

# BOARD MEETING OF MAY 13, 2004

**Beth Anderson, Chair**  
**C. Kent Conine, Vice-Chair**



Patrick R. Gordon, Member  
Vidal Gonzalez, Member  
Shadrick Bogany, Member  
Norberto Salinas, Member

***MISSION***

***TEXAS DEPARTMENT OF HOUSING AND COMMUNITY  
AFFAIRS***

***TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY OF  
LIFE THROUGH THE DEVELOPMENT OF BETTER  
COMMUNITIES***

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**BOARD MEETING**

**MAY 13, 2004**

**ROLL CALL**

	Present	Absent
Anderson, Beth, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Gordon, Patrick, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

\_\_\_\_\_, Presiding Officer

**BOARD MEETING  
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
507 Sabine, Room 437, Austin, Texas 78701  
Thursday, May 13, 2004 9:00 am**

**A G E N D A**

**CALL TO ORDER, ROLL CALL  
CERTIFICATION OF QUORUM**

Elizabeth Anderson  
Chair of Board

**PUBLIC COMMENT**

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

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

**ACTION ITEMS**

- |  |                    |
|--|--------------------|
| Recognition of Mr. Michael Jones, Former Board Chairman  | Elizabeth Anderson |
| Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 8, 2004   | Elizabeth Anderson |
| Item 2 Presentation and Discussion of Report from the Programs Committee:  | C. Kent Conine     |
| a) Update on Issues Raised at the Programs Committee and Board Meetings of April 8, 2004   |                    |
| b) Amendments to the 2004 Consolidated – One Year Action Plan  |                    |
| c) Update of Department's Draft Performance Measures for 2006-2007   |                    |
| d) Discussion for Funding Sources for Preservation   |                    |
| Item 3 Presentation, Discussion and Possible Approval of Programmatic Items:   | C. Kent Conine     |
| a) Use of Returned Below Market Interest Rate Program (BMIR) Funds to Fund Willow Bend Creek Sponsored by Ability Resources, Inc., in Ft. Worth, Texas in Lieu of HOME Funds           |                    |
| b) Recommendations for Funding to Rural Economic Assistance League, Inc. and the Institute of Rural Development with Declined Funds from the Gonzalez Economic Development Corporation |                    |
| c) Single Family Mortgage Revenue Bond Program 61 Lender List  |                    |
| d) HOME Program Disaster Relief Awards for:<br>Brooks County for \$514,800 and City of Toyah for \$514,800   |                    |
| e) Recommendation for United Cerebral Palsy (UCP) HOME Program Award Utilizing Deobligated Funds in the Amount of \$500,000  |                    |
| Item 4 Presentation, Discussion and Possible Approval of Department Rules:   | Edwina Carrington  |

- a) Proposed New Title 10, Part 1, Chapter 35 – Multifamily Housing Revenue Bond Rules
- b) New Title 10, Part 1, Chapter 1, §1.16 - Rule Regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers
- c) Proposed New Title 10, Part 1, Chapter 1, §1.17 - Rule on Department Policy Concerning Alternative Dispute Resolution and Negotiated Rulemaking

Item 5 Presentation and Discussion of Report from Audit Committee:

Shadrick Bogany

- a) KPMG 2003 Statewide Federal Single Audit Report
- b) Status of Prior Audit Issues
- c) Section 8 Family Self Sufficiency Program
- d) Status of Central Database

Item 6 Presentation, Discussion and Possible Approval of Multi-Family: Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits With TDHCA as the Issuer:

Vidal Gonzalez

- a) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Evergreen at Plano Independence, Plano, Texas in an Amount Not To Exceed \$14,750,000 and Issuance of Determination Notice (Requested Amount of \$585,335 and Recommended Amount of \$585,335) for Housing Tax Credits for Evergreen at Plano Independence, Plano, Texas #04-409
- b) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Montgomery Pines, Porter, Texas in an Amount Not to Exceed \$12,300,000 and Issuance of Determination Notice (Requested Amount of \$622,992 and Recommended Amount of \$621,509) for Housing Tax Credits for Montgomery Pines, Porter, Texas #04-411
- c) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Pinnacle Apartments, Houston, Texas in an Amount Not to Exceed \$14,500,000 and Issuance of Determination Notice (Requested Amount of \$709,370 and Recommended Amount of \$707,967) for Housing Tax Credits for Pinnacle Apartments, Houston, Texas #04-415
- d) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Bristol Apartments, Houston, Texas in an Amount Not to Exceed \$12,625,000 and Issuance of Determination Notice (Requested Amount of \$898,771 and Recommended Amount of \$898,771) for Housing Tax Credits for Bristol Apartments, Houston, Texas #04-416
- e) Selection of Underwriters for the Multi-Family Bond Program

Item 7 Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

Elizabeth Anderson

- a) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Rural Regional Allocation
- b) Revision to Policy on Process/Procedures for USDA Rural Rescue Developments
- c) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
  - 4-405 Primrose at Aldine Bender, Houston, Texas  
Harris County Housing Finance Corp. is the Issuer  
(Requested Amount of \$861,839 and Recommended Amount of \$848,953)
  - 4-413 Corinth Estates, Corinth, Texas  
Denton County Housing Finance Corp. is the Issuer  
(Requested Amount of \$662,566 and Recommended Amount of \$662,566)
- d) Proposed Amendments to Housing Tax Credit Projects:
  - 1) 03-236 Little York Villas, Houston, Texas
  - 2) 03-415 Southwest Pines Apartments, Tyler, Texas
- e) Extension of Construction Loan Closing Deadline for Little York Villas, Houston, Texas
- f) Meadows of Oakhaven, Pleasanton, Texas, 02-131, to Consider Award of 2004 Forward Commitment
- g) Housing Tax Credit Construction Inspection Fees Outstanding and Related Qualified Allocation Plan Requirements
- h) Request for Additional Housing Tax Credits for Lake West Townhomes, 0005T, in the Amount of \$38,116 (Total amount Of Housing Tax Credits for Lake West Townhomes is \$570,370)

**EXECUTIVE SESSION**

Elizabeth Anderson

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session  
Personnel Matters – Discussion Under Sec. 551.074, Texas Government Code of Performance Evaluation for Internal Auditor

**OPEN SESSION**

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**

Executive Directors Report

1. Chart Reflecting Activities for Marketing, Trade Shows, Speaking Engagements – April – August, 2004
2. Letter from Attorney General's Office Addressing Scoring of Written Comments From Local Elected Officials in the Low Income Housing Tax Credit Program

**ADJOURN**

Elizabeth Anderson

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

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

*Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.*

**EXECUTIVE OFFICE**  
**BOARD ACTION REQUEST**  
**May 13, 2004**

**Action Item**

Board Minutes of April 8, 2004.

**Required Action**

Approve the minutes for the Board Meeting with any necessary corrections.

**Background**

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.



**BOARD MEETING**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
507 Sabine, Room 437, Austin, Texas 78701  
April 8, 2004                      10:30 a. m.

**Summary of Minutes**

**CALL TO ORDER, ROLL CALL**  
**CERTIFICATION OF QUORUM**

The Board Meeting of the Texas Department of Housing and Community Affairs of April 8, 2004 was called to order by the Chair of the Board Elizabeth Anderson at 11:10 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, 507 Sabine, Austin, Texas. Roll call certified a quorum was present.

Members present:

Elizabeth Anderson – Chair  
C. Kent Conine – Vice Chair  
Shadrick Bogany – Member  
Patrick Gordon – Member  
Norberto Salinas – Member  
Vidal Gonzalez – Member

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

Ms. Anderson noted that Liza Gonzales from the Governors Office; Scott Sims from the Speakers Office and Beau Rothchild from the House Urban Affairs Committee were in attendance and thanked them for being at the Board Meeting.

**PUBLIC COMMENT**

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

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

Gary Coe, City Council Member, Round Rock, Texas

Councilman Coe stated he was speaking on Red Hill Villas and the Round Rock City Council was in favor of the original application for this housing development and still have no objections and are in favor of any amendment to this trust indenture.

Neal Sox Johnson, Executive Director, Rural Rental Housing Association, Temple, Texas

Mr. Johnson stated the Rural Rental Housing Association is joining in a partnership with TDHCA staff to conduct compliance training workshops. They are also interested in trying to get someone involved in doing fair-housing training. He complimented TDHCA staff for all they do.

Bobby Bowling, Developer, El Paso, Texas

Mr. Bowling stated he has one of the five projects requesting a waiver of specific Qualified Allocation Plan requirements. TDHCA staff is recommending approval of this item. His project is Diana Palms and was submitted as a 36 unit, 100% three bedroom project. He is asking for approval of the three bedroom units for the entire project.

Donna Chatham, Exec. Director, Association of Rural Communities in Texas, Austin, Texas

Ms. Chatham asked for an update on the status of the NOFA for the HOME program. She then stated the ORCA Executive Committee did away with the housing infrastructure fund, the set-aside, and the housing rehab. They

took the \$4.45 million and put it in the community development supplemental fund. There was originally a mandate that each region set aside 8% but this was removed and there is no mandate on the request to the regions to set aside 8.85% for the housing fund. This will be put out for public comment in their 2005 Action Plan. She also stated that the Board of the Association of Rural Communities in Texas has established a Rural Partner Award for a member of the Senate and a member of the House that were their friends for rural Texas. Senator Frank Madla and Rep. Robby Cook will receive this award at their meeting on April 22, 2004. The Board also voted, hands-down, to award the state agency that had been quite another success story for rural Texas. They looked for the state agency to be inclusive in their policy making; proactive in their problem solving and going beyond public comments and the receptivity of the staff. They will award TDHCA with the Rural Partners Award and in particular, Edwina Carrington for the wonderful, outstanding job that she has done and continues to do for rural Texas of wanting to be inclusive and wanting to hear not only from them but from everyone.

In reply to the status of the NOFA for the HOME Program Ms. Carrington stated that the two NOFAs for the HOME funds were posted to the web site. The NOFAs are for \$9 million each and one is for preservation which does include rehabilitation and the other is available for CHDOs.

Ms. Anderson closed public comment at 11:18 p.m. but those people who requested to speak at the time of the agenda items will do so at that time.

#### **ACTION ITEMS**

**(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of March 11, 2004**

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Minutes of the Board Meeting of March 11, 2004.

Passed with 4 ayes and 2 abstentions (Mr. Gonzalez and Mr. Salinas abstained from voting as they were not in attendance at the March 11, 2004 Board Meeting).

**(2) Presentation and Discussion of Report from the Programs Committee:  
(a) HOME Program**

Mr. Conine stated the Programs Committee met earlier in the day and had good discussions regarding the HOME Program and asked staff to report back at the next meeting with several issues regarding the rental housing development program, owner-occupied assistance and tenant-based rental assistance and the way things are handled for these categories. He stated it is time for the staff to solicit public comment on the HOME Program this summer and report back to the Board this fall with some direct recommendations as to changes in the way the Department handles the HOME Program.

**(3) Presentation, Discussion and Possible Approval of Programmatic Items:  
(a) Proposed New Title 10, Part 1, Chapter 35 – Multifamily Housing Revenue Bond Rules**

This item was deferred until next month.

**(b) Amendment to Trust Indenture for Red Hill Villas, Round Rock, Texas**

Ms. Carrington stated in December 2000 the Department issued both tax-exempt and taxable bonds to finance a multifamily property in Round Rock, Texas. The trust indenture had a 24-month period for stabilization after the completion date of the development. The development was not able to meet that 24-month completion date. Staff is recommending that a first supplemental trust indenture be executed to extend the mandatory redemption period of a portion of the bonds by 18 months which would take the redemption period from 24 months to 42 months. The partnership will pay a yield maintenance fee of approximately \$355,000 to Charter Mac.

Robert Onion stated the previous management company was a Hunt related property management company operating in El Paso. The applicant realized that there were problems on the day-to-day management due to the distance between Round Rock and El Paso. They have changed to Capstone which is a local property management company. Within 90 days of this change, the occupancy has risen from 70% to 80%.

Mr. Conine had questions on the Round Rock and surrounding Austin apartment market that has suffered from an oversupply of Class A apartment developments, job losses in the high-tech industry and a movement

of apartment tenants to single-family home ownership. He asked if this is a trend developing or whether this area is just oversaturated with multifamily units.

Mr. Onion replied that there have been many Class A apartment complexes built between 2000 and 2003. Because of the low interest rate for first-time homebuyers there is a flight of tenants going to first-time home ownership and this has caused a problem for the apartment market in the occupancy and an impact on the rental rates.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Amendment to the Trust Indenture for Red Hill Villas, Round Rock, Texas

Amendment to the motion to include Resolution No. 04-020 for approval of Red Hill Villas.  
Passed Unanimously – Motion and Amendment

**(4) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:**  
**(a) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:**  
**04-402 Blue Water Garden Apartments, Hereford, Panhandle Regional Housing Finance Corp. is the Issuer**  
**(Requested Amount of \$229,154 and Recommended Amount of \$228,973)**

Ms. Carrington stated Blue Water Garden Apartments is located in Hereford, Texas and is from the 2004 private activity bond allocation. The issuer is the Panhandle Regional Housing Finance Corporation. It is an acquisition rehab and is a property that was built in 1972. It has a Housing Assistance Payments contract with it and the developer does plan to keep the interest reduction payment loan on the property. Staff is recommending \$228,973 for this transaction and recommends approval of the credits on this transaction.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the issuance of a determination notice for Blue Water Gardens of Hereford, Texas for \$228,973.  
Passed Unanimously

Manish Verma, San Antonio, Texas

Mr. Verma represented the developer of the Stonehouse Valley Apartments and was in attendance to answer any questions the Board may have.

**04-403 Stonehouse Valley Apartments, San Antonio, San Antonio Housing Finance Corp. is the Issuer**  
**(Requested Amount of \$570,337 and Recommended Amount of \$549,784)**

Ms. Carrington stated Stonehouse Valley Apartments to be located in San Antonio is a proposed new construction. San Antonio Housing Finance Corporation is the issuer. Staff is recommending \$549,784 in the credit allocation amount.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the issuance of a determination notice for Stonehouse Valley Apartments, San Antonio, in the amount of \$549,784.  
Passed Unanimously

**(b) Proposed Amendments to Housing Tax Credit Projects:**  
**03-163 Cedar View, Mineral Wells, Texas**

Ms. Carrington stated that the Board is required to review this project as there is a material change in this project. Cedar View is an allocation of 2003 tax credits located in Mineral Wells. The applicant is requesting to remove two small tracts of land, one .85 acres and one .98 acres, from the original site. This will increase the density a small amount but it would be 9% greater than the original density and the tolerance is 5%. Staff feels this is a positive for the development and is in the rural set-aside.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the material change for Cedar View, 03-163 in Mineral Wells, Texas.  
Passed Unanimously

**(c) Waiver of Specific 2004 Qualified Allocation Plan Requirement under §50.3(47) for Three of the Five 2004 Forward Commitment Awards**

Ms. Carrington stated the Board issued forward commitments for 2004 allocations of tax credits in 2003. There were five developments that the Board issued forward commitments to. Three of those five developments are requesting a waiver specifically of the one requirement that has percentage limits on the number of units for one-bedroom, two-bedroom and three-bedroom units. The three developments are Diana Palms in El Paso; Cricket Hollow in Willis; and Kingsland Trails in Kingsland.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the waiver of Section 50.3(47) for Diana Palms in El Paso; Cricket Hollow in Willis; and Kingsland Trails in Kingsland 2004 Forward Commitment Awards.

Passed Unanimously

**(5) Presentation, Discussion and Possible Approval of Second Quarter Investment Report**

Mr. Bill Dally, Chief of Agency Administration, stated this is the second quarter report for the quarter ending February 29, 2004. It has all the required elements of the Public Funds Investment Act and the Department Investment Policy. The report reflected where the funds are, the current value and the fair value of investments. There was a \$4.2 million unrealized gain over this last quarter. The difference between the fair value and the carrying value of those investments is now at \$30.3 million. The multifamily issues have increased as 8 new issues closed for a total of \$120.6 million. The Guaranteed Investment Contracts are lendable funds and the Department has single-family lendable funds. The investment agreements and Treasury-backed mutual funds are the multifamily lendable funds. He asked the Board to approve the Center for Public Management to provide investment officer training.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve the Center for Public Management to provide investment officer training.

Passed Unanimously

Mr. Conine asked that next month they be provided with the products and services offered by the Federal Home Loan Bank in Dallas and how they either could or could not help in this overall investment activity. Mr. Dally will handle this report to the Board.

Ms. Anderson announced that the May Board Meeting will have numerous items on the agenda so committee meetings should be planned for the day before the Board Meeting. Ms. Groneck will coordinate with the members on the committee meetings, etc.

**EXECUTIVE SESSION**

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

**OPEN SESSION**

Action in Open Session on Items Discussed in Executive Session

There was no executive session held.

**REPORT ITEMS**

Executive Directors Report

1. Bethel Senior Housing – HOME Rental CHDO Contract

Ms. Carrington stated Bethel Senior Housing was approved in 2003 for funding of 16 units to be located in Crockett, Texas. They are withdrawing their application and they as an organization are looking at their future goals and objectives of the corporation and have decided that this is not an appropriate role for them to take at this time.

2. Joint Hearing of the Senate Intergovernmental Relations Committee and the House Urban Affairs Committee and Hearing of the House Urban Affairs Committee on March 24, 2004

Ms. Carrington stated on March 24<sup>th</sup> there was a joint hearing of the Urban Affairs Committee and the Senate Intergovernmental Relations Committee. The members of these committees noted that they want Board

members to attend these hearings. Staff will be reminding Board members of any hearings being held that affect the Department.

3. Ex Parte Explanatory Document for the Department's Website

Ms. Carrington stated the Ex Parte Explanatory Document will be put on the web site. Ex Parte continually caused confusion with the public, developers and others about how the Department views and implements ex parte. The Department has developed a summary document to help the public understand what the Department believes is the scope of ex parte; who it applies to, when it applies, what you can talk about and what you are not to talk about.

4. Pricing of Mortgage Revenue Bond Program 61

Ms. Carrington stated the pricing was held in New York and the unassisted loans will have an interest rate of 4.99% and the assisted loans will have an interest rate of 5.5%. The Department did make the *Bond Buyer* magazine with an article called "Texas Housing Agency's 180 Millionth Sale Features Two Firsts". Timing was very good and the Department had buyers for all of TDHCA's bonds in two days. UBS, Dain Rauscher and the Bond Finance staff did a good job for the Department.

Mr. Conine stated that at the bond workshop held in Dallas in February, the issue of should the Department become rated or not was discussed and he will visit with Ms. Carrington and come up with a plan on this subject.

**ADJOURN**

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

The meeting adjourned at 12:01 p.m.

Respectfully submitted,

Delores Groneck  
Board Secretary

Bdmiapr

**PROGRAMS COMMITTEE REPORT**  
**Items 2A, 2B, 2C and 2D**

See Programs Committee Book and Meeting set for May 12, 2004

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Staff requests approval to substitute committed HOME Funds in the amount of \$623,226 with Below Market Interest Rate (BMIR) Program Funds (that were not previously transferred to the Multifamily Housing Preservation Incentive Program Fund) to Ability Resources Incorporated for Willow Bend Creek. Additionally, staff requests approval to transfer \$112, 821 in remaining BMIR funds to the Multifamily Housing Preservation Incentive Program Fund.

**Background of the Willow Bend Creek Apartment Transaction**

On September 11, 2003 the Board approved an award of HOME Investment Partnership Program (HOME) funds, to Ability Resources Incorporated, a Texas non-profit, for \$623,226 to finance the new construction of a 22-unit development known as Willow Bend Creek Apartments in Fort Worth, specifically from the Community Housing Development Organization (CHDO) set-aside. As originally submitted and approved, there are three sources of funds being utilized to build this development: U.S. Department of Housing and Urban Development (HUD) Section 811 Program funds in the amount of \$582,100; the previously referenced HOME Funds in the amount of \$623,226; and Housing Trust Fund State Energy Conservation Office (SECO) funds in the amount of \$33,000. The HUD Section 811 funds are restricted to only funding units for persons with disabilities (9 units) and HUD requires a first lien on those 9 units. Because the Section 811 funds are being utilized for those 9 units, it was anticipated that the HOME funds would cover costs on the remaining non-disabled units. At the time staff recommended the HOME funds be awarded in September 2003, it was staff's interpretation that this was acceptable because the combined funds were being used for the benefit of persons with disabilities in an integrated setting. However, subsequently, the department's legal staff further reviewed this issue and recommended that HOME funds not be used; §2306.111, Texas Government Code, requires that if HOME funds are used in Participating Jurisdictions, the funds "shall be used for the benefit of persons with disabilities." Therefore, staff felt that it was most prudent to identify an alternative source of funding other than the HOME Program to fund Willow Bend Creek. That alternative funding source is described below.

**Description of Alternate Source of Funds**

On September 11, 2003 the Board approved a loan to Urban Progress Corp. dba Las Palmas Gardens Apartments for \$736,047 under the BMIR Program. The applicant allowed their commitment of BMIR funds to expire; forfeiting these funds to pursue Housing Tax Credits under the At-Risk Set-Aside. Staff is suggesting that a portion of these funds (\$623,226) be used to substitute the committed HOME funds on the Willow Bend Creek transaction described above. Staff also recommends that the balance of the BMIR funds from Las Palmas Gardens, in the amount of \$112,821, be transferred to the Multifamily Housing Preservation Incentive Program Fund. As indicated to the Board in September 2003, no other owners under the BMIR Program have indicated an interest in the program. A summary of the Multifamily Housing Preservation Incentive Program Funds to date is attached.

**Financial Structure of Willow Bend Creek**

At the time the HOME award was made, the loan for Willow Bend Creek was amortized for 30 years and had a 6% interest rate. However, based on further review of the financial feasibility, the Real Estate Analysis Division recommended that the loan, still amortized for 30 years, have an interest rate of 3¼%.

**Recommendation**

Recommend approval to substitute committed HOME Funds in the amount of \$623,226 with BMIR Funds for the Willow Bend Creek application; and to transfer the balance of the remaining BMIR funds (\$112,821) to the Multifamily Housing Preservation Incentive Program Fund.

**Historic Summary of Source and Award Activity**

**Multifamily Housing Preservation Incentives Program**  
**April 23, 2004**

<b>Fund Allocations</b>	<b>Date</b>	<b>Amount</b>
Board Allocation (2002 Jr. Lien Proceeds)	2/21/2002	2,000,000
Board Allocation (2002 Jr. Lien Proceeds)	7/29/2002	2,000,000
Board Allocation (2002 Jr. Lien Proceeds)	4/10/2003	152,944
Board Allocation (BMIR Program)	9/11/2003	344,961
Residual Funds 1983 Series	10/9/03	308,884.50
Board Allocation (BMIR Program)	2/11/2004	1,079,722
<b>Total</b>		<b>\$5,886,511.50</b>

<b>Project Awards</b>	<b>Date</b>	<b>Amount</b>
Walnut Hills Apts., Baird, Callahan Co.	7/29/2002	282,355
Colony Park Apts., Eastland, Eastland Co.	7/29/2002	633,078
Cedar Ridge Apts., Dayton, Liberty Co	11/14/2002	1,000,000
Cameron Apts., Cameron, Milam Co.	8/26/2002	852,240
Country Club Village Apts., San Antonio, Bexar County	4/10/2003	909,657
Cedar Cove Apts. Sealy, Texas	7/30/2003	200,000
Sherwood Apartment, Edinburg, Texas	2/12/04	825,000
<b>Total</b>		<b>\$4,702,330</b>

Remaining balance of funds	\$1,184,181.50
Requested transfer if approved (5/13/04)	112,821
<b>Anticipated Available Preservation Funds</b>	<b>\$1,297,002.50</b>



**SINGLE FAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST  
MAY 13, 2004**

**Action Items**

Request approval of two (2) 2002-2003 HOME Investment Partnerships (HOME) Program Award Recommendations for Owner Occupied Assistance under the General Set Aside, for total awards in the amount of \$520,000.

**Required Action**

Approve the HOME Program Award Recommendations.

**Breakdown and Recommendations**

**Summary**

The Gonzales Economic Development Corporation was recommended for funding at the July 30, 2003 Board meeting. The amount recommended was \$500,000 in project funds and \$20,000 in administrative funds, totaling \$520,000 from the 2002-2003 HOME funding cycle from the General Set Aside. The Gonzales Economic Development Corporation has declined this award. The Rural Economic Assistance League, Inc. and the Institute of Rural Development are the next highest scoring applicants (scoring 110 points each in Uniform State Service Region 10) which have not been recommended for funding. Both applicants requested \$500,000 in project funds and \$20,000 in administrative funds at the time of application. Given tied scores, the Department requests that the funding recommendation returned by the Gonzalez Economic Development Corporation be spilt equally among the two applicants as follows:

<b>APPLICATION NUMBER</b>	<b>APPLICANT</b>	<b>PROJECT FUNDS REQUESTED</b>	<b>PROJECT FUNDS RECOMMENDED</b>	<b>ADMINISTRATIVE FUNDS RECOMMENDED</b>	<b>UNITS RECOMMENDED</b>
2003-0200	Institute of Rural Development	\$500,000.00	\$250,000.00	\$10,000.00	5
2003-0211	Rural Economic Assistance League, Inc.	\$500,000.00	\$250,000.00	\$10,000.00	5
			<b>\$500,000.00</b>	<b>\$20,000.00</b>	<b>10</b>

Project Funds Recommended: \$500,000.00  
Administrative Funds Recommended: \$ 20,000.00  
Total Funds Recommended: \$520,000.00

**Recommendation**

Staff recommends approval of two (2) applications for Owner Occupied Housing Assistance for awards utilizing declined 2002-2003 HOME Investment Partnerships Program funds from the Gonzales Economic Development Corporation. Staff also recommends and requests approval of 4% administrative funds to both applicants, based on the amount of project dollars recommended.

# SINGLE FAMILY FINANCE PRODUCTION DIVISION

## BOARD ACTION REQUEST MAY 13, 2004

### Action Item

Request approval of the Participating Lender list for Single Family Mortgage Revenue Bond Program 61.

### Required Action

Approve the Participating Lender List for Program 61.

### Background

#### Summary

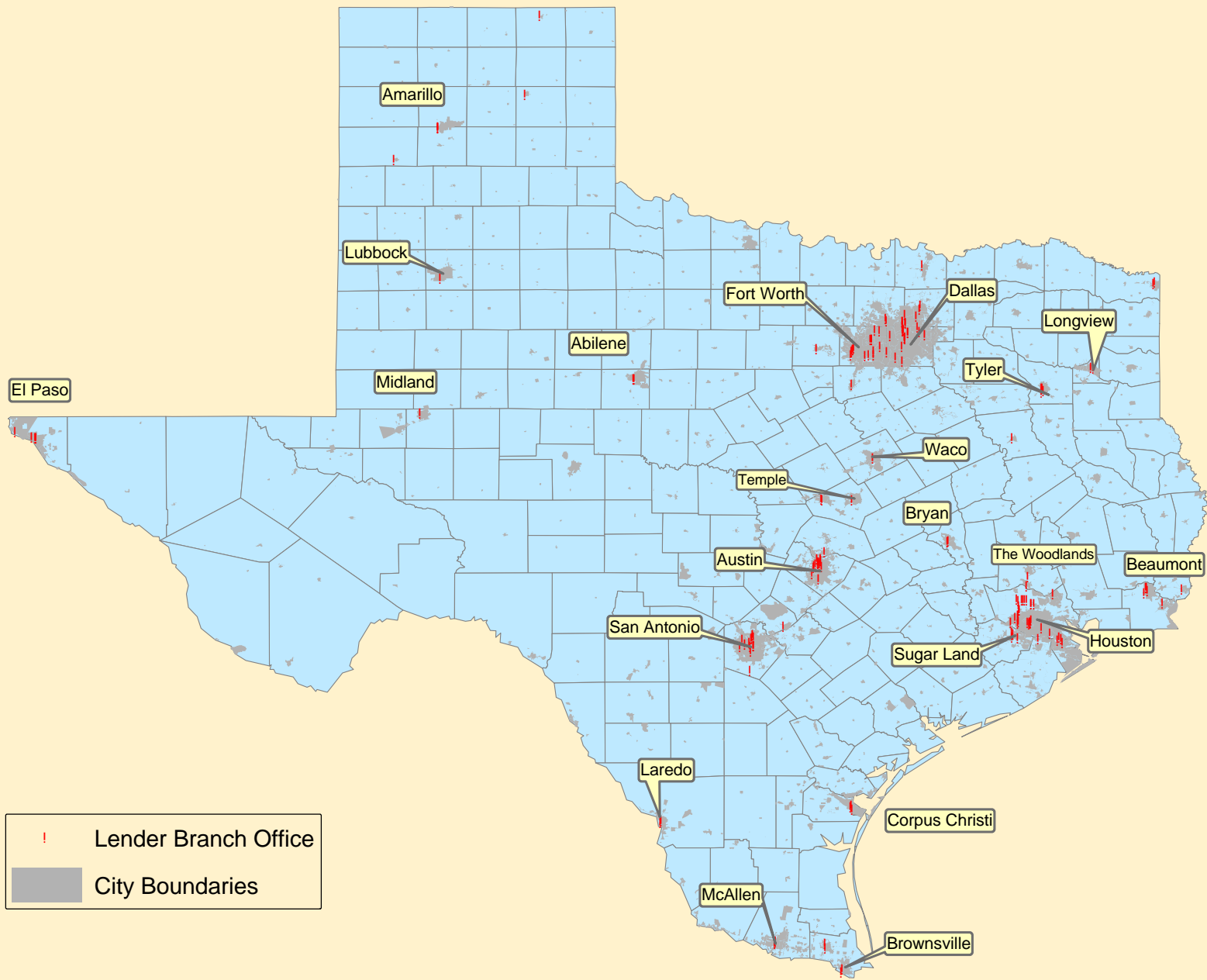
Invitations to originate mortgage loans were recently sent out to interested lenders for participation in Bond Program 61. To date, 25 lenders have signed up to participate representing approximately 200 branches statewide. We recommend that the following list of lenders be approved by the Board.

<u>Lender Name</u>	<u>Corporate Address</u>	<u>City</u>	<u>State</u>	<u># of Branches</u>
Bank One Mortgage	10300 Kincaid Drive	Indianapolis	IN	9
CDC Brownsville	901 East Levee	Brownsville	TX	1
Chase Manhattan Mortgage Corporation	343 Thornall Street	Edison	NJ	9
Coastal Bend Mtg. Inc., dba Global Mortgage Group	5656 South Staples	Corpus Christi	TX	1
Colonial Savings, F. A. (Fort Worth Mortgage)	2626 West Freeway	Fort Worth	TX	15
Countrywide Home Loans, Inc.	6400 Legacy Drive	Plano	TX	42
CTX Mortgage Company	9441 LBJ Freeway	Dallas	TX	4
DHI Mortgage Company, Ltd.	12554 Riata Vista Circle	Austin	TX	8
Falcon International Bank	5219 McPerson Rd	Laredo	TX	1
FirstBank Southwest, N.A.	7420 S. W. 45th	Amarillo	TX	4
Hammersmith Financial, LP	7850 N. Sam Houston Pkwy West	Houston Baton	TX	1
Hibernia National Bank	11130 Industriplex Blvd.	Rouge	LA	11
Judith O. Smith Mtg Group, Inc.	6125 I-20	Fort Worth	TX	2
KB Home Mortgage Company	10990 Wilshire Blvd.	Los Angeles	CA	6
National City Mortgage Company	3232 Newmark	Miamisburg	OH	16
Patriot Mortgage Company	9870 Gateway North	El Paso	TX	2
Plains Capital McAfee Mortgage Co.	4416 74 <sup>th</sup>	Lubbock	TX	17
RBC Mtg f/k/a Sterling Mtg.	13100 NW Freeway	Houston	TX	32
Rocky Mountain Mortgage Company	2244 Trawood	El Paso Woodland	TX	2
Ryland Mortgage Company	6300 Canoga Avenue	Hills	CA	4
Southtrust Mortgage Corporation	210 Wildwood Parkway	Birmingham	AL	9

TXL Mortgage Corp.	11931 Wickchester Ln.	Houston	TX	12
Universal American Mortgage Co.	311 Park Place Blvd.	Clearwater	FL	4
Valley Mortgage Co., Inc.	1319 N. 10th Street	McAllen	TX	8
Washington Mutual Bank, F. A.	17877 Von Karmen Avenue	Irvine	CA	2
WR Starkey Mortgage	5055 Park Blvd.	Plano	TX	10

**Recommendation**

Staff recommends approval of the Participating Lender list for Single Family Mortgage Revenue Bond Program 61.



0 35 70 140 Miles



Texas Department of Housing and Community Affairs  
 First Time Homebuyer Program, Bond 61  
 Participating Lender Branch Offices

TDHCA  
 Center for Housing Research, Planning, and  
 Communications  
 Brenda Hull  
 May 2004

Source: TDHCA

**SINGLE FAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST  
MAY 13, 2004**

**Action Items**

Request approval of two (2) Disaster Relief awards utilizing HOME deobligated funds. The awards are in accordance with the TDHCA Deobligation Policy adopted by the Board on January 17, 2002.

**Required Action**

Approve the HOME Program Award Recommendations.

**Breakdown and Recommendations**

**Summary**

The Brooks County disaster occurred between October 9<sup>th</sup> through October 20<sup>th</sup>, due to excessive rain and flooding caused by severe storms. On October 20, 2003, upon completion of the damage survey of the county by the Division of Emergency Management, the area was declared a disaster by the Governor's Office.

On April 6, 2004, an application for Brooks County was received and scored by the appropriate HOME Program staff. A funding recommendation was then made to program management.

The City of Toyah disaster occurred between April 4<sup>th</sup> through April 5<sup>th</sup>, due to excessive rain and flooding caused by severe storms. On April 14, 2004, upon completion of the damage survey of the county by the Division of Emergency Management, the area was declared a disaster by the Governor's Office.

On May 3, 2004, an application for the City of Toyah was received and scored by the appropriate HOME Program staff. A funding recommendation was then made to program management.

**Recommendation**

The Board approve the Disaster Relief funding in the amount of \$514,800.00 for Brooks County as well as the Disaster Relief funding in the amount of \$514,800.00 for the City of Toyah as outlined on the attached Disaster Application Summaries.

## Disaster Application Summary

<b>Application Number:</b>	2004-0270		
<b>Name of Organization:</b>	Brooks County		
<b>Location of Project:</b>	Brooks County	<b>Number of units to be served:</b> 9	
<b>Project Funds Requested:</b>	\$495,000.00	<b>Administrative Funds Requested</b>	\$19,800.00
<b>Application Status</b>	Funding recommended by staff .		
<p><b>Describe the Program Design:</b> Brooks County will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by the excessive rain and flooding caused by severe storms which began on October 9 through October 20, 2003. Brooks County will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.</p>			
<p><b>Reason for decision:</b></p> <ul style="list-style-type: none"> <li>• <b>Score of 85 (out of possible 100 points)</b></li> </ul>			

## Disaster Application Summary

<b>Application Number:</b>	2004-0271		
<b>Name of Organization:</b>	City of Toyah		
<b>Location of Project:</b>	Reeves County	<b>Number of units to be served:</b> 9	
<b>Project Funds Requested:</b>	\$495,000.00	<b>Administrative Funds Requested</b>	\$19,800.00
<b>Application Status</b>	Funding recommended by staff .		
<p><b>Describe the Program Design:</b> The City of Toyah will complete a Rehabilitation/Reconstruction program to provide assistance only to those homes affected by the severe storms and flooding that occurred from April 4 through April 5, 2004. The City of Toyah will make every effort to ensure that after-rehabilitation repairs and improvements or reconstruction brings the existing units into compliance with the Texas Minimum Construction Standards (TMCS), as well as all applicable local codes and ordinances. The type of financial assistance provided to the applicant will be in the form of a grant and will assist at least 9 homes.</p>			
<p><b>Reason for decision:</b></p> <ul style="list-style-type: none"> <li>• <b>Score of 85 (out of possible 100 points)</b></li> </ul>			

**SINGLE FAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST  
MAY 13, 2004**

**Action Items**

Request approval of a HOME Investment Partnerships (HOME) Program Award Recommendation for Homebuyer Assistance in the amount of \$530,000.

**Required Action**

Approve the HOME Program Award Recommendation.

**Breakdown and Recommendations**

**Summary**

A minimum of \$500,000 is reserved in the 2004 State of Texas Consolidate Plan under the Persons with Disabilities set-aside for the Texas Home of Your Own (HOYO) Program for homebuyer assistance. Funds have been set-aside for this organization since 2001. The program coordinates existing homeownership services, which streamlines the process homebuyers must follow. HOYO combines homebuyer counseling, downpayment assistance and architectural barrier removal.

HOYO generally receives their yearly contract once the Consolidated Plan is approved by the U.S. Department of Housing and Urban Development (HUD) – approximately March of each calendar year. With the approval date of the 2004 Consolidated Plan anticipated to be late June or early July, the Texas HOYO Program will have to suspend their services until the Consolidated Plan is approved and a contract is executed by the Department. Therefore, the Department is requesting the use of HOME Program deobligated funds to award their contract rather than have them wait for approval of the Consolidated Plan. This award will be in lieu of and not addition to the amount listed in the Consolidated Plan.

The Department requests that the funding recommendation be made as follows:

<b>APPLICANT</b>	<b>PROJECT FUNDS REQUESTED</b>	<b>PROJECT FUNDS RECOMMENDED</b>	<b>ADMINISTRATIVE FUNDS RECOMMENDED</b>	<b>UNITS RECOMMENDED</b>
United Cerebral Palsy (HOYO)	\$500,000.00	\$500,000.00	\$30,000.00	10
		<b>\$500,000.00</b>	<b>\$30,000.00</b>	<b>10</b>

**Recommendation**

Staff recommends approval of the Homebuyer Assistance award utilizing HOME Investment Partnerships Program deobligated funds. Staff also recommends and requests approval of 6% administrative funds to the organization, based on the amount of project dollars recommended.



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval of the Draft 2005 Multifamily Private Activity Bond Rules to be published for public comment.

**Background**

Due to the deadline for Pre-Applications for the 2005 Private Activity Bond Program (August 30, 2004), the program rules need to be in effect by July 1, 2004 in order to give Applicants sufficient time to prepare their applications for submission and to get the proper public notifications mailed.

Changes to the draft rules are minimal and are reflected in the attached document with changes tracked from the 2004 rules. Staff clarified and made some minor changes to mirror the appropriate QAP and legislation. Staff also added language that explains that the 2005 QAP, once approved by the Board, may take precedence over the Bond rules. The draft rules will be posted on the Department's website and published in the *Texas Register*. Three public hearings have been scheduled for Dallas, Houston and Austin over the next month to garner public comment on the rules. The rules will be brought before the Board in June for final approval.

**Recommendation**

Staff recommends the Board approve the Draft 2005 Multifamily Private Activity Bond Rules for publication to take public comment and conduct public hearings in Dallas, Houston and Austin.

TITLE 10. COMMUNITY DEVELOPMENT  
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
CHAPTER ~~3335~~. MULTIFAMILY HOUSING REVENUE BOND RULES  
10 TAC §§~~3335~~.1 – ~~3335~~.10

§~~3335~~.1. Introduction

The purpose of this Chapter ~~3335~~ is to state the Texas Department of Housing and Community Affairs (the "Department") requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon ~~Housing Development~~Developments financed with the issuance of Bonds for the 2005 Private Activity Bond Program Year. The rules and provisions contained in Chapter ~~3335~~, of this title are separate from the rules relating to the Department's administration of the Housing Tax Credit Program. Applicants seeking a tax credit allocation should consult the Department's 2004-Qualified Allocation Plan and Rules ("QAP"), ~~Chapter 50 of this title relating to the Housing Tax Credit Program~~ in effect for the program year for which the Housing Tax Credit application will be submitted.

§~~3335~~.2. Authority

The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code (the "Act"). All Bonds issued by the Department must conform to the requirements of the Act. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the ~~Housing Development~~Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to the Act, Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this chapter).

§~~3335~~.3. Definitions.

The following words and terms, when used in the chapter, shall have the following meaning, unless context clearly indicates otherwise.

- (1) **Applicant**--means any Person or Affiliate of a Person who is a member of the General Partner, who files a Pre-Application or ~~a~~full Application with the Department requesting the Department issue Bonds to finance a ~~Housing Development~~Development.
- (2) **Application**--means an Application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material.
- (3) **Board**--means the ~~g~~GGoverning Board of the Department.
- (4) **Bond**--means an evidence of indebtedness or other obligation, regardless of the sources of payment, issued by the Department under the Act, including a bond, note, or bond or revenue anticipation note, regardless of whether the obligation is general or special, negotiable, or nonnegotiable, in bearer or registered form, in certified or book entry form, in temporary or permanent form, or with or without interest coupons.
- (5) **Code**--means the Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service.
- (6) **Development**--means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:

- (A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, ~~sewers~~ sewerage facilities, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and
- (B) multifamily dwellings in rural and urban areas.
- (7) **Development Owner**--means an Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a ~~Housing Development~~ Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.
- (8) **Eligible Tenants**—means
  - (A) individuals and families of Extremely Low, Very Low and ~~Very~~ Low Income,
  - (B) Families of Moderate Income (in each case in the foregoing subparagraph (A) and (B) of this paragraph as such terms are defined by the Issuer under the Act), and
  - (C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.
- (9) **Extremely Low Income**--means the income received by an individual or family whose income does not exceed thirty percent (30%) of the area median income or applicable federal poverty line, as determined by the Act.
- (10) **Family of Moderate Income**--means a family:
  - (A) that is determined by the Board to require assistance taking into account
    - (i) the amount of total income available for the housing needs of the individuals and family,
    - (ii) the size of the family,
    - (iii) the cost and condition of available housing facilities,
    - (iv) the ability of the individuals and family to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing, and
    - (v) standards established for various federal programs determining eligibility based on income; and
  - (B) that does not qualify as a family of Low Income.
- ~~(11) Housing Development~~ means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:
  - ~~(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and~~
  - ~~(B) multifamily dwellings in rural and urban areas.~~
- ~~(12)~~(11) **Ineligible Building Type** – as defined in the Department’s QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted.
- (12) **Institutional Buyer**—means
  - (A) an accredited investor as defined in Regulation D promulgated under the Securities Act of 1933, as amended (17 CFR Sec. 230.501(a)), but excluding any natural person or any director or executive officer of the Department (17 CFR §§ 230.501(a)(4) through (6)) or

- (B) a qualified institutional buyer as defined by Rule 144A promulgated under the Securities Act of 1933~~35~~, as amended (17 CFR Sec. 230.144A).
- (13) **Low Income**--means the income received by an individual or family whose income does not exceed eighty percent (80%) of the area median income or applicable federal poverty line, as determined by the Act.
- (14) **Land Use Restriction Agreement (LURA)**--means an agreement between the Department and the ~~Housing Development~~Development Owner which is binding upon the ~~Housing Development~~Development Owner's successors in interest that encumbers the ~~Housing Development~~Development with respect to the requirements of law, including this title, the Act and Section 42 of the Code.
- (15) **Owner**--means an Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a ~~Housing Development~~Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.
- (16) **Persons with Special Needs**--means persons who
- (A) are considered to be disabled under a state or federal law,
  - (B) are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program,
  - (C) are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or
  - (D) are legally responsible for caring for an individual described by subparagraph (A), (B) or (C) of this paragraph above and meet the income guidelines established by the Board.
- (17) **Private Activity Bonds**--means any Bonds described by §141(a) of the Code.
- (18) **Private Activity Bond Program Scoring Criteria**--means the scoring criteria established by the Department for the Department's Multifamily Housing Revenue Bond Program, §33~~35~~.6(b~~d~~) of this title. ~~The Scoring Criteria are also available on the Department website.~~
- (19) **Private Activity Bond Program Threshold Requirements**--means the threshold requirements established by the Department for the Department's Multifamily Housing Revenue Bond Program, §33~~35~~.6(b~~c~~) of this title. ~~The Threshold Requirements are also available on the Department's website.~~
- (20) **Program**--means the Department's Multifamily Housing Revenue Bond Program.
- (21) **Proper Site Control** – Regarding the legal control of the land to be used for the Development, means the earnest money contract is in the name of the Applicant (principal or member of the General Partner); fully executed by all parties and escrowed by the title company.
- ~~(21)~~(22) **Property**--means the real estate and all improvements thereon, whether currently existing or proposed to be built thereon in connection with the ~~Housing Development~~Development, and including all items of personal property affixed or related thereto.
- ~~(22)~~(23) **Qualified 501(c)(3) Bonds**--means any Bonds described by §145(a) of the Code.
- ~~(23)~~(24) **Tenant Income Certification**--means a certification as to income and other matters executed by the household members of each tenant in the ~~Housing Development~~Development, in such form as reasonably may be required by the Department in satisfaction of the criteria prescribed by the Secretary of Housing and Urban Development under §8(f)(3) of the Housing Act of 1937 ("the Housing Act") (42 U.S.C. 1437f) for purposes of determining whether a family is a lower income family within the meaning of the §8(f)(1) of the Housing Act.
- ~~(24)~~(25) **Tenant Services**--means social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services.
- ~~(25)~~(26) **Tenant Services Program Plan**--means the plan, subject to approval by the Department, which describes the Tenant Services to be provided by the Development Owner in a ~~Housing Development~~Development.

~~(26)~~(27) **Trustee**--means a national banking association organized and existing under the laws of the ~~Unit~~United States, as trustee (together with its successors and assigns and any successor trustee).

~~(27)~~(28) **Unit**~~Unit~~--means any residential rental ~~unit~~Unit in a ~~Housing Development~~Development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation.

~~(28)~~(29) **Very Low Income**--means the income received by an individual or family whose income does not exceed sixty percent (60%) of the area median income or applicable federal poverty line as determined under the Act.

#### §3335.4. Policy Objectives & Eligible ~~Housing Development~~Developments

The Department will issue Bonds to finance the preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible ~~Housing Development~~Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income.

#### §3335.5. Bond Rating and Investment Letter

- (a) Bond Ratings. All publicly offered Bonds issued by the Department to finance ~~Housing Development~~Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the ~~Housing Development~~Development.
- (b) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable to the Department. Bonds rated less than "A," and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars (\$100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.

#### §3335.6. Application Procedures, Evaluation and Approval

- (a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Application – including costs associated with the publication and posting of required public notices – and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the Application process, the Applicant is solely responsible for determining whether to proceed with the Application, and the Department disclaims any and all responsibility and liability in this regard.
- (b) Pre-application. An Applicant who requests financing from the Department for a ~~Housing Development~~Development shall submit a pre-application in a format prescribed by the Department. Within fourteen (14) days of the Department's receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed ~~Housing Development~~Development. Upon review of the pre-application, if the

~~Housing Development~~Development is determined to be ineligible for Bond financing by the Department, the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the ~~Housing Development~~Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as ~~set out~~described in ~~figure 1~~subsection (d) of this subsection. The Department will score and rank the pre-application with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Applications which will be ranked above all Priority 3 Applications, regardless of score. This ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, the number of points awarded for Quality and Amenities for the ~~Housing Development~~Development. If a tie still exists, the Department will ~~consider~~grant preference to the pre-application with the lowerthe number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in ~~The~~ Private Activity Bond Program Threshold Requirements as set out in ~~figure 2~~subsection (c) of this subsection. The Private Activity Bond Program Threshold Requirements will be posted on the Department's website. After scoring, the ~~Housing Development~~Development and the proposed financing structure will be presented to the Department's Board for consideration of a resolution declaring the Department's intent to issue Bonds (the "inducement resolution") with respect to the ~~Housing Development~~Development. After Board approval of the inducement resolution, the scored and ranked Applications will be submitted to the Texas Bond Review Board for its lottery processing. The Texas Bond Review Board will draw the number of lottery numbers that equates to the number of eligible Applications submitted by the Department. The lottery numbers drawn will not equate to a specific ~~Housing Development~~Development. The Texas Bond Review Board will thereafter assign the lowest lottery number drawn to the highest scored and ranked Application as previously ~~submitted~~determined by the Department. The criteria by which a ~~Housing Development~~Development may be deemed to be eligible or ineligible are explained below in subsection (eg) of this section, entitled Evaluation Criteria. The Private Activity Bond Program Scoring Criteria ~~form~~will be posted on the Department's website. The pre-application shall consist of the following information:

~~Figure 1: 10 TAC §33.6(b)~~

~~Figure 2: 10 TAC §33.6(b)~~

- (1) Completed Uniform Application forms in the format required by the Department;
- (2) Texas Bond Review Board's Residential Rental Attachment;
- (3) Relevant Development Information (~~form on website~~);
- (4) Public Notification Information (~~form on website~~);
- (5) Certification and agreement to comply with the Department's rules;
- (6) Agreement of responsibility of all cost incurred;
- (7) An organizational chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant;
- (8) Evidence that the Applicant and principals are registered with the Texas Secretary of State, or if the Applicant has not yet been formed, evidence that the name of the Applicant is reserved with the Secretary of State;
- (9) Organizational documents such as partnership agreements and articles of incorporation, as applicable, for the Applicant and its principals;
- (10) Documentation of non-profit status if applicable; Evidence of good standing from the Comptroller of Public Accounts of the State of Texas for the Applicant and its principals; Corporate resumes and individual resumes of the Applicant and any principals;

- (11) A copy of an executed earnest money contract between the Applicant and the seller of the Property. This earnest money contract must be in effect at the time of submission of the application and expire no earlier than December 1 of the year preceding the applicable program year. The earnest money contract must stipulate and provide for the Applicant's option to extend the contract expiration date through March 1 of the program year, subject only to the seller's receipt of additional earnest money or extension fees, so that the Applicant will have site control at the time a reservation is granted. If the Applicant owns the Property, a copy of the recorded warranty deed is required;
- (12) Evidence of zoning appropriate for the proposed use, ~~or~~ application for the appropriate zoning or statement that no zoning is required;
- (13) A local map showing the location of the proposed Property site;
- (14) A boundary survey or subdivision plat which clearly identifies the location and boundaries of the subject Property;
- (15) Name, address and telephone number of the Seller of the Property;
- (16) Construction draw and lease-up proforma for ~~Housing Development~~Developments involving new construction;
- (17) Past two years' operating statements for existing ~~Housing Development~~Developments;
- (18) Current market information which includes rental comparisons;
- (19) Documentation of local Section 8 utility allowances;
- (20) Verification/Evidence of delivery of federal, state, and local community notifications;
- (21) Self-Scoring Criteria; and
- (22) Such other items deemed necessary by the Department per individual application.

(c) Pre-Application Threshold Requirements.

- (1) As the Department reviews the Application, the Department will use the following assumptions, even if not reflected in the Application. Prequalification Assumptions:
  - (A) Development Feasibility:
    - (i) Debt Coverage ~~at~~ Ratio must be greater than or equal to 1.10;
    - (ii) Annual Expenses ~~at~~ must be at least \$3,800 per unit/Unit or \$3.75 per square foot;
    - (iii) Deferred Developer Fees ~~at~~ are limited to 80% of Developer's Fees;
    - (iv) Contractor Fee ~~at~~ are limited to 6% of direct costs plus site work cost;
    - (v) Overhead ~~at~~ are limited to 2% of direct costs plus site work cost;
    - (vi) General Requirements ~~at~~ are limited to 6% of direct costs plus site work cost;
    - (vii) Developer Fees ~~at~~ cannot exceed 15% of the project's Total Eligible Basis;
  - (B) Construction Costs Per ~~Unit~~Unit Assumption. The Acceptable range is \$47 to \$61 per unit/Unit (Acquisition / Rehab developments are exempt from this requirement);
  - (C) Interest Rate Assumption. 6.00% for 30 year financing and 6.75% for 40 year financing;
  - (D) Size of ~~Unit~~Units (Acquisition / Rehab developments are exempt from this requirement);
    - (i) One bedroom Unit must be greater than or equal to 650 square feet for family and 550 square feet for senior Units.
    - (ii) Two bedroom Unit must be greater that or equal to 900 square feet for family and 750 square feet for senior Units.
    - (iii) Three bedroom Unit must be greater than or equal to 1,000 square feet for family.
- (2) Appropriate Zoning. Evidence of appropriate zoning for the proposed use or evidence of application made and pending decision;

- (3) Executed Site Control. Properly executed and escrow receipted site control through 12/1/03-04 with option to extend through 3/1/0405;
- (4) Previous Participation and Authorization to Release Credit Information (located in the uniform application);
- (5) Current Market Information (must support affordable rents);
- (6) Completed TDHCA Uniform Application and application exhibits;
- (7) Completed Multifamily Rental Worksheets;
- (8) Public Notification Information (see application package);
- (9) Relevant Development Information (see application package);
- (10) Completed 2004 Bond Review Board Residential Rental Attachment;
- (11) Signed letter of Responsibility for All Costs Incurred;
- (12) Signed MRB Program Certification Letter;
- (13) Evidence of Paid Application Fees (\$1,000 to TDHCA, \$1,500 to Vinson and Elkins and \$5,000 to Bond Review Board);
- (14) Boundary Survey or Plat;
- (15) Local Area map showing the location of the Property and Community Services / Amenities within a three (3) mile radius;
- (16) Utility Allowance from the Appropriate Local Housing Authority;
- (17) Organization Chart with evidence of Entity Registration or Reservation with the Secretary of State; and
- (18) Required Notification. Evidence of notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt or confirmation letter from each official. Each notice must include the information required for "Community Notification" within the Application Package. Notification must be sent to all the following individuals and entities: (If the QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted reflect a notification process that is different from the process listed below, then the QAP and Rules will override the notification process listed below):
  - (A) State Senator and Representative that represents the community containing the development;
  - (B) Presiding Officer of the governing body of any municipality containing the development and **all** elected members of that body (Mayor, City Council members);
  - (C) Presiding Officer of the governing body of the county containing the development and **all** elected members of that body (County Judge and/or Commissioners);
  - (D) School District Superintendent of the school district containing the development;
  - (E) Presiding Officer of the School Board of Trustees of the school district containing the development;
  - (F) City and County Clerks (Evidence must be provided that a letter, meeting the requirements of the "Clerk Notification" letter in the application materials, was sent to the city clerk and county clerk no later than August 9, 2004. A copy of the return letter from the city and county clerks must be provided); and
  - (G) Neighborhood Organizations on record with the state or county whose boundaries contain the development (All entities identified in the letters from the city and county clerks must be provided with written notification and evidence of that notification must be provided. If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the clerk(s), then such evidence in lieu of notification may be acceptable. If no letter is received from the city or county clerk by seven (7) days prior to the date of Application submission, the Applicant must submit a statement attesting to the fact that no return letter was received. If the Applicant has knowledge of neighborhood



organizations on record with the state or county within whose boundaries the development is located, written notification must be provided to them. If the Applicant has no knowledge of such neighborhood organizations within whose boundaries the Development is located, they must submit a statement to that effect with the Application).

(d) Pre-Application Scoring Criteria.

(1) Construction Cost Per Unit includes: site work, contractor profit, overhead, general requirements and contingency. Calculation will be hard costs per square foot of net rentable area. —Must be greater than or equal to \$60 per square foot (1point) (Acquisition / Rehab will automatically receive (1 point)).

(2) Size of Units. Average size of all ~~unit~~Units combined in the development —must be greater than or equal to 950 square foot for family and must be greater than or equal to — 750 square foot for elderly (5 points). (Acquisition / Rehab developments will automatically receive 5 points).

(3) Period of Guaranteed Affordability for Low Income Tenants.

Add 10 years of affordability after the extended use period for a total affordability period of 40 years (1 point).

~~(3)~~(4) Quality and Amenities (maximum 34 points) Acquisition / Rehab will receive double points not to exceed 34 points).

(A) Washer / Dryer Connections (1 point);

(B) Microwave Ovens (in each ~~unit~~Unit) (1 point);

(C) Storage Room (outside the ~~unit~~Unit) (1 point);

(D) Covered Parking (at least one per ~~unit~~Unit) (3 points);

(E) Garages (equal to at least 35% of ~~unit~~Units) (5 points);

(F) Ceiling Fans (living rooms and bedrooms) (1 point);

(G) Ceramic Tile Flooring (entry way and all bathroom) (2 points);

(H) 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; excludes EFIS) (5 points);

(I) Playground and Equipment or Covered Community Porch (3 points);

(J) BBQ Grills and Tables (one each per 50 ~~unit~~Units) or Walking Trail (minimum length of ¼ mile) (3 points);

(K) Full Perimeter Fencing and Gated (3 points);

(L) Computers with internet access / Business Facilities (8 hour availability) (2 points);

(M) Game Room or TV Lounge (2 points);

(N) Workout Facilities or Library (with comparable square footage as workout facilities) (2 points).

~~(4)~~(5) Tenant Services (~~per unit / above line on the expenses~~)

(A) \$10.00 per ~~unit~~Unit per month (10 points);

(B) \$7.00 per ~~unit~~Unit per month (5 points);

(C) \$4.00 per ~~unit~~Unit per month (3 points).

~~(5)~~(6) Zoning appropriate for the proposed use or ~~state of~~ not zoning required (appropriate zoning for the intended use must be in place at the time of application submission date, ~~September 2, 2003~~August 30, 2004, in order to receive points) (5 points).

~~(6)~~(7) Proper Site Control (~~fully executed and escrow receipted~~ as defined in §35.3(21) of this title control through 12/01/0304 with option to extend through 03/01/0405 and all information correct at the time of application submission date, ~~September 2, 2003~~August 30, 2004, in order to receive points) (5 points).

~~(7)~~(8) Development Support / Opposition (Maximum net points of +12 to -12. Each letter will receive a maximum of +1.5 to -1.5. All letters received by ~~October 24, 2003~~ by 5:00 PM, October 22, 2004 will be used in scoring).

- (A) Texas State Senator and Texas State Representative (maximum +3 to -3 points);
- (B) Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development (maximum +3 to -3 points);
- (C) Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled) (maximum +3 to -3 points);
- (D) Local School District Superintendent and Presiding Officer of the Board of Trustees for the School district containing the Development (maximum +3 to -3 points).

~~(8)~~(9) Penalties for Missed Deadlines in the Previous Year's Bond and / or Tax Credit program year. (This includes approved and used extensions) (-1 point with maximum 3 point deduction).

~~(9)~~(10) Local Political Subdivision Development Funding Commitment that enables additional Units for the Very Low Income (CDBG, HOME or other funds through local political subdivisions) (must be greater than or equal to 2% of the bond amount requested and must provide at least 5% of the total Development Units at or below 30% AMFI or an additional 5% of the total Development Units if the Applicant has chosen category Priority 1B on the residential rental attachment) (2 points).

~~(10)~~(11) Proximity to Community Services / Amenities (Community services / amenities within three (3) miles of the site. A Map must be included with the Application showing a three (3) mile radius notating where the services / amenities are located) (maximum 12 points)

- (A) Grocery Store (1 point);
- (B) Pharmacy (1 point);
- (C) Convenience store (1 point);
- (D) Retail Facilities (Target, Wal-Mart, Home Depot, etc...) (1 point);
- (E) Bank / Financial Institution (1 point);
- (F) Restaurant (1 point);
- (G) Public Recreation Facilities (park, civic center, YMCA) (1 point);
- (H) Fire / Police Station (1 point);
- (I) Medical Facilities (hospitals, minor emergency, etc...) (1 point);
- (J) Public Library (1 point);
- (K) Public Transportation (1/2 mile from site) (1 point);
- (L) Public School (only one school required for point (1 point).

~~(11)~~(12) Proximity to Negative Features (within 300 feet of any part of the Development site boundaries. A Map must be included with the application showing where the feature is located. Developer must provide a letter stating there are none of the negative features listed below within the stated area if that is correct. (maximum -20 points)

- (A) Junkyards (5 points);
- (B) Active Railways (excluding light rail) (5 points);
- (C) Interstate Highways / Service Roads (5 points);
- (D) Solid Waste / Sanitary Landfills (5 points);
- (E) High Voltage Transmission Towers (5 points).

(e) Financing Commitments. After approval by the Board of the inducement resolution, and before submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds

or the financing of the Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

~~(d)~~(f) Final Application. An Applicant who elects to proceed with submitting a final Application to the Department must provide a final Application and such supporting material as is required by the Department at least sixty (60) days prior to the scheduled meeting of the Board at which the ~~Housing Development~~Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. The final application must adhere to the Department's QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted. The Department may determine that supporting materials listed in paragraphs (1) through (42) of this subsection shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board. The final application and supporting material shall consist of the following information:

- (1) A Public Notification Sign shall be installed on the ~~Housing Development~~Development site no later than fourteen (14) days after the submission of Volume I and II of the Tax Credit Application to the Department (pictures and invoice receipts must be submitted as evidence of installation within fourteen (14) days of the submission). ~~minimum signage requirements and language, as set out in figure 3 of this paragraph~~The sign must be at least four (4) feet by eight (8) feet in size and be located within twenty (20) feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day the TDHCA Board takes final action on the Application for the development. The information and lettering on the sign must meet the requirements identified in the Application. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant's Option, mail written notification to all addresses located within the footage distance required by the local municipality zoning ordinance or 1,000 feet, if there is no local zoning ordinance or if the zoning ordinance does not require notification, of any part of the proposed Development site. This written notification must include the information otherwise required for the sign, ~~as set out in figure 3 of this paragraph.~~ If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the 1,000 foot or local ordinance area showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. In addition (within the 14 days), the Applicant must notify any public official that has changed since the submission of the pre-application and any neighborhood organizations that are known and were not notified at the time of the pre-application submission.

Figure 3: 10 TAC §33.6(d)(1)

- (2) Completed Uniform Application forms in the format required by the Department;
- (3) Certification of no changes from the pre-application to the final application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the application being placed below another application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points);
- (4) Certification and agreement to comply with the Department's rules;

- (5) A narrative description of the ~~Housing Development~~ Development;
- (6) A narrative description of the proposed financing;
- (7) Firm letters of commitment from any lenders, credit providers, and equity providers involved in the transaction;
- (8) Documentation of local Section 8 utility allowances;
- (9) Site plan;
- (10) ~~Unit~~ Unit and building floor plans and elevations;
- (11) Complete construction plans and specifications;
- (12) General contractor's contract;
- (13) Completion schedule;
- (14) Copy of a recorded warranty deed if the Applicant already owns the Property, or a copy of an executed earnest money contract between the Applicant and the seller of the Property if the Property is to be purchased, ~~or other form of site control acceptable to the Department~~;
- (15) A local map showing the location of the Property;
- (16) Photographs of the Site;
- (17) Survey with legal description;
- (18) Flood plain map;
- (19) Evidence of zoning appropriate for the proposed use from the appropriate local municipality that satisfies one of these subparagraphs (A) through (C) of this paragraph:
  - (A) no later than fourteen (14) days before the Board meets to consider the transaction, the Applicant must submit to the Department written evidence that the local entity responsible for initial approval of zoning has approved the appropriate zoning and that they will recommend approval of the appropriate zoning to the entity responsible for final approval of zoning decisions;
  - (B) provide a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;
  - (C) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating the Development is permitted under the provision of the zoning ordinance that apply to the location of the Development or that there is not a zoning requirement.
- (20) Evidence of the availability of utilities;
- (21) Copies of any deed restrictions which may encumber the Property;
- (22) A Phase I Environmental Site Assessment performed in accordance with the Department's Environmental Site Assessment Rules and Guidelines (§1.35 of this title);
- (23) Title search or title commitment;
- (24) Current tax assessor's valuation or tax bill;
- (25) For existing ~~Housing Development~~ Developments, current insurance bills;
- (26) For existing ~~Housing Development~~ Developments, past two (2) fiscal year end development operating statements;
- (27) For existing ~~Housing Development~~ Developments, current rent rolls;
- (28) For existing ~~Housing Development~~ Developments, substantiation that income-based tenancy requirements will be met prior to closing;
- (29) A market study performed in accordance with the Department's Market Analysis Rules and Guidelines (§1.33 of this title);
- (30) Appraisal of the existing or proposed ~~Housing Development~~ Development performed in accordance with the Department's Underwriting Rules and Guidelines (§1.32 of this title);
- (31) Statement that the Development Owner will accept tenants with Section 8 or other government housing assistance;

- (32) An organizational chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant;
- (33) Evidence that the Applicant and principals are registered with the Texas Secretary of State, as applicable;
- (34) Organizational documents such as partnership agreements and articles of incorporation, as applicable, for the Applicant and its principals;
- (35) Documentation of non-profit status if applicable;
- (36) Evidence of good standing from the Comptroller of Public Accounts of the State of Texas for the Applicant and its principals;
- (37) Corporate resumes and individual resumes of the Applicant and any principals;
- (38) Latest two (2) annual financial statements and current interim financial statement for the Applicant and its principals;
- (39) Latest income tax filings for the Applicant and its principals;
- (40) Resolutions or other documentation indicating that the transaction has been approved by the general partner;
- (41) Resumes of the general contractor's and the property manager's experience; and
- (42) Such other items deemed necessary by the Department per individual application.

~~(e)(g)~~ Evaluation Criteria. The Department will evaluate the ~~Housing Development~~ Development for eligibility at the time of pre-application, and at the time of final Application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition point). The ~~Housing Development~~ Development and the Applicant must satisfy the conditions set out in paragraphs (1) through (6) of this subsection in order for a ~~Housing Development~~ Development to be considered eligible:

- (1) The proposed ~~Housing Development~~ Development must further the public purposes of the Department as identified in the Act.
- (2) The proposed ~~Housing Development~~ Development and the Applicant and its principals must satisfy the Department's Underwriting Rules and Guidelines (§1.32 of this title). The pre-application must include sufficient information for the Department to establish that the Underwriting Guidelines can be satisfied. The final Application will be thoroughly underwritten according to the Underwriting Rules and Guidelines (§1.32 of this title).
- (3) The ~~Housing Development~~ Development must not be located on a site determined to be unacceptable for the intended use by the Department.
- (4) Any ~~Housing Development~~ Development in which the Applicant or principals of the Applicant have an ownership interest must be found not to be in Material Non-Compliance under the compliance ~~Rules~~ in effect at the time of ~~pre-Application~~ submission. Any corrective action documentation affecting the Material Non-compliance status score must be submitted to the Department no later than thirty (30) days prior to final application submission.
- (5) Neither the Applicant nor any principals of the Applicant is, at the time of Application:
  - (a) barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or
  - (b) ~~or~~ has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation, misappropriation of funds, or other similar criminal offenses within fifteen (15) years; or

- (c) ~~or~~ is subject to enforcement action under state or federal securities law, action by the NASD, subject to a federal tax lien, or the subject of an enforcement proceeding with any governmental entity; or
- (d) neither applicant nor any principals of the applicant have a development under their ownership or control with a Material Non-compliance score of 30 or more; or
- ~~(d)~~(e) otherwise disqualified or debarred from participation in any of the Department's programs.

(6) Neither the Applicant nor any of its principals may have provided any fraudulent information, knowingly false documentation or other intentional or negligent misrepresentation in the Application or other information submitted to the Department.

~~(f)~~(h) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

~~(g)~~(i) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §2306.0661, Texas Government Code and §147(f) of the Code, in order to receive comments from the public pertaining to the ~~Housing Development~~Development and the issuance of the Bonds. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board's decisions on approvals of proposed ~~Housing Development~~Developments will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board's decision. The Department's Board will consider the following topics in relation to the approval of a proposed ~~Housing Development~~Development:

- (1) The Development Owner market study;
- (2) The location, including supporting broad geographic dispersion;
- (3) The compliance history of the Development Owner;
- (4) The financial feasibility;
- (5) The ~~Housing Development~~Development's proposed size and configuration; in relation to the housing needs of the community in which the Development is located and the needs of the area, region and state;
- ~~(6)~~The housing needs of the community in which the ~~Housing Development~~ is located and the needs of the area, region and state;
- ~~(7)~~(6) The ~~Housing Development~~Development's proximity to other low income ~~Housing Development~~Developments including avoiding over concentration;
- ~~(8)~~(7) The availability of adequate public facilities and services;
- ~~(9)~~(8) The anticipated impact on local school districts, giving due consideration to the authorized land use;
- (9) Zoning and other land use considerations;
- (10) Fair Housing law, including affirmatively furthering fair housing;
- (11) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code.

~~(h)~~(j) Approval of the Bonds.

- (1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and, in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for

appeals may be found under §§1.7 and 1.8 of this title. The Department's conduit housing transactions will be processed in accordance with the Texas Bond Review Board rules Title 34, Part 9, Chapter 181, Subchapter A. The Bond issuance must receive an approving opinion from the Department's bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

- (2) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.~~In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.~~

~~(j)(k)~~ Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the ~~Housing Development~~Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

~~(j)(l)~~ Closing. Once all approvals have been obtained and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment therefor. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

§ 3335.7. Regulatory and Land Use Restrictions.

- (a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), will be filed in the property records of the county in which the ~~Housing~~

~~Development~~ is located for each ~~Housing Development~~ financed from the proceeds of Bonds issued by the Department. For ~~Housing Development~~ involving new construction, the term of the LURA will be the longer of 30 years, the period of guaranteed affordability or the period for which Bonds are outstanding. For the financing of an existing ~~Housing Development~~, the term of the LURA will be the longer of the longest period which is economically feasible in accordance with the Act, or the period for which Bonds are outstanding.

- (b) ~~Housing Development~~ Occupancy. The LURA will specify occupancy restrictions for each ~~Housing Development~~ based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the ~~Housing Development~~ because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner of the ~~Housing Development~~. ~~Housing Development~~ occupancy requirements must be met on or prior to the date on which Bonds are issued unless the ~~Housing Development~~ is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude ~~unit~~ Units for managers and maintenance personnel that are reasonably required by the ~~Housing Development~~.
- (c) Set Asides.
- (1) ~~Housing Development~~ which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds must be restricted under one of the following two set-asides:
    - (a) at least twenty percent (20%) of the Units within the ~~Housing Development~~ that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed fifty percent (50%) of the area median income, or
    - (b) at least forty percent (40%) of the Units within the ~~Housing Development~~ that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed sixty percent (60%) of the area median income.
  - (2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the ~~Housing Development~~ and must also designate the selected priority for the ~~Housing Development~~ in accordance with §1372.0321, Texas Government Code. ~~Unit~~ Units intended to satisfy set-aside requirements must be distributed evenly throughout the ~~Housing Development~~, and must include a reasonably proportionate amount of each type of ~~unit~~ Unit available in the ~~Housing Development~~.
  - (3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a ~~Unit~~ Unit in the ~~Housing Development~~ because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit; provided, however, that, should a tenant's income, as of the most recent determination thereof, exceed 140% of the then applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for



so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant. (These are the federal set-aside requirements)

- (d) Global Income Requirement. All of the Units that are available for occupancy in ~~Housing Development~~Developments financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed one hundred and forty percent (140%) of the area median income for a four-person household.
- (e) Qualified 501(c)(3) Bonds. ~~Housing Development~~Developments which are financed from the proceeds of Qualified 501(c)(3) Bonds are further subject to the restriction that at least seventy-five percent (75%) of the ~~Unit~~Units within the ~~Housing Development~~Development that are available for occupancy shall be occupied (or, in the case of new construction, held vacant and available for occupancy until such time as initial lease-up is complete) at all times by individuals and families of Low Income.
- (f) Taxable Bonds. The occupancy requirements for ~~Housing Development~~Developments financed from the issuance of taxable Bonds will be negotiated, considered and ~~considered~~approved by the Department on a case by case basis.
- (g) Special Needs. At least five percent (5%) of the Units within each ~~Housing Development~~Development must be designed to be accessible to Persons with Special Needs and hardware and cabinetry must be stored on site or provided to be installed on an as needed basis in such Units. The Development will comply with accessibility requirements in the Fair Housing Act Design manual. The Development Owner will use its best efforts (including giving preference to Persons with Special Needs) to:
  - (1) make at least five percent (5%) of the Units within the ~~Housing Development~~Development available for occupancy by Persons with Special Needs;
  - (2) make reasonable accommodations for such persons; and
  - (3) allow reasonable modifications at the tenant's sole expense pursuant to the Housing Act. During the term of the LURA, the Development Owner shall maintain written policies regarding the Development Owner's outreach and marketing program to Persons with Special Needs.
- (h) Fair Housing. All ~~Housing Development~~Developments financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.
- (i) Tenant Services. The LURA will require that the Development Owner offer a variety of services for residents of the ~~Housing Development~~Development through a Tenant Services Program Plan which is subject to annual approval by the Department.
- (j) The LURA will require the Development Owner:
  - (1) To obtain, complete and maintain on file Tenant Income Certifications from each Eligible Tenant, including:
    - (A) a Tenant Income Certification dated immediately prior to the initial occupancy of each new Eligible Tenant in the ~~Housing Development~~Development; and

- (B) thereafter, annual Tenant Income Certifications which must be obtained on or before the anniversary of such Eligible Tenant's occupancy of the Unit, and in no event less than once in every 12-month period following each Eligible Tenant's occupancy of a ~~Unit~~ Unit in the ~~Housing Development~~ Development. For administrative convenience, the Development Owner may establish the first date that a Tenant Income Certification for the ~~Housing Development~~ Development is received as the annual recertification date for all tenants. The Development Owner will obtain such additional information as may be required in the future by §142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are tax-exempt private activity bonds described in §142(d) of the Code. The Development Owner shall make a diligent and good-faith effort to determine that the income information provided by an applicant in a Tenant Income Certification is accurate by taking steps required under §142(d) of the Code pursuant to provisions of the Housing Act.
- (C) The Development shall comply with Title 10, Part 1, Chapter 60, Subchapter A.
- (2) As part of the verification, such steps may include the following, provided such action meets the requirements of §142(d) of the Code and the gross income of individuals shall be determined in a manner consistent with the determinations of low income families under section 8 of the United States Housing Act of 1937:
- (A) obtain pay stubs ~~for the most recent one month period~~ sufficient to annualize income;  
~~(B) obtain income tax returns for the most recent two tax years;~~  
~~(C)(B) conduct a consumer credit search~~ obtain third party written verification of income;  
~~(D)(C) obtain an income verification from the applicant's current employer;~~  
~~(E)(D) obtain an income verification from the Social Security Administration; or~~  
~~(F)(E) if the applicant is self-employed, unemployed, does not have income tax returns or is otherwise not reasonably able to provide other forms of verification as required above, obtain another form of independent verification as would, in the Development Owner's reasonable commercial judgment, enable the Development Owner to determine the accuracy of the applicant's income information. The Development Owner shall retain all Tenant Income Certifications obtained in compliance with this subsection (b) of this section until the date that is six years after the last Bond is retired.~~
- (3) To obtain from each tenant in the ~~Housing Development~~ Development, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form as provided by the Department to the Development Owner from time to time that
- (A) such lease is subordinate to the Mortgage and the LURA;  
(B) all statements made in the Tenant Income Certification submitted by such tenant are accurate;  
(C) the family income and eligibility requirements of the LURA and the Loan Agreement are substantial and material obligations of tenancy in the ~~Housing Development~~ Development;  
(D) such tenant will comply promptly with all requests for information with respect to such requirements from the Development Owner, the Trustee and the Department; and  
(E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the ~~Housing Development~~ Development;

- (4) To maintain complete and accurate records pertaining to the Low-Income Units and to permit, at all reasonable times during normal business hours and upon reasonable notice, any duly authorized representative of the Department, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the ~~Housing Development~~ Development Site to examine and inspect the ~~Housing Development~~ Development and to inspect the books and records of the Development Owner pertaining to the ~~Housing Development~~ Development, including those records pertaining to the occupancy of the Low-Income Units;
- (5) On or before each February 15 during the qualified development period, to submit to the Department (to the attention of the Portfolio Management and Compliance Division) a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the ~~Housing Development~~ Development continues to meet the requirements of §142(d) of the Code and on or before each March 31 during the qualified development period, to submit such completed form to the Secretary of the Treasury and the Department;
- (6) To prepare and submit the compliance monitoring report. To cause to be prepared and submitted to the Department and the Trustee on the first day of the state restrictive period, and thereafter by the tenth calendar day of each March, June, September, and December, or other quarterly schedule as determined by the Department with written notice to the Development Owner, a certified compliance monitoring report and Development Owner's certification in such form as provided by the Departments to the Development Owner from time to time; and
- (7) To provide regular maintenance to keep the ~~Housing Development~~ Development sanitary, decent and safe.
- (8) To establish a reserve account consistent with the requirements of §2306.186, Texas Government Code.
- (9) To prepare and submit the Housing Sponsor Report to the Department no later than March 1<sup>st</sup> of each year.

#### §~~3335~~.8. Fees.

- (a) Application and Issuance Fees. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the Department's expenses in connection with providing financing for a ~~Housing Development~~ Development, and as required by law. (§1372.006(a), Texas Government Code)
- (b) Administration and Portfolio Management and Compliance Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the Department's costs of administering the Bonds and portfolio management and compliance with the program requirements applicable to each ~~Housing Development~~ Development.

#### §~~3335~~.9. Waiver of Rules

Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the ~~Rules~~ set forth in §§~~3335~~.3 through ~~3335~~.8 of this title relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a ~~Housing Development~~ Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

#### §~~3335~~.10. No Discrimination

The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this Chapter.

**BOND FINANCE DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Items**

Adopt new final rule regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers.

**Required Action**

Adopt new final rule regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers.

**Background**

During the 78<sup>th</sup> Legislature, Regular Session, the Texas Legislature passed *Chapter 2263, Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* (the “Act”). The Act, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. The Act became effective September 1, 2003. According to the Act, each state governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

The Board previously approved the amended Investment Policy to include requirements of the Act on December 11, 2003. The Act does not apply to TDHCA’s financial advisor. The rule may apply to TDHCA’s pool of GIC brokers.

This proposed rule was published in the *Texas Register* on March 26, 2004 for the public to provide comments. No comments were received.

**Recommendation**

Adopt new final rule regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers.

TITLE 10. COMMUNITY DEVELOPMENT  
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
CHAPTER 1. ADMINISTRATION  
SUBCHAPTER A. GENERAL POLICIES AND PROCEDURES RULE  
10 TAC §1.16 ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE  
FINANCIAL ADVISORS AND SERVICE PROVIDERS

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the proposed new §1.16, concerning ethics and disclosure requirements for outside financial advisors and service providers, as published in the March 26, 2004 issue of the *Texas Register* (29 TexReg 3015-3016).

This section is adopted in order to implement new legislation enacted in the 78<sup>th</sup> Legislative Session.

No comments were received regarding the proposed new section.

The new section is adopted pursuant to the authority of the Texas Government Code, Chapter 2306.

This agency hereby certifies that the adoption has been reviewed by the legal counsel and found to be a valid exercise of the agency's legal authority.

§1.16

(a) Purpose. The purpose of this section is to establish standards of conduct applicable to financial advisors or service providers in accordance with Chapter 2263, Texas Government Code.

(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Department--The Texas Department of Housing and Community Affairs, (the "Department").

(2) Board--The Governing Board of the Department.

(3) Financial advisor or service provider--A person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker who:

(A) may reasonably be expected to receive, directly or indirectly, more than \$10,000 in compensation from the Department during a fiscal year; or

(B) renders important investment or funds management advice to the Department or a member of the Board.

(c) Procedures.

(1) A financial advisor or service provider shall disclose in writing to the Executive Director of the Department and to the state auditor:

(A) any relationship the financial advisor or service provider has with any party to a transaction with the Department, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the Department, if a reasonable person could expect the relationship to diminish the financial advisor's or service provider's independence of judgment in the performance of the person's responsibilities to the Department; and

(B) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the Department, if the transaction is connected with any financial advice or service the financial advisor or service provider provides to the

Department or to a member of the Board in connection with the management or investment of state funds.

(2) The financial advisor or service provider shall disclose a relationship described by Subsection (c) of this section without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

(3) A financial advisor or service provider shall file annually a statement with the Executive Director of the Department and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (c) of this section, or if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

(4) The annual statement must be filed not later than April 15 in the form of Figure 1. The statement must cover the reporting period of the previous calendar year.

(5) The financial advisor or service provider shall promptly file a new or amended statement with the Executive Director of the Department and with the state auditor whenever there is new information to report under Subsection (c) of this section.

(6) A contract under which a financial advisor or service provider renders financial services or advice to the Department or a member of the Board is voidable by the Department if the financial advisor or service provider violates a standard of conduct adopted under this section.

**Figure 1**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**ANNUAL DISCLOSURE STATEMENT FOR FINANCIAL ADVISORS AND SERVICE PROVIDERS  
DUE NO LATER THAN APRIL 15**

**INSTRUCTIONS:**

- 1) THE REPORTING PERIOD COVERED BY THIS STATEMENT CONSISTS OF THE PRECEDING CALENDAR YEAR.
- 2) A NEW OR AMENDED STATEMENT MUST BE PROMPTLY FILED WITH THE PARTIES LISTED IN STEP 4 WHENEVER THERE IS NEW INFORMATION TO REPORT UNDER TEXAS GOVERNMENT CODE, SECTION 2263.005(a).
- 3) THIS STATEMENT MUST BE SUBMITTED EVEN IF YOU ANSWER "NO" TO QUESTIONS 1 AND 2 IN PART 2.
- 4) SUBMIT A COPY OF THIS STATEMENT TO THE FOLLOWING (FOR EACH GOVERNMENTAL ENTITY TO WHICH YOU PROVIDE SERVICES):
  - a. ADMINISTRATIVE HEAD OF THE STATE GOVERNMENTAL ENTITY
  - b. THE STATE AUDITOR (mail to P.O. Box 12067, Austin, TX, 78711-2067)
- 5) PROMPT FILING REQUIRES A POSTMARK DATE NO LATER THAN APRIL 15 IF THE COMPLETED FORM IS RECEIVED AT THE CORRECT ADDRESS.

**PART 1: GENERAL INFORMATION**

FILING TYPE (Check one)  ANNUAL DISCLOSURE FOR YEAR ENDING DECEMBER 31, 20\_\_  UPDATED DISCLOSURE

NAME OF INDIVIDUAL \_\_\_\_\_ JOB TITLE \_\_\_\_\_

NAME OF BUSINESS ENTITY \_\_\_\_\_ TYPE OF SERVICE PROVIDED \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_ PHONE \_\_\_\_\_

NAME OF STATE GOVERNMENTAL ENTITY AND/OR GOVERNING BOARD MEMBER TO WHICH YOU ARE PROVIDING SERVICES \_\_\_\_\_

**PART 2: DISCLOSURES**

DEFINITION: (Texas Government Code, Section 2263.002)

*Financial advisor or service provider includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.*

DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISOR OR SERVICE PROVIDER (Texas Government Code, Section 2263.005)

Financial advisors and service providers (see definition) must disclose information regarding certain relationships with, and direct or indirect pecuniary interests in, any party to a transaction with the state governmental entity, without regard to whether the relationships are direct, indirect, personal, private, commercial, or business relationships.

- 1) Do you or does your business entity have any relationship with any party to a transaction with the state governmental entity (other than a relationship necessary to the investment or funds management services that you or your business entity performs for the state governmental entity) for which a reasonable person could expect the relationship to diminish your or your business entity's independence of judgment in the performance of your responsibilities to the state entity?  
Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please explain in detail. (Attach additional sheets as needed.)

\_\_\_\_\_  
\_\_\_\_\_

- 2) Do you or does your business entity have any direct or indirect pecuniary interests in any party to a transaction with the state governmental entity if the transaction is connected with any financial advice or service that you or your business entity provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please explain in detail. (Attach additional sheets as needed.)

\_\_\_\_\_  
\_\_\_\_\_

**PART 3: SIGNATURE AND DATE**

I hereby attest that all information provided above is complete and accurate. I acknowledge my or my firm's responsibility to submit promptly a new or amended disclosure statement to the parties listed in step 4 of the instructions if any of the above information changes.

Signature \_\_\_\_\_ Date \_\_\_\_\_



**LEGAL SERVICES DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Consider and approve for public comment a proposed new Title 10, Part 1, Chapter 1, §1.17, Texas Administrative Code, on Department Policy concerning Alternative Dispute Resolution and Negotiated Rulemaking.

**Required Action**

Approve the proposed new rule for public comment.

**Background**

S. B. 264 requires that the Department develop and implement a policy to encourage the use of appropriate alternative dispute resolution (“ADR”) procedures to assist in the resolution of internal and external disputes under the Department’s jurisdiction. The Department previously adopted a policy on ADR in the 2004 QAP, the HOME rules, and the Housing Trust Fund Rules. The proposed new rule will further the adoption of the Department’s policy on ADR and negotiated rulemaking.

**Proposed New Rule**  
**Alternative Dispute Resolution and Negotiated Rulemaking**  
**10 Texas Administrative Code §1.17**

**§ 1.17 Alternative Dispute Resolution and Negotiated Rulemaking**

**(a) Policy.** In accordance with §2306.082, Texas Government Code, it is the Department’s policy to encourage the appropriate use of Alternative Dispute Resolution (“ADR”) procedures to assist in the fair and expeditious resolution of internal and external disputes involving the Department and the use of negotiated rulemaking procedures for the adoption of Department rules, consistent with the Governmental Dispute Resolution Act and the Negotiated Rulemaking Act (Chapters 2009 and 2008, respectively, Texas Government Code). The Department’s ADR procedures must conform, to the extent possible, to model guidelines issued by the State Office of Administrative Hearings for the use of ADR by state agencies. (§2306.082(b), Texas Government Code).

**(b) Definitions.** For purposes of this rule, terms used herein shall have the following meaning:

(1) “Alternative Dispute Resolution” or “ADR” – a procedure or combination of procedures that uses an impartial third party to assist individuals in voluntarily resolving disputes, including procedures described in Sections 154.023-154.027, Civil Practice and Remedies Code. (§2009.003(1), Governmental Dispute Resolution Act). Consistent with §2009.005(c), Governmental Dispute Resolution Act, the Department has no authority to engage in binding arbitration.

(2) “Mediation” – a dispute resolution procedure in which an impartial person, the mediator, facilitates communication between the parties to promote resolution of the dispute. The mediator may not impose his or her own judgment on the issues for that of the parties. (§ 154.023(a) and (b), Civil Practice and Remedies Code).

(3) “Impartial third party” – A person who meets the qualifications and conditions of Section 2009.053, Governmental Dispute Resolution Act..

**(c) Dispute Resolution Coordinator.** The Executive Director shall designate a trained person to:

(1) Coordinate the implementation of the Department’s policy on ADR and negotiated rulemaking;

(2) Serve as a resource for any training needed to implement procedures for ADR or negotiated rulemaking; and

(3) Collect data concerning the effectiveness of ADR and negotiated rulemaking, as implemented by the Department.

**(d) Informal Communications; Ex Parte Policy; Appeals; Education.**

(1) The Department encourages informal communications between Department staff and applicants for Department programs, and other interested persons, to exchange information and informally resolve disputes. When applications are pending consideration by the Department, applicants should review the Department’s ex parte communications policy to ensure their compliance with the policy.

(2) The Department has promulgated rules in accordance with §§2306.0321 and 2306.6715, Texas Government Code, concerning administrative appeals processes. ADR procedures supplement and do not limit any available procedure for the resolution of disputes. (§2009.052(a), Governmental Dispute Resolution Act). Pursuing an ADR procedure does not suspend or delay application, appeal, or other deadlines. For example, if a tax credit applicant desires to appeal a Department decision using the procedures promulgated under

§2306.6715 and also desires to pursue an ADR procedure, the applicant may independently pursue the two procedures. Each procedure will proceed independently of the other.

(3) Consistent with this ADR and Negotiated Rulemaking policy, the Department shall endeavor to educate its staff and persons who are subject to the Department's jurisdiction concerning the availability of ADR and negotiated rulemaking procedures to resolve disputes and to adopt rules.

**(e) ADR Procedure.**

(1) Assessment of the Dispute. In determining whether an ADR procedure is appropriate, the parties to the dispute, including the Department, should consider the following factors:

- A) direct discussions and negotiations between the parties have been unsuccessful or could be improved with the assistance of an impartial third party;
- B) the use of ADR would use less resources and take less time than other available procedures;
- C) there is a reasonable likelihood that the use of ADR will result in an agreement to resolve the dispute;
- D) there are potential remedies or solutions that are only available through ADR; and
- E) the need for a final decision with precedential value is less important than other considerations.

The parties may also consider additional factors found in the State Office of Administrative Hearings' ADR Model Guidelines for assessing whether a dispute is appropriate for mediation.

(2) Proposing the Use of ADR. Any applicant for Department programs or other interested person may propose the use of an ADR procedure to attempt to resolve a dispute with the Department by submitting a written ADR proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978), with copies sent to any other parties to the dispute.

(3) ADR Proposal. If at any time an applicant for Department programs or other interested person would like to engage in an ADR procedure with the Department, the person may submit by letter a written ADR proposal to the Department's Dispute Resolution Coordinator stating the nature of the dispute, the parties involved, any pertinent deadlines, whether all parties agree to refer the dispute to ADR, proposed times and locations, the preferred type of ADR procedure, and, if known, one or more potential impartial third parties. For example, an ADR proposal may propose that a dispute be mediated using a trained, impartial third party state employee from a state pool of ADR trained employees at no cost to the parties or other qualified mediator agreeable to all parties at the shared cost of the parties; that the mediation take place in person at the Department or other mutually agreeable place or by telephone; and that it be scheduled for three hours on an agreed date within seven days. If an applicant or other interested person is uncertain whether to propose the possible use of ADR or is uncertain about any particular aspect of a possible proposal, they should contact the Department's Dispute Resolution Coordinator to discuss the matter.

(4) Action on ADR Proposal. The Department will review the ADR proposal, discuss it with the interested parties, as appropriate, and assess whether ADR would assist in fairly and expeditiously resolving the dispute. If the parties, including the Department, cannot agree on whether an ADR procedure should be used or on the particulars of the ADR procedure, the Department will notify affected parties of that outcome. The Department will promptly notify all affected parties within 5 days of receiving an ADR proposal, or as soon as reasonably possible. If the Department determines not to refer the dispute to ADR, the Department shall state its reasons in writing. If the Department determines to refer the dispute to ADR, it will include the date for the selected ADR process in its notice. In referring the case to ADR, the Department will carefully consider the selections in the ADR proposal and follow them as much as is appropriate.

(5) Department Proposal. Independent of any proposal from interested parties outside the Department, the Department may propose using ADR procedures to interested parties to try and resolve a dispute.

**(f) Selection of Impartial Third Parties.** An impartial third party must possess the qualifications required under §154.052, Civil Practice and Remedies Code (a minimum of 40 classroom hours of training in dispute resolution techniques), is subject to the standards and duties prescribed by §154.053, and has the qualified immunity prescribed by §154.055, Civil Practice and Remedies Code, for volunteer third parties not receiving compensation in excess of expenses, if applicable. (§2009.053(d) Governmental Dispute Resolution Act). The selection of an impartial third party is subject to the approval of the parties to the dispute. If the parties do not suggest potential third parties, the Department will provide a list of potential third parties from which to choose. If all parties agree to use an impartial third party who charges for ADR services, then the costs for the impartial third party shall be apportioned equally among all parties, unless otherwise agreed by the parties.

**(g) Good faith; Voluntary Agreement; Public Information.** All parties participating in an ADR procedure are expected to do so in a good faith effort to reach agreement. All parties participating must have the authority to enter into an agreement to resolve the dispute. The decision to reach agreement is voluntary. If the parties reach a resolution and execute a written agreement, the agreement is enforceable in the same manner as any other written agreement of the same nature with the State. A written agreement to which the Department is a signatory resulting from an ADR procedure must be approved by the appropriate authority and is subject to the Public Information Act, Chapter 552, Texas Government Code.

**(h) Confidentiality of Records and Communications.** The confidentiality of the communications, records, conduct, and demeanor of an impartial third party and parties in an ADR procedure are governed by Section 2009.054 of the Governmental Dispute Resolution Act.

**(i) Negotiated Rulemaking.**

(1) The Negotiated Rulemaking Act, Chap. 2008 of the Texas Government Code, prescribes procedures for negotiated rulemaking including appointment of a convener; publishing notice of proposed negotiated rulemaking and requesting comments on the proposal; appointing a negotiated rulemaking committee; appointing an impartial third party facilitator; and proposing the resulting draft rule for public comment.

(2) Any person or organization that would like for the Department to use negotiated rulemaking for the adoption of a Department rule may submit a proposal to the Department's Dispute Resolution Coordinator. The proposal should identify the rule proposed for negotiated rulemaking; potential participants for the negotiated rulemaking committee, possible third party facilitators, and a timeline for the process. The Department will promptly respond to the proposal. The Department may also on its own propose to use negotiated rulemaking. In determining whether a proposed negotiated rulemaking is appropriate in a particular situation, the Department and interested parties may consider any relevant factors, including:

(A) The number of identifiable interests that would be significantly affected by the proposed rule;

(B) The probability that those interests would be adequately represented in a negotiated rulemaking;

(C) The probable willingness and authority of the representatives of affected interests to negotiate in good faith;

(D) The probability that a negotiated rulemaking committee would reach a unanimous or a suitable general consensus on the proposed rule;

(E) The probability that negotiated rulemaking will not unreasonably delay notice and eventual adoption of the proposed rule;

(F) The adequacy of agency and citizen resources to participate in negotiated rulemaking;

(G) The probability that the negotiated rulemaking committee will provide a balanced representation among all interested and affected parties.

(§2008.052(d) Negotiated Rulemaking Act).

If the Department decides to proceed with a negotiated rulemaking, it shall follow the process outlined in Chapter 2008 of the Texas Government Code.

(3) The Department may also use less formal procedures such as working groups, information exchanges, or policy dialogues (*see* State Office of Administrative Hearings, ADR Model Guidelines) facilitated by a Department employee to seek the input or consensus, as appropriate, of interested persons and organizations when drafting proposed rules for public comment.

**(j) Shared Third Parties.** The Department may participate in intergovernmental efforts to share qualified government employees to act as impartial third parties on a reciprocal basis in order to provide impartial third parties for the Department and other government agencies at no cost. (§2009.053(b), Governmental Dispute Resolution Act).

**(k) Board Waiver.** The Governing Board of the Department may waive, in its discretion and to the extent of its authority, any one or more of these rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.

**AUDIT COMMITTEE MEETING**

Items 5A, 5B, 5C, 5D

See Audit Committee Book for May 12, 2004

**Housing Tax Credit Program  
Board Action Request  
January 13, 2004**

**Action Item**

Request, review, and board determination of four (4) four percent (4%) tax credit applications with TDHCA as the issuer.

**Recommendation**

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

<b>Development No.</b>	<b>Name</b>	<b>Location</b>	<b>Issuer</b>	<b>Total Units</b>	<b>LI Units</b>	<b>Total Development</b>	<b>Applicant Proposed Tax Exempt Bond Amount</b>	<b>Requested Credit Allocation</b>	<b>Recommended Credit Allocation</b>
04409	Evergreen at Plano Independence	Plano	TDHCA	250	250	\$20,739,518	\$14,750,000	\$585,335	\$585,335
04411	Montgomery Pines Apartments	Porter	TDHCA	224	224	\$19,221,610	\$12,300,000	\$622,992	\$621,509
04415	Pinnacle Apartments	Houston	TDHCA	248	248	\$22,974,851	\$14,500,000	\$709,370	\$707,967
04416	Bristol Apartments	Houston	TDHCA	248	248	\$22,266,979	\$12,625,000	\$898,771	\$898,771



## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2004 Private Activity Multifamily Revenue Bonds**

**Evergreen at Plano Parkway Apartments  
2900 Plano Parkway  
Plano, Texas**

**PWA – Plano Independence Senior Community, L.P.  
250 Units**

**Priority 1C – 100% of units at 60% AMFI  
(Census tracts that have a higher average income than the area AMFI)**

**\$14,750,000 Tax Exempt – Series 2004**

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### **TABLE OF EXHIBITS**

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<b>TAB 1</b>	<b>TDHCA Board Presentation</b>
<b>TAB 2</b>	<b>Bond Resolution</b>
<b>TAB 3</b>	<b>HTC Profile and Board Summary</b>
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<b>TAB 5</b>	<b>Department's Real Estate Analysis</b>
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<b>TAB 9</b>	<b>Public Input and Hearing Transcript (February 17, 2004)</b>



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Evergreen at Plano Parkway Apartments development.

**Summary of the Evergreen at Plano Parkway Apartments Transaction**

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked ninth out of a total of forty-four applications. The application was induced at the October Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on January 30, 2004. This application was submitted under the Priority 1C category. This is a new category the Legislature added June 2004 through SB 1664 to encourage affordable development in census tracts with higher median incomes than the AMFI for the area. 100% of the units will serve families at sixty percent (60%) of AMFI. The Dallas MSA AMFI for 2004 is \$65,100 and the 2003 AMFI for this census tract is \$100,002 (2004 information is not available at this time). A public hearing was held on February 17, 2004. There were five (5) people in attendance with two (2) people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located on the east side of Independence and the south side of Plano Parkway in approximately the 2800 block of Plano Parkway, Plano, Collin County.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in the amount of \$14,750,000. The bonds will be unrated and privately placed with MuniMae TEI Holding LLC. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months with payment terms of interest only, followed by a 40 year amortization with a maturity date of May 1, 2044. The interest rate on the bonds during the Construction Loan Period will be 5.25% per annum followed by a permanent interest rate of 6.55% per annum (See Bond Resolution 04-024 Section 1.2 (b) attached).

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Evergreen at Plano Parkway Apartments development because of quality of construction of the development as demonstrated by the plans and specifications, the feasibility of the development (as demonstrated by the commitments from the bond purchaser/equity provider and the underwriting report from the department's real estate analysis division) and the need of affordable senior housing in the Plano area as demonstrated by the market study and appraisal reports.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**BOARD MEMORANDUM**  
**May 13, 2004**

**DEVELOPMENT:** Evergreen at Plano Parkway Apartments, Plano, Collin County, Texas 75075

**PROGRAM:** Texas Department of Housing & Community Affairs  
2004 Private Activity Multifamily Revenue Bonds  
(Reservation received 1/9/2004)

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

**PURPOSE:** The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to PWA-Plano Independence Senior Community, L.P., a Texas limited partnership (the "Owner" or "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a proposed 250-unit multifamily residential rental development to be constructed on approximately 11.65 acres of land located on the east side of Independence and on the south side of Plano Parkway, at approximately the 2900 block of Plano Parkway, Plano, Collin County, Texas 75075 (the development). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development.

**BOND AMOUNT:** \$ 14,750,000 (\*) Series 2004 Tax Exempt Bonds

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

**ANTICIPATED CLOSING DATE:** The Department received a volume cap allocation for the Bonds on January 30, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before June 28, 2004, the anticipated closing date is May 26, 2004.

**BORROWER:** PWA - Plano Independence Senior Community, L.P., a Texas limited partnership, the general partner of which is PWA - 2004 G.P., LLC, a Texas limited liability company, the sole member of which is PWA Coalition of Dallas, Inc., a Texas non-profit corporation, the President of which is Donald J. Maison. The Special Limited Partner is Churchill Residential, Inc. the principals of which are Brad Forslund,

President and Tony Sisk, Treasurer. MMA Financial Bond Warehousing, LLC, or an affiliate thereof, will be providing the equity for the transaction by purchasing approximately a 99% limited partnership interest in the Borrower.

**COMPLIANCE**

**HISTORY:**

The Compliance Status Summary completed on April 5, 2004 reveals that the principals of the general partner above have a total of five (5) properties being monitored by the Department. One (1) has received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

**ISSUANCE TEAM/**

**ADVISORS:**

MuniMae TEI Holdings, LLC or an affiliate thereof (“Bond Purchaser”)  
MMA Financial Bond Warehousing, LLC (“Equity Provider”)  
The Bank of New York Trust Company, N.A. (“Trustee”)  
Vinson & Elkins L.L.P. (“Bond Counsel”)  
RBC Dain Rauscher Inc. (“Financial Advisor”)  
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

**BOND PURCHASER:**

The Bonds will be purchased by MuniMae TEI Holdings, LLC or an affiliate thereof. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

**DEVELOPMENT**

**DESCRIPTION:**

The development is a 250-unit apartment community to be constructed on an 11.65 acre site located at on the east side of Independence and on the south side of Plano Parkway, at approximately the 2900 block of Plano Parkway, Plano, Collin County, Texas 77075. The development will consist of eight (8) four-story, wood-framed apartment building consisting of brick and hardiplank exteriors with a total of approximately 206,000 net rentable square feet and an average unit size of 824 square feet. Unit features will include ceiling fans, washer/dryer connections, garbage disposal and dishwashers. Additionally, the property will also have a 7000 square-foot community building consisting of office space, exercise room, computer room, laundry room, community room and kitchen. Other site amenities will include a swimming pool, playground equipment, perimeter fencing, covered parking and garages.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed Net Rent</u>
126	1-Bedrooms/1-Baths	700	\$663.00
<u>124</u>	2-Bedrooms/2-Baths	950	\$797.00
250	Total Units		

**SET-ASIDE UNITS:**

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each development will be set aside on a

priority basis for persons with special needs.

*(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

**RENT CAPS:**

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

**TENANT SERVICES:**

Borrower has selected PWA Coalition of Dallas, Inc., to be the future provider of social services, and manager to conduct tenant programs for the senior residents. The provision of these services will be required pursuant to the Regulatory and Land Use Restriction Agreement (LURA).

**DEPARTMENT  
ORIGINATION  
FEES:**

\$1,000 Pre-Application Fee (Paid)  
\$10,000 Application Fee (Paid)  
\$73,750 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT  
ANNUAL FEES:**

\$14,750 Bond Administration (0.10% of first year bond amount)  
\$6,250 Compliance (\$25/unit/year adjusted annually for CPI)

*(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow.)*

**ASSET OVERSIGHT  
FEE:**

\$6,250 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$585,335 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$4,946,000 of equity for the transaction.

**BOND STRUCTURE:**

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

The Bonds will be privately placed with the Bond Purchaser. The Bond Purchaser contemplates transferring the Bonds to a custodial or trust arrangement whereby beneficial interests in the Bonds will be

sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The Bond Purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. During the construction and lease-up period, the Bonds will pay as to interest only.

**BOND INTEREST RATES:** The interest rate on the bonds through and including November 30, 2005 ("Construction Loan Period") will be 5.25%. From December 1, 2005 until the loan is paid in full, the interest on the Bonds will be 6.55%.

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

**FORM OF BONDS:** The Bonds will be issued in physical form and in denominations of \$100,000 or any amount in excess of \$100,000.

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

**TERMS OF THE MORTGAGE LOAN:** The Mortgage Loan is a nonrecourse obligation of the Borrower (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. Deeds of Trust and related documents convey the Owner's interest in the Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF BONDS PRIOR TO MATURITY:** The Bonds are subject to redemption under any of the following circumstances:

**Mandatory Redemption:**

- (a) The Bonds are subject to mandatory redemption, in whole or in part (i) from any and all Receipts Requiring Mandatory Redemption, at a redemption price equal to 100% of the principal amount of Bonds being redeemed; and (ii) from moneys available for such purpose on deposit in the funds and accounts established by the Trust Indenture to the extent required.

- (b) The Bonds are subject to mandatory redemption, in part, following the Stabilized Date, in the amount, if any, equal to the amount that the outstanding principal amount of the Bonds exceeds the Supportable Bond Amount, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date.

**Optional Redemption at Direction of Borrower:**

- (a) From and after June 1, 2021 only, the Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, and only at the written direction of the Borrower, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date.

**Optional Redemption at Direction of Servicing Agent and Holders:**

- (a) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Servicing Agent, from and to the extent of amounts on deposit in the Construction Fund if construction of the Development has not lawfully commenced within sixty (60) days of the Closing Date.
- (b) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds, upon the occurrence of an Event of Taxability, but only if so directed by the Holders in writing within ninety (90) days of the occurrence of the Event of Taxability, at a redemption price equal to 106% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, plus; provided, however, that the foregoing redemption premium shall not be payable if the Event of Taxability is solely the result of a change in the Code or the Regulations.
- (c) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of 100% of the outstanding principal amount of the Bonds, at any time after the June 1, 2021, without premium, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, but only if the Holders provide the Issuer, the Trustee and the Borrower with written notice of their election to require redemption of the Bonds at least one hundred and eighty (180) days prior to the date set for redemption.

**FUNDS AND  
ACCOUNTS/FUNDS  
ADMINISTRATION:**

Under the Trust Indenture, The Bank of New York Trust company, N.A. (the "Trustee") will serve as registrar, and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number

of loan administration and monitoring functions.

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

The Trust Indenture will initially create up to ten (10) funds with the following general purposes:

1. Bond Proceeds Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and immediately applied by the Trustee to other funds as required.
2. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the amount required and order designated by the Trust Indenture – first to the Fee and Expense Account, second to the Tax and Insurance Account, third to the Interest Account, and fourth to the Principal Account.
3. Borrower Equity Fund – Funds from sources other than Bond proceeds to pay for Costs of Issuance, capitalized interest and certain other costs relating to the acquisition and development of the Development.
4. Costs of Issuance Fund – Fund into which amounts for the payment of certain costs incurred in connection with the issuance of the bonds are deposited and disbursed.
5. Construction Fund – Fund into which amounts needed to complete construction of the improvements are deposited and disbursed.
6. Capitalized Interest Fund – Fund into which a portion of the proceeds of the bonds or borrower equity are deposited and used to fund the payment of interest during the construction period.
7. Lease-Up Fund – Funded from syndication proceeds or other funds provided by the Borrower other than proceeds of the Bonds. Such amount, plus other funds transferred therein pursuant to the Indenture, will be applied to pay the Operating Expenses of the Development to the extent that the Development's net cash flow is insufficient to pay such amounts. On or after the date which is ten (10) days following the Supportable Bond Amount Determination Date, amounts remaining in the Lease-Up Fund will be used (i) first, to redeem Bonds if required pursuant to the terms of the Indenture and the Borrower does not pay or cause to be paid by the Guarantors under the Guaranty all amounts required to redeem Bonds; (ii) second, to pay any deferred and unpaid developer's fee; and (iii) third, the balance, if any, will be paid to the Borrower.

8. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
9. Replacement Fund – Fund into which amounts are held in reserve to cover replacement cost and ongoing maintenance to the Development.
10. Bond proceeds Clearance Fund – Fund into which money's are transferred from the Bond Proceeds Account of the Construction Fund and the Bond Proceeds account of the Capitalized Interest Fund, as and when provided in the Indenture, and are applied, after completion of the project, either directly or after being transferred to the Principal Account of the Reserve Fund, to pay any unpaid or deferred developer's fee and/or to redeem Bonds.

Essentially, all of the Bond proceeds will be deposited into the Construction Fund and the Capitalized Interest Fund and disbursed there from during the Construction Phase (over 18 to 24 months) to finance the construction of the Development and to pay interest on the Bonds. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

**DEPARTMENT**  
**ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – The Bond of New York Trust Company, N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor – RBC Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in August 2003.



**ATTORNEY GENERAL**  
**REVIEW OF BONDS:**

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

## RESOLUTION NO. 04-024

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (EVERGREEN AT PLANO PARKWAY) SERIES 2004; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Evergreen at Plano Parkway) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and The Bank of New York Trust Company, N.A., a national banking association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount corresponding to the original aggregate principal amount of the

Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that the Borrower's obligations under the Note will be secured by the Deed of Trust, Security Agreement and Assignment of Rents and Leases and Financing Statement (the "Deed of Trust") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

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

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Assignments, the Regulatory Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deed of Trust and the Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deed of Trust and the Note and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

## ARTICLE I

### ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be (A) from the date of issuance through, and including, November 30, 2005, 5.25% per annum, and (B) from December 1, 2005 and thereafter until the maturity date thereof 6.55%; provided, however, that the interest rate is subject to adjustment as set forth in the Indenture; provided further, that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be \$14,750,000; and (iii) the final maturity of the Bonds shall occur on May 1, 2044.

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

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

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.8--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.9--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Asset Oversight Agreement

Section 1.10--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.11--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department, and the Secretary to the Board.

Section 1.12--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

## ARTICLE II

### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

Section 2.7--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

ARTICLE III  
CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

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

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

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

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

## ARTICLE IV

### GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting;

that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this \_\_\_\_ day of May, 2004.

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

[SEAL]

Attest: \_\_\_\_\_  
Delores Groneck, Secretary



## EXHIBIT A

### DESCRIPTION OF PROJECT

Section 1. Project and Owner.

**Owner:** PWA-Plano Independence Senior Community, L.P., a Texas limited partnership

**Project:** The Project is a 250-unit multifamily facility to be known as Evergreen at Plano Parkway and to be located at the 2900 block of Plano Parkway, Plano, Collin County, Texas 75075. The Project will consist of eight (8) four-story residential apartment buildings with approximately 206,000 net rentable square feet and an approximate average unit size of 824 square feet. The unit mix will consist of:

126 one-bedroom/one-bath units  
124 two-bedroom/two-bath units

250 Total Units

Unit sizes will range from approximately 700 square feet to approximately 950 square feet.

The Project will include an administration office, a business center, a fitness room, an activity room, a community room, a library, a beauty shop, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool and a picnic area. All individual units will have washer/dryer connections. Additionally, the Project will include 88 garages, 162 carports and 100 uncovered parking spaces.

Section 2. Project Amenities.

Project Amenities shall include:

- Laundry Connections
- Microwave Ovens
- Garages - 88
- Ceiling Fans
- Ceramic Flooring in Entry and Bathroom
- ×75% Masonry (including stucco and hardiplank)
- Covered Community Porch
- Walking Trail
- Perimeter Fencing and Gated Access
- Business / Computer Facilities with internet access
- Game / Recreation Room
- Exercise Room



**HOUSING TAX CREDIT PROGRAM  
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Evergreen at Plano Independence Senior Community** TDHCA#: 04409

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Plano QCT: N DDA: N TTC: N  
 Development Owner: PWA-Plano Independence Senior Community, LP  
 General Partner(s): PWA-2004 GP, LLC, 100%, Contact: Don Maison  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA  
 Development Type: Elderly

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$585,335 Eligible Basis Amt: \$609,873 Equity/Gap Amt.: \$880,568

**Annual Tax Credit Allocation Recommendation: \$585,335**

Total Tax Credit Allocation Over Ten Years: \$ 5,853,350

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 250 HTC Units: 250 % of HTC Units: 100  
 Gross Square Footage: 214,700 Net Rentable Square Footage: 206,000  
 Average Square Footage/Unit: 824  
 Number of Buildings: 1  
 Currently Occupied: N

**Development Cost**

Total Cost: \$20,739,518 Total Cost/Net Rentable Sq. Ft.: \$100.68

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$2,039,558 Ttl. Expenses: \$1,009,181 Net Operating Inc.: \$1,030,377  
 Estimated 1st Year DCR: 1.10

**DEVELOPMENT TEAM**

Consultant: Not Utilized	Manager: Alpha Barnes
Attorney: Coats, Rose, Yale, Ryman & Lee	Architect: GTF Designs
Accountant: Novogradac & Company, LLP	Engineer: Kimley Horn & Associates
Market Analyst: Butler Burgher	Lender: MMA Financial, LLC
Contractor: ICI Construction	Syndicator: MMA Financial, LLC

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 1	Sen. Florence Shapiro, District 8 - NC
# in Opposition: 1	Rep. Brian McCall, District 66 - NC
Public Hearing:	Rep. Jerry Madden, District 67 - S
# in Support: 3	Mayor Pat Evans - S
# in Opposition: 2	County Judge Ron Harris - S
# Neutral: 0	County Commissioner Jack Hatchell - S
	Bob Buffington, Neighborhood services Manager, City of Plano; The proposed development is in conformance with the City of Plano's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Acceptance by the Board of the anticipated redemption of up to \$1,450,000 in bonds at the conversion to permanent.
3. Receipt, review, and acceptance of a final property survey reflecting the correct gross and net square footage being aquired.
4. Receipt, review, and acceptance of a commitment from the unrelated party general contractor to defer fees of up to \$252,015 as necessary to fill a potential gap in permanent financing by bond closing.
5. Receipt, review, and acceptance of full financial and previuos participation disclosure of LHTE Equipment, LLC a guarantor required under the financial commitments as well as disclosure of any fee or previous participation of LHTE Equipment, LLC in this development.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robert Onion, Multifamily Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Brooke Boston, Director of Multifamily Finance Production Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director

\_\_\_\_\_  
Date

Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

Chairperson Signature: \_\_\_\_\_  
Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

## Evergreen @ Plano Parkway

<b>Estimated Sources &amp; Uses of Funds</b>
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<b>Sources of Funds</b>	
-------------------------	--

Series 2004 Tax-Exempt Bond Proceeds	\$ 14,750,000
Tax Credit Proceeds	4,877,000
Deferred Developer's Fee	948,107
Estimated GIC Earning	72,384
<b>Total Sources</b>	<u><u>\$ 20,647,491</u></u>

<b>Uses of Funds</b>	
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Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,864,828
Construction Period Interest	1,037,833
Rent Up Reserve	594,468
Developer's Overhead & Fee	2,123,652
Costs of Issuance	
Direct Bond Related	418,500
Bond Purchaser Costs	433,750
Other Transaction Costs	28,172
Real Estate Closing Costs	146,288
<b>Total Uses</b>	<u><u>\$ 20,647,491</u></u>

<b>Estimated Costs of Issuance of the Bonds</b>
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<b>Direct Bond Related</b>	
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TDHCA Issuance Fee (.50% of Issuance)	\$ 73,750
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit) 2 years	10,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	45,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	65,000
Non-profit fee	50,000
Non-profit Counsel	35,000
Bond Administration Fee (2 years)	29,500
Trustee Fee	8,000
Trustee's Counsel (Note 1)	6,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses	7,750
<b>Total Direct Bond Related</b>	<u><u>\$ 418,500</u></u>

## Evergreen @ Plano Parkway

<b>Bond Purchase Costs</b>	
MuniMae Origination Fee	368,750
MuniMae Application Fee	25,000
Lender's Attorney	40,000
<b>Total</b>	<b>\$ 433,750</b>

<b>Other Transaction Costs</b>	
Tax Credit Determination Fee (4% annual tax cr.)	23,172
Tax Credit Application Fee (\$20/u)	5,000
<b>Total</b>	<b>\$ 28,172</b>

<b>Real Estate Closing Costs</b>	
Title & Recording (Const.& Perm.)	100,000
Property Taxes	46,288
<b>Total Real Estate Costs</b>	<b>\$ 146,288</b>

<b>Estimated Total Costs of Issuance</b>	<b>\$ 1,026,710</b>
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

**DATE:** April 30, 2004      **PROGRAM:** 4% LIHTC      **FILE NUMBER:** 04409  
MRB      2004-024

**DEVELOPMENT NAME**

Evergreen at Plano Independence Senior Community Apartments

**APPLICANT**

<b>Name:</b>	PWA-Plano Independence Senior Community, L.P.	<b>Type:</b>	Non-Profit (CHDO)				
<b>Address:</b>	5601 N. MacArthur Blvd., Suite 210	<b>City:</b>	Irving	<b>State:</b>	Texas		
<b>Zip:</b>	75038	<b>Contact:</b>	Mike Anderson Don Maison	<b>Phone:</b>	(972) 550-7800	<b>Fax:</b>	(972) 550-7900

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	Don Maison	<b>(%):</b>	0.0025%	<b>Title:</b>	Managing General Partner
<b>Name:</b>	Michael Anderson	<b>(%):</b>	0.0025%	<b>Title:</b>	Co-General Partner
<b>Name:</b>	Brad Forslund	<b>(%):</b>	0.0025%	<b>Title:</b>	Developer
<b>Name:</b>	J. Anthony Sisk	<b>(%):</b>	.00025%	<b>Title:</b>	Developer

**PROPERTY LOCATION**

**Location:** 2900 Blk of W. Plano Parkway       QCT       DDA  
**City:** Plano      **County:** Collin      **Zip:** 75075

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$585,335	N/A	N/A	N/A
2) \$14,750,000	6.55%	40 yrs	40 yrs

**Other Requested Terms:**

- 1) Annual ten-year allocation of low-income housing tax credits
- 2) Tax-Exempt Private Activity Mortgage Revenue Bonds

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$585,335 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- RECOMMEND ISSUANCE OF TAX-EXEMPT BONDS IN AN AMOUNT OF NOT MORE THAN \$14,750,000 AMORTIZING OVER 40 YEARS AT AN INTEREST RATE OF 6.55%, SUBJECT TO CONDITIONS.

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

**CONDITIONS**

1. Acceptance by the Board of the anticipated redemption of up to \$1,450,000 in bonds at the conversion to permanent;
2. Receipt, review, and acceptance of a final property survey reflecting the correct gross and net square footage being acquired;
3. Receipt, review, and acceptance of a commitment from the unrelated party general contractor to defer fees of up to \$252,015 as necessary to fill a potential gap in permanent financing by bond closing;
4. Receipt review and acceptance of full financial and previous participation disclosure of LHTE Equipment, LLC, a guarantor required under the financial commitments as well as disclosure of any fee or other participation of LHTE Equipment, LLC in this development; and,
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>250</u>	<b># Rental Buildings</b>	<u>1</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>4</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>	<b>at</b>	<u>/</u>	<b>/</b>	<u>/</u>
<b>Net Rentable SF:</b>	<u>206,000</u>	<b>Av Un SF:</b>	<u>825</u>	<b>Common Area SF:</b>	<u>8,700</u>	<b>Gross Bldg SF:</b>	<u>214,700</u>								

**STRUCTURAL MATERIALS**

The structure will be wood frame on a concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 35% brick veneer, 65% cement fiber siding, and wood trim. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, & 10-foot ceilings.

**ON-SITE AMENITIES**

7,000-square feet of community area will include: activity room, management offices, wellness and fitness center, kitchen, restrooms, computer/business center, central mailroom, and a beauty salon. In addition, a swimming pool, landscaped courtyard, putting green, and perimeter fencing with three limited access gates are also planned for the site

<b>Uncovered Parking:</b>	<u>75</u>	spaces	<b>Carports:</b>	<u>162</u>	spaces	<b>Garages:</b>	<u>88</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Evergreen at Plano Independence Senior Community is a dense Multifamily Senior community (31.47 units per acre) new construction development of 250 units of senior affordable housing located just northeast of Dallas in Plano. The development is comprised of one large elevator served (five elevators throughout) four story residential building. The unit types are as follows:

- 126 one-bedroom/one-bath units, containing 700 Sq. Ft.
- 124 two-bedroom/two-bath units, containing 950 Sq. Ft.

**Architectural Review:** The exterior elevations are interesting and varied and appear to be well designed and functional. The site plan has been refined several times since the application was initially submitted but the current plan suggests an irregular shaped structure with long open-air interior corridors and a large courtyard at its center.

**Supportive Services:** The Applicant has contracted with PWA Coalition of Dallas, Inc to provide the following supportive services to tenants: scheduled transportation, arts and crafts, home health services, beauty and barber shop, and a full time activity director. These services will be provided at no cost to

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

tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community area for provision of the services, and to pay \$2,500 per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in June of 2004 and to be completed in November of 2005. The development should be placed in service in May of 2005 and substantially leased-up in October of 2006.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	11.237	acres	346,080 square feet
			<b>Zoning/ Permitted Uses:</b> PD 381-R/O-2 Planned Dev. Dist
<b>Flood Zone Designation:</b>			Zone X-7.9449 ACS Zone AE-3.708 ACS
		<b>Status of Off-Sites:</b>	Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Plano is located in North Texas, approximately 20 miles northeast of the Dallas Central Business District in Collin, County. The site is an irregularly-shaped parcel located in the southwest area of Plano, approximately 4 miles from the central business district. The site is situated at the Southeast corner of Independence Parkway and Plano Parkway.

**Adjacent Land Uses:** Land uses in the overall area are mixed with single family homes, office complexes, hospitals, and undeveloped land. Adjacent land uses include:

- **North:** Plano Parkway with vacant land (zoned retail/office) and single-family subdivision further north
- **South:** Vacant land/George Bush Tollway
- **East:** Office Park
- **West:** Independence Parkway with an office (Alcatel Training Center) beyond

**Site Access:** Access to the property from the east or west is along Plano Parkway or from the north or south from Independence Parkway. The development is to have one entry from Plano Parkway and a main entrance from Independence Parkway. It also appears to share ingress and egress with a one acre carve out office lot on the absolute corner of Independence Parkway and Plano Parkway. Access to George Bush Tollway is less than ¼ mile south of the subject and Central Expressway (US 75) is just over 2 miles west. These major roadways provide connections to all other roads serving the area.

**Public Transportation:** Public transportation to the area is provided by DART (Dallas Area Rapid Transit) DART currently services Richardson and Plano with light rail and commuter bus routes. The rail station and closest mass transit connection is located less than three miles east of the subject property, at George Bush Tollway and Avenue K.

**Shopping & Services:** The site is within one mile of major grocery/pharmacies, and a variety of other retail establishments and restaurants. Plano Independent School District services the subject area. Schools, churches, Recreational areas, hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The original acquisition documents include roughly 11 acres but calls for the purchase price to be determined upon the net acres outside of the flood plain. The Applicant has since indicated that the site was entirely outside of the flood plain. The Applicant submitted several site plans at least one of which suggested that the net buildable site contains 7.9449 acres all of which is entirely outside of the 100 year flood plain. The full scale site plan provided with the most current building plans identifies an 11.237 acre site with at least two thirds of the site outside the flood plain limits (reclaimed) that surround the creek. It is unclear if the parenthetical “reclaimed” meant that the flood plain had been or is being reclaimed. All of the different site plans provided reflect the buildings entirely outside of the flood plain area and the last set reflects all of the drives and parking also outside of the 100 year flood plain. The Phase I ESA acknowledges the creek which runs at the southern and eastern boundaries of the site but does not indicate any significant impact from the flood plain. Pictures in the ESA reflect a significant earthen channel for the creek and flood way areas. It appears that the Applicant and design team are well aware of the flood plain issues and plan to avoid placing any improvements within the limits of the flood plain.



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

**Site Inspection Findings:** TDHCA staff performed a site inspection on February 17, 2004 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 November 23, 2003 was prepared by QORE Property Sciences and contained the following findings and recommendations:

**Conclusions and Recommendations:** “This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property, and the potential for environmental impact appears to be low. No further investigation is recommended at this time“. (p. 19)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. 250 of the units (100% of the total) will be reserved for elderly tenants

**MAXIMUM ELIGIBLE INCOMES**

	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

**MARKET HIGHLIGHTS**

A market feasibility study dated December 22, 2003, 2004 was prepared by B. Diane Butler, MAI, CCIM and Tara J. Bodeker with Butler and Burgher, Inc., Dallas, Texas (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “The subjects Primary Market Area is defined as the cities of Plano, Richardson, and Frisco, as well as North Dallas (Dallas City Limits, north of IH 635)” (p. 61). This area encompasses approximately 228.71 square miles and is equivalent to a circle with a radius of 8.53 miles. While this is a rather large market area it is of a size that is typical for a development targeted toward seniors.

**Population:** The estimated 2003 population of the entire Primary Market Area was 564,121 in 2003 and is expected to increase by 17.69% to approximately 663,897 by 2008. Within the Primary Market Area there were estimated to be 51,486 senior households (55 and older) in 2003. Again the total population in the primary market area is greater than the normal but the number of seniors in the market area is within the Department’s guidelines.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,547 qualified households in the PMA based on the current estimate of 51,486 households, renter households estimated at 44.05% of the population, income-qualified households estimated at 17.82%, the projected annual growth rate of 8.3% for the targeted population, and an annual renter turnover rate of 30%. (p. 99). The Market Analyst used an income band of \$0.00 to \$35,940 (one to three person household) since the development will accept section 8 vouchers. The Market Analyst was unable to determine the number of elderly voucher holders in the Primary Market Area. Without a more definitive estimate of the number of elderly voucher holders, a more appropriate bottom income limit would be \$19,650 which would reduce the income qualified percentage to 14.2%

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of</b>	<b>% of Total</b>	<b>Units of</b>	<b>% of Total</b>

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

	<b>Demand</b>	<b>Demand</b>	<b>Demand</b>	<b>Demand</b>
Household Growth	334	21.6%	266	20.3%
Resident Turnover	1,213	78.4%	1,046	79.7%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,547</b>	<b>100%</b>	<b>1,313</b>	<b>100%</b>

Ref: p. 99

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 40.73% based on the subject units plus 380 comparable units (p. 99). The comparable units have not yet received an allocation of bonds or tax credits therefore the Underwriter removed them from a recalculation of existing supply. The Underwriter calculated an inclusive capture rate of 19% based upon a revised supply of unstabilized comparable affordable units of 250 divided by a revised demand of 1,313.

**Market Rent Comparables:** The Market Analyst surveyed 6 comparable apartment projects totaling 1,063 units in the primary market area ranging in age from 1977 to 2002. (p. 103) Leasing concessions are being offered in the subject area as the properties compete for new residents and attempt to increase occupancy.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (60%)</b>	\$663	\$655	+\$8	\$850	-\$187
<b>2-Bedroom (60%)</b>	\$797	\$786	+\$11	\$1,050	-\$253

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

**Primary Market Occupancy Rates:** The 6 surveyed housing projects have a combined occupancy rate of 93% ...among these 6 projects are 2 non-subsidized projects containing 316 units. These non-subsidized units are 78.5% occupied however, one of the two is currently 65% and in the initial lease up period. The remaining 747 subsidized units are 91.3% occupied. (p. 103)

**Absorption Projections:** “M/PF Research predicts that the PMA occupancy will remain relatively stable over the next 12 months at 93%, with forecast completions for the PMA at 650 units, compared to the forecast absorption of 660 units during the same time period.” (p 103-104) “An absorption rate of 12 to 14 units per month is reasonable for the subject, as encumbered by LIHTC, resulting in a 16-month absorption period from date of completion to obtain stabilized physical occupancy.” (p 101)

**Known Planned Development:** “The subject is projected to be complete in May 2005, and stabilized by September 2006 (encumbered). The only other forecast senior LIHTC properties at this time include the following: Evergreen at Plano Stonebriar with 180 units (same developer as subject) and Primrose at McDermott with 200 units. These three senior-restricted LIHTC properties (including the subject) are currently proposed and are designated as Priority 1 within the Tax-Exempt Private Activity Housing Bond Program.” (p. 100). Evergreen at Plano Stonebriar has since withdrawn its bond application for 2004 and Primrose at Mc Dermott has not yet received a bond reservation.

**Effect on Existing Housing Stock:** “There are 650 new units (market-rate) currently under construction, with no LIHTC units currently under construction. The area has a large percentage of 1990’s + complexes, with these new Class A units experiencing good absorption levels. Limited new LIHTC units have been added in the PMA, and these are all quickly absorbed to full occupancy.” (p.102). “The addition of the subject units is not expected to significantly impact the overall vacancy rate of the submarket since the subject is expected to quickly lease-up to stabilization with occupancy in the low to mid 90%’s” (p 110)

**Other Relevant Information:** “The subject property would serve a convenient niche, with 100% of its units rent-restricted, and being able to offer new units with good amenities, at an affordable price to SENIOR income-restricted residents who may be struggling to afford housing at competing properties.” (p. 103).

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under HTC/program guidelines,

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and are achievable according to the Market Analyst. However, Applicant's net rents are slightly lower than Underwriter's based on the use of more up to date current utility costs used by the Underwriter. In addition, after a review of the plans it was discovered that the subject property has 126 one bedroom units, and 124 two bedroom units, instead of 125 one and 125 two bedroom units in the applicant initial rent schedule which has since been corrected. Estimates of secondary income is in line with TDHCA underwriting guidelines. The Applicant's estimate of the vacancy and collection loss is slightly lower at 7% rather than the TDHCA guideline of 7.5% and no further justification was provided for this difference. As a result, the Applicant's effective gross income estimate is \$2,078,550 or \$38,992 (2%) greater than the Underwriter's estimate.

**Expenses:** The Applicant's total operating expense estimate of \$3,618 per unit is 10% lower than the Underwriter's database-derived estimate of \$4,037 per unit for comparably-sized. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$18K lower), payroll (\$28K lower), repairs and maintenance (\$25K higher), utilities (\$38K lower), water, sewer, and trash (\$50K lower), insurance (\$20K higher). The Underwriter attempted to correspond with the Applicant on these differences but was unable to reconcile them.

**Conclusion:** The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and/ the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter's estimated debt coverage ratio (DCR) of .99 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project will likely be limited to \$940,080 by redemption of up to \$1.45M of the bonds at conversion of the loan to from interim to permanent status.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
<b>Land: 28.0580 acres</b>	\$4,888,824	<b>Assessment for the Year of:</b>	2003
<b>Per acre prorata</b>	\$174,240	<b>Valuation by:</b>	Collin County Appraisal District
<b>Prorata Assessed Value (11.237:</b>	\$1,657,934	<b>Tax Rate:</b>	\$2.528832/\$100 of Valuation
EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Earnest Money Contract		
<b>Contract Expiration Date:</b>	5/ 31/ 2004	<b>Anticipated Closing Date:</b>	5/ 31/ 2004
<b>Acquisition Cost:</b>	\$1,851,527	<b>Other Terms/Conditions:</b>	7.9449 Acs out of 28.0580 Acres at \$5.35 per net foot
<b>Seller:</b>	Alcatel USA Sourcing LP	<b>Related to Development Team Member:</b>	No

CONSTRUCTION COST ESTIMATE EVALUATION	
<b>Acquisition Value:</b>	The site cost of \$1,851,528 (\$5.35/SF, \$233,046/acre, or \$7,406/unit) is generally consistent with the assessed value and assumed to be reasonable since the acquisition is an arm's-length transaction. The amount of net acreage being acquired appears to still be subject to the survey confirmation by Kimley Horn which has not been provided. Receipt, review and acceptance of such a survey is a condition of this report.
<b>Sitework Cost:</b>	The Applicant's claimed sitework costs of \$6,719 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
<b>Direct Construction Cost:</b>	The Applicant's direct construction cost estimate is \$9.34M or 8.1% lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate of \$10.17M, and is therefore regarded as reasonable as understated.
<b>Fees:</b>	The Applicant's contractor's fees for general requirements, general and administrative expenses, and

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profit are all within the maximums allowed by TDHCA guidelines however developer fees exceed the 15 limit by \$7761 and were reduced accordingly by the Underwriter.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$17,131,263 is used to determine a credit allocation of \$609,873 from this method. The Applicant only requested \$585,335 in credits as a result of using the current actual applicable percentage of 3.42% rather than the Underwriting rate for March of 3.56% The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION TO PERMANENT FINANCING**

**Source:** MMA Financial **Contact:** Marie Keutmann/Korbin Heiss

**Principal Amount (Construction Loan)** \$14,750,000 **Interest Rate:** 5.25% - 2 years

**Principal Amount (Permanent Loan)** \$14,750,000 **Interest Rate:** 6.55% - 40 years

**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:**  LOI  Firm  Conditional

**Annual Payment:** \$1,042,570 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 04/ 19/ 2004

**TAX CREDIT SYNDICATION**

**Source:** MMA Financial **Contact:** Marie Keutmann/Korbin Heiss

**Address:** 101 Arch Street **City:** Boston

**State:** MA **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 439-9978

**Net Proceeds:** \$4,877,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** .845¢

**Commitment**  LOI  Firm  Conditional **Date:** 4/ 19/ 2004

**Additional Information:** Based upon tax credit allocation of \$577,259

**APPLICANT EQUITY**

**Amount:** \$1,593,518 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA through MMA Financial and purchased by MunieMae TEI Holdings, LLC or its designee. The permanent financing commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application which were listed at \$14.2M. As discussed above this underwriting analysis reflects the likelihood of redemption of bonds in the order of \$1.4M at conversion to permanent status and such an occurrence would dramatically increase the required deferral of developer fees.

**HTC Syndication:** The tax credit syndication commitment is slightly inconsistent with the terms reflected in the sources and uses of funds listed in the application, however the syndication rate is the same. MMA Financial, LLC, and affiliate of the bond purchaser will acquire the equity. The capital contributions will come in 7 installments with 30% at bond closing, 20% at 50% completion, 20% at 75% completion, 13% at completion and the remainder in 5% increments at subsequent milestones.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees will effectively be reduced to \$1,043,518 or 54.7% of the total fees if the total bond proceeds are maintained. As discussed above, this analysis reflects that a significant redemption of bonds is likely and as a result the Underwriter projects that 100% of the developer fee will ultimately be deferred as well as \$252,015 in contractor fees may need to be deferred in order to cover the financing gap. Therefore, this report is conditioned upon the receipt review and acceptance by bond closing of a commitment from the unrelated party general contractor to defer fees of

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up to \$252,015 as necessary to fill a potential gap in permanent financing.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, as adjusted by the Underwriter the HTC allocation should not exceed \$609,873, however the lower requested amount of \$585,35 annually for ten years, results in syndication proceeds of approximately \$4,945,230. Based on the underwriting analysis and the likely reduction in the bond amount through the redemption process at conversion to permanent, the Applicant's deferred developer and contractor fee will be increased to \$2,494,288, which represents over 100% of the developer fee and approximately 68% of the combined eligible contractor and developer fees for this transaction and which may not be repayable in 10 years but should be repayable from cash flow within 15 years of stabilized operations. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights** The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

- PWA Coalition of Dallas Inc., a non-profit entity, doing business as Aids Services of Dallas, is the entity that owns 100% of the General Partner, and they submitted an unaudited financial statement as of December 31, 2003 reporting total assets of \$3.02M consisting of \$745K in cash, \$(52.6)K in receivables, \$858.6K in machinery, equipment, and fixtures, and \$1.465M in partnership interests. Liabilities totaled \$2.734M, resulting in a net fund balance of \$372.6K.
- Churchill Residential, Inc. is the Developer and submitted unaudited financial statement as of December 31, 2003 reporting total assets of \$2,894 consisting of \$89 in cash, \$2,804.in machinery, equipment, and fixtures. Liabilities totaled \$8,144, resulting in a negative net equity of \$(5,250).
- The principals of the Developer, Bradley Forslund and Anthony Sisk, submitted unaudited financial statements as of December 31, 2003 and January 4, 2004, respectfully and are anticipated to be guarantors of the development.
- The financing commitments require the guarantee of LHTE Equipment, LLC however this entity was not include in the organization chart and no other information about it was provided. Receipt review and acceptance of full financial and previous participation disclosure of this guarantor as well as disclosure of any fee or other participation in this development is a condition of this report.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The General Partner, PWA Coalition of Dallas, has two HTC housing developments totaling 264 units. One has been completed and the other is under construction.
- Mr. Don Maison, President of PWA Coalition of Dallas, is involved with the same two properties.
- Churchill Residential, Developer of the subject property, is involved with two properties containing 360 units, both of which are currently under construction. One of these properties, Evergreen at Mesquite, is the same property that both PWA Coalition of Dallas and Don Maison are involved with.
- Bradley E. Forslund is President of Churchill Residential, Inc. and is involved in the construction of the same properties as Churchill.
- Mr. J. Anthony Sisk, who is treasurer of Churchill Residential is involved with the same properties as Mr. Forslund and Churchill Residential, and in addition he is involved with two additional properties with a total unit count of 858 units. All of Mr. Sisk's properties are in various stages of completion.

The following is a list of the Projects and Ownership entities involved:

- 94141 Hillcrest House – PWA Coalition of Dallas, Inc., Don Maison – Construction Completed – Total Units 64
- 3412 Evergreen at Mesquite – PWA Coalition of Dallas, Don Maison, Churchill Residential, Bradley

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Forslund, and Tony Sisk – Total Units 200

- 3100 Churchill at Longview - Churchill Residential, Bradley Forslund, and Tony Sisk–Total Units 160
- 1482 MAEDC-Arlington Seniors Apartments, LP – Tony Sisk Total Units 261
- 2441 MAEDC-Huken Bend Seniors Apartments LP – Tony Sisk Total Units 237

**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 range(s).
- The Applicant’s direct construction costs differ from the Underwriter’s *Marshall and Swift*-based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- 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.

**Underwriter:**

\_\_\_\_\_  
*Bert Murray*

**Date:** April 30, 2004

**Director of Real Estate Analysis:**

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

**Date:** April 30, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Evergreen at Plano Independence Senior Community, Plano, HTC # 04409, MRB # 0409**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 60%	126	1	1	700	\$748	\$655	\$82,530	\$0.94	\$93.00	\$35.00
TC 60%	124	2	2	950	898	\$786	97,464	0.83	112.00	38.00
<b>TOTAL:</b>	<b>250</b>		<b>AVERAGE:</b>	<b>824</b>	<b>\$822</b>	<b>\$720</b>	<b>\$179,994</b>	<b>\$0.87</b>	<b>\$102.42</b>	<b>\$36.49</b>

**INCOME**

Total Net Rentable Sq Ft: 206,000

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.96%	\$323	0.39	\$80,824	\$62,750	\$0.30	\$251	3.02%
Management	3.77%	307	0.37	76,852	72,749	0.35	291	3.50%
Payroll & Payroll Tax	12.04%	982	1.19	245,552	218,000	1.06	872	10.49%
Repairs & Maintenance	4.27%	348	0.42	87,083	112,500	0.55	450	5.41%
Utilities	3.84%	313	0.38	78,354	40,000	0.19	160	1.92%
Water, Sewer, & Trash	5.37%	438	0.53	109,464	59,000	0.29	236	2.84%
Property Insurance	2.53%	206	0.25	51,500	71,250	0.35	285	3.43%
Property Tax 2.52883	7.75%	632	0.77	158,052	146,756	0.71	587	7.06%
Reserve for Replacements	2.45%	200	0.24	50,000	50,000	0.24	200	2.41%
Other: Supportive Ser.Fee,Comp	3.51%	286	0.35	71,500	71,500	0.35	286	3.44%
<b>TOTAL EXPENSES</b>	<b>49.48%</b>	<b>\$4,037</b>	<b>\$4.90</b>	<b>\$1,009,181</b>	<b>\$904,505</b>	<b>\$4.39</b>	<b>\$3,618</b>	<b>43.52%</b>
<b>NET OPERATING INC</b>	<b>50.52%</b>	<b>\$4,122</b>	<b>\$5.00</b>	<b>\$1,030,377</b>	<b>\$1,174,045</b>	<b>\$5.70</b>	<b>\$4,696</b>	<b>56.48%</b>

**DEBT SERVICE**

First Lien Mortgage	51.12%	\$4,170	\$5.06	\$1,042,570	\$1,021,995	\$4.96	\$4,088	49.17%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>-0.60%</b>	<b>(\$49)</b>	<b>(\$0.06)</b>	<b>(\$12,193)</b>	<b>\$152,050</b>	<b>\$0.74</b>	<b>\$608</b>	<b>7.32%</b>

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		8.59%	\$7,406	\$8.99	\$1,851,527	\$1,851,527	\$8.99	\$7,406	8.93%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.79%	6,719	8.15	1,679,795	1,679,795	8.15	6,719	8.10%
Direct Construction		47.17%	40,675	49.36	10,168,734	9,348,959	45.38	37,396	45.08%
Contingency	4.37%	2.40%	2,073	2.52	518,150	518,150	2.52	2,073	2.50%
General Req'ts	5.58%	3.07%	2,647	3.21	661,725	661,725	3.21	2,647	3.19%
Contractor's G & A	1.86%	1.02%	882	1.07	220,575	220,575	1.07	882	1.06%
Contractor's Profit	4.65%	2.56%	2,206	2.68	551,438	551,438	2.68	2,206	2.66%
Indirect Construction		4.56%	3,935	4.78	983,788	983,788	4.78	3,935	4.74%
Ineligible Costs		5.12%	4,419	5.36	1,104,671	1,104,671	5.36	4,419	5.33%
Developer's G & A	2.14%	1.56%	1,345	1.63	336,341	336,341	1.63	1,345	1.62%
Developer's Profit	12.13%	8.84%	7,624	9.25	1,905,932	1,905,932	9.25	7,624	9.19%
Interim Financing		4.32%	3,729	4.53	932,320	932,320	4.53	3,729	4.50%
Reserves		2.99%	2,577	3.13	644,297	644,297	3.13	2,577	3.11%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$86,237</b>	<b>\$104.66</b>	<b>\$21,559,293</b>	<b>\$20,739,518</b>	<b>\$100.68</b>	<b>\$82,958</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>	<b>64.01%</b>	<b>\$55,202</b>	<b>\$66.99</b>	<b>\$13,800,417</b>	<b>\$12,980,642</b>	<b>\$63.01</b>	<b>\$51,923</b>	<b>62.59%</b>	

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	68.42%	\$59,000	\$71.60	\$14,750,000	\$14,750,000	\$13,300,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,242,273
HTC Syndication Proceeds	22.94%	\$19,784	\$24.01	4,946,000	4,946,000	4,945,230	% of Dev. Fee Deferred
Deferred Developer Fees	7.39%	\$6,374	\$7.74	1,593,518	1,593,518	2,242,273	100%
Additional (excess) Funds Required	1.25%	\$1,079	\$1.31	269,775	(550,000)	252,015	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$21,559,293</b>	<b>\$20,739,518</b>	<b>\$20,739,518</b>	<b>\$3,620,303.78</b>

**MULTIFAMILY COMPARATIVE ANALYSIS**(continued)

**Evergreen at Plano Independence Senior Community, Plano, HTC # 04409, MRB # 0409**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.77	\$9,634,798
<b>Adjustments</b>				
Exterior Wall Finish	3.85%		\$1.80	\$370,940
Elderly/9-Ft. Ceilings	6.00%		2.81	578,088
Roofing			0.00	0
Subfloor			0.00	0
Floor Cover			1.82	374,920
Porches/Balconies	\$12.72	50,548	3.12	642,971
Plumbing	\$605	372	1.09	225,060
Built-In Appliances	\$1,520	250	1.84	380,000
Stairs/Fireplaces	\$6,800	5	0.17	34,000
Elevator	\$51,500	5	1.25	257,500
Heating/Cooling			1.53	315,180
Garage	\$11.89	16,200	0.94	192,618
Comm &/or Aux Bldgs	\$46.77	6,989	1.59	326,882
Other: Carport	\$4.87	26,400	0.62	128,568
<b>SUBTOTAL</b>			<b>65.35</b>	<b>13,461,524</b>
Current Cost Multiplier	1.03		1.96	403,846
Local Multiplier	0.90		(6.53)	(1,346,152)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$60.77</b>	<b>\$12,519,217</b>
Plans, specs, survy, bld prm	3.90%		(\$2.37)	(\$488,249)
Interim Construction Interes	3.38%		(2.05)	(422,524)
Contractor's OH & Profit	11.50%		(6.99)	(1,439,710)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$49.36</b>	<b>\$10,168,734</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$14,750,000	Amort	480
Int Rate	6.55%	DCR	0.99

<b>Secondary</b>	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	0.99

<b>Additional</b>		Amort	
Int Rate		Aggregate DCR	0.99

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$940,080
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$90,297</b>

<b>Primary</b>	\$13,300,000	Amort	480
Int Rate	6.55%	DCR	1.10

<b>Secondary</b>	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Amort	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	\$2,159,928	\$2,224,726	\$2,291,468	\$2,360,212	\$2,431,018	\$2,818,216	\$3,267,085	\$3,787,447	\$5,090,012
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>2,204,928</b>	<b>2,271,076</b>	<b>2,339,208</b>	<b>2,409,384</b>	<b>2,481,666</b>	<b>2,876,931</b>	<b>3,335,151</b>	<b>3,866,355</b>	<b>5,196,057</b>
Vacancy & Collection Loss	(165,370)	(170,331)	(175,441)	(180,704)	(186,125)	(215,770)	(250,136)	(289,977)	(389,704)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$2,039,558</b>	<b>\$2,100,745</b>	<b>\$2,163,768</b>	<b>\$2,228,681</b>	<b>\$2,295,541</b>	<b>\$2,661,161</b>	<b>\$3,085,015</b>	<b>\$3,576,378</b>	<b>\$4,806,353</b>
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$80,824	\$84,057	\$87,419	\$90,916	\$94,552	\$115,037	\$139,961	\$170,283	\$252,061
Management	76,852	79,158	81,532	83,978	86,498	100,275	116,246	134,761	181,107
Payroll & Payroll Tax	245,552	255,374	265,589	276,213	287,261	349,497	425,217	517,342	765,792
Repairs & Maintenance	87,083	90,566	94,189	97,957	101,875	123,946	150,800	183,471	271,581
Utilities	78,354	81,489	84,748	88,138	91,664	111,523	135,684	165,081	244,360
Water, Sewer & Trash	109,464	113,843	118,396	123,132	128,057	155,801	189,556	230,624	341,380
Insurance	51,500	53,560	55,702	57,930	60,248	73,301	89,181	108,503	160,611
Property Tax	158,052	164,374	170,949	177,787	184,898	224,957	273,695	332,991	492,909
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	71,500	74,360	77,334	80,428	83,645	101,767	123,815	150,640	222,984
<b>TOTAL EXPENSES</b>	<b>\$1,009,181</b>	<b>\$1,048,780</b>	<b>\$1,089,940</b>	<b>\$1,132,722</b>	<b>\$1,177,191</b>	<b>\$1,427,270</b>	<b>\$1,730,738</b>	<b>\$2,099,038</b>	<b>\$3,088,717</b>
<b>NET OPERATING INCOME</b>	<b>\$1,030,377</b>	<b>\$1,051,965</b>	<b>\$1,073,828</b>	<b>\$1,095,959</b>	<b>\$1,118,350</b>	<b>\$1,233,891</b>	<b>\$1,354,277</b>	<b>\$1,477,340</b>	<b>\$1,717,636</b>
DEBT SERVICE									
First Lien Financing	\$940,080	\$940,080	\$940,080	\$940,080	\$940,080	\$940,080	\$940,080	\$940,080	\$940,080
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$90,297</b>	<b>\$111,885</b>	<b>\$133,748</b>	<b>\$155,879</b>	<b>\$178,270</b>	<b>\$293,811</b>	<b>\$414,197</b>	<b>\$537,260</b>	<b>\$777,556</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.17</b>	<b>1.19</b>	<b>1.31</b>	<b>1.44</b>	<b>1.57</b>	<b>1.83</b>



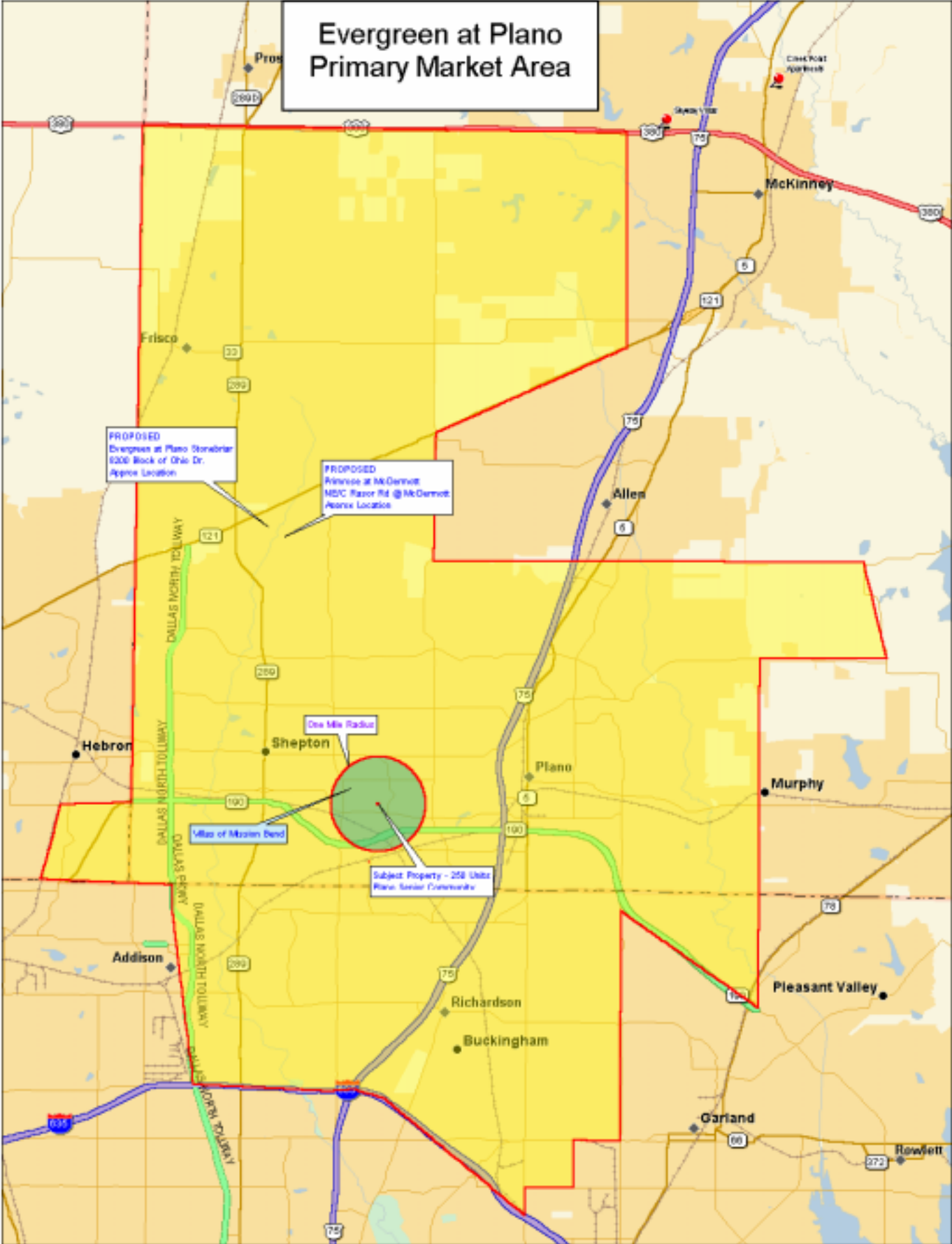
**LIHTC Allocation Calculation - Evergreen at Plano Independence Senior Community, Plano, HT**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,851,527	\$1,851,527		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,679,795	\$1,679,795	\$1,679,795	\$1,679,795
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$9,348,959	\$10,168,734	\$9,348,959	\$10,168,734
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$220,575	\$220,575	\$220,575	\$220,575
Contractor profit	\$551,438	\$551,438	\$551,438	\$551,438
General requirements	\$661,725	\$661,725	\$661,725	\$661,725
<b>(5) Contingencies</b>	\$518,150	\$518,150	\$518,150	\$518,150
<b>(6) Eligible Indirect Fees</b>	\$983,788	\$983,788	\$983,788	\$983,788
<b>(7) Eligible Financing Fees</b>	\$932,320	\$932,320	\$932,320	\$932,320
<b>(8) All Ineligible Costs</b>	\$1,104,671	\$1,104,671		
<b>(9) Developer Fees</b>			\$2,234,513	
Developer overhead	\$336,341	\$336,341		\$336,341
Developer fee	\$1,905,932	\$1,905,932		\$1,905,932
<b>(10) Development Reserves</b>	\$644,297	\$644,297		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$20,739,518</b>	<b>\$21,559,293</b>	<b>\$17,131,263</b>	<b>\$17,958,798</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$17,131,263	\$17,958,798
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$17,131,263	\$17,958,798
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$17,131,263	\$17,958,798
Applicable Percentage		3.56%	3.56%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$609,873	\$639,333

<b>Syndication Proceeds</b>	<b>0.84485</b>	<b>\$5,152,540</b>	<b>\$5,401,437</b>
<b>Total Credits (Eligible Basis Method)</b>		<b>\$609,873</b>	<b>\$639,333</b>
<b>Syndication Proceeds</b>		<b>\$5,152,540</b>	<b>\$5,401,437</b>
<b>Requested Credits</b>		<b>\$585,335</b>	
<b>Syndication Proceeds</b>		<b>\$4,945,230</b>	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$7,439,518</b>	
<b>Credit Amount</b>		<b>\$880,568</b>	

# Evergreen at Plano Primary Market Area



# RENT CAP EXPLANATION

## Dallas MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Dallas      **Area Median Family Income (Annual):** \$65,100

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			50%	At or Below			
	50%	60%	80%		50%	60%	80%		50%	60%	80%	
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931	85.00	\$ 582	\$ 699	\$ 931	
2	26,600	31,920	42,550	1-Bedroom	623	748	997		538	663	912	
<b>3</b>	<b>29,950</b>	<b>35,940</b>	<b>47,900</b>	<b>2-Bedroom</b>	<b>748</b>	<b>898</b>	<b>1,197</b>		<b>101.00</b>	<b>647</b>	<b>797</b>	<b>1,096</b>
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383		864	1,037	1,383	
5	35,900	43,080	57,450	4-Bedroom	963	1,156	1,542		963	1,156	1,542	
6	38,550	46,260	61,700	5-Bedroom	1,064	1,277	1,701		1,064	1,277	1,701	
7	41,250	49,500	65,950									
8	43,900	52,680	70,200									
<b>FIGURE 1</b>				<b>FIGURE 2</b>				<b>FIGURE 3</b>	<b>FIGURE 4</b>			

**Figure 1** outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

**Figure 2** shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$29,950 could not pay more than \$748 for rent and utilities under the affordable definition.

- 1) \$29,950 divided by 12 = **\$2,496** monthly income; then,
- 2) **\$2,496** monthly income times 30% = **\$748** maximum total housing expense.

**Figure 4** displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

**Figure 3** shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## Evergreen at Plano Parkway Apartments

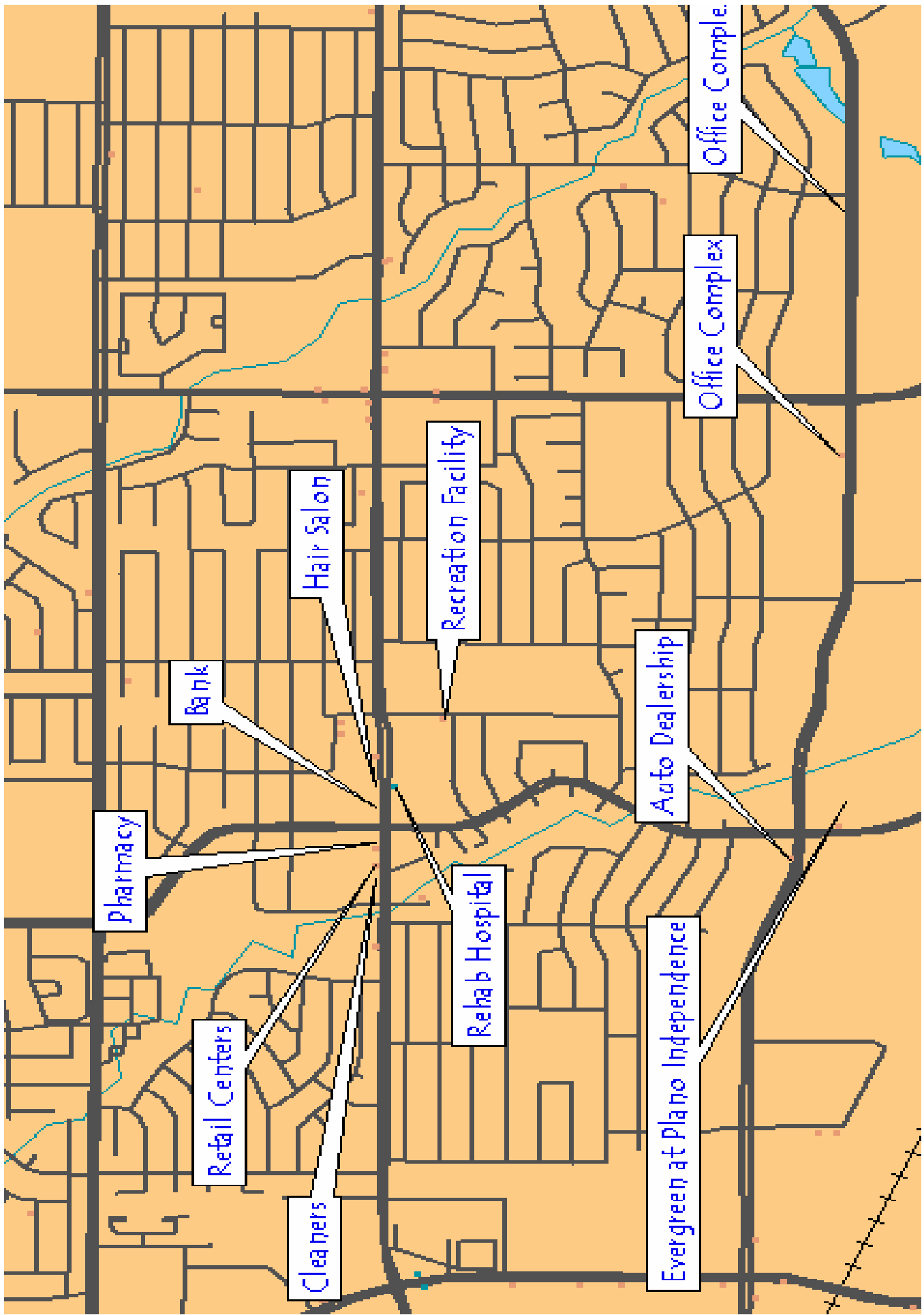
### RESULTS & ANALYSIS: for 60% AMFI units

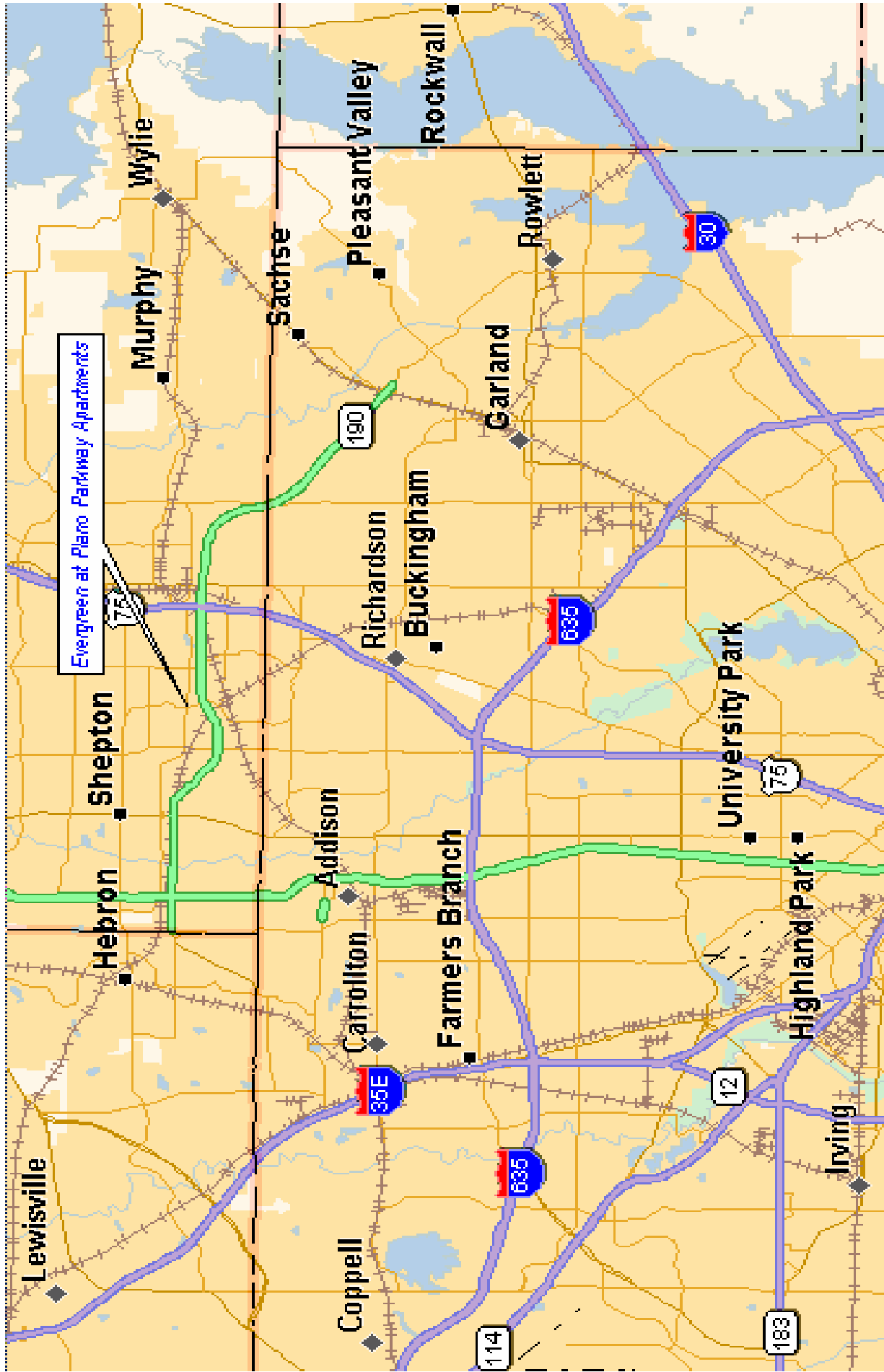
**Tenants** in the 60% AMFI bracket will **save \$137to \$243** per month (leaving 5.2% to 8.1% more of their monthly income for food, child care and other living expenses).  
 This is a monthly savings off the market rents of **17.1% to 23.4%**.

<b>PROJECT INFORMATION</b>		
	<b>Unit Mix</b>	
Unit Description	1-Bedroom	2-Bedroom
Square Footage	700	950
Rents if Offered at Market Rates	\$800	\$1,040
Rent per Square Foot	\$1.14	\$1.09

<b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b>		
Rent Cap for 60% AMFI Set-Aside	\$663	\$797
<b>Monthly Savings for Tenant</b>	<b>\$137</b>	<b>\$243</b>
Rent per square foot	\$0.95	\$0.84
Maximum Monthly Income - 60% AMFI	\$2,660	\$2,995
<b>Monthly Savings as % of Monthly Income</b>	<b>5.2%</b>	<b>8.1%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>17.1%</b>	<b>23.4%</b>

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated April 15, 2004.





# Developer Evaluation

Project ID # **04409**

Name: **Evergreen @ Plano Independe** City:

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 1 # not yet monitored or pending review: 4

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date 4/5/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by S Roth Date 3/31/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie A. D'Couto Date 3/31/2004

Executive Director: Edwina Carrington

Executed: 4/7/2004

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

## Public Comment Summary

### Evergreen at Plano Parkway Apartments

#### Public Hearing

<i>Total Number Attended</i>	5
<i>Total Number Opposed</i>	2
<i>Total Number Supported</i>	3
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	2

#### Public Officials Letters Received

**Opposition** 0

**Support** 5

State Representative Jerry Madden  
Mayor Pat Evans  
County Judge Ron Harris  
County Commissioner Jack Hatchell  
Associate ISD Superintendent Richard Matkin

#### General Public Letters and Emails Received

**Opposition** 1

Dallas North Estates HOA

**Support** 0

#### Summary of Opposition at Public Hearing

- 1 Do not want apartments in planned office area
- 2 Afraid if this apartment goes in others will follow



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS  
EVERGREEN AT PLANO INDEPENDENCE

PUBLIC HEARING

Plano Senior High School  
2200 Independence Parkway  
Plano, Texas

February 17, 2004  
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Annette Swaggerty	28
Robert Miller	30

P R O C E E D I N G S

1  
2 MS. MEYER: My name is Robbye Meyer and I'm  
3 with the Texas Department of Housing and Community  
4 Affairs. And tonight I'm going to run this speech that I  
5 have to do for the hearing itself, and then I'll do a  
6 short presentation, give you some general information and  
7 it's pretty much the same information that's in the packet  
8 that you have there.

9 I'll open the floor up for questions and  
10 answers. If you have any questions for the Department or  
11 the developer. There are representatives for the -- from  
12 the developer here. And you're welcome to ask questions  
13 of them or myself. And then I will open it up for public  
14 comment in which you can make your comments at that time.

15 Again, my name is Robbye Meyer and I would like  
16 to proceed with the hearing. Let the record show that it  
17 is 6:16 on Tuesday, February 17, 2004, and we are at the  
18 Plano Senior High School located at 2200 Independence  
19 Parkway in Plano, Texas.

20 I'm here to conduct the public hearing on  
21 behalf of the Texas Department of Housing and Community  
22 Affairs with respect to an issuance of tax-exempt  
23 multifamily revenue bonds for a residential rental  
24 community. This hearing is required by the Internal

1 Revenue Code.

2           The sole purpose of this hearing is to provide  
3 a reasonable opportunity for interested individuals to  
4 express their views regarding the development and the  
5 proposed bond issuance. No decisions regarding the  
6 development will be made at this hearing.

7           The Department's board is scheduled to meet to  
8 consider this transaction on May 13, 2004. In addition to  
9 providing your comments at this hearing, the public is  
10 also invited to provide comment directly to the board at  
11 their meeting.

12           And the Department staff will also accept  
13 written comments from the public up until 5:00 on April  
14 30. And I have some cards that have all my information if  
15 you want to send additional information.

16           The bonds will be issued as tax-exempt  
17 multifamily revenue bonds in the aggregate principle  
18 amount not to exceed \$15 million, and taxable bonds, if  
19 necessary, in an amount to be determined and issued in one  
20 or more series by the Texas Department of Housing and  
21 Community Affairs.

22           The proceeds of the bonds will be loaned to PWA  
23 Plano Independent Senior Community, L.P., or a related  
24 person or affiliate entity thereof to finance a portion of

1 the cost of acquiring, constructing and equipping a  
2 multifamily rental housing community described as follows:

3 a 250 unit multifamily residential rental development to  
4 be constructed on approximately 11.65 acres of land  
5 located on the east side of Independence and on the south  
6 side of Plano Parkway at approximately the 2800 block of  
7 Plano Parkway in Plano, Collin County, Texas.

8 The proposed multifamily rental housing  
9 community will be initially owned and operated by the  
10 borrower or a related person or affiliate entity thereof.

11 There are two programs that are being used for  
12 this particular development. One is tax-exempt bonds, and  
13 that tax exemption is for the bond purchaser. It's not an  
14 exemption on the property tax. However, this particular  
15 development does have an exemption on property tax and I  
16 can explain that a little bit further here in a little  
17 bit.

18 Because of the tax exemption to the bond  
19 purchaser, the bond purchase allows a lower rate of return  
20 for their investment, which in turn allows the lender to  
21 charge a lower interest rate to the development, which in  
22 turn allows the development and the developer to build the  
23 project for a lesser cost.

24 The other type of financing that's being used

1 is what we call housing tax credits. That is a equity  
2 injection into the property itself. It is for 10 years  
3 and it allows the development to charge lower rents for  
4 affordable families.

5 With those two programs, it gives a better  
6 quality of life for affordable families where they can  
7 live in a quality market-rate property at a lower cost for  
8 themselves. This particular development is a senior  
9 development and, again, the developer is here and you can  
10 ask him additional questions if you would like to  
11 concerning that particular development.

12 It will consist of, like I said, 250 units:  
13 125 one bedroom, one bath units with an approximate square  
14 footage of 700 square feet and 125 two bedroom, two bath  
15 units at approximately 950 square feet.

16 One hundred percent of the units will service  
17 families at 60 percent of area median income. And for the  
18 Dallas metropolitan statistical area, that income is  
19 65,500. To give you an example, a family of two could  
20 earn no more than a combined income of \$31,920 in order to  
21 qualify to live in this particular development.

22 With the tax-exempt bond program, we have  
23 what's called a reservation period. It is for 150 days.  
24 This particular development received their reservation on

1 January 30. They have 150 days from that date to close on  
2 the bond transaction. And the reservation is set to  
3 expire on June 28, 2004.

4 Again, the development is located approximately  
5 in the 2800 block of Plano Parkway in Plano, Texas, and it  
6 will consist of one four story residential building.

7 I'm just going to give you an example of rents  
8 that will be charged. A one bedroom maximum rent at 60  
9 percent of the area median income would be approximately  
10 \$663. A two bedroom would be approximately \$797.

11 At this time, I will open it up for public  
12 comment -- or actually for questions if either one of you  
13 two have any questions of either myself of the programs  
14 that are being used for the financing of this particular  
15 development, or if there are specific questions regarding  
16 the development itself. You know, we do have  
17 representatives from the developer here if you'd like to  
18 ask them questions.

19 VOICE: How long are the bonds for?

20 MS. MEYER: The -- how long are the bonds going  
21 to be outstanding? I don't have your letter --

22 VOICE: [inaudible]

23 MS. MEYER: Thirty years.

24 VOICE: [inaudible]

1 MS. MEYER: Thirty-eight.

2 VOICE: Yes. Thirty-eight.

3 MS. MEYER: Okay. What -- the bonds will be  
4 outstanding for 38 years. Within that, there is what we  
5 call a compliance period for at least 30, and that puts  
6 the development itself, for lack of a better term, on hook  
7 with the State as far as auditing purposes.

8 During that 30-year period, or as long as the  
9 bonds are outstanding, if they stay outstanding for the  
10 38 -- the full 38 years, our Department will conduct  
11 audits on that particular development.

12 That includes making sure that the occupancy is  
13 correct, that they do have seniors, that the income  
14 restrictions are being adhered to, the physical appearance  
15 of the building is being kept up. And there's also  
16 financial audits done not only by the Department, but also  
17 by the syndicators and the lenders that are involved in  
18 this transaction.

19 So you've got a lot of people that are looking  
20 at it for as long as those bonds are outstanding. Okay?

21 VOICE: Will this require --

22 VOICE: Will you have her --

23 MS. MEYER: I'll repeat it.

24 VOICE: Will this require a vote for the bond?



1 MS. MEYER: Okay. The question is, will it  
2 require a vote? Yes, there will be two votes actually.  
3 The Texas Department of Housing and Community Affairs,  
4 their board meeting is scheduled for May 13. That will be  
5 a voting meeting.

6 There's also the bond review board, which  
7 actually administers this program for the tax-exempt  
8 bonds. They will also be holding their meeting.

9 VOICE: I guess I meant like a public vote.

10 MS. MEYER: There's not a public vote. That --  
11 what we do is leave it open. We have this public hearing,  
12 okay, and then we also leave a time frame --

13 VOICE: [inaudible] the bonds already been  
14 authorized by the taxpayers at some point?

15 MS. MEYER: Okay. The question is, have the  
16 bonds already been authorized? The bonds have been issued  
17 to the state to issue those bonds by the federal  
18 government. They've allowed for the tax-exemption piece.  
19 For the entire state, there were \$376 million in  
20 multifamily to be distributed among -- all over the state.

21 So you have them not only with the Texas  
22 Department of Housing, but there's also local issuers.  
23 Tarrant County, Dallas County also is a local issuer.  
24 Collin County has a local issuer. There's several all

1 over the state that have different bond issuance rights,  
2 just as the Texas Department of Housing does. This just  
3 happens to be one of our applications.

4 But, no, there has not been a decision on the  
5 bonds at this point. This is part of the process, the  
6 public hearing. A copy of this transcript will be given  
7 to the Texas Department of Housing's board and to the bond  
8 review board in their decision making.

9 Again, the public comment period is open until  
10 April 30, up until 5:00 on April 30, so you have until  
11 that time. If you want to send additional comments in, in  
12 written form to be presented to the board.

13 VOICE: Where do we send it?

14 MS. MEYER: The -- on that very last page,  
15 there's all my contact information, Robby Meyer. And  
16 also, I have my business cards up here that has the same  
17 information. You're welcome to take one of those.

18 VOICE: How much does a single person have to  
19 make to qualify to live in this community?

20 MS. MEYER: I knew you were going to ask that.  
21 A single -- to tell you the truth, it -- do you know what  
22 the single rent is? It's 2004 and they just came out.  
23 The only one that I got was for a two person family. But  
24 it's 60 percent of 65,100 -- yeah, 65,500. It's 60

1 percent of that.

2 VOICE: The price is for a two person -- that's  
3 for anybody or that's for the family?

4 MS. MEYER: Well, the amount that I gave you,  
5 the 31,920 was for a two person family. But see what  
6 you -- and it is -- it goes by family size. If you will  
7 send me an e-mail, and my information is there, and  
8 request it, I'll send you a copy of that information,  
9 because I have it all at the office. I just don't have --

10 VOICE: Is there a limited number of people  
11 that can actually occupy one unit?

12 MS. MEYER: Normally you have two persons per  
13 bedroom. The question is, is there a limited number of  
14 people that can occupy a bedroom -- I mean an apartment.  
15 But there's -- it's normally two persons per bedroom.

16 VOICE: Two persons per bedroom?

17 MS. MEYER: Uh-huh. So if you actually had --

18 VOICE: So a family of four could live in the  
19 two bedroom?

20 MS. MEYER: This is a senior development.

21 VOICE: But, only the head of household has to  
22 be 55. So, for the rest of this family, the --

23 MS. MEYER: No, it's marketed as a senior  
24 development. One member of the family has to be at least

1 55 years in order to qualify. However, you can't have  
2 children there. It is marketed to senior adults.

3 The reason why -- the federal government  
4 statute states at least one person has to be of the age of  
5 55. The reason being is if, let's say you had a spouse  
6 that was 55 and you had -- his wife was, say, 49. If, for  
7 some reason, that he died, we wouldn't have to come back  
8 and kick her out and put her out in the street. She could  
9 stay there, even though she was not 55, she could stay in  
10 the development.

11 VOICE: What if they have children that are 25  
12 living there?

13 MS. MEYER: You can't -- it has to senior -- I  
14 mean, it is marketed -- part of the statute says that if  
15 you market it as senior development, then that's what you  
16 have to have. You can't market it one way and then have  
17 families in there.

18 You can't have families come and stay for three  
19 or four weeks or months. It doesn't work that way. You  
20 can't have grandchildren come live with grandparents for  
21 three or four months. It is marketed to senior citizens  
22 and that's what has to be there.

23 VOICE: So a man 55, his 50 year old wife and  
24 their 25 year old grown children --

1 MS. MEYER: No.

2 VOICE: No?

3 MS. MEYER: No. It's not marketed that -- and  
4 that -- part of the reason -- on the federal statute,  
5 senior development is the only development that can  
6 actually discriminate against fair housing, for lack of a  
7 better way to put that, because it is marketed to a  
8 certain crowd. And once it is marketed that way, that is  
9 what has to be there.

10 And I'm assuming that's the way we're still --  
11 we're not changing anything, are we? Okay. That is an  
12 affirmative answer from the developer, so I just wanted to  
13 make sure we're not crossing the line there.

14 But once you market it, that's the only -- if  
15 families were allowed, then you would be violating fair  
16 housing issues and that's exactly what we don't want to  
17 do. So once you start marketing -- once you market it for  
18 a senior development, that's the way it stays.

19 There's also a land-use restriction agreement  
20 that will set that into place also for the compliance  
21 period for 30 years. That is one thing -- when I said  
22 that they audit for occupancy, that's exactly what they're  
23 auditing. To make sure that the tenants that are there  
24 are qualified to be there.

1 VOICE: So this particular building could never  
2 be used for anything else?

3 MS. MEYER: Not as long -- okay. The question  
4 is, can it be used for anything else? Not as long as that  
5 land-use restriction agreement is in effect, and that's  
6 for at least 30 years.

7 VOICE: What happens if there's a violation?

8 MS. MEYER: What happens if there are  
9 violations? Well, what the Department will do is that  
10 tenant would have to move, okay, if they're just found  
11 out. And there's different compliance scores, and I guess  
12 you could dings, on the developer where they would be  
13 prohibited from using any of the other programs that are  
14 available for funding. And so that would prohibit them  
15 from doing that.

16 The developer would like to -- I'll let him --

17 VOICE: Can you come up here, Tony?

18 MR. SISK: Yes.

19 THE REPORTER: State your name --

20 MR. SISK: Yes. I'm Tony Sisk, a principal in  
21 Churchill Residential, the developer of the project. Mark  
22 Tolson [phonetic] is the architect on this community, and  
23 three other communities that are similar to this that I've  
24 been involved in, and he has designed a number of other

1 properties very similar in North Texas

2 But the average age is about 75 in the  
3 properties that we have been involved in, and the zoning  
4 on this tract requires it to be a senior property. But we  
5 view the land-use restriction agreement as the most  
6 definite restriction with regard to keeping the property  
7 as a senior property.

8 Because, as Robbye Meyer mentioned, this is  
9 audited by several different parties each year, if anybody  
10 associated with the development violates this land-use  
11 restriction agreement, or other regulatory documents,  
12 there are catastrophic financial repercussions to us as  
13 guarantors on this property. So we view the land-use  
14 restriction agreement as much more difficult than the  
15 actual zoning guidelines.

16 VOICE: What exactly does catastrophic mean for  
17 you?

18 MR. SISK: Well, there's -- in this property,  
19 there is, as Robbye mentioned, \$15 million in bonds, but  
20 there's also about, what, \$5 million in equity in the  
21 property. If we jeopardize the qualification of this  
22 property, we have guarantees on this equity to the equity  
23 providers and if the tax credits were lost on this  
24 property, we would be liable for this equity, which is --

1 I would consider \$5 million to be catastrophic, at least  
2 to us.

3 VOICE: [inaudible].

4 MS. MEYER: The question is, how do you lose  
5 the tax credits? The tax credits is an IRS credit, okay.  
6 And there are very strict guidelines as to how those tax  
7 credits have to be issued. And if you break those little  
8 guidelines, then they withdraw the tax credits, and they  
9 wouldn't have the tax credits for the full 10 years.

10 Not only that, in certain circumstances, it's  
11 retroactive back to the beginning and then they have to  
12 pay out what was back. So when you're dealing with a  
13 developer that has a chance of losing \$15 million -- I  
14 mean \$5 million in this case, that's a substantial sum of  
15 money to most developers.

16 And that is -- that could happen. It doesn't  
17 always happen. If they can correct the situation before,  
18 you know, comes about to where the IRS would actually jump  
19 in and say, no, the tax credits have been pulled, then,  
20 you know, that's a likely --

21 VOICE: What happens after the tax credits are  
22 all used up?

23 MS. MEYER: The question is, what happens when  
24 the tax credits are used up? Once you hit 10 years,



1 there's usually a stabilization with the property and you  
2 can still level off and still get the lower rents at that  
3 time, because there's other market rate properties that  
4 have been built that are going to come up above that, and  
5 so they can still have the affordability piece there.

6 VOICE: That makes no sense [inaudible].

7 MR. SISK: Well, the land-use restriction  
8 agreement is effectively a deed restriction. It's filed  
9 with the land. We are long-term owners, but even if we  
10 were or anybody were to sell the property, these land-use  
11 restrictions go with the land, not the ownership. And  
12 whoever owns the property is subject to those same  
13 restrictions which define the age in the property.

14 And, as I mentioned last night at the Planning  
15 and Zoning Commission, it's designed to be a senior  
16 community and there's never any intention that it would be  
17 anything other than that.

18 VOICE: And after 10 years -- there's only 10  
19 years of tax credits?

20 MS. MEYER: The question is, is there any --  
21 it's -- the tax credits are for only 10 years, that is  
22 correct.

23 VOICE: The tax-exempt bonds --

24 MR. SISK: Well, it's a 15 year compliance

1 period on the tax credits, but the land-use restriction  
2 agreement is for 30 years. Right?

3 MS. MEYER: But what his -- is how long would  
4 you get the tax credit? And the tax credit is for the --

5 MR. SISK: Well, the --

6 MS. MEYER: -- 10 years.

7 MR. SISK: Yeah. The purchasers of the tax  
8 credits, which are big banks and Fannie Mae that buy --  
9 they're primary buyers of these credits, they use these  
10 tax credits over a 10 year period, yes. That's how the  
11 program works.

12 VOICE: So this isn't like a tax-exempt bond  
13 where I buy the bond and then I have to pay taxes on it,  
14 this is something else. You're selling the tax credits to  
15 somebody --

16 MR. SISK: Right. The tax credit is a dollar  
17 for dollar reduction to the corporate buyer. The tax-  
18 exempt bond holders are different investors.

19 VOICE: How much is entire complex going to  
20 cost to build?

21 MR. SISK: The total development cost is -- has  
22 been running between 75 and \$80,000 on similar properties.

23 Total development cost per unit, 75,000 -- 75 to --

24 MS. MEYER: But he's talking about --

1 MR. SISK: -- to 80,000.

2 MS. MEYER: The question is total development  
3 cost.

4 MR. FORSLUND: We're at about 19 million.

5 MR. SISK: Yes, it's going to take us about,  
6 you know, 19 million total.

7 VOICE: So you're going to get \$15 million in  
8 this tax credit?

9 MR. SISK: Well, it's about 15 million in debt,  
10 and 5 million in equity, so round it \$20 million total  
11 capitalization. So it's about 25 percent equity and 75  
12 percent debt.

13 VOICE: There was something about there was  
14 some other programs that were not tax credits that Ms.  
15 Meyer talked about? I didn't understand.

16 MR. SISK: Well, what she said was that there's  
17 two sources of financing. One is the tax-exempt bonds,  
18 which is around 15 million or 14 million and the equity's  
19 about 5 million, so it's roughly -- I said 15, really I  
20 think 14 something and 5 million in equity, so it's 19  
21 plus million dollar total capitalization. But, in most of  
22 the similar properties are in that same range, about  
23 80,000 per unit total all in development costs.

24 VOICE: If you don't get the bonds from the

1 state, will you go forward with the project?

2 MS. MEYER: Repeat the question.

3 MR. SISK: Could you repeat the question?

4 MS. MEYER: No, can -- you need to --

5 MR. SISK: Yeah, I can repeat it. He said, if  
6 we don't get the bonds from the state, will we go through  
7 with the transaction? And the answer would be, not under  
8 this program. I mean --

9 VOICE: The program --

10 MR. SISK: We could choose to build a market  
11 rate senior housing and charge higher rent, but not under  
12 this program.

13 VOICE: Have you actually closed on the  
14 property?

15 MR. SISK: We have -- it's on -- no, we've not.  
16 The land closes with the construction loan.

17 VOICE: Why is this the property -- why do you  
18 want this particular property?

19 MR. SISK: The question was, why do we want  
20 this particular property? We had a nationally known  
21 senior living consultant do an expensive global study of  
22 senior housing communities in North Texas and of all of  
23 the sites that I've been involved in, this site had the  
24 best demographics and location characteristics of any of

1 the sites that I have been involved in or the numerous  
2 sites that we are involved in now.

3 VOICE: What makes it attractive, though?  
4 There's nothing -- it sits by itself. There's nothing  
5 close to it.

6 MR. SISK: She asked what makes it a good site.  
7 Number one is there's very good traffic flow on Plano  
8 Parkway and Independence arteries, as well as 190, Central  
9 Expressway, and North Dallas Toll Road. So it's  
10 accessible from a lot of different directions for families  
11 to be able to visit their parents, grandparents, that are  
12 in the properties.

13 It is close to hospital and medical care, it's  
14 close to services that seniors would use and that is why  
15 it was ranked near the top in the state. In a point, they  
16 rank these sites, TDHCA, by location and other  
17 characteristics, and what we're putting into the property  
18 and that's why we received such a high score in the our --  
19 in the first round of funding.

20 VOICE: In these units -- or in these types of  
21 facilities, on average, how often does an ambulance come?

22 MR. SISK: She asked how often does an  
23 ambulance come. I mean, no more than they would if  
24 somebody were living in their own -- still living in a

1 residence.

2 VOICE: I disagree with that, because it's  
3 got -- your average person is in their 70s, they're more  
4 likely to need an ambulance than I am. And I was just --

5 MR. SISK: Right. If you're asking -- I mean,  
6 if you're saying, are there more ambulance calls than  
7 there would be in a family community, certainly I would  
8 say that would be true.

9 VOICE: So, what is the average -- how many  
10 calls are made for ambulances on --

11 MR. SISK: No, I can't --

12 VOICE: -- an average week, in an average  
13 month?

14 MR. SISK: I can't answer that.

15 VOICE: Tell me how -- I mean that they -- all  
16 I know that it's active seniors, it's independent living,  
17 so it's not assisted living, it's not medical --

18 VOICE: No. But there -- the likelihood is  
19 real.

20 VOICE: That's a guess.

21 VOICE: And since you've done these places  
22 before, has anyone ever done a study on that?

23 MR. FORSLUND: In all the properties that we've  
24 done, we've built three in McKinney, one in Arlington, one

1 in Seguinte, one in San Marcos, one in Austin and one in  
2 Marietta, Georgia --

3 MR. SISK: Cleveland.

4 MR. FORSLUND: -- I mean, surrounded by homes,  
5 and everything is just active and [inaudible]. You may  
6 get an ambulance every once a couple of months, and it's  
7 very rare, and you get less crime calls than you would in  
8 a regular neighborhood. [inaudible] fantastic since then,  
9 so --

10 VOICE: We don't have much [inaudible] in our  
11 neighborhood.

12 MR. FORSLUND: Yeah. No, I'm saying, that, you  
13 know, so you get -- but you don't get the traffic of  
14 teenagers in this kind of place, so they're really great.

15 We have 570 units in McKinney [inaudible].

16 VOICE: [inaudible].

17 MR. FORSLUND: It's called Country Lane and  
18 it's excellent. And it's -- the city [inaudible]. It's  
19 really a community asset.

20 VOICE: I mean, the reason I asked is  
21 Independence Parkway or Plano Parkway, we use a lot. It's  
22 a wide street, but it's also kind of a residential feel.  
23 I think the speed limit is 30 miles an hour.

24 And when you've got a lot of kids that live on

1 one side of Independence and go to school on the other  
2 side and they're crossing all the time. And I just, you  
3 know, you rarely ever see an ambulance coming up and down  
4 that street. That is my reason for asking --

5 MS. MEYER: That question, I think we -- I  
6 mean, we can check with some of the other properties that  
7 we have. I mean, again, if you will e-mail me, I'll be  
8 glad to get that information for you without -- I mean,  
9 that's -- I mean, I can check back with them and they can  
10 find out how many ambulance calls have been made on their  
11 other properties, and I'll be glad to supply that  
12 information to you.

13 VOICE: [inaudible].

14 MS. MEYER: That's fine. If you can just  
15 e-mail me and ask me the question so it'll jog my memory  
16 and then I'll get the information from the developer.

17 VOICE: How many residents do you expect to  
18 have this leased out?

19 MR. SISK: The question was, how many residents  
20 do we expect with 250 units? The vast majority of  
21 properties that I've been involved in, as well as  
22 properties that Mark Tolson's been involved in, are single  
23 tenant occupied units. It is, you know, typically 80 to  
24 90 percent single females and I don't -- each community's



1 going to be different, but I just know that most -- the  
2 other similar properties in North Texas are predominantly  
3 occupied by single females.

4 VOICE: So you think you'll have 250 residents,  
5 about, 300 in the place? Do you know how many --

6 MR. SISK: The -- it won't be 250, but 300  
7 could be the number. And there's always some couples and  
8 some, you know, sisters, roommates, but it's predominantly  
9 single females.

10 VOICE: I assume there's no restriction on  
11 unrelated people living together if they wanted to,  
12 they're friends or whatever and they plan on living  
13 together, can they do that do that?

14 MR. SISK: Yes. The question was, could two  
15 unrelated people live in the same unit? And the answer  
16 is, yes. It's not typical, but there are roommate  
17 situations that happen for, you know, for various reasons.

18 VOICE: Is there a dining room, restaurant type  
19 place where they could get their meals?

20 MR. SISK: The question was, is there a dining  
21 room where the residents can eat their meals? There is  
22 what we call a multipurpose room. There's not a  
23 commercial kitchen.

24 It is a warming kitchen where there can be

1 catered meals such as catered lunch from, you know, Luby's  
2 or Jason's Deli, parties with, you know, food brought in  
3 at night. But there's not a commercial kitchen and a  
4 regular dining room, per se.

5 VOICE: Okay. So --

6 MS. MEYER: Again, you have to remember, this  
7 is -- it's not an assisted living facility. It is active  
8 seniors and each apartment has -- well, but each apartment  
9 has a kitchen and, I mean, it's just like any other  
10 apartment complex. I mean --

11 VOICE: No, I mean, I was only concerned with  
12 if you had a dining facility in the unit where the  
13 residents could go and eat there if they wanted to, that's  
14 what I was --

15 MS. MEYER: That's more of an assisted living  
16 type facility, and this is not that at all, nor is it  
17 intended to be.

18 VOICE: You had mentioned a beauty shop?

19 MR. SISK: There is a beauty shop and furnished  
20 exercise room, arts and crafts, meeting or -- kind of --  
21 there's a coffee -- combination coffee shop, TV viewing  
22 area. There probably will be some banking services.

23 VOICE: And all those are specifically for the  
24 residents?

1 MR. SISK: Right.

2 VOICE: And it doesn't mean their bank is  
3 moving in?

4 MR. SISK: Well --

5 VOICE: [inaudible].

6 VOICE: What type of transportation vehicles do  
7 you provide to take the residents to where they want to  
8 go?

9 MR. SISK: She asked what type of  
10 transportation. That varies between the properties, but  
11 the -- our plan is setting up joint transportation between  
12 other properties that we are involved in, and that is --  
13 it's not -- the plan's not finalized yet, but that is --  
14 that's our intention.

15 VOICE: Is it a bus, van?

16 MR. SISK: It would be -- we haven't decided  
17 yet, but typically what you see is a small kind of an  
18 either an oversized van or one of these really small  
19 buses.

20 MS. MEYER: There is a tenant services plan  
21 that will be provided with this particular development.  
22 Once we get everything finalized, you're welcome to see a  
23 copy of that. Everything on this application is of public  
24 record. So anything that you want to see, and the tenant

1 services plan being one of those, you're more than welcome  
2 to see a copy of that.

3 VOICE: How much staff will live on site?

4 MR. SISK: There's generally about five people  
5 total staff, including two maintenance people.

6 VOICE: Are they there 24 hours a day?

7 MR. SISK: Typically not. He asked if the  
8 staff was there 24 hours a day. Sometimes one of the --  
9 or it could be one or more, but there could be one of the  
10 full time staff members that lives on the property. But  
11 that's not required and it's typically not the case, I  
12 would say, in most of these properties. And it really  
13 just depends on the property.

14 VOICE: What do you provide for security? Are  
15 there security guards or a hired service?

16 MR. SISK: Yes. What type of security services  
17 are provided, such as a security guard. There is a gated  
18 secured access gate up front and the community center is  
19 secured. There -- at this point, as far as security, we  
20 hope that there will be minimal, you know, security  
21 required on the property.

22 And so we don't have intentions of having a lot  
23 of security service, although typically there's a hired  
24 service that comes by and checks. But not somebody that

1 stays on site a lot of the time. That -- we don't  
2 anticipate that need in this neighborhood.

3 MS. MEYER: That -- have I exhausted you? Does  
4 anybody else have any other questions?

5 Okay. I'm going to go ahead and open it up for  
6 public comment. Annette Swaggerty? Is that right? Do  
7 you still -- do you want to speak?

8 MS. SWAGGERTY: Oh --

9 MS. MEYER: Do you want to make any comments on  
10 record?

11 MS. SWAGGERTY: I feel silly.

12 MS. MEYER: You will have an audience with the  
13 board, though.

14 MS. SWAGGERTY: Okay. All right. For the  
15 record my name is Annette Swaggerty, and I live at 2320  
16 Grandview. I live one street over from Robert's.  
17 Robert's lived in the neighborhood for 30 years, I guess.

18 VOICE: Twenty-six.

19 MS. SWAGGERTY: Twenty-six. And I've lived  
20 there for 10. Every few years someone comes in and wants  
21 to change up Plano Parkway as we know it. We like it to  
22 be an office corridor. It looks good that way. I know  
23 our homeowners association, although you wouldn't know it  
24 tonight, has been very involved.

1           Back in '95 we had apartment developers wanting  
2 to come in and build apartments. We said, no. And at the  
3 time DSC and Rosewood also said, no. Back in '97, Tom  
4 Thumb wanted a grocery store. We said, no. And so they  
5 backed off.

6           We've had a few office buildings come up in the  
7 last few years and they compliment the older buildings, it  
8 looks really nice. When we go to work, the office people  
9 come in and when we come home from work, they go home.

10           It's a quiet peaceful neighborhood and although  
11 this looks nice, I'm concerned because it's an apartment  
12 building. And it's not what we want.

13           I think what makes this area so attractive,  
14 it's not been cluttered with mismatched development.  
15 We've got our office buildings, we got a church, it all  
16 looks nice and pretty.

17           I'm worried that if one comes up, how long  
18 before the next project is presented next door. Let's  
19 build another one. And then you have them all up and down  
20 the street.

21           Like I said before, I'm concerned about  
22 ambulances, extra people, traffic and what might happen to  
23 that property 20 years from now. I plan on still being  
24 there in 20 years, and a lot of that -- a lot of the

1 people in our neighborhood have been there for 20 and 30  
2 years.

3 I don't know if any of you have driven through  
4 out neighborhood, but it's one of the oldest neighborhoods  
5 in West Plano, what used to be West Plano, and it looks  
6 just about as good now as it did 25 years ago, and I think  
7 part of the reason is, is that we maintained a nice  
8 residential area and a nice office corridor to our south.  
9 And we would like to just keep it quiet and pleasant.

10 Let's see -- let me see if I have anything else  
11 to say while I'm up here.

12 I've already asked all my questions, so I guess  
13 that's all I have to say. Thank you.

14 MS. MEYER: Thank you. Mr. Miller?

15 MR. MILLER: There's people out there. My  
16 name's Robert Miller. I live at 2300 Westbridge in Plano.  
17 I'm the president of the Dallas North Estates Homeowners  
18 Association. Our homeowners association is a voluntary  
19 group and we essentially cover between Alma and  
20 Independence north of Plano Parkway up to about Glen Cliff  
21 [phonetic], if you know where that is. It's about 1100  
22 homes.

23 And, as Annette alluded to, we have been very  
24 active over the years in what gets built along Plano

1 Parkway. And I wanted to give you a little history of  
2 Plano Parkway and this area.

3 Back in 1985, this was all basically zoned  
4 light industrial. At the time, the only buildings that  
5 were there were the -- what was the Arco Building, which  
6 is now Perot Systems, the United Healthcare Building was  
7 there, that's an old TI building.

8 There's one office building on the north side  
9 of Plano that's been there for a long time in between Alma  
10 and Custer. There's a child care center that's been there  
11 a long time. There's the old Geo Map building that's  
12 vacant, has been vacant for 10 or 15 years now. And  
13 there's the -- what was J.C. Penney, which is now Agon  
14 Insurance Services. And that stuff was all there, that  
15 stuff is all still zoned light industrial.

16 In '85, Rosewood and Hunt Properties that owned  
17 all of this land between Alma and Independence, came to  
18 the city and said, you know, State Highway 190's going to  
19 come along pretty soon, they thought, and we want to re-  
20 zone all this land. And they re-zoned it and we had this  
21 huge zoning mess -- controversy, and -- between the  
22 developers and our homeowners association.

23 We ended up with planned developments from  
24 Independence all the way to Coit Road. And they have



1 certain stipulations and they're basically all office.

2 And that has been there since then.

3           In the early 90s, the Hunt brothers decided to  
4 try and corner the silver market and screwed up and went  
5 bankrupt and had to sell their property. The first  
6 developer that came in was for multifamily. And he wanted  
7 to put apartments on the north side of Plano Parkway west  
8 of Custer, which is -- impacts my house directly. We  
9 opposed that zoning change and that's what it required was  
10 a zoning change.

11           And the -- at the time, DSC also opposed it  
12 because they said, this is our North American  
13 headquarters, we're a big company and we're looking for an  
14 office park. We built here because it was an office park,  
15 and we want to stay an office park. And that zoning  
16 change was denied.

17           Then a developer came in and wanted to put an  
18 ice skating rink on the north side of Plano Parkway, and  
19 that got defeated, and that ice skating rink, if you'll  
20 now go west of Coit Road, is sitting there, it's the Dr.  
21 Pepper Star Center that they took over.

22           Then a few years ago, about 2000, a developer  
23 came in and they wanted to take the land east of Perot  
24 Systems, which is on Custer between the State Highway 190

1 and Plano Parkway, and change that office development into  
2 a Tom Thumb. Tom Thumb wanted to go there because they  
3 were closing their property which is south of 190 that a  
4 very old Tom Thumb was there in Richardson. And they  
5 can't sell beer in Richardson. They can sell beer in  
6 Plano, and they really wanted to come to Plano.

7 But, because the zoning had to be changed and  
8 because Alkatel at the time, it was then Alkatel, came in  
9 and said, sorry, we want this to be an office park. This  
10 is our North American headquarters and we want this to be  
11 our office park. So that was turned down also.

12 And, of course, all the residents, believe it  
13 or not, the vast majority of them, were against the  
14 zoning. So, we flash forward now to 2003, Alkatel has  
15 decided that they're downsizing, they've sold part of the  
16 their land to the Catholic Church to build a high school,  
17 and they're getting rid of all their other property.

18 Who do they always get it rid of to at first is  
19 a multifamily developer. And you can call it senior  
20 housing, but it's multifamily and it's apartments. And  
21 it's not what we envisioned back in '85 when the zoning  
22 was taken care of.

23 The city, back in 2000, changed the zoning on  
24 us to say, oh, well, we'll let senior housing anywhere in

1 office, and, without a specific use permit, by right. I  
2 wasn't too concerned about it at that time because Alkatel  
3 was there, and I'm sure they didn't want to sell their  
4 property to a multifamily developer. Well, I was wrong.

5 The city is now considering changing it so that  
6 you can put multifamily and retail, and I'm opposing that  
7 rather strenuously. But we just don't think this is  
8 compatible with the office uses that are going come spring  
9 up around it.

10 We've got three office buildings and -- on  
11 Plano Parkway, and one church, and we'd like to keep it  
12 that way, and we don't think this is the best place for  
13 this development. Thank you.

14 MS. MEYER: Thank you for your comments. Is  
15 there anyone -- sir, you didn't sign in, but would you  
16 like to speak, or --

17 VOICE: No.

18 MS. MEYER: Okay. Well, seeing that there's no  
19 more public comment, then I will adjourn the meeting, and  
20 it is now 7:00.

21 (Whereupon, at 7:00 p.m., the hearing was  
22 concluded.)

C E R T I F I C A T E

1  
2  
3 IN RE:Evergreen at Plano Independence

4 LOCATION:Plano, Texas

5 DATE:February 17, 2004

6 I do hereby certify that the foregoing pages,  
7 numbers 1 through 36, inclusive, are the true, accurate,  
8 and complete transcript prepared from the verbal recording  
9 made by electronic recording by Barbara Wall before the  
10 Texas Department of Housing and Community Affairs.

(Transcriber) 2/27/2004  
(Date)

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



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## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2004 Private Activity Multifamily Revenue Bonds**

**Montgomery Pines Apartments  
23461 US Highway 59  
Porter, Texas**

**Greens Parkway Partners, L.P.  
224 Units**

**Priority 1A – 50% of units at 50% AMFI and 50% of units at 60% AMFI**

**\$12,300,000 Tax Exempt – Series 2004  
\$1,000,000 Subordinate Refunding Bonds**

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### **TABLE OF EXHIBITS**

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**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Montgomery Pines Apartments development.

**Summary of the Montgomery Pines Apartments Transaction**

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked third out of a total of forty-four applications. The application was induced at the October Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on January 2, 2004. A public hearing was held on January 14, 2004. There were eight people in attendance with three people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located just east of Highway 59 and north of FM 1314 in Porter, Texas. It is in the New Caney Independent School District.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of variable rate tax exempt bonds in the amount of \$12,000,000. The bonds will be credit enhanced by FNMA and carry a AAA rating. GMAC (FNMA DUS Lender) will underwrite the transaction at a strike interest rate of 6.455% using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization. At conversion to the permanent phase, GMAC will re-underwrite the development at a 1.20 to 1 debt coverage ratio and the bonds sized accordingly. Should the full amount of the bonds (\$12,300,000) not convert under this debt coverage ratio, subordinate refunding bonds will be issued and privately place. (See Bond Resolution 04-017 Section 1.2 (b) attached). Total amount of private activity volume cap will not exceed \$12,300,000.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Montgomery Pines Apartments development because of the lack of affordable housing in the Porter area.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**BOARD MEMORANDUM**  
**May 13, 2004**

**DEVELOPMENT:** Montgomery Pines Apartments Porter, Montgomery County, Texas

**PROGRAM:** Texas Department of Housing & Community Affairs  
2004 Private-Activity Multifamily Revenue Bonds  
(Reservation received 1/2/2004)

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

**PURPOSE:** The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Rankin Housing Partners, LP, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 224-unit multifamily residential rental development located at 23461 US Hwy 59, Porter, Montgomery County, Texas 77365 (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development.

**BOND AMOUNT:** \$12,300,000 (\*) Series 2004, Tax Exempt Bonds

\$ 1,000,000 Subordinate Refunding Bonds

\*Total amount of bonds will not exceed \$12,300,000

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

**ANTICIPATED CLOSING DATE:** The Department received a volume cap allocation for the Bonds on January 2, 2004, pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 31, 2004, the anticipated closing date is May 26, 2004.

**BORROWER:**

Greens Parkway Partners, LP, a Texas limited partnership, the general partner of which is Rexford Company LLC. The principles of the general partner are A. Richard Wilson and Gerald W. Russell. Paramount Financial Group, or an affiliate thereof, will be providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

**COMPLIANCE**

**HISTORY:**

The borrower has not completed any transactions through TDHCA, and therefore does not have a compliance history with the Department.

**ISSUANCE TEAM:**

GMAC Commercial Mortgage Corporation. (FNMA DUS Lender/Servicer)  
Fannie Mae (Credit Facility Provider)  
GMAC Commercial Holding Capital Markets Corp. d/b/a/ Newman and Associates, A Division of GMAC Commercial Holding Capital Market Corp. (Underwriter)  
Wachovia Bank, National Association (Trustee)  
Vinson & Elkins L.L.P. (Bond Counsel)  
Dain Rauscher, Inc. (Financial Advisor)  
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

**BOND PURCHASER:**

The Bonds will be publicly offered for sale on or about May 26, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

**DEVELOPMENT**

**DESCRIPTION:**

The Development is a 224 unit apartment community to be constructed on approximately 23 acres located at 23461 US Hwy 59, Porter, Montgomery County, Texas 77365 (the "Development"). The Development will consist of fourteen (14) two-story buildings, with a total of 225,054 net rentable square feet and an average unit size of approximately 1005 square feet. The property will also have a community building consisting of a kitchen, an exercise room and computer facilities. The development will include a laundry room, a swimming pool, and a playground. The complex will have perimeter fencing with 190 open parking spaces as well as 112 detached garages and 112 carports.

Each Unit type will be divided evenly between 50% Rent and Income Restricted and 60% Rent and Income Restricted.

<u># Units</u>	<u>Unit Type</u>	<u>Square Footage</u>
46	1 bed/1 bath	697
48	2 bed/2 bath	996
52	2 bed/2 bath	1052
78	3 bed/2 bath	1160
224	Total Units	

**SET-ASIDE UNITS:**

For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the Development will be set aside on a priority basis for persons with special needs. For State Bond Priority One purposes, the Borrower will set-aside fifty percent (50%) of the



units at fifty percent (50%) of the area median family income and fifty percent (50%) of the units at sixty percent (60%) of area median family income.

**RENT CAPS:**

For Bond covenant purposes, the rental rates on fifty percent (50%) of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals fifty percent (50%) of the area median family income and the remaining fifty percent (50%) of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median family income (see tab 6).

**TENANT SERVICES:**

Tenant Services will be provided by Priscilla D.R. Kovacik (Supportive Provider) per the requirements as outlined in the Departments Land Use Restriction Agreement.

**DEPARTMENT  
ORIGINATION  
FEES:**

\$1,000 Pre-Application Fee (Paid)  
\$10,000 Application Fee (Paid)  
\$61,500 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT  
ANNUAL FEES:**

Bond Administration - 0.10% of bond amount (\$12,300 initially)  
Compliance Fee- \$25/unit/year (\$5,600 CPI Inflated)

**ASSET OVERSIGHT  
FEE:**

\$25/unit/year (\$5,600) to TDHCA or assigns.

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

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$622,992 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$4,895,472 of equity for the transaction.

**BOND STRUCTURE &  
SECURITY FOR THE  
BONDS:**

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

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

the Development. The Mortgage Loan and security instruments will be assigned to the Trustee and Fannie Mae and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Fannie Mae will provide a credit enhancement and liquidity facility for the Bonds. Fannie Mae's obligation to honor any demand by the Trustee for an Issuer's Fee advance is a standby obligation, payable if the Issuer's Fee is not otherwise paid, and Fannie Mae's obligation to honor any demand for all other advances is a direct pay obligation, without regard to whether the Borrower has made any such payment. During the Construction Phase, the Interim Lender will provide a Letter of Credit for the benefit of Fannie Mae to cover the construction and lease-up risk. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae will return the Letter of Credit to the Interim Lender.

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

The Department is being asked to approve a Subordinate Refunding Bond Indenture at this time. No Subordinate Refunding Bonds will be issued now and it is not anticipated that they will ever be issued. Upon Conversion to the Permanent Phase, Fannie Mae will determine the final Mortgage Loan amount. If the final Mortgage Loan amount is less than the original Mortgage Loan amount, the Borrower will be required to pay the difference which will be used to correspondingly reduce the outstanding Bonds. All or a portion of this payment amount may be financed through the issuance of the Subordinate Refunding Bonds. The Department and GMAC Commercial Holding Capital Corp. will enter into a Forward Bond Purchase Contract for the purchase and sale of the Subordinate Refunding Bonds if such Bonds are issued.

**CREDIT**  
**ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aaa and an anticipated variable interest rate of 3.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

**FORM OF BONDS:**

The Bonds will be issued in book entry form and will be in authorized denominations, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**TERMS OF THE MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest following conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur twenty-four months from the closing date of the Bonds with two six-month extension options, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the Fannie Mae credit facility. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES & METHODS OF REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is June 15, 2037.

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

Fannie Mae is obligated under the credit enhancement agreement to fund the payment of the Bonds, regardless of whether the Borrower makes the scheduled principal and interest payments on the Mortgage Loan. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by Fannie Mae for such payments.

**REDEMPTION OF  
BONDS PRIOR TO  
MATURITY:**

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

**Optional Redemption:**

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower:

- (1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.
- (2) On any date within a Reset Period at the respective initial redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective, initial redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

**Mandatory Redemption:**

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Instrument to the prepayment of the Mortgage Loan.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows:
  - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
  - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.

- (5) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (6) The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Financing Agreement.
- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

**FUNDS AND**  
**ACCOUNTS/FUNDS**  
**ADMINISTRATION:**

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

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

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

The Trust Indenture will create up to six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account. Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Development including interest on the Bonds during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Sub-accounts created within the Revenue Fund for redemption provisions, credit facility purposes, the payment of interest and certain ongoing fees.
3. Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee.

4. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
5. Bond Purchase Fund - so moneys held uninvested and exclusively for the payment of the purchase price of Tendered Bonds (subject to provisions in the Indenture allowing reimbursement of the amounts owed to the Credit Provider).
6. Principal Reserve Fund – a fund to collect principal payments from the payments received from the Borrower through revenue from the project.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

**DEPARTMENT**  
**ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wachovia Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Underwriter –Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department May 2003.

**ATTORNEY GENERAL**  
**REVIEW OF BONDS:**

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

RESOLUTION NO. 04-025

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (MONTGOMERY PINES APARTMENTS) SERIES 2004 AND SUBORDINATE MULTIFAMILY HOUSING REVENUE REFUNDING BONDS (MONTGOMERY PINES APARTMENTS); APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Department may issue refunding bonds under Chapter 1207, Texas Government Code, to refund all or any part of the Department's outstanding bonds, notes, or other general or special obligations; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Montgomery Pines Apartments) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wachovia Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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



WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

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

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Credit Enhancement Instrument issued by Fannie Mae ("Fannie Mae"); and

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

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to Fannie Mae, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower; and

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

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

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower, GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, pursuant to the terms of the Note, the Borrower is required to make a Pre-Conversion Loan Equalization Payment (as such term is defined the Note) in the event that the principal amount of the Mortgage Loan, as finally determined pursuant to the terms of the Construction Phase Financing Agreement (as such term is defined in the Indenture), is less than the original principal amount of the Mortgage Loan; and

WHEREAS, pursuant to the terms of the Indenture, the Bonds are subject to mandatory redemption in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment pursuant to the terms of the Note; and

WHEREAS, the Board has determined to authorize the issuance, sale and delivery of its Subordinate Multifamily Housing Revenue Refunding Bonds (Montgomery Pines Apartments) (the “Refunding Bonds”) pursuant to and in accordance with the terms of a Subordinate Indenture between the Department and Wachovia Bank, National Association, as trustee, or any successor thereto (the “Refunding Indenture”), for the purpose of obtaining funds to refinance a portion of the Project in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board desires to use the proceeds of the Refunding Bonds to fund a Subordinate Mortgage Loan (the “Refunding Mortgage Loan”) to the Borrower in order to provide funds to make a Pre-Conversion Loan Equalization Payment and thereby refund a portion of the Bonds, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Subordinate Loan Agreement (the “Refunding Loan Agreement”) pursuant to which (i) the Department will agree to make the Refunding Mortgage Loan to the Borrower to enable the Borrower to make a Pre-Conversion Loan Equalization Payment and thereby refinance a portion of the Project, and (ii) the Borrower will execute and deliver to the Department a subordinate multifamily note (the “Refunding Note”) in an original principal amount equal to the original aggregate principal amount of the Refunding Bonds, and providing for payment of interest on such principal amount equal to the interest on the Refunding Bonds; and

WHEREAS, it is anticipated that the Refunding Note will be secured by a Subordinate Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Refunding Mortgage”) from the Borrower for the benefit of the Department; and

WHEREAS, it is anticipated that the Department’s rights (except for certain reserved rights) under the Refunding Mortgage Loan, including the Refunding Note and the Refunding Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents (the “Refunding Assignment”) from the Department for the benefit of the Trustee; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will amend the Regulatory Agreement in connection with the issuance of the Refunding Bonds to comply with state law and federal tax law; and

WHEREAS, the Board has determined that the Department shall enter into a Forward Purchase Contract (the “Forward Purchase Contract”) with the Borrower and GMAC Commercial Holding Capital Corp. (the “Refunding Bond Purchaser”) and any other party to the Forward Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Refunding Bond Purchaser or another party to the Forward Purchase Contract will purchase all or their respective portion of the Refunding Bonds from the Department and the Department will sell the Refunding Bonds to the Refunding Bond Purchaser or another party to the Forward Purchase Contract; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the “Asset Oversight Agreement”), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, the Refunding Indenture, the Refunding Loan Agreement, the Refunding Assignment and the Forward Purchase Contract, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.20, to authorize the issuance of the Bonds and the Refunding Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith;

**NOW, THEREFORE,**

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

## ARTICLE I

### ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. (a) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.50%; (ii) the aggregate principal amount of the Bonds shall not exceed \$12,300,000; (iii) the final maturity of the Bonds shall occur not later than June 15, 2038; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

(b) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1207, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Refunding Bond Purchaser or another party to the Forward Purchase Contract, the Refunding Bonds, all of which determinations shall be conclusively evidenced by

the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Refunding Indenture and the Forward Purchase Contract; provided, however, that (i) the interest rate on the Refunding Bonds shall be 10%; provided that in no event shall the interest rate on the Refunding Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Refunding Bonds shall not exceed \$1,000,000; and (iii) the final maturity of the Refunding Bonds shall occur not later than the date that is 90 days after the maturity date of the Note.

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

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

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

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

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

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

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--Approval, Execution and Delivery of the Refunding Indenture. That the form and substance of the Refunding Indenture are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Indenture and to deliver the Refunding Indenture to the Trustee.

Section 1.11--Approval, Execution and Delivery of the Refunding Loan Agreement. That the form and substance of the Refunding Loan Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Loan Agreement and to deliver the Refunding Loan Agreement to the Borrower.

Section 1.12--Approval, Execution and Delivery of Amended Regulatory Agreement. That any amendments to the Regulatory Agreement to comply with state law and federal tax law in connection with the issuance of the Refunding Bonds are hereby authorized; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the amended Regulatory Agreement, thereby evidencing the Department's approval of any such amendments, and to deliver such amended Regulatory Agreement to the Borrower and the Trustee.

Section 1.13--Acceptance of the Refunding Mortgage and the Refunding Note. That the Refunding Mortgage and the Refunding Note are hereby accepted by the Department; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to endorse the Refunding Note to the order of the Trustee, without recourse.

Section 1.14--Approval, Execution and Delivery of the Refunding Assignment. That the form and substance of the Refunding Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute the Refunding Assignment and to deliver the Refunding Assignment to the Trustee.

Section 1.15--Approval, Execution and Delivery of the Forward Purchase Contract. That the form and substance of the Forward Purchase Contract are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute and deliver the Forward Purchase Contract to the Borrower and the Refunding Bond Purchaser and any other party to the Forward Purchase Contract as appropriate.

Section 1.16--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.17--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Assignment
- Exhibit G - Official Statement
- Exhibit H - Asset Oversight Agreement
- Exhibit I - Refunding Indenture
- Exhibit J - Refunding Loan Agreement
- Exhibit K - Forward Purchase Contract
- Exhibit L - Refunding Assignment

Section 1.18--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.19--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Board Secretary.

Section 1.20--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

## ARTICLE II

### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

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

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

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

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

### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and Section 1207.008, Texas Government Code, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

(ii) that the issuance of the Bonds and the Refunding Bonds to finance the Project is undertaken within the authority conferred by the Act and Chapter 1207, Texas Government Code, and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

(d) Findings with Respect to the Refunding Bonds.

(i) that the issuance of the Refunding Bonds is in the best interests of the Department; and



(ii) that the manner in which such refunding is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2), Texas Government Code (with respect to the maximum amount by which the aggregate amount of payments to be made under the Refunding Bonds could exceed the aggregate amount of payments that would have been made under the terms of the portion of the Bonds being refunded).

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

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

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

## ARTICLE IV

### GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such

meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 13th day of May, 2004

[SEAL]

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

## EXHIBIT A

### DESCRIPTION OF PROJECT

#### Section 1. Project and Owner.

Owner: Greens Parkway Partners LP, a Texas limited partnership

Project: The Project is a 224-unit multifamily facility to be known as Montgomery Pines Apartments and to be located at 23461 US Highway 59, Porter, Montgomery County, Texas. It will consist of fourteen (14) two-story residential apartment buildings with approximately 225,054 net rentable square feet and an average unit size of approximately 1005 square feet. The unit mix will consist of:

46 one-bedroom/one-bath units  
100 two-bedroom/two-bath units  
78 three-bedroom/two-bath units

224 Total Units

Unit sizes will range from approximately 697 square feet to approximately 1160 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment, and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.

#### Section 2. Project Amenities.

Project Amenities shall include:

- Laundry Connections
- Microwave Ovens
- Garages/Covered Parking
- Ceiling Fans
- Ceramic Flooring in Entry and Bathroom
- ≥75% Masonry
- Covered Community Porch
- Picnic Area with BBQ Grills
- Perimeter Fencing and Gated Access
- Business/Computer Facilities with Internet Access
- Game/Recreation Room
- Exercise Room



**HOUSING TAX CREDIT PROGRAM  
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Montgomery Pines Apartments**

TDHCA#: 04411

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Porter QCT: N DDA: N TTC: N  
 Development Owner: Greens Parkway Partners, LP  
 General Partner(s): Rexford Company, LLC, 100%, Contact: Gerald Russell  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$622,992 Eligible Basis Amt: \$621,509 Equity/Gap Amt.: \$957797  
**Annual Tax Credit Allocation Recommendation: \$621,509**  
 Total Tax Credit Allocation Over Ten Years: \$ 6,215,090

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 224 HTC Units: 224 % of HTC Units: 100  
 Gross Square Footage: 229,222 Net Rentable Square Footage: 225522  
 Average Square Footage/Unit: 1007  
 Number of Buildings: 14  
 Currently Occupied: N

**Development Cost**

Total Cost: \$19,221,610 Total Cost/Net Rentable Sq. Ft.: \$85.23

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,787,133 Ttl. Expenses: \$875,862 Net Operating Inc.: \$911,271  
 Estimated 1st Year DCR: 1.07

**DEVELOPMENT TEAM**

Consultant: Not Utilized	Manager: SPM, Inc.
Attorney: William Bell	Architect: Thompson Nelson Group, Inc.
Accountant: Novogradac & Company, LLP	Engineer: Benchmark Engineering
Market Analyst: Vogt Williams & Bowen, LLC	Lender: GMAC Commercial Mortgage Corp.
Contractor: Construction Supervisors, Inc.	Syndicator: Paramount Financial Group, Inc.

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 3	Sen. Tommy Williams, District 4 - S
# in Opposition: 0	Rep. Dan Ellis, District 18 - S
Public Hearing:	Judge Alan Sadler - NC
# in Support: 2	County Commissioner Ed Rinehart: S
# in Opposition: 0	Joanne R. Callahan, Ph. D., Executive Director, MCHA; The development is consistent with Montgomery County 5 Year Consolidated Plan.
# Neutral: 6	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Acceptance by the Board of the anticipated likely redemption of up to \$740,000 in bonds at the conversion to permanent.
3. Receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees or other committed source of funds as necessary to fill a potential gap in permanent financing.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robert Onion, Multifamily Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Brooke Boston, Director of Multifamily Finance Production Date

**DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director

\_\_\_\_\_  
Date

Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature: \_\_\_\_\_

Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

# Montgomery Pines Apartments

## Estimated Sources & Uses of Funds

### Sources of Funds

2004 Series Bond Proceeds	\$ 12,300,000
Equity Funds from Borrower (Tax credit proceeds)	4,895,472
GIC Earnings	46,125
NOI Prior to Stabilization	74,996
Deferred Developer's Fee (Note at Completion)	1,828,259
<b>Total Sources</b>	<b>\$ 19,144,852</b>

### Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 14,908,469
Deposit to Revenue Fund (30-Day Payment Lag)	45,365
Capitalized Interest	408,000
Lease Up Reserves	350,000
Developer's Fee/Overhead	2,293,825
Costs of Issuance	
Direct Bond Related	243,525
Underwriter's Spread/Council	153,000
Other Transaction Costs	411,428
Credit Enhancement Costs	196,240
Real Estate Closing Costs	135,000
<b>Total Uses</b>	<b>\$ 19,144,852</b>

## Estimated Costs of Issuance of the Bonds

### Direct Bond Related

Department Issuance Fee (.5% of Issuance)	\$ 61,500
Department Application Fee	11,000
Department Bond Administration Fee (2 years)	24,600
Bond Counsel (Note 1)	75,000
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	20,000
Rating Agency Fee	13,500
OS Printing & Mailing	2,000
Trustee Fee (Note 1)	4,750
Trustee's Counsel (Note 1)	10,000
Attorney General Transcript Fee	2,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Fee	3,075
TDHCA Compliance Fee (1st Year Escrow)	5,600
<b>Total Direct Bond Related</b>	<b>\$ 243,525</b>

## Montgomery Pines Apartments

<b>Underwriter's Spread</b>	
Underwriter's Fee/Expenses	\$ 123,000
Underwriter's Counsel	30,000
<b>Total Underwriter's Spread</b>	<b>\$ 153,000</b>
<b>Credit Enhancement Costs</b>	
DUS Financing Fee/expenses & legal	\$ 145,740
Lender's Application Fee	15,000
FNMA Counsel & Expenses	35,500
<b>Total Credit Enhancement Costs</b>	<b>\$ 196,240</b>
<b>Other Transaction Costs</b>	
Borrower's Counsel	30,000
Letter of Credit Origination Fee	124,942
Construction Period LC Fee	31,236
Letter of Credit Counsel Fee	35,000
Subordinate Bond Fwd Commitment Fee	30,000
Sub Bond Purchaser's Counsel	15,000
Interest Rate Swap/Cap	92,250
Tax Credit Application & Commitment Fee	53,000
<b>Total Transaction Costs</b>	<b>\$ 411,428</b>
<b>Real Estate Closing Costs</b>	
Title, Recording & Survey	\$ 115,000
Property Taxes	20,000
<b>Total Real Estate Costs</b>	<b>\$ 135,000</b>
<b>Estimated Total Costs of Issuance</b>	<b>\$ 1,139,193</b>

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

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





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evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 224    **# Rental Buildings:** 14    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs  
**Net Rentable SF:** 225,522    **Av Un SF:** 1,007    **Common Area SF:** 3,700    **Gross Bldg SF:** 229,222

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised of 50% brick veneer and 50% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The gabled roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & ceramic tile. Each unit will include: 9 foot ceilings, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, and cable TV.

**ON-SITE AMENITIES**

A 3,700-square foot community building will include an activity room, management office, fitness & laundry facilities, kitchen, restrooms, computer/learning center, central mailroom. The site will also include a swimming pool and equipped children's play area which will be located near the entrance of the property. In addition a picnic area and perimeter fencing is also planned for the site.

**Uncovered Parking:** 190 spaces    **Carports:** 112 spaces    **Garages:** 112 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Montgomery Pines Apartments is a relatively dense (12.25 units per acre) new construction development of 224 units of affordable income housing located in Porter. The development is comprised of 14 evenly distributed large garden style walk-up residential buildings as follows:

- Six Type I Buildings with eight two-bedroom/two-bath units, and eight three-bedroom/two-bath units;
- Three Type II Buildings with eight one-bedroom/one-bath units, and eight three-bedroom/two-bath units;
- Three Type III Buildings with 16 two-bedroom/two-bath units;
- One Type IV Building with eight one-bedroom/one-bath units, and four two-bedroom/two-bath units, and four three-bedroom/two-bath units;
- One Type V Buildings with 14 one-bedroom/one-bath units, and two three-bedroom/two-bath units;

**Architectural Review:** The building elevations are attractive and functional, with hipped and gabled roofs, mixed brick veneer and cement fiber exterior wall coverings. The units have exterior storage closets and semi-private entries off of interior breezeways. All of the fourteen residential structures have an extensive amount of corridors/breezeways.

**Supportive Services:** The Applicant has entered into a contract with Priscilla Kovacik to provide supportive services to the residents of the development for \$10,400 annually. These services will be provided at no cost to the tenants. Services to be provided will include classes for English as a second language, computer classes, and a library dedicated to children's use.

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

**SITE ISSUES**

**SITE DESCRIPTION**

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**Size:** 18.26 acres 795,406 square feet **Zoning/ Permitted Uses:** No zoning  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in Porter approximately 26 miles north of Houston. The site is adjacent to the east side of U.S. Highway 59 Feeder Road, just north of the Farm to Market Road 1314.

**Adjacent Land Uses:**

- **North:** A vacant parcel of land and Rosewood Funeral Home and Cemetery beyond.
- **South:** A heavily wooded area and a mobile home seller beyond.
- **East:** A wooded area and approximately 50 mobile home units beyond.
- **West:** U.S. 59 feeder road and U.S. Highway 59 beyond

**Site Access:** The site is located off of U.S. Highway 59 Feeder Road, a one-way northbound roadway with no sidewalks. Pedestrian traffic is light on the U.S. Highway feeder. Access to the site is convenient for northbound traffic. Southbound traffic will have to exit on Farm to Market Road 1314 and cross over U.S. Highway 59 to the northbound U.S. Highway 59 feeder road to access the site. The development is to have two main entries, both from the west side of the property from U.S. Highway 59.

**Public Transportation:** “There is no public bus service that serves Porter or the surrounding communities.” (p. IV-4)

**Shopping & Services:** “The area is served by numerous shopping opportunities. Deerbrook Mall, which includes four major department stores, is located 8.2 miles south of the site. Deerbrook Shopping Center and The Commons Shopping Center are across from Deerbrook Mall, 8.4 miles south of the site. Wal-Mart and Home Depot are 1.3 miles south of the site. A variety of shops are located within 1.5 miles south of the site along Farm to Market Road 1314. Kroger, a major grocery store, is 1.3 miles south of the project area.” (p. IV-3)

**Site Inspection Findings:** TDHCA staff performed a site inspection on January 14, 2004 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 November 20, 2003 was prepared by Unovate Environmental Services, Inc. The ESA found that there is no evidence or indication of recognized environmental conditions existing in association with the site and does not recommend any further action.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery development 50% of the units must have rents restricted to be affordable to households at or below 50% of AMGI and 50% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All of the units (100% of the total) will be reserved for low-income tenants. 112 of the units (50%) will be reserved for households earning 50% or less of AMGI, and 112 units (50%) will be reserved for households earning 60% or less of AMGI.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

**MARKET HIGHLIGHTS**

A market feasibility study dated December 5, 2003 was prepared by Vogt Williams & Bowen, LLC (“Market Analyst”) which was revised by the Market Analyst on April 28, 2004 highlighted the following findings:

**Definition of Primary Market Area (PMA):** “The Porter PMA includes Porter, and surrounding

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communities including the northern portion of Houston, Texas. The boundaries of the PMA include Farm to Market Road 1485, State Route 494, and State Route 242 to the north, Interstate Route 45 to the west, State Route 8 to the south, and Wilson Road, Farm to Market Road 1960, U.S. Highway 59, North Park Drive and the County Line to the east.” (p. IV-6)

On April 28, 2004 the PMA was redefined as follows: “Pursuant to our conversation and after further review of market area data, we have revised the Primary Market Area (PMA) for the Montgomery Pines project in Porter, Texas. The southern PMA boundary was moved further north to FM 1960, while the eastern boundary was extended east to include the community of Kingwood (note: the Kingwood area was added to include the income-qualified households that live in this community, which is in close proximity to the subject site).” (per the revision)

This area encompasses approximately 247 square miles with a perimeter of 67 miles.

**Population:** The estimated 2003 population of the PMA was 207,889 and is expected to increase by 12% to approximately 233,580 by 2008. Within the primary market area there were estimated to be 71,773 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,823 qualified households in the PMA, based on the current estimate of 71,773 households, the projected annual growth rate of 2.3%, renter households estimated at 24% of the population, income-qualified households estimated at 16%, and an annual renter turnover rate of 63 %. The Market Analyst used an income band of \$16,740 to \$35,760.

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	68	4%	66	4%
Resident Turnover	1,755	96%	1,736	96%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,823</b>	<b>100%</b>	<b>1,802</b>	<b>100%</b>

Ref: p. II-5

**Inclusive Capture Rate:** “The proposed 224 units at the subject site will represent a capture rate of 12.3% of the 1,823 net income-eligible households within the PMA. This is a low capture rate and positive indicator for the need of additional housing in the market. When Humble Parkway with 216 units are also considered, the market penetration rate of the subject project is 24.1%. It is our opinion that this is a good and achievable penetration rate.” (per the revision)

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,413 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$516	\$517	-\$1	\$686	-\$170
<b>1-Bedroom (60%)</b>	\$628	\$632	-\$4	\$686	-\$58
<b>2-Bedroom (50%) 996 sf</b>	\$620	\$622	-\$2	\$897	-\$277
<b>2-Bedroom (60%) 996 sf</b>	\$754	\$759	-\$5	\$897	-\$143
<b>2-Bedroom (50%) 1,052 sf</b>	\$620	\$622	-\$2	\$897	-\$277
<b>2-Bedroom (60%) 1,052 sf</b>	\$754	\$759	-\$5	\$897	-\$143
<b>3-Bedroom (50%)</b>	\$716	\$718	-\$2	\$1,188	-\$472
<b>3-Bedroom (60%)</b>	\$871	\$876	-\$5	\$1,188	-\$317

Please note that the proposed net tenant-paid rents represented were based off of the 2003 rent schedule.

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

**Primary Market Occupancy Rates:** “We identified nine Low-Income Housing Tax Credit (LIHTC) properties within the Porter PMA. Each of these properties targets households up to 50% and/or 60% of

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AMHI, and therefore, are considered competitive properties with the subject site. With the exception of Timber Run, each of the LIHTC projects are 90.0% occupied or higher. According to management at Timber Run, the low occupancy rate is attributed to a few factors: some residents left to buy homes due to low interest rates; the location of the project is isolated and many people are not aware of the project; and the project suffers from a crime problem and bad reputation. Therefore, this project, which contains 55 of the 101 vacancies among Tax Credit projects, is not reflective of the demand or strength of the low-income housing market. When this project is excluded, the overall occupancy rate of the remaining LIHTC projects is 95.7%. This is a good occupancy rate and a positive indication of the high demand for low-income Tax Credit units in the area.” (p. II-4)

**Absorption Projections:** “It is our opinion that the proposed 224-unit project will experience an initial absorption rate of 12 to 14 units per month and achieve a stabilized occupancy of 93% within 14 to 18 months after opening. This absorption rate does not include pre-leasing of any units.” (p. II-5)

**Known Planned Development:** “Based on our interviews with local building and planning representatives, it was determined that no multifamily projects are planned for the area. However, there are two projects currently under construction. One project, Memorial Gardens, is an age-restricted property that was approved for development in August of this year and construction recently started. Given the age-restriction of this project we do not anticipate that it will directly compete with the subject development. The other project under construction is Humble Parkway with 216 units.” (per the revision)

The Underwriter found the market study and the revision to provide sufficient information to complete this report and make a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s income, secondary income, and vacancy and collection loss assumptions are within the Department’s maximum guidelines. The Underwriter adjusted rents using Montgomery County utility allowance numbers versus the Houston utility allowance numbers the Applicant used. The Applicant also included cable TV in other income which the Underwriter did not consider in the gross income figure due to the fact that support was not provided. As a result of the difference in secondary income estimates and the difference in utility allowance numbers the Applicant’s effective gross income estimate exceeds the Underwriter’s by \$71,415.

**Expenses:** The Applicant’s total expense estimate of \$3,665 per unit is 6% lower than the Underwriter’s database-derived estimate of \$3,910 per unit for comparably-sized developments. The Applicant’s payroll estimate, however, deviates significantly when compared to the database averages (\$32K lower). The Underwriter discussed this and other differences with the Applicant and was able to reconcile some of the Applicant’s estimates, but still had the above difference after the additional information provided by the Applicant was considered.

**Conclusion:** The Applicant’s total estimated operating expense is consistent with the Underwriter’s expectations and the Applicant’s net operating income estimate 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 the above stated expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10, and would not be sufficient to service the proposed debt. The maximum annual debt service for this project; therefore, should be limited to \$828,578 by a reduction of the bond amount or extension of the amortization or a reduction in the interest rate. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$11,560,000.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: (65.96) acres</b>	\$1,160,140	<b>Assessment for the Year of:</b>	2003
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<b>1 acre</b>	<u>\$17,589</u>	<b>Valuation by:</b>	Montgomery County Appraisal District
<b>Total Prorated Value: 18.26 ac.</b>	<u>\$321,175</u>	<b>Tax Rate:</b>	<u>3.0905</u>
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>			
<b>Type of Site Control:</b>	Earnest Money Contract		
<b>Contract Expiration Date:</b>	<u>6/ 28/ 2004</u>	<b>Anticipated Closing Date:</b>	<u>4/ 1/ 2004</u>
<b>Acquisition Cost:</b>	<u>\$500,000</u>	<b>Other Terms/Conditions:</b>	
<b>Seller:</b>	<u>William E. Dark and Evelyn O. Roberts</u>	<b>Related to Development Team Member:</b>	<u>No</u>

<b>CONSTRUCTION COST ESTIMATE EVALUATION</b>	
<p><b>Acquisition Value:</b> The site cost of \$500,000 (\$.63/SF or \$27,382/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.</p> <p><b>Sitework Cost:</b> The Applicant's claimed sitework costs of \$6,209 per unit are considered reasonable compared to historical sitework costs for multifamily projects.</p> <p><b>Direct Construction Cost:</b> The Applicant's direct construction cost estimate is \$214K or less than 2% lower than the Underwriter's Marshall &amp; Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as reasonable as submitted.</p> <p><b>Ineligible Costs:</b> The Applicant included \$25,000 in marketing as an eligible cost; as these costs are generally regarded to be ineligible the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.</p> <p><b>Fees:</b> The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$16,681.</p> <p><b>Conclusion:</b> The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to determine the Development's eligible basis and need for permanent funds. An eligible basis of \$17,458,104 is used to determine a credit allocation of \$621,509 annually. This figure is compared to the Applicant's requested amount and the development's gap in need to determine the recommended tax credit allocation.</p>	

<b>FINANCING STRUCTURE</b>			
<b>INTERIM TO PERMANENT FINANCING</b>			
<b>Source:</b>	<u>GMAC Commercial Mortgage</u>	<b>Contact:</b>	<u>Lloyd H. Griffin</u>
<b>Principal Amount:</b>	<u>\$12,300,000</u>	<b>Interest Rate:</b>	<u>5.965%</u>
<b>Additional Information:</b>			
<b>Amortization:</b>	<u>30</u> yrs	<b>Term:</b>	<u>33</u> yrs
<b>Annual Payment:</b>	<u>\$893,582</u>	<b>Lien Priority:</b>	<u>1<sup>st</sup></u>
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Commitment Date</b>	<u>3/ 26/ 2004</u>		

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TAX CREDIT SYNDICATION							
<b>Source:</b>	Paramount Financial Group, Inc.	<b>Contact:</b>	Dale Cook				
<b>Address:</b>	150 East Main Street, Suite 301	<b>City:</b>	Fredericksburg				
<b>State:</b>	TX	<b>Zip:</b>	78624	<b>Phone:</b>	(830) 997-6960	<b>Fax:</b>	(830) 997-5939
<b>Net Proceeds:</b>	\$4,895,472	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>				80¢	
<b>Commitment</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	<b>Date:</b>	2/ 6/ 2004		
<b>Additional Information:</b>							

APPLICANT EQUITY	
<b>Amount:</b>	\$2,026,138
<b>Source:</b>	Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** A revised permanent financing commitment dated March 26, 2004 is consistent with the most recent sources and uses of funds provided by the Applicant and the permanent payment amount is inconsistent.

**HTC Syndication:** The Applicant's proposed sources and uses of funds are inconsistent with the terms reflected in the tax credit syndication commitment included with the application. In particular, the syndicator proposes to invest \$4,895,472 in equity based on the receipt of \$611,397 in tax credits annually for ten years, and an investment rate of \$0.80 per dollar of tax credits. The Applicant's cost schedule calls for an annual tax credit request of \$622,992.

**Deferred Developer's Fees:** The Applicant's sources and uses of funds schedule shows the deferral of \$2,026,138 of the Developer's fee. This represents approximately 99% of the Developer's total fee, which the Underwriter estimates cannot be repaid within ten years, but can be repaid within fifteen years.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis as adjusted by the Underwriter, the HTC allocation should not exceed \$621,509. This results in syndication proceeds of approximately \$4,971,571. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$2,690,039 which represents approximately 117% of the eligible fee and which is not repayable in ten years, but should be repayable from cash flow within fifteen years.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

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

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

- Financial Highlights:**
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
  - The principals of the General Partner, Gerald Russell and A. Richard Wilson, submitted unaudited financial statements as of December 15, 2003 and are anticipated to be guarantors of the development.
- Background & Experience:**
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
  - Gerald Russell and A. Richard Wilson, the principals of the General Partner, have completed one HTC affordable housing development totaling 224 units since 2001.
  - Gerald Russell also has received a certificate of experience from the Department.

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**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** May 3, 2004

**Director of Real Estate Analysis:**

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

**Date:** May 3, 2004



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Montgomery Pines Apartments, Porter, MRB #2004-002 / HTC #04411**

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%)	23	1	1	697	\$571	\$517	\$11,891	\$0.74	\$54.00	\$34.00
TC (60%)	23	1	1	697	686	632	14,536	0.91	54.00	34.00
TC (50%)	24	2	2	996	686	622	14,928	0.62	64.00	35.00
TC (60%)	24	2	2	996	823	759	18,216	0.76	64.00	35.00
TC (50%)	26	2	2	1,052	686	622	16,172	0.59	64.00	35.00
TC (60%)	26	2	2	1,052	823	759	19,734	0.72	64.00	35.00
TC (50%)	39	3	2	1,166	793	718	28,002	0.62	75.00	36.00
TC (60%)	39	3	2	1,166	951	876	34,164	0.75	75.00	36.00
<b>TOTAL:</b>	<b>224</b>		<b>AVERAGE:</b>	<b>1,007</b>	<b>\$770</b>	<b>\$704</b>	<b>\$157,643</b>	<b>\$0.70</b>	<b>\$65.78</b>	<b>\$35.14</b>

<b>INCOME</b>				<b>TOTAL NET RENTABLE SQ FT: 225,522</b>		<b>TDHCA</b>	<b>APPLICANT</b>	<b>Comptroller's Region 6</b>			
<b>POTENTIAL GROSS RENT</b>						\$1,891,716	\$1,952,796	<b>IREM Region Houston</b>			
Secondary Income		Per Unit Per Month:	\$15.00			40,320	40,320	\$15.00	Per Unit Per Month		
Other Support Income: Cable TV						0	16,128				
<b>POTENTIAL GROSS INCOME</b>						\$1,932,036	\$2,009,244				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(144,903)	(150,696)	-7.50%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0					
<b>EFFECTIVE GROSS INCOME</b>						\$1,787,133	\$1,858,548				
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>		<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>	
General & Administrative		3.94%	\$314	0.31		\$70,329	\$59,872	\$0.27	\$267	3.22%	
Management		4.00%	319	0.32		71,485	\$75,585	0.34	337	4.07%	
Payroll & Payroll Tax		10.90%	870	0.86		194,880	\$162,582	0.72	726	8.75%	
Repairs & Maintenance		4.58%	365	0.36		81,801	\$76,032	0.34	339	4.09%	
Utilities		3.65%	291	0.29		65,286	\$58,654	0.26	262	3.16%	
Water, Sewer, & Trash		4.02%	321	0.32		71,904	\$56,400	0.25	252	3.03%	
Property Insurance		2.91%	232	0.23		52,000	\$52,000	0.23	232	2.80%	
Property Tax	3.0905	9.70%	774	0.77		173,376	\$185,000	0.82	826	9.95%	
Reserve for Replacements		2.51%	200	0.20		44,800	\$44,800	0.20	200	2.41%	
Other Expenses: Supp.Serv.,Coml.		2.80%	223	0.22		50,000	\$50,000	0.22	223	2.69%	
<b>TOTAL EXPENSES</b>				49.01%	\$3,910	\$3.88	\$875,862	\$820,925	\$3.64	\$3,665	44.17%
<b>NET OPERATING INC</b>				50.99%	\$4,068	\$4.04	\$911,271	\$1,037,623	\$4.60	\$4,632	55.83%
<b>DEBT SERVICE</b>											
First Lien Mortgage		49.33%	\$3,936	\$3.91		\$881,618	\$893,582	\$3.96	\$3,989	48.08%	
Trustee Fee		0.20%	\$16	\$0.02		\$3,500		\$0.00	\$0	0.00%	
TDHCA Admin. Fees		0.69%	\$55	\$0.05		12,300		\$0.00	\$0	0.00%	
Asset Oversight Fees		0.19%	\$15	\$0.01		3,360		\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>				0.78%	\$62	\$0.06	\$13,993	\$144,041	\$0.64	\$643	7.75%
<b>INITIAL AGGREGATE DEBT COVERAGE RATIO</b>						1.01	1.16				
<b>INITIAL BONDS &amp; TRUSTEE FEE-ONLY DEBT COVERAGE RATIO</b>						1.02					
<b>RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO</b>						1.10					

<b>CONSTRUCTION COST</b>						<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT		\$525,000	\$525,000	\$2.33	\$2,344	2.73%	
Acquisition Cost (site or bldg)		2.69%	\$2,344	\$2.33		0	0	0.00	0	0.00%	
Off-Sites		0.00%	0	0.00		1,390,783	1,390,783	6.17	6,209	7.24%	
Sitework		7.14%	6,209	6.17		10,382,435	10,168,197	45.09	45,394	52.90%	
Direct Construction		53.28%	46,350	46.04		515,446	515,446	2.29	2,301	2.68%	
Contingency	4.38%	2.65%	2,301	2.29		587,261	587,261	2.60	2,622	3.06%	
General Req'ts	4.99%	3.01%	2,622	2.60		229,087	229,087	1.02	1,023	1.19%	
Contractor's G & A	1.95%	1.18%	1,023	1.02		687,261	687,261	3.05	3,068	3.58%	
Contractor's Profit	5.84%	3.53%	3,068	3.05		548,050	548,050	2.43	2,447	2.85%	
Indirect Construction		2.81%	2,447	2.43		871,825	871,825	3.87	3,892	4.54%	
Ineligible Costs		4.47%	3,892	3.87		317,050	317,050	1.41	1,415	1.65%	
Developer's G & A	2.06%	1.63%	1,415	1.41		1,976,775	1,976,775	8.77	8,825	10.28%	
Developer's Profit	12.84%	10.14%	8,825	8.77		1,054,875	1,054,875	4.68	4,709	5.49%	
Interim Financing		5.41%	4,709	4.68		401,714	350,000	1.55	1,563	1.82%	
Reserves		2.06%	1,793	1.78							
<b>TOTAL COST</b>				100.00%	\$86,998	\$86.41	\$19,487,561	\$19,221,610	\$85.23	\$85,811	100.00%
<b>Recap-Hard Construction Costs</b>				70.77%	\$61,573	\$61.16	\$13,792,273	\$13,578,035	\$60.21	\$60,616	70.64%

<b>SOURCES OF FUNDS</b>						<b>RECOMMENDED</b>		
Tax-Exempt Bonds	63.12%	\$54,911	\$54.54	\$12,300,000	\$12,300,000	\$11,560,000		Developer Fee Available
Taxable Bonds/ Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,293,825	
HTC Syndication Proceeds	25.12%	\$21,855	\$21.71	4,895,472	4,895,472	4,971,571		% of Dev. Fee Deferred
Deferred Developer Fees	10.40%	\$9,045	\$8.98	2,026,138	2,026,138	2,690,039		117%
Additional (Excess) Funds Required	1.36%	\$1,187	\$1.18	265,951	0	0		15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				\$19,487,561	\$19,221,610	\$19,221,610	\$3,013,626	

**MULTIFAMILY COMPARATIVE ANALYSIS**(continued)  
**Montgomery Pines Apartments, Porter, MRB #2004-002 / HTC #04411**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.88	\$9,895,905
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.97	\$445,316
Elderly/9-Ft. Ceilings	3.00%		1.32	296,877
Roofing			0.00	0
Subfloor			(1.02)	(228,905)
Floor Cover			2.00	451,044
Porches/Balconies	\$17.59	36065	2.81	634,383
Plumbing	\$605	534	1.43	323,070
Built-In Appliances	\$1,650	224	1.64	369,600
Stairs/Fireplaces	\$1,700	56	0.42	95,200
Floor Insulation			0.00	0
Heating/Cooling			1.53	345,049
Carports	\$8.18	17,326	0.63	141,727
Comm &/or Aux Bldgs	\$61.93	3,700	1.02	229,135
Garages	\$27.92	26,720	3.31	746,022
<b>SUBTOTAL</b>			<b>60.94</b>	<b>13,744,424</b>
Current Cost Multiplier	1.03		1.83	412,333
Local Multiplier	0.90		(6.09)	(1,374,442)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$56.68</b>	<b>\$12,782,314</b>
Plans, specs, survy, bld prm	3.90%		(\$2.21)	(\$498,510)
Interior Construction Interest	3.38%		(1.91)	(431,403)
Contractor's OH & Profit	11.50%		(6.52)	(1,469,966)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$46.04</b>	<b>\$10,382,435</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$12,300,000	Amort	360
Int Rate	5.97%	DCR	1.03

<b>Secondary</b>		Amort	
Int Rate		Subtotal DCR	1.02

<b>All-In</b>		Amort	
Rate		Aggregate DCR	1.01

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$828,578
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversig	15,660
<b>NET CASH FLOW</b>	<b>\$63,534</b>

<b>Primary</b>	\$11,560,000	Term	360
Int Rate	5.97%	DCR	1.10

<b>Secondary</b>		Term	
Int Rate		Subtotal DCR	1.10

<b>All-In</b>		Term	
Rate		Aggregate DCR	1.07

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

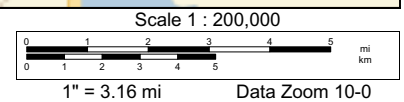
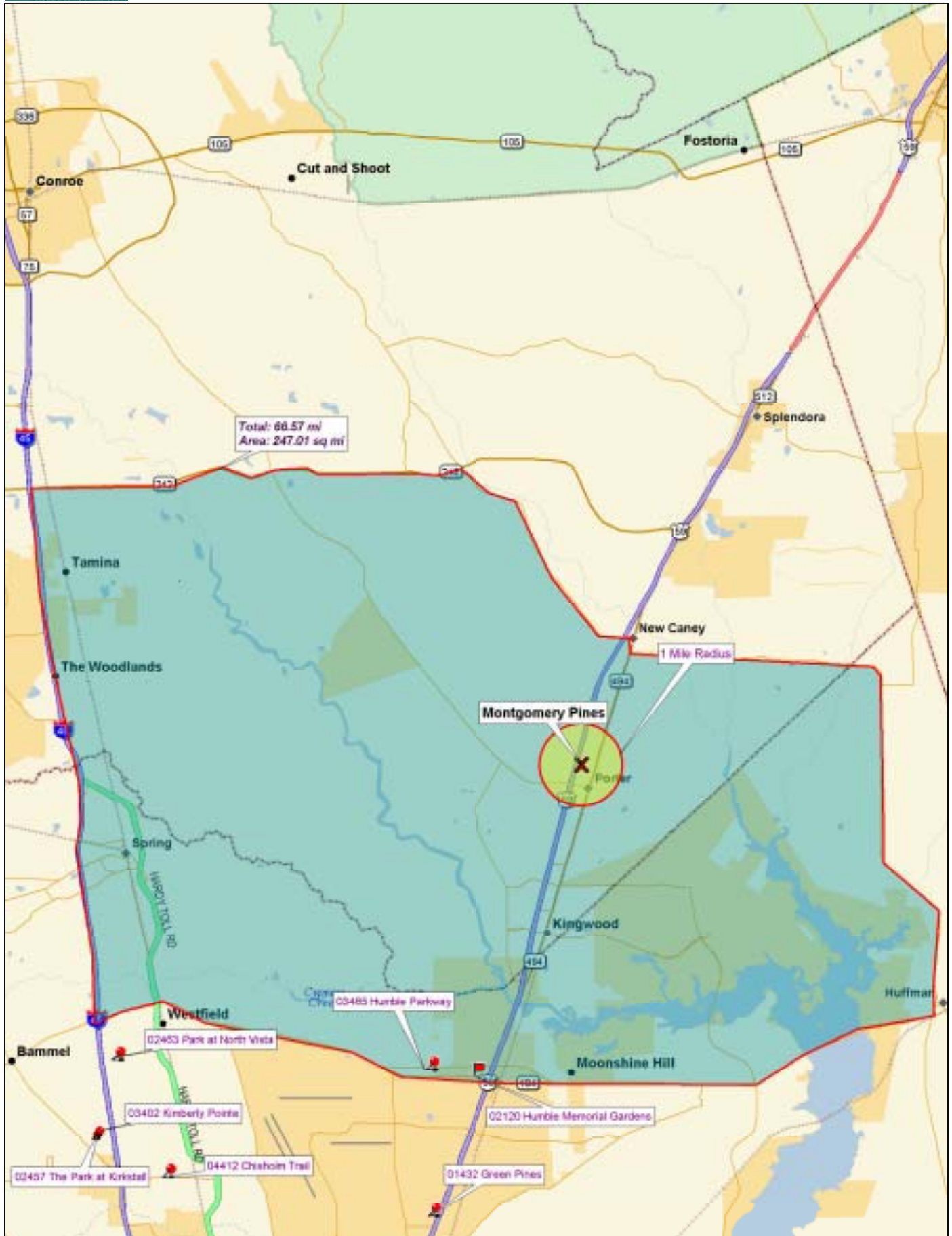
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,891,716	\$1,948,467	\$2,006,922	\$2,067,129	\$2,129,143	\$2,468,260	\$2,861,390	\$3,317,135	\$4,457,953
Secondary Income	40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
Other Support Income: Cable T	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,932,036	1,989,997	2,049,697	2,111,188	2,174,524	2,520,869	2,922,378	3,387,837	4,552,969
Vacancy & Collection Loss	(144,903)	(149,250)	(153,727)	(158,339)	(163,089)	(189,065)	(219,178)	(254,088)	(341,473)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,787,133</b>	<b>\$1,840,747</b>	<b>\$1,895,970</b>	<b>\$1,952,849</b>	<b>\$2,011,434</b>	<b>\$2,331,804</b>	<b>\$2,703,199</b>	<b>\$3,133,749</b>	<b>\$4,211,497</b>
EXPENSES at 4.00%									
General & Administrative	\$70,329	\$73,142	\$76,068	\$79,111	\$82,275	\$100,100	\$121,787	\$148,173	\$219,332
Management	71,485	73,630	75,839	78,114	80,457	93,272	108,128	125,350	168,460
Payroll & Payroll Tax	194,880	202,675	210,782	219,213	227,982	277,375	337,469	410,583	607,763
Repairs & Maintenance	81,801	85,073	88,476	92,015	95,696	116,429	141,654	172,343	255,110
Utilities	65,286	67,898	70,613	73,438	76,376	92,923	113,054	137,548	203,605
Water, Sewer & Trash	71,904	74,780	77,771	80,882	84,118	102,342	124,514	151,491	224,244
Insurance	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Property Tax	173,376	180,311	187,523	195,024	202,825	246,768	300,231	365,277	540,699
Reserve for Replacements	44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
<b>TOTAL EXPENSES</b>	<b>\$875,862</b>	<b>\$910,181</b>	<b>\$945,852</b>	<b>\$982,928</b>	<b>\$1,021,464</b>	<b>\$1,238,151</b>	<b>\$1,501,048</b>	<b>\$1,820,050</b>	<b>\$2,677,030</b>
<b>NET OPERATING INCOME</b>	<b>\$911,271</b>	<b>\$930,566</b>	<b>\$950,117</b>	<b>\$969,921</b>	<b>\$989,970</b>	<b>\$1,093,653</b>	<b>\$1,202,152</b>	<b>\$1,313,699</b>	<b>\$1,534,467</b>
DEBT SERVICE									
First Lien Mortgage	\$828,578	\$828,578	\$828,578	\$828,578	\$828,578	\$828,578	\$828,578	\$828,578	\$828,578
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	15,660	14,777	14,625	14,465	14,294	13,269	11,889	3,360	3,360
<b>NET CASH FLOW</b>	<b>\$63,534</b>	<b>\$83,711</b>	<b>\$103,414</b>	<b>\$123,379</b>	<b>\$143,599</b>	<b>\$248,306</b>	<b>\$358,185</b>	<b>\$478,262</b>	<b>\$699,029</b>
AGGREGATE DCR	1.07	1.10	1.12	1.15	1.17	1.29	1.42	1.57	1.84

**LIHTC Allocation Calculation - Montgomery Pines Apartments, Porter, MRB #2004-002 / HTC #**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$525,000	\$525,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,390,783	\$1,390,783	\$1,390,783	\$1,390,783
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$10,168,197	\$10,382,435	\$10,168,197	\$10,382,435
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$229,087	\$229,087	\$229,087	\$229,087
Contractor profit	\$687,261	\$687,261	\$687,261	\$687,261
General requirements	\$587,261	\$587,261	\$587,261	\$587,261
<b>(5) Contingencies</b>	\$515,446	\$515,446	\$515,446	\$515,446
<b>(6) Eligible Indirect Fees</b>	\$548,050	\$548,050	\$548,050	\$548,050
<b>(7) Eligible Financing Fees</b>	\$1,054,875	\$1,054,875	\$1,054,875	\$1,054,875
<b>(8) All Ineligible Costs</b>	\$871,825	\$871,825		
<b>(9) Developer Fees</b>			\$2,277,144	
Developer overhead	\$317,050	\$317,050		\$317,050
Developer fee	\$1,976,775	\$1,976,775		\$1,976,775
<b>(10) Development Reserves</b>	\$350,000	\$401,714		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$19,221,610</b>	<b>\$19,487,561</b>	<b>\$17,458,104</b>	<b>\$17,689,023</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$17,458,104	\$17,689,023
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$17,458,104	\$17,689,023
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$17,458,104	\$17,689,023
Applicable Percentage		3.56%	3.56%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$621,509	\$629,729

Syndication Proceeds	0.7999	\$4,971,571	\$5,037,330
<b>Total Credits (Eligible Basis Method)</b>		<b>\$621,509</b>	<b>\$629,729</b>
Syndication Proceeds		\$4,971,571	\$5,037,330
Requested Credits		\$622,992	
Syndication Proceeds		\$4,983,438	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$7,661,610</b>	
Credit Amount		\$957,797	



# RENT CAP EXPLANATION

## Houston MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Houston      **Area Median Family Income (Annual):** \$61,000

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)				
# of Persons	At or Below			Unit Type	At or Below			At or Below				
	50%	60%	80%		50%	60%	80%	50%	60%	80%		
1	\$ 21,350	\$ 25,620	34,150	Efficiency	\$ 533	\$ 640	\$ 853		\$ 533	\$ 640	\$ 853	
2	24,400	29,280	39,050	1-Bedroom	571	686	915	42	529	644	873	
<b>3</b>	<b>27,450</b>	<b>32,940</b>	<b>43,900</b>	<b>2-Bedroom</b>	<b>686</b>	<b>823</b>	<b>1,097</b>	<b>50</b>	<b>636</b>	<b>773</b>	<b>1,047</b>	
4	30,500	36,600	48,800	3-Bedroom	793	951	1,268	59	734	892	1,209	
5	32,950	39,540	52,700	4-Bedroom	885	1,062	1,415		885	1,062	1,415	
6	35,400	42,480	56,600	5-Bedroom	975	1,170	1,561		975	1,170	1,561	
7	37,800	45,360	60,500									
8	40,250	48,300	64,400									
<b>FIGURE 1</b>				<b>FIGURE 2</b>					<b>FIGURE 3</b>	<b>FIGURE 4</b>		

**Figure 1** outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

**Figure 2** shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$32,940 could not pay more than \$823 for rent and utilities under the affordable definition.

- 1) \$32,940 divided by 12 = **\$2,745** monthly income; then,
- 2) **\$2,745** monthly income times 30% = **\$823** maximum total housing expense.

**Figure 4** displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

**Figure 3** shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## Montgomery Pines Apartments

### RESULTS & ANALYSIS: for 50% AMFI Units

**Tenants** in the 50% AMFI bracket will **save \$131 to \$291** per month (leaving 6.5% to 11.0% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **19.8% to 28.4%**.

<b>PROJECT INFORMATION</b>				
<b>Unit Mix</b>				
Unit Description	1-Bedroom	2-Bedroom	2-Bedroom	3-Bedroom
Square Footage	697	996	1,052	1,166
Rents if Offered at Market Rates	\$660	\$825	\$850	\$1,025
Rent per Square Foot	\$0.95	\$0.83	\$0.81	\$0.88

<b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b>				
Rent Cap for 50% AMFI Set-Aside	\$529	\$636	\$636	\$734
<b>Monthly Savings for Tenant</b>	<b>\$131</b>	<b>\$189</b>	<b>\$214</b>	<b>\$291</b>
Rent per square foot	\$0.76	\$0.64	\$0.60	\$0.63
Maximum Monthly Income - 50% AMFI	\$2,033	\$2,288	\$2,288	\$2,644
<b>Monthly Savings as % of Monthly Income</b>	<b>6.4%</b>	<b>8.3%</b>	<b>9.4%</b>	<b>11.0%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>19.8%</b>	<b>22.9%</b>	<b>25.2%</b>	<b>28.4%</b>

**Information provided by:** Real Estate Research Corporation, 6300 West Loop South, Suite 415, Bellaire, Texas 77401. Report dated March 15, 2004.

## Montgomery Pines Apartments

### RESULTS & ANALYSIS: for 60% AMFI units

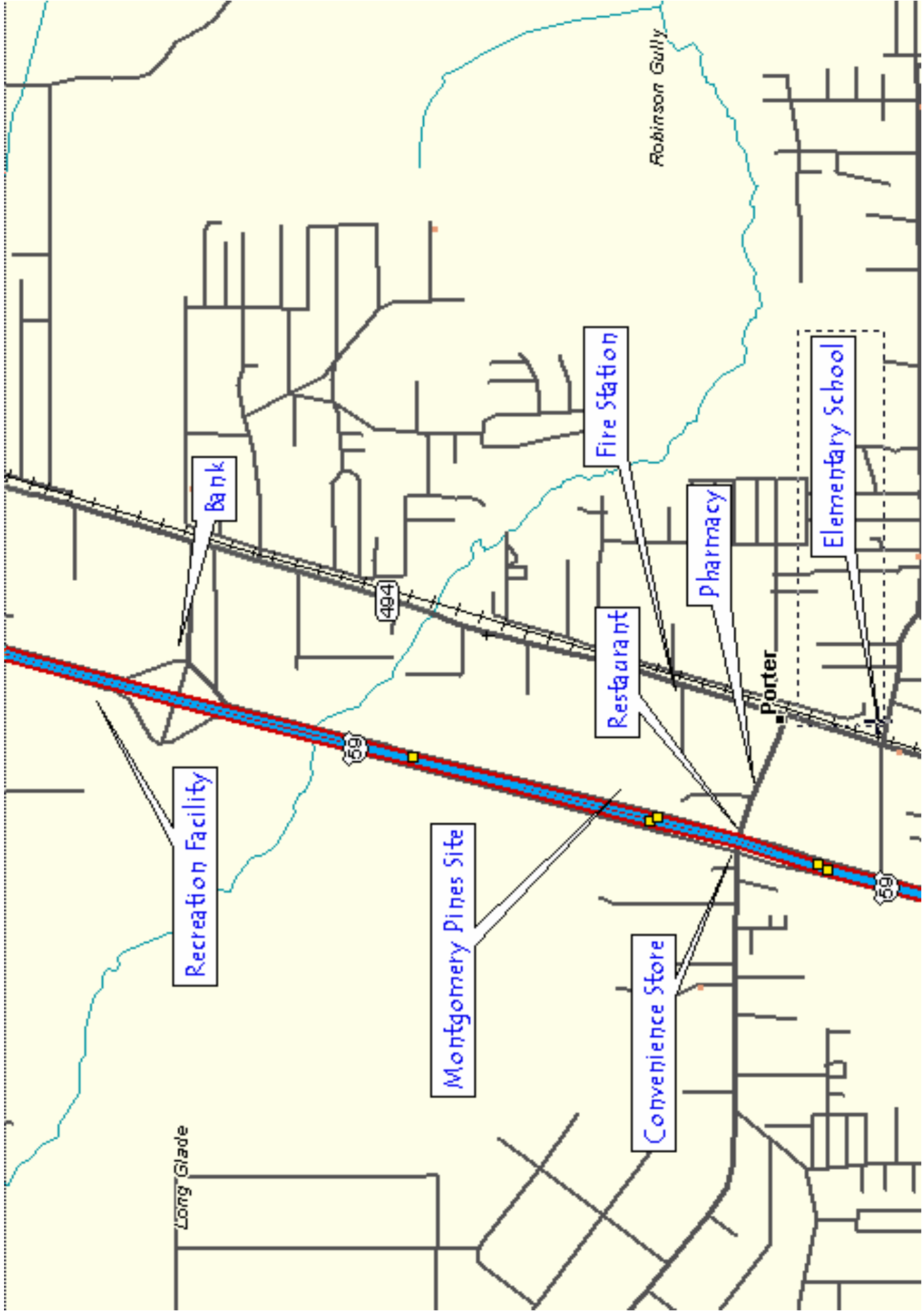
Tenants in the 60% AMFI bracket will **save \$16to \$133** per month (leaving 0.7% to 4.2% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **2.4% to 13.0%**.

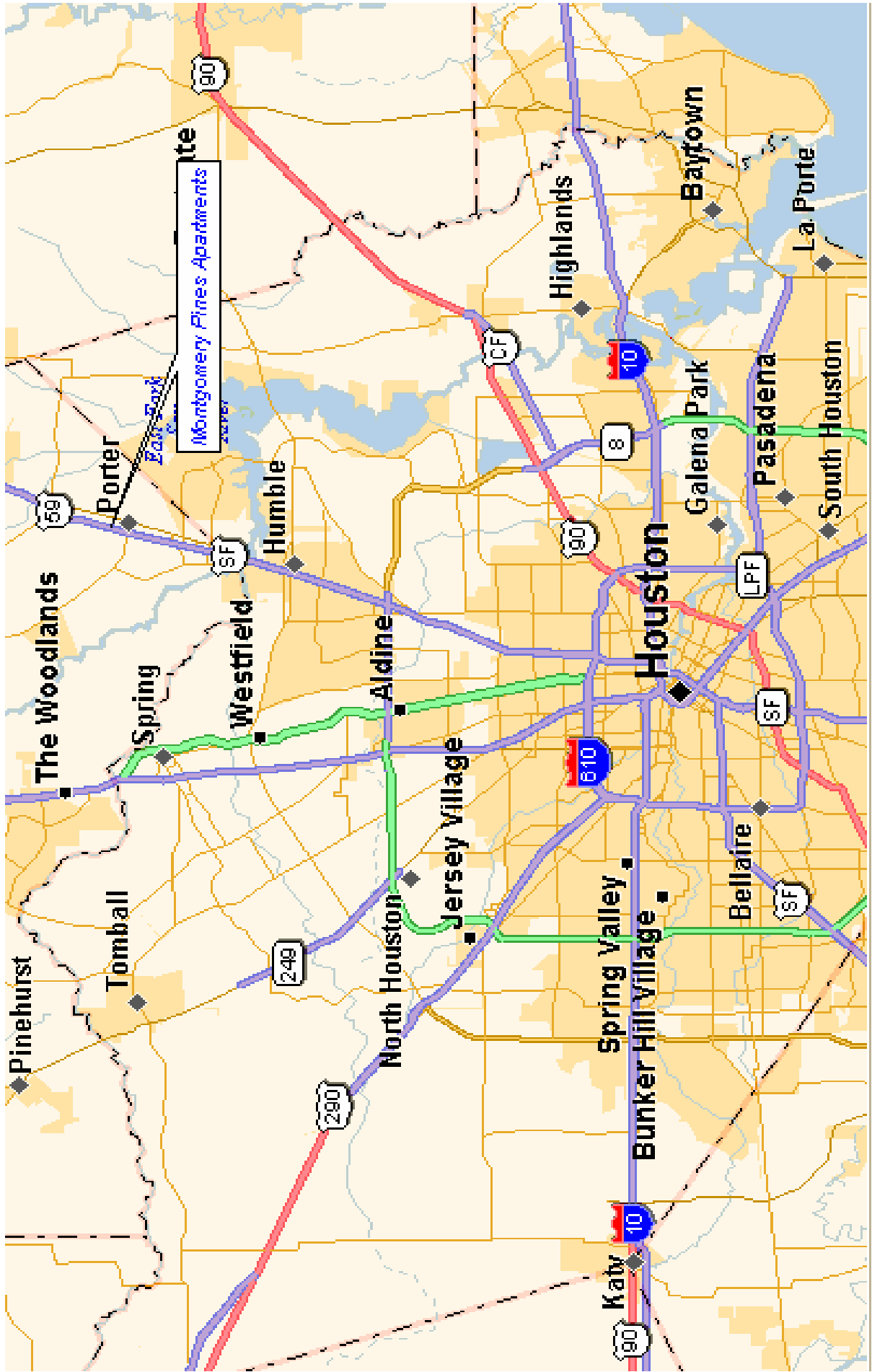
PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	2-Bedroom	3-Bedroom
Square Footage	697	996	1,052	1,166
Rents if Offered at Market Rates	\$660	\$825	\$850	\$1,025
Rent per Square Foot	\$0.95	\$0.83	\$0.81	\$0.88

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside	\$644	\$773	\$773	\$892
<b>Monthly Savings for Tenant</b>	<b>\$16</b>	<b>\$52</b>	<b>\$77</b>	<b>\$133</b>
Rent per square foot	\$0.92	\$0.78	\$0.73	\$0.77
Maximum Monthly Income - 60% AMFI	\$2,440	\$2,745	\$2,745	\$3,173
<b>Monthly Savings as % of Monthly Income</b>	<b>0.7%</b>	<b>1.9%</b>	<b>2.8%</b>	<b>4.2%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>2.4%</b>	<b>6.3%</b>	<b>9.1%</b>	<b>13.0%</b>

Information provided by: Real Estate Research Corporation, 6300 West Loop South, Suite 415, Bellaire, Texas 77401. Report dated March 15, 2004.







# Developer Evaluation

Project ID # **04411**

Name: **Montgomery Pines Apartment** City: **Porter**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 1 # not yet monitored or pending review: 0

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date 4/15/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by S Roth Date 2/19/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie D'Couto Date 2/19/2004

Executive Director: Edwina Carrington

Executed: 4/20/2004

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

## Public Comment Summary

### Montgomery Pines Apartments

#### Public Hearing

<i>Total Number Attended</i>	8
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	2
<i>Total Number Neutral</i>	6
<i>Total Number that Spoke</i>	3

#### Public Officials Letters Received

<b><i>Opposition</i></b>	<b>0</b>
<b><i>Support</i></b>	<b>4</b>

State Senator Tommy Williams  
State Representative Dan Ellis  
County Commissioner Ed Rinehart  
New Caney School Superintendent Richard Cowan

#### General Public Letters and Emails Received

<b><i>Opposition</i></b>	<b>0</b>
<b><i>Support</i></b>	<b>2</b>

Kingwood College President Linda Stegall  
East montgomery County Improvement District

#### Summary of Opposition at Public Hearing

- 1 Water drainage
- 2 Type of people to live in the development
- 3 Property values

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MONTGOMERY PINES APARTMENTS

PUBLIC HEARING

Foster Elementary School  
22256 Ford Road  
Porter, Texas

January 14, 2004  
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

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Gerald Russell	8
Ronald M. Bush, Sr.	26
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P R O C E E D I N G S

1  
2 MS. MEYER: Good evening. My name is Robbye Meyer. I'm  
3 with the Texas Department of Housing. I would like to proceed with  
4 the public hearing. Let the record show that it is 6:06, Wednesday,  
5 January 14, 2004, and we are at the Porter Elementary School located  
6 at 22256 Ford Road in Porter, Texas 77365.

7 I am here to conduct the public hearing on behalf of the  
8 Texas Department of Housing and Community Affairs with respect to the  
9 issuance of tax-exempt multifamily revenue bonds for a residential  
10 rental community. This hearing is required by the Internal Revenue  
11 Code. The sole purpose of this hearing is to provide a reasonable  
12 opportunity for interested individuals to express their views  
13 regarding their development and a proposed bond issuance.

14 No decisions regarding the development will be made at  
15 this hearing. The Department's board is scheduled to meet to  
16 consider the transaction on March 11, 2004. In addition to providing  
17 your comments at this hearing, you're also invited to provide comment  
18 directly to the board at their meeting. Also, Department staff will  
19 accept written comments via facsimile or email. I have cards that  
20 I'll give you with that information on them. That phone number, if  
21 you want to write it down, is  
22 512-475-0764. We'll receive comments up until 5:00 on February 27,  
23 2004.

24 The bonds will be issued as tax-exempt multifamily

1 revenue bonds in the aggregate principal amount not to exceed  
2 12,300,000 and taxable bonds, if necessary, in an amount to be  
3 determined and issued in one or more series by the Texas Department  
4 of Housing and Community Affairs.

5           The proceeds of the bonds will be loaned to Greens  
6 Parkway Partners, Limited Partnership, or a related person or  
7 affiliate entity thereof, to finance a portion of the cost of  
8 acquiring, constructing, and equipping a multifamily rental housing  
9 community described as follows: a 224 multifamily residential rental  
10 development to be constructed on approximately 18.26 acres of land  
11 located at 23461 U.S. Highway 59, in Porter, Montgomery County,  
12 Texas. The proposed multifamily residential housing community will  
13 initially be owned and operated by the borrower, or a related person  
14 or affiliate entity thereof.

15           The Texas Department of Housing is an issuer of  
16 multifamily revenue bonds. The program is actually administered by  
17 the Texas Bond Review Board, and which we are an issuer of.

18           The federal government came up with two different  
19 programs to help encourage private industry to help take over the  
20 development of affordable housing. In these two programs, one is a  
21 private activity tax-exempt bonds, and then also housing tax credits.

22           The private activity tax-exempt bonds, again, has encouraged private  
23 industry -- and that's private developers, and private investors, and  
24 private lenders -- to build affordable housing.

1           The tax-exempt bonds are a tax-exemption to the bond  
2 purchaser, not to get that confused with any property taxes. They  
3 will be paying for property taxes, but the tax exemption of the bonds  
4 is to the bond purchaser. It is an income tax exemption to the bond  
5 purchaser.

6           The bond purchaser is willing to allow for a lower rate  
7 of return on those bonds. So therefore the lender charges the  
8 developer a lower interest rate for the mortgage on the development.

9           Therefore, in turn, the developer can build a market rate property  
10 at a lower cost to the development.

11           The Housing Tax Credit is another program that goes  
12 along with it. That's an IRS tax credit to the development. Again,  
13 it's not property taxes. It deals with the income made on the  
14 development itself. This provides the developer an opportunity to  
15 provide lower rents to affordable tenants.

16           Most of the developments that I deal with have tenant  
17 services to go along with the affordable housing. Some of that is  
18 after school programs. They have computer classrooms. There's  
19 different health screening services and things. There's a lot of  
20 different social services that they do for their tenants.

21           There's also a 30-year compliance period that each  
22 development is monitored for, during the life of the bonds. It's a  
23 minimum of 30 years or as long as the bonds are outstanding. If the  
24 mortgage on the development happens to be longer than 30 years, then



1 that compliance period is also extended throughout the period of the  
2 bonds.

3 With the two programs together, the end result is  
4 building a nice, quality, affordable complex where lesser fortunate  
5 individuals can afford to live there.

6 Again, this program is administered by the Texas Bond  
7 Review Board. The Texas Department of Housing is an issuer of those  
8 bonds. This program is not a Section 8 project-based housing subsidy  
9 program. The tenants that will live here do have to qualify, as any  
10 other tenant would to live there, under the same qualifications as  
11 any other tenant.

12 The Montgomery Pines development, again, is located at  
13 23461 U.S. Highway 59 in Porter, Texas. It will consist of 14 two-  
14 story residential buildings and one non-residential building. The  
15 Montgomery Pines development received a reservation of allocation on  
16 January 2, 2004. They have 150 days to close the bond transaction.  
17 That reservation will expire on May 31, 2004.

18 It will consist of 224 residential units, 46 of which  
19 will be one-bedroom, one-bath units, with an average square footage  
20 of 697 square feet, 100 two-bedroom, two-bath, with an average square  
21 footage of 1,025, and 78 three-bedroom, two-bath units, with an  
22 average square footage of 1,066. Fifty percent of the units will  
23 service families at 50 percent of the area median income and 50  
24 percent of the units will serve families at 60 percent of the area

1 median income. The area median income for the Houston MSA area is  
2 59,100. A one-bedroom maximum unit will be approximately \$628. Two-  
3 bedroom maximum will be \$754 and a three-bedroom maximum unit, \$871.

4 Just a few kind of housekeeping issues before we  
5 actually start the public comment: If you do have any cell phones or  
6 pagers, I would ask you if you would turn them to silent. Please  
7 don't answer the phone in the room if you need to answer it.

8 Each person will have three minutes to speak your  
9 comments. Again, this is not a debate or really a discussion time.  
10 I am going to open the floor for questions here in just a little bit,  
11 but it's not a debate issue. I'm just here to collect public comment  
12 on this particular transaction.

13 Again, February 27 is the cutoff time for public  
14 comment. If you decide after you go home, after this meeting, that  
15 you want to make any additional comments. I will need to receive  
16 those by February 27 in order for my board to have those comments  
17 addressed to them. Again, the board meeting is scheduled for March  
18 11, 2004.

19 Gerald Russell, the developer for this particular  
20 development is going to say a few words about the development. We'll  
21 open it up for questions at that point. If you have any questions  
22 for him or myself, we'll be glad to answer those. And then, I will  
23 open the floor up for public comment.

24 MR. RUSSELL: Thank you, Robbye. My name is Gerald

1 Russell. I represent the development entity. It's a Texas limited  
2 partnership. I'm a principal in that development. My partner is  
3 Richard Wilson, sitting in the back row back there.

4 As Robbye said, this is a private development. It's not  
5 a Section 8 development or publicly owned property. We are private  
6 developers. We pay taxes just like everyone else in this room. This  
7 property will pay a lot of property taxes.

8 We both live in Houston. We have developed other  
9 multifamily properties in this area. We have one up on Greens Road,  
10 which we'd like everyone to go look at, if you have an interest. The  
11 address is 6060 Greens Road. It was developed under this same  
12 program and Robbye was involved, actually, in the financing of that.

13 The amenities that we're going to provide, we'll have a  
14 business center, with computers and a fax machine. We'll have a  
15 physical fitness center. We'll have a community game room, with a  
16 big screen TV. We'll have a children's library. We'll have garages  
17 and carports. Every unit will have either a garage or a carport.  
18 We'll have a community swimming pool, playground, and a nature  
19 walking trail.

20 We'll have a full perimeter fence. We'll have car entry  
21 access gates. So it will be a secure property.

22 As far as our tenants are concerned, we're very  
23 sensitive about the type of person that lives in our property. We  
24 run credit checks on them. We verify that they have a job and we

1 verify that they have income. We run a criminal background check on  
2 them. We also verify their prior rental history.

3 That's a very brief overview and I will try to answer  
4 any questions you might have.

5 MR. BUSH, JR.: When you actually run a criminal  
6 background check, or whatever -- I'm a next door neighbor to this  
7 place -- if they run this and find something on these people, do you  
8 still rent to them.

9 MR. RUSSELL: No.

10 MR. BUSH, JR.: I mean, at what seriousness of a crime  
11 would you not rent to somebody?

12 MR. RUSSELL: Any felony would preclude it. I guess  
13 more specifically, to address that question more, on our property at  
14 Greens Road, the first 100 applicants that applied, we rejected 98 of  
15 them, if that tells you anything.

16 MR. BUSH, JR.: Is there a -- oh --

17 MS. MEYER: Go ahead.

18 MR. BUSH, JR.: Is there a plan that people can look at  
19 and see what this development is going to look like?

20 MR. RUSSELL: Yes. I apologize for not having some  
21 handouts. The acreage has grown somewhat from what was originally  
22 anticipated. We originally had anticipated a three-acre storm-water  
23 retention pond because of all the water that's coming that way from  
24 the south. Actually all that water is heading north from those lakes

1 up there, that old bar pit, and we're having to trap that water in  
2 retention ponds. So now we now have 23 acres instead of 18, acres  
3 and we're going to have about a six-acre retention pond to help  
4 control drainage and the outflow of the property.

5 Yes, sir?

6 MR. BUSH, SR.: That's one of our concerns, is our  
7 property is next door. It backs right up to that. As a matter of  
8 fact, the property you're developing used to belong to our family.  
9 The pond you're talking about, I understand for the old pond that we  
10 built, or our family built, that's supposedly going to be the area  
11 for the retention pond?

12 MR. RUSSELL: It will be included in that area.

13 MR. BUSH, SR.: Yes, that's what I'm saying.

14 MR. RUSSELL: Yes.

15 MR. BUSH, SR.: In other words, I understand that the  
16 pond's going to be drained, or this, that, and the other, and then a  
17 retention pond built. One of our concerns, along with the quality of  
18 people who are supposedly going to live there, is I had a fellow  
19 survey on our property, and come and put his deal up where he thinks  
20 the water is going to come, if they have a big rain. The rain is  
21 going to cover --

22 MR. BUSH, JR.: Three acres.

23 MR. BUSH, SR.: -- about close to three acres of our  
24 five acres of our property. It's never, ever done that in the past,

1 ever before.

2 MR. RUSSELL: On our --

3 MR. BUSH, SR.: It's a great concern because we have  
4 buildings and shops and stuff that are in this area, that the  
5 surveyor tells me is going to be under water.

6 MR. RUSSELL: Well, I don't know where the surveyor is  
7 getting his information from.

8 MR. BUSH, SR.: From the --

9 MR. BUSH, JR.: Topographical maps.

10 MR. BUSH, SR.: -- topographical, that he's surveying  
11 and putting the elevations on everything. That's where I'm getting  
12 my information.

13 MR. RUSSELL: I will tell you that we are doing a  
14 complete drainage study on that whole area.

15 MR. BUSH, SR.: Is it going to be underground when it  
16 leaves your retention pond? Will it be underground, say like the  
17 Wal-Mart retention pond that's up there, that goes underground and  
18 goes down to the creek? Or is it going to just --

19 MR. BUSH, JR.: Right.

20 MR. BUSH, SR.: How high is it going to leave the  
21 retention pond? That's my question.

22 MR. RUSSELL: The drainage study is not complete, sir.  
23 I can't answer that for you today.

24 MR. BUSH, SR.: In other words, you don't know whether

1 it will be underground piping --

2 MR. RUSSELL: No.

3 MR. BUSH, SR.: -- or whether it will just run over  
4 it --

5 MR. RUSSELL: I don't know.

6 MR. BUSH, SR.: or what? You don't know that?

7 MR. RUSSELL: No, I don't know. I will tell you,  
8 though, that the drainage requirements are very stringent, that we  
9 will be improving the drainage in that area with what we're doing,  
10 significantly. Well, you will not be in any worse shape than you're  
11 in now, I promise you.

12 MR. BUSH, SR.: Okay.

13 MR. BUSH, JR.: You can't say that because, I mean, you  
14 just sat there and said it wasn't complete. So we don't even know  
15 what it's going to be. I mean that's why we're --

16 MR. BUSH, SR.: When you pour concrete on any property,  
17 when you put concrete there, that eliminates or does away with the  
18 seepage into the ground of any rain that falls. That rain has to go  
19 somewhere, which if you barter, and this little ditch that goes  
20 through our property -- I mean, it will be partly on you all's  
21 property, and it goes through our property --

22 MR. RUSSELL: Okay.

23 MR. BUSH, SR.: -- and some other folks' property, that  
24 are here, present, tonight. On our property, that little creek --

1 I'm 63 years old and I've called it a creek -- it's not a creek; it's  
2 a ditch -- but the little ditch that goes out, I've never seen it out  
3 of its banks.

4 MR. RUSSELL: If you will give me your name and  
5 telephone, as soon as we finish this drainage study, we'll meet with  
6 you one on one. I'll bring the engineer out and we'll meet with you.

7 MR. BUSH, SR.: I appreciate it. We will let some other  
8 people talk then.

9 MR. RUSSELL: Trust me. We do not want to cause  
10 drainage problems here. I'm a civil engineer myself. You know, I've  
11 dealt with drainage problems all my career. So, no, we're very  
12 sensitive and aware of that. We have an engineering firm working on  
13 that, but, unfortunately, the drainage study is not complete.

14 MR. BUSH, JR.: When do you plan on it being complete?

15 MR. RUSSELL: It should be within the next two to three  
16 weeks.

17 VOICE: Unfortunately, it will be after it's done, after  
18 their hearing's done?

19 MS. MEYER: No, the board meeting is not until March.

20 MR. BUSH, SR.: Yes, but the comments can't be done  
21 after February 27. So we're probably not going to have a complete  
22 study done, what they're saying, until after we can do comments.

23 MS. MEYER: Well, it's just the January 14. Two to  
24 three weeks --



1 MR. RUSSELL: It will be done by the end of the month --

2 MS. MEYER: Yes.

3 MR. RUSSELL: -- by the end of January.

4 MR. BUSH, SR.: Oh, okay.

5 MS. MEYER: Okay. Yes, sir?

6 VOICE: They basically answered my question because I've  
7 got a bigger concern than they do, because that ditch cuts my  
8 property, two acres, in about one-third and two-thirds. It runs  
9 about 20 feet off the side of my house.

10 MS. MEYER: Okay.

11 VOICE: Everybody, the people I bought from, and  
12 everybody there, said the water's never been up. It's only been over  
13 the road one time in 25 years and it was just by a couple inches.  
14 You know, you're talking about capturing all this water and making  
15 the drainage better, but is that just for you and south, or is it  
16 going to affect you and northward, between you and the creek?

17 MR. RUSSELL: It will not negatively impact anything  
18 downstream.

19 VOICE: Well, I'm very apprehensive about that, because  
20 just the clearing of the property next to me, between me and 59, has  
21 increased the volume of water flow behind my house significantly.

22 MR. RUSSELL: Well, sure, they stripped the vegetation  
23 off of it, sure.

24 VOICE: Yes.

1 MR. RUSSELL: I understand.

2 VOICE: Well, our question is -- they just have the  
3 drainage area, an empty creek type of thing. We have the actual  
4 White Oak Creek that runs through our property. If you choose to  
5 divert your retention pond through our creek, where is that going to  
6 leave us? I mean, the creek, on November 17, actually became part of  
7 our living room, game room, and so forth.

8 I think a lot of that had a lot to do, like he was  
9 saying, with the fact that this was just a heavy rain, one day's  
10 rain, and it had nowhere to go, so it made its path right through our  
11 living room, and right through our game room, and our children's  
12 bedrooms.

13 Fortunately, it was only half the house. So we're only  
14 dealing with living in half our house, but if you divert your  
15 drainage, or retention pond, to the actual creek, how much wider is  
16 that going to be that we're going to flood?

17 MR. RUSSELL: Again, I'll have to -- we can meet with  
18 you later and go over the drainage plans with you. I can't address  
19 that right now.

20 VOICE: If you're study's not going to be through for  
21 two weeks, is that just a study on what the current flow is, what  
22 you'll have to address? Or is that, in two weeks, you'll have a  
23 study saying what you're going to do to allow for that, to cover it?

24 MR. RUSSELL: The ultimate result is a function of that

1 study. In other words, whenever the study comes out, we'll have a  
2 plan to look at.

3 VOICE: Well, that was my question --

4 MR. RUSSELL: Yes.

5 VOICE: -- knowing whether it was just the study to find  
6 out what the current flow patterns are, or was it an actual study to  
7 say, this is what we're proposing to handle that amount of water that  
8 will come over this area?

9 MR. RUSSELL: Yes.

10 VOICE: What side is the retention pond supposed to be  
11 on? Is it supposed to be south of your complex?

12 MR. RUSSELL: It's going to be on our property.

13 VOICE: Well, I know, but I mean, where your property  
14 is, facing 59 there, where on that piece of property is the retention  
15 pond?

16 MR. RUSSELL: You know where that existing pond is, that  
17 this gentleman is referring to?

18 VOICE: Okay.

19 MR. RUSSELL: It generally is going to be in that area.

20 VOICE: So it's on the south side of your property,  
21 basically?

22 MR. RUSSELL: Southeast, I guess, for lack of a better  
23 word.

24 VOICE: Southeast of it.

1 MR. RUSSELL: Since that area, where that pond is, is a  
2 natural drainage way, one of the things you try not to do, in  
3 drainage work, is modify the natural drainage patterns. That's why  
4 that pond ended up there.

5 VOICE: Well, I think another concern that I've got  
6 is -- if that's the case, and the retention pond, or the complex is  
7 going to be, like, behind your place there, I wouldn't want to be in  
8 that complex on the north side.

9 MR. RUSSELL: The complex what?

10 VOICE: Where the creek is.

11 VOICE: Are you in the flood plain?

12 MR. RUSSELL: No, we're not in the flood plain.

13 VOICE: Are you saying that you're building garages?

14 MR. RUSSELL: Yes.

15 VOICE: Are they going to be the type of apartments  
16 where the garage is located under the apartment?

17 MR. RUSSELL: No, they'd be attached.

18 VOICE: So these people have just as much risk of  
19 flooding as we do?

20 MR. RUSSELL: Well, I don't know what your risk of  
21 flooding is. I can't address that.

22 Yes, sir?

23 MR. BUSH, SR.: Mr. Russell, my understanding is that  
24 this 224-unit complex is the first of three stages of development.

1 Can you elaborate on that?

2 MR. RUSSELL: No, sir. It's just a one-phase project.

3 MR. BUSH, SR.: I'm getting some information from the  
4 people that are doing work that --

5 MR. RUSSELL: I don't where they're getting their  
6 information from.

7 MR. BUSH, SR.: I understood that this, I understood and  
8 was told, by evidently one of you all's employees, that this was a  
9 first stage of three different stages of development of that  
10 property.

11 MR. RUSSELL: No, sir. That's not correct.

12 MR. BUSH, SR: Okay.

13 VOICE: Yes, I was told basically the same thing, that  
14 the original development is like 18 to 20 acres of apartments and  
15 that the thought is that the rest of it may be developed as retail or  
16 something else down the road.

17 MR. RUSSELL: I don't know what might be done with the  
18 rest of that land. I don't know.

19 MR. BUSH, JR.: Somebody acquired more than the 18 to 20  
20 acres in the area?

21 MR. RUSSELL: No.

22 MS. MEYER: The acreage has to remain. It's all one  
23 package in order to do the bonds.

24 MR. BUSH, JR.: So you all hadn't purchased the 23 acres

1 or whatever?

2 MR. RUSSELL: Right.

3 MR. BUSH, JR.: You only purchased the total land?

4 MR. RUSSELL: No, we didn't buy all the land.

5 MS. MEYER: Not for this particular transaction.

6 MR. BUSH, JR.: Okay.

7 VOICE: I just have a question. I'm not sure, the gate  
8 that you said would be around the entire perimeter. What kind of  
9 security are we looking at? I've had a problem with people cutting  
10 through my property on four-wheelers and such. I'd hate to be home  
11 alone, my husband out of town, and see people fishing in my pond.  
12 You know, that makes me very uneasy. What kind of security will you  
13 have? I don't want a gate open for people to say, Oh, look, there's  
14 a lake. Let's cut through this back gate and go fishing.

15 MR. RUSSELL: It will have a full perimeter fence. We  
16 will have a rear entrance. We're going to build a road from 594 into  
17 the rear of it. We'll also have an entrance off of 59. Those will  
18 be the only two access points. Other than that, you know, it has a  
19 full perimeter fence.

20 VOICE: You're going to have an entrance off of 494?

21 MR. RUSSELL: Yes, we will.

22 VOICE: Where is it going to be at?

23 VOICE: Right south of where the mobile home park is.

24 VOICE: [inaudible]

1 VOICE: Right south of the mobile home park, if you'll  
2 look, they've got the stuff marked out on the ground, on the survey.

3 VOICE: Between there and where Eber was?

4 VOICE: Probably, I don't know how many feet it was.  
5 It's not that far from the mobile home park.

6 MR. RUSSELL: Davis, do you have the site plan

7 MR. BUSH, SR. You all don't have any type of a --  
8 presented to anyone, like to us or to the state of Texas -- you all  
9 don't have a drawing of your development that shows what the proposed  
10 end product is going to look like?

11 MS. MEYER: Yes, there is an application that has bene  
12 filed with the Department.

13 MR. BUSH, SR: I mean, most places, when they start  
14 developing, one of the first things they get busy and do is have a  
15 picture of what it's supposed to be.

16 MR. RUSSELL: This is all we have with us. You know, it  
17 will give you eye strain, but it's a conceptual drawing only. It  
18 shows the 494 would be over here. This is the rear entry we're  
19 talking about. This is that little pond that -- is this a pond?

20 MR. BUSH, SR.: This is our property right here.

21 MR. RUSSELL: No, sir. Your property's going to be over  
22 here?

23 MR. BUSH, SR.: Huh?

24 MR. RUSSELL: Your property's got to be over here.

1 We're buying this.

2 MR. BUSH, SR.: You're buying up from 59 --

3 MR. RUSSELL: This is 59 over here. 494 is over here.

4 VOICE: They don't own the land.

5 MR. BUSH, SR.: 494 and 59 are straight across from each  
6 other. They're not catty-corner.

7 MR. RUSSELL: Right. Here's 59 and 494's over here.

8 MR. BUSH, SR.: I thought you said this was 494?

9 MR. RUSSELL: No. I beg your pardon. It's over here.

10 MR. BUSH, SR.: I still don't understand. Where is 494  
11 at?

12 MR. RUSSELL: This is mismarked. This isn't 1314. 494  
13 is over here.

14 MR. BUSH, JR.: This is 494. 1314 actually sits back  
15 here, across this direction.

16 MR. RUSSELL: Yes. I beg your pardon. Sorry about  
17 that.

18 MR. BUSH, JR.: On you all's drainage that you all  
19 proposing or you all are planning, are you all talking just primarily  
20 for the development itself? Or will it go offsite to increase  
21 drainage?

22 MR. RUSSELL: Again, that's part of the drainage study.

23 MR. BUSH, SR.: This is our property right here.

24 MR. RUSSELL: I'm sorry?



1 MR. BUSH, SR: This is the mobile home park right here.  
2 Like I said, this is our property right there.

3 MR. RUSSELL: Okay.

4 MR. BUSH, SR.: It goes from 494 back to your property  
5 line.

6 MR. RUSSELL: Okay.

7 MR. BUSH, SR.: You are right where the road --

8 VOICE: Yes. That's the north edge.

9 MR. BUSH, SR.: Right.

10 VOICE: That white stuff there is my house and garage.

11 We're all right through there.

12 MR. RUSSELL: Uh-huh.

13 VOICE: That ditch cuts across right through there, and  
14 just this side of where the road turns.

15 MR. BUSH, SR.: That's right.

16 VOICE: Now, do you know anything about this drainage  
17 study to know if you're investigating, there's this ditch that runs  
18 through the middle of this other property, too?

19 MR. RUSSELL: Yes, there's a ditch that comes in off of  
20 59, right up in this corner, which goes generally in this direction.

21 We're including it in the study.

22 VOICE: In addition to White Oak Creek?

23 MR. RUSSELL: Right.

24 VOICE: It's just another ditch, just like ours, that

1 runs down into White Oak.

2 MR. BUSH, SR.: There's another ditch and it was my  
3 understanding, there again, from some of you all's employees, that  
4 they --

5 VOICE: Forest Colony.

6 MR. BUSH, SR.: -- you all were trying to determine, by  
7 your elevation and topographical deal, whether to come this way with  
8 your drainage or whether to come this way with your drainage.

9 MR. RUSSELL: That's why I say, we're not done with all  
10 the surveying.

11 VOICE: Then again, that's where all the -- the  
12 neighborhood that they developed across the street, by the middle  
13 school, that's where all the water goes from that. That's why we're  
14 flooding.

15 MR. BUSH, SR.: Yes, that's where that water is going to  
16 cross the road.

17 VOICE: The people at the house, the creek --

18 VOICE: We get it from everybody. We get it from  
19 Rosewood. We get it from the middle school. We get it from the new  
20 subdivision. It all pours into that creek. Well, we know, the  
21 county isn't going to do anything about it. The state isn't going to  
22 do anything about it.

23 MS. MEYER: Are there any other questions?

24 (No response.)

1 MS. MEYER: I'm going to go ahead and open it up for  
2 public comment. The first person that I have to speak is Ronald M.  
3 Bush, Sr. Do you want to actually make --

4 MR. BUSH, SR.: That's me. I guess, really, other than  
5 the questions -- I thought we had to be on the list to be able to ask  
6 questions or something.

7 MS. MEYER: Okay. You don't want to make a comment at  
8 this time.

9 MR. BUSH, SR.: (No response.)

10 MS. MEYER: I mean, you'll have another opportunity.

11 MR. BUSH, SR.: Yes, I'd like to.

12 MS. MEYER: Okay.

13 MR. BUSH, SR.: Of course, I will. I believe I have  
14 some concerns about this. I have some concerns about the drainage  
15 problems that we've all been discussing and we're all so concerned  
16 about, because it does impact our life when somebody comes in and  
17 moves us out of our house or off of our property. Even if it doesn't  
18 go through our home, if it keeps us out of our shop, or our garage,  
19 or something like that, that is a great concern to anyone. It would  
20 be, I'm sure, to any of the people that are planning this development  
21 and so forth.

22 I wish they did have a better plan whenever they held  
23 the public meeting, for showing us what their proposal was, or what  
24 it was going to look like, so we would be informed, instead of just

1 here. We may be -- what my point is -- is we may be having some  
2 concerns that we shouldn't even be concerned about, if everything had  
3 been a little bit better planned out.

4 Then, my other concern is the low income housing. That  
5 sounds real good, that we're going to check the police records, or  
6 the arrest records, and so forth, but I'm 63 years old and I've seen  
7 what these developments start out looking like and then what they  
8 look like in five years.

9 My family's owned this property here since 1935, and  
10 we're not going anywhere, we hope, because of something there that  
11 may come up in our neighborhood that lowers the value. That's  
12 another thing that we all need to be concerned about, that live here,  
13 is the values of our property, with being next door to, or in some  
14 cases just right there with this low income housing.

15 I'm sure that some of these people that are doing this  
16 development probably don't have that next door to them. So I do have  
17 a serious concern about what the future brings for us, not what it  
18 looks like the day that it is finished. I have great concerns about  
19 the future. Thank you.

20 MS. MEYER: I don't have anybody else that's said yes,  
21 but is there anybody else that would like to speak, actually make a  
22 comment?

23 (No response.)

24 MS. MEYER: Okay. Just to reiterate, the cutoff time

1 for public comment is February 27 at 5:00. You can get in touch with  
2 me. My cards are up here. I'll give you all my information to get  
3 in touch with me, if you have any questions. If you need to get in  
4 touch with the developer, we've got some information on him also.  
5 I've got some sheets up here that give you his phone number and  
6 address to get in touch with him.

7 I do encourage you to go by and see one of the  
8 properties that he does have in the Houston area. That is at 6060  
9 Greens Road. It's called the Green Pines development.

10 VOICE: Can I ask one question about that?

11 MS. MEYER: Yes.

12 VOICE: How old is that property?

13 MR. RUSSELL: Two years.

14 VOICE: It's two years. Okay. So that means it's still  
15 a new project.

16 MR. BUSH, SR.: Do you have any others? You said, you  
17 all developed other properties. Do you have any others that are more  
18 than two years old, that might be a better picture of what it might  
19 look like down the road?

20 MR. RUSSELL: No.

21 VOICE: How old is this photograph here, this picture?

22 VOICE: Fairly recent?

23 MR. RUSSELL: Yes. I got it this summer. I don't know  
24 when it was taken.

1 VOICE: Those woods were cleared out next to me last  
2 year and it's been taken since then.

3 MS. MEYER: Yes, sir?

4 VOICE: One other question about management -- down-the-  
5 road management of the apartment or the facility. You're the  
6 developer. Will you maintain ownership of it five, ten years down  
7 the road? Or is it something that you get started, get it to where  
8 you can -- it's a product. You're making a product that you intend  
9 to sell and make a profit off of. True?

10 MR. RUSSELL: No, we're not selling it.

11 MS. MEYER: Mr. Russell?

12 MR. RUSSELL: We have a minimum of a 15-year hold on the  
13 lease, because of the idiosyncracies of it.

14 MS. MEYER: Mr. Russell, will you come to the mike so we  
15 can hear the answer up here?

16 The question is -- is the developer going to hold onto  
17 the property and also manage it?

18 MR. RUSSELL: Yes, we will long lease. We have a  
19 minimum 15-year tax credit compliance period on these. We can't sell  
20 them.

21 VOICE: Ever? You said that about just about everything  
22 you've been asked here.

23 MR. WILSON: The other thing, you've got to get to the  
24 side, and I don't want to make a big issue out of it, but if they're

1 concerned about the long term maintenance, and I understand that --

2 VOICE: Tell us who you are.

3 MR. WILSON: I'm Richard Wilson. I'm a partner in this  
4 organization.

5 We're required to set aside either \$150 or \$200 a year  
6 for each unit for permanent maintenance for this 15-year period of  
7 time. So you can be assured -- plus, the State comes down once or  
8 twice a year and inspects it to make sure it is kept up. The old  
9 programs that we're familiar with did exactly that and that's what  
10 they're trying to prevent.

11 VOICE: Okay.

12 MS. MEYER: Okay. If there -- oh, one more question?

13 MR. BUSH, SR.: One other question after looking at  
14 this. On this map, the map says, "proposed public road." Is that a  
15 road to you all's development? Or will it be turned over to the  
16 county for county maintenance? Or is this a road? See it says,  
17 "proposed public road." Is that going to be a road that is built by  
18 you all and then turned over to the county --

19 MR. RUSSELL: Yes.

20 MR. BUSH, SR.: -- like most subdivisions do?

21 MR. RUSSELL: Yes.

22 MR. BUSH, SR.: It will be built to county  
23 specifications, and then it will be just a public road through there.  
24 Is that correct?

1 MR. RUSSELL: That's correct.

2 MR. BUSH, SR.: Okay.

3 VOICE: So it will increase traffic through there?

4 VOICE: Yes.

5 MS. MEYER: Okay. Seeing that there aren't any other  
6 questions, I'm going to conclude the hearing. It is now 6:44 by my  
7 watch.

8 (Whereupon, at 6:44 p.m. the hearing was concluded.)



C E R T I F I C A T E

1  
2  
3  
4 IN RE: Montgomery Pines Apartments

5 LOCATION: Porter, Texas

6 DATE: January 14, 2004

7 I do hereby certify that the foregoing pages, numbers 1  
8 through 30, inclusive, are the true, accurate, and complete  
9 transcript prepared from the verbal recording made by electronic  
10 recording by Sue J. Brindley before the Texas Department of Housing &  
11 Community Affairs.

\_\_\_\_\_  
(Transcriber) 1/31/2004 (Date)

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



## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2004 Private Activity Multifamily Revenue Bonds**

**Pinnacle Apartments  
10451 Huffmeister Road  
Cypress, Texas  
Pinnacle Apartments, L.P.  
248 Units**

**Priority 1C – 100% of units at 60% AMFI  
(Census tracts that have a higher average income than the area AMFI)**

**\$14,500,000 Tax Exempt – Series 2004  
\$1,000,000 Subordinate Refunding Bonds**

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### **TABLE OF EXHIBITS**

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<b>TAB 1</b>	<b>TDHCA Board Presentation</b>
<b>TAB 2</b>	<b>Bond Resolution</b>
<b>TAB 3</b>	<b>HTC Profile and Board Summary</b>
<b>TAB 4</b>	<b>Sources &amp; Uses of Funds Estimated Cost of Issuance</b>
<b>TAB 5</b>	<b>Department's Real Estate Analysis</b>
<b>TAB 6</b>	<b>Rental Restrictions Explanation Results and Analysis</b>
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<b>TAB 9</b>	<b>Public Input and Hearing Transcript (March 10, 2004)</b>

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Pinnacle Apartments development.

**Summary of the Pinnacle Apartments Transaction**

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked ninth out of a total of forty-four applications. The application was induced at the October Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on January 9, 2004. This application was submitted under the Priority 1C category. This is a new category the Legislature added June 2004 through SB 1664 to encourage affordable development in census tracts with higher median incomes than the AMFI for the area. 100% of the units will serve families at sixty percent (60%) of AMFI. The Houston MSA AMFI for 2004 is \$61,000 and the 2003 AMFI for this census tract is \$88,135 (2004 information is not available at this time). A public hearing was held on March 10, 2004. There were 226 people in attendance with 27 people speaking for the record. A copy of the transcript is in Tab 9 of this presentation. The site is located within walking distance of major retail facilities and employment opportunities. The proposed site is located just east of Highway 290 and just north of FM 1960 in Harris County. It is in the Cypress - Fairbanks Independent School District.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of variable rate tax exempt bonds in the amount of \$14,500,000. The bonds will be credit enhanced by FNMA and carry a AAA rating. GMAC (FNMA DUS Lender) will underwrite the transaction at a strike interest rate of 5.815% using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization. At conversion to the permanent phase, GMAC will re-underwrite the development at a 1.20 to 1 debt coverage ratio and the bonds sized accordingly. Should the full amount of the bonds (\$14,500,000) not convert under this debt coverage ratio, subordinate refunding bonds will be issued and privately placed. (See Bond Resolution 04-023 Section 1.2 (b) attached). Total amount of private activity volume cap will not exceed \$14,500,000.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Pinnacle Apartments development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from the Fannie Mae DUS Lender, equity provider, and the underwriting report by the departments real estate analysis division) and the demand for additional affordable units as demonstrated by high occupancies of other affordable units in the market area.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**BOARD MEMORANDUM**  
**May 13, 2004**

**DEVELOPMENT:**

Pinnacle Apartments Houston, Texas

**PROGRAM:**

Texas Department of Housing & Community Affairs  
2004 Private-Activity Multifamily Revenue Bonds  
(Reservation received 1/9/2004)

**ACTION  
REQUESTED:**

Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") and multifamily revenue refunding bonds (the "Subordinate Refunding Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. The Subordinate Refunding Bonds will be issued, if at all, under Chapter 1207 of the Texas Government Code and Chapter 2306 of the Texas Government Code.

**PURPOSE:**

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Pinnacle Apartments,, LP, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental Development to be located on the west side of Huffmeister Road and to the north of Highway 290, at 10451 Huffmeister Road, Cypress, Harris County, Texas 77065 (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development.

**BOND AMOUNT:**

\$14,500,000 (\*) Series 2004, Tax Exempt Bonds  
\$1,000,000 Subordinate Refunding Bonds

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

**ANTICIPATED  
CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on January 9, 2004, pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before June 7, 2004, the anticipated closing date is May 28, 2004.

**BORROWER:**

Pinnacle Apartments, L.P., a Texas Limited Partnership, the general partner of which is Pinnacle Apartments I, L.L.C. the members of which are Dwayne Henson Investments, Inc. and Resolution Real Estate Services, LLC. The principles of the general partnership are Dwayne Henson and Steve Ford. Boston Capital, or an affiliate thereof, will be providing the equity for the transaction by purchasing a

99.99% limited partnership interest in the Borrower.

**COMPLIANCE HISTORY:**

The Compliance Status Summary completed on April 5, 2004 reveals that the principals of the general partner above have a total of nineteen (19) properties being monitored by the Department. Ten (10) have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

**ISSUANCE TEAM:**

GMAC Commercial Mortgage Corporation. (FNMA DUS Lender/Servicer)  
JPMorgan Chase Bank (Interim Lender)  
Fannie Mae (Credit Facility Provider)  
GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (Underwriter)  
Wachovia Bank, National Association (Trustee)  
Vinson & Elkins L.L.P. (Bond Counsel)  
Dain Rauscher, Inc. (Financial Advisor)  
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

**BOND PURCHASER:**

The Bonds will be publicly offered for sale on or about May 27, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

**DEVELOPMENT DESCRIPTION:**

The Development is a 248 unit apartment community to be constructed on approximately 15.1841 acres located on the west side of Huffmeister Road and to the north of Highway 290, at 10451 Huffmeister Road, Cypress, Harris County, Texas 77429 (the "Development"). The Development will consist of twenty three (23) two-story buildings and two (2) three-story buildings, with a total of approximately 245,224 net rentable square feet and an average unit size of approximately 989 square feet. The property will also have a community building consisting of a kitchen, a fitness center, business center and leasing office. The development will include a laundry room, a swimming pool, barbeque grills and picnic tables (one for every 50 units), and perimeter fencing with access gates. The complex will have 207 open parking spaces as well as 248 detached garages. Each Unit type will be 60% Rent and Income Restricted.

<u># Units</u>	<u>Unit Type</u>	<u>Square Footage</u>
56	1 bed/1 bath	709
104	2 bed/2 bath	1042
88	3 bed/2 bath	1210
248	Total Units	

**SET-ASIDE UNITS:**

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

**RENT CAPS:**

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median family income (see Exhibit 6).

**TENANT SERVICES:**

Tenant Services will be provided by Texas Inter-Faith management Corporation a Texas non-profit corporation, d.b.a. Good Neighbor (Supportive Provider) per the requirements as outlined in the Department’s Land Use Restriction Agreement.

**DEPARTMENT ORIGININATION FEES:**

\$1,000 Pre-Application Fee (Paid)  
\$10,000 Application Fee (Paid)  
\$72,500 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT ANNUAL FEES:**

Bond Administration - 0.10% of bond amount (\$14,500 initially)  
Compliance Fee- \$25/unit/year (\$6,200 CPI Inflated)

**ASSET OVERSIGHT FEE:**

\$25/unit/year (\$6,200) to TDHCA or assigns.

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

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$722,677 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$5,341,680 of equity for the transaction.

**BOND STRUCTURE & SECURITY FOR THE BONDS:**

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

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

During both the construction period (the “Construction Phase”) and permanent mortgage period (the “Permanent Phase”), Fannie Mae will provide a credit enhancement and liquidity facility for the Bonds.

Fannie Mae's obligation to honor any demand by the Trustee for an Issuer's Fee advance is a standby obligation, payable if the Issuer's Fee is not otherwise paid, and Fannie Mae's obligation to honor any demand for all other advances is a direct pay obligation, without regard to whether the Borrower has made any such payment. During the Construction Phase, the Interim Lender will provide a Letter of Credit for the benefit of Fannie Mae to cover the construction and lease-up risk. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae will return the Letter of Credit to the Interim Lender.

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

The Department is being asked to approve a Subordinate Refunding Bond Indenture at this time. No Subordinate Refunding Bonds will be issued now and it is not anticipated that they will ever be issued. Upon Conversion to the Permanent Phase, Fannie Mae will determine the final Mortgage Loan amount. If the final Mortgage Loan amount is less than the original Mortgage Loan amount, the Borrower will be required to pay the difference which will be used to correspondingly reduce the amount of the outstanding Bonds. All or a portion of this payment amount may be financed through the issuance of the Subordinate Refunding Bonds. The Department and GMAC Commercial Holding Capital Corp. will enter into a Forward Bond Purchase Contract for the purchase and sale of the Subordinate Refunding Bonds if such Bonds are issued.

**CREDIT  
ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aaa and an anticipated variable interest rate of 3.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

**FORM OF BONDS:**

The Bonds will be issued in book entry form and will be in authorized denominations of, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**TERMS OF THE  
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged

security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest following conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur thirty months from the closing date of the Bonds with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the Fannie Mae credit facility. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES  
& METHODS OF  
REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is June 15, 2037.

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

Fannie Mae is obligated under the credit enhancement agreement to fund the payment of the Bonds, regardless of whether the Borrower makes the scheduled principal and interest payments on the Mortgage Loan. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by Fannie Mae for such payments.

**REDEMPTION OF  
BONDS PRIOR TO  
MATURITY:**

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

**Optional Redemption:**

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower:

- (1) On any Interest Payment Date within a Weekly Variable Rate



Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.

- (2) On any date within a Reset Period at the respective redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective, redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

**Mandatory Redemption:**

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Instrument to the prepayment of the Mortgage Loan.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows:
  - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
  - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.
- (5) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (6) The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement.

- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

**FUNDS AND  
ACCOUNTS/FUNDS  
ADMINISTRATION:**

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

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

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

The Trust Indenture will create up to six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account. Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Development including interest on the Bonds during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Sub-accounts created within the Revenue Fund for redemption provisions, credit facility purposes, the payment of interest and certain ongoing fees.
3. Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee.
4. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
5. Bond Purchase Fund - so moneys held uninvested and exclusively for the payment of the purchase price of Tendered Bonds (subject to provisions in the Indenture allowing reimbursement of the amounts owed to the Credit Provider).

6. Principal Reserve Fund – a fund to collect principal payments from the payments received from the Borrower through revenue from the project.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed therefrom during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

**DEPARTMENT  
ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wachovia Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Underwriter –Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department May 2003.

**ATTORNEY GENERAL  
REVIEW OF BONDS:**

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

RESOLUTION NO. 04-023

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (PINNACLE APARTMENTS) SERIES 2004 AND SUBORDINATE MULTIFAMILY HOUSING REVENUE REFUNDING BONDS (PINNACLE APARTMENTS); APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Department may issue refunding bonds under Chapter 1207, Texas Government Code, to refund all or any part of the Department's outstanding bonds, notes, or other general or special obligations; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Pinnacle Apartments) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wachovia Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

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

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Credit Enhancement Instrument issued by Fannie Mae ("Fannie Mae"); and

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

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to Fannie Mae, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower; and

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

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

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower, GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, pursuant to the terms of the Note, the Borrower is required to make a Pre-Conversion Loan Equalization Payment (as such term is defined the Note) in the event that the principal amount of the Mortgage Loan, as finally determined pursuant to the terms of the Construction Phase Financing Agreement (as such term is defined in the Indenture), is less than the original principal amount of the Mortgage Loan; and

WHEREAS, pursuant to the terms of the Indenture, the Bonds are subject to mandatory redemption in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment pursuant to the terms of the Note; and

WHEREAS, the Board has determined to authorize the issuance, sale and delivery of its Subordinate Multifamily Housing Revenue Refunding Bonds (Pinnacle Apartments) (the “Refunding Bonds”) pursuant to and in accordance with the terms of a Subordinate Indenture between the Department and Wachovia Bank, National Association, as trustee, or any successor thereto (the “Refunding Indenture”), for the purpose of obtaining funds to refinance a portion of the Project in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board desires to use the proceeds of the Refunding Bonds to fund a subordinate mortgage loan (the “Refunding Mortgage Loan”) to the Borrower in order to provide funds to make a Pre-Conversion Loan Equalization Payment and thereby refund a portion of the Bonds, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Subordinate Loan Agreement (the “Refunding Loan Agreement”) pursuant to which (i) the Department will agree to make the Refunding Mortgage Loan to the Borrower to enable the Borrower to make a Pre-Conversion Loan Equalization Payment and thereby refinance a portion of the Project, and (ii) the Borrower will execute and deliver to the Department a subordinate multifamily note (the “Refunding Note”) in an original principal amount equal to the original aggregate principal amount of the Refunding Bonds, and providing for payment of interest on such principal amount equal to the interest on the Refunding Bonds; and

WHEREAS, it is anticipated that the Refunding Note will be secured by a Subordinate Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Refunding Mortgage”) from the Borrower for the benefit of the Department; and

WHEREAS, it is anticipated that the Department’s rights (except for certain reserved rights) under the Refunding Mortgage Loan, including the Refunding Note and the Refunding Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents (the “Refunding Assignment”) from the Department for the benefit of the Trustee; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will amend the Regulatory Agreement in connection with the issuance of the Refunding Bonds to comply with state law and federal tax law; and

WHEREAS, the Board has determined that the Department shall enter into a Forward Purchase Contract (the “Forward Purchase Contract”) with the Borrower and GMAC Commercial Holding Capital Corp. (the “Refunding Bond Purchaser”) and any other party to the Forward Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Refunding Bond Purchaser or another party to the Forward Purchase Contract will purchase all or their respective portion of the Refunding Bonds from the Department and the Department will sell the Refunding Bonds to the Refunding Bond Purchaser or another party to the Forward Purchase Contract; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the “Asset Oversight Agreement”), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, the Refunding Indenture, the Refunding Loan Agreement, the Refunding Assignment and the Forward Purchase Contract, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.20, to authorize the issuance of the Bonds and the Refunding Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith;

**NOW, THEREFORE,**

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

## ARTICLE I

### ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. (a) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.5%; (ii) the aggregate principal amount of the Bonds shall not exceed \$15,000,000; (iii) the final maturity of the Bonds shall occur not later than June 15, 2038; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

(b) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1207, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Refunding Bond Purchaser or another party to the Forward Purchase Contract, the Refunding Bonds, all of which determinations shall be conclusively evidenced by

the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Refunding Indenture and the Forward Purchase Contract; provided, however, that (i) the interest rate on the Refunding Bonds shall be 10%; provided that in no event shall the interest rate on the Refunding Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Refunding Bonds shall not exceed \$1,000,000; (iii) the final maturity of the Refunding Bonds shall occur not later than the date that is 90 days after the maturity date of the Note; and (iv) the price at which the Refunding Bonds are sold to the initial purchasers thereof under the Forward Purchase Contract shall not exceed 103% of the principal amount thereof.

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

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

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

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

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

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



required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--Approval, Execution and Delivery of the Refunding Indenture. That the form and substance of the Refunding Indenture are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Indenture and to deliver the Refunding Indenture to the Trustee.

Section 1.11--Approval, Execution and Delivery of the Refunding Loan Agreement. That the form and substance of the Refunding Loan Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Loan Agreement and to deliver the Refunding Loan Agreement to the Borrower.

Section 1.12--Approval, Execution and Delivery of Amended Regulatory Agreement. That any amendments to the Regulatory Agreement to comply with state law and federal tax law in connection with the issuance of the Refunding Bonds are hereby authorized; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the amended Regulatory Agreement, thereby evidencing the Department's approval of any such amendments, and to deliver such amended Regulatory Agreement to the Borrower and the Trustee.

Section 1.13--Acceptance of the Refunding Mortgage and the Refunding Note. That the Refunding Mortgage and the Refunding Note are hereby accepted by the Department; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to endorse the Refunding Note to the order of the Trustee, without recourse.

Section 1.14--Approval, Execution and Delivery of the Refunding Assignment. That the form and substance of the Refunding Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute the Refunding Assignment and to deliver the Refunding Assignment to the Trustee.

Section 1.15--Approval, Execution and Delivery of the Forward Purchase Contract. That the form and substance of the Forward Purchase Contract are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute and deliver the Forward Purchase Contract to the Borrower and the Refunding Bond Purchaser and any other party to the Forward Purchase Contract as appropriate.

Section 1.16--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.17--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Assignment
- Exhibit G - Official Statement
- Exhibit H - Asset Oversight Agreement
- Exhibit I - Refunding Indenture
- Exhibit J - Refunding Loan Agreement
- Exhibit K - Forward Purchase Contract
- Exhibit L - Refunding Assignment

Section 1.18--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.19--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Board Secretary.

Section 1.20--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

## ARTICLE II

### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of

the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds and the Refunding Bonds.

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

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

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

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

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

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

### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and Section 1207.008, Texas Government Code, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

- (a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

(ii) that the issuance of the Bonds and the Refunding Bonds to finance the Project is undertaken within the authority conferred by the Act and Chapter 1207, Texas Government Code, and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

(d) Findings with Respect to the Refunding Bonds.

(i) that the issuance of the Refunding Bonds is in the best interests of the Department; and

(ii) that the manner in which such refunding is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2), Texas Government Code (with respect to the maximum amount by which the aggregate amount of payments to be made under the Refunding Bonds could exceed the aggregate amount of payments that would have been made under the terms of the portion of the Bonds being refunded).

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

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

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

## ARTICLE IV

### GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 13th day of May, 2004

[SEAL]

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

## EXHIBIT A

### DESCRIPTION OF PROJECT

Section 1. Project and Owner.

**Owner:** Pinnacle Apartments, L.P., a Texas limited partnership

**Project:** The Project is a 248-unit multifamily facility to be known as Pinnacle Apartments and to be located at 10451 Huffmeister Road, Cypress, Harris County, Texas 77429. It will consist of two (2) three-story and twenty-one (21) two-story residential apartment buildings with approximately 245,224 net rentable square feet and an average unit size of approximately 989 square feet. The unit mix will consist of:

56	one-bedroom/one-bath units
104	two-bedroom/two-bath units
<u>88</u>	three-bedroom/two-bath units

248 Total Units

Unit sizes will range from approximately 709 square feet to approximately 1210 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.

Section 2. Project Amenities.

Project Amenities shall include:

- Laundry Connections
- Microwave Ovens
- Garages - 248
- Ceiling Fans
- Ceramic Flooring in Entry and Bathroom
- ×75% Masonry
- Playground and Equipment
- Picnic area with BBQ grills
- Perimeter Fencing and Gated Access
- Business / Computer Facilities with internet access
- Game / Recreation Room
- Exercise Room







Chairperson Signature: \_\_\_\_\_  
Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

# Pinnacle Apartments

## Estimated Sources & Uses of Funds

### Sources of Funds

2004 Series Bond Proceeds	\$ 14,500,000
Equity Funds from Borrower (Tax credit proceeds)	5,370,268
GIC Earnings	68,752
NOI Prior to Stabilization	1,193,537
Deferred Developer's Fee (Note at Completion)	2,263,386
<b>Total Sources</b>	<b>\$ 23,395,943</b>

### Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 18,114,076
Deposit to Revenue Fund (30-Day Payment Lag)	45,365
Capitalized Interest	1,205,375
Lease Up Reserves	200,000
Developer's Fee/Overhead	2,638,964
Costs of Issuance	
Direct Bond Related	268,700
Underwriter's Spread/Council	175,000
Other Transaction Costs	555,000
Credit Enhancement Costs	340,500
Real Estate Closing Costs	135,000
<b>Total Uses</b>	<b>\$ 23,677,980</b>

## Estimated Costs of Issuance of the Bonds

### Direct Bond Related

Department Issuance Fee (.5% of Issuance)	\$ 72,500
Department Application Fee	11,000
Department Bond Administration Fee (2 years)	29,000
Bond Counsel (Note 1)	75,000
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	30,000
Rating Agency Fee	13,500
OS Printing & Mailing	2,000
Trustee Fee (Note 1)	5,000
Trustee's Counsel (Note 1)	10,000
Attorney General Transcript Fee	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Fee	3,250
TDHCA Compliance Fee (1st Year Escrow)	6,200
<b>Total Direct Bond Related</b>	<b>\$ 268,700</b>

## Pinnacle Apartments

<b>Underwriter's Spread</b>	
Underwriter's Fee/Expenses	\$ 145,000
Underwriter's Counsel	30,000
<b>Total Underwriter's Spread</b>	<b>\$ 175,000</b>
<b>Credit Enhancement Costs</b>	
DUS Financing Fee/expenses & legal	\$ 290,000
Lender's Application Fee	15,000
FNMA Counsel & Expenses	35,500
<b>Total Credit Enhancement Costs</b>	<b>\$ 340,500</b>
<b>Other Transaction Costs</b>	
Letter of Credit Origination Fee	290,000
Interest Rate Swap/Cap	116,000
Tax Credit Application & Commitment Fee	149,000
<b>Total Transaction Costs</b>	<b>\$ 555,000</b>
<b>Real Estate Closing Costs</b>	
Title, Recording & Survey	\$ 115,000
Property Taxes	20,000
<b>Total Real Estate Costs</b>	<b>\$ 135,000</b>
<b>Estimated Total Costs of Issuance</b>	<b>\$ 1,474,200</b>

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

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



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**RECOMMENDATION**

- RECOMMEND APPROVAL OF ISSUANCE OF \$14,500,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A VARIABLE INTEREST RATE UNDERWRITTEN AT 5.815% AND REPAYMENT TERM OF 33 YEARS WITH A 30-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$707,967 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Acceptance by the Board of the anticipated likely redemption of up to \$200,000 in bonds at the conversion to permanent;
2. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis prior to commitment;
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing; and
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 248    **# Rental Buildings:** 25    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 240,720    **Av Un SF:** 971    **Common Area SF:** 4,992    **Gross Bldg SF:** 245,712

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provide in the application the exterior will be comprised as follows: 40% brick veneer/60% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl flooring. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, & 9-foot ceilings, individual water heaters.

**ON-SITE AMENITIES**

A 4,992-square foot community building including an activity room, management offices, fitness, maintenance, & laundry facilities, kitchen, restrooms, computer classroom, business center, & central mailroom, along with a swimming pool are to be located at the entrance to the property. In addition, perimeter fencing with limited access gates is also planned for the site.

**Uncovered Parking:** 213 spaces    **Carpports:** 0 spaces    **Garages:** 248 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Pinnacle Apartments is a relatively dense (16.3 units per acre) new construction development of 248 units of affordable housing located in northwest Houston's ETJ. The development is comprised of 25 evenly distributed, medium-sized, garden style, walk-up residential buildings as follows:

- Two Building Type 1 with 20 one-bedroom/one-bath units and two two-bedroom/two-bath units;

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- Three Building Type 2 with ten two-bedroom/two-bath units;
- Three Building Type 3 with two one-bedroom /one-bath units and eight two-bedroom/two-bath units;
- Three Building Type 4 with two one-bedroom/one-bath units and eight two-bedroom/two-bath units;
- One Building Type 5 with four two-bedroom/two-bath units;
- Nine Building Type 6 with two two-bedroom/two-bath units and 12 three-bedroom/two-bath units; and
- Two Building Type 7 with two one-bedroom/one-bath units and eight three-bedroom/two-bath units.

**Architectural Review:** The elevations are quite attractive, with pitched roofs, a large percentage of brick veneer, and decorative window shutters. The units all have balconies or porches and one garage each.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Management Corporation, dba Good Neighbor, to provide the following supportive services to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, neighborhood advancement, 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 \$1,733 per month (\$20,802/year) for these support services.

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

SITE ISSUES					
SITE DESCRIPTION					
<b>Size:</b>	15.1841	acres	661,419	square feet	<b>Zoning/ Permitted Uses:</b>
					No zoning in Houston
<b>Flood Zone Designation:</b>	Zone X		<b>Status of Off-Sites:</b>	Partially improved	

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the northwest area of Houston, approximately 20 miles from the central business district. The site is situated on the west side of Huffmeister Street.

**Adjacent Land Uses:**

- **North:** White Oak Bayou (channelized drainage), with vacant land and single-family residential beyond
- **South:** vacant land with Highway 290 and commercial beyond
- **East:** Huffmeister Road with vacant land, commercial, and single-family residential beyond
- **West:** White Oak Bayou (channelized drainage), with vacant land, commercial, and single-family residential beyond

**Site Access:** Access to the property is from the north or south from Huffmeister Street. The development is to have a main entry from and a secondary exit onto Huffmeister Street. Access to U.S. Highway 290 is 100 yards south, which provides connections to all other major roads serving the Houston area.

**Public Transportation:** A Metro bus system park and ride facility is located two miles southeast of the site on Highway 290.

**Shopping & Services:** “Numerous single-tenant and neighborhood retail centers are scattered throughout the neighborhood. Willowbrook Mall is adjacent to the east boundary of the subject neighborhood, and is a +/-1.5-million square foot regional mall. Copperwood Shopping Center is located immediately south of the neighborhood, and contains +/- 156,000 square feet.” (market study, p. 28) A variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics - Floodplain:** The eastern portion of the site is shown on the FEMA flood insurance rate map to lie within the 100-year floodplain (Zone AE). The remainder of the site is shown to lie within Shaded Zone X, an area between the 100-year and 500-year floodplains. The western edge of the 100-year floodplain on the FEMA map is marked “limit of detailed study”, which would appear to indicate that the 100-year floodplain is likely to extend over more of the site. The Applicant submitted a



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flood mitigation plan by a third party engineer which contains the following measures:

- All land within the site boundary will be elevated above the estimated floodplain level using an existing supply of fill material on the site. Finished floor elevations are anticipated to be approximately two to three feet above the estimated floodplain elevation.
- To mitigate the effect of this fill on the larger community floodplain the development will incorporate a stormwater detention area in the northern portion of the site.

Moreover, building permits for Houston and Harris County will not be issued unless it can be shown that the development will not increase the base flood elevation within the floodway during a discharge of water into the floodway. The Applicant also submitted a flood insurance rate quote of \$9,006 for the buildings and a tenant apartment contents rate quote of \$120 annually for \$40,000 in coverage.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 10, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site is in a relatively new and growing area, with a new single-family subdivision adjacent to the site (across White Oak Bayou)

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

A Phase I Environmental Site Assessment report dated March 2, 2004 was prepared by The Murillo Company and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 15)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development the Applicant has elected the 100% at 60% option and provided evidence that the census tract meets the requirements for this option.

**MAXIMUM ELIGIBLE INCOMES**

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

**MARKET HIGHLIGHTS**

A market feasibility study dated March 8, 2004 was prepared by O'Connor & Associates, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subject's primary market is defined as that area bound by Spring Cypress Road, State Highway 249, Perry Road, Beltway 8, FM 529, and Barker Cypress Road." (p. 11). This area encompasses approximately 60 square miles and is equivalent to a circle with a radius of 4.4 miles.

**Population:** The estimated 2003 population of the PMA was 170,547 and is expected to increase by 13.9% to approximately 194,336 by 2008. Within the primary market area there were estimated to be 59,500 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 2,330 qualified households in the PMA, based on the current estimate of 59,500 households, the projected annual growth rate of 2.8%, renter households estimated at 55% of the population, income-qualified households estimated at 12%, and an annual renter turnover rate of 55 %. (p. 72). The Market Analyst used an income band of \$21,291 to \$39,540. (p. 70)

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<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	148*	6%	108	5%
Resident Turnover	1,970	85%	2,213	95%
Other Sources: from outside PMA	212	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,330</b>	<b>100%</b>	<b>2,321</b>	<b>100%</b>

Ref: p. 72

\*18 months of demand (from application to completion of construction)

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 20.9% based upon 2,330 units of demand and 488 unstabilized affordable housing in the PMA (including the subject) (p. 72). The Underwriter calculated a comparable inclusive capture rate of 21% based upon a slightly lower demand estimate of 2,321 units.

**Local Housing Authority Waiting List Information:** “The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. The waiting list has been reopened at times, but is currently closed. According to the City of Houston’s PHA 5-Year Plan for Fiscal Years 2003-2007, Annual Plan for Fiscal Year 2003, the goal is to add 5,000 housing vouchers to the 12,013 existing vouchers. The most recently published list totals 18,526 families.” (p. 44).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment complexes totaling 1,850 units in the market area. “Many of the apartment facilities in the subject’s primary market are older, less appealing properties. It is our opinion that rental rates will show moderate increases over the next few years...The significant amount of market rate construction will most likely keep the overall occupancy rate below 90% for the near future, until construction activity subsides to lower levels.” (p. 45)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (60%)</b>	\$621	\$621	\$0	\$730	-\$109
<b>2-Bedroom (60%)</b>	\$742	\$742	\$0	\$900	-\$158
<b>3-Bedroom (60%)</b>	\$854	\$854	\$0	\$1,160	-\$306

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

**Primary Market Occupancy Rates:** “The overall occupancy rate for projects in this primary market area was 88.13% as of December 2003.” (p. 37). “...there are only two existing HTC projects within the subject’s primary market area. Sugar Creek was completed in 2003 and is 97% occupied. Sprucewood was completed in 1999 and is 98% occupied.” (p. 40)

**Absorption Projections:** “The subject should be able to reach a stabilized occupancy level within 12 months of completion.” (p. 40).

**Known Planned Development:** “Development activity in this market has been relatively active compared to other Houston markets. Presently, there are nine projects under construction and three proposed in this market area (either tax credit or market rate)...There are no tax credit projects currently under construction in the primary market, but there is one approved for construction. The Manor at Jersey Village is a proposed project for the elderly...[and] will not be in direct competition with the subject...” (p. 34).

**Effect on Existing Housing Stock:** “Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the

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subject property should be of reasonable scope and limited duration.” (p. 79).

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate is comparable to the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,700 per unit is 9% lower than the Underwriter’s database-derived estimate of \$4,063 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$20K lower), payroll (\$34K lower), water, sewer, and trash (\$23K lower), insurance (\$26K higher), and property tax (\$41K lower). The Underwriter’s significantly higher tax estimate is based on the site’s location in a taxing jurisdiction with a very high total tax rate (3.85977 which is 20% higher than a similar development by the same developer (Bristol Apartments) currently being underwritten). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

As mentioned above the Applicant provided a quote of \$120/unit/year for flood insurance for tenants’ apartment contents. Although this expense would be paid on an elective basis by tenants, it would be reasonable to expect the property to reimburse the tenants for this expense to remediate the increased risk of the development’s location within the 100-year floodplain. Assuming the insurance is provided for all 100 ground floor units, the annual expense would amount to \$12,000. However, the Department currently has no formal requirement that this additional living expense for a resident choosing to live at this development must be born by the developer and as such no additional adjustment was included in the Underwriter’s NOI.

**Conclusion:** Although the Applicant’s estimated income is consistent with the Underwriter’s expectation, the Applicant’s total estimated operating expense and net operating income (NOI) estimates are not within 5% of the Underwriter’s estimates. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, it is likely that the maximum debt service for this development should be limited to \$1,008,508 by a reduction of the bond amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$14,300,000.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 22.0807 acres</b>	\$702,840	<b>Assessment for the Year of:</b>	2003
<b>Per acre:</b>	\$31,832	<b>Valuation by:</b>	Harris County Appraisal District
<b>Total Prorated Value:</b>	\$481,748	<b>Tax Rate:</b>	3.85977

**EVIDENCE of SITE or PROPERTY CONTROL (10-acre tract)**

<b>Type of Site Control:</b>	Earnest money contract – commercial unimproved property					
<b>Contract Expiration Date:</b>	4/	30/	2004	<b>Anticipated Closing Date:</b>	6/	1/ 2004
<b>Acquisition Cost:</b>	\$1,028,016			<b>Other Terms/Conditions:</b>	\$5,000 earnest money	
<b>Seller:</b>	Festival Properties, Inc.			<b>Related to Development Team Member:</b>	No	

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EVIDENCE of SITE or PROPERTY CONTROL (5.1841-acre tract)			
<b>Type of Site Control:</b>	Earnest money contract – commercial unimproved property		
<b>Contract Expiration Date:</b>	4/ 30/ 2004	<b>Anticipated Closing Date:</b>	6/ 1/ 2004
<b>Acquisition Cost:</b>	\$959,730.75	<b>Other Terms/Conditions:</b>	\$5,000 earnest money
<b>Seller:</b>	Philip A. Donisi, Trustee	<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$1,987,747 (\$3.01/SF, \$130,910/acre, or \$8,015/unit), although over four times the tax assessed value, is assumed to be reasonable since the acquisitions are arm’s-length transactions.

**Sitework Cost:** The Applicant claimed sitework costs of \$7,641 per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is \$4.5K to \$7.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$7.5K per unit for the purpose of estimating the project’s total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate verify the need for such high sitework costs, a modification to the allocation of tax credits could be made.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is \$5.5K or less than 1% lower than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant’s contractor’s and developer’s fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines. The Applicant, however, included \$40K in housing consultant fees and \$140K in construction loan broker’s fee, the latter payable to one of the principals of the General Partner, among the eligible costs. The Underwriter moved these fees to developer fees, resulting in developer fees exceeding the TDHCA 15% guideline by \$95,527 and an equivalent reduction in eligible basis.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant’s projected costs to a reasonable margin, the Applicant’s total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$19,886,727 is used to determine a credit allocation of \$707,967 from this method. The resulting syndication proceeds will be used to compare to the Applicant’s request and to the gap of need using the Applicant’s costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

INTERIM TO PERMANENT BOND FINANCING			
<b>Source:</b>	GMAC Commercial Mortgage – Affordable Housing Division	<b>Contact:</b>	Lloyd Griffin
<b>Tax-Exempt Amount:</b>	\$14,500,000	<b>Interest Rate:</b>	Estimated & underwritten at 5.815%
<b>Additional Information:</b>	The commitment indicated that the interest rate would be fixed but this is inconsistent with all of the other information provided regarding the rate being variable.		
<b>Amortization:</b>	30 yrs	<b>Term:</b>	30 yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$1,044,000	<b>Lien Priority:</b>	1st
<b>Commitment Date</b>	3/ 12/ 2004		

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TAX CREDIT SYNDICATION										
<b>Source:</b>	Boston Capital				<b>Contact:</b>	Tom Dixon				
<b>Address:</b>	One Boston Place				<b>City:</b>	Boston				
<b>State:</b>	MA	<b>Zip:</b>	02108	<b>Phone:</b>	(617) 624-8673	<b>Fax:</b>	(617) 624-8999			
<b>Net Proceeds:</b>	\$5,457,181			<b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b>				78¢		
<b>Commitment</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	<b>Date:</b>		3/ 12/ 2004				
<b>Additional Information:</b>										

APPLICANT EQUITY	
<b>Amount:</b>	\$1,870,664
<b>Source:</b>	Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and credit enhanced by GMAC Commercial Mortgage – Affordable Housing Division. The permanent financing commitment is in the amount of \$15,000,000 with an underwriting interest rate of 6.19%, but the Underwriter has used the most recent (4/26/2004) bond sizing and interest rate available from GMAC. The commitment also reflects a fixed rate of interest but in fact the rate will be variable based upon a base rate of 2.5% (current rate BMA rate is around 1%) plus the fee stack of 1.315% (credit enhancement, servicing, liquidity, bond issuer, trustee, and remarketing) and the Fannie Mae required underwriting spread of 2%. Per Fannie Mae underwriting guidelines the typical underwriting spread is 2.5%. This difference, as well as an escrow fee for future interest rate caps as typically required by Fannie Mae, are being waived by the DUS lender to achieve the 5.815% underwriting rate. The effect of these waivers is estimated by the Underwriter to be at least 100 basis points. The inclusion of this additional spread would critically affect the bond amount, reducing it to a level at which the transaction would no longer be financially feasible. The underlying uncertainty surrounding any variable rate transaction is most acute in the lack of an ongoing escrow fee for in the stack of fees for future interest rate caps. In the short run this cap could easily and should be funded outside of the stack as a result of the tremendous 350 basis point actual interest rate savings that will be achieved over the underwritten rate for this transaction. The additional actual cash flow that will be achieved as a result of this interest rate savings will also be available to repay the deferred developer fee at a rate much faster than the rate projected in this report using the underwriting rate.

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

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,755,381 amount to 65% of the total fees.

**GIC and Construction Period Net Income:** The Applicant listed \$68,752 and \$1,193,537 in anticipated income from investment of the bond proceeds in a guaranteed investment contract and from net operating income during the construction phase, respectively.

**Financing Conclusions:** As discussed in the operating proforma section above, due to the Underwriter's lower NOI estimate it is likely that the permanent bond amount will be reduced to approximately \$14.3M by a redemption at conversion to permanent. Based on the Applicant's estimate of eligible basis, as adjusted by the Underwriter, the HTC allocation should not exceed \$707,967 annually for ten years, resulting in syndication proceeds of approximately \$5,521,598. The Underwriter has not analyzed the feasibility of the Applicant's construction phase GIC and NOI sources of funding, and has instead increased the deferral of developer and related general contractor fees to reflect that these sources amount to developer risk. Based on the underwriting analysis, the Applicant's deferred fees will be increased to \$3,153,253, which represents 100% of the eligible developer's fee and approximately 32% of the eligible related general contractor's fees. It is estimated that these fees would not be repayable from cash flow within ten years but should be repayable within 15 years, although any amount unpaid past ten years would be removed from eligible basis. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing is therefore a condition of this report.

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

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 50% co-owner of the General Partner, Dwayne Henson Investments, Inc., submitted an unaudited financial statement as of December 7, 2003 reporting total assets of \$8.4M and consisting of \$261K in cash, \$5.5M in receivables, \$110K in real property, \$12K in machinery, equipment, and fixtures, and \$2.5M in partnership interests. Liabilities totaled \$213K, resulting in a net worth of \$8.2M.
- Resolution Real Estate Services, LLC, the other 50% co-owner of the General Partner, submitted an unaudited financial statement as of December 15, 2003 reporting total assets of \$898K and consisting of \$140K in cash, \$700K in receivables, \$30K in securities, and \$28K in machinery, equipment, and fixtures. Liabilities totaled \$95K, resulting in a net worth of \$803K.
- The principals of the General Partner, Dwayne, Laura, Cheryl, and Pamela Henson and Steve and Cynthia Ford, submitted unaudited financial statements as of December 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principals of Dwayne Henson Investments, Inc., Dwayne, Pamela, Laura, and Cheryl Henson, listed participation in 17 previous affordable housing developments totaling 2,991 units since 1995.
- The principals of Resolution Real Estate Services, LLC, Steve and Cynthia Ford, listed participation in 13 previous affordable housing developments totaling 2,740 units since 1999.

**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 permanent debt's variable interest rate may increase significantly from the underwritten rate, which could affect the financial feasibility of the development.
- Significant locational risks exist regarding the site's location within the 100-year floodplain.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** May 3, 2004

**Director of Real Estate Analysis:**

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

**Date:** May 3, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Pinnacle Apartments, Houston, MFB #2004-005/4% HTC #04415**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Trash Only
TC (60%)	56	1	1	697	\$686	\$621	\$34,776	\$0.89	\$65.00	\$13.31
TC (60%)	104	2	2	951	823	742	77,168	0.78	81.00	13.31
TC (60%)	88	3	2	1,168	951	854	75,152	0.73	97.00	13.31
<b>TOTAL:</b>	<b>248</b>		<b>AVERAGE:</b>	<b>971</b>	<b>\$837</b>	<b>\$754</b>	<b>\$187,096</b>	<b>\$0.78</b>	<b>\$83.06</b>	<b>\$13.31</b>

INCOME				Total Net Rentable Sq Ft: 240,720		TDHCA	APPLICANT	Comptroller's Region 6	
<b>POTENTIAL GROSS RENT</b>						\$2,245,152	\$2,245,152	IREM Region Houston	
Secondary Income		Per Unit Per Month:	\$15.00			44,640	44,640	\$15.00	Per Unit Per Month
Other Support Income:						0	0		
<b>POTENTIAL GROSS INCOME</b>						\$2,289,792	\$2,289,792		
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(171,734)	(171,732)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions						0	0		
<b>EFFECTIVE GROSS INCOME</b>						\$2,118,058	\$2,118,060		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.55%	\$388	0.40	\$96,336	\$76,104	\$0.32	\$307	3.59%
Management	5.00%	427	0.44	105,903	\$114,490	0.48	462	5.41%
Payroll & Payroll Tax	11.63%	994	1.02	246,426	\$212,400	0.88	856	10.03%
Repairs & Maintenance	4.19%	358	0.37	88,790	\$80,000	0.33	323	3.78%
Utilities	1.87%	160	0.16	39,682	\$41,000	0.17	165	1.94%
Water, Sewer, & Trash	2.97%	254	0.26	62,964	\$40,400	0.17	163	1.91%
Property Insurance	2.16%	184	0.19	45,737	\$72,194	0.30	291	3.41%
Property Tax 3.85977	11.30%	965	0.99	239,306	\$198,400	0.82	800	9.37%
Reserve for Replacements	2.34%	200	0.21	49,600	\$49,610	0.21	200	2.34%
Other: spt svcs, compl fees, sec	1.56%	133	0.14	33,002	\$33,002	0.14	133	1.56%
<b>TOTAL EXPENSES</b>	<b>47.58%</b>	<b>\$4,063</b>	<b>\$4.19</b>	<b>\$1,007,747</b>	<b>\$917,600</b>	<b>\$3.81</b>	<b>\$3,700</b>	<b>43.32%</b>
<b>NET OPERATING INC</b>	<b>52.42%</b>	<b>\$4,477</b>	<b>\$4.61</b>	<b>\$1,110,310</b>	<b>\$1,200,460</b>	<b>\$4.99</b>	<b>\$4,841</b>	<b>56.68%</b>

DEBT SERVICE				TDHCA	APPLICANT			
First Lien Mortgage	48.28%	\$4,123	\$4.25	\$1,022,613	\$1,044,000	\$4.34	\$4,210	49.29%
Trustee Fee	0.17%	\$14	\$0.01	3,500	0	\$0.00	\$0	0.00%
TDHCA Admin. Fees	0.68%	\$58	\$0.06	14,500	0	\$0.00	\$0	0.00%
Asset Oversight Fees	0.18%	\$15	\$0.02	3,720	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>3.28%</b>	<b>\$280</b>	<b>\$0.29</b>	<b>\$69,477</b>	<b>\$156,460</b>	<b>\$0.65</b>	<b>\$631</b>	<b>7.39%</b>
<b>INITIAL AGGREGATE DEBT COVERAGE RATIO</b>				<b>1.06</b>	<b>1.15</b>			
<b>INITIAL BONDS &amp; TRUSTEE FEE-ONLY DEBT COVERAGE RATIO</b>				<b>1.07</b>				
<b>RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO</b>				<b>1.10</b>				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$1,987,747	\$1,987,747	\$8.26	\$8,015	8.65%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.05%	7,500	7.73	1,860,000	1,895,000	7.87	7,641	8.25%
Direct Construction		46.31%	43,147	44.45	10,700,572	10,695,049	44.43	43,125	46.55%
Contingency	2.87%	1.56%	1,452	1.50	360,000	360,000	1.50	1,452	1.57%
General Req'ts	6.00%	3.26%	3,039	3.13	753,634	755,403	3.14	3,046	3.29%
Contractor's G & A	2.00%	1.09%	1,013	1.04	251,211	251,801	1.05	1,015	1.10%
Contractor's Profit	6.00%	3.26%	3,039	3.13	753,634	755,403	3.14	3,046	3.29%
Indirect Construction		4.08%	3,798	3.91	942,000	942,000	3.91	3,798	4.10%
Ineligible Costs		3.48%	3,245	3.34	804,850	804,850	3.34	3,245	3.50%
Developer's G & A	2.00%	1.49%	1,392	1.43	345,184	334,593	1.39	1,349	1.46%
Developer's Profit	13.00%	9.71%	9,047	9.32	2,243,696	2,354,855	9.78	9,495	10.25%
Interim Financing		7.09%	6,605	6.81	1,638,150	1,638,150	6.81	6,605	7.13%
Reserves		2.01%	1,875	1.93	465,019	200,000	0.83	806	0.87%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$93,168</b>	<b>\$95.99</b>	<b>\$23,105,699</b>	<b>\$22,974,851</b>	<b>\$95.44</b>	<b>\$92,641</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>63.53%</b>	<b>\$59,190</b>	<b>\$60.98</b>	<b>\$14,679,053</b>	<b>\$14,712,656</b>	<b>\$61.12</b>	<b>\$59,325</b>	<b>64.04%</b>

SOURCES OF FUNDS				RECOMMENDED			
Tax-Exempt Bonds	62.76%	\$58,468	\$60.24	\$14,500,000	\$14,500,000	\$14,300,000	Developer Fee Available
Construction Period Net Income	5.17%	\$4,813	\$4.96	1,193,537	1,193,537	0	\$2,593,921
GIC Income						68,752	
HTC Syndication Proceeds	23.62%	\$22,005	\$22.67	5,457,181	5,457,181	5,521,598	% of Dev. Fee Deferred
Deferred Developer Fees	7.60%	\$7,078	\$7.29	1,755,381	1,755,381	3,153,253	122%
Additional (Excess) Funds Required	0.86%	\$805	\$0.83	199,600	0	(0)	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$23,105,699</b>	<b>\$22,974,851</b>	<b>\$22,974,851</b>	<b>\$3,809,203</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Pinnacle Apartments, Houston, MFB #2004-005/4% HTC #04415*

**DIRECT CONSTRUCTION COST ESTIMATE**

RESIDENTIAL COST HANDBOOK  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.03	\$10,599,879
<b>Adjustments</b>				
Exterior Wall Finish	3.20%		\$1.41	\$339,196
9-Ft. Ceilings	3.40%		1.50	360,396
Roofing			0.00	0
Subfloor			(0.97)	(232,696)
Floor Cover			2.00	481,440
Porches/Balconies	\$14.51	24,430	1.47	354,442
Plumbing	\$605	664	1.67	401,720
Built-in Appliances	\$1,650	248	1.70	409,200
Stairs	\$1,475	142	0.87	209,450
Floor Insulation			0.00	0
Heating/Cooling			1.53	368,302
Garages	\$11.60	49,600	2.39	575,360
Comm &/or Aux Bldgs	\$59.87	4,992	1.24	298,891
Other:			0.00	0
<b>SUBTOTAL</b>			<b>58.85</b>	<b>14,165,579</b>
Current Cost Multiplier	1.03		1.77	424,967
Local Multiplier	0.90		(5.88)	(1,416,558)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$54.73</b>	<b>\$13,173,989</b>
Plans, specs, survy, bld prgm	3.90%		(\$2.13)	(\$513,786)
Interim Construction Interest	3.38%		(1.85)	(444,622)
Contractor's OH & Profit	11.50%		(6.29)	(1,515,009)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$44.45</b>	<b>\$10,700,572</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$14,300,000	Amort	360
Int Rate	5.8150%	DCR	1.09

<b>Secondary</b>		Amort	
Int Rate		Subtotal DCR	1.07

<b>All-in</b>		Amort	
<b>Rate</b>		Aggregate DCR	1.06

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$1,008,508
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight Fee	18,220
<b>NET CASH FLOW</b>	<b>\$80,082</b>

<b>Primary</b>	\$14,300,000	Term	360
Int Rate	5.8150%	DCR	1.10

<b>Secondary</b>		Term	
Int Rate		Subtotal DCR	1.10

<b>All-in</b>		Term	
<b>Rate</b>		Aggregate DCR	1.08

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,245,152	\$2,312,507	\$2,381,882	\$2,453,338	\$2,526,938	\$2,929,414	\$3,395,994	\$3,936,888	\$5,290,848
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,289,792	2,358,486	2,429,240	2,502,118	2,577,181	2,987,659	3,463,516	4,015,164	5,396,045
Vacancy & Collection Loss	(171,734)	(176,886)	(182,193)	(187,659)	(193,289)	(224,074)	(259,764)	(301,137)	(404,703)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,118,058	\$2,181,599	\$2,247,047	\$2,314,459	\$2,383,892	\$2,763,585	\$3,203,752	\$3,714,027	\$4,991,341
EXPENSES at 4.00%									
General & Administrative	\$96,336	\$100,190	\$104,198	\$108,365	\$112,700	\$137,117	\$166,824	\$202,966	\$300,440
Management	105,903	109,080	112,352	115,723	119,195	138,179	160,188	185,701	249,567
Payroll & Payroll Tax	246,426	256,283	266,535	277,196	288,284	350,742	426,731	519,183	768,518
Repairs & Maintenance	88,790	92,342	96,036	99,877	103,872	126,377	153,756	187,068	276,906
Utilities	39,682	41,269	42,920	44,637	46,422	56,480	68,717	83,604	123,755
Water, Sewer & Trash	62,964	65,483	68,102	70,826	73,660	89,618	109,034	132,657	196,364
Insurance	45,737	47,566	49,469	51,448	53,506	65,098	79,201	96,361	142,637
Property Tax	239,306	248,878	258,833	269,186	279,954	340,607	414,400	504,181	746,311
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	33,002	34,322	35,695	37,123	38,608	46,972	57,149	69,530	102,922
TOTAL EXPENSES	\$1,007,747	\$1,046,998	\$1,087,787	\$1,130,175	\$1,174,225	\$1,421,785	\$1,721,890	\$2,085,751	\$3,062,105
NET OPERATING INCOME	\$1,110,310	\$1,134,601	\$1,159,260	\$1,184,283	\$1,209,667	\$1,341,800	\$1,481,862	\$1,628,275	\$1,929,236
DEBT SERVICE									
First Lien Mortgage	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508	\$1,008,508
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Over	18,220	17,838	17,646	17,442	17,225	15,934	14,208	3,720	3,720
NET CASH FLOW	\$80,082	\$104,755	\$129,606	\$154,834	\$180,434	\$313,858	\$455,646	\$612,547	\$913,508
AGGREGATE DCR	1.08	1.10	1.13	1.15	1.18	1.31	1.44	1.60	1.90



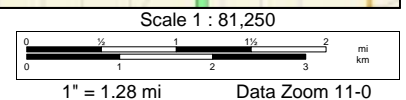
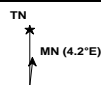
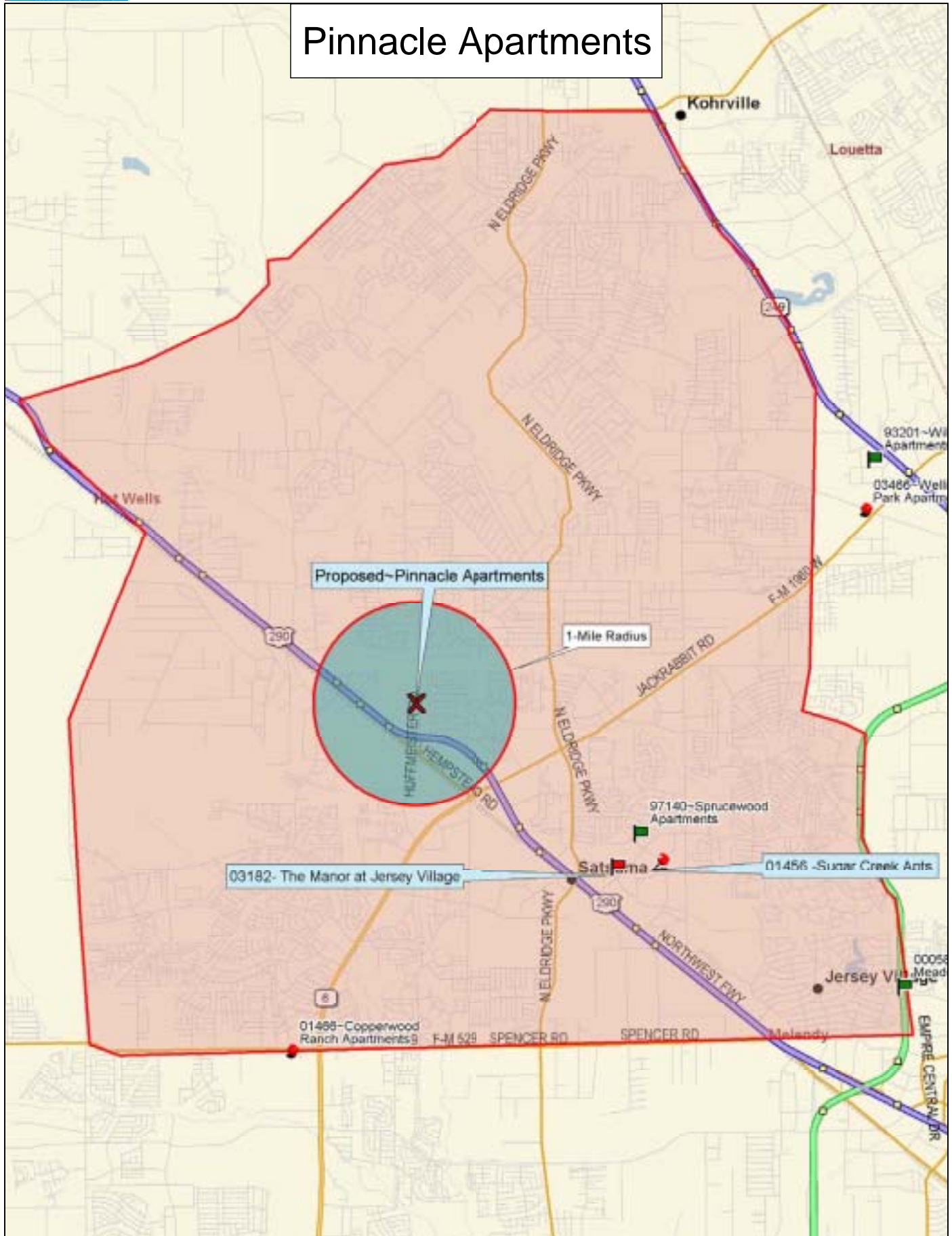
**LIHTC Allocation Calculation - Pinnacle Apartments, Houston, MFB #2004-005/4% HTC #04415**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,987,747	\$1,987,747		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,895,000	\$1,860,000	\$1,895,000	\$1,860,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$10,695,049	\$10,700,572	\$10,695,049	\$10,700,572
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$251,801	\$251,211	\$251,801	\$251,211
Contractor profit	\$755,403	\$753,634	\$755,403	\$753,634
General requirements	\$755,403	\$753,634	\$755,403	\$753,634
<b>(5) Contingencies</b>				
	\$360,000	\$360,000	\$360,000	\$360,000
<b>(6) Eligible Indirect Fees</b>				
	\$942,000	\$942,000	\$942,000	\$942,000
<b>(7) Eligible Financing Fees</b>				
	\$1,638,150	\$1,638,150	\$1,638,150	\$1,638,150
<b>(8) All Ineligible Costs</b>				
	\$804,850	\$804,850		
<b>(9) Developer Fees</b>				
			\$2,593,921	
Developer overhead	\$334,593	\$345,184		\$345,184
Developer fee	\$2,354,855	\$2,243,696		\$2,243,696
<b>(10) Development Reserves</b>				
	\$200,000	\$465,019		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$22,974,851</b>	<b>\$23,105,699</b>	<b>\$19,886,727</b>	<b>\$19,848,083</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$19,886,727	\$19,848,083
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$19,886,727	\$19,848,083
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$19,886,727	\$19,848,083
Applicable Percentage		3.56%	3.56%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$707,967	\$706,592

Syndication Proceeds	0.7799	\$5,521,598	\$5,510,869
<b>Total Credits (Eligible Basis Method)</b>		<b>\$707,967</b>	<b>\$706,592</b>
Syndication Proceeds		\$5,521,598	\$5,510,869
Requested Credits		\$709,370	
Syndication Proceeds		\$5,532,537	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$8,674,851</b>	
Credit Amount		\$1,112,271	

# Pinnacle Apartments



# RENT CAP EXPLANATION

## Houston MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Houston      **Area Median Family Income (Annual):** \$61,000

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)				
# of Persons	At or Below			Unit Type	At or Below			At or Below				
	50%	60%	80%		50%	60%	80%	50%	60%	80%		
1	\$ 21,350	\$ 25,620	34,150	Efficiency	\$ 533	\$ 640	\$ 853		\$ 533	\$ 640	\$ 853	
2	24,400	29,280	39,050	1-Bedroom	571	686	915	65	506	621	850	
<b>3</b>	<b>27,450</b>	<b>32,940</b>	<b>43,900</b>	<b>2-Bedroom</b>	<b>686</b>	<b>823</b>	<b>1,097</b>	<b>81</b>	<b>605</b>	<b>742</b>	<b>1,016</b>	
4	30,500	36,600	48,800	3-Bedroom	793	951	1,268	97	696	854	1,171	
5	32,950	39,540	52,700	4-Bedroom	885	1,062	1,415		885	1,062	1,415	
6	35,400	42,480	56,600	5-Bedroom	975	1,170	1,561		975	1,170	1,561	
7	37,800	45,360	60,500									
8	40,250	48,300	64,400									
<b>FIGURE 1</b>				<b>FIGURE 2</b>					<b>FIGURE 3</b>	<b>FIGURE 4</b>		

**Figure 1** outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

**Figure 2** shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$32,940 could not pay more than \$823 for rent and utilities under the affordable definition.

- 1) \$32,940 divided by 12 = **\$2,745** monthly income; then,
- 2) **\$2,745** monthly income times 30% = **\$823** maximum total housing expense.

**Figure 4** displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

**Figure 3** shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## Pinnacle Apartments

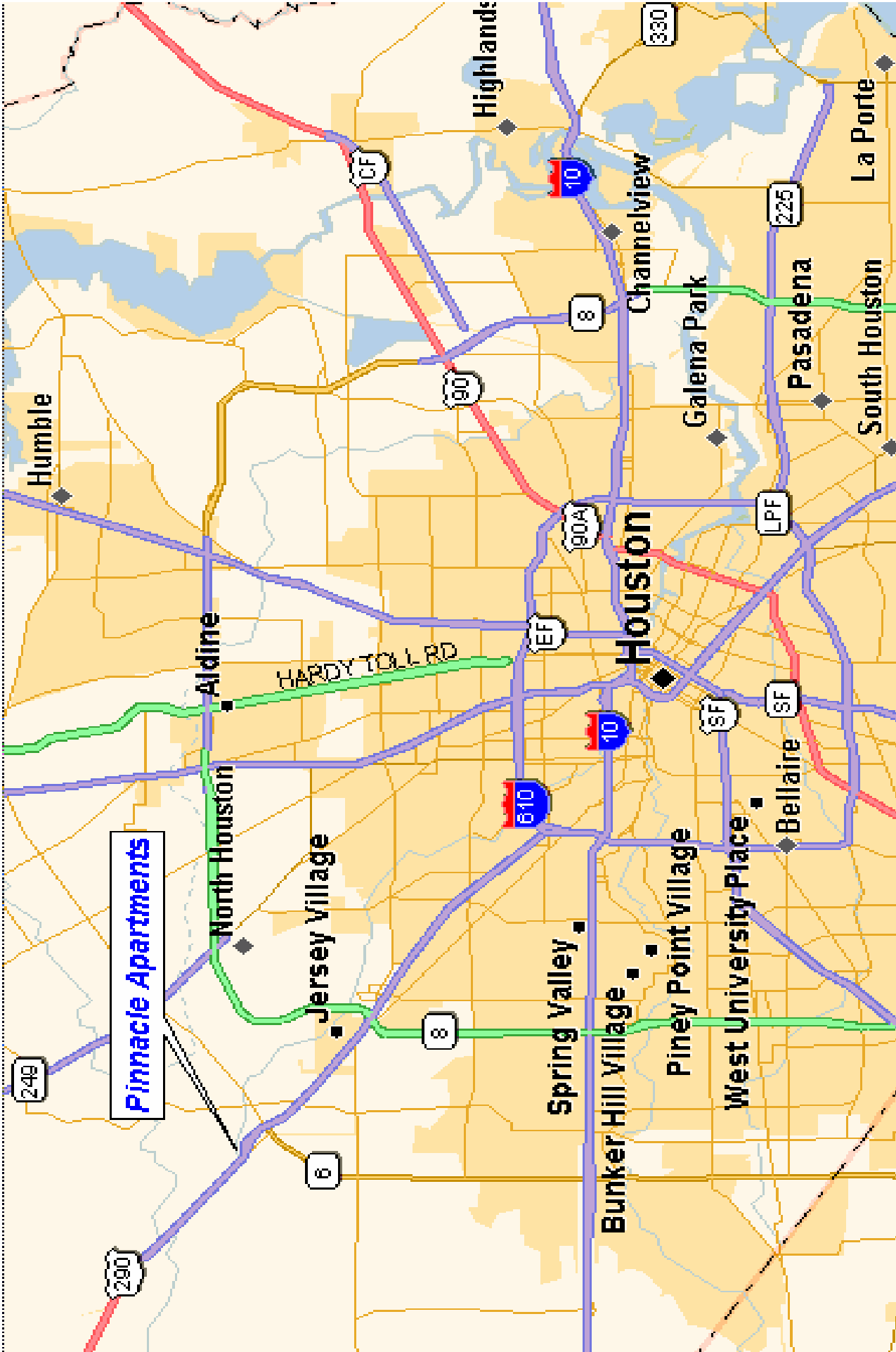
### RESULTS & ANALYSIS: for 60% AMFI units

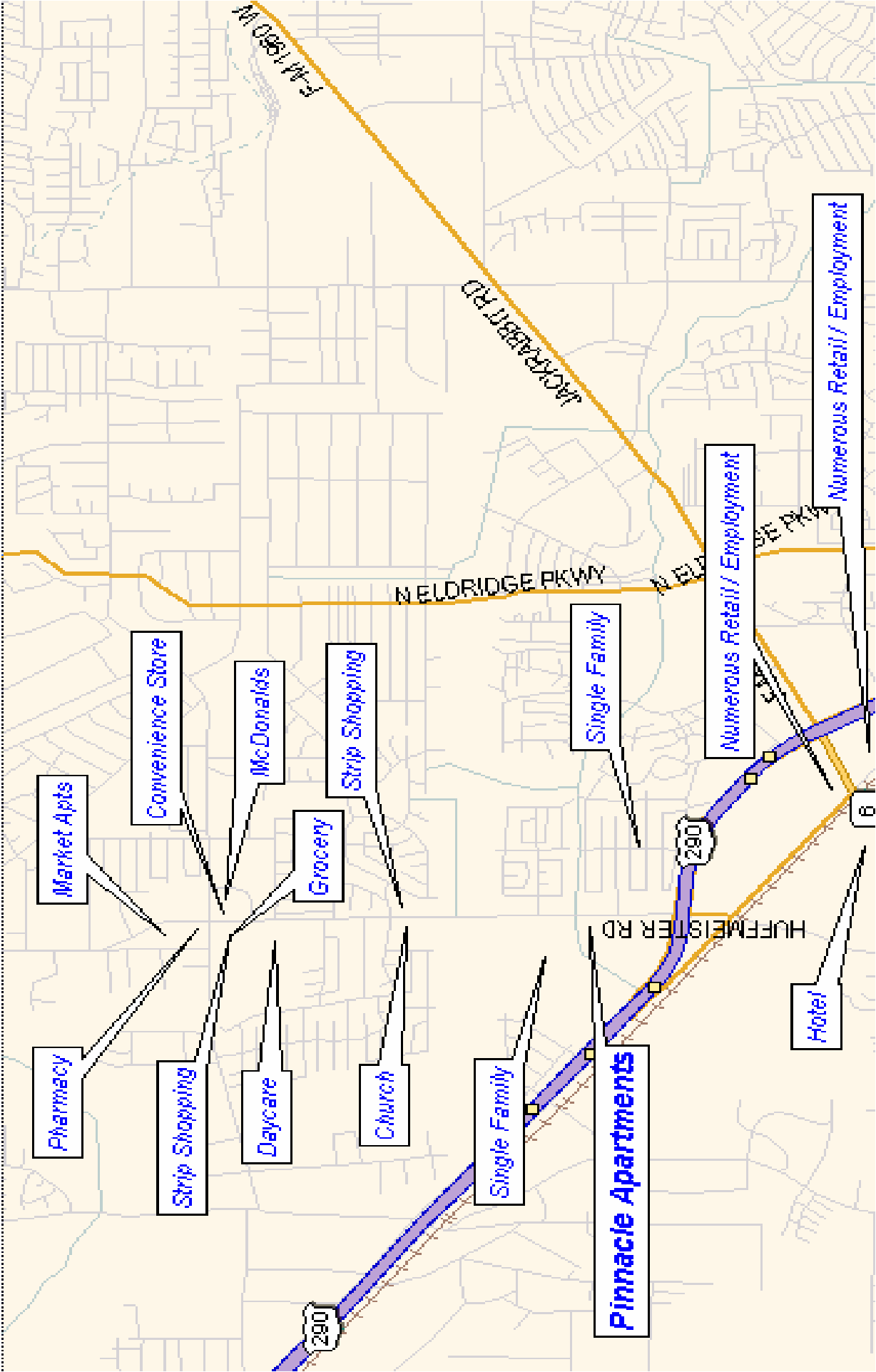
**Tenants** in the 60% AMFI bracket will **save \$109 to \$171** per month (leaving 4.5% to 5.8% more of their monthly income for food, child care and other living expenses).  
This is a monthly savings off the market rents of **14.9% to 17.6%**.

<b>PROJECT INFORMATION</b>			
	<b>Unit Mix</b>		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	697	951	1,168
Rents if Offered at Market Rates	\$730	\$900	\$1,025
Rent per Square Foot	\$1.05	\$0.95	\$0.88

<b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b>			
Rent Cap for 60% AMFI Set-Aside	\$621	\$742	\$854
<b>Monthly Savings for Tenant</b>	<b>\$109</b>	<b>\$158</b>	<b>\$171</b>
Rent per square foot	\$0.89	\$0.78	\$0.73
Maximum Monthly Income - 60% AMFI	\$2,440	\$2,745	\$3,173
<b>Monthly Savings as % of Monthly Income</b>	<b>4.5%</b>	<b>5.8%</b>	<b>5.4%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>14.9%</b>	<b>17.6%</b>	<b>16.7%</b>

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 77206. Report dated April 6, 2004.





# Developer Evaluation

Project ID # **04415**

Name: **Pinnacle Apartments**

City: **Houston**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 10 # not yet monitored or pending review: 9

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date 4/5/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by S Roth Date 3/31/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie A. D'Couto Date 3/31/2004

Executive Director: Edwina Carrington

Executed: 4/7/2004

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

## Public Comment Summary

### Pinnacle Apartments

#### Public Hearing

<i>Total Number Attended</i>	226
<i>Total Number Opposed</i>	215
<i>Total Number Supported</i>	2
<i>Total Number Neutral</i>	9
<i>Total Number that Spoke</i>	27

#### Public Officials and Neighborhood Organization Letters Received

<b><i>Opposition</i></b>	<b>2</b>
Representative Van Arsdale	
White Oak Landing HOA	
<b><i>Support</i></b>	<b>0</b>

#### General Public Letters, Emails and Petitions Received

<b><i>Opposition</i></b>	<b>1978</b>
Petition signatures inside radius (*)	939
Letters and email inside radius (*)	9
Petition signatures outside radius (*)	1002
Letters and email outside radius (*)	28

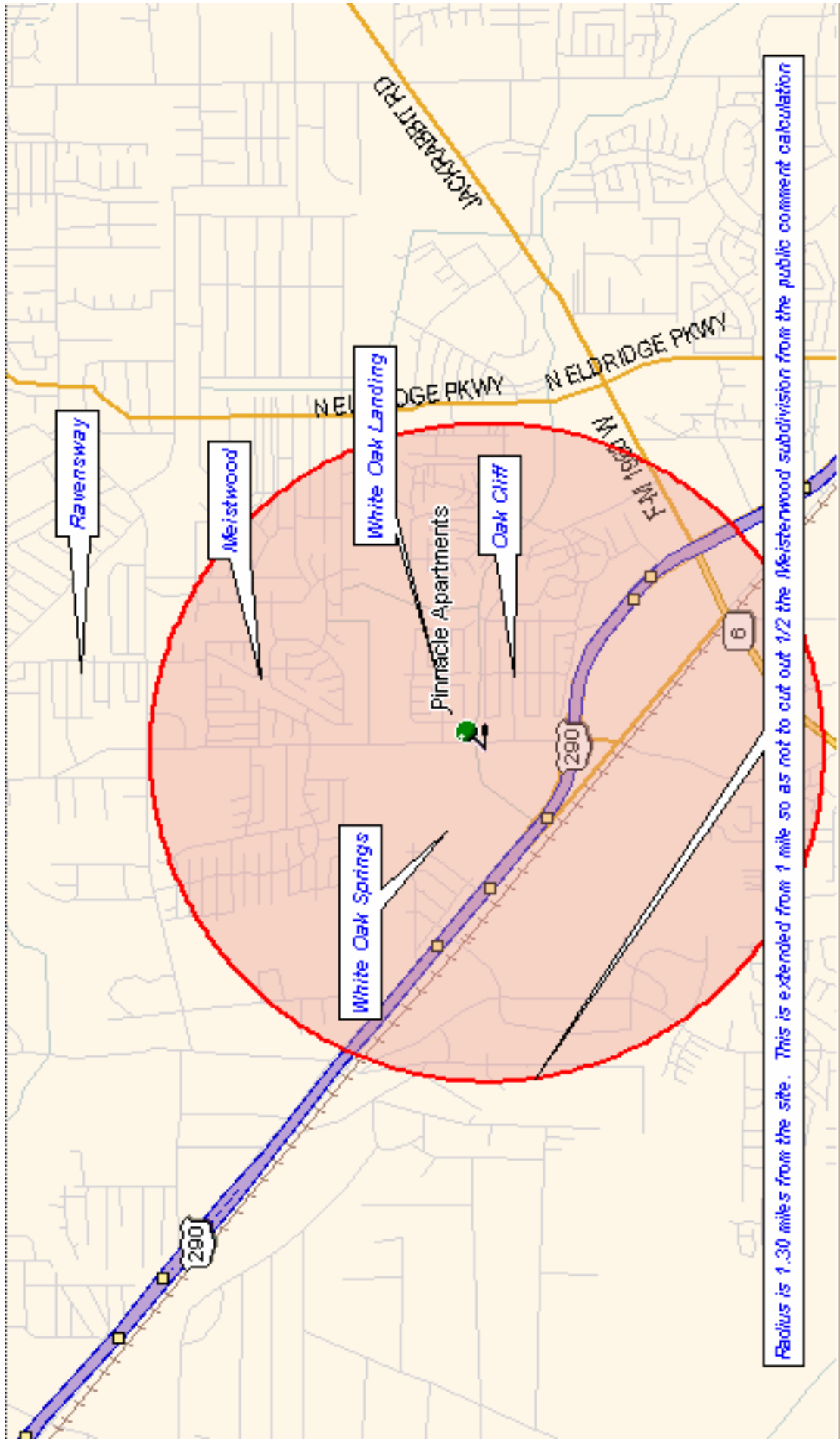
(\* Radius map behind this summary)

<b><i>Support</i></b>	<b>0</b>
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#### Summary of Opposition

- 1 School over-crowding
- 2 Increased flooding with White Oak Bayou / Cypress Creek
- 3 Harris County is re-evaluating the flood plain
- 4 Want single family homes not apartments
- 5 Do not want subsidized housing in their neighborhood
- 6 Increase in crime and drugs in the area
- 7 Increase in traffic on Huffmeister
- 8 Do not want this in our backyard
- 9 No public transportation
- 10 Lack of close medical facilities
- 11 Reduction in property values
- 12 No need for this type housing in this area
- 13 Other apartments in the area that are affordable to most
- 14 Removal of greenspace in area
- 15 Inadequate infrastructure





Radius is 1.30 miles from the site. This is extended from 1 mile so as not to cut out 1/2 the Meisterwood subdivision from the public comment calculation

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TEFRA HEARING - PINNACLE APARTMENTS  
2004 STATE OF TEXAS

Wednesday, March 10, 2004  
Cafeteria, Millsap Elementary School  
12424 Huffmeister Road  
Cypress, Texas

PRESIDING:

ROBBYE G. MEYER  
Multifamily Bond Administrator

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
David Claros	9
Scott Walker	11
Kathy Ross	13
Kim Tevlin	14
Peter Tevlin	15
Lisa Veenstra	16
Said Mezamek	17
Robert Millburn	18
Ingrid Robinson	19
T.W. Burke	21
Alice Milgora	22
A. Altman	23
Dwayne Hutchins	23
Vernon Mize	24
Judy Norrholm	25
Barry Frederickson	27
Dan Wesolick	27
Pat Whitfield	28
Kathleen Oestrech	30
Cindy Youschak	30
Scarlett Poredi	32
Michael Johnson	33
George Shifflet	32
Tammy Ogrodavicz	35

Bryan Ginsburg

36

Sally Gaskin

40

Lloyd Coker

44

P R O C E E D I N G S

1  
2 MS. MEYER: *There's a court reporter here,*  
3 *and she will be taping the hearing. And this transcript*  
4 *will also be provided to my board, the TDHCA Board,*  
5 *for them to make a decision concerning this particular*  
6 *development.*

7 *I'll start the speech at this point. I would*  
8 *like to thank you for all coming out and my name*  
9 *again, is Robbye Meyer, and I am with the Texas*  
10 *Department of Housing and Community Affairs. I*  
11 *would like to proceed with the hearing.*

12 *And let the record show that it is 6:23 p.m.*  
13 *on Wednesday, March 10. And we are at the Millsap*  
14 *Elementary School located at 12424 Huffmeister Road*  
15 *in Cypress, Texas.*

16 *I am here to conduct the public hearing on*  
17 *behalf of the Texas Department of Housing and*  
18 *Community Affairs with respect to the issuance of tax-*  
19 *exempt multifamily revenue bonds for a residential*  
20 *rental community. This hearing is required by the*  
21 *Internal Revenue Code.*

22 *The sole purpose of this hearing is to*  
23 *provide a reasonable opportunity for interested*  
24 *individuals to express their views regarding the*

1 *development and the proposed bond issuance. No*  
2 *decisions regarding the development will be made at*  
3 *this hearing.*

4 *The Department's board is scheduled to*  
5 *meet to consider this transaction on May 13th of*  
6 *2004. In addition to providing your comments at this*  
7 *hearing, the public is also invited to provide comment*  
8 *directly to the board at their meeting. The staff will*  
9 *also accept written comments from the public up until*  
10 *5:00 on April 30th of 2004.*

11 *The bonds will be issued as tax-exempt*  
12 *multifamily revenue bonds in the aggregate principal*  
13 *amount not to exceed \$15 million in taxable bonds, if*  
14 *necessary, in an amount to be determined and issued*  
15 *in one or more series by the Texas Department of*  
16 *Housing and Community Affairs.*

17 *The proceeds of the bonds will be loaned to*  
18 *Pinnacle Apartments, L.P., or a related person or*  
19 *affiliate entity thereof, to finance a portion of the*  
20 *costs of acquiring, constructing, and equipping a*  
21 *multifamily rental housing community described as*  
22 *follows. A 248 unit multifamily residential rental*  
23 *development to be constructed on approximately 15*  
24 *acres of land, located at approximately the 10500*

1 *block of Huffmeister Road, in Harris County, Texas.*

2 *The proposed multifamily rental housing*  
3 *community will be initially owned and operated by the*  
4 *borrower or a related person or affiliate entity*  
5 *thereof.*

6 *VOICE: Could you turn up the P.A. please?*

7 *VOICE: Yes.*

8 *MS. MEYER: I don't have any control over*  
9 *the P.A. system, so I will try to talk a little bit louder,*  
10 *and stand a little bit closer to the microphone. For this*  
11 *particular transaction, there are two financial*  
12 *incentives that are used by developers for these*  
13 *transactions.*

14 *One is tax-exempt bonds, and one is housing*  
15 *tax credits. The private activity bonds actually*  
16 *encourage private developers and private industry to*  
17 *build affordable housing.*

18 *This is not a Section 8 project-based housing*  
19 *development. It is privately owned and privately managed.*

20 *The tax exemption on this particular development is to*  
21 *the bond purchaser.*

22 *It's not an exemption from property taxes. The*  
23 *bond purchaser does not have to pay income tax on their*  
24 *investment in the bonds, therefore they accept a lower*

1 rate of return, which enables a lender to charge a lower  
2 interest rate for the mortgage that will be placed on this  
3 property, which enables the developer to build a quality A  
4 property at a lower cost to the developer.

5 The housing tax credit piece is an IRS tax  
6 credit to the development and it is an equity injection to  
7 the property. This allows the developer to charge lower  
8 than market rate rents for the tenants that will be living  
9 there.

10 The IRS credit is much like a mortgage  
11 deduction that you would have on your house that you would  
12 claim on your income tax return. It's pretty much the  
13 same net effect to the IRS, to kind of give you an idea of  
14 what the Housing Tax Credit actually does.

15 There also is at least a 30-year compliance  
16 period with the State for this particular development, or  
17 as long as the bonds are outstanding, if the bonds are  
18 outstanding longer than 30 years, but there is at least a  
19 30-year period in that compliance period, there is income  
20 restrictions that are checked, occupancy to make sure that  
21 the tenancy is correct. Physical appearance is also  
22 monitored, and also financial bookkeeping is also  
23 monitored, in any particular development.

24 There is also after school care. Tenant



1 services that are given to their tenants. Tutoring.

2 There is a computer lab that will be on site.

3           The net end result for both of these programs  
4 and the tenant services is that lesser fortunate  
5 individuals get to live in a nice place and have a better  
6 quality of life. And that's the whole intention of the  
7 programs themselves.

8           The private activity bond program is actually  
9 administered by the Texas Bond Review Board; the Texas  
10 Department of Housing and Community Affairs is an issuer  
11 for those bonds. They are an exempt issuer.

12           There are also local issuers. Harris County  
13 has a finance corporation, and also Houston Housing  
14 Finance Corporation.

15           And I understand that one of the local issuers  
16 also has another development in this area, which is across  
17 the street from the school. This particular development  
18 is not across the street from the school here.

19           It is right off of 290, just west of the bayou.

20           So if you are thinking it's the site that's right there  
21 next to the school, that's the wrong hearing you are at.  
22 So if that's the one you were thinking of, that's not the  
23 hearing that we are here to take comment on.

24           VOICE: When does that one come up?

1 MS. MEYER: I don't know who the local issuer  
2 is for that particular development. You would have to  
3 check with either Harris County or Houston HFC.

4 You are welcome to give me a call and I will  
5 look it up and find out who it is, if you would like to  
6 find out when that hearing is going to be. But I don't  
7 have that information because I'm not the issuer of the  
8 bonds. Okay?

9 For the particular -- this is the Pinnacle  
10 Apartments. Again, it's at approximately the 10500 block  
11 of Huffmeister.

12 It received what we call a reservation of  
13 allocation on January 9 of this year. From that time, the  
14 developer and the Department have 150 days to close the  
15 transaction for the bonds.

16 That doesn't mean it has to be built. But we'd  
17 have to close the transaction. This particular  
18 reservation will expire on June 7. It will consist of 31  
19 buildings; 29 of them will be two-story buildings and two  
20 of them will be three-story buildings. And one non-  
21 residential building, a community building.

22 It will consist of 248 family residential  
23 units. There are 64 one-bedroom one-bath, with  
24 approximate square footage of 690 square feet, 112 two-

1 bedroom, two-bath with approximate square footage of 1015,  
2 and 72 three-bedroom two-bath units with approximate  
3 square footage of 1,188 square feet. And all the units do  
4 have garages.

5 This is what we call a priority one SEED that  
6 is set by the Bond Review Board. This particular  
7 development is located in an area, or the proposed site is  
8 located in an area that has a higher census median income  
9 than the average area median income for the Houston and SA  
10 area.

11 It will service 60 percent of the area median  
12 income and the Houston MSA median income for 2004 is  
13 \$61,000. Giving you an example of what that is, a four  
14 person family could earn no more than a combined income of  
15 \$36,000 in order to be able to qualify to live in this  
16 development.

17 A one-bedroom maximum rent will be  
18 approximately \$621. A two-bedroom will be approximately  
19 \$742 and a three-bedroom will be approximately \$854.

20 I am going to start the public comment at this  
21 time. Again, if you have cell phones or pagers, please  
22 turn them off or turn them to silent mode.

23 You will have two minutes to make your  
24 comments. I will ask you and I will be keeping time, when

1 I call time, to please end your comments and to take your  
2 seats, so the next person can make their comments.

3 If you will, there is a recording microphone  
4 over here, and it's picking up just fine, so you don't  
5 have to speak into it, but it is being recorded. So I  
6 just wanted you to be aware that this is the auditorium  
7 microphone, and this one is recording what you are saying.

8 During the comment period, as I said, I will be  
9 taking notes. If you have a question, I will be glad to  
10 write your question down, but I will not answer questions  
11 during the comment period.

12 There are many people here, and there have been  
13 many people that signed up that wanted to speak, and I  
14 want to make sure that we have enough time to get to all  
15 of those people. Again, once I call time, if you would  
16 please end your comments and we will go on.

17 Once we get through with the comment period,  
18 there is a representative from the developer here also,  
19 who can answer questions. And also, she has a couple of  
20 words that she would like to make for the developer.

21 Okay, the first person that I have is Najib? I  
22 can't even read the last name, so I have no idea. It  
23 looks like it's N-A-J-I-B? Address is 10835 Ryan Oaks?

24 VOICE: Right here.

1 MS. MEYER: Would you like to speak, sir?

2 VOICE: No. No, thank you.

3 MS. MEYER: I have one here, a Lewis Hill that  
4 has a question mark. Do what, sir? No? David Claros?

5 MR. CLAROS: First of all, I thought that the  
6 developer will come here and we will know them, and we  
7 will see what is their views about the community. I want  
8 to hear, first of all, that they live around here.

9 Second, do they know the problems that we have  
10 already in the area with the overcrowding schools,  
11 particularly this one here? With the problems of the  
12 drainage, that all our neighborhoods are confronting?

13 And we will like to know what is their opinion  
14 about that? Because we have this apartment that they just  
15 built and I think that all of us were surprised by the  
16 developer over there.

17 One of the things is, I know that from  
18 Ravensway, we have people that are living here for the  
19 last 15, 20, 30 years and we have seen this beautiful  
20 school now being almost overrun. I am a parent, and I  
21 don't really think first of all, that this school can  
22 sustain more students.

23 You are talking about 200 something families or  
24 units. If the school district does not provide any other

1 means of educating these kids, there's no way that we can  
2 do it.

3 Now, when I read your material about this taxes  
4 that these people get to come and build something here,  
5 they don't even live here, and they make money out of it.

6 I have a problem with that. Okay?

7 I told the judge when I am signing that is for  
8 the developer. And I would really like to ask you, do you  
9 live here in this neighborhood? You don't?

10 VOICE: No, I do not.

11 MR. CLAROS: Okay. Then you don't supposed to  
12 be for the proposal, because you don't even live here.  
13 You're not affected by it.

14 The lady that is standing, that is part of your  
15 corporation, does she live in the neighborhood? Do you  
16 live in the neighborhood, ma'am?

17 VOICE: No.

18 MR. CLAROS: You don't live here. You probably  
19 live in River Oaks. Right? Okay.

20 One of the things that we need to do, people,  
21 we need to stop being passive about what is going on here.  
22 We need to take this under our control. This is our  
23 neighborhood.

24 This is where our kids go. And if these people

1 are going to come, it is going to wipe all the trees like  
2 they did here, and they are going to put all these  
3 apartments there, and the housing development only is  
4 going to supervise for 30 years. And after 30 years,  
5 we're going to have another ghetto here; that's our  
6 problem. Thank you.

7 MS. MEYER: Scott Walker?

8 MR. WALKER: First of all, I would like to take  
9 an opportunity to thank you for having this forum.  
10 Although it's required by statute, I still appreciate the  
11 opportunity to speak.

12 One of the things I want to talk about is the  
13 need. Right now, financing is available. Apartments are  
14 going up everywhere by private builders. Why the State  
15 needs to finance this, and give them tax money to do that,  
16 I don't understand, particularly in Harris County. I know  
17 there is substandard housing here, but there is also  
18 plenty of good housing here that is available.

19 You can look around. There are brand new  
20 apartments across here. I think you will find rents that  
21 are affordable for most people.

22 There are other areas of the country, other  
23 areas of the state, where this is probably more  
24 appropriate. I know some of the metropolitan areas,

1 particularly Dallas, where this would be probably more  
2 appropriate, where housing is less affordable.

3 I also want to reiterate the plan development.

4 Harris County is reevaluating the flood plains. Could we  
5 not wait until we know where those might be and what the  
6 effect of those might be?

7 I have attended some of these meetings in the  
8 past in West Harris County. The thing that surprised me  
9 is that supporters came out for the developers and they  
10 look like ordinary citizens like me that really support  
11 this. But I question whether or not they lived in the  
12 affected area or even in the immediate city. So I would  
13 ask you to review that in light of their comments up here.

14 And last, I would just want ask everybody here,  
15 if you don't want to get up and speak, go ahead and please  
16 send your email. Write your letters, in support or  
17 opposition. Just go ahead and express your views.  
18 Thanks.

19 MS. MEYER: Kathy Ross?

20 MS. ROSS: My name is Kathy Ross. I am a  
21 resident of Timberlake Estates, right over here behind the  
22 school. I have lived here for seven years, and I have  
23 seen a tremendous amount of growth over the past few  
24 years. This school has gone, the population of the



1 school, Millsap, has increased tremendously.

2 I would urge the people that are for this to  
3 take a look on this side of the school and notice the  
4 portable buildings. This school is already overcrowded.

5 We have, I believe, five buildings out there.  
6 We are several hundred students over capacity. The school  
7 district, as many of you know, has grown by thousands of  
8 students every year and the district can barely keep up  
9 with the amount of growth.

10 I think the proposed -- I'm against the  
11 proposed apartments. Not because they may be low income  
12 or whatever, but simply because of the growth of this  
13 district is already too high.

14 I would challenge any of you to walk through  
15 this school at any time during a school day and see just  
16 how difficult it is to move children through this school.

17 We used to have a nice walkway through the school that  
18 kids could go when they were going to art or music to get  
19 from one part of the school to the other.

20 Because there are so many kids, they've had to  
21 keep moving their areas over and over, and it's very  
22 difficult to even get the kids that are here through this  
23 school to get where they need to be. If it continues like  
24 this, we're not even going to be able to educate the kids

1 that are here now, much less 200 more kids that may show  
2 up.

3 In addition to that, so much concrete is being  
4 put in the ground that the flooding -- we had 50 some-odd  
5 houses in our neighborhood flood a couple of years ago --  
6 houses that have never ever flooded.

7 And I think that the growth, all of the  
8 developments that are going in are contributing to that.  
9 I'd like to know how they are going to address those  
10 problems, as well as the overcrowding of the schools.  
11 Thank you.

12 MS. MEYER: I have one, Loretta Rains? You  
13 scratched through no, so I didn't know if you wanted to or  
14 if you changed your mind. Okay. Kim Tevlin?

15 MS. TEVLIN: My name is Kim Tevlin. And I'm  
16 the president of the homeowners' association in White Oak  
17 Landing. I have spoken to and received petitioned  
18 signatures from a significant majority of the residents in  
19 the community. And here is 925.

20 And there is a lot more to come. We strongly  
21 oppose awarding the private activity exempt bonds and tax  
22 credits for this development of the Pinnacle Apartments.  
23 And that's all I have to say. Thank you.

24 MS. MEYER: Peter Tevlin?

1 MR. TEVLIN: Hi, neighbors. Let me move this  
2 over closer to your recording one. How's that? Catch  
3 them both, okay.

4 I also am in opposition to this apartment  
5 complex being built. And my main reason, as I stated on  
6 the letter that I've written and printed for everyone  
7 here, is whether it is warranted to put private funds or  
8 public money into -- back in building this project.

9 And the influx of people affecting the school  
10 crowding. I understand it's going to Lampkin, that  
11 section of the road will address Lampkin Elementary and  
12 not the Millsap. But still, the area, you know the growth  
13 and more apartments, I don't feel fits with our community.  
14 We're a community of homes and we appreciate that.

15 And we moved out here away from parts of the  
16 city that had a lot more apartments, for the reason of the  
17 homes. And so I oppose them for those reasons.

18 And I encourage you all to take the information  
19 I have distributed here, the information that I have  
20 collected and then building on whiteoaklanding.com to  
21 address and let your views be known in opposition or in  
22 favor of this project to your state representatives, the  
23 water boards, fire and police officials, those people  
24 whose voice would carry more weight than your individual

1 voice.

2           The summary of all our voices going to those  
3 people and our representatives, our senators, et cetera,  
4 speaking against or in opposition to this, because they  
5 are acting on our behalf will carry a lot more weight than  
6 us individually making a phone call or email. I  
7 understand the letters and faxes carry a lot more weight  
8 than emails and phone calls.

9           So I would encourage you to get the letters.  
10 I've got the letterhead on the website for each of these  
11 addresses that are on the back of here. You can utilize  
12 that word doc for writing your letters.

13           I encourage you to speak your voice and state  
14 your opposition to this project. Thank you.

15           MS. MEYER: Lisa Veenstra?

16           MS. VEENSTRA: My name is Lisa Veenstra and I'm  
17 speaking against the apartment complex for two basic  
18 reasons, just to be repetitive. I have lived in the area  
19 for 15 years, in Enchanted Valley, and we've seen the  
20 flooding issues become a big issue.

21           We've seen water back up in places that it's  
22 not backed up before, simply because of the development.  
23 And the watershed issue is a big concern for this project.

24           And the second concern is I have children in

1 the schools, one at this school. And it is extremely  
2 crowded, and that's a concern.

3 And like Mr. Tevlin said, if the kids go to  
4 Lampkin, the boundaries change, every other year, as we  
5 have to open more schools and Lampkin's capacity also has  
6 been for nine years. So those are my concerns and that's  
7 why I oppose the project. Thank you.

8 MS. MEYER: Said Mezamek?

9 MR. MEZAMEK: My name is Said Mezamek. I live  
10 on just very soon, we'll probably look at, sit in my back  
11 yard and look at building number 38. Me and Mr. Luna  
12 right there -

13 VOICE: We can't hear you.

14 MR. MEZAMEK: I said I live on looking at  
15 building 38 in these apartments. A few years ago, 20  
16 years ago, I lived off Antoine in the Innwoods [phonetic].  
17 And it was a really nice area.

18 When the Antoine area, the government  
19 subsidized housing in there, it became the highest crime  
20 area in the city. So we moved over here, and I'm looking  
21 at it again. And I really do not want to look at  
22 subsidized housing in this area. It's a nice area, and  
23 let's keep it as is.

24 If they want to build apartments, make money

1 somewhere else; go to Antoine. There are -- a few  
2 apartments are closed. They could renovate those  
3 apartments, spend some money, and make money over there.  
4 Over here, no. Thank you.

5 MS. MEYER: Robert Millburn?

6 MR. MILLBURN: Hi. I'm Bob Millburn and I live  
7 in this neighborhood, and I'm a taxpayer and a fourth  
8 generation Texan. And I've lived in neighborhoods where  
9 there's housing that has done nothing but bring crime and  
10 dope and everything else. And I've paid my taxes and  
11 every tax that there is. And I'm absolutely opposed to  
12 this.

13 And I've got a thirteen year old daughter, and  
14 I don't want her to be involved in this. And this place  
15 is right at the back of my house. So I vote down, okay.

16 MS. MEYER: Well, since you're here. Ingrid  
17 Robinson? Why don't you go ahead and stay here?

18 MS. ROBINSON: I just wanted to speak. I'm  
19 also a resident of White Oak Landing, and I've been  
20 talking with Pete and Kim about this issue.

21 And I'll give you a little perspective of what  
22 I told them. I used to work for a state senator. I was  
23 chief of staff for a state representative. So I know how  
24 these matters work. If you talk to the board, you don't

1 vote for them.

2           So if there's no opposition in your state  
3 senator's office, and your state representative's office,  
4 and they don't write a letter to support and say that they  
5 oppose this tax abatement as well, then it's likely to  
6 pass. Because they are going to say you don't vote for  
7 us, so it doesn't really matter to us.

8           So we really need to make sure our elected  
9 officials hear our voice, hear that we are opposed to  
10 this, understand the issues.

11           It's all nice when they are being built, and  
12 when you read it and you talk about how they are going to  
13 have all these learning programs, and pools and  
14 playgrounds. But what happens after you've gotten your  
15 money out of it, after the abatements have stopped and you  
16 have stopped taking care of it. And then it's an eyesore  
17 on our neighborhood.

18           I mean a family of three making \$32,000 a year  
19 as a max cap is not enough money to support the type of  
20 neighborhoods and the type of resources. The crowding of  
21 Huffmeister, we already have traffic backing up to  
22 Huffmeister now.

23           I remember when I moved over here, it used to  
24 be up by Pinemont. Now, I can't even get on the freeway

1 at our intersection.

2           So you talk about adding that development. We  
3 have portable housing on our school campuses. My kids are  
4 three and four, getting ready to enter the school system  
5 and having to be moved around from campus to campus  
6 because of the overcrowding of the schools in moving to  
7 different locations.

8           I think that it's going to cause a burden on  
9 us, as citizens who have been living here, who have been  
10 contributing to the community. And I think that they need  
11 to put it somewhere else.

12           I think that we need to make sure that we talk  
13 to our state senators and state reps. When I talked to  
14 the Senator's office, she said that I was the first person  
15 that had ever contacted her, and this was two weeks ago.

16           We have to make sure that they understand that  
17 we are opposed to this. If we don't have the letters in  
18 and they don't have the supporting documentation, the  
19 school district has already said that they are not going  
20 to take a position one way or the other.

21           We have to take a position and we have to let  
22 them know that we do not want this in our backyard. You  
23 get one, you get two, you get three, you get four. So  
24 it's important that we stop it now.



1 MS. MEYER: Martha Rich? You didn't check  
2 whether you wanted to speak or not.

3 MS. RICH: No, thank you.

4 MS. MEYER: No, thank you? Okay. T. W. Burke?

5 MS. BURKE: Hi. I'm Tracy Burke. I live in  
6 White Oak Landing. I am actually relatively new to the  
7 area. I moved in two years ago. My daughter has attended  
8 Millsap and now she's at Arnold.

9 And I guess the point that I wanted to make is  
10 really to echo the idea that you need to be writing your  
11 state representatives. That's the big key there.

12 And it's not -- I guess my point isn't that I  
13 am opposed to affordable housing. I just think that our  
14 area is not adequately prepared or ready to service  
15 affordable housing needs.

16 We don't have the Metro close to our area. We  
17 don't have the adequate schooling, as already pointed out.

18 And we don't have the medical facilities or the  
19 employment facilities. I think that those are the points  
20 that you need to make.

21 It's not -- I feel that when we're thinking  
22 about this, it's not just about potentially, there's a  
23 higher crime, or this type of thing. It's really that  
24 somebody is just out here to make a dollar.

1           They don't really care about the people that  
2 they are trying to service. If you really want to do it,  
3 then put them in a place that is adequately prepared to  
4 meet the needs. Thank you.

5           MS. MEYER: Alice Milgora?

6           MS. MILGORA: Coming.

7           MS. MEYER: No? Oh, you are coming? Okay.

8           MS. MILGORA: I kind of agree with her but at  
9 the same time, I live in White Oak Springs. So this will  
10 be right behind me.

11           And it concerns me when I have kids and I don't  
12 want people roaming in through my neighborhood. You can't  
13 say they are going to stay in their apartment. They are  
14 going to come out. They are going to wander around, go  
15 down my street. I don't want it, you know.

16           My husband is a police officer for Houston. He  
17 works Second Ward. I hear the horror stories, I see it,  
18 and I hear it. And we moved out because it was a  
19 different neighborhood. It was a nice environment. And  
20 my kids have seen their friends come and go because of the  
21 relocation, the new schools having to be opened.

22           And I'm really opposed against it. I am. He's  
23 away in Afghanistan. He wants to make sure I'm here safe.  
24 Not being worried about what's going on behind my

1 backyard. So I'm opposed to it. And I just want to let  
2 you know.

3 MS. MEYER: Kim Madden? You didn't check yes  
4 or no, so I'm just checking.

5 (No response.)

6 MS. MEYER: Okay. A. Altman?

7 MS. ALTMAN: Did I check yes?

8 MS. MEYER: No, you didn't check anything, so I  
9 just wanted to check with you and make sure. Yes, or no?

10 MS. ALTMAN: Okay, I have one question. I'd  
11 like to know who this gentleman is, sitting over here in  
12 the suit, busily writing notes. Who are you please? You?

13 VOICE: Who am I?

14 MS. ALTMAN: Yes, please.

15 VOICE: I'm Dwayne Hutchins.

16 MS. ALTMAN: And what's your connection with  
17 the project?

18 MR. HUTCHINS: I believe it ought to be  
19 developed.

20 MS. ALTMAN: Are you going to speak and address  
21 us?

22 VOICE: We can't hear the microphone.

23 MS. ALTMAN: Can you hear me now? I'm not very  
24 good at this. This is a developer sitting over here that

1 has not introduced himself this evening. I have asked  
2 twice who he was, and he just sits in the corner, so I  
3 wanted to know who he was.

4 VOICE: Is he in our favor?

5 MS. ALTMAN: Is he in our favor? I don't think  
6 so.

7 I had a question and I wanted to know whether  
8 it would be possible tonight to have a verbal vote, yea or  
9 nay, since this is being recorded. And there may be  
10 people who are not able to come to a second meeting or  
11 able to do another type of voting?

12 And why will it not be acceptable? And I am  
13 also opposed to it.

14 MS. MEYER: I have a few more here that haven't  
15 checked yes or no. Vernon Mize?

16 MR. MIZE: First of all, I want to thank the  
17 Tevlins for all the work that they have done promoting  
18 this thing, to get this done. Secondly, I think  
19 everyone's right here.

20 We have to write our representatives and our  
21 congressmen to get this thing passed. And third, the man  
22 in the green shirt, why did you smirk, when she said that  
23 her husband was in Afghanistan?

24 VOICE: I wasn't smirking when she said --

1 MR. MIZE: I looked right at you, and you  
2 smirked.

3 VOICE: Yes, you did. I looked at you, too.

4 VOICE: No.

5 MR. MIZE: So, again, like I say, please  
6 contact the congressmen. Write them.

7 Petition as many as possible, so we can get  
8 this put down. Thank you.

9 MS. MEYER: Rosemary Moore?

10 (No response.)

11 MS. MEYER: Okay. Nicole Miles?

12 (No response.)

13 MS. MEYER: I have another person that is at  
14 1138 Rock Canyon. I can't read the name, so I'm not sure.

15 (No response.)

16 MS. MEYER: Jerry Griffin?

17 MR. GRIFFIN: No, I think everything's been  
18 said.

19 MS. MEYER: Okay. Judy Norrholm?

20 (No response.)

21 MS. MEYER: Ralph Norrholm? Oh, Judy. Okay.  
22 Sorry.

23 MS. NORRHOLM: Good evening, everybody. I'm  
24 actually from a neighborhood that's probably more affected

1 than anyone else. I live in Oak Cliff Place, which will  
2 be directly across from the new housing.

3 VOICE: We can't hear you.

4 MS. NORRHOLM: I'm sorry, I'll speak -- how  
5 about like that?

6 VOICE: Yes, that's good.

7 MS. NORRHOLM: So my concern is, of course,  
8 with the medical, the schooling, metro, drainage. But  
9 what about the traffic control, coming through my  
10 neighborhood?

11 I've got kids. Lots of kids in Oak Cliff Place  
12 that walk to the school bus every morning. 290 backs up  
13 way past Huffmeister now. So what are they going to do to  
14 get to 1960? They are going to come right through my  
15 neighborhood. What are they going to do about that?  
16 That's all I have to say.

17 MS. MEYER: Ralph Norrholm?

18 MR. NORRHOLM: No, thank you.

19 MS. MEYER: Stella Carroll?

20 (No response.)

21 MS. MEYER: Please turn off your cell phones.  
22 Patricia Penny?

23 (No response.)

24 MS. MEYER: And that's all that I have that

1 didn't check yes or no, or that said yes. Is there  
2 somebody else that would?

3 Okay. We'll start up here at the front, and if  
4 you could come up. Did you sign in sir?

5 MR. FREDERICKSON: Yes, I did.

6 MS. MEYER: Okay. And your name?

7 MR. FREDERICKSON: Barry Frederickson.

8 MS. MEYER: Okay.

9 MR. FREDERICKSON: My name is Barry  
10 Frederickson, and I live in White Oak Landing. And I'm  
11 also concerned with the flooding and whatnot. But I have  
12 one question. This is supposed to be a 30-year funded  
13 program. We're worried about 30 years down the road.

14 What happens when the administrations change  
15 and they decide they don't want to fund this anymore and  
16 they don't want to put it in the budget and it ends up in  
17 ten years they take the money away from them. Then where  
18 are we? Thank you.

19 MS. MEYER: Who's the next person that had  
20 their hand up? Okay, sir. Could you state your name for  
21 the record, sir?

22 MR. WESOLICK: Dan Wesolick. I'm Dan Wesolick.  
23 I've lived in Ravensway for ten years now. I have three  
24 children. One is just recently one month old. I have a

1 child in this school. And I have another child in the  
2 district.

3 My comment would be, we've spoken a lot about  
4 the number of kids that would be in this school. But I  
5 don't know that anyone has really mentioned the type of  
6 education should this project go through. The  
7 overcrowding of the schools.

8 What is that going to do to the student-teacher  
9 ratio. And what kind of education are our kids going to  
10 get? I think you are going to have teachers that are  
11 going to want to leave because they can't handle the  
12 children. I think you are going to have total chaos, not  
13 just in this area.

14 I think you are going to have lots of crime. I  
15 have written a letter already to the Texas Bond Review  
16 Board, Governor of Texas, Lieutenant Governor, and I'm  
17 ready to fight it.

18 I'll fight it with everything I've got. And  
19 you are not going to win.

20 MS. MEYER: Yes, ma'am?

21 MS. WHITFIELD: I'd like to speak.

22 MS. MEYER: Okay.

23 MS. WHITFIELD: My name is Pat Whitfield. I  
24 live in Ravensway. I've been out here since 1990. And



1 when I moved out here, I moved out here because Cy-Fair  
2 was one of the best schools in the state. We have  
3 exemplary schools as everyone knows, who is out here.

4 And that's one of the reasons why we moved out  
5 here, so our children can attend quality schools. But  
6 just like what they've been saying, is they are going to  
7 get overcrowded and overcrowded.

8 It takes awhile for the districts to catch up.  
9 And so, in the meantime, you have overcrowding. You have  
10 teachers that are tired. And funding, we already have  
11 some of the highest taxes on our schools as it is in this  
12 state. And everybody who pays taxes knows that. So  
13 what's that going to do?

14 It's going to make our taxes up even more. And  
15 there have been so many valid things that have been talked  
16 about here tonight.

17 Flooding. I lived out here since 1990. And  
18 two years ago when it flooded so bad, I have water up to  
19 my door and I've never even seen water accumulate in the  
20 street, much less up to my door, almost in my garage.

21 And so these are concerns that the developers  
22 and all these people, once they leave, they don't care.  
23 They want to put in their thing, make their money, and  
24 they are out of here to some place else. Well, let them

1 go someplace else.

2           Please, write your Congressman. We have to do  
3 it. We are the only ones that can do it.

4           Can I have a show of hands who will promise me  
5 you will write letters this weekend, and mail them to  
6 every official that you can? And if you need help, get  
7 with me afterwards. I'll make letters for you. I'll do  
8 them on my PC. I'll copy them. I'll make whatever.

9           We don't want this going in. Because this  
10 would be just number one -- two, three, four, five. Thank  
11 you.

12           MS. MEYER: Did you sign in?

13           MS. OESTRECH: Yes, I did.

14           MS. MEYER: And your name?

15           MS. OESTRECH: Kathleen Oestrech. Hi. My name  
16 is Kathleen Oestrech. I've been in this area for eleven  
17 years. And you all mentioned the overcrowding at the  
18 schools. Well, I'm a bus driver for Cy-Fair ISD, and  
19 we're sitting them three to a seat. Some cases, four.

20           It is crowded. They've staggered the times.  
21 They've backed up the time that the elementary school  
22 begins, so that us bus drivers can make it. I have three  
23 schools to drive for, one right after another. So in your  
24 letters, you all might want to put that down about the

1 overcrowding on the buses.

2           Okay. Thank you. And I'm opposed to it, of  
3 course. Thank you.

4           MS. MEYER: Yes, ma'am? Did you sign in?  
5 Okay, I need to get you to sign in.

6           MS. YOUSCHAK: Okay.

7           MS. MEYER: Please state your name.

8           MS. YOUSCHAK: My name is Cindy Youschak. I  
9 have lived in Ravensway for about six years now. And I've  
10 watched this community develop. And now it's to a point  
11 where I consider it to be overdeveloped.

12           I am opposed to this proposition. And you  
13 know, there's so many valid points that were brought up  
14 tonight.

15           I commute an hour each way to work, every day,  
16 which used to be 35 to 40 minutes, five years ago. And I  
17 know the State has planned the expansion of 290 and all of  
18 that, but these considerations, these properties, all  
19 these things that are being built shouldn't be proposed  
20 until the effects of the building that is currently going  
21 on is resolved. Traffic is just horrible.

22           I mean, I have children that are going to be  
23 entering the school next year. I am concerned about that.

24           I am concerned about all the issues that everybody has

1 raised tonight.

2 Please contact all your representatives, and  
3 let them know of your opposition. Thank you.

4 MS. MEYER: Who was next over here? Okay,  
5 ma'am. Did you sign in?

6 MS. POREDI: Yes, I did.

7 MS. MEYER: And your name?

8 MS. POREDI: Scarlett Poredi.

9 MS. MEYER: Please state your name for the  
10 record.

11 MS. POREDI: Hi. My name is Scarlett Poredi.  
12 I live in Ravensway. I'm here to speak on behalf of  
13 myself and my husband, who by the way is working this  
14 evening because we do not have the benefit of low income  
15 housing.

16 We have to pay all of our taxes. We have to go  
17 down to the tax office to dispute our taxes when they go  
18 up every year. Every year. Every year. It's getting so  
19 where we wonder where are we going to retire? Obviously,  
20 it's not going to be here. We're going to have to move  
21 farther down and commute two hours to go to work, because  
22 we are being driven out of our homes.

23 I chose to come live here from living in the  
24 Loop. I thought this was a great place to raise children.

1 I have a three year old son, and I'm beginning to wonder  
2 if this is where I want him to be and if this is where I  
3 want him to be in school.

4 I do not want a ratio of 30 children to one  
5 teacher. How is he going to learn? What will we do?

6 I want all of you here -- like this lady asked  
7 to promise -- look on the paper that Mr. Tevlin wrote on  
8 the back. These are the people that we put in office.  
9 It's time for them to work for us. We have to tell them,  
10 we will not vote for you and you will not keep your job.

11 Look at this paper. If you need help writing a  
12 letter, call me. I'll be more than -- I'll give you my  
13 number right now. My cell phone number is 281/435-3188.  
14 I will help any one of you who needs help to write these  
15 letters.

16 Each one of these people needs to get a letter  
17 from us. We need to tell them. You want to keep your  
18 seat? Work for us. Do your job. We do ours; we go to  
19 work; we pay our taxes. And we should make the decision  
20 whether we want low income housing in our neighborhood.

21 I, for one, do not. Call me, I'll help you.  
22 Anything you need. We have got to make sure this does not  
23 happen. I don't want to have to move. But I will. Thank  
24 you.

1 MS. MEYER: Anybody else? Over here? Yes,  
2 sir. Did you sign in, sir?

3 MR. JOHNSON: Yes.

4 MS. MEYER: And your name?

5 MR. JOHNSON: Michael Johnson.

6 MS. MEYER: Okay. If you will state your name  
7 for the record.

8 MR. JOHNSON: Michael Johnson, currently living  
9 in Ravensway. Moved here, originally back in '72. I've  
10 seen it kind of grow up a bit. I agree with all the  
11 stuff, the esoterics about okay it's going to get more  
12 crowded. It's going to have more flooding. We're going  
13 to have more crime.

14 We don't have numbers put on that. But  
15 everybody accepts that that is happening. I don't know  
16 that we can stop it.

17 But my big issue is, why is the state or the  
18 federal government or other agencies using our tax dollars  
19 to encourage this growth in this area at this time? We're  
20 growing fine without their help.

21 So people need help. I understand that, and I  
22 would be willing to help them. But not here, not now.  
23 There's got to be other places where this can be used more  
24 towards their benefit. That's all I have. Thank you.

1 MS. MEYER: Yes, sir? Did you sign in, sir?

2 MR. SHIFFLET: No, I didn't.

3 MS. MEYER: Well, you need to.

4 MR. SHIFFLET: I wasn't going to ask a  
5 question, but I'm just going to. My name is George  
6 Shifflet and I live in Timberlake for the last five years.

7 And I wasn't going to say anything tonight, but  
8 I was looking through these flyers. And I have a son and  
9 a daughter that are both young adults and live in and  
10 around the neighborhood.

11 And they are struggling, but they are making  
12 it. But looking at these rents, to me, I don't see a  
13 whole lot of low income. I mean, that's a lot of money  
14 for these apartments. I mean, they're getting that now.  
15 What I want to know is, who is getting the benefit from  
16 this?

17 I mean, it's taxpayer money that we are  
18 building these things. And I don't see the benefit that  
19 low income people are going to be getting from this. And  
20 what I want to know is the developer, how much do they get  
21 out of this? You know what I'm saying? What is the  
22 developer's -- what is their profit margin out of this?  
23 Thank you, and I oppose this.

24 MS. MEYER: Is there anyone else? Yes, ma'am?

1 Did you sign in?

2 MS. OGRODAVICZ: Tammy Ogrodavicz.

3 MS. MEYER: If you could state your name for  
4 the record?

5 MS. OGRODAVICZ: My name is Tammy Ogrodavicz.  
6 I live in Enchanted Valley. I'm not going to say anything  
7 different that no one else has already said.

8 I'm just going to add to the fact that everyone  
9 has talked about the overcrowding at Millsap, and the  
10 overcrowding at Lampkin and the overcrowding on the buses.  
11 Okay. Everybody that moves into these houses aren't  
12 going to have little bitty kids.

13 They are going to have kids all the way up  
14 through twelfth grade. And you have to remember our  
15 junior high and our high schools, they are severely  
16 overcrowded. Cy-Fair High School is overcrowded.

17 We have already built two new senior high  
18 schools just recently. We are in the process of breaking  
19 ground on a third one, not to mention another stadium  
20 that's going to run our taxes up. But you have to  
21 remember that these kids, the new school is going to take  
22 some of the burden off the Cy-Fair.

23 Okay. When this new housing comes in, guess  
24 who is going to get it again? Probably Cy-Fair and



1 Cy=Falls. So that's going to be even more overcrowding.

2 And it's hard enough for the little ones to learn.

3 But when you get at that age, then you're going  
4 to have friction, friction, friction. Thank you, and I  
5 oppose it.

6 MS. MEYER: I think I saw one more hand back  
7 here. Yes, sir? Did you sign in, sir?

8 MR. GINSBURG: Yes, I did.

9 MS. MEYER: And your name?

10 MR. GINSBURG: Bryan Ginsburg. I have lived in  
11 the community for about twelve years. I moved from out of  
12 state. I have three kids in the Cy-Fair school district.  
13 I moved into Houston and specifically moved into Cy-Fair  
14 because of the school district.

15 I called many friends that lived in Houston,  
16 and they said Cy-Fair is one of the school districts you  
17 have to look into. Areas where you want to live. You  
18 know, one of the things they -- I certainly echo all the  
19 comments everyone's made already.

20 There's no reason to really belabor that  
21 particular point, other than telling, as they said, your  
22 congressman. But one of the things they really haven't  
23 talked about either, is when you have companies.

24 And I'll give an example, CITGO is a big

1 company right now that's talking about moving into  
2 Houston. And the City of Houston is talking about giving  
3 tremendous tax abatements to that company to move to  
4 Houston.

5 And I guess, they are talking about some type  
6 of public funding for this particular housing. And if we  
7 looked at the Cy-Fair community, and some of the smaller  
8 commercial enterprises in this area, I guess my question  
9 to this particular development is, when a business looks  
10 at an area where they want to go, HP would be a prime  
11 example, they also look at the talent pool.

12 The labor pool that exists and what is out in  
13 that area that can basically help me want to put my  
14 company in this area. And I don't see, based on the  
15 factors that people have talked about, but also the factor  
16 of, I don't see how this will improve our education based  
17 on the fact that we are going to have overcrowding in each  
18 one of the schools.

19 And now I see we are going to have issues  
20 where, as most of you probably know, Cy-Fair ISD right now  
21 has a funding problem. And they have lost funding from  
22 various state funding and what have you.

23 They have a school that is supposed to be built  
24 and open in 2006. A new high school at Skinner and

1 Jarvis. There's another one they are already saying they  
2 need to be built, and it's probably going to be built two  
3 to three years after. And it's going to need to be built.

4 It's not that they want to build another one. It will  
5 have to be built.

6 But I guess my question is when you look at the  
7 economic climate out here. I don't see how this housing  
8 community is going to improve the labor pool in any  
9 company that wants to bring their business into the Cy-  
10 Fair community and pay tax dollars to help everyone else  
11 in this community.

12 They are going to look at this organization and  
13 say, why do I want to be here because the labor pool, the  
14 school district may lose its exemplary status. And what I  
15 see is companies that are going to say, why do we even  
16 want to be in Cy-Fair? We might as well be in the  
17 Woodlands?

18 MS. MEYER: Your time is up.

19 MR. GINSBURG: Thank you.

20 MS. MEYER: Is there anyone else? No one else?

21 A couple of last things.

22 The public comment period will be open until  
23 April 30th. And that's a Friday.

24 If you have got some of the informational

1 material that I passed, that was on the table over here,  
2 my information is in there. My email address. I would  
3 ask you that if you do email me something, if you would,  
4 in the subject matter, if you will put Pinnacle  
5 Apartments, so I'll know what we are dealing with.

6 With all of the viruses going around, there's a  
7 lot of things that get deleted off before I actually get  
8 to read them and open them up. So if you could, in the  
9 subject matter, just let me know which one you are  
10 addressing.

11 Also, the board meeting, to make a decision for  
12 this particular transaction is on May 13th. That board  
13 meeting will be in Austin, Texas. You are welcome to  
14 attend. It is an open meeting.

15 So that is there. Again, my information is on  
16 the table over there. If you didn't get one, I do have my  
17 business cards that you can also take one of those. It  
18 has the same information.

19 I am going to conclude the hearing at this  
20 time. And let the record show that it is 7:17.

21 VOICE: The developer isn't going to speak?

22 MS. MEYER: Now, hold on just a second. The  
23 developer is here to give a brief presentation.

24 VOICE: This is a public meeting and people are

1 recording. I can take photographs of them, too. Right?

2 MS. MEYER: That's fine.

3 VOICE: Can I ask that the meeting minutes be  
4 extended to include the --

5 MS. MEYER: They are being -- everything is  
6 being recorded. I am just concluding the hearing, the  
7 public comment. The transcript -- my board will hear  
8 everything.

9 MS. GASKIN: Hello. My name is Sally Gaskin.  
10 Can you hear me?

11 VOICE: No.

12 MS. GASKIN: I need to raise it up some. I'm  
13 not sure how to do this. Okay. Is that better? Okay.  
14 Very good.

15 My name is Sally Gaskin, and I am here as a  
16 representative of the developer tonight. You all have --  
17 this is an apartment development that is -- it's financed  
18 with private activity bonds and tax credits, but it is a  
19 private sector development.

20 There is no tax abatement. I'm not sure  
21 whether that was definitely clear tonight. This is the  
22 incentives to, or the way that we are able to offer lower  
23 rents is because of the lower interest rates on the bonds.

24 That's how affordable housing is being

1 incentivized to be developed. And through the tax credits  
2 which come in as equity to the development. So therefore,  
3 there is less debt than the property services.

4 So that's the basis of that financing. This is  
5 a development that is for working families. It's for  
6 every individual household must have an employed head of  
7 household. And so you know, this is primarily what we  
8 have found is that the segment of the population that has  
9 a difficult time finding quality affordable housing are  
10 hourly service employees. And that is specifically what  
11 this housing is geared for.

12 It is for people that are making hourly wages.  
13 They are working in your Walgreens. They are working in  
14 your school system. They are working in your doctor's  
15 offices. They are working in your offices in the  
16 community.

17 You are a growing community. And you do have,  
18 you are experiencing those issues of growth, with school  
19 overcrowding and with traffic. That's happening  
20 everywhere. What's happening though, is that that segment  
21 of the population that really serves, or you know, fills  
22 the employment jobs in your service industry are the ones  
23 that are having a difficult time finding places to live  
24 near their work and near where their children go to

1 school.

2           So what I want to say tonight is, that I know  
3 there are issues that you all have as a community. We as  
4 a developer would be very happy to address issues that you  
5 have regarding flooding; regarding, you know, traffic;  
6 regarding after school programs; regarding how the  
7 development is financed, if you have an interest in that.

8  
9           But we would like to address those issues, or  
10 those questions, those specific questions in writing, to  
11 you. We passed out earlier today, tonight, this evening,  
12 contact information. And if you don't have one of these,  
13 and you need, we will find a way that we can circulate. I  
14 think we had a couple hundred of them passed out tonight.

15  
16           But if you have specific questions regarding  
17 the development that we can answer, we would really like  
18 to do that. We would like to give you all of the  
19 information that you need, that you desire to have  
20 regarding this development.

21           We would also encourage -- if there is an  
22 interest on the part of the community, we would also  
23 encourage a committee, or a small group where we can sit  
24 down with you, and bring our engineer. Bring our

1 architect in, talk to you about our services, the programs  
2 that we provide for kids after school, the adult programs  
3 that we have -- any of those things.

4           This development group has 15 other properties  
5 in this city, and around the city. We will provide tours  
6 to those existing properties, so that you can see.

7           These are quality developments. Every  
8 apartment will have a garage with a private entry from the  
9 garage into their apartment unit. There are, like I say,  
10 class A developments. They are very well maintained.  
11 They have very high standards, management standards. Zero  
12 tolerance standards.

13           And it's a quality place to live. So like I  
14 say, what we would encourage, we are available to the  
15 community if the community desires, like I say, to meet  
16 with us in smaller groups, where we can have the  
17 appropriate professionals at the table to answer the  
18 questions that you have fully.

19           We also will answer any questions that you  
20 have, that you provide to us. We have got a fax number.  
21 We have a physical address and we have an email address.

22           And I think that to appropriately answer your  
23 questions, that is the way we want to do it. Because in a  
24 forum like this, it's very difficult to really fully



1 address the questions in a succinct manner.

2 This way, we know exactly what you are asking.

3 You have our responses in writing. And we stand behind  
4 those responses to you. Thank you very much.

5 MS. MEYER: Yes, sir? Yes, you will need to  
6 come up here if you have a question.

7 Now, the developer has stated that if you have  
8 questions for the developer -- I mean, if it's basic  
9 information, I'll try to answer those as best as possible.  
10 The developer does prefer to answer their questions in  
11 writing.

12 Just to make sure everything is communicated  
13 effectively. But if you have a question for me, I'll be  
14 glad to answer that.

15 MR. COKER: Howdy. My name is Lloyd Coker. I  
16 just moved here. I've lived in this community two weeks.

17 I was very shocked when I heard this. I moved out of an  
18 apartment in Cypress. I was paying \$670 a month. And  
19 these are only \$621 a month. I don't see a benefit to  
20 anybody there.

21 And the apartment complex could never keep 100  
22 percent occupancy. So they cut deals like one month rent  
23 free, and they still couldn't fill it up. So there's no  
24 need for this apartment complex to be low income, anyway.

1 If you want to build one, it's the same rates they're at  
2 right now. All you are doing is getting a big old tax  
3 break. So that's it.

4 MS. MEYER: Okay. If you will remember, public  
5 comment is not open any longer. So if you have a  
6 question, that's what we are doing now. The comment  
7 period is actually ended. I just wanted you to know that.

8 Yes, sir. If you will come to the microphone?

9 VOICE: The lady said that the apartments are  
10 very nice. They are going to be like an addition to our  
11 neighborhood.

12 If they are that much, I'm going to ask you the  
13 question. Where do you live? I'll find you a piece of  
14 land to put those apartments in your neighborhood.

15 MS. MEYER: Yes, ma'am?

16 VOICE: I was reading through the information  
17 that was handed out and it says a one-bedroom maximum, 60  
18 percent rent. So what do you mean by maximum? And how  
19 many people will fall, or do you expect to fall within  
20 paying the maximum and how many? I'm trying to understand  
21 more of what is maximum?

22 Does that mean that you are making 36.6? And  
23 how many people do you expect to be making 36.6 versus  
24 26.6. And then, what would their rent be? So how is that

1 scale working, in terms of paying the maximum for whatever  
2 type of unit?

3 MS. MEYER: Okay. Hold on a second and I will  
4 give you that information. The rents that I read out, in  
5 your flyer, there has been an adjustment in utilities.

6 So the rents are just a little bit different.  
7 What I actually read at the beginning, hold on just a  
8 second. It was \$621 for a one-bedroom. \$742 and \$854.  
9 It's just a little bit less, we're talking a few dollars.  
10 But there has been a difference in utility allowance.  
11 And that does adjust the gross rent.

12 The rents are based on family income. So if  
13 you have a family of four, they can't make more than 36.6.  
14 Okay?

15 VOICE: Is that combined?

16 MS. MEYER: That is combined total family  
17 income. Okay. If you have a family of three, it's  
18 \$32,940. If you have a family of two, it's \$29,280. If  
19 you have a family of five, it's \$39,540. Those are based  
20 on income limits that are set by Housing and Urban  
21 Development.

22 And those are set by HUD. And that's the  
23 incomes that we used. And that's what our monitoring  
24 compliance and monitoring department actually monitors

1 for.

2           You? Okay, the rent that I gave you does not  
3 include utilities. That is a net rent.

4           MS. GASKIN: I'm saying that as a developer,  
5 there should be, or I know that in all the business models  
6 in corporate America that I've worked in, we can say we  
7 expect, or we would hope that we could rent them all out  
8 at maximum. But we are sure that we are not going to get  
9 everybody in at the maximum rent.

10           So what do we consider to be the average rent  
11 that you are going to get per unit? You aren't saying  
12 that everybody is going to pay 60 percent. That's  
13 unrealistic.

14           MS. MEYER: All right. I don't have all that  
15 information available to me right this minute. So you are  
16 going to have to send that question to me in writing, or  
17 to the developer because I can't answer that question off  
18 the top of my head. So I'm sorry I can't answer that  
19 question for you, but I can't.

20           Yes, ma'am?

21           VOICE: Yes. I have a question for the  
22 developer. Nobody ever wants to invest money, unless they  
23 do a lot of studies ahead of time to know how much they  
24 are going to have to invest, how much the property is, and

1 expectations of the return on net capital employed.

2 And my question is, how much does the developer  
3 think he is going, which is you, is going to make on this?

4 And how much are you going to invest from the development  
5 company itself?

6 Two questions: How much are you putting in?  
7 And how much profit are you going to make when this deal  
8 is done? Did you all not do that before you bought this  
9 land? To me, that's a pretty simple question. And I  
10 wouldn't go to the grocery store if I didn't know how much  
11 I was going to spend.

12 MS. MEYER: Okay. The developer has told you  
13 that they will answer your questions in writing. They  
14 have requested that.

15 Ma'am, I'm not going to get in a shouting match  
16 with you. And I'm not going to argue with you. I'm just  
17 telling you, that's what they've requested. That's what  
18 we're going to go by.

19 If you have a question for me that I can  
20 answer, I'll be glad to do that. Yes, sir?

21 VOICE: You're with the State. What guarantee  
22 do we have that these 30-year bonds are actually going to  
23 go for thirty years, and the administration won't change,  
24 and they won't decide that they want to not fund it

1 anymore?

2           Do we have a guaranty that it actually go, or  
3 will they say that we don't have money? I'm asking a  
4 representative of the State here, what is our guarantee  
5 that these bonds that all of this is going to be funded  
6 for the full 30 years.

7           Do we have a guarantee or will the  
8 administrations change, and should they decide in ten  
9 years that they can't afford in their budget. There are  
10 budget cuts that they decide they can't fund these  
11 projects anymore. And they take their money off the  
12 table, and then we're stuck after ten years with nobody  
13 funding it. And the project with people over here that  
14 decide they don't want to put money into it. And it goes  
15 downhill faster.

16           MS. MEYER: As I stated, in my presentation to  
17 begin with, there is a 30-year compliance period, that is  
18 actually put into a land use restriction agreement. That  
19 is an affordability period.

20           As far as guarantee that nothing will ever  
21 change in the future, I can't guarantee you that. And  
22 nobody else can.

23           VOICE: Exactly. Thank you.

24           MS. MEYER: Yes, ma'am? This lady was here

1 first.

2 VOICE: Hi. So if people who make more than  
3 this, they can't get an apartment there?

4 MS. MEYER: That is correct?

5 VOICE: Why?

6 MS. MEYER: Because it is an affordable complex  
7 and it is --

8 VOICE: We can't hear you.

9 MS. MEYER: The question is, if they make more  
10 than those stated incomes, can they live there. And the  
11 answer is no. That is a family income for the  
12 development. And that is an affordable development. And  
13 it is restricted to persons that make 60 percent or less  
14 of area median income.

15 VOICE: I have a question for the development  
16 team. Let me think about this for a second.

17 You have heard all of the negative comments  
18 from everybody here that are in opposition to your  
19 bringing this development in. I'd like to know how you  
20 can speak to us and tell us what are the positive benefits  
21 of having this going into our community?

22 It's a win-win situation; it's supposed to be.

23 You are wanting to come in and be friends to the  
24 community. But what are you going to do to take away all

1 the negative feelings that the community has about this  
2 project going into place? What is the benefit of this  
3 coming here into this community is the bottom line  
4 question?

5 MS. MEYER: Do you want to address it now?

6 VOICE: Can you address any of our questions?

7 VOICE: Tell you what. I'll answer that. I  
8 think I can, because I've lived here ten years.

9 I've seen taxes go up. I've seen my property  
10 values go up. But I have a feeling that once you put this  
11 thing in down the street, and it's approved --

12 And it's going to sit pretty for awhile. And  
13 then the riff-raff is going to begin. And you are going  
14 to see for sale signs here. And not only are you going to  
15 have a low income housing project there, but you are going  
16 to have a low income subdivision there. That's what is  
17 going to happen. If this goes through, you are going to  
18 have --

19 And this whole area is going to be destroyed.  
20 It's going to be Greenspoint all over. All over. Too bad  
21 you can't speak, because you have a nice grin.

22 MS. GASKIN: Let me say that the questions that  
23 you are asking are not simple one-sentence responses. The  
24 long term maintenance of this development is, we put into



1 reserve accounts, monies that build up and that are used  
2 for the long term maintenance of the development.

3           Those are escrowed with third party trustees so  
4 that the funds are there when the development needs the  
5 new roof, or the new paint, or those kinds of things. And  
6 again, what the reason that we would like to have your  
7 questions in writing is so that we can give you a full  
8 response to that.

9           So that you can understand about the reserves.

10          And we can give you specifics about the reserves. And  
11 those kinds of things, so that it's a much more complete  
12 answer for you. It's more information for you. It's more  
13 educational. These are very complicated financing  
14 mechanisms. This is a development that's going to cost  
15 over \$21 million.

16           VOICE: Excuse me for interrupting, but you're  
17 insulting us.

18           VOICE: You are insulting our intelligence.

19           VOICE: You are insulting our intelligence  
20 here. We can talk to you, and you can explain all those  
21 things. And you are going to stand up there with your  
22 development and explain those things to us.

23           Listen to me. If you are going to say that you  
24 are going to write to each one of us, you are joking

1 because you are not going to do that.

2 MS. MEYER: Sir, you are going to need to sit  
3 down. At this point, I'm not even going to get in an  
4 argument with anybody. And I'm not going to have  
5 everybody attacking anybody else here.

6 So at this point, the hearing is now over. And  
7 you are -- you can come up and ask me personally, ma'am.  
8 The hearing is now concluded.

9 (Whereupon, the hearing was concluded.)  
10  
11

12 C E R T I F I C A T E  
13

14 MEETING OF: TDHCA TEFRA Hearing - Pinnacle Apartments  
15 LOCATION: Cypress, Texas  
16 DATE: March 10, 2004

17 I do hereby certify that the foregoing pages,  
18 numbers 1 through 57, inclusive, are the true, accurate,  
19 and complete transcript prepared from the verbal recording  
20 made by electronic recording by Sue J. Brindley before the  
21 Texas Department of Housing and Community Affairs.

(Transcriber) \_\_\_\_\_ 03/22/04  
(Date)

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



**TEXAS HOUSE OF REPRESENTATIVES**

**Corbin Van Arsdale**

District 130

March 11, 2004

**RECEIVED**

**MAR 15 2004**

Multifamily Finance

Dear Ms. Meyer:

In September of last year, I received notification of an application proposing an affordable housing development by Pinnacle Apartments, L.P., in the 10500 block of Huffmeister Road, in my district. Recently, I have begun hearing from constituents and Homeowners' Associations in the area about this development. They give many reasons why they oppose this new development, but I'd like to stress two in particular. The first is the lack of demand for this type of housing. In a letter from Mr. Lewis Hill, President of the Ravensway Saracen Park Home Association, he brings up the fact that there are five apartment complexes within 1.2 miles. One of these very new developments is the same size as the proposed complex, and is not even 10% full. He also adds that another complex is being built only 1.5 miles from the proposed complex. The rents in existing area apartments are comparable to those in the proposed development.

The second reason I'd like to stress is the impact of this proposed development on nearby White Oak Bayou. Due in part to rapid growth and development, my district has been especially hard hit by flooding in recent years. People living in the neighborhood have legitimate concerns about flooding and the ability of White Oak Bayou to contain the run-off from the proposed apartment complex.

Committees: Urban Affairs (Vice Chair) • Insurance

CAPITOL OFFICE: P.O. BOX 2910 • AUSTIN, TEXAS 78768-2910 • (512) 463-0661  
DISTRICT OFFICE: 12777 JONES ROAD • SUITE 175 • HOUSTON, TEXAS 77070 • (281) 469-9130

Ms. Robbye Meyer

Page 2

March 11, 2004

Naturally, overcrowding of the schools and congestion on area roads are also legitimate issues that my constituents have brought to my attention.

Because of these compelling reasons, I am writing to express my opposition to these developments.

Sincerely,

*Corbin Van Arsdale*  
*CSG*

Corbin Van Arsdale

Ms. Robbye Meyer

Multifamily Bond Administrator

P. O. Box 13941

Austin, TX 78711-3941

cc The Honorable Jon Lindsay

Ms. Edwina Carrington

Ms. Elizabeth Anderson

Mr. William D. Henson

Mr. Lewis Hill

Mr. and Mrs. Peter Tevlin

Ms. Ingrid Robinson

Kim Tevlin - HOA Board President  
White Oak Landing  
Section 3 Community Improvement Association  
10807 Oak Acres  
Houston, Texas 77065

April 30, 2004

Brooke L. Boston  
Director of Multifamily Finance Production Division (Neighborhood Input)  
Texas Department of Housing & Community Affairs  
507 Sabine - Suite 400  
Austin, Texas 78711-3941

RE: Pinnacle Apartments, 10500 Huffmeister Rd., Houston, Texas

Dear Sir,

The purpose of this letter is to formally notify TDHCA that the White Oak Landing Section 3 Community Improvement Association states its unified opposition to awarding Tax Exempt Mortgage Revenue Bonds and Housing Tax Credits for financing the proposed multifamily residential community known as Pinnacle Apartments.

White Oak Landing is a neighborhood of 324 homes and is located on the East side of Huffmeister approximately 0.4 miles from the proposed Pinnacle Apartments.

We submit that there is absolutely no demand for this type of housing along the Huffmeister corridor and therefore TDHCA supportive financing for this apartment complex is unwarranted.

We contend that the chosen location is inappropriate for the proposed multifamily residential community for the following reasons:

- ∅ The closest medical care facility is 3.4 miles from the proposed site.
- ∅ Public transportation is not available in the immediate area.
- ∅ Huffmeister Road is not equipped with sidewalks to accommodate pedestrian traffic. This may cause a hazard as pedestrians walk along major streets without sidewalks.
- ∅ This development is presumed to introduce an increase in demand on public works and services such as additional law enforcement officers, fire fighters, EMS personnel, school district teachers and support staff, social services workers, medical facilities (within walking distance), flood control structures, and street and sewage maintenance.
- ∅ Area schools currently have portable buildings on campus because enrollment exceeds capacity. The subsequent increase in student enrollment would further overcrowd the schools and negatively impact our children's education.
- ∅ The closest grocery store is 1.7 miles from the proposed apartments.
- ∅ The closest Public Park is 3.1 miles distance from the proposed apartments.
- ∅ The community surrounding the proposed project is a dormitory type of community with only schools & churches nearby, therefore offers no significant employment opportunities of any quantity.

Additionally, Ms. Robbye Meyer has received 1941 opposing signatures on a petition which was distributed throughout the surrounding neighborhoods.

274 White Oak Landing residents signed the opposition petition to the Pinnacle Apartment project. These signatures are an expression of opposition to the project and demonstrate the importance of these major concerns, listed on the petition, as considered by the local community:

1. Lack of Public Transportation.
2. Lack of job opportunities.
3. There is no unmet need for low income housing in this area.
4. The construction of such apartments does not contribute to the social or economic welfare of low-income residents in this community.
5. Lack of adequate medical facilities.

Our objection to the proposed development is not with the potential residents of Pinnacle Apartments. We are a diverse and multi-ethnic community made up of individuals of varying economic abilities. In fact, there are many affordable homes available for rent or purchase in our neighborhoods that individuals within the income limits served by this proposed project could afford also negating the need for the proposed development at this time.



Furthermore, our great concern with the manner in which this project was presented to the community at large and the further actions of the developer since cannot be understated.

We question the intent of Mr. Henson and Mr. Ford with regards to their project complementing the community. If their intent was to contribute to the community in terms of good neighbor relations, community involvement and adding value, there is no evidence of this in their actions or proposal. They made absolutely no attempt to contact the community and discover our opinion, desires or needs prior to the (required by regulation) placement of the notice sign on Huffmeister Rd.

It is the concerted opinion of the residents White Oak Landing that construction of the Pinnacle Apartments project will not benefit the community. This is evidenced by the fact that over 200 concerned area residents responded to the notice sign and appeared on March 10<sup>th</sup> at Millsap Elementary, almost summarily to express their opposition to it. While the required forum was carried out, the effectiveness of the meeting was negated by the inaction of the developer who was present but not responsive to our concerns.

Similar to their inaction prior to the meeting, out of fear “it would only seem self serving”, they did not introduce themselves when they had opportunity on March 10th. While they did write to explain why they didn’t answer questions at

the meeting, their emphatic statements that they would answer questions they received in writing weren't followed by action on their part.

The transcript of (our concerns and questions at) that public meeting was made available on March 26<sup>th</sup>. They've never answered these questions or addressed the concerns that the community presented at the public meeting, even after we excerpted the many questions from the transcript and sent them to Mr. Henson and Mr. Ford. With this display of indifference as an indication of their regard for the community, what opinion but doubt are we to have for future harmony in our community with their apartment complex as neighbors?

Somewhat to their credit, they did invite us to *come to them* and see another of their projects nearby, which my husband did visit. They did invite us to organize a meeting *for them to come to* but, even though it would gain positive points, they haven't *come to us* by organizing any kind of get-together type meeting where they could interact with the community.

Our neighborhood web site has a page devoted to reporting and receiving community input on this issue that has received almost 1900 hits:

<http://www.whiteoaklanding.com/apartment-issue.htm>

The developer was welcomed to place information on this site. In fact, their public meeting handout was posted there March 11<sup>th</sup>. Their invitation to visit their other complex was posted there March 15<sup>th</sup>, when received. Text posted there 3/26 reads: **Pinnacle will gladly make arrangements to meet with anyone interested or concerned about this project. Just ask Jana or anyone @ 713-334-5514.** They had ample opportunity and a forum that concerned people were referring to where they could have placed information and invitations for community involvement. We also have a community newsletter which was not accessed.

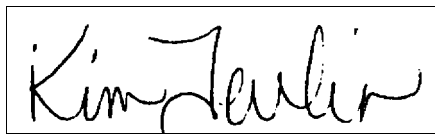
By the way, I invite and encourage members of the panel considering approval of this matter to please visit the web page noted above and review over 50 contributions and comments made by concerned community members about this project.

If the unified voice of the community is not respected because our negative points just don't add up versus their positive points blitz (and the obvious and stated approval preference of the representatives of TDHCA), and funding is approved for this project, perhaps this letter describing our unified opposition to the this project and the way it was presented and handled by Mr. Henson and Mr. Ford will be effective in changing their method of operation for the future, for the betterment of other communities.

We know we can't pick our neighbors, but in this matter we have a voice because community funds are requested to help accomplish the proposed project. We can only hope our voice, along with that of our Texas State Representative, Mr. Corbin Van Arsdale, won't be ignored and the developer will be told no; try again if you like, but do it better.

Please seriously consider this input and disapprove funding for the Pinnacle project, thank you!

Sincerely,

A rectangular box containing a handwritten signature in black ink. The signature is written in a cursive style and reads "Kim Tevlin".

Kimberly A. Tevlin

281-955-7345

Board President

White Oak Landing

Section 3 Community Improvement Association

In accordance with the Submission Requirements of the TDHCA Guidelines for Quantifiable Community Participation, please see enclosed:

€ A copy of our Civic Association Notification Registration Form which was recorded on February 27, 2004 at the City of Houston Planning and Development Department.

€ Maps to show the exact locations of the Proposed Pinnacle Apartments and its close proximity to the White Oak Landing Organization Boundary.

And to further document our neighborhood organization status I have included:

€ A copy of the White Oak Landing Homeowner's Association Board Meeting agenda and minutes, dated February 19, 2004,

€ A copy of the cover pages of our:

- Association Articles of Incorporation and
- Declaration of Covenants, Conditions and Restrictions.

received

107 2-27-04

# CIVIC ASSOCIATION NOTIFICATION REGISTRATION FORM

City of Houston

Planning and Development Department

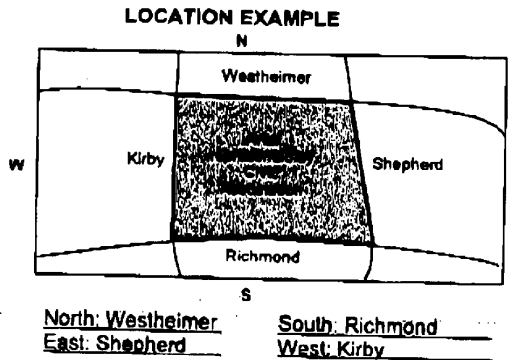
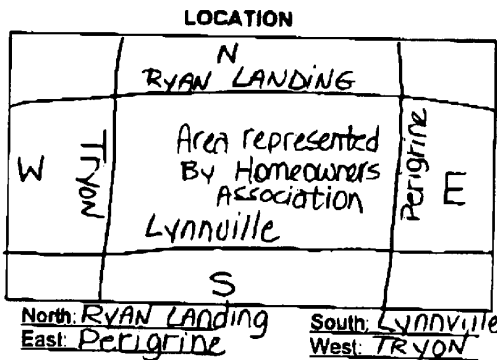
Write Us @ PO Box 1562, Houston, Texas 77251-1562  
Fax Us @ (713) 837-7923

Telephone Us @ (713) 837-7932  
Email Us @ CivicUpdate@pd.ci.houston.tx.us

### PURPOSE:

New development within the city of Houston must comply with certain rules spelled out in Chapter 42 of the City's Code of Ordinances unless a variance (special exception to the rules) is obtained from the Planning Commission. Whenever a variance or special exception is requested, property owners within 250 feet and properly registered civic associations must be notified so that they are aware of the opportunity to speak to the Planning Commission before a decision to grant or deny the variance is made. To properly register your civic association for notification of variance requests, completely fill out this form and send it to the City of Houston Planning & Development Department at the above mailing address or fax number. Remember to submit a new form whenever the contact name, address or other information changes.

- CIVIC ASSOCIATION NAME:** White OAK Landing
- CIVIC ASSOCIATION REGISTRATION ADDRESS:** Contact Person: Kim Tevlin  
Street Address (or P.O. Box): 10807 OAK ACRES Apt/Suite #:  
City: HOUSTON TEXAS Zip Code: 77065 Telephone: 281-955-7345
- GENERAL INFORMATION:**  
Civic Association Email Address: whiteoaklanding@yahoo.com Fax #: 281-955-7345  
Website: www.whiteoaklanding.com Next Officer Election Date: October 2004  
Regular Meeting Date: 3RD Thursday  None  Monthly  Quarterly  Other:  
Names and Positions of Officers: NATHAN GASKILL - Vice Pres. JANET ANGST - Treasurer  
(Other than Registrant) BARRY FREDERICKSON - Secretary TONY REYES - member  
AT LARG
- DOCUMENTATION ATTACHED:**  
 501(c)3  By-laws  Other Meeting minutes from Oct. 14, 2003  
(Example: meeting minutes)
- LOCATION:** Subdivision Name: White OAK LANDING  
Key Map: (Example: 493L) 368U Council District #: N/A  
Super Neighborhood #: N/A Super Neighborhood Name: N/A  
**Boundary:** Use street names to identify area within boundary:



received  
2-27-04

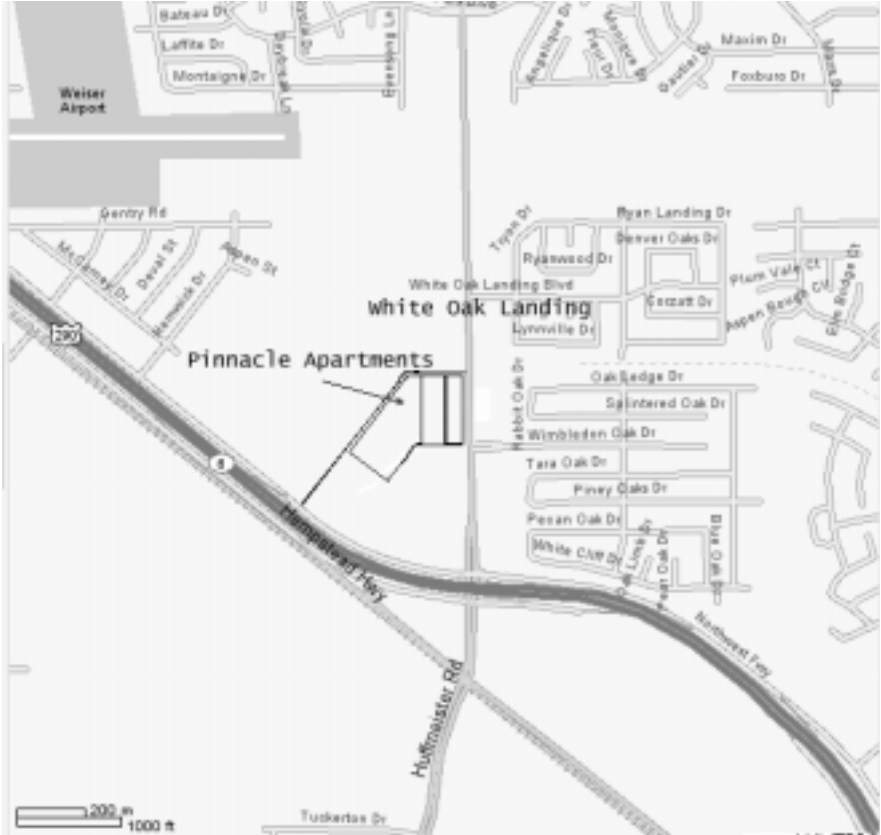
6. **AUTHORIZED SIGNATURE:**  
Kim Tevlin  
SIGNATURE

HOA BOARD President  
POSITION

2-15-04  
DATE

Revised 6-1-03

The White Oak Landing Organization Boundary as it relates to the proposed Pinnacle Apartments location.



The White Oak Landing Organization Boundary as it relates to the proposed Pinnacle Apartments location.





WHITE OAK LANDING HOMEOWNER'S ASSOCIATION  
BOARD MEETING AGENDA  
February 19, 2004  
ORDER OF BUSINESS

- a) Homeowner Forum
  - 1. Call to Order
  - 2. Adoption of Agenda
  - 3. Disposition of Minutes
    - 3.1 November 27, 2004
  - 4. Financial Review
    - 4.1 Statement ending January 31, 2004
    - 4.2 Accounts Receivable
  - 5. Administration Report
  - 6. Committee Report
    - 6.1 Pool Contract Renewal
    - 6.2 Security
    - 6.3 A.R.C.
    - 6.4 Social Events
  - 7. Additional Business
    - 7.1 Proposed Multifamily Complex
    - 7.2
  - 8. Next Meeting Date ( March 18, 2004 )
  - 9. Adjournment

**WHITE OAK LANDING, SECTION III, INC.**

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF THE WHITE OAK LANDING, SECTION III, INC. ON JANUARY 27, 2004 AT 10807 OAK ACRES HOUSTON, TEXAS 77065**

**Directors Present:**

Kim Tevlin  
Barry Fredrickson  
Nathan Gaskill

**Directors Absent:**

Janet Angst

**In Attendance:**

Ron Lake representing the managing agent, Association Management, Inc.

**Call to Order:**

Due notice of the meeting having been given and a quorum being present, the meeting was called to order.

**Adoption of Agenda:**

The agenda was adopted as presented.

**Disposition of Minutes:**

The minutes of the meetings held on October 14, 2003 were approved.

**Financial Review:**

The Board reviewed and accepted December 31, 2003 financial report

**Accounts Receivables:**

The Board reviewed the accounts receivables

**Administration Report:**

**Pool Tags**

The Board was advised that pool tags for the 2004 season are ordered pins attached and numbered.

**Deed Restriction Sign**

The Board requested a deed restriction sign be ordered for posting at the front of the property.

**Committee Reports:**

Pool / Park: - Ron and members of the board will meet to inspect the pool at least 2 weeks prior to the next meeting and give a report on needed repairs at that time.

Security: Nathan reported the incidents in the preceding 30 days

A.R.C.

Social Events – The community garage sale is scheduled for March 26 & 27. Advertisements and signs will be submitted and post at the appropriate times prior to the event

**Additional business:**

Proposed Multifamily housing – The Board discussed information obtained regarding projected multifamily housing to be erected near the community. The board is looking *into joining other communities in the area and protesting the projected complex.* Ron will forward possible resources of people whom have address similar complexes successfully in the recent past.

**Scheduling of the next meeting:**

The next meeting of the Board will be February 19, 2004 at Barry Fredricksons' home.

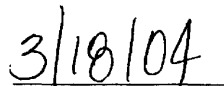
**Adjournment:**

There being no further business to discuss, the meeting adjourned.

APPROVED:



Chairman



Date

FILED  
In the Office of the  
Secretary of State of

AUG 22 1985

Clerk I-B  
Corporations Section

ARTICLES OF INCORPORATION

WHITE OAK LANDING, SECTION III COMMUNITY IMPROVEMENT  
ASSOCIATION

In compliance with the requirements of Texas Non-Profit Corporation Act, the undersigned, all of whom are residents of WHITE OAK LANDING, SECTION III, and all of whom are of full age, have this day voluntarily associated themselves together for the purpose of forming a corporation not for profit and do hereby certify:

ARTICLE I

The name of the corporation is WHITE OAK LANDING, SECTION III COMMUNITY IMPROVEMENT ASSOCIATION, hereafter called the "Association".

ARTICLE II

The principal office of the Association is located at 515 Post Oak Boulevard, Suite 830, Houston, Texas 77027.

ARTICLE III

C. Michael Lucas, whose address is 515 Post Oak Boulevard, Suite 830, Houston, Texas 77027, is hereby appointed the initial registered agent of this Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence lots and common area within that certain tract of property described as:

WHITE OAK LANDING, SECTION III, being 0.0264 acres out of the W.M. Jones Survey A-489, Harris County, Texas; and

to promote the health, safety and welfare of the residents within the above described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for this purpose to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the office of CML INTERESTS, INC., and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length.

(b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

CF# 9066045 AS

MS17289

187-79-1742

08296302/

DECLARATION

OF 09/13/90 00172825 MS17289 3 47...

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

WHITE OAK LANDING, SECTION III

THE STATE OF TEXAS §  
COUNTY OF HARRIS §

This Declaration, made on the date hereinafter set forth by WHITE OAK LANDING JOINT VENTURE, hereinafter referred to as "Declarant".

W I T N E S S E T H

WHEREAS, Declarant is the Owner of that certain property known as WHITE OAK LANDING, SECTION III, a Subdivision in Harris County, Texas, described as follows:

4/7  
8

Lots 7 through 40, Block 3; Lots 2 through 61, Block 4; Lots 1 through 25, Block 5; Lots 1 through 16, Block 6; Lots 1 through 59, Block 7, Lots 48 through 67 and Lots 73 and 74, Block 8 of White Oak Landing, Section Three, an addition in Harris County according to the map or plat thereof recorded in Volume 327, Page 39, of the Map Records of Harris County, Texas.

WHEREAS, it is the desire of the Declarant to place certain Restrictions, Covenants, Conditions, Stipulations and Reservations upon and against the above-described Lots in WHITE OAK LANDING, SECTION III in order to establish a uniform a plan for the development, improvement and sale of such property, and to insure the preservation of such uniform plan for the benefit of both the present and future Owners of Lots in said Subdivision;

NOW, THEREFORE, Declarant hereby adopts, establishes and imposes upon those above described Lots in WHITE OAK LANDING, SECTION III and declares the following Reservations, Easements, Restrictions, Covenants, and Conditions, applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the land, which reservations shall run with the land and shall be binding upon all parties

AFTER RECORDING:  
HOLD FOR 1  
CHARTER TITLE COMPANY  
OF ~~HOUSTON~~

A summary of the Meeting held at Ravensway Community Center February 11<sup>th</sup>, 2004 regarding the Affordable Housing proposals in the area.

Everyone entering was asked to sign-in and provide contact information.

The meeting began with introductions:

Paige Hopkins of Ravensway

Lewis Hill of Ravensway

Pete & Kim Tevlin from White Oak Landing

Tess Zimmerman, President of Mayde Creek Community Acting Together

Bob Kendrick from Harris County Precinct 3

Bob Kendrick spoke first and said:

6 construction bond projects have been filed in the Huffmeister corridor recently,

1 is a THDCA filing and that is the focus of the public meeting March 10th. There are two located at Birdcall and Huffmeister.

There is a lottery held and a developer may get selected and 10500 Huffmeister is one that was selected high in the list.

The Commissioners and Counties have influenced the process in Texas so the school board and subdivisions are to be notified, and have a say, via a public meeting.

A developer proposal on the Northeast corner of Birdcall has been withdrawn so that proposal is stopped. A developer also won a high lottery number on Cypress N. Houston, west of Huffmeister.

The Precinct has a web site to get the lottery numbers showing what developer has won a lottery. However the data may not be updated (the latest).

The purpose of these bonds is to provide the least of us the opportunity to have affordable housing. Commissioner Radack supports this effort and good projects to rehabilitate housing get his support and there have been successes, some also get his opposition. The Commissioner evaluates these and at some sites has recommended they be denied. The precinct is also setting up an information phone line at their west side office with a recorded message of the latest info.

The Precinct 3 web site [www.Pct3.hctx.net](http://www.Pct3.hctx.net) will soon have a link for affordable housing and they are working on a new E-newsletter for precinct information dispersal (about 1 Month). They're creating a speaker bureau to also inform the public (by this summer).

Of 6 applications there were two others withdrawn on Addicks Satsuma and Queenston.

Paige has attended a Harris County hearing recently.

In Harris County a proposal eventually gets to Commissioners Court if they get a public hearing, we must be able to present our case against the issue and make that heard to the voting board. The Commissioners appreciate articulate and reasoned responses and arguments.

Q. Are these proposed buildings being built on tax credits or private bonds?

A. The developer is requesting private bond money assistance to build them. Some residents will get tax credits and other assistance.

Q. What is the radius of the area around a project developers are required to notify the area homeowners?

A. There has been a change in regulations saying if you had a project given funding you can't apply within one mile of it for another. It is 1.2 miles between Birdcall at Huffmeister and 10500 Huffmeister. The Q. was not really answered, it's not clear.

**2-25-04 - Per Robbye Meyer:** *The radius is whatever the local zoning notification states. If local zoning notification is 500 feet then it is 500 feet. If there is not a local zoning notification then it is 1000 feet.*

This raised a discussion about the range of the area around one of these projects where people should be concerned. In other words, how close do you have to live to make a valid argument? The consensus of the discussion was that anyone interested (within reason, not Baytown residents for example) can get involved in the decision.

Q. Could you define the boundaries of the projects?

A. I do not know the specific project boundaries. The Birdcall street proposal that was withdrawn is the Northeast one (nearer Millsap) and the project at southeast corner is a Trammel Crow proposal and is low on the list (lottery result).

Someone mentioned that a recent consultants report said because of low interest rates it's more attractive for folks who need affordable housing to move into single family dwellings they can eventually own; they are more attractive now than ever.

Tess Zimmerman clarified that Senate Bill 264 said that the only concerns that are given valid voice in the decision process are those organizations that register with the ~~Secretary of State and the City of Houston~~ (required for them to be recognized as a valid entity). The form:

[http://www.ci.houston.tx.us/departme/planning/planning\\_dev\\_web/forms/CivicAssocForm1.pdf](http://www.ci.houston.tx.us/departme/planning/planning_dev_web/forms/CivicAssocForm1.pdf)

**2-25-04 - Per Robbye Meyer: SB 264 states the organization must be registered with the County or State. The Department requested developers be more due diligent and request organizations that are listed with city clerks.**

The arguments get positive and negative points assigned and weighted based on input from valid organizations (registered with City). The highest weighted opinions are those with quantifiable data that compares what exists to what would come if the project goes through.

Paige Hopkins mentioned her involvement with the school PTO and said if you change the school dynamics maybe the school cannot function well and perhaps the proposal should be opposed because of this. But, this must be researched – get on a committee to help do this research!

Bob Kendrick said the Commissioners want the argument information to be submitted the way the state requires it. Try to gather as fully researched information to support your stance. It may be useful in the future to have this data in case of a reoccurrence of a proposal; you'd just need to update basic facts.

Paige Hopkins said at the March 10th Pinnacle Apartments hearing that it's important that as many fill out the sign-in sheet at the meeting even if you cannot stay. You can state your position on the proposal on the sign-in sheet.

Lewis Hill announced the creation of a web domain named [WWW.CYFAIR.INFO](http://WWW.CYFAIR.INFO) and an email address [INFO@CYFAIR.INFO](mailto:INFO@CYFAIR.INFO) to use as the focal point for the research and committees.

Suggested committees to investigate:

- Traffic congestion
- Job impact
- Is there a demand for multifamily dwellings?
- School over crowding
- Property value decrease as a result of above
- Crime increase as a natural result of population growth
- Flood impact to white oak bayou
- Loss of green space
- Overcapacity at medical facilities

Committee volunteer sheets were provided in the back of the room. An opposition petition was also made available to sign.

Pete Tevlin from White Oak Landing announced he has created a web page for information dispersal and public commentary at <http://www.whiteoaklanding.com/apartment-issue.htm>.

Lewis again asked for signups to prepare the information and get involved on the committees researching the info needed. The need for volunteers to head up or help with the focus groups is important. SIGN UP TONIGHT OR ON THE [WWW.CYFAIR.INFO](http://WWW.CYFAIR.INFO) WEB SITE SOON!

The other Birdcall proposal may come to the top within a year and even if it isn't Tess mentioned she had looked into the history of the lottery result sheets and some of the applications have been sitting open for as long as 9 years.

TDHCA has single family bonds also and few have asked for them because the interest rate was so low so money was left over and about \$300 million went back into the pot.

If you are interested then get involved and get research done on your area so a lot of info is available.

Tess Zimmerman said if you defeat one proposal soundly, odds are good the developers will go somewhere else. Important for everyone to get in touch with your representative and other civic leaders!

Comment made: In one consultants study, the property values did not go up.

Texas has put in protections to prevent detrimental projects from being built without notice. The letters to area HOA's and Public meetings and the road sign are indications of these protections.

**2-25-04 - Per Robbye Meyer:** *The notification process was not put into to place to notify the public of "detrimental projects" being built. The notification process was created to solicit public input from the community.*

CyFair ISD has issued a board resolution that grants their approval of the low income housing proposal if the developer commits to pay the taxes.

Someone mentioned that Millsap is 25.4 % economically disadvantaged and at capacity. The 10500 Huffmeister Apartments residents would go to Lamkin which currently is slightly under capacity.

Q. How many different languages will be supported by the programs at the apartments?

A. This is to be decided by the developer as that is mentioned on their proposal.

Paige Hopkins said there are options to opposition to the project too. We as a group with sound and researched arguments can ask the developer for perhaps a covenant with the community for additional greenspace, road access decisions and other concessions in return for our support. A meeting with the developer before the March 10<sup>th</sup> meeting has been requested by the developer but not been scheduled yet.

Q. Do the residents of the project have to agree to hold the property up to a standard?

A. They sign a regular lease, there is said to be some requirement regarding a background check.

Someone mentioned they looked into surrounding apartments and the rates noted on the proposal are not significantly lower than the area apartment's rates. Someone suggested a focus group devoted to alternatives.

Q. Does the developer own the property?

A. It is probably a deal made between the developer and the land owner contingent with passage of the bond approval (option to buy).

Bob Kendrick said residents banding together can affect change in unincorporated areas but the inverse is not true; Texas cannot easily take actions that may impact a community without a lot of involved process steps.

A woman volunteered to look into the incorporation of an opposition group and getting it registered with the County and the City in time so their voice is validated.

A few members volunteered to circulate the petition their neighborhoods.



## Comments that have been entered on the web form [above](#):

**Name:** Karl Volkmann

**Neighborhood:** White Oak Landing

**Email:**

**Opinion:** Oppose

**Date:** Tuesday, January 27, 2004

**Time:** 09:25:56 AM

**Comments:**

Great, more urban sprawl. Maybe we can get another car dealership, fast food joint, or possibly even another dry cleaners shoehorned in on Huffmeister. What's next a Metro bus route?

---

**Name:** Franz Acosta

**Email:** franzacosta at yahoo.com

**Subject:** PROPOSED MULTIFAMILY DEVELOPMENT

**Neighborhood:** White Oak Landing

**Opinion:** I'm just seeking information

**Date:** Tuesday, January 27, 2004

**Time:** 12:52 PM

**Comments:**

Would it not be a hazzard to those who would occupy the apartment buildings that the nearby airport appears to have airplanes using that path upon takeoff and landing? It is only my perception that the airplanes seem to follow that path and then turn towards the bayou behind WOL until they are at a safe altitude. This avoid having to fly directly over a residential area upon takeoff and landing. How would these apartments also affect the property value of those who live in WOL? Thank you, in advance.

---

**Name:** Pete Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** Development location, Metro route?

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Tuesday, January 27, 2004

**Time:** 02:19 PM

**Comments:**

Hello, The sign is located south of the bayou nearest 290, across from the Oak Cliff subdivision; not by the bayou near the doughnut shop. Regarding Metro expansion, page 12 of their pre-election [flyer](#) boasts "Over 1,000 New Route Miles". I'm not sure of the authenticity, but I was told some time ago that Metro's future expansion plan includes extending Fallbrook alongside our neighborhood and through the airport area to 290 to allow more auto routes and providing bus service to this area. Maybe someone reading this would know whom to contact to check the validity of this.

---

**Name:** Kim Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Letter to Board  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information  
**Date:** Sunday, February 01, 2004  
**Time:** 11:25 PM  
**Comments:**

If you want to see the **developers description** of the proposed property, see **this [letter \(130 KB PDF\)](#)** I received from the Texas Dept. of Housing and Community Affairs.

---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Tuesday, February 03, 2004  
**Time:** 07:58 AM  
**Comments:**

---

**Name:** Lewis Hill  
**Email:** lhill100 at hotmail.com  
**Subject:** developement  
**Neighborhood:** Ravensway  
**Opinion:** I'm adding new information  
**Date:** Tuesday, February 03, 2004  
**Time:** 08:15 AM  
**Comments:**

If I were you I would be a lot more concerned than the airport being too close to the proposed apartments. First the Texas Department of Housing works with low to very low income families. There are issues of another several hundred cars on 290 each morning. the drainage of the property in to the white oak bayou will increase. How about Millsap if your kids go there it is over crowded now with the apartments they build across from Millsap and these how many more kids will it bring. While most people in this income bracket are just trying to make a living and provide for their family, it does bring with it an undesirable element. I live a couple miles from the proposed site and I am worried, If I lived almost across the street I would be frantic. Call the number in the article for the housing Dept. Tell them you are opposed to this project, go to the meeting in Ravensway on **Wednesday** the Feb 11th, learn more and go to Millsap on March 10th and tell you don't want this. But remember low income people do need a place to live you can't just oppose low income housing, you will be seen in the wrong light. All you have to say is you opposed the project period.

---

**Name:** Nathan Gaskill  
**Email:** gaskin.1 at earthlink.net  
**Subject:** Apartment Development  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Tuesday, February 03, 2004  
**Time:** 05:47 PM  
**Comments:**

Today, I talked to Robert Pendergraft, a lawyer that has dealt with prior unwanted developments. I faxed him the info I had on the 10500 Huffmeister plan as well as told him our wishes not to have the project go forward. He said the public meeting scheduled for March 10, 2004, 6pm-9pm, at Millsap Elementary, 12424 Huffmeister was very important for as many interested parties as possible to attend and let them know every aspect of our concerns about the project.

To attend, you need to call Robbye Meyer at the Texas Department of Public Housing and Community Affairs, 507 Sabine, Suite #700, Austin, TX 78701 at (512) 475-2213 or email at [rmeyer@tdhca.state.tx.us](mailto:rmeyer@tdhca.state.tx.us). If you are not able to attend, you can write or fax (512) 475-0764 and express your views.

I also faxed a request to receive copies of all plans and info concerning the development to the developer, William Henson. When I talked to him he asked me to fax him a written request and he would be more than happy to comply by personally bringing the package to me. I will keep you informed of any further information I receive concerning this project.

---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm just seeking information  
**Date:** Wednesday, February 04, 2004  
**Time:** 06:29PM  
**Comments:**

In reference to the Ravensway Group meeting, Feb. 11th is Wednesday..not Sunday.

Is the meeting Sunday the 15th or Wednesday the 11th?

Thank you.

---

**Name:** Pete Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Date of Ravensway meeting  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information

**Date:** Wednesday, February 04, 2004

**Time:** 08:44 PM

**Comments:**

Thanks for pointing out the day error. The Ravensway meeting is on a Wednesday night, February 11th. See you there!

---

**Name:** joe beshara

**Email:** jebeshara at hotmail.com

**Subject:** Re:NOTICE TO PUBLIC

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Monday, February 09, 2004

**Time:** 12:05 AM

**Comments:**

I found some more information on other similar developments. Click on the links:

<http://www.tdhca.state.tx.us/pdf/hf/uwrep/03449.pdf>

<http://www.tdhca.state.tx.us/pdf/hf/uwrep/03466.pdf>

---

**Name:** Estella Cavazos

**Email:** ecavazos at reliant.com

**Subject:** New Devevelopment

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Monday, February 09, 2004

**Time:** 08:19 AM

**Comments:**

I totally oppose this development..Where exactly is 10500 Huffmeister ?

---

**Name:** Mark

**Email:**

**Subject:** Multifamily Development. - Public Notice

**Neighborhood:** White Oak Area

**Opinion:** I do not favor it

**Date:** Monday, February 09, 2004

**Time:** 11:47 PM

**Comments:**

FYI - While surfing the web - Protest information and outcome related to a similar project involving State issued Private Activity Bonds and Tax Credits for LOW INCOME HOUSING in the Katy Area for the proposed project Greenland Apts. by Trammell Crow can be found on

<http://www.houstonarchitecture.info/haif/index.php?showtopic=259>

<http://www.barkersridge.org/News/02news.htm#Greenland>  
<http://www.barkersridge.org/News/03news.htm>

As presented on the above website an excerpt is as follows: "During the October 3 meeting, speakers from the Mayde Creek community clearly made the case that there was no need for the Greenland Housing Project, and that the community's infrastructure (transportation, employment, medical) was clearly absent to support the needs of low-income residents. Without a market driver for the housing project, and with no infrastructure to support its residents, there is no compelling reason "why" such a project represents the best use of public funds - especially if this project has any potential for threatening the quality-of-life attained by the community's residents. Saturday's Houston Chronicle report attempts to skirt this key issue of "why" the project is being planned, to one of placing our community in a defensive position. The arguments as to "why not" are not valid because the social/economic drivers behind the project do not exist. This is not a debate as to whether property values will go up or down. This is an issue of the misuse of public funds for private gain, all at the risk to the community that exists"

---

**Name:** Pete Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** Letter to another neighborhood in prior similar situation

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Tuesday, February 10, 2004

**Time:** 01:58 AM

**Comments:**

Thanks Mark. I sent an email tonight to some involved members of the Barkers Ridge neighborhood listed above to ask for their experienced assistance. Any advice received will be useful and appreciated. 10500 Huffmeister is just south of the bayou that's near the auto repair place. The proposed development would be across from Oak Cliff Place. Tell your neighbors to get involved and attend Wednesday night!!!

---

**Name:** Domingo Villarreal

**Email:** mingo146 at yahoo.com

**Subject:** PROPOSED MULTIFAMILY DEVELOPMENT

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Tuesday, February 10, 2004

**Time:** 01:45 PM

**Comments**

The values of our homes and our family lifestyles have been sadly jeopardized since homeowners have opted to RENT their homes, more evident in the last few years. Having a LOW INCOME HOUSING Project come into the area, will definitely bring our values right down a spiral... We must do what we can to stop this project from moving forward or just throw our hands up and let them destroy our neighborhood! See y'all at the meeting Wednesday the 11th.

---

**Name:** Walle Engedayehu  
**Email:** walle\_engedayehu at pvamu.edu  
**Subject:** propped multyfamily housing  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Tuesday, February 10, 2004  
**Time:** 09:22 PM

**Comments**

It is in deed very alarming to learn of the possibility of an apartment complex being built in a nearby lot where our homes are located. Certainly, the value of our homes will drastically be affected, possibly making our neighborhood unattractive to used home buyers in the future. We all envisage a future that will bring better returns from our investments, and our homes are our investments. It is a proven fact that any time you have an apartment complex coming to a residential neighborhood like ours, the value and quality of the latter suffer to the extent that homeowners may sell their property ahead of time to avoid future losses on their investments. It in light of this possibility that I am opposed to the proposed multyfamily apartment residence that is being planned just across from our subdivision. I encourage everybody to voice your concern immediately, and we must collectively take the action necessary to prevent it. Thank you.

---

**Name:** Daniel Lacayo  
**Email:** daniellacayo at sbcglobal.net  
**Subject:** information  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Tuesday, February 10, 2004  
**Time:** 09:39 PM

**Comments**

Please keep me inform about the apartment project and meetings thank you.

---

**Name:** jamal nasir  
**Email:** jnasir at houston.rr.com  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Wednesday, February 11, 2004  
**Time:** 08:58 AM

**Comments**

---

**Name:** Patrick  
**Email:** pandrews at houston.rr.com  
**Subject:** No Apartments!

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Wednesday, February 11, 2004

**Time:** 10:51 AM

**Comments**

What is the position taken by the Oak Cliff residents? I believe the argument that the existing infrastructure may not support low-income housing residents is valid in our case. Of course, this may be a prelude to public transportation project of which we are not aware. How can we rally Stone Gate, Cole Crossing, and the other subdivisions to our cause? Even the Cy-Fair Chamber should be involved in this matter.

---

**Name:** Marvin Johnson

**Email:** daphaney52

**Subject:**

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Wednesday, February 11, 2004

**Time:** 01:56 PM

**Comments**

---

**Name:** Fritz Lang

**Email:** fritz at langgang.com

**Subject:** Multifamily residential rental community

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Wednesday, February 11, 2004

**Time:** 06:37 PM

**Comments**

They should just call them what they are, apartments. I lived close to apartments before I moved here. My children had their bicycles stolen and we found the thieves in the nearby "multifamily residential rental community". Everyone put locks on your back yard gates and floodlights in your yards.

---

**Name:** Darin Carlson

**Email:** carpoole at academicplanet.com

**Subject:** Home Owners Associations need your help!

**Neighborhood:** Ravensway

**Opinion:** I do not favor it

**Date:** Thursday, February 12, 2004

**Time:** 12:02 AM

**Comments**

First off, thank everyone who showed up at the meeting in the Ravensway Community Center. MORE

PEOPLE NEED TO GET ACTIVELY INVOLVED IN OPPOSING THIS DEVELOPMENT!!!!!!!

All citizens of our community of homeowners have plenty to lose and therefore need to actively seek quantifiable evidence to back up their opinions against this development from being allowed to progress any further than the posted notice to the public. It needs to be presented quickly because 6:00 p.m. March 10th is now only a month away!!!

We need everyone to search for information concerning how this proposed construction will disrupt property values at the present time and into the future, impact jobs in the area, lead to need for additional public works and services improvements (\$\$\$taxes\$\$\$???), affect quality of life in the community, impact of flood control measures, loss of land that could be utilized for more appropriate development or preservation, impact on schools, impact on road congestion, do we really need this multifamily dwelling project?, etc... The more information the better. Massive amounts of accurate data and opposing opinions can be mailed to TDHCA, Senator John Lindsay, State Rep Corbin Van Arsdale, etc. When it comes time for presentation of opinions at the public hearing scheduled for 6:00 p.m. March 10th, it'll have to brief and to the point. We need everyone's help for organizing and procuring research data, procuring opposition petition signatures, providing legal council where logical, etc. I strongly oppose this development project and any like it in this local community.

Again, we need more help to better procure data to support arguments against this development. It would be in conflict and incompatible with the local community at large. Perhaps the developer is promising to produce management for 30 years for this project, but what if they go under (Enron ring a bell?). Who steps in to cover a low revenue generating housing complex. I'm quite sure most intelligent investors wouldn't, and who can trust the Texas legislature to fill in the required help. The same ones that aren't concerned with your home resale value on the open market, right?

The logical conclusion is that hopefully the local taxpayers have to be legally able to step in and clean up a potentially abandoned housing complex in the future. Easier said than done. Remember, low income generates low revenue. Low revenue is bad for business function, budget capability, and survival. Once the structure is complete and/or circumstances change (such as laws, business capabilities, etc) the local homeowners will have to deal with whatever is built on the surrounding lands, and become frustrated with having had more to lose. Can you imagine how difficult it'd be for Paul Bettencourt or his successors to collect back taxes on 15.1841 acres of potentially lost cause property in the future, even if it's 30 years away (or sooner). Too many if(s). Would the inhabitants of this development be as inclined to preserve, maintain, and improve (yeah, right!) this property with the same conviction that homeowner taxpayers do with their own, hard earned property? NOT!

This development is presumed to introduce an increase in demand on public works and services such as additional (\$\$\$) law enforcement officers, fire fighters, EMS personnel, school district teachers and support staff, social services workers, medical facilities (within walking distance), flood control structures, street and sewage maintainance, libraries, sidewalks, etc. What about a present lack of affordable, efficient public transportation services and infrastructure to support pedestrian inhabitants who cannot afford or operate automobile transportation? Is that to be a concern?... Who's going to pay for all this? Do you think the low revenue generated from the development is going to be capable to do these tasks? What about market value of your home located nearby this development? Will it rise in a manner comparable to that if there were no development like this in the area? Probably not! Community perceptions will change with the completion of such a development I'm sure. Keep in mind that market values of neighboring properties (home, land, commercial) tend to strive for equilibrium over time as this is the desired tendency of most home appraisers, even those that work with HCAD. Do you think that housing developments like this will actually lead to improved property values in this area? Probably not!



---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Thursday, February 12, 2004  
**Time:** 02:15 PM  
**Comments**

---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Thursday, February 12, 2004  
**Time:** 02:58 PM  
**Comments**

---

**Name:** Pete Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Ravensway meeting summary  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information  
**Date:** Friday, February 13, 2004  
**Time:** 01:00 AM  
**Comments:**  
I've added a [summary of the Feb 11th meeting](#) at Ravensway. I also placed the petition forms and a handout there.

---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Friday, February 13, 2004  
**Time:** 06:57 PM  
**Comments**

---

**Name:** Charla Lucky  
**Email:** charlal at ev1.net  
**Subject:** Apartment  
**Neighborhood:** White Oak Springs  
**Opinion:** I do not favor it  
**Date:** Friday, February 13, 2004  
**Time:** 06:53 PM  
**Comments**

---

**Name:** Darin Carlson  
**Email:** carpoole at academicplanet.com  
**Subject:** additional recommended focus  
**Neighborhood:** Ravensway  
**Opinion:** I'm adding new information  
**Date:** Friday, February 13, 2004  
**Time:** 09:51 PM  
**Comments**

I received an email from a good friend whose had a lot of experience covering many similar housing project matters. Here is an excerpt of some of his recommendations.

<<< You'll have a hard time winning with arguments affecting your property values or 'better use for that land.' Don't focus on that (so much), and don't focus on how low income is bad for the area. Having covered many of these battles (very, very few of them ending with residents winning out), you have to stay focused on a few key points.

1. INFRASTRUCTURE - Roads unable to handle it, bridges, ditches, water/sewer.
2. POLICE - Contract deputies needed for your neighborhood and very few patrols designated at this point.
3. FIRE - Enough fire equipment nearby to handle emergency of that large scale of more than 250 units.
4. FLOODING - Runoff, runoff and runoff pouring into your area.
5. Stores, businesses to support such an influx of low income.

When you're addressing lawmakers or the state agency, you need to stay focused on why this project is doomed to fail, and is a bad investment of public bond money. Anything you can cite about high vacancy rates in other apartments near you, or any other reason you can give about why it's a bad investment for the state is very, very important. People (tend to) lose these battles because they don't talk the right language to these people. They focus all their energy on 'here's why this project is bad for ME.' You have to tell the public officials and this project developer why it's a poor choice for a location and a bad investment. Talk about how they'll be putting unwitting tenants in harms way in some fashion (any of the above ideas).

I THINK THE BEST ARGUMENT IS MADE WHEN YOU SHOW THAT THESE HUNDREDS OF NEW TENANTS ARE BEING PUT IN DANGER AND SO ARE EXISTING NEIGHBORS LIKE YOURSELF BECAUSE OF (AT LEAST) ALL OF THE 5 ABOVE FACTORS.

You have to use key buzz words that get politicians uptight. Remember, the goal here is to make them want to chose somewhere else where there are less problems and less resistance. They need to go where it's easy. The best evidence I've seen presented at these things deals with comparable projects. I've seen people do really well picking apart specific plans and why it won't work in this particular case. In other words, something like "Look at Diagram X here, an even smaller project, that had failures as you can see here. Obviously, this project is larger so we could expect failures on a larger scale."

>>> Now I know that we have many points to focus on in terms of research and organization, but time is of the essence and it is rapidly running out. At the very least, we need to consider that if we don't try aggressively hard to win this battle, it'll be much more likely that they'll try again just a mile down the road, making the situation even worse. Perhaps it'd be wise to invest in legal counsel to assist us in preparing useful information relevant to defeating this proposed housing project...

---

Name:  
Email:  
Subject:  
Neighborhood: White Oak Landing  
Opinion: I do not favor it  
Date: Saturday, February 14, 2004  
Time: 12:14:02 PM

**Comments**

---

Name: shari strange  
Email:  
Subject: petition  
Neighborhood: White Oak Landing  
Opinion: I'm just seeking information  
Date: Sunday, February 15, 2004  
Time: 01:23:53 PM

**Comments**

How is the petition being collected? Should we download the page from the internet? Is this one any different than the one at the meeting? Do we need to circulate the petition in our subdivision? If time in running out- as it was said many times throughout the comments on the website- I think we should hurry up and get the petition going by going door to door. Perhaps we could assign someone per street- how are we going to get the entire neighborhood to sign this petition? Is there a central point/location where we can sign or where we can deliver a signed petition? In additon- I was wondering if it is possible to use our home owners association money to provide legal counsel for us in this manner? I am not happy about this proposed development.

---

**Name:** Judy Norrholm  
**Email:** mnorrholm at houston.rr.com  
**Subject:** Planned Development at 10500 Huffmeister  
**Neighborhood:** Oak Cliff Place  
**Opinion:** I do not favor it  
**Date:** Sunday, February 15, 2004  
**Time:** 08:59:53 PM  
**Comments**

I don't believe our school, who are currently sending our children out to portable buildings, can handle any more students. I am not in favor of paying more taxes for additional schools. There are already new apartments down Huffmeister by Millsap. They are putting more up down Huffmeister by CVS. And then there are more going up behind the new Eckerds on 1960. Enough already! Judy

---

**Name:** hwilke at ev1.net  
**Email:** Harold Wilke  
**Subject:** proposed apartments on Huffmeister  
**Neighborhood:** White Oak Springs  
**Opinion:** I do not favor it  
**Date:** Monday, February 16, 2004  
**Time:** 11:11:37 AM  
**Comments**

I am very concerned as to what affect these apartments would have on the value of existing property and on the quality of life. We have put out a great deal of money to move out here because it seemed to be a quiet and safe place to be. These apartments could change all that. Thank you, Harold and Carolyn Wilke  
10818 White Oak Creek Ct. Cypress, TX 77429

---

**Name:**  
**Email:**  
**Subject:**  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Monday, February 16, 2004  
**Time:** 04:24:08 PM  
**Comments**

---

**Name:** Brian & Valle Wilson  
**Email:**  
**Subject:** Proposed Low Income Apartment Building  
**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Tuesday, February 24, 2004

**Time:** 09:48:14 AM

**Comments**

Another apartment building???? We moved to this area to escape the issues you have living in urban areas. The effects of another apartment building would be detriment to our neighborhoods. They drive property values down and typically come with elements that most are trying to avoid. We do not want this in our area.....

---

**Name:** Pete Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** Clarifications I received from TDHCA

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Thursday, February 26, 2004

**Time:** 07:47:17 AM

**Comments**

I received an [email from Robbye Meyer](#) with the TDHCA detailing corrections to this web site.

---

**Name:** Pete Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** Summary of important points

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Thursday, February 26, 2004

**Time:** 08:04:46 AM

**Comments**

I've put together a [summary of what we've learned and advice we've received](#). See above.

---

**Name:**

**Email:** samnpatti at houston.rr.com

**Subject:** More Apartments

**Neighborhood:** Enchanted Valley Estates

**Opinion:** I do not favor it

**Date:** Tuesday, March 02, 2004

**Time:** 04:26:13 PM

**Comments**

Increased traffic, and reduction of property values are not a good sign. I was not happy to see the apartments and new housing development rise around Millsap. I hope they had planned for this growth when they did the work on flood prevention on Cypress Creek.

---

**Name:** Pete Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Summary of important points  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information  
**Date:** Thursday, March 4, 2004  
**Time:** 11:54:46 PM

**Comments**

I've added more news and an advice letter we've received. Good points! [See above.](#)

---

**Name:** misty scalise  
**Email:** misty.scalise at cfsd.net  
**Subject:** multi-family housing project  
**Neighborhood:** cypress mill park  
**Opinion:** I do not favor it  
**Date:** Friday, March 05, 2004  
**Time:** 11:59:36 AM

**Comments**

---

**Name:** Pete Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Action needed!!  
**Neighborhood:** White Oak Landing  
**Opinion:** I do not favor it  
**Date:** Friday, March 05, 2004  
**Time:** 09:10:17 PM

**Comments**

Has anyone gotten letters of opposition from the elected officials on record at the property? This is the most pivotal piece. If we can get them to write letters of opposition (and speak against it) and we have a large turnout Wednesday (which it is pretty obvious that we will) we may be able to get the developer to recognize that this is not beneficial to this community or potential residents of the project.

Do you want to have an impact in repelling this project or just sign a sheet of paper and let someone else do everything (maybe nothing)? Take action NOW, take on one or some of the action items mentioned above, call or write and ask your elected officials if they'll write an opposition letter TODAY. Express your viewpoint on any or many of the good reasons for this not being built noted on this page and in the attachments. If one proposal is denied then the odds of others being proposed and passing are reduced. .

Thanks! Pete

---

**Name:** Kim Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Letter from Pinnacle Apartments L.P.  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information  
**Date:** Monday, March 08, 2004  
**Time:** 10:09:04 AM

**Comments**

I received an overnight letter from Pinnacle Apartments L.P.:  
**RE:** [Proposed 248-unit apartment community for the elderly...](#)

---

**Name:** Kim Tevlin  
**Email:** whiteoaklanding at yahoo.com  
**Subject:** Pinnacle Conversation notes  
**Neighborhood:** White Oak Landing  
**Opinion:** I'm adding new information  
**Date:** Monday, March 08, 2004  
**Time:** 01:35:00 PM

**Comments**

I called Robbye Meyer at TDHCA to ask about this letter. She said that she hasn't received a revised application from Pinnacle. They are free to change their application before the March 15th deadline. I asked if she does receive one to please bring it to the meeting Wednesday night. She said she would.

I called the Pinnacle Apartments L.P. office (who sent me this letter) asking for J. Steve Ford, who was busy, so I asked for Robert Henson who was in a meeting. I finally spoke to Jana Daniel and she looked it up and said the "for the elderly" text was an error. It came from the text on a previous letter she was writing that was regarding a different development. She'll send me a corrected letter; I'll post it when it arrives.

We discussed these other differences between the original Bond application and the letters we received 3-8 & 3-10:

1-7-04 TDHCA Application	3-8-04 Pinnacle Letter	3-10-04 Pinnacle Letter
<i>Rent: Gross minus Utility Allowance</i>		
Rent for 1 bedroom = \$612-\$58=\$554	Rent for 1 bedroom = \$686-\$82=\$604	Rent for 1 bedroom = \$686-\$65=\$621
Rent for 2 bedroom = \$732-\$72=\$660	Rent for 2 bedroom = \$823-\$102=\$721	Rent for 2 bedroom = \$823-\$81=\$742
Rent for 3 bedroom = \$612-\$87=\$756	Rent for 3 bedroom = \$951-\$123=\$828	Rent for 3 bedroom = \$951-\$97=\$854
<i>Number of units and ratios</i>		
64 1BR, 112 2BR, 72 3BR	56 1BR, 104 2BR, 88 3BR	56 1BR, 104 2BR, 88 3BR

Jana explained that the difference in rent amounts is because new figures for median income for the area are released every March calling for revision. These amounts are not set by Pinnacle, but by the HUD published median income rent restrictions.

The differences in number of unit ratio is because in doing their studies the saturation of 1 & 2 bedrooms is greater than the 3 bedroom so it was changed based on the needs of the area.

Kim: I stated our opposition because of the schools being filled, there is no public transportation to Huffmeister and there are many apartments being built in this area already.

Jana: The schools generally do not experience a great increase because of these properties because people move from the area homes into the apartments so the numbers may shift but won't necessarily increase.

I (Kim) didn't have the presence of mind to challenge this statement, perhaps we can ask at the public meeting.

Jana: Many of our properties are on bus lines but the prospective residents will have vehicles. There are many restaurants and a mall in the area - there's much retail that can hire the residents. They are trying to provide good quality housing for people who don't make as much money as more fortunate people.

Kim: I asked how long they will maintain the property, can we expect junk cars and the like?

Jana said they are long term holds - 30 years - the developer is in there for the long haul. They have never sold one of their communities, we cannot even sell the property until 20 years pass. We maintain the same standards as conventional housing. Look at our properties, Quail Chase is 5 years old. We oversee the management companies we use to manage the properties and have contracts with towing companies who sticker, for example if there are abandoned cars. We get right on it. Conventional properties may also have a car on jacks but the question is how quickly do we respond. We respond just as quickly if not more quickly than others do. We maintain our properties and keep them from becoming unsightly. We don't build a product like that or manage that type of community.

We take care of these communities as if we are going to live there. I am in charge of maintaining the asset and I monitor drive them day and night, I walk the properties and see that they are kept up.

These are not like conventional where they build it quick and poorly then turn them - only in it for the money. We hold them so we build a good product.

Go visit any of our communities and see a unit that has been vacated and is open for rent. It is fully cleaned and prepared like new condition for the next resident. We are there to maintain the asset.

Kim: I asked what the value of the property is expected to be when it is complete (the bond request is for 15 million dollars).

Jana: I do not have this information, but it will be available at the meeting.



People are afraid of the "affordable" word but it's not necessarily a negative thing. Just because someone makes \$25-35K doesn't mean they won't make a good neighbor. They have to follow strict guidelines and if they don't we ask them to move. We are not there to ignore things. Drive our properties, they are in good condition and well maintained.

I apologize for the error in the letter. I'll send a correction. I'll be at the meeting Wednesday. I invite anyone concerned with this property to please call me and discuss it. 713-334-5514.

Kim: I thanked her for the information.

---

**Name:** Kim Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** New Letter from Pinnacle Apartments L.P.

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Wednesday, March 10, 2004

**Time:** 02:04:54 AM

**Comments:**

I received a revised letter from Pinnacle. It's rates seemed to go up but actually the utility allowance amount went down so the net increased! See table above and see full letter attached [PDF](#)

---

**Name:** Kim Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** New Letter from Pinnacle Apartments L.P.

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Thursday, March 11, 2004

**Time:** 011:14:24 AM

**Comments:** I sent an email to Pinnacle/Sally Gaskin at the address on their meeting handout. It bounced so I dug up a different email address that worked, She replied with two emails and neither answered the questions I had asked but promised to do so soon:

Date: 3/11/2004 11:12:12 -0600

From: "Sally Gaskin"

CC: [pinnacle@rresford.com](mailto:pinnacle@rresford.com)

Subject: RE: Pinnacle Apartment Public Meeting Feedback & Questions

Kim,

I don't understand why your email to pinnacle at rresford.com bounced back last night. That is a new email address that we recently set up for this project. However, we have tested it and have had no problems receiving emails. Please try it again and let me know if you are still experiencing problems.

I am preparing a response to the questions you have posed which should be coming to you soon. However, I wanted to respond to the issue of the email address immediately. Also, I want to thank you and Pete for staying after the meeting last night to talk with us. We sincerely want the opportunity to work with the community to provide a more indepth look at our commitment to quality developments and long-term community partnership. We feel the best way to do that is not to "tell" about that commitment, but to show you what we have done and let you make your own conclusions. We may not have handled the situation last night in the best possible way, we are learning through this process as well. However, we are sincerely interested in providing you and the community with as much information as you desire. In addition, we will meet with you individually or in groups at your convenience.

As I mentioned in our recent telephone conversation, I am working on a more detailed response to the questions you posed in your email, however, I wanted to get this brief response out. Please do not hesitate to contact me.

Thank you,  
Sally Gaskin  
Office: 713-334-5514  
Cell: 713-882-3233

**Date:** 3/11/2004 18:33:39 -0600

**From:** "Sally Gaskin"

**To:** "Kim"

**Subject:** List of affordable apartment complexes developed by Dwayne Henson & Steve Ford: [The list](#)

---

**Name:** Chris Edwards

**Email:** cnedwards56 at hotmail.com

**Subject:** I oppose it!!!

**Neighborhood:** Tower Oaks Meadows

**Opinion:** I do not favor it

**Date:** Friday, March 12, 2004

**Time:** 02:20:46 PM

**Comments**

Just wanted to show my opposition to the plan. I have written my representatives. Let me know if there is anything else I can do.

---

**Name:** Kim Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** A New Letter from Pinnacle Apartments L.P.

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Saturday, March 13, 2004

**Time:** 02:04:54 AM

**Comments:** I received a response letter from Pinnacle (to the questions I sent them on the 10th). In addition to answering the questions I posed i.e. Steve Ford explains their reluctance to speak at the public meeting.

[Click here to read it.](#)

---

**Name:** Kim Tevlin

**Email:** whiteoaklanding at yahoo.com

**Subject:** A invitation from Pinnacle Apartments L.P.

**Neighborhood:** White Oak Landing

**Opinion:** I'm adding new information

**Date:** Monday, March 15, 2004

**Time:** 09:02:14 AM

**Comments:** I received an invitation letter for **everyone in the area** from Pinnacle to visit an open house at Sugar Creek apts. Tuesday evening:

From: J Daniel

Sent: Sunday, March 14, 2004 7:51 PM

To: whiteoaklanding at yahoo.com

Subject: Open House Invitation - Pinnacle Apartment

We would like for the community to visit our neighboring community to see first hand the type of property, amenities and community services our properties offer to the community. Would you please circulate the attached invitation on your website.

Thank you,

Jana Daniel Asset Manager H.F.I. Management 713-334-5514 713-334-5614 EMAIL: jana at rresford.com

Read the invitation here: [PDF](#) | [DOC](#)

---

**Name:** Bryan Nickel

**Email:** accordtdn at excite.com

**Subject:** Oppose Community Apartment

**Neighborhood:** White Oak Landing

**Opinion:** I do not favor it

**Date:** Tuesday, March 23, 2004

**Time:** 06:17:49 PM

## Comments

I have read all the comments posted by each individuals and the opinions on pinnacle developments. I truly appreciate all of those who are taking the time and effort to fight against the community apartment development. Your work does not go unseen or unheard. Continue your fight for what is right, both for our neighborhoods and our residents. I support you guys all the way.

---

Name: Shawn & Christina Osburn  
Email: christinaosburn at yahoo.com  
Subject: Pinnacle Proposal Opposition  
Neighborhood: White Oak Springs  
Opinion: I do not favor it  
Date: Thursday, March 25, 2004  
Time: 01:55:40 PM

## Comments

My husband and I both attended the meeting and mailed letters to all representatives on March 16th. I have not heard anything back yet but urge each of you to tell your neighbors to write their letters. Thanks to the Tevlin's for putting the wealth of information together for us. The templates really helped. I have also emailed my sample letter. Thanks! Christina Osburn 14011 White Oak Gardens Drive Cypress, TX 77429 832-237-4661 (home) 713-297-7085 (work)

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# The Pinnacle Apartments



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# The Pinnacle Apartments

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# The Pinnacle Apartments

## Overview

<b>Unit Mix</b>				
One Bedroom, One Bath Units	56			
Two Bedroom, Two Bath Units	104			
Three Bedroom, 2 Bath Units	88			
<i>Total Units:</i>	<i>248</i>			
<b>Rents</b>				
60% Area Median Family Income	Units	Gross Rent	Utility Allowance	Net Rent
One Bedroom, One Bath Units	56	\$686	\$65	\$621
Two Bedroom, Two Bath Units	104	\$823	\$81	\$742
Three Bedroom, 2 Bath Units	88	\$951	\$97	\$854
<b>Yearly Income Limits</b>				
60% Area Median Family Income	1 Person	2 People	3 People	4 People
	\$25,620	\$29,280	\$32,940	\$36,600

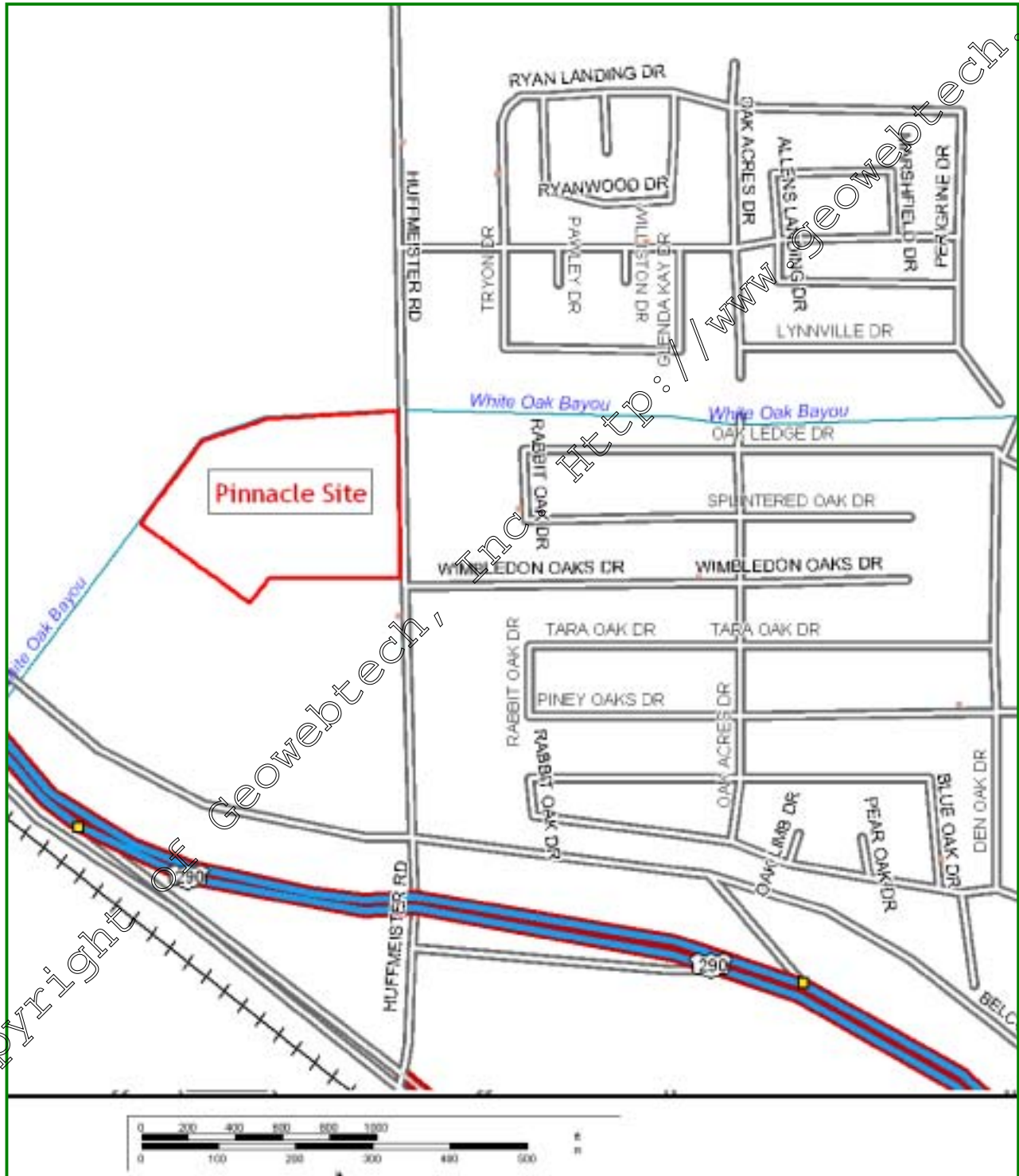
The Pinnacle Apartments will be a 248 unit, 'A' class apartment project located at the 15000 block of Huffmeister near the intersection of US 290 and Huffmeister scheduled to open in early 2006. The Pinnacle will have its rents restricted to 60% of the area median income to allow tenants with a more modest budget and income to enjoy a modern, feature rich, safe and sanitary living experience.

Located just off US 290, the Pinnacle Apartments would sit in the center of a growth corridor extending northwest from Houston. While the infrastructure certainly exists now to support the number of service industry workers we expect to lease units at Pinnacle, in the future as the city grows it will only be better situated to provide affordable housing to the community.

The Pinnacle will be maintained at the same standards as all of our other properties in Houston and in Texas. Like all of our other properties we will require our tenants to have jobs and no crimes on record of greater consequence than class B misdemeanor. The Pinnacle will not only provide a beautiful, safe, and sanitary living experience but it will also serve to help provide a type of housing that is sorely lacking in the area.

# The Pinnacle Apartments

## Street Map





# Crime

Increased crime is often an issue brought up by opponents to affordable housing complexes. The assumption is that demographically the majority of those people convicted of various criminal acts also happen to be the demographic of people in the income range we cater to in our apartment complexes. Our studies indicate rather different results. Before introducing our results the following facts must be considered:

- ❖ However one might look at it, an apartment project is still grouping a large number of homes in a relatively small area. Taking Pinnacle for example, it would be unfair to compare crime statistics between the entirety of The Pinnacle Apartments and one freestanding house. If anything, the Pinnacle Apartments should be considered 248 separate homes in a crime related statistic.
- ❖ Using information from our school overcrowding studies it is apparent that the tenants who rent units at our affordable housing apartment projects previously lived in the surrounding area. Very few people are moving from a great distance, so if a tenant is criminally inclined in all probability they already lived in or near the community. Thus, the likelihood of our apartments introducing any new criminal element to the area is very small and made smaller by the next point.
- ❖ By mandate we must rigorously check our tenant's backgrounds financially and criminally. We do not allow anyone convicted of a crime greater than a class B misdemeanor to rent a unit in our complexes. These regulations are not imposed on market rate apartment complexes or free standing homes for rent.

The data table on page 28 includes the data we used to compare our apartment complexes in the City of Houston with calls to the police in the City of Houston. The data indicates that **any given housing unit in the Houston area is 4.88 times more likely to make a call to the police than a unit in one of our Houston apartments.** So, essentially our apartments have almost 5 times less crime per capita than a community of free standing homes in Houston. However, the Pinnacle Apartments is located just outside the City of Houston. While Pinnacle will be in the greater Houston *area* it will reside in Harris County. When a resident of Harris County calls the police they call the Harris County constables office which routes them to the proper Harris County Constables Precinct. There are 8 Constables Precincts for Harris County and Pinnacle would

be in Precinct 4. Herein lies some difficulty in making a crime comparison. Ideally, one would compare the number of calls to the police made by our apartment projects to the number of calls to the constables of Precinct 4. The problem is that much of Harris County Constables Precinct 4 covers areas of the City of Houston. Constables of Precinct 4 can therefore respond to calls that are also in the city of Houston though this is unlikely since the call would be handled by the Houston police. Furthermore, while we know the number of housing units in Precinct 4 we do not know how many of those housing units do not take advantage of the Precinct 4 constables. While this may seem convoluted it is all to say that the calls per housing unit per month we extrapolate for Harris County should actually be *higher* since our data is influenced by housing units in the city of Houston which do not make calls to Harris County Constables Precinct 4. Given this, the results are actually quite interesting since our apartment units still make less calls to the police than the whole of Precinct 4 (on a per unit per month basis). Constables Precinct 4 averages .035 calls per housing unit per month which is still higher than the .031 calls per housing unit per month of our apartment projects.

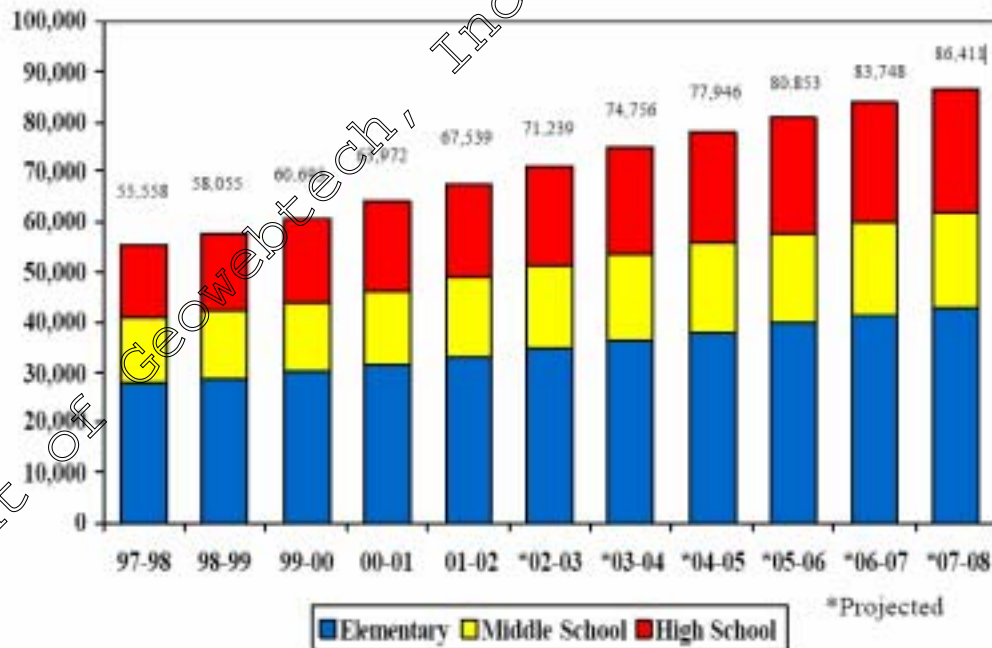
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# School Overcrowding

- ❖ The Cypress-Fairbanks Independent School District has remained neutral on the proposed Pinnacle apartment complex.
- ❖ The elementary school which would host children from the Pinnacle Apartments is not currently at capacity.
- ❖ The Cypress-Fairbanks Independent School District has committed to send teachers to the Pinnacle Apartments to participate in our after school program there.

These facts aside the following information concerning the Cypress-Fairbanks ISD is pertinent. According to the chart below and other information available on the Cypress-Fairbanks ISD web site the school district expects to add an average 2,658 students per year to the district over the next 5 years.

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT**  
**Enrollment 1997-98 Projected to 2007-08**



According to information provided by our management company there is an average of .917 school age children per unit on our properties. Also, across all our properties an average of 39% of the children transferred in from another

school district. Given this very generalized information we could deduce that the Pinnacle Apartments will have 227 school age children but that only 88 of those children will be new to the school district. Thus, our children would affect the total number of expected new students in the school district by only 3.3%. Furthermore, these numbers are based across our portfolio of properties it does not take into account that some properties are on the border between school districts and thus have a high percentage of students switching districts. The Pinnacle Apartments is situated virtually in the center of the school district if we take into account our properties which are also in the middle of their respective school districts the numbers are quite different.

Assuming the same average of .917 children per unit (although our properties in the middle of school districts average a lower .833 children per unit) we again would have 227 school age children living at the Pinnacle Apartments. Our properties in the middle of school districts only have 14.5% of their children transferring in from other school districts. **So if we compare the Pinnacle Apartments with one of these properties, of the 227 children at Pinnacle, only 33 would be new to the district.** Looking at this, presumably more accurate, number our children would affect the total number of expected new students in the school district by only 1.2%.

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# Why Affordable Housing Does Not Affect Property Values

From HomeBase/The Center For Common Concerns, San Francisco

## Common Attitudes vs. the Facts

It is a common belief that affordable housing, including residential care facilities and supportive housing, will lower neighboring property values. However, numerous studies conducted over a period of many years and in various locations find that this widely held preconception is incorrect. Why? Because property values are primarily determined by the condition of the particular property for sale and other broader, more complex forces such as overall area development and prosperity. The location of affordable housing has no significant impact on these other conditions which determine property values.

## A Wide Variety of Types of Housing and Residential Areas Were Studied

The studies cover a wide scope both of kinds of housing and of residential areas. Elaborate studies have been conducted regarding affordable rental housing, owner-occupied housing, and housing for the physically and developmentally disabled, mentally ill, the elderly and homeless women and children. The actual housing structures vary from single family houses to high-rise apartment buildings, from manufactured housing to multiple family units in garden clusters. Areas examined range from prosperous suburbs to rural routes to densely populated urban areas in locations all over the United States. Despite this variety of factors, all of the studies except one reach the same conclusion -- facilities of this kind simply do not affect neighboring property values.

## Studies Were Conducted By A Variety of Public and Private Sector Experts

Some studies come from the academic community, others are conducted by independent researchers, still more are government reports. The available studies have been conducted by the U.S. General Accounting Office, Coopers and Lybrand, U.C.B.'s Institute for Urban and Regional Development, California's Department of Housing and Community Development, and Princeton University's Woodrow Wilson School of Public and International Affairs.

## Studies Used Many Different Methods to Detect Effects

The studies assess the potential effect of housing facilities on neighboring property values in many ways. Some compare the sale prices of neighboring

housing to prices in a similar control area. Some compare sale prices before, during and after the construction of a facility to determine changes and then compare this data to statistics on the prevailing trends in that community. Others utilize a sophisticated statistical technique called "regression analysis" to determine the effect of proximity to affordable housing.

#### Almost No Effects on Nearby Property Values Were Found

Except for one, all of the studies, utilizing many methodologies, determined that property values are not affected by these housing facilities. The only study examined which suggested that facilities might have a negative effect on neighboring property values could not conclusively determine whether the affordable housing in question was responsible for lower property values, or whether it was caused by other neighborhood concerns.

#### Conclusion

It is a common assumption that property values will go down in areas where affordable housing is located. **Contrary to popular beliefs, studies indicate conclusively that affordable housing has little or no effect on neighboring property values.** No one really knows what determines property values -- they are a complex phenomenon, and seem to be most closely related to the condition of the particular property for sale and broad trends in neighborhood prosperity, urban and suburban expansion, road and highway construction and nearby large-scale commercial and industrial developments.

The assumption that property values will decline with the location of affordable housing is based on the idea that one facility can affect a whole neighborhood, and that such facilities will be conspicuous, unattractive, poorly maintained and poorly managed. The studies cited on the following sample bibliography as well as others show that these assumptions are incorrect.

# Traffic

Unfortunately, the most up to date data on traffic in the area surrounding the Pinnacle site is from 1997. The 1997 data does indicate that the stretch of Huffmeister from US 290 north to North Cypress Houston Road is the busiest stretch of Huffmeister from a traffic volume by day perspective. Extrapolating the data available from the Harris County Public Infrastructure Group the stretch of Huffmeister that Pinnacle Apartments would be located on carries 49% more traffic than the stretch of Huffmeister to the north of North Cypress Houston Road and 27.5% more traffic than the stretch of Huffmeister to the south of US 290. The available information does not indicate the actual traffic capacity of any stretch of Huffmeister so the comparison above yields little significant information in and of itself.

What is significant is that 75% of the population which lives in the area (Zip Codes: 77041, 77065, 77095, and 77429) have a travel time to work of longer than 25 minutes. 25% of the people in the area travel for more than an hour to get to work.

Looking at the whole of our portfolio of properties, the vast majority of our tenants have jobs in the local service industry and work near our apartments. Undeniably, adding 248 housing units will increase traffic on the street to which the apartment complex is located but if the apartment complex serves to lower commute times for its residences it should therefore lower commute times throughout the surrounding areas. Located so close to a major traffic artery (US 290) as it is, any tenants we have that would be traveling into the city for work are seconds from the highway and would not be hampering the progress of commuters living deeper in the community. We feel the potential 248 cars the Pinnacle Apartments would add to the area would not materially affect the already long drive times of those individuals who choose to live in the area and work in Houston.

Furthermore, Methodist Hospital is preparing to build a hospital facility directly to the south of the Pinnacle site in between Pinnacle and US 290. With the hospital staffed 24 hours a day there will be an enormous number of potential tenants working at the hospital. Any hospital staff living at the Pinnacle apartments would be within easy walking distance of work and would certainly help lower traffic in the area.



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## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2004 Private Activity Multifamily Revenue Bonds**

**Bristol Apartments  
1200 block of Greens Parkway  
Houston, Texas**

**Bristol Apartments, L.P.  
248 Units**

**Priority 1A – 50% of units at 50% AMFI and 50% of units at 60% AMFI**

**\$12,625,000 Tax Exempt – Series 2004  
\$1,000,000 Subordinate Refunding Bonds**

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### **TABLE OF EXHIBITS**

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<b>TAB 1</b>	<b>TDHCA Board Presentation</b>
<b>TAB 2</b>	<b>Bond Resolution</b>
<b>TAB 3</b>	<b>HTC Profile and Board Summary</b>
<b>TAB 4</b>	<b>Sources &amp; Uses of Funds Estimated Cost of Issuance</b>
<b>TAB 5</b>	<b>Department's Real Estate Analysis</b>
<b>TAB 6</b>	<b>Rental Restrictions Explanation Results and Analysis</b>
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**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Bristol Apartments development.

**Summary of the Bristol Apartments Transaction**

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked ninth out of a total of forty-four applications. The application was induced at the October Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on January 9, 2004. This application was submitted under the Priority 1A category. 50% of the units will serve families at 50% of the AMFI and 50% of the units will serve families at 60% of the AMFI. A public hearing was held on March 9, 2004. There were four (4) people in attendance with zero (0) people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located just north of Beltway 8 and to the west of IH45 at approximately the 1200 block of Greens Parkway, Houston, Harris County, Texas.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of variable rate tax exempt bonds in the amount of \$12,625,000. The bonds will be credit enhanced by FNMA and carry a AAA rating. GMAC (FNMA DUS Lender) will underwrite the transaction at a strike interest rate of 5.815% using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization. At conversion to the permanent phase, GMAC will re-underwrite the development at a 1.20 to 1 debt coverage ratio and the bonds sized accordingly. Should the full amount of the bonds (\$12,625,000) not convert under this debt coverage ratio, subordinate refunding bonds will be issued and privately placed. (See Bond Resolution 04-022 Section 1.2 (b) attached). Total amount of private activity volume cap will not exceed \$12,625,000.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Bristol Apartments development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from the Fannie Mae DUS Lender, equity provider, and the underwriting report by the departments real estate analysis division) and the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**BOARD MEMORANDUM**  
**May 13, 2004**

**DEVELOPMENT:**

Bristol Apartments Houston, Texas

**PROGRAM:**

Texas Department of Housing & Community Affairs  
2004 Private-Activity Multifamily Revenue Bonds  
(Reservation received 1/9/2004)

**ACTION**  
**REQUESTED:**

Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") and multifamily revenue refunding bonds (the "Subordinate Refunding Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. The Subordinate Refunding Bonds will be issued, if at all, under Chapter 1207 of the Texas Government Code and Chapter 2306 of the Texas Government Code.

**PURPOSE:**

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Bristol Apartments,, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental Development to be located southeast of the intersection of Sharmon Road and Greens Parkway and northwest of the intersection of Ella Boulevard and Grand Plaza, at approximately the 1200 block of Greens Parkway, Houston, Harris County, Texas 77067 (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development.

**BOND AMOUNT:**

\$12,625,000 (\*) Series 2004, Tax Exempt Bonds  
\$1,000,000 Subordinate Refunding Bonds

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

**ANTICIPATED**  
**CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on January 9, 2004, pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before June 7, 2004, the anticipated closing date is May 28, 2004.

**BORROWER:**

Bristol Apartments, L.P., a Texas Limited Partnership, the general partner of which is Bristol Apartments I, L.L.C. the members of which are Dwayne Henson Investments, Inc. and Resolution Real Estate Services, LLC. The principles of the general partner are Dwayne Henson and Steve Ford. Boston Capital, or an affiliate thereof will be

providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

**COMPLIANCE HISTORY:**

The Compliance Status Summary completed on April 5, 2004 reveals that the principals of the general partner above have a total of nineteen (19) properties being monitored by the Department. Ten (10) have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

**ISSUANCE TEAM:**

GMAC Commercial Mortgage Corporation. (FNMA DUS Lender/Servicer)  
JPMorgan Chase Bank (Interim Lender)  
Fannie Mae (Credit Facility Provider)  
GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (Underwriter)  
Wachovia Bank, National Association (Trustee)  
Vinson & Elkins L.L.P. (Bond Counsel)  
Dain Rauscher, Inc. (Financial Advisor)  
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

**BOND PURCHASER:**

The Bonds will be publicly offered for sale on or about May 27, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

**DEVELOPMENT DESCRIPTION:**

The Development is a 248 unit apartment community to be constructed on approximately 14.1 acres located southeast of the intersection of Sharmon Road and Greens Parkway and northwest of the intersection of Ella Boulevard and Grand Plaza, at approximately the 1200 block of Greens Parkway, Houston, Harris County, Texas 77067 (the "Development"). The Development will consist of twenty-four (24) two-story buildings and one (1) three-story building, with a total of 245,054 net rentable square feet and an average unit size of approximately 988 square feet. The property will also have a community building consisting of a kitchen, a fitness center, business center and leasing office. The development will include a laundry room, a swimming pool, barbeque grills and picnic tables (one for every 50 units), and perimeter fencing with access gates. The complex will have 200 open parking spaces as well as 248 detached garages. Each Unit type will be divided evenly between 50% Rent and Income Restricted and 60% Rent and Income Restricted.

<u># Units</u>	<u>Unit Type</u>	<u>Square Footage</u>
56	1 bed/1 bath	679
104	2 bed/2 bath	1015
88	3 bed/2 bath	1210
248	Total Units	

**SET-ASIDE UNITS:**

For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the Development will be set aside on

a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 50% of the units at fifty percent (50%) of the area median income and fifty percent of the units at sixty percent of area median income.

**RENT CAPS:**

For Bond covenant purposes, the rental rates on 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals fifty percent (50%) of the area median income and the remaining 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median income (see Exhibit 6).

**TENANT SERVICES:**

Tenant Services will be provided by Texas Inter-Faith management Corporation a Texas non-profit corporation, d.b.a. Good Neighbor (Supportive Provider) per the requirements as outlined in the Departments Land Use Restriction Agreement.

**DEPARTMENT  
ORIGINATION  
FEES:**

\$1,000 Pre-Application Fee (Paid)  
\$10,000 Application Fee (Paid)  
\$63,125 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT  
ANNUAL FEES:**

Bond Administration - 0.10% of bond amount (\$12,625 initially)  
Compliance Fee- \$25/unit/year (\$6,200 CPI Inflated)

**ASSET OVERSIGHT  
FEE:**

\$25/unit/year (\$6,200) to TDHCA or assigns.

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

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$853,552 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$6,828,419 of equity for the transaction.

**BOND STRUCTURE &  
SECURITY FOR THE  
BONDS:**

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

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Development. The Mortgage Loan will be secured by,

among other things, a Deed of Trust and other security instruments on the Development. The Mortgage Loan and security instruments will be assigned to the Trustee and Fannie Mae and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Fannie Mae will provide a credit enhancement and liquidity facility for the Bonds. Fannie Mae's obligation to honor any demand by the Trustee for an Issuer's Fee advance is a standby obligation, payable if the Issuer's Fee is not otherwise paid, and Fannie Mae's obligation to honor any demand for all other advances is a direct pay obligation, without regard to whether the Borrower has made any such payment. During the Construction Phase, the Interim Lender will provide a Letter of Credit for the benefit of Fannie Mae to cover the construction and lease-up risk. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae will return the Letter of Credit to the Interim Lender.

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

The Department is being asked to approve a Subordinate Refunding Bond Indenture at this time. No Subordinate Refunding Bonds will be issued now and it is not anticipated that they will ever be issued. Upon Conversion to the Permanent Phase, Fannie Mae will determine the final Mortgage Loan amount. If the final Mortgage Loan amount is less than the original Mortgage Loan amount, the Borrower will be required to pay the difference which will be used to correspondingly reduce the amount of the outstanding Bonds. All or a portion of this payment amount may be financed through the issuance of the Subordinate Refunding Bonds. The Department and GMAC Commercial Holding Capital Corp. will enter into a Forward Bond Purchase Contract for the purchase and sale of the Subordinate Refunding Bonds if such Bonds are issued.

**CREDIT**  
**ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aaa and an anticipated variable interest rate of 3.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

**FORM OF BONDS:**

The Bonds will be issued in book entry form and will be in authorized denominations of, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple

of \$5,000.

**TERMS OF THE  
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest following conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur thirty months from the closing date of the Bonds with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the Fannie Mae credit facility. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES  
& METHODS OF  
REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is June 15, 2037.

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

Fannie Mae is obligated under the credit enhancement agreement to fund the payment of the Bonds, regardless of whether the Borrower makes the scheduled principal and interest payments on the Mortgage Loan. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by Fannie Mae for such payments

**REDEMPTION OF  
BONDS PRIOR TO  
MATURITY:**

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

**Optional Redemption:**

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower:

- (1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.
- (2) On any date within a Reset Period at the respective initial redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective, initial redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

**Mandatory Redemption:**

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Instrument to the prepayment of the Mortgage Loan.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows:
  - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
  - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.

- (5) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (6) The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement.
- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

**FUNDS AND**  
**ACCOUNTS/FUNDS**  
**ADMINISTRATION:**

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

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

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

The Trust Indenture will create up to six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account. Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Development including interest on the Bonds during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Sub-accounts created within the Revenue Fund for redemption provisions, credit facility purposes, the payment of interest and certain ongoing fees.
3. Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee.
4. Rebate Fund - Fund into which certain investment earnings are



transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

5. Bond Purchase Fund - so moneys held uninvested and exclusively for the payment of the purchase price of Tendered Bonds (subject to provisions in the Indenture allowing reimbursement of the amounts owed to the Credit Provider).
6. Principal Reserve Fund – a fund to collect principal payments from the payments received from the Borrower through revenue from the project.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

**DEPARTMENT**  
**ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wachovia Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Underwriter –Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department May 2003.

**ATTORNEY GENERAL**  
**REVIEW OF BONDS:**

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

RESOLUTION NO. 04-022

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (BRISTOL APARTMENTS) SERIES 2004 AND SUBORDINATE MULTIFAMILY HOUSING REVENUE REFUNDING BONDS (BRISTOL APARTMENTS); APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Department may issue refunding bonds under Chapter 1207, Texas Government Code, to refund all or any part of the Department’s outstanding bonds, notes, or other general or special obligations; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Bristol Apartments) Series 2004 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wachovia Bank, National Association (the “Trustee”), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

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

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Credit Enhancement Instrument issued by Fannie Mae ("Fannie Mae"); and

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

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to Fannie Mae, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower; and

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

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

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower, GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, pursuant to the terms of the Note, the Borrower is required to make a Pre-Conversion Loan Equalization Payment (as such term is defined the Note) in the event that the principal amount of the Mortgage Loan, as finally determined pursuant to the terms of the Construction Phase Financing Agreement (as such term is defined in the Indenture), is less than the original principal amount of the Mortgage Loan; and

WHEREAS, pursuant to the terms of the Indenture, the Bonds are subject to mandatory redemption in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment pursuant to the terms of the Note; and

WHEREAS, the Board has determined to authorize the issuance, sale and delivery of its Subordinate Multifamily Housing Revenue Refunding Bonds (Bristol Apartments) (the “Refunding Bonds”) pursuant to and in accordance with the terms of a Subordinate Indenture between the Department and Wachovia Bank, National Association, as trustee, or any successor thereto (the “Refunding Indenture”), for the purpose of obtaining funds to refinance a portion of the Project in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board desires to use the proceeds of the Refunding Bonds to fund a subordinate mortgage loan (the “Refunding Mortgage Loan”) to the Borrower in order to provide funds to make a Pre-Conversion Loan Equalization Payment and thereby refund a portion of the Bonds, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Subordinate Loan Agreement (the “Refunding Loan Agreement”) pursuant to which (i) the Department will agree to make the Refunding Mortgage Loan to the Borrower to enable the Borrower to make a Pre-Conversion Loan Equalization Payment and thereby refinance a portion of the Project, and (ii) the Borrower will execute and deliver to the Department a subordinate multifamily note (the “Refunding Note”) in an original principal amount equal to the original aggregate principal amount of the Refunding Bonds, and providing for payment of interest on such principal amount equal to the interest on the Refunding Bonds; and

WHEREAS, it is anticipated that the Refunding Note will be secured by a Subordinate Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Refunding Mortgage”) from the Borrower for the benefit of the Department; and

WHEREAS, it is anticipated that the Department’s rights (except for certain reserved rights) under the Refunding Mortgage Loan, including the Refunding Note and the Refunding Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents (the “Refunding Assignment”) from the Department for the benefit of the Trustee; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will amend the Regulatory Agreement in connection with the issuance of the Refunding Bonds to comply with state law and federal tax law; and

WHEREAS, the Board has determined that the Department shall enter into a Forward Purchase Contract (the “Forward Purchase Contract”) with the Borrower and GMAC Commercial Holding Capital Corp. (the “Refunding Bond Purchaser”) and any other party to the Forward Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Refunding Bond Purchaser or another party to the Forward Purchase Contract will purchase all or their respective portion of the Refunding Bonds from the Department and the Department will sell the Refunding Bonds to the Refunding Bond Purchaser or another party to the Forward Purchase Contract; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the “Asset Oversight Agreement”), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, the Refunding Indenture, the Refunding Loan Agreement, the Refunding Assignment and the Forward Purchase Contract, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.20, to authorize the issuance of the Bonds and the Refunding Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith;

**NOW, THEREFORE,**

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

## ARTICLE I

### ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. (a) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.5%; (ii) the aggregate principal amount of the Bonds shall not exceed \$13,000,000; (iii) the final maturity of the Bonds shall occur not later than June 15, 2038; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

(b) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1207, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Refunding Bond Purchaser or another party to the Forward Purchase Contract, the Refunding Bonds, all of which determinations shall be conclusively evidenced by

the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Refunding Indenture and the Forward Purchase Contract; provided, however, that (i) the interest rate on the Refunding Bonds shall be 10%; provided that in no event shall the interest rate on the Refunding Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Refunding Bonds shall not exceed \$1,000,000; (iii) the final maturity of the Refunding Bonds shall occur not later than the date that is 90 days after the maturity date of the Note; and (iv) the price at which the Refunding Bonds are sold to the initial purchasers thereof under the Forward Purchase Contract shall not exceed 103% of the principal amount thereof.

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

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

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

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

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

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

required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--Approval, Execution and Delivery of the Refunding Indenture. That the form and substance of the Refunding Indenture are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Indenture and to deliver the Refunding Indenture to the Trustee.

Section 1.11--Approval, Execution and Delivery of the Refunding Loan Agreement. That the form and substance of the Refunding Loan Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Loan Agreement and to deliver the Refunding Loan Agreement to the Borrower.

Section 1.12--Approval, Execution and Delivery of Amended Regulatory Agreement. That any amendments to the Regulatory Agreement to comply with state law and federal tax law in connection with the issuance of the Refunding Bonds are hereby authorized; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the amended Regulatory Agreement, thereby evidencing the Department's approval of any such amendments, and to deliver such amended Regulatory Agreement to the Borrower and the Trustee.

Section 1.13--Acceptance of the Refunding Mortgage and the Refunding Note. That the Refunding Mortgage and the Refunding Note are hereby accepted by the Department; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to endorse the Refunding Note to the order of the Trustee, without recourse.

Section 1.14--Approval, Execution and Delivery of the Refunding Assignment. That the form and substance of the Refunding Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute the Refunding Assignment and to deliver the Refunding Assignment to the Trustee.

Section 1.15--Approval, Execution and Delivery of the Forward Purchase Contract. That the form and substance of the Forward Purchase Contract are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute and deliver the Forward Purchase Contract to the Borrower and the Refunding Bond Purchaser and any other party to the Forward Purchase Contract as appropriate.

Section 1.16--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.



Section 1.17--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Assignment
- Exhibit G - Official Statement
- Exhibit H - Asset Oversight Agreement
- Exhibit I - Refunding Indenture
- Exhibit J - Refunding Loan Agreement
- Exhibit K - Forward Purchase Contract
- Exhibit L - Refunding Assignment

Section 1.18--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.19--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Board Secretary.

Section 1.20--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

## ARTICLE II

### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of

the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds and the Refunding Bonds.

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

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

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

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

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

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

### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and Section 1207.008, Texas Government Code, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

- (a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

(ii) that the issuance of the Bonds and the Refunding Bonds to finance the Project is undertaken within the authority conferred by the Act and Chapter 1207, Texas Government Code, and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

(d) Findings with Respect to the Refunding Bonds.

(i) that the issuance of the Refunding Bonds is in the best interests of the Department; and

(ii) that the manner in which such refunding is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2), Texas Government Code (with respect to the maximum amount by which the aggregate amount of payments to be made under the Refunding Bonds could exceed the aggregate amount of payments that would have been made under the terms of the portion of the Bonds being refunded).

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

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

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

## ARTICLE IV

### GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 13th day of May, 2004

[SEAL]

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

## **EXHIBIT A**

### DESCRIPTION OF PROJECT

#### Section 1. Project and Owner.

Owner: Bristol Apartments, L.P., a Texas limited partnership

Project: The Project is a 248-unit multifamily facility to be known as Bristol Apartments and to be located at 1303 Greens Parkway and 1212 Grand Plaza, Houston, Harris County, Texas 77067. It will consist of one (1) three-story and twenty-four (24) two-story residential apartment buildings with approximately 245,054 net rentable square feet and an average unit size of approximately 988 square feet. The unit mix will consist of:

56	one-bedroom/one-bath units
104	two-bedroom/two-bath units
<u>88</u>	three-bedroom/two-bath units

248 Total Units

Unit sizes will range from approximately 679 square feet to approximately 1210 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.

#### Section 2. Project Amenities.

Project Amenities shall include:

- Laundry Connections
- Microwave Ovens
- Garages - 248
- Ceiling Fans
- Ceramic Flooring in Entry and Bathroom
- ×75% Masonry
- Playground and Equipment
- Picnic area with BBQ grills
- Perimeter Fencing and Gated Access
- Business / Computer Facilities with internet access
- Game / Recreation Room
- Exercise Room



**HOUSING TAX CREDIT PROGRAM  
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Bristol Apartments**

TDHCA#: 04416

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Houston QCT: Y DDA: N TTC: N  
 Development Owner: Bristol Apartments, L.P.  
 General Partner(s): Bristol Apartments I, LLC, 100%, Contact: William D. Henson  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$898,771 Eligible Basis Amt: \$899,241 Equity/Gap Amt.: \$1236275

**Annual Tax Credit Allocation Recommendation: \$898,771**

Total Tax Credit Allocation Over Ten Years: \$ 8,987,710

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 248 HTC Units: 248 % of HTC Units: 100  
 Gross Square Footage: 246,320 Net Rentable Square Footage: 241328  
 Average Square Footage/Unit: 973  
 Number of Buildings: 31  
 Currently Occupied: N

**Development Cost**

Total Cost: \$22,266,979 Total Cost/Net Rentable Sq. Ft.: \$92.27

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,926,072 Ttl. Expenses: \$917,600 Net Operating Inc.: \$1,008,472  
 Estimated 1st Year DCR: 1.13

**DEVELOPMENT TEAM**

Consultant: Not Utilized	Manager: Orion Real Estate Services
Attorney: To Be Determined	Architect: Mucasey & Associates
Accountant: Reznick, Fedder & Silverman	Engineer: Lott & Brown Engineering Services
Market Analyst: O'Connor & Associates	Lender: GMAC Commercial Mortgage - Affordable Housing Division
Contractor: Dwayne Henson Investments, Inc.	Syndicator: Boston Capital Partners, Inc.

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 0	U. S. Congressman Gene Green, District 29 - O
# in Opposition: 0	Sen. John Whitmire, District 15 - S
Public Hearing:	Rep. Sylester Turner, District 139 - NC
# in Support: 4	Mayor Bill White - NC
# in Opposition: 0	Daisy A. Stiner, Director of Housing & Community Development, City of Houston;
# Neutral: 0	Consistent with the local Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support



**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis prior to commitment.
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robert Onion, Multifamily Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Brooke Boston, Director of Multifamily Finance Production Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director

Chairman of Executive Award and Review Advisory Committee

\_\_\_\_\_  
Date

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

Chairperson Signature: \_\_\_\_\_  
Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

# Bristol Apartments

## Estimated Sources & Uses of Funds

### Sources of Funds

2004 Series Bond Proceeds	\$ 12,625,000
Equity Funds from Borrower (Tax credit proceeds)	6,832,868
GIC Earnings	70,295
NOI Prior to Stabilization	1,036,144
Deferred Developer's Fee (Note at Completion)	2,093,409
<b>Total Sources</b>	<b>\$ 22,657,716</b>

### Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 18,114,076
Deposit to Revenue Fund (30-Day Payment Lag)	45,365
Capitalized Interest	408,000
Lease Up Reserves	350,000
Developer's Fee/Overhead	2,293,825
Costs of Issuance	
Direct Bond Related	255,575
Underwriter's Spread/Council	161,250
Other Transaction Costs	591,625
Credit Enhancement Costs	303,000
Real Estate Closing Costs	135,000
<b>Total Uses</b>	<b>\$ 22,657,716</b>

## Estimated Costs of Issuance of the Bonds

### Direct Bond Related

Department Issuance Fee (.5% of Issuance)	\$ 63,125
Department Application Fee	11,000
Department Bond Administration Fee (2 years)	25,250
Bond Counsel (Note 1)	75,000
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	30,000
Rating Agency Fee	13,500
OS Printing & Mailing	2,000
Trustee Fee (Note 1)	5,000
Trustee's Counsel (Note 1)	10,000
Attorney General Transcript Fee	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Fee	3,250
TDHCA Compliance Fee (1st Year Escrow)	6,200
<b>Total Direct Bond Related</b>	<b>\$ 255,575</b>

## Bristol Apartments

<b>Underwriter's Spread</b>	
Underwriter's Fee/Expenses	\$ 126,250
Underwriter's Counsel	35,000
<b>Total Underwriter's Spread</b>	<b>\$ 161,250</b>
<b>Credit Enhancement Costs</b>	
DUS Financing Fee/expenses & legal	\$ 252,500
Lender's Application Fee	15,000
FNMA Counsel & Expenses	35,500
<b>Total Credit Enhancement Costs</b>	<b>\$ 303,000</b>
<b>Other Transaction Costs</b>	
Borrower's Counsel	30,000
Letter of Credit Origination Fee	315,625
Interest Rate Swap/Cap	101,000
Tax Credit Application & Commitment Fee	145,000
<b>Total Transaction Costs</b>	<b>\$ 591,625</b>
<b>Real Estate Closing Costs</b>	
Title, Recording & Survey	\$ 115,000
Property Taxes	20,000
<b>Total Real Estate Costs</b>	<b>\$ 135,000</b>
<b>Estimated Total Costs of Issuance</b>	<b>\$ 1,446,450</b>

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

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



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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF ISSUANCE OF \$12,625,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A VARIABLE INTEREST RATE UNDERWRITTEN AT 5.815% AND REPAYMENT TERM OF 33 YEARS WITH A 30-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$898,771 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis prior to commitment;
2. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>248</u>	<b># Rental Buildings</b>	<u>??</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>??</u>	<b>Age:</b>	<u>0</u> yrs	<b>Vacant:</b>	<u>N/A</u>	<b>at</b>	<u>/</u>	<b>/</b>	<u>/</u>
<b>Net Rentable SF:</b>	<u>241,328</u>	<b>Av Un SF:</b>	<u>973</u>	<b>Common Area SF:</b>	<u>4,992</u>	<b>Gross Bldg SF:</b>	<u>246,320</u>								

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provide in the application the exterior will be comprised as follows: 40% brick veneer/60% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl flooring. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, & individual water heaters.

**ON-SITE AMENITIES**

A 4,992-square foot community building including an activity room, management offices, fitness, maintenance, & laundry facilities, kitchen, restrooms, computer classroom, business center, & central mailroom, along with a swimming pool & equipped children's play area are to be located at the entrance to the property. In addition, a second swimming pool and a 0.7-acre park are to be located on the eastern portion of the site. Perimeter fencing with limited access gates is also planned for the site

<b>Uncovered Parking:</b>	<u>218</u>	spaces	<b>Carpports:</b>	<u>0</u>	spaces	<b>Garages:</b>	<u>248</u>	spaces
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**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bristol Apartments is a relatively dense (17.6 units per acre) new construction development of 248 units of affordable housing located in northwest Houston. The development is comprised of 25 evenly distributed, medium-size, garden style, walk-up residential buildings as follows:

- One Building Type 1 with 20 one-bedroom/one-bath units;

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MULTIFAMILY UNDERWRITING ANALYSIS**

- One Building Type 2 with eight one-bedroom/one-bath units;
- Four Building Type 3 with eight two-bedroom/two-bath units;
- Five Building Type 4 with two one-bedroom/one-bath units and eight two-bedroom/two-bath units;
- Three Building Type 5 with two one-bedroom/one-bath units and eight two-bedroom/two-bath units;
- One Building Type 6 with eight three-bedroom/two-bath units;
- Four Building Type 7 with two one-bedroom/one-bath units and eight three-bedroom/two-bath units;
- Two Building Type 8 with two one-bedroom/one-bath units and eight three-bedroom/two-bath units; and
- Four Building Type 9 with two two-bedroom/two-bath units and eight three-bedroom/two-bath units.

**Architectural Review:** The elevations are quite attractive, with pitched roofs, a large percentage of brick veneer, and decorative window shutters. The units all have balconies or porches and one garage each.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Management Corporation, dba Good Neighbor, to provide the following supportive services to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, neighborhood advancement, 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 \$1,733 per month (\$20,802/year) for these support services.

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

SITE ISSUES					
SITE DESCRIPTION					
<b>Size:</b>	14.1	acres	614,196	square feet	<b>Zoning/ Permitted Uses:</b>
					No zoning in Houston
<b>Flood Zone Designation:</b>			Zone X	<b>Status of Off-Sites:</b>	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is comprised of two non-contiguous, irregularly-shaped parcels located in the northwest area of Houston, separated by Grand Plaza Drive. The location is approximately 13 miles from the central business district. The site is situated on the south side of Greens Parkway, the east side of Sharmon Road, the west side of Ella Boulevard, and Grand Plaza Drive borders the south of the eastern tract and then turns north to separate the two tracts.

**Adjacent Land Uses:**

- **North:** Greens Parkway and undeveloped land with vacant land and commercial beyond
- **South:** vacant land and Grand Plaza Drive with commercial and the Sam Houston Parkway beyond
- **East:** Ella Boulevard with vacant land and commercial beyond
- **West:** Sharmon Road with vacant land and single-family residential beyond

**Site Access:** Access to the property is from the east or west along Greens Parkway or Grand Plaza Drive or the north or south from Sharmon Road, Ella Boulevard, or Grand Plaza Drive. The western portion is to have two entries from the north from Greens Parkway and two from the east from Grand Plaza Drive, and the eastern portion is to have one entry from the west and one from the south, both from Grand Plaza Drive. Access to Interstate Highway 45 is 1.25 miles east and the Sam Houston Parkway is one-quarter mile south, both of which provide connections to all other major roads serving the Houston area.

**Public Transportation:** Public transportation to the area is provided by the Metro bus system with a route along adjacent Ella Boulevard. The location of the nearest stop was not identified in the application materials. A Metro transit center is located one mile east of the site.

**Shopping & Services:** The site is within 1.5 miles of a regional mall, and grocery/pharmacies, neighborhood shopping centers, and a variety of other retail establishments and restaurants are located throughout the neighborhood. Schools, churches, and hospitals and health care facilities are also located

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MULTIFAMILY UNDERWRITING ANALYSIS**

within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 9, 2004 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated March 2, 2004 was prepared by The Murillo Company and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 14)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50%/50% at 60% option.

**MAXIMUM ELIGIBLE INCOMES**

	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

**MARKET HIGHLIGHTS**

A market feasibility study dated March 11, 2004 and a revision thereto were prepared by O'Connor & Associates, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "...the subject's primary market area includes those properties bound by Kuykendall Road and Rankin Road to the north; the Hardy Tollroad to the east; Burlington Northern Railroad tracks and FM 1960 to the west; and Halls Bayou, E. Little York, and State Highway 249 to the south. This geographic area essentially is contained within the following zip codes 77014, 77037, 77038, 77060, 77066, and 77067." (p. 36). This area encompasses approximately 48 square miles and is equivalent to a circle with a radius of 3.9 miles.

**Population:** The estimated 2003 population of the PMA was 157,148 and is expected to increase by 9.7% to approximately 172,367 by 2008. Within the primary market area there were estimated to be 49,484 households in 2003. (demographics appendix)

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 6,287 qualified households in the PMA, based on the current estimate of 157,148 households, the projected annual growth rate of 1.4%, renter households estimated at 50% of the population, income-qualified households estimated at 41%, and an annual renter turnover rate of 55%. (p. 68). The Market Analyst used an income band of \$17,349 to \$39,540, but also estimated that approximately 1,041 units of demand exist from Section 8 voucher holders with incomes below this income band.

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	211*	3%	168	3%
Resident Turnover	5,504	88%	5,604	97%
Other Sources: demand from outside PMA	572	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>6,287</b>	<b>100%</b>	<b>5,772</b>	<b>100%</b>

Ref: p. 68

\*18 months of demand (from application to completion of construction)

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 22.1% based upon

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MULTIFAMILY UNDERWRITING ANALYSIS**

6,287 units of demand and 1,390 unstabilized affordable housing in the PMA (including the subject) (p. 68). The Underwriter calculated an inclusive capture rate of 24.1% based upon a lower demand estimate of 5,772 households.

**Local Housing Authority Waiting List Information:** “The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. The waiting list has been reopened at times, but is currently closed. According to the City of Houston’s PHA 5-Year Plan for Fiscal Years 2003-2007, Annual Plan for Fiscal Year 2003, the goal is to add 5,000 housing vouchers to the 12,013 existing vouchers. The most recently published list totals 18,526 families.” (p. 44).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,156 units in the market area. “The majority of the apartment facilities in the subject’s primary market are older, less appealing projects. It is our opinion that rental rates will show moderate increases over the next few years. With continued demand and negligible new construction, the supply of available apartment product is declining.” (p. 45)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$506	\$506	\$0	\$700	-\$194
<b>1-Bedroom (60%)</b>	\$621	\$621	\$0	\$700	-\$179
<b>2-Bedroom (50%)</b>	\$605	\$605	\$0	\$850	-\$245
<b>2-Bedroom (60%)</b>	\$742	\$742	\$0	\$850	-\$108
<b>3-Bedroom (50%)</b>	\$696	\$696	\$0	\$1,025	-\$329
<b>3-Bedroom (60%)</b>	\$854	\$854	\$0	\$1,025	-\$171

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

**Primary Market Occupancy Rates:** “The overall occupancy rate for projects in this primary market area was 87.45% as of December 2003. The occupancy rate for Class B projects was lower at 83.84%.” (p. 36). At the Underwriter’s request the Analyst submitted supplementary occupancy data on 4/30/2004 which indicated that all HTC-funded developments in and just outside the PMA (which were not initially leasing up) were at or above 90% occupancy.

**Absorption Projections:** “The subject should be able to reach a stabilized occupancy level within 12 months of completion.” (p. 40).

**Known Planned Development:** “Based on our research, there are two affordable housing projects (other than the subject property) currently under construction (Fallbrook Ranch and Shadow Ridge. Additionally, there are two HTC projects currently proposed (Providence on Veteran’s Memorial and Chisholm Trail). There is one HTC project which has attained stabilized occupancy, but not for 12 months (Brittmore) [fka Park Row]. Thus, based on our analysis, there are 1,430 units that are under construction, approved, below stabilized, non-stabilized, or proposed in the subject’s primary market area (including the subject), 1,390 of which will be rent-restricted.” (p. 11)

**Effect on Existing Housing Stock:** “Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration.” (p. 78)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in



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

this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,700 per unit is 4% lower than the Underwriter's database-derived estimate of \$3,848 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$43K lower), water, sewer, and trash (\$18K lower), and insurance (\$27K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In the Applicant's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio (DCR) that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION					
ASSESSED VALUE					
<b>Land: 14.1 acres</b>	\$1,074,850	<b>Assessment for the Year of:</b>		2003	
<b>Building:</b>	N/A	<b>Valuation by:</b>		Harris County Appraisal District	
<b>Total Assessed Value:</b>	\$1,074,850	<b>Tax Rate:</b>		3.21477	
EVIDENCE of SITE or PROPERTY CONTROL (7.133-acre tract)					
<b>Type of Site Control:</b>	Earnest money contract – commercial unimproved property				
<b>Contract Expiration Date:</b>	4/ 30/ 2004	<b>Anticipated Closing Date:</b>		4/ 30/ 2004	
<b>Acquisition Cost:</b>	\$932,139	<b>Other Terms/Conditions:</b>		\$10,000 earnest money	
<b>Seller:</b>	Stebbins Green Ella, L.P.		<b>Related to Development Team Member:</b>		No
EVIDENCE of SITE or PROPERTY CONTROL (6.967-acre tract)					
<b>Type of Site Control:</b>	Earnest money contract – commercial unimproved property				
<b>Contract Expiration Date:</b>	4/ 30/ 2004	<b>Anticipated Closing Date:</b>		4/ 30/ 2004	
<b>Acquisition Cost:</b>	\$910,449	<b>Other Terms/Conditions:</b>		\$10,000 earnest money	
<b>Seller:</b>	Stebbins Green West, L.P.		<b>Related to Development Team Member:</b>		No

CONSTRUCTION COST ESTIMATE EVALUATION	
<b>Acquisition Value:</b>	The site cost of \$1,842,588 (\$3.00/SF, \$130,680/acre, or \$10,352/unit), although significantly higher than the tax assessed value of \$1,074,850, is assumed to be reasonable since the acquisition is an arm's-length transaction.
<b>Sitework Cost:</b>	The Applicant claimed sitework costs of \$7,661K per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is \$4.5K to \$7.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$7.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate verify the need for such high sitework costs, a modification to the allocation of tax credits could be made.
<b>Direct Construction Cost:</b>	The Applicant's direct construction cost estimate is \$35K or less than 1% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate, and is therefore

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regarded as reasonable as submitted.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines. The Applicant, however, included \$40K in housing consultant fees and \$100K in construction loan broker's fee, the latter payable to one of the principals of the General Partner, among the eligible costs. The Underwriter moved these fees to developer fees, resulting in developer fees exceeding the TDHCA 15% guideline by \$44,551 and an equivalent reduction in eligible basis.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$19,430,451 is used to determine a credit allocation of \$899,241 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT BOND FINANCING**

**Source:** GMAC Commercial Mortgage – Affordable Housing Division      **Contact:** Lloyd Griffin

**Tax-Exempt Amount:** \$12,625,000      **Interest Rate:** Estimated & underwritten at 5.815%

**Additional Information:** The commitment indicated that the interest rate would be fixed but this is inconsistent with all of the other information provided regarding the rate being variable.

**Amortization:** 30 yrs      **Term:** 30 yrs      **Commitment:**  LOI     Firm     Conditional

**Annual Payment:** \$909,000      **Lien Priority:** 1st      **Commitment Date** 3/ 12/ 2004

**TAX CREDIT SYNDICATION**

**Source:** Boston Capital      **Contact:** Tom Dixon

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

**State:** MA      **Zip:** 02108      **Phone:** (617) 624-8673      **Fax:** (617) 624-8999

**Net Proceeds:** \$6,881,481      **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢

**Commitment**       LOI     Firm     Conditional      **Date:** 3/ 12/ 2004

**Additional Information:** Based on an allocation of \$882,330

**APPLICANT EQUITY**

**Amount:** \$1,654,059      **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and credit enhanced by GMAC Commercial Mortgage – Affordable Housing Division. The permanent financing commitment is in the amount of \$13,000,000 with an underwriting interest rate of 6.19%, but the Underwriter has used the most recent (4/26/2004) bond sizing and interest rate available from GMAC. The commitment also reflects a fixed rate of interest but in fact the rate will be variable based upon a base rate of 2.5% (current rate BMA rate is around 1%) plus the fee stack of 1.315% (credit enhancement, servicing, liquidity, bond issuer, trustee, and remarketing) and the Fannie Mae required underwriting spread of 2%. Per Fannie Mae underwriting guidelines the typical underwriting spread is 2.5%. This difference, as well as an escrow fee for future interest rate caps as typically required by Fannie Mae, is being waived by the DUS lender to achieve the 5.815% underwriting rate. The effect of these waivers is estimated by the Underwriter to be at least 100 basis points. The inclusion of this additional spread would critically affect the bond amount, reducing it to a level at which the transaction would no longer be financially feasible. The underlying uncertainty surrounding any variable rate transaction is most acute in the lack of an ongoing

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MULTIFAMILY UNDERWRITING ANALYSIS**

escrow fee in the stack of fees for future interest rate caps. In the short run this cap could easily and should be funded outside of the stack as a result of the tremendous 350 basis point actual interest rate savings that will be achieved over the underwritten rate for this transaction. The additional actual cash flow that will be achieved as a result of this interest rate savings will also be available to repay the deferred developer fee at a rate much faster than the rate projected in this report using the underwriting rate.

**HTC Syndication:** The net proceeds amount stated in the tax credit syndication commitment is \$128,227 lower than the amount claimed by the Applicant in the sources and uses of funds statement listed in the application. No provision for upward credit adjustment was noted in the commitment.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,654,059 amount to 64% of the total fees.

**GIC and Construction Period Net Income:** The Applicant listed \$70,295 and \$1,036,144 in anticipated income from investment of the bond proceeds in a guaranteed investment contract and from net operating income during the construction phase, respectively.

**Financing Conclusions:** The Applicant's estimated NOI is sufficient to service the full amount of the requested bonds at the anticipated interest rate. Based on the Applicant's estimate of eligible basis, as adjusted by the Underwriter, the HTC allocation would not exceed \$899,241, but as this amount exceeds the Applicant's credit request of \$898,771 this requested amount will determine the recommended annual ten-years allocation, resulting in syndication proceeds of approximately \$7,009,713. The Underwriter has not analyzed the feasibility of the Applicant's construction phase GIC and NOI sources of funding, and has instead increased the deferral of developer and related general contractor fees to reflect that these sources amount to developer risk. Based on the underwriting analysis, the Applicant's deferred fees will be will be increased to \$2,632,266, which represents 100% of the eligible developer's fee and approximately 6% of the eligible related general contractor's fees. It is estimated that these fees would not be repayable from cash flow within ten years but should be repayable within 15 years, although any amount unpaid past ten years would be removed from eligible basis. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing is therefore a condition of this report.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 50% co-owner of the General Partner, Dwayne Henson Investments, Inc., submitted an unaudited financial statement as of December 7, 2003 reporting total assets of \$8.4M and consisting of \$261K in cash, \$5.5M in receivables, \$110K in real property, \$12K in machinery, equipment, and fixtures, and \$2.5M in partnership interests. Liabilities totaled \$213K, resulting in a net worth of \$8.2M.
- Resolution Real Estate Services, LLC, the other 50% co-owner of the General Partner, submitted an unaudited financial statement as of December 15, 2003 reporting total assets of \$898K and consisting of \$140K in cash, \$700K in receivables, \$30K in securities, and \$28K in machinery, equipment, and fixtures. Liabilities totaled \$95K, resulting in a net worth of \$803K.
- The principals of the General Partner, Dwayne, Laura, Cheryl, and Pamela Henson and Steve and Cynthia Ford, submitted unaudited financial statements as of December 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principals of Dwayne Henson Investments, Inc., Dwayne, Pamela, Laura, and Cheryl Henson, listed participation in 17 previous affordable housing developments totaling 2,991 units since 1995.
- The principals of Resolution Real Estate Services, LLC, Steve and Cynthia Ford, listed participation in

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**MULTIFAMILY UNDERWRITING ANALYSIS**

13 previous affordable housing developments totaling 2,740 units since 1999.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The permanent debt's variable interest rate may increase significantly from the underwritten rate, which could affect the long term financial feasibility of the development.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** May 3, 2004

**Director of Real Estate Analysis:**

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

**Date:** May 3, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Bristol Apartments, Houston, MFB #2004-008/4% HTC #04416**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Trash Only
TC (50%)	28	1	1	701	\$571	\$506	\$14,168	\$0.72	\$65.00	\$13.31
TC (60%)	28	1	1	701	686	621	17,388	0.89	65.00	13.31
TC (50%)	52	2	2	953	686	605	31,460	0.63	81.00	13.31
TC (60%)	52	2	2	953	823	742	38,584	0.78	81.00	13.31
TC (50%)	44	3	2	1,170	793	696	30,624	0.59	97.00	13.31
TC (60%)	44	3	2	1,170	951	854	37,576	0.73	97.00	13.31
<b>TOTAL:</b>	<b>248</b>		<b>AVERAGE:</b>	<b>973</b>	<b>\$768</b>	<b>\$685</b>	<b>\$169,800</b>	<b>\$0.70</b>	<b>\$83.06</b>	<b>\$13.31</b>

**INCOME** Total Net Rentable Sq Ft: **241,328**

POTENTIAL GROSS RENT  
 Secondary Income Per Unit Per Month: \$15.00  
 Other Support Income:  
 POTENTIAL GROSS INCOME  
 Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

TDHCA	APPLICANT
\$2,037,600	\$2,037,600
44,640	44,640
0	0
\$2,082,240	\$2,082,240
(156,168)	(156,168)
0	0
\$1,926,072	\$1,926,072

Comptroller's Region **6**  
 IREM Region **Houston**  
 Per Unit Per Month  
 of Potential Gross Rent

**EFFECTIVE GROSS INCOME**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.01%	\$389	0.40
Management	5.00%	388	0.40
Payroll & Payroll Tax	12.81%	995	1.02
Repairs & Maintenance	4.62%	359	0.37
Utilities	2.06%	160	0.16
Water, Sewer, & Trash	3.27%	254	0.26
Property Insurance	2.38%	185	0.19
Property Tax	10.35%	804	0.83
Reserve for Replacements	2.58%	200	0.21
Other: spt svcs, compl fees, sec	1.48%	115	0.12
<b>TOTAL EXPENSES</b>	<b>49.55%</b>	<b>\$3,848</b>	<b>\$3.95</b>
<b>NET OPERATING INC</b>	<b>50.45%</b>	<b>\$3,918</b>	<b>\$4.03</b>

TDHCA	APPLICANT
\$96,470	\$92,000
96,304	\$104,112
246,755	\$204,000
88,911	\$82,600
39,682	\$41,000
62,964	\$45,000
45,852	\$72,376
199,316	\$198,400
49,600	\$49,610
28,502	\$28,502
\$954,356	\$917,600
\$971,716	\$1,008,472

PER SQ FT	PER UNIT	% OF EGI
\$0.38	\$371	4.78%
0.43	420	5.41%
0.85	823	10.59%
0.34	333	4.29%
0.17	165	2.13%
0.19	181	2.34%
0.30	292	3.76%
0.82	800	10.30%
0.21	200	2.58%
0.12	115	1.48%
\$3.80	\$3,700	47.64%
\$4.18	\$4,066	52.36%

**DEBT SERVICE**

First Lien Mortgage	46.23%	\$3,590	\$3.69
Trustee Fee	0.18%	\$14	\$0.01
TDHCA Admin. Fees	0.66%	\$51	\$0.05
Asset Oversight Fees	0.19%	\$15	\$0.02
<b>NET CASH FLOW</b>	<b>3.37%</b>	<b>\$262</b>	<b>\$0.27</b>

INITIAL AGGREGATE DEBT COVERAGE RATIO: 1.07  
 INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO: 1.07  
 RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO: 1.13

\$890,379	\$909,000
3,500	0
12,625	0
3,720	0
\$64,992	\$99,472
1.07	1.11
1.07	
	1.13

\$3.77	\$3,665	47.19%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.41	\$401	5.16%

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
ACQUISITION COST (site or bldg)		8.25%	\$7,430	\$7.64
Off-Sites		0.00%	0	0.00
Sitework		8.32%	7,500	7.71
Direct Construction		48.00%	43,247	44.44
Contingency	2.66%	1.50%	1,351	1.39
General Req'ts	6.00%	3.38%	3,045	3.13
Contractor's G & A	2.00%	1.13%	1,015	1.04
Contractor's Profit	6.00%	3.38%	3,045	3.13
Indirect Construction		3.50%	3,157	3.24
Ineligible Costs		3.35%	3,022	3.11
Developer's G & A	2.00%	1.50%	1,356	1.39
Developer's Profit	13.00%	9.78%	8,812	9.06
Interim Financing		6.02%	5,425	5.58
Reserves		1.89%	1,700	1.75
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$90,105</b>	<b>\$92.60</b>
<b>Recap-Hard Construction Costs</b>		<b>65.70%</b>	<b>\$59,203</b>	<b>\$60.84</b>

TDHCA	APPLICANT
\$1,842,588	\$1,842,588
0	0
1,860,000	1,900,000
10,725,338	10,760,200
335,000	335,000
755,120	759,612
251,707	253,204
755,120	759,612
783,000	783,000
749,389	749,389
336,214	325,194
2,185,391	2,253,764
1,345,416	1,345,416
421,668	200,000
\$22,345,952	\$22,266,979

PER SQ FT	PER UNIT	% of TOTAL
\$7.64	\$7,430	8.27%
0.00	0	0.00%
7.87	7,661	8.53%
44.59	43,388	48.32%
1.39	1,351	1.50%
3.15	3,063	3.41%
1.05	1,021	1.14%
3.15	3,063	3.41%
3.24	3,157	3.52%
3.11	3,022	3.37%
1.35	1,311	1.46%
9.34	9,088	10.12%
5.58	5,425	6.04%
0.83	806	0.90%
\$92.27	\$89,786	100.00%
\$61.19	\$59,547	66.32%

**SOURCES OF FUNDS**

Tax-Exempt Bonds	56.50%	\$50,907	\$52.31
Construction Period Net Income	4.64%	\$4,178	\$4.29
GIC Income			
HTC Syndication Proceeds	30.80%	\$27,748	\$28.52
Deferred Developer Fees	7.40%	\$6,670	\$6.85
Additional (Excess) Funds Required	0.35%	\$318	\$0.33
<b>TOTAL SOURCES</b>			

\$12,625,000	\$12,625,000
1,036,144	1,036,144
70,295	70,295
6,881,481	6,881,481
1,654,059	1,654,059
78,973	0
\$22,345,952	\$22,266,979

**RECOMMENDED**

\$12,625,000	Developer Fee Available
0	\$2,534,407
0	
7,009,713	% of Dev. Fee Deferred
2,632,266	104%
0	15-Yr Cumulative Cash Flow
\$22,266,979	\$3,847,001

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bristol Apartments, Houston, MFB #2004-008/4% HTC #04416

DIRECT CONSTRUCTION COST ESTIMATE

RESIDENTIAL COST HANDBOOK

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.08	\$10,637,722
Adjustments				
Exterior Wall Finish	3.20%		\$1.41	\$340,407
9-Ft. Ceilings	3.40%		1.50	361,683
Roofing			0.00	0
Subfloor			(0.97)	(233,284)
Floor Cover			2.00	482,656
Porches/Balconies	\$14.51	27,666	1.66	401,377
Plumbing	\$605	664	1.66	401,720
Built-In Appliances	\$1,650	248	1.70	409,200
Stairs	\$1,475	104	0.64	153,400
Floor Insulation			0.00	0
Heating/Cooling			1.53	369,232
Garages	\$11.60	49,600	2.38	575,360
Comm &/or Aux Bldgs	\$59.87	4,992	1.24	298,891
Other:			0.00	0
<b>SUBTOTAL</b>			<b>58.83</b>	<b>14,198,364</b>
Current Cost Multiplier	1.03		1.77	425,951
Local Multiplier	0.90		(5.88)	(1,419,836)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$54.72</b>	<b>\$13,204,479</b>
Plans, specs, survy, bld prm	3.90%		(\$2.13)	(\$514,975)
Interim Construction Interes	3.38%		(1.85)	(445,651)
Contractor's OH & Profit	11.50%		(6.29)	(1,518,515)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$44.44</b>	<b>\$10,725,338</b>

PAYMENT COMPUTATION

<b>Primary</b>	\$12,625,000	Amort	360
Int Rate	5.8150%	DCR	1.09

<b>Secondary</b>		Amort	
Int Rate		Subtotal DCR	1.07

<b>All-In</b>		Amort	
Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$890,379
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight Fees	16,345
<b>NET CASH FLOW</b>	<b>\$98,248</b>

<b>Primary</b>	\$12,625,000	Term	360
Int Rate	5.8150%	DCR	1.13

<b>Secondary</b>		Term	
Int Rate		Subtotal DCR	1.13

<b>All-In</b>		Term	
Rate		Aggregate DCR	1.11

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,037,600	\$2,098,728	\$2,161,690	\$2,226,541	\$2,293,337	\$2,658,606	\$3,082,053	\$3,572,944	\$4,801,738
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,082,240	2,144,707	2,209,048	2,275,320	2,343,579	2,716,851	3,149,575	3,651,220	4,906,935
Vacancy & Collection Loss	(156,168)	(160,853)	(165,679)	(170,649)	(175,768)	(203,764)	(236,218)	(273,842)	(368,020)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,926,072	\$1,983,854	\$2,043,370	\$2,104,671	\$2,167,811	\$2,513,087	\$2,913,357	\$3,377,379	\$4,538,915
EXPENSES at 4.00%									
General & Administrative	\$92,000	\$95,680	\$99,507	\$103,487	\$107,627	\$130,945	\$159,314	\$193,830	\$286,916
Management	104,112	107,235.36	110,452.4208	113,765.9934	117,178.9732	135,842.5457	157,478.7414	182,561.0222	245,346.748
Payroll & Payroll Tax	204,000	212,160	220,646	229,472	238,651	290,356	353,262	429,797	636,205
Repairs & Maintenance	82,600	85,904	89,340	92,914	96,630	117,566	143,036	174,026	257,601
Utilities	41,000	42,640	44,346	46,119	47,964	58,356	70,999	86,381	127,865
Water, Sewer & Trash	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Insurance	72,376	75,271	78,282	81,413	84,670	103,014	125,332	152,485	225,716
Property Tax	198,400	206,336	214,589	223,173	232,100	282,385	343,565	417,999	618,740
Reserve for Replacements	49,610	51,594	53,658	55,805	58,037	70,610	85,908	104,521	154,716
Other	28,502	29,642	30,828	32,061	33,343	40,567	49,356	60,049	88,888
TOTAL EXPENSES	\$917,600	\$953,263	\$990,321	\$1,028,829	\$1,068,845	\$1,293,690	\$1,566,177	\$1,896,458	\$2,782,332
NET OPERATING INCOME	\$1,008,472	\$1,030,591	\$1,053,049	\$1,075,842	\$1,098,966	\$1,219,397	\$1,347,180	\$1,480,921	\$1,756,583
DEBT SERVICE									
First Lien Financing	\$890,379	\$890,379	\$890,379	\$890,379	\$890,379	\$890,379	\$890,379	\$890,379	\$890,379
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Over	16,345	16,185	16,014	15,834	15,643	14,503	12,979	3,720	3,720
NET CASH FLOW	\$98,248	\$120,528	\$143,156	\$166,129	\$189,444	\$311,016	\$440,322	\$583,323	\$858,984
AGGREGATE DCR	1.11	1.13	1.16	1.18	1.21	1.34	1.49	1.65	1.96
BONDS & TRUSTEE FEE-ONLY D	1.13	1.15	1.18	1.20	1.23	1.36	1.51	1.66	1.97
BONDS-ONLY DCR	1.13	1.16	1.18	1.21	1.23	1.37	1.51	1.66	1.97

**LIHTC Allocation Calculation - Bristol Apartments, Houston, MFB #2004-008/4% HTC #04416**

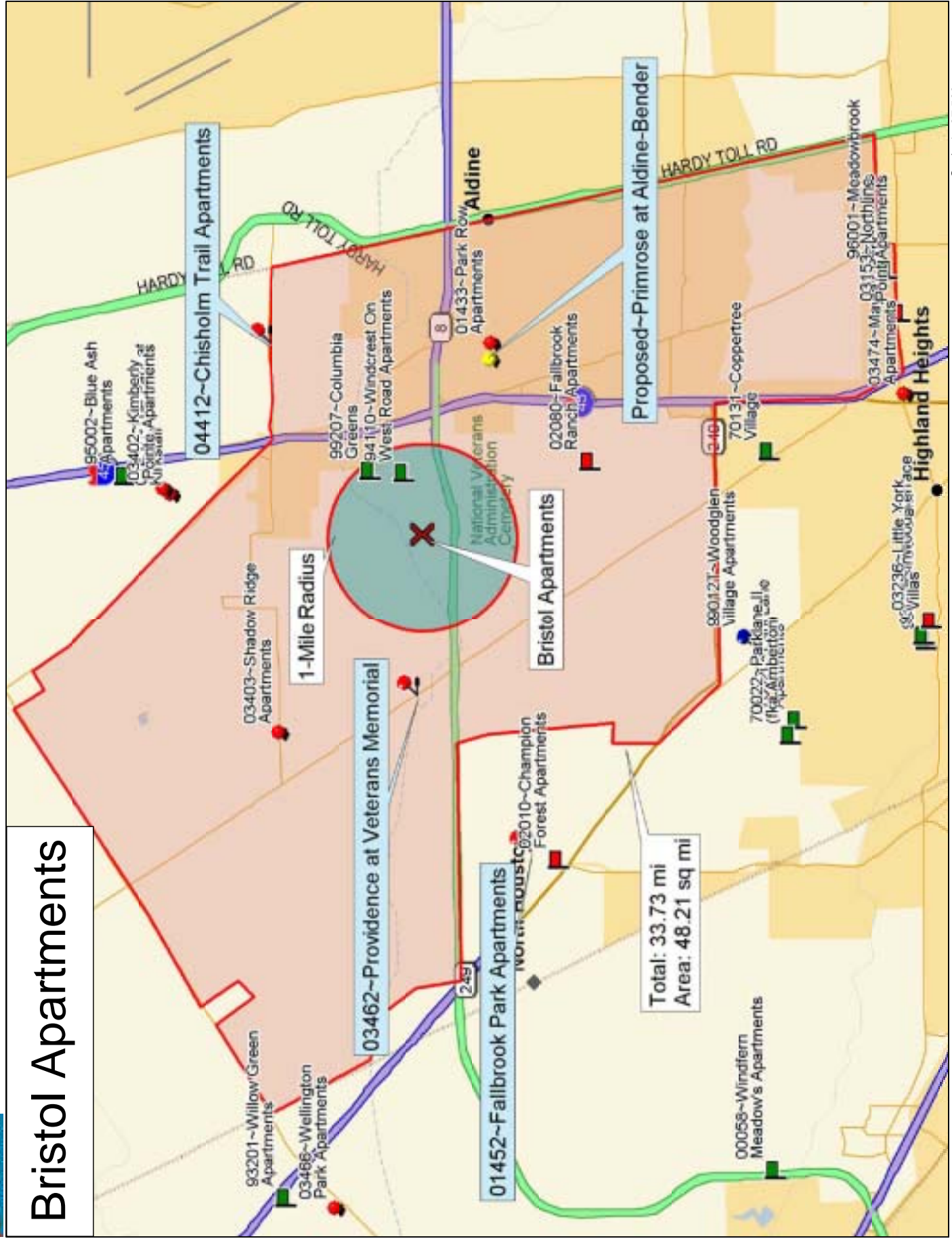
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,842,588	\$1,842,588		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,900,000	\$1,860,000	\$1,900,000	\$1,860,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$10,760,200	\$10,725,338	\$10,760,200	\$10,725,338
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$253,204	\$251,707	\$253,204	\$251,707
Contractor profit	\$759,612	\$755,120	\$759,612	\$755,120
General requirements	\$759,612	\$755,120	\$759,612	\$755,120
<b>(5) Contingencies</b>				
	\$335,000	\$335,000	\$335,000	\$335,000
<b>(6) Eligible Indirect Fees</b>				
	\$783,000	\$783,000	\$783,000	\$783,000
<b>(7) Eligible Financing Fees</b>				
	\$1,345,416	\$1,345,416	\$1,345,416	\$1,345,416
<b>(8) All Ineligible Costs</b>				
	\$749,389	\$749,389		
<b>(9) Developer Fees</b>				
			\$2,534,407	
Developer overhead	\$325,194	\$336,214		\$336,214
Developer fee	\$2,253,764	\$2,185,391		\$2,185,391
<b>(10) Development Reserves</b>				
	\$200,000	\$421,668		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$22,266,979</b>	<b>\$22,345,952</b>	<b>\$19,430,451</b>	<b>\$19,332,306</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$19,430,451	\$19,332,306
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$25,259,586	\$25,131,998
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$25,259,586	\$25,131,998
Applicable Percentage			3.56%	3.56%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$899,241	\$894,699

Syndication Proceeds	0.7799	\$7,013,381	\$6,977,956
<b>Total Credits (Eligible Basis Method)</b>		<b>\$899,241</b>	<b>\$894,699</b>
Syndication Proceeds		\$7,013,381	\$6,977,956
Requested Credits		<b>\$898,771</b>	
Syndication Proceeds		\$7,009,713	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$9,641,979</b>	
Credit Amount		\$1,236,275	



# Bristol Apartments



Total: 33.73 mi  
Area: 48.21 sq mi

# RENT CAP EXPLANATION

## Houston MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Houston      **Area Median Family Income (Annual):** \$61,000

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 21,350	\$ 25,620	34,150	Efficiency	\$ 533	\$ 640	\$ 853		\$ 533	\$ 640	\$ 853
2	24,400	29,280	39,050	1-Bedroom	571	686	915	58	513	628	857
<b>3</b>	<b>27,450</b>	<b>32,940</b>	<b>43,900</b>	<b>2-Bedroom</b>	<b>686</b>	<b>823</b>	<b>1,097</b>	<b>72</b>	<b>614</b>	<b>751</b>	<b>1,025</b>
4	30,500	36,600	48,800	3-Bedroom	793	951	1,268	87	706	864	1,181
5	32,950	39,540	52,700	4-Bedroom	885	1,062	1,415		885	1,062	1,415
6	35,400	42,480	56,600	5-Bedroom	975	1,170	1,561		975	1,170	1,561
7	37,800	45,360	60,500								
8	40,250	48,300	64,400								
<b>FIGURE 1</b>				<b>FIGURE 2</b>				<b>FIGURE 3</b>	<b>FIGURE 4</b>		

**Figure 1** outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

**Figure 2** shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$32,940 could not pay more than \$823 for rent and utilities under the affordable definition.

- 1) \$32,940 divided by 12 = **\$2,745** monthly income; then,
- 2) **\$2,745** monthly income times 30% = **\$823** maximum total housing expense.

**Figure 4** displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

**Figure 3** shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## Bristol Apartments

### RESULTS & ANALYSIS: for 50% AMFI Units

**Tenants** in the 50% AMFI bracket will **save \$187 to \$294** per month (leaving 9.2% to 11.1% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **26.7% to 29.4%**.

<b>PROJECT INFORMATION</b>			
<b>Unit Mix</b>			
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	701	953	1,170
Rents if Offered at Market Rates	\$700	\$850	\$1,000
Rent per Square Foot	\$1.00	\$0.89	\$0.85

<b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b>			
Rent Cap for 50% AMFI Set-Aside	\$513	\$614	\$706
<b>Monthly Savings for Tenant</b>	<b>\$187</b>	<b>\$236</b>	<b>\$294</b>
Rent per square foot	\$0.73	\$0.64	\$0.60
Maximum Monthly Income - 50% AMFI	\$2,033	\$2,288	\$2,644
<b>Monthly Savings as % of Monthly Income</b>	<b>9.2%</b>	<b>10.3%</b>	<b>11.1%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>26.7%</b>	<b>27.8%</b>	<b>29.4%</b>

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 77206. Report dated April 6, 2004.

## Bristol Apartments

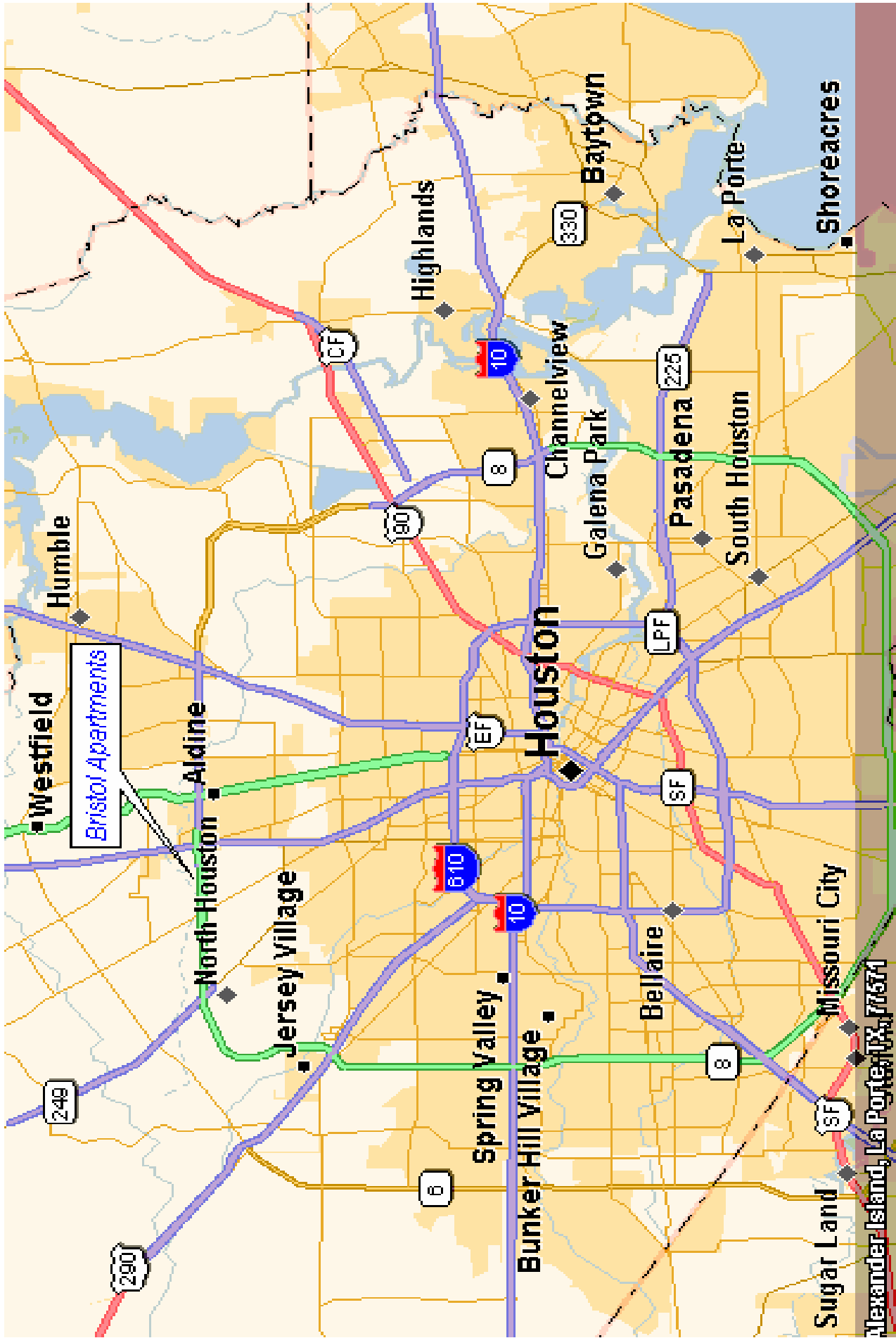
### RESULTS & ANALYSIS: for 60% AMFI units

**Tenants** in the 60% AMFI bracket will **save \$72to \$136** per month (leaving 3.0% to 4.3% more of their monthly income for food, child care and other living expenses).  
This is a monthly savings off the market rents of **10.3% to 13.6%**.

<b>PROJECT INFORMATION</b>			
	<b>Unit Mix</b>		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	701	953	1,170
Rents if Offered at Market Rates	\$700	\$850	\$1,000
Rent per Square Foot	\$1.00	\$0.89	\$0.85

<b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b>			
Rent Cap for 60% AMFI Set-Aside	\$628	\$751	\$864
<b>Monthly Savings for Tenant</b>	<b>\$72</b>	<b>\$99</b>	<b>\$136</b>
Rent per square foot	\$0.90	\$0.79	\$0.74
Maximum Monthly Income - 60% AMFI	\$2,440	\$2,745	\$3,173
<b>Monthly Savings as % of Monthly Income</b>	<b>3.0%</b>	<b>3.6%</b>	<b>4.3%</b>
<b>% DISCOUNT OFF MONTHLY RENT</b>	<b>10.3%</b>	<b>11.6%</b>	<b>13.6%</b>

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 77206. Report dated April 6, 2004.





Dept of Human Services

Daycare

Convenience Store

Convenience Store

Church

Post Office

Strip Shopping

Grocery Store

Market Apts

Bristol Apartments

Food Store

Market Apts

Market Apts

Office/Warehouse Complex

N SAM HOUSTON PKWY 101

8

# Developer Evaluation

Project ID # **04416**

Name: **Bristol Apartments**

City:

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 10 # not yet monitored or pending review: 9

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date 4/5/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by S Roth Date 3/31/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found   
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie A. D'Couto Date 3/31/2004

Executive Director: Edwina Carrington

Executed: 4/7/2004

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

## Public Comment Summary

### Bristol Apartments

#### Public Hearing

<i>Total Number Attended</i>	4
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	4
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	0

#### Public Officials Letters Received

<b><i>Opposition</i></b>	<b>1</b>
U S Congressman Gene Green	
<b><i>Support</i></b>	<b>1</b>
State Senator John Whitmire	

#### General Public Letters and Emails Received

<b><i>Opposition</i></b>	<b>0</b>
<b><i>Support</i></b>	<b>0</b>

#### Summary of Opposition at Public Hearing

- 1 Concern for school system and public infrastructure
- 2 Greenspoint already inundated with rental units
- 3 Significant amount of vacancies in existing apartments



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TEFRA HEARING - BRISTOL APARTMENTS  
2004 STATE OF TEXAS

Tuesday, March 9, 2004  
Cafeteria, Conley Elementary School  
3345 W. Greens Road  
Houston, Texas

PRESIDING:

ROBBYE G. MEYER  
Multifamily Bond Administrator

P R O C E E D I N G S

1  
2 MS. MEYER: Good evening. My name is Robbye Meyer, and  
3 I would like to proceed with the public hearing.

4 Let the record show that it is now 6:19 Tuesday, March  
5 9, 2004 and we are at the Conley Elementary School located at 3345  
6 West Greens Road in Houston, Texas 77066. I am here to conduct the  
7 public hearing on behalf of the Texas Department of Housing and  
8 Community Affairs with respect to an issuance of tax-exempt  
9 multifamily revenue bonds for a residential rental community.

10 This hearing is required by the Internal Revenue Code.  
11 The sole purpose of this hearing is to provide a reasonable  
12 opportunity for interested individuals to express their views  
13 regarding the development and the proposed bond issuance.

14 No decisions regarding the development will be made at  
15 this hearing. The Department's board is scheduled to meet to  
16 consider this transaction on May 13, 2004.

17 In addition to providing your comments at this hearing,  
18 the public is also invited to provide comment directly to the board  
19 at any of their meetings. And the Department staff will also accept  
20 written comments from the public up until 5:00 on April 30, 2004.

21 The bonds will be issued as tax-exempt multifamily  
22 revenue bonds in the aggregate principal amount not to exceed \$13  
23 million in taxable bonds, if necessary, in an amount to be determined  
24 and issued in one or more series by the Texas Department of Housing

1 and Community Affairs.

2           The proceeds of the Bonds will be loaned to Bristol  
3 Apartments, L.P., or a related person or affiliate entity thereof, to  
4 finance a portion of the costs of acquiring, constructing, and  
5 equipping a multifamily rental housing community described as  
6 follows.

7           A 248 unit multifamily residential rental development to  
8 be constructed on approximately 14.1 acres of land, located at  
9 approximately the 1200 block of Greens Parkway, Houston, Harris  
10 County, Texas.

11           The proposed multifamily rental housing community will  
12 be initially owned and operated by the borrower or a related person  
13 or affiliate entity thereof. Is there anybody that wants to speak on  
14 behalf of the developer?

15           (No response.)

16           MS. MEYER: Since that is the only ones that are here,  
17 let the record show there are no other attendees, and therefore the  
18 meeting is now adjourned, and it is 6:21.

19           (Whereupon, the public hearing was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA TEFRA Hearing - Bristol Apartments

LOCATION: Houston, Texas

DATE: March 9, 2004

I do hereby certify that the foregoing pages, numbers 1 through 4, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sue J. Brindley before the Texas Department of Housing and Community Affairs.

03/22/04  
\_\_\_\_\_  
(Transcriber) (Date)

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

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval of Senior Managing and Co-Managing Underwriting Firms for the Multifamily Mortgage Revenue Bond Transactions.

**Requested Action**

Approve the Recommended List Below.

**Background**

At the April 10, 2003 TDHCA Board meeting, the Board approved the Request for Qualifications (RFQ) for Investment Banking Firms. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit the expertise of Investment Banking Firms to facilitate the underwriting needs for the multifamily bond transactions. The Department received information from two (2) investment banking firms. Both are being recommended for Senior Managers.

The Department staff recommends the following Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters List:

Newman & Associates	Senior Manager	Remain on the approved list
Citigroup	Senior Manager	Add to approved list

**Recommendation**

The Board approve the recommended Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters list.

**LEGAL SERVICES DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs.

**Required Action**

Approval of the Interagency Contract.

**Background**

The proposed, second year, Interagency Contract between TDHCA and ORCA concerning the Housing Tax Credit Program Rural Regional Allocation includes changes from last year's contract based on SB 264 and Board input. It is black lined against last year's contract. The proposed new contract follows the requirements of Sections 2306.6723 and 2306.111, Texas Government Code, and the 2004 QAP.

Both this Board and the Executive Committee of ORCA have previously approved the contract, with the exception of the two sentences in bold type. The ORCA Executive Committee approved these sentences in the contract it approved and they are presented for the Board's consideration.

**INTERAGENCY CONTRACT BY AND BETWEEN  
THE OFFICE OF RURAL COMMUNITY AFFAIRS AND  
THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

STATE OF TEXAS                   §  
  §  
COUNTY OF TRAVIS   §

**SECTION 1. PARTIES TO THE CONTRACT**

This contract and agreement is made and entered into by and between the **Office of Rural Community Affairs**, an agency of the State of Texas, hereinafter referred to as “ORCA,” and the **Texas Department of Housing and Community Affairs**, an agency of the State of Texas, hereinafter referred to as “TDHCA,” pursuant to the authority granted and in compliance with the provisions of the Interagency Cooperation Act, Chapter 771, Texas Government Code, and Sections 2306.6723 and 2306.111, Texas Government Code.

**SECTION 2. PERIOD OF PERFORMANCE**

This contract shall commence on September 1, 2003 and shall terminate on August 31, 2004, unless otherwise specifically provided by the terms of this contract.

**SECTION 3. CONTRACT PERFORMANCE**

- A. **Joint Performance.** TDHCA and ORCA shall during the period of performance specified in Section 2 of this contract jointly administer the rural regional allocation established by TDHCA under the Housing Tax Credit (HTC) program to ensure the maximum use and optimum geographic distribution of housing tax credits in rural areas and to provide for information sharing, efficient procedures, and the fulfillment of development compliance requirements in rural areas. TDHCA and ORCA shall jointly adjust the regional allocation of federal low-income housing tax credits to offset the under-utilization and over-utilization of multifamily private activity bonds and other housing resources in the different regions of the state of Texas. In addition, TDHCA and ORCA shall jointly implement an outreach and training program to promote rural area capacity building and the maximum use and dispersal of tax credits in rural areas. If the staff of TDHCA and ORCA disagree on the tax credit allocations to be recommended, and the disagreement cannot be resolved by further staff discussion, each staff may make separate allocation recommendations.
- B. **TDHCA Performance.** TDHCA shall train ORCA staff, as needed, on site inspection requirements and HTC application threshold and scoring review. Statewide, TDHCA will target a set percentage of the year’s credit ceiling to rural areas, with the percentage varying from region to region, based on

**TDHCA's approved 2004 Regional Allocation Formula. If an insufficient number of applications are received or if applications are found to be ineligible or infeasible, any excess rural allocation will be allocated to the urban/exurban regional allocation.**

C. ORCA Performance ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the HTC rural regional allocation. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan ("QAP") which includes threshold and scoring criteria not later than September 30 each year. ORCA agrees to provide its input on the QAP and underwriting criteria while the rules are being drafted prior to the notice and comment rulemaking period for the QAP and the Underwriting Rules. **Each year, the TDHCA Board and ORCA Executive Committee shall hold a joint workshop to discuss the proposed QAP. At the workshop, the ORCA Executive Committee shall provide its input on the threshold and scoring criteria applied to applications eligible for the LIHTC rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop, or in a separate joint workshop.**
2. ORCA shall participate in the site inspections of all projects proposed under the rural regional allocation. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.
3. ORCA shall assign a representative to attend HTC public hearings relating to the Qualified Allocation Plan and other application requirements and to participate in TDHCA's executive award and review advisory committee meetings in which recommendations relating to the allocation of tax credits to rural regional allocation applicants is discussed.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating to the administration of the Rural Development set-aside or allocation.

#### **SECTION 5. TDHCA FUNDING OBLIGATIONS**

**From the total amount of HTC application fees collected by TDHCA during the most recent allocation cycle from applicants for the rural regional allocation, ORCA shall be reimbursed for any costs incurred in carrying out the requirements of this contract in an amount not to exceed 50% of the application fees received from such applicants. TDHCA's maximum amount of liability under this contract shall not exceed such amount and will be provided on a reimbursement basis. ORCA shall submit a statement to TDHCA on a monthly basis that provides a detailed description of the work performed and hours spent on such work, including the names of the employees performing the work.**



**SECTION 6. AMENDMENTS AND CHANGES**

Any alteration, addition or deletion to the terms of this contract shall be by amendment hereto in writing and executed by both parties hereto except as may be expressly provided for in some other manner by the terms of this contract.

**SECTION 7. POLITICAL ACTIVITY**

None of the activities or performances rendered hereunder by TDHCA or ORCA shall involve any political activity, including but not limited to any activity to further the election or defeat of any candidate for public office, or any activity undertaken to influence the passage, defeat, or final contents of legislation.

**SECTION 8. SECTARIAN ACTIVITY**

None of the activities or performances rendered hereunder by TDHCA or ORCA shall support any sectarian or religious activity.

**SECTION 9. ORAL AND WRITTEN AGREEMENTS**

All oral or written agreements between the parties hereto relating to the subject matter of this contract that were made prior to the execution of this contract have been reduced to writing and are contained herein.

**SECTION 10. TERMINATION**

- A. This contract may be terminated prior to the date specified in Section 2 of this contract only upon 14 days written notice from one party to the other.**
- B. Upon notice of termination, ORCA shall no longer be reimbursed for any costs hereunder.**

WITNESS OUR HANDS EFFECTIVE

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Signed:

---

Robt. J. "Sam" Tessen, MS  
Executive Director, Office of Rural Community Affairs

Approved and accepted on behalf of the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, an agency of the STATE OF TEXAS.

Signed:

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Edwina P. Carrington  
Executive Director, Texas Department of Housing and  
Community Affairs

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Items**

Request approval of revisions to the 2004 Housing Tax Credit Rural Rescue Policy (“the Policy”) that will enable developments with funding from TX-USDA-RHS that are experiencing foreclosure or loan acceleration to be submitted to the Board for recommendation for a forward commitment of low income housing tax credits from the 2005 credit ceiling.

**Required Action**

Approval of revisions to the attached Policy.

**Background and Recommendations**

The 2003 Housing Tax Credit Rural Rescue Policy was approved by the Board at the February 2004 Board Meeting. Staff is now returning for approval of a revision to the 2004 Rural Rescue Policy. The policy is provided as a blackline which denotes the proposed revision. Because any awards made under the 2004 Rural Rescue Policy will be 2005 Forward Commitments, the applicants will be receiving credits from the 2005 Credit Ceiling and therefore, are legally required to adhere to the 2005 QAP. However, because the 2005 QAP will not be in effect during the time period that the Rural Rescue applications can be submitted (through November 15, 2004), staff is requesting that the policy be revised to clarify that applications submitted under this policy will be considered by the Board to have satisfied the requirements of the 2005 QAP and will be waived from 2005 QAP requirements that are changes from the 2004 QAP. This clarification is the only proposed change being made by staff.

**Housing Tax Credit (HTC) Program**  
**2004 Policy for Granting Forward Commitments to Rural “Rescue” Developments**

I. Introduction

§50.10(c) of the 2004 Qualified Allocation Plan and Rules (QAP) states: “The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2004 calendar year.” This language was included in the QAP so that RHS developments that have already experienced foreclosure, facing foreclosure or loan acceleration or which are otherwise in danger of default and foreclosure, that missed the HTC filing deadline, would still have an opportunity to receive credits without a delay until the following year’s credit cycle. These developments are termed rural “rescue” developments.

Because the QAP did not include the details of how these requests and awards would be handled, this policy provides the procedures for application, staff review and recommendation specifically for rural “rescue” developments.

II. Definitions

All definitions used in this policy are definitions found in the 2004 QAP.

III. Eligibility

Applications must:

1. be funded through RHS; and
2. must be able to provide evidence that the loan:
  - a. has been foreclosed and is in the RHS inventory, or
  - b. is being foreclosed, or
  - c. is being accelerated, or
  - d. is in imminent danger of foreclosure or acceleration.

IV. Credit Ceiling and Applicability of QAP

All applicants will receive their credit allocation out of the 2005 Credit Ceiling and therefore, will be required to follow the rules and guidelines identified in the 2005 QAP. However, because the 2005 QAP will not be in effect during the time period that the Rural Rescue applications can be submitted, applications submitted under this policy will be considered by the Board to have satisfied the requirements of the 2005 QAP and are waived from 2005 QAP requirements that are changes from the 2004 QAP, to the extent permitted by statute.

IV.V. Procedures for Intake and Review

1. Applications for rural rescue deals may be submitted between March 2, 2004 and November 15, 2004 and must be submitted in accordance with §50.22 of the QAP. A complete Application must be submitted at least 30 days prior to the date of the Board meeting at which the Applicant would like the Board to act on the proposed Development. Applications must include the full Application Fee of \$20 per Unit as further described in §50.21(c) of the QAP. Applicants must submit documents in accordance with the procedures set out in the 2004 Application Submission Procedures Manual for Volumes I, II, III and IV. Volume IV, evidencing Selection Criteria, MUST be submitted.
2. Applicants do not need to participate in the Pre-Application process outlined in §50.8 of the QAP, nor will they need to submit pre-certification documents identified in §50.9(e) of the QAP.

3. Application will be reviewed to confirm that the Application is eligible under §§50.5 and 50.6 of the QAP and to ensure that the Application is eligible as a rural “rescue” Development as described in paragraph III of this Policy.
4. Applications will be reviewed for Threshold Criteria as further described in §50.9(f) of the QAP. Applications that satisfy the Threshold Criteria will then be scored according to the Selection Criteria outlined in §50.9(g) of the QAP. As described in §§50.3(1) and 50.9(d)(3) of the QAP, applicants will be notified of Administrative Deficiencies to ensure that a complete Application has been submitted.
5. After the Application is found to meet all Threshold Requirements and a score assigned to the Application, the Application will be evaluated by the Real Estate Analysis Division and the Portfolio Management and Compliance Division in accordance with §§50.9(d)(4) and (5).
6. Prior to the Development being recommended to the Board, RHS must provide TDHCA with a copy of the physical site inspection report performed by RHS, as provided in §50.9(d)(7) of the QAP.
7. Consistent with §50.2 of the QAP, the Office of Rural Community Affairs (ORCA) will be actively involved in the review of the application.

#### VI. Procedures for Recommendation to the Board

Consistent with §50.9(i) of the QAP, staff will make its recommendation to the Executive Award and Review Advisory Committee (“The Committee”). The Office of Rural Community Affairs (ORCA) will be in attendance at these meetings and give feedback on the proposed recommendation. The Committee will make commitment recommendations to the Board. Staff will provide the Board with a written, documented recommendation to the Board which will address at a minimum the financial or programmatic viability of each Application and a breakdown of which Selection Criteria were met by the Applicant. The Board will make its decision based on §50.10(a) of the QAP.

Any awards made to a rural “rescue” Development will be credited against the Rural Regional Allocation, and more specifically the TX-USDA-RHS Allocation, for the 2005 Application Round. For purposes of allocating based on the regional allocation formula, any award made to a rural “rescue” Development will also be credited against the region in which each Development is located for the 2005 Application Round.

#### VII. Applicability

All Developments submitted under this policy are subject to all rules, definitions, policies and deadlines of TDHCA, as more specifically outlined in the Qualified Allocation Plan and Rules and the Underwriting Rules and Guidelines, except as specifically excepted above.

#### VII. Limitation on Allocation

No more than \$250,000 in credits will be forward committed from the 2005 credit ceiling by this Policy.

**Housing Tax Credit Program  
Board Action Request  
May 13, 2004**

**Action Item**

Request review and board determination of two (2) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

**Recommendation**

Staff is recommending board approval of staff recommendations for the issuance of two (2) four percent (4%) Tax Credit Determination Notice with **other issuers** for tax exempt bond transaction known as:

<b>Development No.</b>	<b>Name</b>	<b>Location</b>	<b>Issuer</b>	<b>Total Units</b>	<b>LI Units</b>	<b>Total Development</b>	<b>Applicant Proposed Tax Exempt Bond Amount</b>	<b>Requested Credit Allocation</b>	<b>Recommended Credit Allocation</b>
04405	Primrose at Aldine Bender Apartments	Houston	Harris County HFC	248	248	\$21,688,620	\$12,000,000	\$861,839	\$848,953
04413	Corinth Estates Apartments	Corinth	Denton County HFC	240	240	\$22,306,928	\$15,000,000	\$662,566	\$662,566

\* This Development has one Employee Occupied Unit.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Primrose at Aldine Bender.

**Summary of the Transaction**

The application was received on December 30, 2003. The Issuer for this transaction is Harris County HFC. The development is to be located at 100 block of Aldine Bender Road in the city of Houston. The development will consist of 248 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received two letters of support from elected officials, U.S. Congressman Gene Green and Sen. Mario Gallegos. The Department has received one letter of opposition from an elected official, Rep. Kevin Bailey. In addition, the Department received six letters in support from the community and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

**Recommendation**

Staff recommends the Board approve the issuance of Housing Tax Credits for Primrose at Aldine Bender.



**HOUSING TAX CREDIT PROGRAM  
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Primrose at Aldine Bender Apartments**

TDHCA#: 04405

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Houston QCT: Y DDA: N TTC: N  
 Development Owner: TX Aldine-Bender Housing, LP  
 General Partner(s): TX Aldine-Bender Development, LLC, 100%, Contact: Brian Potashnik  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC  
 Development Type: Elderly

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$861,839 Eligible Basis Amt: \$848,953 Equity/Gap Amt.: \$1,047,497  
**Annual Tax Credit Allocation Recommendation: \$848,953**  
 Total Tax Credit Allocation Over Ten Years: \$ 8,489,530

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 248 HTC Units: 248 % of HTC Units: 100  
 Gross Square Footage: 227,036 Net Rentable Square Footage: 221,448  
 Average Square Footage/Unit: 893  
 Number of Buildings: 10  
 Currently Occupied: N

**Development Cost**

Total Cost: \$21,688,620 Total Cost/Net Rentable Sq. Ft.: \$97.94

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,881,605 Ttl. Expenses: \$972,397 Net Operating Inc.: \$909,208  
 Estimated 1st Year DCR: 1.10

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: Southwest Housing Management Corp.  
 Attorney: Shackelford, Melton & McKinley Architect: Beeler Guest Owens Architects, LP  
 Accountant: Reznick, Fedder & Silverman Engineer: Huitt-Zollars  
 Market Analyst: O'Connor & Associates Lender: Newman & Assoc.  
 Contractor: Affordable Housing Construction Syndicator: Wachovia Securities

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 6 # in Opposition: 0	U.S. Congressman Gene Green, District 29 - S Sen. Mario Gallegos, District 6 - S Rep. Kevin Bailey, District 140 - O Mayor Bill White - NC Daisy A. Stiner, Director of Housing & Community Development, City of Houston; Consistent with the local Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support



**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance, by loan closing, of an executed funding commitment for the City of Houston HOME funds in the form of a grant or 0% deferred forgivable or cash flow loan.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond.  Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robert Onion, Multifamily Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Brooke Boston, Director of Multifamily Finance Production Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score  Utilization of Set-Aside  Geographic Distrib.  Tax Exempt Bond  Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director

\_\_\_\_\_  
Date

Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
\_\_\_\_\_

Chairperson Signature: \_\_\_\_\_

Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

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

**DATE:** May 3, 2004

**PROGRAM:** 4% HTC

**FILE NUMBER:** 04405

**DEVELOPMENT NAME**

Primrose at Aldine-Bender Apartments

**APPLICANT**

<b>Name:</b>	<u>TX Aldine-Bender Housing, L.P.</u>	<b>Type:</b>	<u>For-profit</u>
<b>Address:</b>	<u>5910 N. Central Expressway, Suite 1145</u>	<b>City:</b>	<u>Dallas</u> <b>State:</b> <u>TX</u>
<b>Zip:</b>	<u>75206</u>	<b>Contact:</b>	<u>Deepak Sulakhe</u>
		<b>Phone:</b>	<u>(214) 891-1402</u>
		<b>Fax:</b>	<u>(214) 987-4032</u>

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	<u>TX Aldine-Bender Development, L.L.C.</u>	<b>(%):</b>	<u>0.01</u>	<b>Title:</b>	<u>Managing General Partner</u>
<b>Name:</b>	<u>Harvey Clemons, Jr.</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>President of MGP</u>
<b>Name:</b>	<u>Southwest Housing Development Company, Inc.</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Developer</u>
<b>Name:</b>	<u>Brian Potashnik</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Owner of Developer</u>

**PROPERTY LOCATION**

**Location:** 100 block of Aldine-Bender Road       **QCT**       **DDA**  
**City:** Houston      **County:** Harris      **Zip:** 77060

**REQUEST**

<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Amortization</u></b>	<b><u>Term</u></b>
\$861,839	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u>		<b>Property Type:</b> <u>Multifamily</u>	

**RECOMMENDATION**

**RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$848,953 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

1. Receipt, review, and acceptance, by loan closing, of an executed funding commitment for the City of Houston HOME funds in the form of a grant or 0% deferred forgivable or cash flow loan;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 248    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 221,448    **Av Un SF:** 893    **Common Area SF:** 5,588    **Gross Bldg SF:** 227,036

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows; 90% stucco, 5% stone veneer, 5% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with laminated shingle.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central gas hot water system.

**ON-SITE AMENITIES**

A 5,588-square foot community building will include: activity room, management offices, fitness & maintenance facilities, kitchen, restrooms, business center, and swimming pool are located at the entrance to the property. In addition a mail/ laundry building is located near the clubhouse. Perimeter fencing with limited access gate is also planned for the site

**Uncovered Parking:** 413 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** (NOTE: When originally submitted this development was anticipated to be targeted toward families, however, it has since been completely revised to focus on elderly tenants.) Primrose at Aldine-Bender is a relatively dense (16.4 units per acre) new construction development of 248 units of affordable elderly housing located in north central Houston. The development is comprised of six evenly-distributed, large, garden style, elevator served, two- and three-story residential buildings as follows:

- Three Building Type B with 12 one-bedroom/one-bath units, 12 two-bedroom/one-bath units, and 12 two-bedroom/two-bath units;
- Two Building Type C with 18 one-bedroom/one-bath units, six two- bedroom/one-bath units, and 24 two-bedroom/two-bath; and
- One Building Type C1 with 18 one-bedroom/one-bath units, six two-bedroom/one-bath units, and 20 two-bedroom/two-bath units.

**Architectural Review:** The elevations are functional and attractive, with pitched roofs and mixed stone veneer and stucco exterior wall finish. The units are accessed from enclosed interior corridors, and all feature adequate storage space and balconies or patios.

**Supportive Services:** The Applicant has contracted with Housing Services, Inc. to provide the following supportive services programs to tenants: health screenings and information, adult education, family counseling/domestic crisis intervention, computer education, emergency assistance and relief, community outreach, vocational guidance, social/recreational activities, state workforce development and welfare program assistance, individual development accounts, and an after-school program in conjunction with local schools. These services will be provided at no cost to tenants. The contract requires the services provider to be paid a fee of \$2,000/month (\$24K/year) for these support services, although only \$18K/year will be funded by the Applicant (the remainder will be funded by the services provider).

**Schedule:** The Applicant anticipates construction to begin in June of 2004 and to be completed in August of 2005. The development should be substantially leased-up in December of 2005 and the final building placed

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

in service in January of 2006.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	15.17	acres	660,805 square feet
			<b>Zoning/ Permitted Uses:</b> No zoning in Houston
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the north central area of Houston approximately 28 miles from the central business district. The site is situated on the north side of Aldine-Bender Road.

**Adjacent Land Uses:**

- **North:** vacant land
- **South:** Aldine-Bender Road with retail and single-family residential beyond
- **East:** retail and vacant land
- **West:** petroleum product pipeline right-of-way with vacant land beyond

**Site Access:** Access to the property is from the east or west along Aldine-Bender Road. The development is to have one main entry and one emergency access entry from Aldine-Bender Road. Access to Interstate Highway 45 is one-quarter of a mile west, and Loop 8 is one-half of a mile north, which provide connections to all other major roads serving the Houston area.

**Public Transportation:** Public transportation to the area is provided by the city bus system, with the nearest stop on Aldine-Bender Road adjacent to the site.

**Shopping & Services:** The site is within one mile of a major regional shopping center, and a variety of other retail establishments and restaurants, churches, and hospitals and health care facilities are located throughout the neighborhood.

**Site Inspection Findings:** TDHCA staff performed a site inspection on February 23, 2004 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 December 12, 2003 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

**Findings:** “This assessment has revealed evidence of recognized environmental conditions in connection with the Site. The historical presence of a dry cleaning facility (Pioneer Launderers & Dry Cleaning) approximately 200 feet to the east of the Site, the Conoco Service Station approximately 250 feet to the south of the Site and the CITGO products pipeline and TEPPCO Crude Oil crude oil pipelines on the southern portion of the site may have impacted subsurface soil and/or groundwater beneath the Site and may be considered areas of potential environmental concern.” (p. 18)

**Recommendations:** “ALPHA recommends an Environmental Site Inspection (ESI) be performed to evaluate the presence of petroleum hydrocarbons and volatile organic compounds (VOCs) in the on-site soil and groundwater as a result of a potential release of VOCs from the adjacent former dry cleaning facility and petroleum hydrocarbons from the adjacent Conoco facility and on-site petroleum pipelines.” (p. 18)

An Environmental Site Investigation (ESI) report dated January 5, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

**Findings:**

- “The objective of the ESI was to evaluate the presence of petroleum hydrocarbons and volatile organic compounds (VOC’s) in the on-site soil and groundwater at select locations as a result of potential releases from on-site petroleum underground pipelines, a western off-site and adjacent petroleum

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

underground pipeline, a southern off-site and adjacent Conoco gasoline station, and an eastern off-site and adjacent former Pioneer Launderers & Dry Cleaning facility... Three soil boring/temporary monitor wells ... were advanced on-site during the competition of the ESI.” (p. 1)

- “Based on the results of the ESI, the on-site soil and groundwater in the vicinity of soil boring/temporary monitor well TMW-1 does not appear to be affected by a release of VOCs.
- “Based on the results of the ESI, the on-site soil and groundwater in the vicinity of soil boring/temporary monitor wells TMW-2 and TMW-3 do not appear to be affected by a release of petroleum hydrocarbons.
- “Based on the results of the ESI, no additional site investigation appears warranted at this time.” (p. 2)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a 2004 Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50%/50% at 60% option.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

**MARKET HIGHLIGHTS**

A market feasibility study dated February 2, 2004 was prepared by Patrick O'Connor & Associates, L.P. (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “For the purposes of this report, the subject’s primary market area includes those properties bound by Rankin Road and Greens Road to the north; Lee Road and Highway 59 to the east; North Houston Rosslyn Road, Ann Louise Road and Veterans Memorial to the west; and Little York Road and Halls Bayou to the south. This geographic area essentially is contained within the following zip codes: 77037, 77038, 77039, 77060, 77067, and 77088.” (p. 35). This area encompasses approximately 59 square miles and is equivalent to a circle with a radius of 4.3 miles.

**Population:** The estimated 2003 total population of the PMA was 185,307 and is expected to increase by 7% to approximately 198,331 by 2008. Within the primary market area there were estimated to be 56,304 total households in 2003. The estimated 2003 elderly (age 55+) population of the PMA was 21,945, with an estimated 6,672 elderly households. (p. 27)

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 457 qualified elderly households in the PMA, based on the Analyst’s estimate of 10,033 current elderly households, the projected annual growth rate of 1.4%, renter households estimated at approximately 46% of the population, income-qualified households estimated at 15%, and an annual renter turnover rate of 60%. (p. 70). The Market Analyst used an income band of \$18,480 to \$32,940. (p. 68)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	6	2%	29	2%
Resident Turnover	406	89%	621	98%
Other Sources: from outside PMA	42	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>454</b>	<b>100%</b>	<b>650</b>	<b>100%</b>

Ref: p. 70

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

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 54.3% based upon 457 units of demand and 248 unstabilized affordable housing in the PMA (the subject) (p. 76). The Underwriter calculated an acceptable inclusive capture rate of 38.2% based upon a revised demand estimate of 650 units.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,026 units in the market area. “The majority of the apartment facilities in the subject’s primary market are older, less appealing projects.” (p. 44). The Analyst did not include any elderly properties among the five comparables used in the study; in response to the Underwriter’s query regarding this matter the Analyst stated the following: “The [family] rent comparables were used...due to the limited supply of seniors projects within the PMA. The family rent comparables used were considered to be the best indicators of the market rent for the proposed subject ‘seniors’ project. The only seniors project within the PMSA is Villas in the Pines, which has both market rate and rent-restricted units. The market rate units include additional features not anticipated for the subject, or typical in the market. These features include weekly maid service, socials, etc. In order to obtain additional seniors market rate comparables, we would have had to go a significant distance outside the PMA into dissimilar neighborhoods to find seniors projects. Family rents used in our seniors analysis are considered to be better indicators of the potential rents for the subject than seniors rents which were not as comparable.” (letter dated March 15, 2004) The Analyst also provided rent comparability grids for Villas in the Pines and two other seniors properties which were supportive of the estimated market rents concluded in the original market study.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-BR (50%)</b>	\$539	\$539	\$0	\$695	-\$156
<b>1-BR (60%)</b>	\$654	\$654	\$0	\$695	-\$41
<b>2-BR/1-BA (50%)</b>	\$646	\$646	\$0	\$795	-\$149
<b>2-BR/2-BA (50%)</b>	\$646	\$646	\$0	\$820	-\$174
<b>2-BR/2-BA (60%)</b>	\$783	\$783	\$0	\$820	-\$37

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

**Primary Market Occupancy Rates:** “The average occupancy for apartments in the subject’s primary market area was reported at 87.68% in the most recent O’Connor & Associates Apartment Ownership Guide survey (December 2003). According to the survey, occupancy in the primary market area in September 2003 has increased slightly from the prior quarter. Average occupancy in the primary market area has remained relatively stable since September 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market” (p. 39).

**Absorption Projections:** “Considering the strong absorption history of similar properties and the lack of available quality affordable units in the market, we project that the subject property will lease an average of 25-30 units per month until the achievable stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to eight months following completion.” (p. 77).

**Known Planned Development:** “There is currently one rent-restricted complex currently under construction (Fallbrook Ranch, a 196-unit (156 units rent-restricted) HTC family project) and no market-rate complex under construction” (p. 37).

**Effect on Existing Housing Stock:** “Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration.” (p. 77).

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

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under HTC/program guidelines, and are achievable according to the Market Analyst. The Applicant stated that the project will feature a central gas hot water system paid for by the property, and rents and expenses were calculated accordingly. The Applicant's estimate of secondary income is in line with TDHCA underwriting guidelines, but the Applicant utilized a lower vacancy and collection loss rate of 7%. As a result of this difference the Applicant's effective gross income estimate is \$10,171 (less than 1%) greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,703 per unit is 5.6% lower than the Underwriter's database-derived estimate of \$3,921 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$28K lower), payroll (\$25K lower), repairs and maintenance (\$24K lower), water, sewer, and trash (\$19K lower), insurance (\$12K higher), and property tax (\$23K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's total operating expenses and net operating income (NOI) estimates are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. Therefore, it is likely that the maximum debt service for this development will be limited to \$824,893 by a reduction of the bond amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$11,600,000 or \$400K less than anticipated by the Applicant.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 18.3914 acres</b>	\$328,500	<b>Assessment for the Year of:</b>	2003
<b>Building:</b>	N/A	<b>Valuation by:</b>	Harris County Appraisal District
<b>Prorated Value (15.17 acres):</b>	\$270,961	<b>Tax Rate:</b>	3.21477

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Purchase and sale agreement					
<b>Contract Expiration Date:</b>	10/	15 /	2003*	<b>Anticipated Closing Date:</b>	6/	21/ 2004
<b>Acquisition Cost:</b>	Greater of \$1,453,771.44 or \$2.20 per gross square foot			<b>Other Terms/Conditions:</b>	*Contract extendable, price increased by \$716.91 per day for each day closing delayed after 12/31/2003	
<b>Seller:</b>	145 Esplanade I (Houston) AIP, L.P.			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The contracted site cost of \$1,453,771 (\$2.20/SF, \$95,832/acre, or \$6,731/unit), although over five times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant's claimed acquisition cost of \$1,561,311 includes \$107,539 in additional cost based on an estimated 150 days times the \$716.93/day escalator clause in the purchase contract.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,495 per unit are considered reasonable based upon the Department's guidelines.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$578K or 5.6% lower than

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as understated. It should be noted that the Underwriter's estimate includes a conservative 3% adjustment for elderly construction, moreover, the Underwriter's estimate was adjusted downward by 3.6% to reflect the Developer's substantiated direct construction costs on similar previous developments. This would suggest that the Applicant's direct construction costs are understated.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$86,250 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate. The Underwriter reduced the Applicant's interim financing fees by \$84,163 to reflect the net effect of the Applicant's projection of a similar amount in income from a guaranteed investment contract, which results in an equivalent reduction in 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. The Applicant's developer's fees are set within the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by \$43,019.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, can now be used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$18,292,457 is used to determine a credit allocation of \$848,953 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT BOND FINANCING**

**Source:** Newman & Associates **Contact:** Jerry Wright  
**Tax-Exempt Amount:** \$12,000,000 **Interest Rate:** 5.75% during construction, permanent rate estimated & underwritten at 6.6%  
**Additional Information:**  
**Amortization:** 40 yrs **Term:** 32.5 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$853,337 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 2/ 17/ 2004

**INTERIM TO PERMANENT FINANCING**

**Source:** City of Houston HOME funds **Contact:** Ken Fickes  
**Principal Amount:** \$1,500,000\* **Interest Rate:** Unknown  
**Additional Information:** Application made on 3/3/2004 for city HOME funds, approval not expected until 6/2/2004 city council meeting  
**Amortization:** Unk yrs **Term:** Unk yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** Unk **Lien Priority:** 2nd **Commitment Date** 4/ 28/ 2004

**TAX CREDIT SYNDICATION**

**Source:** Wachovia Securities **Contact:** Rick Davis  
**Address:** 301 S. College Street, TW-17 **City:** Charlotte  
**State:** NC **Zip:** 28288 **Phone:** (704) 383-9705 **Fax:** (704) 383-9525  
**Net Proceeds:** \$7,067,078 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 82¢  
**Commitment**  LOI  Firm  Conditional **Date:** 12/ 29/ 2003  
**Additional Information:** Commitment in amount of \$7,376,835.



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**APPLICANT EQUITY**

**Amount:**     \$1,121,541                          **Source:**     Deferred developer fee    

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The bonds are to be issued by the Harris County Housing Finance Corporation and sold through Newman Capital. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The permanent interest rate will be set prior to closing.

**HTC Syndication:** The tax credit syndication commitment is slightly inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the net capital contribution is indicated to be \$7,066,373 while the Applicant has used \$7,067,078 in the sources and uses of funds statement.

**City of Houston Loan:** The Applicant has submitted an application under the City of Houston’s Housing and Community Development Program’s Affordable Housing Program for \$1,500,000 in city HOME funds. As of the date of this report the lender has not determined the amount, terms, or form (loan or grant) of the funding. The funding application is currently under review with possible approval by the Houston City Council is not expected before the June 2 meeting. The Underwriter has determined that these funds must be in the form of a grant or deferred forgivable or cash flow-only loan for the development to remain financially feasible. Absent these funds, the Applicant would be required to defer 100% of the developer fee and \$741K in contractor fee which would marginally be repayable within 15 years. Receipt, review, and acceptance of an executed funding commitment for this source of funds is a condition of this report.

**Guaranteed Investment Contract (GIC) Income:** The Applicant included \$84,163 in income from invested bond proceeds during the construction phase. This source of income is generally regarded to be at the risk of the developer and therefore the Underwriter has included same in deferred developer fee.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of \$1,121,541 amount to 46% of the total fees.

**Financing Conclusions:** As discussed in the operating proforma section above, due to the Underwriter’s lower NOI estimate it is likely that the permanent bond amount will be reduced to approximately \$11.6M by a redemption at conversion to permanent. Based on the Applicant’s estimate of eligible basis, as adjusted by the Underwriter, the HTC allocation should not exceed \$848,953 annually for ten years, resulting in syndication proceeds of approximately \$6,960,718. Based on the underwriting analysis, the Applicant’s deferred developer fee will be increased to \$1,627,902, which represents approximately 68% of the eligible fee and which should be repayable from cash flow within ten years. If the City of Houston funding is not approved there are sufficient additional developer and related general contractor fees available for deferral to substitute for this source, although these fees would not be repayable within ten years. It is estimated that they would be narrowly repayable within 15 years, although any amount not repayable within ten years would be removed from eligible basis.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, Property Manager are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the principal of the General Partner, listed participation in 20 HTC housing developments totaling 4,499 units since 2000.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The amount and terms of the requested \$1,500,000 in City of Houston HOME funding are unknown.
- The Applicant's estimated total operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- If the City of Houston HOME funding is not approved, 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.

**Underwriter:**

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

**Date:** May 3, 2004

**Director of Real Estate Analysis:**

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

**Date:** May 3, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Primrose at Aldine-Bender, Houston, 4% HTC #04405**

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%)	45	1	1	750	\$571	\$539	\$24,255	\$0.72	\$32.00	\$37.31
TC (60%)	45	1	1	750	686	654	29,430	0.87	32.00	37.31
TC (50%)	54	2	1	950	686	646	34,884	0.68	40.00	43.31
TC (50%)	25	2	2	987	686	646	16,150	0.65	40.00	43.31
TC (60%)	79	2	2	987	823	783	61,857	0.79	40.00	43.31
<b>TOTAL:</b>	<b>248</b>		<b>AVERAGE:</b>	<b>893</b>	<b>\$709</b>	<b>\$672</b>	<b>\$166,576</b>	<b>\$0.75</b>	<b>\$37.10</b>	<b>\$41.13</b>

INCOME				Total Net Rentable Sq Ft: 221,448		TDHCA		APPLICANT		Comptroler's Region 6	
<b>POTENTIAL GROSS RENT</b>						\$1,998,912		\$1,998,912		IREM Region Houston	
Secondary Income		Per Unit Per Month:	\$11.85			35,256	35,256	\$11.85		Per Unit Per Month	
Other Support Income: (describe)						0	0				
<b>POTENTIAL GROSS INCOME</b>						\$2,034,168		\$2,034,168			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(152,563)	(142,392)	-7.00%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$1,881,605		\$1,891,776			
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>			<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative	5.45%	\$413	0.46			\$102,523	\$74,400	\$0.34	\$300	3.93%	
Management	5.00%	379	0.42			94,080	94,589	0.43	381	5.00%	
Payroll & Payroll Tax	12.54%	952	1.07			236,012	210,885	0.95	850	11.15%	
Repairs & Maintenance	6.81%	517	0.58			128,122	104,186	0.47	420	5.51%	
Utilities	1.50%	114	0.13			28,152	34,720	0.16	140	1.84%	
Water, Sewer, & Trash	5.00%	379	0.42			93,991	75,000	0.34	302	3.96%	
Property Insurance	2.33%	177	0.20			43,798	55,800	0.25	225	2.95%	
Property Tax	3.21477%	650	0.73			161,318	184,264	0.83	743	9.74%	
Reserve for Replacements	2.64%	200	0.22			49,600	49,600	0.22	200	2.62%	
Other: spt svcs, compl fees, sec.	1.85%	140	0.16			34,800	34,800	0.16	140	1.84%	
<b>TOTAL EXPENSES</b>	<b>51.68%</b>	<b>\$3,921</b>	<b>\$4.39</b>			<b>\$972,397</b>	<b>\$918,244</b>	<b>\$4.15</b>	<b>\$3,703</b>	<b>48.54%</b>	
<b>NET OPERATING INC</b>	<b>48.32%</b>	<b>\$3,666</b>	<b>\$4.11</b>			<b>\$909,208</b>	<b>\$973,532</b>	<b>\$4.40</b>	<b>\$3,926</b>	<b>51.46%</b>	
<b>DEBT SERVICE</b>											
First Lien Mortgage	45.35%	\$3,441	\$3.85			\$853,337	\$853,337	\$3.85	\$3,441	45.11%	
City of Houston HOME Funds	0.00%	\$0	\$0.00			0	0	\$0.00	\$0	0.00%	
Additional Financing	0.00%	\$0	\$0.00			0	17,937	\$0.08	\$72	0.95%	
<b>NET CASH FLOW</b>	<b>2.97%</b>	<b>\$225</b>	<b>\$0.25</b>			<b>\$55,871</b>	<b>\$102,258</b>	<b>\$0.46</b>	<b>\$412</b>	<b>5.41%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.07	1.12				
<b>RECOMMENDED DEBT COVERAGE RATIO</b>						1.10					

<b>CONSTRUCTION COST</b>				TDHCA		APPLICANT		PER SQ FT	PER UNIT	% OF TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
ACQUISITION COST (site or bldg)		7.45%	\$6,731	\$7.54	\$1,669,377	\$1,669,377	\$7.54	\$6,731	7.70%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		8.29%	7,495	8.39	1,858,759	1,858,759	8.39	7,495	8.57%	
Direct Construction		46.21%	41,765	46.77	10,357,821	9,779,493	44.16	39,433	45.09%	
Contingency	5.00%	2.72%	2,463	2.76	610,829	698,295	3.15	2,816	3.22%	
General Req'ts	5.72%	3.12%	2,816	3.15	698,295	698,295	3.15	2,816	3.22%	
Contractor's G & A	1.91%	1.04%	939	1.05	232,765	232,765	1.05	939	1.07%	
Contractor's Profit	5.72%	3.12%	2,816	3.15	698,295	698,295	3.15	2,816	3.22%	
Indirect Construction		4.61%	4,168	4.67	1,033,628	1,033,628	4.67	4,168	4.77%	
Ineligible Costs		6.21%	5,614	6.29	1,392,384	1,392,384	6.29	5,614	6.42%	
Developer's G & A	1.71%	1.26%	1,138	1.27	282,207	0	0.00	0	0.00%	
Developer's Profit	13.00%	9.58%	8,656	9.69	2,146,785	2,428,992	10.97	9,794	11.20%	
Interim Financing		4.57%	4,126	4.62	1,023,337	1,023,337	4.62	4,126	4.72%	
Reserves		1.84%	1,661	1.86	411,813	175,000	0.79	706	0.81%	
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$90,388</b>	<b>\$101.23</b>	<b>\$22,416,296</b>	<b>\$21,688,620</b>	<b>\$97.94</b>	<b>\$87,454</b>	<b>100.00%</b>	
<b>Recap-Hard Construction Costs</b>		<b>64.49%</b>	<b>\$58,293</b>	<b>\$65.28</b>	<b>\$14,456,764</b>	<b>\$13,965,902</b>	<b>\$63.07</b>	<b>\$56,314</b>	<b>64.39%</b>	

<b>SOURCES OF FUNDS</b>				TDHCA		APPLICANT		<b>RECOMMENDED</b>	
First Lien Mortgage	53.53%	\$48,387	\$54.19	\$12,000,000	\$12,000,000	\$11,600,000		Developer Fee Available	
City of Houston HOME Funds	6.69%	\$6,048	\$6.77	1,500,000	1,500,000	1,500,000		\$2,385,973	
HTC Syndication Proceeds	31.53%	\$28,496	\$31.91	7,067,078	7,067,078	6,960,718		% of Dev. Fee Deferred	
Deferred Developer Fees	5.00%	\$4,522	\$5.06	1,121,541	1,121,541	1,627,902		41%	
Additional (excess) Funds Required	3.25%	\$2,934	\$3.29	727,677	1	0		15-Yr Cumulative Cash Flow	
<b>TOTAL SOURCES</b>				<b>\$22,416,296</b>	<b>\$21,688,620</b>	<b>\$21,688,620</b>		<b>\$3,188,560</b>	

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Primrose at Aldine-Bender, Houston, 4% HTC #04405**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.32	\$9,592,917
<b>Adjustments</b>				
Exterior Wall Finish	0.40%		\$0.17	\$38,372
Elderly & 9-Ft. Ceilings	6.90%		2.99	661,911
Roofing			0.00	0
Subfloor			(0.68)	(149,846)
Floor Cover			2.00	442,896
Porches/Balconies	\$16.91	23,054	1.76	389,843
Plumbing	\$605	64	0.17	38,720
Built-In Appliances	\$1,650	248	1.85	409,200
Stairs	\$1,475	24	0.16	35,400
Elevators	\$59,500	6	1.61	357,000
Heating/Cooling			1.53	338,815
Laundry/Mail Bldg	\$50.97	555	0.13	28,287
Comm &/or Aux Bldgs	\$58.70	5,588	1.48	328,016
Other: Corridors	\$34.08	50,247	7.73	1,712,370
<b>SUBTOTAL</b>			<b>64.23</b>	<b>14,223,901</b>
Current Cost Multiplier	1.03		1.93	426,717
Local Multiplier	0.90		(6.42)	(1,422,390)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$59.74</b>	<b>\$13,228,228</b>
Plans, specs, survy, bld perm	3.90%		(\$2.33)	(\$515,901)
Interim Construction Interest	3.38%		(2.02)	(446,453)
Contractor's OH & Profit	11.50%		(6.87)	(1,521,246)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$48.52</b>	<b>\$10,744,628</b>
<b>NET DIR CONSTR COSTS MINUS 3.6% COST CERT FACTOR</b>				<b>\$10,357,821</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$12,000,000	Amort	480
Int Rate	6.600%	DCR	1.07

<b>Secondary</b>	\$1,500,000	Amort	
Int Rate	0.00%	Subtotal DCR	1.07

<b>Additional</b>		Amort	
Int Rate		Aggregate DCR	1.07

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$824,893
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$84,316</b>

<b>Primary</b>	\$11,600,000	Amort	480
Int Rate	6.60%	DCR	1.10

<b>Secondary</b>	\$1,500,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

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

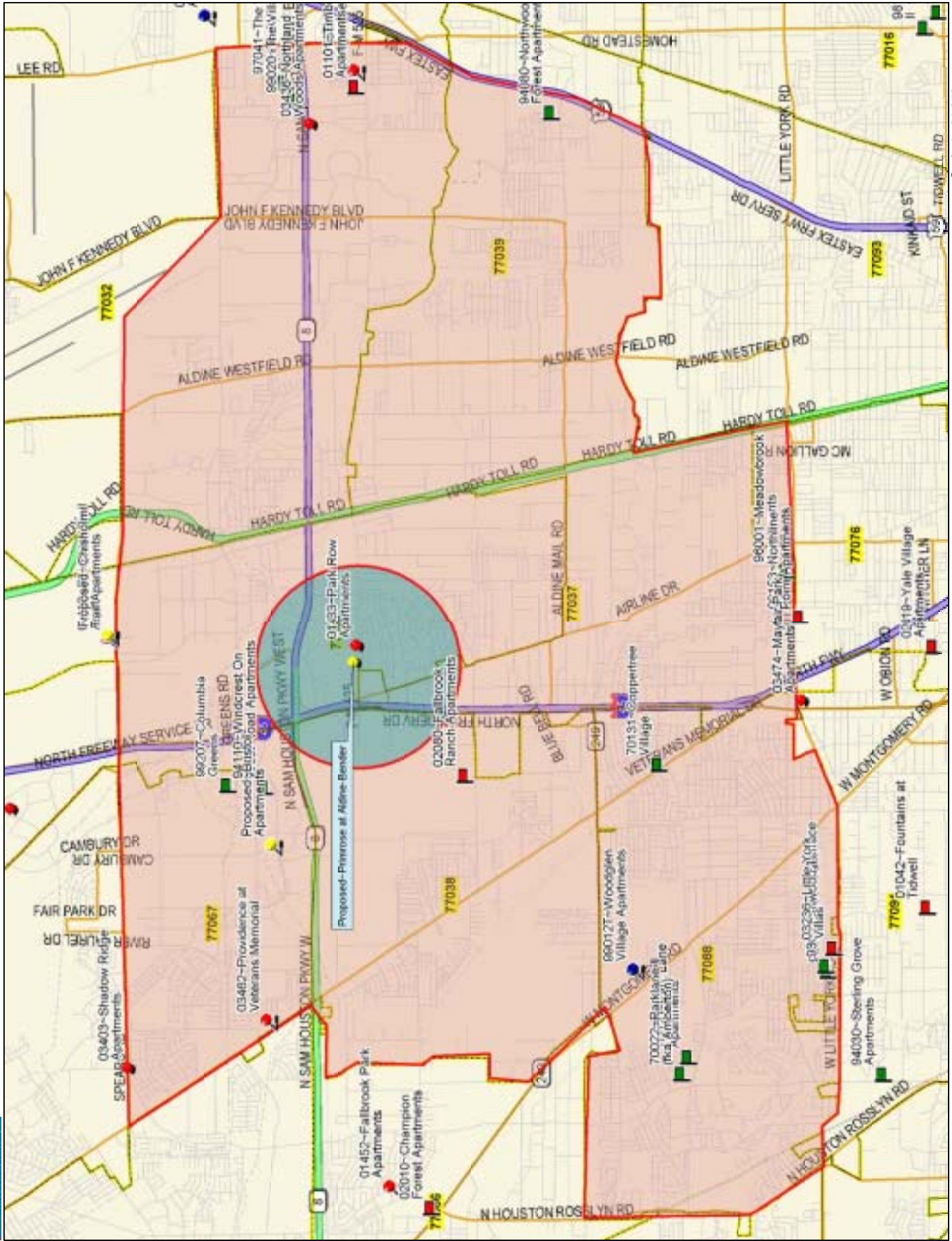
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME at 3.00%</b>									
POTENTIAL GROSS RENT	\$1,998,912	\$2,058,879	\$2,120,646	\$2,184,265	\$2,249,793	\$2,608,127	\$3,023,534	\$3,505,104	\$4,710,567
Secondary Income	35,256	36,314	37,403	38,525	39,681	46,001	53,328	61,822	83,083
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,034,168	2,095,193	2,158,049	2,222,790	2,289,474	2,654,128	3,076,862	3,566,926	4,793,650
Vacancy & Collection Loss	(152,563)	(157,139)	(161,854)	(166,709)	(171,711)	(199,060)	(230,765)	(267,519)	(359,524)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,881,605	\$1,938,054	\$1,996,195	\$2,056,081	\$2,117,763	\$2,455,068	\$2,846,097	\$3,299,406	\$4,434,126
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$102,523	\$106,623	\$110,888	\$115,324	\$119,937	\$145,922	\$177,536	\$216,000	\$319,732
Management	94,080	96,903	99,810	102,804	105,888	122,753	142,305	164,970	221,706
Payroll & Payroll Tax	236,012	245,452	255,270	265,481	276,100	335,918	408,696	497,241	736,039
Repairs & Maintenance	128,122	133,247	138,577	144,120	149,885	182,358	221,867	269,935	399,569
Utilities	28,152	29,278	30,449	31,667	32,934	40,069	48,750	59,312	87,796
Water, Sewer & Trash	93,991	97,751	101,661	105,728	109,957	133,779	162,763	198,026	293,126
Insurance	43,798	45,550	47,372	49,267	51,238	62,338	75,844	92,276	136,591
Property Tax	161,318	167,771	174,482	181,461	188,720	229,606	279,351	339,873	503,096
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	34,800	36,192	37,640	39,145	40,711	49,531	60,262	73,318	108,529
TOTAL EXPENSES	\$972,397	\$1,010,352	\$1,049,797	\$1,090,791	\$1,133,394	\$1,372,872	\$1,663,265	\$2,015,451	\$2,960,870
NET OPERATING INCOME	\$909,208	\$927,702	\$946,398	\$965,290	\$984,369	\$1,082,196	\$1,182,832	\$1,283,955	\$1,473,257
<b>DEBT SERVICE</b>									
First Lien Financing	\$824,893	\$824,893	\$824,893	\$824,893	\$824,893	\$824,893	\$824,893	\$824,893	\$824,893
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$84,316	\$102,809	\$121,505	\$140,397	\$159,476	\$257,304	\$357,939	\$459,063	\$648,364
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.19	1.31	1.43	1.56	1.79

**LIHTC Allocation Calculation - Primrose at Aldine-Bender, Houston, 4% HTC #04405**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,669,377	\$1,669,377		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,858,759	\$1,858,759	\$1,858,759	\$1,858,759
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$9,779,493	\$10,357,821	\$9,779,493	\$10,357,821
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$232,765	\$232,765	\$232,765	\$232,765
Contractor profit	\$698,295	\$698,295	\$698,295	\$698,295
General requirements	\$698,295	\$698,295	\$698,295	\$698,295
<b>(5) Contingencies</b>	\$698,295	\$610,829	\$581,913	\$610,829
<b>(6) Eligible Indirect Fees</b>	\$1,033,628	\$1,033,628	\$1,033,628	\$1,033,628
<b>(7) Eligible Financing Fees</b>	\$1,023,337	\$1,023,337	\$1,023,337	\$1,023,337
<b>(8) All Ineligible Costs</b>	\$1,392,384	\$1,392,384		
<b>(9) Developer Fees</b>			\$2,385,973	
Developer overhead		\$282,207		\$282,207
Developer fee	\$2,428,992	\$2,146,785		\$2,146,785
<b>(10) Development Reserves</b>	\$175,000	\$411,813		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$21,688,620</b>	<b>\$22,416,296</b>	<b>\$18,292,457</b>	<b>\$18,942,721</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$18,292,457	\$18,942,721
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$23,780,194	\$24,625,538
Applicable Fraction			100.00%	100.00%
<b>TOTAL QUALIFIED BASIS</b>			\$23,780,194	\$24,625,538
Applicable Percentage			3.57%	3.57%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$848,953	\$879,132

Syndication Proceeds	0.8199	\$6,960,718	\$7,208,159
<b>Total Credits (Eligible Basis Method)</b>		<b>\$848,953</b>	<b>\$879,132</b>
Syndication Proceeds		\$6,960,718	\$7,208,159
Requested Credits		\$861,839	
Syndication Proceeds		\$7,066,373	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$8,588,620</b>	
Credit Amount		\$1,047,497	



# Developer Evaluation

Project ID # **04405**

Name: **Aldine Bender**

City:

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

Total # of Projects monitored: 11 Projects grouped by score 0-9 11 10-19 0 20-29 0

Total # monitored with a score less than 30: 11 # not yet monitored or pending review: 12

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date 4/5/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by S Roth Date 3/31/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found   
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie A. D'Couto Date 3/31/2004

Executive Director: Edwina Carrington

Executed: 4/7/2004

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Corinth Estates.

**Summary of the Transaction**

The application was received on January 8, 2004. The Issuer for this transaction is Denton County HFC. The development is to be located at southwest corner of Tower Ridge Rd. and Meadow Oak Dr. in the city of Corinth. The development will consist of 240 total units targeting the family population, with all affordable. The site is currently properly zoned for such a development. The Department has not received any letters in support or opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

**Recommendation**

Staff recommends the Board approve the issuance of Housing Tax Credits for Corinth Estates Apartments.





**HOUSING TAX CREDIT PROGRAM  
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Corinth Estates Apartments**

TDHCA#: 04413

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Corinth QCT: N DDA: N TTC: N  
 Development Owner: Tower Ridge Corinth 1, Ltd.  
 General Partner(s): NDG - Tower Ridge Corinth 1, LLC., 100%, Contact: Robert Voelker  
 Construction Category: New  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Denton County HFC  
 Development Type: Family

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$662,566 Eligible Basis Amt: \$667,111 Equity/Gap Amt.: \$985,126

**Annual Tax Credit Allocation Recommendation: \$662,566**

Total Tax Credit Allocation Over Ten Years: \$ 6,625,660

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 240 HTC Units: 240 % of HTC Units: 100  
 Gross Square Footage: 254,878 Net Rentable Square Footage: 250,848  
 Average Square Footage/Unit: 1045  
 Number of Buildings: 15  
 Currently Occupied: N

**Development Cost**

Total Cost: \$22,306,928 Total Cost/Net Rentable Sq. Ft.: \$88.93

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$2,238,564 Ttl. Expenses: \$936,000 Net Operating Inc.: \$1,302,564  
 Estimated 1st Year DCR: 1.26

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: NuRock Management, Inc.  
 Attorney: Arnall, Golden & Gregory Architect: GTF Designs  
 Accountant: Engineer: Jones & Carter, Inc.  
 Market Analyst: James Sawyer & Associates, Inc. Lender: Red Stone Partners  
 Contractor: NuRock Construction, LLC Syndicator: Simpson Housing Solutions, LLC

**PUBLIC COMMENT<sup>2</sup>**

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Jane Nelson, District 12 - NC
# in Opposition: 0	Rep. Myra Crownover, District 64 - NC
	Mayor Vic Burgess - NC
	Karen Gandy, Director of Planning and Economic Development; City of Corinth;
	The City of Corinth does not have a consolidated plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of a copy of the updated title commitment showing clear title prior to initial closing on the property.
3. Receipt, review, and acceptance of revisions to the market study to conform to the Department's market study guidelines prior to this market analyst returning to approved market analyst status for the Department (this condition is not a requirement of the Applicant).
4. Receipt, review, and acceptance of a revised cost schedule that clearly identifies the costs of demolishing the existing house on the adjacent site and construction of the stormwater detention pond, prior to cost certification.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robert Onion, Multifamily Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Brooke Boston, Director of Multifamily Finance Production Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable).\_\_\_\_\_

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

\_\_\_\_\_  
Date

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

Chairperson Signature: \_\_\_\_\_  
Elizabeth Anderson, Chairman of the Board

\_\_\_\_\_  
Date

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

**DATE:** May 3, 2004

**PROGRAM:** 4% HTC

**FILE NUMBER:** 04413

**DEVELOPMENT NAME**

Corinth Estates Apartments

**APPLICANT**

<b>Name:</b>	Tower Ridge Corinth 1, Ltd.	<b>Type:</b>	For Profit
<b>Address:</b>	700 E. Sandy Lake Road, Suite 146	<b>City:</b>	Coppell <b>State:</b> TX
<b>Zip:</b>	75019	<b>Contact:</b>	Robert Voelker
		<b>Phone:</b>	(972) 745-0756
		<b>Fax:</b>	(972) 745-2190
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS			
<b>Name:</b>	Tower Ridge Corinth 1, Ltd.	<b>(%):</b>	.01 <b>Title:</b> Managing General Partner
<b>Name:</b>	Robert Hoskins	<b>(%):</b>	N/A <b>Title:</b> 50% owner of MGP & Developer
<b>Name:</b>	Sandra Hoskins	<b>(%):</b>	N/A <b>Title:</b> 50% owner of MGP & Developer
<b>Name:</b>	NuRock Development Group, Inc.	<b>(%):</b>	N/A <b>Title:</b> Developer

**PROPERTY LOCATION**

**Location:** South of the SW corner of Tower Ridge Road & Meadow Oak Drive  **QCT**  **DDA**  
**City:** Corinth **County:** Denton **Zip:** 76210

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$662,566	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New construction		<b>Property Type:</b> Multifamily	

**RECOMMENDATION**

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$662,566 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a copy of the updated title commitment showing clear title prior to the initial closing on the property;
2. Receipt, review, and acceptance of revisions to the market study to conform to the Department's market study guidelines prior to this market analyst returning to approved market analyst status for the Department (this condition is not a requirement of the Applicant);
3. Receipt, review, and acceptance of a revised cost schedule that clearly identifies the costs of demolishing the existing house on the adjacent site and construction of the stormwater detention pond, prior to cost certification; and
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 240    **# Rental Buildings:** 15    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 250,848    **Av Un SF:** 1,045    **Common Area SF:** 4,030    **Gross Bldg SF:** 254,878

**STRUCTURAL MATERIALS**

The structure will be wood frame on a concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 50% brick veneer/50% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, & cable TV.

**ON-SITE AMENITIES**

A 4,030-square foot community building will include: activity & media rooms, management offices, fitness facilities, kitchen, restrooms, computer/business center, swimming pool, & equipped children's play area are to be located at the entrance to the property. In addition, a sports courts and perimeter fencing with limited access gate are also planned for the site.

**Uncovered Parking:** 244 spaces    **Carpports:** 0 spaces    **Garages:** 240 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Corinth Estates Apartments is a relatively dense (16 units per acre) new construction development of 240 units of affordable housing located in south central Corinth. The development is comprised of 15 evenly distributed, two-story, medium size, garden style, walk-up residential buildings as follows:

- Eight Building Type A with eight one-bedroom/one-bath units and eight three-bedroom/two-bath units;
- Six Building Type B with 16 two-bedroom/two-bath units; and
- One Building Type C with eight two-bedroom/two-bath units and eight three-bedroom/two-bath units.

**Architectural Review:** The elevations are functional and attractive, with pitched roofs and mixed brick veneer and cement fiber siding exterior wall finish. The units are accessed from interior breezeways. Half of each unit type features a patio or balcony and the other half uses the same area as an enclosed sunroom.

**Supportive Services:** The Applicant has contracted with a related entity, NuRock Housing Foundation I, Inc., to provide the following supportive services programs to tenants: academic enrichment, after school support, recreational and personal development, parental support, and positive reinforcement. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay \$18,167 per year for these support services.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 17.48 acres    761,429 square feet    **Zoning/ Permitted Uses:** MF-3, Multifamily District  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially improved

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Corinth is located in north Texas, approximately 32 miles northeast of downtown Fort Worth in Denton County. The site is a rectangularly-shaped parcel located in the south central area of the city, approximately one mile from the central business district. The site is situated on the west side of Tower Ridge Road.

**Adjacent Land Uses:**

- **North:** a single-family residence and outbuildings on nine acres also owned by the land seller. This is followed by Meadows Oak Drive and more vacant land reportedly pending development as a major retail center
- **South:** single-family residential
- **East:** single-family residences and a recreational vehicle park, with Interstate Highway 35E beyond
- **West:** single-family residential

**Site Access:** Access to the property is from the north or south from Tower Ridge Road. The development is to have two entries from Tower Ridge Road. Access to Interstate Highway 35E is one-quarter mile northeast, which provides connections to all other major roads serving the Metroplex.

**Public Transportation:** Public transportation is not available in Corinth.

**Shopping & Services:** The site is within five miles of two regional shopping centers, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The title commitment lists a pending lawsuit by the Corinth Municipal Utility District vs. the current land owner. Receipt, review, and acceptance of documentation verifying the resolution of this issue is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 9, 2004 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 20, 2004 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. Based upon the results of the ESA, Rone recommends no further environmental investigation at this time." (p. 14)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development the Applicant has elected the 100% at 60% option.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

**MARKET HIGHLIGHTS**

A market feasibility study dated February 16, 2004 was prepared by James Sawyer & Associates, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subject property is located within the city of Corinth. Corinth borders the city of Denton to the north, and Hickory Creek, Lake Dallas, and Shady Shores to the south and southeast. Due to its size, employment base, educational facilities, and regional shopping, Denton has historically served as the hub for economic development for the Lake Cities area. We have concluded that the market area for the subject therefore consists of Denton and the 'Lake Cities'." (p. 57). This area encompasses approximately 128 square miles and is equivalent to a circle with a larger than average radius

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MULTIFAMILY UNDERWRITING ANALYSIS**

of 6.4 miles.

**Population:** The estimated 2003 population of the PMA was 134,465 and is expected to increase by 20% to approximately 161,314 by 2008. Within the primary market area there were estimated to be 50,410 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 3,403 qualified households in the PMA, based on the current estimate of 50,410 households, the projected annual growth rate of 4%, renter households estimated at 45% of the population, income-qualified households estimated at 50%, and an annual renter turnover rate of 25 %. (4/5/04 revision p. 98). The Market Analyst used an income band of \$0 to \$41,490.

The Underwriter took issue with the following aspects of the Analyst's demand analysis and compared the report's information to another market study performed within the Denton-area market by a different analyst in February 2003 (Quail Creek Apartments, #02474):

- **Income Band:** The Underwriter calculated a minimum required one-person household income of \$23,829 for the one-bedroom units. The Analyst used households with incomes down to \$0, reasoning that Section 8 voucher holders would be eligible tenants, as well as households willing to rent overburden themselves. Although the Analyst used this group only for growth demand (resulting in 113 units of demand), the use of the entire under-\$23,829 population cohort is exaggerated. The Quail Creek analysis concluded that approximately 30% of the area's households were income-eligible.
- **Renter Household Percentage:** Although the Analyst claimed that 2000 Census data indicated that approximately 45% of PMA households were renters (p. 95), no substantiation was provided for this data. The Quail Creek analysis used a renter household percentage of 32%.
- **Tenant Turnover Rate:** Conversely, the Analyst used an existing tenant turnover rate of 25% which the Underwriter regards as likely to be significantly understated. The Analyst indicated that this rate was based on empirical data from the market comparable properties; IREM data for 2001 indicates a nationwide apartment turnover rate of 61%, with rates of 66% for the central U.S. and 65% for Dallas. The Quail Creek analysis used the Dallas rate of 65%.

As a check on the Analyst's demand calculations the Underwriter substituted the income band, renter household percentage, and tenant turnover factors used in the Quail Creek market analysis, which yielded the demand estimates shown in the table below:

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	454	13%	194	6%
Resident Turnover	2,949	87%	3,277	94%
Other Sources:	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>3,403</b>	<b>100%</b>	<b>3,470</b>	<b>100%</b>

Ref: 4/5/04 revision p. 98

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 11.9% based upon 2,019 units of demand and 240 unstabilized affordable housing in the PMA (the subject) (4/5/04 revision p. 99). Although the Analyst concluded 3,403 units of demand, he inexplicably used the total annual household growth estimate as the divisor. The Analyst also disregarded the TDHCA inclusive capture rate formula in that he did not include as unstabilized comparable units the 264 units of Rosemont at Pecan Creek Apartments in Denton (#01408, fka Knollwood) which did not stabilize at 90% occupancy until June 2003, or the 264 units of Quail Creek which are currently under construction. The Analyst excluded these units by reasoning that they would not be unstabilized during the first year of operation of the subject (2005-2006). Nonetheless, the Underwriter calculated an acceptable inclusive capture rate of 22.1% based upon a revised

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

supply of 768 unstabilized comparable affordable units divided by a revised demand of 3,470 households.

**Market Rent Comparables:** The Market Analyst surveyed five comparable market rate apartment properties totaling 1,256 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (60%)</b>	\$695	\$695	\$0	\$785	-\$90
<b>2-Bedroom (60%)</b>	\$830	\$830	\$0	\$995	-\$165
<b>3-Bedroom (60%)</b>	\$951	\$951	\$0	\$1,175	-\$224

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

**Primary Market Vacancy Rates:** “M/PF reported the overall submarket average [vacancy rate] at roughly 11.6% and forecast [it] to decrease to 10.2% by year-end 2004. The newer developments showed the highest vacancy at 16.5%. This would be expected with the slight over-building that occurred and negative absorption [in 2003] of negative 30 units. However, absorption for 2004 is forecast at 530 units.” (p. 95).

**Absorption Projections:** “...we believe that the subject’s location in the submarket, affordable status, and new construction components will cause the subject units to pre-lease and absorb to a stabilized 95% occupancy in year 1 of operation.” (p. 98).

**Known Planned Development:** “There are 1,061 units currently underway in the Denton market. All are scheduled for completion in 2004. Roughly 317 are student housing and 264 are ‘low-income’ units [Quail Creek].” (p. 96).

**Effect on Existing Housing Stock:** The Analyst offers somewhat contradictory information: “Denton has six low-income developments, all within the same Qualified Census tract. The location is overbuilt and the oldest property (1996) is losing affordable qualified families to the newest developments. However, LIHTC occupancy is roughly 96% in Denton with the newer properties at or near LIHTC maximum rents. Corinth has only a single [elderly] LIHTC development...scheduled for completion in April 2004...Given the location of the other low-income properties in the market, development of an additional 240 units at the subject’s location should not have a negative impact on the other low-income properties. The subject property is approximately 5.5 miles from the Denton QCT and should not be impacted by the competitive supply in Denton” (p. 99-100).

Although the high overall occupancy rate in existing HTC properties is reassuring, it is difficult to reconcile the Analyst’s warning regarding overbuilding within the defined PMA with the notion that the subject’s 240 units will not be affected due to a 5.5-mile separation. In defining the PMA the Analyst is opining that demand will be drawn from throughout the entire area.

The market study does not meet the requirements of the Department’s Market Analysis Rules and Guidelines and only marginally provides sufficient information to support a funding recommendation. Specifically, the study lacks a properly completed TDHCA Primary Market Area Analysis Summary form and a calculation of inclusive capture rate completed in accordance with TDHCA instructions. This analyst should be removed from the list of approved TDHCA market analysts pending receipt of a market study report demonstrating compliance with the Department’s Market Analysis Rules and Guidelines.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate is comparable to the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,900 per unit is 4% lower than the Underwriter’s database-derived estimate of \$4,065 per unit for comparably-sized developments, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when

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

compared to the database averages, particularly general and administrative (\$54K lower), payroll (\$88K lower), repairs and maintenance (\$37K higher), water, sewer, and trash (\$30K higher), and property tax (\$33K higher/lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
<b>Land: 26.0 acres</b>	\$738,400	<b>Assessment for the Year of:</b>	2003
<b>Per Acre:</b>	\$28,400	<b>Valuation by:</b>	Denton County Appraisal District
<b>Prorated Assessed Value, 17.48 acres:</b>	\$496,432	<b>Tax Rate:</b>	2.53692
EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Standard contract for sale and purchase		
<b>Contract Expiration Date:</b>	8/ 15/ 2004	<b>Anticipated Closing Date:</b>	8/ 15/ 2004
<b>Acquisition Cost:</b>	\$1,295,888	<b>Other Terms/Conditions:</b>	\$5,000 earnest money, other conditions discussed below
<b>Seller:</b>	Estate of Virgil T. Griffith	<b>Related to Development Team Member:</b>	No

CONSTRUCTION COST ESTIMATE EVALUATION	
<p><b>Acquisition Value:</b> The site cost of \$1,295,888 (\$1.70/SF, \$74,144/acre, or \$5,400/unit), although over three times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction. The original purchase contract is for 15.0 acres at \$1.9833 per net square foot; an amendment adds an additional 2.478 acres at no additional cost if the Applicant fulfills the following conditions:</p> <ul style="list-style-type: none"> <li>• Constructs a stormwater detention pond on the added acreage, adjacent to the seller's retained land, sufficient to accommodate drainage from both tracts.</li> <li>• Fills an existing pond on the seller's retained land with the soil excavated during construction of the detention pond.</li> </ul> <p>If these "pond conditions" are not met the additional 2.478 acres would be sold to the Applicant at the same price of \$1.9833/NSF, resulting in an increase of \$214,081. The amendment also requires the Applicant to demolish and remove an existing house on the seller's retained land.</p> <p><b>Sitework Cost:</b> The Applicant's claimed sitework costs of \$6,704 per unit are considered reasonable compared to historical sitework costs for multifamily projects. The cost of the demolition of the single-family house and the additional costs associated with construction of the stormwater detention pond do not appear to be included in the off-site or sitework costs as they would both most likely be considered ineligible costs. While it is not likely that these costs will significantly affect the overall budget, their absence is significant and therefore receipt, review, and acceptance of a revised cost budget with these costs clearly identified is a condition of this report.</p> <p><b>Direct Construction Cost:</b> The Applicant's direct construction cost estimate is \$358K or 3.4% lower than the Underwriter's Marshall &amp; Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as reasonable as submitted.</p> <p><b>Fees:</b> The Applicant's general requirements, contractor's general and administrative fees, and contractor's</p>	



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

profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$39,900 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$276,780.

**Other Costs:** The Applicant's contingency allowance exceeds the 5% maximum allowed by TDHCA guidelines based on their own construction costs, and therefore the eligible portion of the Applicant's allowance must be reduced by \$149,062.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$18,739,061 is used to determine a credit allocation of \$667,111 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE	
<b>BOND FINANCING</b>	
<b>Source:</b> Merchant Capital, LLC	<b>Contact:</b> Jason Ralston
<b>Tax-Exempt Amount:</b> \$15,000,000	<b>Interest Rate:</b> Variable
<b>Additional Information:</b>	The one-page commitment to purchase bonds describes the term/amortization to be not less than 30 years
<b>Amortization:</b> 30 yrs	<b>Term:</b> 30 yrs <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b> To be determined	<b>Lien Priority:</b> 1st <b>Commitment Date</b> 1/ 12/ 2004
<b>PERMANENT FINANCING</b>	
<b>Source:</b> Red Stone Partners	<b>Contact:</b> Davin Vounasis
<b>Tax-Exempt Amount:</b> \$15,000,000	<b>Interest Rate:</b> Variable, estimated & underwritten at 6.23%
<b>Additional Information:</b>	Commitment reflects 9% NOI cap on takeout & sinking fund amortization based on 9% rate
<b>Amortization:</b> 30 yrs	<b>Term:</b> 30 yrs <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b> \$1,108,291	<b>Lien Priority:</b> 1st <b>Commitment Date</b> 12/ 8/ 2003
<b>TAX CREDIT SYNDICATION</b>	
<b>Source:</b> Simpson Housing Solutions, LLC	<b>Contact:</b> Mike Sugrue
<b>Address:</b> 730 East Park Boulevard, Suite 100	<b>City:</b> Plano
<b>State:</b> TX <b>Zip:</b> 75074 <b>Phone:</b> (972) 422-4343 <b>Fax:</b> (972) 422-0224	
<b>Net Proceeds:</b> \$5,608,094	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b> 84¢
<b>Commitment</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	<b>Date:</b> 4/ 7/ 2004
<b>Additional Information:</b>	Based upon purchased credits of \$667,630 annually (99.99%)
<b>APPLICANT EQUITY</b>	
<b>Amount:</b> \$1,698,835	<b>Source:</b> Deferred developer fee

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**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Denton Housing Finance Corporation and purchased by Merchant Capital, LLC. The commitment letter from Merchant Capital, LLC, does not describe the terms of the acquisition other than to identify that the bonds will be issued with a variable interest rate and for a term of not less than 30 years. This commitment does not disclose how the interim or permanent financing will be secured or structured and the only mention of the anticipated interest rate is that it will be determined weekly by Merchant Capital, LLC. Red Stone Partners, LLC also provided a letter committing to the permanent takeout of the interim construction debt and this commitment is somewhat more revealing and more consistent with the terms reflected in the sources and uses of funds listed in the application. The takeout commitment provided by Red Stone Partners reflects a maximum takeout at NOI at the time of takeout divided by 9%. The Underwriter's estimate of this takeout amount is \$14,032,638 or \$1M less than the initial bond amount. In addition, the takeout commitment reflects a sinking fund amortization based upon a 9% rate; at this rate the property would not be able to meet its sinking fund requirements. Upon further request Red Stone provided a build-up rate for underwriting this transaction as follows: underwritten variable rate 3.75% (actual rate to be based on the BMA, assumed to be the Bond Market Association Municipal Swap Index); credit enhancement fee 1.5%; third party fees 0.30%; and sinking fund payment 0.68%, for a total rate of 6.23%. The Applicant originally included an underwriting rate of a slightly higher 6.25%. The Underwriter has run an analysis which reflects the total built-up interest rate could be as high as 7.6% and the development would still be feasible.

**HTC Syndication:** The tax credit syndication commitment is generally consistent with the terms reflected in the sources and uses of funds listed in the application. The amount of the credit identified in the commitment is slightly higher than the amount requested and therefore a slight reduction in the syndication proceeds of \$43,096 should be anticipated.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$1,698,835 amount to 62% of the Applicant's total projected fees. Again the slight decrease in syndication proceeds based upon the lower requested credit amount will increase the deferred developer fee required slightly.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed \$667,111 annually for ten years, resulting in syndication proceeds of approximately \$5,469,760. However, due to the Applicant's use of an applicable percentage of 3.45% instead of the TDHCA underwriting rate of 3.56% for applications received in January 2004, the Applicant's requested credits of \$662,566 will determine the recommended allocation amount. This allocation amount will result in syndication proceeds of approximately \$5,564,998 at the stated syndication rate. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,741,930, which represents approximately 71% of the eligible fee and which should be repayable from cash flow within ten years. Based upon the anticipated underwriting interest rate alone the entire \$15M bond amount can be achieved; however, if the calculation of loan proceeds at takeout described in the commitment is used, the takeout amount is anticipated to be \$14,032,638 and the difference will have to be absorbed by additional deferred developer fee. In such a case the deferred developer fee would exceed the available developer fee itself and \$265,005 of contractor fee would also need to be deferred. This entire amount of deferral would still be repayable within ten years due to the lower first lien debt. It should further be noted that as a result of the variable rate interest structure the actual cash flow picture in the short run will be significantly enhanced to the underwriting spread which currently provides a roughly 275 basis point spread over the current BMA rate.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

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- The Developer, NuRock Development Group, Inc., submitted an unaudited financial statement as of January 5, 2004 reporting total assets of \$18.3M and consisting of \$2.8M in cash and \$15.5M in receivables. Liabilities totaled \$18.5K, resulting in a net worth of \$18.3M.
- The principals of the General Partner and the Developer, Robert and Sandra Hoskins, submitted an unaudited financial statements as of January 5, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Robert and Sandra Hoskins listed participation in 17 previous affordable housing developments totaling 4,024 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The permanent debt's variable interest rate may increase significantly from the underwritten rate, which could affect the long term financial feasibility of the development.
- Significant inconsistencies in the application could affect the financial feasibility of the development.

**Underwriter:**

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

**Date:** May 3, 2004

**Director of Real Estate Analysis:**

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

**Date:** May 3, 2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Corinth Estates Apartments, Corinth, 4% HTC #04413**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	32	1	1	850	\$748	\$695	\$22,240	\$0.82	\$52.65	\$47.06
TC (60%)	32	1	1	887	748	695	22,240	0.78	52.65	47.06
TC (60%)	52	2	2	1,029	898	830	43,160	0.81	67.60	65.28
TC (60%)	52	2	2	1,086	898	830	43,160	0.76	67.60	65.28
TC (60%)	36	3	2	1,150	1037	951	34,236	0.83	85.50	73.64
TC (60%)	36	3	2	1,219	1,037	951	34,236	0.78	85.50	73.64
<b>TOTAL:</b>	<b>240</b>		<b>AVERAGE:</b>	<b>1,045</b>	<b>\$900</b>	<b>\$830</b>	<b>\$199,272</b>	<b>\$0.79</b>	<b>\$68.98</b>	<b>\$62.93</b>

INCOME				TDHCA		APPLICANT		Comptroller's Region 3		
Total Net Rentable Sq Ft: 250,848				\$2,391,264	\$2,391,264	IREM Region Dallas				
POTENTIAL GROSS RENT				28,800	28,800	\$10.00	Per Unit Per Month			
Secondary Income		Per Unit Per Month:	\$10.00	0	0					
Other Support Income:										
POTENTIAL GROSS INCOME				\$2,420,064	\$2,420,064					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(181,505)	(181,500)	-7.50%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				\$2,238,559	\$2,238,564					

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.92%	\$366	0.35	\$87,764	\$33,689	\$0.13	\$140	1.50%
Management	5.00%	466	0.45	111,928	112,590	0.45	469	5.03%
Payroll & Payroll Tax	9.52%	888	0.85	213,120	125,000	0.50	521	5.58%
Repairs & Maintenance	4.24%	396	0.38	95,024	131,736	0.53	549	5.88%
Utilities	2.26%	211	0.20	50,661	41,093	0.16	171	1.84%
Water, Sewer, & Trash	5.56%	518	0.50	124,386	153,984	0.61	642	6.88%
Property Insurance	2.13%	199	0.19	47,661	59,908	0.24	250	2.68%
Property Tax	2.53692%	713	0.68	171,072	204,000	0.81	850	9.11%
Reserve for Replacements	2.14%	200	0.19	48,000	48,000	0.19	200	2.14%
Other: spt svcs, compl fees	1.16%	108	0.10	26,000	26,000	0.10	108	1.16%
<b>TOTAL EXPENSES</b>	<b>43.58%</b>	<b>\$4,065</b>	<b>\$3.89</b>	<b>\$975,616</b>	<b>\$936,000</b>	<b>\$3.73</b>	<b>\$3,900</b>	<b>41.81%</b>
<b>NET OPERATING INC</b>	<b>56.42%</b>	<b>\$5,262</b>	<b>\$5.03</b>	<b>\$1,262,943</b>	<b>\$1,302,564</b>	<b>\$5.19</b>	<b>\$5,427</b>	<b>58.19%</b>

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage	49.40%	\$4,608	\$4.41	\$1,105,951	\$1,108,291	\$4.42	\$4,618	49.51%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>7.01%</b>	<b>\$654</b>	<b>\$0.63</b>	<b>\$156,992</b>	<b>\$194,273</b>	<b>\$0.77</b>	<b>\$809</b>	<b>8.68%</b>
AGGREGATE DEBT COVERAGE RATIO				1.14	1.18			
RECOMMENDED DEBT COVERAGE RATIO					1.26			

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
ACQUISITION COST (site or bldg)		5.77%	\$5,400	\$5.17	\$1,295,888	\$1,295,888	\$5.17	\$5,400	5.81%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.16%	6,704	6.41	1,608,982	1,608,982	6.41	6,704	7.21%
Direct Construction		47.09%	44,083	42.18	10,579,845	10,221,906	40.75	42,591	45.82%
Contingency	5.00%	2.71%	2,539	2.43	609,441	740,606	2.95	3,086	3.32%
General Req'ts	5.96%	3.24%	3,029	2.90	726,953	726,953	2.90	3,029	3.26%
Contractor's G & A	1.99%	1.08%	1,010	0.97	242,318	242,318	0.97	1,010	1.09%
Contractor's Profit	5.96%	3.24%	3,029	2.90	726,953	726,953	2.90	3,029	3.26%
Indirect Construction		3.37%	3,153	3.02	756,600	756,600	3.02	3,153	3.39%
Ineligible Costs		6.59%	6,172	5.90	1,481,238	1,481,238	5.90	6,172	6.64%
Developer's G & A	2.79%	2.07%	1,941	1.86	465,832	680,251	2.71	2,834	3.05%
Developer's Profit	12.21%	9.08%	8,503	8.14	2,040,754	2,040,754	8.14	8,503	9.15%
Interim Financing		6.50%	6,081	5.82	1,459,479	1,459,479	5.82	6,081	6.54%
Reserves		2.11%	1,975	1.89	473,910	325,000	1.30	1,354	1.46%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$93,617</b>	<b>\$89.57</b>	<b>\$22,468,192</b>	<b>\$22,306,928</b>	<b>\$88.93</b>	<b>\$92,946</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>64.51%</b>	<b>\$60,394</b>	<b>\$57.78</b>	<b>\$14,494,492</b>	<b>\$14,267,718</b>	<b>\$56.88</b>	<b>\$59,449</b>	<b>63.96%</b>

SOURCES OF FUNDS				RECOMMENDED			
First Lien Mortgage	66.76%	\$62,500	\$59.80	\$15,000,000	\$15,000,000	\$14,032,698	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,444,225
HTC Syndication Proceeds	24.96%	\$23,367	\$22.36	5,608,094	5,608,094	5,564,998	% of Dev. Fee Deferred
Deferred Developer Fees	7.56%	\$7,078	\$6.77	1,698,835	1,698,835	2,709,232	111%
Additional (excess) Funds Required	0.72%	\$672	\$0.64	161,263	(1)	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$22,468,192</b>	<b>\$22,306,928</b>	<b>\$22,306,928</b>	<b>\$7,365,843</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Corinth Estates Apartments, Corinth, 4% HTC #04413**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.34	\$10,872,842
<b>Adjustments</b>				
Exterior Wall Finish	4.00%		\$1.73	\$434,914
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.02)	(254,611)
Floor Cover			2.00	501,696
Porches/Balconies	\$15.96	33,765	2.15	538,721
Plumbing	\$605	528	1.27	319,440
Built-In Appliances	\$1,650	240	1.58	396,000
Stairs/Fireplaces	\$1,475	30	0.18	44,250
Floor Insulation			0.00	0
Heating/Cooling			1.53	383,797
Garages	\$10.84	48,000	2.07	520,320
Comm &/or Aux Bldgs	\$61.64	4,030	0.99	248,389
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.83</b>	<b>14,005,758</b>
Current Cost Multiplier	1.03		1.68	420,173
Local Multiplier	0.90		(5.58)	(1,400,576)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$51.93</b>	<b>\$13,025,355</b>
Plans, specs, survy, bid prnt	3.90%		(\$2.03)	(\$507,989)
Interim Construction Interest	3.38%		(1.75)	(439,606)
Contractor's OH & Profit	11.50%		(5.97)	(1,497,916)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.18</b>	<b>\$10,579,845</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$15,000,000	Amort	360
Int Rate	6.230%	DCR	1.14
<b>Secondary</b>	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.14
<b>Additional</b>	\$5,608,094	Amort	
Int Rate		Aggregate DCR	1.14

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

Primary Debt Service	\$1,034,631
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$267,933</b>

<b>Primary</b>	\$14,032,698	Amort	360
Int Rate	6.230%	DCR	1.26
<b>Secondary</b>	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.26
<b>Additional</b>	\$5,608,094	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,391,264	\$2,463,002	\$2,536,892	\$2,612,999	\$2,691,389	\$3,120,057	\$3,617,001	\$4,193,096	\$5,635,170
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Contractor's Profit	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>2,420,064</b>	<b>2,492,666</b>	<b>2,567,446</b>	<b>2,644,469</b>	<b>2,723,803</b>	<b>3,157,635</b>	<b>3,660,564</b>	<b>4,243,597</b>	<b>5,703,039</b>
Vacancy & Collection Loss	(181,500)	(186,950)	(192,558)	(198,335)	(204,285)	(236,823)	(274,542)	(318,270)	(427,728)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$2,238,564</b>	<b>\$2,305,716</b>	<b>\$2,374,887</b>	<b>\$2,446,134</b>	<b>\$2,519,518</b>	<b>\$2,920,812</b>	<b>\$3,386,022</b>	<b>\$3,925,327</b>	<b>\$5,275,311</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$33,689	\$35,037	\$36,438	\$37,896	\$39,411	\$47,950	\$58,338	\$70,978	\$105,064
Management	112,590	115,967.451	119,446.4749	123,029.8691	126,720.7652	146,904.0978	170,302.112	197,426.8232	265,325.1414
Payroll & Payroll Tax	125,000	130,000	135,200	140,608	146,232	177,914	216,460	263,356	389,831
Repairs & Maintenance	131,736	137,005	142,486	148,185	154,112	187,501	228,124	277,548	410,839
Utilities	41,093	42,737	44,446	46,224	48,073	58,488	71,160	86,577	128,155
Water, Sewer & Trash	153,984	160,143	166,549	173,211	180,140	219,167	266,650	324,421	480,222
Insurance	59,908	62,304	64,796	67,388	70,084	85,268	103,741	126,217	186,832
Property Tax	204,000	212,160	220,646	229,472	238,651	290,356	353,262	429,797	636,205
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	26,000	27,040	28,122	29,246	30,416	37,006	45,024	54,778	81,085
<b>TOTAL EXPENSES</b>	<b>\$936,000</b>	<b>\$972,314</b>	<b>\$1,010,047</b>	<b>\$1,049,254</b>	<b>\$1,089,994</b>	<b>\$1,318,873</b>	<b>\$1,596,182</b>	<b>\$1,932,228</b>	<b>\$2,833,254</b>
<b>NET OPERATING INCOME</b>	<b>\$1,302,564</b>	<b>\$1,333,402</b>	<b>\$1,364,841</b>	<b>\$1,396,880</b>	<b>\$1,429,524</b>	<b>\$1,601,939</b>	<b>\$1,789,840</b>	<b>\$1,993,100</b>	<b>\$2,442,057</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631	\$1,034,631
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$267,933</b>	<b>\$298,771</b>	<b>\$330,209</b>	<b>\$362,248</b>	<b>\$394,893</b>	<b>\$567,307</b>	<b>\$755,208</b>	<b>\$958,468</b>	<b>\$1,407,426</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.26</b>	<b>1.29</b>	<b>1.32</b>	<b>1.35</b>	<b>1.38</b>	<b>1.55</b>	<b>1.73</b>	<b>1.93</b>	<b>2.36</b>

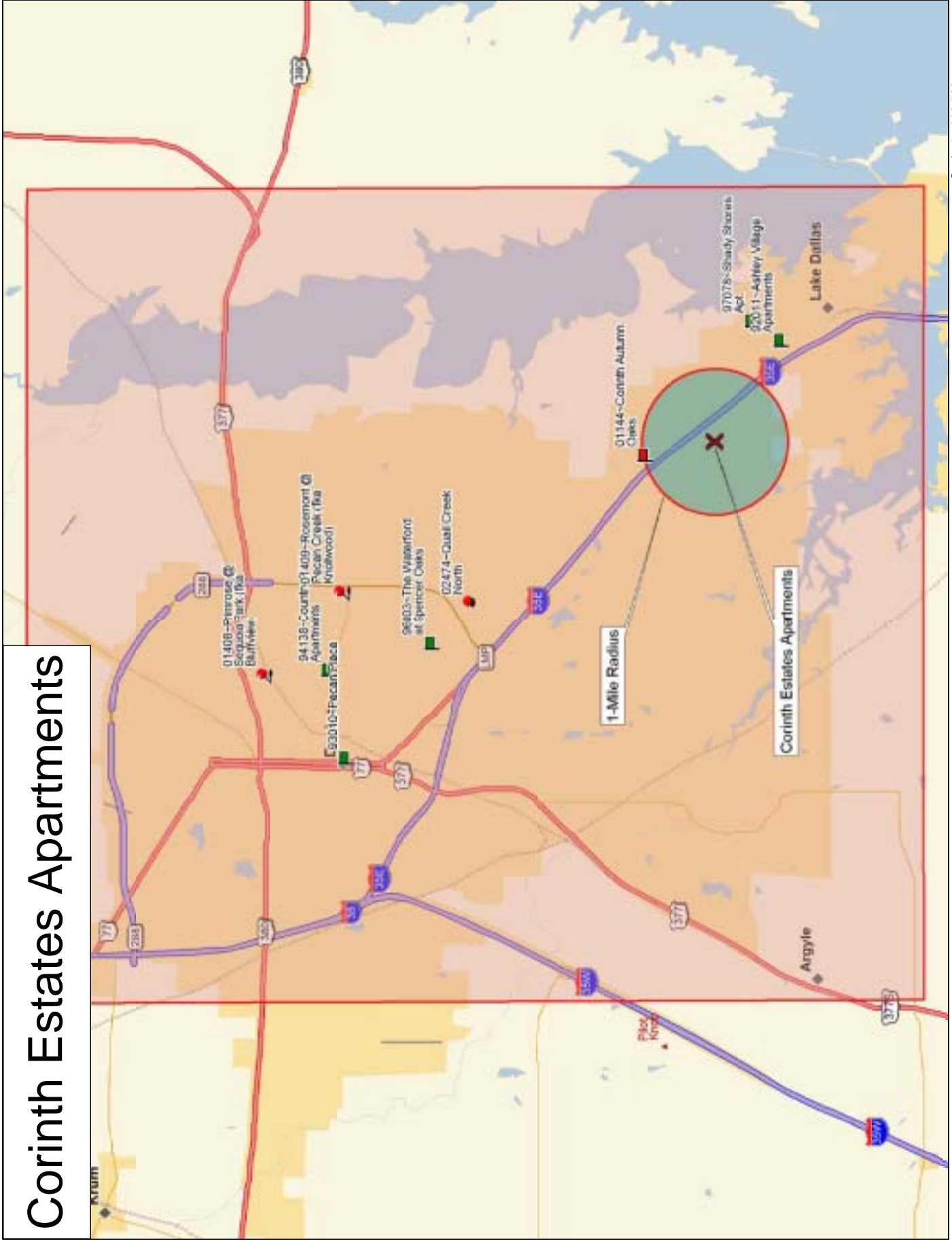
**LIHTC Allocation Calculation - Corinth Estates Apartments, Corinth, 4% HTC #04413**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,295,888	\$1,295,888		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,608,982	\$1,608,982	\$1,608,982	\$1,608,982
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$10,221,906	\$10,579,845	\$10,221,906	\$10,579,845
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$242,318	\$242,318	\$236,618	\$242,318
Contractor profit	\$726,953	\$726,953	\$709,853	\$726,953
General requirements	\$726,953	\$726,953	\$709,853	\$726,953
<b>(5) Contingencies</b>				
	\$740,606	\$609,441	\$591,544	\$609,441
<b>(6) Eligible Indirect Fees</b>				
	\$756,600	\$756,600	\$756,600	\$756,600
<b>(7) Eligible Financing Fees</b>				
	\$1,459,479	\$1,459,479	\$1,459,479	\$1,459,479
<b>(8) All Ineligible Costs</b>				
	\$1,481,238	\$1,481,238		
<b>(9) Developer Fees</b>				
			\$2,444,225	
Developer overhead	\$680,251	\$465,832		\$465,832
Developer fee	\$2,040,754	\$2,040,754		\$2,040,754
<b>(10) Development Reserves</b>				
	\$325,000	\$473,910		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$22,306,928</b>	<b>\$22,468,192</b>	<b>\$18,739,061</b>	<b>\$19,217,156</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$18,739,061	\$19,217,156
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$18,739,061	\$19,217,156
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$18,739,061	\$19,217,156
Applicable Percentage			3.56%	3.56%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$667,111	\$684,131

Syndication Proceeds	0.8399	\$5,603,168	\$5,746,124
<b>Total Credits (Eligible Basis Method)</b>		<b>\$667,111</b>	<b>\$684,131</b>
Syndication Proceeds		\$5,603,168	\$5,746,124
Requested Credits		\$662,566	
Syndication Proceeds		\$5,564,998	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$8,274,230</b>	
Credit Amount		\$985,126	

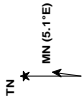
# Corinth Estates Apartments



Scale 1 : 112,500



1" = 1.78 mi Data Zoom 10-6



# Developer Evaluation

Project ID # **04413**

Name: **Corinth Estates**

City: **Corinth**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 3

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date 4/15/2004

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by S.Roth Date 4/16/2004

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by EEF Date 4/14/2004

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie A. D'Couto Date 4/14/2004

Executive Director: Edwina Carrington

Executed: 4/20/2004



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

May 13, 2004

Action Item

Requests for amendments to Housing Tax Credit (HTC) applications involving material changes.

Requested Action

Consider and approve or deny requests for amendments.

Background and Recommendations

Pertinent facts about the developments requesting amendments are summarized below.

Development No. 03236, Little York Villas Apartments

Summary of Request: Applicant requests approval to reduce the size of the clubhouse and increase the size of the two and three bedroom units. The clubhouse would decrease from 5,444 to 4,208 square feet, a net loss to the clubhouse (and to the total common area) of 1,236 square feet (22.7%). The two bedroom units would increase from 950 to 975 square feet and three bedroom units would increase from 1,100 to 1,162 square feet, a net gain to the development of 7,168 square feet; a 5.5% increase from the original net rentable area of 131,200 square feet. The request deals with material changes in the application as defined by the QAP because the changes in common and net rentable area each exceed three percent of the original areas.

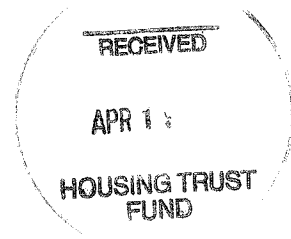
Governing QAP	2003 QAP, Section 49.18(c)
Applicant:	Little York Villas, L.P.
General Partner:	Songhai Little York, LLC
Principals/Contacts	Cherno Njie
Syndicator:	Paramount Financial Group, Inc.
Construction Lenders:	Bank One, NA; City of Houston HOME Funds
Permanent Lender:	Bank One, NA
City/County:	Houston/Harris
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	103 LIHTC units and 25 market rate units
2003 Allocation:	\$816,242
Allocation per HTC Unit:	\$7,925
Other Funding:	City of Houston HOME Funds
Prior Board & Department Actions:	Awarded credits in July of 2003
Underwriting Re-evaluation:	An evaluation by the Real Estate Analysis Division is pending.
<b>Staff Recommendation:</b>	<b>The change would not have affected the selection of the application for an award of tax credits in the 2003 application round. Staff therefore recommends that the Board approve the applicant's request contingent on approval from the Real Estate Analysis Division.</b>

**Development No. 03415, Southwest Pines Apartments**

Summary of Request: Applicant requests approval for a change in the development’s site plan. The Corps of Engineers classified a creek that runs through the site as a U.S. Waterway prior to the closing of the bonds. The site plan was revised to leave a larger green belt near the creek. To increase the greenbelt, the number of buildings was reduced from 14 to 12. The number of one bedroom units was increased by eight and the number of two bedroom units was decreased by eight. The total number of units did not change. The net rentable area decreased by 2,256 square feet to 254,200 square feet. Under the 2003 QAP, a significant change in the site plan and modification of the bedroom mix each constitute a material change in the development, requiring approval by the Board.

Governing QAP	2003 QAP, Section 49.18(c)
Applicant:	Lake Placid Partners, Ltd.
General Partner:	Duval Partners, Ltd.
Principals/Contacts	Jerry Moore, Larry Paul Manley
Syndicator:	PNC Multifamily Capital
Construction Lenders:	PNC Multifamily Capital
Permanent Lender:	PNC Multifamily Capital
City/County:	Tyler/Smith
Set-Aside:	Tax Exempt Bond/Family
Type of Development:	New Construction
Units:	248 LIHTC units
2003 Allocation:	\$936,294
Allocation per HTC Unit:	\$3,775
Other Funding:	NA
Prior Board & Department Actions:	Awarded credits in August of 2003
Underwriting Re-evaluation:	An evaluation by the Real Estate Analysis Division is pending.
<b>Staff Recommendation:</b>	<b>The change would not have affected the award of tax credits (this is a bond development) and has no detrimental effect on the development. Staff therefore recommends that the Board approve the applicant’s request contingent on approval from the Real Estate Analysis Division.</b>

**Little York Villas, L.P.**  
**1106 Clayton Lane, Suite 524W**  
**Austin, TX 78723**  
**Phone: 512-458-5577**  
**Fax: 512-458-5565**



April 14, 2004

Ms. Brooke Boston  
Director, Multifamily Finance Production  
TDHCA  
P.O Box 13941  
Austin, TX 78711-3941

**Re: Request for Approval of changes  
Little York Villas – TDHCA # 03236**

Dear Ms. Boston:

I am writing to seek approval to changes made to the project as required under the QAP. The following changes were made:

1. The site plan and buildings were redesigned to be more functional and to address the concerns of the homeowners by providing for a 130 feet buffer between the closest building and the property line of the adjoining subdivision.
2. The Club House was reduced from 5,444 to 4,208 square feet. The original size was disproportionate for the size of the project. Instead, we increased the size of the two bedroom units from 950 to 975 square feet and the three bedroom units from 1,100 to 1,162 square feet. The 1,236 decrease in the size of the Club House was more than offset by a 5,568 square feet increase in the size of the units. This reduction will not impact the range of supportive services to be provided for the tenants. The total net rentable area is 136,768 square feet.

Enclosed is a set of architectural plans, Development Cost Schedule, Rent Schedule, Utility Allowance, Statement of annual expenses, Sources and Uses of Funds statement, and 30-year proforma. Please call me at 512-797-6514, if you have any questions about this request. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Cherno M. Njie".

Cherno M. Njie,

General Partner,

Little York Villas, L.P.

RECEIVED  
MAY 3 2004  
LIHTC

Lake Placid Partners, Ltd  
P. O. Box 154432  
Lufkin, TX 75915-4432  
936 699-2960 \* Fax 936 699-2962

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April 30, 2004

**FEDERAL EXPRESS**  
**FAX TO: 512 475-0764**  
**2 pages, 4/30/04, 2:45 PM**

Mr. Ben Sheppard  
Texas Department of Housing and Community Affairs  
PO Box 13941  
507 Sabine Street  
Austin, TX 78711-3941

Re: Southwest Pines Apartments  
Tyler, TX  
TDHCA No. 03415

Dear Mr. Sheppard:

Please disregard my letter of 4/29/04 that was faxed earlier today

We would like to request a slight change in the unit mix on the above referenced project.

A creek runs through a portion of the site and was classified as a US waterway by the Corp of Engineers just prior to closing on the bonds. The City of Tyler approved the building permit based on the original site and grading plan, which excluded the creek and the bonds closed on schedule.

After closing, our Engineer revised the site plan to leave the creek and a larger green belt. As a result of this change it was necessary to change the building mix. This change did not reduce the number of units (248) but increased the number of one-bedroom units by eight and decreased the number of two bedroom units by eight. The three bedroom units remain the same.

The total number of units in the project remains unchanged at 248. As a result of this change the net-rentable SF will be decreased by 2,148 SF to a total of 254,200 SF. This change in net rentable sf is less than one percent (.83%).

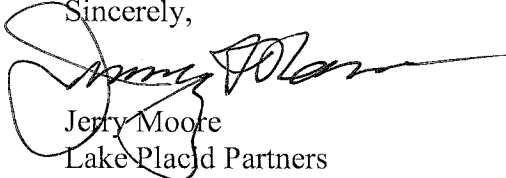
I am sending via Federal Express today the following documents as required for the application amendment:

- Explanation of change request
- Development cost schedule, work write-up (no change)

- Rent schedule
- Utility allowance
- Statement of annual expenses (no change)
- Sources and uses of funds (no change)
- 30 year operating proforma
- Revised site plan

The building plans and unit plans are as submitted in the original application.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Moore", with a large, stylized flourish on the left side.

Jerry Moore  
Lake Placid Partners  
936 699-2960  
Fax 936 699-2962  
jerry.moore@moorebuilding.com

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Items**

Request for extension to close the construction loan.

**Required Action**

Approve or deny the request for extension associated with the 2003 commitment.

**Background**

Pertinent facts about the development requesting an extension are given below. The request was accompanied by a mandatory \$2,500 extension request fee.

**Little York Villas Apartments, HTC Development No. 03236**

Summary of Request: Applicant has experienced delays in obtaining building permits and finalizing partnership agreements.

Applicant:	Little York Villas, LP
General Partner:	Songhai Little York, LLC
Principals/Interested Parties:	Cherno Njie
Syndicator:	Red Capital, Inc.
Construction Lender:	Red Capital, Inc.
Permanent Lender:	Red Mortgage, Inc.
Other Funding:	City of Houston HOME Loan
City/County:	Houston/Harris
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	103 HTC and 25 market rate units
2002 Allocation:	\$816,242
Allocation per HTC Unit:	\$7,925
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Closing construction loan
Note on Time of Request:	Request was submitted on time
Current Deadline:	June 11, 2004
New Deadline Requested:	July 12, 2004
<b>New Deadline Recommended:</b>	<b>July 12, 2004</b>
Prior Extensions:	Carryover extended from 11/1/03 to 12/1/03
Reason for Request:	See summary above.

**Staff Recommendation:** **Approve extension as requested.**

**Little York Villas, L.P.**  
**1106 Clayton Lane, Suite 524W**  
**Austin, TX 78723**  
**Phone: 512-458-5577**  
**Fax: 512-458-5565**

April 26, 2004

Ms. Brooke Boston  
Director, Multifamily Finance Production  
TDHCA  
P.O Box 13941  
Austin, TX 78711-3941

**Re: Request for Extension of Deadline for Closing of Construction Loan  
Little York Villas - # 03236**

Dear Ms. Boston:

In view of delays in the delivery of building permits and finalizing partnership documents from multiple funding sources, the applicant is seeking an extension of the deadline to close construction loan until July 12, 2004. We expect to have these issues resolved before this date. Enclosed is the \$2,500 extension fee.

Please call me at 512-797-6514, if you have any questions about this request. Thank you for your consideration.

Sincerely,



Cherno M. Njie,

General Partner,

Little York Villas, L.P.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**Action Items**

Request for reallocation of returned credits for Meadows of Oakhaven Apartments, TDHCA Number 02131, and request for waiver of 2004 Qualified Allocation Plan and Rules (QAP) for that development.

**Required Action**

Deny the request for reallocation and waiver.

**Background**

In October 2002, Pleasanton Apartment Ventures, LP was awarded \$407,934 in Housing Tax Credits from the Waiting List for Meadows of Oakhaven Apartments, located in Pleasanton. The development was proposed for new construction of 76 units of which four were market rate and the remainder were low income units. The development was awarded from the Rural Set-Aside.

The development, since its award, has been delayed in meeting each stage of completion and has obtained multiple extensions. The first extension was for Carryover, which was extended from December 6, 2002 to December 17, 2002. Subsequently, the construction loan closing was extended three times by the Board; combining all three extensions the closing was extended from June 13, 2003 to October 9, 2003. Since that time, Mike Gilbert, the principal involved in the development, has requested two extensions for commencement of substantial construction. Originally, the commencement deadline was extended by the Board from November, 2003 to January 30, 2004. On January 30, 2004, Mr. Gilbert submitted a request for an additional extension through March 31, 2004. When this item was brought before the Board in March 2004, the Board determined to table the extension request so that the applicant could provide the Board with a more detailed explanation. However, after discussion with the applicant, and based on the attached letter, Mr. Gilbert has determined that it will not be feasible to meet the Internal Revenue Service placement in service deadline of December 31, 2004 and therefore the extension for commencement is unnecessary. The primary justification from the applicant for the multiple delays is that his company's resources were allocated to the completion of previously awarded tax credit transactions.

Mr. Gilbert is now requesting that he be permitted to return the credits from his 2002 allocation and be issued a reallocation of those same credits from the 2004 Credit Ceiling. Additionally, because a 2004 Commitment would be required to adhere to the 2004 QAP, he is also requesting a waiver of the 2004 QAP requirements since all plans are complete and building permits have been obtained. Mr. Gilbert has provided a request letter as well as a letter from The Richman Group Affordable Housing Corporation, indicating that if he is able to obtain a new allocation of credits, they will be interested in providing the equity.

**Recommendation**

Staff does not recommend that this request be approved because the required deadlines were not met; further, to approve such a request sets a precedent for other applicants.

If the Board does choose to approve this request, staff recommends that the waiver of the 2004 QAP be granted and that an abbreviated timeline be approved in which the applicant must carryover by July 30, 2004; must commence substantial construction by December 31, 2004; and must be placed in service by August 31, 2005.

Staff would also like to note that the amount of credits awarded to Meadows of Oakhaven will return to the 2004 credit ceiling regardless of the Board's action today since the applicant will clearly not satisfy the 2002 placement in service deadline of December 31, 2004.



**FINANCIAL SERVICES DIVISION**

**BOARD ACTION REQUEST**

**May 13, 2004**

**ACTION ITEM:**

Housing Tax Credit Construction Inspection Fees and Related Qualified Allocation Plan (QAP) Requirements.

Update status of Developer fees due to the Department for Housing Tax Credit construction inspections as required by the QAP.

**RECOMMENDATIONS:**

Review the status of the Department's collection efforts of construction inspection fees due from Developers.

**BACKGROUND:**

The QAPs for programs years 1997 through 2002 require that construction inspections be performed on Housing Tax Credit developments during the construction process. These inspection fees are originally paid by the Department and then billed to the Developers for reimbursement. Prior to September 1, 2002, the billing and tracking of these reimbursements was being done by the Low Income Housing Tax Credit Division. At the time of the transfer, there was approximately \$203,000 due from Developers. Since then, the Financial Services section of the Department has taken over the billing and collecting of these inspection fees with \$826,298.12 being collected and \$15,598.01 remaining to be collected.

**LIHTC Inspection Fees**

Aged Trial Balance as of April 30, 2004

<u>Property #</u>	<u>Property Name</u>	<u>Invoice Date</u>	<u>Current</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>120 Days</u>	<u>Total Due</u>
8002006	Roseland Estates	11/21/03	-	-	-	-	616.25	616.25
8001063	Legacy at Science Park *	2/19/04	-	-	850.00	-	-	850.00
8002445	Saddlebrook Apartments	3/29/04	-	884.90	-	-	-	884.90
8002471	Southside Villas	3/29/04	-	869.90	-	-	-	869.90
8001121	Main Street Townhomes	3/31/04	1,762.68	-	-	-	-	1,762.68
8001106	Bunker Hill Senior Village	4/2/04	1,077.63	-	-	-	-	1,077.63
8002008	Prairie Commons Apartments	4/2/04	801.65	-	-	-	-	801.65
8002417	Rosemont at Bluff Ridge	4/2/04	1,022.55	-	-	-	-	1,022.55
8002022	Castle Gardens Apartments	4/19/04	750.00	-	-	-	-	750.00
8002070	Woodview Apartments	4/19/04	1,267.90	-	-	-	-	1,267.90
8002073	Pleasant Valley Courtyards	4/19/04	750.00	-	-	-	-	750.00
8002086	Refugio Street Apartments	4/19/04	750.00	-	-	-	-	750.00
8002422	Rosemeade Apartments	4/19/04	1,475.60	-	-	-	-	1,475.60
8002042	Saddle Creek Apartments @ Kyle	4/21/04	750.00	-	-	-	-	750.00
8002045	Paris Retirement Village	4/21/04	1,078.95	-	-	-	-	1,078.95
8002083	Villas of Lancaster	4/21/04	890.00	-	-	-	-	890.00
			<u>12,376.96</u>	<u>1,754.80</u>	<u>850.00</u>	<u>-</u>	<u>616.25</u>	<u>15,598.01</u>
			79.3%	11.3%	5.4%	0.0%	4.0%	100%

\* Legacy at Science Park over paid their compliance fee by \$750. We are in the process of obtaining authorization to apply the overpayment to their inspection fee, leaving a balance due of \$100.

**§50.21. Program Fees, Refunds, Public Information Requests, Amendments of Fees and Notification of Fees, Extensions.**

- (a) **Timely Payment of Fees.** All fees must be paid as stated in this section. Any fees, as further described in this section that are not timely paid will cause an Applicant to be ineligible to apply for tax credits and additional tax credits and ineligible to submit extension requests, ownership changes and Application amendments. Payments made by check, for which insufficient funds are available, may cause the Application, commitment or allocation to be terminated.

Source: 2004 QAP

<p><b>REAL ESTATE ANALYSIS DIVISION</b> <b>BOARD ACTION REQUEST</b> May 13, 2004</p>
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**Action Items**

Request approval of an increase in the tax credit allocation amount for transactions with 4% Low Income Housing Tax Credits (LIHTC) associated with private activity tax exempt mortgage revenue bonds for the following development:

- 00005T Lakewest Community Townhomes (Dallas Housing Authority developer), new construction asking for \$38,116 in additional credits

**Recommendation and Requested Action**

Approve the increase in credits as follows:

- 00005T Lakewest Community Townhomes: \$38,116 for a total of \$570,370

**Background**

Since 2001 the Qualified Action Plan (QAP) has included a provision for tax credits associated with private activity bonds which states that a determination notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the project is determined to be eligible, and the amount of credits reflected may be greater than or less than the amount set forth in the determination notice, based upon the Department's and the bond issuer's determination as of each building's placement in service date.

The requested action requires the Board to act upon one case which involved the new construction of a 152-unit, development located in Dallas. The applicant was previously approved for credits in the amount of \$532,254, which was the requested amount at that time. With the current request the applicant cited unpredicted increases in both direct and indirect construction costs. The underwriting addendum has confirmed that rehabilitation cost increase is the primary reason for the increase.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
MULTI FAMILY CREDIT UNDERWRITING ADDENDUM**

DATE: 5/3/2004

PROGRAM: HTC

FILE NUMBER: 00005T

**DEVELOPMENT NAME**

Lakewest Community Townhomes

**APPLICANT**

**Name:** 152 Lakewest Community, L.P. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 3939 N. Hampton Road **City:** Dallas **State:** TX  
**Zip:** 75212 **Contact:** Lester Nevels **Phone:** (214) 951-8308 **Fax:** (214) 951-8492

**PRINCIPALS of the APPLICANT**

<b>Name:</b> <u>Supreme Development Corporation (SDC)</u>	<b>(%):</b> <u>0.01</u>	<b>Title:</b> <u>Managing General Partner</u>
<b>Name:</b> <u>Dallas Housing Authority (DHA)</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Parent of MGP</u>
<b>Name:</b> <u>Chase Affordable Housing Fund, LP</u>	<b>(%):</b> <u>18.988101</u>	<b>Title:</b> <u>Limited Partner</u>
<b>Name:</b> <u>Banc of America Fund IIIC Limited Partnership</u>	<b>(%):</b> <u>19.768023</u>	<b>Title:</b> <u>Limited Partner</u>
<b>Name:</b> <u>WAMU Affordable Housing Fund Limited Partnership</u>	<b>(%):</b> <u>12.238776</u>	<b>Title:</b> <u>Limited Partner</u>
<b>Name:</b> <u>THOF Dallas Fund, Ltd.</u>	<b>(%):</b> <u>48.9951</u>	<b>Title:</b> <u>Limited Partner</u>

**PROPERTY LOCATION**

**Location:** 3100 Block of Bickers Street  QCT  DDA  
**City:** Dallas **County:** Dallas **Zip:** 75212

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$38,116	N/A	N/A	N/A
<b>Description:</b> <u>4% tax credits in addition to 2000 award of \$532,254 for a total allocation of \$570,370 annually</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u>		<b>Property Type:</b> <u>Multifamily</u>	

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN INCREASED HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED A TOTAL OF \$570,370 ANNUALLY FOR TEN YEARS.

**ADDENDUM**

In conjunction with submission of a cost certification packet for the development, Lakewest Community has requested a tax credit allocation of \$38,116 annually in addition to the allocation of \$532,254 received in 2000 for a total allocation of \$570,370. With respect to tax credits allocated in association with tax exempt bonds, the QAP provides that if the Development Owner requests more tax credits at cost certification than were approved by the Board in the original Determination Notice, additional documentation is required, including: a detailed narrative of the exceptional and unforeseeable circumstances necessitating the request for additional credits; a detailed breakdown of the cost overrun line items of the Development; a statement supported with documentation for proof that the increases in development costs were beyond the developer's

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
**CREDIT UNDERWRITING ADDENDUM**

control; and other items as may be necessary for a complete review and evaluation of the request.

The Development Owner originally requested credits of \$532,254 annually based on the anticipated gap in need for permanent financing at application. The development's original eligible basis qualified it for \$552,725 or \$20,475 more in credit than the request. Moreover, the original underwriting supported total development costs that were 4% higher than the estimate provided by the Development Owner at application.

In response to a request for the required additional information, the Development Owner submitted a packet with an explanation for the increase in total costs and eligible basis from estimates at application. The bid process for sitework, direct construction and contractor fees resulted in a winning bid of \$9,459,000, or \$154,320 more than the Applicant anticipated. During the course of construction, change orders further increased these construction costs to a total of \$9,717,323, or \$610,543 higher than originally estimated. The actual cost of \$9,717,323 is supported by the Underwriter's estimate at application of \$9,820,502. The fees associated with architectural design and supervision and engineering were also higher than anticipated. The Owner incurred 263A construction interest expense that was not included in the original budget. The interest expense is a cost of funds other than the interest on the interim loan and bridge loan/syndication proceeds during the construction phase. This indirect cost is often understated or excluded at application. Finally, reserve requirements under the loan agreement were higher than forecasted.

The actual eligible basis of \$11,987,647, certified to by a public accountant, supports the requested increase in tax credits to a total of \$570,370. However, in order for the Underwriter to recommend an increase in the tax credit allocation, the development's gap driven need for syndication proceeds must also support the requested additional tax credits. The gap analysis is difficult in this case due to the development's rent subsidy and unusual financing structure.

Tax-exempt private activity mortgage revenue bonds issued through the Dallas Housing Authority (DHA) were used to finance the construction of the development up to the point that the Development Owner was assured access to "4%" housing tax credits. Once the development qualified for the tax credits allocated in association with the bonds, grant-funded loans with deferred interest and principle payments were used to repay the bonds. This is an unconventional use of the private activity mortgage revenue bonds, but it does not conflict with IRS code and in fact several private letter rulings with similar fact sets have confirmed that the IRS allowed repayment of bonds without an effect on associated housing tax credits.

The development is part of the Dallas Housing Authority's plan for revitalization of the Lakewest Community which includes the demolition and clearing of public housing units and constructing new public housing units. As of April 2000, funds committed to this development include \$4,014,850 of 1999 Comprehensive Grant Program Funds and \$5,670,014 of 2000 Capital Fund Program Funds. The HUD grant funds were bundled as a loan of \$9,684,864 provided through DHA's subsidiary, Housing Options, Inc. The loan will accrue interest at a rate of 0.5% with payment of outstanding principle plus accrued and unpaid interest due at the end of a 45 year term. It appears that Federal Home Loan Bank funds of \$492,579 will be provided to the Development Owner through a similar structure, but the note will accrue interest at 1.0%. Therefore, the development will not be responsible for paying an annual debt service, but will be responsible for repaying principal and accrued interest at maturity of the loans.

Due to the use of the grant funds to finance the development, all 152 units will be designated as public housing units for a period of at least 40 years. The public housing units will be operated subject to conditions of the Applicable Public Housing Requirements and, in this case, the ground lease with DHA. The Dallas Housing Authority will utilize a HUD Annual Contributions Contract (ACC) to provide a monthly operating subsidy again through its subsidiary, Housing Options Inc., via a regulatory and operating agreement with the Development Owner. DHA will remain accountable to HUD and responsible for monitoring the Development Owner. The subsidy, funded by HUD's HOPE VI grant application program, will be the lesser of 90% of the operating funds approved by HUD for the fiscal year or an amount equal to the estimated property expenses for the fiscal year, as set forth in the approved operating budget, less the estimated property income for such period. At the end of the fiscal year, any excess subsidy provided based on the actual property expenses will be reimbursed to DHA or subsequent subsidy payments will be reduced. Therefore, with proper monitoring, the development will operate at break-even, with no net operating income available to service debt.

**TEXAS DEPARTMENT OF HOUSING and COMMUNITY AFFAIRS  
CREDIT UNDERWRITING ADDENDUM**

The Development Owner has the right to prepay the grant-financed loan at anytime without penalty and, in fact, the loan agreement indicates after all construction and development costs are paid, any remaining permanent funds must be applied towards repayment of the \$9,684,864 loan provided through DHA. Therefore, the requested additional tax credits and resulting syndication proceeds would not result in an excess total sources of funds for the development.

In summary, the development cannot service additional debt based on the subsidy structure and any additional source of permanent funds would be used to repay a portion of an existing loan that will accrue interest until maturity. The development's eligible basis supports the additional tax credits requested and it is likely the funds repaid with the resulting syndication proceeds (estimated at \$354,443) will be used to release related party grant-funded financing on this property to finance additional DHA sponsored affordable housing. Therefore, the Underwriter recommends approval of an additional tax credit allocation of \$38,116 for a revised total housing tax credit allocation of \$570,370.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ∅ The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- ∅ The lender and lessor of the property have an identity of interest with the Development Owner.

**Underwriter:**

*Lisa Vecchietti*

**Date:** 5/3/2004

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** 5/3/2004

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Lakewest Community, Dallas, HTC #00005T ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Contract Rent	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
VL/TC 50%	12	1	1	698	\$623	\$109	\$1,308	\$0.16	\$84.00	\$52.00
VL/TC 50%	25	2	1	889	748	131	3,275	0.15	106.00	58.00
VL/TC 50%	30	2	1.5	937	748	131	3,930	0.14	106.00	58.00
VL/TC 50%	43	3	2	1,151	864	151	6,493	0.13	127.00	67.00
VL/TC 50%	2	3	2	1,183	864	151	302	0.13	127.00	67.00
VL/TC 50%	33	4	2	1,328	963	169	5,577	0.13	151.00	81.00
VL/TC 50%	2	4	2	1,364	963	169	338	0.12	151.00	81.00
VL/TC 50%	5	5	2	1,489	1,064	192	960	0.13	171.00	90.00
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>1,083</b>	<b>\$832</b>	<b>\$146</b>	<b>\$22,183</b>	<b>\$0.13</b>	<b>\$122.98</b>	<b>\$66.54</b>

**INCOME**

Total Net Rentable Sq Ft: **164,567**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$5.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	9.12%	\$353	0.33	\$53,675	\$31,500	\$0.19	\$207	5.43%
Management	9.15%	354	0.33	53,841	60,000	0.36	395	10.35%
Payroll & Payroll Tax	22.95%	888	0.82	134,976	70,000	0.43	461	12.07%
Repairs & Maintenance	17.14%	663	0.61	100,835	133,200	0.81	876	22.97%
Utilities	9.72%	376	0.35	57,201	42,000	0.26	276	7.24%
Water, Sewer, & Trash	13.66%	529	0.49	80,338	74,000	0.45	487	12.76%
Property Insurance	5.32%	206	0.19	31,268	42,000	0.26	276	7.24%
Property Tax 2.5	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	6.46%	250	0.23	38,000	38,000	0.23	250	6.55%
Other Expenses:	5.97%	231	0.21	35,110	35,100	0.21	231	6.05%
<b>TOTAL EXPENSES</b>	<b>99.49%</b>	<b>\$3,850</b>	<b>\$3.56</b>	<b>\$585,244</b>	<b>\$525,800</b>	<b>\$3.20</b>	<b>\$3,459</b>	<b>90.68%</b>
<b>NET OPERATING INC</b>	<b>0.51%</b>	<b>\$20</b>	<b>\$0.02</b>	<b>\$3,002</b>	<b>\$54,010</b>	<b>\$0.33</b>	<b>\$355</b>	<b>9.32%</b>

**DEBT SERVICE**

BONDS repaid with CGP funds	0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Fed Home Loan Bank	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Fed Home Loan Bank	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>0.51%</b>	<b>\$20</b>	<b>\$0.02</b>	<b>\$3,002</b>	<b>\$54,010</b>	<b>\$0.33</b>	<b>\$355</b>	<b>9.32%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>				n/a	n/a			
<b>RECOMMENDED DEBT COVERAGE RATIO</b>				n/a				

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.81%	1,652	1.53	251,138	251,138	1.53	1,652	1.81%
Direct Construction		59.57%	54,427	50.27	8,272,830	8,272,830	50.27	54,427	59.56%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	6.00%	3.68%	3,365	3.11	511,438	511,438	3.11	3,365	3.68%
Contractor's G & A	2.00%	1.23%	1,122	1.04	170,479	170,479	1.04	1,122	1.23%
Contractor's Profit	6.00%	3.68%	3,365	3.11	511,438	511,438	3.11	3,365	3.68%
Indirect Construction		3.93%	3,586	3.31	545,145	545,145	3.31	3,586	3.92%
Ineligible Costs		6.06%	5,537	5.11	841,669	841,669	5.11	5,537	6.06%
Developer's G & A	0.50%	0.38%	347	0.32	52,710	0	0.00	0	0.00%
Developer's Profit	13.00%	9.89%	9,033	8.34	1,373,046	1,425,756	8.66	9,380	10.26%
Interim Financing		2.16%	1,970	1.82	299,423	299,423	1.82	1,970	2.16%
Reserves		7.63%	6,967	6.44	1,059,000	1,061,204	6.45	6,982	7.64%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$91,371</b>	<b>\$84.39</b>	<b>\$13,888,316</b>	<b>\$13,890,520</b>	<b>\$84.41</b>	<b>\$91,385</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>69.97%</b>	<b>\$63,930</b>	<b>\$59.05</b>	<b>\$9,717,323</b>	<b>\$9,717,323</b>	<b>\$59.05</b>	<b>\$63,930</b>	<b>69.96%</b>

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED	
BONDS repaid with CGP funds	58.27%	\$53,244	\$49.18	\$8,093,132	\$8,093,132	\$8,094,030	Developer Fee Available
Fed Home Loan Bank	3.55%	\$3,241	\$2.99	492,579	492,579	492,579	\$1,425,756
HTC Syndication Proceeds	38.20%	\$34,900	\$32.23	5,304,809	5,304,809	5,303,911	% of Dev. Fee Deferred
Deferred Developer fee	0.00%	\$0	\$0.00	0	0	0	0%
Additional (excess) Funds Required	-0.02%	(\$15)	(\$0.01)	(2,204)	0	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$13,888,316</b>	<b>\$13,890,520</b>	<b>\$13,890,520</b>	<b>(\$666,571.46)</b>





**LIHTC Allocation Calculation - Lakewest Community, Dallas, HTC #00005T ADDENDUM**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land				
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$251,138	\$251,138	\$251,138	\$251,138
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$8,272,830	\$8,272,830	\$8,272,830	\$8,272,830
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$170,479	\$170,479	\$170,479	\$170,479
Contractor profit	\$511,438	\$511,438	\$511,438	\$511,438
General requirements	\$511,438	\$511,438	\$511,438	\$511,438
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>	\$545,145	\$545,145	\$545,145	\$545,145
<b>(7) Eligible Financing Fees</b>	\$299,423	\$299,423	\$299,423	\$299,423
<b>(8) All Ineligible Costs</b>	\$841,669	\$841,669		
<b>(9) Developer Fees</b>				
Developer overhead		\$52,710		\$52,710
Developer fee	\$1,425,756	\$1,373,046	\$1,425,756	\$1,373,046
<b>(10) Development Reserves</b>	\$1,061,204	\$1,059,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$13,890,520</b>	<b>\$13,888,316</b>	<b>\$11,987,647</b>	<b>\$11,987,647</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$11,987,647	\$11,987,647
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		\$15,583,941	\$15,583,941
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$15,583,941	\$15,583,941
Applicable Percentage		3.66%	3.66%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$570,372	\$570,372

Syndication Proceeds	0.9299	\$5,303,931	\$5,303,931
<b>Total Credits (Eligible Basis Method)</b>		<b>\$570,372</b>	<b>\$570,372</b>
Syndication Proceeds		\$5,303,931	\$5,303,931
<b>Requested Credits</b>		<b>\$570,370</b>	
Syndication Proceeds		\$5,303,911	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$5,303,911</b>	
<b>Credit Amount</b>		<b>\$570,370</b>	

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

DATE: 03/01/00

PROGRAM: LIHTC

FILE NUMBER: 00005T

**DEVELOPMENT NAME**

Lakewest Community Townhomes

**APPLICANT**

**Name:** 152 Lakewest Community, L.P. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 3939 N. Hampton Road **City:** Dallas **State:** TX  
**Zip:** 75212 **Contact:** Mattye Gouldsby Jones **Phone:** (214) 951-8303 **Fax:** (214) 951-8800

**PRINCIPALS of the APPLICANT**

**Name:** Supreme Development Corporation (SDC) **(%):** 0.01 **Title:** Managing General Partner  
**Name:** Mattye Gouldsby Jones **(%):** N/A **Title:** President of SDC  
**Name:** Dallas Housing Authority (DHA) **(%):** 99.99 **Title:** Initial Limited Partner  
**Name:** Lori H. Moon **(%):** N/A **Title:** President & CEO of DHA  
**Name:** Barry Palmer **(%):** N/A **Title:** Project Consultant & Attorney

**GENERAL PARTNER**

**Name:** Supreme Development Corporation **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 3939 N. Hampton Road **City:** Dallas **State:** TX  
**Zip:** 75212 **Contact:** Mattye Gouldsby Jones **Phone:** (214) 951-8303 **Fax:** (214) 951-8800

**PROPERTY LOCATION**

**Location:** 3100 Block of Bickers Street  QCT  DDA  
**City:** Dallas **County:** Dallas **Zip:** 75212

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$532,254	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual "4%" tax credit allocation			
<b>Proposed Use of Funds:</b> New construction		<b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit	

**SITE DESCRIPTION**

**Size:** 15 acres 653,400 square feet **Zoning/ Permitted Uses:** MU-1: Mixed Use (multifamily permitted with special use permit)  
**Flood Zone Designation:** B **Status of Off-Sites:** Fully Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 152    **# Rental Buildings:** 36    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / / 199

Number	Bedrooms	Other Rms	Bathrooms	Size in SF
12	1	N/A	1	698
25	2	N/A	1	889
30	2	N/A	1.5	937
43*	3	N/A	2	1,183
2*	3	N/A	2	1,151
33*	4	N/A	2	1,364
2*	4	N/A	2	1,328
5	5	N/A	2	1,489

\*The architect's plans show 60 3-bedroom units and 20 4-bedroom units

**Net Rentable SF:** 164,567    **Av Un SF:** 1,130    **Common Area SF:** 0    **Gross Bldng SF** 164,567

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned slab on grade, masonry brick and hardboard exterior wall coverings with wood trim, painted drywall interior finish, and a composition shingle roof.

**APPLIANCES AND INTERIOR FEATURES**

Range & oven with hood & fan, garbage disposal, refrigerator, washer & dryer connections, individual water heaters, tile tub/shower, laminated counter tops, carpet & vinyl flooring, ceiling fans, and central air & heat utilizing a heat pump system.

**ON-SITE AMENITIES**

The Applicant has stated that the following amenities are provided 1/2-mile away in the Lakewest Multi-Purpose Center, which is currently under construction: Community building with recreation room, daycare facility, kitchen, pool, and a complete indoor gymnasium. Additionally, the proposed property will have a laundry facility, two equipped playground areas, public restrooms, public telephone, and perimeter fencing with a limited access gate.

**Uncovered Parking:** 375 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Chase Bank of Texas, N.A.    **Contact:** Linda S. McMahon

**Principal Amount:** \$6,205,000    **Interest Rate:** To be set at closing; equal to AAA-insured rate plus 45 basis points.

**Additional Information:** Tax-exempt mortgage revenue bonds

**Amortization:** N/A yrs    **Term:** 3 yrs    **Commitment:**     None     Firm     Conditional

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Dallas Housing Authority; HOPE VI Funds    **Contact:** Lori H. Moon

**Principal Amount:** \$3,033,161    **Interest Rate:** Long-term AFR

**Additional Information:** Monthly payments of interest only until the maturity date, at which time loan will convert to permanent combined with an additional \$2,373,022 of permanent debt funded to the project from Dallas Housing Authority at terms set forth below

**Amortization:** N/A yrs    **Term:** 3 yrs    **Commitment:**     None     Firm     Conditional

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

LONG TERM/PERMANENT FINANCING			
<b>Source:</b>	Dallas Housing Authority; HOPE VI Funds		<b>Contact:</b> Lori H. Moon
<b>Principal Amount:</b>	\$7,624,877	<b>Interest Rate:</b>	0.5%
<b>Additional Information:</b>	Comprised of the above-described interim loan plus an additional \$4,591,716 in HOPE VI funds; principal and accrued interest due in full at end of term		
<b>Amortization:</b>	N/A yrs	<b>Term:</b> 55 yrs	<b>Commitment:</b> <input type="checkbox"/> None <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional
<b>Annual Payment:</b>	None	<b>Lien Priority:</b> 1st	<b>Commitment Date</b> 12/ 13/ 1999
LIHTC SYNDICATION			
<b>Source:</b>	Texas Housing Finance Corporation (THOF) / Enterprise Social Investment Corporation (ESIC)		<b>Contact:</b> Diana Helms Morreale
<b>Address:</b>	1145 West 5th Street		<b>City:</b> Austin
<b>State:</b>	TX	<b>Zip:</b> 78703	<b>Phone:</b> (512) 469-9059 <b>Fax:</b> (512) 469-9864
<b>Net Proceeds:</b>	\$4,950,330	<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC)	93¢
<b>Commitment</b>	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	<b>Date:</b>	12/ 20/ 1999
<b>Additional Information:</b>	THOF and ESIC will jointly acquire a 99.99% limited partnership interest in the Applicant		

APPLICANT EQUITY	
<b>Amount:</b>	\$0
<b>Source:</b>	N/A

VALUATION INFORMATION			
APPRAISED VALUE			
<b>Land Only:</b>	\$456,000	<b>Date of Valuation:</b>	12/ 01/ 1999
<b>Appraiser:</b>	CB Richard Ellis	<b>City:</b>	Dallas <b>Phone:</b> (972) 458-4888
ASSESSED VALUE			
<b>Land:</b>	N/A as property is tax-exempt	<b>Assessment for the Year of:</b>	N/A

EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Ground Lease Contract		
<b>Contract Expiration Date:</b>	12/ 31/ 2000	<b>Anticipated Closing Date:</b>	04/ 20/ 2000
<b>Annual Rent:</b>	\$100	<b>Other Terms/Conditions:</b>	Applicant will lease subject property for a term of 55 years from current owner, the Dallas Housing Authority

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION
<p>Lakewest Community Townhomes is the proposed new construction of 152 affordable public housing units in west central Dallas configured as 36 separate buildings in 6 different building types, all of which will contain one-and two-story townhomes. The neighborhood surrounding the proposed project is known as the Lakewest Development, which is the Dallas Housing Authority's largest public housing development.</p> <p>The Dallas Housing Authority, current limited partner of the Applicant, will provide optional support</p>

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services at no additional charge to the residents. These services will include education services, family skills development, personal growth opportunities, neighborhood advancement activities, and “fun and freedom” social activities. The annual fee for these services will be \$100 as well as an hourly rate of \$40 for such additional services deemed acceptable as set forth in the submitted supportive services contract. However, the Applicant did not designate a line item in the submitted operating budget for support services. The proposed land lease agreement is also in the amount of \$100 per year and it is possible this number is inclusive of the support services. A property management company has not yet been selected.

The Applicant anticipates construction to begin in May of 2000, construction to be completed by July of 2001, and have substantial lease-up and stabilized occupancy achieved by December of 2001.

**POPULATION SERVED**

As this is a Tier I private activity, tax-exempt bond-financed project, all of the units proposed for Lakewest Community Townhomes will be designated tax credit units and subject to the LIHTC 50% rent restriction. The Applicant has elected the 40% at 60% set-aside, which will require all of the units to be leased to households earning no more than 60% of AMGI. Additionally, all of the units will be designated as public housing units and will be leased through the Dallas Housing Authority (DHA) to persons on DHA’s waiting list.

**MARKET HIGHLIGHTS**

CB Richard Ellis, Inc. prepared a market study report dated December 1, 1999. Highlights of the report include the following:

- € “Development patterns in Lakewest include the DHA’s new 225-unit affordable Hampton Apartments (8.9 units/acre-built in 1998) which is fully occupied and the 56,000 square foot Lakewest Multi-Purpose Recreation Center is nearing completion. [DHA] has recently completed the new 196 unit Kingsbridge Crossing apartment complex near Kingsbridge and Singleton Boulevard at a density of 8.1 units per acre. As of December 1999, its occupancy was 100%.” (p.11)
- € “In early 2000, approximately 50 single family homes are planned for construction along Goldman Street, near Hampton Road and [the] Multi-Purpose Center. The subject property is planned to be another of DHA’s apartment complexes in Lakewest...” (p.11)
- € “Along Hampton Road there exists the DHA’s office building, which was constructed in 1995. Several schools and learning centers are located in the immediate area of the subject.” (p.11)
- € “The subject parcel is located in the large Oak Cliff submarket as defined by M/PF Research, Inc. This submarket is bounded by the City of Dallas, south of the Trinity River, west of Interstate 35 and north and east of Loop12 (Leadbetter Drive).” (p.27)
- € “Demand for the subject type of complex appears extremely strong as evidenced by the rapid absorption of the Dallas Housing Authority’s two recently constructed, low income rental apartment complexes.” (p.32)
- € “The 25-unit Hampton Apartments were completed in July 1998 and was reported to [have] been fully occupied *within two weeks* of construction completion.” (p.32)
- € “Phase I (54 units) of the 196-unit Kingsbridge Crossing Apartments was completed in August 1999 and was reported to have been *fully leased up within one week* of construction completion. The remaining 142 units remaining for Phase II were completed in the fall of 1999 and [reportedly] were *fully leased only after three days* of construction completion.” (p.32)

**SITE and NEIGHBORHOOD CHARACTERISTICS**

The subject property is comprised of an irregular-shaped 15-acre tract of land located in the Lakewest neighborhood in west central Dallas in Dallas County. The U.S. Census Bureau’s website states that the estimated population of Dallas was 1,075,894 as of July 01, 1998.

The site is currently zoned Multi-Use (MU-1), which allows multifamily development only with a special use permit. The Applicant has applied for such a permit through the City of Dallas but the city’s ruling on this matter was not known as of the date of application. Receipt, review, and acceptance of documentation that the Applicant has successfully obtained the special use permit is a condition of this report.

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According to the market analyst, the immediate area surrounding the subject property is known as the Lakewest Development, which is the Dallas Housing Authority's largest public housing development. In 1994, a master plan was developed for the area that included the renovation and/or new construction of 2,654 units of affordable housing with a projected completion date sometime in the year 2002.

The surrounding area includes a mix of vacant land, multifamily and single family residences, retail and commercial uses. Access to the site will be gained from Bickers Street, which borders the property to the north. Interstate 30, located 1 ¼-mile south of the site, provides excellent linkage to all of the other major traffic arteries in Dallas. Dallas Area Rapid Transit (DART) provides public transportation throughout the city and there is a bus stop located at the site. Dallas Memorial Hospital is located less than ¼-mile from any of the sites and the Baylor University Medical Center is located within a 1 ¼-mile radius. According to the market analyst, the Dallas Central Business District is located approximately 6 miles away. Additionally, Navarro Elementary School and Thomas A. Edison Junior High School are located within 1 mile of the neighborhood as is the Carver Learning Center, Earnhart Learning Center, and numerous public parks.

A site inspection was performed by TDHCA underwriting and LIHTC program staff on November 30, 1999 and the site was found to be an acceptable location for the proposed project with good overall linkages to the salient needs of the potential future tenants.

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

Afram International Environmental Consultants prepared a Phase I Environmental Site Assessment report dated November 29, 1999 and is highlighted by the following:

- € "According to the Flood Insurance Rate Map, Community Panel Number 4801710130C, prepared by FEMA, the site lies in 'Zone B,' an area between limits of the 100-year and 500-year flood."
- € "According to the Environmental Data Resources, Inc. (EDR) regulatory database, the subject property is included in the RSR Corporation Superfund Site (RSR Site) located in west Dallas, Texas and encompasses an area of approximately 13.6 square miles. Contamination at the RSR Site reportedly originated from the operation of a secondary lead smelter facility located in the heart of west Dallas from the early 1930s until 1984, resulting from the fallout of air emissions from the RSR smelter stack. The subject was cleaned up during the demolition and removal action conducted by DHA on the former housing project from July 1994 through March 1995. The U.S. Environmental Protection Agency's Record of Decision of July 1995 had declared that their remedial investigation and human health risk assessment showed that the removal and demolition activities conducted by DHA at the subject property provided overall protection to human health and environment. No evidence of stained soil, stressed vegetation, petroleum storage tank, solid waste landfill, unauthorized solid waste disposal site, facility used to 'treat, store or dispose' of hazardous wastes, or well was observed on the subject property."
- € "Based on the current closed status of the smelting operations, and the EPA and TNRCC involvement with regular monitoring and investigation of this Superfund facility, it should not have any further environmental impacts to the subject site."
- € No other facilities located within the prescribed radius of the site should pose an environmental concern to the site."
- € "Based upon the conclusions of the Phase I ESA investigation, no recommendations for additional investigations are included with this report."

**OPERATING PROFORMA ANALYSIS**

The Dallas Housing Authority will utilize a HUD Annual Contributions Contract (ACC) to provide an operating subsidy via a regulatory and operating agreement between the Applicant and DHA. The annual subsidy is estimated to average \$127.97 per unit per month and will allow the applicant to reduce the rents to well below the LIHTC 50% limits. These subsidy funds are part of the HUD HOPE VI grant application program. Without the subsidy, the significantly lower rents would not be possible because the project would not generate sufficient income to cover the estimated operating expenses. The HUD ACC operating subsidy will cover this operating loss and the proposed project's effective net operating income (NOI) will be \$0. Since the regulatory agreement calls for reconciliation at the end of each year with any excess subsidy being

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returned and any excess operating expense being paid, there is a guarantee that the project will always break even. This break even operating scenario is made possible by the permanent HOPE VI debt which will accrue interest at 0.5% and carry a term of 55 years with all principal amount and accrued interest due at the end of the term. Thus an annual debt service amount was not included on the Applicant's 15-year proforma for this first lien HOPE VI loan and a debt coverage ratio is not relevant to this analysis. Based on the related nature of the loan provider in this case, the risk of foreclosure is unlikely.

The Applicant utilized utility allowances that are \$8 to \$22 lower than the most recent utility allowance sheet available but they provided documentation of the actual utility costs of an existing new project in the area. To the extent the utility allowances used by the Applicant in the submitted rent schedule are incorrect, the net rents charged may differ from the Underwriter's estimates but these differences will be offset during the reconciliation of the operating subsidy budget.

The Applicant's total operating expense budget appears to be overstated by \$44K or 10% compared to the TDHCA database derived estimate for comparably sized projects with a property tax exemption. Significant differences exist in management, which is overstated by \$10K; payroll and payroll tax, which is overstated by \$12K; utilities are overstated by \$26K; water, sewer, and trash is overstated by \$8K; and insurance is overstated by \$15K. Slightly offsetting these overstatements, the applicant understated general and administrative by \$22K and repairs and maintenance by \$8K. However, these differences are not a significant concern due to the regulatory agreement as discussed above. The Applicant also budgeted and documented \$27,005 in annual payments to the various taxing entities in lieu of property taxes.

**CONSTRUCTION COST ESTIMATE EVALUATION**

The Applicant indicated in the amenities letter that a small community laundry facility would be built on-site and a construction budget line item of \$143,855 for this accessory structure was included in the Applicant's eligible basis calculation. However, the Applicant did not provide a floorplan for this common area nor was the common area square footage included anywhere in the application. So, for the purpose of estimating the project's total construction cost, the Underwriter did not allow for this common area. Additionally, the Applicant claimed \$12,872 per unit in sitework costs, which is substantially higher than the TDHCA-acceptable range of \$4,500 to \$6,000 for sitework. The Applicant provided an independent, third party engineer's scope of work performed by Dikita Engineering to justify the extremely high sitework costs. The scope of work appears to be reasonable with the exception of one particular matter. The engineer's budget included a line item labeled "Landscaping (incl. irrigation, signage)" that totaled \$340K, or \$2,237 per unit. The typical Underwriting guideline for landscaping costs is \$1K per unit inclusive of automatic irrigation, which would equate to approximately \$152K when this guideline is applied to the proposed project. The engineer attributed the size of this line item to the fact that it includes irrigation costs as well as the costs for project signage. When the \$1K per unit landscaping cost guideline is compared to the engineer's estimate, a difference of \$188K exists. The engineer's figure seems excessive in the Underwriter's opinion. So for the purpose of estimating the project's total construction cost, the Underwriter reduced the landscaping costs to \$167K, or an average of \$1,100 per unit. An additional \$100 per unit was added to the Underwriting guideline of \$1K per unit to account for project signage, resulting in total sitework costs of \$11,772 per unit.

The Applicant's direct construction cost estimate is 10% or \$683K lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate for two- and one-story townhome units. The Applicant's total project cost estimate is 4% or \$518K lower than the Underwriter's estimate (inclusive of the landscaping cost reduction) and is acceptable as submitted.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance this project with: t tax-exempt private activity cap mortgage revenue bonds issued through the Dallas Housing Authority; u syndication proceeds from the "4%" low income housing tax credits available with the issuance of tax-exempt private activity cap mortgage revenue bonds; and v an interim to permanent loan provided by the Dallas Housing Authority utilizing HOPE VI funds. The \$6.2M in tax-exempt bonds will carry a three-year term and will be placed and initially purchased by Chase Bank of Texas and used to fund the development's construction in conjunction with a \$3.03M interim loan from DHA with a term of 3 years and a \$841K portion of the syndication proceeds provided by the Texas Housing Finance Corporation (THOF) and the Enterprise Social Investment

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Corporation (ESIC). Upon occupancy of the project, DHA will assign a portion of its HUD ACC operating subsidy to the partnership to subsidize rents for all 152 of the units to well below the LIHTC 50% limits. At the end of the 3-year term, the \$3.03M interim HOPE VI loan will convert to permanent and the city of Dallas will fund an additional \$4.6M amount of permanent HOPE VI debt to the project. Utilizing this additional debt in conjunction with the balance of syndication proceeds not used to fund construction, the Applicant will pay off the tax-exempt bonds. This is a rather unconventional use of the private activity cap mortgage revenue bonds. But while it may be an inefficient use of the bonds, it does not appear to conflict with IRS code. In this case, the bonds themselves are not required for the project's permanent financing but are being utilized as a tool to leverage construction funds and access the "4%" tax credit in one of the Department's less competitive funding cycles.

As mentioned above in the operating proforma analysis section, the project will not produce any net operating income with which to service this debt as a result of the HUD ACC operating subsidy. Consequently, the Applicant is hedging on the belief that the project itself will be equal to or more than the value of this permanent debt at the end of the 55-year term. This appears to be a reasonable assumption on the Applicant's part considering the related nature of the loan provider. Furthermore, the project's permanent debt could be restructured at the end of the term if need be.

Based on an eligible basis of \$11,247,974, an increased applicable percentage rate of 3.78% (current 3.68% applicable percentage for March plus 10 basis points), a tax credit allocation of no more than \$552,725 per year is actually available. Due to the existing financing structure, however, the gap of funds needed to complete this project is \$4,950,332, resulting in a recommended credit allocation amount of \$532,254, the amount originally requested by the Applicant.

The Underwriter also estimated the project's potential gap of funds needed under a conventional loan/bond structure of 8% interest and a 30-year amortization and utilizing the maximum 50% LIHTC rents. This analysis reflected a potential debt of \$6M, which is \$1.58M less than the proposed DHA HOPE VI loan and would therefore result in a larger gap of need than that of the project's current financing structure. Thus the inefficient short-term use of the private activity cap, tax-exempt bonds may be offset by the smaller tax credit amount needed as a result of the HOPE VI funding.

**REVIEW of ARCHITECTURAL DESIGN**

The submitted architectural drawings detail handsome elevations with exteriors of brick veneer and hardboard siding. Good use of fenestration adds to the exteriors' appeal and the structures are topped with a combination of hipped and gabled roofs accented with louver vents. Each unit's front door is framed with a gabled porch.

There are eight floor plans offered by the Applicant, four of which are two-story townhomes. All the units are of above average size and all provide adequate interior closet space in addition to an exterior storage closet located on each unit's balcony.

Four handicapped-accessible floorplans are configured as flats. All are very efficiently designed and provide good separation of private spaces and common spaces.

**IDENTITIES of INTEREST**

All three members of the Board of Directors of the managing general partner of the Applicant, Supreme Development Corporation, also serve as controlling officers of the Dallas Housing Authority, initial limited partner of the Applicant. The Dallas Housing Authority also performed the project cost estimates and is providing the operating subsidy and HOPE VI loans.

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

The Applicant is a new entity formed solely for the purpose of developing Lakewest Community Townhomes, and thus any financial information submitted at this time would not be material.

The managing general partner, Supreme Development Corporation, submitted an unaudited financial statement as of 12/15/99 reporting total assets of \$1,000 in cash and stated liabilities of \$1,000, resulting in net worth of \$0. The general partner is also a new entity as its certificate of incorporation is dated October 7, 1999. Supreme Development Corporation is a directly controlled subsidiary of the Dallas Housing Authority.

The Dallas Housing Authority submitted an audited 1998 FYE statement dated 01/31/99 reporting



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total assets of \$173M. DHA has extensive experience developing affordable housing in the city of Dallas.

**RECOMMENDATION**

**L** RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

- ∅ Receipt, review, and acceptance of documentation that the Applicant has successfully obtained a special use zoning permit from the city of Dallas to allow the proposed development; and,
- ∅ A tax credit allocation not to exceed \$532,254 per annum as requested by the Applicant.

**Underwriter:**

\_\_\_\_\_  
*Jason Bullmore*

**Date:** March 09, 2000

**Director of Credit Underwriting:**

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

**Date:** March 09, 2000

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Lakewest Community Townhomes, #00051**

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%	12	1	1	698	\$153	\$100	\$1,200	\$0.14	\$53.00	\$37.00
TC 50%	25	2	1	889	183	114	2,850	0.13	69.00	44.00
TC 50%	30	2	1.5	937	183	114	3,420	0.12	69.00	44.00
TC 50%	2	3	2	1,183	212	132	264	0.11	80.00	51.00
TC 50%	43	3	2	1,151	212	132	5,676	0.11	80.00	51.00
TC 50%	2	4	2	1,364	236	140	280	0.10	96.00	63.00
TC 50%	33	4	2	1,328	236	140	4,620	0.11	96.00	63.00
TC 50%	5	5	2	1,489	269	160	800	0.11	109.00	69.00
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>1,083</b>	<b>\$204</b>	<b>\$126</b>	<b>\$19,110</b>	<b>\$0.12</b>	<b>\$78.53</b>	<b>\$50.72</b>

**INCOME & EXPENSE**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: 7.50%

Rental Concessions

HUD ACC Rental Subsidy

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	9.63%	\$293	\$0.27
Management	10.74%	327	0.30
Payroll & Payroll Tax	24.03%	731	0.68
Repairs & Maintenance	15.93%	485	0.45
Utilities	4.65%	141	0.13
Water, Sewer & Trash	11.63%	354	0.33
Insurance	5.69%	173	0.16
Payments in Lieu of Taxes	5.84%	178	0.16
Reserve for Replacements	6.57%	200	0.18
Security	0.97%	30	0.03

**TOTAL EXPENSES**

**NET OPERATING INC**

Tax-exempt Bonds

Hope VI Loan

Syndication Proceeds

**NET CASH FLOW**

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
POTENTIAL GROSS RENT	\$229,320	\$269,832			
Secondary Income	18,240	0	\$0.00		Per Unit Per Month
POTENTIAL GROSS INCOME	\$247,560	\$269,832			
Vacancy & Collection Loss	18,567	20,232	7.50%		of Potential Gross Rent
Rental Concessions		0			
HUD ACC Rental Subsidy	233,412	233,412			
EFFECTIVE GROSS INCOME	\$462,405	\$483,012			
TOTAL EXPENSES	\$442,464	\$483,005	\$2.94	\$3,178	100.00%
NET OPERATING INC	\$19,941	\$7	\$0.00	\$0	0.00%
Tax-exempt Bonds	\$0	\$0	\$0.00	\$0	0.00%
Hope VI Loan	0	0	\$0.00	\$0	0.00%
Syndication Proceeds	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$19,941	\$7	\$0.00	\$0	0.00%
AGGREGATE DEBT COVERAGE RATIO	N/A	N/A			
ALTERNATIVE DEBT COVERAGE RATIO	N/A				

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldng)		0.00%	\$0	\$0.00
Off-Sites		0.00%	0	0.00
Sitework		13.67%	11,772	10.87
Direct Construction		51.58%	44,431	41.04
Contingency	2.32%	1.51%	1,302	1.20
General Requireme	5.47%	3.57%	3,075	2.84
Contractor's G & A	1.88%	1.23%	1,056	0.98
Contractor's Profit	5.29%	3.45%	2,973	2.75
Indirect Construction		3.25%	2,803	2.59
Ineligible Expenses		3.63%	3,128	2.89
Developer's G & A	13.79%	10.89%	9,380	8.66
Developer's Profit	0.00%	0.00%	0	0.00
Interim Financing		0.70%	602	0.56
Reserves		6.52%	5,618	5.19
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$86,140</b>	<b>\$79.56</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)	\$0	\$0	\$0.00	\$0	0.00%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,789,387	1,956,587	11.89	12,872	15.56%
Direct Construction	6,753,456	6,070,434	36.89	39,937	48.27%
Contingency	197,900	197,900	1.20	1,302	1.57%
General Requireme	467,365	467,365	2.84	3,075	3.72%
Contractor's G & A	160,525	160,525	0.98	1,056	1.28%
Contractor's Profit	451,869	451,869	2.75	2,973	3.59%
Indirect Construction	426,000	426,000	2.59	2,803	3.39%
Ineligible Expenses	475,500	475,500	2.89	3,128	3.78%
Developer's G & A	1,425,756	1,425,756	8.66	9,380	11.34%
Developer's Profit	0	0	0.00	0	0.00%
Interim Financing	91,538	91,538	0.56	602	0.73%
Reserves	854,000	851,735	5.18	5,604	6.77%
<b>TOTAL COST</b>	<b>\$13,093,296</b>	<b>\$12,575,209</b>	<b>\$76.41</b>	<b>\$82,732</b>	<b>100.00%</b>

**SOURCES OF FUNDS**

Tax-exempt Bonds	0.00%	\$0	\$0.00
Hope VI Loan	58.23%	\$50,164	\$46.33
Syndication Proceeds	37.81%	\$32,568	\$30.08
Deferred Developer's Fee	0.00%	\$0	\$0.00
Equity Shortfall (excess)	3.96%	\$3,408	\$3.15
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED	Max. Cost Guideline
Tax-exempt Bonds	\$0	\$0	\$0	
Hope VI Loan	7,624,877	7,624,877	7,624,877	\$11,750,084
Syndication Proceeds	4,950,330	4,950,330	4,950,332	
Deferred Developer's Fee	0	0		
Equity Shortfall (excess)	518,089	2	0	
<b>TOTAL SOURCES</b>	<b>\$13,093,296</b>	<b>\$12,575,209</b>	<b>\$12,575,209</b>	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST**(continued)

**Lakewest Community Townhomes, #00005T**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.25	\$6,953,608
<b>Adjustments</b>				
Frame	2.80%		\$1.18	\$194,701
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.86)	(306,095)
Floor Cover			1.72	283,055
Plaster Interior			0.00	0
Plumbing	\$555	75	0.25	41,625
Built-In Appliances	\$1,475	152	1.36	224,200
Washer & Dryer	\$990	152	0.91	150,480
Floor Insulation			0.00	0
Heat Pump System			2.07	340,654
Garages/Carports			0.00	0
Comm &/or Aux bldngs			0.00	0
Other:			0.00	0
<b>SUBTOTAL</b>			<b>47.90</b>	<b>7,882,229</b>
Current Cost Multiplier	1.08		51.73	8,512,807
Local Multiplier	0.94		(2.87)	(472,934)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.85</b>	<b>\$8,039,873</b>
Plans, specs, survy, bld pr	3.50%		(\$1.48)	(\$243,376)
Interim Construction Intere	7.00%		(2.96)	(486,753)
Contractor's OH & Profit	8.00%		(3.38)	(556,289)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.04</b>	<b>\$6,753,456</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$0	Term	0
Int Rate	0.00%	DCR	#DIV/0!

<b>Secondary</b>	\$7,624,877	Term	0
Int Rate	0.00%	Subtotal DCR	#DIV/0!

<b>Additional</b>	\$4,950,330	Term	0
Int Rate	0.00%	Aggregate DCR	#DIV/0!

**ALTERNATIVE FINANCING STRUCTURE:**

Primary Debt Service	\$0
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$19,941</b>

<b>Primary</b>	\$0	Term	0
Int Rate	0.00%	DCR	#DIV/0!

<b>Secondary</b>	\$7,624,877	Term	0
Int Rate	0.00%	Subtotal DCR	#DIV/0!

<b>Additional</b>	\$4,950,330	Term	0
Int Rate	0.00%	Aggregate DCR	#DIV/0!

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$229,320	\$236,200	\$243,286	\$250,584	\$258,102	\$299,211	\$346,867	\$402,114	\$540,408
Secondary Income	18,240	18,787	19,351	19,931	20,529	23,799	27,590	31,984	42,984
POTENTIAL GROSS INCOME	\$247,560	\$254,987	\$262,636	\$270,515	\$278,631	\$323,010	\$374,457	\$434,098	\$583,391
Vacancy & Collection Loss	18,567	19,124	19,698	20,289	20,897	24,226	28,084	32,557	43,754
Rental Concessions	0	0	0	0	0	0	0	0	0
Employee/Other Non-Rental U	233,412	240,414	247,627	255,056	262,707	304,550	353,057	409,289	550,051
<b>EFFECTIVE GROSS INCOME</b>	<b>(\$4,419)</b>	<b>(\$4,552)</b>	<b>(\$4,688)</b>	<b>(\$4,829)</b>	<b>(\$4,974)</b>	<b>(\$5,766)</b>	<b>(\$6,684)</b>	<b>(\$7,749)</b>	<b>(\$10,414)</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$44,541	\$46,322	\$48,175	\$50,102	\$52,106	\$63,395	\$77,130	\$93,840	\$138,907
Management	49,642	(489)	(503)	(518)	(534)	(619)	(718)	(832)	(1,118)
Payroll & Payroll Tax	111,114	115,559	120,181	124,989	129,988	158,150	192,414	234,101	346,527
Repairs & Maintenance	73,654	76,600	79,664	82,850	86,164	104,832	127,544	155,177	229,700
Utilities	21,485	22,344	23,238	24,167	25,134	30,580	37,205	45,265	67,004
Water, Sewer & Trash	53,792	55,944	58,182	60,509	62,929	76,563	93,151	113,332	167,759
Insurance	26,331	27,384	28,479	29,618	30,803	37,477	45,596	55,475	82,116
Property Tax	27,005	28,085	29,209	30,377	31,592	38,437	46,764	56,895	84,219
Reserve for Replacements	30,400	31,616	32,881	34,196	35,564	43,269	52,643	64,048	94,807
Other	4,500	4,680	4,867	5,062	5,264	6,405	7,793	9,481	14,034
<b>TOTAL EXPENSES</b>	<b>\$442,464</b>	<b>\$408,045</b>	<b>\$424,372</b>	<b>\$441,352</b>	<b>\$459,011</b>	<b>\$558,488</b>	<b>\$679,522</b>	<b>\$826,783</b>	<b>\$1,223,954</b>
<b>NET OPERATING INCOME</b>	<b>\$19,941</b>	<b>(\$412,597)</b>	<b>(\$429,060)</b>	<b>(\$446,181)</b>	<b>(\$463,985)</b>	<b>(\$564,254)</b>	<b>(\$686,206)</b>	<b>(\$834,532)</b>	<b>(\$1,234,368)</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$19,941</b>	<b>(\$412,597)</b>	<b>(\$429,060)</b>	<b>(\$446,181)</b>	<b>(\$463,985)</b>	<b>(\$564,254)</b>	<b>(\$686,206)</b>	<b>(\$834,532)</b>	<b>(\$1,234,368)</b>
<b>DEBT COVERAGE RATIO</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

**LIHTC Allocation Calculation - Lakewest Community Townhomes, #00005T**

CATEGORY	APPLICANT'S AMOUNT	TDHCA AMOUNT	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	REHAB/NEW CONSTRUCTION ELIGIBLE BASIS
<b>(1) Purchase of Land &amp; Buildings</b>				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-Site work	\$1,956,587	\$1,789,387	\$1,956,587	\$1,789,387
Off-Site improvements				
<b>(3) Construction Hard Costs</b>				
New structures	\$6,070,434	\$6,753,456	\$6,070,434	\$6,753,456
Rehabilitation hard costs				
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$160,525	\$160,525	\$160,525	\$160,525
Contractor profit	\$451,869	\$451,869	\$451,869	\$451,869
General requirements	\$467,365	\$467,365	\$467,365	\$467,365
<b>(5) Contingencies</b>	\$197,900	\$197,900	\$197,900	\$197,900
<b>(6) Eligible Indirect Fees</b>	\$426,000	\$426,000	\$426,000	\$426,000
<b>(7) Eligible Financing Fees</b>	\$91,538	\$91,538	\$91,538	\$91,538
<b>(8) All Ineligible Costs</b>	\$475,500	\$475,500		
<b>(9) Developer Fees</b>				
Developer overhead	\$1,425,756	\$1,425,756	\$1,425,756	\$1,425,756
Developer fee				
<b>(10) Development Reserves</b>	\$851,735	\$854,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$12,575,209</b>	<b>\$13,093,296</b>	<b>\$11,247,974</b>	<b>\$11,763,796</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$11,247,974</b>	<b>\$11,763,796</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$14,622,366</b>	<b>\$15,292,934</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$14,622,366</b>	<b>\$15,292,934</b>
Applicable Percentage			3.78%	3.78%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$552,725</b>	<b>\$578,073</b>

Syndication Proceeds                      0.9301                      \$5,140,729                      \$5,376,478

Actual Gap of Need:                              \$4,950,332  
Recommended Tax Credit Allocation:                      \$532,254

**EXECUTIVE SESSION**

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

**OPEN SESSION**

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**

Executive Directors Report

**ADJOURN**