVICE									
PNC		38.92%	$2,310	$1.89	$332,631	$332,631	$1.89	$2,310	38.83%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		3.22%	$191	$0.16	$27,544	$56,698	$0.32	$394	6.62%
AGGREGATE DEBT COVERAGE RATIO					1.08	1.17			
ALTERNATIVE DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl		3.80%	$3,514	$2.88	$506,000	$506,000	$2.88	$3,514	3.89%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.03%	6,500	5.32	936,000	936,000	5.32	6,500	7.20%
Direct Construction		56.85%	52,554	43.03	7,567,797	7,250,400	41.22	50,350	55.79%
Contingency	2.89%	1.84%	1,706	1.40	245,592	245,592	1.40	1,706	1.89%
General Requirer	5.78%	3.69%	3,411	2.79	491,184	491,184	2.79	3,411	3.78%
Contractor's G &	1.93%	1.23%	1,137	0.93	163,728	163,728	0.93	1,137	1.26%
Contractor's Pr	5.78%	3.69%	3,411	2.79	491,184	491,184	2.79	3,411	3.78%
Indirect Construction		2.66%	2,463	2.02	354,700	354,700	2.02	2,463	2.73%
Ineligible Costs		2.88%	2,662	2.18	383,278	383,278	2.18	2,662	2.95%
Developer's G & A	3.91%	3.15%	2,912	2.38	419,356	419,356	2.38	2,912	3.23%
Developer's Profi	10.76%	8.66%	8,009	6.56	1,153,230	1,153,230	6.56	8,009	8.87%
Interim Financing		3.50%	3,236	2.65	465,944	465,944	2.65	3,236	3.59%
Reserves		1.01%	933	0.76	134,400	134,400	0.76	933	1.03%
TOTAL COST		100.00%	$92,447	$75.69	$13,312,393	$12,994,996	$73.89	$90,243	100.00%
Recap-Hard Construction Costs		*74.33%*	***$68,719***	***$56.26***	***$9,895,485***	***$9,578,088***	***$54.46***	***$66,515***	*73.71%*

SOURCES OF FUNDS

	%	Per Unit	Per Sq Ft	TDHCA	APPLICANT	RECOMMENDED	
PNC	30.52%	$28,218	$23.10	$4,063,352	$4,063,352	$3,999,473	
Columbia Housing Partners, LP	62.06%	$57,372	$46.97	8,261,634	8,261,634	8,273,083	
Deferred Developer Fees	5.03%	$4,653	$3.81	670,010	670,010	722,439	46%
Additional (excess) Funds Req	2.38%	$2,204	$1.80	317,397	0	0	
TOTAL SOURCES				$13,312,393	$12,994,996	$12,994,996	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Ray's Point, Texarkana, LIHTC # 02030

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$44.98	$7,911,082
Adjustments				
Exterior Wall Finis	5.50%		$2.47	$435,110
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.12)	(196,106)
Floor Cover			2.43	427,388
Porches/Balconies	$12.73	16175	1.17	205,908
Plumbing	$675	144	0.55	97,200
Built-In Appliances	$2,000	144	1.64	288,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	321,860
Garages/Carports	$14.28	28,800	2.34	411,264
Comm &/or Aux Bldgs	$53.70	4,200	1.28	225,553
Other:			0.00	0
SUBTOTAL			57.58	10,127,259
Current Cost Multiplier	1.04		2.30	405,090
Local Multiplier	0.88		(6.91)	(1,215,271)
TOTAL DIRECT CONSTRUCTION COSTS			$52.97	$9,317,078
Plans, specs, survy, b	3.90%		($2.07)	($363,366)
Interim Construction In	3.38%		(1.79)	(314,451)
Contractor's OH & Profi	11.50%		(6.09)	(1,071,464)
NET DIRECT CONSTRUCTION COSTS			$43.03	$7,567,797

PAYMENT COMPUTATION

Primary	$4,063,352	Term	360
Int Rate	7.25%	DCR	1.08
Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.08
Additional		Term	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$327,402
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$32,773

Primary	$3,999,473	Term	360
Int Rate	7.25%	DCR	1.10
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$898,104	$925,047	$952,799	$981,382	$1,010,824	$1,171,822	$1,358,463	$1,574,831	$2,116,441
Secondary Income	25,920	26,698	27,499	28,323	29,173	33,820	39,206	45,451	61,082
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	924,024	951,745	980,297	1,009,706	1,039,997	1,205,642	1,397,669	1,620,282	2,177,523
Vacancy & Collection Los	(69,302)	(71,381)	(73,522)	(75,728)	(78,000)	(90,423)	(104,825)	(121,521)	(163,314)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$854,722	$880,364	$906,775	$933,978	$961,997	$1,115,219	$1,292,844	$1,498,761	$2,014,209
EXPENSES at 4.00%									
General & Administrative	$54,866	$57,060	$59,343	$61,716	$64,185	$78,091	$95,010	$115,594	$171,107
Management	42,736	44,018	45,339	46,699	48,100	55,761	64,642	74,938	100,710
Payroll & Payroll Tax	119,952	124,750	129,740	134,930	140,327	170,729	207,718	252,721	374,088
Repairs & Maintenance	64,475	67,054	69,736	72,526	75,427	91,768	111,650	135,840	201,076
Utilities	30,502	31,722	32,991	34,311	35,683	43,414	52,820	64,263	95,125
Water, Sewer & Trash	34,310	35,683	37,110	38,594	40,138	48,834	59,414	72,286	107,001
Insurance	28,141	29,266	30,437	31,655	32,921	40,053	48,731	59,288	87,761
Property Tax	70,992	73,831	76,785	79,856	83,050	101,043	122,935	149,569	221,399
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	19,774	20,565	21,388	22,243	23,133	28,145	34,242	41,661	61,668
TOTAL EXPENSES	$494,548	$513,902	$534,018	$554,926	$576,656	$698,830	$847,034	$1,026,837	$1,509,754
NET OPERATING INCOME	$360,174	$366,461	$372,756	$379,052	$385,342	$416,389	$445,810	$471,923	$504,455
DEBT SERVICE									
First Lien Financing	$327,402	$327,402	$327,402	$327,402	$327,402	$327,402	$327,402	$327,402	$327,402
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$32,773	$39,060	$45,355	$51,651	$57,940	$88,987	$118,409	$144,522	$177,054
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.27	1.36	1.44	1.54

LIHTC Allocation Calculation - Ray's Point, Texarkana, LIHTC # 02030

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	$506,000	$506,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$936,000	$936,000	$936,000	$936,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$7,250,400	$7,567,797	$7,250,400	$7,567,797
(4) Contractor Fees & General Requirements				
Contractor overhead	$163,728	$163,728	$163,728	$163,728
Contractor profit	$491,184	$491,184	$491,184	$491,184
General requirements	$491,184	$491,184	$491,184	$491,184
(5) Contingencies	$245,592	$245,592	$245,592	$245,592
(6) Eligible Indirect Fees	$354,700	$354,700	$354,700	$354,700
(7) Eligible Financing Fees	$465,944	$465,944	$465,944	$465,944
(8) All Ineligible Costs	$383,278	$383,278		
(9) Developer Fees			$1,559,810	
Developer overhead	$419,356	$419,356		$419,356
Developer fee	$1,153,230	$1,153,230		$1,153,230
(10) Development Reserves	$134,400	$134,400		
TOTAL DEVELOPMENT COSTS	$12,994,996	$13,312,393	$11,958,542	$12,288,715

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,958,542	$12,288,715
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$15,546,104	$15,975,329
Applicable Fraction		79.82%	79.82%
TOTAL QUALIFIED BASIS		$12,409,129	$12,751,742
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		$1,047,330	$1,076,247
Syndication Proceeds	**0.7899**	**$8,273,083**	**$8,501,502**

TDHCA

02045

Region 4

Rural
Set-Aside

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

Development Name: **Paris Retirement Village** TDHCA #: **02045**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4
Site Address: 1830 W. Washington St.
City: Paris
County: Lamar
Zip Code: 75460

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

LIHTC Primary Set Aside: R
Additional Elderly Set Aside: ☑
Purpose / Activity: NC
Development Type: Elderly

☐ TTC ☐ DDA ☑ QCT

Special Needs: 6 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Paris Retirement Village, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
SumTex Partners, Inc.	W. Joseph Chamy	42 %
SumTex Partners, Inc.	Judy Chamy	58 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$373,692** Allocation over 10 Years: $3,736,920

Credits Requested: $376,203 Eligible Basis Amount: $373,692 Equity/Gap Amount: $381,140

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	0	0	0	0	1
40%	0	13	1	0	0	0	14
50%	0	24	4	0	0	0	28
60%	0	22	3	0	0	0	25
MR	0	8	0	0	0	0	8
Total	0	68	8	0	0	0	

Total LI Units: 68
Owner/Employee Units: 0
Total Project Units: 76
Applicable Fraction: 89.00

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

BUILDING INFORMATION

Total Development Cost: **$4,025,701**
Gross Building Square Feet: 61,290
Total NRA SF: 58,568
Gross/Net Rentable: 1.05
Average Square Feet/Unit: 771
Cost Per Net Rentable Square Foot: $68.74
Credits per Low Income Unit: $5,495

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $314,302
Total Expenses: $210,942
Net Operating Income: $103,360
Estimated 1st Year Debt Coverage Ratio: 1.10

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Valcrest Investments, Inc.
Housing GC: Compass Point Development Co.
Infrastructure GC: NA
Cost Estimator: Compass Point Development Co.
Architect: Vaughn Architects Plus
Property Manager: J.A.C. Inc. dba Integra-Peak Mgmt.
Engineer: Soil Tech Engineering
Syndicator: Alliant Capital

Market Analyst: Ipser & Associates
Originator/UW: NA
Appraiser: Foster & Company
Attorney: Nick Acuff
Supp Services: Lamar County Human Resources
Accountant: Baggett, Drews & Adams
Permanent Lender: Bank of America

DEPARTMENT EVALUATION

Points Awarded: 146 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Paris Retirement Village | Project Number: 02045

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

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

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	Michael J. Pfiester, Mayor, S	Benny Plata, Councilmember #3, S
TX Rep.:	Mark Homer, Dist. 3	Joe McCarthy, Councilmember #1, S
TX Sen.:	Bill Ratliff, Dist. 1	
US Rep.:		
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $93,965 or an alternative financing structure acceptable to the Department.

Should the interest rate, term, or loan amount regarding the proposed permanent first lien change, a re-evaluation of the status of the HTF loan and the recommended credit amount should be conducted.

Alternate Recommendation:

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

☑ Score ☑ Meeting Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

Brooke Boston, Acting LIHTC Co-Manager Date David Burrell, Director of Housing Programs Date

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

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Compliance Status Summary

Project ID #: 02045 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Paris Retirement Village — HOME ☐ HTF ☑

Project City: Paris — BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 12 — # not yet monitored or pending review 1

of projects grouped by score — 0-9: 12 — 10-19: 0 — 20-29: 0

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received N/A

Non-Compliance Reported ____

Completed by Jo En Taylor **Completed on** 04/15/2002

Single Audit

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

single audit not applicable ☑ no outstanding issues ☐ outstanding issues ☐

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☑

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments: 536263- monitoring review not applicable
539099, 536288- reviewed, no unresolved issues
538622- monitoring review pending

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

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

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by __________ **Completed on** __________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by __________ **Completed on** __________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by __________ **Completed on** __________

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

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

DATE: May 17, 2002 **PROGRAM:** 9% LIHTC, Housing Trust Fund **FILE NUMBER:** 02045

DEVELOPMENT NAME

Paris Retirement Village

APPLICANT

Name: Paris Retirement Village **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 742 East Pipeline Road **City:** Hurst **State:** TX

Zip: 76053 **Contact:** Joe Chamy **Phone:** (817) 285-6315 **Fax:** (817) 285-7157

PRINCIPALS of the APPLICANT

Name	(%)	Title
SumTex Partners, Inc.	.01	Managing General Partner
Alliant Capital, Ltd.	99.99	Initial Limited Partner
Judy Chamy		58% Owner of MGP
Joe Chamy		42% Owner of MGP

GENERAL PARTNER

Name: SumTex Partners, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 742 East Pipeline Road **City:** Hurst **State:** TX

Zip: 76053 **Contact:** Joe Chamy **Phone:** (817) 285-6315 **Fax:** (817) 285-7157

PROPERTY LOCATION

Location: 1830 West Washington Street (application says 1400 Washington) ☒ **QCT** ☐ **DDA**

City: Paris **County:** Lamar **Zip:** 75460

REQUEST

Amount	Interest Rate	Amortization	Term
① 376,203	N/A	N/A	N/A
② $45,000	AFR (5.7%)	30 yrs	30 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits
② Housing Trust Fund loan

Proposed Use of Funds: New construction **Set-Aside:** ☐ General ☒ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 9.31 acres 405,544 square feet **Zoning/ Permitted Uses:** PD-b (Multifamily Projects)*

Flood Zone Designation: X **Status of Off-Sites:** Raw Land

* Allows for 76 senior units subject to "site plan review" at the City Council level

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 76 **# Rental Buildings** 19 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** 0 yrs

Number	Bedrooms	Bathroom	Size in SF
68	1	1	750
8	2	1	946

Net Rentable SF: 58,568 **Av Un SF:** 771 **Common Area SF:** 2,722 **Gross Bldng SF** 61,290

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% brick veneer/20% Hardiplank siding/5% 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters high speed internet access, cable

ON-SITE AMENITIES

2,722 SF community building with community room, management offices, exercise room, kitchen, restrooms, central mail-area, swimming pool, play area, library, golf putting green, perimeter fencing with limited access gate, picnic area, walking trail

Uncovered Parking: 125 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank of America **Contact:** Sylvia Monsivais

Principal Amount: $1,700,000 **Interest Rate:** LIBOR + 3.25% , floating

Additional Information: Interest-only payments

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Bank of America **Contact:** Sylvia Monsivais

Principal Amount: $1,100,000 **Interest Rate:** 7.95%, lender estimate as of date of terms letter

Additional Information:

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

Annual Payment: $96,393 **Lien Priority:** 1st **Commitment Date** 2/ 15/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Alliant Capital, Ltd. **Contact:** Scott L. Kotick

Address: 340 Royal Poinciana Way, Suite 305 **City:** Palm Beach

State: FL **Zip:** 33480 **Phone:** (561) 833-5795 **Fax:** (561) 833-3694

Net Proceeds: $2,811,783 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 77.5¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 25/ 2002

Additional Information: Commitment letter reflects proceeds of $2,811,783 based on credits of $3,628,470

APPLICANT EQUITY

Amount: $68,918* **Source:** Deferred developer fee

* The Applicant has indicated in the event that the HTF loan request is not successful, additional funding may be obtained from deferring up to 50% of the total developer fees. Any amount exceeding this 50% limit, up to $45K, will be loaned to the Applicant in the form of an unsecured promissory note to W. Joseph Chamy at 7.5% payable over 30 years

VALUATION INFORMATION

ASSESSED VALUE

Land: 20.40 ac. Mkt	$44,880	**Assessment for the Year of:**	2001
Land: 20.40 ac. Ag. Value	$2000	**Valuation by:**	Lamar County Appraisal District
Total: 9.31 ac. Prorated Market value	$20482	**Tax Rate:**	2.7364

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (20.40 acres)

Contract Expiration Date: 10/ 6/ 2002 **Anticipated Closing Date:** 9/ 15/ 2002

Acquisition Cost: $ 35,250* **Other Terms/Conditions:** $2,000 earnest money; $3,750 per acre purchase price

Seller: James R. and Mary L. Lane **Related to Development Team Member:** No

***** Purchase price should be $34,913 based on $3,750 per acre and 9.31 acres

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Paris Retirement Village is a proposed new construction development of 76 units of mixed income housing located in southwest Paris. The development is comprised of 19 residential buildings as follows:

- (17) Building Type A with four one-bedroom units;
- (2) Building Type B with four two-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 2,722-square foot community building plan includes the management office, community room, library, exercise room, kitchen, and restrooms. Special features include a golf putting green and walking trail.

Supportive Services: The Applicant has contracted with Consumer Credit Counseling Service of Greater Dallas, Inc. to provide the following supportive services to tenants: provide a financial seminar entitled "Dollars & Sense" three times per year as scheduled by the owner. These seminars will cover: money management, budgeting, saving, spending, credit reports, credit cards, credit bureaus and associated topics. In addition the Applicant has contracted with Lamar County Human Resources Council, Inc. to provide the following supportive services to tenants: home delivered meals and/or meals served at the multipurpose/dining room facility at the apartment community, as the need dictates. Meals served not to exceed 20 on any day; additional meals at a cost of $5 per meal, social and recreational programs, transportation to grocery store and medical services, referral services and counseling. These services will be provided at no cost to tenants. The contracts require the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services. The Consumer Credit Counseling Service of Greater Dallas, Inc. requires an annual fee of $2,985 per year and the Lamar County Human Resources Council, Inc. requires an annual fee of $4,800, payable monthly and adjusted annually at a rate of 3%.

Schedule: The Applicant anticipates construction to begin in December of 2002, to be completed in June of 2004, to be placed in service in May of 2004, and to be substantially leased-up in May 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. 68 of the units (89% of the total) will be reserved for low-income tenants. One of the units (1%) will be reserved for households earning 30% or less of AMGI, 14 units (18%) will be reserved for households earning 40% or less of AMGI, 28 units (37%) will be reserved for households earning 50% or less of AMGI, 25 units (33%) will be reserved for households earning 60% or less of AMGI, and the remaining eight units will be offered at market rents.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated February 25, 2002 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Market/Submarket: "Lamar County, as the defined market area, encompasses several small towns and number of unincorporated communities." (p 2-5)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	2	1%	5	3%
Resident Turnover (Age 65 and over)	89	64%	155	97%
Other Sources: (Age 55 to 65)	40	29%	n/a	n/a
Other Sources: 10% other	9	6%	n/a	n/a
TOTAL ANNUAL DEMAND	**140**	**100%**	**160**	**100%**

Ref: Exhibit N-1

Capture Rate: "The proposed project's 68 LIHTC units (excluding 8 market-rate units) represents a 48.6% capture of the estimated 140 income-qualified households. For the market-rate units, up to 185 income-qualified households (with persons age 55 or older) is estimated to reside in Lamar County." (p. 3-4) Based on the Underwriter's total demand the capture rate is just under 50%. In either case the capture rate is acceptable for a rural area. It should be noted, however, that a second elderly development, Residence on Stillhouse Road is also currently being proposed. This would add 76 additional units to the market and raise the overall capture rate to 109% or 95%, depending on which demand calculation is used. It should also be noted that in both demand calculations nearly all of the demand is coming from turnover from existing units, and therefore would likely have a significant impact on the existing supply of housing.

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 309 units in the market area. "The subject's rents are all below the estimated market rents, including the subject's market rate units." (p. 2-22, Exhibit I-7)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market***	**Differential**
1-Bedroom (30%)	$184	$185	-$1	$501	-$317
1-Bedroom (40%)	$261	$262	-$1	$501	-$240
1-Bedroom (50%)	$337	$338	-$1	$501	-$164
1-Bedroom (60%)	$413	$414	-$1	$501	-$88
1-Bedroom (MR)	$435	N/A	N/A	$501	-$66
2-Bedroom (40%)	$298	$298	$0	$553	-$255
2-Bedroom (50%)	$389	$389	$0	$553	-$164
2-Bedroom (60%)	$480	$480	$0	$553	-$73

(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)
* Based on the adjusted rent per square foot times the square footage of the proposed units. These rents are higher than the highest rents found in the market currently. The highest priced one-bedroom unit in the market currently is actually only $460 and the most expensive two-bedroom/ one-bath unit is a tax credit unit at $480. The rents proposed as market rents reflect significant adjustments to the average rent per foot. Based on these rents not being achieved currently they are considered to be somewhat suspect by the Underwriter.

Submarket Vacancy Rates: “Apartments in Paris show an economic occupancy of 94.4% in the conventional market and 98.5% in the existing LIHTC complexes. Occupancy of the rental assisted units is low because many are in very poor condition (many appeared to be boarded up although not reported as such).” (p. 2-23)
Absorption Projections: “The expected absorption rate of approximately 12 to 15 units per month indicates a lease-up period of five months, which includes an estimated one to two months of leasing while construction is being completed.” (p. 3-7)
Known Planned Development: No information provided. While the market analyst was also engaged by the competing 2002 tax credit applicant in Paris, he did not discuss this proposed development in his report. Also, Main Street Townhomes (LIHTC #01121) was awarded funds in 2001 for 76 family units.
Effect on Existing Housing Stock: “The construction of the proposed project may have some initial impact on the market, as some elderly residents of existing multifamily units may relocate to the new project.” (p. 2-12) “The addition of 76 units for householders aged 55 and over is not expected to have any significant long-term impact on the existing rental market. Elderly tenants, who currently rent in the conventional apartments, are expected to relocate to the new affordable housing, and any vacancies created should be readily filled.” (p. 3-3)
In both the market analyst’s calculation and the Underwriter’s estimate, a substantial amount of the demand, over 90%, comes from turnover from existing housing in the area. The same market analyst conducted the studies for both developments that are being proposed in Paris and has been asked by the Underwriter to re-evaluate the Department’s concentration capture rate and effect on the existing supply and on each other if both developments are approved for funding. According to the market analyst there are a total of 1,158 multifamily housing units in Paris 181 of which are exclusively for the elderly and 231 of the remaining units house elderly residents. The current total number of vacant units in the market is 142 which equates to an overall 87.7% occupancy rate. The addition of the proposed 152 units could reduce the overall occupancy rate to 85% if no growth or elimination of substandard units is considered. It is also worth noting that since 1990 building permits for only 305 multi-family units have been issued with an average of 28 per year and no year with more than 34 units being permitted (Exhibit I-1). The 76 unit family development receiving tax credit funds will, itself, provide over two years of multifamily supply growth compare tot the City’s ten year history. Since that development is a family development it is a different type than the proposed developments and therefore is not considered in the concentration capture calculation. It would appear from the Underwriter’s demand that allocating tax credits to both proposed developments would be within the Department’s concentration capture rate policy but it also would be an aggressive increase in the number of units in this market and may have unfavorable lingering consequences for the existing multi-family developments in Paris.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly above the maximum rents allowed under LIHTC guidelines at the 30%, 40% and 50% AMGI levels, but since the proposed rents are derived from a project based rental subsidy and the tenants themselves will not pay more than the LIHTC rents, the development will still be eligible for tax credits. The project has received both an interest reduction subsidy on the permanent loan and a HAP rental assistance subsidy. With the HAP subsidy it is possible that the proposed rent ($498) on three 3-BR units targeted for households at the 30% AMGI level could exceed the proposed rents on other 3-BR units at the 40%, 50% and 60% levels as proposed by the Applicant. However the Underwriter chose to reflect the lower HAP contract rates for the lower income tenants and the high HAP contract rates for the higher income tenants.. According to audited financials for 2001, Panola Apartments received a $155K HAP subsidy on total revenue of $211K.

The Applicant's estimate for effective gross income was within 2% of the Underwriter's estimate. The Applicant's estimate for vacancy and collection loss was in line with the Underwriter's standard estimate of 7.5%, though indications in the market study suggest that Panola Apartments has been at or near 100% occupancy in recent months. Therefore, the Underwriter used 5%. The Underwriter also adjusted secondary income to match the $11.25 per unit actually being achieved at this property.

Expenses: Several line items in the Applicant's expense projection showed significant differences from TDHCA database-derived estimates. For these items, the Underwriter evaluated both the subject property's USDA-RD 2002 budget and the 2001 actual, audited financials, and made several adjustments to the database-derived estimate to reflect this substantiated data. Following these adjustments, the Applicant's expenses still showed significant deviations: General and Administrative ($4.3K lower than the Underwriter's estimate); Payroll and Payroll Tax ($2.6K lower); Repairs and Maintenance ($2.3K higher); Utilities ($2.5K lower); Water, Sewer, and Trash ($2.1K higher); Property Tax ($3.3K lower); and Reserve for Replacement ($1.3K lower). The Applicant's estimate for total expenses was more than 5% below the Underwriter's adjusted estimate and therefore, the Underwriter's estimate was adopted.

Conclusion: The Applicant's estimated gross income is consistent with the Underwriter's expectations but total operating expenses and net operating income differ by more than 5% from the Underwriter's adjusted 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 above 1.0 (breakeven), but below the normally acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25. While USDA closely monitors their properties and would normally be willing and able to adjust the basic rents to achieve a limited but more positive owner's return, in this case they have less control over this mechanism. This is because HUD is providing the rental assistance and a rental increase would have to be approved by both agencies. It is also more likely that reserves for replacement will be under-funded over the years since rental increases must pass through the approved process of both agencies. It should also be noted that the interest rate subsidy provided by USDA is only a 1% reduction and thus, the effective interest rate on this property is 10.5% instead of being reduced to 1% as is typical of other USDA/RD loans. The need for the rental subsidy would dramatically decrease if the USDA loan were restructured and re-amortized with an interest rate subsidy down to 1%, consistent with USDA's common practice. In fact, if this were to occur, the debt service would be reduced by $56,515, allowing for a 33% reduction in the annual HUD HAP contract subsidy. Alternatively, these funds could be used to secure a conventional second lien which could be used to fund the entire proposed rehabilitation and be repaid in less than 10 years, completely eliminating the need for tax credits for this property.

CONSTRUCTION COST ESTIMATE EVALUATION

Land and Existing Buildings Value: The acquisition cost attributed to land of $15,000 ($0.12/SF) is below the $21,000 ($0.16/SF) land value estimated by the Appraiser. The total land and building acquisition cost of $803,723 is very substantially above the $426,500 'As-Is' value of the property noted in the appraisal report. This would suggest that the eligible basis for the acquisition might be reduced to $405,500, reflecting the $426,500 appraised value net of the $21,000 value of the land. However, as the transfer will entail the assumption of the existing USDA loan, it follows that the acquisition basis should not be lower than that

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Paris is located in northeast Texas, approximately 15 miles south of the Red River and the Oklahoma state border, 65 miles east of Sherman and 105 miles north of Tyler in Lamar County. The site is a rectangularly-shaped parcel located in the southwest area of Paris, approximately one mile from the central business district. The site is situated on the northwest corner of West Washington Street and 13th Street S.W.

Population: The estimated 2000 population of Lamar County was 48,499 and is expected to increase by 4% to approximately 50,559 by 2005. Within the primary market area there were estimated to be 19,077 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, industrial, single family and apartment complexes. Adjacent land uses include:

- **North:** Open spaces before reaching single family homes
- **South:** Open spaces
- **East:** The Gurst Paper Company plant
- **West:** Single family homes

Site Access: Access to the property is from the east or west along West Washington Street. The development is to have one main entry, from the south from West Washington Street. Paris is situated at the junction of U.S. Highways 271 and 82. Route 82 runs across northern Texas from Texarkana west through Lubbock; while Route 271 leads south to Gladewater and leads north into Oklahoma. The nearest Interstate Highway is I-30, 40 miles south of Paris.

Public Transportation: Availability of public transportation is unknown.

Shopping & Services: Two of the three large chain supermarket, Brookshire's and Kroger's are located on Clarksville Street southeast of downtown, about two miles east of the subject. Another supermarket, Piggly Wiggly, is on South Main Street less than one mile east. A variety of stores and service businesses are easily accessible, primarily in the center city around the courthouse, along Lamar Avenue and Clarksville Street with numerous restaurants and fast food outlets. For specialty goods shopping, Paris residents commute to Dallas.

Site Inspection Findings: TDHCA staff performed a site inspection on April 2, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 8, 2002 was prepared by Soiltech Engineering & Testing, Inc. and contained no evidence of recognized environmental conditions in connection with the property. (p. 9)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The market analyst also suggested that the proposed market rent for the one-bedroom unit is achievable in the market by making adjustments to the square footage rent of a selected number of comparables. The adjusted market rents that were concluded by the market analyst provide an adjusted market rent that is $41 more than the highest rent currently being achieved. The Applicant, however, did not use the maximum adjusted market rent in the rent schedule and instead used a rent that was less than the highest one-bedroom rent in the market and therefore this rent was also accepted by the Underwriter. The Underwriter utilized the current market maximums as the market rent in lieu of the market rent proposed. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,565 per unit is 8% less than the TDHCA database-derived estimate of $2,776 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative ($10.6K lower), management fee ($3.8K higher), repairs and maintenance ($9.8K higher), utilities ($6.3K lower), water, sewer, and trash ($8.2K lower), insurance ($3.8K higher), and property tax ($8.9K lower).

Conclusion: The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations as it is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.04 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $93,965 in order to maintain a minimum 1.10 DCR.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price is assumed be reasonable as it is an arm's-length transaction.
Off-Site Costs: The Applicant claimed off-site costs of $27,450 for a lift pump and provided sufficient third party certification through a registered engineer to justify these costs.
Sitework Cost: The Applicant's claimed sitework costs of $6,000 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's costs are more than 5% less than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.
Ineligible Costs: The Applicant incorrectly included $20,000 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.
Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Due to the excess eligible basis resulting from the misallocation of marketing fees, however, the Applicant's eligible developer fees exceed the maximum 15% allowed by $1,200 and were therefore adjusted downward accordingly.
Conclusion: The Underwriter regards total costs to be understated by $198K, or slightly less than the 5% margin of tolerance; therefore, the Applicant's cost estimate is used to size the total sources of funds needed for the development. The Applicant's requested credit amount, as adjusted for the current applicable percentage, is used to establish the eligible basis method of determining the credit amount. As a result, an adjusted eligible basis of $3,806,564 is used to determine a credit allocation of $373,692 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, a Housing Trust Fund loan, syndicated LIHTC equity, and deferred developer's fees.
Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through Bank of America in the amount of $1,700,000 during the interim period and $1,100,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 30 years for the permanent at a fixed interest rate of 7.95%.
Housing Trust Fund (HTF) Loan: The Applicant has requested a loan of $45,000 from the HTF to subsidize the development's 30% AMI unit. The Applicant requested an interest rate of the applicable Federal rate, and the Underwriter used a rate of 5.7% in this analysis. The HTF application appears to meet the program's threshold requirements but as of the date of this report, it is unknown if its score will be high enough to recommend it for funding.
LIHTC Syndication: Alliant Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $2,811,783 based on a syndication factor of 77.5% and a lower than requested amount of tax credits. The funds would be disbursed in a four-phased pay-in schedule:

1. 30% will be funded upon the latest to occur of: (a) the Limited Partner's admission into the Partnership, (b) closing and initial funding of all of the construction financing for the Project, (c) receipt of the commitments for all of the permanent financing for the Project, and (d) receipt of the LIHTC allocation; such funds to be used solely for site acquisition, development and construction costs, as reasonably acceptable to the Administrative Limited Partner;
2. 30% will be funded in monthly installments based upon the progress of construction, pari passu with advances for the proceeds of the construction financing for the Project; (b) no earlier than July 2003 and (c) satisfaction of all conditions precedent to the payment above;
3. 15% will be funded upon the latest to occur of: (a) lien-free completion of construction of all the

improvements sufficient for all residential rental units to be "placed in service" pursuant to IRC Section 42, (b) the issuance of all required permanent certificates of occupancy permitting immediate occupancy of all 76 residential rental units, (c) receipt of the final cost certification by an independent firm of certified public accounts (acceptable to the 'administrative Limited Partner), (d) January 2004, and (e) satisfaction of all conditions precedent to the payments above;

4. 25% will be funded upon the latest to occur of: (a) Rental Achievements (as hereinafter defined) and 90% occupancy of the residential rental units by qualified tenants (i.e., tenants meeting the requirements of IRC Section 42), in each case for three consecutive months, (b) permanent loan closing, (c) the issuance of an IRS Form 8609 for each building in the Project, (d) July 2004, and (e) satisfaction of all conditions precedent to the payments above.

Deferred Developer's Fees: The Applicant's deferred developer's fees of $68,918 amount to 14% of the total proposed fees. The Applicant has indicated, in the event that the HTF loan request is not successful, additional funding may be obtained from deferring up to 50% of the total developer fees. Any amount exceeding this 50% limit, up to $45K, will be loaned to the Applicant in the form of an unsecured promissory note to W. Joseph Chamy at 7.5%, payable over 30 years.

Financing Conclusions: As indicated above, the Applicant's total development cost estimate was used to determine the development's funding needs and the Applicant's adjusted eligible basis calculation was used to determine the recommended tax credit allocation. The Applicant's lower eligible basis estimate qualifies the development for tax credits in the amount of $373,692 annually for ten years, or $2,511 less than requested. However, this still provides $84,044 more in syndication proceeds than indicated on the Applicant's sources and uses statement and will reduce the need for additional funds.

The Underwriter's proforma and the Applicant's proposed permanent financing structure results in a debt coverage ratio that falls below the Department's minimum guideline of 1.10, indicating a need to limit the development's annual debt service to not more than $94,730 and effectively reducing the conventional loan amount to $1,080,974 based on the terms proposed. The development's limited ability to service debt also leads to a restructure of the requested HTF loan from a $45,000 loan amortized over a term of 30 years at an interest rate at AFR to a loan of equal amount but with deferred payments as inadequate debt service capacity appears to be available to pay this loan and maintain a 1.10 DCR. It is recommended that, if awarded, the HTF loan is deferred for five years and restructured based upon the development's ability to service debt at that time.

With the HTF loan included and the adjustments to the first lien and syndication proceeds discussed above, the developer will be required to defer $12,627 in fees, or 3% of total qualified developer fees. Should the development not receive a HTF award, deferred developer fees would increase by $45K and deferral would reach 12%, still well below the 50% limit. In either case these fees are repayable out of cash flow in five years. Should the interest rate, term, or loan amount regarding the proposed permanent first lien change, a re-evaluation of the status of the HTF loan and the recommended credit amount should be conducted.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple and functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porches and small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in one-story fourplex structures with mixed brick/wood siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Mr. Joe Chamy, the 42% owner of the managing general partner, SumTex Partners, Inc., also owns the developer, general contractor, cost estimator, and management agent. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.

- The General Partner, SumTex Partners, Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of $168K and consisting of $28K in cash and $140K in real property with no liabilities, resulting in a net worth of $168K.
- The Developer, Valcrest Investments, Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of $2.4M and consisting of $59K in cash, $75 in receivables, and $2.2M in real property. Liabilities totaled $2M, resulting in a net worth of $400K.
- The Contractor, Compass Point Development Company Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of $29K and consisting of cash with no liabilities, resulting in a net worth of $29K.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and Developer/Contractor, Mr. Joe Chamy, has completed 17 LIHTC/affordable housing projects totaling 532 units since 1984.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $373,692 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☑ RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED $45,000, STRUCTURED AS A SECOND LIEN, NON-AMORTIZING LOAN AT 0% INTEREST, TO MATURE IN FIVE YEARS AND TO BE RESTRUCTURED BASED ON ACTUAL NET OPERATING INCOME AT THAT TIME, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $93,965; and
2. Should the interest rate, term, or loan amount regarding the proposed permanent first lien change, a re-evaluation of the status of the HTF loan and the recommended credit amount should be conducted.

Underwriter:	*Carl Hoover*	**Date:**	May 17, 2002
Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	May 17, 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Director of Credit Underwriting: ______________________ **Date:** May 17, 2002

Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Paris Retirement Village, Paris, 9% LIHTC #02045

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 30%/HTF	1	1	1	750	$227	$185	$185	$0.25	$42.50	$39.97
TC 40%	13	1	1	750	304	262	3,400	0.35	42.50	39.97
TC 50%	24	1	1	750	380	338	8,100	0.45	42.50	39.97
TC 60%	22	1	1	750	456	414	9,097	0.55	42.50	39.97
MR	8	1	1	750	435	435	3,480	0.58	42.50	39.97
TC 40%	1	2	1	946	365	$298	298	0.32	66.94	53.59
TC 50%	4	2	1	946	456	$389	1,556	0.41	66.94	53.59
TC 60%	3	2	1	946	547	$480	1,440	0.51	66.94	53.59
TOTAL:	76		**AVERAGE:**	771	$403	$363	$27,555	$0.47	$45.07	$41.40

INCOME	Total Net Rentable Sq Ft: 58,568				**TDHCA**	**APPLICANT**			
POTENTIAL GROSS RENT					$330,666	$330,300			
Secondary Income			Per Unit Per Month:	$10.00	9,120	9,120	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$339,786	$339,420			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(25,484)	(25,452)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$314,302	$313,968			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.80%	$281	$0.36	$21,365	$10,800	$0.18	$142	3.44%
Management		6.84%	283	0.37	21,513	25,308	0.43	333	8.06%
Payroll & Payroll Tax		10.36%	428	0.56	32,564	33,130	0.57	436	10.55%
Repairs & Maintenance		8.46%	350	0.45	26,605	36,366	0.62	479	11.58%
Utilities		3.34%	138	0.18	10,482	4,200	0.07	55	1.34%
Water, Sewer, & Trash		10.33%	427	0.55	32,476	24,287	0.41	320	7.74%
Property Insurance		3.38%	140	0.18	10,618	14,462	0.25	190	4.61%
Property Tax	2.7364	9.93%	410	0.53	31,195	22,248	0.38	293	7.09%
Reserve for Replacements		4.84%	200	0.26	15,200	15,200	0.26	200	4.84%
Other Expenses: Comp. Fees, Supp. Ser		2.84%	117	0.15	8,925	8,925	0.15	117	2.84%
TOTAL EXPENSES		67.11%	$2,776	$3.60	$210,942	$194,926	$3.33	$2,565	62.08%
NET OPERATING INC		32.89%	$1,360	$1.76	$103,360	$119,042	$2.03	$1,566	37.92%
DEBT SERVICE									
Bank of America		30.67%	$1,268	$1.65	$96,397	$96,393	$1.65	$1,268	30.70%
TDHCA-HTF		1.00%	$41	$0.05	3,134	3,100	$0.05	$41	0.99%
LIHTC Syndication Proceeds		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		1.22%	$50	$0.07	$3,829	$19,549	$0.33	$257	6.23%
AGGREGATE DEBT COVERAGE RATIO					1.04	1.20			
ALTERNATIVE DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.85%	$473	$0.61	$35,913	$36,250	$0.62	$477	0.90%
Off-Sites		0.65%	361	0.47	27,450	27,450	0.47	361	0.68%
Sitework		10.80%	6,000	7.79	456,000	456,000	7.79	6,000	11.33%
Direct Construction		56.47%	31,378	40.72	2,384,696	2,187,125	37.34	28,778	54.33%
Contingency	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
General Requiremen	5.47%	3.68%	2,045	2.65	155,435	155,435	2.65	2,045	3.86%
Contractor's G & A	1.82%	1.23%	682	0.88	51,811	51,811	0.88	682	1.29%
Contractor's Profi	5.47%	3.68%	2,045	2.65	155,435	155,435	2.65	2,045	3.86%
Indirect Construction		4.28%	2,378	3.09	180,750	180,750	3.09	2,378	4.49%
Ineligible Expenses		1.40%	779	1.01	59,237	59,237	1.01	779	1.47%
Developer's G & A	1.19%	0.99%	549	0.71	41,717	0	0.00	0	0.00%
Developer's Profit	13.00%	10.80%	6,000	7.79	455,991	497,708	8.50	6,549	12.36%
Interim Financing		2.92%	1,625	2.11	123,500	123,500	2.11	1,625	3.07%
Reserves		2.25%	1,250	1.62	95,000	95,000	1.62	1,250	2.36%
TOTAL COST		100.00%	$55,565	$72.10	$4,222,935	$4,025,701	$68.74	$52,970	100.00%
Recap-Hard Construction Costs		*75.86%*	***$42,150***	***$54.69***	***$3,203,377***	***$3,005,806***	***$51.32***	***$39,550***	*74.67%*

SOURCES OF FUNDS

						ALT 1 W/ HTF	ALT 2 W/OUT HTF
Bank of America	26.05%	$14,474	$18.78	$1,100,000	$1,100,000	$1,072,248	$1,072,248
TDHCA-HTF	1.07%	$592	$0.77	45,000	45,000	45,000	
LIHTC Syndication Proceeds	66.58%	$36,997	$48.01	2,811,783	2,811,783	2,895,827	2,895,827
Deferred Developer Fees	1.63%	$907	$1.18	68,918	68,918	12,627	57,627
Additional (excess) Funds Requirec	4.67%	$2,595	$3.37	197,234	0	0	0
TOTAL SOURCES				$4,222,935	$4,025,701	$4,025,701	$4,025,701

LIHTC Allocation Calculation - Paris Retirement Village, Paris, 9% LIHTC

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	$36,250	$35,913		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$456,000	$456,000	$456,000	$456,000
Off-site improvements	$27,450	$27,450		
(3) Construction Hard Costs				
New structures/rehabilitation ha	$2,187,125	$2,384,696	$2,187,125	$2,384,696
(4) Contractor Fees & General Requirements				
Contractor overhead	$51,811	$51,811	$51,811	$51,811
Contractor profit	$155,435	$155,435	$155,435	$155,435
General requirements	$155,435	$155,435	$155,435	$155,435
(5) Contingencies				
(6) Eligible Indirect Fees	$180,750	$180,750	$180,750	$180,750
(7) Eligible Financing Fees	$123,500	$123,500	$123,500	$123,500
(8) All Ineligible Costs	$59,237	$59,237		
(9) Developer Fees			$496,508	
Developer overhead		$41,717		$41,717
Developer fee	$497,708	$455,991		$455,991
(10) Development Reserves	$95,000	$95,000		
TOTAL DEVELOPMENT COSTS	$4,025,701	$4,222,935	$3,806,564	$4,005,335

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$3,806,564	$4,005,335
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$4,948,534	$5,206,935
Applicable Fraction		89.47%	89.47%
TOTAL QUALIFIED BASIS		$4,427,635	$4,658,836
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		$373,692	$393,206
Syndication Proceeds	**0.7749**	**$2,895,827**	**$3,047,040**

TDHCA

02071

Region 4

Rural
Set-Aside

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

Development Name: **Panola Apartments** TDHCA #: **02071**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4
Site Address: 1100 South Adams
City: Carthage
County: Panola
Zip Code: 75633

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

LIHTC Primary Set Aside: R
Additional Elderly Set Aside ☐
Purpose / Activity: ACQ/R
Development Type: Family
☐ TTC ☐ DDA ☐ QCT

Special Needs: 2 Units for Handicapped

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Panola Housing, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
R.D. 2000 Development Company, LLC	Thomas A. Frye	100 %
CVZ Company, LLC - Affiliate of G.P.	Caroline Calhoun	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$61,052** Allocation over 10 Years: $610,520
Credits Requested: $66,201 Eligible Basis Amount: $67,871 Equity/Gap Amount: $61,183

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	4	3	0	0	7
40%	0	0	3	4	0	0	7
50%	0	0	4	3	0	0	7
60%	0	0	5	6	0	0	11
MR	0	0	0	0	0	0	0
Total	0	0	16	16	0	0	

Total LI Units: 32
Owner/Employee Units: 0
Total Project Units: 32
Applicable Fraction: 100.00

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

BUILDING INFORMATION

Total Development Cost: **$1,331,238**
Gross Building Square Feet: 30,355
Total NRA SF: 29,632
Gross/Net Rentable: 1.02
Average Square Feet/Unit: 926
Cost Per Net Rentable Square Foot: $44.93
Credits per Low Income Unit $1,908

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $171,228
Total Expenses: $82,157
Net Operating Income: $89,071
Estimated 1st Year Debt Coverage Ratio: 1.01

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: T.F. Management, Inc.
Housing GC: Calhoun Builders, Inc.
Infrastructure GC: Calhoun Builders, Inc.
Cost Estimator: Ham Contracting, Inc.
Architect: Paul Stewart, Architects Ltd.
Property Manager: Calhoun Property Management
Engineer: NA
Syndicator: Boston Capital Corporation

Market Analyst: Gibson Consulting, LLC
Originator/UW: TX-RD
Appraiser: Paul Mitchell, MAI
Attorney: Murray A. Calhoun & Assoc.
Supp Services: NA
Accountant: Little & Associates
Permanent Lender: USDA

DEPARTMENT EVALUATION

Points Awarded: 93 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Panola Apartments Project Number: 02071

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

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

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	Carson C. Joines, Mayor, S	Charles Thomas, City Manager, S
TX Rep.:	Paul Sadler, Dist. 8	
TX Sen.:	Todd Staples, Dist. 3 S	
US Rep.:		
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a tenant relocation plan covering the period of rehabilitation.

Receipt, review, and acceptance of a revised construction schedule (with construction to be undertaken and completed in a timely fashion) or documentation as to why commencement of construction will be delayed until late 2003.

Receipt, review, and acceptance of documentation from USDA approving the proposed transfer and a determination by USDA whether or not the existing loan should be written down to the appraised market value. Further, documentation of a request by the Applicant to reduce the subsidized interest rate on the outstanding loan to 1% and response from USDA.

Receipt, review, and acceptance of documentation from USDA approving the use of the existing reserve account funds for the proposed rehabilitation.

Should the HAP contract rents change or the outstanding USDA debt be written down or effective interest rate reduced, a re-evaluation of the conclusions and recommendations in this report should be conducted and a reduction in the credit allocation is likely.

Alternate Recommendation:

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

☐ Score ☑ Meeting Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development is in the TxRD Set Aside. Because the TxRD Set Aside is undersubscribed it is necessary that all TxRD Developments recommended by Underwriting be recommended to the Board.

Brooke Boston, Acting LIHTC Co-Manager Date David Burrell, Director of Housing Programs Date

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

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Compliance Status Summary

Project ID #: **02071** LIHTC 9% ☑ LIHTC 4% ☐

Project Name: **Panola Apartments** HOME ☐ HTF ☐

Project City: **Carthage** BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 3 # not yet monitored or pending review 11

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

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 05/22/2002

Single Audit

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

single audit not applicable ☑ no outstanding issues ☐ outstanding issues ☐

Comments:

Completed by Lucy Trevino **Completed on** 05/30/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by Ralph Hendrickson **Completed on** 05/30/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Paris Retirement Village, Paris, 9% LIHTC #02045

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.14	$2,526,595
Adjustments				
Exterior Wall Finish	6.25%		$2.70	$157,912
Elderly	5.00%		2.16	126,330
Roofing			0.00	0
Subfloor			(1.96)	(114,793)
Floor Cover			1.82	106,594
Porches/Balconies	$16.23	4,087	1.13	66,332
Plumbing	$585	0	0.00	0
Built-In Appliances	$1,550	76	2.01	117,800
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	82,581
Garages/Carports	$0.00	0	0.00	0
Comm &/or Aux Bldgs	$57.65	2,722	2.68	156,928
Other:			0.00	0
SUBTOTAL			55.09	3,226,278
Current Cost Multiplier	1.04		2.20	129,051
Local Multiplier	0.87		(7.16)	(419,416)
TOTAL DIRECT CONSTRUCTION COSTS			$50.13	$2,935,913
Plans, specs, survy, bld p	3.90%		($1.96)	($114,501)
Interim Construction Inter	3.38%		(1.69)	(99,087)
Contractor's OH & Profit	11.50%		(5.76)	(337,630)
NET DIRECT CONSTRUCTION COSTS			$40.72	$2,384,696

PAYMENT COMPUTATION

Primary	$1,100,000	Term	360
Int Rate	7.95%	DCR	1.07

Secondary	$45,000	Term	360
Int Rate	5.70%	Subtotal DCR	1.04

Additional		Term	
Int Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$93,965
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$9,395

Primary	$1,072,248	Term	360
Int Rate	7.95%	DCR	1.10

Secondary	$45,000	Term	
Int Rate		Subtotal DCR	1.10

Additional	$0	Term	
Int Rate		Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$330,666	$340,586	$350,803	$361,327	$372,167	$431,444	$500,162	$579,824	$779,236
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: (descri	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	339,786	349,979	360,479	371,293	382,432	443,343	513,956	595,816	800,727
Vacancy & Collection Loss	(25,484)	(26,248)	(27,036)	(27,847)	(28,682)	(33,251)	(38,547)	(44,686)	(60,055)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$314,302	$323,731	$333,443	$343,446	$353,749	$410,093	$475,410	$551,130	$740,673
EXPENSES at 4.00%									
General & Administrative	$21,365	$22,220	$23,109	$24,033	$24,994	$30,409	$36,998	$45,013	$66,630
Management	21,513	22,158	22,823	23,507	24,213	28,069	32,540	37,722	50,696
Payroll & Payroll Tax	32,564	33,866	35,221	36,630	38,095	46,348	56,390	68,607	101,555
Repairs & Maintenance	26,605	27,669	28,776	29,927	31,124	37,867	46,071	56,052	82,971
Utilities	10,482	10,901	11,337	11,791	12,263	14,919	18,152	22,084	32,690
Water, Sewer & Trash	32,476	33,775	35,126	36,531	37,992	46,223	56,238	68,422	101,281
Insurance	10,618	11,042	11,484	11,943	12,421	15,112	18,386	22,370	33,113
Property Tax	31,195	32,443	33,740	35,090	36,494	44,400	54,020	65,723	97,286
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	8,925	9,282	9,653	10,039	10,441	12,703	15,455	18,804	27,834
TOTAL EXPENSES	$210,942	$219,164	$227,709	$236,589	$245,818	$297,686	$360,570	$436,821	$641,459
NET OPERATING INCOME	$103,360	$104,567	$105,733	$106,857	$107,932	$112,407	$114,840	$114,309	$99,213
DEBT SERVICE									
First Lien Financing	$93,965	$93,965	$93,965	$93,965	$93,965	$93,965	$93,965	$93,965	$93,965
Second Lien	0	0	0	0	0	3,134	3,134	3,134	3,134
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$9,395	$10,601	$11,768	$12,891	$13,966	$15,307	$17,741	$17,210	$2,114
DEBT COVERAGE RATIO	1.10	1.11	1.13	1.14	1.15	1.16	1.18	1.18	1.02

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

DATE: May 28, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02071

DEVELOPMENT NAME

Panola Apartments

APPLICANT

Name: Panola Housing, Ltd.		**Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other	
Address: 907 Polk Street		**City:** Mansfield	**State:** LA
Zip: 71052	**Contact:** Thomas L. Frye	**Phone:** (318) 872-0256	**Fax:** (318) 872-0311

PRINCIPALS of the APPLICANT

Name	(%)	Title
RD 2000 Development Co., LLC	5	General Partner
Boston Capital Partners	95	Limited Partner
Caroline Z. Calhoun	n/a	100% owner of GP
M. Riemer Calhoun, Jr.	n/a	100% owner of Seller

GENERAL PARTNER

Name: RD 2000 Development Co., LLC		**Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other	
Address: 907 Polk Street		**City:** Mansfield	**State:** LA
Zip: 71052	**Contact:** Thomas L. Frye	**Phone:** (318) 872-0256	**Fax:** (318) 872-0311

PROPERTY LOCATION

Location: 1100 S. Adams St. ☐ **QCT** ☐ **DDA**

City: Carthage **County:** Panola **Zip:** 75633

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$66,201	N/A	N/A	N/A

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

Proposed Use of Funds: Acquisition & Rehab. **Set-Aside:** ☒ TXRD ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 2.944 acres 128,241 square feet **Zoning/ Permitted Uses:** Multi-family

Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 32 **# Rental Buildings** 6 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 21 yrs **Vacant:** 1 at 1/ 1/ 2002

Number	Bedrooms	Bathroom	Size in SF
16	2	1	840
16	3	1	1012

Net Rentable SF: 29,632 **Av Un SF:** 926 **Common Area SF:** 723 **Gross Bldng SF** 30,355

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% vinyl siding, drywall interior wall surfaces, composite shingle roofing, central heat and A/C

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

362 SF office/maintenance/laundry facility, public telephone, play area with playground equipment

Uncovered Parking: 52 spaces **Carports:** ____ spaces **Garages:** ____ spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Hibernia National Bank **Contact:** Melissa Estopinal

Principal Amount: $ 258,591 **Interest Rate:** LIBOR + 300 bps, floating (currently 4.87%)

Additional Information: Commitment also indicates availability of line of credit at Prime + 50 bps

Amortization: 1 yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: USDA-Texas Rural Development loan **Contact:** Roy Willmon

Principal Amount: $814,704 **Interest Rate:** 10.5%

Additional Information: USDA-RD Loan Agreement dated May 5, 1981 in principal amount of $832,000 (approximately 29 years remaining)

Amortization: 50 yrs **Term:** 50 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

Annual Payment: $87,960 **Lien Priority:** 1st **Commitment Date** 5/ 5/ 1981

LIHTC SYNDICATION

Source: Boston Capital Partners **Contact:** Scott Arrighi

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

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

Net Proceeds: $ 503,106 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 76 ¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 26/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $ 28,556 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$21,000	**Date of Valuation:**	2/ 14/ 2002
Existing Building: as is	$405,500	**Date of Valuation:**	2/ 14/ 2002
Total Property: as is	$426,500	**Date of Valuation:**	2/ 14/ 2002

Appraiser: Nortex/Paul C. Mitchell, MAI **City:** Richardson, TX **Phone:** (972) 889-9488

ASSESSED VALUE

Land:	$47,700	**Assessment for the Year of:**	2001
Building:	$488,250	**Valuation by:**	Panola County Appraisal District
Total Assessed Value:	$535,950		Tax rate: 2.46818%

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Option to purchase

Contract Expiration Date: 12/ 1/ 2002 **Anticipated Closing Date:** 11/ 1/ 2002

Acquisition Cost: $ 803,723* **Other Terms/Conditions:** $100 earnest money; *sales price is assumed to be the outstanding debt on the property

Seller: Panola Apartments, a Louisiana partnership **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Panola Apartments is a proposed acquisition and rehabilitation development of 32 units of affordable housing located in southwestern Carthage. The development was built in 1981 and consists of 4 residential buildings as follows:

- (4) Building Type A, a 1-story design with two 2-bedroom units and two 3- bedroom units;
- (2) Building Type B, a 2-story design with four 2-bedroom units and four 3- bedroom units;

Based on the site plan, the apartment buildings are distributed evenly throughout the site on either side of a 500-foot concrete drive. A 723 SF office, laundry and maintenance building is located near the entrance to the site.

Existing Subsidies: The development's 32 units are enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract. The Applicant also received funding under the USDA Rural Development Section 515 program upon initial construction in 1981 and will continue to be subject to income and rent restrictions under that program.

Development Plan: As of the date of the application, the market study indicated there were no vacancies within the development, but as of the date of the site inspection (April 8, 2002), there was one vacancy. The architect's scope of work includes: installation of new water heaters, A/C thermostats and refrigerators, replacement of roof shingles and damaged roof decking, air handlers, outside HVAC units, entry doors, carpeting, refinishing of cabinets and interior painting.

No tenant displacement expenses are projected by the Applicant, and no tenant relocation plan was submitted by the Applicant. Receipt, review and acceptance of a tenant relocation plan are conditions of this report.

Supportive Services: No supportive services were indicated to be provided to tenants.

Schedule: The Applicant anticipates construction to begin in December of 2003 and to be completed in June of 2004, to be placed in service in June of 2004, and to achieve stabilized occupancy in August of 2004. The delayed start that the Applicant proposes is unusual for a LIHTC application, and is noted as a salient risk at the end of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 7 units (22%) will be reserved for households earning 30% or less of AMGI, 7 units (22%) will be reserved for households earning 40% or less of AMGI, 7 units (22%) will be reserved for households earning 50% or less of AMGI and 11 units (34%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: Two of the units are designated to be handicapped-accessible.

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

MARKET HIGHLIGHTS

The Applicant provided a market study dated February 29, 2002 and prepared by Gibson Consulting, LLC. According to the study, there were no vacancies in the Panola Apartments nor in any of the four other comparable rental developments in the Carthage market area, while there are 65 families on waiting lists at these properties. The expected annual growth in households requiring affordable units is 32, while total income-eligible demand from growth and turnover is expected to be 68 units. In the last 24 months, there have been no building permits issued for multi-family housing in Carthage and none are in the pipeline. The Applicant, moreover, is restricted to charging the base rents established by USDA. Therefore, there appears to be adequate market demand for the project as-is as well as for the rehabilitated project. The base rents established by USDA exceed the LIHTC limits for all levels except the 60% AMGI level, as noted in the table below, but the HAP subsidy makes tenant costs lower than the tax credit limits and lower than the cost for comparable units in other multi-family developments in Carthage. According to audited financials, of the $211K in total revenue Panola Apartments received in 2001, only $46.2K was from tenants. The market study also noted that the area has a severe shortage of housing for low-income families, which the proposed rehabilitation will serve only a fraction of the need, and that new construction of affordable housing would likely see quick lease-up rates.

RENT ANALYSIS (net tenant-paid rents)

Unit Type (% AMI)	Proposed	Program Max	Differential
2-Bedroom (30%)	$409	$243	+$166
2-Bedroom (40%)	$433	$325	+$108
2-Bedroom (50%)	$433	$406	+$27
2-Bedroom (60%)	$433	$487	-$54
3-Bedroom (30%)	$498	$281	+$217
3-Bedroom (40%)	$463	$375	+$88
3-Bedroom (50%)	$498	$469	+$29
3-Bedroom (60%)	$498	$563	-$65

(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)

The HAP contract rents are $409 and $483 for the 2-BR units and $463 and $498 for the 3-BR units. This is unusual for a USDA Rural Development funded project since USDA generally does not allow more than one rent level per unit size. This exception must be due to the collaboration with HUD on this project.
The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Carthage is located in Panola County in northeast Texas, approximately 20 miles southeast of Longview and 46 miles from the Louisiana border. The site is a rectangular-shaped parcel located in the southwest area of Carthage, approximately 2 miles from the central business district. The site is situated on the west side of South Adams Street.
Population: The estimated 2001 population of Carthage was 6,611 and is expected to increase by 1% to approximately 6,682 by 2006. Within a 1-mile radius in the primary market area, there were estimated to be 1,019 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, low- to moderate-income single family homes, a large mobile home subdivision, and commercial properties along the major thoroughfares. Directly adjacent land uses could not be determined from the market study.
Site Access: Access to the property is from the north or south along South Adams Street. Access to State Loop 436 is 1/8-mile to the south, which provides connections to all other major roads serving the Carthage area.
Public Transportation: Public transportation is not available in the area.
Shopping & Services: The site is within 3 miles of medical facilities, schools, and a variety of retail uses including groceries and pharmacies.
Special Adverse Site Characteristics: 21 years have passed since the prior title policy was issued, but the Applicant provided a limited title search dated March 22, 2002 which indicates that no further material encumbrances have been made to the property.
Site Inspection Findings: TDHCA staff performed a site inspection on April 8, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

value unless that loan is written down. Gene Pavlat, Texas Multi-family Director for USDA confirmed that USDA is required to approve all transfers of USDA loans. Generally, this requires an evaluation of the current loan amount compared to the current appraised value (in an appraisal prepared in accordance with USDA-RD requirements). Determination by USDA whether the existing loan should be written down to the appraised market value, which is very substantially lower than the outstanding debt balance, is a condition of this report. If such a writedown does occur, a re-evaluation of the credit amount recommended will be necessary. In the meantime the outstanding loan balance at December 19, 2001 of $814,703, net of the $21,000 appraised value of the land, gives an acquisition basis of $793,703, which exceeds the basis the Applicant identified by $4,980. It is believed that the Applicant assumed the $814,703 balance will be further amortized by the time the transfer would occur and therefore the Applicant's acquisition cost was only $803,723. While the Applicant's eligible acquisition basis is not well defined, it is more conservative that the Underwriter's estimate and therefore was adopted by the Underwriter.

Direct Construction Cost: The Applicant's direct construction cost estimate of $272,000 amounts to an average of $8,500 per unit, which exceeds the $6,000 minimum required for an LIHTC rehabilitation development. A detailed 3rd-party cost proposed work write-up developed by Ham Contracting was provided, as required for rehabilitation projects.

The Underwriter noted that the annual capital budget the Applicant submitted to USDA-RD projected a total of only $5,000 in capital expenses to be spent from the reserve account for replacement and repair to ranges, refrigerators, carpets/vinyl flooring, cabinets, exterior doors, HVAC systems, plumbing, and the recreational area, while the reserve account had funds available as of December 31, 2001 of $52,541, which appears to be below the USDA/RD required balance.

In the LIHTC application, the Applicant has proposed $272,000 in hard costs for replacement or repair to these same systems and amenities. It should be noted that the $272K in hard costs represents only 50% of the non-acquisition costs projected by the Applicant and only 20% of the total costs including acquisition.

The Applicant has indicated that construction is not slated to begin until December 2003 and is to be completed in June 2004. This deferred construction schedule is unusual for LIHTC applications, especially since the Applicant, being related to the Seller and current operator, has limited due diligence to conduct. Receipt, review and acceptance of a revised construction schedule or documentation as to why commencement of construction will be so delayed is a condition of this report.

Ineligible Costs: The Applicant incorrectly included $3,835 in TDHCA fees as an eligible cost; the Underwriter moved this amount to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's fees for contractor's profit and for contingency are above the maximums permitted by LIHTC guidelines, by $979 and $7,800 respectively. The developer's fees of $80,298 proposed by the Applicant exceed the maximum 15% of eligible costs allowed under LIHTC guidelines. Included in these fees, the Applicant indicated a developer fee of $15,774 for the acquisition of the property. Whether the acquisition were determined to be an identity of interest transaction or not, the Underwriter does not believe that a fee for the acquisition in this situation can be justified in terms of due diligence work performed for the fee since the proposed controlling owner of the General Partner is the daughter-in-law of the current owner and therefore the developer fee for acquisition was removed completely from the adjusted budget. Developer fees for the rehabilitation portion also exceeded the maximum 15% of eligible costs permitted by $4,368 therefore this fee and eligible basis was reduced by this amount.

Conclusion: The Applicant's total development cost estimate is within 2% of the Underwriter's verifiable estimate and would therefore generally be acceptable. However, since this is a rehabilitation project and the Underwriter could not confirm the Applicant's eligible basis calculations, the Underwriter's eligible basis calculation is merely an acceptable recalculation of the applicant's eligible basis and this will be used to size the credit recommendation.

As a result, for purposes of the acquisition, an eligible basis of $788,723 is computed, which is $15,774 less than the Applicant's submitted total acquisition costs of $804,497, reflecting the disallowance of the developer's fee for the acquisition. For purposes of the rehabilitation, an eligible basis of $461,199 is computed, which is $16,982 less than the rehabilitation basis of $478,181 submitted by the Applicant, reflecting the elimination of overages on fees and the removal of ineligible costs. This results in a total credit allocation of $67,871, which still exceeds the Applicant's request. Therefore, a credit allocation of the requested $66,201 and estimated syndication proceeds of $503,106 is recommended from this method of analysis. This amount will be compared to the gap method below.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the acquisition and rehabilitation of the development with 4 types of financing from 4 sources: the existing USDA-RD permanent loan, an interim construction loan, syndicated LIHTC equity, and a deferred developer fee:

Permanent: The property is currently financed under an existing USDA Rural Development permanent loan issued on May 5, 1981. The loan has a 50-year term at 11.5% interest and follows a 50-year amortization schedule. The interest rate is reduced by 1% to 10.5% through a USDA interest rate subsidy. The loan's outstanding principal as of December 19, 2001 was $814,703, according to USDA loan documentation included in the application. Documentation indicating the approval of the proposed transfer has not been provided and is required as a condition of this report.

Construction Financing: The Applicant intends to use Hibernia National Bank for an interim construction loan in the amount of $258,591, and to repay the loan out of LIHTC syndication proceeds of $503,106. The interim commitment is at a floating rate of LIBOR + 300 bps, which was 4.87% at the commitment date. The Applicant also has the option to finance construction through an existing line of credit with Hibernia at a rate of Prime + 50 bps.

LIHTC Syndication: Boston Capital Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $503,106 based on a syndication factor of 76%. The funds would be disbursed in a 3-phase pay-in schedule:

1. 60% upon the latest of: i) award of tax credits, ii) closing of the construction loan, iii) receipt of a commitment for a permanent mortgage loan, and iv) admission to the partnership;
2. 20% upon the latter of: i)completion of construction, and ii) cost certification or State designation;
3. 20% upon the latest of: i) 100% initial qualified occupancy, ii) closing of permanent financing, and iii) rental achievement

Deferred Developer's Fees: The Applicant has proposed to defer $28,556 in developer's fees.

Financing Conclusions: Based on the Underwriter's analysis, the total expected proceeds from syndication amounts to $503,106. In arriving at this expectation for syndication proceeds, the Applicant indicated $817,516 as a source of funds from the outstanding USDA loan, while the Underwriter could only verify an outstanding balance of $814,704 as of December 19, 2001. The Applicant's figure is even more confusing when it is compared to their claimed lower acquisition/transfer price of $803,703. After the Underwriter's adjustments to construction cost overages, $516,534 is needed. After taking into account that the project has $52,541 available in the reserve account, the required gap of funds needed from other sources is reduced to $463,993. As this is considerably less than the anticipated syndication proceeds, the entire amount of the proposed $28,556 in deferred developer fees can be eliminated. As a result, to provide $463,993 in equity financing, the total tax credit allocation should be reduced to not more than $61,052 annually for 10 years, or $5,149 per year less than requested. USDA approval of the use of the reserve funds is also a condition of this report.

The Underwriter's adjusted expense figures indicate a DCR of 1.01, which falls below the minimum guideline of 1.10. However, this was addressed in the operating pro forma analysis above, and the recommended adjustment will necessitate a complete re-evaluation of the financing structure of this project.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations of the development are simple and functional. The 2-BR units are 840 SF whereas the minimum LIHTC guidelines call for 900 SF for 2-BR units. The 3-BR units are 1,012 SF, which exceeds the minimum guideline of 1,000 SF. The units are in one- and two-story structures with vinyl siding exterior finishes and hipped roofs.

IDENTITIES of INTEREST

Riemer Calhoun, Jr., the 100% owner of the Seller entity, is the owner of Calhoun Builders, Inc., the General Contractor, of T.F. Management, Inc., the Developer, and is a co-owner of Calhoun Property Management, the Property Manager. Caroline Z. Calhoun, Mr. Calhoun's daughter-in-law, is the 100% owner of the RD 2000 Development Co., LLC, the General Partner of Panola Housing Ltd., the Applicant entity. Murray A. Calhoun, Riemer Calhoun Jr.'s son and husband of Caroline Z. Calhoun, is a Manager of R.D. 2000 Development Company, and is also a principal of Murray A. Calhoun & Associates, the project attorney.

Notwithstanding the fact that the Applicant has submitted an attorney's opinion indicating that the Purchaser and the Seller are not related legal entities, the family relationships between the parties indicate that the acquisition transaction is not arms-length. The Underwriter used as a fair transfer value the full amount of the outstanding loan, though according to the appraisal, the property is not worth more than the current debt.

If USDA determines that the RD loan should be written down to the development's market value, the Applicant's acquisition basis would be affected. In that case, any potential excess profit from the identity of interest land sale should be mitigated by exclusion of such excess from the uses of funds, thereby further reducing eligible basis and the gap methods and ultimately reducing the recommended credit amount for this development. Such a reduction may have an effect on the feasibility of the proposed rehabilitation and therefore this transaction should be re-evaluated if any write down occurs.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving tax credit assistance and therefore has no material financial statements. Financial Statements for its principle were provided.

Background & Experience:

- The application indicates that the General Partner has completed 35 affordable housing developments in Louisiana totaling 1,124 units, and is known to have completed at least several affordable developments in Texas, totaling over 100 units.
- The General Contractor has a similar amount of experience in developing affordable housing units, having done the construction on many, if not all, of the General Partner's developments noted above.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's proposed acquisition cost may be inflated relative to market value due to the non-arms length transaction. If USDA determines that the market value is below the loan value and writes down the loan, the resulting decrease in eligible basis could affect the financial viability of the acquisition and rehabilitation.
- The Applicant has indicated that construction would not begin until December 2003 and would not be completed until June 2004.
- The Applicant's estimated operating expenses and net operating income are more than 5% outside of the Underwriter's verifiable range.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $61,052 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of a tenant relocation plan covering the period of rehabilitation.
2. Receipt, review and acceptance of a revised construction schedule (with construction to be undertaken and completed in a timely fashion) or documentation as to why commencement of construction will be delayed until late-2003.
3. Receipt, review and acceptance of documentation from USDA approving the proposed transfer and a determination by USDA whether or not the existing loan should be written down to the appraised market value. Further, documentation of a request by the Applicant to reduce the subsidized interest rate on the outstanding loan to 1% and response from USDA.
4. Receipt, review and acceptance of documentation from USDA approving the use of the existing reserve account funds for the proposed rehabilitation.
5. Should the HAP contract rents change or the outstanding USDA debt be written down or effective interest rate reduced, a re-evaluation of the conclusions and recommendations in this report should be conducted and a reduction in the credit allocation is likely.

Associate Underwriter:	*James Governale*	**Date:**	May 28, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	May 28, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Panola Apartments, Carthage, LIHTC 02071

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC 30%	4	2	1	840	$243	$409	$1,636	$0.49	$102.00	$25.50
>TC 40%	3	2	1	840	325	433	1,299	0.52	102.00	25.50
>TC 50%	4	2	1	840	406	433	1,732	0.52	102.00	25.50
<TC 60%	5	2	1	840	487	433	2,165	0.52	102.00	25.50
>TC 30%	3	3	1	1,012	281	463	1,389	0.46	131.00	28.00
>TC 40%	1	3	1	1,012	375	463	463	0.46	131.00	28.00
>TC 40%	3	3	1	1,012	375	498	1,494	0.49	131.00	28.00
>TC 50%	3	3	1	1,012	469	498	1,494	0.49	131.00	28.00
<TC 60%	6	3	1	1,012	563	498	2,988	0.49	131.00	28.00
TOTAL:	32		**AVERAGE:**	926	$410	$458	$14,660	$0.49	$116.50	$26.75

INCOME	otal Net Rentable Sq Ft	29,632		TDHCA	APPLICANT		
POTENTIAL GROSS RENT				$175,920	$175,920		
Secondary Income	Per Unit Per Month:		$11.25	4,320	4,404	$11.47	Per Unit Per Month
Other Support Income:				0			
POTENTIAL GROSS INCOME				$180,240	$180,324		
Vacancy & Collection Loss	% of Potential Gross Income:		-5.00%	(9,012)	(13,524)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0			
EFFECTIVE GROSS INCOME				$171,228	$166,800		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.19%	$278	$0.30	$8,888	$4,540	$0.15	$142	2.72%
Management	6.00%	321	0.35	10,274	9,298	0.31	291	5.57%
Payroll & Payroll Tax	8.09%	433	0.47	13,855	11,216	0.38	351	6.72%
Repairs & Maintenance	7.75%	415	0.45	13,271	15,600	0.53	488	9.35%
Utilities	2.61%	140	0.15	4,474	1,976	0.07	62	1.18%
Water, Sewer, & Trash	1.50%	80	0.09	2,568	4,675	0.16	146	2.80%
Property Insurance	2.77%	148	0.16	4,749	3,695	0.12	115	2.22%
Property Tax 2.46822	7.73%	413	0.45	13,228	9,920	0.33	310	5.95%
Reserve for Replacements	5.61%	300	0.32	9,600	8,320	0.28	260	4.99%
Other Expenses: Compliance	0.73%	39	0.04	1,250	1,250	0.04	39	0.75%
TOTAL EXPENSES	47.98%	$2,567	$2.77	$82,157	$70,490	$2.38	$2,203	42.26%
NET OPERATING INC	52.02%	$2,783	$3.01	$89,071	$96,310	$3.25	$3,010	57.74%
DEBT SERVICE								
Existing USDA Loan	51.37%	$2,749	$2.97	$87,960	$87,960	$2.97	$2,749	52.73%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	0.65%	$35	$0.04	$1,111	$8,350	$0.28	$261	5.01%
AGGREGATE DEBT COVERAGE RATIO				1.01	1.09			
ALTERNATIVE DEBT COVERAGE RATIO				1.01				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost	(site or bl	61.20%	$25,460	$27.49	$814,704	$803,723	$27.12	$25,116	59.57%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		0.00%	0	0.00	0		0.00	0	0.00%
Direct Construction		20.43%	8,500	9.18	272,000	272,000	9.18	8,500	20.16%
Contingency	10.00%	2.04%	850	0.92	27,200	35,000	1.18	1,094	2.59%
General Requirer	6.00%	1.23%	510	0.55	16,320	16,320	0.55	510	1.21%
Contractor's G &	2.00%	0.41%	170	0.18	5,440	5,440	0.18	170	0.40%
Contractor's Pro	6.00%	1.23%	510	0.55	16,320	17,299	0.58	541	1.28%
Indirect Construction		3.89%	1,616	1.75	51,721	51,721	1.75	1,616	3.83%
Ineligible Expenses		1.53%	635	0.69	20,335	20,335	0.69	635	1.51%
Developer's G & A	2.00%	0.60%	251	0.27	8,021		0.00	0	0.00%
Developer's Profit	13.00%	3.92%	1,629	1.76	52,136	80,298	2.71	2,509	5.95%
Interim Financing		0.90%	376	0.41	12,042	12,042	0.41	376	0.89%
Reserves		2.63%	1,094	1.18	35,000	35,000	1.18	1,094	2.59%
TOTAL COST		100.00%	$41,601	$44.93	$1,331,238	$1,349,178	$45.53	$42,162	100.00%
Recap-Hard Construction Costs		*25.34%*	***$10,540***	***$11.38***	***$337,280***	***$346,059***	***$11.68***	***$10,814***	*25.65%*

SOURCES OF FUNDS						RECOMMENDED
Existing USDA Loan	61.41%	$25,547	$27.59	$817,516	$817,516	$814,704
LIHTC Syndication Proceeds	37.79%	$15,722	$16.98	503,106	503,106	463,993
Reserve Account	0.00%	$0	$0.00	0		52,541
Deferred Dev. Fee (debt proxy	2.15%	$892	$0.96	28,556	28,556	0
Additional (excess) Funds Requ	-1.35%	($561)	($0.61)	(17,940)	0	0
TOTAL SOURCES				$1,331,238	$1,349,178	$1,331,238

PAYMENT COMPUTATION

Primary	$832,000	Term	588
Int Rate	10.50%	DCR	1.01

Secondary	$503,106	Term	
Int Rate	0.00%	Subtotal DCR	1.01

Additional	$0	Term	
Int Rate		Aggregate DCR	1.01

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$87,884
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$1,187

Primary	$832,000	Term	588
Int Rate	10.50%	DCR	1.01

Secondary	$503,106	Term	0
Int Rate	0.00%	Subtotal DCR	1.01

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.01

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$175,920	$181,198	$186,634	$192,233	$198,000	$229,536	$266,095	$308,477	$414,567
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	180,240	185,647	191,217	196,953	202,862	235,172	272,629	316,052	424,747
Vacancy & Collection Los	(9,012)	(9,282)	(9,561)	(9,848)	(10,143)	(11,759)	(13,631)	(15,803)	(21,237)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$171,228	$176,365	$181,656	$187,105	$192,719	$223,414	$258,998	$300,249	$403,510
EXPENSES at 4.00%									
General & Administrative	$8,888	$9,244	$9,613	$9,998	$10,398	$12,650	$15,391	$18,726	$27,719
Management	10,274	10,582	10,899	11,226	11,563	13,405	15,540	18,015	24,211
Payroll & Payroll Tax	13,855	14,409	14,986	15,585	16,208	19,720	23,992	29,190	43,209
Repairs & Maintenance	13,271	13,802	14,354	14,928	15,525	18,889	22,981	27,960	41,388
Utilities	4,474	4,653	4,839	5,032	5,233	6,367	7,747	9,425	13,952
Water, Sewer & Trash	2,568	2,671	2,778	2,889	3,004	3,655	4,447	5,410	8,009
Insurance	4,749	4,939	5,137	5,342	5,556	6,759	8,224	10,005	14,811
Property Tax	13,228	13,758	14,308	14,880	15,475	18,828	22,907	27,870	41,255
Reserve for Replacements	9,600	9,984	10,383	10,799	11,231	13,664	16,624	20,226	29,939
Other	1,250	1,300	1,352	1,406	1,462	1,779	2,165	2,634	3,898
TOTAL EXPENSES	$82,157	$85,340	$88,648	$92,085	$95,656	$115,717	$140,018	$169,462	$248,389
NET OPERATING INCOME	$89,071	$91,024	$93,008	$95,020	$97,062	$107,697	$118,979	$130,787	$155,121
DEBT SERVICE									
First Lien Financing	$87,884	$87,884	$87,884	$87,884	$87,884	$87,884	$87,884	$87,884	$87,884
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$1,187	$3,141	$5,124	$7,137	$9,179	$19,813	$31,096	$42,904	$67,237
DEBT COVERAGE RATIO	1.01	1.04	1.06	1.08	1.10	1.23	1.35	1.49	1.77

LIHTC Allocation Calculation - Panola Apartments, Carthage, LIHTC 02071

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$15,000	$25,981				
Purchase of buildings	$788,723	$788,723	$788,723	$788,723		
(2) Rehabilitation/New Construction Cost						
On-site work						
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$272,000	$272,000			$272,000	$272,000
(4) Contractor Fees & General Requirements						
Contractor overhead	$5,440	$5,440			$5,440	$5,440
Contractor profit	$17,299	$16,320			$16,320	$16,320
General requirements	$16,320	$16,320			$16,320	$16,320
(5) Contingencies	$35,000	$27,200			$27,200	$27,200
(6) Eligible Indirect Fees	$51,721	$51,721			$51,721	$51,721
(7) Eligible Financing Fees	$12,042	$12,042			$12,042	$12,042
(8) All Ineligible Costs	$20,335	$20,335				
(9) Developer Fees			$15,774		$60,156	
Developer overhead		$8,021				$8,021
Developer fee	$80,298	$52,136				$52,136
(10) Development Reserves	$35,000	$35,000				
TOTAL DEVELOPMENT COSTS	$1,349,178	$1,331,238	$804,497	$788,723	$461,199	$461,199

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			$804,497	$788,723	$461,199	$461,199
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$804,497	$788,723	$461,199	$461,199
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$804,497	$788,723	$461,199	$461,199
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$29,525	$28,946	$38,925	$38,925
	Syndication Proceeds	**0.7600**	**$224,390**	**$219,991**	**$295,832**	**$295,832**
				Total Credits	**$68,450**	**$67,871**
				Total Syndication	**$520,222**	**$515,822**
				Total Gap of Syndication Proceeds Needed		**$463,993**
				Maximum Tax Credits Recommended		**$61,052**

TDHCA

02072

Region 4

Rural
Set-Aside

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

Development Name: **Jacksonville Square Apartments** TDHCA #: **02072**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4
Site Address: 1302 Jacksonville Square Dr.
City: Jacksonville
County: Cherokee
Zip Code: 75766

LIHTC Primary Set Aside: R
Additional Elderly Set Aside ☐
Purpose / Activity: ACQ/R
Development Type: Family
☐ TTC ☐ DDA ☐ QCT

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

Special Needs: Units for

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Jacksonville Square Housing, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
R.D. 2000 Development Company, LLC- G.P.	Thomas L. Frye	100 %
CVZ Company, LLC - Affiliate of G.P.	Caroline Calhoun	0 %
NA	NA	%
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$86,940** Allocation over 10 Years: $869,400
Credits Requested: $88,415 Eligible Basis Amount: $86,940 Equity/Gap Amount: $92,062

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	0	0	0	0	0
50%	0	10	0	0	0	0	10
60%	0	6	28	0	0	0	34
MR	0	0	0	0	0	0	0
Total	0	16	28	0	0	0	

Total LI Units: 44
Owner/Employee Units: 0
Total Project Units: 44
Applicable Fraction: 100.00

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

BUILDING INFORMATION

Total Development Cost: **$1,840,311**
Gross Building Square Feet: 36,334
Total NRA SF: 35,460
Gross/Net Rentable: 1.02
Average Square Feet/Unit: 806
Cost Per Net Rentable Square Foot: $51.90
Credits per Low Income Unit $1,976

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $148,200
Total Expenses: $110,752
Net Operating Income: $37,448
Estimated 1st Year Debt Coverage Ratio: 1.25

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: T.F. Management, Inc.
Housing GC: Calhoun Builders, Inc.
Infrastructure GC: Calhoun Builders, Inc.
Cost Estimator: Ham Contracting, Inc.
Architect: Paul Stewart Architecture, Ltd.
Property Manager: Calhoun Property Management
Engineer: NA
Syndicator: Boston Capital Corporation

Market Analyst: Ford Gibson
Originator/UW: TX-RD
Appraiser: Paul Mitchell, MAI
Attorney: Murray A. Calhoun & Assoc.
Supp Services: NA
Accountant: Little & Associates
Permanent Lender: USDA-Texas Rural Development Loan

DEPARTMENT EVALUATION

Points Awarded: 72 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Jacksonville Square Apartments Project Number: 02072

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	NC	
TX Rep.:	Chuck Hopson, Dist. 11	
TX Sen.:	Todd Staples, Dist. 3 S	
US Rep.:	Jim Turner, US Representative, District 2, S	
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of revised sitework cost estimate to fencing and flatwork costs evident in the site inspection.

Receipt, review, and acceptance of a tenant relocation plan covering the period of rehabilitation.

Receipt, review, and acceptance of a revised construction schedule (with construction to be undertaken and completed in a timely fashion) or documentation as to why commencement of construction will be delayed until late 2003.

Receipt, review, and acceptance of documentation which shows the uses to which $90,276 of reserves spent in 2001 were put.

Receipt, review, and acceptance of documentation from USDA approving the proposed transfer and a determination by USDA whether or not the existing loan should be written down to the appraised market value, which is lower than the outstanding debt balance.

Receipt, review, and acceptance of documentation from USDA approving the use of the remaining existing reserve account funds for the proposed rehabilitation.

Should the rents change from the current USDA-RD approved rents noted in this report or should the USDA-RD loan be written down as part of an approval of transfer in accordance with USDA policy, a re-evaluation of the conclusions and recommendations in this report should be conducted and a reduction in the credit allocation is likely.

Alternate Recommendation:

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

☐ Score ☑ Meeting Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development is in the TxRD Set Aside. Because the TxRD Set Aside is undersubscribed it is necessary that all TxRD Developments recommended by Underwriting be recommended to the Board.

Brooke Boston, Acting LIHTC Co-Manager Date

David Burrell, Director of Housing Programs Date

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

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

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

Date

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

Approved Credit Amount: Date of Determination:

Project Name: Jacksonville Square Apartments | Project Number: 02072

Michael E. Jones, Chairman of the Board | Date

Compliance Status Summary

Project ID #: 02072 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Jacksonville Square — HOME ☐ HTF ☐

Project City: Jacksonville — BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 3 — # not yet monitored or pending review 11

of projects grouped by score — 0-9: 3 — 10-19: 0 — 20-29: 0

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received: Yes

Non-Compliance Reported: No

Completed by Jo En Taylor — **Completed on** 05/22/2002

Single Audit

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

single audit not applicable ☑ — no outstanding issues ☐ — outstanding issues ☐

Comments:

Completed by Lucy Trevino — **Completed on** 05/30/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ — monitoring review pending ☐

reviewed; no unresolved issues ☐ — reviewed; unresolved issues found ☐

Comments:

Completed by Ralph Hendrickson — **Completed on** 05/30/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

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

DATE: May 21, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02072

DEVELOPMENT NAME

Jacksonville Square Apartments

APPLICANT

Name: Jacksonville Square Housing, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 907 Polk Street **City:** Mansfield **State:** LA

Zip: 71052 **Contact:** Thomas L. Frye **Phone:** (318) 872-0286 **Fax:** (318) 872-0311

PRINCIPALS of the APPLICANT

Name	(%)	Title
RD 2000 Development Co., LLC	5	General Partner
Boston Capital	95	Limited Partner
Caroline Z. Calhoun	n/a	100% owner of GP

GENERAL PARTNER

Name: RD 2000 Development Co., LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 907 Polk Street **City:** Mansfield **State:** LA

Zip: 71052 **Contact:** Thomas L. Frye **Phone:** (318) 872-0286 **Fax:** (318) 872-0311

PROPERTY LOCATION

Location: 1302 Jacksonville Square Drive ☐ **QCT** ☐ **DDA**

City: Jacksonville **County:** Cherokee **Zip:** 75766

REQUEST

Amount	Interest Rate	Amortization	Term
$88,415	N/A	N/A yrs	N/A yrs

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

Proposed Use of Funds: Acquisition & Rehab. **Set-Aside:** ☒ TXRD ☒ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 6.634 acres 288,977 square feet **Zoning/ Permitted Uses:** Multi-family

Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 44 **# Rental Buildings** 11 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** 15 yrs **Vacant:** 0 at 2/ 24/ 2002

Number	Bedrooms	Bathroom	Size in SF
16	1	1	727
28	2	1	851

Net Rentable SF: 35,460 **Av Un SF:** 806 **Common Area SF:** 437 **Gross Bldng SF** 36,334

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 50% vinyl siding/50% brick veneer, drywall interior wall surfaces, composite shingle roofing, central heat and A/C

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, microwave oven, fiberglass tub/shower, laminated countertops, ceiling fans, individual water heaters

ON-SITE AMENITIES

437 SF office/maintenance/laundry facility, public telephone, play area with playground equipment, picnic area

Uncovered Parking: 88 spaces **Carports:** spaces **Garages:** spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Hibernia National Bank **Contact:** Melissa Estopinal

Principal Amount: $433,026 **Interest Rate:** LIBOR + 300 bps, floating (currently 4.87%)

Additional Information: Commitment also indicates availability of line of credit at Prime + 50 bps

Amortization: 1 yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: USDA-Texas Rural Development loan **Contact:** Roy Willmon

Principal Amount: $1,140,639 **Interest Rate:** 1.05%

Additional Information: USDA-RD Loan Agreement dated January 28, 1987 in principal amount of $1,172,300 (approximately 35 years remaining)

Amortization: 50 yrs **Term:** 50 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

Annual Payment: $29,858 **Lien Priority:** 1st **Commitment Date** 1/ 28/ 1987

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Boston Capital Partners **Contact:** Scott Arrighi

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

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

Net Proceeds: $671,888 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 76¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 26/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $17,907 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$205,000	**Date of Valuation:**	2/ 14/ 2002
Existing Building: as is	$426,000	**Date of Valuation:**	2/ 14/ 2002
Total Property: as is	$631,000	**Date of Valuation:**	2/ 14/ 2002

Appraiser: Nortex/Paul C. Mitchell, MAI **City:** Richardson, TX **Phone:** (972) 889-9488

ASSESSED VALUE

Land:	$88,680	**Assessment for the Year of:**	2001
Building:	$418,000	**Valuation by:**	Cherokee County Appraisal District
Total Assessed Value:	$506,670		Tax rate: 2.0048%

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Option to purchase

Contract Expiration Date: 12/ 1/ 2002 **Anticipated Closing Date:** 11/ 1/ 2002

Acquisition Cost: $ 1,075,635 **Other Terms/Conditions:** $100 earnest money; sales price is assumed to be the outstanding debt on the property

Seller: Jacksonville Square, Ltd., a Louisiana limited partnership **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Jacksonville Square Apartments is a proposed acquisition and rehabilitation development consisting of 44 units of garden-style apartment affordable housing located in the southeast area of Jacksonville, TX. The development was built in 1987 and consists of 11 residential buildings as follows:

- (4) Building Type A, a 1-story design with four 1-bedroom units;
- (7) Building Type B, a 1-story design with four 2-bedroom units;

Based on the site plan, the apartment buildings are distributed evenly throughout the site on either side of a 500-foot concrete drive. A 723 SF office, laundry and maintenance building is located near the entrance to the site.

Based on the site plan the apartment buildings are concentrated at the south side of the parcel and are arranged inside and around a circular drive, with a 437 SF office/laundry/maintenance building located near the center of the community.

Existing Subsidies: The Applicant received funding under the USDA Rural Development Section 515 program upon initial construction in 1987 and will continue to be subject to income and rent restrictions under that program. No Rental Assistance for this property was indicated in the Application.

Development Plan: As of the date of the application, the market study indicated there were no vacancies in the development. The architect's scope of work includes: refurbishment of drainage systems near unit entries, installation of new water heaters, A/C thermostats and refrigerators, replacement of roof shingles and damaged roof decking, air handlers, outside HVAC units, entry doors, ranges and vented hoods, refinishing of cabinets and interior painting.

No tenant displacement expenses are projected by the Applicant, and no tenant relocation plan was submitted by the Applicant. Receipt, review and acceptance of a tenant relocation plan is a condition of this report.

Supportive Services: No supportive services were indicated to be provided to tenants.

Schedule: The Applicant anticipates construction to begin in December of 2003 and to be completed in June of 2004, to be placed in service in June of 2004, and to achieve stabilized occupancy in August of 2004. The delayed start that the Applicant proposes is unusual for a LIHTC application, and is noted as a salient risk at the end of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 10 of the units (23%) will be reserved for households earning 50% or less of AMGI and 34 units (77%) will be reserved for households earning 60% or less 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 elected to extend the compliance period an additional 25 years.

MARKET HIGHLIGHTS

A market feasibility study dated February 24, 2002 was prepared by Gibson Consulting, LLC. According to the study, there were no vacancies in the Jacksonville Square Apartments development nor in five of the seven other multi-family developments in Jacksonville. The overall occupany rate was 97% and occupancy within affordable developments was near 100% with waiting lists of 8 to 20 households. Total income-eligible demand is expected to be 68 units per year. In the last 24 months, there have been no building permits issued for multi-family housing in Jacksonville and none are in the pipeline. The Applicant, moreover, is restricted to charging the base rents established by USDA. Therefore, there appears to be adequate market demand for the project as-is as well as for the rehabilitated project.

RENT ANALYSIS (net tenant-paid rents)

Unit Type (% AMI)	Proposed	Program Max	Differential
1-Bedroom (50%)	$256	$365	-$109
1-Bedroom (60%)	$323	$438	-$115
2-Bedroom (60%)	$381	$526	-$145

(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)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Jacksonville is located in Cherokee County in northeast Texas, approximately 24 miles south of

Tyler. The site is a rectangularly-shaped parcel located in the southeast area of Jacksonville, approximately 1.5 miles from the central business district. The site is situated on the east side of Jacksonville Square Drive.

Population: The estimated 2000 population of Jacksonville was 13,868 and is expected to grow by 6% to 14,700 by 2006. Within the primary market area there were estimated to be 4,882 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with low- to moderate-income single family homes and commercial properties along the major roads. Directly adjacent land uses could not be determined from the market study.

Site Access: Access to the property is from the north or south along Jacksonville Square Drive, which 1/8 mile to the south connects with State Route 69, which provides connections to all other major roads serving the Jacksonville area.

Public Transportation: Public transportation is not available in the area.

Shopping & Services: The site is within 3 miles of major grocery/pharmacies, shopping centers, recreational areas, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: 15 years have passed since the prior title policy was issued, but the Applicant provided a limited title search dated February 26, 2002 conducted by Cherokee Title Company which indicates that no further material encumbrances have been made to the property since the USDA-RD first lien.

Site Inspection Findings: TDHCA staff performed a site inspection on April 8, 2002 and found the location to be acceptable for the proposed development. The site inspector noted that perimeter fencing and recreational areas were in poor condition. The Applicant has not proposed rehabilitation of these amenities.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's estimate for effective gross income was more than 5% above the Underwriter's estimate, and reflects the maximum LIHTC rents permitted. However, the development is currently limited to rent levels approved by USDA which are below the maximum LIHTC rents, and the Applicant has not submitted evidence of a request for or USDA approval of the higher rents. Therefore the Underwriter utilized the lower USDA restricted rents. The Applicant's estimate for vacancy and collection loss was in line with the Underwriter's standard estimate of 7.5%, although indications in the market study suggest that Jacksonville Square Apartments has been at or near 100% occupancy in recent months and less than the TDHCA minimum 5% all last year. Therefore the Underwriter used 5% in the TDHCA estimate. As a net result the Applicant's effective gross income is $24K or 16% more than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate is more than 5% above the Underwriter's estimate, which was based on an evaluation of the TDHCA operating expense database, the subject property's USDA-RD 2002 budget, and the 2001 audited financials. The following line items showed in the Applicant's expense projection showed significant deviations from the Underwriter's estimates: Management ($3.4K higher than the Underwriter's estimate); Payroll and Payroll Tax ($4.1K higher); Repairs and Maintenance ($12.8K higher); Property Tax ($6.8K higher). The Applicant's estimate for total expenses was more than 5% above the Underwriter's adjusted estimate and therefore, the Underwriter's estimate was adopted.

Conclusion: The Applicant's estimated income and total estimated operating expense are inconsistent with the Underwriter's expectations. Therefore, the Underwriter's NOI is used to evaluate debt service capacity, resulting in a DCR of 1.25 on the existing USDA-RD loan, which is within the acceptable range. However, the rent levels on which this DCR is based are substantially below the maximum LIHTC permitted rents. If the Applicant were to receive approval from USDA to increase the rents, significant profits could be achieved. However, USDA-RD carefully monitors the performance of their funded developments and limits the owners return, requiring an excess to fully refund the reserve account.

CONSTRUCTION COST ESTIMATE EVALUATION

Land and Existing Buildings Value: The acquisition cost attributed to land of $80,000 ($0.28/SF) is significantly below the $205,000 ($0.71/SF) land value estimated by the Appraiser. Meanwhile, the total land and building acquisition cost of $1,075,635 is very substantially above the $631,000 'As-Is' value of the property noted in the appraisal report. This would suggest that the eligible basis for the acquisition might be reduced to $426,000, reflecting the $631,000 appraised value net of the $205,000 value of the land. However, as the transfer will entail the assumption of the existing USDA loan, it follows that the acquisition basis should not be lower than that value unless that loan is written down. Gene Pavlat, Texas Multi-family Director for USDA confirmed that USDA is required to approve all transfers of USDA loans. Generally, this requires an evaluation of the current loan amount compared to the current appraised value (in an appraisal prepared in accordance with USDA-RD requirements). The outstanding loan balance at December 19, 2001 of $1,140,639, net of the $205,000 appraised value of the land, gives an acquisition basis of $935,639, which is $59,996 less than the $995,635 acquisition basis the Applicant identified. Lacking substantiation for the higher acquisition basis, the Underwriter adopted the lower figure.

Determination by USDA whether the existing loan should be written down to the appraised market value, which is very substantially lower than the outstanding debt balance, is a condition of this report. If such a writedown does occur, a re-evaluation and likely reduction of the credit amount recommended will be necessary.

Sitework Cost: The Applicant's claimed sitework rehabilitation costs of $408 per unit are considered reasonable considering that this is a rehabilitation development. However, a re-review of the portion of the budget may be prudent since it does not include fencing mentioned in the site inspection or plat work to make the property more wheel chair accessible as shown in the photos provided with the application.

Direct Construction Cost: The Applicant incorrectly double counted the $17,938 of site work costs in the estimate of direct construction costs and thereby overstated direct construction costs by this amount. As a result, the Underwriter reduced direct construction costs from the stated total of $374,000 to actual total $356,062, which was also verified by the detailed third party work write-up provided by Ham Contracting. This amounts to an average of $8,092 per unit, which exceeds the $6,000 minimum required for an LIHTC rehabilitation development and therefore is acceptable.

The Underwriter noted that USDA documentation shows that in 2001, the owner spent $90,276 for equipment repair and replacement. Documentation of the uses to which these funds were put is a condition of this report. Should these funds be shown to have been spent on work currently being proposed a reduction in the direct cost budget and subsequent reduction in the credit allocation may be required.

Ineligible Costs: The Applicant incorrectly included $4,946 in TDHCA fees as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's fees for contractor's profit and for contingency are above the maximums permitted by LIHTC guidelines, by $1,346 and $27,600 respectively. The developer's fees of $108,771 proposed by the Applicant exceed the maximum 15% of eligible costs allowed under LIHTC guidelines. Included in these fees, the Applicant indicated a developer fee of $19,913 for the acquisition of the property. Whether the acquisition were determined to be an identity of interest transaction or not, the Underwriter does not believe that a fee for the acquisition in this situation can be justified in terms of due diligence work performed for the fee since the proposed controlling owner of the General Partner is the daughter-in-law of the current owner. Therefore the developer fee for acquisition was removed completely from the adjusted budget. Developer fees for the rehabilitation still exceeded the maximum permitted. Due to the overstated contingency and contractor profit, an additional $7,564 in overestimated developer fees were excluded from eligible basis.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and would therefore generally be acceptable. However, since this is a rehabilitation project, the only differences between the Underwriter's cost and the Applicant's are excesses that are a result of miscalculation by the Applicant. Therefore, the Underwriter's cost equals the Applicant's adjusted cost and was used to calculate the eligible basis for the acquisition and rehabilitation and to size the award recommendation.

As a result, for purposes of the acquisition, an eligible basis of $935,639 is computed which is $59,996 less than the Applicant's figure, and for purposes of the rehabilitation, an eligible basis of $623,251 is computed, or $59,394 less than the Applicant indicated. This results in a recommendation for total credit allocation of $86,940 from this method of analysis.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the acquisition and rehabilitation of the development with 4 types of financing from 4 sources: the existing USDA-RD permanent loan, an interim construction loan, syndicated LIHTC equity, and a deferred developer fee:

Permanent: The property is currently financed under an existing USDA Rural Development permanent loan issued on February 28, 1987 in the amount of $1,172,300. The loan has a 50-year term and follows a 50-year amortization schedule at 9.5% interest with an interest rate subsidy that reduces the effective rate to 1%. The loan's outstanding principal as of December 19, 2001 was $1,140,639, according to USDA loan documentation included in the application. Documentation indicating the approval of the proposed transfer has not been provided.

Construction Financing: The Applicant intends to use Hibernia National Bank for an interim construction loan in the amount of $433,026, and to repay the loan out of LIHTC syndication proceeds of $671,888. The interim commitment is at a floating rate of LIBOR + 300 bps, which was 4.87% at the commitment date. The Applicant also has the option to finance construction through an existing line of credit with Hibernia at a rate of Prime + 50 bps.

LIHTC Syndication: Boston Capital Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $671,888 based on a syndication factor of 76%. The funds would be disbursed in a 3-phase pay-in schedule:

1. 60% upon the latest of: i) award of tax credits, ii) closing of the construction loan, iii) receipt of a commitment for a permanent mortgage loan, and iv) admission to the partnership;
2. 20% upon the latter of: i)completion of construction, and ii) cost certification or State designation;
3. 20% upon the latest of: i) 100% initial qualified occupancy, ii) closing of permanent financing, and iii) rental achievement

Deferred Developer's Fees: The Applicant initially proposed to defer $17,907 in developer's fees.

Financing Conclusions: The total tax credit allocation should be not more than $86,940 annually for 10 years, or $1,475 per year less than requested. USDA approval of the use of the reserve funds is also a condition of this report. Based on the Underwriter's analysis, the total expected proceeds from syndication amounts to $660,746. Using the verifiable acquisition cost (the outstanding debt at December 19, 2001) and the Underwriter's total project cost, as well as the $3,634 balance in the reserve account, additional funds of $35,292 are required, which should be funded by deferral of developer's fees. This deferral should be repayable out of cash flow over five years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations of the 1-story buildings are functional, with attractive brick veneer siding and pitched roofs. The 1-BR units are 727 SF whereas the minimum LIHTC guidelines call for 750 SF for 1-BR units. The 2-BR units are 851 SF, which is below the guideline of 900 SF for 2-BR units. However these units are already in existence and expansion would likely be infeasible. Each unit has a semi-private exterior entry and a small exterior storage closet.

IDENTITIES of INTEREST

Riemer Calhoun, Jr., the 100% owner of the Seller entity, is the owner of Calhoun Builders, Inc., the General Contractor, of T.F. Management, Inc., the Developer, and is a co-owner of Calhoun Property Management, the Property Manager. Caroline Z. Calhoun, Mr. Calhoun's daughter-in-law, is the 100% owner of the RD 2000 Development Co., LLC, the General Partner of Panola Housing Ltd., the Applicant entity. Murray A. Calhoun, Riemer Calhoun Jr.'s son and husband of Caroline Z. Calhoun, is a Manager of R.D. 2000 Development Company, and is also a principal of Murray A. Calhoun & Associates, the project attorney.

Notwithstanding the fact that the Applicant has submitted an attorney's opinion indicating that the Purchaser and the Seller are not related legal entities, the family relationships between the parties indicate that the acquisition transaction is not arms-length. The Underwriter has used, as a fair transfer valve, the full amount of the outstanding loan, though according to the approval, the property is not worth the current debt.

If USDA determines that the RD loan should be written down to the development's market value, the Applicant's acquisition basis would be affected. In that case, any potential excess profit from the identity of interest land sale should be mitigated by the exclusion of such excess from the uses of funds, thereby further reducing eligible basis and the gap method and ultimately reducing the recommended credit amount for the development. Such a reduction may have an effect on the feasibility of the proposed rehabilitation and therefore this development should be re-evaluated if any write down occurs.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving tax credit assistance and therefore has no material financial statements. Financial statements for its principals were provided.

Background & Experience:

- The application indicates that the General Partner has completed 35 affordable housing developments in Louisiana totaling 1,124 units, and is known to have completed at least several affordable developments in Texas, totaling over 100 units.
- The General Contractor has a similar amount of experience in developing affordable housing units, having done the construction on many, if not all, of the General Partner's developments noted above.

SUMMARY OF SALIENT RISKS AND ISSUES

- The existing USDA-approved rents are below the LIHTC maximum rents. If the Applicant were to receive approval from USDA to increase the rents, a debt coverage rate well above 1.25 could be achieved.
- The Applicant's proposed acquisition cost may be inflated relative to market value due to the non-arms length transaction. If USDA determines that the market value is below the loan value and writes down the loan, the resulting decrease in eligible basis could affect the financial viability of the acquisition and rehabilitation.
- The Applicant has indicated that construction would not begin until December 2003 and would not be completed until June 2004.
- The Applicant's estimated operating expense is more than 5% outside the Underwriter's verifiable range..

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $86,940 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of revised sitework cost estimate to fencing and flatwork costs evident in the site inspection.
2. Receipt, review and acceptance of a tenant relocation plan covering the period of rehabilitation.
3. Receipt, review and acceptance of a revised construction schedule (with construction to be undertaken and completed in a timely fashion) or documentation as to why commencement of construction will be delayed until late 2003.
4. Receipt, review and acceptance of documentation which shows the uses to which $90,276 of reserves spent in 2001 were put.
5. Receipt, review and acceptance of documentation from USDA approving the proposed transfer and a determination by USDA whether or not the existing loan should be written down to the appraised market value, which is lower than the outstanding debt balance.
6. Receipt, review and acceptance of documentation from USDA approving the use of the remaining existing reserve account funds for the proposed rehabilitation.
7. Should the rents change from the current USDA-RD approved rents noted in this report or should the USDA-RD loan be written down as part of an approval of transfer in accordance with USDA policy, a re-evaluation of the conclusions and recommendations in this report should be conducted and a reduction in the credit allocation is likely.

Associate Underwriter:	______________________ *James Governale*	**Date:**	May 28, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	May 28, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Jacksonville Square Apartments, Jacksonville, LIHTC 02072

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
<TC 50%	10	1	1	727	$365	$260	$2,600	$0.36	$79.00	$72.00
<TC 60%	6	1	1	727	438	260	1,560	0.36	79.00	72.00
<TC 60%	28	2	1	851	526	300	8,400	0.35	110.00	102.00
TOTAL:	44		AVERAGE:	806	$477	$285	$12,560	$0.35	$98.73	$91.09

INCOME	Total Net Rentable Sq Ft	35,460			TDHCA	APPLICANT			
POTENTIAL GROSS RENT					$150,720	$181,992			
Secondary Income		Per Unit Per Month:		$10.00	5,280	4,548	$8.61	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$156,000	$186,540			
Vacancy & Collection Loss		% of Potential Gross Income:		-5.00%	(7,800)	(13,992)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$148,200	$172,548			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.17%	$241	$0.30	$10,623	$9,011	$0.25	$205	5.22%
Management		10.16%	342	0.42	15,057	18,453	0.52	419	10.69%
Payroll & Payroll Tax		12.23%	412	0.51	18,120	22,258	0.63	506	12.90%
Repairs & Maintenance		12.24%	412	0.51	18,136	30,957	0.87	704	17.94%
Utilities		2.50%	84	0.10	3,700	3,922	0.11	89	2.27%
Water, Sewer, & Trash		6.41%	216	0.27	9,500	9,099	0.26	207	5.27%
Property Insurance		4.79%	161	0.20	7,092	7,334	0.21	167	4.25%
Property Tax	2.5348	8.67%	292	0.36	12,843	19,688	0.56	447	11.41%
Reserve for Replacements		8.91%	300	0.37	13,200	13,200	0.37	300	7.65%
Other Expenses: Compliance		1.67%	56	0.07	2,480	2,480	0.07	56	1.44%
TOTAL EXPENSES		74.73%	$2,517	$3.12	$110,752	$136,402	$3.85	$3,100	79.05%
NET OPERATING INC		25.27%	$851	$1.06	$37,448	$36,146	$1.02	$822	20.95%
DEBT SERVICE									
Existing USDA Loan		20.15%	$679	$0.84	$29,858	$29,858	$0.84	$679	17.30%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		5.12%	$173	$0.21	$7,590	$6,288	$0.18	$143	3.64%
AGGREGATE DEBT COVERAGE RATIO					1.25	1.21			
ALTERNATIVE DEBT COVERAGE RATIO					1.25				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl		61.98%	$25,924	$32.17	$1,140,639	$1,075,635	$30.33	$24,446	58.72%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		0.97%	408	0.51	17,938	17,938	0.51	408	0.98%
Direct Construction		19.35%	8,092	10.04	356,062	356,062	10.04	8,092	19.44%
Contingency	10.00%	2.03%	850	1.05	37,400	65,000	1.83	1,477	3.55%
General Requirem	5.99%	1.22%	509	0.63	22,400	22,400	0.63	509	1.22%
Contractor's G &	2.00%	0.41%	170	0.21	7,480	7,480	0.21	170	0.41%
Contractor's Pro	6.00%	1.22%	510	0.63	22,440	23,786	0.67	541	1.30%
Indirect Construction		3.15%	1,319	1.64	58,055	58,055	1.64	1,319	3.17%
Ineligible Expenses		1.17%	488	0.61	21,485	21,485	0.61	488	1.17%
Developer's G & A	2.00%	0.59%	246	0.31	10,839		0.00	0	0.00%
Developer's Profit	13.00%	3.83%	1,601	1.99	70,454	108,771	3.07	2,472	5.94%
Interim Financing		1.10%	459	0.57	20,182	20,182	0.57	459	1.10%
Reserves		2.99%	1,249	1.55	54,936	55,000	1.55	1,250	3.00%
TOTAL COST		100.00%	$41,825	$51.90	$1,840,311	$1,831,794	$51.66	$41,632	100.00%
Recap-Hard Construction Costs		*25.20%*	***$10,539***	***$13.08***	***$463,720***	***$492,666***	***$13.89***	***$11,197***	*26.90%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
Existing USDA Loan	62.05%	$25,955	$32.21	$1,141,999	$1,141,999	$1,140,639
LIHTC Syndication Proceeds	36.51%	$15,270	$18.95	671,888	671,888	660,746
Reserve Account	0.00%	$0	$0.00	0		3,634
Deferred Dev. Fee (debt proxy	0.97%	$407	$0.50	17,907	17,907	35,292
Additional (excess) Funds Req	0.46%	$194	$0.24	8,517	0	0
TOTAL SOURCES				$1,840,311	$1,831,794	$1,840,311

Jacksonville Square Apartments, Jacksonville, LIHTC 02072

PAYMENT COMPUTATION

Primary	$1,172,918	Term	600
Int Rate	1.00%	DCR	1.25

Secondary		Term	
Int Rate		Subtotal DCR	1.25

Additional		Term	
Int Rate		Aggregate DCR	1.25

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$29,858
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$7,591

Primary	$1,172,918	Term	599
Int Rate	1.00%	DCR	1.25

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.25

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$150,720	$155,242	$159,899	$164,696	$169,637	$196,655	$227,978	$264,288	$355,182
Secondary Income	5,280	5,438	5,602	5,770	5,943	6,889	7,986	9,259	12,443
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	156,000	160,680	165,500	170,465	175,579	203,545	235,964	273,547	367,624
Vacancy & Collection Los	(7,800)	(8,034)	(8,275)	(8,523)	(8,779)	(10,177)	(11,798)	(13,677)	(18,381)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$148,200	$152,646	$157,225	$161,942	$166,800	$193,367	$224,166	$259,870	$349,243
EXPENSES at 4.00%									
General & Administrative	$10,623	$11,048	$11,490	$11,950	$12,428	$15,120	$18,396	$22,382	$33,130
Management	15,057	15,509	15,974	16,453	16,947	19,646	22,775	26,403	35,483
Payroll & Payroll Tax	18,120	18,845	19,599	20,383	21,198	25,790	31,378	38,176	56,510
Repairs & Maintenance	18,136	18,862	19,616	20,401	21,217	25,814	31,406	38,210	56,561
Utilities	3,700	3,848	4,002	4,162	4,328	5,266	6,407	7,795	11,539
Water, Sewer & Trash	9,500	9,880	10,275	10,686	11,114	13,521	16,451	20,015	29,627
Insurance	7,092	7,376	7,671	7,978	8,297	10,094	12,281	14,942	22,117
Property Tax	12,843	13,357	13,891	14,447	15,025	18,280	22,240	27,058	40,053
Reserve for Replacements	13,200	13,728	14,277	14,848	15,442	18,788	22,858	27,810	41,166
Other	2,480	2,579	2,682	2,790	2,901	3,530	4,295	5,225	7,734
TOTAL EXPENSES	$110,752	$115,031	$119,477	$124,097	$128,896	$155,849	$188,487	$228,017	$333,921
NET OPERATING INCOME	$37,448	$37,615	$37,748	$37,845	$37,904	$37,518	$35,678	$31,853	$15,322
DEBT SERVICE									
First Lien Financing	$29,858	$29,858	$29,858	$29,858	$29,858	$29,858	$29,858	$29,858	$29,858
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$7,591	$7,757	$7,890	$7,988	$8,047	$7,660	$5,821	$1,995	($14,536)
DEBT COVERAGE RATIO	1.25	1.26	1.26	1.27	1.27	1.26	1.19	1.07	0.51

LIHTC Allocation Calculation - Jacksonville Square Apartments, Jacksonville, LIHTC 02072

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$80,000	$205,000				
Purchase of buildings	$995,635	$935,639	$995,635	$935,639		
(2) Rehabilitation/New Construction Cost						
On-site work	$17,938	$17,938			$17,938	$17,938
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$356,062	$356,062			$356,062	$356,062
(4) Contractor Fees & General Requirements						
Contractor overhead	$7,480	$7,480			$7,480	$7,480
Contractor profit	$23,786	$22,440			$22,440	$22,440
General requirements	$22,400	$22,400			$22,400	$22,400
(5) Contingencies	$65,000	$37,400			$37,400	$37,400
(6) Eligible Indirect Fees	$58,055	$58,055			$58,055	$58,055
(7) Eligible Financing Fees	$20,182	$20,182			$20,182	$20,182
(8) All Ineligible Costs	$21,485	$21,485				
(9) Developer Fees			$19,913		$81,294	
Developer overhead		$10,839				$10,839
Developer fee	$108,771	$70,454				$70,454
(10) Development Reserves	$55,000	$54,936				
TOTAL DEVELOPMENT COSTS	$1,831,794	$1,840,311	$1,015,548	$935,639	$623,251	$623,251

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$1,015,548	$935,639	$623,251	$623,251
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,015,548	$935,639	$623,251	$623,251
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,015,548	$935,639	$623,251	$623,251
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$37,271	$34,338	$52,602	$52,602
	Syndication Proceeds	**0.7600**	**$283,257**	**$260,968**	**$399,778**	**$399,778**
				Total Credits	**$89,873**	**$86,940**
				Total Syndication	**$683,034**	**$660,746**

TDHCA

02156

Region 4

At Risk
Set-Aside

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

Development Name: **Town North Apartments** TDHCA #: **02156**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4
Site Address: 4624 Elizabeth Street
City: Texarkana
County: Bowie
Zip Code: 75503

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

LIHTC Primary Set Aside: AR
Additional Elderly Set Aside ☐
Purpose / Activity: ACQ/R
Development Type: Family
☐ TTC ☐ DDA ☐ QCT

Special Needs: 5 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Town North Affordable Housing, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Preservation Partners of Texarkana, Inc..	Daniel F. O'Dea	100 %
W. Douglas Gurkin	W. Douglas Gurkin	%
		%
		%
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$275,871** Allocation over 10 Years: $2,758,710
Credits Requested: $278,976 Eligible Basis Amount: $275,871 Equity/Gap Amount: $393,250

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	0	0	0	1
40%	0	0	24	6	0	0	30
50%	0	5	23	12	0	0	40
60%	0	15	8	6	0	0	29
MR	0	0	0	0	0	0	0
Total	0	20	56	24	0	0	

Total LI Units: 100
Owner/Employee Units: 0
Total Project Units: 100
Applicable Fraction: 100.00

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

BUILDING INFORMATION

Total Development Cost: **$4,530,564**
Gross Building Square Feet: 91,090
Total NRA SF: 87,064
Gross/Net Rentable: 1.05
Average Square Feet/Unit: 871
Cost Per Net Rentable Square Foot: $52.04
Credits per Low Income Unit $2,759

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $547,619
Total Expenses: $342,773
Net Operating Income: $204,846
Estimated 1st Year Debt Coverage Ratio: 1.10

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Preservation Partners, Inc.
Housing GC: DM Jones Construction, Inc.
Infrastructure GC: NA
Cost Estimator: NA
Architect: AG Associates Architects
Property Manager: Associated Management, Ltd.
Engineer: NA
Syndicator: Related Capital Company

Market Analyst: The Danter Company, Inc.
Originator/UW: NA
Appraiser: Property Advisors
Attorney: Claudia Crocker, Attorney at Law
Supp Services: Consumer Credit Counseling Services
Accountant: Thomas Stephen & Company, LLP
Permanent Lender: American Mortgage Acceptance

DEPARTMENT EVALUATION

Points Awarded: 73 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Town North Apartments | Project Number: 02156

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **1** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:			Comment from Other Public Official
Local Official:		NC	
TX Rep.:	Barry Telford, Dist. 1		
TX Sen.:	Bill Ratliff, Dist. 1		
US Rep.:			
US Sen.:			

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of an executed Section 8 Housing Assistance Payment (HAP) contract.

Receipt, review, and acceptance of documentation from the general contractor acknowledging the potential deferral of up to $26K in contractor fees with payment of same to come out of cash flow.

Receipt, review, and acceptance of documentation of how the IRP will remain in effect and Certification by a third party CPA as to the acceptability and detail of the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or reducing the applicable percentage. This condition should be met by or as part of the documentation substantiating the closing of the construction loan.

Receipt, review, and acceptance of revised permanent loan commitments reflecting an reduction in the debt service such that debt service does not exceed $186,247 per year.

Should the terms of the proposed debt or the key assumptions regarding the IRP,HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

Alternate Recommendation:

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

☐ Score ☑ Meeting Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development is in the At-Risk Development Set Aside. Because the At-Risk Set Aside is undersubscribed it is necessary that all At Risk Developments recommended by Underwriting be recommended to the Board.

Brooke Boston, Acting LIHTC Co-Manager   Date   David Burrell, Director of Housing Programs   Date

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

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

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

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

Approved Credit Amount: ____ Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Compliance Status Summary

Project ID #: **02156** LIHTC 9% ☑ LIHTC 4% ☐

Project Name: **Town North Apartments** HOME ☐ HTF ☐

Project City: **Texarkana** BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received No

Non-Compliance Reported

Completed by Jo En Taylor **Completed on** 04/24/2002

Single Audit

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

single audit not applicable ☑ no outstanding issues ☐ outstanding issues ☐

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by Ralph Hendrickson **Completed on** 04/30/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

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

DATE: May 18, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02156

DEVELOPMENT NAME

Town North Apartments

APPLICANT

Name:	Town North Affordable Housing, LP	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	204 East 8th Street	**City:**	Georgetown **State:** TX
Zip:	78626 **Contact:** Michelle Grandt	**Phone:**	(512) 863-7666 **Fax:** (512) 863-8656

PRINCIPALS of the APPLICANT

Name: Preservation Partners of Texarkana, Inc.	**(%):** .01	**Title:**	General Partner
Name: Related Capital Company	**(%):** 99.99	**Title:**	Limited Partner
Name: Daniel F. O'Day	**(%):** n/a	**Title:**	Developer & President of GP
Name: W. Douglas Gurkin	**(%):** n/a	**Title:**	Vice President of GP

GENERAL PARTNER

Name:	Preservation Partners of Texarkana, Inc.	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	204 East 8th Street	**City:**	Georgetown **State:** TX
Zip:	78726 **Contact:** Daniel F. O'Day	**Phone:**	(512) 863-7666 **Fax:** (512) 863-8656

PROPERTY LOCATION

Location: 4624 Elizabeth Street ☐ **QCT** ☐ **DDA**

City: Texarkana **County:** Bowie **Zip:** 75503

REQUEST

Amount	Interest Rate	Amortization	Term
$278,976	N/A	N/A	N/A

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

Proposed Use of Funds: Acquisition/Rehab **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 1.9055 acres 213,684 square feet **Zoning/ Permitted Uses:** MF-1

Flood Zone Designation: Not in a flood zone **Status of Off-Sites:** Fully Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 100 **# Rental Buildings** 6 **# Common Area Bldngs** 2 **# of Floors** 2 **Age:** 31 yrs **Vacant:** 2 at 02/ 20/ 2002

Number	Bedrooms	Bathroom	Size in SF
20	1	1	658
40	2	1.5	896
16	2	2	936
24	3	1.5	962

Net Rentable SF: 87,384* **Av Un SF:** 873* **Common Area SF:** 3,706 **Gross Bldng SF** 91,090

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

*Underwriter's calculations indicate net rentable SF of 87,064 and average unit square footage of 871

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% wood 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, ceiling fans, cable, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Community building with management offices, laundry facilities, central file room, equipped children's play area,

Uncovered Parking: 238 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM TO PERMANENT FINANCING

Source: American Mortgage Acceptance Company **Contact:** Steven Wendel

Principal Amount: $1,670,000 **Interest Rate:** 7.9% fixed

Additional Information:

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

Annual Payment: $145,652 **Lien Priority:** 1st **Commitment Date** 03/ 20/ 2002- revised

PERMANENT FINANCING

Source: American Mortgage Acceptance Company **Contact:** Steve Wendel

Principal Amount: $480,000 **Interest Rate:** 9% fixed

Additional Information: IRP Loan, final loan amount will be based on remaining balance of IRP.

Amortization: 10 yrs **Term:** 10 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $60,804 **Lien Priority:** 2nd **Commitment Date** 03/ 20/ 2002-revised

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

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3543

Net Proceeds: $2,148,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 77¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 02/ 25/ 2002

Additional Information: Commitment letter reflects proceeds of $2,148,000 based on credits of $278,976.

APPLICANT EQUITY

Amount: $312,464 **Source:** Deferred developer fee

Amount: $100 **Source:** Cash Equity

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$125,000	**Date of Valuation:**	02/ 25/ 2002
Existing Building: as is without IRRP*	$875,000	**Date of Valuation:**	02/ 25/ 2002
Value of IRRP	$350,000	**Date of Valuation:**	02/ 25/ 2002
Total Property: as is	$1,350,000	**Date of Valuation:**	02/ 25/ 2002

Appraiser: Property Advisors **City:** Columbus, Ohio **Phone:** (614) 431-3332

*as calculated by the Underwriter

ASSESSED VALUE

Land:	$122,500	**Assessment for the Year of:**	2002
Building:	$1,004,073	**Valuation by:**	Bowie County Appraisal District
Total Assessed Value:	$1,126,573*	**Tax Rate:**	2.3195

*the tax district statement reflects the above values as the total market and assessed values but then provides a higher total improvement value of $1,590,606 which does not reconcile with the other figures.

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 08/ 30/ 2002 **Anticipated Closing Date:** 08/ 31/ 2002

Acquisition Cost: $ 1,173,000 **Other Terms/Conditions:**

Seller: Town North, A Limited Partnership **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Town North Apartments is a proposed acquisition and rehabilitation development of 100 units of mixed income housing located in northeastern Texarkana. The project was built in 1971 and is comprised of 6 residential buildings as follows:

- (1) Building Type A with 20 one-bedroom units;

- (1) Building Type B with 24 two-bedroom units;
- (2) Building Type C with 16 two-bedroom units;
- (1) Building Type D with 16 three-bedroom units; and
- (1) Building Type E with eight three-bedroom units

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the leasing office and laundry room located near the entrance to the site. The 2,170-square foot community building is planned to have the leasing office and break/file room and laundry facilities. There is also to be a 1,536-square foot maintenance building.

Existing Subsidies: The project has 92 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract, and the remaining 8 units are enrolled in HUD's Section 236 Rental Housing Assistance Program. The Applicant intends to extinguish the 236 loan but continue the HAP contract and the Section 236 Rental Housing Assistance Program as well as the interest rate reduction payment (IRP) program which provides an interest rate subsidy for the 236 loan.

Development Plan: The buildings are currently 98% occupied based on the rent roll submitted as of February 20, 2002. The contractor's scope of work includes: new interior and exterior paint, carpet, heating and cooling units, new lighting, cabinets and GE High Efficiency appliances, removal and replacement of 4 tubs, removal and replacement of 5 toilets, replacement of gas water heaters with electric water heaters, replacement of exterior doors.

The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be approximately 15-20 vacant units at the time of construction commencement in which to begin interior rehabilitation. Each of the interior turns is expected to take approximately one week to complete. The Town North Affordable Housing, L.P. will be distributing a letter by the end of July informing the residents of the scope of the improvements to be completed. The letter will offer the residents either a bonded moving company to transfer them to the new unit, or offer the tenants $250 upon the timely completion of the move themselves. There will be a $50 utility transfer charge for the telephone that will also be paid for by Town North Affordable Housing, L.P. Four days prior to the tenant's move date, management will provide them with 15 boxes of three varying sizes. During the rehabilitation phase, management will be instructed to cease taking new leases. New leases will be taken as work begins on the last building units. The contractor estimates that 20 units per month is a conservative interior completion production. The Applicant has allocated $335/unit for relocation costs.

Supportive Services: The Applicant has contracted with Consumer Credit Counseling Service of North Central Texas, Inc. to provide the following supportive services to tenants: budget and money management counseling. These services will be provided at no cost to tenants. The Applicant's expenses show $2,000 in supportive services contract fees. The Applicant provided a letter from Consumer Credit Counseling Service of North Central Texas, Inc. indicating that since it is a 501(c)3 non-profit organization, it would welcome an annual donation of $1,000 to offset the costs of this partnership. The Underwriter used the $2,000 figure included in the Applicant's expenses.

Schedule: The Applicant anticipates construction to begin in August of 2002, to be completed in July of 2003, to be placed in service in August of 2003, and to be substantially leased-up in August 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. One of the units will be reserved for households earning 30% or less of AMGI, 30 of the units will be reserved for households earning 40% or less of AMGI, 40 of the units will be reserved for households earning 50% or less of AMGI and 29 units will be reserved for households earning 60% or less of AMGI. The development also has 92 units enrolled in the HUD project-based Section 8 program via a Housing Assistance Payment (HAP) contract. The rent roll as of February 2002 reflects contract rents ranging from $325-$535. An executed HAP contract effective April 1, 2002 through April 1, 2003 indicates higher contract rents ranging from $339-$559.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated March 26, 2002 was prepared by The Danter Company and highlighted the following findings:
Definition of Market/Submarket: "The Effective Market Area is the smallest specific geographic area that will generate the most support for that development." (p. I-1) "The Effective Market Area (EMA) in Bowie County and portions of Miller County consists of Texarkana, Texas and portions of Texarkana, Arkansas. The EMA is bounded by Dogwood Lake Drive/Sugar Hill Road to the north, State Route 245/East Broad Street to the east, East Broad Street/Lake Drive to the south, and South King Highway to the west." (p. III-3)
Total Local/Submarket Demand for Rental Units: "Overall, the 100 Tax Credit units being proposed at the subject Town North development will represent a rental housing alternative for 1.6% of all income-appropriate households…This is an excellent ratio and indicates an adequate supply of potential income-appropriate household support" (p. IV-14)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	9	0.5%
Resident Turnover (63.4% IREM Region 6)	1,977	99.5%
TOTAL ANNUAL DEMAND	**1,986**	**100%**

Ref: p. IV-13 through IV-15

The market analyst did not specify a demand figure for the market area based on household growth and turnover of existing renter households. Based on the demographic information provided within the market study, the Underwriter has concluded that there is demand for 1,986 units from income qualified renter households. The study states that the household growth between years 2000 and 2005 is projected to be a total of 307, or 62 households per year. The Underwriter calculated an income qualified household ratio of 28% and utilized the market analyst's calculated renter household ratio of 50% to derive annual income-qualified renter household demand for 9 units per year. The market study also concluded that 3,119 income qualified renter households currently reside in the market area. Applying the IREM turnover ratio of 63.4% for Region 6 results in additional demand from existing households for 1,977 units.
Capture Rate: The Underwriter calculated a concentration capture rate of 5% based upon a calculated demand figure as described above. As this is a 90%+ occupied rehabilitation development the capture rate for it is irrelevant.
Local Housing Authority Waiting List Information: "There is a list of 200 applicants waiting to join the Bowie County HUD Section 8 Voucher program" (p. IV-16)
Market Rent Comparables: **"**The market analyst surveyed 45 comparable apartment projects totaling 4,621 units in the market area." (p. III-3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	**$353**	**$353**	**$0**	**$398**	**-$45**
1-Bedroom (60%)	**$430**	**$430**	**$0**	**$398**	**+$32**
2-Bedroom (30%)	**$240**	**$241**	**-$1**	**$510**	**-$270**
2-Bedroom (40%)	**$332**	**$332**	**$0**	**$510**	**-$178**
2-Bedroom (50%)	**$423**	**$423**	**$0**	**$510**	**-$87**
2-Bedroom (50%)	**$423**	**$423**	**$0**	**$510**	**-$87**
2-Bedroom (60%)	**$515**	**$515**	**$0**	**$510**	**+$5**
3-Bedroom (40%)	**$379**	**$379**	**$0**	**$612**	**-$233**
3-Bedroom (50%)	**$485**	**$485**	**$0**	**$612**	**-$127**
3-Bedroom (60%)	**$591**	**$591**	**$0**	**$612**	**-$21**

(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 surveyed market-rate properties are 91.0% occupied. Overall, vacancies

within the Site EMA are somewhat high." (p. IV-6)
Absorption Projections: "Overall, when responding to only income-qualified tenants, absorption is expected to average 11 to 13 units per month…" (p. IV-35)
Known Planned Development: "According to area planning and building officials, there is only 1 multifamily development planned for the area. However, plans for this development are preliminary at this time…" (p. IV-9)
Effect on Existing Housing Stock: "Based on our evaluation of the access, visibility, and environment of the site, it is our opinion that the subject site will not have an adverse effect on absorption and ongoing turnover" (p. IV-21)

The Underwriter found the market study to provide sufficient information on which to base a funding recommendation. An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Andrew J. Moye, MAI with Property Advisors. The appraiser's conclusions for the value of the land and total property appear to be reasoned and justified.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Texarkana is located in northeast Texas, approximately 177 miles northeast from Dallas in Bowie County. The site is a rectangularly-shaped parcel located in the northeastern area of Texarkana, approximately 5 miles from the central business district. The site is situated along Elizabeth Street.
Population: "…the overall increase in population and households for the Site EMA is expected to continue through 2005, when it is projected that the Texarkana Site EMA will have a resident population of 55,973 and 22,251 households." (p. IV-13)
Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with commercial and medical buildings, churches, older single family and apartment complexes and several elderly assisted-living facilities. Adjacent land uses include:

- **North:** nursing home and assisted-living complexes
- **South:** church, hospice center and established single-family homes
- **East:** office and retail complexes
- **West:** church, medical buildings, Springlake Elementary School and Springlake Park

Site Access: Access to the property is from the north or south from Elizabeth Street. The project has two main entries, both from the north or south from Elizabeth Street. Access to Interstate Highway 30 is 0.7 miles north, which provides connections to all other major roads serving the Texarkana area.
Public Transportation: "There is no public transportation system serving Texarkana." (p. IV-17)
Shopping & Services: The site is within 3 miles of 11 major grocery stores, 6 pharmacies and 5 department/general retail stores. The site is within 5 miles of a multi-screen theater, fitness centers, bowling alleys, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 25,2002 was prepared by ECOLOGIC, INC. and contained the following findings and recommendations:
Findings: The analyst concludes that there are no environmental risks or recognized environmental conditions indicating the presence of hazardous environmental conditions. (p. 12)
Recommendations: The analyst did not provide any further recommendations of action with his report. An Operations and Maintenance (O&M) plan was also provided dated March 21, 2002 by the same environmental firm. The plan appears to be comprehensive though the Department does not have any specific requirements with regards to such plans other than addressing issues noted by the ESA inspector.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. A copy of the executed HAP contract for Town North Apartments, effective April 1, 2002, was received on May 6th.

Therefore, the Underwriter used the approved contract rents for 92 of the units and the LIHTC rent limits for those units not restricted under the contract. However, the 60% two bedroom unit, not restricted under the HAP contract, was limited to the market rent established by the market analyst. The Applicant's potential gross rent estimate is based strictly on current LIHTC rent limits. As a result, the Applicant's potential gross rent estimate is $22K or 4% lower than the Underwriter's estimate. Using the HAP contract rents results in $21,936 more in rental income for the development than originally estimated by the Applicant. While the rent roll reflects slightly lower rents, the recently renewed HAP contract reflects that the HAP rents are $339, $414, $424 and $559, affecting a portion of each unit type. The Applicant's estimate of secondary income is in line with TDHCA underwriting guidelines. The Applicant utilized a slightly lower vacancy and collection loss rate of 7.32% but also included $6K in concessions.

Expenses: The Applicant's estimate of total operating expense is $61K or 18% lower than the Underwriter's estimate. The Underwriter compared line item expenses to both the database-derived estimate and the development's historical operating expenses. Since gas heating in the units will be included as a landlord expense the Underwriter added this cost into the utility allowance derived expense estimate in order to come up with a more appropriate utilities expense estimate. This revised amount is within 1% of the historic utility expense for the property. The Applicant's budget shows several line item estimates that deviate when compared to the Underwriter's averages, particularly: general and administrative ($9K lower), management ($9K lower), payroll and payroll tax ($26K lower), utilities ($14K lower), water, sewer and trash ($24K lower) and property insurance ($30K higher). The property's historical operating expenses at $3,610 per unit are higher than both the Applicant's and the Underwriter's estimates, which include a reserve for replacements.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the Underwriter's proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 0.99, which is less than the program minimum standard of 1.10. In order to increase the development's DCR to the minimum standard of 1.10, the maximum debt service for this project should be limited to $186,247 by a reduction of one or both the IRP and permanent loan amounts.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted a Purchase and Sale Contract wherein the Applicant is purchasing the property for $1,173,000. The Applicant's claimed acquisition cost for the land of $125,000 is the same as the appraised value for the land. The appraiser used adequate comparables to document this value. The appraiser concluded that the market value for the entire property, including the IRRP is $1,350,000, which is $177K more than the sales price. The proposed acquisition is an arm's length transaction.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of $1,610 per unit which is consistent with the architect's estimate in the proposed work write-up.

Direct Construction Cost: The Applicant's scope of work is detailed and consistent with the cost breakdown. Line item costs appear reasonable and thus the direct construction cost of $1,432,605 is used by the Underwriter.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's proposed contingency exceeds the 10% TDHCA guideline for rehabilitation developments by $31,873 and thus eligible basis was adjusted accordingly. As a result, the Applicant's developer's fees also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the developer fee must be reduced by $22,050.

Conclusion: The Applicant's total project cost is within 5% of the TDHCA estimate and is used to calculate the eligible basis and determine the LIHTC allocation. The Applicant's estimate, adjusted for overstated fees, will be used to determine the development's total annual credits of $275,871. This is only $3,105 less than the requested amount despite the excesses described above because the Applicant also understated the applicable percentage for the 4% credits.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with five types of financing from three sources: an IRP loan, a permanent loan, syndicated LIHTC equity, deferred developer fee and the Applicant's cash equity.

IRP Loan and Permanent Financing: There is a commitment for an IRP and permanent loan through American Mortgage Acceptance Corporation for $400,000 and $1,670,000, respectively. The commitment letter indicates a term of 10 years and a fixed rate at 9% for the IRP loan and a term of 18 years and a fixed rate at 7.9% for the permanent loan.

The IRP (interest rate reduction payment) is what will remain along with the HAP contract after the existing 236 loan is decoupled and the original loan is repaid. Under the HUD 236 decoupling program the 236 loan is allowed to be extinguished but the federal assistance payments to help reduce the effective interest rate will be maintained along with the unit affordability. The commitment indicates effective annual payment for the IRP loan will be $60,804 per year based on the 9% interest rate. However, the documentation provided on the IRP suggests only $55,200 in annual payments. Thus the loan amount derived from the subsidy stream will likely be reduced. The annual payment for the permanent loan will be $145,652 per year based on the 7.9% interest rate. Based on the Underwriter's proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 0.99, which is less than the program minimum standard of 1.10. In order to increase the development's DCR to the minimum standard, the maximum debt service for this project should be limited to $186,247. The final IRP loan amount will depend on how much of the IRP payments are left at the time the loan closes. In addition the final interest rate on both loans may depend in part on a determination as to the effect the IRP will have on eligible basis.

Since the IRP is a federal loan subsidy it and/or any loan proceeds derived from it will be regarded as federal below market rate funds and will either need to be reduced from basis or will limit the credit for the whole development to the 4% credit unless the funds may be regarded as non-below market rate if the overall effective interest rate on the total new debt is above AFR (the applicable federal rate) at the time the transaction closes. However, this method of avoiding the federal taint of the IRP has yet to be clearly shown to be acceptable to the IRS. Therefore, it remains possible that the IRP loan in its entirety must be moved from basis and thus a further reduction in credits will be required. Receipt, review and acceptance of documentation of how the IRP will remain in effect and final commitments for both permanent loans at the time of construction loan closing, is a condition of this report. In addition, certification by a third party CPA as to the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or the applicable percentage should be required.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $2,148,000 based on a syndication factor of 77%. The funds would be disbursed in a six-phased pay-in schedule:

1. 25% or $537,000 upon admission of Investor to Project Partnership (the "Closing");
2. 25% or $537,000 at completion of 25% of construction as determined by the Investor's construction consultant;
3. 20% or $429,600 at completion of 50% of construction as determined by the Investor's construction consultant;
4. 5% or $107,400 at completion of 75% of construction as determined by the Investor's construction consultant;
5. 5% or $107,400 upon the completion of construction ("Completion'); and
6. 20% or $429,600 upon the attainment of Rental Achievement.

Deferred Developer's Fees: Since this development has 30%, 40% and 50% of AMGI units, the Applicant's score may be affected as the deferred developer fee proposed exceeds 50% of the eligible developer fees. The Applicant's proposed deferred developer's fee of $312,464 amounts to 58% of the total fees. However, based on the Underwriter' analysis the developer will have to defer 100% of the developer fees plus $26K in contractor fees. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of such fees is a condition of this report.

Financing Conclusions: The Applicant's estimate, adjusted for overstated fees and contingency costs, was used to determine the development's eligible basis and recommended tax credit allocation of $275,871 annually for ten years, which is $3,105 less than requested. This difference is due to the Applicant's use of overstated contingency costs and developer fees as well as to slightly different applicable fractions. As discussed in the operating proforma analysis section of this report, the development's debt coverage ratio is below the minimum standard and, therefore, it is recommended that the annual debt service be limited to $186,247, which would result in a permanent loan of $1,504,542 with the current proposed terms, and an IRP loan of $363,132 with the current proposed terms. Based on the Applicant's total cost estimate, the developer would need to defer an additional $228,331 in fees, or a total of $540,795. This amounts to 100% of the developer fees and a small portion of the contractor fees. The deferred fee appears to be repayable from development cashflow in 15 years. Should the final total loan or syndication amounts decrease by more than $16K this transaction would be deemed infeasible by TDHCA underwriting standards. Thus, any changes in rates, terms or amounts should be closely monitored and the conclusions herein re-evaluated.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple. All units are of average size for market rate and LIHTC units. Each unit has a semi-private exterior entry that is shared with another unit. The units are in two-story structures with mixed brick veneer/HardiPlank siding exterior finish and flat roofs.

IDENTITIES of INTEREST

None noted.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, Preservation Partners, Inc., submitted an unaudited financial statement as of March 20, 2002 reporting total assets of $556K and consisting of $10K in cash, $472K in accounts receivable and $74K in other current assets.
- The principals of the General Partner, Daniel F. O'Dea and W. Douglas Gurkin, submitted an unaudited financial statement as of February 27, 2002 and February 25, 2002, respectively.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed numerous affordable housing projects totaling approximately 504 units since 1998.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.
- Significant environmental risks exist regarding potential asbestos managed through the O & M plan.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee can not be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $275,871 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of an executed Section 8 Housing Assistance Payment (HAP)

contract.

3. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of up to $26K in contractor fees with payment of same to come out of cash flow.
4. Receipt, review and acceptance of documentation of how the IRP will remain in effect and certification by a third party CPA as to the acceptability and detail of the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or reducing the applicable percentage. This condition should be met by or as part of the documentation substantiating the closing of the construction loan.
5. Review of this development's score for including 30%, 40% and 50% of AMGI units, based on the Underwriter's conclusion that the deferred developer fee exceeds 50% of the eligible developer fees.
6. Receipt, review, and acceptance of revised permanent loan commitments reflecting a reduction in the debt service such that debt service does not exceed $186,247 per year.
7. Should the terms of the proposed debt or the key assumptions regarding the IRP, HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

Associate Underwriter:	*Raquel Morales*	**Date:**	May 18, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Town North Apartments, Texarkana, 9% LIHTC, 02156

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
<TC 50%	5	1	1	658	$381	$339	$1,695	$0.52	$28.00	$29.00
<TC 60%	15	1	1	658	458	$339	5,085	0.52	28.00	29.00
>TC 30%	1	2	1.5	896	275	$414	414	0.46	34.00	38.00
>TC 40%	24	2	1.5	896	366	$414	9,936	0.46	34.00	38.00
<TC 50%	10	2	1.5	896	457	$414	4,140	0.46	34.00	38.00
TC 50%	5	2	1.5	896	457	$423	2,115	0.47	34.00	38.00
>TC 50%	8	2	2	936	457	$424	3,392	0.45	34.00	38.00
<TC 60%	7	2	2	936	549	$424	2,968	0.45	34.00	38.00
<TC 60%	1	2	2	936	549	$510	510	0.54	34.00	38.00
>TC 40%	6	3	2	962	423	$559	3,354	0.58	44.00	44.00
>TC 50%	12	3	2	962	529	$559	6,708	0.58	44.00	44.00
<TC 60%	4	3	2	962	635	$559	2,236	0.58	44.00	44.00
TC 60%	2	3	2	962	635	$591	1,182	0.61	44.00	44.00
TOTAL:	100		**AVERAGE:**	871	$391	$437	$43,735	$0.50	$35.20	$37.64

INCOME

			TDHCA	APPLICANT		
Total Net Rentable Sq Ft: 87,064						
POTENTIAL GROSS RENT			$524,820	$502,944		
Secondary Income	Per Unit Per Month:	$10.00	12,000	12,000	$10.00	Per Unit Per Month
Other Support Income:IRP Payment			55,200	0		
POTENTIAL GROSS INCOME			$592,020	$514,944		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(44,402)	(37,716)	-7.32%	of Potential Gross Rent
Concessions				(5,916)		
EFFECTIVE GROSS INCOME			$547,619	$471,312		

EXPENSES

		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.79%	$317	$0.36	$31,704	$22,500	$0.26	$225	4.77%
Management		5.48%	300	0.34	30,015	20,084	0.23	201	4.26%
Payroll & Payroll Tax		15.79%	865	0.99	86,488	60,000	0.69	600	12.73%
Repairs & Maintenance		6.79%	372	0.43	37,174	31,500	0.36	315	6.68%
Utilities		6.26%	343	0.39	34,272	20,000	0.23	200	4.24%
Water, Sewer, & Trash		8.25%	452	0.52	45,168	21,000	0.24	210	4.46%
Property Insurance		2.71%	148	0.17	14,822	45,000	0.52	450	9.55%
Property Tax	2.3195	4.77%	261	0.30	26,131	25,000	0.29	250	5.30%
Reserve for Replacements		5.48%	300	0.34	30,000	30,000	0.34	300	6.37%
Other Expenses: Compliance & Supp.Serv		1.28%	70	0.08	7,000	7,000	0.08	70	1.49%
TOTAL EXPENSES		62.59%	$3,428	$3.94	$342,773	$282,084	$3.24	$2,821	59.85%
NET OPERATING INC		37.41%	$2,048	$2.35	$204,846	$189,228	$2.17	$1,892	40.15%

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
American Mortgage Acceptanc Co.	26.60%	$1,457	$1.67	$145,652	$145,652	$1.67	$1,457	30.90%
IRP Loan	11.10%	$608	$0.70	60,804	60,804	$0.70	$608	12.90%
Cash Equity	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	-0.29%	($16)	($0.02)	($1,611)	($17,228)	($0.20)	($172)	-3.66%
AGGREGATE DEBT COVERAGE RATIO				0.99	0.92			
ALTERNATIVE DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		26.20%	$11,730	$13.47	$1,173,000	$1,173,000	$13.47	$11,730	25.89%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.60%	1,610	1.85	161,000	161,000	1.85	1,610	3.55%
Direct Construction		32.00%	14,326	16.45	1,432,605	1,432,605	16.45	14,326	31.62%
Contingency	10.00%	3.56%	1,594	1.83	159,361	191,233	2.20	1,912	4.22%
General Requirement	6.00%	2.14%	956	1.10	95,616	95,616	1.10	956	2.11%
Contractor's G & A	2.00%	0.71%	319	0.37	31,872	31,872	0.37	319	0.70%
Contractor's Profit	6.00%	2.14%	956	1.10	95,616	95,616	1.10	956	2.11%
Indirect Construction		5.77%	2,585	2.97	258,500	258,500	2.97	2,585	5.71%
Ineligible Expenses		7.19%	3,219	3.70	321,888	321,888	3.70	3,219	7.10%
Developer's G & A	2.00%	1.53%	687	0.79	68,691	0	0.00	0	0.00%
Developer's Profit	13.00%	9.97%	4,465	5.13	446,494	537,235	6.17	5,372	11.86%
Interim Financing		3.40%	1,520	1.75	151,999	151,999	1.75	1,520	3.35%
Reserves		1.79%	800	0.92	80,048	80,000	0.92	800	1.77%
TOTAL COST		100.00%	$44,767	$51.42	$4,476,689	$4,530,564	$52.04	$45,306	100.00%
Recap-Hard Construction Costs		*44.14%*	***$19,761***	***$22.70***	***$1,976,070***	***$2,007,942***	***$23.06***	***$20,079***	*44.32%*

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
American Mortgage Acceptanc Co.	37.30%	$16,700	$19.18	$1,670,000	$1,670,000	$1,502,542
IRP Loan	8.94%	$4,000	$4.59	$400,000	$400,000	$363,132
LIHTC Syndication Proceeds	47.98%	$21,480	$24.67	2,148,000	2,148,000	2,123,996
Cash Equity	0.00%	$1	$0.00	100	100	100
Deferred Developer Fees	6.98%	$3,125	$3.59	312,464	312,464	540,795
Additional (excess) Funds Required	-1.20%	($539)	($0.62)	(53,875)	0	0
TOTAL SOURCES				$4,476,689	$4,530,564	$4,530,564

Town North Apartments, Texarkana, 9% LIHTC, 02156

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				
Adjustments				
Exterior Wall Finish				
Elderly				
Roofing				
Subfloor				
Floor Cover				
Porches/Balconies				
Plumbing				
Built-In Appliances				
Stairs/Fireplaces				
Floor Insulation				
Heating/Cooling				
Garages/Carports				
Comm &/or Aux Bldgs				
Other:				
SUBTOTAL				
Current Cost Multiplier				
Local Multiplier				
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld p	3.90%			
Interim Construction Inter	3.38%			
Contractor's OH & Profit	11.50%			
NET DIRECT CONSTRUCTION COSTS				

PAYMENT COMPUTATION

Primary	$1,670,000	Term	360
Int Rate	7.90%	DCR	1.41

Secondary	$400,000	Term	120
Int Rate	9.00%	Subtotal DCR	0.99

Additional		Term	
Int Rate		Aggregate DCR	0.99

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$131,047
Secondary Debt Service	55,200
Additional Debt Service	0
NET CASH FLOW	$18,599

Primary	$1,502,542	Term	360
Int Rate	7.90%	DCR	1.56

Secondary	$363,132	Term	120
Int Rate	9.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$524,820	$540,565	$556,782	$573,485	$590,690	$684,771	$793,837	$920,275	$1,236,773
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income:IRP Paym	55,200	56,856	58,562	60,319	62,128	72,023	83,495	96,794	130,082
POTENTIAL GROSS INCOME	592,020	609,781	628,074	646,916	666,324	772,452	895,483	1,038,111	1,395,134
Vacancy & Collection Loss	(44,402)	(45,734)	(47,106)	(48,519)	(49,974)	(57,934)	(67,161)	(77,858)	(104,635)
Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$547,619	$564,047	$580,968	$598,398	$616,349	$714,518	$828,322	$960,252	$1,290,499
EXPENSES at 4.00%									
General & Administrative	$31,704	$32,972	$34,291	$35,662	$37,089	$45,124	$54,900	$66,795	$98,873
Management	30,015	30,916	31,843	32,798	33,782	39,163	45,400	52,632	70,732
Payroll & Payroll Tax	86,488	89,947	93,545	97,287	101,179	123,099	149,769	182,217	269,726
Repairs & Maintenance	37,174	38,660	40,207	41,815	43,488	52,910	64,373	78,319	115,931
Utilities	34,272	35,643	37,069	38,551	40,093	48,780	59,348	72,206	106,882
Water, Sewer & Trash	45,168	46,975	48,854	50,808	52,840	64,288	78,216	95,162	140,863
Insurance	14,822	15,415	16,031	16,673	17,339	21,096	25,667	31,227	46,224
Property Tax	26,131	27,176	28,263	29,394	30,569	37,192	45,250	55,054	81,493
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	7,000	7,280	7,571	7,874	8,189	9,963	12,122	14,748	21,831
TOTAL EXPENSES	$342,773	$356,184	$370,122	$384,608	$399,665	$484,315	$586,996	$711,565	$1,046,115
NET OPERATING INCOME	$204,846	$207,863	$210,847	$213,789	$216,685	$230,203	$241,326	$248,687	$244,384
DEBT SERVICE									
First Lien Financing	$131,047	$131,047	$131,047	$131,047	$131,047	$131,047	$131,047	$131,047	$131,047
Second Lien	55,200	55,200	55,200	55,200	55,200	55,200	55,200	55,200	55,200
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$18,599	$21,617	$24,600	$27,543	$30,438	$43,957	$55,080	$62,441	$58,137
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.16	1.24	1.30	1.34	1.31
						37,197	49,518	58,760	60,289
Cumulative Cash Flow	18,599	40,216	64,816	92,359	122,797	308,784	556,375	850,176	1,453,065

LIHTC Allocation Calculation - Town North Apartments, Texarkana, 9% LIHTC, 02156

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$125,000	$125,000				
Purchase of buildings	$1,048,000	$1,048,000	$1,048,000	$1,048,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$161,000	$161,000			$161,000	$161,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$1,432,605	$1,432,605			$1,432,605	$1,432,605
(4) Contractor Fees & General Requirements						
Contractor overhead	$31,872	$31,872			$31,872	$31,872
Contractor profit	$95,616	$95,616			$95,616	$95,616
General requirements	$95,616	$95,616			$95,616	$95,616
(5) Contingencies	$191,233	$159,361			$159,361	$159,361
(6) Eligible Indirect Fees	$258,500	$258,500			$258,500	$258,500
(7) Eligible Financing Fees	$151,999	$151,999			$151,999	$151,999
(8) All Ineligible Costs	$321,888	$321,888				
(9) Developer Fees			$157,200	$157,200	$357,985	$357,985
Developer overhead		$68,691				
Developer fee	$537,235	$446,494				
(10) Development Reserves	$80,000	$80,048				
TOTAL DEVELOPMENT COSTS	$4,530,564	$4,476,689	$1,205,200	$1,205,200	$2,744,554	$2,744,554

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$1,205,200	$1,205,200	$2,744,554	$2,744,554
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,205,200	$1,205,200	$2,744,554	$2,744,554
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,205,200	$1,205,200	$2,744,554	$2,744,554
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$44,231	$44,231	$231,640	$231,640
Syndication Proceeds		**0.7699**	**$340,543**	**$340,543**	**$1,783,452**	**$1,783,452**

Total Credit Amount	$275,871	$275,871
Total Syndication Amount	$2,123,996	$2,123,996