# BOARD MEETING OF DECEMBER 13, 2004

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

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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**

**DECEMBER 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 – Boardroom, Austin, Texas 78701**
**Monday, December 13, 2004 8:30 am**

**A G E N D A**

| | |
|---|---|
| **CALL TO ORDER, ROLL CALL** | Elizabeth Anderson |
| **CERTIFICATION OF QUORUM** | Chair of Board |

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

Update from TKO Advertising, Inc. on the First Time Home Buyer Program — Elizabeth Anderson

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

**ACTION ITEMS**

Item 1 Presentation, Discussion and Possible Approval of Department Rules: — Elizabeth Anderson

a) Adoption of Emergency Amendment to the 2005 Housing Tax Credit Qualified Allocation Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code, Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code

b) Proposed Amendment for Public Comment to the 2005 Housing Tax Credit Qualified Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code (Identical to the Emergency Amendment) Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code

Item 2 Presentation, Discussion and Possible Approval of Programmatic Items: — C. Kent Conine

Olmstead Award Recommendations under the HOME Program Tenant Based Rental Assistance for:

| Organization | Location | Recommended Amount |
|---|---|---|
| Texas Community Solutions | Austin (Statewide) | $1,000,000 |
| Accessible Communities, Inc. | Corpus Christi | $ 250,000 |
| Dallas Metrocare Services | Dallas | $ 317,033 |

Item 3 Presentation, Discussion and Possible Approval of Multifamily Bond Program: — Vidal Gonzalez

a) Inducement Resolutions Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2005
**(2005 Waiting List)**
2005-15 Evergreen at Pecan Hollow Senior Apts., Murphy, Texas
2005-16 Evergreen at Rowlett Senior Apts., Rowlett, Texas:

2005-17 Evergreen at Murphy Senior Apts., Murphy, Texas

b) Consideration of an Extension to the Completion Date for Ironwood Crossing – Multifamily Housing Mortgage Revenue Bonds Series 2002A and 2002B

c) Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer for Providence At Village Fair, Dallas, Texas, in an Amount Not to Exceed $14,100,000 and Issuance of Determination Notice (Requested Amount of $997,781 and Recommended Amount of $995,291) for Providence at Village Fair, #04479

Item 4 Presentation, Discussion and Possible Approval of Single Family Bond Program: — Vidal Gonzalez

a) Texas First Time Homebuyer Program Lender List

b) New Mortgage Credit Certificate (MCC) Program

Item 5 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: — Elizabeth Anderson

a) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:

04453 The Pinnacle on Wilcrest, Houston, Texas
Victory Street Public Facility Corp. is the Issuer
(Requested Amount of $644,602 and
Recommended Amount of $637,260)

04464 Pepper Tree Apartments, Houston, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of $642,993 and
Recommended Amount of $642,993)

04475 Fairlake Cove (fka Lake Pointe Apts.) Houston, Texas
Houston Housing Finance Corp. is the Issuer
(Requested Amount of $529,937 and
Recommended Amount of $529,664)

04469 Louetta Village Apartments, Spring, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of $314,202 and
Recommended Amount of $0)

04494 Baypointe Apartments, Webster, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of $699,364 and
Recommended Amount of $694,059)

04456 Providence at Marshall Meadows Apartments
San Antonio, Texas
Texas State Affordable Housing Corp. is the Issuer
(Requested Amount of $528,291and
Recommended Amount Not to Exceed $472,469)

04461 The Villas at Costa Cadiz, San Antonio, Texas
San Antonio Housing Finance Corp. is the Issuer
(Requested Amount of $592,150 and
Recommended Amount of $588,003)

04466 Rosemont at Pleasanton, San Antonio, Texas
San Antonio Housing Finance Corp. is the Issuer
(Requested Amount of $840,926 and
Recommended Amount of $840,926)

04468 GP Ranch West, Grand Prairie, Texas
Tarrant County Housing Finance Corp, is the Issuer
(Requested Amount of $495,337 and
Recommended Amount of $495,337)

04486 Worthington Point Apartments, Fort Worth, Texas
Tarrant County Housing Finance Corp. is the Issuer
(Requested Amount of $593,008 and
Recommended Amount of $593,008)

04491 Evergreen at Keller Senior Apt. Community, Keller, Texas
Tarrant County Housing Finance Corp. is the Issuer
(Requested Amount of $559,597and
Recommended Amount of $559,597)

b) Consideration of Action for #03000 Kingfisher Creek Apartments, Austin, Texas

c) Requests for Housing Tax Credit Extensions for Commencement of Construction for:
#03184 The Pegasus, Dallas (Dallas County) Texas
#03248 La Casita Apartments, LaCasita (Starr County) Texas
#03212 Village of Kaufman, Kaufman, Texas

d) Proposed Housing Tax Credit Amendments for:

| # | Name | Location |
|---|---|---|
| 99197 | Sun Meadow | Alamo, Texas |
| 02103 | Valley View | Pharr, Texas |
| 03134 | Lilac Gardens | El Paso, Texas |
| 03196 | Arcadia Village | Center, Texas |
| 04005 | Palacio del Sol | San Antonio, Texas |

e) Allocation of 2005 Housing Tax Credits to Rural Rescue Applications:

| # | Name | Location | Requested Amount | Recommended Amount |
|---|---|---|---|---|
| 05001 | Mountainview Apts. | Alpine, Texas | $67,500 | $66,861 |
| 05002 | Villa Apartments | Marfa, Texas | $32,582 | $32,432 |
| 05003 | Oasis Apartments | Fort Stockton | $55,889 | $55,422 |

f) Consideration of Waiver of §50.6(f) of the 2004 Qualified Allocation Plan for the 4% Housing Tax Credits Associated with the 2004 Bond CarryForward Applications for:

| # | Name | Location |
|---|---|---|
| 2004062 | Grove Village Apartments | Dallas |
| 2004061 | Pleasant Village Apartments | Dallas |

g) Consideration of Waiver of §50.9(f)(7)(B)(ii)(II) of the 2004 Qualified Allocation Plan for the 4% Housing Tax Credits Associated with the 2004 Bond Application for 2004041, Prairie Oaks Apartments, Arlington, Texas

h) Possible Consideration of the Award of 2004 and/or 2005 Housing Tax Credits to Developments Impacted by the November 2, 2004 HUD Notice Regarding Difficult Development Areas for:

| # | Name | Location | Original Amount | Revised Requested Amount | Revised Recommended Amount |
|---|---|---|---|---|---|
| 04196 | Americas Palms, | El Paso | $635,064 | $866,403 | $667,234 |
| 04197 | Horizon Palms, | El Paso | $431,206 | $584,095 | $478,693 |
| 04070 | Cedar Oak Tnh., | El Paso | $ 0 | $985,523 | $973,684 |
| 04410 | The Vistas, | Marble Falls | $287,187 | $373,889 | $373,889 |

i) Possible Consideration, Only if Needed to Allocate Any Available 2004 Credits, of the Award of 2004 Housing Tax Credits for Tyler Senior Apartments (#04121) in Region 4 for Requested Credits in the Amount of $638,196 and Recommendation Subject to Underwriting

**EXECUTIVE SESSION** Elizabeth Anderson

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning the 2005 Housing Tax Credit Program Qualified Allocation Plan And Rules

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

**OPEN SESSION** Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for November, 2004
2. PMC Employee Performance
3. Press Conference for TAR/TDHCA Initiative on December 7, 2004
4. Combining the Center for Housing Resource Planning and Communications With the Governmental Affairs Division
5. Fannie Mae Proposal to Purchase Bootstrap First Lien Mortgage Portfolio

**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 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.*

*Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.*

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Regarding the 2005 Housing Tax Credit Qualified Allocation Plan and Rules (QAP):

1. Adoption of Emergency Amendment to the 2005 Housing Tax Credit Qualified Allocation Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code, Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code.

2. Proposed Amendment for Public Comment to the 2005 Housing Tax Credit Qualified Allocation Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code, (Identical to the Emergency Amendment) Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code.

## Required Action

Adopt emergency amendment to the 2005 QAP. Approve identical proposed amendment to the 2005 QAP for public comment.

## Background and Recommendations

Pursuant to §2306.6724(c), "The governor shall approve, reject, or modify and approve the qualified allocation plan not later than December 1." By letter dated December 1, 2004, the Governor rejected the 2005 QAP and directed the Department to quickly address the matter to ensure no delay in the effective implementation of the tax credit program. Therefore, the Department must adopt an amended 2005 QAP that will enable the Governor to approve the QAP. Staff recommends that the Board take two actions:

1. First, staff recommends that the Board adopt an emergency amendment to the 2005 QAP that will take effect immediately upon filing with the Secretary of State and approval of the Governor.

2. Second, staff recommends that the Board approve a proposed amendment, identical to the emergency amendment, which will be published for public comment. After receiving public comment, staff will bring the rule back to the Board for final consideration and adoption. The final 2005 QAP will then be provided to the Governor for review and approval.

The Department may adopt an emergency rule without prior notice or hearing if the Department finds that a requirement of state law or an imminent peril to the public welfare requires adoption of a rule on fewer than 30 days notice; states in writing the reasons for its findings; and sets forth its findings in the emergency rule's preamble. (§2001.034, Texas Government Code). The proposed findings and preamble are as follows:

> "The Texas Department of Housing and Community Affairs (the Department) adopts on an emergency basis the amendment of §49.3 (relating to Definitions), §49.7 (relating to Regional Allocation Formula, Set-Asides, Redistribution of Credits), and §49.9 (relating to Application: Submission, Adherence to Obligations, Evaluation Process, Required Pre-Certification and Acknowledgement, Threshold Criteria, Selection Criteria, Evaluation Factors, Staff Recommendations) of the 2005 Housing Tax Credit Program Qualified Allocation Plan and Rules (QAP).
>
> The Department adopts the amendment on an emergency basis pursuant to Texas Government Code §2001.034. The Department finds that the emergency amendment is required by state law considering the Governor's rejection of the QAP (pursuant to §2306.6724(c), Texas Government Code) to comply with the deadlines required by §2306.6724(a) - (f), Texas Government Code, to the maximum extent possible under the circumstances, and to provide the time necessary in the application process to comply with: (1) the requirement of §2306.6704, Texas Government Code, for a pre-application process and preliminary assessment of an application proposed for filing; (2) the requirements of §2306.6705(a), Texas Government Code, for applicants to notify the listed entities of the filing of their application; (3) the requirements of §2306.1114, Texas Government Code, for the Department to provide written notice to the listed persons; (4) the requirements of §2306.6710, Texas Government Code, for the Department to evaluate applications under the threshold criteria, to score and rank applications, and to underwrite applications; and (5) the requirements of §2306.6710(b)(1)(B) and (F), Texas Government Code, to receive statements and evaluate applications based on written statements from neighborhood organizations and from state elected officials; and to comply with all other requirements of Chapter 2306, Texas Government Code, that address the administration of the housing tax credit program.
>
> Also, §2306.6724(c), Texas Government Code, requires that the Governor approve, reject or modify and approve the qualified allocation plan not later than December 1. The Governor has rejected the 2005 qualified allocation plan and directed the Department to quickly address the matter to ensure no delay in implementing the tax credit program.
>
> In addition, the Department finds an imminent threat to the public welfare requires adoption of this amendment on fewer than 30 days' notice in that the public welfare will be harmed by the delay or failure of development of additional low income housing that would be authorized under the 2005 QAP.
>
> This amended section is also adopted on an emergency basis pursuant to Chapter 2306, Texas Government Code, which provides the Governing Board of the Department with the authority to adopt rules necessary for the efficient administration of the Department's Housing Tax Credit Program."

Only those sections recommended for amendment are excerpted below, with amendments shown in blackline. Only those sections are amended. All other sections of the QAP remain unchanged.

**§49.3(12), Definition of At-Risk**

**Comment:**

§2306.6702(a)(5), Texas Government Code, defines an At-Risk Development. Revisions are being made to ensure that the definition has not been expanded beyond the legislated definition, with added administrative details.

**Revision to Text:**

"(12) **At-Risk Development** – a Development that:

(A) has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under the following federal laws, as applicable:

(i) Sections 221(d)(3)~~, (4)~~ and (5), National Housing Act (12 U.S.C. Section 17151);

(ii) Section 236, National Housing Act (12 U.S.C. Section 1715z-1);

(iii) Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q);

(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s);

(v) the Section 8 Additional Assistance Program for housing developments with HUD-Insured and HUD-Held Mortgages administered by the United States Department of Housing and Urban Development;

(vi) the Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the United States Department of Housing and Urban Development;

~~(v) any project-based assistance authority pursuant to Section 8 of the U.S. Housing Act of 1937;~~

(vii) Sections 514, 515, and 516~~, and 538~~ Housing Act of 1949 (42 U.S.C. Sections 1484, 1485, and 1486); and

(viii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 42), and

(B) is subject to the following conditions:

(i) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years of July 31 of the year the Application is submitted); or

(ii) the federally insured mortgage on the Development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years of July 31 of the year the Application is submitted).

(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site. ~~, except that a Housing Authority proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund, will be qualified as an At-Risk Development if it meets the requirements described in §49.7(b)(2) of this title.~~

(D) ~~With the exception of Housing Authorities proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund,~~ Developments must be at risk of losing all affordability on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph must retain or renew all possible financial benefit to qualify as an At-Risk Development. (2306.6702)"

**§49.7(b)(2), At-Risk Set-Aside**

**Comment:**

§2306.6702(a)(5), Texas Government Code, defines an At-Risk Development. Revisions are being made to ensure that the description of the At-Risk Set-Aside has not been expanded beyond the legislated definition, with added administrative details.

**Revision to Text:**

"(2) At least 15% of the allocation to each Uniform State Service Region will be set aside for allocation under the At-Risk Development Set-Aside. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in §49.3(12) of this title. (2306.6714). ~~A Housing Authority proposing reconstruction of public housing supplemented with HOPE VI funding or capital grant funds will be eligible to participate in this set-aside. In order to qualify for this set-aside, the housing authority providing the HOPE VI funding must provide evidence that it received a HOPE VI grant from HUD and made a commitment that HOPE VI funds will be provided to the Development.~~ To qualify as an At-Risk Development, the Applicant ~~(with the exception of housing authorities with HOPE VI or capital grant funds)~~ must provide evidence that it either is not eligible to renew, retain or preserve any portion of the financial benefit described in §49.3(12)(A) of this title, or provide evidence that it will renew, retain or preserve the financial benefit described in §49.3(12)(A) of this title."

**§49.9(f)(4)(G), Certification of Energy Saving Devices**

**Comment:**

A modification is made to ensure appropriate reference to the requirement in §2306.6725(b)(1), which requires that the energy saving devices meet the standards established by the state energy conservation office.

**Revision to Text:**

"(G) A certification that the Development will be equipped with energy saving devices that meet the ~~adhere to the 2003~~ 2000 International Energy Conservation Code (IECC), which is the standard statewide energy code adopted by the state energy conservation office, ~~in the construction of each tax credit Unit~~, unless historic preservation codes permit otherwise for a Development involving historic preservation. All Units must be air-conditioned or utilize evaporative coolers. The measures must be certified by the Development architect as being included in the design of each tax credit Unit at the time the 10% Test Documentation is submitted and in actual construction upon Cost Certification. (2306.6725(b))"

**§49.9(f)(12)(C)(ii)(II), Identity of Interest Transaction Requirements for Developments Involving Acquisition**

**Comment:**

Modifications are made to provide added clarification to the applicability of the documentation requirements when an identity of interest exists in the purchase of land for rehabilitation developments and the standard for review.

**Revision to Text:**

(C) clear identification of the selling Persons, and any owner of the property within the last 36 months prior to the first day of the Application Acceptance Period, and details of any relationship between said selling Persons and owners and the Applicant, Developer, Property Manager, General Contractor, Qualified Market Analyst, or any other professional or other consultant performing services with respect to the Development. Only in the event that ~~If any~~ such relationship exists, the following documents must be provided:

(i) documentation of the original acquisition cost, such as a settlement statement;

(ii) any other verifiable costs of owning, holding, or improving the property that when added to the value from clause (i) of this subparagraph justifies the Applicant's proposed acquisition amount:

(I) for land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include property taxes, interest expense, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the property, the cost of rezoning, replatting or developing the property, or any costs to provide or improve access to the property;

(II) for transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the property and avoid foreclosure; ~~indifferent to foreclosure or breakeven transfer~~; and

**§49.9(g)(7), Rent Levels of the Units**
**Comment:**
To provide incentives for affordable rent levels to low income families, consistent with §2306.6710(b)(1)(G), modifications are made to the point structure for the Rent Levels giving the greatest number of points for the greatest portion of units with affordable rents.
**Revision to Text:**
"(7) **The Rent Levels of the Units.** Applications may qualify to receive up to 12 points for qualifying under this exhibit. (2306.6710(b)(1)(G)) Use normal rounding for this section. If 80% or fewer of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 7~~12~~ points. If between 81% and 85% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 8~~10~~ points. If between 86% and 90% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 9 points. If between 91% and 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 10~~8~~ points. If greater than 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 12 points. Developments that are scattered site or 100% transitional will receive the full 12 points provided that they have received points under paragraph (3) of this subsection."

**§49.9(g)(13), Development Locations**
**Comment:**
The eight items within the Development Location selection criteria address a variety of statutory and public policy initiatives. To equalize the importance of all of those items, the two categories that had been designated as seven-point items, paragraphs G and H, are being reduced to the four-point level applied to paragraphs A through F.
**Revision to Text:**
"(13) **Development Location.** (2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i); 42 U.S.C. 3608(d) and (e)(5)) Applications may qualify to receive ~~either~~ 4 ~~or 7~~ points. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (H) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (H)~~(F)~~ of this paragraph will receive 4 points. ~~Areas qualifying under any one of the subparagraphs (G) through (H) of this paragraph will receive 7 points.~~ An Application may only receive points under one of the subparagraphs (A) through (H) of this paragraph.

No other changes to the QAP are recommended.

OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

December 1, 2004

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

Dear Ms. Carrington:

On November 15, 2004, the Texas Department of Housing and Community Affairs (TDHCA) submitted the 2005 Housing Tax Credit Program Qualified Allocation Plan and Rules (the "QAP"), as approved by the Board of TDHCA on November 12, 2004. Texas Government Code Chapter 2306 requires me to act on the plan submitted no later than December 1, 2004.

Review by counsel concludes that the QAP, as submitted, fails to fully comply with the requirements of state law. Accordingly, I reject the department's 2005 QAP submission.

The Housing Tax Credit Program is an important tool in meeting the housing challenges of low-income residents in Texas. I expect the department to quickly address this matter to ensure that there is no delay in effectively implementing the tax credit program next year.

Sincerely,

Rick Perry

Rick Perry
Governor

RP:mgp

Robert E. Talton

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District 144
House of Representatives

November 23, 2004

The Honorable Rick Perry
Governor of Texas
P.O. Box 12428
Austin, Texas 78711

Dear Governor Perry:

I write to express concern over the Texas Department of Housing and Community Affairs' (TDHCA) 2005 Low Income Housing Tax Credit Program Qualified Allocation Plan (QAP). As you are aware, due to concerns over the legality of the 2004 QAP, I requested that Attorney General Greg Abbot issue an opinion regarding a number of aspects of last year's QAP which did not appear to conform to legislation passed during the 78th Legislature.

General Abbott issued an opinion on June 23, 2004 invalidating the 2004 QAP scoring criteria. *See* Texas Attorney General Opinion GA-0208. Senate Bill 264, 78th Texas Legislature, codified in Section 2306.6710(b), Texas Government Code, requires the Department "to score and rank" applications that have met the threshold criteria "using a point system" that: . . . "prioritizes in descending order criteria" set forth in Section 2306.6710(b).

Unfortunately, TDHCA has seemingly failed again to recognize the importance of following S. B. 264 in its 2005 QAP which is currently before you for approval. Under Texas Government Code §2306.6724( c ), the Governor may "approve, reject, or modify and approve the qualified allocation plan not later than December 1". I ask that you consider the following areas in which the 2005 QAP does not follow statute, and make the suggested modifications to avoid the problems we faced this past year with the 2004 QAP.

Recommended revisions to 2005 Qualified Allocation Plan to conform to Chapter 2306 of Texas Government Code:

1. §49.1 (b) Program Statement

This section does not track Section 2306.6701 of Texas Government Code. In three locations, the word "accessible" is added. The word "accessible" is not contained in Government Code § 2306.6701; inclusion of the word expands the purpose beyond that specified by the Legislature. Solution: delete the word "accessible" in three locations in this section.

2. §49.3 (12) Definition of At-Risk.

The legislature mandated that 15% of the yearly tax credits should be allocated to "At-Risk" developments and defined an "At-risk development" in § 2306.6702(a)(5) of the Texas Government Code that would qualify for this allocation. This legislative mandate is not followed in the 2005 QAP. Section 49.3 (12) expands the definition to include properties that the legislature obviously did not intend would be included. Specifically, S. B. 264 explicitly removed public housing authorities as qualified applicants. *See*, S. B. 264 House Floor Amendment 1, by Representative Ken Mercer, adopted on May 24, 2004. To conform the 2005 QAP definition with §2306.6702(a)(5), the following amendments are needed:

a. In §49.3(12)(A)(i), delete "(4) so that it reads: "Section 221(d)(3) and (5), National Housing Act…."
b. In §49.3(12)(A)(vi), add "and between 515 and 516, and delete "and 538")
c. In §49.3(12) (C ), delete comma after "same site" and insert a period and delete the following language "except that a Housing Authority proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund, will be qualified as an At-risk Development if it meets the requirements described in §49.7(b)(2) of this title."
d. In §49.3(12)(D), delete the following introductory language" "With the exception of Housing Authorities proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund,"

3. §49.6(d) (4) - Credit Amount

Texas Government Code § 2306.6711(b) restricts the amount of tax credits received by any one developer to $2 million per year. 2005 QAP § 49.6(d)(4) contains an exception to this legislative restriction by allowing a "developer" to masquerade as a "consultant" and exceed the legislative mandated ceiling. Solution: Delete in its entirety §49.6(4)(d).

4. §49.7(b)(2) - Set-Asides

To conform this section with the statutory definition of "At-risk" as detailed above, the following two changes must be made:

(a) In Section 49.7(b)(2), delete the following two sentences: "A Housing Authority proposing reconstruction of public housing supplemented with HOPE VI funding or capital grant funds will be eligible to participate in this set-aside. IN order to qualify for this set-aside, the housing authority providing the HOPE VI funding must provide evidence that it received a HOPE VI grant from HUD and made a commitment that HOPE VI funds will be provided to the Development."
(b) In Section 49.7(b)(2), delete the following language from the last sentence: "( with the exception of housing authorities with HOPE VI or capital grant funds)".

5. §49.9(f)(4)(G) Certification of Energy Code.

2005 QAP § 49.9(f)(4)(G) does not comply with Government Code §2306.6725(b)(1), which requires the Department to "provide appropriate incentives in the qualified allocation plan to reward applicants who agree to (1) equip the property that is the basis of the application with energy saving devises that meet the standards established by the state energy conservation office..." Rather than use the required statutory standard, the 2005 QAP refers to the "2003 International Energy Conservation Code. The first sentence of 2005 QAP § 49.9(f)(4)(G) should be deleted and the following substituted: "A certification that the Development will equip the property that is the basis of the application with energy savings devises that meet the standards for the type of housing to be constructed (rehabilitation or new construction) by the state energy conservation office."

6. §49.9(f)(12)(C)((ii)(II) - Documentation for acquisitions.

Texas Government Code, Chapter 2306, in many sections state that the Department should prioritize housing resources to preserve existing affordable housing. *See*, e.g. Government Code § 2306.008. Likewise, public policy dictates that rehabilitation of existing apartments is beneficial to the community and the neighborhoods. Rehabilitation is more likely than new construction to enjoy neighborhood support and will antagonize its neighbors less. Rather than facilitate the preservation of apartments as mandated by Chapter 2306, the 2005 QAP places substantial barriers to the acquisition and rehabilitation of existing apartments which will require greater new construction of tax credits properties that will inflame neighborhood associations. The Department has adopting an attitude through its regulations that will exclude a substantial majority of existing properties in Texas from being considered as acquisition and rehabilitation candidates. Whether this policy is being driven by a desire to force the location of new affordable housing into neighborhoods where it is undesired can only be surmised; but, the effect will surely be the result regardless of motivation.

In the normal real estate transaction, the property is sold for a price that is agreed upon by a willing buyer and a willing seller. There is usually an appraisal to support the value. Rather than accept the value of the acquisition as determined by the parties and as supported by an appraisal, the 2005 QAP restricts the purchase price to an amount where the Seller would be "indifferent to foreclosure or breakeven transfer." Effectively, the 2005 QAP takes away the freedom to buy and sell property and allows no "profit" on the transaction to the Seller. 2005 QAP Section 49.9(f)(12)(C)((ii)(II) states that the Department is taking such a position by requiring the applicant include the following information:

"(II) for transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property, a calculated return on equity at a rate consistent with historical returns of similar risks, and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer;..."

By restricting the purchase price to the listed items, the 2005 QAP removes from the possible acquisition properties almost all existing properties in the State other than those properties that are in such terrible condition where the owner would be indifference to foreclosure. Such a restriction as used by the Department is not supported by any state or federal law. This language needs to be deleted with the following inserted: "For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, the Department will accept the Purchase Price as noted in the purchase contract as long as it an amount within 5% of the appraisal."

7. §49.9(g)(7). Rent level of Units

According to Texas Government Code Section 2306.6710(b)(G), the rent level of the units is required to be the seventh highest scoring component in the selection of developments for housing tax credits. The Department violates state law with its convoluted interpretation of the state statute. The tax credit program is designed to provide affordable housing with rent within the reach of working families. Thus, developments should be selected with apartments that have affordable rents. Rather than reward properties with affordable rents, 2005 QAP § 49.9(g)(7) provides incentives for developments that have rents that are not affordable. The greater the number of apartments that have rents that exceed the allowable maximum, the greater the points. The Department recognizes that it plan is a distortion of State law by exempting so called scattered site or 100% transitional housing developments.

Note that this same scoring criteria issue was the subject of the Attorney General Opinion handed down earlier this year. In order to comply with S. B. 264, 2005 QAP § 49.9 (g)(7) needs to reverse the scoring as follows:

| Percentage of Rent Restricted Units | Points |
|---|---|
| Less than 80% | 7 |
| Between 80.1- 85% | 8 |
| Between 85.1 - 90% | 9 |
| Between 90.1 - 95% | 10 |
| Greater than 95.1% | 12 |

8. §49.9(g)(13) (F)-(H) - Development locations

2005 QAP § 49.9(g)(13)(A) - (E) contains sections where priority points are given for legislatively mandated location of properties in areas such as economically distressed areas, a colonia, HUD's designated area, or a location where no other tax credit properties are located. In 2005 QAP § 49.9(g)(13)(F) - (H), the Department adds other locations to the legislatively mandated list and effectively nullifies the legislative intent to increase the number of developments in economically distressed areas. M The 2005 QAP awards only 4 points for locations in one of the legislatively mandated areas, but awards 7 points for locating a development in a census tract that has a higher median income than the median income of the county. The 2005 QAP makes no reference to statutory authority for this point priority since there is none. Indeed, this provision is in direct contravention to the legislative intent of S. B. 264.

The Honorable Rick Perry
Page 6

Second, §49.9(g)(13)(G), a 7 point score, relates to developments with more than 70% two bedroom units located near an elementary school with an "exemplary" or "recognized" rating. The Department purports to justify this scoring component by referencing §42(m)(1)( C ) (vii) of the Internal Revenue Code, which merely provides that the QAP must consider "projects intended for eventual tenant ownership." Again, there is no statutory basis for this provision. Third, §49.9(g)(13)(H) is another method to thwart the legislatively mandated points for placing developments in lower income communities where they are needed by allowing seven points to developments with more than 70% two bedroom units to areas where the census tract has no greater than 10%"poverty population". Phrased another way, the developments are targeted to higher income areas. Again, the Department distorts the "requirement" for this provision by citing the tax code section that relates to the QAP giving consideration to projects that are planned for eventual tenant ownership. The solution to returning the legislatively mandated "locations" to their proper priority is to delete §49.9(13)(F) - (H).

The above listed changes are important to make sure the 2005 QAP conforms to statute and legislative intent. *I look forward to seeing a further revised QAP which conforms to these principles.*

Sincerely yours,

Robert E. Talton

Robert E. Talton
Chair, Texas House of Representatives
Urban Affairs Committee

# SINGLE FAMILY FINANCE PRODUCTION DIVISION

# BOARD ACTION REQUEST
# December 13, 2004

## Action Items

Request approval of three (3) 2004 HOME Investment Partnerships (HOME) Program Award Recommendations for Tenant Based Rental Assistance under the Olmstead Set Aside open funding cycle, totaling $1,567,033.

## Required Action

Approve the HOME Program Award Recommendations.

| Application Number | Applicant | Region | Counties Serving | Project Funds Requested | Admin. Funds Requested | Units Requested |
|---|---|---|---|---|---|---|
| 2004-0280 | Texas Community Solutions, Inc. | Statewide | All | $1,000,000.00 | $60,000.00 | 80 |
| 2004-0281 | Accessible Communities, Inc. | 10 | Aransas, Bee, Brooks, Calhoun, DeWitt, Duval, Goliad, Gonzales, Jackson, Jim Wells, Kleberg, Lavaca, Live Oak, Nueces, Refugio, San Patricio, Victoria | $250,000.00 | $15,000.00 | 25 |
| 2004-0283 | Dallas Metrocare Services | 3 | Dallas | $317,033.00 | $19,022.00 | 15 |
| | | | | **$1,567,033.00** | **$94,022.00** | **120** |

## Background and Recommendations

**Summary**
In an effort to address the Supreme Court Olmstead Decision, related to the de-institutionalization of persons with disabilities, the Department allocated a total of $4 million in program years 2003 and 2004 toward those populations outlined in §531.055, Texas Government Code. In addition, Governor Rick Perry released an Executive Order on Community Based Alternatives for People with Disabilities (RP-13) in April of 2002, requiring the Department and the Texas Health and Human Service Commission to work together to assure accessible, affordable and integrated housing for people with disabilities.

In order to insure appropriateness and affectability, Department staff worked closely with a focus group, composed of various disability advocates, in the creation of the application for this set-aside in early 2003. In August of 2003, a Notice of Funding Availablity (NOFA) announcing the initial $2 million was released. Under this NOFA, a total of four applications were received and awarded a funding recommendation. The $2 million released was not fully allocated, and a balance of $1,557,319 remained. A NOFA in the amount of $3,557,319 was published in the *Texas Register*, and was posted on the Department's website on January 30, 2004. The figure released included the $1,557,319 that was not allocated in program year 2003, and the $2 million dollars set aside for program year 2004. Department staff held seven application workshops across the state in February of

2004 to promote the availability of these funds. Eligible applicants include units of general local government, public housing agencies, and nonprofits. The funds recommended for award are used for Tenant-Based Rental Assistance (TBRA), providing security and utility deposits, as well as, utility allowances for rental of dwelling units. During 2004, the Department received, and the Board awarded, an application under this set aside in July, totaling $103,194. A balance of $3,454,125 remains eligible to award at this time.

According to 10 TAC §53.53, an award amount for Tenant Based Rental Assistance shall not exceed $500,000, except as may be otherwise allowed by the Board. The Department requests the Board, under appropriate authority, waive the $500,000 limit in the case of Texas Community Solutions, Incorporated (TCS). TCS is a nonprofit corporation established in 1998 by the Texas Community Mental Health and Mental Retardation Centers to work collectively in the managed care environment. The Community MHMR Center system is comprised of 41 Community Centers serving over 120,000 individuals in 254 counties in Texas, with emphasis in the delivery of community-based mental health and mental retardation services. The Department feels TCS and its ***statewide*** network of community MHMR centers are a strong and capable partnership, and have the specialized experience and capacity to administer such a contract. This waiver will also allow a greater number of persons at 30% area median family income (AMFI) and below to be assisted in obtaining affordable housing, which will help the Department ensure compliance with Rider 3 goals. Additionally, given the low subscription rate for this set aside, the Department desires to award as many funds for this designated population as possible.

If the waiver is not granted, TCS will be forced to apply for Tenant Based Rental Assistance in the spring of 2005, in a competitive application process. It is also important to note, TCS will not have the ability to submit a statewide application, as the funds will be subject to the regional allocation formula.

Upon Board approval of the three applicants listed below, a balance of $1,887,092 will remain. Applicants have been informed that this funding cycle is deemed open until the end of the calendar year. The Department will accept applications up to December 31, 2004. It is after this time that any remaining dollars will be included in the Single Family HOME NOFA in early 2005. These funds will no longer be set aside specifically for the Olmstead population.

**Recommendation**
Staff recommends approval of three (3) applications for Tenant Based Rental Assistance for awards utilizing HOME Investment Partnerships Program funds for the Olmstead Set Aside. Staff also recommends and requests approval of 6% administrative funds to the applicant, based on the amount of project dollars recommended.

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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# REQUEST FOR BOARD APPROVAL
# Multifamily Finance Production

**2005 Private Activity Bond Program – Waiting List**

**3 Priority 3 Applications**
**3 Total Applications Received**

## TABLE OF EXHIBITS

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Inducement resolution for Multifamily Revenue Bonds and Authorization for Filing Applications for the Year 2005 Private Activity Bond Authority – Waiting List.

## Requested Action

Approve the Inducement Resolution to proceed with application to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority in the 2005 Private Activity Bond Program.

## Background

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately $389 million will be set aside for the use of multifamily development until August 15, 2004 for the 2005 program year. The lottery held on November 4, 2004 had a decrease of approximately ninety (90) applications from the 2004 program year. Due to the large amount of authority to be Carried Forward into 2005 and the decrease in applications for the 2005 program year, it is expected that there will be a shortage of applications to use the full state issuance authority. The Department will be accepting applications for the 2005 Waiting List through September of 2005.

The Inducement Resolution includes three (3) applications that were received on August 30, 2004. However, these were not induced for the 2005 lottery due to the lack of threshold documentation. Subsequently, these applications have satisfied all threshold criteria. These three (3) applications will be added to the 2005 Waiting List. Each application is reviewed, scored and ranked according to the Department's published scoring criteria. Upon Board approval, the applications will be placed in priority and rank order and submitted to the Texas Bond Review Board for placement on the 2005 Waiting List. Currently, TDHCA has fifteen applications that participated in the lottery and received lottery numbers and four applications that are on the 2005 Waiting List. These three applications will be placed below the four currently on the waiting list.

## Recommendation

Approve the Inducement Resolution as presented by staff.

# Texas Department of Housing and Community Affairs

2005 Multifamily Private Activity Bond Program - Waiting List

| Application # | Development Information | Units | Bond Amount | Developer Information | Comments |
|---|---|---|---|---|---|
| 2005-015 | Evergreen at Pecan Hollow Senior Community | 250 | $ 15,000,000 | Brad Forslund | Recommend |
| | Approx 1500 14th Street | | | PWA - Pecan Hollow Senior Community, L.P. | Property Tax Exemption |
| Priority 3 | City: Murphy | Elderly | Score - 57 | 5601 MacAuthor Blvd., Suite 210 | |
| | County: Collin | | | Irving, Texas 75038 | |
| | *New Construction* | | | (972) 550-7800 | |
| 2005-016 | Evergreen at Rowlett Senior Community | 250 | $ 15,000,000 | Brad Forslund | Recommend |
| | Approx 1901 Lakeview Pkwy | | | PWA - Rowlett Senior Community, L.P. | Property Tax Exemption |
| Priority 3 | City: Rowlett | Elderly | Score - 64 | 5601 MacAuthor Blvd., Suite 210 | |
| | County: Dallas | | | Irving, Texas 75038 | |
| | *New Construction* | | | (972) 550-7800 | |
| 2005-017 | Evergreen at Murphy Senior Community | 250 | $ 15,000,000 | Brad Forslund | Recommend |
| | NW quad of FM544 & N. Maxwell Creek Road | | | PWA - Murphy Senior Community, L.P. | Property Tax Exemption |
| Priority 3 | City: Murphy | Elderly | Score - 52 | 5601 MacAuthor Blvd., Suite 210 | |
| | County: Dallas | | | Irving, Texas 75038 | |
| | *New Construction* | | | (972) 550-7800 | |
| **Totals for Recommended Applications** | | **750** | **$ 45,000,000** | | |

RESOLUTION NO. 04-100

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL PROJECTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

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 persons 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 persons 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 multifamily 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, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multi-family residential rental developments (each a "Project" and collectively, the "Projects") as more fully described in Exhibit "A" attached hereto. The ownership of each Project as more fully described in Exhibit "A" will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Project and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Project from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Project will be occupied at all times by eligible tenants, as determined by the Board of the Department pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Project will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Project listed on Exhibit "A" attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Project described on Exhibit “A” attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Project an Application for Allocation of Private Activity Bonds (the “Application”) with the Texas Bond Review Board (the “Bond Review Board”) with respect to the tax-exempt Bonds to qualify for the Bond Review Board’s Allocation Program in connection with the Bond Review Board’s authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Project is not dependent or related to the issuance of Bonds (as defined below) for any other Project and that a separate Application shall be filed with respect to each Project; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Project on the terms and conditions hereinafter set forth; NOW, THEREFORE,

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

Section 1--Certain Findings. The Board finds that:

(a) each Project is necessary to provide decent, safe and sanitary housing at rentals that eligible tenants can afford;

(b) each Owner will supply, in its Project, well-planned and well-designed housing for eligible tenants;

(c) the financing of each Project pursuant to the provisions of the Act will constitute a public purpose and will provide a public benefit;

(d) each owner is financially responsible; and

(e) each Project will be undertaken within the authority conferred by the Act upon the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the “Bonds”) in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Project in an aggregate principal amount not to exceed those amounts, corresponding to each respective Project, set forth in Exhibit “A”; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental project bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department’s credit underwriters for financial feasibility; (ii) review by the Department’s staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Project; (iii) approval by the Bond Review Board, if required; (iv) approval by the Texas Attorney General; (v) satisfaction of the Board that each Project meets the Department’s public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Project and listed on Exhibit "A" attached hereto ("Costs of each respective Project") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction of its Project, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction of its Project; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Project will not exceed the amount set forth in Exhibit "A" which corresponds to its Project.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction of its Project, which Project will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Project and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Project, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Project. Substantially all of the proceeds of the Bonds shall be used to finance the Projects, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Project.

Section 9--Costs of Project. The Costs of each respective Project may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Project. Without limiting the generality of the foregoing, the Costs of each respective Project shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Project, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Project, the placing of the Project in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Project incurred by it prior to issuance of the Bonds and will pay all costs of its Project which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State of Texas, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Project will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Project will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Texas Bond Review Board, if required, and the Attorney General of the State of Texas.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Project will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Project’s necessary review and legal documentation for the filing of an Application for the 2005 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Project may be undertaken by any company or partnership that is a “related person” to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department’s official intent for expenditures on Costs of each respective Project which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Project may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--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 13th day of December, 2004.

[SEAL]

By:___________________________________

Chair

Attest:______________________

Secretary

EXHIBIT “A”

Description of each Owner and its Project

<table>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Evergreen at Murphy Senior Apartment Community</td><td>PWA-Murphy Senior Community, L.P.</td><td>PWA-Murphy GP, L.L.C., the General Partner, to be formed, or other entity, the Sole Member of which will be PWA Coalition of Dallas, Inc., of which the Members will include Don Maison and/or Michael Anderson</td><td>$15,000,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property approximately located at the northwest quadrant of FM 544 and North Maxwell Creek Road, Murphy, Collin County, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing project, in the amount not to exceed $15,000,000.</td></tr>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Evergreen at Pecan Hollow Senior Apartment Community</td><td>PWA-Murphy Senior Community, L.P.</td><td>PWA-Murphy GP, L.L.C., the General Partner, to be formed, or other entity, the Sole Member of which will be PWA Coalition of Dallas, Inc., of which the Members will include Don Maison and/or Michael Anderson</td><td>$15,000,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property approximately located at the 5500 block of 14th Street, Murphy, Collin County, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing project, in the amount not to exceed $15,000,000.</td></tr>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Evergreen at Rowlett Senior Apartment Community</td><td>PWA-Rowlett Senior Community, L.P.</td><td>PWA-Rowlett GP, L.L.C., the General Partner, to be formed, or other entity, the Sole Member of which will be PWA Coalition of Dallas, Inc., of which the Members will include Don Maison and/or Michael Anderson</td><td>$15,000,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property approximately located at the 1901 block of Lakeview Parkway, Rowlett, Dallas County, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing project, in the amount not to exceed $15,000,000.</td></tr>
</table>

## TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
## MULTIFAMILY FINANCE DIVISION
## PREQUALIFICATION ANALYSIS

# Evergreen of Pecan Hollow, Murphy (2005-015) Priority 3

### Unit Mix and Rent Schedule

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 100 | $ 661 | 700 | 0.94 |
| 60% AMI | 2BD/2BA | 150 | $ 793 | 950 | 0.83 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
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| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 250 | $ 2,220,600 | 212,500 | $ 0.87 |
| Averages | | | $ 740 | 850 | |

### Uses of Funds/Project Costs

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,813,094 | $ 7,252 | $ 8.53 | 0.09 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 1,813,094 | $ 7,252 | $ 8.53 | 0.09 |
| Sitework | 1,648,592 | 6,594 | 7.76 | 0.08 |
| Hard Construction Costs | 9,519,533 | 38,078 | 44.80 | 0.45 |
| General Requirements (6%) | 670,088 | 2,680 | 3.15 | 0.03 |
| Contractor's Overhead (2%) | 223,363 | 893 | 1.05 | 0.01 |
| Contractor's Profit (6%) | 670,088 | 2,680 | 3.15 | 0.03 |
| Construction Contingency | 335,044 | 1,340 | 1.58 | 0.02 |
| **Subtotal Construction** | $ 13,066,707 | $ 52,267 | $ 61.49 | 0.62 |
| Indirect Construction | 1,254,459 | 5,018 | 5.90 | 0.06 |
| Developer's Fee | 2,185,150 | 8,741 | 10.28 | 0.10 |
| Financing | 2,066,563 | 8,266 | 9.73 | 0.10 |
| Reserves | 786,328 | 3,145 | 3.70 | 0.04 |
| **Subtotal Other Costs** | $ 6,292,500 | $ 25,170 | $ 30 | $ 0 |
| **Total Uses** | $ 21,172,301 | $ 84,689 | $ 99.63 | 1.00 |

### Applicant - Sources of Funds

| Source I | Net Proceeds | Sale Price | Applicable Percentage | |
|---|---|---|---|---|
| Tax Credits | $ 4,898,022 | $0.00 | 0.00% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 15,000,000 | 6.00% | 30 | $1,079,191 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,162,597 | 53.2% | $1,022,553 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | | | | $ - |
| **Total Sources** | $ 21,060,619 | | | $1,079,191 |

### TDHCA - Sources of Funds

| Source I | Net Proceeds | Sale Price | Applicable Percentage | |
|---|---|---|---|---|
| Tax Credits | $ 4,898,022 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 14,975,707 | 6.00% | 30 | $ 1,077,443 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,298,572 | 59.4% | $ 886,578 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ - | | | $ - |
| **Total Sources** | $ 21,172,301 | | | $ 1,077,443 |

### Applicant - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,220,600 | $10.45 | |
| Other Income & Loss | | 225,000 | 1.06 | 900 |
| Vacancy & Collection | -7.50% | (183,420) | -0.86 | -734 |
| Effective Gross Income | | $2,262,180 | 10.65 | 9,049 |
| Total Operating Expenses | | $951,060 | $4.48 | $3,804 |
| Net Operating Income | | $1,311,120 | $6.17 | $5,244 |
| Debt Service | | 1,079,191 | 5.08 | 4,317 |
| Net Cash Flow | | $231,929 | $1.09 | $928 |
| Debt Coverage Ratio | | 1.21 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $231,929 | $1.09 | $928 |
| DCR after TDHCA Fees | | 1.21 | | |
| Break-even Rents/S.F. | | 0.80 | | |
| Break-even Occupancy | | 91.43% | | |

### TDHCA - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,220,600 | $10.45 | |
| Other Income & Loss | | 90,000 | 0.42 | 180 |
| Vacancy & Collection | 7.50% | (173,295) | -0.82 | -693 |
| Effective Gross Income | | 2,137,305 | 10.06 | 8,549 |
| Total Operating Expenses | 44.5% | $951,060 | $4.48 | $3,804 |
| Net Operating Income | | $1,186,245 | $5.58 | $4,745 |
| Debt Service | | 1,077,443 | 5.07 | 4,310 |
| Net Cash Flow | | $108,801 | $0.51 | $435 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $108,801 | $0.51 | $435 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.80 | | |
| Break-even Occupancy | | 91.35% | | |

### Applicant - Annual Operating Expenses

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $80,500 | 0.38 | 322 |
| Management Fees | 74,485 | 0.35 | 298 |
| Payroll, Payroll Tax & Employee Exp. | 267,500 | 1.26 | 1070 |
| Maintenance/Repairs | 116,250 | 0.55 | 465 |
| Utilities | 106,250 | 0.50 | 425 |
| Property Insurance | 66,250 | 0.31 | 265 |
| Property Taxes | 138,575 | 0.65 | 554 |
| Replacement Reserves | 50,000 | 0.24 | 200 |
| Other Expenses | 51,250 | 0.24 | 205 |
| Total Expenses | $951,060 | $4.48 | $3,804 |

### Staff Notes/Comments

$30 in other income is comprized of $15 Landry, Vending etc.& $15 in garage income.

The Applicant will be seeking a property tax exemption.

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**MULTIFAMILY FINANCE DIVISION**
**PREQUALIFICATION ANALYSIS**

## Evergreen at Rowlett Senior Apartment Community, Rowlett (2005-016) Priority 3

### Unit Mix and Rent Schedule

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 100 | $ 683 | 700 | 0.98 |
| 60% AMI | 2BD/2BA | 150 | $ 804 | 950 | 0.85 |
| | | | | - | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 250 | $ 2,266,800 | 212,500 | $ 0.89 |
| Averages | | | $ 756 | 850 | |

### Uses of Funds/Project Costs

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,524,600 | $ 6,098 | $ 7.17 | 0.07 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 1,524,600 | $ 6,098 | $ 7.17 | 0.07 |
| Sitework | 1,619,212 | 6,477 | 7.62 | 0.08 |
| Hard Construction Costs | 9,356,488 | 37,426 | 44.03 | 0.45 |
| General Requirements (6%) | 658,542 | 2,634 | 3.10 | 0.03 |
| Contractor's Overhead (2%) | 219,514 | 878 | 1.03 | 0.01 |
| Contractor's Profit (6%) | 658,542 | 2,634 | 3.10 | 0.03 |
| Construction Contingency | 329,271 | 1,317 | 1.55 | 0.02 |
| **Subtotal Construction** | $ 12,841,569 | $ 51,366 | $ 60.43 | 0.61 |
| Indirect Construction | 1,464,274 | 5,857 | 6.89 | 0.07 |
| Developer's Fee | 2,183,372 | 8,733 | 10.27 | 0.10 |
| Financing | 2,089,552 | 8,358 | 9.83 | 0.10 |
| Reserves | 817,098 | 3,268 | 3.85 | 0.04 |
| **Subtotal Other Costs** | $ 6,554,296 | $ 26,217 | $ 31 | $ 0 |
| **Total Uses** | $ 20,920,465 | $ 83,682 | $ 98.45 | 1.00 |

### Applicant - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 4,894,036 | $0.00 | 0.00% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 15,000,000 | 6.00% | 30 | $1,079,191 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 916,672 | 42.0% | $1,266,700 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | | | | $ - |
| **Total Sources** | $ 20,810,708 | | | $1,079,191 |

### TDHCA - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 4,894,036 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 14,573,858 | 6.00% | 30 | $ 1,048,532 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,452,571 | 66.5% | $ 730,801 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ - | | | $ - |
| **Total Sources** | $ 20,920,465 | | | $ 1,048,532 |

### Applicant - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,266,800 | $10.67 | |
| Other Income & Loss | | 225,000 | 1.06 | 900 |
| Vacancy & Collection | -7.50% | (186,885) | -0.88 | -748 |
| Effective Gross Income | | $2,304,915 | 10.85 | 9,220 |
| Total Operating Expenses | | $1,026,129 | $4.83 | $4,105 |
| Net Operating Income | | $1,278,786 | $6.02 | $5,115 |
| Debt Service | | 1,079,191 | 5.08 | 4,317 |
| Net Cash Flow | | $199,595 | $0.94 | $798 |
| Debt Coverage Ratio | | 1.18 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $199,595 | $0.94 | $798 |
| DCR after TDHCA Fees | | 1.18 | | |
| Break-even Rents/S.F. | | 0.83 | | |
| Break-even Occupancy | | 92.88% | | |

### TDHCA - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,266,800 | $10.67 | |
| Other Income & Loss | | 90,000 | 0.42 | 180 |
| Vacancy & Collection | 7.50% | (176,760) | -0.83 | -707 |
| Effective Gross Income | | 2,180,040 | 10.26 | 8,720 |
| Total Operating Expenses | 47.1% | $1,026,129 | $4.83 | $4,105 |
| Net Operating Income | | $1,153,911 | $5.43 | $4,616 |
| Debt Service | | 1,048,532 | 4.93 | 4,194 |
| Net Cash Flow | | $105,380 | $0.50 | $422 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $105,380 | $0.50 | $422 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.81 | | |
| Break-even Occupancy | | 91.52% | | |

### Applicant - Annual Operating Expenses

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $48,750 | 0.23 | 195 |
| Management Fees | 75,981 | 0.36 | 304 |
| Payroll, Payroll Tax & Employee Exp. | 267,500 | 1.26 | 1070 |
| Maintenance/Repairs | 75,000 | 0.35 | 300 |
| Utilities | 106,250 | 0.50 | 425 |
| Property Insurance | 66,250 | 0.31 | 265 |
| Property Taxes | 285,148 | 1.34 | 1141 |
| Replacement Reserves | 50,000 | 0.24 | 200 |
| Other Expenses | 51,250 | 0.24 | 205 |
| Total Expenses | $1,026,129 | $4.83 | $4,105 |

### Staff Notes/Comments

$30 in other income is comprized of $15 Landry, Vending etc.& $15 in garage income.

The Applicant will be seeking a property tax exemption.

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**MULTIFAMILY FINANCE DIVISION**
**PREQUALIFICATION ANALYSIS**

## Evergreen at Murphy, Murphy (2005-017) Priority 3

### Unit Mix and Rent Schedule

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 100 | $ 661 | 700 | 0.94 |
| 60% AMI | 2BD/2BA | 150 | $ 793 | 950 | 0.83 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 250 | $ 2,220,600 | 212,500 | $ 0.87 |
| Averages | | | $ 740 | 850 | |

### Uses of Funds/Project Costs

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,462,000 | $ 5,848 | $ 6.88 | 0.07 |
| Off-sites | 405,000 | 1,620 | 1.91 | 0.02 |
| **Subtotal Site Costs** | $ 1,867,000 | $ 7,468 | $ 8.79 | 0.09 |
| Sitework | 1,645,464 | 6,582 | 7.74 | 0.08 |
| Hard Construction Costs | 9,501,411 | 38,006 | 44.71 | 0.45 |
| General Requirements (6%) | 668,813 | 2,675 | 3.15 | 0.03 |
| Contractor's Overhead (2%) | 222,938 | 892 | 1.05 | 0.01 |
| Contractor's Profit (6%) | 668,813 | 2,675 | 3.15 | 0.03 |
| Construction Contingency | 334,406 | 1,338 | 1.57 | 0.02 |
| **Subtotal Construction** | $ 13,041,844 | $ 52,167 | $ 61.37 | 0.61 |
| Indirect Construction | 1,300,366 | 5,201 | 6.12 | 0.06 |
| Developer's Fee | 2,180,848 | 8,723 | 10.26 | 0.10 |
| Financing | 2,067,910 | 8,272 | 9.73 | 0.10 |
| Reserves | 784,082 | 3,136 | 3.69 | 0.04 |
| **Subtotal Other Costs** | $ 6,333,206 | $ 25,333 | $ 30 | $ 0 |
| **Total Uses** | $ 21,242,050 | $ 84,968 | $ 99.96 | 1.00 |

### Applicant - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 4,888,379 | $0.00 | 0.00% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 15,000,000 | 6.00% | 30 | $1,079,191 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,242,203 | 57.0% | $938,645 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | | | | $ - |
| **Total Sources** | $ 21,130,582 | | | $1,079,191 |

### TDHCA - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 4,888,379 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 15,000,000 | 6.00% | 30 | $ 1,079,191 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,353,671 | 62.1% | $ 827,178 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ - | | | $ - |
| **Total Sources** | $ 21,242,050 | | | $ 1,079,191 |

### Applicant - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,220,600 | $10.45 | |
| Other Income & Loss | | 225,000 | 1.06 | 900 |
| Vacancy & Collection | -7.50% | (183,420) | -0.86 | -734 |
| Effective Gross Income | | $2,262,180 | 10.65 | 9,049 |
| Total Operating Expenses | | $950,044 | $4.47 | $3,800 |
| Net Operating Income | | $1,312,136 | $6.17 | $5,249 |
| Debt Service | | 1,079,191 | 5.08 | 4,317 |
| Net Cash Flow | | $232,945 | $1.10 | $932 |
| Debt Coverage Ratio | | 1.22 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $232,945 | $1.10 | $932 |
| DCR after TDHCA Fees | | 1.22 | | |
| Break-even Rents/S.F. | | 0.80 | | |
| Break-even Occupancy | | 91.38% | | |

### TDHCA - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,220,600 | $10.45 | |
| Other Income & Loss | | 90,000 | 0.42 | 180 |
| Vacancy & Collection | 7.50% | (173,295) | -0.82 | -693 |
| Effective Gross Income | | 2,137,305 | 10.06 | 8,549 |
| Total Operating Expenses | 44.5% | $950,044 | $4.47 | $3,800 |
| Net Operating Income | | $1,187,261 | $5.59 | $4,749 |
| Debt Service | | 1,079,191 | 5.08 | 4,317 |
| Net Cash Flow | | $108,070 | $0.51 | $432 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $108,070 | $0.51 | $432 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.80 | | |
| Break-even Occupancy | | 91.38% | | |

### Applicant - Annual Operating Expenses

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $65,050 | 0.31 | 260 |
| Management Fees | 74,485 | 0.35 | 298 |
| Payroll, Payroll Tax & Employee Exp. | 281,813 | 1.33 | 1127 |
| Maintenance/Repairs | 116,250 | 0.55 | 465 |
| Utilities | 106,250 | 0.50 | 425 |
| Property Insurance | 66,250 | 0.31 | 265 |
| Property Taxes | 138,697 | 0.65 | 555 |
| Replacement Reserves | 50,000 | 0.24 | 200 |
| Other Expenses | 51,250 | 0.24 | 205 |
| Total Expenses | $950,044 | $4.47 | $3,800 |

### Staff Notes/Comments

Other income was reduced to $30 per door. Carport income was not considered.

The Applicant will be seeking a property tax exemption.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Request approval to permit the Majority Owner of the Bonds to approve an extension of the Completion Date from December 31, 2004 to May 31, 2005 for Ironwood Crossing. A resolution from the issuer of the bonds approving same is required to effect this extension. §5.1(a) of the Loan Agreement allows the Majority Owner to approve extensions to the Completion Date from June 30, 2004 to December 31, 2004. The Majority Owner of the Bonds is requesting a modification to the Loan Agreement to extend this date to May 31, 2005. Please note: Neither CharterMac (Bond Purchaser) nor Related Capital Company (Limited Partner) will receive any additional fees as a result of the extension.

## Required Action

For the TDHCA Board to approve resolution #04-103 which would allow a modification of the Loan Agreement to allow the Majority Owner of the Bonds to grant a extension of the Completion Date from December 31, 2004 to May 31, 2005.

## Property and Borrower

The development is a 280 unit Apartment Complex located in the southwest quadrant of the intersection of Old Denton Road and Western Center Blvd situated on 26.812 acres of land in Fort Worth, Texas 76137. The original borrower was Ironwood Ranch Townhomes Limited Partnership, an Ohio limited partnership, the general partner of which is Brisben Texas, Inc., an Ohio Corporation, the manager of which is Bill Brisben.

## Background and Recommendations

On November 15, 2002 the Department closed the Bonds under the follow Series:

- $15,000,000 TDHCA Tax Exempt Multifamily Housing Mortgage Revenue Bonds (Ironwood Crossing) Series 2002A

- $1,970,000 TDHCA Taxable Multifamily Housing Mortgage Revenue Bonds (Ironwood Crossing) Series 2002B.

In August 2003, almost five months after construction commenced on Ironwood Apartments, the development's general partner became unable to complete its obligations under the partnership agreement. An affiliate of Related Capital Company immediately assumed control of the development. However, the process of engaging a replacement general contractor proved a timelier endeavor. In April 2004, Picerne Construction Corporation, one the nation's largest builders of multifamily housing, was brought in to complete the development which is now 44% complete. Construction is expected to be completed by April 15, 2005.

Staff recommends approval of the resolution to extend the completion date.

**Resolution No. 04-103**

RESOLUTION APPROVING THE FIRST AMENDMENT TO LOAN AGREEMENT; AUTHORIZING AND APPROVING THE EXTENSION OF THE COMPLETION DATE; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; 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 Department has issued its Multifamily Housing Mortgage Revenue Bonds (Ironwood Crossing) Series 2002A (the "Series A Bonds") and Texas Department of Housing and Community Affairs Taxable Multifamily Housing Mortgage Revenue Bonds (Ironwood Crossing) Series 2002B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department used the proceeds of the Bonds to fund a mortgage loan to Ironwood Ranch Townhomes Limited Partnership, an Ohio limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project (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 Department, the Borrower and the Trustee executed and delivered a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department agreed 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 executed and delivered to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, the terms of the Loan Agreement require that the Borrower attain Completion (as defined in the Loan Agreement) prior to June 30, 2004 (the "Completion Date"), as such date may be extended but in no event later than December 31, 2004; and

WHEREAS, the Department desires to extend the Completion Date to May 31, 2005 by authorizing and approving (i) the amendment of the Loan Agreement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

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

ARTICLE I

AUTHORIZATION OF FIRST AMENDMENT; APPROVAL OF DOCUMENTS

Section 1.1--Authorization of First Amendment to Loan Agreement. The Board hereby authorizes the execution and delivery by the authorized representatives of the Department named in this Resolution of the First Amendment to Loan Agreement in substantially the form attached hereto as Exhibit "A" between the Department and the Trustee, and consented to by the Majority Owner, to extend the Completion Date to May 31, 2005.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.6--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair and Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the extension of the Completion Date will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--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 9th day of December, 2004.

____________________________________
Elizabeth Anderson, Chair

ATTEST:

______________________________
Delores Groneck, Secretary

(SEAL)

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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# MULTIFAMILY FINANCE PRODUCTION DIVISION

**2004 Private Activity Multifamily Revenue Bonds**

**Providence at Village Fair Apartments**
**Approximately the 3900 block of IH35**
**Dallas, Texas**
**Chicory Court Madison III, L.P.**
**236 Units**
**Priority 1A – 50% of units at 50% AMFI remaining 50% of units at 60% AMFI**

**$14,100,000 Tax Exempt – Series 2004**

## TABLE OF EXHIBITS

# Housing Tax Credit Program
# Board Action Request
# December 13, 2004

## Action Item

Request, review, and board determination of one (1) four percent (4%) tax credit application with TDHCA as the Issuer.

## Recommendation

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

| Development No. | Name | Location | Issuer | Total Units | LI Units | Total Development | Applicant Proposed Tax Exempt Bond Amount | Requested Credit Allocation | Recommended Credit Allocation |
|---|---|---|---|---|---|---|---|---|---|
| 04479 | Providence at Village Fair | Dallas | TDHCA | 236 | 236 | $24,070,767 | $14,100,000 | $997,781 | $995,291 |

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 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 Providence of Village Fair development.

## Summary of the Providence at Village Fair Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked thirty-fourth 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 August 30, 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 November 18, 2004. There were ten (10) people in attendance with two (2) people speaking for the record. A copy of the transcript is behind Tab 9 of this pre sentation. The proposed site is located west of Interstate Highway 35 in approximately the 3900 block of IH35, Dallas, Dallas County, Texas.

## 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 $14,100,000. The bonds will be unrated and privately placed with Charter Municipal Mortgage Acceptance Company. 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 December 1, 2044. The interest rate on the bonds during the Construction Loan Period will be 5.00% per annum followed by a permanent interest rate of 6.50% per annum (See Bond Resolution 04-101 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 Providence at Village Fair development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from Charter Mac and Related Capital, the underwriting report by the Departments Real Estate Analysis Division), the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area, and the Resolution from the City of Dallas showing a need for the affordable units in the area.

**BOARD APPROVAL**
**MEMORANDUM**
**December 13, 2004**

**DEVELOPMENT:** Providence at Village Fair, Dallas, Dallas County, Texas

**PROGRAM:** Texas Department of Housing and Community Affairs
2004 Multifamily Housing Mortgage Revenue Bonds
(Reservation received 08/30/2004)

**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 Chicory Court Madison III L. P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 236 unit multifamily residential rental Development to be located to the west of Interstate Highway 35 at approximately the 3900 block of Interstate Highway 35 (SRL Thornton Freeway) and at the northwest corner of Fairshop and Village Fair, Dallas, County, Texas 75224 (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

**BOND AMOUNT:** $14,100,000 Series 2004 Tax Exempt bonds (*)
$14,100,000 Total 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 August 30, 2004 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before January 27, 2005, the anticipated closing date is December 14, 2004.

**BORROWER:** Chicory Court Madison III, LP, a Texas limited partnership, the general partner of which is Chicory GP - Madison III LLC, a Texas Limited Liability Company, with Leon Backes 100% Ownership.

** Preliminary - Represents Maximum Amount*

**COMPLIANCE HISTORY:** The Compliance Status Summary completed on November 24, 2004 reveals that the principal of the general partner above has six properties however, zero have been monitored by the Department at this time.

**ISSUANCE TEAM & ADVISORS:**

Charter Municipal Mortgage Acceptance Company ("Bond Purchaser")
Wells Fargo Bank, 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 Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

**DEVELOPMENT DESCRIPTION:**

***Site:*** The proposed affordable housing community is a 236-unit multifamily residential rental development to be constructed on approximately 20.01 acres of land located to the west of Interstate Highway 35 at approximately the 3900 block of Interstate Highway 35 (SRL Thornton Freeway) and at the northwest corner of Fairshop and Village Fair, Dallas County, Texas 75224 (the "Development"). The proposed density is 11.8 dwelling units per acre. The land is a well-located tract in a good area, along the west side of the south bound service road of IH35E, a major north/south thoroughfare within the defined Primary Market Area. The location allows access to major transportation linkages, area employers, employment center, schools, and supporting development. The site is located outside the 100-year floodplain and is ready for development. The proximity to transportation linkages and employment centers makes the site well suited for multifamily development.

***Buildings:*** The development consist of 236 units and will include a total of seventeen (17) two-story, wood-framed apartment buildings containing approximately 258,624 net rentable square feet and having an average unit size of 1,096 square feet. The subject development will consist of five (5) basic floor plans, a mix of flat and two-story, townhome style units. The subject units have a competitive amenity package including the following: cable/internet ready; nine foot ceilings; ceiling fans; full-size washer/dryer connections; the energy star rated kitchen appliances, frost free refrigerator with ice-maker, pantry, dishwasher, microwave, garbage disposal patios/balcony with storage; garden tub in master bathroom; vinyl tile flooring in entry, kitchen and bath; attached garages with townhome units; and mini blinds. Develoment amenities include: on-site leasing/management office, gated access/perimeter fencing, attached garages, detached garages, pool, BBQ grills, laundry facilities, clubhouse with business center, fitness center and room for educational programs, two playgrounds, sport court, and trash compactor.

| Units | Unit Type | Square Feet | Proposed Net Rent | |
|---|---|---|---|---|
| 25 | 1-Bed/1-Bath | 780 s.f. | $571.00 | 50% |
| 25 | 1-Bed/1-Bath | 780 s.f. | .$696.00 | 60% |
| 52 | 2-Bed/2-Bath | 1112 s.f. | $673.00 | 50% |
| 52 | 2-Bed/2-Bath | 1112 s.f. | $823.00 | 60% |
| 41 | 3-Bed/2-Bath | 1258 s.f. | $771.00 | 50% |
| 41 | 3-Bed/2-Bath | 1258 s.f. | $944.00 | 60% |
| 236 | 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 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 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 sixty (60%) of the area median income which is Priority 1A of the Bond Review Board's Priority System.

**TENANT SERVICES:** Tenant Services will be performed by Launching A Dream, Inc. a Texas non-profit corporation .

**DEPARTMENT ORIGINATION FEES:**

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$70,500 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT ANNUAL FEES:**

$14,100 Bond Administration (0.10% of first year bond amount)
$5,900 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. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)*

**ASSET OVERSIGHT FEE:** $5,900 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 $995,291 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 $8,099,235 of equity for the transaction.

**BOND STRUCTURE:**

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

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

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

**BOND INTEREST RATES**:

The interest rate on the Bonds will be 5.0% from the date of issuance until the Completion Date. On and after the Completion Date, the interest rate on the Bonds will be 6.5%.

**CREDIT ENHANCEMENT:**

The bonds will be unrated with no credit enhancement.

**FORM OF BONDS:**

The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of $100,000 and any amount in excess of $100,000.

**MATURITY/SOURCES & METHODS OF REPAYMENT:**

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

**TERMS OF THE MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the

Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF BONDS PRIOR TO MATURITY:**

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

***Mandatory Redemption:***

(a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or

(b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or

(c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or

(d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or

(e) in whole on any interest payment date on or after January 1, 2021, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or

(f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

***Optional Redemption:***

The Bonds are subject to redemption, in whole, any time on or after December 1, 2021, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:**

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

Moneys on deposit in Trust Indenture accounts 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 the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of five (5) accounts as follows:

   (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;

   (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;

   (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;

   (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;

   (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and

   (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.

2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.

3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.

4. 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 order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

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

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**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 - Wells Fargo Bank N. A. (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

3. <u>Financial Advisor</u> – 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 September 1991.

4. <u>Disclosure Counsel</u> – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**<u>ATTORNEY GENERAL REVIEW OF BONDS:</u>**

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. 04-101

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PROVIDENCE AT VILLAGE FAIR APARTMENTS) 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 Mortgage Revenue Bonds (Providence at Village Fair 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 Wells Fargo 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 Chicory Court Madison III, 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 Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

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

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Dallas County, Texas; 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 Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

## ARTICLE I

## ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 5.00% per annum from the date of issuance thereof until April 30, 2006 (the "Completion Date") or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) on and after the Completion Date, the interest rate on the Bonds shall be 6.50% per annum from the date of issuance thereof until the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (iii) the aggregate principal amount of the Bonds shall be $14,100,000; and (iv) the final maturity of the Bonds shall occur on December 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 Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the 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 Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--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 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

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

Exhibit B -Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Purchase Agreement
Exhibit G - Asset Oversight Agreement

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

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: 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 of the Board.

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

## ARTICLE II

## APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee 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 O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

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

## ARTICLE 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, or 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 Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

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

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as 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 Loan Agreement and the Regulatory Agreement.

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

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

## ARTICLE IV

## GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 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.

*[Remainder of page intentionally left blank.]*

PASSED AND APPROVED this 13th day of December, 2004.

By: __________________________________
Elizabeth Anderson, Chair

Attest: _______________________________
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

| | |
|---|---|
| Owner: | Chicory Court Madison III, LP, a Texas limited partnership |
| Project: | The Project is a 236-unit multifamily facility to be known as Providence at Village Fair Apartments and to be located at 3900 SRL Thornton Freeway, Dallas, Dallas County, Texas 75224. The Project will include a total of 17 residential apartment buildings with a total of approximately 258,624 net rentable square feet and an average unit size of approximately 1,096 square feet. The unit mix will consist of: |

| | |
|---|---|
| 50 | one-bedroom/one-bath units |
| 104 | two-bedroom/two-bath units |
| 82 | three-bedroom/two-bath units |
| 236 | Total Units |

Unit sizes will range from approximately 780 square feet to approximately 1,268 square feet.

Common areas will include a swimming pool, a children's playground, and a community building with kitchen facilities, television, vending area and telephones.

**HOUSING TAX CREDIT PROGRAM**

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Providence at Village Fair** TDHCA#: 04479

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Dallas | QCT: Y | DDA: N | TTC: N |
| Development Owner: | Chicory Court-Madison III, LP | | | |
| General Partner(s): | Chicory GP Madison III, LLC, 100%, Contact: Leon Backes | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: TDHCA | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $997,781 Eligible Basis Amt: $995,291 Equity/Gap Amt.: $1,146,180

**Annual Tax Credit Allocation Recommendation: $995,291**

Total Tax Credit Allocation Over Ten Years: $ 9,952,910

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 236 HTC Units: 236 % of HTC Units: 100

Gross Square Footage: 262,337 Net Rentable Square Footage: 258,624

Average Square Footage/Unit: 1096

Number of Buildings: 17

Currently Occupied: N

**Development Cost**

Total Cost: $24,070,767 Total Cost/Net Rentable Sq. Ft.: $93.07

**Income and Expenses**

Effective Gross Income:[1] $2,081,832 Ttl. Expenses: $937,266 Net Operating Inc.: $1,144,566

Estimated 1st Year DCR: 1.18

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | To Be Determined |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | GTF Designs |
| Accountant: | To Be Determined | Engineer: | Jones & Carter, Inc. |
| Market Analyst: | Butler Burgher, Inc | Lender: | Charter Mac Capital Solutions |
| Contractor: | Provident Realty Construction, LP | Syndicator: | Related Capital |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| **Letters:**<br># in Support: 0<br># in Opposition: 0<br>Public Hearing:<br># in Support: 6<br># in Opposition: 1<br># Neutral: 3 | Sen. Royce West, District 23 - NC<br>Rep. Yvonne Davis, District 111 - NC<br>Mayor Laura Miller - NC<br>Patricia Smith Harrington, CD Manager, City of Dallas; This development is consistent with the City of Dallas'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 Development 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. Board acceptance of possible redemption of up to $270,000 of bonds at stabilization.
3. Receipt, review, and acceptance of documentation indicating that all Phase I ESA and subsequent environmental report recommendations were followed.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit 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

# Providence at Village Fair

## Estimated Sources & Uses of Funds

| **Sources of Funds** | |
|---|---|
| Series 2004 Tax-Exempt Bond Proceeds | $ 14,100,000 |
| Tax Credit Proceeds | 8,377,000 |
| Deferred Developer's Fee | 1,388,296 |
| Estimated GIC Earning | 147,457 |
| **Total Sources** | $ 24,012,753 |

| **Uses of Funds** | |
|---|---|
| Deposit to Mortgage Loan Fund (Construction funds) | $ 19,236,541 |
| Construction Period Interest | 1,057,500 |
| Developer's Overhead & Fee | 2,825,037 |
| Costs of Issuance | |
| Direct Bond Related | 298,375 |
| Bond Purchaser Costs | 372,500 |
| Other Transaction Costs | 42,800 |
| Real Estate Closing Costs | 180,000 |
| **Total Uses** | $ 24,012,753 |

## Estimated Costs of Issuance of the Bonds

| **Direct Bond Related** | |
|---|---|
| TDHCA Issuance Fee (.50% of Issuance) | $ 70,500 |
| TDHCA Application Fee | 11,000 |
| TDHCA Bond Compliance Fee ($25 per unit) | 5,900 |
| TDHCA Bond Counsel and Direct Expenses (Note 1) | 75,000 |
| TDHCA Financial Advisor and Direct Expenses | 35,250 |
| Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1) | 2,500 |
| Borrower's Bond Counsel | 40,000 |
| Bond Administration Fee (2 years) | 28,200 |
| Trustee Fee | 10,000 |
| Trustee's Counsel (Note 1) | 6,500 |
| 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) | 3,525 |
| TEFRA Hearing Publication Expenses | 3,750 |
| **Total Direct Bond Related** | $ 298,375 |

# Providence at Village Fair

| Bond Purchase Costs | |
|---|---|
| CharterMacOrigination Fee | 141,000 |
| CharterMac Servicing and Guarantte Fee | 141,000 |
| CharterMac Due Diligence Fee | 12,500 |
| Lender's Attorney | 35,000 |
| CharterMac Inspection Fee | 43,000 |
| **Total** | $ 372,500 |

| Other Transaction Costs | |
|---|---|
| Tax Credit Determination Fee (4% annual tax cr.) | 38,000 |
| Tax Credit Applicantion Fee ($20/u) | 4,800 |
| **Total** | $ 42,800 |

| Real Estate Closing Costs | |
|---|---|
| Title & Recording (Const.& Perm.) | 130,000 |
| Property Taxes | 50,000 |
| **Total Real Estate Costs** | $ 180,000 |

| | |
|---|---|
| **Estimated Total Costs of Issuance** | $ 893,675 |

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:** | November 30, 2004 | **PROGRAM:** | 4% HTC<br>MRB | **FILE NUMBER:** | 04479<br>2004-032 |

## DEVELOPMENT NAME

Providence at Village Fair

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Chicory Court-Madison III, LP | | | **Type:** | For-profit | | |
| **Address:** | 975 One Lincoln Center | | | **City:** | Dallas | **State:** | TX |
| **Zip:** | 75240 | **Contact:** | Matt Harris | **Phone:** | (972) 239-8500 | **Fax:** | (972) 239-8373 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Chicory GP Madison III, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Leon Backes | **(%):** | N/A | **Title:** | Owner of MGP |
| **Name:** | Provident Realty Development | **(%):** | N/A | **Title:** | Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 3900 SRL Thornton Freeway | | ☒ **QCT** | | ☐ **DDA** |
| **City:** | Dallas | **County:** | Dallas | **Zip:** | 75224 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $997,781 | N/A | N/A | N/A |
| 2) $15,000,000 | 6.5% | 40 yrs | 40 yrs |

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

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF ISSUANCE OF $14,100,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE UNDERWRITTEN AT 6.5% AND REPAYMENT TERM OF 40 YEARS WITH A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $995,291 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Board acceptance of possible redemption of up to $270,000 of bonds at stabilization;
2. Receipt, review and acceptance of documentation indicating that all Phase I ESA and subsequent environmental report recommendations were followed;
3. Receipt, review and acceptance of current financial statements and a credit release form for Leon J. Backes, principal of the General Partner;

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

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 236 **# Rental Buildings** 17 **# Non-Res. Buildings** 1 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

**Net Rentable SF:** 258,624 **Av Un SF:** 1,096 **Common Area SF:** 3,713 **Gross Bldg SF:** 262,337

### STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned slab. According to the plans provided in the application the exterior will be comprised as follows: 10% masonry veneer, 30% cement fiber siding, and 60% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

### APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, cable, ceiling fans, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 3,713-square foot community building will include an activity room, management offices, fitness, maintenance, laundry facilities, a kitchen, restrooms, and a central mailroom. The community building and swimming pool are located at the entrance to/middle of the property. In addition, children's play area, sports court and perimeter fencing with limited access gate(s) are planned for the site.

**Uncovered Parking:** 255 spaces **Carports:** 0 spaces **Garages:** 182 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Providence at Village Fair is a moderately dense (12 units per acre) new construction development of affordable housing located in south Dallas. The development is comprised of 17 evenly distributed garden style walk-up residential buildings as follows:

- Twelve buildings with four one-bedroom, four two-bedroom, and six three-bedroom units;
- Four buildings with 12 two-bedroom and two three-bedroom units; and
- One building with two one-bedroom, eight two-bedroom, and two three-bedroom units.

**Architectural Review:** The unit plans appear to offer adequate storage and living space. Each unit will have a private balcony and exterior storage closet. The building exteriors are typical of current construction with stucco, hardboard and stone veneer accents. The community building will be similar in design and offers many tenant-accessible areas.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 20.01 acres 871,636 square feet **Zoning/ Permitted Uses:** PD #707*

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

* Dallas Development Code: Planned Development District No. 707 (approved 11/9/2004)

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The proposed site is located on the west side of IH 35E, north of Fairshop Drive and eight miles from the Dallas central business district.

**Adjacent Land Uses:**

- **North:** vacant land, multifamily, IH 35E, and single family;
- **South:** IH 35E, multifamily, and single family;
- **East:** vacant land, multifamily, church, commercial development, school, and religious facility; and
- **West:** commercial development.

**Site Access:** The site plan indicates frontage along the IH 35E service road, along Fairshop Drive, and at the terminus of Village Fair Drive. Access will be provided by a primary entrance from the terminus of Village Fair Drive; This will be the only exit/entrance to the site.

**Public Transportation:** Dallas Area Rapid Transit (DART) rail lines run along Lancaster/SH 342 along the eastern edge of the market area and along Westmoreland. A DART bus line runs adjacent to the site along IH 35E.

**Shopping & Services:** The subject site is served by the Dallas Independent School District. Shopping and services are readily available in the Dallas area.

**Site Inspection Findings:** TDHCA staff performed a site inspection on November 18, 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 30, 2004 was prepared by Butler Burgher Environmental, LLC (BBE) and contained the following findings and recommendations:

**Findings:**

- **Debris: "**BBE observed mounds of dirt containing what appeared to be construction debris. The materials observed were concrete rubble, carpet, asphalt, sheet rock, wood debris, empty 5-gallon containers, as well as other assorted materials. The mounds are located at the southern and western areas of the Subject property" (Executive Summary).

**Recommendations:** "Samples of the mounds should be collected utilizing a hand auger and analyzed for petroleum hydrocarbons (TPH) and asbestos-containing building materials (ACM)" (Executive Summary).

The Applicant also submitted a Limited Asbestos Inspection report dated October 2004 and prepared by Whitehead & Mueller, Inc. (W&M), which contained the following findings and recommendations:

**Findings:**

- **Debris: "**W&M inspected several debris piles on the property and collected selected samples of suspect building materials found within one of the piles…Polarized Light Microscopy…analysis indicated that none of the materials sampled contained asbestos above one percent; therefore, not qualifying as ACM" (Executive Summary).

**Recommendations:** "If ACM were detected in any of the samples collected, cleanup would be required prior to any scheduled construction activity on the Site. Unsampled materials should be assumed to contain asbestos until testing proves otherwise" (Executive Summary).

Receipt, review and acceptance of documentation indicating that all Phase I ESA and subsequent environmental report recommendations were followed is a condition of this report.

### POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside 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 | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $27,960 | $31,920 | $35,940 | $39,900 | $43,080 | $46,260 |

## MARKET HIGHLIGHTS

A market feasibility study dated October 8, 2004 was prepared by Butler Burgher ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The Primary Market Area (PMA) is that area bounded by Hampton Road to the west, SH 342 to the east, IH 30 and Trinity River to the north, and Camp Wisdom Road to the south" (p. 52). This area encompasses approximately 25.05 square miles and is equivalent to a circle with a radius of 2.80 miles.

"The subject property is physically located in the South Dallas submarket which is defined by M/PF Research, Inc. as including the City of Dallas, south of IH 30 and east of IH 35E. The subject actually lies along the boundary of this submarket and the Southwest Dallas submarket. Additionally, a small portion of the Oak Cliff submarket is also included in the PMA. Therefore, all three submarkets were analyzed" (p. 66).

**Population:** The estimated 2004 population of the PMA was 128,722 and is expected to decrease to approximately 126,248 by 2009. Within the primary market area there were estimated to be 39,597 households in 2009.
"…although the demographic data reports a declining population, direct market evidence supports new growth in the PMA as evidenced by strong absorption seen at nearby communities…" (p. 76).

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand based on renter households estimated at 40.94% of the population, income-qualified households estimated at 27.66%, and an annual renter turnover rate of 70%. (p. 75). The Market Analyst used an income band of $21,360 to $41,490.

| ANNUAL INCOME-ELIGIBLE PMA DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | (48) 2yrs | N/A | (24) | N/A |
| Resident Turnover | 3,139 | +100% | 2,690 | +100% |
| **TOTAL ANNUAL DEMAND** | **2,890** | **100%** | **2,666** | **100%** |

Ref: p. 75

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 22.20% based on 686 total proposed or unstabilized comparable units within the PMA (p. 75). The comparable units include 250 proposed for Memorial Park Townhomes which has withdrawn application for tax credits from the Department. Therefore, the Market Analyst's inclusive capture rate calculation should be reduced to 15.09%.

The Underwriter calculated an inclusive capture rate of 16.40% based on a revised demand for 2,666 affordable units.

**Market Rent Comparables:** The Market Analyst surveyed 14 comparable apartment projects totaling 2,806 units in the market area (p. 80).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (50%)** | $571 | $571 | $0 | $750 | -$179 |
| **1-Bedroom (60%)** | $696 | $696 | $0 | $750 | -$54 |
| **2-Bedroom (50%)** | $673 | $673 | $0 | $910 | -$237 |
| **2-Bedroom (60%)** | $822 | $823 | -$1 | $910 | -$88 |
| **3-Bedroom (50%)** | $771 | $771 | $0 | $1,030 | -$259 |
| **3-Bedroom (60%)** | $944 | $944 | $0 | $1,030 | -$86 |

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

**Primary Market Occupancy Rates:** In the 2nd Quarter 2004 M/PF Research reported occupancy for one-bedroom units at 82.2% to 90.6% in the submarkets listed above, occupancy for two-bedroom units at 84.6% to 91.5%, and occupancy for three-bedroom units at 82.7% to 94.9% (p. 79).

**Absorption Projections:** "An absorption rate ranging from 15 to 20 units/month is reasonable for the subject considering the desirability of the units, the demand in the market, and the competition level with older product and new housing" (p. 78).

**Other Relevant Information:** "Ewing Villas is…currently 99% occupied and leased…Madison Point is…currently in lease-up (29% occupied, 97% leased). This property is leasing at an approximate 20 units/month pace" (p. 76).

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's potential gross rent projection is slightly less than the Underwriter's estimate due to rounding error in calculating the utility allowances.

Secondary income attributable to "Cable" will be earned for allowing access to the property by the local cable television provider. A contract with Priority System, LLC indicates a fee payable to the Owner based on operator penetration.

The sample contract and plans to charge rent for 82 garages support secondary income above the current $15 per unit per month maximum guideline; however, the returns are based upon the number of tenants that choose to take advantage of the optional services. The underwriting analysis includes additional secondary income of $5.00 per unit per month based on the average of actual collections at HTC developments located in Dallas.

Overall, the Applicant's effective gross income projection is comparable to the Underwriter's estimate.

**Expenses:** The Applicant's operating expense projection is $41K, or 4% less than the Underwriter's estimate. The Underwriter's line-item expense estimates are based on the TDHCA database and IREM data. The Underwriter requested additional support for the Applicant's expense estimate in the form of actual operating history of a comparable development; instead, the Applicant submitted summary excerpts from an appraisal but no original source data. The Applicant's line-item projection for general and administrative expenses varied significantly ($22K lower) when compared to the Underwriter's estimates.

**Conclusion:** While the Applicant's effective gross income and total operating expense figure are each within 5% of the Underwriter's estimate, net operating income is more than 5% greater than the Underwriter's estimate. Therefore the Underwriter's proforma is used to determine the development's debt service capacity. The Applicant's proforma indicates the development will be able to achieve an initial debt coverage ratio within the Department's guideline of 1.10 to 1.30 based on the proposed financing structure. However the Underwriter's estimate is slightly below 1.10 suggesting a reduction in debt service to $971,624 and based on the terms of the debt a likely redemption of $270,000 in bonds. Board acceptance of this possible redemption is a condition of this report.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 20.001 acres** | $1,180,000 | **Date of Valuation:** | 10/ 01/ 2004 |
| **Completed Development:** ***"encumbered/stabilized"*** | $14,900,000 | **Date of Valuation:** | 10/ 01/ 2004 |
| **Completed Development:** ***"unencumbered/stabilized"*** | $15,200,000 | **Date of Valuation:** | 10/ 01/ 2004 |

**Appraiser:** Butler Burgher, Inc. **City:** Dallas **Phone:** (214) 739-0700

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 11.0 + 9.0 acres** | $136,880 | **Assessment for the Year of:** | 2004 |
| **Building:** | N/A | **Valuation by:** | Dallas County Appraisal District |
| **Total Assessed Value:** | $136,880 | **Tax Rate:** | 2.88046 |

### EVIDENCE of SITE or PROPERTY CONTROL

**Type of Site Control:** Earnest money contract (20 acres)

| | | | |
|---|---|---|---|
| **Contract Expiration Date:** | 01/ 15/ 2005 | **Anticipated Closing Date:** | 01/ 15/ 2005 |
| **Acquisition Cost:** | $1,089,000 | **Other Terms/Conditions:** | |

**Seller:** Warner C Lusardi Family Trust **Related to Development Team Member:** No

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1.25/SF, $54,450/acre, or $4,615/unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's costs are slightly more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Fees:** The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by $4,076 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, as adjusted by the Underwriter for overstated eligible developer fees, will be used to estimate eligible basis and determine the development's need for permanent funds. An eligible basis of $21,627,365 results in annual tax credits of $995,291. The Applicant calculated credits based on a 3.55% applicable percentage but the underwriting applicable percentage at the time the full application was submitted was slightly lower at 3.54%. The resulting credit figure will be compared to the Applicant's request and the tax credits resulting from the development's gap in need for permanent funds to determine the recommended allocation.

## FINANCING STRUCTURE

### INTERIM TO PERMANENT BOND FINANCING

**Source:** Charter Mac **Contact:** Marnie Miller

**Tax-Exempt Amount:** $14,100,000 **Interest Rate:** 6.50%, fixed

**Additional Information:** 5.0% fixed interest rate during construction period

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

**Annual Payment:** $990,593 **Lien Priority:** 1st **Commitment Date** 04/ 08/ 2004

**TAX CREDIT SYNDICATION**

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

**Net Proceeds:** $8,194,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 87¢

**Commitment** ☒ LOI ☐ Firm ☒ Conditional **Date:** 09/ 10/ 2004

**Additional Information**:

**APPLICANT EQUITY**

**Amount:** $98,000 **Source:** GIC

**Amount:** $1,192,072 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and purchased by Charter Mac. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. However, the Applicant's original request reflects a bond amount of $15,000,000, while the commitment indicates $14,100,000.

**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 underwriting analysis combines the Applicant's projected income from a Guaranteed Investment Contract with projected deferred developer fees due to the risky nature of GIC income. The combined amount of $1,290,072 is 46% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant's cost schedule, as adjusted by the Underwriter for overstated eligible developer fees, is used to estimate eligible basis and determine the development's need for permanent funds. The resulting tax credits of $995,291 is the recommended annual allocation as it is lower than both the Applicant's request and the tax credits resulting from the gap in need for permanent funds. Based on the syndication commitment to contribute $0.87 per tax credit dollar available to the limited partner, syndication proceeds in the amount of $8,658,169 are anticipated. As discussed above the Underwriter is projecting an debt coverage ration below 1.10 resulting in a likely reduction of bonds to $13,830,000. The additional $270,000 in required funds can be sourced by additional developer fee if ultimately required. It is likely the developer will defer $1,582,598 or 56% of developer fees. This amount appears to be repayable from development cashflow within 10 years of stabilized operation.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and General Contractor 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.
- Leon J. Backes, principal and designated guarantor of the General Partner, must submit current financial statements and a credit release form. Receipt, review and acceptance of such documentation is a condition of this report.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant environmental risk exists regarding proper disposal of untested construction debris located on

the proposed site.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Lisa Vecchietti* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Providence at Village Fair, Dallas, 4% HTC #04479/MRB #2004-032***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Utilities | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC 50% | 25 | 1 | 1 | 780 | $623 | $571 | $14,275 | $0.73 | $57.00 | $62.00 |
| TC 60% | 25 | 1 | 1 | 780 | 748 | $696 | 17,400 | 0.89 | 57.00 | 62.00 |
| TC 50% | 52 | 2 | 2 | 1,112 | 748 | $673 | 34,996 | 0.61 | 83.00 | 75.00 |
| TC 60% | 52 | 2 | 2 | 1,112 | 898 | $823 | 42,796 | 0.74 | 83.00 | 75.00 |
| TC 50% | 41 | 3 | 2 | 1,268 | 864 | $771 | 31,611 | 0.61 | 103.00 | 88.00 |
| TC 60% | 41 | 3 | 2 | 1,268 | 1,037 | $944 | 38,704 | 0.74 | 103.00 | 88.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL: | 236 | | AVERAGE: | 1,096 | $838 | $762 | $179,782 | $0.70 | $84.44 | $76.76 |

| INCOME | Total Net Rentable Sq Ft: 258,624 | | TDHCA | APPLICANT | Comptroller's Region | 3 |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $2,157,384 | $2,156,760 | IREM Region | Dallas |
| Secondary Income | Per Unit Per Month: | $15.00 | 42,480 | 79,236 | $27.98 | Per Unit Per Month |
| Other Support Income: Cable, Telephone, 82 | Per Unit Per Month: | $5.00 | 14,160 | 14,628 | $5.17 | Per Unit Per Month |
| POTENTIAL GROSS INCOME | | | $2,214,024 | $2,250,624 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (166,052) | (168,792) | -7.50% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | |
| EFFECTIVE GROSS INCOME | | | $2,047,972 | $2,081,832 | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.70% | $408 | 0.37 | $96,286 | $74,760 | $0.29 | $317 | 3.59% |
| Management | | 5.00% | 434 | 0.40 | 102,399 | 104,092 | 0.40 | 441 | 5.00% |
| Payroll & Payroll Tax | | 9.85% | 855 | 0.78 | 201,780 | 194,134 | 0.75 | 823 | 9.33% |
| Repairs & Maintenance | | 4.87% | 423 | 0.39 | 99,815 | 91,980 | 0.36 | 390 | 4.42% |
| Utilities | | 2.18% | 190 | 0.17 | 44,742 | 48,380 | 0.19 | 205 | 2.32% |
| Water, Sewer, & Trash | | 4.58% | 398 | 0.36 | 93,836 | 90,660 | 0.35 | 384 | 4.35% |
| Property Insurance | | 3.16% | 274 | 0.25 | 64,656 | 61,360 | 0.24 | 260 | 2.95% |
| Property Tax | 2.88046 | 9.96% | 864 | 0.79 | 203,937 | 200,600 | 0.78 | 850 | 9.64% |
| Reserve for Replacements | | 2.30% | 200 | 0.18 | 47,200 | 47,200 | 0.18 | 200 | 2.27% |
| Services, Compliance, Dallas Monitoring Fee | | 1.18% | 102 | 0.09 | 24,100 | 24,100 | 0.09 | 102 | 1.16% |
| TOTAL EXPENSES | | 47.79% | $4,147 | $3.78 | $978,750 | $937,266 | $3.62 | $3,971 | 45.02% |
| NET OPERATING INC | | 52.21% | $4,531 | $4.13 | $1,069,222 | $1,144,566 | $4.43 | $4,850 | 54.98% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 48.37% | $4,197 | $3.83 | $990,593 | $1,020,417 | $3.95 | $4,324 | 49.02% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 3.84% | $333 | $0.30 | $78,629 | $124,149 | $0.48 | $526 | 5.96% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.08 | 1.12 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

## CONSTRUCTION COST

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 4.67% | $4,661 | $4.25 | $1,100,000 | $1,100,000 | $4.25 | $4,661 | 4.57% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.51% | 7,495 | 6.84 | 1,768,820 | 1,768,820 | 6.84 | 7,495 | 7.35% |
| Direct Construction | | 49.25% | 49,164 | 44.86 | 11,602,729 | 12,303,516 | 47.57 | 52,134 | 51.11% |
| Contingency | 5.00% | 2.84% | 2,833 | 2.59 | 668,577 | 703,617 | 2.72 | 2,981 | 2.92% |
| General Req'ts | 6.00% | 3.41% | 3,400 | 3.10 | 802,293 | 844,340 | 3.26 | 3,578 | 3.51% |
| Contractor's G & A | 2.00% | 1.14% | 1,133 | 1.03 | 267,431 | 281,447 | 1.09 | 1,193 | 1.17% |
| Contractor's Profit | 6.00% | 3.41% | 3,400 | 3.10 | 802,293 | 844,340 | 3.26 | 3,578 | 3.51% |
| Indirect Construction | | 4.58% | 4,570 | 4.17 | 1,078,450 | 1,078,450 | 4.17 | 4,570 | 4.48% |
| Ineligible Costs | | 5.69% | 5,675 | 5.18 | 1,339,325 | 1,339,325 | 5.18 | 5,675 | 5.56% |
| Developer's G & A | 2.00% | 1.53% | 1,523 | 1.39 | 359,449 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.92% | 9,900 | 9.03 | 2,336,421 | 2,825,037 | 10.92 | 11,970 | 11.74% |
| Interim Financing | | 4.17% | 4,160 | 3.80 | 981,875 | 981,875 | 3.80 | 4,160 | 4.08% |
| Reserves | | 1.91% | 1,902 | 1.74 | 448,911 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $99,816 | $91.08 | $23,556,575 | $24,070,767 | $93.07 | $101,995 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *67.55%* | ***$67,424*** | ***$61.53*** | ***$15,912,144*** | ***$16,746,080*** | ***$64.75*** | ***$70,958*** | *69.57%* |

## SOURCES OF FUNDS

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 59.86% | $59,746 | $54.52 | $14,100,000 | $14,100,000 | $13,830,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $2,820,961 |
| HTC Syndication Proceeds | 36.85% | $36,783 | $33.56 | 8,680,695 | 8,680,695 | 8,658,169 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 5.48% | $5,466 | $4.99 | 1,290,072 | 1,290,072 | 1,582,598 | 56% |
| Additional (excess) Funds Required | -2.18% | ($2,179) | ($1.99) | (514,192) | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $23,556,575 | $24,070,767 | $24,070,767 | $3,939,030 |

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.16 | $11,162,418 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.80% | | $0.35 | $89,299 |
| 9-Ft. Ceilings | 3.10% | | 1.34 | 346,035 |
| Detached Garages | 27.08 | 16400 | 1.72 | 444,112 |
| Subfloor | | | (1.02) | (262,503) |
| Floor Cover | | | 2.00 | 517,248 |
| Porches/Balconies | $17.59 | 27956 | 1.90 | 491,746 |
| Plumbing | $605 | 558 | 1.31 | 337,590 |
| Built-In Appliances | $1,650 | 236 | 1.51 | 389,400 |
| Interior Stairs | $900 | 100 | 0.35 | 90,000 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 395,695 |
| Built-in Garages | $19.62 | 20,000 | 1.52 | 392,400 |
| Comm &/or Aux Bldgs | $62.22 | 4,560 | 1.10 | 283,732 |
| Exterior Stairs | $1,450.00 | 34 | 0.19 | 49,300 |
| SUBTOTAL | | | 56.94 | 14,726,472 |
| Current Cost Multiplier | 1.08 | | 4.56 | 1,178,118 |
| Local Multiplier | 0.89 | | (6.26) | (1,619,912) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $55.23 | $14,284,678 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.15) | ($557,102) |
| Interim Construction Interes | 3.38% | | (1.86) | (482,108) |
| Contractor's OH & Profit | 11.50% | | (6.35) | (1,642,738) |
| NET DIRECT CONSTRUCTION COSTS | | | $44.86 | $11,602,729 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $14,100,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.08 |
| Secondary | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.08 |
| Additional | $8,680,695 | Term | |
| Int Rate | | Aggregate DCR | 1.08 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $971,624 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $97,598 |

| | | | |
|---|---|---|---|
| Primary | $13,830,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.10 |
| Secondary | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |
| Additional | $8,680,695 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

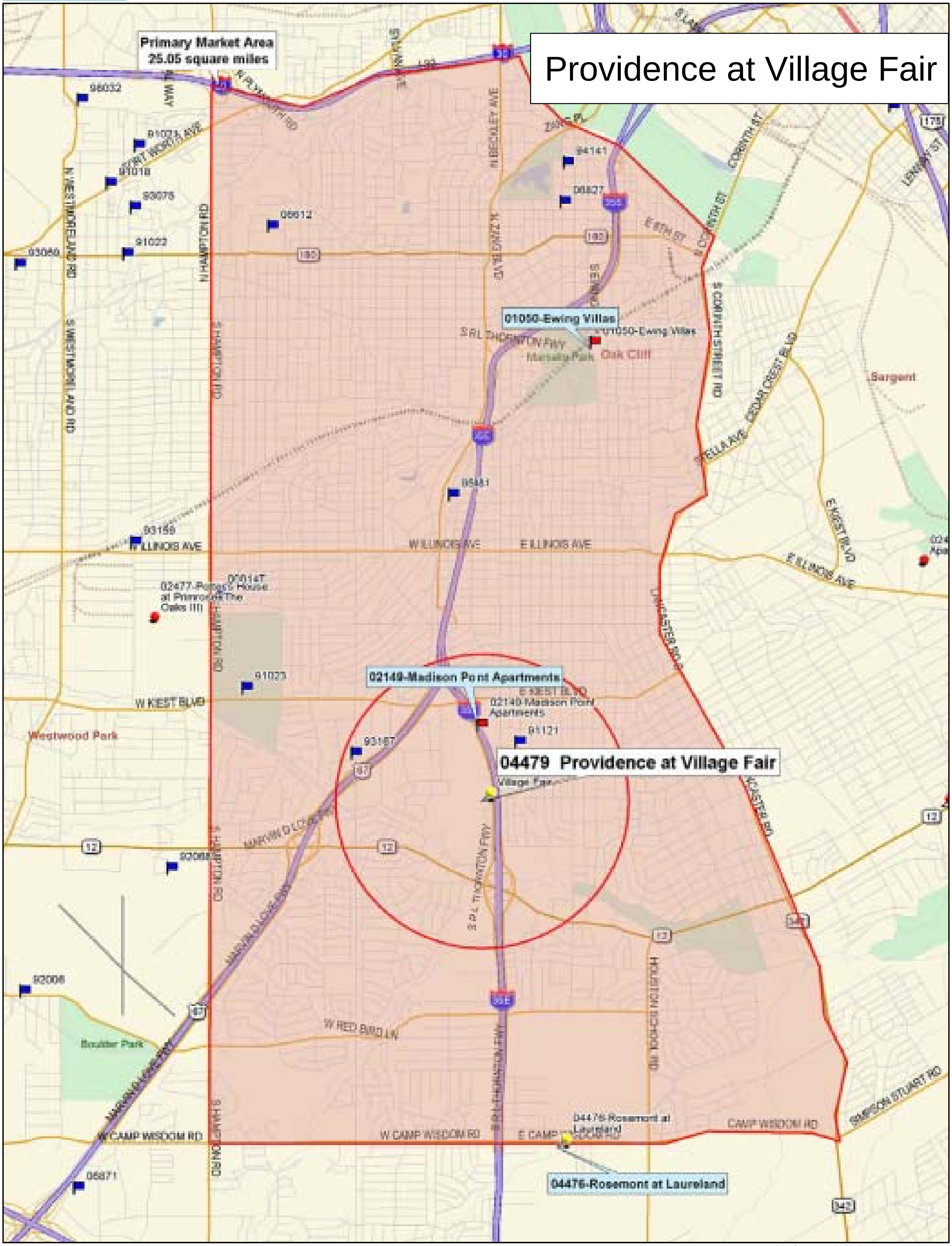
## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,157,384 | $2,222,106 | $2,288,769 | $2,357,432 | $2,428,155 | $2,814,897 | $3,263,237 | $3,782,986 | $5,084,017 |
| Secondary Income | 42,480 | 43,754 | 45,067 | 46,419 | 47,812 | 55,427 | 64,255 | 74,489 | 100,107 |
| Other Support Income: Cable, | 14,160 | 14,585 | 15,022 | 15,473 | 15,937 | 18,476 | 21,418 | 24,830 | 33,369 |
| POTENTIAL GROSS INCOME | 2,214,024 | 2,280,445 | 2,348,858 | 2,419,324 | 2,491,904 | 2,888,799 | 3,348,910 | 3,882,304 | 5,217,493 |
| Vacancy & Collection Loss | (166,052) | (171,033) | (176,164) | (181,449) | (186,893) | (216,660) | (251,168) | (291,173) | (391,312) |
| Employee or Other Non-Renta | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,047,972 | $2,109,411 | $2,172,694 | $2,237,875 | $2,305,011 | $2,672,139 | $3,097,742 | $3,591,132 | $4,826,181 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $96,286 | $100,137 | $104,143 | $108,308 | $112,641 | $137,044 | $166,736 | $202,859 | $300,281 |
| Management | 102,399 | 105,471 | 108,635 | 111,894 | 115,251 | 133,607 | 154,887 | 179,557 | 241,309 |
| Payroll & Payroll Tax | 201,780 | 209,851 | 218,245 | 226,975 | 236,054 | 287,196 | 349,418 | 425,120 | 629,281 |
| Repairs & Maintenance | 99,815 | 103,807 | 107,960 | 112,278 | 116,769 | 142,068 | 172,847 | 210,295 | 311,287 |
| Utilities | 44,742 | 46,532 | 48,393 | 50,329 | 52,342 | 63,682 | 77,479 | 94,265 | 139,536 |
| Water, Sewer & Trash | 93,836 | 97,590 | 101,493 | 105,553 | 109,775 | 133,558 | 162,494 | 197,699 | 292,642 |
| Insurance | 64,656 | 67,242 | 69,932 | 72,729 | 75,638 | 92,026 | 111,963 | 136,220 | 201,640 |
| Property Tax | 203,937 | 212,094 | 220,578 | 229,401 | 238,577 | 290,265 | 353,152 | 429,664 | 636,007 |
| Reserve for Replacements | 47,200 | 49,088 | 51,052 | 53,094 | 55,217 | 67,180 | 81,735 | 99,443 | 147,200 |
| Other | 24,100 | 25,064 | 26,067 | 27,109 | 28,194 | 34,302 | 41,733 | 50,775 | 75,159 |
| TOTAL EXPENSES | $978,750 | $1,016,876 | $1,056,496 | $1,097,670 | $1,140,458 | $1,380,928 | $1,672,444 | $2,025,897 | $2,974,344 |
| NET OPERATING INCOME | $1,069,222 | $1,092,535 | $1,116,197 | $1,140,205 | $1,164,553 | $1,291,211 | $1,425,297 | $1,565,235 | $1,851,837 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $971,624 | $971,624 | $971,624 | $971,624 | $971,624 | $971,624 | $971,624 | $971,624 | $971,624 |
| 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 | $97,598 | $120,911 | $144,573 | $168,580 | $192,929 | $319,587 | $453,673 | $593,611 | $880,213 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.17 | 1.20 | 1.33 | 1.47 | 1.61 | 1.91 |

## LIHTC Allocation Calculation - Providence at Village Fair, Dallas, 4% HTC #04479/MRB #2004-

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,100,000 | $1,100,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,768,820 | $1,768,820 | $1,768,820 | $1,768,820 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $12,303,516 | $11,602,729 | $12,303,516 | $11,602,729 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $281,447 | $267,431 | $281,447 | $267,431 |
| Contractor profit | $844,340 | $802,293 | $844,340 | $802,293 |
| General requirements | $844,340 | $802,293 | $844,340 | $802,293 |
| **(5) Contingencies** | $703,617 | $668,577 | $703,617 | $668,577 |
| **(6) Eligible Indirect Fees** | $1,078,450 | $1,078,450 | $1,078,450 | $1,078,450 |
| **(7) Eligible Financing Fees** | $981,875 | $981,875 | $981,875 | $981,875 |
| **(8) All Ineligible Costs** | $1,339,325 | $1,339,325 | | |
| **(9) Developer Fees** | | | $2,820,961 | |
| Developer overhead | | $359,449 | | $359,449 |
| Developer fee | $2,825,037 | $2,336,421 | | $2,336,421 |
| **(10) Development Reserves** | | $448,911 | $2,820,961 | [illegible] |
| **TOTAL DEVELOPMENT COSTS** | $24,070,767 | $23,556,575 | $21,627,365 | $20,668,339 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $21,627,365 | $20,668,339 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $28,115,575 | $26,868,841 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $28,115,575 | $26,868,841 |
| Applicable Percentage | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $995,291 | $951,157 |
| **Syndication Proceeds** | **0.8699** | **$8,658,169** | **$8,274,238** |
| **Total Credits (Eligible Basis Method)** | | **$995,291** | **$951,157** |
| **Syndication Proceeds** | | **$8,658,169** | **$8,274,238** |
| **Requested Credits** | | **$997,781** | |
| **Syndication Proceeds** | | **$8,679,827** | |
| **Gap of Syndication Proceeds Needed** | | **$10,240,767** | |
| **Credit Amount** | | **$1,177,217** | |

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TN
MN (4.9°E)

Scale 1 : 56,250
1" = 4,687.5 ft
Data Zoom 11-7

# 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 | Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) | | |
| # of Persons | At or Below 50% | 60% | 80% | Unit Type | At or Below 50% | 60% | 80% | (provided by the local PHA) | At or Below 50% | 60% | 80% |
| 1 | $ 23,300 | $ 27,960 | $ 37,250 | Efficiency | $ 582 | $ 699 | $ 931 | | $ 582 | $ 699 | $ 931 |
| 2 | 26,600 | 31,920 | $ 42,550 | 1-Bedroom | 623 | 748 | 997 | 52.00 | 571 | 696 | 945 |
| **3** | **29,950** | **35,940** | **$ 47,900** | **2-Bedroom** | **748** | **898** | **1,197** | **75.00** | **673** | **823** | **1,122** |
| 4 | 33,250 | 39,900 | $ 53,200 | 3-Bedroom | 864 | 1,037 | 1,383 | 93.00 | 771 | 944 | 1,290 |
| 5 | 35,900 | 43,080 | $ 57,450 | | | | | | | | |
| 6 | 38,550 | 46,260 | $ 61,700 | 4-Bedroom | 963 | 1,156 | 1,542 | | 963 | 1,156 | 1,542 |
| 7 | 41,250 | 49,500 | $ 65,950 | 5-Bedroom | 1,064 | 1,277 | 1,701 | | 1,064 | 1,277 | 1,701 |
| 8 | 43,900 | 52,680 | $ 70,200 | | | | | | | | |
| FIGURE 1 | | | | FIGURE 2 | | | | FIGURE 3 | FIGURE 4 | | |

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

***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***.

## Providence at Village Fair

# RESULTS & ANALYSIS: for 50% AMFI Units

**Tenants** in the 50% AMFI bracket will **save $179 to $259** per month (leaving 8.1% to 9.5% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **23.9% to 26.0%**.

| **PROJECT INFORMATION** | | | |
|---|---|---|---|
| | | **Unit Mix** | |
| Unit Description | 1-Bedroom | 2-Bedroom | 3-Bedroom |
| Square Footage | 780 | 1,112 | 1,268 |
| Rents if Offered at Market Rates | $750 | $910 | $1,030 |
| Rent per Square Foot | $0.96 | $0.82 | $0.81 |

| **SAVINGS ANALYSIS FOR 60% AMFI GROUPING** | | | |
|---|---|---|---|
| Rent Cap for 50% AMFI Set-Aside | $571 | $673 | $771 |
| **Monthly Savings for Tenant** | **$179** | **$237** | **$259** |
| Rent per square foot | $0.73 | $0.61 | $0.61 |
| Maximum Monthly Income - 50% AMFI | $2,217 | $2,496 | $2,881 |
| **Monthly Savings as % of Monthly Income** | **8.1%** | **9.5%** | **9.0%** |
| **% DISCOUNT OFF MONTHLY RENT** | **23.9%** | **26.0%** | **25.1%** |

**Information provided by**: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 77206. Report dated October 8, 2004.

## Providence at Village Fair

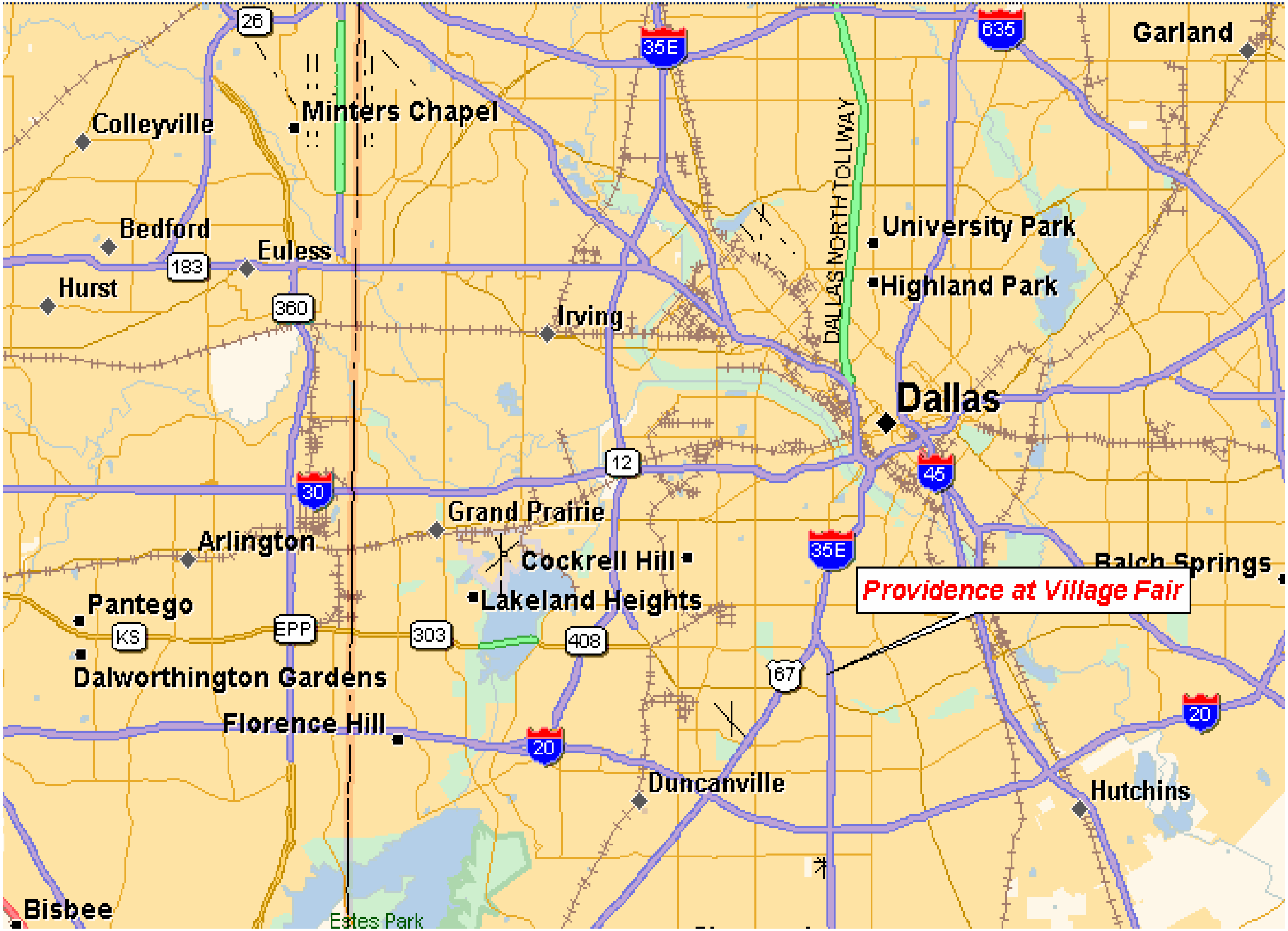
# RESULTS & ANALYSIS: for 60% AMFI units

**Tenants** in the 60% AMFI bracket will **save $54 to $86** per month (leaving 2.0% to 2.9% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **7.2% to 9.6%**.

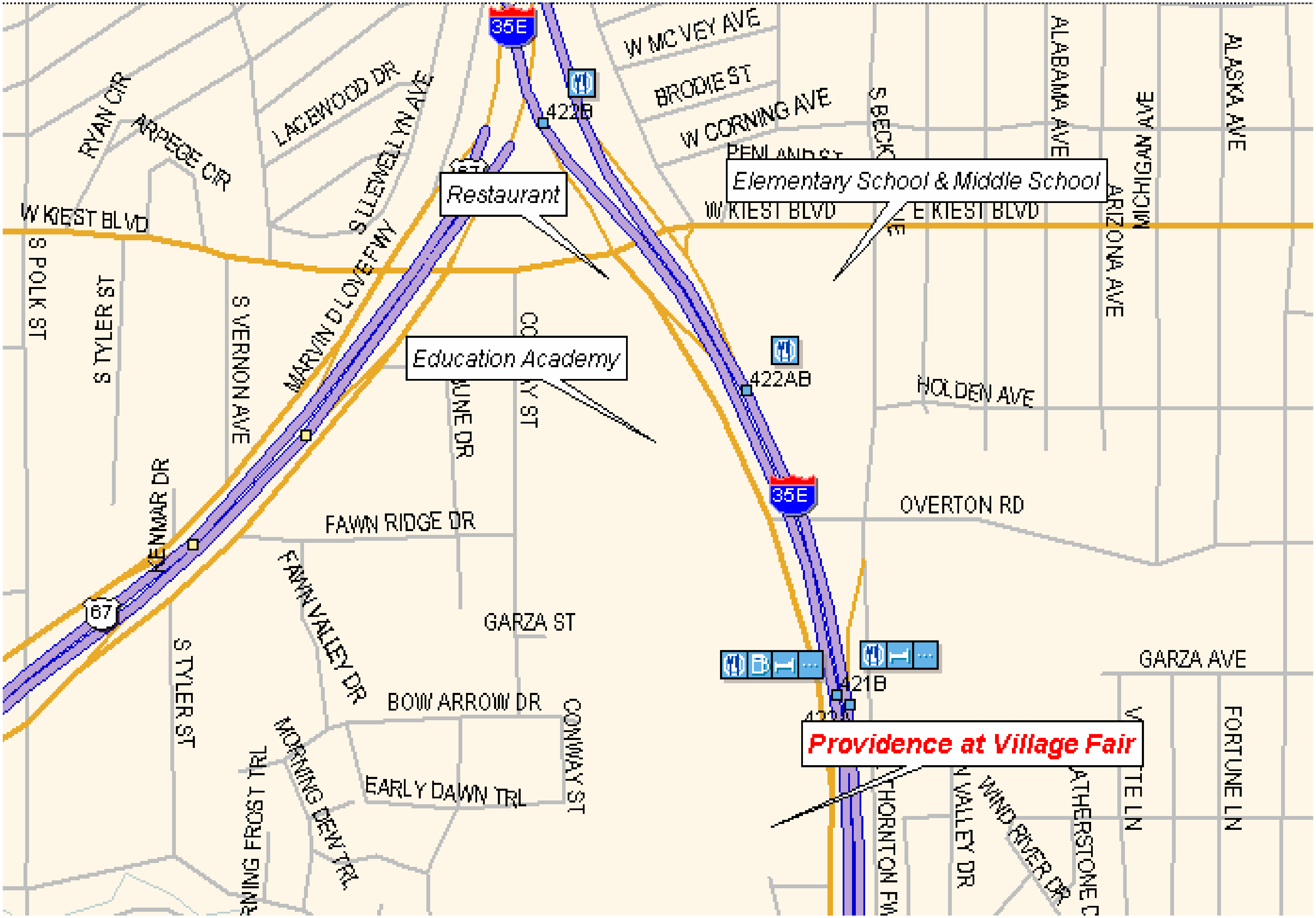
| **PROJECT INFORMATION** | | | |
|---|---|---|---|
| | | **Unit Mix** | |
| Unit Description | 1-Bedroom | 2-Bedroom | 3-Bedroom |
| Square Footage | 780 | 1,112 | 1,268 |
| Rents if Offered at Market Rates | $750 | $910 | $1,030 |
| Rent per Square Foot | $1.04 | $1.22 | $1.23 |

| **SAVINGS ANALYSIS FOR 60% AMFI GROUPING** | | | |
|---|---|---|---|
| Rent Cap for 60% AMFI Set-Aside | $696 | $823 | $944 |
| **Monthly Savings for Tenant** | **$54** | **$87** | **$86** |
| Rent per square foot | $0.89 | $0.74 | $0.74 |
| | | | |
| Maximum Monthly Income - 60% AMFI | $2,660 | $2,995 | $3,458 |
| **Monthly Savings as % of Monthly Income** | **2.0%** | **2.9%** | **2.5%** |
| **% DISCOUNT OFF MONTHLY RENT** | **7.2%** | **9.6%** | **8.3%** |

**Information provided by**: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated October 8, 2004.



Garland
Colleyville
Minters Chapel
Bedford
Euless
Hurst
University Park
Highland Park
DALLAS NORTH TOLLWAY
Irving
Dallas
Grand Prairie
Arlington
Cockrell Hill
Lakeland Heights
Balch Springs
Providence at Village Fair
Pantego
Dalworthington Gardens
Florence Hill
Duncanville
Hutchins
Bisbee
Estes Park
26
35E
635
183
360
12
30
45
EPP
KS
303
408
67
20



Providence at Village Fair
Elementary School & Middle School
Restaurant
Education Academy
35E
67
422B
422AB
421B
W MC VEY AVE
BRODIE ST
W CORNING AVE
W KIEST BLVD
E KIEST BLVD
LACEWOOD DR
RYAN CIR
ARPEGE CIR
S LLEWELLYN AVE
MARVIN D LOVE FWY
S POLK ST
S TYLER ST
S VERNON AVE
KENMAR DR
FAWN RIDGE DR
FAWN VALLEY DR
GARZA ST
BOW ARROW DR
CONWAY ST
EARLY DAWN TRL
MORNING DEW TRL
ALABAMA AVE
ARIZONA AVE
MICHIGAN AVE
ALASKA AVE
HOLDEN AVE
OVERTON RD
GARZA AVE
FORTUNE LN
WIND RIVER DR

# Applicant Evaluation

Project ID # **04479** Name: **Providence at Village Fair** City: **Dallas**

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

☐ Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

## Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance **Yes** ☐ **No** ☑

# in noncompliance: 0

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

# monitored with a score less than thirty: 0

# not yet monitored or pending review: 6

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

| **Portfolio Monitoring** | | **Single Audit** | | **Contract Administration** | |
|---|---|---|---|---|---|
| Not applicable | ☑ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Issues found regarding late cert | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Issues found regarding late audit | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| | | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |

Reviewed by Patricia Murphy Date 11/24/2004

| **Multifamily Finance Production** | | **Single Family Finance Production** | | **Real Estate Analysis (Cost Certification and Workout)** | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☑ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| Reviewer | R Meyer | Reviewer | | Reviewer | |
| Date | 11/22/2004 | Date | | Date | |

| **Community Affairs** | | **Office of Colonia Initiatives** | | **Financial Administration** | |
|---|---|---|---|---|---|
| No relationship | ☐ | Not applicable | ☐ | No delinquencies found | ☐ |
| Review pending | ☐ | Review pending | ☐ | Delinquencies found | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | | |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | | |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |
| Reviewer | | Reviewer | | Reviewer | |
| Date | | Date | | Date | |

**Executive Director:** ____________ **Executed:** ____________

# Status Summary

**Project ID#** 04479

**Name:** Providence at Village Fair

**City** Dallas

**Region:**

☐ **LIHTC 9** ☑ **LIHTC 4**
☐ **HOME** ☐ **HTF**
☐ **Bond** ☐ **SEC**
☐ **ESGP** ☐ **Other**

| Developer/Applicant | Role | Disbarred | No Pre-Cert |
|---|---|---|---|
| Chicory Court Madison III, LP | Applicant Name | ☐ | ☐ |
| Chicory GP Madison III, LLC | General Partner (.01%) | ☐ | ☐ |
| Leon Backes | Shareholder (100%) | ☐ | ☐ |

**Projects/Contracts Monitored by the Department**

| Progra | Contract/Project I | Contract/Project Nam | Score | Not On Ap |
|---|---|---|---|---|
| HTC | 02474 | Providence Place | N/A | ☐ |
| HTC | 02475 | Providence on the Park | N/A | ☐ |
| HTC | 03455 | Providence at Rush Creek | N/A | ☐ |
| HTC | 03462 | Providence at Veterans Memorial | N/A | ☐ |
| HTC | 04191 | Providence at Boca Chica | N/A | ☐ |
| HTC | 04193 | Providence at Edinburg | N/A | ☐ |

**Out of State Response Received:** N/A

**Non-Compliance Reported**

**Completed By:** Jo En Taylor **Date:** 11/24/2004

**Approved By** Patricia Murphy **Date:** 11/24/2004

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

## Public Comment Summary

## Providence at Village Fair

**Public Hearing**

| | |
|---|---|
| *Total Number Attended* | 10 |
| *Total Number Opposed* | 1 |
| *Total Number Supported* | 6 |
| *Total Number Neutral* | 3 |
| *Total Number that Spoke* | 2 |

**Public Officials Letters Received**

| | |
|---|---|
| *Opposition* | 0 |
| *Support* | 0 |

**General Public Letters and Emails Received**

| | |
|---|---|
| *Opposition* | 0 |
| *Support* | 0 |

**Summary of Public Comment**

**1** Local community neighborhood supports due to services to residents.
**2** Benefit the community by cleaning up the area
**3** Reduce crime in the area due to clean up
**4** Improve the appearance of the area

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2004

PROVIDENCE AT VILLAGE FAIR

PUBLIC HEARING

J. J. McMillan Elementary School
3434 S.R.L. Thornton Freeway
Dallas, Texas 75224

November 18, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MEYER: I'm going to give you a brief presentation here, and I'm here to take public comment. My name is Robbye Meyer, with the Texas Department of Housing and Community Affairs, and I'm here to receive your comments concerning the Providence of Village Fair apartments, which will be located on the west of 35, just about a quarter mile down from where we are right now.

This developer has applied to the Department for tax-exempt bonds and for housing tax credits. Both of these programs were created by the federal government to encourage development of affordable housing. The program is administered by the Texas Bond Review Board, and the Texas Department of Housing and Community Affairs is an issuer for the Texas Bond Review Board.

Tax-exempt bonds is a financial instrument that developers use. The tax-exemption is not to the developer, though; it is to the purchaser of the bonds. It's not a property-tax exemption in any way. This particular developer will be paying property taxes.

The housing tax credits are much like a deduction on your income tax for your home that you have. It has the same net effect to the IRS, and again, these are both federal programs that were designed to increase the production of affordable housing. It's not Section 8 project-based housing, which a lot of people get it confused with. It is privately owned, privately managed, and there will be private lenders involved.

There will also be a 30-year compliance period with the state for this particular development, and within that compliance, they make sure that the rents are restricted, like they are supposed to be; that the tenant occupancy is what it's supposed to be; that the physical appearance of the development; and also financial audits are also done.

This particular development, the Providence at Village Fair, will consists of 17 two-story residential buildings and one non-residential building. There will be 236 units total. Fifty of those will be one-bedroom, one-bath units with approximately 780 square feet. There will be 104 two-bedroom, two-bath units with approximate square footage of 1112 feet, and 82 three-bedroom, two-bath units with approximately square footage of 1268 square feet.

Fifty percent of the units that will be there will service families at or below 50 percent of the area median income, and the remaining 50 percent of those units will service families at 60 percent or below the area median income. To give you an example, the Dallas metroplex area median income is $65,100. A family of four could not have more than a combined income, on the 50 percent side, at $33,250 per annum, and no more than $39,900 at the 60 percent level.

Approximate rents for both categories -- for 50 percent rent on a one-bedroom is approximately $571. On the 60 percent, it would $696 on a one-bedroom. Two-bedroom units, at 50 percent rents, would be $673. Sixty percent rent would be $823 for a two-bedroom, and then for a three-bedroom units, at 50 percent, it would be $771 a month, and for the 60 percent, it would $944 for a three-bedroom.

The public comment period doesn't end tonight. If you decide later on that you would like to make additional comments, you can send that information to me in writing or by email, or you can fax it to me. If you get one of the packets of information up here, my information and how to get in touch with me is in that packet, and all three of those services are available to you to send that information in.

We do need to receive it by November 26, so by 5:00 on November 26 I need to have any additional comments. This particular transaction, this development, will be presented to the Texas Department of Housing and

Community Affairs Board on December 9. That's when it's scheduled to appear. And again, if you need my information, you can get it there. It's in that packet. Also, the developer's information is in that packet also, if you would like to get in touch with him.

At this time, I'm going to read a brief speech to actually start the hearing itself, and then I'll open the floor up for any comments that you would like to make.

Again, my name is Robbye Meyer, and I would like to proceed with the public hearing, and let the record show that it is 6:33, Thursday, November 18, and we are at the J. J. McMillan Elementary School cafeteria. It is located at 3434 S.R.L. Thornton Freeway, in Dallas, Texas, and I'm here to conduct a hearing on behalf of the Texas Department of Housing and Community Affairs with respect to the issuance of tax-exempt, multifamily revenue bonds for residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance. No decisions regarding the development will be made at this hearing. The Department's Board is scheduled to meet to consider this transaction on December 9, 2004. In addition to providing your comments at this hearing, you may also appear in front of the Board and make comments directly to the Board at that meeting. The Department staff will also accept written comments from the public up until 5:00 on November 26.

The bonds will be issued as tax-exempt, multifamily revenue bonds in the aggregate principal amount not to exceed $13,400,00, and taxable bonds, if necessary, in an amount to be determined, and issued in one more series, by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Chicory Court-Madison III, L.P., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 236-unit multifamily residential rental development to be constructed on approximately 20 acres of land located at approximately the 3900 block of IH-35 in Dallas, Dallas County, Texas.

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

I will now open the floor up for public comment, and the first speaker that I have is Akbhar Ali.

(No response.)

MS. MEYER: Mr. Whitaker? Oh, you're Whitaker?

MR. WHITAKER: I retract once you told me where the location was.

MS. MEYER: Okay. So you don't want to speak now.

MR. WHITAKER: No.

MS. MEYER: The next one is Charletta Compton.

MS. COMPTON: My name is Charletta Compton. My business is Rogers and Associates. My mailing address is 3709 Palmeroy Drive, Dallas, Texas 75233. I worked on this project for the developer. There were three community meetings, attended by not only community members, but also City Councilwoman Maxine Thornton Reese and her planning commissioner, Angela Marshall.

This project has the support of the key stakeholders. It was decided by the community at those meetings, that they wanted to support the project. There was a need for the services that will be part of this development offered to the residents, and I am in support of the project. Thank you.

MS. MEYER: Thank you. Would you like to

speak, ma'am?

MS. BURTON: Good evening. My name is Helen Burton, and I live at 4237 Huckleberry Circle, and I am in support of the housing development for several reasons. First of all, it would clear the debris and all of the crime that is categorized over there, from what we hear and read and see what's going on. But I am in favor of the new development that will change the appearance, as well as it would benefit the community.

MS. MEYER: Okay. Thank you.

Would you like to speak, sir? No.

VOICE: I'm in favor of the project.

MS. MEYER: Okay.

VOICE: I'm in favor of it. And then like she said, I was looking at old movies there. They are trashing it, and I fear, each time I pass by, that they are going to do that church the same way. So with the new development in there, it would keep those kind of people away, youngsters, pranksters, whoever they are.

MS. MEYER: Okay. Is there anybody else that would like to speak? Then I will conclude the hearing and -- hold on.

VOICE: One comment I would like to mention is the 13.4 million in tax-exempt bonds. I have 14.1, so check that.

MS. MEYER: Okay. And I don't have it with me tonight, but I will make a correction that it should be 14.1 million aggregate principal amount of bonds will not exceed 14.1 million, instead of 13.4. And I will conclude the hearing at this point, and it is now 6:38.

(Whereupon, at 6:38 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Providence at Village Fair

LOCATION: Dallas, Texas

DATE: November 18, 2004

I do hereby certify that the foregoing pages, numbers 1 through 11, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

11/29/2004

(Transcriber) (Date)

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

**SINGLE FAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**DECEMBER 13, 2004**

## Action Item

Request approval of the Participating Lender list for Single Family Mortgage Revenue Bond Program 62 & 62A.

## Required Action

Approve the Participating Lender List for Program 62 & 62A.

## Background

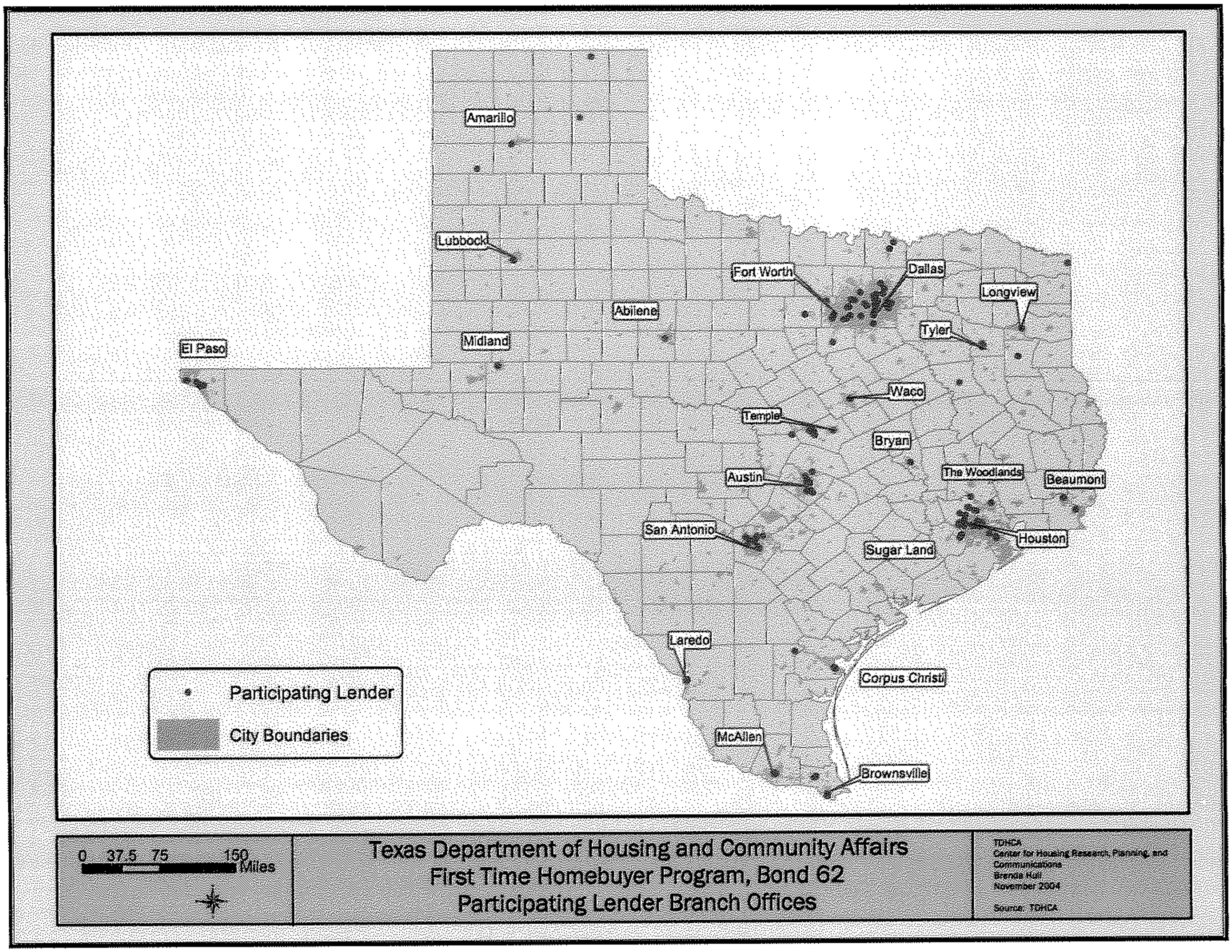
**Summary**
Invitations to originate mortgage loans were recently sent out to interested lenders for participation in Bond Program 62 & 62A. To date, 26 lenders have signed up to participate representing approximately 170 branches statewide. We recommend that the following list of lenders be approved by the Board.

| LENDER NAME | ADDRESS | CITY | STATE | # OF BRANCHES |
|---|---|---|---|---|
| American Bank, N.A. | 5120 South Padre Island Dr. | Corpus Christi | TX | 3 |
| CDC Brownsville | 901 East Levee | Brownsville | TX | 2 |
| DHI Mortgage Company, Ltd. | 12554 Riata Vista Circle | Austin | TX | 8 |
| Chase Manhattan Mortgage Corporation | 343 Thornall Street | Edison | NJ | 9 |
| Colonial Savings, F. A. (Fort Worth Mortgage) | 2626 West Freeway | Fort Worth | TX | 13 |
| Countrywide Home Loans, Inc. | 6400 Legacy Drive | Plano | TX | 23 |
| CTX Mortgage Company | 9441 LBJ Freeway | Dallas | TX | 5 |
| Falcon International Bank | 5219 McPerson Rd | Laredo | TX | 1 |
| First National Bank, TX dba First Community Mtg. | 2102 S. WS Young | Killeen | TX | 3 |
| FirstBank Southwest, National Association | 7420 S. W. 45th | Amarillo | TX | 4 |
| Hammersmith Financial, LP | 7850 N. Sam Houston Pkwy West | Houston | TX | 2 |
| Hibernia National Bank | 11130 Industriplex Blvd. | Baton Rouge | LA | 11 |
| Home Loan Corporation | 7800 N. Mopac | Austin | TX | 1 |

| | | | | |
|---|---|---|---|---|
| Judith O. Smith Mortgage Group, Inc. | 6125 I-20 | Fort Worth | TX | 2 |
| Plains Capital McAfee Mortgage Co. | 4416 74TH | Lubbock | TX | 16 |
| New South Federal Savings Bank | 1900 Crestwood Blvd | Birmingham | Al | 1 |
| Patriot Mortgage Company | 9870 Gateway North | El Paso | TX | 2 |
| RBC Mortgage f/k/a Sterling Capital Mtg. | 13100 NW Freeway | Houston | TX | 29 |
| Rocky Mountain Mortgage Company | 2244 Trawood | El Paso | TX | 3 |
| Ryland Mortgage Company | 6300 Canoga Avenue | Woodland Hills | CA | 4 |
| Shell Employees Federal Credit Union | 910 Louisiana | Houston | TX | 1 |
| Shelter Mortgage LLC (Subsidiary of Guaranty Bank - Milwaukee, WI) | 4000 W. Brown Deer Rd. | Brown Deer | WI | 2 |
| Summit Mortgage Corporation | 11999 Katy Freeway | Houston | TX | 5 |
| Universal American Mortgage Company | 311 Park Place Blvd. | Clearwater | FL | 6 |
| Valley Mortgage Co., Inc. | 1319 N. 10th Street | McAllen | TX | 8 |
| Washington Mutual Bank, F. A. | 7301 Baymeadows Way | Jacksonville | FL | 2 |

**Recommendation**

Staff recommends approval of the Participating Lender list for Single Family Mortgage Revenue Bond Program 62 & 62A.


Amarillo
Lubbock
Fort Worth
Dallas
Longview
Tyler
Abilene
Midland
El Paso
Waco
Temple
Bryan
Austin
The Woodlands
Beaumont
San Antonio
Houston
Sugar Land
Laredo
Corpus Christi
McAllen
Brownsville
Participating Lender
City Boundaries
0 37.5 75 150 Miles
Texas Department of Housing and Community Affairs
First Time Homebuyer Program, Bond 62
Participating Lender Branch Offices
TDHCA
Center for Housing Research, Planning, and Communications
Brenda Hull
November 2004
Source: TDHCA

**BOND FINANCE DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

**Action Item**

Mortgage credit certificate program for first time homebuyers.

**Required Action**

Approve the attached resolution authorizing TDHCA's 2005 Mortgage Credit Certificate Program.

**Background**

In November 2003, TDHCA's Board approved TDHCA's 2003 Mortgage Credit Certificate Program for first time homebuyers. Since inception of the 2003 Mortgage Credit Program, $12 million of a total authority of $15 million has been reserved or issued. A balance of $3 million remains available for borrowers purchasing residences in target areas. The Internal Revenue Code requires this target area reservation for a period of one year.

Lenders participating in the 2003 program have expressed continued interest in mortgage credit certificates. TDHCA anticipates using a portion of its 2005 state volume cap to issue mortgage credit certificates ("MCCs") and substantially completed documents have been prepared. With MCCs, the homebuyer/taxpayer would be entitled to a personal credit against their tax liability for a portion of the interest paid on their home mortgage.

In order to be eligible for an MCC, borrowers must comply with the same first time homebuyer requirements stipulated by the Internal Revenue Code for mortgage revenue bonds. For example, MCC recipients must occupy the residence as their primary residence, comply with income limits and comply with home purchase price limits. MCCs cannot be used with mortgages funded with tax-exempt bond proceeds.

An MCC increases borrowers' disposable income by reducing their tax liability dollar-for-dollar up to a maximum $2,000 limit. As illustrated below, borrowers' may also deduct the mortgage interest balance remaining after application of the tax credit.

| | |
|---|---|
| TDHCA Single Family Volume Cap Allocated for MCCs | $60 million |
| IRS MCC Conversion Factor | $0.25 |
| MCC Issuance Authority | $15 million |
| Average 2003 Mortgage Credit Certificate Program Mortgage Amount | $111,000 |
| Market Mortgage Interest Rate | 6.00% |
| First Year Mortgage Interest | $6,660 |
| MCC Certificate Credit Rate | 40% |
| Tax Credit Amount | $2,000 |
| Schedule A Mortgage Interest Deduction | $4,660 |

**Recommendation**

Approve the attached resolution authorizing TDHCA's 2005 Mortgage Credit Certificate Program.

**Resolution No. 04-102**

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; APPROVING THE CONVERSION OF AUTHORITY TO ISSUE QUALIFIED MORTGAGE BONDS TO MORTGAGE CREDIT CERTIFICATES; AUTHORIZING IMPLEMENTATION OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS 2005 MORTGAGE CREDIT CERTIFICATE PROGRAM; APPROVING THE FORM AND SUBSTANCE OF THE MCC PARTICIPATION AGREEMENT, THE PROGRAM MANUAL, AND THE PROGRAM SUMMARY; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE 2005 MORTGAGE CREDIT CERTIFICATE PROGRAM; 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 from time to time (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 persons 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 "Governing Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, 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 single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State for calendar year 2005 is subject to allocation, in the manner authorized by Section

146(e) of the Code, pursuant to Chapter 1372 Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Governing Board has determined to authorize the filing of an Application for Reservation in the amount of $60,000,000 with respect to qualified mortgage bonds for calendar year 2005; and

WHEREAS, upon receipt of the Reservation, the Department desires to convert an amount not to exceed the amount of the State Ceiling reserved for qualified mortgage bonds and represented by the Reservation to mortgage credit certificates ("MCCs"), to be used for the Department's 2005 Mortgage Credit Certificate Program (the "2005 MCC Program"); and

WHEREAS, the Governing Board intends to consider the filing of an Application for Reservation for additional amounts at a later date; and

WHEREAS, the Governing Board of the Department desires to approve the Program Administrator Agreement (the "Administrator Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of the MCC Participation Agreement (the "Participation Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board of the Department desires to approve the Program Manual (the "Program Manual") in substantially the form attached hereto, setting forth the terms and conditions upon which MCCs will be issued by the Department; and

WHEREAS, the Governing Board of the Department desires to approve the Program Summary (the "Program Summary") in substantially the form attached hereto setting forth the terms of the 2005 MCC Program; and

WHEREAS, the Governing Board of the Department desires to approve the use of an amount not to exceed $250,000 of Department funds to pay the costs of implementing the 2005 MCC Program; and

WHEREAS, the Governing Board of the Department desires to approve the forms of the Administrator Agreement, the Participation Agreement, the Program Manual and the Program Summary, in order to find 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 to implement the 2005 MCC Program in accordance with such documents by authorizing the 2005 MCC Program, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the 2005 MCC Program; NOW, THEREFORE,

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

## ARTICLE I
## APPROVAL OF APPLICATION FOR RESERVATION

Section 1.1--Application for Reservation. The Governing Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board an Application for Reservation with respect to qualified mortgage bonds in the amount of $60,000,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 1.2--Authorization of Certain Actions. The Governing Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 1.3--MCC Authority. Upon receipt of the Reservation, the Department shall take such steps as are necessary to convert its authority to issue qualified mortgage bonds to MCCs in order to implement the 2005 MCC Program.

## ARTICLE II
## APPROVAL OF MCC DOCUMENTS

Section 2.1--2005 MCC Program. The 2005 MCC Program is hereby authorized.

Section 2.2--Approval, Execution and Delivery of the Administrator Agreement. The form and substance of the Administrator Agreement 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 Administrator Agreement, and to deliver the Administrator Agreement to the other parties thereto.

Section 2.3--Approval, Execution and Delivery of the Participation Agreement. The form and substance of the Participation Agreement 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 Participation Agreement, and to deliver the Participation Agreement to the other parties thereto.

Section 2.4--Approval of Program Manual and Program Summary. The form and substance of the Program Manual and Program Summary are hereby authorized and approved.

Section 2.5--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests, public notices and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Participation Agreement, and the Program Manual.

Section 2.6--Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, 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 2.7--Exhibits Incorporated Herein. 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 A | - | Administrator Agreement |
| Exhibit B | - | Participation Agreement |
| Exhibit C | - | Program Manual |
| Exhibit D | - | Program Summary |

Section 2.8--Authorized Representatives. Following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article II: the Chair of the Governing Board; the Vice Chairman of the Governing Board; the Secretary of the Governing Board; the Executive Director of the Department; the Chief Financial Officer of the Department and the Director of Bond Finance of the Department.

Section 2.9--Department Contribution. The Department authorizes the contribution of Department funds in an amount not to exceed $250,000 to pay certain costs of implementing the 2005 MCC Program.

ARTICLE III
GENERAL PROVISIONS

Section 3.1--Purposes of Resolution. The Governing Board of the Department has expressly determined and hereby confirms that the implementation of the 2005 MCC Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State.

Section 3.2--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.

Section 3.3--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 9th day of December, 2004.

______________________________________
Chair, Governing Board

ATTEST:

______________________________________
Secretary

(SEAL)

# Housing Tax Credit Program
# Board Action Request
# December 13, 2004

## Action Item

Request review and board determination of eleven (11) four percent (4%) tax credit applications with other issuers for tax exempt bond transaction.

## Recommendation

Staff is recommending board approval of staff recommendations for the issuance of ten (10) four percent (4%) Tax Credit Determination Notices with **other issuers** for the tax exempt bond transactions known as:

| Development No. | Name | Location | Issuer | Total Units | LI Units | Total Development | Applicant Proposed Tax Exempt Bond Amount | Requested Credit Allocation | Recommended Credit Allocation |
|---|---|---|---|---|---|---|---|---|---|
| 04453 | The Pinnacle on Wilcrest | Houston | Victory Street Public Facility Corp. | 250 | 250 | $20,476,743 | $14,250,000 | $644,602 | $637,260 |
| 04464 | Pepper Tree Apartments | Houston | Harris County HFC | 250 | 250 | $17,100,602 | $10,609,000 | $642,993 | $642,993 |
| 04475 | Fairlake Cove Apartments | Houston | Houston HFC | 200 | 200 | $18,011,810 | $10,000,000 | $529,937 | $529,664 |
| 04469 | Louetta Village Apartments | Spring | Harris County HFC | 116 | 116 | $10,335,137 | $7,100,000 | $314,202 | $0 |
| 04494 | Baypointe Apartments | Webster | Harris County HFC | 236 | 236 | $22,213,601 | $14,000,000 | $699,364 | $694,059 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 04456 | Providence at Marshall Meadows | San Antonio | TSHAC | 250 | 150 | $21,587,330 | $14,260,000 | $528,291 | $472,469 |
| 04461 | The Villas at Costa Cadiz | San Antonio | San Antonio HFC | 172 | 172 | $15,105,548 | 8,200,000 | $592,150 | $588,003 |
| 04466 | Rosemont at Pleasanton | San Antonio | San Antonio HFC | 240 | 240 | $21,393,770 | $12,910,000 | $840,926 | $840,926 |
| 04468 | Prairie Ranch | Grand Prairie | Tarrant County HFC | 172 | 172 | $16,930,171 | $12,811,600 | $495,337 | $495,337 |
| 04486 | Worthington Point Apartments | Fort Worth | Tarrant County HFC | 248 | 248 | $18,326,791 | $12,000,000 | $593,008 | $593,008 |
| 04491 | Evergreen at Keller Senior Apartments | Keller | Tarrant County HFC | 250 | 250 | $19,423,531 | $13,200,000 | $559,597 | $559,597 |

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for The Pinnacle on Wilcrest.

## Summary of the Transaction

The application was received on August 5, 2004. The Issuer for this transaction is Victory Street Public Facility Corporation. The development is to be located at the 9500 block of Wilcrest in Houston. The development will consist of 250 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support 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 The Pinnacle on Wilcrest.

**HOUSING TAX CREDIT PROGRAM**

## 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **The Pinnacle on Wilcrest** TDHCA#: 04453

### DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Houston | QCT: N | DDA: N | TTC: N |
| Development Owner: | VSPFC-Wilcrest Apartments, LP | | | |
| General Partner(s): | VSPFC Wilcrest GP, LLC, 100%, Contact: Ernie Etuk | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: Victory Street Public Faciltiy Corp. | | | |
| Development Type: | Elderly | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $644,602 Eligible Basis Amt: $637,260 Equity/Gap Amt.: $796,257

**Annual Tax Credit Allocation Recommendation: $637,260**

Total Tax Credit Allocation Over Ten Years: $ 6,372,600

### PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 250 HTC Units: 250 % of HTC Units: 100

Gross Square Footage: 210,709 Net Rentable Square Footage: 203,200

Average Square Footage/Unit: 813

Number of Buildings: 3

Currently Occupied: N

**Development Cost**

Total Cost: $20,476,743 Total Cost/Net Rentable Sq. Ft.: $100.77

**Income and Expenses**

Effective Gross Income:[1] $1,832,466 Ttl. Expenses: $782,062 Net Operating Inc.: $1,050,404

Estimated 1st Year DCR: 1.10

### DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Embrey Management Services |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | Chiles Architects |
| Accountant: | Novogradac $ Company, LLC | Engineer: | R. G. Miller |
| Market Analyst: | O'Connor & Associates | Lender: | GMAC Commerical Holding Capital Corp. |
| Contractor: | The Pinnacle on Wilcrest, Ltd. | Syndicator: | Paramount Financial Group, Inc. |

### PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Rodney Ellis, District 13 - NC<br>Rep. Joe Nixon, District 133 - NC<br>Mayor Bill White - NC<br>Daisy A. Stiner, Director of Housing & Community Development, City of Houston; The proposed development is consistent with the City of Houston'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 Development 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 documentation for the proposed long term property lease and confirmation of how this proposed lease and HACH acquisition of the property will affect the sources and uses of the transaction to be submitted prior to bond closing.
3. Receipt, review, and acceptance of documentation substantiating a tax exemption.
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

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** November 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04453

## DEVELOPMENT NAME

Pinnacle on Wilcrest Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | VSPFC – Wilcrest Apartments, L.P. | | **Type:** | For-profit | | | |
| **Address:** | 1100 NE Loop 410, Suite 900 | | **City:** | San Antonio | | **State:** | TX |
| **Zip:** | 78209 | **Contact:** Jim Bruner | **Phone:** | (210) | 824-6044 | **Fax:** | (210) 824-7656 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | VSPFC – Wilcrest GP, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | APV Redevelopment Corporation | **(%):** | N/A | **Title:** | 100% Owner of MGP & Non-profit |
| **Name:** | The Pinnacle on Wilcrest, Ltd. | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Bissonnet at Wilcrest, LLC | **(%):** | N/A | **Title:** | 1% Owner of Developer and GP of the Developer |
| **Name:** | Walter M. Embrey, Jr. | **(%):** | N/A | **Title:** | 100% Owner of GP of the Developer |
| **Name:** | Housing Authority of the City of Houston (HACH) | **(%):** | N/A | **Title:** | Property owner and affiliate of MGP |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 9520 Wilcrest Drive | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Houston | **County:** | Harris | **Zip:** | 77099 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $644,602 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits

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

**Special Purpose (s):** Elderly and Non-Profit

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $637,260 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt review and acceptance of documentation for the proposed long term property lease and confirmation of how this proposed lease and HACH acquisition of the property will affect the sources and uses of the transaction to be submitted prior to bond closing.
2. Receipt, review, and acceptance of documentation substantiating a tax exemption.
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.

## EVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 250 **# Rental Buildings** 3 **# Non-Res. Buildings** 1 **# of Floors** 4 **Age:** N/A yrs

**Net Rentable SF:** 203,200 **Av Un SF:** 813 **Common Area SF:** 7,509 **Gross Bldg SF:** 210,709

### STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 28% brick veneer/72% cement fiber siding. The interior wall surfaces will be drywall and 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, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 7,509-square foot community building will include a great room, management offices, fitness, maintenance, a kitchen, restrooms, a hair-care center, & a central mailroom. The community building and swimming pool are located at the entrance to the property. In addition perimeters fencing with limited access gates are planned for the site.

**Uncovered Parking:** 344 spaces **Carports:** 24 spaces **Garages:** 24 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Pinnacle on Wilcrest Apartments is a very dense (23.26 units per acre) new construction development of 250 units of affordable income housing located in southwest Houston. The development is comprised of three evenly distributed large elevator served low-rise residential buildings as follows:

- 1 Building Type I with 36 one-bedroom/one-bath units, 28 two-bedroom/one-bath units and 20 two-bedroom/two-bath units;
- 1 Building Type II with 34 one-bedroom/one-bath units, 28 two- bedroom/one-bath units and 20 two-bedroom/two-bath units;
- 1 Building Type III with 36 one-bedroom/one-bath units, 28 two- bedroom/one-bath units and 20 two-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 10.74 acres 467,834 square feet **Zoning/ Permitted Uses:** No zoning in Houston

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Pinnacle on Wilcrest is located in southwest Houston in Harris County. The site is an irregularly-shaped parcel located approximately ten miles from the central business district. The site is situated on the west side of Wilcrest Drive.

**Adjacent Land Uses:**

- **North:** vacant land and a single-family residence immediately adjacent and Boone Loop Road beyond;
- **South:** vacant land immediately adjacent;
- **East:** daycare facility, vacant land, and a retail strip center immediately adjacent and Wilcrest Drive beyond; and
- **West:** vacant land and a bowling alley immediately adjacent;

**Site Access:** Access to the property is from the east or west along Boone Loop Road or the north or south from Wilcrest Drive. The development is to have one main entry off of Wilcrest Drive and a secondary entry off of Boone Loop Road. Access to Interstate Highway I-59 is less than one mile south, which provides connections to all other major roads serving the Houston area.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

**Shopping & Services:** The neighborhood is a viable, heterogeneous area consisting of a variety of commercial, and residential land uses including, but not limited to schools, neighborhood shopping centers, recreational centers, libraries, public services and churches.

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 22, 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 8, 2004 was prepared by HBC Terracon and contained the following findings and recommendations:

**Findings:**

- "Soil mounds were observed along the northern site boundary during the site reconnaissance. The amount of dirt in these mounds appeared to be approximately one dump truck load. Based upon visual surface observation, no other materials appeared within these soil mounds. This area is accessed by a gravel drive from Boone Loop Road to the adjacent north. No notable odors were apparent from this area at the time of the site reconnaissance. A telephone interview was conducted with Mr. Mark Witcher of Weingarten Realty Investors (owner of the site). According to Mr. Witcher, he has no knowledge of the composition of the soil mounds and they were placed without the permission of the owner, Based upon the unknown origin of these soil mounds, they may constitute an REC at this time." (p. 18)
- "A bale of cardboard boxes and a brush pile were observed near the northwest corner of the site during reconnaissance. Based on visual observation (only of surface materials), this debris constituted approximately one truck load of materials. This area is accessed from the parking lot of Emerald Bowl (bowling lanes), which is located to the adjacent west of the site. Leakage, spills, or other releases from these materials were not observed during the visual reconnaissance. The debris materials did not appear to be hazardous in nature; however, they should be removed and disposed in accordance with local and state regulators." (p. 18)

**Recommendations:** **"**Based upon the unknown origin of the on-site soil mounds, HBC/Terracon recommends that further investigation be conducted to characterize and dispose of these materials located along the northern site boundary." ( p. 18)

**Conclusions:** "The field screening results and laboratory analysis of soil samples did not show the evidence of impact or presence of VOCs or petroleum hydrocarbons. Therefore, no further investigation of stockpiled soil is warranted at this time." (April 8, 2004 letter)

### POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 250 of the units (100% of the total) will be reserved for low-income tenants. As a Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50% / 50% at 60 option.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $25,620 | $29,280 | $32,940 | $36,600 | $39,540 | $42,480 |

### MARKET HIGHLIGHTS

A market feasibility study dated September 20, 2004 was prepared by Patrick O'Connor & Associates, L.P. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "In order to accurately portray the apartment market within the subject's primary market area, we segmented the data by zip code. The subject's primary market area includes the following zip codes: 77031, 77036, 77072, 77074, and 77099." (p. 18). For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by Westpark to the north; Hillcroft to the northeast; Fondren, Gessner and Riceville School Road to the southeast; West Airport and the Harris County Line to the south; and Synott Road to the west. (p. 24) This area encompasses approximately 27.29 square miles and is equivalent to a circle with a radius of 2.95 miles.

**Population:** The estimated 2004 population of the PMA was 239,272 and is expected to increase by 5% to approximately 252,265 by 2009. Within the primary market area there were estimated to be 81,047 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,218 qualified households in the PMA, based on the current estimate of 81,047 households, the projected annual growth rate of 1%, income-qualified renter households estimated at 17.2% of the population, appropriate household size and age estimated at 13.1%, and an annual renter turnover rate of 60 %. (p. 71) The Market Analyst used an income band of $18,343 to $32,940.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 16 | 1% | 15 | 1% |
| Resident Turnover | 1,091 | 90% | 1,183 | 99% |
| Other Sources: Not accounted for above | 111 | 9% | | |
| **TOTAL ANNUAL DEMAND** | **1,218** | **100%** | **1,198** | **100%** |

Ref: p. 71

**Inclusive Capture Rate:** "Based on our research, there is no affordable Seniors housing project (other than the subject property) currently under construction, proposed, or approved for construction in the subject's primary market, and no non-stabilized complex. This, based on our analysis, there are 250 Seniors units (only the subject) that are under construction, approved, or posed in the subject's primary market area, 250 (only the subject) of which will be rent restricted. As indicated earlier, there are approximately 1,218 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market." (p. 77). The Market Analyst calculated an inclusive capture rate of 20.53% based upon 1,218 units of demand and 250 unstabilized affordable housing in the PMA (including only the subject) (p. 77) The Underwriter also concluded an acceptable inclusive capture rate of 20.9%.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 942 units in the market area.

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (50%)** | $534 | $511 | +$23 | $675 | -$141 |
| **1-Bedroom (60%)** | $649 | $626 | +$23 | $675 | -$26 |
| **2-Bedroom (50%) 875 sq. ft.** | $617 | $608 | +$9 | $815 | -$198 |
| **2-Bedroom (60%) 875 sq. ft.** | $755 | $745 | +$10 | $815 | -$60 |
| **2-Bedroom (50%) 925 sq. ft.** | $641 | $608 | +$33 | $900 | -$259 |
| **2-Bedroom (60%) 925 sq. ft.** | $778 | $745 | +$33 | $900 | -$122 |

(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 88.95% as of June 2004. Occupancy rates for Class B projects were slightly lower at 84.32%." (p. 36)

**Absorption Projections:** "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 20-30 units per months until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within eight to twelve months following completion." (p. 78)

**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 exiting apartment market. Any negative impact form the subject property should be of reasonable scope and limited duration." (p. 78)

**Market Study Analysis/Conclusions:** 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 $62.6K higher than the maximum rents allowed under HTC guidelines, though are achievable according to the Market Analyst. The excess net rents are a consequence of using lower utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is more than 3% more than the underwriter's estimate of effective gross income.

**Expenses:** The Applicant's total expense estimate of $2,823 per unit is 10% less than the Underwriter's database-derived estimate of $3,128 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($53.1K lower), water, sewer, and trash ($41K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further.

**Conclusion:** The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in income and expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.07 is slightly less than the program minimum standard of 1.10. 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 $13,550,000.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: (15.703) acres** | $1,100,000 | **Assessment for the Year of:** | 2004 |
| **Prorated: 1 acre** | $70,050 | **Valuation by:** | Harris County Appraisal District |
| **Prorated Value: 10.74 ac.** | $752,337 | **Tax Rate:** | 2.976270 |

## EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Agreement of Sale and Purchase | | |
| **Contract Expiration Date:** | 12/ 20/ 2004 | **Anticipated Closing Date:** | 12/ 20/ 2004 |
| **Acquisition Cost:** | $1,309,936 | **Other Terms/Conditions:** | Earnest money: $15,000 |
| **Seller:** | Weingarten Realty Investors Trust | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The description in the application suggests that HACH will own the property and provide a long term lease to the Applicant. The precise mechanism by which this will occur and still allow the anticipated acquisition price to be included has not been disclosed or documented. Receipt, review and acceptance of such documentation is a condition of this report.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,672 per unit are considered reasonable compared to historical sitework costs for multifamily developments.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $492K or 4.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $51,953 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $18,001,693 is used to determine a credit allocation of $637,260 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 Holding Capital Corp. | **Contact:** | David Rosen | | |
| **Tax-Exempt Amount:** | $14,250,000 | **Interest Rate:** | 6.5% | | |
| **Additional Information:** | | | | | |
| **Amortization:** | 40 yrs | **Term:** | 32 yrs | **Commitment:** | ☐ LOI ☐ Firm ☒ Conditional |
| **Annual Payment:** | $1,001,131 | **Lien Priority:** | 1st | **Commitment Date** | 10/ 22/ 2004 |

### TAX CREDIT SYNDICATION

| | | | | | |
|---|---|---|---|---|---|
| **Source:** | Paramount Financial, Inc. | **Contact:** | Dale Cook | | |
| **Net Proceeds:** | $5,307,209 | **Net Syndication Rate (per $1.00 of 10-yr HTC)** | 87¢ | | |
| **Commitment** | ☐ LOI ☐ Firm ☒ Conditional | | | **Date:** | 11/ 1/ 2004 |
| **Additional Information:** | | | | | |

### APPLICANT EQUITY

**Amount:** $1,072,175 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by Victory Street Public Facility Corporation and purchased by Newman Capital. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**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 $919,534 amount to 38% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $637,260 annually for ten years, resulting in syndication proceeds of approximately $5,543,607. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,383,136, which represents approximately 59% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

### DEVELOPMENT TEAM

#### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor and Property Manager firms 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 Owner of the General Partner, APV Redevelopment Corporation submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $1.2M, consisting of $230K equity in APV Historic Community L.P. and $991K in Developer Fee Receivables. No liabilities were shown resulting in a net worth of $1.2M.
- The Owner of the General Partner of the Developer, Walter M. Embrey, Jr., submitted an unaudited financial statement as of May 31, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- APV Redevelopment Corporation the 100% owner of the Managing General Partner has completed seven LIHTC housing developments totaling 840 units since 1997.
- Walter M. Embrey, Jr., the 100% Owner of GP of the Developer, has completed numerous multi-family developments as a developer and a contractor throughout the United States as well as a Certificate of Experience issued by TDHCA dated August 6, 2003.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:** | November 29, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 29, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Pinnacle on Wilcrest, Houston, HTC 4%, File 04453***

| 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%) | 53 | 1 | 1 | 700 | $571 | $511 | $27,083 | $0.73 | $60.00 | $43.31 |
| TC (60%) | 53 | 1 | 1 | 700 | 686 | 626 | 33,178 | 0.89 | 60.00 | 43.31 |
| TC (50%) | 42 | 2 | 1 | 875 | 686 | 608 | 25,536 | 0.69 | 78.00 | 49.31 |
| TC (60%) | 42 | 2 | 1 | 875 | 823 | 745 | 31,290 | 0.85 | 78.00 | 49.31 |
| TC (50%) | 30 | 2 | 2 | 925 | 686 | 608 | 18,240 | 0.66 | 78.00 | 49.31 |
| TC (60%) | 30 | 2 | 2 | 925 | 823 | 745 | 22,350 | 0.81 | 78.00 | 49.31 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **TOTAL:** | 250 | | **AVERAGE:** | 813 | $701 | $631 | $157,677 | $0.78 | $70.37 | $46.77 |

| INCOME | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: | 203,200 | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 6 |
| POTENTIAL GROSS RENT | | | | $1,892,124 | $1,954,716 | | IREM Region | Houston |
| Secondary Income | | Per Unit Per Month: | $15.00 | 45,000 | 45,000 | $15.00 | Per Unit Per Month | |
| Other Support Income: W/D Rental, Storage, Garages, and Carports | | | | 43,920 | 43,920 | | | |
| POTENTIAL GROSS INCOME | | | | $1,981,044 | $2,043,636 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (148,578) | (153,276) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $1,832,466 | $1,890,360 | | | |

| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|
| General & Administrative | 5.36% | $393 | 0.48 | $98,137 | $45,000 | $0.22 | $180 | 2.38% |
| Management | 5.00% | 366 | 0.45 | 91,623 | 75,615 | 0.37 | 302 | 4.00% |
| Payroll & Payroll Tax | 12.45% | 912 | 1.12 | 228,104 | 210,000 | 1.03 | 840 | 11.11% |
| Repairs & Maintenance | 5.94% | 435 | 0.54 | 108,860 | 92,675 | 0.46 | 371 | 4.90% |
| Utilities | 2.54% | 186 | 0.23 | 46,477 | 33,480 | 0.16 | 134 | 1.77% |
| Water, Sewer, & Trash | 4.37% | 320 | 0.39 | 80,061 | 121,100 | 0.60 | 484 | 6.41% |
| Property Insurance | 2.77% | 203 | 0.25 | 50,800 | 50,000 | 0.25 | 200 | 2.64% |
| Property Tax 2.97627 | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserve for Replacements | 2.73% | 200 | 0.25 | 50,000 | 50,000 | 0.25 | 200 | 2.64% |
| Other: compl fees, Supp. Serv. | 1.53% | 112 | 0.14 | 28,000 | 28,000 | 0.14 | 112 | 1.48% |
| TOTAL EXPENSES | 42.68% | $3,128 | $3.85 | $782,062 | $705,870 | $3.47 | $2,823 | 37.34% |
| NET OPERATING INC | 57.32% | $4,202 | $5.17 | $1,050,404 | $1,184,490 | $5.83 | $4,738 | 62.66% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage | 54.63% | $4,005 | $4.93 | $1,001,131 | $1,001,131 | $4.93 | $4,005 | 52.96% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 2.69% | $197 | $0.24 | $49,273 | $183,359 | $0.90 | $733 | 9.70% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.05 | 1.18 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.14% | $5,246 | $6.45 | $1,311,412 | $1,311,412 | $6.45 | $5,246 | 6.40% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 6.64% | 5,672 | 6.98 | 1,417,978 | 1,417,978 | 6.98 | 5,672 | 6.92% |
| Direct Construction | | 47.70% | 40,724 | 50.10 | 10,181,072 | 9,689,231 | 47.68 | 38,757 | 47.32% |
| Contingency | 4.98% | 2.71% | 2,312 | 2.84 | 577,952 | 577,952 | 2.84 | 2,312 | 2.82% |
| General Req'ts | 6.00% | 3.26% | 2,784 | 3.42 | 695,943 | 708,000 | 3.48 | 2,832 | 3.46% |
| Contractor's G & A | 2.00% | 1.09% | 928 | 1.14 | 231,981 | 250,000 | 1.23 | 1,000 | 1.22% |
| Contractor's Profit | 5.85% | 3.18% | 2,714 | 3.34 | 678,581 | 678,581 | 3.34 | 2,714 | 3.31% |
| Indirect Construction | | 5.49% | 4,689 | 5.77 | 1,172,280 | 1,172,280 | 5.77 | 4,689 | 5.72% |
| Ineligible Costs | | 4.72% | 4,030 | 4.96 | 1,007,522 | 1,007,522 | 4.96 | 4,030 | 4.92% |
| Developer's G & A | 14.80% | 11.25% | 9,600 | 11.81 | 2,400,000 | 2,400,000 | 11.81 | 9,600 | 11.72% |
| Developer's Profit | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 5.92% | 5,055 | 6.22 | 1,263,787 | 1,263,787 | 6.22 | 5,055 | 6.17% |
| Reserves | | 1.89% | 1,614 | 1.99 | 403,392 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $85,368 | $105.03 | $21,341,901 | $20,476,743 | $100.77 | $81,907 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *64.58%* | ***$55,134*** | ***$67.83*** | ***$13,783,507*** | ***$13,321,742*** | ***$65.56*** | ***$53,287*** | *65.06%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 66.77% | $57,000 | $70.13 | $14,250,000 | $14,250,000 | $13,550,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | 0 | $2,348,047 |
| HTC Syndication Proceeds | 24.87% | $21,229 | $26.12 | 5,307,209 | 5,307,209 | 5,543,607 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 4.31% | $3,678 | $4.53 | 919,534 | 919,534 | 1,383,136 | 59% |
| Additional (excess) Funds Required | 4.05% | $3,461 | $4.26 | 865,158 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $21,341,901 | $20,476,743 | $20,476,743 | $4,139,872 |

*Pinnacle on Wilcrest, Houston, HTC 4%, File 04453*

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.09 | $8,959,088 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.24% | | $0.99 | $200,684 |
| Elderly/9-Ft. Ceilings | 3.00% | | 1.32 | 268,773 |
| Corridors | $34.60 | 35640 | 6.07 | 1,233,144 |
| Subfloor | | | (0.51) | (103,124) |
| Floor Cover | | | 2.00 | 406,400 |
| Porches/Balconies | $18.21 | 18000 | 1.61 | 327,690 |
| Plumbing | $605 | 180 | 0.54 | 108,900 |
| Built-In Appliances | $1,650 | 250 | 2.03 | 412,500 |
| Stairs/Fireplaces | $900 | 36 | 0.16 | 32,400 |
| Elevators | $38,250 | 6 | 1.13 | 229,500 |
| Heating/Cooling | | | 1.53 | 310,896 |
| Garages | $14.25 | 4,800 | 0.34 | 68,400 |
| Comm &/or Aux Bldgs | $56.94 | 7,509 | 2.10 | 427,555 |
| Carports | $8.18 | 4,800 | 0.19 | 39,264 |
| SUBTOTAL | | | 63.59 | 12,922,069 |
| Current Cost Multiplier | 1.08 | | 5.09 | 1,033,766 |
| Local Multiplier | 0.89 | | (7.00) | (1,421,428) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $61.69 | $12,534,407 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.41) | ($488,842) |
| Interim Construction Interest | 3.38% | | (2.08) | (423,036) |
| Contractor's OH & Profit | 11.50% | | (7.09) | (1,441,457) |
| NET DIRECT CONSTRUCTION COSTS | | | $50.10 | $10,181,072 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $14,250,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.05 |

| | | | |
|---|---|---|---|
| Secondary | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.05 |

| | | | |
|---|---|---|---|
| Additional | $5,307,209 | Term | |
| Int Rate | | Aggregate DCR | 1.05 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $951,953 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $98,451 |

| | | | |
|---|---|---|---|
| Primary | $13,550,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| Secondary | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| Additional | $5,307,209 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.103 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

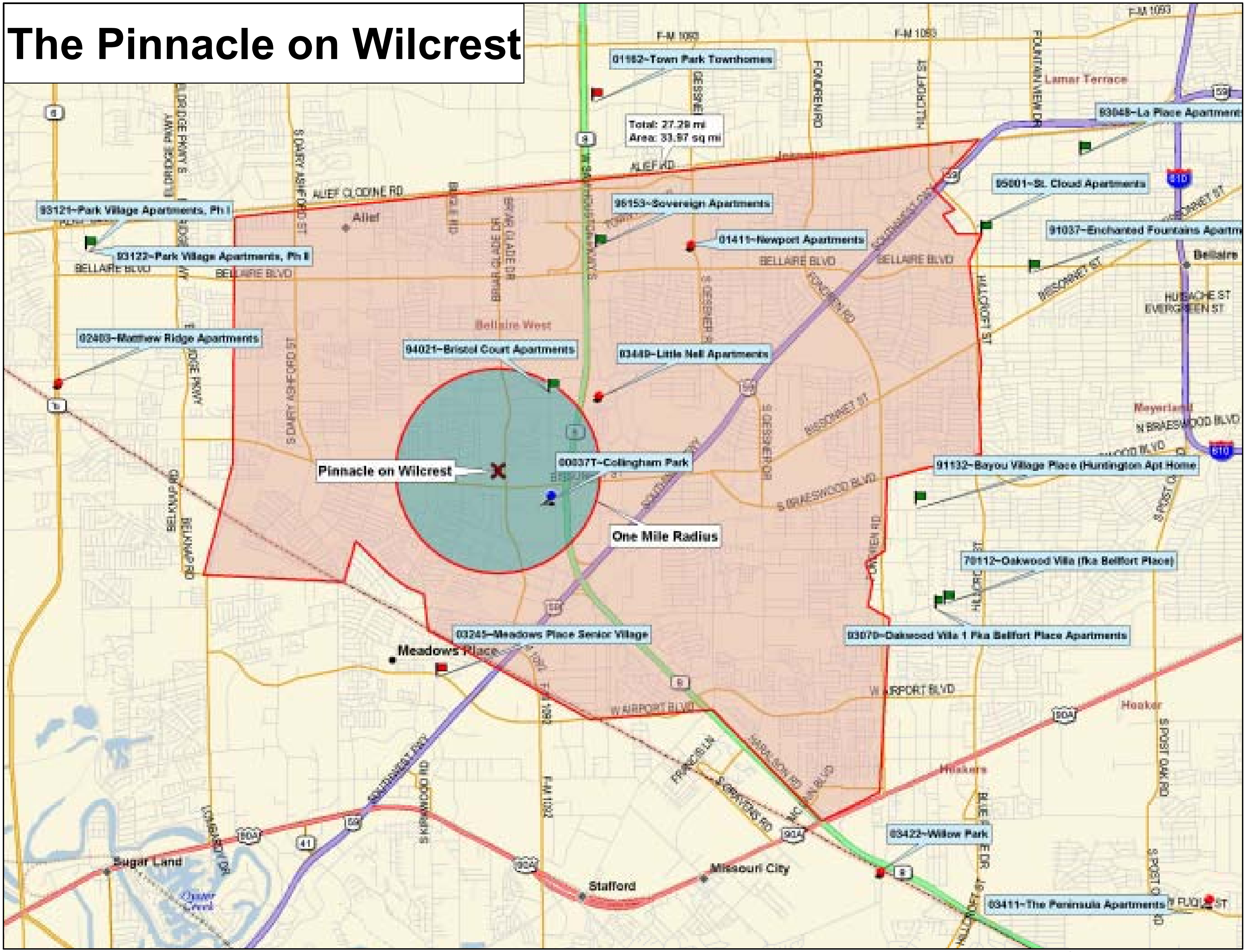
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,892,124 | $1,948,888 | $2,007,354 | $2,067,575 | $2,129,602 | $2,468,793 | $2,862,007 | $3,317,851 | $4,458,914 |
| Secondary Income | 45,000 | 46,350 | 47,741 | 49,173 | 50,648 | 58,715 | 68,067 | 78,908 | 106,045 |
| Other Support Income: W/D Re | 43,920 | 45,238 | 46,595 | 47,993 | 49,432 | 57,306 | 66,433 | 77,014 | 103,500 |
| POTENTIAL GROSS INCOME | 1,981,044 | 2,040,475 | 2,101,690 | 2,164,740 | 2,229,682 | 2,584,813 | 2,996,507 | 3,473,773 | 4,668,460 |
| Vacancy & Collection Loss | (148,578) | (153,036) | (157,627) | (162,356) | (167,226) | (193,861) | (224,738) | (260,533) | (350,134) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,832,466 | $1,887,440 | $1,944,063 | $2,002,385 | $2,062,456 | $2,390,952 | $2,771,769 | $3,213,240 | $4,318,325 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $98,137 | $102,062 | $106,145 | $110,391 | $114,806 | $139,680 | $169,942 | $206,760 | $306,055 |
| Management | 91,623 | 94,372 | 97,203 | 100,119 | 103,123 | 119,548 | 138,588 | 160,662 | 215,916 |
| Payroll & Payroll Tax | 228,104 | 237,228 | 246,717 | 256,586 | 266,849 | 324,663 | 395,002 | 480,580 | 711,376 |
| Repairs & Maintenance | 108,860 | 113,214 | 117,743 | 122,453 | 127,351 | 154,941 | 188,510 | 229,351 | 339,496 |
| Utilities | 46,477 | 48,336 | 50,270 | 52,280 | 54,372 | 66,151 | 80,483 | 97,920 | 144,946 |
| Water, Sewer & Trash | 80,061 | 83,263 | 86,594 | 90,058 | 93,660 | 113,952 | 138,640 | 168,676 | 249,682 |
| Insurance | 50,800 | 52,832 | 54,945 | 57,143 | 59,429 | 72,304 | 87,969 | 107,028 | 158,427 |
| Property Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve for Replacements | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Other | 28,000 | 29,120 | 30,285 | 31,496 | 32,756 | 39,853 | 48,487 | 58,992 | 87,322 |
| TOTAL EXPENSES | $782,062 | $812,428 | $843,981 | $876,769 | $910,838 | $1,102,257 | $1,334,205 | $1,615,312 | $2,369,153 |
| NET OPERATING INCOME | $1,050,404 | $1,075,012 | $1,100,081 | $1,125,616 | $1,151,618 | $1,288,695 | $1,437,564 | $1,597,928 | $1,949,172 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $951,953 | $951,953 | $951,953 | $951,953 | $951,953 | $951,953 | $951,953 | $951,953 | $951,953 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $98,451 | $123,059 | $148,129 | $173,663 | $199,665 | $336,742 | $485,611 | $645,975 | $997,219 |
| DEBT COVERAGE RATIO | 1.10 | 1.13 | 1.16 | 1.18 | 1.21 | 1.35 | 1.51 | 1.68 | 2.05 |

## LIHTC Allocation Calculation - Pinnacle on Wilcrest, Houston, HTC 4%, File 04453

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,311,412 | $1,311,412 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,417,978 | $1,417,978 | $1,417,978 | $1,417,978 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $9,689,231 | $10,181,072 | $9,689,231 | $10,181,072 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $250,000 | $231,981 | $222,144 | $231,981 |
| Contractor profit | $678,581 | $678,581 | $666,433 | $678,581 |
| General requirements | $708,000 | $695,943 | $666,433 | $695,943 |
| **(5) Contingencies** | $577,952 | $577,952 | $555,360 | $577,952 |
| **(6) Eligible Indirect Fees** | $1,172,280 | $1,172,280 | $1,172,280 | $1,172,280 |
| **(7) Eligible Financing Fees** | $1,263,787 | $1,263,787 | $1,263,787 | $1,263,787 |
| **(8) All Ineligible Costs** | $1,007,522 | $1,007,522 | | |
| **(9) Developer Fees** | | | $2,348,047 | |
| Developer overhead | $2,400,000 | $2,400,000 | | $2,400,000 |
| Developer fee | | | | |
| **(10) Development Reserves** | | $403,392 | | |
| **TOTAL DEVELOPMENT COSTS** | $20,476,743 | $21,341,901 | $18,001,693 | $18,619,574 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $18,001,693 | $18,619,574 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $18,001,693 | $18,619,574 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $18,001,693 | $18,619,574 |
| Applicable Percentage | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $637,260 | $659,133 |
| **Syndication Proceeds** | **0.8699** | **$5,543,607** | **$5,733,883** |
| **Total Credits (Eligible Basis Method)** | | **$637,260** | **$659,133** |
| **Syndication Proceeds** | | **$5,543,607** | **$5,733,883** |
| **Requested Credits** | | **$644,602** | |
| **Syndication Proceeds** | | **$5,607,477** | |
| **Gap of Syndication Proceeds Needed** | | **$6,926,743** | |
| **Credit Amount** | | **$796,257** | |

# The Pinnacle on Wilcrest

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TN
MN (4.2°E)

Scale 1 : 81,250

1" = 1.28 mi

Data Zoom 11-3

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Pepper Tree Apartments.

## Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the 5900 Antoine in Houston. The development will consist of 250 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received one letter of support from Aldine ISD and seven letters in opposition from Candlelight Forest HOA, Candlelight Oaks Village HOA, Sheraton Oaks HOA, Greater Inwood Partnership, Inc., Councilmembers Lawrence and Galloway, and State Rep. Sylvester Turner. 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 Pepper Tree Apartments.

HOUSING TAX CREDIT PROGRAM

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Pepper Tree Apartments** TDHCA#: 04464

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Houston | QCT: Y | DDA: N | TTC: N |
| Development Owner: | Pepper Tree Manor, Ltd. | | | |
| General Partner(s): | Pepper Tree Construction, LLC, 100%, Contact: H. Elizabeth Young | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: Harris County HFC | | | |
| Development Type: | Elderly | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $642,993 Eligible Basis Amt: $663,494 Equity/Gap Amt.: $763,794

**Annual Tax Credit Allocation Recommendation: $642,993**

Total Tax Credit Allocation Over Ten Years: $ 6,429,930

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 250 HTC Units: 250 % of HTC Units: 100

Gross Square Footage: 237,374 Net Rentable Square Footage: 200,954

Average Square Footage/Unit: 804

Number of Buildings: 5

Currently Occupied: N

**Development Cost**

Total Cost: $17,100,602 Total Cost/Net Rentable Sq. Ft.: $85.1

**Income and Expenses**

Effective Gross Income:[1] $1,834,152 Ttl. Expenses: $955,460 Net Operating Inc.: $878,692

Estimated 1st Year DCR: 1.24

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Investors Management Group, LLC |
| Attorney: | Locke Liddell & Sapp, LLP | Architect: | JRM Architects, Inc. |
| Accountant: | Novogradac & Company, LLC | Engineer: | Vano T. Wilson & Assoc. |
| Market Analyst: | O'Connor & Associates | Lender: | Washington Mutual |
| Contractor: | Inland General Construction Co. | Syndicator: | PNC Multifamily Capital |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 3<br>Travis Johnson, Candlelight Forest – Density of population in area has reached a maximum. | Sen. John Whitmire, District 15 - NC<br>Rep. Sylester Turner, District 139 - O; Area is currently saturated with high density developments.<br>Mayor Bill White - NC<br>Aldine ISD – S<br>Council Member Toni Lawrence – O; The community has expressed an overwhelming desire of opposition to this development.<br>Council Member Carol Mims Galloway – O; The community has expressed an overwhelming desire of opposition to this development. |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

| | |
|---|---|
| Jenny Kahanek, Sheraton Oaks HOA – Area is saturated with apartment complexes.<br>Donald Wasson, Candlelight Oaks Village – High density area, increased crime rate, decreased bus routes.<br>Michael Johnson, Greater Inwood Partnership, Inc. – excessive concentration of apartments, flooding issues, crime. | Daisy A. Stiner, Director of Housing & Community Development, City of Houston; The proposed development is consistent with the City of Houston's Consolidated Plan. |

## CONDITION(S) TO COMMITMENT

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 evidence that 0.75 parking spaces/unit is in compliance with Houston codes, OR modification of the site plan to include at least one parking space per unit.
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:** November 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04464

## DEVELOPMENT NAME

Pepper Tree Manor Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Pepper Tree Manor, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 5325 Katy Freeway, Suite One | | | **City:** | Houston | **State:** | TX |
| **Zip:** | 77007 | **Contact:** | H. Elizabeth Young | **Phone:** | (713) 626-1400 | **Fax:** | (713) 626-1098 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Pepper Tree Construction, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Artisan/American Corporation (AAC) | **(%):** | N/A | **Title:** | Developer & 51% owner of MGP |
| **Name:** | Inland General Construction Company (IGCC) | **(%):** | N/A | **Title:** | General Contractor & 49% owner of MGP |
| **Name:** | H. Elizabeth Young | **(%):** | N/A | **Title:** | Owner of AAC |
| **Name:** | Vernon R. Young | **(%):** | N/A | **Title:** | Owner of IGCC |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | Approximately 5900 Antoine Drive | | | ☒ **QCT** | ☐ **DDA** |
| **City:** | Houston | **County:** | Harris | **Zip:** | 77091 |

## REQUEST

| **Amount** | **Interest Rate** | **Amortization** | **Term** |
|---|---|---|---|
| $642,993 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** Elderly

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $642,993 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of evidence that 0.75 parking spaces/unit is in compliance with Houston codes, OR modification of the site plan to include at least one parking space per unit;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Units: | 250 | # Rental Buildings | 5 | # Non-Res. Buildings | 0 | # of Floors | 4 | Age: | 0 yrs | Vacant: | N/A at / / |

**Net Rentable SF:** 200,954 **Av Un SF:** 804 **Common Area SF:** 36,420 **Gross Bldg SF:** 237,374

### STRUCTURAL MATERIALS

The structures will be wood frame on concrete slabs on grade. According to the plans provided in the application the exterior will be comprised of 100% cement fiber siding with wood trim. The interior wall surfaces will be drywall and the pitched roofs will be finished with composite shingles.

### APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & ceramic 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. The four-story building will use heat pumps & the single-story buildings will use conventional central heating & air conditioning.

### ON-SITE AMENITIES

The main four-story residential building will contain approximately 5,130 square feet of common areas which includes activity rooms, management offices, maintenance, & laundry facilities (two per floor), a kitchen, restrooms, & extensive air conditioned corridors. In addition, perimeter fencing with a limited access gate is planned for the site.

**Uncovered Parking:** 192 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Pepper Tree Manor Apartments is a 17.2 units per acre, new construction development of 250 units of affordable elderly housing located in northwest Houston. The development is comprised of five evenly/sporadically distributed residential buildings as follows:

- One large, four-story, elevator-served building with 99 each one-bedroom/one-bath units and two-bedroom/one-bath units;
- One one-story building with 12 one-bedroom/one-bath units;
- One one-story building with 14 one-bedroom/one-bath units;
- One one-story building with 12 two-bedroom/two-bath units; and
- One one-story building with 14 two-bedroom/two-bath units.

The four-story main building is arranged in an “E” shape with three main residential wings and a smaller central wing with common areas on the first floor and apartments on the second through fourth floors. This building occupies the eastern end of the site, and the four one-story buildings are arranged in pairs on either side of an internal access road near the center of the site. The southwest 1.821 acres of the site are to be used for stormwater retention and the northwest 2.313 acres are to be left vacant.

**Development Plan:** The planned 192 parking spaces represent four employee spaces and 188 tenant spaces (0.75 spaces per unit). The Applicant indicates that the latter is in compliance with the Houston codes for retirement communities, but has not provided confirmation of this as of the date of this report. Receipt, review, and acceptance of evidence that 0.75 parking spaces/unit is in compliance with Houston codes, OR modification of the site plan to include at least one parking space per unit, is a condition of this report.

**Architectural Review:** The building and unit plans are of good design and sufficient size. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 14.964 acres 651,832 square feet **Zoning/ Permitted Uses:** No zoning in Houston

**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 the northwest area of the city, approximately nine miles from the central business district. The site is situated on the east side of Antoine Drive and the west side of Bolivia Boulevard.

**Adjacent Land Uses:**

- **North:** a public storage facility and multifamily residential immediately adjacent and more multifamily residential beyond;
- **South:** a grocery/pharmacy-anchored retail strip center and vacant land immediately adjacent and single-family residential beyond;
- **East:** Bolivia Boulevard immediately adjacent and a church beyond; and
- **West:** Antoine Drive and vacant land immediately adjacent and a paint manufacturing facility beyond. In addition, an active railroad track runs approximately 200 feet southwest of the site.

**Site Access:** Access to the property is from the north or south from Antoine Drive or Bolivia Boulevard. The development is to have a single entry from Antoine Drive. Access to U.S. Highway 290 is two miles southwest, which provides connections to all other major roads serving the Houston area.

**Public Transportation:** Public transportation to the area is provided by the city bus system. The location of the nearest stop is approximately one-half mile south on Antoine Drive. The Applicant has indicated that the property will offer on-demand transportation service to tenants without vehicles.

**Shopping & Services:** The site is within adjacent to a grocery/pharmacy-anchored retail strip center, 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 site is adjacent to a busy four-lane road (Antoine Drive), and an active railroad track runs approximately 200 feet southwest of the site, where it crosses Antoine Drive. The Underwriter requested that a noise study be performed, and a report was submitted by Phase Engineering, Inc. which indicated that noise levels from automobile and train traffic, while exceeding the HUD goal of 55 decibels, are at or within the limit of 65 decibels. (It should be noted, however, that these noise readings were made at the nearest edge of the property, and the nearest residential building will be removed approximately another 500 feet from the road and railroad.) The noise study report stated that an average of three trains traverse the area daily; although the nearest building is set back approximately 600 feet from Antoine Drive, these trains are required to use their whistles when crossing Antoine Drive and these signals will be audible to residents.

**Site Inspection Findings:** TDHCA staff performed a site inspection on October 7, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site was close to amenities (a grocery store, pharmacy, and transportation), that there is a lot of multifamily housing already in the area, and that a paint factory is across the street.

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

A Phase I Environmental Site Assessment report dated October 8, 2004 was prepared by Phase Engineering, Inc. and contained the following findings and conclusion:

**Findings:**

- "A search of federal, state, and local records indicate that two RCRA [Resource Conservation and Recovery Act] generators of hazardous wastes, one state equivalent CERCLIS site (Texas Voluntary Cleanup Program), six leaking underground storage tank sites, and four registered underground storage tank facilities are located within the standard ASTM search radius.
- "The west adjacent property across Antoine Drive, addressed as 6001 Antoine Drive under the name International Paint, is a registered underground storage tank facility (UST), and under the name Former Courtalds Coatings, is a leaking underground storage tank site (LUST) and a RCRA large quantity generator of hazardous wastes. The tanks at this facility have been removed from the ground. This facility has a LUST status of "Monitoring" with the Texas Commission on Environmental Quality (TCEQ). This facility is not listed as a RCRA violator of hazardous wastes with the TCEQ. According to the topographic maps, this facility is located up-gradient of the subject site. If contamination migrates

to the subject site, the subject site may be eligible for an Innocent Owner/Operator Program Certificate from TCEQ..."

- "There is no other indication that the site identified in the ASTM Standard Environmental Record Sources search has had or will have an environmental impact to the subject site." (p. 17)

**Conclusion:** "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 17)

## 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 | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $25,620 | $29,280 | $32,940 | $36,600 | $39,540 | $42,480 |

## MARKET HIGHLIGHTS

A market feasibility study dated October 8, 2004 was prepared by O'Connor & Associates ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "…the subject's primary market area is defined as those properties bound by Beltway 8 on the north, Hempstead Highway on the west, Loop 610 on the south, and the Hardy Toll Road and Interstate Highway 45 on the east." (p. 18). This area encompasses approximately 43 square miles and is equivalent to a circle with a radius of 3.7 miles.

**Population:** The estimated 2004 total population of the PMA was 258,044 and is expected to increase by 4.4% to approximately 269,470 by 2009. (NOTE: This is slightly higher than the TDHCA suggested maximum population guideline of 250,000 persons.) The estimated elderly (age 55+) population of the PMA was 41,969 and is expected to increase to approximately 43,828 by 2009. Within the primary market area there were estimated to be 20,289 elderly households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,104 qualified households in the PMA, based on the current estimate of 87,830 total households, the projected annual household growth rate of 0.6%, renter households estimated at 45.46% of the population, income-qualified households estimated at 27%, and an annual renter turnover rate of 60 % (p. 72). The Market Analyst used an income band of $18,206 to $32,940.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 15 | 1% | 12 | 1% |
| Resident Turnover | 989 | 90% | 1,078 | 99% |
| Other Sources: from outside PMA | 100 | 9% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **1,104** | **100%** | **1,090** | **100%** |

Ref: p. 72

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 48.01% based upon 1,104 units of demand and 530 unstabilized affordable housing in the PMA (including the subject) (p. 73). This is an acceptable rate for elderly developments. The Underwriter calculated an inclusive capture rate of 48.6% based upon a slightly lower demand estimate of 1,090 households.

(NOTE: The Analyst included the 280 units of Primrose Skyline Apartments in the capture rate calculation, although this property is located approximately one-quarter mile east (outside) of the PMA boundary. The Underwriter also included these units due to their proximity to the PMA. Ironically, the Market Analyst excluded the 198 elderly units of the 2002 allocation known as Lovett Manor Apartments awarded to the same developer and located less than one-quarter mile from the PMA and less than three miles from the subject site. Including all of these units as well would still render an acceptable inclusive capture rate of 66.8%. Finally, a second proposed elderly transaction in the primary market area known as Primrose at Bammel with 210 additional units was not included as it has a later reservation date.)

**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 Housing Authority of the City of Houston's *PHA Plans 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 waiting list totals 18,526 families."(p. 41)

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,330 units in the market area. "Due to the lack of market rate seniors properties in the primary market area, four family apartments were used in the rental analysis, and one [HTC] seniors project from outside the market area." (p. 44)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (50%)** | $531 | $531 | $0 | $730-$770 | -$199-$239 |
| **1-Bedroom (60%)** | $646 | $646 | $0 | $730-$770 | -$84-$124 |
| **2-Bedroom (50%)** | $637 | $637 | $0 | $910-$940 | -$273-$303 |
| **2-Bedroom (60%)** | $774 | $774 | $0 | $910-$940 | -$136-$166 |

(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 86.67% in the most recent O'Connor & Associates Apartment Ownership Guide survey (September 2004). According to the survey, occupancy in the primary market area has decreased consistently since March 2002, following several years of stability. Based on our analysis of the market, assuming construction slows, occupancies are likely to take up to one year before bottoming out and returning to positive trends. A significant amount of new construction has the potential to result in less favorable trends, although at this time there is not a significant amount of new projects in the pipeline." (p. 37)
- "There are no recently completed seniors HTC projects in the PMA. Recently completed HTC family projects in the primary market area which have leased to stabilized occupancy are operating at high occupancy levels. The Fountains at Tidwell, Oak Arbor Townhomes, Park at Woodland Lakes (formerly known as Windfern Meadows Apartments), and Fallbrook Park Apartments were all completed in 2003, and are currently 92%, 96%, 96%, and 94% occupied, respectively. Fallbrook Ranch Apartments were completed in 2004, and are already 62% occupied." (p. 37)

**Absorption Projections:** The Analyst presents somewhat conflicting information:

- "Absorption in the subject's primary market area over the past twelve quarters ending September 2004 totals (577) units. Absorption has been negative in eight of the past twelve quarters. Absorption over the past three years has averaged ±(48) units per quarter. Class A and B projects have experienced positive absorption over this time period, while Class C projects have suffered high negative absorption. Reasons for this include not only the fact that the newer projects are attracting renters from the older projects, but also due to the reclassification of Class C to Class B projects, with many older projects having been renovated over the past few years in order to keep pace with new competition.

- One of the most recently completed projects in the subject's primary market area is the Fountains at Tidwell Apartments, east of the subject. The Fountains of Tidwell Apartments were completed in early 2003, and were 99% occupied at the end of the year, indicating an absorption of approximately 20 units per month. Fallbrook Ranch was completed in 2004, and is now ±62% occupied, indicating an absorption rate of no less than 13.5 units per month. Another example of absorption, which is most relevant to the subject, is Lovett Manor. This is a 198-unit seniors apartment project with interior corridors and elevators, which was built by the same developer as the subject. The project is located approximately three miles south of the subject, immediately outside the primary market area. Lovett Manor is reaching completion of construction. Leasing started in April 2004, with the first move-ins occurring June 1, 2004. The project is now ±38% occupied and ±65% leased, indicating an absorption rate of approximately 26 units per month." (p. 35)
- "The subject should be able to reach a stabilized occupancy level within 12 months of completion." (p. 37)

**Known Planned Development:** "We are aware of two market rate apartment developments in the subject's primary market under construction, and one family HTC project under construction in the primary market area…Additionally, Little York Villas is a 128-unit family HTC project (103 units rent-restricted) which is currently under construction. We are aware of no seniors projects under construction in the primary market area at this time." (p. 30)

**Effect on Existing Housing Stock:** "Based on the high occupancy levels of the existing newer properties in the market, along with the strong recent absorption history of Class A and B projects, in particular HTC projects, 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. 80)

**Market Study Analysis/Conclusions:** 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, and are achievable according to the Market Analyst. The Applicant stated that the property will provide hot water from a central boiler system for the main four-story building, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Due to the omission by the Applicant of the $1-$2 water heating allowances for the single-story units, the Applicant's effective gross income estimate is $936 greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,822 per unit is 2.1% lower than the Underwriter's database-derived estimate of $3,904 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($41.1K lower), payroll ($51.9K lower), repairs and maintenance ($19.7K higher), insurance ($31K higher), and property tax ($36.2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Debt Service:** Although the permanent debt term sheet submitted by the Applicant reflects an estimated interest rate of 5.3%, the Applicant's projected annual first lien permanent debt service amount of $784,080 is based on a rate of 5.8% to include the estimated fees and allow for rate movement prior to closing. The Underwriter's debt service estimate of $706,947 is based on the 5.3% rate as the anticipated fees were not specified in the loan term sheet.

**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

| | | | |
|---|---|---|---|
| **Land: 16.5027 acres** | $789,150 | **Assessment for the Year of:** | 2004 |
| **Per Acre:** | $47,819 | **Valuation by:** | Harris County Appraisal District |
| **Prorated Value, 14.964 acres:** | $715,570 | **Tax Rate:** | 3.09977 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Commercial contract – unimproved property | | |
| **Contract Expiration Date:** | 1/ 24/ 2005 | **Anticipated Closing Date:** | 1/ 12/ 2005 |
| **Acquisition Cost:** | $1,265,418 | **Other Terms/Conditions:** | $5K earnest money + $15K extension fee |
| **Seller:** | Antoine W.T.B., Ltd. | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,265,418 ($1.94/SF, $14,964/acre, or $5,062/unit) is somewhat substantiated by the prorated tax assessed value of $715,570 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $3.5K per unit are lower than historical sitework costs of $4.5K-$6.5K/unit for multifamily developments.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $205K or 2.2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of $14,326,556 is used to determine a credit allocation of $663,494 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:** | Washington Mutual Bank | **Contact:** | Mahesh Aiyer |
| **Loan Amount:** | $10,609,000 | **Interest Rate:** | FHLB CIP rate + 1.75%, estimated & underwritten at 5.3% |
| **Additional Information:** | Interest-only during construction | | |
| **Amortization:** | 30 yrs | **Term:** | 17.5 yrs |
| **Commitment:** | ☐ LOI ☐ Firm ☒ Conditional | | |
| **Annual Payment:** | $706,947 | **Lien Priority:** | 1st |
| **Commitment Date** | 10/ 12/ 2004 | | |

### TAX CREDIT SYNDICATION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Source:** | PNC Multifamily Capital | | | **Contact:** | K. Nicole Flores | |
| **Net Proceeds:** | $5,464,894 | **Net Syndication Rate (per $1.00 of 10-yr HTC)** | | | 85¢ | |
| **Commitment** | ☐ LOI | ☐ Firm | ☒ Conditional | **Date:** | 10/ 15/ | 2004 |
| **Additional Information**: | | | | | | |

**APPLICANT EQUITY**

| | | | |
|---|---|---|---|
| **Amount:** | $1,026,598 | **Source:** | Deferred developer fee |
| **Amount:** | $110 | **Source:** | Cash equity |

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Harris County Housing Finance Corporation and financed by Washington Mutual Bank. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

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

**Developer Equity:** The Applicant included a nominal equity contribution from the developer of $110; the Underwriter has combined this source with the deferred developer fees in the recommended financing structure section.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,026,598 amount to 59% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis and the underwriting applicable percentage of 3.56%, the HTC allocation would not exceed $663,494; however, as the Applicant used an applicable percentage of 3.45% the resulting request of $642,993 will be the recommended allocation, resulting in syndication proceeds of approximately $5,464,894. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased only by the amount of the nominal equity contribution to $1,026,708, which represents approximately 59% of the eligible fee and which should be repayable from cash flow within ten years.

**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.
- Artisan/American Corporation, 51% owner of the General Partner, submitted an unaudited financial statement as of 12/30/2003 reporting total assets of $1.93M and consisting of $83K in cash, $1.39M in receivables, $25K in securities, and $301K in business interests. Liabilities totaled $1.2M, resulting in a net worth of $679K.
- Inland General Construction Company, 49% owner of the General Partner, submitted an unaudited financial statement as of 12/30/2003 reporting total assets of $1.7M and consisting of $15K in cash and deposits, $380K in receivables, $1.2M in work in progress, and 53K in business interests. Liabilities totaled $1.3M, resulting in a net worth of $364K.
- The principals of the General Partner, H. Elizabeth and Vernon Young, submitted an unaudited joint personal financial statement as of 10/31/2004 and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant environmental/locational risks exist regarding road and railway noise and the adjacent upgradient soil contamination.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | November 29, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 29, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Pepper Tree Manor Apartments, Houston, 4% HTC #04464***

| 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% | 13 | 1 | 1 | 655 | $571 | $530 | $6,890 | $0.81 | $41.00 | $37.31 |
| TC 60% | 13 | 1 | 1 | 655 | 686 | $645 | 8,385 | 0.98 | 41.00 | 37.31 |
| TC 50% | 49 | 1 | 1 | 676 | 571 | $531 | 26,019 | 0.79 | 40.00 | 37.31 |
| TC 60% | 50 | 1 | 1 | 676 | 686 | $646 | 32,300 | 0.96 | 40.00 | 37.31 |
| TC 50% | 50 | 2 | 1 | 936 | 686 | $637 | 31,850 | 0.68 | 49.00 | 43.31 |
| TC 60% | 49 | 2 | 1 | 936 | 823 | $774 | 37,926 | 0.83 | 49.00 | 43.31 |
| TC 50% | 13 | 2 | 2 | 936 | 686 | $635 | 8,255 | 0.68 | 51.00 | 43.31 |
| TC 60% | 13 | 2 | 2 | 936 | 823 | $772 | 10,036 | 0.82 | 51.00 | 43.31 |
| **TOTAL:** | 250 | | **AVERAGE:** | 804 | $691 | $647 | $161,661 | $0.80 | $44.81 | $40.31 |

| **INCOME** | Total Net Rentable Sq Ft: 200,954 | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 6 |
|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $1,939,932 | $1,940,868 | | IREM Region | Houston |
| Secondary Income | Per Unit Per Month: | $14.00 | 42,000 | 42,000 | $14.00 | Per Unit Per Month | |
| Other Support Income: | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | $1,981,932 | $1,982,868 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (148,645) | (148,716) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $1,833,287 | $1,834,152 | | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.98% | $438 | 0.55 | $109,610 | $68,500 | $0.34 | $274 | 3.73% |
| Management | | 4.03% | 296 | 0.37 | 73,875 | 71,812 | 0.36 | 287 | 3.92% |
| Payroll & Payroll Tax | | 12.38% | 908 | 1.13 | 226,907 | 175,000 | 0.87 | 700 | 9.54% |
| Repairs & Maintenance | | 5.91% | 433 | 0.54 | 108,288 | 128,000 | 0.64 | 512 | 6.98% |
| Utilities | | 1.83% | 134 | 0.17 | 33,609 | 25,000 | 0.12 | 100 | 1.36% |
| Water, Sewer, & Trash | | 4.34% | 319 | 0.40 | 79,635 | 76,000 | 0.38 | 304 | 4.14% |
| Property Insurance | | 2.74% | 201 | 0.25 | 50,239 | 81,250 | 0.40 | 325 | 4.43% |
| Property Tax | 3.09977 | 12.68% | 930 | 1.16 | 232,483 | 268,648 | 1.34 | 1,075 | 14.65% |
| Reserve for Replacements | | 2.73% | 200 | 0.25 | 50,000 | 50,000 | 0.25 | 200 | 2.73% |
| Other: spt svcs, compl fees | | 0.61% | 45 | 0.06 | 11,250 | 11,250 | 0.06 | 45 | 0.61% |
| TOTAL EXPENSES | | 53.23% | $3,904 | $4.86 | $975,896 | $955,460 | $4.75 | $3,822 | 52.09% |
| NET OPERATING INC | | 46.77% | $3,430 | $4.27 | $857,391 | $878,692 | $4.37 | $3,515 | 47.91% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage (WA Mutual) | | 38.56% | $2,828 | $3.52 | $706,947 | $784,080 | $3.90 | $3,136 | 42.75% |
| Cash Equity | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 8.21% | $602 | $0.75 | $150,444 | $94,612 | $0.47 | $378 | 5.16% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.21 | 1.12 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.24 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 7.62% | $5,273 | $6.56 | $1,318,164 | $1,318,164 | $6.56 | $5,273 | 7.71% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 5.06% | 3,500 | 4.35 | 875,000 | 875,000 | 4.35 | 3,500 | 5.12% |
| Direct Construction | | 52.90% | 36,621 | 45.56 | 9,155,262 | 8,949,771 | 44.54 | 35,799 | 52.34% |
| Contingency | 4.65% | 2.69% | 1,864 | 2.32 | 466,000 | 466,000 | 2.32 | 1,864 | 2.73% |
| General Req'ts | 5.88% | 3.41% | 2,358 | 2.93 | 589,486 | 589,486 | 2.93 | 2,358 | 3.45% |
| Contractor's G & A | 1.96% | 1.14% | 786 | 0.98 | 196,495 | 196,495 | 0.98 | 786 | 1.15% |
| Contractor's Profit | 5.88% | 3.41% | 2,358 | 2.93 | 589,486 | 589,486 | 2.93 | 2,358 | 3.45% |
| Indirect Construction | | 1.54% | 1,068 | 1.33 | 267,000 | 267,000 | 1.33 | 1,068 | 1.56% |
| Ineligible Costs | | 4.75% | 3,291 | 4.09 | 822,662 | 822,662 | 4.09 | 3,291 | 4.81% |
| Developer's G & A | 0.50% | 0.37% | 259 | 0.32 | 64,686 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.62% | 6,662 | 8.29 | 1,665,534 | 1,730,220 | 8.61 | 6,921 | 10.12% |
| Interim Financing | | 3.89% | 2,692 | 3.35 | 673,068 | 673,068 | 3.35 | 2,692 | 3.94% |
| Reserves | | 3.60% | 2,493 | 3.10 | 623,250 | 623,250 | 3.10 | 2,493 | 3.64% |
| TOTAL COST | | 100.00% | $69,224 | $86.12 | $17,306,093 | $17,100,602 | $85.10 | $68,402 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *68.60%* | ***$47,487*** | ***$59.08*** | ***$11,871,729*** | ***$11,666,238*** | ***$58.05*** | ***$46,665*** | *68.22%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage (WA Mutual) | 61.30% | $42,436 | $52.79 | $10,609,000 | $10,609,000 | $10,609,000 | Developer Fee Available |
| Cash Equity | 0.00% | $0 | $0.00 | 110 | 110 | 0 | $1,730,220 |
| HTC Syndication Proceeds (PNC) | 31.58% | $21,860 | $27.19 | 5,464,894 | 5,464,894 | 5,464,894 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 5.93% | $4,106 | $5.11 | 1,026,598 | 1,026,598 | 1,026,708 | 59% |
| Additional (excess) Funds Required | 1.19% | $822 | $1.02 | 205,491 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $17,306,093 | $17,100,602 | $17,100,602 | $4,388,150 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Pepper Tree Manor Apartments, Houston, 4% HTC #04464***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.01 | $8,643,262 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly & 9-Ft. Ceilings | 6.00% | | 2.58 | 518,596 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.87) | (174,597) |
| Floor Cover | | | 2.00 | 401,908 |
| Porches | $16.36 | 3,744 | 0.30 | 61,252 |
| Plumbing | $605 | (172) | (0.52) | (104,060) |
| Built-In Appliances | $1,650 | 250 | 2.05 | 412,500 |
| Stairs | $1,475 | 15 | 0.11 | 22,125 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.68 | 338,377 |
| Corridors | $33.77 | 31,288 | 5.26 | 1,056,632 |
| Common Areas | $43.01 | 5,131 | 1.10 | 220,690 |
| Elevators | $55,850 | 4 | 1.11 | 223,400 |
| SUBTOTAL | | | 57.82 | 11,620,085 |
| Current Cost Multiplier | 1.08 | | 4.63 | 929,607 |
| Local Multiplier | 0.89 | | (6.36) | (1,278,209) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $56.09 | $11,271,482 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.19) | ($439,588) |
| Interim Construction Interes | 3.38% | | (1.89) | (380,413) |
| Contractor's OH & Profit | 11.50% | | (6.45) | (1,296,220) |
| NET DIRECT CONSTRUCTION COSTS | | | $45.56 | $9,155,262 |

19.098
144
104
1904
2694.4
704
1210.95
1589.76
507
676
256
416
54750
55850
125
80
36,419

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $10,609,000 | Term | 360 |
| Int Rate | 5.30% | DCR | 1.21 |
| Secondary | $110 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |
| Additional | $5,464,894 | Term | |
| Int Rate | | Aggregate DCR | 1.21 |

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

| | |
|---|---|
| Primary Debt Service | $706,947 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $171,745 |

| | | | |
|---|---|---|---|
| Primary | $10,609,000 | Term | 360 |
| Int Rate | 5.30% | DCR | 1.24 |
| Secondary | $110 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.24 |
| Additional | $5,464,894 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.24 |

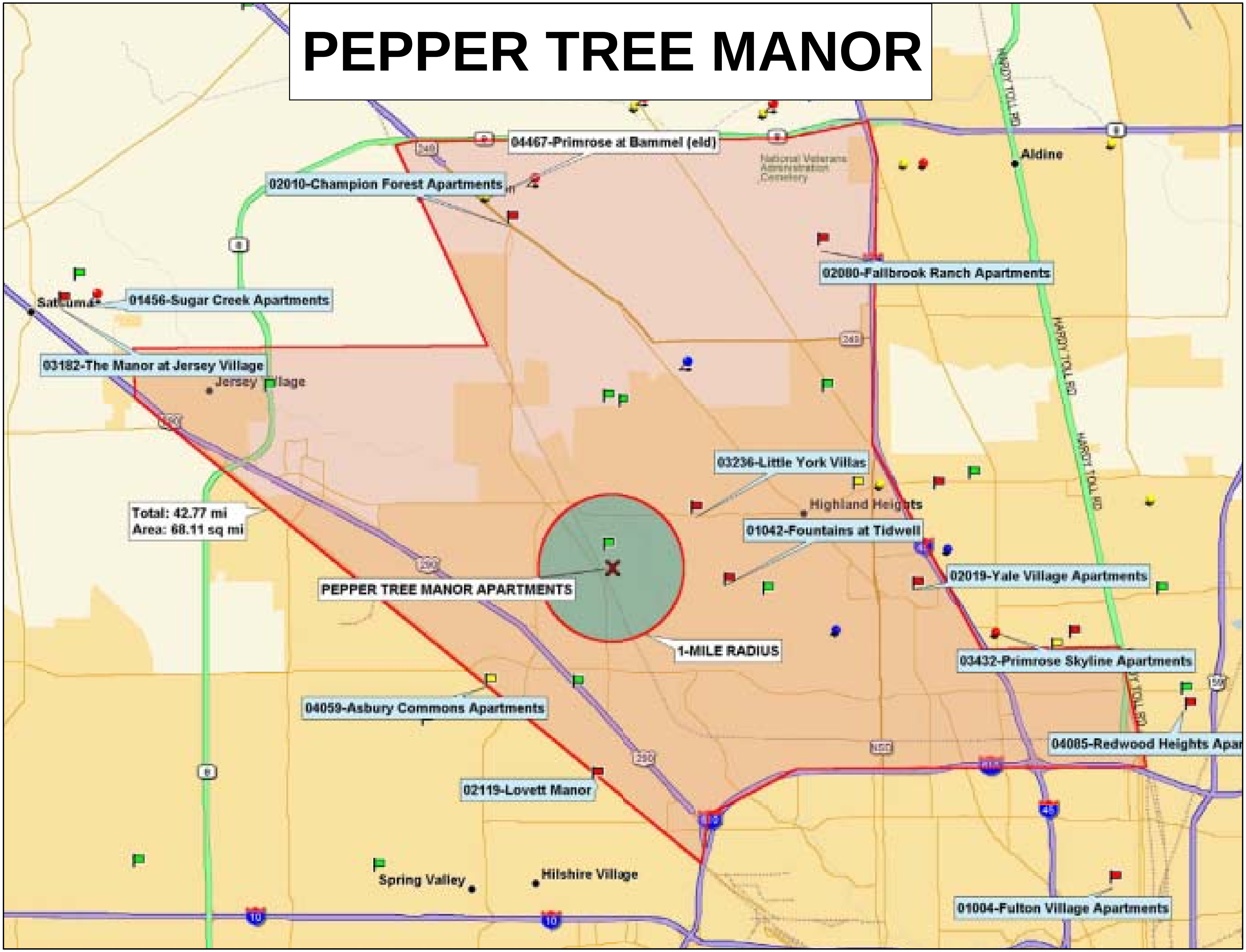
### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,940,868 | $1,999,094 | $2,059,067 | $2,120,839 | $2,184,464 | $2,532,393 | $2,935,737 | $3,403,324 | $4,573,783 |
| Secondary Income | 42,000 | 43,260 | 44,558 | 45,895 | 47,271 | 54,800 | 63,529 | 73,647 | 98,976 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,982,868 | 2,042,354 | 2,103,625 | 2,166,733 | 2,231,735 | 2,587,193 | 2,999,266 | 3,476,971 | 4,672,758 |
| Vacancy & Collection Loss | (148,716) | (153,177) | (157,772) | (162,505) | (167,380) | (194,039) | (224,945) | (260,773) | (350,457) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,834,152 | $1,889,177 | $1,945,853 | $2,004,228 | $2,064,355 | $2,393,154 | $2,774,321 | $3,216,198 | $4,322,301 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $68,500 | $71,240 | $74,090 | $77,053 | $80,135 | $97,497 | $118,620 | $144,319 | $213,628 |
| Management | 71,812 | 73966.3963 | 76185.38818 | 78470.94983 | 80825.07832 | 93698.41785 | 108622.1466 | 125922.8385 | 169229.7652 |
| Payroll & Payroll Tax | 175,000 | 182,000 | 189,280 | 196,851 | 204,725 | 249,080 | 303,043 | 368,699 | 545,764 |
| Repairs & Maintenance | 128,000 | 133,120 | 138,445 | 143,983 | 149,742 | 182,184 | 221,655 | 269,677 | 399,187 |
| Utilities | 25,000 | 26,000 | 27,040 | 28,122 | 29,246 | 35,583 | 43,292 | 52,671 | 77,966 |
| Water, Sewer & Trash | 76,000 | 79,040 | 82,202 | 85,490 | 88,909 | 108,172 | 131,607 | 160,121 | 237,018 |
| Insurance | 81,250 | 84,500 | 87,880 | 91,395 | 95,051 | 115,644 | 140,699 | 171,181 | 253,390 |
| Property Tax | 268,648 | 279,394 | 290,570 | 302,192 | 314,280 | 382,370 | 465,211 | 566,001 | 837,819 |
| Reserve for Replacements | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Other | 11,250 | 11,700 | 12,168 | 12,655 | 13,161 | 16,012 | 19,481 | 23,702 | 35,085 |
| TOTAL EXPENSES | $955,460 | $992,960 | $1,031,939 | $1,072,455 | $1,114,568 | $1,351,405 | $1,638,815 | $1,987,636 | $2,925,020 |
| NET OPERATING INCOME | $878,692 | $896,217 | $913,914 | $931,774 | $949,787 | $1,041,748 | $1,135,506 | $1,228,562 | $1,397,282 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $706,947 | $706,947 | $706,947 | $706,947 | $706,947 | $706,947 | $706,947 | $706,947 | $706,947 |
| 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 | $171,745 | $189,270 | $206,966 | $224,826 | $242,840 | $334,801 | $428,559 | $521,615 | $690,334 |
| DEBT COVERAGE RATIO | 1.24 | 1.27 | 1.29 | 1.32 | 1.34 | 1.47 | 1.61 | 1.74 | 1.98 |

## LIHTC Allocation Calculation - Pepper Tree Manor Apartments, Houston, 4% HTC #04464

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,318,164 | $1,318,164 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $875,000 | $875,000 | $875,000 | $875,000 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $8,949,771 | $9,155,262 | $8,949,771 | $9,155,262 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $196,495 | $196,495 | $196,495 | $196,495 |
| Contractor profit | $589,486 | $589,486 | $589,486 | $589,486 |
| General requirements | $589,486 | $589,486 | $589,486 | $589,486 |
| **(5) Contingencies** | $466,000 | $466,000 | $466,000 | $466,000 |
| **(6) Eligible Indirect Fees** | $267,000 | $267,000 | $267,000 | $267,000 |
| **(7) Eligible Financing Fees** | $673,068 | $673,068 | $673,068 | $673,068 |
| **(8) All Ineligible Costs** | $822,662 | $822,662 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | | $64,686 | | $64,686 |
| Developer fee | $1,730,220 | $1,665,534 | $1,730,220 | $1,665,534 |
| **(10) Development Reserves** | $623,250 | $623,250 | | |
| **TOTAL DEVELOPMENT COSTS** | $17,100,602 | $17,306,093 | $14,336,526 | $14,542,017 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $14,336,526 | $14,542,017 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $18,637,484 | $18,904,622 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $18,637,484 | $18,904,622 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $663,494 | $673,005 |
| **Syndication Proceeds** | **0.8499** | **$5,639,139** | **$5,719,966** |
| **Total Credits (Eligible Basis Method)** | | **$663,494** | **$673,005** |
| **Syndication Proceeds** | | **$5,639,139** | **$5,719,966** |
| **Requested Credits** | | **$642,993** | |
| **Syndication Proceeds** | | **$5,464,894** | |
| **Gap of Syndication Proceeds Needed** | | **$6,491,602** | |
| **Credit Amount** | | **$763,794** | |


PEPPER TREE MANOR
04467-Primrose at Bammel (eld)
02010-Champion Forest Apartments
National Veterans Administration Cemetery
Aldine
02080-Fallbrook Ranch Apartments
01456-Sugar Creek Apartments
Satsuma
03182-The Manor at Jersey Village
Jersey Village
HARDY TOLL RD
03236-Little York Villas
Highland Heights
Total: 42.77 mi
Area: 68.11 sq mi
01042-Fountains at Tidwell
02019-Yale Village Apartments
PEPPER TREE MANOR APARTMENTS
1-MILE RADIUS
03432-Primrose Skyline Apartments
04059-Asbury Commons Apartments
04085-Redwood Heights Apar
02119-Lovett Manor
Spring Valley
Hilshire Village
01004-Fulton Village Apartments
TN
MN (4.1°E)
Scale 1 : 112,500
1" = 1.78 mi
Data Zoom 10-7

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Fairlake Cove.

## Summary of the Transaction

The application was received on August 23, 2004. The Issuer for this transaction is Houston HFC. The development is to be located at the 10900 Block FM 1960 at Fairlake Drive in Houston. The development will consist of 200 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support 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 Fairlake Cove.

**HOUSING TAX CREDIT PROGRAM**

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Fairlake Cove Apartments** TDHCA#: 04475

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Houston | QCT: N | DDA: N | TTC: N |
| Development Owner: | TX Lake Houston Pointe Apartments, LP | | | |
| General Partner(s): | TX Lake Houston Pointe Apartments, LLC, 100%, Contact: Michael G Robinson | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: Houston HFC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $529,937 Eligible Basis Amt: $529,664 Equity/Gap Amt.: $859,408

**Annual Tax Credit Allocation Recommendation: $529,664**

Total Tax Credit Allocation Over Ten Years: $ 5,296,640

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 200 HTC Units: 200 % of HTC Units: 100

Gross Square Footage: 192,740 Net Rentable Square Footage: 187,600

Average Square Footage/Unit: 933

Number of Buildings: 14

Currently Occupied: N

**Development Cost**

Total Cost: $18,011,810 Total Cost/Net Rentable Sq. Ft.: $96.01

**Income and Expenses**

Effective Gross Income:[1] $1,650,792 Ttl. Expenses: $784,710 Net Operating Inc.: $866,082

Estimated 1st Year DCR: 1.17

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Greater Coastal Management Co, LLC |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | Hill & Frank Architects, Inc |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | RG Miller Engineers |
| Market Analyst: | Butler Burgher, LLC | Lender: | AIG SunAmerica, Inc. |
| Contractor: | RCI Construction, LLC | Syndicator: | SunAmerica Affordable Housing Partners, Inc. |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Tommy Williams, District 4 - NC<br>Rep. Joe Crabb, District 127 - NC<br>Mayor Bill White - NC<br>Daisy A. Stiner, Director of Housing & Community Development, City of Houston; The proposed activity for new construction of affordable multifamily rental housing is consistent with the City of Houston'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 Development 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 evidence of an award of City of Houston HOME funds, or other grant funds of at least $339511.
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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** November 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04475

## DEVELOPMENT NAME

Fairlake Cove Apartments (fka Lake Houston Pointe)

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | TX Lake Houston Pointe Apartments, L.P. | | | **Type:** | For-profit | | |
| **Address:** | 4900 Woodway, Suite 880 | | | **City:** | Houston | **State:** | TX |
| **Zip:** | 77056 | **Contact:** | Michael Robinson | **Phone:** | (713) 850-7168 | **Fax:** | (713) 621-9166 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | TX Lake Houston Pointe Apartments, LLC | **(%):** | 0.1 | **Title:** | Managing General Partner |
| **Name:** | Robinson Capital & Investments, Inc. (RCI) | **(%):** | N/A | **Title:** | Developer & 100% owner of MGP |
| **Name:** | Michael G. Robinson | **(%):** | N/A | **Title:** | 100% owner of RCI |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 10900 block of FM 1960 at Fairlake Drive | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Houston | **County:** | Harris | **Zip:** | 77336 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $529,937 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $529,664 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of evidence of an award of City of Houston HOME funds, or other grant funds of at least $339,511;
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 allocation 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:** | 200 | **# Rental Buildings** | 14 | **# Non-Res. Buildings** | 3 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A at / / |

**Net Rentable SF:** 187,600 **Av Un SF:** 933 **Common Area SF:** 5,140 **Gross Bldg SF:** 192,740

### STRUCTURAL MATERIALS

The structures will be wood frames on post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 33% brick veneer & 67% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 3,707-square foot community building will include activity rooms, management offices, fitness facilities, a kitchen, restrooms, a computer/business center, & a learning center. The community building & swimming pool, & equipped children's play area are located at the entrance to/middle of the property. A 561-SF laundry/storage building is to be located in the eastern portion & a 497-SF laundry/maintenance building is to be located in the western area. In addition, perimeter fencing with limited access gates is planned for the site.

**Uncovered Parking:** 160 spaces **Carports:** 200 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Fairlake Cove Apartments is a 14 units per acre, new construction development of 200 units of affordable housing located in far northeast Houston. The development is comprised of 14 medium- and large-size, garden style, walk-up residential buildings as follows:

- Two three-story Building Type A with 24 one-bedroom/one-bath units;
- One two-story Building Type B with 16 two-bedroom/two-bath units;
- Three three-story Building Type B with 24 two-bedroom/two-bath units; and
- Eight two-story Building Type C with eight three-bedroom/two-bath units.

**Development Plan:** The 14.271-acre site is to be bisected into a 3.6-acre western portion and a 9.27-acre eastern portion by a southerly extension of Lake Houston Parkway, to which 1.4 acres will be dedicated. The buildings are to be arranged in two groups, with ten residential buildings, the community building, swimming pool, a laundry/storage building, and a playground in the eastern group and four apartment buildings and another laundry/storage building and playground in the western group.

**Architectural Review:** The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 14.271 acres 621,645 square feet **Zoning/ Permitted Uses:** No zoning in Houston

**Flood Zone Designation:** Zones X & shaded X **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the far northeastern area of the city, approximately 24 miles from the central business district. The site is situated on the south side of FM 1960 (Atascocita Road) and the east side of Fairlake Drive.

**Adjacent Land Uses:**

- **North:** FM 1960 (Atascocita Road) immediately adjacent and commercial and single-family residential beyond;
- **South:** vacant land;
- **East:** a self-serve carwash immediately adjacent and vacant land beyond; and
- **West:** Fairlake Drive immediately adjacent and single-family residential beyond;

**Site Access:** Access to the property is from the east or west along FM 1960, from the south from Fairlake Drive, or from the north from Lake Houston Parkway. The development is to have a main and two secondary entries from the Lake Houston Parkway extension, as well as two entries from FM 1960. FM 1960 provides connections to all other major roads serving the Houston area.

**Public Transportation:** "…the Houston Metro does provide bus service to and from the PMA via the Kingwood Park and Ride. Public transportation throughout the PMA is not available." (market study, p. 58)

**Shopping & Services:** "The neighborhood is adequately serviced by all public utilities and services, multiple school districts, and various medical health facilities…Support facilities, such as restaurants, gas stations, grocery stores, and convenience stores are sufficient and are located throughout along primary traffic carriers." (market study, p. 54-55)

**Special Adverse Site Characteristics:** A small portion of the far southwest portion of the site lies within shaded flood Zone X. This area will be eliminated by regarding and the construction of a detention pond in that area.

**Site Inspection Findings:** TDHCA staff performed a site inspection on October 7, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site was located in an attractive wooded area with a school, community center, and a lake nearby, but that there was no public transportation and few amenities nearby.

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

A Phase I Environmental Site Assessment report dated August 30, 2004 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. At this time, no further environmental testing or investigation is recommended." (Sec. 1.3-1.4)

**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.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $25,620 | $29,280 | $32,940 | $36,600 | $39,540 | $42,480 |

**MARKET HIGHLIGHTS**

(NOTE: A market feasibility study report dated September 24, 2004 was prepared by Butler Burgher, Inc. ("Market Analyst") which used a primary market area (PMA) of approximately 237 miles. This PMA met TDHCA guidelines but the Analyst did not include a 4% HTC development approved in May 2004 (Montgomery Pines Apartments, 4% HTC #04411/MFB #2004-002) among the unstabilized comparable units, which resulted in an excessive inclusive capture rate of 34%. On 11/18/2004 the Analyst submitted a revised study report which reduced the PMA to exclude the Montgomery Pines development; the following highlights are from the revised report.)

**Definition of Primary Market Area (PMA):** "The primary market area is roughly defined as Northpark Drive (extended to the Harris-Liberty county line) to the north, the Harris-Liberty county line to the east, US Highway 90 to the southeast, Beltway 8 to the southwest, and US Highway 59 to the west" (p. 51). This area encompasses approximately 184 square miles and is equivalent to a circle with a radius of 7.6 miles. This represents a rather large PMA for a typical bond transaction. (NOTE: The PMA surrounds Lake Houston which occupies approximately 20 square miles of the area.)

**Population:** The estimated 2004 population of the PMA was 136,122 and is expected to increase by 10.5% to approximately 150,388 by 2009. Within the primary market area there were estimated to be 46,348 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,125 qualified households in the PMA, based on the current estimate of 46,348 households, the projected annual household growth rate of 2.3%, renter households estimated at 25% of the population, income-qualified households estimated at 14.57%, and an annual renter turnover rate of 64.4% (p. 67). The Market Analyst used an income band of $19,230 to $38,070 (p. 65). The Analyst indicated that the PMA's renter household percentage is 20.97%, but opined that, "This ratio of rental- to owner-occupied properties is lower than most segments of the Houston market. We believe the statistics are more indicative of low supply as opposed to lack of demand for rental units. By comparison, the statistics for the 20-mile ring around the subject property reports a renter ratio of 35.06% which is more typical of the market. Based on the data from the 20-mile ring, we have increased the projected percentage of renters in the PMA to 25% which is slightly less than the average of the ratios in the PMA and the 20-mile ring" (p. 64). The Underwriter has used the PMA renter percentage of 20.97% in this analysis to estimate demand.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 38 | 3% | 31 | 3% |
| Resident Turnover | 1,087 | 97% | 912 | 97% |
| Other Sources: | 0 | 0% | 0 | % |
| **TOTAL ANNUAL DEMAND** | **1,125** | **100%** | **943** | **100%** |

Ref: p. 68

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 17.78% based upon 1,125 units of demand and 200 unstabilized affordable housing in the PMA (the subject) (p. 67). The Underwriter calculated an inclusive capture rate of 21.2% based upon a lower demand estimate of 943 households.

**Local Housing Authority Waiting List Information:** "The City of Houston Housing Authority has over 15,000 families using Section 8 vouchers, and has stopped taking applications at this time due to high demand."(p. 59)

**Market Rent Comparables:** The Market Analyst surveyed four comparable market rate apartment projects and two HTC developments totaling 1,402 units in the market area.

- "Leasing concessions are a significant factor within the submarket [and] are in place at three of the six properties surveyed. Concession offers are generally in the form of one month free on a 12-month lease." (p. 71)
- "Area LIHTC properties are not able to achieve maximum 60% rents at this time." (p. 75)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $585 | $645 | -$60 | $600 | -$15 |
| **2-Bedroom (60%)** | $700 | $772 | -$72 | $725 | -$25 |
| **3-Bedroom (60%)** | $810 | $890 | -$80 | $830 | -$20 |

(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 rental market is currently at an average occupancy of 91.2% in the Lake Houston/Kingwood submarket. Over the past two and a half years the submarket has shown stability with respect to occupancy rates, with moderate absorption levels (positive and negative) and no new construction since 2001." (p. 59)

**Absorption Projections:** "An encumbered absorption level of 20 units/month upon completion is reasonable for the subject, considering the demand in the market for newly developed rental housing…Stabilization is expected to occur nine months after initial occupancy." (p. 3)

**Known Planned Development:** "At this time there is only one new property under construction within the submarket. It is the second phase of Lake Shore Village located on Atascocita Shores just west of Lake Houston. It will add 240 units to the supply in the submarket which is only 4.3% of the submarket. Historically, the submarket has been able to absorb moderate levels of new supply. However, there has been no new construction within the submarket since 2001." (p. 49)

**Effect on Existing Housing Stock:** "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% range." (p. 77)

**Market Study Analysis/Conclusions:** 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 slightly ($15-$25) lower than the Market Analyst's estimated market rents, reflecting a conservative approach by the Applicant. The Underwriter used the Market Analyst's estimated market rents in this analysis, which results in an increase of $50.4K in potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the net rent differences the Applicant's effective gross income estimate is $46,620 less than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,774 per unit is 5.09% lower than the Underwriter's database-derived estimate of $3,924 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($16.7K lower), payroll ($25.8K lower), insurance ($17.1K higher), and property tax ($11.9K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

**Conclusion:** Because the Applicant's total estimated operating expense is not within 5% of the Underwriter's estimate, the Underwriter's net operating income (NOI) will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 38.61 acres** | $150,460 | **Assessment for the Year of:** | 2004 |
| **Per acre:** | $3,897 | **Valuation by:** | Harris County Appraisal District |
| **Prorated value: 14.27 acres** | $55,620 | **Tax Rate:** | 3.03127 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Commercial contract – unimproved property & amendment | | |
| **Contract Expiration Date:** | 12/ 20/ 2004 | **Anticipated Closing Date:** | 12/ 20/ 2004 |
| **Acquisition Cost:** | $1,263,000 | **Other Terms/Conditions:** | $10K earnest money, 1.4 acres to be dedicated for extension of Lake Houston Parkway |
| **Seller:** | S.M.S. 1960 E Ltd. Partnership | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,263,000 ($2.03/SF, $88,501/acre, or $6,315/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,802 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation. It is not clear whether the street extension was included in the sitework or other eligible costs and no off-site costs for such anticipated improvements were recognized by the Applicant. Any such costs embedded in the proposed eligible costs would ultimately be ineligible and could reduce the final credit amount. Conversely, if these costs are not anticipated in the proposed budget, the project costs and required deferral would increase accordingly.

**Direct Construction Cost:** The Applicant's costs are $1,002,830 (11.4%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

**Fees:** The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by $7,655 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Underwriter regards total costs to be understated by $1,355,365 or 7.5%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. The Applicant's requested credit amount, as adjusted for the current applicable percentage, is less than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $14,878,206 is used to determine a credit allocation of $529,664 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM TO PERMANENT BOND FINANCING

| | | | | | |
|---|---|---|---|---|---|
| **Source:** | AIG SunAmerica, Inc. | | | **Contact:** | Dana Mayo |
| **Tax-Exempt Amount:** | $10,000,000 | **Interest Rate:** | Estimated & underwritten at 6.25% | | |
| **Additional Information:** | | | | | |
| **Amortization:** | 30 yrs | **Term:** | 33 yrs | **Commitment:** | ☐ LOI ☐ Firm ☒ Conditional |
| **Annual Payment:** | $738,861 | **Lien Priority:** | 1st | **Commitment Date** | 9/ 16/ 2004 |

## INTERIM BRIDGE FINANCING

**Source:** AIG SunAmerica, Inc. **Contact:** Dana Mayo

**Loan Amount:** $3,403,480 **Interest Rate:** Variable, estimated & underwritten at 6%

**Additional Information:** Loan of syndication proceeds

**Commitment Date:** 11/18/04 **Term:** 3 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

## GRANT

**Source:** City of Houston HOME funds **Contact:** Ken Fickes

**Principal Amount:** $800,000 **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Additional Information:** Application only, no commitment **Commitment Date** / /

## TAX CREDIT SYNDICATION

**Source:** SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

**Net Proceeds:** $4,447,019 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 84¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 22/ 2004

**Additional Information:**

## APPLICANT EQUITY

**Amount:** $1,409,426 **Source:** Deferred developer fee

## FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Houston Housing Finance Corporation and financed by AIG SunAmerica, Inc. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. SunAmerica will require credit enhancement in the form of a letter of credit from an entity of the lender's choosing during the construction period, but for not less than three years.

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

**City of Houston HOME Funds:** The Applicant provided a copy of an application for a grant of $800,000 from City of Houston HOME funds, but as of the date of this analysis no commitment for these funds has been provided. Receipt, review, and acceptance of evidence of an award of City of Houston HOME funds is therefore a condition of this report. Failure to receive the award as proposed would result in contractor and developer fee deferral of $339,511 more than the available fees themselves, thus some grant source of at least this amount is required for the development to be viable.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,409,426 amount to 72% of the total fees.

**Financing Conclusions:** Based on the Underwriter's estimated total development cost and the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $529,664 annually for ten years, resulting in syndication proceeds of approximately $4,444,729. The Applicant's deferred developer and related general contractor fees will be increased to $2,767,081, which represents 100% of the eligible developer fee and approximately 64% of the eligible contractor fee and which should be repayable from cash flow within 15 years. Insufficient additional fees are available to substitute for loss of the HOME funds, however; should the Applicant's final direct construction cost more closely approximate the Applicant's estimate, additional deferred fees should be available to substitute for these funds or fund development cost overruns.

## 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.
- Robinson Capital & Investment, Inc., the sole member of the General Partner, submitted an unaudited financial statement as of November 1, 2004 reporting total assets of $1K in cash and no liabilities.
- Michael G. Robinson, the 100% owner of Robinson Capital & Investments, Inc., submitted an unaudited personal financial statement as of October 1, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

### SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- A significant locational risk exists regarding location of a small portion of the site 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:** | November 29, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 29, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Fairlake Cove Apartments, Houston, 4% HTC #04475***

| 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% | 48 | 1 | 1 | 680 | $686 | $600 | $28,800 | $0.88 | $41.00 | $37.31 |
| TC 60% | 88 | 2 | 2 | 950 | 823 | 725 | 63,800 | 0.76 | 51.00 | 43.31 |
| TC 60% | 64 | 3 | 2 | 1,115 | 951 | 830 | 53,120 | 0.74 | 61.00 | 49.31 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **TOTAL:** | 200 | | **AVERAGE:** | 938 | $831 | $729 | $145,720 | $0.78 | $51.80 | $43.79 |

| | | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: | 187,600 | | | | | | Comptroller's Region | 6 |
| POTENTIAL GROSS RENT | | | | | $1,748,640 | $1,698,240 | | IREM Region | Houston |
| Secondary Income | | Per Unit Per Month: | | $15.00 | 36,000 | 36,000 | $15.00 | Per Unit Per Month | |
| Other Support Income: | | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | | $1,784,640 | $1,734,240 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | | -7.50% | (133,848) | (130,068) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | | $1,650,792 | $1,604,172 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 2.87% | $237 | 0.25 | $47,321 | $30,600 | $0.16 | $153 | 1.91% |
| Management | | 4.00% | 330 | 0.35 | 66,032 | 64,167 | 0.34 | 321 | 4.00% |
| Payroll & Payroll Tax | | 11.86% | 979 | 1.04 | 195,829 | 170,000 | 0.91 | 850 | 10.60% |
| Repairs & Maintenance | | 5.66% | 467 | 0.50 | 93,462 | 98,200 | 0.52 | 491 | 6.12% |
| Utilities | | 1.88% | 155 | 0.17 | 31,080 | 22,000 | 0.12 | 110 | 1.37% |
| Water, Sewer, & Trash | | 4.17% | 344 | 0.37 | 68,796 | 74,400 | 0.40 | 372 | 4.64% |
| Property Insurance | | 3.21% | 265 | 0.28 | 52,914 | 70,000 | 0.37 | 350 | 4.36% |
| Property Tax | 3.03127 | 11.02% | 909 | 0.97 | 181,876 | 170,000 | 0.91 | 850 | 10.60% |
| Reserve for Replacements | | 2.42% | 200 | 0.21 | 40,000 | 40,000 | 0.21 | 200 | 2.49% |
| Other: compl fees, spt svcs | | 0.45% | 37 | 0.04 | 7,400 | 5,400 | 0.03 | 27 | 0.34% |
| TOTAL EXPENSES | | 47.54% | $3,924 | $4.18 | $784,710 | $744,767 | $3.97 | $3,724 | 46.43% |
| NET OPERATING INC | | 52.46% | $4,330 | $4.62 | $866,082 | $859,405 | $4.58 | $4,297 | 53.57% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage (SunAmerica) | | 44.76% | $3,694 | $3.94 | $738,861 | $738,000 | $3.93 | $3,690 | 46.01% |
| City of Houston HOME Loan | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 7.71% | $636 | $0.68 | $127,221 | $121,405 | $0.65 | $607 | 7.57% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.17 | 1.16 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.17 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 7.01% | $6,315 | $6.73 | $1,263,000 | $1,263,000 | $6.73 | $6,315 | 7.58% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.55% | 6,802 | 7.25 | 1,360,438 | 1,360,438 | 7.25 | 6,802 | 8.17% |
| Direct Construction | | 48.75% | 43,901 | 46.80 | 8,780,119 | 7,777,289 | 41.46 | 38,886 | 46.69% |
| Contingency | 4.47% | 2.52% | 2,265 | 2.41 | 453,000 | 453,000 | 2.41 | 2,265 | 2.72% |
| General Req'ts | 5.41% | 3.04% | 2,741 | 2.92 | 548,263 | 548,263 | 2.92 | 2,741 | 3.29% |
| Contractor's G & A | 1.80% | 1.01% | 914 | 0.97 | 182,754 | 182,754 | 0.97 | 914 | 1.10% |
| Contractor's Profit | 5.41% | 3.04% | 2,741 | 2.92 | 548,263 | 548,263 | 2.92 | 2,741 | 3.29% |
| Indirect Construction | | 5.12% | 4,610 | 4.91 | 922,001 | 922,001 | 4.91 | 4,610 | 5.54% |
| Ineligible Costs | | 2.82% | 2,538 | 2.71 | 507,585 | 507,585 | 2.71 | 2,538 | 3.05% |
| Developer's G & A | 0.98% | 0.76% | 680 | 0.73 | 136,038 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 10.06% | 9,061 | 9.66 | 1,812,252 | 1,948,290 | 10.39 | 9,741 | 11.70% |
| Interim Financing | | 6.36% | 5,728 | 6.11 | 1,145,562 | 1,145,562 | 6.11 | 5,728 | 6.88% |
| Reserves | | 1.96% | 1,763 | 1.88 | 352,535 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $90,059 | $96.01 | $18,011,810 | $16,656,445 | $88.79 | $83,282 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *65.92%* | ***$59,364*** | ***$63.29*** | ***$11,872,837*** | ***$10,870,007*** | ***$57.94*** | ***$54,350*** | *65.26%* |

**SOURCES OF FUNDS**

| | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage (SunAmerica) | 55.52% | $50,000 | $53.30 | $10,000,000 | $10,000,000 | $10,000,000 | Developer Fee Available |
| City of Houston HOME Loan | 4.44% | $4,000 | $4.26 | 800,000 | 800,000 | 800,000 | $1,948,290 |
| HTC Syndication Proceeds (SunAme | 24.69% | $22,235 | $23.70 | 4,447,019 | 4,447,019 | 4,444,729 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.83% | $7,047 | $7.51 | 1,409,426 | 1,409,426 | 2,767,081 | 142% |
| Additional (excess) Funds Required | 7.52% | $6,777 | $7.22 | 1,355,365 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $18,011,810 | $16,656,445 | $18,011,810 | $3,901,154 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

### *Fairlake Cove Apartments, Houston, 4% HTC #04475*

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.15 | $8,283,469 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.64% | | $1.17 | $218,684 |
| 9-Ft. Ceilings | 3.33% | | 1.47 | 275,840 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.81) | (152,331) |
| Floor Cover | | | 2.00 | 375,200 |
| Porches/Balconies | $16.91 | 33,790 | 3.05 | 571,389 |
| Plumbing | $605 | 456 | 1.47 | 275,880 |
| Built-In Appliances | $1,650 | 200 | 1.76 | 330,000 |
| Stairs | $1,475 | 76 | 0.60 | 112,100 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 287,028 |
| Carports | $8.18 | 34,200 | 1.49 | 279,756 |
| Comm &/or Aux Bldgs | $61.93 | 3,707 | 1.22 | 229,569 |
| Laundry/Storage Bldgs | $54.20 | 1,058 | 0.31 | 57,362 |
| SUBTOTAL | | | 59.40 | 11,143,945 |
| Current Cost Multiplier | 1.08 | | 4.75 | 891,516 |
| Local Multiplier | 0.89 | | (6.53) | (1,225,834) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.62 | $10,809,627 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.25) | ($421,575) |
| Interim Construction Interes | 3.38% | | (1.94) | (364,825) |
| Contractor's OH & Profit | 11.50% | | (6.63) | (1,243,107) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.80 | $8,780,119 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $10,000,000 | Term | 360 |
| Int Rate | 6.250% | DCR | 1.17 |
| Secondary | $800,000 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.17 |
| Additional | $4,447,019 | Term | |
| Int Rate | | Aggregate DCR | 1.17 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $738,861 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $127,221 |

| | | | |
|---|---|---|---|
| Primary | $10,000,000 | Term | 360 |
| Int Rate | 6.25% | DCR | 1.17 |
| Secondary | $800,000 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.17 |
| Additional | $4,447,019 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.17 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,748,640 | $1,801,099 | $1,855,132 | $1,910,786 | $1,968,110 |
| Secondary Income | 36,000 | 37,080 | 38,192 | 39,338 | 40,518 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,784,640 | 1,838,179 | 1,893,325 | 1,950,124 | 2,008,628 |
| Vacancy & Collection Loss | (133,848) | (137,863) | (141,999) | (146,259) | (150,647) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,650,792 | $1,700,316 | $1,751,325 | $1,803,865 | $1,857,981 |
| EXPENSES at 4.00% | | | | | |
| General & Administrative | $47,321 | $49,214 | $51,182 | $53,230 | $55,359 |
| Management | 66,032 | 68,013 | 70,053 | 72,155 | 74,319 |
| Payroll & Payroll Tax | 195,829 | 203,662 | 211,809 | 220,281 | 229,092 |
| Repairs & Maintenance | 93,462 | 97,201 | 101,089 | 105,132 | 109,338 |
| Utilities | 31,080 | 32,323 | 33,616 | 34,961 | 36,359 |
| Water, Sewer & Trash | 68,796 | 71,548 | 74,410 | 77,387 | 80,482 |
| Insurance | 52,914 | 55,031 | 57,232 | 59,521 | 61,902 |
| Property Tax | 181,876 | 189,151 | 196,717 | 204,586 | 212,769 |
| Reserve for Replacements | 40,000 | 41,600 | 43,264 | 44,995 | 46,794 |
| Other | 7,400 | 7,696 | 8,004 | 8,324 | 8,657 |
| TOTAL EXPENSES | $784,710 | $815,438 | $847,376 | $880,570 | $915,072 |
| NET OPERATING INCOME | $866,082 | $884,877 | $903,949 | $923,295 | $942,909 |
| DEBT SERVICE | | | | | |
| First Lien Financing | $738,861 | $738,861 | $738,861 | $738,861 | $738,861 |
| Second Lien | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $127,221 | $146,017 | $165,089 | $184,434 | $204,049 |
| DEBT COVERAGE RATIO | 1.17 | 1.20 | 1.22 | 1.25 | 1.28 |

| INCOME at 3.00% | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,281,579 | $2,644,975 | $3,066,251 | $4,120,785 |
| Secondary Income | 46,972 | 54,453 | 63,126 | 84,836 |
| Other Support Income: | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,328,550 | 2,699,428 | 3,129,377 | 4,205,621 |
| Vacancy & Collection Loss | (174,641) | (202,457) | (234,703) | (315,422) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,153,909 | $2,496,971 | $2,894,674 | $3,890,199 |
| EXPENSES at 4.00% | | | | |
| General & Administrative | $67,352 | $81,945 | $99,698 | $147,578 |
| Management | 86,156 | 99,879 | 115,787 | 155,608 |
| Payroll & Payroll Tax | 278,726 | 339,112 | 412,582 | 610,722 |
| Repairs & Maintenance | 133,026 | 161,846 | 196,911 | 291,476 |
| Utilities | 44,237 | 53,821 | 65,481 | 96,928 |
| Water, Sewer & Trash | 97,919 | 119,133 | 144,944 | 214,552 |
| Insurance | 75,313 | 91,630 | 111,482 | 165,020 |
| Property Tax | 258,867 | 314,951 | 383,186 | 567,208 |
| Reserve for Replacements | 56,932 | 69,267 | 84,274 | 124,746 |
| Other | 10,533 | 12,814 | 15,591 | 23,078 |
| TOTAL EXPENSES | $1,109,060 | $1,344,398 | $1,629,934 | $2,396,916 |
| NET OPERATING INCOME | $1,044,849 | $1,152,573 | $1,264,739 | $1,493,283 |
| DEBT SERVICE | | | | |
| First Lien Financing | $738,861 | $738,861 | $738,861 | $738,861 |
| Second Lien | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $305,988 | $413,713 | $525,879 | $754,423 |
| DEBT COVERAGE RATIO | 1.41 | 1.56 | 1.71 | 2.02 |

## LIHTC Allocation Calculation - Fairlake Cove Apartments, Houston, 4% HTC #04475

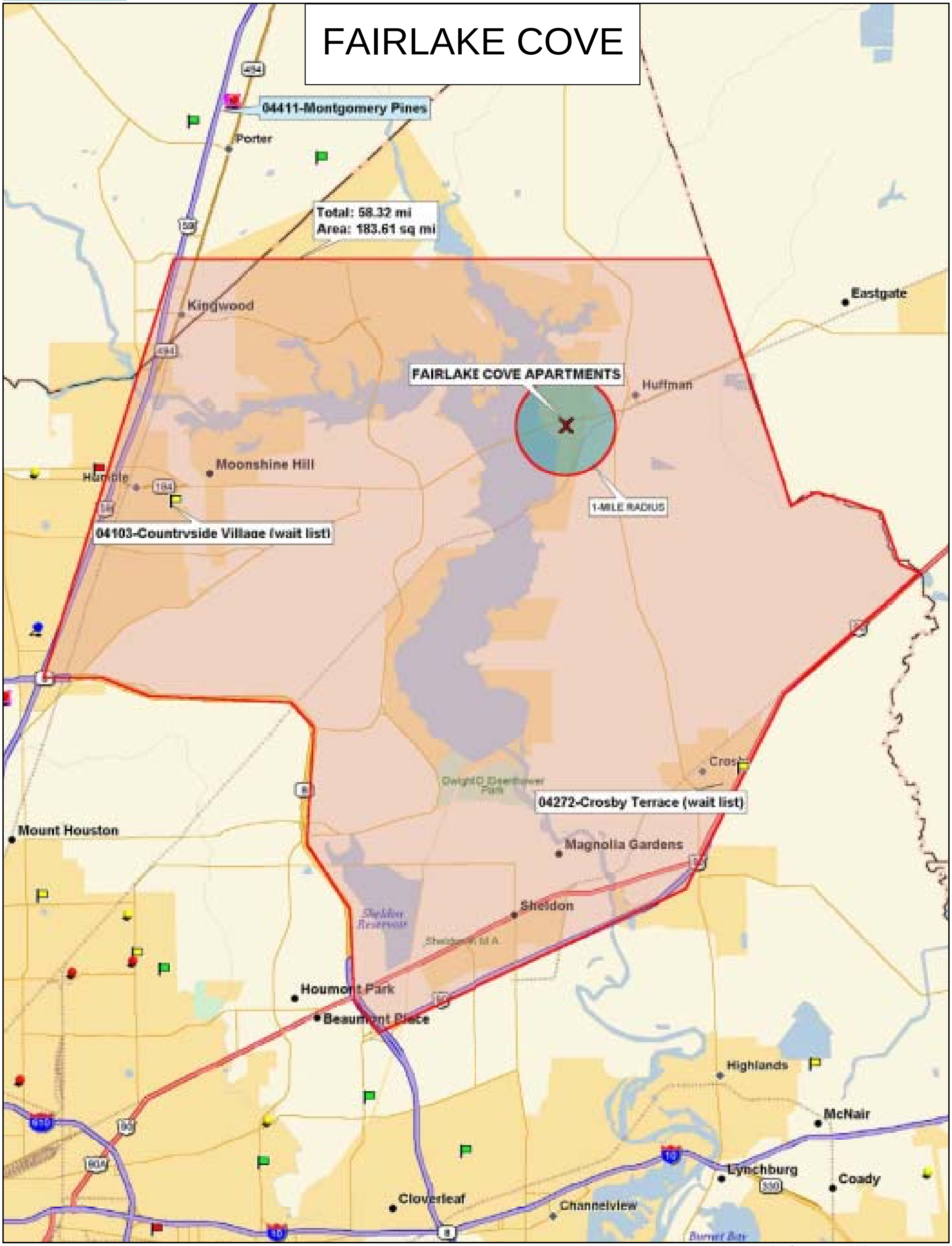
| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB / NEW ELIGIBLE BASIS | TDHCA REHAB / NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,263,000 | $1,263,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation / New Construction Cost** | | | | |
| On-site work | $1,360,438 | $1,360,438 | $1,360,438 | $1,360,438 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $7,777,289 | $8,780,119 | $7,777,289 | $8,780,119 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $182,754 | $182,754 | $182,754 | $182,754 |
| Contractor profit | $548,263 | $548,263 | $548,263 | $548,263 |
| General requirements | $548,263 | $548,263 | $548,263 | $548,263 |
| **(5) Contingencies** | $453,000 | $453,000 | $453,000 | $453,000 |
| **(6) Eligible Indirect Fees** | $922,001 | $922,001 | $922,001 | $922,001 |
| **(7) Eligible Financing Fees** | $1,145,562 | $1,145,562 | $1,145,562 | $1,145,562 |
| **(8) All Ineligible Costs** | $507,585 | $507,585 | | |
| **(9) Developer Fees** | | | $1,940,636 | |
| Developer overhead | | $136,038 | | $136,038 |
| Developer fee | $1,948,290 | $1,812,252 | | $1,812,252 |
| **(10) Development Reserves** | | $352,535 | | |
| **TOTAL DEVELOPMENT COSTS** | $16,656,445 | $18,011,810 | $14,878,206 | $15,888,690 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $14,878,206 | $15,888,690 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $14,878,206 | $15,888,690 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $14,878,206 | $15,888,690 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $529,664 | $565,637 |
| **Syndication Proceeds** | **0.8392** | **$4,444,729** | **$4,746,602** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$529,664** | **$565,637** |
| **Syndication Proceeds** | **$4,444,729** | **$4,746,602** |
| **Requested Credits** | **$529,937** | |
| **Syndication Proceeds** | **$4,447,019** | |
| **Gap of Syndication Proceeds Needed** | | **$7,211,810** |
| **Credit Amount** | | **$859,408** |

DeLORME








TN
MN (3.9°E)

Scale 1 : 175,000

1" = 2.76 mi

Data Zoom 10-2

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Louetta Village Apartments.

## Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the 1500 Block of Louetta Road in Spring. The development will consist of 116 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support 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 not approve the issuance of Housing Tax Credits for Louetta Village Apartments.

**HOUSING TAX CREDIT PROGRAM**

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Louetta Village Apartments** TDHCA#: 04469

## DEVELOPMENT AND OWNER INFORMATION

Development Location: Spring QCT: N DDA: N TTC: N
Development Owner: Louetta Village Apartments 45, LP
General Partner(s): H. C. H. A. Louetta 45, LLC, 100%, Contact: Guy Rankin
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Elderly

**Annual Tax Credit Allocation Calculation**
Applicant Request: $314,202 Eligible Basis Amt: $ Equity/Gap Amt.: $325,920
**Annual Tax Credit Allocation Recommendation: $**
Total Tax Credit Allocation Over Ten Years: $

## PROPERTY INFORMATION

**Unit and Building Information**
Total Units: 116 HTC Units: 116 % of HTC Units: 100
Gross Square Footage: 120,003 Net Rentable Square Footage: 116,292
Average Square Footage/Unit: 1003
Number of Buildings: 17
Currently Occupied: N
**Development Cost**
Total Cost: $10,355,137 Total Cost/Net Rentable Sq. Ft.: $89.04
**Income and Expenses**
Effective Gross Income:[1] $ 980,474 Ttl. Expenses: $399,556 Net Operating Inc.: $580,918
Estimated 1st Year DCR: 1.15

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Coach Realty Services, Inc. |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | The Clerkley Watkins Group |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | To Be Determined |
| Market Analyst: | Novogradac & Company, LLC | Lender: | GMAC |
| Contractor: | To Be Determined | Syndicator: | Paramount Financial Group, Inc. |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Jon Lindsay, District 7 - NC<br>Rep. Debbie Riddle, District 150 - NC<br>Judge Robert Eckels - NC<br>Robert Eckels, County Judge Proposed Development is consistent with the HUD approved 2003 Consolidated plan for Harris County which establishes the need for affordable, rental housing in the county. |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

## CONDITION(S) TO COMMITMENT

Not Recommended Due to the following:
1. Primary Market inclusive capture rate exceeds 100%.

## 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:** November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04469

## DEVELOPMENT NAME

Louetta Village Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Louetta Village Apartments 45, L.P. | | | **Type:** | For-profit | | |
| **Address:** | 6919 Portwest, Suite 150 | | | **City:** | Houston | **State:** | TX |
| **Zip:** | 77024 | **Contact:** | Thomas H. Scott | **Phone:** | (713) 785-1005 | **Fax:** | (713) 785-0050 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | HCHA Louetta, LLC | **(%):** | .01 | **Title:** | Managing General Partner |
| **Name:** | Harris County Housing Authority | **(%):** | N/A | **Title:** | Sole Member of the GP |
| **Name:** | JV Developers, LLC | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Thomas H Scott | **(%):** | N/A | **Title:** | Sole Member of Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1500 Block of Louetta Road | | ☐ QCT | | ☐ DDA |
| **City:** | Spring | **County:** | Harris | **Zip:** | 77388 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $314,202 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** Elderly

## RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING:

- Primary Market inclusive capture rate exceeds 100%

## CONDITIONS

SHOULD THE BOARD APPROVE THIS AWARD, THE TAX CREDIT ALLOCATION SHOULD NOT EXCEED $314,202 AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- Board waiver of its inclusive capture rate limit or waiver of the 60 day prior to Board meeting rule
- Receipt review and acceptance of evidence of compliance with the issues and recommendations addressed in the Phase I ESA by cost certification.
- Receipt review and acceptance of an executed lease agreement to document the likelihood of the 100% property tax exemption.
- Receipt review and acceptance of updated statements from Harris County Housing Authority showing evidence of financial soundness must be received prior to issuance of a determination notice.

### REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 116 | **# Rental Buildings** | 17 | **# Non-Res. Buildings** | 1 | **# of Floors** | 1 | **Age:** | N/A yrs | **Vacant:** | N/A at / / |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 116,292 | **Av Un SF:** | 1,003 | **Common Area SF:** | 3,711 | **Gross Bldg SF:** | 120,003 |

### 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: 30% brick veneer/ 70% cement fiber siding, and wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with 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, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 3,711-square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, and a card room. The community building and swimming pool are located at the entrance to the property. In addition perimeter fencing with limited access gates are planned for the site.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 207 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 Spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**<u>Description</u>:** Louetta Village Apartments is a 10.73 units per acre new construction development of 116 units of affordable housing located in northern Harris County. The development is comprised of 17 evenly distributed small garden style one-story residential buildings as follows:

- Four Building Type 1 with four two-bedroom/one-bath units;
- One Building Type 2 with four two- bedroom/two-bath units;
- Eight Building Type 3 with eight two- bedroom/one-bath units; and
- Four Building Type 4 with eight two- bedroom/two-bath units.

**<u>Architectural Review</u>:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. All are two bedroom units which limits the marketability to single seniors that are below the maximum income limit. The units appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | |
|---|---|---|---|---|---|
| **Size:** | 10.81 acres | 470,884 | square feet | **Zoning/ Permitted Uses:** | No Zoning |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**<u>Location</u>:** Louetta Village is in northern Harris County located in the southeast region of the state, approximately 8 miles north from Houston's central business district. The site is an irregularly-shaped parcel, situated on the south side of Louetta Road.

**<u>Adjacent Land Uses</u>:**

- **North:** Louetta Road immediately adjacent and commercial timber beyond;

- **South:** Developed shopping center immediately adjacent;
- **East:** Office complex immediately adjacent and mobile home sales lot beyond; and
- **West:** Mobile home community immediately adjacent and timberland beyond.

**Site Access:** Access to the property is from the east or west along Louetta Road. The development is to have one main entry from the north from Louetta Road. Louetta Road is a four-lane heavily traveled roadway. Access to Interstate Highway- 45, is less than 0.1 mile east of the subject site, which provides connections to all other major roads serving the area.

**Public Transportation:** Public transportation to the area is provided by Houston Metro Bus Transit System. The availability of the closest bus stop was not identified in the application materials.

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

**Special Adverse Site Characteristics:**
"A former homeless shelter encampment is on the northern edge of the Tract" and
"The tract joins a mobile home community with a private water well." The recommendation to deal with these characteristics is to "properly post the Tract against trespass under the new trespass laws found at TAC Section 30.06."

**Site Inspection Findings:** TDHCA staff performed a site inspection on Louetta Village 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 July 9, 2004, was prepared by Phase One Technologies, L.L.C., and contained the following findings and recommendations:

**Findings:**

- **Asbestos-Containing Materials (ACM):** no information, no existing buildings on the site
- **Lead-Based Paint (LBP):** no information, no existing buildings on the site
- **Radon:** "Radon is not considered a concern for this Tract." (Appendix 9a)
- **Floodplain:** "The Tract does not lie within a flood hazard area." (Appendix 5)
- **Drainage:** "Drainage on the Tract is entirely obstructed."
- **Dumping:** "Illegal dumping of household trash is scattered throughout the Tract."

**Recommendations:**

- **Drainage:** "Restore all drainage on the Tract. Drain or fill all pits."
- **Dumping:** "Remove household trash to a proper landfill."

These items are a normal part of development of raw land and are customarily performed during the construction phase. Receipt review and acceptance of evidence of compliance with the issues addressed in the Phase I ESA by cost certification are a condition of the report.

## 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. However, the development is also anticipating receiving HOME Funds from the county and as such will have 55 HOME restricted units. Nine of these will be LOW HOME units and 36 will be HIGH HOME restricted.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $25,620 | $29,280 | $32,940 | $36,600 | $39,540 | $42,480 |

**MARKET HIGHLIGHTS**

A market feasibility study dated October 5, 2004 and amended on November 29th, was prepared by Novogradac & Company, LLP ("Market Analyst") and the following are highlights from its findings:

**Definition of Primary Market Area (PMA):** "For the purpose of this Study, Novogradac has defined the Subject's Primary Market Area (PMA) to be approximately bound by the Harris County border to the north, U.S. Highway 59 to the east, Beltway 8 to the south and State Highway 249 to the west. The size of the PMA is approximately 50 square miles. It is important to note that approximately 20 percent of this area is occupied by the George Bush Intercontinental Airport. The PMA boundaries are outlined on the map presented…" (p. 9). This is a large area containing roughly 221 square miles and is equivalent to a circle with a 8.4 mile radius.

**Population:** The estimated 2004 senior population of the PMA was 53,345 and is expected to increase by 31.8% to approximately 70,308 by 2009. Within the primary market area there were estimated to be 29,545 senior households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 313 qualified households in the PMA, based on the current estimate of 29,545 households, the projected annual growth rate of 29.3% and 19 months of growth, renter households estimated at 20% of the population, income-qualified households estimated at 11%, and a rent overburdened household estimate (as a proxy for turnover) of 27%. (p. 47). The Market Analyst used an income band of $20,370 to $32,940.

The Market Analyst also indicated that 30% to 50% of senior tenants in other developments come from outside of a typical PMA and provided a summary of a survey conducted of existing tax credit developments targeting seniors that reflected an average of 53% of residents that relocated from beyond 10 miles from the apartment in which they live. While details of how this study was conducted were not provided, it seems reasonable to assume that some larger portion of the seniors tenants would come from outside the PMA than a typical general population development. The Department attempts to compensate for this by allowing larger PMA's for senior developments and allowing an inclusive capture rate of up to 100% of the PMA demand. In addition, the Department would consider demand from a secondary market if such evidence provided a review of the size of the secondary market and identified the supply and demand in that total market. In this case no such numerical support of such a secondary market was provided through correspondence with the Market Analyst. The Market Analyst indicated that such a determination would be difficult to define. As such, the Underwriter excluded it from the TDHCA demand calculation.

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

| Type of Demand | Market Analyst | | Underwriter | |
|---|---|---|---|---|
| | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth (19 months) | 61 | 18% | 39 | 18% |
| Resident Turnover (via overburdened) | 177 | 52% | 173 | 82% |
| Other Sources: "Outside PMA" | 101 | 30% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **339** | **100%** | **212** | **100%** |

Ref: p. 44, summary

**Inclusive Capture Rate:** The Market Analyst initially calculated an inclusive capture rate of 86.78% based upon 313 units of demand and 272 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 147% based upon a revised supply of unstabilized comparable affordable units of 312 divided by a revised demand of 212. The Underwriter included 40 units of unstabilized supply from Humble Memorial Gardens (a 75 unit seniors development at the far eastern edge of the PMA and allocated in 2003). The Underwriter excluded the units from Humble Memorial that would not compete in the same income bands with the subject. The Underwriter discussed these additional units with the Market Analyst who revised the conclusions of the study to include them. This increased the capture rate to 92%, but this includes 30% of demand from outside the PMA. Without the additional 30% demand from outside the PMA, the capture rate clearly rises above 100% and therefore the application is not recommended. The Underwriter estimates that a revised PMA or documentation of supply and demand from the secondary market could support an acceptable capture rate, but such information has not been timely provided to be fully considered prior to the completion of this report.

**Market Rent Comparables:** The Market Analyst surveyed eight comparable apartment projects in the market area (p. 32).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **2-Bedroom/ 1 BA (50%)** | $607 | $614 | -$7 | $925 | -$318 |
| **2-Bedroom (60%)** | $744 | $751 | -$7 | $1000 | -$256 |

(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:** "Six of the eight properties included in this analysis are operating at stabilized occupancy. … The property-wide occupancy rates at the stabilized comparables ranged from 91 to 95 percent, and the overall average was 93.6 percent. Thus, we anticipate the Subject property will likely also experience a stabilized occupancy rate of approximately 95 percent" (p. 31).

Only "one comparable age-restricted property, Villas in the Pines, reported an occupancy rate of 92.8 percent. … The historical occupancy rate for Villas in the Pines is 95 percent or greater, with the greatest demand for the LIHTC units" (p. 31).

**Absorption Projections:** "Considering all … absorption data and the Subject's proposed unit mix and rents, we conservatively estimate an absorption pace of 12 months for the Subject to reach a stabilized occupancy of 95 percent, or an average absorption rate of approximately 10 units per month due to the considerable amount of new supply of comparable units in the PMA including the proposed Cornerstone Village Apartments (AKA the village at cornerstone 156 units)" (p. 30).

**Known Planned Development:** "Based on a review of building permit data, it appears a large supply of comparable multifamily properties have been introduced during the past four years in Houston. It should be noted, however, that the majority of this new activity is located outside of the Subject's PMA and most of the properties do not target seniors" (p. 25).

**Existing Housing Stock:** "The largest category of structures in Houston are 1-unit, detached representing 46.6 percent of the housing stock. Structures with 20 units or more, like the Subject, comprise a relatively large 26.4 percent of existing housing units. However, most of these structures do not have age restrictions or comparable amenities designed to cater to seniors are 55 years or greater. … Based on the anticipated quality of the Subject, it will be in superior condition relative to most of the existing housing stock in Houston" (p. 24).

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation, however that recommendation is that the inclusive capture rate exceeds the Department's guidelines.

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are slightly lower than the maximum rents allowed under program guidelines, however the Applicant did not identify the lower High HOME rents for which the property will be restricted. The High HOME rents are driven by the Fair Market Rent (FMR) for the area which are currently lower than the HTC rents. HUD recently published new FMR's which increases the gross two bedroom FMR for Houston to $801, but this is still less than the $823 gross rent for 60% HTC units. The maximum tax credit rents are otherwise achievable according to the Market Analyst and therefore the Underwriter used the maximum rent limit in this analysis.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Despite the difference in potential gross rents the Applicant's effective gross income estimate is only $240 less than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,267 per unit is just over 5% less than the Underwriter's database-derived estimate of $3,444 per unit for comparably-sized developments. The Applicant's budget shows only one line item estimate that deviates significantly when compared to the database averages, general and administrative ($23K lower). The Applicant is also anticipating a 100% property tax exemption resulting from a lease of the land which will be owned by the tax-exempt Harris County Housing Authority, or a subsidiary thereof. While some documentation regarding the lease arrangement was provided, a final lease was not since one has not been executed. Receipt, review, and acceptance of an executed lease agreement is a condition of this report.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. However, operating expenses fall just outside of this tolerance range, and therefore the Underwriter's NOI should be used to evaluate debt service capacity.

In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage, as the terms are reflected in the commitment, at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Applicant showed a debt service calculation of $394,286, which is significantly lower than the Underwriter's calculation of $506,989. The Underwriter's debt service calculation was used for DCR purposes.

**ASSESSED VALUE**

| | | | |
|---|---|---|---|
| **Land: 10.81 acres** | $231,990 | **Assessment for the Year of:** | 2004 |
| **Building:** | $0 | **Valuation by:** | Harris County Appraisal District |
| **Total Assessed Value:** | $231,990 | **Tax Rate:** | 3.23% |

**EVIDENCE of SITE or PROPERTY CONTROL**

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest Money Contract | | |
| **Contract Expiration Date:** | 9/ 17/ 2003 | **Anticipated Closing Date:** | 12/ 31/ 2004 |
| **Acquisition Cost:** | $1,575,000 ($3.35/ sq ft) | **Other Terms/Conditions:** | $65K hard earnest money |
| **Seller:** | Courtney Land, Ltd (William Pohl, GP) | **Related to Development Team Member:** | No |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The Applicant will have control of the property through a land lease. The land will be purchased by Harris County Housing Authority for $1.575M and leased back to the Applicant. The first year's lease will be $375,000, and each subsequent year's lease will be $1,000 per year so long as the property remains affordable. Only the initial lease payment was included in the cost of the development.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,936 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $42K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $82,790 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's contingency also exceeds the 5% maximum by $43,875 and this amount was moved out of eligible basis.

The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by $19,000 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost 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 $8,935,330 is used to determine a credit allocation of $316,311 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.

### INTERIM TO PERMANENT BOND FINANCING

**Source:** GMAC **Contact:** Lloyd H Griffin

**Tax-Exempt Amount:** $7,100,000 **Interest Rate:** 5.93%

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $394,286 **Lien Priority:** 1 **Commitment Date** 10/ 1/ 2004

### PERMANENT FINANCING

**Source:** Harris County Housing Authority **Contact:** Guy Rankin

**Principal Amount:** $550,000 **Interest Rate:** AFR

**Additional Information:** Interest and principal will be paid back after maturity of loan (20 years), at which time HCHA will have the option to own development.

**Annual Payment:** $0 **Lien Priority:** 2nd **Commitment Date** 10/ 4/ 2004

### TAX CREDIT SYNDICATION

**Source:** Paramount Financial Group **Contact:** Dale Cook

**Net Proceeds:** $2,607,354 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 83¢

**Commitment** ☒ LOI ☐ Firm ☐ Conditional **Date:** 10/ 7/ 2004

### APPLICANT EQUITY

**Amount:** $97,782 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Harris County Housing Finance Corporation and purchased by GMAC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

A letter was provided from Harris County Housing Authority that mentions the amount of $550,000 in HOME funds. It does not however mention the terms of the financing, although the Applicant expressed that the funds would be in the form of a 20-year loan, with principal and interest repaid at maturity.

**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 $97,782 amount to 1% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $816,311 annually for ten years; however, the Applicant only requested $314,202 resulting in syndication proceeds of approximately $2,607,877. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced slightly to $97,260, which represents approximately 8% of the eligible fee and which should be repayable from cash flow within two years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

### DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, and Property Manager firm are all related entities. These are common relationships for HTC-funded developments. The land lease between the Applicant and the parent of the General Partner is less common but not prohibited.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal of the General Partner, Harris County Housing Authority, did not submit current financial statements.

Receipt review and acceptance of updated statements from Harris County Housing Authority is a condition of this report.

**Background & Experience:** Multifamily Production Finance Staff have verified the Department's experience requirements and Portfolio Management have been met and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 100%).
- The proposed targeted population may be further limited based on 100%, two-bedroom units.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The Applicant's operating expenses is more than 5% outside of the Underwriter's verifiable range.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Phillip Drake* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***(Louetta Village Apts, Spring, 4% HTC, #04469)***

| 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 | Owner-Pd Util |
|---|---|---|---|---|---|---|---|---|---|---|
| TC 50% | 9 | 2 | 1 | 885 | $686 | $614 | $5,526 | $0.69 | $72.00 | $31.31 |
| TC 60% | 36 | 2 | 1 | 885 | 801 | 729 | 26,244 | 0.82 | 72.00 | 31.31 |
| TC 60% | 71 | 2 | 2 | 1,077 | 823 | 751 | 53,321 | 0.70 | 72.00 | 31.31 |
| TOTAL: | 116 | | AVERAGE: | 1,003 | $806 | $734 | $85,091 | $0.73 | $72.00 | $31.31 |

**INCOME** Total Net Rentable Sq Ft 116,292 — Comptroller's Region 6 — IREM Region Houston

| | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $1,021,092 | $1,020,852 | | | |
| Secondary Income | Per Unit Per Month: | | $15.00 | 20,880 | 20,880 | $15.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 18,000 | 18,000 | | | |
| POTENTIAL GROSS INCOME | | | | $1,059,972 | $1,059,732 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (79,498) | (79,476) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $980,474 | $980,256 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 4.61% | $390 | 0.39 | $45,208 | $22,600 | $0.19 | $195 | 2.31% |
| Management | 5.00% | 423 | 0.42 | 49,024 | 49,013 | 0.42 | 423 | 5.00% |
| Payroll & Payroll Tax | 11.99% | 1,014 | 1.01 | 117,570 | 116,000 | 1.00 | 1,000 | 11.83% |
| Repairs & Maintenance | 5.72% | 484 | 0.48 | 56,113 | 55,200 | 0.47 | 476 | 5.63% |
| Utilities | 2.56% | 216 | 0.22 | 25,056 | 25,056 | 0.22 | 216 | 2.56% |
| Water, Sewer, & Trash | 4.21% | 356 | 0.36 | 41,321 | 49,416 | 0.42 | 426 | 5.04% |
| Property Insurance | 2.97% | 251 | 0.25 | 29,073 | 25,520 | 0.22 | 220 | 2.60% |
| Property Tax 3.22868 | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserve for Replacements | 2.37% | 200 | 0.20 | 23,200 | 23,200 | 0.20 | 200 | 2.37% |
| Other: compl fees, supp serv | 1.33% | 112 | 0.11 | 12,992 | 12,992 | 0.11 | 112 | 1.33% |
| TOTAL EXPENSES | 40.75% | $3,444 | $3.44 | $399,556 | $378,997 | $3.26 | $3,267 | 38.66% |
| NET OPERATING INC | 59.25% | $5,008 | $5.00 | $580,918 | $601,259 | $5.17 | $5,183 | 61.34% |
| **DEBT SERVICE** | | | | | | | | |
| GMAC | 51.71% | $4,371 | $4.36 | $506,989 | $394,286 | $3.39 | $3,399 | 40.22% |
| Harris County HOME | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 7.54% | $637 | $0.64 | $73,929 | $206,973 | $1.78 | $1,784 | 21.11% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.15 | 1.52 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | 1.15 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bld | | 3.60% | $3,233 | $3.22 | $375,000 | $375,000 | $3.22 | $3,233 | 3.62% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.73% | 6,936 | 6.92 | 804,584 | 804,584 | 6.92 | 6,936 | 7.77% |
| Direct Construction | | 48.35% | 43,402 | 43.29 | 5,034,604 | 4,871,916 | 41.89 | 41,999 | 47.05% |
| Contingency | 5.00% | 2.80% | 2,517 | 2.51 | 291,959 | 327,700 | 2.82 | 2,825 | 3.16% |
| General Req'ts | 5.84% | 3.27% | 2,940 | 2.93 | 341,000 | 341,000 | 2.93 | 2,940 | 3.29% |
| Contractor's G & A | 2.00% | 1.12% | 1,007 | 1.00 | 116,784 | 183,750 | 1.58 | 1,584 | 1.77% |
| Contractor's Prof: | 6.00% | 3.36% | 3,020 | 3.01 | 350,351 | 352,750 | 3.03 | 3,041 | 3.41% |
| Indirect Construction | | 4.88% | 4,377 | 4.37 | 507,770 | 507,770 | 4.37 | 4,377 | 4.90% |
| Ineligible Costs | | 6.36% | 5,708 | 5.69 | 662,142 | 662,142 | 5.69 | 5,708 | 6.39% |
| Developer's G & A | 2.98% | 2.28% | 2,042 | 2.04 | 236,896 | 236,896 | 2.04 | 2,042 | 2.29% |
| Developer's Profit | 11.91% | 9.10% | 8,169 | 8.15 | 947,582 | 947,582 | 8.15 | 8,169 | 9.15% |
| Interim Financing | | 4.87% | 4,371 | 4.36 | 507,047 | 507,047 | 4.36 | 4,371 | 4.90% |
| Reserves | | 2.28% | 2,043 | 2.04 | 237,000 | 237,000 | 2.04 | 2,043 | 2.29% |
| TOTAL COST | | 100.00% | $89,765 | $89.54 | $10,412,719 | $10,355,137 | $89.04 | $89,268 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *66.64%* | ***$59,821*** | ***$59.67*** | ***$6,939,282*** | ***$6,881,700*** | ***$59.18*** | ***$59,325*** | *66.46%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| GMAC | 68.19% | $61,207 | $61.05 | $7,100,000 | $7,100,000 | $7,100,000 | Developer Fee Available |
| Harris County HOME | 5.28% | $4,741 | $4.73 | 550,000 | 550,000 | 550,000 | $1,165,478 |
| HTC Syndication Proceeds | 25.04% | $22,477 | $22.42 | 2,607,355 | 2,607,355 | 2,607,877 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.94% | $843 | $0.84 | 97,782 | 97,782 | 97,260 | 8% |
| Additional (excess) Funds Requ | 0.55% | $496 | $0.50 | 57,582 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $10,412,719 | $10,355,137 | $10,355,137 | $2,624,276 |

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.95 | $5,110,711 |
| Adjustments | | | | |
| Exterior Wall Fini | 2.40% | | $1.05 | $122,657 |
| Elderly/9-Ft. Ceil | 6.30% | | 2.77 | 321,975 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (236,073) |
| Floor Cover | | | 2.00 | 232,584 |
| Porches/Balconies | $16.71 | 10,396 | 1.49 | 173,706 |
| Plumbing | $605 | 108 | 0.56 | 65,340 |
| Built-In Appliance | $1,650 | 116 | 1.65 | 191,400 |
| Stairs/Fireplaces | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 177,927 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldg | $61.93 | 3,711 | 1.98 | 229,817 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 54.95 | 6,390,044 |
| Current Cost Multiplie | 1.08 | | 4.40 | 511,204 |
| Local Multiplier | 0.89 | | (6.04) | (702,905) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $53.30 | $6,198,343 |
| Plans, specs, survy, b | 3.90% | | ($2.08) | ($241,735) |
| Interim Construction I | 3.38% | | (1.80) | (209,194) |
| Contractor's OH & Prof | 11.50% | | (6.13) | (712,809) |
| NET DIRECT CONSTRUCTION COSTS | | | $43.29 | $5,034,604 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $7,100,000 | Term | 360 |
| Int Rate | 5.93% | DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Secondary** | $550,000 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $2,607,355 | Term | |
| Int Rate | | Aggregate DCR | 1.15 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $506,989 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $73,929 |

| | | | |
|---|---|---|---|
| **Primary** | $7,100,000 | Term | 360 |
| Int Rate | 5.93% | DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Secondary** | $550,000 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $2,607,355 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

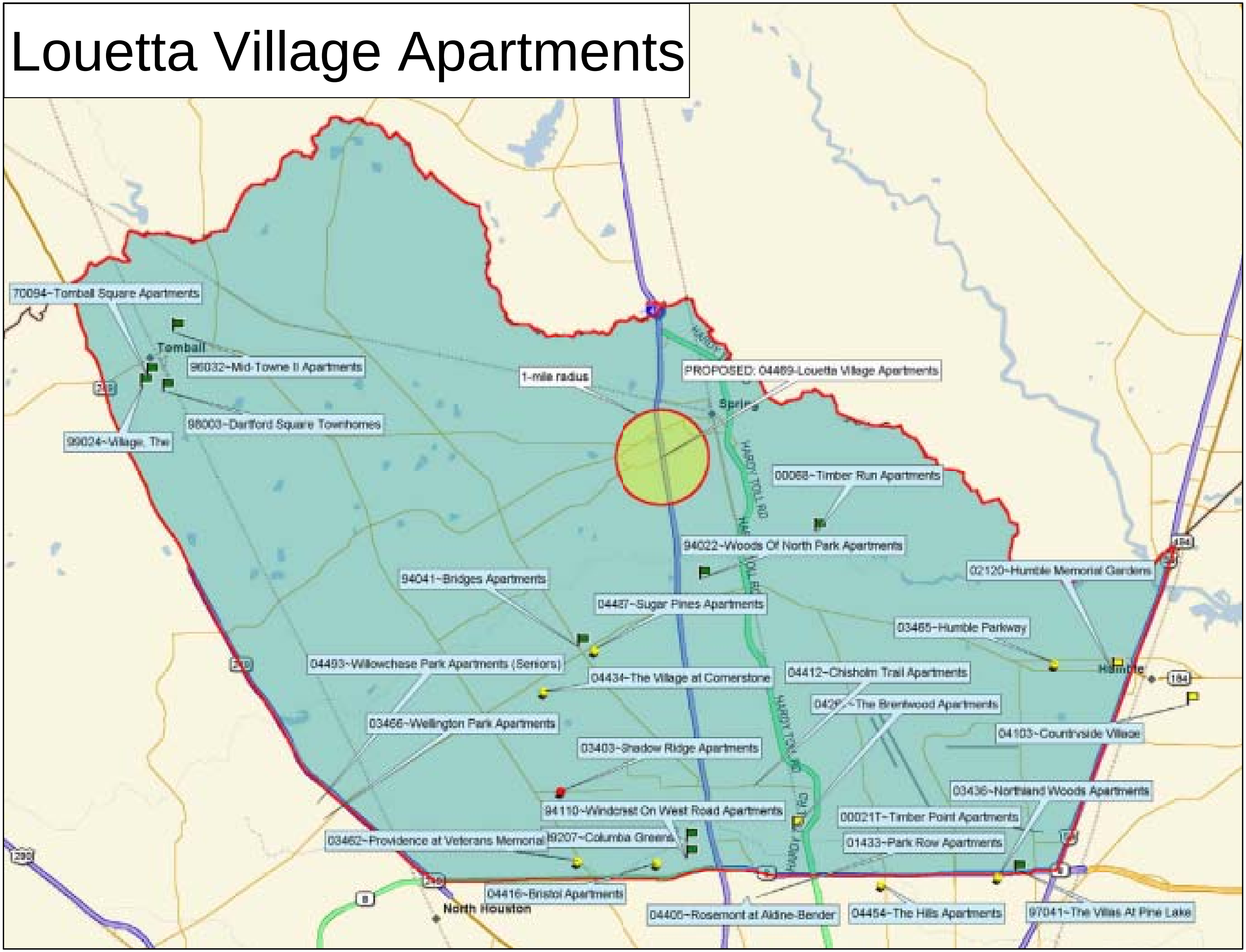
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,021,092 | $1,051,725 | $1,083,277 | $1,115,775 | $1,149,248 | $1,332,293 | $1,544,493 | $1,790,491 | $2,406,270 |
| Secondary Income | 20,880 | 21,506 | 22,152 | 22,816 | 23,501 | 27,244 | 31,583 | 36,613 | 49,205 |
| Other Support Income: (d | 18,000 | 18,540 | 19,096 | 19,669 | 20,259 | 23,486 | 27,227 | 31,563 | 42,418 |
| POTENTIAL GROSS INCOME | 1,059,972 | 1,091,771 | 1,124,524 | 1,158,260 | 1,193,008 | 1,383,023 | 1,603,303 | 1,858,667 | 2,497,893 |
| Vacancy & Collection Los | (79,498) | (81,883) | (84,339) | (86,870) | (89,476) | (103,727) | (120,248) | (139,400) | (187,342) |
| Employee or Other Non-Re | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $980,474 | $1,009,888 | $1,040,185 | $1,071,391 | $1,103,532 | $1,279,296 | $1,483,055 | $1,719,267 | $2,310,551 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $45,208 | $47,016 | $48,897 | $50,853 | $52,887 | $64,345 | $78,285 | $95,246 | $140,987 |
| Management | 49,024 | 50,494 | 52,009 | 53,570 | 55,177 | 63,965 | 74,153 | 85,963 | 115,528 |
| Payroll & Payroll Tax | 117,570 | 122,272 | 127,163 | 132,250 | 137,540 | 167,338 | 203,593 | 247,702 | 366,659 |
| Repairs & Maintenance | 56,113 | 58,358 | 60,692 | 63,120 | 65,645 | 79,867 | 97,170 | 118,222 | 174,998 |
| Utilities | 25,056 | 26,058 | 27,101 | 28,185 | 29,312 | 35,663 | 43,389 | 52,789 | 78,141 |
| Water, Sewer & Trash | 41,321 | 42,974 | 44,693 | 46,480 | 48,340 | 58,813 | 71,554 | 87,057 | 128,865 |
| Insurance | 29,073 | 30,236 | 31,445 | 32,703 | 34,011 | 41,380 | 50,345 | 61,252 | 90,669 |
| Property Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve for Replacements | 23,200 | 24,128 | 25,093 | 26,097 | 27,141 | 33,021 | 40,175 | 48,879 | 72,353 |
| Other | 12,992 | 13,512 | 14,052 | 14,614 | 15,199 | 18,492 | 22,498 | 27,372 | 40,518 |
| TOTAL EXPENSES | $399,556 | $415,048 | $431,145 | $447,871 | $465,250 | $562,882 | $681,162 | $824,482 | $1,208,716 |
| NET OPERATING INCOME | $580,918 | $594,840 | $609,040 | $623,520 | $638,282 | $716,414 | $801,893 | $894,785 | $1,101,835 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $506,989 | $506,989 | $506,989 | $506,989 | $506,989 | $506,989 | $506,989 | $506,989 | $506,989 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $73,929 | $87,851 | $102,051 | $116,531 | $131,293 | $209,425 | $294,904 | $387,796 | $594,846 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.20 | 1.23 | 1.26 | 1.41 | 1.58 | 1.76 | 2.17 |

## LIHTC Allocation Calculation - (Louetta Village Apts, Spring, 4% HTC, #04469)

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $375,000 | $375,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $804,584 | $804,584 | $804,584 | $804,584 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $4,871,916 | $5,034,604 | $4,871,916 | $5,034,604 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $183,750 | $116,784 | $113,530 | $116,784 |
| Contractor profit | $352,750 | $350,351 | $340,590 | $350,351 |
| General requirements | $341,000 | $341,000 | $340,590 | $341,000 |
| **(5) Contingencies** | $327,700 | $291,959 | $283,825 | $291,959 |
| **(6) Eligible Indirect Fees** | $507,770 | $507,770 | $507,770 | $507,770 |
| **(7) Eligible Financing Fees** | $507,047 | $507,047 | $507,047 | $507,047 |
| **(8) All Ineligible Costs** | $662,142 | $662,142 | | |
| **(9) Developer Fees** | | | $1,165,478 | |
| Developer overhead | $236,896 | $236,896 | | $236,896 |
| Developer fee | $947,582 | $947,582 | | $947,582 |
| **(10) Development Reserves** | $237,000 | $237,000 | | |
| **TOTAL DEVELOPMENT COSTS** | $10,355,137 | $10,412,719 | $8,935,330 | $9,138,577 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $8,935,330 | $9,138,577 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $8,935,330 | $9,138,577 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $8,935,330 | $9,138,577 |
| Applicable Percentage | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $316,311 | $323,506 |
| **Syndication Proceeds** | **0.8300** | **$2,625,379** | **$2,685,097** |
| **Total Credits (Eligible Basis Method)** | | **$316,311** | **$323,506** |
| **Syndication Proceeds** | | **$2,625,379** | **$2,685,097** |
| **Requested Credits** | | **$314,202** | |
| **Syndication Proceeds** | | **$2,607,877** | |
| **Gap of Syndication Proceeds Needed** | | **$2,705,137** | |
| **Credit Amount** | | **$325,920** | |

# Louetta Village Apartments






Scale 1 : 175,000

1" = 2.76 mi Data Zoom 10-2

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Baypointe Apartments.

## Summary of the Transaction

The application was received on September 13, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the East Side of Kobayashi Road South of Magnolia Road in Webster. The development will consist of 236 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support 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 Baypointe Apartments.

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Baypointe Apartments** TDHCA#: 04494

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Webster | QCT: N | DDA: N | TTC: N |
| Development Owner: | Houston Baypointe Apartments, LP | | | |
| General Partner(s): | Houston Baypointe Apartments I, LLC, 100%, Contact: Michael G Robinson | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: Harris County HFC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $699,364 Eligible Basis Amt: $694,059 Equity/Gap Amt.: $977,810

**Annual Tax Credit Allocation Recommendation: $694,059**

Total Tax Credit Allocation Over Ten Years: $ 6,940,590

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 236 HTC Units: 236 % of HTC Units: 100

Gross Square Footage: 227,033 Net Rentable Square Footage: 221,600

Average Square Footage/Unit: 939

Number of Buildings: 22

Currently Occupied: N

**Development Cost**

Total Cost: $22,213,601 Total Cost/Net Rentable Sq. Ft.: $100.24

**Income and Expenses**

Effective Gross Income:[1] $2,081,827 Ttl. Expenses: $947,951 Net Operating Inc.: $1,133,877

Estimated 1st Year DCR: 1.10

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Greater Coastal Management Co, LLC |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | Hill & Frank Architects, Inc |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | RG Miller Engineers |
| Market Analyst: | Butler Burgher, Inc. | Lender: | SunAmerica Affordable Housing |
| Contractor: | RCI Construction, LLC | Syndicator: | SunAmerica Affordable Housing Partners, Inc. |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Mike Jackson, District 11 - NC<br>Rep. John E. Davis, District 129 - NC<br>Mayor Donna Rogers - NC<br>Robert Eckels, County Judge, Harris County The proposed development is consistent with the Consolidated Plan for Harris County. |

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

## 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:** November 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04494

## DEVELOPMENT NAME

Baypointe Apartments

## APPLICANT

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Houston Baypointe Apartments, L.P. | **Type:** | For-profit | | |
| **Address:** | 4900 Woodway, Suite 880 | **City:** | Houston | **State:** | Texas |
| **Zip:** | 77056 **Contact:** Michael G. Robinson | **Phone:** | (713) 850-7168 | **Fax:** | (713) 621-9166 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Houston Baypointe Apartments I, LLC | **(%):** | .01% | **Title:** | General Partner |
| **Name:** | Robinson Capital & Investment, Inc. | **(%):** | | **Title:** | 100% Owner of GP |
| **Name:** | Michael G. Robinson | **(%):** | | **Title:** | 100% Owner of Robinson Capital and Investment Inc. |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | East Side of Kobayashi Road South of Magnolia Road | ☐ **QCT** | ☐ **DDA** | | |
| **City:** | Webster | **County:** | Harris | **Zip:** | 77598 |

## REQUEST

| **Amount** | **Interest Rate** | **Amortization** | **Term** |
|---|---|---|---|
| 1) $699,364 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $694,059 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 236 | **# Rental Buildings** | 22 | **# Non-Res. Buildings** | 3 | **# of Floors** | 3 | **Age:** | N/A yrs | **Vacant:** | N/A |
| **Net Rentable SF:** | 221,600 | **Av Un SF:** | 939 | **Common Area SF:** | 5,433 | **Gross Bldg SF:** | 227,033 | | | | |

### 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: 33% masonry/brick veneer 67% cement fiber siding, and wood trim. The interior wall surfaces will be drywall and 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, individual heating and air conditioning high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 4,000-square foot community building will include an activity room, management offices, fitness, a kitchen, restrooms, and a computer/business center. The community building, swimming pool, and equipped children's play area are located at the entrance of the property. In addition, perimeter fencing with limited access gates is planned for the site.

**Uncovered Parking:** 316 spaces **Carports:** 0 spaces **Garages:** 236 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Baypointe Apartments is a relatively dense (17 units per acre) new construction development of 236 units of affordable housing located in the southern part of Webster, Texas. The development will be comprised of 22 evenly distributed medium garden style walk-up residential buildings as follows:

- 5 Building Type A with 12 one-bedroom/one-bath units, 4 two-bedroom/two-bath units, 4 three-bedroom/two-bath units;
- 15 Building Type B with 4 two- bedroom/two-bath units, 4 three-bedroom/two-bath units; and
- 2 Building Type C with 8 two- bedroom/two-bath units.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

### SITE ISSUES

### SITE DESCRIPTION

**Size:** 13.77 acres 599,933 square feet **Zoning/ Permitted Uses:** R-2/Apart, Condo, TH

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Webster, Texas is located in region 6, approximately 25 miles southeast from Houston's CBD in Harris County. The site is an irregularly-shaped parcel located in the southern area of Webster, approximately 1.5 miles from the central business district. The site is situated on the east side of Kobayashi Road.

**Adjacent Land Uses:**

- **North:** TxDOT right of way Nasa Road By-Pass immediately adjacent and Vacant Land beyond;
- **South:** Bay Drive immediately adjacent and Vacant Land and Myrtle Ave beyond;
- **East:** HL & P Power Utility Easement immediately adjacent and Vacant Land beyond; and
- **West:** Kobayashi Road immediately adjacent and wooded vacant land beyond;

**Site Access:** Access to the property is from the east or west along Kobayashi Road. The development is to have one main entry, and two other minor entries. Two of which will be from Kobayashi Road and the third will be from Bay Drive to the south. Access to Interstate Highway 45 is 1/2 mile east, which provides connections to all other major roads serving the area.

**Public Transportation:** Public transportation to the area is available but not directly to the site. The location of the nearest stop was not identified in the application materials.

**Shopping & Services:** The site is within 1 - 2 miles of major grocery/pharmacies, shopping centers, a multi-screen theater, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on November 10, 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 September 29, 2004 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations:

- **Findings:** NONE

**Conclusions:** We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527-00 for the subject property located on South Kobayashi Road at Magnolia Avenue in Webster, Texas……This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property. (Section 1.3)

**Recommendations:** At this time, no further environmental testing or investigation is recommended. (Section 1.4)

### POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 236 of the units (100% of the total) will be reserved for low-income tenants. 236 of the units (100%) will be reserved for households earning 60% or less of AMGI.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $25,620 | $29,280 | $32,940 | $36,600 | $39,540 | $42,480 |

### MARKET HIGHLIGHTS

A market feasibility study dated October 5, 2004 was prepared by B. Diane Butler, MAI, CCIM and Keith A. Forrester ("Market Analyst") and highlighted the following findings

**Definition of Primary Market Area (PMA):** "The Primary Market Area (PMA) is defined as Clear Lake City Blvd. and FM 2351 to the north , Red Bluff Road and Highway 146 to the east and FM 518 to the south and west." (p. 51). This area encompasses approximately 59 square miles and is equivalent to a circle with a radius of 4.33 miles.

**Population:** The estimated 2004 population of the PMA was 136,794 and is expected to increase by 9.5% to approximately 149,804 by 2009. Within the primary market area there were estimated to be 54,843 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,904 qualified households in the PMA, based on the current estimate of 54,843 households, the projected annual growth rate of 1.87%, renter households estimated at 16.3% of the population, income-qualified households estimated at 5.2%, and an annual renter turnover rate of 64.4 %. (p. 65-69). The Market Analyst used an income band of $20,580 to $38,070. (p. 66-67).

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 55 | 3% | 55 | 2.9% |
| Resident Turnover | 1,849 | 97% | 1858 | 97.1% |
| Other Sources: | N/A | N/A | N/A | N/A |
| **TOTAL ANNUAL DEMAND** | **1,904** | **100%** | **1913** | **100%** |

Ref: p. 69

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 12.4% based upon 1,904 units of demand and 236 unstabilized affordable housing in the PMA (including the subject) (p. 69). The Underwriter calculated an inclusive capture rate of 12.3% based upon a supply of unstabilized comparable affordable units of 236 divided by a revised demand of 1,913.

**Market Rent Comparables:** The Market Analyst surveyed 6 comparable apartment projects totaling 1,324 units in the market area. "Market Trac reflected $663/unit and $0.78/SF average rent (excluding electricity) for all complexes in the Clear Lake submarket in 2nd Quarter 2004, compared to $0.79/SF and $674/unit in the 1st Quarter 2004, reflect a slightly decreasing trend. However, as previously stated rents have increased and occupancy rates have increased over the most recent six month period. The net effect has been a positive gain in revenue performance of approximately 6.7%."(p. 72).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $686 | $686 | $0 | $740 | -$54 |
| **2-Bedroom (60%)** | $823 | $823 | $0 | $900 | -$77 |
| **3-Bedroom (60%)** | $951 | $951 | $0 | $1,025 | -$74 |

(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 new conventional apartment projects surveyed as competition had occupancies ranging from 90% to 98%. The LIHTC properties report occupancy levels ranging from 97% to 98% with a mean of 97.5%" (p. 78).

**Absorption Projections:** "…..we have projected an absorption rate of 20 units per month. This rate is reasonable and would result in a nine month absorption period to obtain stabilized physical occupancy." (p. 71).

**Market Study Analysis/Conclusions:** The Underwriter found the market study to be acceptable. 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, 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 $3,865 per unit is within 4% of the Underwriter's database-derived estimate of $4,017 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($16.5K lower), and payroll ($25.5K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

**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 Applicants and Underwriters proforma an adequate debt coverage ratio is achieved.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 13.77 acres** | $1,001,550 | **Assessment for the Year of:** | 2004 |
| **Building:** | $ | **Valuation by:** | Harris County Appraisal District |
| **Total Assessed Value:** | $1,001,550 | **Tax Rate:** | 2.64427 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Purchase and Sale Agreement | | |
| **Contract Expiration Date:** | 02/ 16/ 2005 | **Anticipated Closing Date:** | 02/ 16/ 2005 |
| **Acquisition Cost:** | $2,225,000 | **Other Terms/Conditions:** | |
| **Seller:** | Elektra Enterprises, Inc. and David Angel | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

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

**Sitework Cost:** The Applicant's claimed sitework costs of $7,439 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $58.7K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $2,847 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $33,509 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount. The Applicant's contingency also exceeds the 5% of direct and sitework costs limit by $2,529 and its eligible portion is reduced accordingly.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's 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 $19,606,177 is used to determine a credit allocation of $694,059 from this method. This is $5,305 less than initially requested partially due to the Applicant's use of a higher applicable percentage of 3.56% rather than 3.54% underwriting rate used for applications received in September 2004. 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 CONSTRUCTION FINANCING

| | | | |
|---|---|---|---|
| **Source:** | SunAmerica Affordable Housing | **Contact:** | Dana Mayo |
| **Principal Amount:** | $14,000,000 | **Interest Rate:** | 6.2% |
| **Additional Information:** | | | |
| **Amortization:** | 3 yrs | **Term:** | 3 yrs |
| **Commitment:** | ☐ LOI ☐ Firm ☒ Conditional | | |

### PERMANENT FINANCING

| | | | |
|---|---|---|---|
| **Source:** | SunAmerica Affordable Housing | **Contact:** | Dana Mayo |
| **Principal Amount:** | $14,000,000 | **Interest Rate:** | 6.2% |
| **Additional Information:** | Fixed Rate Loan | | |
| **Amortization:** | 30 yrs | **Term:** | 30 yrs |
| **Commitment:** | ☐ LOI ☐ Firm ☒ Conditional | | |
| **Annual Payment:** | $1,011,569 | **Lien Priority:** | 1st |
| **Commitment Date** | 11/ 15/ 2004 | | |

## TAX CREDIT SYNDICATION

**Source:** SunAmerica **Contact:** Dana Mayo

**Net Proceeds:** $5,499,662 **Net Syndication Rate (per $1.00 of 10-yr HTC)** .84¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 15/ 2004

**Additional Information**:

## APPLICANT EQUITY

**Amount:** $1,478,345 **Source:** Deferred Developer Fee

## FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Financing:** The interim/permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The Bonds are being issued by Harris County Housing Finance Corporation.

**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 fee of $2,338,943 is 91% of the total eligible developer fees. The Underwriter's estimated deferred developer's fees of $2,383,508 amounts to 93% of the total fees, and can be repaid out of cash flow within 10 years.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $694,059 annually for ten years, resulting in syndication proceeds of approximately $5,830,093. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Management firms 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.
- Robinson Capital & Investment, Inc., the sole member of the General Partner, submitted an unaudited financial statement as of November 1, 2004 reporting total assets of $1K in cash and no liabilities.
- Michael G. Robinson, the 100% owner of Robinson Capital & Investments, Inc., submitted an unaudited personal financial statement as of October 1, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

## SUMMARY OF SALIENT RISKS AND ISSUES

- None noted

| | | | |
|---|---|---|---|
| **Underwriter:** | *Bert Murray* | **Date:** | November 29, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 29, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Baypointe Apartments, Webster, 4% HTC #04494***

| 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% | 60 | 1 | 1 | 680 | $686 | $645 | $38,700 | $0.95 | $41.00 | $37.31 |
| TC 60% | 96 | 2 | 2 | 950 | 823 | $772 | 74,112 | 0.81 | 51.00 | 43.31 |
| TC 60% | 80 | 3 | 2 | 1,120 | 951 | $890 | 71,200 | 0.79 | 61.00 | 49.31 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **TOTAL:** | 236 | | **AVERAGE:** | 939 | $832 | $780 | $184,012 | $0.83 | $51.85 | $43.82 |

| **INCOME** | Total Net Rentable Sq Ft: 221,600 | | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 6 |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $2,208,144 | $2,208,144 | | IREM Region | Houston |
| Secondary Income | | Per Unit Per Month: | $15.00 | 42,480 | 42,480 | $15.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | $2,250,624 | $2,250,624 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (168,797) | (168,792) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $2,081,827 | $2,081,832 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 2.69% | $237 | 0.25 | $55,932 | $39,420 | $0.18 | $167 | 1.89% |
| Management | 4.00% | 353 | 0.38 | 83,273 | 83,273 | 0.38 | 353 | 4.00% |
| Payroll & Payroll Tax | 10.86% | 958 | 1.02 | 226,185 | 200,600 | 0.91 | 850 | 9.64% |
| Repairs & Maintenance | 5.30% | 468 | 0.50 | 110,344 | 118,528 | 0.53 | 502 | 5.69% |
| Utilities | 1.76% | 156 | 0.17 | 36,708 | 28,320 | 0.13 | 120 | 1.36% |
| Water, Sewer, & Trash | 3.90% | 344 | 0.37 | 81,224 | 87,792 | 0.40 | 372 | 4.22% |
| Property Insurance | 3.00% | 265 | 0.28 | 62,472 | 70,800 | 0.32 | 300 | 3.40% |
| Property Tax 2.64427 | 10.49% | 925 | 0.99 | 218,417 | 212,400 | 0.96 | 900 | 10.20% |
| Reserve for Replacements | 2.83% | 250 | 0.27 | 59,000 | 59,000 | 0.27 | 250 | 2.83% |
| Other: compl. & sup. serv. | 0.69% | 61 | 0.06 | 14,396 | 12,036 | 0.05 | 51 | 0.58% |
| TOTAL EXPENSES | 45.53% | $4,017 | $4.28 | $947,951 | $912,169 | $4.12 | $3,865 | 43.82% |
| NET OPERATING INC | 54.47% | $4,805 | $5.12 | $1,133,877 | $1,169,663 | $5.28 | $4,956 | 56.18% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage | 49.43% | $4,360 | $4.64 | $1,028,948 | $1,029,000 | $4.64 | $4,360 | 49.43% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 5.04% | $445 | $0.47 | $104,929 | $140,663 | $0.63 | $596 | 6.76% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.10 | 1.14 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.14 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | **TDHCA** | **APPLICANT** | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bl | | 9.87% | $9,428 | $10.04 | $2,225,000 | $2,225,000 | $10.04 | $9,428 | 10.02% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | | 0.00 | 0 | 0.00% |
| Sitework | | 7.79% | 7,439 | 7.92 | 1,755,496 | 1,755,496 | 7.92 | 7,439 | 7.90% |
| Direct Construction | | 45.72% | 43,682 | 46.52 | 10,308,948 | 10,367,600 | 46.79 | 43,931 | 46.67% |
| Contingency | 5.00% | 2.68% | 2,556 | 2.72 | 603,222 | 608,684 | 2.75 | 2,579 | 2.74% |
| General Req'ts | 6.00% | 3.21% | 3,067 | 3.27 | 723,867 | 728,604 | 3.29 | 3,087 | 3.28% |
| Contractor's G & A | 2.00% | 1.07% | 1,022 | 1.09 | 241,289 | 242,872 | 1.10 | 1,029 | 1.09% |
| Contractor's Prof | 6.00% | 3.21% | 3,067 | 3.27 | 723,867 | 728,604 | 3.29 | 3,087 | 3.28% |
| Indirect Construction | | 3.97% | 3,792 | 4.04 | 894,800 | 894,800 | 4.04 | 3,792 | 4.03% |
| Ineligible Costs | | 1.52% | 1,456 | 1.55 | 343,540 | 343,540 | 1.55 | 1,456 | 1.55% |
| Developer's G & A | 2.00% | 1.51% | 1,439 | 1.53 | 339,581 | | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.79% | 9,353 | 9.96 | 2,207,277 | 2,590,836 | 11.69 | 10,978 | 11.66% |
| Interim Financing | | 7.66% | 7,320 | 7.80 | 1,727,565 | 1,727,565 | 7.80 | 7,320 | 7.78% |
| Reserves | | 2.02% | 1,928 | 2.05 | 455,057 | | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $95,549 | $101.76 | $22,549,508 | $22,213,601 | $100.24 | $94,125 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *63.67%* | ***$60,833*** | ***$64.79*** | ***$14,356,688*** | ***$14,431,860*** | ***$65.13*** | ***$61,152*** | *64.97%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 62.09% | $59,322 | $63.18 | $14,000,000 | $14,000,000 | $14,000,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | 0 | $2,557,327 |
| HTC Syndication Proceeds | 26.05% | $24,893 | $26.51 | 5,874,658 | 5,874,658 | 5,830,093 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | | 2,383,508 | 93% |
| Additional (excess) Funds Req | 11.86% | $11,334 | $12.07 | 2,674,851 | 2,338,943 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $22,549,508 | $22,213,601 | $22,213,601 | $4,994,510 |

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

***Baypointe Apartments, Webster, 4% HTC #04494***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.31 | $9,818,212 |
| Adjustments | | | | |
| Exterior Wall Fini | 1.97% | | $0.87 | $193,419 |
| 9-Ft. Ceilings | 3.00% | | 1.33 | 294,546 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (449,848) |
| Floor Cover | | | 2.00 | 443,200 |
| Porches/Balconies | $19.95 | 21,897 | 1.97 | 436,918 |
| Plumbing | $605 | 528 | 1.44 | 319,440 |
| Built-In Appliance | $1,650 | 236 | 1.76 | 389,400 |
| Stairs | $1,450 | 172 | 1.13 | 249,400 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 339,048 |
| Built In Garages | $13.38 | 38,720 | 2.34 | 517,880 |
| Comm &/or Aux Bldg | $58.70 | 5,433 | 1.44 | 318,917 |
| Detached Garages | $16.20 | 13,200 | 0.96 | 213,840 |
| SUBTOTAL | | | 59.04 | 13,084,372 |
| Current Cost Multiplie | 1.08 | | 4.72 | 1,046,750 |
| Local Multiplier | 0.89 | | (6.49) | (1,439,281) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.27 | $12,691,841 |
| Plans, specs, survy, b | 3.90% | | ($2.23) | ($494,982) |
| Interim Construction I | 3.38% | | (1.93) | (428,350) |
| Contractor's OH & Prof | 11.50% | | (6.59) | (1,459,562) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.52 | $10,308,948 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $14,000,000 | Term | 360 |
| Int Rate | 6.20% | DCR | 1.10 |
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |
| **Additional** | | Term | |
| Int Rate | | Aggregate DCR | 1.10 |

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

| | |
|---|---|
| Primary Debt Service | $1,028,948 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $140,715 |

| | | | |
|---|---|---|---|
| **Primary** | $14,000,000 | Term | 360 |
| Int Rate | 6.20% | DCR | 1.14 |
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.14 |
| **Additional** | $0 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.14 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

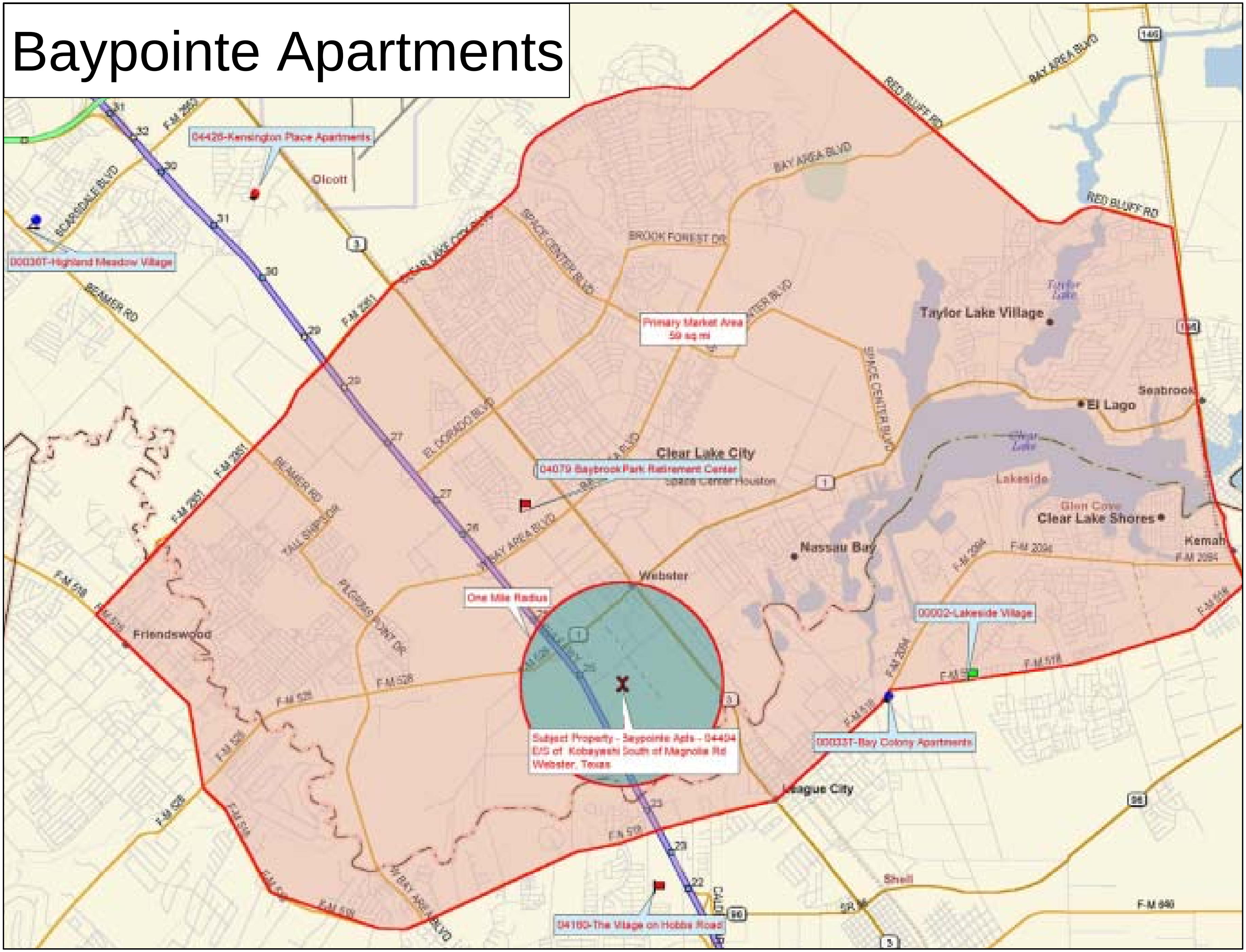
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | ########## | ########## | $2,342,620 | $2,412,899 | $2,485,286 | $2,881,127 | $3,340,016 | $3,871,994 | $5,203,636 |
| Secondary Income | 42,480 | 43,754 | 45,067 | 46,419 | 47,812 | 55,427 | 64,255 | 74,489 | 100,107 |
| Other Support Income: (de | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,250,624 | 2,318,143 | 2,387,687 | 2,459,318 | 2,533,097 | 2,936,554 | 3,404,271 | 3,946,483 | 5,303,743 |
| Vacancy & Collection Los | (168,797) | (173,861) | (179,077) | (184,449) | (189,982) | (220,242) | (255,320) | (295,986) | (397,781) |
| Employee or Other Non-Re | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | ########## | ########## | $2,208,610 | $2,274,869 | $2,343,115 | $2,716,312 | $3,148,950 | $3,650,497 | $4,905,962 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $55,932 | $58,169 | $60,496 | $62,916 | $65,433 | $79,609 | $96,856 | $117,840 | $174,432 |
| Management | 83,273 | 85,771 | 88,344 | 90,995 | 93,725 | 108,652 | 125,958 | 146,020 | 196,238 |
| Payroll & Payroll Tax | 226,185 | 235,232 | 244,642 | 254,427 | 264,604 | 321,932 | 391,679 | 476,537 | 705,392 |
| Repairs & Maintenance | 110,344 | 114,758 | 119,349 | 124,122 | 129,087 | 157,055 | 191,081 | 232,479 | 344,126 |
| Utilities | 36,708 | 38,176 | 39,703 | 41,292 | 42,943 | 52,247 | 63,566 | 77,338 | 114,479 |
| Water, Sewer & Trash | 81,224 | 84,473 | 87,852 | 91,366 | 95,020 | 115,607 | 140,653 | 171,126 | 253,308 |
| Insurance | 62,472 | 64,971 | 67,570 | 70,272 | 73,083 | 88,917 | 108,181 | 131,619 | 194,828 |
| Property Tax | 218,417 | 227,153 | 236,240 | 245,689 | 255,517 | 310,875 | 378,227 | 460,171 | 681,166 |
| Reserve for Replacements | 59,000 | 61,360 | 63,814 | 66,367 | 69,022 | 83,975 | 102,169 | 124,304 | 184,000 |
| Other | 14,396 | 14,972 | 15,571 | 16,194 | 16,841 | 20,490 | 24,929 | 30,330 | 44,896 |
| TOTAL EXPENSES | $947,951 | $985,036 | $1,023,580 | $1,063,639 | $1,105,275 | $1,339,358 | $1,623,300 | $1,967,765 | $2,892,867 |
| NET OPERATING INCOME | ########## | ########## | $1,185,031 | $1,211,229 | $1,237,840 | $1,376,954 | $1,525,651 | $1,682,731 | $2,013,096 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | ########## | ########## | $1,028,948 | $1,028,948 | $1,028,948 | $1,028,948 | $1,028,948 | $1,028,948 | $1,028,948 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $104,929 | $130,298 | $156,083 | $182,281 | $208,892 | $348,006 | $496,703 | $653,784 | $984,148 |
| DEBT COVERAGE RATIO | 1.10 | 1.13 | 1.15 | 1.18 | 1.20 | 1.34 | 1.48 | 1.64 | 1.96 |

## LIHTC Allocation Calculation - Baypointe Apartments, Webster, 4% HTC #04494

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $2,225,000 | $2,225,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,755,496 | $1,755,496 | $1,755,496 | $1,755,496 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation ha | $10,367,600 | $10,308,948 | $10,367,600 | $10,308,948 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $242,872 | $241,289 | $242,462 | $241,289 |
| Contractor profit | $728,604 | $723,867 | $727,386 | $723,867 |
| General requirements | $728,604 | $723,867 | $727,386 | $723,867 |
| **(5) Contingencies** | $608,684 | $603,222 | $606,155 | $603,222 |
| **(6) Eligible Indirect Fees** | $894,800 | $894,800 | $894,800 | $894,800 |
| **(7) Eligible Financing Fees** | $1,727,565 | $1,727,565 | $1,727,565 | $1,727,565 |
| **(8) All Ineligible Costs** | $343,540 | $343,540 | | |
| **(9) Developer Fees** | | | $2,557,327 | |
| Developer overhead | | $339,581 | | $339,581 |
| Developer fee | $2,590,836 | $2,207,277 | | $2,207,277 |
| **(10) Development Reserves** | | $455,057 | $2,557,327 | [illegible] |
| **TOTAL DEVELOPMENT COSTS** | $22,213,601 | $22,549,508 | $19,606,177 | $19,525,911 |

| | | | | |
|---|---|---|---|---|
| **Deduct from Basis:** | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | |
| Non-qualified non-recourse financing | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | |
| Historic Credits (on residential portion only) | | | | |
| **TOTAL ELIGIBLE BASIS** | | | $19,606,177 | $19,525,911 |
| High Cost Area Adjustment | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | | $19,606,177 | $19,525,911 |
| Applicable Fraction | | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | | $19,606,177 | $19,525,911 |
| Applicable Percentage | | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | $694,059 | $691,217 |
| | **Syndication Proceeds** | **0.8400** | **$5,830,093** | **$5,806,225** |
| | | **Total Credits (Eligible Basis Method)** | **$694,059** | **$691,217** |
| | | **Syndication Proceeds** | **$5,830,093** | **$5,806,225** |
| | | **Requested Credits** | **$699,364** | |
| | | **Syndication Proceeds** | **$5,874,658** | |
| | | **Gap of Syndication Proceeds Needed** | **$8,213,601** | |
| | | **Credit Amount** | **$977,810** | |

# Baypointe Apartments






TN
MN (3.9°E)

Scale 1 : 81,250

1" = 1.28 mi

Data Zoom 11-3

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Providence at Marshall Meadows.

## Summary of the Transaction

The application was received on August 13, 2004. The Issuer for this transaction is TSHAC. The development is to be located at E. Chavaneauz and Riodosa (fronting Loop 410) in San Antonio. The development will consist of 250 total units targeting the general population, with 150 of the units affordable. The site is currently under consideration to be rezoned for such a development. The Department has received three letters of support from Councilman Ron Segovia, Commissioner Robert Tejeda and Superintendent Mard Herrick 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 Providence at Marshall Meadows.

**HOUSING TAX CREDIT PROGRAM**

## 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Providence at Marshall Meadows Apartments** TDHCA#: 04456

### DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | San Antonio | QCT: Y | DDA: N | TTC: N |
| Development Owner: | TX Chicory Court XXV, LP | | | |
| General Partner(s): | Chicory Court GP, LLC, 100%, Contact: Saleem Jafar | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: TSHAC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $528,291 Eligible Basis Amt: $472,469 Equity/Gap Amt.: $832,627

**Annual Tax Credit Allocation Recommendation: $472,469**

Total Tax Credit Allocation Over Ten Years: $ 4,724,690

### PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 250 HTC Units: 150 % of HTC Units: 60

Gross Square Footage: 242,029 Net Rentable Square Footage: 237,363

Average Square Footage/Unit: 949

Number of Buildings: 12

Currently Occupied: N

**Development Cost**

Total Cost: $21,587,330 Total Cost/Net Rentable Sq. Ft.: $90.95

**Income and Expenses**

Effective Gross Income:[1] $2,020,740 Ttl. Expenses: $868,313 Net Operating Inc.: $1,152,427

Estimated 1st Year DCR: 1.15

### DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | To Be Determined |
| Attorney: | Shackelford, Melton & McKinley | Architect: | To Be Determined |
| Accountant: | | Engineer: | Carter Burgess |
| Market Analyst: | Butler Burgher | Lender: | Charter mac Capital Solutions |
| Contractor: | To Be Determined | Syndicator: | Related Capital Company |

### PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Frank Madla, District 19 - NC<br>Rep. Carlos Uresti, District 118 - NC<br>Mayor Ed Garza - NC<br>Commisioner Robert Tejeda, Precinct 1- S<br>City Councilman Ron H. Segovia, District 3 - S<br>Andrew W. Cameron, Director, Housing and Community Development, City of San Antonio; The development is consistent with the Consolidated Plan for the City of San Antonio.<br>Mard A. Herrick, Ph. D., Superintendent, Southside ISD; - S |

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 Development 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 documentation verifying zoning prior to closing of the bonds.
3. Receipt, review, and acceptance of documentation verifying the likelihood of a 50% property tax exemption can be obtained.
4. 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.
5. Receipt, review, and acceptance of a permanent loan commitment from TSAHC for $500,000 or recognition from the Applicant that an increase in the initial deferred developer fee totaling the same amount is likely.
6. Receipt, review, and acceptance of financial statements for Avenida Group 501c3 prior to execution of the determination notice.
7. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit 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:** November 30, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04456

## DEVELOPMENT NAME

Providence at Marshall Meadows Apartments

## APPLICANT

| | | | |
|---|---|---|---|
| **Name:** | TX Chicory Court XXV, LP | **Type:** | For-profit |
| **Address:** | 1200 Three Lincoln Centre, 5430 LBJ Freeway | **City:** | Dallas **State:** TX |
| **Zip:** | 75240 **Contact:** Saleem Jafar/ Bill Fisher | **Phone:** | 972 455-9299 **Fax:** (972) 455-9792 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Chicory Court XXV, LP | **(%):** | N/A | **Title:** | Operating Partnership |
| **Name:** | Chicory Court GP, LLC | **(%):** | .01 | **Title:** | Managing General Partner |
| **Name:** | Saleem Jafar and/or Provident Odyssey Partners, LP | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Bill Fisher, VP for purposes of pervious | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Avenidas Group 501c 3 | **(%):** | 49% of the GP | **Title:** | GP Shareholder |
| **Name:** | Saleem Jafar | **(%):** | 51% of the GP | **Title:** | GP Shareholder |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | E. Chavaneauz & Riodosa (fronting 410 loop) | | ☒ **QCT** | | ☐ **DDA** |
| **City:** | San Antonio | **County:** | Bexar | **Zip:** | 78214 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $528,291 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits

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

**Special Purpose (s):** General Population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $472,469 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of documentation verifying the zoning prior to closing of the bonds;
2. Receipt, review, and acceptance of documentation verifying the likelihood of a 50% property tax exemption can be obtained;
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. Receipt, review, and acceptance of a permanent loan commitment from TSAHC for $500,000 or recognition from the Applicant that an increase in the initial deferred developer fee totaling the same

amount is likely;

5. Receipt, review, and acceptance of financial statements for Avenidas Group 501c 3 prior to execution of determination notice; and
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 250 **# Rental Buildings** 12 **# Non-Res. Buildings** 2 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

**Net Rentable SF:** 237,363 **Av Un SF:** 949 **Common Area SF:** 4,666 **Gross Bldg SF:** 242,029

### STRUCTURAL MATERIALS

The structure will be wood frame concrete block on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 25% stone veneer/ 15% cement fiber siding, 60% stucco, and wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with 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, fiberglass tub/shower, washer & dryer connections, central boiler water heating system, and individual heating and air conditioning.

### ON-SITE AMENITIES

A 4,666-square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a business center, & a central mailroom. The community building and swimming pool are located at the entrance to the property. In addition, sports courts & perimeter fencing with a limited access gate is planned for the site.

**Uncovered Parking:** 500 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Providence at Marshall Meadows Apts. is a moderately dense (8.4 units per acre) new construction development of 250 units of mixed income housing located in southeast San Antonio. The development will be comprised of 12 evenly-distributed large garden style walk-up low-rise residential buildings as follows:

- Seven Building Type 1 with 6 two-bedroom/one-bath units, 6 two-bedroom/two-bath units, and 8 three-bedroom/two-bath units;
- Five Building Type 2 with 10 one-bedroom/one-bath units, 3 two- bedroom/one-bath units, 3 two-bedroom/two-bath units and 6 three-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. The Applicant has presented several different square footage scenarios with regard to the clubhouse and several of the units and the latest plans were slightly inconsistent with the square footages listed in the rent schedule, which were the square footages used in this report. They appear to provide acceptable access and storage. The elevations reflect modest buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 30 acres 1,306,800 square feet **Zoning/ Permitted Uses:** Currently AG, in process of rezoning

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is a rectangularly-shaped parcel located in the south area of San Antonio, approximately seven miles from the central business district. The site is situated on the north side of East Chavaneaux Road.

**Adjacent Land Uses:**

- **North:** SE Loop 410 immediately adjacent;
- **South:** Open Space and metal fabricator;
- **East:** Vacant land immediately adjacent;
- **West:** Residential Development immediately adjacent;

**Site Access:** Access to the property is from the east or west along Chavaneaux Road. The development is to have two main entries from the north. Access to Interstate Highway 410 is less than one mile north, which provides connections to all other major roads serving the area.

**Public Transportation:** Public transportation to the area is provided by San Antonio Area Transit System. The location of the nearest bus stop was identified as between Renova and Sanco Streets.

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

**Special Adverse Site Characteristics:** The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The Applicant is in the process of changing zoning to a compatible use. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 14, 2004, and found the location to be acceptable for the proposed development. The inspector noted the site "will be an asset to the neighborhood."

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

A Phase I Environmental Site Assessment report dated September 10, 2004 was prepared by Gerald Nehman, PhD and contained the following findings and recommendations:

**Findings:**

- **Asbestos-Containing Materials (ACM):** "An asbestos survey was not conducted. There were no buildings on the site. There were no waste sites observed that might contain building materials containing asbestos." (p. 11, ESA)
- **Floodplain:** "The property is in Zone X, which is outside the 100-year floodplain zone, according to the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Map (FIRM) Number48113C 0495, effective August 23, 2001." p.13 (ESA)

**Recommendations: "**No potentially significant on-site environmental concerns or recognized environmental conditions were observed during the site visit." p.15 (ESA)

### POPULATIONS TARGETED

**Income Restrictions:** The Applicant has proposed use of a direct allocation of bond funds from TSAHC (Texas State Affordable Housing Commission). 150 of the units (60% of the total) will be reserved for low-income tenants. All 150 of those units (100%) will be reserved for households earning 60% or less of AMGI, and the remaining 100 units will be offered at market rents.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |

| | | | | | | |
|---|---|---|---|---|---|---|
| **60% of AMI** | $21,660 | $24,720 | $27,840 | $30,900 | $33,360 | $35,820 |

## MARKET HIGHLIGHTS

A market feasibility study dated October 6, 2004 was prepared by Butler-Burgher, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For purposes of this market study, the Primary Market Area is the area bounded by US 90 (north border), IH 37 (east border), FM 1604 (south border), and SR 16/ Somerset Road/ Zarzamora Street (west border). This primary market area includes portions of the Cities of San Antonio, Southton and Earl." (p. 39). This area encompasses approximately 100 square miles and is equivalent to a circle with a radius of 5.65 miles.

**Population:** The estimated 2004 population of the PMA was 123,390 and is expected to increase by .73% to approximately 124,285 by 2009. Within the primary market area there were estimated to be 38,133 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,934 qualified households in the PMA, based on the current estimate of 38,133 households, the projected annual growth rate of 1.47%, renter households estimated at 34.63% of the population, income-qualified households estimated at 23.97%, and an annual renter turnover rate of 7.05 %. (p. 4). The Market Analyst used an income band of $19,851 to $32,130.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Resident Turnover | 1,922 | 99.38% | 1,911 | 99.7% |
| Other Sources: Future Demand | 12 | .62% | 6 | 0.3% |
| **TOTAL ANNUAL DEMAND** | **1,934** | **100%** | **1,917** | **100%** |

Ref: p. 4

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 22.29% based upon 1,934 units of demand and 431 unstabilized affordable housing in the PMA (including the subject) (p. 55). The Underwriter calculated an inclusive capture rate of 22.4% based upon a revised supply of unstabilized comparable affordable units of 430 divided by a revised demand of 1,917.

**Market Rent Comparables:** The Market Analyst surveyed seven comparable apartment projects totaling 1,274 units in the market area. (p. 63, Exhibit F).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $542 | $527 | $15 | $615 | -$73 |
| **1-Bedroom (MR)** | $650 | N/A | | $615 | $35 |
| **2-Bedroom (60%)** | $652 | $635 | $17 | $767 | -$115 |
| **2-Bedroom (MR)** | $825 | N/A | | $767 | $58 |
| **3-Bedroom (60%)** | $752 | $729 | $23 | $855 | -$103 |
| **3-Bedroom (MR)** | $885 | N/A | | $855 | $30 |

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

**Primary Market Occupancy Rates:** "Occupancy levels in the … submarket have remained relatively consistent over the last several years, from a low of 95% in December 2001 to a high of 97.7% in December 1998. More recently, occupancy in June 2004 was 96.6%." (p. 37).

**Absorption Projections:** "The newly constructed apartment complexes in the San Antonio market have experienced absorption rates ranging from 13 to 48 units/ month. The following table indicates absorption data on the new apartment complexes in San Antonio." (p. 56).

**Known Planned Development:** "The number of units completed citywide increased significantly from

1994 through 1996, after which the number of completions declined through 1998. Thereafter, inventory increased annually through 2001, the year that reported the greatest number of units completed during the current development cycle. Completions totaled 4,586 units in 2001 and 3,962 were completed citywide in 2002 (through September). … this submarket currently has no units under construction, approved for construction, submitted for approval, or proposed. … As noted above, no units have started construction or anticipate construction within the subject's submarket in 2004." (pp.29-31).

**Market Study Analysis/Conclusions:** 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. The Applicant used slightly lower utility allowances. The Applicant stated that the applicant will pay water heating in this project, and rents and expenses were calculated accordingly but a difference of $7 to $9 per unit remained. Estimates of secondary income are $5 per unit higher than TDHCA underwriting guidelines, but substantiated by the TDHCA database for other similar properties in San Antonio. The Applicant utilized a lower vacancy and collection loss rate of 7.00% that also contributed to the $25K (1%) higher gross income estimate than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,473 per unit is within 5% of the Underwriter's database-derived estimate of $3,553 per unit for comparably-sized developments. The Applicant's budget shows one line item estimate that deviates significantly when compared to the Underwriter's estimate (payroll is $29K lower). It should also be noted that the Applicant will apply for a 50% property tax abatement due to the non-profit ownership of the General Partner. No further documentation of the acceptance of this exemption by the taxing authorities was provided and such documentation is a condition of this report. The Underwriter discussed these differences with the Applicant but was unable to reconcile them further.

**Conclusion:** The Applicant's estimated income and total estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage, as the terms are reflected in the commitment, at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

## ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 19 acres** | $81,000 | **Assessment for the Year of:** | 2004 |
| **Building:** | $0 | **Valuation by:** | Bexar County Appraisal District |
| **Total Assessed Value:** | $81,000 | **Tax Rate:** | 2.52% |

## EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Unimproved Property Contract | | |
| **Contract Expiration Date:** | 12/ 15/ 2004 | **Anticipated Closing Date:** | 12/ 15/ 2004 |
| **Acquisition Cost:** | $1,000,000 | **Other Terms/Conditions:** | |
| **Seller:** | Peter Marshall | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The Applicant included site cost of $1,040,000 ($4.38/SF, $54,736/acre, or $4,160/unit) which is assumed to be reasonable since the acquisition is an arm's-length transaction. This cost includes $40,000 of closing costs associated with the acquisition.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,500 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:**

The Applicant's direct construction cost estimate is $507.9K or 4.97% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by $252K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $21,001 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant also exceeded the allowable contingency limit of 5% by $124,849 and this amount was regarded as ineligible. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $59,683 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost 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 $18,309,503 is used to determine a credit allocation of $472,469 from this method. The Applicant had several different calculations reflecting requested amounts of between $530K and most recently $504,147. The last development cost schedule provided a credit amount of $512,342 which has been adjusted by the issues discussed above to provide the recommended amount. 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. It should further be noted that the Applicant has most recently submitted a draft sources and uses statement from the lender which suggests total development costs that are $1,075,448 less than the most recent development cost schedule from which this analysis is drawn. Direct construction costs on both documents are consistent with each other. The main differences appear to be in ineligible costs.

**INTERIM TO PERMANENT BOND FINANCING**

**Source:** Charter Mac — **Contact:** Saleem Jafar

**Tax-Exempt Amount:** $14,260,000 — **Interest Rate:** 6.5%

**Amortization:** 40 yrs — **Term:** 18 yrs — **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $1,001,834 — **Lien Priority:** 1st — **Commitment Date** 11/ 15/ 2004

**PERMANENT FINANCING**

**Source:** TSAHC — **Contact:** Katherine Closssman

**Principal Amount:** $500,000 — **Interest Rate:** Unknown

**Additional Information**: No documentation of this loan was provided

**Amortization:** yrs — **Term:** yrs — **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $ — **Lien Priority:** — **Commitment Date** / /

**PERMANENT FINANCING**

**Source:** Avenidas Group 501 c 3 — **Contact:** Alvin Brown

**Principal Amount:** $250,000 — **Interest Rate:** 1% interest (accrued only till year 18)

**Additional Information**: Related party loan originally funded through grant funds from the City or County

**Amortization:** N/A yrs — **Term:** 18 yrs — **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $0 — **Lien Priority:** 2nd — **Commitment Date** 10/ 11/ 2004

**TAX CREDIT SYNDICATION**

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

**Net Proceeds:** $4,107,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 85¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 15/ 2004

**APPLICANT EQUITY**

**Amount:** $2,470,330 **Source:** Deferred Developer Fee & GIC income

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TSAHC and purchased by Charter Mac. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The Applicant also provided a resolution from the minority General Partner which provided for a $250,000 loan contribution from them. This loan appears to be funded with a grant from either the City or the County, but the resolution was not more specific than that. The issuer TSAHC has also indicated that they would be making a $500,000 loan to the Applicant, but no documentation to support this source has been provided. Therefore the underwriter completed this analysis without the TSAHC funds.

**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 $1,288,618 is based on total costs in the sources and uses statement which were lower than the total cost listed on the development cost schedule. It would appear that these costs will need to be sourced from deferral of developer fees as well.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $472,469 annually for ten years, resulting in syndication proceeds of approximately $4,015,987. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $3,061,343, which is over 100% of the eligible developer fee. If the TSAHC funds are contributed, the deferred fees required will still be $2.56M or just over 100% of the fee available. Therefore, contractor fees may also need to be deferred. Receipt review and acceptance of a commitment from the general contractor to defer fees as necessary, is a condition of this report. The total deferred fee required is not repayable within ten years, but should be repayable out of cash flow over 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant and Developer 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 49% shareholder of the General Partner, Avenidas Group 501c 3, did not submit financial statement and receipt review and acceptance of same are a condition of this report.
- The principals of the 51% shareholders of the General Partner, Saleem Jafar, submitted unaudited financial statements as of September 1, 2004 and is anticipated to be a guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.

Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- 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.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:** | *Phillip Drake* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***(Providence at Marshall Meadows, San Antonio, 4% HTC, #04456)***

| 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 | Owner paid |
|---|---|---|---|---|---|---|---|---|---|---|
| TC60% | 38 | 1 | 1 | 750 | 579 | 533 | 20,254 | 0.71 | 45.66 | 25.28 |
| MR | 12 | 1 | 1 | 750 | | 600 | 7,200 | 0.80 | 45.66 | 25.28 |
| TC60% | 30 | 2 | 1 | 836 | 696 | 644 | 19,320 | 0.77 | 51.91 | 29.28 |
| MR | 27 | 2 | 1 | 836 | | 750 | 20,250 | 0.90 | 51.91 | 29.28 |
| TC60% | 31 | 2 | 2 | 973 | 696 | 644 | 19,964 | 0.66 | 51.91 | 29.28 |
| MR | 26 | 2 | 2 | 973 | | 775 | 20,150 | 0.80 | 51.91 | 29.28 |
| TC60% | 51 | 3 | 2 | 1,125 | 803 | 744 | 37,944 | 0.66 | 58.70 | 37.68 |
| MR | 35 | 3 | 2 | 1,125 | | 850 | 29,750 | 0.76 | 58.70 | 37.68 |
| TOTAL: | 250 | | AVERAGE: | 949 | $422 | $699 | $174,832 | $0.74 | $53.00 | $31.37 |

| INCOME | Total Net Rentable Sq Ft: | 237,363 | | TDHCA | APPLICANT | Comptroller's Region | | 9 |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $2,097,984 | $2,112,840 | | IREM Region | San Antonic |
| Secondary Income | | Per Unit Per Month: | $20.00 | 60,000 | 15,000 | $5.00 | Per Unit Per Month | |
| application, NSF, Late Fees, Cable, Phone, Car Ports | | | | 0 | 45,000 | | | |
| POTENTIAL GROSS INCOME | | | | $2,157,984 | $2,172,840 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (161,849) | (152,100) | -7.00% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $1,996,135 | $2,020,740 | | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.58% | $366 | 0.39 | $91,467 | $87,050 | $0.37 | $348 | 4.31% |
| Management | | 4.00% | 319 | 0.34 | 79,845 | 81,674 | 0.34 | 327 | 4.04% |
| Payroll & Payroll Tax | | 11.72% | 936 | 0.99 | 233,926 | 204,730 | 0.86 | 819 | 10.13% |
| Repairs & Maintenance | | 5.14% | 411 | 0.43 | 102,652 | 112,750 | 0.48 | 451 | 5.58% |
| Utilities | | 3.60% | 288 | 0.30 | 71,882 | 78,913 | 0.33 | 316 | 3.91% |
| Water, Sewer, & Trash | | 4.04% | 323 | 0.34 | 80,684 | 70,750 | 0.30 | 283 | 3.50% |
| Property Insurance | | 2.97% | 237 | 0.25 | 59,341 | 58,446 | 0.25 | 234 | 2.89% |
| Property Tax | 2.518534 | 4.73% | 378 | 0.40 | 94,445 | 100,000 | 0.42 | 400 | 4.95% |
| Reserve for Replacements | | 2.50% | 200 | 0.21 | 50,000 | 50,000 | 0.21 | 200 | 2.47% |
| Other: Compliance & Security | | 1.20% | 96 | 0.10 | 24,000 | 24,000 | 0.10 | 96 | 1.19% |
| TOTAL EXPENSES | | 44.50% | $3,553 | $3.74 | $888,242 | $868,313 | $3.66 | $3,473 | 42.97% |
| NET OPERATING INC | | 55.50% | $4,432 | $4.67 | $1,107,893 | $1,152,427 | $4.86 | $4,610 | 57.03% |
| **DEBT SERVICE** | | | | | | | | | |
| Charter Mac | | 50.19% | $4,007 | $4.22 | $1,001,834 | $1,019,397 | $4.29 | $4,078 | 50.45% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 5.31% | $424 | $0.45 | $106,060 | $133,030 | $0.56 | $532 | 6.58% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.11 | 1.13 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.15 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 4.68% | $4,160 | $4.38 | $1,040,000 | $1,040,000 | $4.38 | $4,160 | 4.82% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 8.43% | 7,500 | 7.90 | 1,874,999 | 1,874,999 | 7.90 | 7,500 | 8.69% |
| Direct Construction | | 45.15% | 40,162 | 42.30 | 10,040,460 | 9,709,860 | 40.91 | 38,839 | 44.98% |
| Contingency | 5.00% | 2.68% | 2,383 | 2.51 | 595,773 | 704,092 | 2.97 | 2,816 | 3.26% |
| General Req'ts | 5.91% | 3.17% | 2,816 | 2.97 | 704,092 | 704,092 | 2.97 | 2,816 | 3.26% |
| Contractor's G & A | 1.97% | 1.06% | 939 | 0.99 | 234,697 | 234,697 | 0.99 | 939 | 1.09% |
| Contractor's Profit | 5.91% | 3.17% | 2,816 | 2.97 | 704,092 | 704,092 | 2.97 | 2,816 | 3.26% |
| Indirect Construction | | 3.73% | 3,318 | 3.49 | 829,500 | 829,500 | 3.49 | 3,318 | 3.84% |
| Ineligible Costs | | 9.14% | 8,129 | 8.56 | 2,032,294 | 2,032,294 | 8.56 | 8,129 | 9.41% |
| Developer's G & A | 2.98% | 2.18% | 1,940 | 2.04 | 485,113 | 489,576 | 2.06 | 1,958 | 2.27% |
| Developer's Profit | 12.02% | 8.81% | 7,833 | 8.25 | 1,958,303 | 1,958,303 | 8.25 | 7,833 | 9.07% |
| Interim Financing | | 5.87% | 5,223 | 5.50 | 1,305,825 | 1,305,825 | 5.50 | 5,223 | 6.05% |
| Reserves | | 1.95% | 1,736 | 1.83 | 434,058 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $88,957 | $93.69 | $22,239,205 | $21,587,330 | $90.95 | $86,349 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *63.64%* | ***$56,616*** | ***$59.63*** | ***$14,154,113*** | ***$13,931,832*** | ***$58.69*** | ***$55,727*** | *64.54%* |

| SOURCES OF FUNDS | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| Charter Mac | 64.12% | $57,040 | $60.08 | $14,260,000 | $14,260,000 | $14,260,000 | Developer Fee Available |
| Additional Financing | 3.37% | $3,000 | $3.16 | 750,000 | 750,000 | 250,000 | $2,388,196 |
| HTC Syndication Proceeds | 18.47% | $16,428 | $17.30 | 4,107,000 | 4,107,000 | 4,015,987 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 6.27% | $5,580 | $5.88 | 1,394,882 | 1,394,882 | 2,561,343 | 107% |
| Additional (excess) Funds Required | 7.77% | $6,909 | $7.28 | 1,727,323 | 1,075,448 | 500,000 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $22,239,205 | $21,587,330 | $21,587,330 | $4,959,408 |

## MULTIFAMILY COMPARATIVE ANALYSIS(continued)

***(Providence at Marshall Meadows, San Antonio, 4% HTC, #04456)***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.85 | $10,408,368 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.00% | | $0.88 | $208,167 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.68) | (160,616) |
| Floor Cover | | | 2.00 | 474,726 |
| Porches/Balconies | $18.00 | 19896.79 | 1.51 | 358,142 |
| Plumbing | $605 | 429 | 1.09 | 259,545 |
| Built-In Appliances | $1,650 | 250 | 1.74 | 412,500 |
| Stairs/Fireplaces | $1,475 | 96 | 0.60 | 141,600 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 363,165 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $59.58 | 4,666 | 1.17 | 278,003 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 53.69 | 12,743,600 |
| Current Cost Multiplier | 1.08 | | 4.30 | 1,019,488 |
| Local Multiplier | 0.89 | | (5.91) | (1,401,796) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $52.08 | $12,361,292 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.03) | ($482,090) |
| Interim Construction Interes | 3.38% | | (1.76) | (417,194) |
| Contractor's OH & Profit | 11.50% | | (5.99) | (1,421,549) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.30 | $10,040,460 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $14,260,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.11 |
| Secondary | $750,000 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.11 |
| Additional | $4,107,000 | Term | |
| Int Rate | | Aggregate DCR | 1.11 |

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

| | |
|---|---|
| Primary Debt Service | $1,001,834 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $150,593 |

| | | | |
|---|---|---|---|
| Primary | $14,260,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.15 |
| Secondary | $250,000 | Term | |
| Int Rate | 1.00% | Subtotal DCR | 1.15 |
| Additional | $4,107,000 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

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

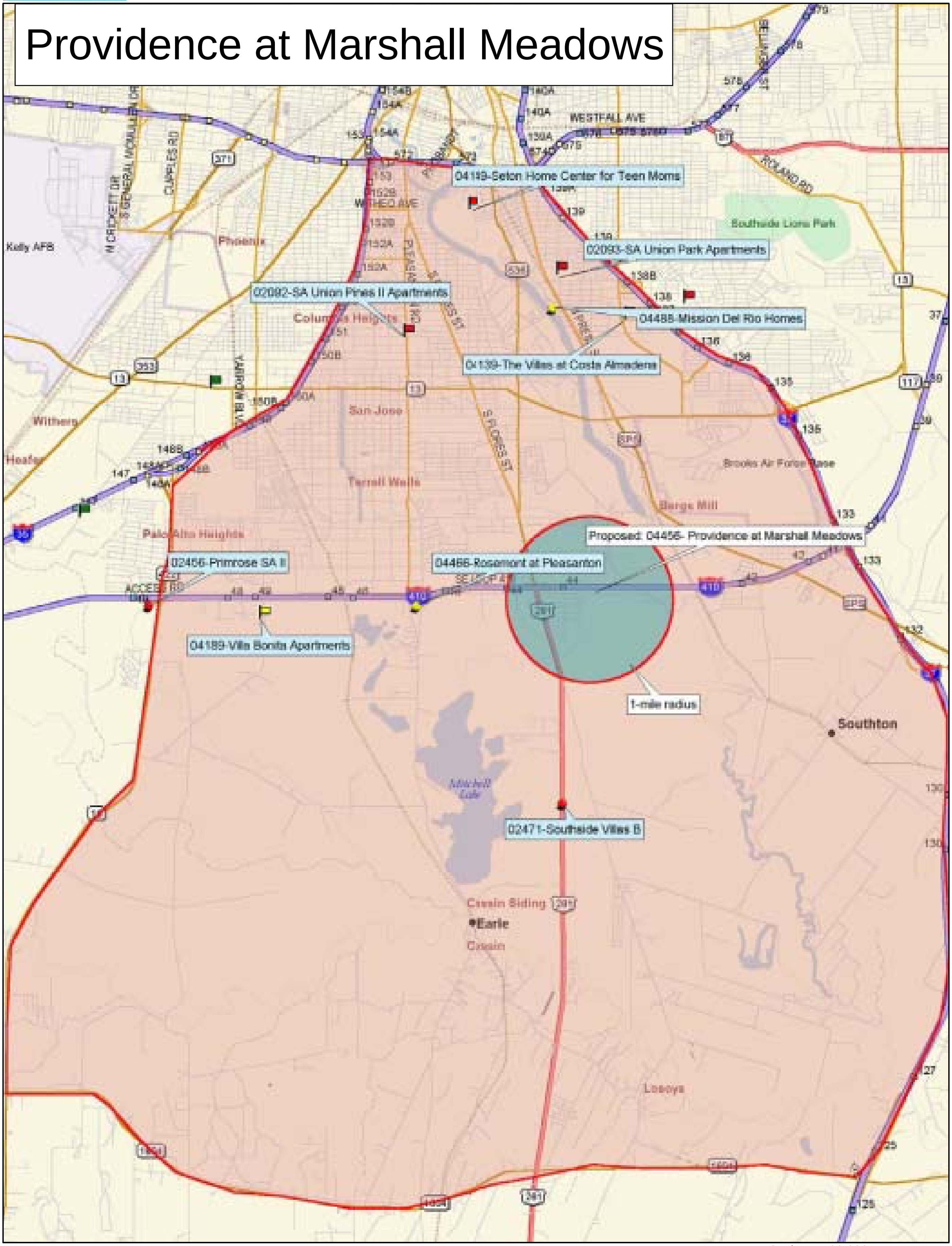
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,112,840 | $2,176,225 | $2,241,512 | $2,308,757 | $2,378,020 | $2,756,777 | $3,195,860 | $3,704,878 | $4,979,046 |
| Secondary Income | 15,000 | 15,450 | 15,914 | 16,391 | 16,883 | 19,572 | 22,689 | 26,303 | 35,348 |
| Contractor's Profit | 45,000 | 46,350 | 47,741 | 49,173 | 50,648 | 58,715 | 68,067 | 78,908 | 106,045 |
| POTENTIAL GROSS INCOME | 2,172,840 | 2,238,025 | 2,305,166 | 2,374,321 | 2,445,551 | 2,835,063 | 3,286,615 | 3,810,088 | 5,120,440 |
| Vacancy & Collection Loss | (152,100) | (167,852) | (172,887) | (178,074) | (183,416) | (212,630) | (246,496) | (285,757) | (384,033) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,020,740 | $2,070,173 | $2,132,279 | $2,196,247 | $2,262,134 | $2,622,434 | $3,040,119 | $3,524,331 | $4,736,407 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $87,050 | $90,532 | $94,153 | $97,919 | $101,836 | $123,899 | $150,742 | $183,401 | $271,479 |
| Management | 81,674 | 83671.98894 | 86182.1486 | 88767.61306 | 91430.64145 | 105993.1722 | 122875.1366 | 142445.9603 | 191435.4592 |
| Payroll & Payroll Tax | 204,730 | 212,919 | 221,436 | 230,293 | 239,505 | 291,395 | 354,526 | 431,335 | 638,482 |
| Repairs & Maintenance | 112,750 | 117,260 | 121,950 | 126,828 | 131,902 | 160,478 | 195,247 | 237,547 | 351,628 |
| Utilities | 78,913 | 82,070 | 85,352 | 88,766 | 92,317 | 112,318 | 136,652 | 166,258 | 246,102 |
| Water, Sewer & Trash | 70,750 | 73,580 | 76,523 | 79,584 | 82,767 | 100,699 | 122,516 | 149,060 | 220,645 |
| Insurance | 58,446 | 60,784 | 63,215 | 65,744 | 68,374 | 83,187 | 101,210 | 123,137 | 182,273 |
| Property Tax | 100,000 | 104,000 | 108,160 | 112,486 | 116,986 | 142,331 | 173,168 | 210,685 | 311,865 |
| Reserve for Replacements | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Other | 24,000 | 24,960 | 25,958 | 26,997 | 28,077 | 34,159 | 41,560 | 50,564 | 74,848 |
| TOTAL EXPENSES | $868,313 | $901,777 | $937,011 | $973,630 | $1,011,687 | $1,225,626 | $1,485,079 | $1,799,776 | $2,644,688 |
| NET OPERATING INCOME | $1,152,427 | $1,168,397 | $1,195,268 | $1,222,617 | $1,250,447 | $1,396,808 | $1,555,040 | $1,724,556 | $2,091,718 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 | $1,001,834 |
| 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 | $150,593 | $166,563 | $193,434 | $220,784 | $248,614 | $394,974 | $553,206 | $722,722 | $1,089,885 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.19 | 1.22 | 1.25 | 1.39 | 1.55 | 1.72 | 2.09 |

| LIHTC Allocation Calculation - | (Providence at Marshall Meadows, San Antonio, 4% HTC, #04456) |
|---|---|

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,040,000 | $1,040,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,874,999 | $1,874,999 | $1,874,999 | $1,874,999 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $9,709,860 | $10,040,460 | $9,709,860 | $10,040,460 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $234,697 | $234,697 | $231,697 | $234,697 |
| Contractor profit | $704,092 | $704,092 | $695,092 | $704,092 |
| General requirements | $704,092 | $704,092 | $695,092 | $704,092 |
| **(5) Contingencies** | $704,092 | $595,773 | $579,243 | $595,773 |
| **(6) Eligible Indirect Fees** | $829,500 | $829,500 | $829,500 | $829,500 |
| **(7) Eligible Financing Fees** | $1,305,825 | $1,305,825 | $1,305,825 | $1,305,825 |
| **(8) All Ineligible Costs** | $2,032,294 | $2,032,294 | | |
| **(9) Developer Fees** | | | $2,388,196 | |
| Developer overhead | $489,576 | $485,113 | | $485,113 |
| Developer fee | $1,958,303 | $1,958,303 | | $1,958,303 |
| **(10) Development Reserves** | | $434,058 | [illegible] | [illegible] |
| **TOTAL DEVELOPMENT COSTS** | $21,587,330 | $22,239,205 | $18,309,503 | $18,732,853 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $18,309,503 | $18,732,853 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $23,802,354 | $24,352,709 |
| Applicable Fraction | | 55.76% | 55.76% |
| **TOTAL QUALIFIED BASIS** | | $13,271,604 | $13,578,469 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $472,469 | $483,393 |
| **Syndication Proceeds** | **0.8500** | **$4,015,987** | **$4,108,845** |
| **Total Credits (Eligible Basis Method)** | | **$472,469** | **$483,393** |
| **Syndication Proceeds** | | **$4,015,987** | **$4,108,845** |
| **Requested Credits** | | **$528,291** | |
| **Syndication Proceeds** | | **$4,490,474** | |
| **Gap of Syndication Proceeds Needed** | | **$7,077,330** | |
| **Credit Amount** | | **$832,627** | |

# Providence at Marshall Meadows






TN
MN (5.8°E)

Scale 1 : 100,000

1" = 1.58 mi

Data Zoom 11-0

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for The Villas at Costa Cadiz.

## Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is San Antonio HFC. The development is to be located at 2813 W. W. White Road in San Antonio. The development will consist of 172 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support 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 The Villas at Costa Cadiz.

**HOUSING TAX CREDIT PROGRAM**

# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **The Villas at Costa Cadiz Apartments** TDHCA#: 04461

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | San Antonio | QCT: Y | DDA: N | TTC: N |
| Development Owner: | Costa Cadiz, Ltd. | | | |
| General Partner(s): | Agape Costa Cadiz, LLC, 100%, Contact: Laura Wingfield | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: San Antonio HFC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $592,150 Eligible Basis Amt: $588,003 Equity/Gap Amt.: $770,907

**Annual Tax Credit Allocation Recommendation: $588,003**

Total Tax Credit Allocation Over Ten Years: $ 5,880,030

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 172 HTC Units: 172 % of HTC Units: 100

Gross Square Footage: 184,735 Net Rentable Square Footage: 180,515

Average Square Footage/Unit: 1050

Number of Buildings: 13

Currently Occupied: N

**Development Cost**

Total Cost: $15,105,548 Total Cost/Net Rentable Sq. Ft.: $83.68

**Income and Expenses**

Effective Gross Income:[1] $1,218,960 Ttl. Expenses: $556,452 Net Operating Inc.: $662,508

Estimated 1st Year DCR: 1.15

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | NRP Management, LLC |
| Attorney: | Locke Liddell & Sapp, LLP | Architect: | Mucasey Architects |
| Accountant: | Reznick, Fedder & Silverman | Engineer: | Vickery & Associates, Inc. |
| Market Analyst: | Apartment Market Data | Lender: | MMA Financial, LLC |
| Contractor: | NRP Contractors, LLC | Syndicator: | MMA Financial, LLC |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Frank Madla, District 19 - NC<br>Rep. Robert Puente, District 120 - NC<br>Mayor Ed Garza - NC<br>Andrew W. Cameron, Director, Housing and Community Development, City of San Antonio; Consistent with the Consolidated Plan of the City of San Antonio. |

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 Development 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. 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:** November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04461

## DEVELOPMENT NAME

Villas at Costa Cadiz Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Costa Cadiz, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 210 West Laurel Street, Suite 100 | | | **City:** | San Antonio | **State:** | TX |
| **Zip:** | 78218 | **Contact:** | Laura Wingfield | **Phone:** | (210) 212-7300 | **Fax:** | (210) 212-7303 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Agape Costa Cadiz, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Agape Costa Cadiz GP, Inc. | **(%):** | N/A | **Title:** | 100% Owner of MGP & Non-Profit |
| **Name:** | Costa Cadiz NRP, Ltd. | **(%):** | 0.01 | **Title:** | Special Limited Partner |
| **Name:** | An entity of MMA Financial | **(%):** | 0.01 | **Title:** | Special Limited Partner |
| **Name:** | Agape Georgetown Housing, Inc. | **(%):** | N/A | **Title:** | Co-Developer |
| **Name:** | NRP Holdings, LLC | **(%):** | N/A | **Title:** | Co-Developer |
| **Name:** | Alan Scott | **(%):** | N/A | **Title:** | 33.3% Owner of NRP Holdings, LLC |
| **Name:** | T. Richard Bailey, Jr. | **(%):** | N/A | **Title:** | 33.3% Owner of NRP Holdings, LLC |
| **Name:** | J. David Heller | **(%):** | N/A | **Title:** | 33.3% Owner of NRP Holdings, LLC |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 2813 W. W. White Road | | ☒ **QCT** | | ☐ **DDA** |
| **City:** | San Antonio | **County:** | Bexar | **Zip:** | 78222 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $592,150 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $588,003 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

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

## REVIEW of PREVIOUS UNDERWRITING REPORTS

Villas at Costa Cadiz Apartments was submitted and not underwritten in the 2004 9% HTC cycle.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 172 **# Rental Buildings** 13 **# Non-Res. Buildings** 1 **# of Floors** 3 **Age:** N/A yrs

**Net Rentable SF:** 180,515 **Av Un SF:** 1,050 **Common Area SF:** 4,220 **Gross Bldg SF:** 184,735

### STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 10% stone/10% cement fiber siding and 80% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with 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, individual heating and air conditioning, cable, & 9-foot ceilings.

### ON-SITE AMENITIES

A 4,220-square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a computer center, & a central mailroom. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. In addition a picnic area & perimeter fencing with limited access gate are planned for the site.

**Uncovered Parking:** 301 spaces **Carports:** 0 spaces **Garages:** 18 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Villas at Costa Cadiz is a relatively dense (18 units per acre) new construction development of 172 units of affordable housing located in southeast San Antonio. The development is comprised of 13 sporadically distributed medium garden style walk-up low-rise residential buildings as follows:

- 2 Building Type I with 8 two-bedroom/two-bath units;
- 7 Building Type II with 8 two- bedroom/two-bath units, and 4 three-bedroom/two-bath units;
- 1 Building Type III with 4 two- bedroom/two-bath units, and 8 three-bedroom/two-bath units;
- 3 Building Type IV with 12 one-bedroom/one-bath units, and 8 three-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 9.4 acres 409,464 square feet **Zoning/ Permitted Uses:** MF-33

**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 the southeast area of San Antonio, approximately seven miles from the central business district. The site is situated on the west side of W.W. White Road.

**Adjacent Land Uses:**

- **North:** single family residential immediately adjacent;
- **South:** single family residential immediately adjacent;
- **East:** WW White Road immediately adjacent and single family residential beyond; and

- **West:** Roland Road immediately adjacent and single family residential beyond;

**Site Access:** Access to the property is from the north or south from WW White Road. The development is to have one main entry. The subject site has excellent access via Loop 410 and U.S Highway 87. from Loop 410, one can easily connect to Interstate 35, Interstate 37, and Interstate 10, all of which are major thoroughfares into and around San Antonio.

**Public Transportation:** Public transportation to the area is provided by VIA. The location of the nearest stop is located on W.W. White, directly in front of the subject property.

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

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 15, 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 October 1, 2004 was prepared by The Murillo Company and contained the following findings and recommendations:

**Findings and Conclusions:** "The subject site is three (3) tracts of vacant land. No direct evidence was found indicating recognized environmental conditions exist at the subject site. TMC recommends no further action at this time." (p. 16)

## 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 which is allowed since it is after June 1 and the development is located in a county with a MFI below the statewide average.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $21,660 | $24,720 | $27,840 | $30,900 | $33,360 | $35,820 |

## MARKET HIGHLIGHTS

A market feasibility study dated September 22, 2004 was prepared by Apartment MarketData Research Services, LLC ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For this analysis we utilized a primary market area comprising a 43.83 square mile Trade Area in southeast San Antonio. The following roads exemplify the major boundaries of the trade area. North-U.S. Highway 87, East-line east of Loop 410, encompassing the Loop 410 corridor, South-line south of Loop 410, encompassing the Loop 410 corridor, West-Pleasanton Road/Moursund Blvd." (p. 27) This area is equivalent to a circle with a radius of 3.74 miles.

**Population:** The estimated 2003 population of the PMA was 111,949 and is expected to increase by 7.2% to approximately 119,972 by 2008. Within the primary market area there were estimated to be 37,667 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 2,526 qualified households in the PMA, based on the current estimate of 37,667 households, the projected annual growth rate of 1.44%, renter households estimated at 21.9% of the population, income-qualified households estimated at 42.4%, and an annual renter turnover rate of 70.5 %. (p. 43-44) The Market Analyst used an income band of $19,851 to $33,360.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 56 | 2% | 54 | 2% |
| Resident Turnover | 2,470 | 98% | 2,505 | 98% |
| **TOTAL ANNUAL DEMAND** | **2,526** | **100%** | **2,559** | **100%** |

Ref: p. 46

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 17.89% based upon 2,526 units of demand and 452 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 16.5% based upon a revised supply of unstabilized comparable affordable units of 422 divided by a revised demand of 2,559. The Market Analyst included in his demand calculation Rancho Siera (aka Southside Villas) with 280 units and the Underwriter excluded this from his demand calculation due to the fact that it is located beyond the southern boundary of the PMA. The Market Analyst also failed to include in his demand calculation the proposed development Providence at Marshall Meadows with 250 units which the Underwriter did include in his demand number. The proposed development Rosemont at Pleasanton with 240 units was not considered in the demand calculation due to the fact that it's had a later lot number (113) than the subject development (105) with the same reservation dates (August 20, 2004). Inclusion of both Rancho Sierra and Rosemont at Pleasanton would cause the Underwriters inclusive capture rate to exceed the Departments guidelines.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 891 units in the market area. (p. 94).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| Unit Type (% AMI) | Proposed | Program Max | Differential | Est. Market | Differential |
| **1-Bedroom (60%)** | $522 | $522 | $0 | $600 | -$78 |
| **2-Bedroom (50%) 1007 sq. ft.** | $626 | $626 | $0 | $730 | -$104 |
| **2-Bedroom (50%) 1017 sq. ft.** | $626 | $626 | $0 | $730 | -$104 |
| **2-Bedroom (50%) 1088 sq. ft.** | $626 | $626 | $0 | $770 | -$144 |
| **3-Bedroom (50%) 1177 sq. ft.** | $577 | $577 | $0 | $845 | -$268 |
| **3-Bedroom (60%) 1177 sq. ft.** | $711 | $711 | $0 | $845 | -$134 |
| **3-Bedroom (60%) 1182 sq. ft.** | $711 | $711 | $0 | $845 | -$134 |
| **3-Bedroom (60%) 1261 sq. ft.** | $711 | $711 | $0 | $850 | -$139 |

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

**Primary Market Occupancy Rates:** "The current occupancy of the market area is 93.1% as a result of stable demand. Demand for new rental apartment units is expected to grow as more units are constructed in this area of the city." (p. 89)

**Absorption Projections:** "Absorption in the PMA is nearly impossible to calculate for the trade area. Only two new projects have been built since 1990………As such, there has not been adequate new supply to determine a reasonable absorption rate for the sub-market." (p. 88)

**Other Relevant Information:** On November 15, 2004 the Market Analyst submitted a supplement to the market study which identified an alternative PMA to be a 4-mile radius which contains approximately 48.84 square miles. The Market Analyst calculated a total demand of 2,387 qualified households in the PMA, based on the current estimate of 35,779 households, renter households estimated at 22.1% of the population, income-qualified households estimated at 42.3%, and an annual renter turnover rate of 70.5 %.

The Market Analyst calculated an inclusive capture rate of 12.23% based upon 2,387 units of demand and 292 unstabilized affordable housing in the PMA (including the subject). The Underwriter calculated an inclusive capture rate of 22.62% based upon a revised supply of unstabilized comparable affordable units of 540 divided by a demand of 2,387. The Underwriter included in his demand calculation Artisan at Willow

Springs (aka Willow Bend) with 248 units and the Market Analyst excluded this from his demand calculation.

**Market Study Analysis/Conclusions:** 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 are in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant effective gross income estimate is 1% less than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,235 per unit compares favorably with the Underwriter's database-derived estimate of $3,353 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($19.2K lower), water, sewer, and trash ($13.7K lower), and property tax ($24.3K higher). The management fee estimated by the Applicant comes to 4.07% of the effective gross income and the Applicant provided a related party management agreement reflecting a 4.07% fee. While conventional properties in the San Antonio market reflect a 4.1% average management fee according to IREM, the Department's database of similar affordable developments reflects a higher average of 4.9%. In the event that a third party management company has to be hired for this property it would appear that the market would require a fee of or near the industry standard of 5%. This represents a $10K difference in operating expenses estimates. The Applicant failed to include any other expenses particularly compliance fees estimated at $4,300 per year. In addition the development will be owned and co-developed with a non profit partner however a tax abatement was not documented by the Applicant. This development was underwritten as eligible for a 50% abatement which decreases expenses and increase net operation income by approximately $76K annually. The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

**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

| | | | |
|---|---|---|---|
| **Land: (9.4) acres** | $138,820 | **Assessment for the Year of:** | 2003 |
| **Tax Rate:** | 2.959555 | **Valuation by:** | Bexar County Appraisal District |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 8/ 11/ 2004 | **Anticipated Closing Date:** | 10/ 30/ 2004 |
| **Acquisition Cost:** | $320,000 | **Other Terms/Conditions:** | 7.4 acres |
| **Seller:** | Pador Properties, Ltd. Frost National Bank, Trustee | **Related to Development Team Member:** | No |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 8/ 31/ 2004 | **Anticipated Closing Date:** | 8/ 31/ 2004 |
| **Acquisition Cost:** | $85,000 | **Other Terms/Conditions:** | 1.0 acre |
| **Seller:** | Lucille E. Center and Myrtle Gold | **Related to Development Team Member:** | No |

## EVIDENCE of SITE or PROPERTY CONTROL

**Type of Site Control:** Earnest money contract

**Contract Expiration Date:** 12/ 31/ 2004 **Anticipated Closing Date:** 1/ 15/ 2005

**Acquisition Cost:** $100,000 **Other Terms/Conditions:** 1.0 acre

**Seller:** Stanley Wayne Shipman **Related to Development Team Member:** No

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $505,000 ($1.23/SF, $53,723/acre, or $2,936/unit), although significantly higher than the tax assessed value of $138,820, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-Site Costs:** The Applicant claimed off-site costs of $120,000 for storm and wastewater sewer lines, etc. and provided sufficient third party certification through a registered engineer's certification to justify these costs.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,233 per unit are considered reasonable compared to historical sitework costs for multifamily developments.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $55.5K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $195,157 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $340,782 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost 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 $12,705,340 is used to determine a credit allocation of $588,003 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:** MMA Financial **Contact:** Christopher Tawa

**Tax-Exempt Amount:** $8,200,000 **Interest Rate:** 6.5%

**Additional Information:**

**Amortization:** 40 yrs **Term:** 42 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $576,090 **Lien Priority:** 1st **Commitment Date** 10/ 7/ 2004

### PERMANENT FINANCING

**Source:** City of San Antonio Home Funds **Contact:** Clint McKenzie

**Principal Amount:** $200,000 **Interest Rate:** 2.25%

**Additional Information:** Deferred payment year 1-5 (but interest will accrue in year 1)

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

**Annual Payment:** $2,376 after year 5 **Lien Priority:** 2nd **Commitment Date** 6/ 2/ 2004

## TAX CREDIT SYNDICATION

**Source:** MMA Financial **Contact:** Barbara Tyrrell

**Net Proceeds:** $5,151,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 87¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 7/ 2004

**Additional Information**:

## APPLICANT EQUITY

**Amount:** $1,554,548 **Source:** Deferred Developer Fee

## FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by San Antonio Housing Finance Corporation, and will be purchased by MMA Financial. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The city is also offering HOME funds with flexible rates and terms to encourage this development.

**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 $1,554,548 amount to 78% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $588,003 annually for ten years, resulting in syndication proceeds of approximately $5,114,604. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,590,944, which represents approximately 96% of the eligible fee and which should be repayable from cash flow within fifteen years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor firms 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 Co-Developer, NRP Holdings, LLC submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $6.1M consisting of $6.1M in accounts receivables. Liabilities totaled $5.6M, resulting in a net worth of $500K.
- The principals of the Co-developer, Alan Scott and J. David Heller submitted unaudited financial statements as of December 31, 2003 and are anticipated to be guarantors of the development.
- The principal of the Co-developer, T. Richard Bailey, Jr. submitted an unaudited financial statement as of January 22, 2004 and is anticipated to be a guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Alan Scott, T. Richard Bailey, Jr. and J. David Heller, the principal of the General Partner, listed participation in 50 HTC housing developments totaling 2,621 units since 1995.

| SUMMARY OF SALIENT RISKS AND ISSUES |
|---|
| • The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis. |
| • The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist |

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Villas at Costa Cadiz, San Antonio, HTC 4%, #04461***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt-Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (60%) | 36 | 1 | 1 | 770 | $579 | $522 | $18,781 | $0.68 | $57.31 | $11.70 |
| TC (60%) | 35 | 2 | 2 | 1,007 | 696 | $626 | 21,894 | 0.62 | 70.45 | 11.70 |
| TC (60%) | 3 | 2 | 2 | 1,017 | 696 | $626 | 1,877 | 0.62 | 70.45 | 11.70 |
| TC (60%) | 38 | 2 | 2 | 1,088 | 696 | $626 | 23,771 | 0.57 | 70.45 | 11.70 |
| TC (50%) | 12 | 3 | 2 | 1,177 | 669 | $577 | 6,928 | 0.49 | 91.68 | 11.70 |
| TC (60%) | 15 | 3 | 2 | 1,177 | 803 | $711 | 10,670 | 0.60 | 91.68 | 11.70 |
| TC (60%) | 3 | 3 | 2 | 1,182 | 803 | $711 | 2,134 | 0.60 | 91.68 | 11.70 |
| TC (60%) | 30 | 3 | 2 | 1,261 | 803 | $711 | 21,340 | 0.56 | 91.68 | 11.70 |
| **TOTAL:** | 172 | | **AVERAGE:** | 1,050 | $699 | $624 | $107,394 | $0.59 | $75.11 | $11.70 |

| **INCOME** | | | | | **TDHCA** | **APPLICANT** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total Net Rentable Sq Ft: | 180,515 | | | | | | Comptroller's Region | 9 |
| POTENTIAL GROSS RENT | | | | | $1,288,726 | $1,286,832 | | IREM Region | San Antonio |
| Secondary Income | | Per Unit Per Month: | $15.00 | | 30,960 | 30,960 | $15.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | | $1,319,686 | $1,317,792 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | | (98,976) | (98,832) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | | $1,220,710 | $1,218,960 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 5.44% | $386 | 0.37 | $66,466 | $47,302 | $0.26 | $275 | 3.88% |
| Management | | 4.34% | 308 | 0.29 | 53,002 | 49,613 | 0.27 | 288 | 4.07% |
| Payroll & Payroll Tax | | 12.12% | 860 | 0.82 | 147,990 | 140,696 | 0.78 | 818 | 11.54% |
| Repairs & Maintenance | | 6.67% | 474 | 0.45 | 81,482 | 90,948 | 0.50 | 529 | 7.46% |
| Utilities | | 2.34% | 166 | 0.16 | 28,603 | 20,634 | 0.11 | 120 | 1.69% |
| Water, Sewer, & Trash | | 2.81% | 199 | 0.19 | 34,300 | 20,634 | 0.11 | 120 | 1.69% |
| Property Insurance | | 4.08% | 289 | 0.28 | 49,754 | 51,600 | 0.29 | 300 | 4.23% |
| Property Tax | 2.959555 | 6.26% | 444 | 0.42 | 76,357 | 100,625 | 0.56 | 585 | 8.25% |
| Reserve for Replacements | | 2.82% | 200 | 0.19 | 34,400 | 34,400 | 0.19 | 200 | 2.82% |
| Other: compl fees | | 0.35% | 25 | 0.02 | 4,300 | 0 | 0.00 | 0 | 0.00% |
| TOTAL EXPENSES | | 47.24% | $3,353 | $3.19 | $576,653 | $556,452 | $3.08 | $3,235 | 45.65% |
| NET OPERATING INC | | 52.76% | $3,745 | $3.57 | $644,056 | $662,508 | $3.67 | $3,852 | 54.35% |
| **DEBT SERVICE** | | | | | | | | | |
| MMA Finanicnal | | 47.19% | $3,349 | $3.19 | $576,090 | $576,090 | $3.19 | $3,349 | 47.26% |
| City of San Antonio | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 5.57% | $395 | $0.38 | $67,967 | $86,418 | $0.48 | $502 | 7.09% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.12 | 1.15 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.15 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | **TDHCA** | **APPLICANT** | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 3.48% | $2,936 | $2.80 | $505,000 | $505,000 | $2.80 | $2,936 | 3.34% |
| Off-Sites | | 0.83% | 698 | 0.66 | 120,000 | 120,000 | 0.66 | 698 | 0.79% |
| Sitework | | 6.20% | 5,233 | 4.99 | 900,000 | 900,000 | 4.99 | 5,233 | 5.96% |
| Direct Construction | | 52.42% | 44,230 | 42.14 | 7,607,505 | 7,663,033 | 42.45 | 44,553 | 50.73% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 6.00% | 3.52% | 2,968 | 2.83 | 510,450 | 597,421 | 3.31 | 3,473 | 3.95% |
| Contractor's G & A | 2.00% | 1.17% | 989 | 0.94 | 170,150 | 199,140 | 1.10 | 1,158 | 1.32% |
| Contractor's Profit | 6.00% | 3.52% | 2,968 | 2.83 | 510,450 | 597,421 | 3.31 | 3,473 | 3.95% |
| Indirect Construction | | 6.09% | 5,137 | 4.89 | 883,588 | 883,588 | 4.89 | 5,137 | 5.85% |
| Ineligible Costs | | 6.82% | 5,752 | 5.48 | 989,269 | 989,269 | 5.48 | 5,752 | 6.55% |
| Developer's G & A | 2.00% | 1.51% | 1,277 | 1.22 | 219,696 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.84% | 8,302 | 7.91 | 1,428,027 | 1,998,000 | 11.07 | 11,616 | 13.23% |
| Interim Financing | | 2.77% | 2,341 | 2.23 | 402,676 | 402,676 | 2.23 | 2,341 | 2.67% |
| Reserves | | 1.83% | 1,542 | 1.47 | 265,260 | 250,000 | 1.38 | 1,453 | 1.66% |
| TOTAL COST | | 100.00% | $84,373 | $80.39 | $14,512,071 | $15,105,548 | $83.68 | $87,823 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *66.83%* | ***$56,387*** | ***$53.73*** | ***$9,698,555*** | ***$9,957,015*** | ***$55.16*** | ***$57,890*** | *65.92%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| MMA Finanicnal | 56.50% | $47,674 | $45.43 | $8,200,000 | $8,200,000 | $8,200,000 | Developer Fee Available |
| City of San Antonio | 1.38% | $1,163 | $1.11 | 200,000 | 200,000 | 200,000 | $1,657,218 |
| HTC Syndication Proceeds | 35.49% | $29,948 | $28.54 | 5,151,000 | 5,151,000 | 5,114,604 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 10.71% | $9,038 | $8.61 | 1,554,548 | 1,554,548 | 1,590,944 | 96% |
| Additional (excess) Funds Required | -4.09% | ($3,450) | ($3.29) | (593,477) | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $14,512,071 | $15,105,548 | $15,105,548 | $2,822,047 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Villas at Costa Cadiz, San Antonio, HTC 4%, #04461***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.47 | $7,846,987 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.80% | | $0.35 | $62,776 |
| Elderly/9-Ft. Ceilings | 3.00% | | 1.30 | 235,410 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.81) | (146,578) |
| Floor Cover | | | 2.00 | 361,030 |
| Porches/Balconies | $17.59 | 23496 | 2.29 | 413,295 |
| Plumbing | $605 | 408 | 1.37 | 246,840 |
| Built-In Appliances | $1,650 | 172 | 1.57 | 283,800 |
| Stairs | $1,700 | 80 | 0.75 | 136,000 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 276,188 |
| Garages/Carports | $27.10 | 3,600 | 0.54 | 97,560 |
| Comm &/or Aux Bldgs | $61.05 | 4,220 | 1.43 | 257,623 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 55.79 | 10,070,930 |
| Current Cost Multiplier | 1.08 | | 4.46 | 805,674 |
| Local Multiplier | 0.85 | | (8.37) | (1,510,639) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.88 | $9,365,964 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.02) | ($365,273) |
| Interim Construction Interest | 3.38% | | (1.75) | (316,101) |
| Contractor's OH & Profit | 11.50% | | (5.97) | (1,077,086) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.14 | $7,607,505 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $8,200,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.12 |

| | | | |
|---|---|---|---|
| **Secondary** | $200,000 | Term | 480 |
| Int Rate | 2.25% | Subtotal DCR | 1.12 |

| | | | |
|---|---|---|---|
| **Additional** | $5,151,000 | Term | |
| Int Rate | | Aggregate DCR | 1.12 |

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

| | |
|---|---|
| Primary Debt Service | $576,090 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $78,831 |

| | | | |
|---|---|---|---|
| **Primary** | $8,200,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Secondary** | $200,000 | Term | 480 |
| Int Rate | 2.25% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $5,151,000 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

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

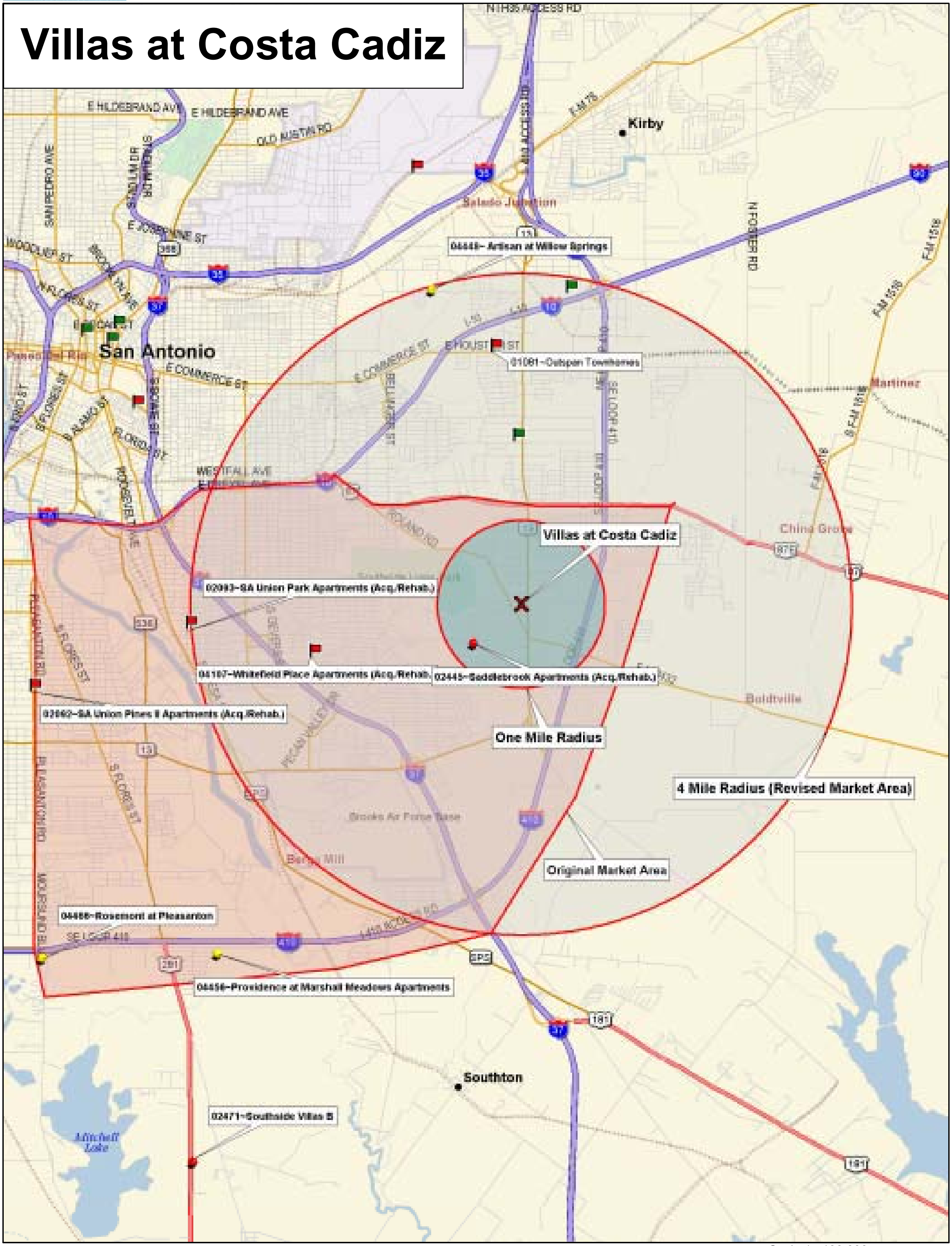
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,286,832 | $1,325,437 | $1,365,200 | $1,406,156 | $1,448,341 | $1,679,024 | $1,946,449 | $2,256,468 | $3,032,504 |
| Secondary Income | 30,960 | 31,889 | 32,845 | 33,831 | 34,846 | 40,396 | 46,830 | 54,289 | 72,959 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,317,792 | 1,357,326 | 1,398,046 | 1,439,987 | 1,483,187 | 1,719,420 | 1,993,279 | 2,310,756 | 3,105,463 |
| Vacancy & Collection Loss | (98,832) | (101,799) | (104,853) | (107,999) | (111,239) | (128,956) | (149,496) | (173,307) | (232,910) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,218,960 | $1,255,526 | $1,293,192 | $1,331,988 | $1,371,948 | $1,590,463 | $1,843,783 | $2,137,450 | $2,872,553 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $47,302 | $49,194 | $51,162 | $53,208 | $55,337 | $67,325 | $81,912 | $99,658 | $147,518 |
| Management | 49,613 | 51101.2894 | 52634.32807 | 54213.35791 | 55839.75865 | 64733.58452 | 75043.96627 | 86996.52452 | 116916.0543 |
| Payroll & Payroll Tax | 140,696 | 146,324 | 152,177 | 158,264 | 164,594 | 200,254 | 243,640 | 296,425 | 438,782 |
| Repairs & Maintenance | 90,948 | 94,586 | 98,369 | 102,304 | 106,396 | 129,447 | 157,493 | 191,614 | 283,635 |
| Utilities | 20,634 | 21,459 | 22,318 | 23,210 | 24,139 | 29,369 | 35,731 | 43,473 | 64,350 |
| Water, Sewer & Trash | 20,634 | 21,459 | 22,318 | 23,210 | 24,139 | 29,369 | 35,731 | 43,473 | 64,350 |
| Insurance | 51,600 | 53,664 | 55,811 | 58,043 | 60,365 | 73,443 | 89,355 | 108,713 | 160,922 |
| Property Tax | 100,625 | 104,650 | 108,836 | 113,189 | 117,717 | 143,221 | 174,250 | 212,002 | 313,814 |
| Reserve for Replacements | 34,400 | 35,776 | 37,207 | 38,695 | 40,243 | 48,962 | 59,570 | 72,476 | 107,282 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENSES | $556,452 | $578,214 | $600,831 | $624,338 | $648,770 | $786,124 | $952,725 | $1,154,830 | $1,697,570 |
| NET OPERATING INCOME | $662,508 | $677,312 | $692,361 | $707,650 | $723,178 | $804,340 | $891,058 | $982,620 | $1,174,983 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $576,090 | $576,090 | $576,090 | $576,090 | $576,090 | $576,090 | $576,090 | $576,090 | $576,090 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 7,587 | 7,587 | 7,587 | 7,587 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $86,418 | $101,223 | $116,271 | $131,560 | $147,088 | $220,663 | $307,381 | $398,943 | $591,306 |
| DEBT COVERAGE RATIO | 1.15 | 1.18 | 1.20 | 1.23 | 1.26 | 1.38 | 1.53 | 1.68 | 2.01 |

## LIHTC Allocation Calculation - Villas at Costa Cadiz, San Antonio, HTC 4%, #04461

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $505,000 | $505,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $900,000 | $900,000 | $900,000 | $900,000 |
| Off-site improvements | $120,000 | $120,000 | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $7,663,033 | $7,607,505 | $7,663,033 | $7,607,505 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $199,140 | $170,150 | $171,261 | $170,150 |
| Contractor profit | $597,421 | $510,450 | $513,782 | $510,450 |
| General requirements | $597,421 | $510,450 | $513,782 | $510,450 |
| **(5) Contingencies** | | | | |
| **(6) Eligible Indirect Fees** | $883,588 | $883,588 | $883,588 | $883,588 |
| **(7) Eligible Financing Fees** | $402,676 | $402,676 | $402,676 | $402,676 |
| **(8) All Ineligible Costs** | $989,269 | $989,269 | | |
| **(9) Developer Fees** | | | $1,657,218 | |
| Developer overhead | | $219,696 | | $219,696 |
| Developer fee | $1,998,000 | $1,428,027 | | $1,428,027 |
| **(10) Development Reserves** | $250,000 | $265,260 | | |
| **TOTAL DEVELOPMENT COSTS** | $15,105,548 | $14,512,071 | $12,705,340 | $12,632,542 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $12,705,340 | $12,632,542 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $16,516,942 | $16,422,305 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $16,516,942 | $16,422,305 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $588,003 | $584,634 |
| **Syndication Proceeds** | **0.8698** | **$5,114,604** | **$5,085,299** |
| **Total Credits (Eligible Basis Method)** | | **$588,003** | **$584,634** |
| **Syndication Proceeds** | | **$5,114,604** | **$5,085,299** |
| **Requested Credits** | | **$592,150** | |
| **Syndication Proceeds** | | **$5,150,675** | |
| **Gap of Syndication Proceeds Needed** | | **$6,705,548** | |
| **Credit Amount** | | **$770,907** | |

# Villas at Costa Cadiz




Scale 1 : 100,000
1" = 1.58 mi
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TN
MN (5.8°E)

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Rosemont at Pleasanton.

## Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is San Antonio HFC. The development is to be located at 9900 Moursund Blvd. in San Antonio. The development will consist of 240 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received four letters in support from State Rep. Ciro Rodriguez, Councilman Ron Segovia, Commissioner Robert Tejeda and Superintendent Mard Herrick 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 Rosemont at Pleasanton.

**HOUSING TAX CREDIT PROGRAM**

## 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Rosemont at Pleasanton** TDHCA#: 04466

### DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | San Antonio | QCT: Y | DDA: N | TTC: N |
| Development Owner: | TX Pleasanton Housing, LP | | | |
| General Partner(s): | TX Pleasanton Development, LLC, 100%, Contact: Brian Potashnik | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: San Antonio HFC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $840,926 Eligible Basis Amt: $862,736 Equity/Gap Amt.: $1,138,015

**Annual Tax Credit Allocation Recommendation: $840,926**

Total Tax Credit Allocation Over Ten Years: $ 8,409,260

### PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 240 HTC Units: 240 % of HTC Units: 100

Gross Square Footage: 237,362 Net Rentable Square Footage: 231,000

Average Square Footage/Unit: 963

Number of Buildings: 7

Currently Occupied: N

**Development Cost**

Total Cost: $21,393,770 Total Cost/Net Rentable Sq. Ft.: $92.61

**Income and Expenses**

Effective Gross Income:[1] $1,790,484 Ttl. Expenses: $860,481 Net Operating Inc.: $930,002

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: | To Be Determined |
| Market Analyst: | Apartments Market Data | Lender: | MMA Financial, LLC |
| Contractor: | Affordable Housing Construction | Syndicator: | MMA Financial, LLC |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

| **PUBLIC COMMENT**[2] | |
|---|---|
| From Citizens: | From Legislators or Local Officials: |
| # in Support: 0<br># in Opposition: 0 | Sen. Frank Madla, District 19 - NC<br>Rep. Carlos Uresti, District 118 - NC<br>Rep. Ciro Rodriguez – District 28 - S<br>Mayor Ed Garza - NC<br>Council Member Ron Segovia - S<br>Commissioner Robert Tejeda – S<br>Southside ISD - S<br>Andrew W. Cameron, Director, Housing and Community Development, City of San Antonio; Development is consistent with the Consolidated Plan of the City of San Antonio |

**CONDITION(S) TO COMMITMENT**

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 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.

**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:** November 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04466

## DEVELOPMENT NAME

Rosemont at Pleasanton Apartments

## APPLICANT

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | TX Pleasanton Housing, L.P. | **Type:** | For-profit with non-profit non-controlling general partner | | |
| **Address:** | 5910 North Central Expressway, Suite 1145 | **City:** | Dallas | **State:** | TX |
| **Zip:** | 75206 **Contact:** Len Vilicec | **Phone:** | (214) 891-1402 | **Fax:** | (214) 987-4032 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | TX Pleasanton Development, L.L.C. | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | San Antonio Affordable Housing, Inc. | **(%):** | 0.00 | **Title:** | 100% owner of MGP |
| **Name:** | Southwest Housing Development Company, Inc. | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Brian Potashnik | **(%):** | N/A | **Title:** | 100% owner of Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 9900 Moursund Boulevard | | ☒ **QCT** | | ☐ **DDA** |
| **City:** | San Antonio | **County:** | Bexar | **Zip:** | 78221 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $840,926 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $840,926 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. 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;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 240 | **# Rental Buildings** | 7 | **# Non-Res. Buildings** | 3 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A at / / |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 231,000 | **Av Un SF:** | 963 | **Common Area SF:** | 6,362 | **Gross Bldg SF:** | 237,362 |

### STRUCTURAL MATERIALS

The structures will be wood frame on post-tensioned concrete slabs on grade. According to the plans provided in the application the exteriors will be comprised as follows: 75% stucco/20% masonry veneer/5% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with laminated 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, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating & air conditioning, & 9-foot ceilings.

### ON-SITE AMENITIES

A 5,508-square foot community building will include an activity room, management offices, fitness & maintenance facilities, a kitchen, restrooms, & a computer/business center The community building, swimming pool, an equipped children's play area, & a 540-SF laundry/mail building are to be located at the middle of the property. A 325-SF central hot water boiler building will be located near the southern boundary of the property. In addition, perimeter fencing with limited access gates is planned for the site.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 414 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 | spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Rosemont at Pleasanton Apartments is a 20.7-unit per acre new construction development of 240 units of affordable housing located in south San Antonio. The development is comprised of seven sporadically distributed, large, three-story, garden style, walk-up residential buildings. The buildings are configured as follows:

- Two Building Type B with 36 two-bedroom/two-bath and 12 three-bedroom/two-bath units;
- One Building Type B1 with 24 two-bedroom/two-bath and 12 three-bedroom/two-bath units;
- One Building Type B2 with 12 each one-bedroom/one-bath, two-bedroom/two-bath, and three-bedroom/two-bath units;
- Three Building Type E with 12 each one-bedroom/one-bath and three-bedroom/two-bath units.

**Architectural Review:** The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with ornamental architectural features.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Size:** | 11.662 | acres | 507,997 | square feet | **Zoning/ Permitted Uses:** | UD, Urban Development District, conforming use |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is a trapezoidally-shaped parcel located in the southern area of the city, approximately seven miles from the central business district. The site is situated on the south side of Loop 410, the east side of Moursund Boulevard, and the west side of Pleasanton Road.

**Adjacent Land Uses:**

- **North:** the eastbound Loop 410 frontage road immediately adjacent and vacant land, single-family residential, and commercial beyond;
- **South:** vacant land immediately adjacent and commercial beyond;
- **East:** Pleasanton Road immediately adjacent and the San Antonio Police Academy beyond; and
- **West:** Moursund Boulevard immediately adjacent and a trailer park, flea market site, and single-family residential beyond;

**Site Access:** Access to the property is from the west along the Loop 410 frontage road or the north or south from Moursund Boulevard or Pleasanton Road. The development is to have a main entry from Moursund Road and a secondary entry from Pleasanton Road. Loop 410 provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by the city bus system, with the nearest stops approximately .8 miles north along Moursund and Pleasanton.

**Shopping & Services:** The site is within three miles of two major grocery/pharmacies and four miles of a regional shopping center, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 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 August 6, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: “This assessment has revealed no evidence of recognized environmental conditions in connection with the site.” (p. 17)

## 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.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $21,660 | $24,720 | $27,840 | $30,900 | $33,360 | $35,820 |

## MARKET HIGHLIGHTS

A market feasibility study dated September 27, 2004 was prepared by Apartment MarketData Research Services, LLC (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “For this analysis we utilized a primary market area comprising a 78.53-square mile trade area in south San Antonio. The following roads exemplify the major boundaries of the trade area: north – Hwy 90/IH 10/Hwy 87; east – Loop 410; south – Loop 410; west – Loop 410” (p. 27). This area is equivalent to a circle with a radius of five miles.

This PMA is unusual in that the subject site is located just outside the southern boundary (Loop 410), as well as because the area includes almost the entire southern half of San Antonio. The Underwriter expressed these concerns to the Analyst who explained that the area south of Loop 410 is sparsely populated rural land, and that the subject’s location on Loop 410 will enable short drive times from such a large area. The Analyst also prepared a supplemental PMA taking in areas about a mile outside Loop 410 as well as a corridor extending approximately four miles south along State Highway 281.

**Population:** The estimated 2003 population of the original PMA was 244,666 and is expected to increase by 6.3% to approximately 260,034 by 2008. Within the original PMA there were estimated to be 74,265 households in 2003. The supplemental PMA contains a population of 256,455, or 80,440 households

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 5,143 qualified households in the original PMA, based on the current estimate of 75,357 households, the projected annual household growth rate of 1.5%, renter households estimated at 42.4% of the population, income-qualified households estimated at 22.67%, and an annual renter turnover rate of 70.5 % (p. 46). The Market Analyst used an income band of $19,851 to $33,360 (p. 40).

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 105 | 98% | 97 | 2% |
| Resident Turnover | 5,038 | 2% | 5,112 | 98% |
| Other Sources: | 0 | 0% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **5,143** | **100%** | **5,210** | **100%** |

Ref: p. 46

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 21.8% based upon 5,143 units of demand and 1,122 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter originally calculated an excessively high inclusive capture rate of 26.6% based upon a revised unstabilized comparable affordable units supply estimate of 1,386 units divided by a slightly higher demand estimate of 5,210 households. The unstabilized supply includes the 250-unit Providence at Marshall Meadows Apartments (#04456), a TSAHC development which is also currently being considered with a priority reservation, and Rancho Sierra Apartments (fka Southside Villas Apartments, #02471), a 2002 bond development that is outside the southern boundary of the PMA.

To address the Underwriter's capture rate concern the Analyst initially proposed a 50%/60% unit mix which would have the effect of increasing demand by widening the income band, but the development's proforma would not appear to allow the decrease in income. The Analyst then concluded an inclusive capture rate of 23.5% by excluding the below-60% and market rate units in the unstabilized properties; using this methodology the Underwriter calculated an inclusive capture rate of 23.2%.

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

**Market Rent Comparables:** "Apartment MarketData conducted an analysis of 1,147 conventional (market rate) units [in six properties] located in south San Antonio. This was done because there are no newer market rate units within the trade area." (p. 94)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $533 | $533 | $0 | $645 | -$112 |
| **2-Bedroom (60%)** | $643 | $644 | -$1 | $790 | -$147 |
| **3-Bedroom (60%)** | $744 | $744 | $0 | $880 | -$136 |

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

**Primary Market Occupancy Rates:** "The current occupancy of the market area is 93.6% as a result of stable demand" (p. 90).

**Absorption Projections:** "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period]" (p. 87).

**Known Planned Development:** The Analyst stated that no multifamily developments were known to be under construction or in planning (p. 78). This is clearly in conflict with the two pending applications which were subsequently reconciled by the Analyst.

**Effect on Existing Housing Stock:** "The subject should not have a detrimental effect on any existing projects, as occupancies are stable throughout south San Antonio, and especially at quality affordable housing communities" (p. 88).

**Other Relevant Information:**

- The Analyst performed a rent versus buy analysis which indicated that the proposed rents are estimated to be approximately $100 more than the cost of owning an average house in the PMA. "What can be determined from the analysis above is that the cost of renting is more than homeownership. However, the required down payment is significant for a moderate income family to save. Additionally, homes in the area tend to be older and of less quality compared to the subject. As such, we believe that there would be an adequate number of households that would choose to rent at Rosemont at Pleasanton rather than purchase a typical single-family home" (p. 49).
- "The announcement of a new Toyota assembly plant in southwest San Antonio [four miles southwest of the subject site] has excited city leaders at the potential to expand the economic base of San Antonio. The plant is expected to begin hiring in December of 2005. The plant, along with its suppliers, will add to the demand for rental housing on the south side of the city. How many units will be demanded in both the short and long term is yet unknown" (p. 77).

**Market Study Analysis/Conclusions:** The Underwriter found the market study and supplemental analyses 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, and are achievable according to the Market Analyst. The Underwriter's potential gross rent estimate exceeds the Applicant's by $2,170 due to The Applicant stated that the property will provide hot water from a central boiler system, and rents and expenses were calculated accordingly. The Applicant's 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 $9.6K greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,260 per unit is 9.1% lower than the Underwriter's database-derived estimate of $3,585 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($22.2K lower) and payroll ($59.1K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. The Applicant is anticipating receipt of a 50% CHDO property tax exemption and provided an attorney's opinion affirming that the exemption should be granted and extend through the compliance period. Based on this opinion the Underwriter has likewise assumed a 50% tax exemption.

**Conclusion:** Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's total operating expenses are not within 5% of the database-derived estimate, 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 estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.02 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $839,545 by a reduction of the loan 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 $11,950,000.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 11.662 acres** | $1,000,000 | **Date of Valuation:** | 9/ 8/ 2004 |
| **Appraiser:** Pacific Southwest Valuation | **City:** Austin | **Phone:** | (512) 342-1999 |

**ASSESSED VALUE**

| | | | |
|---|---|---|---|
| **Land: 11.674 acres** | $228,000 | **Assessment for the Year of:** | 2004 |
| **Building:** | N/A | **Valuation by:** | Bexar Appraisal District |
| **Total Assessed Value:** | $228,000 | **Tax Rate:** | 2.999555 |

**EVIDENCE of SITE or PROPERTY CONTROL**

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Warranty deed | | |
| **Closing Date:** | 6/ 17/ 2004 | | |
| **Acquisition Cost:** | $850,000 | | |
| **Seller:** | Car-Marc, Ltd. | **Related to Development Team Member:** | No |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of $850,000 ($1.67/SF, $72,886/acre, or $3,542/unit) is reasonably substantiated by the appraisal value of $1,000,000 and is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant included $150K in unspecified closing costs and acquisition legal fees although the settlement statement indicated fees of only $80,770; the Underwriter has used the actual fees in this analysis.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $657K or 6.6% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and this would suggest that the Applicant's direct construction costs are overstated.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of $18,641,668 is used to estimate a credit allocation of $862,736 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:** | MMA Financial LLC | **Contact:** | Steve Napolitano |
| **Construction Loan Amount:** | $12,910,000 | **Interest Rate:** | 5.375% |
| **Permanent Loan Amount:** | $12,910,000 | **Interest Rate:** | 6.5% |
| **Additional Information:** | | | |

**Amortization:** 40 yrs **Term:** 42 Yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $906,990 **Lien Priority:** 1st **Commitment Date** 9/ 10/ 2004

**INTERIM TO PERMANENT FINANCING**

**Source:** City of San Antonio HOME funds **Contact:** Unknown

**Principal Amount:** $1,000,000 **Interest Rate:** Unknown

**Additional Information**: Application only, see discussion below

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

**Annual Payment:** Unknown **Lien Priority:** 2nd

**TAX CREDIT SYNDICATION**

**Source:** MMA Financial, LLC **Contact:** Steve Napolitano

**Net Proceeds:** $6,969,982 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 83¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 9/ 10/ 2004

**Additional Information**: Commitment in amount of $6,999,000 based on credit allocation of $843,410

**APPLICANT EQUITY**

**Amount:** $960,211 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the San Antonio Housing Finance Corporation and purchased by MMA Financial. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**HTC Syndication:** The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the Applicant's estimated proceeds exceed the commitment by $401,145, but this reflects a cost estimate increase by the Applicant subsequent to issuance of the commitment.

**City of San Antonio HOME Funds:** The Applicant has applied for and expects to receive $1,000,000 in HOME funds from the City of San Antonio, but was unable to provide a commitment for these funds. Therefore, the Applicant requested that these funds not be considered during this analysis and be substituted for by an increased deferral of developer fee.

**GIC Income:** The Applicant included $123,413 in income from bond proceeds invested in a guaranteed investment contract during construction. The Underwriter has included this amount in deferred developer fee in the recommended financing structure.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,574,597 amount to 65% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed $862,736 annually for ten years; however, as the Applicant has requested only $840,926 based on an applicable percentage of 3.5% rather than the 3.56% rate used in underwriting applications received in August 2004, this will be the recommended allocation, resulting in syndication proceeds of approximately $6,978,387. Based on the underwriting analysis and without the requested HOME funds, the Applicant's deferred developer fee will be increased significantly to $2,465,383, which represents 100% of the eligible developer fee and 2% of the related general contractor's fees, which should be repayable from cash flow within fifteen years. Acceptance of the potential deferral of contractor fees is a condition of this report. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, and 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.
- San Antonio Affordable Housing, Inc., the nonprofit sole member of the General Partner, submitted an unaudited financial statement as of January 31, 2004 reporting total assets of $3.3M and consisting of $204K in cash, $2.6M in receivables, $25K in machinery, equipment, and fixtures, and $481K in business interests. Liabilities totaled $964K, resulting in a net worth of $2.3M.
- Southwest Housing Development Company, Inc., the Developer and designated guarantor of the development, submitted an unaudited financial statement as of June 30, 2004 reporting total assets of $27.3M and consisting of $2.4M in cash, $23.3M in receivables, and $1.6M in machinery, equipment, and fixtures. Liabilities totaled $15.7M, resulting in net equity of $11.6M.
- Brian Potashnik, the owner of the Developer and general contractor, submitted an unaudited joint personal financial statement with his wife Cheryl as of December 31, 2003 and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**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 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, especially regarding the unknown terms of the potential City of San Antonio HOME funds.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:** | November 29, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 29, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Rosemont at Pleasanton Apartments, San Antonio, 4% HTC #04466***

| 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% | 48 | 1 | 1 | 750 | $579 | $533 | $25,600 | $0.71 | $45.66 | $31.42 |
| TC 60% | 108 | 2 | 2 | 950 | 696 | $644 | 69,583 | 0.68 | 51.71 | 38.49 |
| TC 60% | 84 | 3 | 2 | 1,100 | 803 | $744 | 62,521 | 0.68 | 58.70 | 53.04 |
| **TOTAL:** | 240 | | **AVERAGE:** | 963 | $710 | $657 | $157,705 | $0.68 | $52.95 | $42.17 |

| **INCOME** | Total Net Rentable Sq Ft: | 231,000 | TDHCA | APPLICANT | Comptroller's Region | 9 |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $1,892,458 | $1,890,288 | IREM Region | San Antonio |
| Secondary Income | Per Unit Per Month: | $15.00 | 43,200 | 43,200 | $15.00 | Per Unit Per Month |
| Other Support Income: | | | 0 | 0 | | |
| POTENTIAL GROSS INCOME | | | $1,935,658 | $1,933,488 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (145,174) | (145,008) | -7.50% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | |
| EFFECTIVE GROSS INCOME | | | $1,790,484 | $1,788,480 | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.94% | $369 | 0.38 | $88,452 | $66,220 | $0.29 | $276 | 3.70% |
| Management | | 4.00% | 298 | 0.31 | 71,619 | 71,539 | 0.31 | 298 | 4.00% |
| Payroll & Payroll Tax | | 12.64% | 943 | 0.98 | 226,260 | 167,184 | 0.72 | 697 | 9.35% |
| Repairs & Maintenance | | 5.54% | 414 | 0.43 | 99,257 | 103,880 | 0.45 | 433 | 5.81% |
| Utilities | | 2.13% | 159 | 0.17 | 38,121 | 33,600 | 0.15 | 140 | 1.88% |
| Water, Sewer, & Trash | | 4.36% | 325 | 0.34 | 78,038 | 82,000 | 0.35 | 342 | 4.58% |
| Property Insurance | | 3.23% | 241 | 0.25 | 57,750 | 50,400 | 0.22 | 210 | 2.82% |
| Property Tax | 2.999555 | 6.03% | 450 | 0.47 | 107,984 | 108,000 | 0.47 | 450 | 6.04% |
| Reserve for Replacements | | 2.68% | 200 | 0.21 | 48,000 | 48,000 | 0.21 | 200 | 2.68% |
| Spt svcs, compl fees, sec | | 2.51% | 188 | 0.19 | 45,000 | 51,600 | 0.22 | 215 | 2.89% |
| TOTAL EXPENSES | | 48.06% | $3,585 | $3.73 | $860,481 | $782,423 | $3.39 | $3,260 | 43.75% |
| NET OPERATING INC | | 51.94% | $3,875 | $4.03 | $930,002 | $1,006,057 | $4.36 | $4,192 | 56.25% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage (MMA) | | 50.66% | $3,779 | $3.93 | $906,990 | $906,990 | $3.93 | $3,779 | 50.71% |
| Lender Fee | | 0.34% | $25 | $0.03 | 6,000 | 6,000 | $0.03 | $25 | 0.34% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 0.95% | $71 | $0.07 | $17,013 | $93,067 | $0.40 | $388 | 5.20% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.02 | 1.10 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 4.53% | $3,878 | $4.03 | $930,771 | $1,000,000 | $4.33 | $4,167 | 4.67% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 8.75% | 7,495 | 7.79 | 1,798,800 | 1,798,800 | 7.79 | 7,495 | 8.41% |
| Direct Construction | | 48.48% | 41,507 | 43.12 | 9,961,670 | 10,618,201 | 45.97 | 44,243 | 49.63% |
| Contingency | 5.00% | 2.86% | 2,450 | 2.55 | 588,023 | 620,850 | 2.69 | 2,587 | 2.90% |
| General Req'ts | 6.00% | 3.43% | 2,940 | 3.05 | 705,628 | 745,020 | 3.23 | 3,104 | 3.48% |
| Contractor's G & A | 2.00% | 1.14% | 980 | 1.02 | 235,209 | 248,340 | 1.08 | 1,035 | 1.16% |
| Contractor's Profit | 6.00% | 3.43% | 2,940 | 3.05 | 705,628 | 745,020 | 3.23 | 3,104 | 3.48% |
| Indirect Construction | | 4.11% | 3,516 | 3.65 | 843,900 | 843,900 | 3.65 | 3,516 | 3.94% |
| Ineligible Costs | | 7.16% | 6,127 | 6.37 | 1,470,533 | 1,470,533 | 6.37 | 6,127 | 6.87% |
| Developer's G & A | 2.00% | 1.50% | 1,286 | 1.34 | 308,577 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 9.76% | 8,357 | 8.68 | 2,005,754 | 2,431,522 | 10.53 | 10,131 | 11.37% |
| Interim Financing | | 2.87% | 2,458 | 2.55 | 590,015 | 590,015 | 2.55 | 2,458 | 2.76% |
| Reserves | | 1.96% | 1,676 | 1.74 | 402,213 | 281,569 | 1.22 | 1,173 | 1.32% |
| TOTAL COST | | 100.00% | $85,611 | $88.95 | $20,546,722 | $21,393,770 | $92.61 | $89,141 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *68.11%* | ***$58,312*** | ***$60.58*** | ***$13,994,959*** | ***$14,776,231*** | ***$63.97*** | ***$61,568*** | *69.07%* |

**SOURCES OF FUNDS**

| | % | Per Unit | Per Sq Ft | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage (MMA) | 62.83% | $53,792 | $55.89 | $12,910,000 | $12,910,000 | $11,950,000 | Developer Fee Available |
| GIC Income | 0.60% | $514 | $0.53 | 123,413 | 123,413 | 0 | $2,431,522 |
| HTC Syndication Proceeds | 36.02% | $30,834 | $32.04 | 7,400,145 | 7,400,145 | 6,978,387 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 4.67% | $4,001 | $4.16 | 960,211 | 960,211 | 2,465,383 | 101% |
| Additional (excess) Funds Required | -4.12% | ($3,529) | ($3.67) | (847,047) | 1 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $20,546,722 | $21,393,770 | $21,393,770 | $3,383,491 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Rosemont at Pleasanton Apartments, San Antonio, 4% HTC #04466***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.36 | $10,015,922 |
| Adjustments | | | | |
| Exterior Wall Finish | 1.60% | | $0.69 | $160,255 |
| 9-Ft. Ceilings | 3.80% | | 1.65 | 380,605 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.68) | (156,310) |
| Floor Cover | | | 2.00 | 462,000 |
| Porches/Balconies | $16.91 | 45,681 | 3.34 | 772,467 |
| Plumbing | $605 | 576 | 1.51 | 348,480 |
| Built-In Appliances | $1,650 | 240 | 1.71 | 396,000 |
| Stairs | $1,475 | 56 | 0.36 | 82,600 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 353,430 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Community Bldg | $59.29 | 5,484 | 1.41 | 325,130 |
| Mail/Laundry & Boiler Bld | $54.20 | 864 | 0.20 | 46,831 |
| SUBTOTAL | | | 57.09 | 13,187,409 |
| Current Cost Multiplier | 1.08 | | 4.57 | 1,054,993 |
| Local Multiplier | 0.85 | | (8.56) | (1,978,111) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $53.09 | $12,264,290 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.07) | ($478,307) |
| Interim Construction Interes | 3.38% | | (1.79) | (413,920) |
| Contractor's OH & Profit | 11.50% | | (6.11) | (1,410,393) |
| NET DIRECT CONSTRUCTION COSTS | | | $43.12 | $9,961,670 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $12,910,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.03 |
| Secondary | $123,413 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.02 |
| Additional | $7,400,145 | Term | |
| Int Rate | | Aggregate DCR | 1.02 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $839,545 |
| Secondary Debt Service | 6,000 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $84,457 |

| | | | |
|---|---|---|---|
| Primary | $11,950,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.11 |
| Secondary | $123,413 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |
| Additional | $7,400,145 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

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

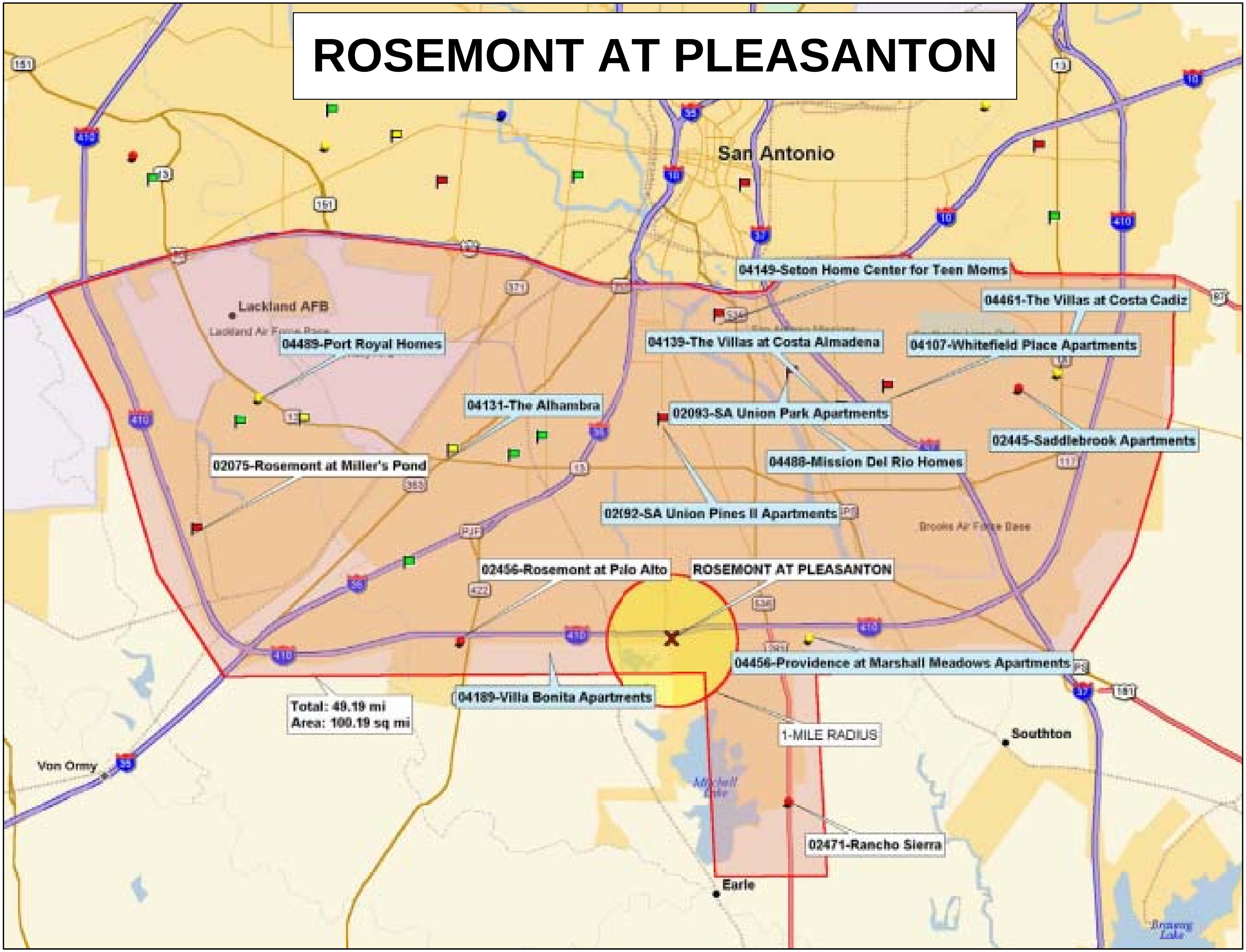
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,892,458 | $1,949,232 | $2,007,709 | $2,067,940 | $2,129,978 | $2,469,229 | $2,862,513 | $3,318,437 | $4,459,701 |
| Secondary Income | 43,200 | 44,496 | 45,831 | 47,206 | 48,622 | 56,366 | 65,344 | 75,751 | 101,804 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,935,658 | 1,993,728 | 2,053,540 | 2,115,146 | 2,178,600 | 2,525,595 | 2,927,857 | 3,394,188 | 4,561,505 |
| Vacancy & Collection Loss | (145,174) | (149,530) | (154,015) | (158,636) | (163,395) | (189,420) | (219,589) | (254,564) | (342,113) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,790,484 | $1,844,198 | $1,899,524 | $1,956,510 | $2,015,205 | $2,336,175 | $2,708,267 | $3,139,624 | $4,219,392 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $88,452 | $91,990 | $95,670 | $99,497 | $103,476 | $125,895 | $153,170 | $186,355 | $275,851 |
| Management | 71,619 | 73,768 | 75,981 | 78,260 | 80,608 | 93,447 | 108,331 | 125,585 | 168,776 |
| Payroll & Payroll Tax | 226,260 | 235,310 | 244,723 | 254,512 | 264,692 | 322,039 | 391,809 | 476,696 | 705,626 |
| Repairs & Maintenance | 99,257 | 103,227 | 107,356 | 111,650 | 116,116 | 141,273 | 171,880 | 209,119 | 309,547 |
| Utilities | 38,121 | 39,646 | 41,232 | 42,881 | 44,597 | 54,259 | 66,014 | 80,316 | 118,888 |
| Water, Sewer & Trash | 78,038 | 81,159 | 84,406 | 87,782 | 91,293 | 111,072 | 135,136 | 164,414 | 243,373 |
| Insurance | 57,750 | 60,060 | 62,462 | 64,961 | 67,559 | 82,196 | 100,004 | 121,671 | 180,102 |
| Property Tax | 107,984 | 112,303 | 116,795 | 121,467 | 126,326 | 153,695 | 186,993 | 227,506 | 336,764 |
| Reserve for Replacements | 48,000 | 49,920 | 51,917 | 53,993 | 56,153 | 68,319 | 83,120 | 101,129 | 149,695 |
| Other | 45,000 | 46,800 | 48,672 | 50,619 | 52,644 | 64,049 | 77,925 | 94,808 | 140,339 |
| TOTAL EXPENSES | $860,481 | $894,184 | $929,214 | $965,623 | $1,003,465 | $1,216,244 | $1,474,385 | $1,787,598 | $2,628,962 |
| NET OPERATING INCOME | $930,002 | $950,014 | $970,310 | $990,887 | $1,011,740 | $1,119,931 | $1,233,883 | $1,352,026 | $1,590,431 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $839,545 | $839,545 | $839,545 | $839,545 | $839,545 | $839,545 | $839,545 | $839,545 | $839,545 |
| Second Lien | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $84,457 | $104,469 | $124,765 | $145,342 | $166,195 | $274,386 | $388,338 | $506,481 | $744,886 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.17 | 1.20 | 1.32 | 1.46 | 1.60 | 1.88 |

## LIHTC Allocation Calculation - Pepper Tree Manor Apartments, Houston, 4% HTC #04464

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,318,164 | $1,318,164 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $875,000 | $875,000 | $875,000 | $875,000 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $8,949,771 | $9,155,262 | $8,949,771 | $9,155,262 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $196,495 | $196,495 | $196,495 | $196,495 |
| Contractor profit | $589,486 | $589,486 | $589,486 | $589,486 |
| General requirements | $589,486 | $589,486 | $589,486 | $589,486 |
| **(5) Contingencies** | $466,000 | $466,000 | $466,000 | $466,000 |
| **(6) Eligible Indirect Fees** | $267,000 | $267,000 | $267,000 | $267,000 |
| **(7) Eligible Financing Fees** | $673,068 | $673,068 | $673,068 | $673,068 |
| **(8) All Ineligible Costs** | $822,662 | $822,662 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | | $64,686 | | $64,686 |
| Developer fee | $1,730,220 | $1,665,534 | $1,730,220 | $1,665,534 |
| **(10) Development Reserves** | $623,250 | $623,250 | | |
| **TOTAL DEVELOPMENT COSTS** | $17,100,602 | $17,306,093 | $14,336,526 | $14,542,017 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $14,336,526 | $14,542,017 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $18,637,484 | $18,904,622 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $18,637,484 | $18,904,622 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $663,494 | $673,005 |
| **Syndication Proceeds** | **0.8499** | **$5,639,139** | **$5,719,966** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$663,494** | **$673,005** |
| **Syndication Proceeds** | **$5,639,139** | **$5,719,966** |
| **Requested Credits** | **$642,993** | |
| **Syndication Proceeds** | **$5,464,894** | |
| **Gap of Syndication Proceeds Needed** | **$6,491,602** | |
| **Credit Amount** | **$763,794** | |



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MN (5.8°E)

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# Applicant Evaluation

Project ID # **04466** Name: **Rosemont at Pleasanton** City: **San Antonio**

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

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

☐ Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: ☐ N/A ☑ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☑ No

## Portfolio Management and Compliance

Total # of Projects monitored: 13

Projects in Material Noncompliance: **Yes** ☐ **No** ☑

# in noncompliance: 0

Projects grouped by score: zero to nine: 13; ten to nineteen: 0; twenty to twenty-nine: 0

# monitored with a score less than thirty: 13

Projects not reported in application: Yes ☑ No ☐

# not yet monitored or pending review: 9

# of projects not reported: 3

| Portfolio Monitoring | | Single Audit | | Contract Administration | |
|---|---|---|---|---|---|
| Not applicable | ☑ | Not applicable | ☑ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Issues found regarding late cert | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Issues found regarding late audit | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| | | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |

Reviewed by Patricia Murphy Date 10/25/2004

| Multifamily Finance Production | | Single Family Finance Production | | Real Estate Analysis (Cost Certification and Workout) | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☑ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| Reviewer | R Meyer | Reviewer | | Reviewer | |
| Date | 10/22/2004 | Date | | Date | |

| Community Affairs | | Office of Colonia Initiatives | | Financial Administration | |
|---|---|---|---|---|---|
| No relationship | ☑ | Not applicable | ☐ | No delinquencies found | ☑ |
| Review pending | ☐ | Review pending | ☐ | Delinquencies found | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | | |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | | |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |
| Reviewer | EEF | Reviewer | | Reviewer | Stephanie A. D'Couto |
| Date | 10/28/2004 | Date | | Date | 10/28/2004 |

**Executive Director:** Edwina Carrington **Executed:** day, November 03, 2004

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Prairie Ranch Apartments.

## Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Tarrant County HFC. The development is to be located at NE Corner of Highway 360 and Equistrian Lane in Grand Prairie. The development will consist of 202 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and one letter in opposition from Horseshoe Bend HOA. 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 Prairie Ranch Apartments.

## HOUSING TAX CREDIT PROGRAM
# 2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Prairie Ranch** TDHCA#: 04468

### DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Grand Prairie | QCT: N | DDA: N | TTC: N |
| Development Owner: | ARDC GPwest, Ltd. | | | |
| General Partner(s): | ARDC GPranchwest, LLC, 100%, Contact: Hal Thorne | | | |
| Construction Category: | New | | | |
| Set-Aside Category: | Tax Exempt Bond Bond Issuer: Tarrant County HFC | | | |
| Development Type: | General Population | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $495,337 Eligible Basis Amt: $496,321 Equity/Gap Amt.: $605,823

**Annual Tax Credit Allocation Recommendation: $495,337**

Total Tax Credit Allocation Over Ten Years: $ 4,953,370

### PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 176 HTC Units: 176 % of HTC Units: 100

Gross Square Footage: 177,580 Net Rentable Square Footage: 172,780

Average Square Footage/Unit: 982

Number of Buildings: 8

Currently Occupied: N

**Development Cost**

Total Cost: $16,930,171 Total Cost/Net Rentable Sq. Ft.: $97.99

**Income and Expenses**

Effective Gross Income:[1] $1,551,958 Ttl. Expenses: $730,015 Net Operating Inc.: $821,943

Estimated 1st Year DCR: 1.10

### DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | To Be Determined |
| Attorney: | Shackelford, Melton & McKinley | Architect: | GNB Architects |
| Accountant: | To Be Determined | Engineer: | Kimley Horn & Associates |
| Market Analyst: | Butler Burgher, LLC | Lender: | Malone Mortgage Company |
| Contractor: | To Be Determined | Syndicator: | Paramount Financial Group, Inc. |

### PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 1<br>Johnnie Dillard, Horseshoe Bend HOA – schools are overcrowded, density of area, traffic congestion. | Sen. Chris Harris, District 9 - NC<br>Rep. Bill Zedler, District 95 - NC<br>Mayor Charles England - NC<br>Shackelford, Melton, McKinley, The development is consistent with the Consolidated Plan for the City of Grand Prairie. |

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 Development 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 an updated title commitment showing clear title prior to the initial closing on the property.
3. 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 off-sitework costs of this proposed development.
4. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to initial closing on the property.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit 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

## CONDITION(S) TO COMMITMENT

1. Per §50.12( c ) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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").
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Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

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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:** November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04468

## DEVELOPMENT NAME

Prairie Ranch Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | ARDC GPwest, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 840 S. Carrier Parkway | | | **City:** | Grand Prairie | **State:** | TX |
| **Zip:** | 75051 | **Contact:** | Hal Thorne | **Phone:** | (972) 262-2608 | **Fax:** | (972) 263-5220 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | ARCD GPranchwest, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Hal Thorne | **(%):** | N/A | **Title:** | 100% owner of MGP |
| **Name:** | One Prime, L.P. | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Aubra Franklin | **(%):** | 0.01 | **Title:** | Special Limited Partner |

## PROPERTY LOCATION

**Location:** NE corner of intersection of State Highway 360 & Equestrian Lane ☐ **QCT** ☐ **DDA**

**City:** Grand Prairie **County:** Tarrant **Zip:** 75052

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $495,337 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $495,337 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of an updated title commitment showing clear title prior to the initial closing on the property;
2. Receipt, review, and acceptance of a third party detailed cost breakdown for all off-site costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the off-site costs of this proposed development;
3. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property; 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 allocation amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

Another application for a development to be named Prairie Ranch Apartments was submitted and partially underwritten earlier in the 2004 4% HTC cycle as application #04414, but was withdrawn by the applicant due to community opposition. The earlier application used a different but nearby site and was to be comprised of 202 units. The developer has changed; however, Aubra Franklin was the sole member of the previous managing general partner and is a special limited partner in the current applicant.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 176 | **# Rental Buildings** | 8 | **# Non-Res. Buildings** | 1 | **# of Floors** | 3 | **Age:** | 0 yrs | **Vacant:** | N/A at / / |

**Net Rentable SF:** 172,780 **Av Un SF:** 982 **Common Area SF:** 4,800 **Gross Bldg SF:** 177,580

### STRUCTURAL MATERIALS

The structures will be wood frame on post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 70% stucco/30% masonry veneer. The interior wall surfaces will be drywall and the pitched roofs will be finished with 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, individual heating and air conditioning.

### ON-SITE AMENITIES

A 4,800-square foot community building will include activity rooms, management offices, fitness & laundry facilities, a kitchen, restrooms, a computer/business center, & a child development area. The community building & swimming pool are located at the entrance to the property. A mail kiosk & an equipped playground are located near the center of the property. In addition, perimeter fencing with limited access gates is planned for the site.

**Uncovered Parking:** 183 spaces **Carports:** 124 spaces **Garages:** 106 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Prairie Ranch Apartments is a 13.8 units per acre new construction development of 176 units of affordable housing located in southwest Grand Prairie. The development was originally comprised of 202 units but was downsized to 176 units in October 2004 due to city restrictions. The development is comprised of eight evenly distributed, medium and large, three-story, garden style, walk-up residential buildings as follows:

- One Building Type I with ten two-bedroom/two-bath units;
- Two Building Type II with one one-bedroom/one-bath unit, five two-bedroom/two-bath units, and 16 three-bedroom/two-bath units;
- Two Building Type III with 14 one-bedroom/one-bath units, six two-bedroom/two-bath units, and six three-bedroom/two-bath units;
- One Building Type IV with four one-bedroom/one-bath units, 16 two-bedroom/two-bath units, and six three-bedroom/two-bath units;
- One Building Type V with two one-bedroom/one-bath units, 14 two-bedroom/two-bath units, and six three-bedroom/two-bath units; and
- One Building Type VI with 12 one-bedroom/one-bath units, four two-bedroom/two-bath units, and six three-bedroom/two-bath units.

**Architectural Review:** The building and unit plans are of good design, sufficient size, and appear to provide acceptable access and storage. The development is to incorporate 106 built-in garages and 124 detached carports.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | |
|---|---|---|---|---|---|
| **Size:** | 12.779 acres | 556,653 square feet | **Zoning/ Permitted Uses:** | MF, Multifamily & GR, General Retail | |
| **Flood Zone Designation:** | Zones A & X | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Grand Prairie is located in north central Texas, between Dallas and Fort Worth in both Dallas and Tarrant counties. The site is an irregularly-shaped parcel located in the southwestern area of the city (in Tarrant County), approximately eight miles from the central business district. The site is situated on the east side of State Highway 360 North, the west side of Magna Carta Boulevard, and the north side of Equestrian Lane.

**Adjacent Land Uses:**

- **North:** a creek immediately adjacent and single-family residential beyond;
- **South:** Equestrian Lane immediately adjacent and vacant land beyond;
- **East:** Magna Carta Boulevard immediately adjacent and single-family residential beyond; and
- **West:** State Highway 360 North immediately adjacent and single-family residential beyond;

**Site Access:** Access to the property is from the east or west along Equestrian Lane or the north or south from State Highway 360 North and Magna Carta Boulevard. The development is to have a main entry from SH 360 and a secondary entry from Equestrian Lane. SH 360 provides direct access to Interstate Highway 20 two miles north, which provides connections to all other major roads serving the Metroplex area.

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

**Shopping & Services:** The site is within three miles of two grocery/pharmacies, 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 following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Floodplain:** A small portion of the site along the northern boundary is shown on the survey to lie within the 100-year floodplain, although it appears that no improvements are planned for this area.
- **Site Control/Title:** The title commitment states that a tax suit is currently pending for delinquent taxes on the subject property. Receipt, review, and acceptance of documentation verifying the resolution of this issue is a condition of this report.
- **Environmental Hazard:** See discussion of noise in the following section.

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 2, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site is adjacent to new and nice single-family housing.

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

A Phase I Environmental Site Assessment report dated October 7, 2004 was prepared by QORE, Inc. and contained the following findings 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. 20)

**Noise:** The Applicant also submitted a HUD Form 4128 report dated October 7, 2004, also performed by QORE, Inc. The report concluded that the project is "recommended for approval" but that the automobile traffic noise level is at a "normally unacceptable" level of 65.7 decibels (db) (the HUD exterior noise limit is 65 db). The report stated that the site would be "acceptable with noise attenuation". In response to the Underwriter's query regarding anticipated noise mitigation measures the Applicant submitted a letter from the development team architect, Gonzalez Newell Bender, Inc., stating the following: "To the best of my knowledge, information, and belief all exterior wall systems shall meet or exceed a Sound Transmission Class (STC) of 45 db".

## 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.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $26,340 | $30,120 | $33,840 | $37,620 | $40,620 | $43,620 |

## MARKET HIGHLIGHTS

A market feasibility study dated October 3,, 2004 was prepared by Butler Burgher, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The primary market area is defined as portions of the southwest part of the city of Grand Prairie, portions of the southeast part of the city of Arlington, portions of the northeast part of Mansfield, and is the area of Spur 303 (pioneer Parkway) (north border), SH 287 and FM 157 (west border), Lake Ridge Parkway, Camp Wisdom Road, and FM 1382 (east border), and SH 287 and Cannon Street and Broad Street (south borders)" (p. 47). This area encompasses approximately 34.5 square miles and is equivalent to a circle with a radius of 3.3 miles.

**Population:** The estimated 2004 population of the PMA was 192,649 and is expected to increase by 16.6% to approximately 224,626 by 2009. Within the primary market area there were estimated to be 63,272 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 4,737 qualified households in the PMA, based on the current estimate of 63,272 households, the projected annual household growth rate of 3.1%, income-qualified households estimated at 27.47%, and an annual renter turnover rate of 70.3%. (p. 67). The Market Analyst used an income band of $21,874 to $39,120. The Analyst indicated that renter households comprised 27.7% of the population within the PMA, but 39% of the City of Grand Prairie and 39.2% of the Fort Worth-Arlington MSA, and therefore used a renter percentage of 38% "…in line with the City of Grand Prairie and the MSA…". The Underwriter utilized the PMA renter percentage in calculating the following demand estimate.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 398 (2 yrs) | 8% | 155 | 4% |
| Resident Turnover | 4,339 | 92% | 3,383 | 96% |
| Other Sources: | 0 | 0% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **4,737** | **100%** | **3,538** | **100%** |

Ref: p. 67

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 18.45% based upon 4,737 units of demand and 874 unstabilized affordable housing in the PMA (including the subject) (p. 67). The Underwriter calculated an inclusive capture rate of 24.0% based upon a lower demand estimate of 3,538 households.

**Local Housing Authority Waiting List Information:** "The City of Grand Prairie Housing Authority offers 2,241 Section 8 vouchers to qualified residents of the City of Grand Prairie. New additions to the voucher waiting list are being accepted; however, the number on the waiting list is 1,870 and the waiting period is approximately 6 to 18 months due to the lack of available units." (p. 61)

**Market Rent Comparables:** The Market Analyst surveyed five comparable market rate apartment properties totaling 1,426 units in the market area as well as five HTC properties totaling 1,273 units.

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $639 | $638 | +$1 | $660-$665 | -$21-$26 |
| **2-Bedroom (60%)** | $768 | $768 | $0 | $845-$855 | -$77-$87 |
| **3-Bedroom (60%)** | $889 | $890 | -$1 | $1,030 | -$141 |

(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:** "Gross occupancy has fluctuated over the last two years from a high of 93.5% in June 2002 to a low of 89.2% in March 2004. The occupancy rate is higher by 1.3 points than one year ago. Occupancy is forecast by M/PF Research, Inc. to increase slightly to 92.9% through 2nd quarter 2005." (p. 61).

**Absorption Projections:** "An increasing absorption rate of 15 to 20 units/month is reasonable for the subject considering the desirability of the units, the demand in the market, and the competition level with older product and new housing. Demand is expected to exceed the new supply in the future and the residents will demand proximity to employment and transportation linkage, such as provided by the subject property. Based on the absorption assumptions, the subject community should achieve stabilization by May 2006." (p. 69).

**Known Planned Development:** "Three new communities are currently proposed in the PMA, Parkview Townhomes (248 LIHTC units), Rush Creek II (144 LIHTC units), and Mayfield Villas (280 units). The proposed subject development within the section 42 LIHTC program specifically addresses the existing and future needs for quality affordable housing in the southern Grand Prairie area, while these other new properties are located in south Arlington." (p. 60)

**Effect on Existing Housing Stock:** "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 90%s." (p. 80)

**Other Relevant Information:** During this analysis the Underwriter was informed by the developer of the Cedar Point Apartments (#01148, approximately seven miles southwest of the subject and just outside of the PMA) that lease-up has been slow, current occupancy is 83%, "Difficult to rent units types are four-bedroom and three-bedroom 60%", and concessions are currently being offered (KRR Construction, Inc. letter dated 11/22/2004).

**Market Study Analysis/Conclusions:** 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, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of $62.20/unit/month which includes garage and carport rental fees of $50 and $20, respectively. As substantiation for their estimate the Applicant offered the Market Analyst's observation that "…these rental rates are supported by the [market rate] comparables…" (p. 90); however, the Underwriter has not included this income because the Applicant has not provided at least one free parking space per unit and will therefore not be able to rent as many carports and garages as anticipated. The Underwriter's secondary income estimate of $19.58 is also in line with the Fort Worth-area average. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the different secondary income estimates the Applicant's effective gross income estimate is $83,114 or 5.4% greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,924 per unit is 5.4% lower than the Underwriter's database-derived estimate of $4,148 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($21.3K lower), payroll ($16.5K lower), and repairs and maintenance ($14.2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

**Conclusion:** The Applicant's estimated income and total estimated operating expense are inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in secondary income projections, the Underwriter's estimated debt coverage ratio (DCR) of 1.0 is significantly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development may be limited to $746,580 by a reduction of the loan 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 $11.6M.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 12.5198 acres** | $294,215 | **Assessment for the Year of:** | 2004 |
| **Building:** | N/A | **Valuation by:** | Tarrant Appraisal District |
| **Total Assessed Value:** | $294,215 | **Tax Rate:** | 3.072275 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Commercial contract of sale | | |
| **Contract Expiration Date:** | 1/ 20/ 2005 | **Anticipated Closing Date:** | 11/ 30/ 2004 |
| **Acquisition Cost:** | $1,153,333 | **Other Terms/Conditions:** | $10,000 earnest money |
| **Seller:** | Wells Fargo Trustee for Dale Hill IRA & Katherine Hill | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,250,000 ($2.25/SF, $97,817/acre, or $6,188/unit), although over four times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-site Costs:** The Applicant claimed off-site costs of $55K for a roadway deceleration lane and a 12-inch water line but did not provide a third party engineering cost certification to justify these costs. Receipt, review, and acceptance of a third party engineering off-site cost certification is a condition of this report.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,475 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $345K or 4.5% 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 general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $128,046 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $4,056 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost 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 estimate the HTC allocation. As a result, an eligible basis of $14,020,376 is used to determine a credit allocation of $496,321 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:** Malone Mortgage Company **Contact:** Jeff Rogers

**Tax-Exempt Amount:** $12,811,600 **Interest Rate:** Estimated & underwritten at 5.8% (note rate of 5.3% + 0.5% MIP)

**Additional Information**:

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

**Annual Payment:** $824,553 **Lien Priority:** 1st **Commitment Date** 10/ 29/ 2004

### TAX CREDIT SYNDICATION

**Source:** Paramount Financial Group, Inc. **Contact:** Dale Cook

**Net Proceeds:** $4,118,672 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 88¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 9/ 30/ 2004

**Additional Information**: Commitment in amount of $4,786,320 based on credit allocation of $544,009

### APPLICANT EQUITY

**Amount:** (None) **Source:** Deferred developer fee

### FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Tarrant County Housing Finance Corporation and financed by Malone Mortgage Company. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**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, except that it is based on a larger allocation associated with the original 202-unit development.

**Deferred Developer's Fees:** The Applicant has not proposed any deferral of developer's fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis and the October 2004 underwriting applicable percentage of 3.54%, the HTC allocation would not exceed $496,321 annually. However, the Applicant's lesser request of $495,337 will instead be used to determine the recommended allocation, resulting in syndication proceeds of approximately $4,358,092. Based on the underwriting analysis and the lower anticipated permanent debt amount of $11,600,000, $972,079 of the Applicant's developer fee will require deferral, which represents approximately 53% of the eligible fee and which should be repayable from cash flow within ten years. If the full amount of the debt is ultimately achieved and the development budget remains unchanged, an excess of funds is possible and a gap-based reduction in credit would result.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant and Developer 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.

- Mr. Hal Thorne, the sole member of the General Partner, submitted an unaudited financial statement as of October 20, 2004 and is anticipated to be guarantor of the development.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental/locational risks exist regarding flooding potential and roadway noise.
- 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:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Prairie Ranch Apartments, Grand Prairie, 4% HTC #04468***

| 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% | 12 | 1 | 1 | 706 | $705 | $638 | $7,656 | $0.90 | $67.00 | $30.00 |
| TC 60% | 6 | 1 | 1 | 712 | 705 | $638 | 3,828 | 0.90 | 67.00 | 30.00 |
| TC 60% | 12 | 1 | 1 | 716 | 705 | $638 | 7,656 | 0.89 | 67.00 | 30.00 |
| TC 60% | 18 | 1 | 1 | 720 | 705 | $638 | 11,484 | 0.89 | 67.00 | 30.00 |
| TC 60% | 6 | 2 | 2 | 980 | 846 | $768 | 4,608 | 0.78 | 78.00 | 30.00 |
| TC 60% | 20 | 2 | 2 | 981 | 846 | $768 | 15,360 | 0.78 | 78.00 | 30.00 |
| TC 60% | 30 | 2 | 2 | 985 | 846 | $768 | 23,040 | 0.78 | 78.00 | 30.00 |
| TC 60% | 6 | 2 | 2 | 997 | 846 | $768 | 4,608 | 0.77 | 78.00 | 30.00 |
| TC 60% | 4 | 2 | 2 | 1,012 | 846 | $768 | 3,072 | 0.76 | 78.00 | 30.00 |
| TC 60% | 1 | 2 | 2 | 1,178 | 846 | $768 | 768 | 0.65 | 78.00 | 30.00 |
| TC 60% | 41 | 3 | 2 | 1,178 | 978 | $890 | 36,490 | 0.76 | 88.00 | 40.00 |
| TC 60% | 12 | 3 | 2 | 1,196 | 978 | $890 | 10,680 | 0.74 | 88.00 | 40.00 |
| TC 60% | 8 | 3 | 2 | 1,197 | 978 | $890 | 7,120 | 0.74 | 88.00 | 40.00 |
| **TOTAL:** | 176 | | **AVERAGE:** | 982 | $853 | $775 | $136,370 | $0.79 | $78.47 | $33.47 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: | 172,780 | | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 3 |
| POTENTIAL GROSS RENT | | | | | $1,636,440 | $1,636,284 | | IREM Region | Fort Worth |
| Secondary Income | | | Per Unit Per Month: | $19.58 | 41,353 | 131,364 | $62.20 | Per Unit Per Month | |
| Other Support Income: | | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | | $1,677,793 | $1,767,648 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | | -7.50% | (125,834) | (132,576) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | | $1,551,958 | $1,635,072 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 4.57% | $403 | 0.41 | $70,984 | $49,701 | $0.29 | $282 | 3.04% |
| Management | | 4.00% | 353 | 0.36 | 62,078 | 65,397 | 0.38 | 372 | 4.00% |
| Payroll & Payroll Tax | | 10.61% | 936 | 0.95 | 164,736 | 148,192 | 0.86 | 842 | 9.06% |
| Repairs & Maintenance | | 4.32% | 381 | 0.39 | 66,995 | 81,207 | 0.47 | 461 | 4.97% |
| Utilities | | 2.67% | 235 | 0.24 | 41,430 | 32,051 | 0.19 | 182 | 1.96% |
| Water, Sewer, & Trash | | 4.55% | 402 | 0.41 | 70,680 | 68,161 | 0.39 | 387 | 4.17% |
| Property Insurance | | 2.78% | 245 | 0.25 | 43,195 | 36,960 | 0.21 | 210 | 2.26% |
| Property Tax | 3.072275 | 10.45% | 922 | 0.94 | 162,216 | 161,216 | 0.93 | 916 | 9.86% |
| Reserve for Replacements | | 2.27% | 200 | 0.20 | 35,200 | 35,200 | 0.20 | 200 | 2.15% |
| Spt svcs, compl fees, security | | 0.81% | 71 | 0.07 | 12,500 | 12,500 | 0.07 | 71 | 0.76% |
| TOTAL EXPENSES | | 47.04% | $4,148 | $4.23 | $730,015 | $690,585 | $4.00 | $3,924 | 42.24% |
| NET OPERATING INC | | 52.96% | $4,670 | $4.76 | $821,944 | $944,487 | $5.47 | $5,366 | 57.76% |
| **DEBT SERVICE** | | | | | | | 0.00% | | 0 |
| First Lien Mortgage (Malone) | | 53.13% | $4,685 | $4.77 | $824,553 | $836,184 | $4.84 | $4,751 | 51.14% |
| GIC Income | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | -0.17% | ($15) | ($0.02) | ($2,609) | $108,303 | $0.63 | $615 | 6.62% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.00 | 1.13 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.71% | $6,553 | $6.68 | $1,153,333 | $1,153,333 | $6.68 | $6,553 | 6.81% |
| Off-Sites | | 0.32% | 313 | 0.32 | 55,000 | 55,000 | 0.32 | 313 | 0.32% |
| Sitework | | 5.98% | 5,841 | 5.95 | 1,028,061 | 1,028,061 | 5.95 | 5,841 | 6.07% |
| Direct Construction | | 44.54% | 43,513 | 44.32 | 7,658,358 | 7,313,327 | 42.33 | 41,553 | 43.20% |
| Contingency | 1.21% | 0.61% | 600 | 0.61 | 105,518 | 105,518 | 0.61 | 600 | 0.62% |
| General Req'ts | 6.00% | 3.03% | 2,961 | 3.02 | 521,185 | 555,360 | 3.21 | 3,155 | 3.28% |
| Contractor's G & A | 2.00% | 1.01% | 987 | 1.01 | 173,728 | 196,227 | 1.14 | 1,115 | 1.16% |
| Contractor's Profit | 6.00% | 3.03% | 2,961 | 3.02 | 521,185 | 544,253 | 3.15 | 3,092 | 3.21% |
| Indirect Construction | | 3.29% | 3,217 | 3.28 | 566,108 | 566,108 | 3.28 | 3,217 | 3.34% |
| Ineligible Costs | | 6.16% | 6,019 | 6.13 | 1,059,379 | 1,059,379 | 6.13 | 6,019 | 6.26% |
| Developer's G & A | 1.99% | 1.45% | 1,420 | 1.45 | 250,000 | 250,000 | 1.45 | 1,420 | 1.48% |
| Developer's Profit | 12.58% | 9.20% | 8,993 | 9.16 | 1,582,801 | 1,582,801 | 9.16 | 8,993 | 9.35% |
| Interim Financing | | 11.69% | 11,425 | 11.64 | 2,010,823 | 2,010,823 | 11.64 | 11,425 | 11.88% |
| Reserves | | 2.97% | 2,898 | 2.95 | 509,981 | 509,981 | 2.95 | 2,898 | 3.01% |
| TOTAL COST | | 100.00% | $97,701 | $99.52 | $17,195,461 | $16,930,171 | $97.99 | $96,194 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *58.20%* | ***$56,864*** | ***$57.92*** | ***$10,008,036*** | ***$9,742,746*** | ***$56.39*** | ***$55,357*** | *57.55%* |

**SOURCES OF FUNDS**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | TDHCA | APPLICANT | **RECOMMENDED** | | |
| First Lien Mortgage (Malone) | 74.51% | $72,793 | $74.15 | $12,811,500 | $12,811,500 | $11,600,000 | Developer Fee Available | |
| GIC Income | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $1,828,745 | |
| HTC Syndication Proceeds | 23.95% | $23,402 | $23.84 | 4,118,672 | 4,118,672 | 4,358,092 | % of Dev. Fee Deferred | |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | 0 | 972,079 | 53% | |
| Additional (excess) Funds Required | 1.54% | $1,507 | $1.54 | 265,289 | (1) | 0 | 15-Yr Cumulative Cash Flow | |
| TOTAL SOURCES | | | | $17,195,461 | $16,930,171 | $16,930,171 | $3,040,908 | |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Prairie Ranch Apartments, Grand Prairie, 4% HTC #04468***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.39 | $7,496,296 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.40% | | $1.04 | $179,911 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.68) | (116,914) |
| Floor Cover | | | 2.00 | 345,560 |
| Porches/Balconies | $16.91 | 44,131 | 4.32 | 746,255 |
| Plumbing | $605 | 447 | 1.57 | 270,435 |
| Built-In Appliances | $1,650 | 176 | 1.68 | 290,400 |
| Stairs | $1,475 | 52 | 0.44 | 76,700 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 264,353 |
| Garages | $11.74 | 21,200 | 1.44 | 248,888 |
| Comm &/or Aux Bldgs | $60.17 | 4,800 | 1.67 | 288,804 |
| Carports | $8.18 | 24,800 | 1.17 | 202,864 |
| SUBTOTAL | | | 59.58 | 10,293,553 |
| Current Cost Multiplier | 1.08 | | 4.77 | 823,484 |
| Local Multiplier | 0.89 | | (6.55) | (1,132,291) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.79 | $9,984,746 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.25) | ($389,405) |
| Interim Construction Interes | 3.38% | | (1.95) | (336,985) |
| Contractor's OH & Profit | 11.50% | | (6.65) | (1,148,246) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.94 | $8,110,110 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $12,811,500 | Term | 480 |
| Int Rate | 5.80% | DCR | 1.00 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.00 |

| | | | |
|---|---|---|---|
| **Additional** | $4,118,672 | Term | |
| Int Rate | | Aggregate DCR | 1.00 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $746,580 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $75,363 |

| | | | |
|---|---|---|---|
| **Primary** | $11,600,000 | Term | 480 |
| Int Rate | 5.80% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $4,118,672 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,636,440 | $1,685,533 | $1,736,099 | $1,788,182 | $1,841,828 | $2,135,183 | $2,475,262 | $2,869,507 | $3,856,378 |
| Secondary Income | 41,353 | 42,594 | 43,871 | 45,187 | 46,543 | 53,956 | 62,550 | 72,513 | 97,451 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,677,793 | 1,728,127 | 1,779,971 | 1,833,370 | 1,888,371 | 2,189,139 | 2,537,812 | 2,942,020 | 3,953,829 |
| Vacancy & Collection Loss | (125,834) | (129,610) | (133,498) | (137,503) | (141,628) | (164,185) | (190,336) | (220,652) | (296,537) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,551,958 | $1,598,517 | $1,646,473 | $1,695,867 | $1,746,743 | $2,024,954 | $2,347,476 | $2,721,369 | $3,657,292 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $70,984 | $73,824 | $76,777 | $79,848 | $83,042 | $101,033 | $122,922 | $149,553 | $221,375 |
| Management | 62,078 | 63,941 | 65,859 | 67,835 | 69,870 | 80,998 | 93,899 | 108,855 | 146,292 |
| Payroll & Payroll Tax | 164,736 | 171,325 | 178,178 | 185,306 | 192,718 | 234,471 | 285,269 | 347,074 | 513,754 |
| Repairs & Maintenance | 66,995 | 69,675 | 72,462 | 75,360 | 78,375 | 95,355 | 116,014 | 141,148 | 208,934 |
| Utilities | 41,430 | 43,087 | 44,811 | 46,603 | 48,467 | 58,968 | 71,743 | 87,287 | 129,206 |
| Water, Sewer & Trash | 70,680 | 73,507 | 76,447 | 79,505 | 82,686 | 100,600 | 122,395 | 148,912 | 220,426 |
| Insurance | 43,195 | 44,923 | 46,720 | 48,589 | 50,532 | 61,480 | 74,800 | 91,005 | 134,710 |
| Property Tax | 162,216 | 168,705 | 175,453 | 182,471 | 189,770 | 230,884 | 280,906 | 341,765 | 505,896 |
| Reserve for Replacements | 35,200 | 36,608 | 38,072 | 39,595 | 41,179 | 50,101 | 60,955 | 74,161 | 109,777 |
| Other | 12,500 | 13,000 | 13,520 | 14,061 | 14,623 | 17,791 | 21,646 | 26,336 | 38,983 |
| TOTAL EXPENSES | $730,015 | $758,594 | $788,299 | $819,172 | $851,261 | $1,031,680 | $1,250,549 | $1,516,096 | $2,229,352 |
| NET OPERATING INCOME | $821,944 | $839,923 | $858,174 | $876,695 | $895,482 | $993,274 | $1,096,928 | $1,205,273 | $1,427,940 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $746,580 | $746,580 | $746,580 | $746,580 | $746,580 | $746,580 | $746,580 | $746,580 | $746,580 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $75,363 | $93,342 | $111,594 | $130,114 | $148,902 | $246,694 | $350,347 | $458,692 | $681,359 |
| DEBT COVERAGE RATIO | 1.10 | 1.13 | 1.15 | 1.17 | 1.20 | 1.33 | 1.47 | 1.61 | 1.91 |

## LIHTC Allocation Calculation - Prairie Ranch Apartments, Grand Prairie, 4% HTC #04468

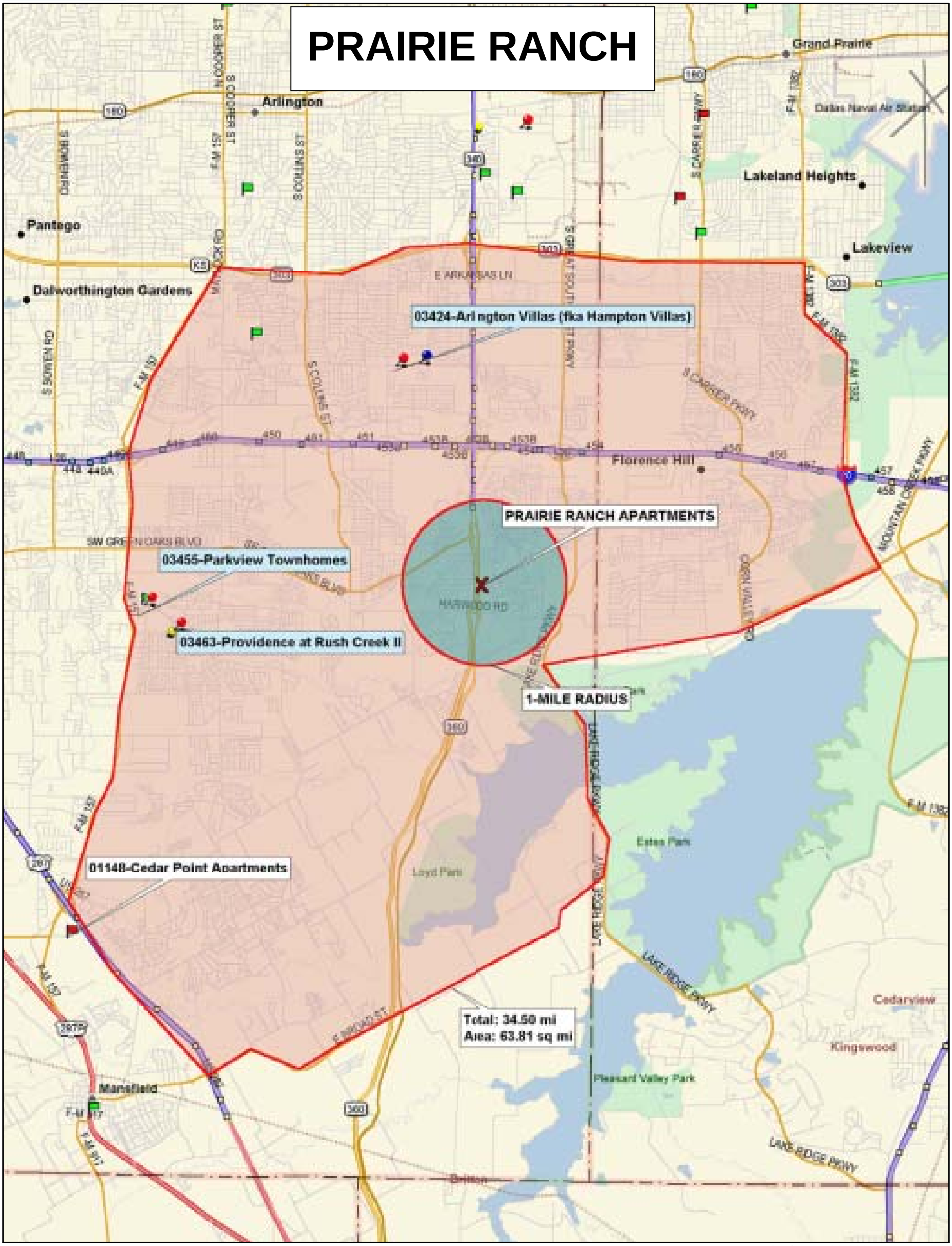
| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,153,333 | $1,153,333 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,028,061 | $1,028,061 | $1,028,061 | $1,028,061 |
| Off-site improvements | $55,000 | $55,000 | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $7,313,327 | $7,658,358 | $7,313,327 | $7,658,358 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $196,227 | $173,728 | $166,828 | $173,728 |
| Contractor profit | $544,253 | $521,185 | $500,483 | $521,185 |
| General requirements | $555,360 | $521,185 | $500,483 | $521,185 |
| **(5) Contingencies** | $105,518 | $105,518 | $105,518 | $105,518 |
| **(6) Eligible Indirect Fees** | $566,108 | $566,108 | $566,108 | $566,108 |
| **(7) Eligible Financing Fees** | $2,010,823 | $2,010,823 | $2,010,823 | $2,010,823 |
| **(8) All Ineligible Costs** | $1,059,379 | $1,059,379 | | |
| **(9) Developer Fees** | | | $1,828,745 | |
| Developer overhead | $250,000 | $250,000 | | $250,000 |
| Developer fee | $1,582,801 | $1,582,801 | | $1,582,801 |
| **(10) Development Reserves** | $509,981 | $509,981 | | |
| **TOTAL DEVELOPMENT COSTS** | $16,930,171 | $17,195,461 | $14,020,376 | $14,417,768 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $14,020,376 | $14,417,768 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $14,020,376 | $14,417,768 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $14,020,376 | $14,417,768 |
| Applicable Percentage | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $496,321 | $510,389 |
| **Syndication Proceeds** | **0.8798** | **$4,366,752** | **$4,490,523** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$496,321** | **$510,389** |
| **Syndication Proceeds** | **$4,366,752** | **$4,490,523** |
| **Requested Credits** | **$495,337** | |
| **Syndication Proceeds** | **$4,358,092** | |
| **Gap of Syndication Proceeds Needed** | **$5,330,171** | |
| **Credit Amount** | **$605,823** | |

DELORME








TN
MN (5.0°E)

Scale 1 : 100,000

1" = 1.58 mi

Data Zoom 11-0

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Worthington Point Apartments.

## Summary of the Transaction

The application was received on August 31, 2004. The Issuer for this transaction is Tarrant County HFC. The development is to be located at NEC of W. Rendon-Crowley Rd. (FM 1187) and Hemphill Street in Fort Worth. The development will consist of 248 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support 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 Worthington Point Apartments.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04486

## DEVELOPMENT NAME

Worthington Point Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Worthington Apartments Limited Partnership | | | **Type:** | For-profit | | |
| **Address:** | 247 North Westmonte Drive | | | **City:** | Altamonte Springs | **State:** | FL |
| **Zip:** | 32714 | **Contact:** | Kurt P. Kehoe | **Phone:** | (407) 772-0200 | **Fax:** | (407) 772-0220 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Picerne Worthington Apartments, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Picerne Affordable Development, LLC | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Robert M. Picerne | **(%):** | N/A | **Title:** | 12% Owner of MGP |
| **Name:** | Picerne Investment Corporation | **(%):** | N/A | **Title:** | 88% Owner of MGP |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | NEC of West Rendon-Crowley Road (FM 1187) and Hemphill Street | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Fort Worth | **County:** | Tarrant | **Zip:** | 76036 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $593,008 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $593,008 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 248 | **# Rental Buildings** | 12 | **# Non-Res. Buildings** | 2 | **# of Floors** | 3 | **Age:** | N/A yrs |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 238,356 | **Av Un SF:** | 961 | **Common Area SF:** | 3,002 | **Gross Bldg SF:** | 241,358 |

### STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 30% brick veneer/70% cement fiber siding. The interior wall surfaces will be drywall and 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, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters and individual heating and air conditioning.

### ON-SITE AMENITIES

A 2,182-square foot community building will include a club room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, and a business center. The community building, swimming pool, and sports court are located at the entrance to the property. In addition, perimeter fencing with limited access gate is planned for the site.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 430 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 | spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Worthington Point Apartments is a relatively dense (17.71 units per acre) new construction development of 248 units of affordable housing located in south Fort Worth. The development is comprised of 12 sporadically distributed large garden style walk-up residential buildings as follows:

- 3 Building Type I with 4 two-bedroom/two-bath units, and 20 three-bedroom/two-bath units;
- 3 Building Type II with 16 two- bedroom/two-bath units, and 8 three-bedroom/two-bath units;
- 4 Building Type III with 8 one-bedroom/one-bath units, and 8 two-bedroom/two-bath units;
- 2 Building Type IV with 12 one-bedroom/one-bath units, and 8 two-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Size:** | 14 | acres | 609,840 | square feet | **Zoning/ Permitted Uses:** | C |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Worthington Point Apartments is located in far south Fort Worth in Tarrant County. The site is an irregularly-shaped parcel located approximately 12 miles south from the central business district. The site is situated on the north side of West Rendon Crowley Road (F.M. Highway 1187).

**Adjacent Land Uses:**

- **North:** vacant land immediately adjacent;
- **South:** Rendon-Crowley Road ( F.M. 1187) immediately adjacent and vacant land beyond;
- **East:** railroad tract immediately adjacent and vacant land beyond; and
- **West:** Hemphill Street immediately adjacent and residential homes beyond;

**Site Access:** Access to the property is from the north or south from Hemphill Street. The development is to have one main entry. Access to Interstate Highway I-35W is less than one mile east, which provides connections to all other major roads serving the Fort Worth area.

**Public Transportation:** Public transportation to the area is provided by Fort Worth Transit Authority T Bus Service, but the closest service is four miles from the subject property.

**Shopping & Services:** "Residents will have access to employment centers, financial centers, shopping, schools, recreational facilities, literary and cultural centers, and medical facilities offered throughout fort worth, and southern Tarrant County." (p. 3)

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 29, 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 September 30, 2004 was prepared by Reed Engineering Group and contained the following findings and recommendations:

- **Findings:** "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 21)

## 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 the Applicant has elected the 50% at 50% / 50% at 60% option.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 60% of AMI | $26,340 | $30,120 | $33,840 | $37,620 | $40,620 | $43,620 |

## MARKET HIGHLIGHTS

A market feasibility study dated September 28, 2004 was prepared by Apartment MarketData Research Services, LLC ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For this analysis we utilized a primary market area comprising a 7.5 mile radius around the subject site as a Trade Area" (p. 3). This area encompasses approximately 176.69 square miles.

**Population:** The estimated 2003 population of the PMA was 192,072 and is expected to increase by 11.2% to approximately 213,649 by 2008. Within the primary market area there were estimated to be 67,611 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 5,688 qualified households in the PMA, based on the current estimate of 67,611 households, the projected annual growth rate of 2.5%, renter households estimated at 27.9% of the population, income-qualified households estimated at 39.7%, and an annual renter turnover rate of 76 %. (p. 7). The Market Analyst used an income band of $20,160 to $39,120.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 102 | 2% | 169 | 3% |
| Resident Turnover | 5,586 | 98% | 5,802 | 97% |
| **TOTAL ANNUAL DEMAND** | **5,688** | **100%** | **5,971** | **100%** |

Ref: p. 7

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 13.08% based upon 5,688 units of demand and 744 unstabilized affordable housing in the PMA (including the subject) (p. 8). The Underwriter calculated an inclusive capture rate of 14.1% based upon a revised supply of unstabilized comparable affordable units of 844 divided by a revised demand of 5,971. The Underwriter's supply includes 216 units at the Park at Sycamore School, 280 units at Sycamore Center (both 2002 bond transactions) and 100 units of Villas of Forest Hill (a 2004 9% transaction). City Parc at Oak Grove is a proposed 2004 bond transaction that appears to have been withdrawn.

**Market Rent Comparables:** The Market Analyst surveyed four comparable apartment projects totaling 788 units in the market area. (p. 12).

**RENT ANALYSIS (net tenant-paid rents)**

| Unit Type (% AMI) | Proposed | Program Max | Differential | Est. Market | Differential |
|---|---|---|---|---|---|
| 1-Bedroom (50%) | $526 | $526 | $0 | $645 | -$119 |
| 1-Bedroom (60%) | $643 | $643 | $0 | $645 | -$2 |
| 2-Bedroom (50%) | $629 | $629 | $0 | $775 | -$146 |
| 2-Bedroom (60%) | $770 | $770 | $0 | $775 | -$5 |
| 3-Bedroom (50%) | $729 | $729 | $0 | $900 | -$171 |
| 3-Bedroom (60%) | $892 | $892 | $0 | $900 | -$8 |

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

**Primary Market Occupancy Rates:** "The current occupancy of the market area is 93.1% as a result of in migration of new households and limited new construction." (p. 8).

**Absorption Projections:** "Our best guess would be that Worthington Point would lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction."

(p. 10).

**Market Study Analysis/Conclusions:** 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.

**Expenses:** The Applicant's total expense estimate of $3,878 per unit is 10% lower than the Underwriter's database-derived estimate of $4,314 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($61K lower), utilities ($30.2K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

**Conclusion:** The Applicant's estimated operating expenses and 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) at the program minimum standard of 1.10.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: (74.45) acres** | $744,500 | **Assessment for the Year of:** | 2004 |
| **Prorated: 1 acre** | $10,000 | **Valuation by:** | Tarrant County Appraisal District |
| **Prorated: 14 acres** | $140,000 | **Tax Rate:** | 3.300277 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Commercial Contract - Unimproved Property | | |
| **Contract Expiration Date:** | 9/ 18/ 2005 | **Anticipated Closing Date:** | 9/ 18/ 2005 |
| **Acquisition Cost:** | $1,250,000 | **Other Terms/Conditions:** | Earnest money: $5,000 |
| **Seller:** | Smiths Southeast Investments, L.P. | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,250,000 ($2.05/SF, $89,285/acre, or $5,040/unit) although substantially more than the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $5,478 per unit are considered reasonable compared to historical sitework costs for multifamily developments.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $18.2K or less than one percent lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $16,704,442 is used to determine a credit allocation of $594,678 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:** Charter Mac **Contact:** Marnie Miller

**Tax-Exempt Amount:** $12,000,000 **Interest Rate:** 6.5%

**Additional Information:**

**Amortization:** 40 yrs **Term:** 42 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $843,058 **Lien Priority:** 1st **Commitment Date** 9/ 30/ 2004

### TAX CREDIT SYNDICATION

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

**Net Proceeds:** $4,954,937 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 86¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 4/ 2004

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $1,371,853 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by Tarrant County Housing Finance Corporation and purchased by Charter Mac. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**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 $1,371,853 amount to 64% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $594,678 annually for ten years, but the Applicant's requested credit amount of $593,008 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of

5,099,359 which is more than anticipated by the Applicant. The Applicant's deferred developer fee will be decreased to $1,227,432 which represents approximately 57% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

## 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.
- The Picerne Investment Corporation, 88% owner of the General Partner, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $1.8M and consisting of $664K in bond proceeds, $923K in real property, and $206K in miscellaneous assets . Liabilities totaled $1.4M, resulting in net equity of $431K.
- The principal of the General Partner, Robert M. Picerne, submitted unaudited financial statements 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 M. Picerne and the Picerne Investment Corporation, the owners of the General Partner, the Developer, and the General Contractor, listed participation in 95 affordable housing developments totaling 12,307 units since 1969.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Worthington Point Apartments, Fort Worth, HTC 4%, #04486***

| 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%) | 28 | 1 | 1 | 720 | $588 | $526 | $14,728 | $0.73 | $62.00 | $20.00 |
| TC (60%) | 28 | 1 | 1 | 720 | $705 | $643 | 18,004 | 0.89 | $62.00 | $20.00 |
| TC (50%) | 54 | 2 | 2 | 968 | $705 | $629 | 33,966 | 0.65 | $76.00 | $22.00 |
| TC (60%) | 54 | 2 | 2 | 968 | $846 | $770 | 41,580 | 0.80 | $76.00 | $22.00 |
| TC (50%) | 42 | 3 | 2 | 1,113 | $815 | $729 | 30,618 | 0.65 | $86.00 | $25.00 |
| TC (60%) | 42 | 3 | 2 | 1,113 | $978 | $892 | 37,464 | 0.80 | $86.00 | $25.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL: | 248 | | AVERAGE: | 961 | $787 | $711 | $176,360 | $0.74 | $76.23 | $22.56 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: 238,356 | | | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 3 |
| POTENTIAL GROSS RENT | | | | | $2,116,320 | $2,116,320 | | IREM Region | Fort Worth |
| Secondary Income | | | Per Unit Per Month: | $15.00 | 44,640 | 44,640 | $15.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | | $2,160,960 | $2,160,960 | | | |
| Vacancy & Collection Loss | | | % of Potential Gross Income: | -7.50% | (162,072) | (162,072) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | | $1,998,888 | $1,998,888 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 5.00% | $403 | 0.42 | $100,023 | $38,760 | $0.16 | $156 | 1.94% |
| Management | | 5.00% | 403 | 0.42 | 99,944 | 99,944 | 0.42 | 403 | 5.00% |
| Payroll & Payroll Tax | | 11.61% | 936 | 0.97 | $232,128 | 223,200 | 0.94 | 900 | 11.17% |
| Repairs & Maintenance | | 4.72% | 381 | 0.40 | $94,402 | 82,680 | 0.35 | 333 | 4.14% |
| Utilities | | 2.84% | 229 | 0.24 | 56,712 | 26,440 | 0.11 | 107 | 1.32% |
| Water, Sewer, & Trash | | 5.39% | 434 | 0.45 | 107,701 | 95,360 | 0.40 | 385 | 4.77% |
| Property Insurance | | 2.98% | 240 | 0.25 | 59,589 | 57,040 | 0.24 | 230 | 2.85% |
| Property Tax | 3.3000277 | 12.69% | 1,023 | 1.06 | 253,706 | 272,600 | 1.14 | 1,099 | 13.64% |
| Reserve for Replacements | | 2.48% | 200 | 0.21 | 49,600 | 49,600 | 0.21 | 200 | 2.48% |
| Other: compl fees | | 0.81% | 65 | 0.07 | 16,120 | 16,120 | 0.07 | 65 | 0.81% |
| TOTAL EXPENSES | | 53.53% | $4,314 | $4.49 | $1,069,926 | $961,744 | $4.03 | $3,878 | 48.11% |
| NET OPERATING INC | | 46.47% | $3,746 | $3.90 | $928,962 | $1,037,144 | $4.35 | $4,182 | 51.89% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 42.18% | $3,399 | $3.54 | $843,058 | $843,058 | $3.54 | $3,399 | 42.18% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 4.30% | $346 | $0.36 | $85,904 | $194,086 | $0.81 | $783 | 9.71% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.10 | 1.23 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.66% | $5,040 | $5.24 | $1,250,000 | $1,250,000 | $5.24 | $5,040 | 6.82% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.23% | 5,478 | 5.70 | 1,358,629 | 1,358,629 | 5.70 | 5,478 | 7.41% |
| Direct Construction | | 53.08% | 40,200 | 41.83 | 9,969,575 | 9,951,363 | 41.75 | 40,126 | 54.30% |
| Contingency | 3.00% | 1.81% | 1,368 | 1.42 | 339,300 | 339,300 | 1.42 | 1,368 | 1.85% |
| General Req'ts | 3.00% | 1.81% | 1,368 | 1.42 | 339,300 | 339,300 | 1.42 | 1,368 | 1.85% |
| Contractor's G & A | 2.00% | 1.20% | 912 | 0.95 | 226,200 | 226,200 | 0.95 | 912 | 1.23% |
| Contractor's Profit | 3.99% | 2.41% | 1,824 | 1.90 | 452,400 | 452,400 | 1.90 | 1,824 | 2.47% |
| Indirect Construction | | 3.85% | 2,913 | 3.03 | 722,500 | 722,500 | 3.03 | 2,913 | 3.94% |
| Ineligible Costs | | 1.98% | 1,501 | 1.56 | 372,349 | 372,349 | 1.56 | 1,501 | 2.03% |
| Developer's G & A | 3.67% | 2.85% | 2,157 | 2.24 | 535,000 | 535,000 | 2.24 | 2,157 | 2.92% |
| Developer's Profit | 11.01% | 8.55% | 6,472 | 6.73 | 1,605,000 | 1,605,000 | 6.73 | 6,472 | 8.76% |
| Interim Financing | | 6.25% | 4,737 | 4.93 | 1,174,750 | 1,174,750 | 4.93 | 4,737 | 6.41% |
| Reserves | | 2.33% | 1,761 | 1.83 | 436,830 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $75,733 | $78.80 | $18,781,833 | $18,326,791 | $76.89 | $73,898 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *67.54%* | ***$51,151*** | ***$53.22*** | ***$12,685,404*** | ***$12,667,192*** | ***$53.14*** | ***$51,077*** | *69.12%* |

**SOURCES OF FUNDS**

| | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 63.89% | $48,387 | $50.34 | $12,000,000 | $12,000,000 | $12,000,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | 0 | $2,140,000 |
| HTC Syndication Proceeds | 26.38% | $19,980 | $20.79 | 4,954,937 | 4,954,937 | 5,099,359 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.30% | $5,532 | $5.76 | 1,371,853 | 1,371,853 | 1,227,432 | 57% |
| Additional (excess) Funds Required | 2.42% | $1,835 | $1.91 | 455,043 | 1 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $18,781,833 | $18,326,791 | $18,326,791 | $3,155,587 |

***Worthington Point Apartments, Fort Worth, HTC 4%, #04486***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $43.74 | $10,425,691 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.40% | | $1.05 | $250,217 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.68) | (161,288) |
| Floor Cover | | | 2.00 | 476,712 |
| Porches/Balconies | $18.00 | 14400 | 1.09 | 259,200 |
| Plumbing | $605 | 576 | 1.46 | 348,480 |
| Built-In Appliances | $1,650 | 248 | 1.72 | 409,200 |
| Stairs | $1,700 | 80 | 0.57 | 136,000 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 364,685 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $66.33 | 2,182 | 0.61 | 144,734 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 53.09 | 12,653,631 |
| Current Cost Multiplier | 1.08 | | 4.25 | 1,012,291 |
| Local Multiplier | 0.89 | | (5.84) | (1,391,899) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.49 | $12,274,022 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.01) | ($478,687) |
| Interim Construction Interes | 3.38% | | (1.74) | (414,248) |
| Contractor's OH & Profit | 11.50% | | (5.92) | (1,411,513) |
| NET DIRECT CONSTRUCTION COSTS | | | $41.83 | $9,969,575 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $12,000,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $4,954,937 | Term | |
| Int Rate | | Aggregate DCR | 1.10 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $843,058 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $85,904 |

| | | | |
|---|---|---|---|
| **Primary** | $12,000,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $4,954,937 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,116,320 | $2,179,810 | $2,245,204 | $2,312,560 | $2,381,937 | $2,761,318 | $3,201,124 | $3,710,980 | $4,987,247 |
| Secondary Income | 44,640 | 45,979 | 47,359 | 48,779 | 50,243 | 58,245 | 67,522 | 78,277 | 105,197 |
| Other Support Income: (describ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,160,960 | 2,225,789 | 2,292,562 | 2,361,339 | 2,432,180 | 2,819,563 | 3,268,646 | 3,789,256 | 5,092,444 |
| Vacancy & Collection Loss | (162,072) | (166,934) | (171,942) | (177,100) | (182,413) | (211,467) | (245,148) | (284,194) | (381,933) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $1,998,888 | $2,058,855 | $2,120,620 | $2,184,239 | $2,249,766 | $2,608,095 | $3,023,497 | $3,505,062 | $4,710,511 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $100,023 | $104,024 | $108,185 | $112,513 | $117,013 | $142,364 | $173,208 | $210,734 | $311,938 |
| Management | 99,944 | 102,943 | 106,031 | 109,212 | 112,488 | 130,405 | 151,175 | 175,253 | 235,526 |
| Payroll & Payroll Tax | 232,128 | 241,413 | 251,070 | 261,112 | 271,557 | 330,391 | 401,971 | 489,059 | 723,926 |
| Repairs & Maintenance | 94,402 | 98,178 | 102,105 | 106,189 | 110,437 | 134,364 | 163,474 | 198,891 | 294,407 |
| Utilities | 56,712 | 58,980 | 61,340 | 63,793 | 66,345 | 80,719 | 98,207 | 119,484 | 176,865 |
| Water, Sewer & Trash | 107,701 | 112,009 | 116,489 | 121,149 | 125,995 | 153,292 | 186,503 | 226,910 | 335,882 |
| Insurance | 59,589 | 61,973 | 64,451 | 67,030 | 69,711 | 84,814 | 103,189 | 125,545 | 185,837 |
| Property Tax | 253,706 | 263,854 | 274,409 | 285,385 | 296,800 | 361,103 | 439,337 | 534,521 | 791,221 |
| Reserve for Replacements | 49,600 | 51,584 | 53,647 | 55,793 | 58,025 | 70,596 | 85,891 | 104,500 | 154,685 |
| Other | 16,120 | 16,765 | 17,435 | 18,133 | 18,858 | 22,944 | 27,915 | 33,962 | 50,273 |
| TOTAL EXPENSES | $1,069,926 | $1,111,723 | $1,155,163 | $1,200,309 | $1,247,229 | $1,510,991 | $1,830,869 | $2,218,858 | $3,260,559 |
| NET OPERATING INCOME | $928,962 | $947,131 | $965,457 | $983,930 | $1,002,537 | $1,097,105 | $1,192,629 | $1,286,205 | $1,449,951 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $843,058 | $843,058 | $843,058 | $843,058 | $843,058 | $843,058 | $843,058 | $843,058 | $843,058 |
| 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 | $85,904 | $104,073 | $122,400 | $140,872 | $159,479 | $254,047 | $349,571 | $443,147 | $606,893 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.17 | 1.19 | 1.30 | 1.41 | 1.53 | 1.72 |

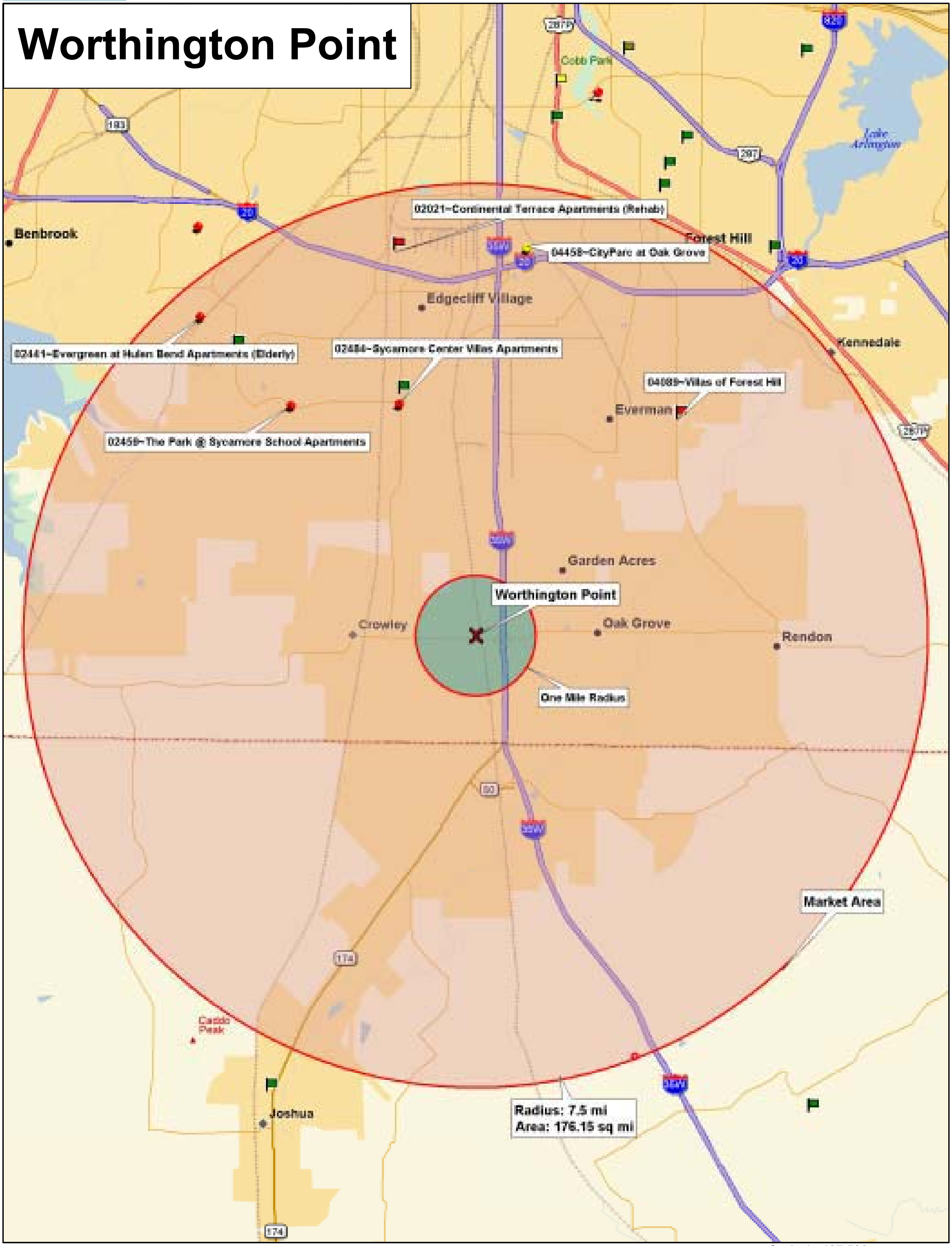
## LIHTC Allocation Calculation - Worthington Point Apartments, Fort Worth, HTC 4%, #04486

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,250,000 | $1,250,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,358,629 | $1,358,629 | $1,358,629 | $1,358,629 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $9,951,363 | $9,969,575 | $9,951,363 | $9,969,575 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $226,200 | $226,200 | $226,200 | $226,200 |
| Contractor profit | $452,400 | $452,400 | $452,400 | $452,400 |
| General requirements | $339,300 | $339,300 | $339,300 | $339,300 |
| **(5) Contingencies** | $339,300 | $339,300 | $339,300 | $339,300 |
| **(6) Eligible Indirect Fees** | $722,500 | $722,500 | $722,500 | $722,500 |
| **(7) Eligible Financing Fees** | $1,174,750 | $1,174,750 | $1,174,750 | $1,174,750 |
| **(8) All Ineligible Costs** | $372,349 | $372,349 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | $535,000 | $535,000 | $535,000 | $535,000 |
| Developer fee | $1,605,000 | $1,605,000 | $1,605,000 | $1,605,000 |
| **(10) Development Reserves** | | $436,830 | | |
| **TOTAL DEVELOPMENT COSTS** | $18,326,791 | $18,781,833 | $16,704,442 | $16,722,654 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $16,704,442 | $16,722,654 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $16,704,442 | $16,722,654 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $16,704,442 | $16,722,654 |
| Applicable Percentage | | 3.56% | 3.56% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $594,678 | $595,326 |

| | | | |
|---|---|---|---|
| **Syndication Proceeds** | **0.8599** | **$5,113,720** | **$5,119,296** |
| **Total Credits (Eligible Basis Method)** | | **$594,678** | **$595,326** |
| **Syndication Proceeds** | | **$5,113,720** | **$5,119,296** |
| **Requested Credits** | | **$593,008** | |
| **Syndication Proceeds** | | **$5,099,359** | |
| **Gap of Syndication Proceeds Needed** | | **$6,326,791** | |
| **Credit Amount** | | **$735,747** | |

# Worthington Point



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Scale 1 : 137,500

1" = 2.17 mi Data Zoom 10-5

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**December 13, 2004**

## Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Evergreen at Keller Senior Apartments.

## Summary of the Transaction

The application was received on September 8, 2004. The Issuer for this transaction is Tarrant County HFC. The development is to be located at approximately the 400 block of Bourland Road in Keller. The development will consist of 250 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support 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 Evergreen at Keller Senior Apartments.

**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 Keller Senior Apartment Community** TDHCA#: 04491

## DEVELOPMENT AND OWNER INFORMATION

Development Location: Keller QCT: N DDA: N TTC: N
Development Owner: Keller Senior Community, LP
General Partner(s): LifeNet-Keller GP, LLC, 100%, Contact: Betts Hoover
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Tarrant County HFC
Development Type: Elderly

**Annual Tax Credit Allocation Calculation**
Applicant Request: $559,597 Eligible Basis Amt: $575,592 Equity/Gap Amt.: $715,491
**Annual Tax Credit Allocation Recommendation: $559,597**
Total Tax Credit Allocation Over Ten Years: $ 5,595,970

## PROPERTY INFORMATION

**Unit and Building Information**
Total Units: 250 HTC Units: 250 % of HTC Units: 100
Gross Square Footage: 211,300 Net Rentable Square Footage: 203,800
Average Square Footage/Unit: 815
Number of Buildings: 1
Currently Occupied: N
**Development Cost**
Total Cost: $19,423,531 Total Cost/Net Rentable Sq. Ft.: $95.31
**Income and Expenses**
Effective Gross Income:[1] $2,053,836 Ttl. Expenses: $976,884 Net Operating Inc.: $1,076,952
Estimated 1st Year DCR: 1.16

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Alpha-Barnes Real Estate Services |
| Attorney: | Coats, Rose, Yale, Ryman & Lee PC | Architect: | GTF Designs |
| Accountant: | Novogradac & Company | Engineer: | Kimley-Horn |
| Market Analyst: | Integra | Lender: | MMA Financial, LLC |
| Contractor: | ICI Construction | Syndicator: | MMA Financial, LLC |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Jane Nelson, District 12 - NC<br>Rep. Vicki Truitt, District 98 - NC<br>Mayor Julie Tandy - NC<br>Richard Luedke, Senior Planner, The proposed development is consistent with the City of Keller Comprehensive Land Use 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 Development 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 "special use permit" issued by the City of Keller to allow Senior Housing to be built in an area zoned Office.
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:** November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04491

## DEVELOPMENT NAME

Evergreen at Keller Senior Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Keller Senior Community, L.P. | | **Type:** | For-profit | | | |
| **Address:** | 5601 N. MacArthur Boulevard, Suite 210 | | **City:** | Irving | | **State:** | TX |
| **Zip:** | 75038 | **Contact:** Brad Forslund | **Phone:** | (972) | 550-7800 | **Fax:** | (972) 550-7900 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | LifeNet-Keller G.P., LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Churchill Residential, Inc. (CRI) | **(%):** | 0.01 | **Title:** | Special Limited Partner & Developer |
| **Name:** | LifeNet Community Behavioral Healthcare (LCBH) | **(%):** | N/A | **Title:** | Nonprofit 100% owner of MGP |
| **Name:** | Betts Hoover | **(%):** | N/A | **Title:** | President of LCBH |
| **Name:** | Brad Forslund | **(%):** | N/A | **Title:** | President & 50% owner of CRI |
| **Name:** | Tony Sisk | **(%):** | N/A | **Title:** | Treasurer & 50% owner of CRI |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 400 Block of Bourland Road | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Keller | **County:** | Tarrant | **Zip:** | 76248 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $559,597 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** Elderly

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $559,597 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a “special use permit” issued by the City of Keller to allow Senior Housing to be built in an area zoned Office.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 250 | **# Rental Buildings** | 1 | **# Non-Res. Buildings** | 0 | **# of Floors** | 3 | **Age:** | N/A yrs |

**Net Rentable SF:** 203,800 **Av Un SF:** 815 **Common Area SF:** 7,500 **Gross Bldg SF:** 211,300

### STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 30% brick veneer/2% stone veneer, and 68% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with 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, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

### ON-SITE AMENITIES

A 6,500-square foot community area will include a dining room, management offices, gaming area, maintenance, & laundry facilities, a kitchen, restrooms, a TV area, a daycare facility, beauty salon & a central mailroom. The community area and swimming pool will be located at the entrance to the property. In addition, picnic area & perimeter fencing with limited access gates are planned for the site.

**Uncovered Parking:** 250 spaces **Carports:** 30 spaces **Garages:** 24 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Evergreen at Keller Senior Apartments is a very dense (28 units per acre) new construction development of 250 units of affordable housing located in Keller, TX which is approximately 12 miles north of Fort Worth. The development is comprised of one large elevator served low-rise residential buildings as follows:

- 1 Building Type A with 122 one-bedroom/one-bath units, and 128 two-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 9 acres 392,040 square feet **Zoning/ Permitted Uses:** Office

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Keller is located in north central Texas, approximately 12 miles north from Fort Worth in Tarrant County. The site is an irregularly-shaped parcel located in the northeastern area of Keller. The site is situated on the east side of Bourland Road Street.

**Adjacent Land Uses:**

- **North:** Johnson Road immediately adjacent and residential subdivision beyond;
- **South:** multifamily development immediately adjacent;
- **East:** vacant land immediately adjacent; and
- **West:** Bourland Road immediately adjacent and vacant land beyond;

**Site Access:** Access to the property is from the east or west along Johnson Road or the north or south from Bourland Road. The development is to have one main entry from Bourland Road and a secondary entry from Johnson Road. Access to Interstate Highway I-35W is four miles west, which provides connections to all other major roads serving the Keller area.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

**Shopping & Services:** The site is within several miles of a major grocery store and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The subject site is currently zoned Office. A retirement development, such as the proposed subject is only allowed via a special use permit. As of this date the application to the City of Keller for a special use permit has been submitted, but final approval by the Keller City Council will be a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on September 29, 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 September 9, 2004 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations:

**Findings:** "This assessment has not revealed evidence of recognized environmental conditions in connection with the historical and present use of the Subject Property." (p. 11)

**Recommendations:** "Based upon the results of the ESA, Rone does not recommend further environmental investigation of the Subject Property." (p. 11)

### 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% of units at 60% AMGI due to the fact that they are located in census tract with median income higher than surrounding MSA, PMSA, or county. All of the units will be reserved for low-income/elderly tenants.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $26,340 | $30,120 | $33,840 | $37,620 | $40,620 | $43,620 |

### MARKET HIGHLIGHTS

A market feasibility study dated October 7, 2004 was prepared by Integra Realty Resources DFW ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subjects market area (PMA) to be the area within an 8-mile radius of the subject site" (p. 17) This area encompasses approximately two hundred square miles.

**Population:** The estimated 2004 senior population of the PMA was 41,662 and is expected to increase by 34% to approximately 55,706 by 2009. Within the primary market area there were estimated to be 24,345 senior households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 330 qualified households in the PMA, based on the current estimate of 24,345 senior households, the projected annual growth rate of 7%, renter senior households estimated at 36.4% of the senior population, income-qualified senior households estimated at 15%, and an annual senior renter turnover rate of 17 %. (p. 50) The Market Analyst used an income band of $15,480 to $33,840 because the property will accept tenants spending as much as 50% of their annual income on rent. The Department's typical standard is up to 40% of an elderly tenants income could go to all housing costs and this reduces the income band to $21,150 to $33,840. The Underwriter also used a 25% turnover rate. As a result the Underwriters demand is reduced as indicated in the following table.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 74 | 22% | 64 | 21% |
| Resident Turnover | 256 | 78% | 245 | 79% |
| **TOTAL ANNUAL DEMAND** | **330** | **100%** | **309** | **100%** |

Ref: p. 48 & 49

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 75.8% based upon 330 units of demand and 250 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 81% based upon a revised demand of 309.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,450 units in the market area.

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $650 | $650 | $0 | $855 | -$205 |
| **2-Bedroom (60%)** | $777 | $777 | $0 | $1,085 | -$308 |

(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 simple average occupancy rate for LIHTC properties within the PMA is 90%. Villas on Bear Creek, which is the only "seniors only" LIHTC property within the PMA, is reporting occupancy of 100%" (p. 40)

**Absorption Projections:** "The subject is forecast to be absorbed in 12 months, equating to an absorption pace of approximately 20 units per month" (p. 69)

**Market Study Analysis/Conclusions:** 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, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of $21.12 per unit based on rental of 100% of the planned number of carports and garages. The Underwriter has used 100% of the garage income but no carport income. As a result of these differences the Applicant's effective gross income estimate is $16,031 greater than the Underwriter's estimate.

**Expenses:** The Applicant's estimate of total operating expense is 1.12% higher than the Underwriter's database-derived estimate, an acceptable deviation. The Applicant's budget shows a line item estimate, however, that deviates significantly when compared to the database average, particularly insurance ($15.3K higher).

**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

| | | | |
|---|---|---|---|
| **Land: 58.72) acres** | $4,878,874 | **Assessment for the Year of:** | 2004 |
| **Prorated: 1 acre** | $83,087 | **Valuation by:** | Tarrant County Appraisal District |
| **Total Assessed Value: 9 ac.** | $747,783 | **Tax Rate:** | 2.788907 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 5/ 15/ 2005 | **Anticipated Closing Date:** | 2/ 1/ 2005 |
| **Acquisition Cost:** | $882,000 | **Other Terms/Conditions:** | Earnest money: $4,000 |
| **Seller:** | Frederik Floren, Trustee and Manager of the Keller Central Joint Venture | **Related to Development Team Member:** | No |

### CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $882,090 ($2.25/SF, $98,010/acre, or $3,528/unit), although in excess of the tax assessed value of $747,783, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,317 per unit are considered reasonable compared to historical sitework costs for multifamily developments.

**Direct Construction Cost:** The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

**Fees:** The Applicant's contractor general requirements and contractor general and administrative fees exceed the 6% and 2% maximums allowed by HTC guidelines by $7,680 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

**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 estimate the HTC allocation. As a result, an eligible basis of $16,259,674 is used to estimate a credit allocation of $575,592 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:** MMA Financial **Contact:** Rick Monfred

**Tax-Exempt Amount:** $13,200,000 **Interest Rate:** 6.5%

**Additional Information:**

**Amortization:** 40 yrs **Term:** 42 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $927,364 **Lien Priority:** 1st **Commitment Date** 11/ 18/ 2004

### TAX CREDIT SYNDICATION

**Source:** MMA Financial **Contact:** Marie Keutmann

**Net Proceeds:** $4,868,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 87¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 22/ 2004

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $837,552 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Tarrant County Housing Finance Corporation and purchased by MMA Financial, LLC. The interim to permanent financing commitment generally consistent with the terms reflected in the sources and uses of funds listed in the application.

**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.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,355,528 amount to 64% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed $575,592 annually for ten years, but the Applicant's requested credit amount of $559,597 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of $4,867,520. The Applicant's deferred developer fee will be increased slightly to $1,356,011 which represents approximately 64% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may 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.
- The nonprofit sole owner of the General Partner, LifeNet Community Behavioral Healthcare, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $2.53M and consisting of $244K in cash, $722K in receivables and prepaid, and $21 in deposits and short-term investments. Liabilities totaled $402K, resulting in net assets of $2.13M.
- The Developer and Special Limited Partner, Churchill Residential, Inc., submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $2,385 and consisting of $89 in cash and $2,805 in office equipment and other assets. Liabilities totaled $8,144, resulting in net equity of ($5,250).
- The principals of the Developer and Special Limited Partner, Brad Forslund and Tony Sisk, submitted unaudited financial statements 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.
- Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

### *Evergreen at Keller Senior Apartments, Keller, 4% HTC #04491*

| 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%) | 122 | 1 | 1 | 700 | $705 | $650 | $79,300 | $0.93 | $55.00 | $20.00 |
| TC (60%) | 128 | 2 | 2 | 925 | 846 | $777 | 99,456 | 0.84 | 69.00 | 22.00 |
| TOTAL: | 250 | | AVERAGE: | 815 | $777 | $715 | $178,756 | $0.88 | $62.17 | $21.02 |

| **INCOME** | Total Net Rentable Sq Ft: 203,800 | | TDHCA | APPLICANT | | Comptroller's Region 3 |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $2,145,072 | $2,145,072 | | IREM Region Fort Worth |
| Secondary Income | Per Unit Per Month: | $15.00 | 45,000 | 45,000 | $15.00 | Per Unit Per Month |
| Other Support Income: Garage/Carports | | $4.32 | 12,960 | 18,360 | $6.12 | |
| POTENTIAL GROSS INCOME | | | $2,203,032 | $2,208,432 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (165,227) | (154,596) | -7.00% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $2,037,805 | $2,053,836 | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.96% | $404 | 0.50 | $100,985 | $120,000 | $0.59 | $480 | 5.84% |
| Management | | 3.83% | 312 | 0.38 | 78,015 | 71,884 | 0.35 | 288 | 3.50% |
| Payroll & Payroll Tax | | 11.76% | 959 | 1.18 | 239,646 | 237,500 | 1.17 | 950 | 11.56% |
| Repairs & Maintenance | | 4.59% | 374 | 0.46 | 93,455 | 87,500 | 0.43 | 350 | 4.26% |
| Utilities | | 2.29% | 187 | 0.23 | 46,626 | 50,000 | 0.25 | 200 | 2.43% |
| Water, Sewer, & Trash | | 3.10% | 252 | 0.31 | 63,072 | 56,250 | 0.28 | 225 | 2.74% |
| Property Insurance | | 2.50% | 204 | 0.25 | 50,950 | 66,250 | 0.33 | 265 | 3.23% |
| Property Tax | 2.788907 | 11.63% | 948 | 1.16 | 237,057 | 237,500 | 1.17 | 950 | 11.56% |
| Reserve for Replacements | | 2.45% | 200 | 0.25 | 50,000 | 50,000 | 0.25 | 200 | 2.43% |
| Other: compl fees | | 0.31% | 25 | 0.03 | 6,250 | | 0.00 | 0 | 0.00% |
| TOTAL EXPENSES | | 47.41% | $3,864 | $4.74 | $966,056 | $976,884 | $4.79 | $3,908 | 47.56% |
| NET OPERATING INC | | 52.59% | $4,287 | $5.26 | $1,071,748 | $1,076,952 | $5.28 | $4,308 | 52.44% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 45.51% | $3,709 | $4.55 | $927,364 | $927,364 | $4.55 | $3,709 | 45.15% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 7.09% | $578 | $0.71 | $144,385 | $149,588 | $0.73 | $598 | 7.28% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.16 | 1.16 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.16 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 4.45% | $3,528 | $4.33 | $882,090 | $882,090 | $4.33 | $3,528 | 4.54% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.96% | 6,317 | 7.75 | 1,579,196 | 1,579,196 | 7.75 | 6,317 | 8.13% |
| Direct Construction | | 47.71% | 37,841 | 46.42 | 9,460,150 | 8,955,606 | 43.94 | 35,822 | 46.11% |
| Contingency | 2.89% | 1.61% | 1,276 | 1.56 | 318,924 | 318,924 | 1.56 | 1,276 | 1.64% |
| General Req'ts | 5.78% | 3.22% | 2,551 | 3.13 | 637,848 | 637,848 | 3.13 | 2,551 | 3.28% |
| Contractor's G & A | 1.93% | 1.07% | 850 | 1.04 | 212,616 | 212,616 | 1.04 | 850 | 1.09% |
| Contractor's Profit | 4.81% | 2.68% | 2,126 | 2.61 | 531,540 | 531,540 | 2.61 | 2,126 | 2.74% |
| Indirect Construction | | 5.79% | 4,596 | 5.64 | 1,149,043 | 1,149,043 | 5.64 | 4,596 | 5.92% |
| Ineligible Costs | | 6.53% | 5,181 | 6.36 | 1,295,210 | 1,317,938 | 6.47 | 5,272 | 6.79% |
| Developer's G & A | 2.17% | 1.60% | 1,270 | 1.56 | 317,608 | 317,608 | 1.56 | 1,270 | 1.64% |
| Developer's Profit | 12.28% | 9.08% | 7,199 | 8.83 | 1,799,777 | 1,799,777 | 8.83 | 7,199 | 9.27% |
| Interim Financing | | 3.86% | 3,061 | 3.75 | 765,196 | 765,196 | 3.75 | 3,061 | 3.94% |
| Reserves | | 4.44% | 3,518 | 4.32 | 879,578 | 956,149 | 4.69 | 3,825 | 4.92% |
| TOTAL COST | | 100.00% | $79,315 | $97.30 | $19,828,775 | $19,423,531 | $95.31 | $77,694 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *64.25%* | ***$50,961*** | ***$62.51*** | ***$12,740,274*** | ***$12,235,730*** | ***$60.04*** | ***$48,943*** | *62.99%* |

| **SOURCES OF FUNDS** | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 66.57% | $52,800 | $64.77 | $13,200,000 | $13,200,000 | $13,200,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | | 0 | $2,117,385 |
| HTC Syndication Proceeds | 24.55% | $19,472 | $23.89 | 4,868,000 | 4,868,000 | 4,867,520 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 6.84% | $5,422 | $6.65 | 1,355,528 | 1,355,528 | 1,356,011 | 64% |
| Additional (excess) Funds Required | 2.04% | $1,621 | $1.99 | 405,247 | 3 | (0) | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $19,828,775 | $19,423,531 | $19,423,531 | $4,520,855 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Evergreen at Keller Senior Apartments, Keller, 4% HTC #04491***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $41.98 | $8,555,524 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.56% | | $1.07 | $219,021 |
| Elderly/9-Ft. Ceilings | 6.00% | | 2.52 | 513,331 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.68) | (137,905) |
| Floor Cover | | | 2.00 | 407,600 |
| Corridors | $19.00 | 45,579 | 4.25 | 866,001 |
| Plumbing | $605 | 384 | 1.14 | 232,320 |
| Built-In Appliances | $1,650 | 250 | 2.02 | 412,500 |
| Stairs/Fireplaces | $1,475 | 22 | 0.16 | 32,450 |
| Floor Insulation | $46,500 | 4 | 0.91 | 186,000 |
| Heating/Cooling | | | 1.53 | 311,814 |
| Garages/Carports | $14.25 | 4,800 | 0.34 | 68,400 |
| Comm &/or Aux Bldgs | $58.11 | 6,500 | 1.85 | 377,735 |
| Carports | $8.18 | 6,000 | 0.24 | 49,080 |
| SUBTOTAL | | | 59.34 | 12,093,872 |
| Current Cost Multiplier | 1.08 | | 4.75 | 967,510 |
| Local Multiplier | 0.89 | | (6.53) | (1,330,326) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.56 | $11,731,056 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.24) | ($457,511) |
| Interim Construction Interest | 3.38% | | (1.94) | (395,923) |
| Contractor's OH & Profit | 11.50% | | (6.62) | (1,349,071) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.75 | $9,528,550 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $13,200,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | |
| Int Rate | 0.00% | Subtotal DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Additional** | | Term | |
| Int Rate | | Aggregate DCR | 1.16 |

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S N(

| | |
|---|---|
| Primary Debt Service | $927,364 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $149,588 |

| | | | |
|---|---|---|---|
| **Primary** | $13,200,000 | Term | 480 |
| Int Rate | 6.50% | DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Term | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.16 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $2,145,072 | $2,209,424 | $2,275,707 | $2,343,978 | $2,414,297 | $2,798,832 | $3,244,614 | $3,761,397 | $5,055,003 |
| Secondary Income | 45,000 | 46,350 | 47,741 | 49,173 | 50,648 | 58,715 | 68,067 | 78,908 | 106,045 |
| Contractor's Profit | 18,360 | 18,911 | 19,478 | 20,062 | 20,664 | 23,956 | 27,771 | 32,194 | 43,267 |
| POTENTIAL GROSS INCOME | 2,208,432 | 2,274,685 | 2,342,926 | 2,413,213 | 2,485,610 | 2,881,503 | 3,340,452 | 3,872,499 | 5,204,315 |
| Vacancy & Collection Loss | (154,596) | (170,601) | (175,719) | (180,991) | (186,421) | (216,113) | (250,534) | (290,437) | (390,324) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $2,053,836 | $2,104,084 | $2,167,206 | $2,232,222 | $2,299,189 | $2,665,390 | $3,089,918 | $3,582,061 | $4,813,991 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $120,000 | $124,800 | $129,792 | $134,984 | $140,383 | $170,797 | $207,801 | $252,822 | $374,238 |
| Management | 71,884 | 73642.6592 | 75851.939 | 78127.49717 | 80471.32208 | 93288.31741 | 108146.7278 | 125371.6978 | 168489.0781 |
| Payroll & Payroll Tax | 237,500 | 247,000 | 256,880 | 267,155 | 277,841 | 338,037 | 411,273 | 500,377 | 740,680 |
| Repairs & Maintenance | 87,500 | 91,000 | 94,640 | 98,426 | 102,363 | 124,540 | 151,522 | 184,349 | 272,882 |
| Utilities | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Water, Sewer & Trash | 56,250 | 58,500 | 60,840 | 63,274 | 65,805 | 80,061 | 97,407 | 118,510 | 175,424 |
| Insurance | 66,250 | 68,900 | 71,656 | 74,522 | 77,503 | 94,294 | 114,724 | 139,579 | 206,611 |
| Property Tax | 237,500 | 247,000 | 256,880 | 267,155 | 277,841 | 338,037 | 411,273 | 500,377 | 740,680 |
| Reserve for Replacements | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 71,166 | 86,584 | 105,342 | 155,933 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENSES | $976,884 | $1,014,843 | $1,054,700 | $1,096,129 | $1,139,193 | $1,381,386 | $1,675,314 | $2,032,070 | $2,990,869 |
| NET OPERATING INCOME | $1,076,952 | $1,089,241 | $1,112,506 | $1,136,093 | $1,159,996 | $1,284,005 | $1,414,604 | $1,549,991 | $1,823,122 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $927,364 | $927,364 | $927,364 | $927,364 | $927,364 | $927,364 | $927,364 | $927,364 | $927,364 |
| 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 | $149,588 | $161,877 | $185,143 | $208,729 | $232,632 | $356,641 | $487,240 | $622,628 | $895,759 |
| DEBT COVERAGE RATIO | 1.16 | 1.17 | 1.20 | 1.23 | 1.25 | 1.38 | 1.53 | 1.67 | 1.97 |

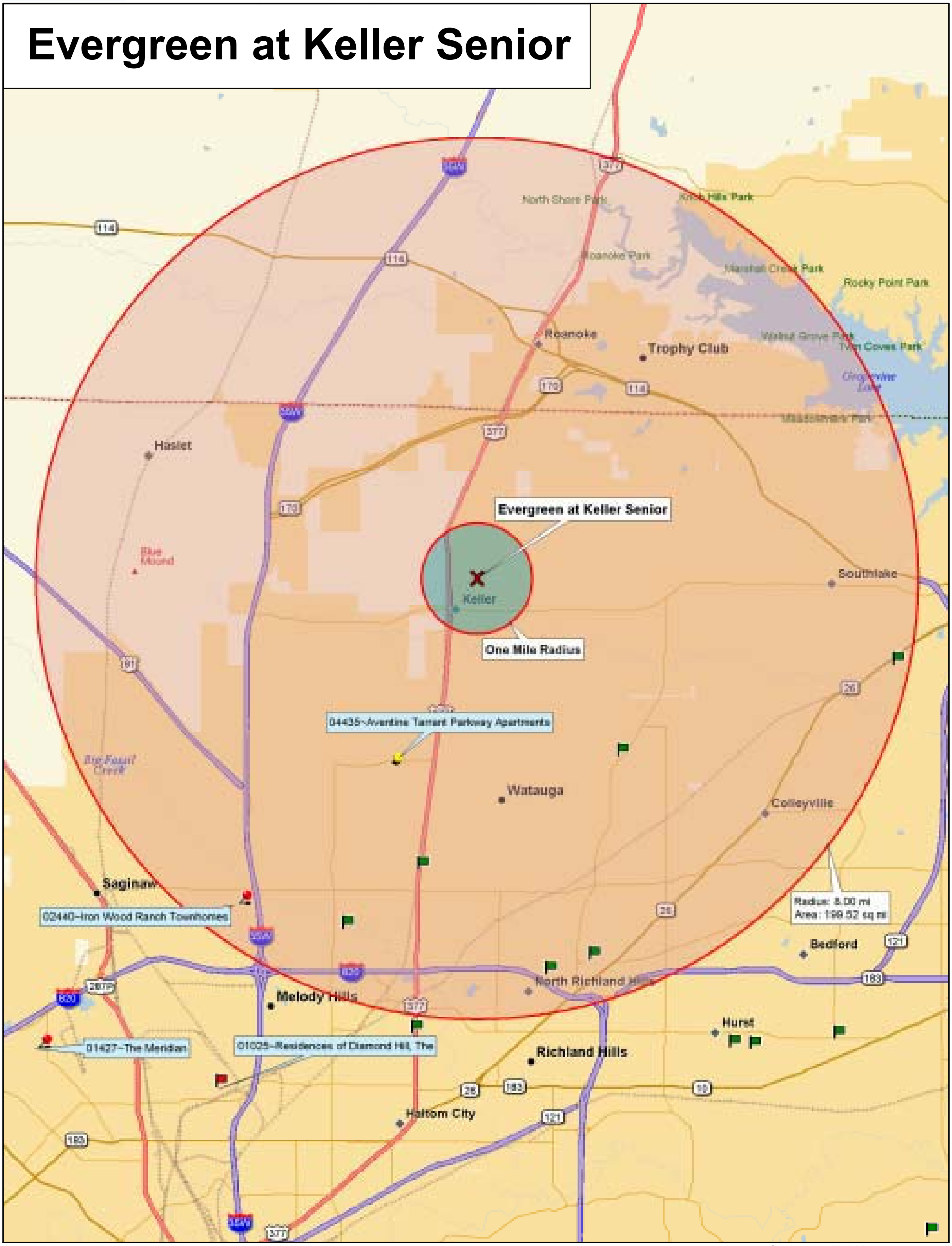
## LIHTC Allocation Calculation - Evergreen at Keller Senior Apartments, Keller, 4% HTC #04491

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $882,090 | $882,090 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,579,196 | $1,579,196 | $1,579,196 | $1,579,196 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $8,955,606 | $9,460,150 | $8,955,606 | $9,460,150 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $212,616 | $212,616 | $210,696 | $212,616 |
| Contractor profit | $531,540 | $531,540 | $531,540 | $531,540 |
| General requirements | $637,848 | $637,848 | $632,088 | $637,848 |
| **(5) Contingencies** | $318,924 | $318,924 | $318,924 | $318,924 |
| **(6) Eligible Indirect Fees** | $1,149,043 | $1,149,043 | $1,149,043 | $1,149,043 |
| **(7) Eligible Financing Fees** | $765,196 | $765,196 | $765,196 | $765,196 |
| **(8) All Ineligible Costs** | $1,317,938 | $1,295,210 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | $317,608 | $317,608 | $317,608 | $317,608 |
| Developer fee | $1,799,777 | $1,799,777 | $1,799,777 | $1,799,777 |
| **(10) Development Reserves** | $956,149 | $879,578 | [illegible] | [illegible] |
| **TOTAL DEVELOPMENT COSTS** | $19,423,531 | $19,828,775 | $16,259,674 | $16,771,898 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $16,259,674 | $16,771,898 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $16,259,674 | $16,771,898 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $16,259,674 | $16,771,898 |
| Applicable Percentage | | 3.54% | 3.54% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $575,592 | $593,725 |
| **Syndication Proceeds** | **0.8698** | **$5,006,653** | **$5,164,376** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$575,592** | **$593,725** |
| **Syndication Proceeds** | **$5,006,653** | **$5,164,376** |
| **Requested Credits** | **$559,597** | |
| **Syndication Proceeds** | **$4,867,520** | |
| **Gap of Syndication Proceeds Needed** | **$6,223,531** | |
| **Credit Amount** | **$715,491** | |

# Evergreen at Keller Senior



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Item

For King Fisher Creek (03000) approve the administrative correction of an error by the making of a binding 2004 commitment and approve a waiver of the 2004 Qualified Allocation Plan and Rules.

## Requested Action

Consider and approve the administrative correction of an error by the making of a binding 2004 commitment and grant a waiver of the 2004 QAP.

## Background and Recommendations

In July 2000, King Fisher Creek was awarded tax credits in the amount of $225,813 to develop 35 units in 3 buildings. The owner (King Fisher Creek, Ltd. represented by Tom McMullen) was unable to place the buildings in service by the IRS deadline of December 31, 2002; therefore on January 17, 2003, the carryover allocation expired. The owner requested relief from the Board in March 2003, asking that the development be given a new allocation of credits. The Board approved the owner's request and a commitment was made.

In accordance with IRS guidelines, a tax credit allocation is made in only one of two ways: a carryover allocation agreement is executed by both parties or an IRS Form 8609 is issued. In either case, the execution of the documents must be made by December 31 of the year of the allocation. In the case of King Fisher, neither of these events took place. At this time, because King Fisher was not issued the 8609 Forms or a carryover allocation by December 31, 2003, the development does not technically have an allocation of credits from 2003 (or any other year). However, in keeping with the Board's original intention to grant this development credits, staff has investigated ways to allocate credits to King Fisher. Staff has also asked the advice of outside tax credit counsel.

Staff is recommending that the project be awarded an allocation of 2004 credits (the credits are still available because they were already committed by the Board) by treating the commitment made in March 2003 by the Board as a binding commitment to make an allocation in 2004, and by using the IRS procedure for the correction of administrative errors to correct the failure of the 2003 documentation to make this clear. With the appropriate binding agreement in effect for 2003, credits may be allocated to the development in 2004. Accordingly, staff requests action to correct an administrative error such that the commitment made in March 2003 is treated as a binding commitment of 2004 credits in the amount of $225,813.

Additionally, because the development was originally awarded under, and built to the standards of, the 2000 QAP, staff requests a waiver of the application of the 2004 QAP to this application and that the development be required instead to satisfy the requirements of the 2000 QAP.

**Therefore staff recommends the following two actions:**

1. Approval to correct an administrative error such that the commitment made in March 2003 is treated as a binding commitment of 2004 credits in the amount of $225,813.
2. Because the development is already completed, it is impossible for the development to meet the requirements of either the 2003 or 2004 QAP. **Staff recommends that the development be granted a waiver from the 2004 QAP** (the QAP that would normally govern it assuming that approval of item 1 occurs). Consistent with §50.23(a) of the 2004 QAP, "The Board, in its discretion, may waive 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."

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Three requests for extensions to commence substantial construction and one to close the construction loan.

## Required Action

Approve or deny the requests for extensions associated with 2003 Housing Tax Credit commitments.

## Background

Pertinent facts about the developments requesting extensions are given below. The requests were each accompanied by a mandatory $2,500 extension request fee.

### The Pegasus Apartments, HTC Development No. 03184

Summary of Request: Applicant was originally the general contractor but closed the contracting business and was therefore required to find and retain a bonded general contractor for construction of the development. The process delayed the start of construction. $900,000 in hard cost had been expended on the development at the time of this request.

| | |
|---|---|
| Applicant: | Pegasus Villas, Ltd. |
| General Partner: | Pegasus Stemmons Development, Inc. (managing GP) and GLC Stemmons Development, Inc. (co-GP) |
| Principals/Interested Parties: | Sherman Roberts, Glenn Lynch |
| Syndicator: | To be determined |
| Construction Lender: | Western National Bank |
| Permanent Lender: | To be determined |
| Other Funding: | City of Dallas (forgivable loan) |
| City/County: | Dallas/Dallas |
| Set-Aside: | General/Elderly |
| Type of Development: | Acquisition/Rehabilitation |
| Units: | 124 HTC and 32 market rate units |
| 2003 Allocation: | $1,153,613 |
| Allocation per HTC Unit: | $9,303 |
| Extension Request Fee Paid: | $2,500 |
| Type of Extension Request: | Commencement of Substantial Construction |
| Note on Time of Request: | Request was submitted 11/23/04. Deadline was 10/13/04. |
| Current Deadline: | November 12, 2004 |
| New Deadline Requested: | February 12, 2005 |
| **New Deadline Recommended:** | **February 12, 2005** |
| Prior Extensions: | None |
| **Staff Recommendation:** | **Approve extension as requested.** |

**<u>La Casita Apartments, HTC Development No. 03248</u>**

<u>Summary of Request</u>: Construction was delayed by difficulties in obtaining clear title to the land. Applicant was on the verge of returning the credits when the landowner found a way to convey clear title at the end of October.

| | |
|---|---|
| Applicant: | HVM La Casita, Ltd. |
| General Partner: | HVM Housing, LLC |
| Principals/Interested Parties: | Dennis Hoover |
| Syndicator: | Raymond James |
| Construction Lender: | First State Bank |
| Permanent Lender: | USDA-RD |
| Other Funding: | NA |
| City/County: | La Casita/Starr |
| Set-Aside: | Rural/Elderly |
| Type of Development: | New Construction |
| Units: | 28 HTC units |
| 2003 Allocation: | $66,499 |
| Allocation per HTC Unit: | $2,375 |
| Extension Request Fee Paid: | $2,500 |
| Type of Extension Request: | Commencement of Substantial Construction |
| Note on Time of Request: | Request was submitted 11/17/04. Deadline was 10/13/04. |
| Current Deadline: | November 12, 2004 |
| New Deadline Requested: | July 1, 2005 |
| **New Deadline Recommended:** | **July 1, 2005** |
| Prior Extensions: | None |
| **Staff Recommendation:** | **Approve extension as requested. In view of the applicant's successful track record and the very small size of the development, staff believes that the development can be placed in service by the deadline of December 31, 2005.** |

**Village of Kaufman Apartments, HTC Development No. 03212**

Summary of Request: The development is subject to the Mark-to-Market Program with HUD's Office of Multifamily Housing Assistance Restructuring. The applicant submitted all necessary documents to HUD for HUD's issuance of a restructuring commitment on time, but the commitment was not delivered until early November giving the applicant no chance to comply with the twice extended deadline for closing the construction loan. Furthermore, the late delivery has also caused the applicant to exceed the November 12 deadline for commencement of construction.

| | |
|---|---|
| Applicant: | V.K. Affordable Housing, L.P. |
| General Partner: | Delphi Housing of Kaufman, Inc. |
| Principals/Interested Parties: | Dan O'Dea, Michelle Grant |
| Syndicator: | Paramount Financial Group |
| Construction Lender: | Davis-Penn Mortgage Company |
| Permanent Lender: | Davis-Penn Mortgage Company/HUD (assumption) |
| Other Funding: | NA |
| City/County: | Kaufman/Kaufman |
| Set-Aside: | General/At-Risk/Family |
| Type of Development: | Rehabilitation |
| Units: | 67 HTC units |
| 2003 Allocation: | $193,806 |
| Allocation per HTC Unit: | $2,893 |
| Extension Request Fee Paid: | $2,500 |
| Type of Extension Request: | Closing of construction loan |
| Note on Time of Request: | Request was submitted 12/1/04. Deadline was 12/9/04. |
| Current Deadline: | December 9, 2004 |
| New Deadline Requested: | January 11, 2005 |
| **New Deadline Recommended:** | **January 11, 2005** |
| Prior Extensions: | Construction loan closing extended from 9/10/04 to 12/9/04.<br>Construction loan closing extended from 6/11/04 to 9/10/04. |
| **Staff Recommendation:** | **Approve extension as requested. Please note that the applicant will be required to request an extension for commencement of construction, also. The deadline for commencement of construction was November 12, 2004.** |

Glenn Lynch Companies, Inc.
Real Estate Development • Construction • Management

RECEIVED
NOV 23 2004
LIHTC

November 22, 2004

Texas Department of Housing and Community Affairs
Attn: Ben Sheppard
507 Sabine, Suite 400
Austin, TX 78701

RE: The Pegasus
TDHCA #03184

Dear Mr. Sheppard:

Please accept this letter as our formal request to receive an extension of the requirement for the submission of the LIHTC Progress Report- Commencement of Construction. Enclosed is a check in the amount of $2,500.00 as required in the QAP.

Glenn Lynch Companies, Inc. has gone out of the construction business; therefore, we have now contracted with a bonded contractor. Please find attached a copy of the building permit to prove commencement. To date, all asbestos abatement and demolition have been completed. Framing, plumbing and electrical work are in progress. Approximately $900,000 of the hard construction budget has already been expended.

We respectfully request a ninety day extension of this progress report requirement. We will submit all required paperwork to Jo Taylor no later than February 12, 2004.

Thank you in advance for your consideration in this matter. If you have any questions, please contact me at (817) 341-1378.

Sincerely,

Glenn W. Lynch

1675 Fort Worth Highway • Weatherford, Texas 76086
Phone: (817) 341-1378 • Fax: (817) 341-1391 • Email: glynchcos@juno.com

# HAMILTON VALLEY MANAGEMENT, INC.

November 10th, 2004

Brooke Boston
Director Of Multifamily Finance Production
T.D.H.C.A.
507 Sabine Street
Austin, Texas 78711-3941

Re: La Casita Extension Request 03248

Mrs. Boston,

This letter will serve as a formal request to extend the deadline for Commencement of Substantial Construction. Due to extenuating circumstances, which I have explained below, it will not be feasible for us to make the current deadline of November the $12^{th}$. You will also find a check attached for the $2500.00 extension request fee.

As explained in the letter sent to you by Dennis Hoover, it proved to be a long and drawn out process for us to obtain a clear title commitment on the piece of land in La Casita that we wanted to build on. After months of trying to coordinate and collaborate with the owners, judges, title companies, and lawyers, we abandoned hope of ever obtaining a clear title to the land. We contacted Rural Development and requested a transfer of loan obligation, relinquished our credits back to you, and started looking for a new piece of land to build on next year.

Last week, the owner of the land contacted us, said that they had found a way to obtain a clear title commitment, and wondered if we were still interested in purchasing the land. We contacted Rural Development, inquired as to whether the loan obligation could still be granted on the piece of land, to which they replied that it could, and at that point Dennis Hoover contacted you and asked if the tax credits were still available for this allocation. From what I understand you are willing to give us the tax credits, but will need some sort of timeline with an expected start of construction, as well as a projected date for Commencement of Substantial Construction.

The way things look right now, it would probably take the rest of the month to obtain the title commitment, and from there we would need approved site and drainage plans, as well as a pre-construction conference with local and state Rural Development officers to

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E- mail: info@hamiltonvalley.com

approve all plans and budgets. All of this, on top of getting a crew started on site work and slabs, and with the holidays coming up, I do not forecast us being able to complete 50% of the slabs before July 1st of 2005. I realize this sounds like a ridiculous amount of time to complete site work and slabs, but we forecast a dramatic slowing down of the process when Rural Development and the title company try and agree on how the language and details of the commitment should be set out. This, in fact, was the deal killer on the last go-round. We are assured that it can be worked out by both sides, but also are sure that it will take some time to do so. We also have to have the subdivision plat reviewed, approved, and returned by Starr County, which in our past experience has taken months to accomplish. TxDOT has to review and approve our site and drainage plans, which will take some time, and through all of these steps, we have to keep USDA abroad of the happenings, and in agreement with any alterations or suggestions that any one of the previously mentioned departments might wish to implement. I am sure you are aware of all of these factors, but it seems increasingly difficult to accomplish such matters in the Lower Rio Grande Valley than it is to get it done here.

Please take all of the aforementioned items into consideration when reviewing this request for extension. We would also request of you to waive the $2500.00 fee, in lieu of the fact that we have made every effort to get this project off the ground, yet circumstances which we had no control over kept us from doing so.

If you should have any question regarding this, or any other matter, please do no hesitate to contact Dennis Hoover or me immediately.

Respectfully,

Benjamin Farmer
Hamilton Valley Management, Inc.
(512) 756-6809 ext. 20
P.O. Box 190
Burnet, Texas 78611

Dennis Hoover
Hamilton Valley Management, Inc.
(512) 756-6809 ext. 12
P.O. Box 190
Burnet, Texas 78611

# LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
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Austin, Texas 78701-4042

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Direct Number: (512) 305-4707
email: cbast@lockeliddell.com


December 1, 2004

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Village of Kaufman Apartments (the "Project")
TDHCA No. 03212

Dear Brooke:

We represent the owner of the above-referenced Project. The owner hereby requests a 60-day extension for the deadline to close its construction loan.

As you know, this is a rehabilitation and preservation Project, working through the Mark-to-Market program with HUD. Working through this program, the owner has experienced numerous delays. These delays were enumerated in the owner's previous request for an extension of the construction loan closing deadline, which was heard by the TDHCA Board on September 9. At that time, the owner thought that HUD's issuance of a restructuring commitment was imminent and, therefore, a 90-day extension would be adequate for closing. In fact, the restructuring commitment was not actually received by the owner until early November. A copy of the restructuring commitment is attached for your reference.

With the restructuring commitment in hand, the owner believes that it is much closer to construction loan closing. However, with the holidays coming, the owner wants to make sure it has enough cushion in the deadline. Thus, the owner believes that this request for a 60-day extension is reasonable and the closing of the construction loan can occur within that time.

The owner is aware of the placed in service deadline for the Project and is confident that the planned rehabilitation can be completed timely, despite the delay in the construction loan closing. We sincerely appreciate your understanding of the unforeseeable delays faced by the owner in the Mark-to-Market process and your accommodation of this request. Please let me know if you need anything further.

Sincerely,

Cynthia L Bast

Cynthia L. Bast

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Item

Requests for amendments to Housing Tax Credit (HTC) applications involving material changes.

## Requested Action

Approve or deny the requests for amendments.

## Background and Recommendations

§2306.6712, Texas Government Code, classifies some changes as "material alterations" that must be approved by the Board. Each request below includes one or more material alterations. Pertinent facts about the developments requesting approval are summarized below. The recommendation of staff is given at the end of each write-up.

### Sun Meadow Apartments, HTC Development No. 99197

Summary of Request: The original general partner was removed for defaulting on the partnership agreement. After the removal, Applicant discovered that 10 SEER AC units had been installed instead of 12 SEER units as represented in the application. The installation of 12 SEER units was one of four energy features which collectively scored 3 points. Applicant believes that the original general partner was never aware of the error. Applicant stated that the replacement of the units already installed would be financially infeasible. Therefore, Applicant requests approval to substitute 10 SEER AC units for 12 SEER units.

| | |
|---|---|
| Governing Law: | §2306.6712, Texas Government Code. The code indicates that the Board should determine if an amendment (1) would materially alter the development in a negative manner and (2) would have adversely affected the selection of the application in the application round. |
| Applicant: | Amstar Partners—1, LP |
| General Partner: | Community Action Corporation of South Texas (CACOST) (nonprofit managing GP) |
| Developer: | Amstar Building and Development (same principals as GP that was removed) |
| Principals/Interested Parties: | CACOST; Simpson Housing Solutions is the limited partner. |
| Syndicator: | Simpson Housing Solutions |
| Construction Lender: | Simpson Housing Solutions |
| Permanent Lender: | Wachovia |
| Other Funding: | NA |
| City/County: | Alamo/Hidalgo |
| Set-Aside: | Rural/Prison Communities |
| Type of Area: | Rural |
| Type of Development: | New Construction |

| | |
|---|---|
| Population Served: | Family |
| Units: | 76 HTC units |
| 1999 Allocation: | $310,330 |
| Allocation per HTC Unit: | $4,083 |
| Prior Board Actions: | 7/30/99 - Approved award of tax credits. |
| Underwriting Reevaluation: | The Real Estate Analysis Division concluded that the amendment would not undermine the feasibility of the development. The effect of the change, if any, on the amount of the allocation will be determined at the time that the cost certification is reviewed. |
| **Staff Recommendation:** | **Staff recommends that the Board approve the request. Analysis of the scoring for 1999 suggests that the applicant would have received an award even without the 3 points garnered for this scoring item. Furthermore, the award cannot now be returned and reissued because the federal deadline for reissue has expired. Therefore, to retain the benefit of the tax credits for the state, the property must continue to operate as affordable housing. The AC units have now been in place for 3 years and correcting the error is financially infeasible. It is important to note that the owner has also acted to improve management, thereby reducing the likelihood of future problems.** |

**Valley View Apartments, HTC Development No. 02103**

Summary of Request: Applicant requests approval to change the applicable fraction to allow the development to contain 100% tax credit units. The application was approved for an award with an applicable fraction of 95%. If the applicable fraction had been proposed as 100%, the application would have scored two points lower, but the lower score would not have affected the selection of the application for an award of tax credits. Applicant requests the change because of the slow lease-up rate of the market rate units and to increase cash flow to pay the deferred developer fee within 15 years.

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|---|---|
| Governing QAP: | 2002 QAP, §49.7(k). The QAP requires the Board's approval for a modification of the number of units in the development. Although the total number of units in the subject would not change, there would be a change in the number of rent restricted units. |
| Applicant: | Valley View, Ltd. |
| General Partner: | South Texas Economic Development Corporation, Inc. (100% GP) |
| Developer: | South Texas Economic Development Corporation, Inc. |
| Principals/Interested Parties: | Mike Lopez (Executive Director of GP) |
| Syndicator: | SunAmerica |
| Construction Lender: | SunAmerica |
| Permanent Lender: | First National Bank |
| Other Funding: | NA |
| City/County: | Pharr/Hidalgo |
| Set-Aside: | General |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Family |
| Units: | 121 HTC units and 7 market rate units |
| 2002 Allocation: | $899,933 |
| Allocation per HTC Unit: | $7,437 as is, $7,031 as proposed |
| Prior Board Actions: | 7/29/02 - Approved award of tax credits. |
| Underwriting Reevaluation: | The Real Estate Analysis Division concluded that although the amendment would not undermine the feasibility of the development, the need for the change was not substantiated nor well supported by the applicant. The effect of the change, if any, on the amount of the allocation will be determined at the time that the cost certification is reviewed. |
| **Staff Recommendation:** | **Approve the request because the award would not have been affected and the increase in affordable units in the subject area outweighs, in staff's opinion, the benefit of having market rate units in the development.** |

**Lilac Gardens Apartments, HTC Development No. 03134**

Summary of Request: Applicant requests approval to correct Exhibit 1C of the 2003 Application. The exhibit states that 8 units will exist for tenants with disabilities. The exhibit was completed under the understanding that the rehabilitation development would be required to comply with the same Section 504 requirements as are required for new construction. The Board stated in the October meeting that developments are not required to comply with requirements in excess of the requirements of 504. Section 504 does not make the same requirements of rehabilitations as of new construction unless the cost of the rehabilitation is 75% or more of the replacement cost of the completed facility. Therefore, the Board's statement in October clarifies that the applicant was not necessarily required to list the 8 units in Exhibit 1C. The construction that must be completed to comply with 504 remains to be determined by and between the applicant and the Department.

| | |
|---|---|
| Governing QAP | 2003 QAP, Section 49.18(c). The Board considered a part of this request in October. |
| Applicant: | Lilac Way, L.P. |
| General Partner: | Edgewater Group of El Paso, Inc. |
| Developer: | Edgewater Group of El Paso, Inc. |
| Principals/Interested Parties: | Doug Gurkin (50%), Wooten Epps (50%) |
| Syndicator: | Texas Housing Finance Corporation |
| Construction Lender: | JP Morgan Chase (IRP loan) |
| Permanent Lender: | JP Morgan Chase |
| Other Funding: | NA |
| City/County: | El Paso/El Paso |
| Set-Aside: | At Risk |
| Type of Area: | Urban |
| Type of Development: | Rehabilitation |
| Population Served: | Family |
| Units: | 148 LIHTC units |
| 2003 Allocation: | $685,609 |
| Allocation per HTC Unit: | $4,633 |
| Other Funding: | NA |
| Prior Board Actions: | Awarded credits in August of 2003 |
| Underwriting Reevaluation: | The Real Estate Analysis Division concluded that the amendment would not undermine the feasibility of the development. The effect of the change, if any, on the amount of the allocation will be determined at the time that the cost certification is reviewed. |
| **Staff Recommendation:** | **Approve a change to Exhibit 1C to show that the applicant is not obligated to provide a specific number of accessible units at this time but only with the understanding that compliance with 504 will be required.** |

**Arcadia Village Apartments, HTC Development No. 03196**

Summary of Request: Applicant requests approval to change the development from 26 single family residences to 16 single family residences and 5 duplexes. Although the zoning was approved during the application round, changes in the site plans of some of the scattered sites of this development are required to comply with the final variances that were approved.

| | |
|---|---|
| Governing QAP: | 2003 QAP, Section 49.18(c). The QAP requires the Board's approval for (1) a significant modification of the site plan and (2) a significant modification of the architectural design of the development. |
| Applicant: | Pineywoods Arcadia Home Team, Ltd. |
| General Partner: | Pineywoods Home Team Affordable Housing, Inc. (managing GP); Trout and Trout Development, LLC (co-GP) |
| Developer: | Pineywoods Home Team Affordable Housing, Inc. |
| Principals/Interested Parties: | Doug Dowler, Executive Director of managing GP; Howard Trout, Jr., principal of co-GP and guarantor; Jerry Moore, guarantor |
| Syndicator: | SunAmerica |
| Construction Lender: | Regions Bank |
| Permanent Lender: | GMAC Commercial Mortgage and HUD |
| Other Funding: | NA |
| City/County: | Center/Shelby |
| Set-Aside: | Nonprofit |
| Type of Area: | Rural |
| Type of Development: | New Construction |
| Population Served: | Family |
| Units: | 26 HTC units |
| 2003 Allocation: | $227,836 |
| Allocation per HTC Unit: | $6,855 |
| Prior Board Actions: | 7/30/03 - Approved award of tax credits. |
| Underwriting Reevaluation: | The Real Estate Analysis Division concluded that the amendment would not undermine the feasibility of the development. The effect of the change, if any, on the amount of the allocation will be determined at the time that the cost certification is reviewed. |
| **Staff Recommendation:** | **Approve the request. Although the QAP requires Board approval to comply with the specifics of §2306.6712 of government code, the changes that would result from approving the amendment would not have been significant to the selection of the application for an award of tax credits.** |

**Palacio Del Sol Apartments, HTC Development No. 04005**
**(formerly 03207, a 2003 forward commitment)**

Summary of Request: Applicant requests approval to change the unit mix from 50 1-BR and 150 2-BR units to 112 1-BR and 88 2-BR units, with a change in the square footage of the net rentable area from 156,800 to 154,472 square feet (a 1.5% decrease) and a change in common area from 4,782 to 6,268 square feet (a 31.1% increase). The change is necessary because HUD will not allow a change in the existing Section 8 subsidy, which is for 106 1-BR units. The additional 6 1-BR units, beyond the 106 required by HUD, are necessary to allow the creation of desirable building designs.

| | |
|---|---|
| Governing QAP: | 2004 QAP, §50.18(c). The QAP requires the Board's approval for any modification of the bedroom mix of units. |
| Applicant: | TX Palacio Housing, LP |
| General Partner: | TX Palacio Development, LLC (100% GP) |
| Developer: | Mexican American Unity Council |
| Principals/Interested Parties: | Mexican American Unity Council (owner of GP, Frances J. Teran, President/CEO); Southwest Housing Development (consultant) |
| Syndicator: | Paramount Financial Group |
| Construction Lender: | GMAC Commercial Mortgage and HUD |
| Permanent Lender: | GMAC Commercial Mortgage and HUD |
| Other Funding: | NA |
| City/County: | San Antonio/Bexar |
| Set-Aside: | At-Risk, Nonprofit, Elderly |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 160 HTC units and 40 market rate units |
| 2004 Allocation: | $1,096,828 |
| Allocation per HTC Unit: | $6,855 |
| Prior Board Actions: | 7/28/04 - Approved award of tax credits. |
| Underwriting Reevaluation: | The Real Estate Analysis Division concluded that the amendment would not undermine the feasibility of the development. The effect of the change, if any, on the amount of the allocation will be determined at the time that the cost certification is reviewed. |
| **Staff Recommendation:** | **Approve the request. The development is for elderly tenants. Therefore the request is not affected by the rule for ineligible building types and the changes that would result from approving the amendment would not have been significant to the selection of the application for an award of tax credits.** |

# MULTI-HOUSING TAX CREDIT PARTNERS XXV

320 Golden Shore,Suite 200
Long Beach, CA 90802-4217
(562) 256-2000


November 12, 2004

Texas Department of Housing & Community Affairs
TDHCA Multifamily Finance Production Division
P.O. Box 13941
Austin, TX 78711-3941
Att: Mr. Ben Sheppard

**RE: Amstar Partners – I, LP [TCID#99197]**
**Alamo, Texas**

Dear Mr. Sheppard:

The purpose of this letter is to request approval for an application amendment on the above-referenced project. Specifically, Amstar Partners-I, LP is requesting TDHCA's approval of air conditioning systems with 10 SEER rating. The partnership benefited from points in the Energy Efficiency category of the 1999 Standard Multifamily Application for providing air conditioning systems with a 12 SEER or above rating.

The reason for the change in air conditioning units can only be explained by poor oversight on the part of the previous general partner. TDHCA recently approved the removal and substitution of the partnership's former general partner, Amstar Building & Development. Unfortunately, it appears Amstar Building & Development approved value engineering that included the change in specified air conditioner without understanding the application conflict.

The 10-SEER condensing units were installed during the original construction in 2002 and are not returnable. It is not financially feasible to replace the 10-SEER units with 12-SEER units at this time.

I ask that you view this request in the context of the partnership's good faith efforts to comply with its application and monitoring obligations. Please contact me with any questions you may have related to this submission at (562) 394-1041. My mailing address is the same as that given for the limited partner on the above letterhead.

Yours truly,

AMSTAR PARTNERS – I, LP

By: MULTI-HOUSING TAX CREDIT PARTNERS XXV,
a California Limited Partnership,

Its: Limited Partner

By: Multi-Housing Investments, LLC,
a Colorado limited liability company,
Its General Partner

By: ______________________
Simon Fraser
Assistant Project Manager

SOUTH TEXAS
ECONOMIC DEVELOPMENT
CORPORATION, INC.
1800 NORTH TEXAS, WESLACO, TEXAS 78596
Phone No. 956-969-5865 - Fax 956-969-5863

September 24, 2004

Ms. Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing & Community Affairs
507 Sabine Street, Suite 400
Austin, Texas 78711

**Re: Valley View Apartments in Pharr, Texas**
**TDHCA Development # 02103**

Dear Brooke:

Please accept this letter as a request for the TDHCA's approval to make a change to our application concerning the applicable fraction referenced in the original application for Valley View Apartments (the "Property"). In the original application, we agreed to provide 95% low-income units and 5% market-rate units. We would like to modify our original application to allow us to offer 100% low-income units and to have an applicable fraction of 100%.

We are requesting this change because:

1. Valley View is having difficulty leasing the market rate units. As of this date, we have leased over 62 units, but only 1 market rate unit. Making this change will allow us to lease up more quickly and to provide more affordable housing for tenants in our area.
2. Since the original application, the credit percentage has remained very low. Increasing the applicable fraction from 95% to 100% will allow us to minimize the effect of credit adjusters and allow our deferred developer fee to be repaid within 15 years.

In the original application, we received 2 points for agreeing to provide 5% market-rate units. Converting the 7 market-rate units to low-income units would not have affected the selection of the Application in the Application Round at all. Please find below a table of the 7 highest-scoring applications in Region 8B from the 2002 application round. As you can see, the loss of these 2 points would not have affected the selection of Valley View Apartments:

EDGEWATER
AFFORDABLE HOUSING

**Doug Gurkin**
1805 Lakehurst Road
Spicewood, TX 78669
(512) 264-1020 office
(512) 264-3052 fax
(512) 423-0521 mobile

**Wooten Epes**
128 Normandy Road
Little Rock, AR 72207
(501) 766-4554 office
(501) 664-7507 fax

**Deborah Welchel**
21518 Patton Avenue
Lago Vista, TX 78645
(512) 267-7432 office
(512) 267-4377 fax
(512) 826-3880 mobile

**George Schmidt**
34 Lone Oak Trail
Austin, TX 78745
(512) 680-1600 office
(512) 233-0860 fax

RECEIVED
NOV 16 2004
LIHTC

November 16, 2004

Ms. Edwina P. Carrington
Executive Director
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: Edgewater Affordable Housing, L. P.
Lilac Gardens Apartments
HTC No. 03134

Ms. Carrington:

On April 14, 2004, Edgewater Affordable Housing requested an amendment for the Lilac Garden Apartment, HTC #03134 for items that were not considered material to the award of the tax credits for the property.

On June 10, 2004, the TDHCA Board approved only two items of the requested amendment. The third item of the requested amendment was not included in the Action Item and no action was taken at that time. This item dealt with an error in the application documents concerning unit composition.

The disposition of the third item has been the subject of frequent conversations between Edgewater Affordable Housing, L. P. and TDHCA staff since that date.

This error is located on Exhibit 1C, LIHTC Application Supplement from the 2003 Low Income Housing Tax Credit application for Lilac Garden Apartments (attached). When filling out the application, 8 units for Handicapped / Developmentally Disabled were listed as included in the development. This was done based on a misunderstanding that the only way to comply with the QAP with respect to the provisions of Section 504, such units must be provided.

The Owner and Architect determined that substantial alterations to 5% of the dwelling units to be make them accessible for persons with mobility impairments and that an additional 2% of the units shall be altered to be made accessible for persons with hearing or vision impairments was not required to be in compliance with the provisions of Section 504.

The construction documents were thus completed and submitted to TDHCA for review and did not including substantial alterations to 5% of the dwelling units and an additional 2% of the units were not made accessible for persons with hearing or vision impairments.

On Pages 7 and 8 of the Construction Document Review provided by ARCCON for TDHCA (attached), ARCCON stated that indeed UFAS/Section 504 (mobility units) and UFAS/Section 504 (sensory units) were not provided in the construction documents. On Page 8 of its review concerning the comments on Page 7, ARCCON stated that "project must comply with Section 504 if cost of construction exceeds 75% of replacement cost when complete".

The construction cost of the proposed work does not exceed 75% of the completed cost of the facility.

Therefore, based on this information, the construction of the project has proceeded and is over 50% complete without inclusion of substantial alterations to 8 units to meet the requirements for Handicapped / Developmentally Disabled.

Edgewater Affordable Housing, L.P. respectfully requests to amend its application for the Lilac Gardens Apartments HTC #03134 to change the unit composition to show the number of units designated family as 158 and the number of units designated Handicapped / Developmentally Disabled as 0.

Thanking you in advance for you consideration,

Edgewater Affordable Housing, L.P.

Wm Douglas Gurkin by djw

William D. Gurkin
President

PINEYWOODS HOME TEAM AFFORDABLE HOUSING, INC.

1610 South First Street, Suite 202
Lufkin, Texas 75901
(936) 637-7607

RECEIVED
OCT 25 2004
LIHTC

October 22, 2004

Texas Department of Housing & Community Affairs
Multifamily Finance Production Division
507 Sabine, Suite 400
Austin, Texas 78711

Attn: Brooke Boston, Director

Subject: TDHCA File # 03196
Arcadia Village, 26-Unit Single Family Development
In Center, Texas - Request for Amendment

Dear Ms. Boston:

With respect to Arcadia Village, TDHCA # 03196, we request your approval of the following change:

This development will consist of 26 rental units; 16 single-family homes and five duplexes. The original award was for 26 single-family units.

The reason for this request for change is due to an amendment to the City of Center City Ordinance Number 2004-6, which governs Design and Construction Specifications.

Listed on the following page are the documents being enclosed.

Sincerely yours,

Douglas R. Dowler
Executive Director

Enclosures

MAUC

Mexican American Unity Council, Inc.

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

OCT 28 AM 7:59

Yolanda Arellano
Chair

Frances J. Terán
President/CEO

October 25, 2004

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

RE: Palacio Del Sol (TDHCA # 04005) – Amendment of Application.

Dear Ms. Boston:

This is a request to amend the 2003 Low Income Housing Tax Credit ("LIHTC") Application submitted for Palacio Del Sol (the "Project"), a 200-unit elderly development in San Antonio, Texas, with 160 LIHTC units. TX Palacio Housing, L.P.. ("Project Owner") received a forward commitment for an annual allocation of 2004 Housing Tax Credits in the amount of $1,096,828. A copy of the 2004 Housing Tax Credit Commitment Notice ("Commitment") dated effective September 11, 2003, is enclosed.

The Project Owner requests that the LIHTC Application be amended to change the unit mixture from 51 1-bedroom and 150 2-bedroom units (1 unit being designated for a manager) to 112 1-bedroom units and 88 2-bedroom units.

The Project replaces an existing HUD Section 202 development with new construction housing. The Commitment contains a condition that at a minimum a total of 106 project-based Section 8 vouchers must remain with the Project upon prepayment of the Section 202 loan. Investigation into the Housing Assistance Payments Contract ("HAP") indicates that the 106 project-based Section 8 vouchers are all allocated to one-bedroom units. In order to keep the HAP in place, the Project Owner requests amendment of the Application to reflect 112 1-bedroom units and 88 2-bedroom units. The increase from 106 to 112 1-bedroom units is necessitated by the previously-existing design elements of the buildings.

TDULA/603661.1/SWH/005470-000014

When it was determined that the HAP required all of the Section 8 households to be 1-bedroom units, the Project Owner explored the possibility of getting the HAP changed to accommodate the original unit mixture by permitting some Section 8 tenants to have 2-bedroom units. HUD was contacted concerning a possible amendment of the HAP, and HUD indicated that the HAP could not be modified to change the unit mix.

The TDHCA has already been apprised of the need for the unit mixture change. As the recipient of a forward commitment, the Project Owner was required to demonstrate compliance with the threshold requirements of the 2004 Qualified Allocation Plan ("QAP"). Pursuant to a letter dated March 4, 2004 from Ms. Boston, the Project Owner was required to provide evidence of all changes made to the proposed Project to conform with the 2004 QAP by May 31, 2004. In providing the revisions and supporting documentation to evidence conformance, the Project Owner made the changes to the unit mixture necessitated by the requirement that the HAP be retained and submitted the necessary revisions to the LIHTC Application. These revisions were reviewed and approved by TDHCA staff. The documentation has not changed since May 31, 2004, but for your convenience in the review of this request for amendment, copies of the following previously submitted items are enclosed:

1. Exhibit 3, Part C – Development Cost Schedule;

2. Exhibit 3, Part F – Annual Operating Expenses;

3. Exhibit 3, Part G – 30-Year Rental Housing Operating Proforma;

4. Exhibit 4, Part B – Summary Sources and Uses of Funds;

5. Exhibit 5, Part A – Rent Schedule; and

6. Exhibit 5, Part B – Utility Allowances.

In accordance with the TDHCA's requirements for an Amendment Request, the following items, which have not been previously submitted, are also enclosed:

7. Revised site plan;

8. Revised building plans; and

9. Revised unit plans.

Although the proposed change in unit mix reduces the overall net rentable area, the unit sizes are still in excess of the threshold requirements for elderly units set forth in the 2004 QAP. The change in unit mixture does not result in a loss of points under the LIHTC Application, as originally filed.

Thank you very much for your consideration of this request. If you have any questions concerning this project, please do not hesitate to call me at the telephone number shown above or Fernando S. Godinez, VP of Finance, or our developer, Southwest Housing Corporation (Mr. Deepak Sulakhe at (214) 891-7839).

Very truly yours,

Mexican America Unity Council, Inc.

Frances J. Teran

Frances J. Teran
President/CEO

Enclosures

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Request approval of award of 2005 Housing Tax Credits in accordance with the 2004 Housing Tax Credit Rural Rescue Policy.

## Required Action

Approve issuance of 2005 Housing Tax Credits for Rural Rescue Development Mountainview Apartments in Alpine, Texas; Villa Apartments in Marfa, Texas; and Oasis Apartments in Fort Stockton, Texas.

## Background and Recommendations

In May 2004, the Board approved a Rural Rescue Policy that enables 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 housing tax credits from the 2005 credit ceiling.

At this time, three Rural Rescue applications are being recommended for 2005 Housing Tax Credits under this policy. All have been reviewed for threshold and as required by the policy, have been scored. The applications have been reviewed for financial feasibility and for their compliance record.

The developments have been receiving subsidies from USDA-RD since their construction in the early 1980's. The original owner died approximately four years ago and the properties were no longer able to keep their financial commitments. USDA-RD accelerated the loans in preparation for foreclosure and sale. Because USDA-RD determined that this housing was very significant to low-income individuals, they agreed to offer additional subsidies in an effort to maintain it for low-income tenants. USDA-RD worked for three years with a non profit organization to save the properties, but was unsuccessful. The current applicant got involved in the developments after the 2004 tax credit applications were due (March 1, 2004). Because USDA-RD did not want to postpone the foreclosure another year, the Rural Rescue Policy enabled the applicant to apply for tax credits immediately. If awarded tax credits, the owners will be able to prevent the foreclosure and sale of the developments and preserve the affordable units.

Below is a summary of each application. Attached are the Development Profile, Applicant Previous Participation Evaluation and Multifamily Underwriting Analysis for the applications. Consistent with the Rural Rescue Policy, the credits, if awarded, will be attributed to the Rural, USDA and At-Risk Allocation in that region for 2005.

**<u>Mountainview Apartments, HTC Development No. 05001</u>**

This applicant was originally awarded credits of $62,316 at the October Board meeting. The applicant subsequently submitted additional information to substantiate an increase in credits (being reissued as a new commitment) in the total amount of $66,861.

| | |
|---|---|
| **Applicant Name** | Alpine Mountainview, Ltd. |
| **City** | Alpine |
| **Region** | 13 |
| **Set-Aside** | USDA and At-Risk |
| **Score** | 82 |
| **Amount Recommended** | **$66,861** |
| **Amount Requested** | $67,500 |
| **Staff Recommendation** | **Based on the above review, staff recommends that Mountainview Apartments be issued Housing Tax Credits from the 2005 Housing Tax Credit Ceiling in the amount of $66,861.** |

**<u>Villa Apartments, HTC Development No. 05002</u>**

| | |
|---|---|
| **Applicant Name** | Marfa Villa, Ltd. |
| **City** | Marfa |
| **Region** | 13 |
| **Set-Aside** | USDA and At-Risk |
| **Score** | 89 |
| **Amount Recommended** | **$32,432** |
| **Amount Requested** | $32,587 |
| **Staff Recommendation** | **Based on the above review, staff recommends that Villa Apartments be issued Housing Tax Credits from the 2005 Housing Tax Credit Ceiling in the amount of $32,432.** |

**<u>Oasis Apartments, HTC Development No. 05003</u>**

| | |
|---|---|
| **Applicant Name** | Fort Stockton Oasis, Ltd. |
| **City** | Fort Stockton |
| **Region** | 12 |
| **Set-Aside** | USDA and At-Risk |
| **Score** | 78 |
| **Amount Recommended** | **$55,422** |
| **Amount Requested** | $55,889 |
| **Staff Recommendation** | **Based on the above review, staff recommends that Oasis Apartments be issued Housing Tax Credits from the 2005 Housing Tax Credit Ceiling in the amount of $55,422.** |

**HOUSING TAX CREDIT PROGRAM**

# 2004 HTC/RURAL RESCUE DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Mountainview Apartments** TDHCA#: 05001

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Alpine | QCT: N | DDA: N | TTC: N |
| Development Owner: | Alpine Mountainview, Ltd | | | |
| General Partner(s): | Doublekaye Corporation, 50%, Contact: James Brawner | | | |
| | Gary L. Kersch, 50% | | | |
| Construction Category: | Acquisition/Rehab | | | |
| Set-Aside Category: | USDA-RD & At-Risk | | | |
| Development Type: | Family | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $67,500 Eligible Basis Amt: $66,861 Equity/Gap Amt.: $73,612

**Annual Tax Credit Allocation Recommendation: $66,861**

Total Tax Credit Allocation Over Ten Years: $668,610

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 56 HTC Units: 55 (1 EO unit) % of HTC Units: 100

Gross Square Footage: 37,932 Net Rentable Square Footage: 37,536

Average Square Footage/Unit: 670

Number of Buildings: 5

Currently Occupied: Y

**Development Cost**

Total Cost: $1,960,503 Total Cost/Net Rentable Sq. Ft.: $52.23

**Income and Expenses**

Effective Gross Income:[1] $227,794 Ttl. Expenses: $161,809 Net Operating Inc.: $65,986

Estimated 1st Year DCR: 1.17

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Town & Country Management Co. |
| Attorney: | Wilson, Sterling & Russell, LLP | Architect: | Barbutti & Associates |
| Accountant: | Brenda P. McElwee P.C | Engineer: | EL Investment Consultants |
| Market Analyst: | N/A | Lender: | USDA |
| Contractor: | CrisCourt Construction, Inc. | Syndicator: | Boston Capital |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Frank L. Malda, District 19 - NC<br>Rep. Pete P. Gallego, District 74 - NC<br>Mayor Mickey Clouse - NC |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

## CONDITION(S) TO COMMITMENT

1. Receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.
2. Should the terms and rates of the proposed debt or syndication or rents approved by USDA 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).
Rural Rescue Award

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-ADDENDUM

**DATE:** November 30, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 05001

## DEVELOPMENT NAME

Mountainview Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Alpine Mountainview, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 7217 McNeil Drive | | | **City:** | Austin | **State:** | TX |
| **Zip:** | 78729 | **Contact:** | James Brawner | **Phone:** | (512) 331-5173 | **Fax:** | (512) 331-4774 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Doublekaye Corporation | **(%):** | 0.025 | **Title:** | Managing General Partner |
| **Name:** | Gary L. Kersch | **(%):** | 0.025 | **Title:** | Co-General Partner |
| **Name:** | Doublekaye Corporation | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Gary L. Kersch | **(%):** | N/A | **Title:** | 49% Owner of Doublekaye Corporation |
| **Name:** | M. Laure Kersch | **(%):** | N/A | **Title:** | 51% Owner of Doublekaye Corporation |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 801 North Orange Street | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Alpine | **County:** | Brewster | **Zip:** | 79830 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $67,500 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits

**Proposed Use of Funds:** Acquisition/rehab **Property Type:** Multifamily

**Special Purpose (s):** General population, At-Risk, Rural, USDA-RD

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $66,861 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval due to the fact that the “Housing Quality Standards Checklist” provided by the USDA was dated October 2001 and a more current inspection is required;
2. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs prior to the initial closing on the property;
3. Should the terms and rates of the proposed debt or syndication or rents approved by USDA change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## FINANCING STRUCTURE

### PERMANENT FINANCING

**Source:** USDA **Contact:** Mike Meehan

**Principal Amount:** $1,107,000 **Interest Rate:** 1%

**Additional Information:** Assuming existing loan

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $38,481 **Lien Priority:** 1st **Commitment Date** / /

### PERMANENT FINANCING

**Source:** USDA **Contact:** Mike Meehan

**Principal Amount:** $350,000 (anticipated) **Interest Rate:** 1%

**Additional Information:** Rehab loan, commitment provided unspecified amount and unspecified terms

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $13,509 **Lien Priority:** 2nd **Commitment Date** 7/ 04/ 2004

### TAX CREDIT SYNDICATION

**Source:** Boston Capital **Contact:** Jennifer Robichaud

**Net Proceeds:** $485,999 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 72¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 6/ 3/ 2004

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $17,504 **Source:** Deferred Developer Fee

### ADDENDUM

The Applicant on October 14, 2004 was awarded a Housing Credit Allocation Amount of $62,316 annually for the acquisition/rehab of Mountainview Apartments in Alpine.

The Applicant has since that date re-submitted a new rent schedule reflecting an increased annual gross income of $4,846, new annual operating expenses reflecting $7,108 less in annual expenses, a new cost schedule reflecting $144,369 in increased costs and a new appraisal increasing the value from $1,063,000 to $1,107,000. The Applicant included the entire approved value associated with the favorable financing to the building rather than prorating it between the land and building. The Underwriter did make this prorated allocation which results in a slightly lower credit recommendation of $66,861 than the revised request of $67,500 but still more than the original request and recommendation. Based on the new request the amount of deferred developer fee actually goes up by $3K but is still repayable within ten years.

### SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.

**Underwriter:** _Carl Hoover_ **Date:** November 30, 2004

**Director of Real Estate Analysis:** _Tom Gouris_ **Date:** November 30, 2004

# MULTIFAMILY COMPARATIVE ANALYSIS-ADDENDUM

***Mountainview Apartments, Alpine, HTC, File #05001***

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| HTC (60%) | 32 | 1 | 1 | 612 | $384 | $340 | $10,880 | $0.56 | $44.00 | $16.00 |
| HTC (60%) | 23 | 2 | 1 | 748 | $444 | $390 | 8,970 | 0.52 | $54.00 | 22.00 |
| EO | 1 | 2 | 1 | 748 | 0 | 0 | 0 | 0.00 | $54.00 | 22.00 |
| TOTAL: | 56 | | AVERAGE: | 670 | $402 | $354 | $19,850 | $0.53 | $48.29 | $18.57 |

| INCOME | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| Total Net Rentable Sq Ft: | 37,536 | | | | | Comptroller's Region | | 13 |
| POTENTIAL GROSS RENT | | | | $238,200 | $238,200 | | IREM Region | |
| Secondary Income | Per Unit Per Month: | | $12.00 | 8,064 | 8,064 | $12.00 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 0 | | | | |
| POTENTIAL GROSS INCOME | | | | $246,264 | $246,264 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (18,470) | (18,468) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $227,794 | $227,796 | | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 2.27% | $92 | 0.14 | $5,176 | $7,750 | $0.21 | $138 | 3.40% |
| Management | | 8.22% | 334 | 0.50 | 18,720 | 19,200 | 0.51 | 343 | 8.43% |
| Payroll & Payroll Tax | | 16.61% | 676 | 1.01 | 37,839 | 38,600 | 1.03 | 689 | 16.94% |
| Repairs & Maintenance | | 10.33% | 420 | 0.63 | 23,522 | 25,400 | 0.68 | 454 | 11.15% |
| Utilities | | 1.58% | 64 | 0.10 | 3,605 | 7,100 | 0.19 | 127 | 3.12% |
| Water, Sewer, & Trash | | 6.69% | 272 | 0.41 | 15,250 | 17,710 | 0.47 | 316 | 7.77% |
| Property Insurance | | 8.66% | 352 | 0.53 | 19,735 | 14,700 | 0.39 | 263 | 6.45% |
| Property Tax | 2.418355 | 8.62% | 351 | 0.52 | 19,637 | 19,150 | 0.51 | 342 | 8.41% |
| Reserve for Replacements | | 7.38% | 300 | 0.45 | 16,800 | 14,130 | 0.38 | 252 | 6.20% |
| Other: Compl. Fees, Misc. | | 0.67% | 27 | 0.04 | 1,525 | 1,525 | 0.04 | 27 | 0.67% |
| TOTAL EXPENSES | | 71.03% | $2,889 | $4.31 | $161,809 | $165,265 | $4.40 | $2,951 | 72.55% |
| NET OPERATING INC | | 28.97% | $1,178 | $1.76 | $65,986 | $62,531 | $1.67 | $1,117 | 27.45% |
| **DEBT SERVICE** | | | | | | | | | |
| USDA | | 18.76% | $763 | $1.14 | $42,727 | $42,727 | $1.14 | $763 | 18.76% |
| USDA | | 5.93% | $241 | $0.36 | 13,509 | 13,509 | $0.36 | $241 | 5.93% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 4.28% | $174 | $0.26 | $9,750 | $6,295 | $0.17 | $112 | 2.76% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.17 | 1.11 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.17 | | | | |

**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) | | 55.45% | $19,768 | $29.49 | $1,107,000 | $1,107,000 | $29.49 | $19,768 | 56.47% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 1.51% | 539 | 0.80 | 30,200 | 30,200 | 0.80 | 539 | 1.54% |
| Direct Construction | | 18.75% | 6,684 | 9.97 | 374,311 | 374,311 | 9.97 | 6,684 | 19.09% |
| Contingency | 10.00% | 2.03% | 722 | 1.08 | 40,451 | 40,451 | 1.08 | 722 | 2.06% |
| General Req'ts | 6.00% | 1.22% | 433 | 0.65 | 24,270 | 24,270 | 0.65 | 433 | 1.24% |
| Contractor's G & A | 2.00% | 0.41% | 144 | 0.22 | 8,090 | 8,090 | 0.22 | 144 | 0.41% |
| Contractor's Profit | 6.00% | 1.22% | 433 | 0.65 | 24,270 | 24,270 | 0.65 | 433 | 1.24% |
| Indirect Construction | | 2.78% | 989 | 1.48 | 55,402 | 55,402 | 1.48 | 989 | 2.83% |
| Ineligible Costs | | 1.16% | 413 | 0.62 | 23,100 | 23,100 | 0.62 | 413 | 1.18% |
| Developer's G & A | 2.00% | 1.64% | 585 | 0.87 | 32,755 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 10.66% | 3,802 | 5.67 | 212,907 | 248,009 | 6.61 | 4,429 | 12.65% |
| Interim Financing | | 0.92% | 329 | 0.49 | 18,400 | 18,400 | 0.49 | 329 | 0.94% |
| Reserves | | 2.27% | 808 | 1.21 | 45,250 | 7,000 | 0.19 | 125 | 0.36% |
| TOTAL COST | | 100.00% | $35,650 | $53.19 | $1,996,405 | $1,960,503 | $52.23 | $35,009 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *25.12%* | ***$8,957*** | ***$13.36*** | ***$501,592*** | ***$501,592*** | ***$13.36*** | ***$8,957*** | *25.58%* |

**SOURCES OF FUNDS**

| | % | Per Unit | Per SF | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| USDA | 55.45% | $19,768 | $29.49 | $1,107,000 | $1,107,000 | $1,107,000 | Developer Fee Available |
| USDA | 17.53% | $6,250 | $9.32 | 350,000 | 350,000 | 350,000 | $248,009 |
| HTC Syndication Proceeds | 24.34% | $8,679 | $12.95 | 485,999 | 485,999 | 457,329 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.88% | $313 | $0.47 | 17,504 | 17,504 | 46,175 | 0.186180743 |
| Additional (excess) Funds Required | 1.80% | $641 | $0.96 | 35,902 | 0 | (0) | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $1,996,405 | $1,960,503 | $1,960,503 | $178,086 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $1,107,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.54 |

| | | | |
|---|---|---|---|
| **Secondary** | $350,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Additional** | $485,999 | Term | |
| Int Rate | | Aggregate DCR | 1.17 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $42,727 |
| Secondary Debt Service | 13,509 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $9,750 |

| | | | |
|---|---|---|---|
| **Primary** | $1,107,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.54 |

| | | | |
|---|---|---|---|
| **Secondary** | $350,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Additional** | $485,999 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.17 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $238,200 | $245,346 | $252,706 | $260,288 | $268,096 | $310,797 | $360,299 | $417,685 | $561,334 |
| Secondary Income | 8,064 | 8,306 | 8,555 | 8,812 | 9,076 | 10,522 | 12,198 | 14,140 | 19,003 |
| Other Support Income: (describ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 246,264 | 253,652 | 261,261 | 269,099 | 277,172 | 321,319 | 372,496 | 431,825 | 580,337 |
| Vacancy & Collection Loss | (18,470) | (19,024) | (19,595) | (20,182) | (20,788) | (24,099) | (27,937) | (32,387) | (43,525) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $227,794 | $234,628 | $241,667 | $248,917 | $256,384 | $297,220 | $344,559 | $399,439 | $536,812 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $5,176 | $5,383 | $5,598 | $5,822 | $6,055 | $7,367 | $8,963 | $10,905 | $16,142 |
| Management | 18,720 | 19,282 | 19,860 | 20,456 | 21,070 | 24,425 | 28,316 | 32,826 | 44,115 |
| Payroll & Payroll Tax | 37,839 | 39,353 | 40,927 | 42,564 | 44,266 | 53,857 | 65,525 | 79,721 | 118,007 |
| Repairs & Maintenance | 23,522 | 24,462 | 25,441 | 26,459 | 27,517 | 33,478 | 40,732 | 49,556 | 73,356 |
| Utilities | 3,605 | 3,749 | 3,899 | 4,055 | 4,217 | 5,131 | 6,243 | 7,595 | 11,243 |
| Water, Sewer & Trash | 15,250 | 15,860 | 16,494 | 17,154 | 17,840 | 21,706 | 26,408 | 32,129 | 47,559 |
| Insurance | 19,735 | 20,524 | 21,345 | 22,199 | 23,087 | 28,089 | 34,175 | 41,579 | 61,547 |
| Property Tax | 19,637 | 20,423 | 21,239 | 22,089 | 22,973 | 27,950 | 34,005 | 41,372 | 61,241 |
| Reserve for Replacements | 16,800 | 17,472 | 18,171 | 18,898 | 19,654 | 23,912 | 29,092 | 35,395 | 52,393 |
| Other | 1,525 | 1,586 | 1,649 | 1,715 | 1,784 | 2,171 | 2,641 | 3,213 | 4,756 |
| TOTAL EXPENSES | $161,809 | $168,094 | $174,625 | $181,411 | $188,463 | $228,085 | $276,099 | $334,292 | $490,358 |
| NET OPERATING INCOME | $65,986 | $66,534 | $67,042 | $67,506 | $67,921 | $69,135 | $68,460 | $65,147 | $46,454 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $42,727 | $42,727 | $42,727 | $42,727 | $42,727 | $42,727 | $42,727 | $42,727 | $42,727 |
| Second Lien | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $9,750 | $10,299 | $10,807 | $11,270 | $11,686 | $12,899 | $12,225 | $8,911 | ($9,782) |
| DEBT COVERAGE RATIO | 1.17 | 1.18 | 1.19 | 1.20 | 1.21 | 1.23 | 1.22 | 1.16 | 0.83 |

## LIHTC Allocation Calculation - Mountainview Apartments, Alpine, HTC, File #05001

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | | | |
| Purchase of land | $29,000 | $44,650 | | | | |
| Purchase of buildings | $1,078,000 | $1,062,350 | $1,078,000 | $1,062,350 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | |
| On-site work | $30,200 | $30,200 | | | $30,200 | $30,200 |
| Off-site improvements | | | | | | |
| **(3) Construction Hard Costs** | | | | | | |
| New structures/rehabilitation hard costs | $374,311 | $374,311 | | | $374,311 | $374,311 |
| **(4) Contractor Fees & General Requirements** | | | | | | |
| Contractor overhead | $8,090 | $8,090 | | | $8,090 | $8,090 |
| Contractor profit | $24,270 | $24,270 | | | $24,270 | $24,270 |
| General requirements | $24,270 | $24,270 | | | $24,270 | $24,270 |
| **(5) Contingencies** | $40,451 | $40,451 | | | $40,451 | $40,451 |
| **(6) Eligible Indirect Fees** | $55,402 | $55,402 | $5,000 | | $50,402 | $55,402 |
| **(7) Eligible Financing Fees** | $18,400 | $18,400 | | | $18,400 | $18,400 |
| **(8) All Ineligible Costs** | $23,100 | $23,100 | | | | |
| **(9) Developer Fees** | | | | $159,353 | | $86,309 |
| Developer overhead | | $32,755 | | | | |
| Developer fee | $248,009 | $212,907 | $162,450 | | $85,559 | |
| **(10) Development Reserves** | $7,000 | $45,250 | $162,450 | $159,353 | $85,559 | $86,309 |
| **TOTAL DEVELOPMENT COSTS** | $1,960,503 | $1,996,405 | $1,245,450 | $1,221,703 | $655,953 | $661,703 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Deduct from Basis:** | | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | | |
| Non-qualified non-recourse financing | | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | | |
| Historic Credits (on residential portion only) | | | | | | |
| **TOTAL ELIGIBLE BASIS** | | | $1,245,450 | $1,221,703 | $655,953 | $661,703 |
| High Cost Area Adjustment | | | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | | $1,245,450 | $1,221,703 | $655,953 | $661,703 |
| Applicable Fraction | | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | | $1,245,450 | $1,221,703 | $655,953 | $661,703 |
| Applicable Percentage | | | 3.55% | 3.55% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | $44,213 | $43,370 | $23,286 | $23,490 |
| **Syndication Proceeds** | | **0.6840** | **$302,420** | **$296,654** | **$159,279** | **$160,675** |
| **Total Credits (Eligible Basis Method)** | | | | | **$67,500** | **$66,861** |
| **Syndication Proceeds** | | | | | **$461,699** | **$457,329** |
| **Requested Credits** | | | | | **$67,500** | |
| **Syndication Proceeds** | | | | | **$461,700** | |
| **Gap of Syndication Proceeds Needed** | | | | | **$503,503** | |
| **Credit Amount** | | | | | **$73,612** | |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** October 4, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 05001

## DEVELOPMENT NAME

Mountainview Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Alpine Mountainview, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 7217 McNeil Drive | | | **City:** | Austin | **State:** | TX |
| **Zip:** | 78729 | **Contact:** | James Brawner | **Phone:** | (512) 331-5173 | **Fax:** | (512) 331-4774 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Doublekaye Corporation | **(%):** | 0.025 | **Title:** | Managing General Partner |
| **Name:** | Gary L. Kersch | **(%):** | 0.025 | **Title:** | Co-General Partner |
| **Name:** | Doublekaye Corporation | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Gary L. Kersch | **(%):** | N/A | **Title:** | 49% Owner of Doublekaye Corporation |
| **Name:** | M. Laure Kersch | **(%):** | N/A | **Title:** | 51% Owner of Doublekaye Corporation |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 801 North Orange Street | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Alpine | **County:** | Brewster | **Zip:** | 79830 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $62,491 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits

**Proposed Use of Funds:** Acquisition/rehab **Property Type:** Multifamily

**Special Purpose (s):** General population, At-Risk, Rural, USDA-RD

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $62,316 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval due to the fact that the "Housing Quality Standards Checklist" provided by the USDA was dated October 2001 and a more current inspection is required;
2. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs prior to the initial closing on the property;
3. Should the terms and rates of the proposed debt or syndication or rents approved by USDA 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:** | 56 | **# Rental Buildings** | 5 | **# Common Area Bldgs** | 1 | **# of Floors** | 2 | **Age:** | 22 yrs | **Vacant:** | 5 | at 4/ 1/ 2004 |

**Net Rentable SF:** 37,536 **Av Un SF:** 670 **Common Area SF:** 396 **Gross Bldg SF:** 37,932

### STRUCTURAL MATERIALS

The structure is a wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior is comprised as follows: 94% brick veneer/5% plywood siding and 1% wood trim. The interior wall surfaces are drywall and the pitched roof is 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, refrigerator, tile shower, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning.

### ON-SITE AMENITIES

A 396-square foot office/laundry building is located at the entrance to the property. In addition a picnic area, play area and playground equipment is planned for the site.

**Uncovered Parking:** 85 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Mountainview Apartments is a relatively dense (16.9 units per acre) acquisition and rehabilitation development of 56 units of affordable income housing located in west Alpine. The development was built in 1983 and is comprised of five sporadically distributed medium garden style walk-up low-rise residential buildings as follows:

- 2 Building Type A with 12 one-bedroom/one-bath units;
- 1 Building Type B with 8 one-bedroom/one-bath units;
- 2 Building Type C with 12 two- bedroom/one-bath units;

**Existing Subsidies:** The project is currently financed with a Texas Rural Development loan through USDA to an unrelated Third Party (Estate of bob Rogers). Presently the property has been accelerated and is at risk of foreclosure. The Applicant has applied for an assumption to this Section 515 and will be subject to income and rent restrictions under that program. Furthermore, the project is expected to secure rental assistance for all rental units. The property currently has 40 units using Section 8 vouchers from the local housing authority which has stimulated occupancy. The Applicant has indicated that at least some of the voucher residents may not be eligible to live at the property after it is placed into service due to their student status. To the extent these residents are still eligible for the vouchers but have to move they will relocate with the vouchers at there own expense.

**Development Plan:** As of April 1, 2004 there were five vacant units. The buildings are currently in a deteriorated state. The architect's scope of work includes: replacement of resilient flooring and carpeting, replacement of all kitchen countertops sinks and ranges, replacement of tubs with fiberglass tub/shower enclosures. Exterior rehabilitation includes: install new chain link fences and wood fences, remove and replace exterior doors and re-shingle all buildings adding ridge vents. Paint all exterior and interior areas and recondition all varnished wood surfaces. In lieu of a formal Property Condition Assessment, the Applicant submitted a Housing Quality Standards Checklist report completed by USDA and a work write-up completed by a third party architect. The HQS checklist does not include specific cost estimates but the needs reflected on the checklist appear to generally conform to the Applicant's work write-up. The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be no permanent displacement or relocation of existing residents by reason of the rehabilitation of the property. Once the property is acquired, any units that become vacant will not be leased. The renovation will start by first completely renovating the vacant units. Once completed, existing residents will move into the recently renovated units. Once existing tenants are relocated into the renovated units, the remaining units will be renovated.

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

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 3.3 acres 143,748 square feet **Zoning/ Permitted Uses:** R-3

**Flood Zone Designation:** Zone AE & AO **Status of Off-Sites:** Fully improved

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Alpine is located in the western area of the state, approximately 165 miles southwest from Midland/Odessa in Brewster County. The site is a rectangularly-shaped parcel located in the western area of Alpine. The site is situated on the west side of North Orange Street.

**Adjacent Land Uses:**

- **North:** retirement center immediately adjacent;
- **South:** West El Paso Street immediately adjacent;
- **East:** North Orange Street immediately adjacent; and
- **West:** manufactured home subdivision immediately adjacent;

**Site Access:** Access to the property is from the east or west along West El Paso Street or the north or south from North Orange Street. The development has two entries, one from the north or south from North Orange Street and one from the east or west from West El Paso Street. Access to Interstate Highway 67 is less than one mile south, which provides connections to all other major roads serving the Alpine area.

**Public Transportation:** There is no local Public Transportation in the neighborhood, which is common in rural areas.

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

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

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

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Fifty-five of the units will be reserved for low income households and one will be employee occupied. All fifty-five units will be reserved for households earning 60% or less of AMGI. USDA already restricts rents for all of the units. The rent roll as of April 2004 reflects basic rents of $244 and $277. It appears the Applicant is anticipating basic rents that are higher than the current basic rents.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 60% of AMI | $18,000 | $20,520 | $23,100 | $25,680 | $27,720 | $29,760 |

## MARKET HIGHLIGHTS

A Market Study report was not included, as USDA-RD financed projects are not required to submit this report, but an “As Is” Appraisal dated August 26, 2004 from Sherrill & Associates, Inc. was provided.

**Population:** Brewster County had a population of 8,866 in the year 2000 and has increased by 2.5 percent over the 1990 census, and it had 9,247 in 2003 which is an increase of 4.3% over year 2000.

The subject development is currently 91% occupied and due to the rental assistance; it is likely the existing tenants that are eligible will choose to remain at the property and the remaining of the units will be able to be filled with the neediest on a first come first serve basis. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment projects totaling sixty plus units in the market area. (p. 42 Appraisal)

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $340 | $437 | -$97 | $300 | +$40 |
| **2-Bedroom (60%)** | $385 | $523 | -$138 | $400 | -$15 |

(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)

**Other Relevant Information:** "The subject apartment project was built primarily with public funds or government guarantees and the rents are supported with government subsidies, in an area that the typical market would not support the cost to reproduce. Market sales of similar properties were not readily available and the sales found have very little validity because of the numerous adjustments that would be needed. Therefore, the Sales Comparison Approach is not included in this appraisal." (p. 23 Appraisal)

The Underwriter is aware of two other previously funded developments by TDHCA in Alpine; a 24 unit 1998 funded Alpine Retirement Community using HOME funds and a 36 unit HTC development funded in 1993. The HTC property appears to be all one bedroom units located about one mile northeast of the subject. Owners financial certifications have not been submitted and were not required for this older HTC development. The Alpine Retirement Community development was completed in 2001 but has not been performing well and has been operating at a 50% or greater vacancy for several years. The principal of the current owner of both the subject and Alpine Retirement are the same and the poor performance for both has been attributed to the death of this principal, Bob Rogers, several years ago. In addition to being poorly marketed in the past, Alpine Retirement is also age restricted and the demand for elderly units is said to be lower here than in nearby Marfa. It is hoped that the release of the Section 8 vouchers from the subject will provide opportunity to Alpine Retirement. The Underwriter was also informed that the new and prospective property management company for the subject was also recently hired as the property management company for Alpine Retirement. Prospectively thought the rents of the Alpine Retirement Community are $60 less per unit than the proposed rents at the subject, the subject has 100% rental assistance and can rent to a much larger income range.

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

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's proposed basic rents are $96 higher for the one-bedroom units and $108 higher for the two-bedroom units than the current rents. These rents have not been approved by USDA as of this date and will be a condition of this report. Estimates of secondary income are set at $12.00/unit, which is just below TDHCA's underwriting guideline. Vacancy and collection losses are $6.1K lower than TDHCA's underwriting guidelines. Though the Applicant will be receiving project based rental assistance from USDA for 55 units as has the prior owner, occupancy has not historically been at or above 95% as projected. In fact current occupancy is less than 90% justifying the Underwriter's use of the standard vacancy and collection estimates.

**Expenses:** The Applicant's estimate of total operating expense is just $2.8K higher than the Underwriter's TDHCA database-derived estimate. The Underwriter compared line item expenses to both the database-derived estimate and the development's historical operating expenses. The Underwriter adjusted the general & administrative expense, utilities, water-sewer-trash, and property insurance based on the development's historical operating statement.

**Conclusion:** 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. 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

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: (3.3) acres** | $29,000 | **Date of Valuation:** | 8/ 26/ 2004 |
| **Existing Building(s): "as is"** | $690,000 | **Date of Valuation:** | 8/ 26/ 2004 |
| **Total Development: "as is"** | $719,000 | **Date of Valuation:** | 8/ 26/ 2004 |

**Appraiser:** Jerry Sherrill **City:** Arlington **Phone:** (817) 557-1791

### APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Jerry Sherrill, SRA, SRPA dated August 26, 2004. The appraisal provides two values: "as-is" and land value. For the "as-is" valuation, the primary approach used was the income approach. The underlying land is valued at $29,000. Therefore, the total eligible basis is estimated at $1,755,368.

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: (3.3) acres** | $25,666 | **Assessment for the Year of:** | 2003 |
| **Building:** | $295,194 | **Valuation by:** | Brewster County Appraisal District |
| **Total Assessed Value:** | $320,860 | **Tax Rate:** | 2.418355 |

## EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Transfer of real estate security | | |
| **Contract Expiration Date:** | / / | **Anticipated Closing Date:** | / / |
| **Acquisition Cost:** | $997,000 | **Other Terms/Conditions:** | USDA accelerated loan |
| **Seller:** | Hacienda Square Apartments (Bob A. Rogers estate) | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The Applicant submitted a Real Estate Purchase Agreement wherein the Applicant is purchasing the property for $997,000. The agreement indicates that the Applicant will assume the $997,000 unpaid principal balance of the Seller's promissory note owed to USDA. The appraiser concluded that the market value of the entire property is $719,000, which is $278K less than the sales price. USDA representatives have indicated they will allow a property to be sold at a cost that is higher than the appraised value only if the owner/seller can document that the exit tax liability to transfer the property is more than the exit tax liability to foreclose the property, resulting in a higher purchase price. Since this is an arms-length transaction the inference that is made by the lower appraised value does not affect the eligibility of the entire acquisition cost less the land value. If the USDA restricts the transfer price of this transaction, a re-evaluation at the credit recommendation should be conducted. The Applicant provided correspondence from USDA that appears to assure the structure as proposed by the Applicant. The appraisal concluded the "as-is" market value of the land to be $29,000 or 4% of the total appraised value. When this percentage is applied to the arm's length sales price a prorata land value of $40,213 is calculated. This value is greater than the assessed value for the land. Thus, the Underwriter has used the most conservative building value approach of using prorata appraised value for the land and subtracted the sales price to conclude a value for the existing buildings of $956,787, or 96% of the total value of the subject property.

**Sitework Cost:** Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of $539 per unit.

**Direct Construction Cost:** The Applicant's scope of work is detailed and consistent with the cost breakdown. The work write-up line item costs appear reasonable and thus the direct construction cost totals $374,311 and is the basis of the Underwriter's cost analysis.

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

**Conclusion:** As is the case with most rehabilitation transactions the Applicant's total development cost estimate is within 5% of the Underwriter's estimate due to the lack of independent verification of the Applicant's costs. Therefore the Underwriter's costs are in essence the Applicant's costs adjusted for any miscalculated eligible basis. Thus the Applicant's cost as adjusted by the Underwriter and reflected in the TDHCA Column is used to calculate the eligible basis and determine the HTC allocation. As a result the difference of acquisition value an eligible basis of $1,755,368 is used to determine a credit allocation of $62,316 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### PERMANENT FINANCING

**Source:** USDA **Contact:** Mike Meehan

**Principal Amount:** $997,000 **Interest Rate:** 1%

**Additional Information:** Assuming existing loan

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $38,481 **Lien Priority:** 1st **Commitment Date** / /

### PERMANENT FINANCING

**Source:** USDA **Contact:** Mike Meehan

**Principal Amount:** $350,000 (anticipated) **Interest Rate:** 1%

**Additional Information:** Rehab loan, commitment provided unspecified amount and unspecified terms

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

**Annual Payment:** $13,509 **Lien Priority:** 2nd **Commitment Date** 7/ 04/ 2004

### TAX CREDIT SYNDICATION

**Source:** Boston Capital **Contact:** Jennifer Robichaud

**Net Proceeds:** $451,218 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 72¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 6/ 3/ 2004

**Additional Information:**

### APPLICANT EQUITY

**Amount:** $17,916 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Permanent Financing:** The current USDA loan will be assumed by the Applicant. The existing note carries a balance of $997,000. The existing note's stated interest rate is unconfirmed as of the date of this report. The effective rate will be 1% as long as USDA affordability requirements are met. USDA will also provide a $350,000 loan for the rehabilitation of the property. The effective annual payments for the USDA loans will an estimated $51,990 per year based on the 1% interest 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 $17,916 amounts to 8% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $62,316 annually for ten years, resulting in syndication proceeds of approximately $426,238. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $42,896, which represents approximately 19% of the eligible fee and is repayable out of cash flow over ten years of stabilized operation.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

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

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, DoubleKaye Corporation, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $425K and consisting of $179K in current assets and $247K in other assets. Liabilities totaled $66K, resulting in a net worth of $359K.
- The principals of the General Partner, Gary L. and Laure Kersch, submitted an unaudited financial statement as of April 30, 2003 and certified again on March 19, 2004 that are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- Gary Kersch, the 49% owner of the Developer Doublekaye Corporation has completed ten affordable housing developments totaling 258 units since 1989.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | October 4, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | October 4, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Mountainview Apartments, Alpine, HTC, File #05001***

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| HTC (60%) | 32 | 1 | 1 | 612 | $384 | $340 | $10,880 | $0.56 | $44.00 | $16.00 |
| HTC (60%) | 23 | 2 | 1 | 748 | $439 | $385 | 8,855 | 0.51 | $54.00 | 22.00 |
| EO | 1 | 2 | 1 | 748 | 0 | 0 | 0 | 0.00 | $54.00 | 22.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **TOTAL:** | 56 | | **AVERAGE:** | 670 | $400 | $352 | $19,735 | $0.53 | $48.29 | $18.57 |

| **INCOME** | Total Net Rentable Sq Ft: | 37,536 | TDHCA | APPLICANT | | |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $236,820 | $236,820 | Comptroller's Region | 13 |
| | | | | | IREM Region | |
| Secondary Income | Per Unit Per Month: | $12.00 | 8,064 | 8,064 | $12.00 | Per Unit Per Month |
| Other Support Income: (describe) | | | 0 | | | |
| POTENTIAL GROSS INCOME | | | $244,884 | $244,884 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (18,366) | (12,240) | -5.00% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $226,518 | $232,644 | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 2.29% | $92 | 0.14 | $5,176 | $7,750 | $0.21 | $138 | 3.33% |
| Management | | 8.26% | 334 | 0.50 | 18,720 | 19,200 | 0.51 | 343 | 8.25% |
| Payroll & Payroll Tax | | 16.70% | 676 | 1.01 | 37,839 | 38,600 | 1.03 | 689 | 16.59% |
| Repairs & Maintenance | | 10.38% | 420 | 0.63 | 23,522 | 25,400 | 0.68 | 454 | 10.92% |
| Utilities | | 1.59% | 64 | 0.10 | 3,605 | 7,100 | 0.19 | 127 | 3.05% |
| Water, Sewer, & Trash | | 6.73% | 272 | 0.41 | 15,250 | 17,710 | 0.47 | 316 | 7.61% |
| Property Insurance | | 8.71% | 352 | 0.53 | 19,735 | 14,700 | 0.39 | 263 | 6.32% |
| Property Tax | 2.418355 | 8.67% | 351 | 0.52 | 19,637 | 19,150 | 0.51 | 342 | 8.23% |
| Reserve for Replacements | | 7.42% | 300 | 0.45 | 16,800 | 13,470 | 0.36 | 241 | 5.79% |
| Other: Compl. Fees, Misc. | | 4.10% | 166 | 0.25 | 9,293 | 9,293 | 0.25 | 166 | 3.99% |
| TOTAL EXPENSES | | 74.86% | $3,028 | $4.52 | $169,577 | $172,373 | $4.59 | $3,078 | 74.09% |
| NET OPERATING INC | | 25.14% | $1,017 | $1.52 | $56,941 | $60,271 | $1.61 | $1,076 | 25.91% |
| **DEBT SERVICE** | | | | | | | | | |
| USDA | | 16.99% | $687 | $1.03 | $38,481 | $38,481 | $1.03 | $687 | 16.54% |
| USDA | | 5.96% | $241 | $0.36 | 13,509 | 13,509 | $0.36 | $241 | 5.81% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 2.19% | $88 | $0.13 | $4,951 | $8,281 | $0.22 | $148 | 3.56% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.10 | 1.16 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.10 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 53.80% | $17,804 | $26.56 | $997,000 | $997,000 | $26.56 | $17,804 | 54.90% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 1.63% | 539 | 0.80 | 30,200 | 30,200 | 0.80 | 539 | 1.66% |
| Direct Construction | | 20.20% | 6,684 | 9.97 | 374,311 | 374,311 | 9.97 | 6,684 | 20.61% |
| Contingency | 8.00% | 1.75% | 578 | 0.86 | 32,360 | 32,360 | 0.86 | 578 | 1.78% |
| General Req'ts | 6.00% | 1.31% | 433 | 0.65 | 24,270 | 24,270 | 0.65 | 433 | 1.34% |
| Contractor's G & A | 2.00% | 0.44% | 144 | 0.22 | 8,090 | 8,090 | 0.22 | 144 | 0.45% |
| Contractor's Profit | 6.00% | 1.31% | 433 | 0.65 | 24,270 | 24,270 | 0.65 | 433 | 1.34% |
| Indirect Construction | | 2.48% | 821 | 1.23 | 46,000 | 46,000 | 1.23 | 821 | 2.53% |
| Ineligible Costs | | 1.52% | 502 | 0.75 | 28,100 | 28,100 | 0.75 | 502 | 1.55% |
| Developer's G & A | 1.93% | 1.58% | 522 | 0.78 | 29,224 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 10.62% | 3,516 | 5.25 | 196,909 | 226,133 | 6.02 | 4,038 | 12.45% |
| Interim Financing | | 0.99% | 329 | 0.49 | 18,400 | 18,400 | 0.49 | 329 | 1.01% |
| Reserves | | 2.38% | 789 | 1.18 | 44,188 | 7,000 | 0.19 | 125 | 0.39% |
| TOTAL COST | | 100.00% | $33,095 | $49.37 | $1,853,322 | $1,816,134 | $48.38 | $32,431 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *26.63%* | ***$8,813*** | ***$13.15*** | ***$493,501*** | ***$493,501*** | ***$13.15*** | ***$8,813*** | *27.17%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| USDA | 53.80% | $17,804 | $26.56 | $997,000 | $997,000 | $997,000 | Developer Fee Available |
| USDA | 18.89% | $6,250 | $9.32 | 350,000 | 350,000 | 350,000 | $226,133 |
| HTC Syndication Proceeds | 24.35% | $8,057 | $12.02 | 451,218 | 451,218 | 426,238 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.97% | $320 | $0.48 | 17,916 | 17,916 | 42,896 | 0.189691465 |
| Additional (excess) Funds Required | 2.01% | $664 | $0.99 | 37,188 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $1,853,322 | $1,816,134 | $1,816,134 | $64,543 |

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

***Mountainview Apartments, Alpine, HTC, File #05001***

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $997,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.48 |

| | | | |
|---|---|---|---|
| **Secondary** | $350,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $451,218 | Term | |
| Int Rate | | Aggregate DCR | 1.10 |

## RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $38,481 |
| Secondary Debt Service | 13,509 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $4,951 |

| | | | |
|---|---|---|---|
| **Primary** | $997,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.48 |

| | | | |
|---|---|---|---|
| **Secondary** | $350,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $451,218 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $236,820 | $243,925 | $251,242 | $258,780 | $266,543 | $308,996 | $358,211 | $415,265 | $558,082 |
| Secondary Income | 8,064 | 8,306 | 8,555 | 8,812 | 9,076 | 10,522 | 12,198 | 14,140 | 19,003 |
| Other Support Income: (describ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 244,884 | 252,231 | 259,797 | 267,591 | 275,619 | 319,518 | 370,409 | 429,406 | 577,085 |
| Vacancy & Collection Loss | (18,366) | (18,917) | (19,485) | (20,069) | (20,671) | (23,964) | (27,781) | (32,205) | (43,281) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $226,518 | $233,313 | $240,313 | $247,522 | $254,948 | $295,554 | $342,628 | $397,200 | $533,804 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $5,176 | $5,383 | $5,598 | $5,822 | $6,055 | $7,367 | $8,963 | $10,905 | $16,142 |
| Management | 18,720 | 19,282 | 19,860 | 20,456 | 21,070 | 24,425 | 28,316 | 32,826 | 44,115 |
| Payroll & Payroll Tax | 37,839 | 39,353 | 40,927 | 42,564 | 44,266 | 53,857 | 65,525 | 79,721 | 118,007 |
| Repairs & Maintenance | 23,522 | 24,462 | 25,441 | 26,459 | 27,517 | 33,478 | 40,732 | 49,556 | 73,356 |
| Utilities | 3,605 | 3,749 | 3,899 | 4,055 | 4,217 | 5,131 | 6,243 | 7,595 | 11,243 |
| Water, Sewer & Trash | 15,250 | 15,860 | 16,494 | 17,154 | 17,840 | 21,706 | 26,408 | 32,129 | 47,559 |
| Insurance | 19,735 | 20,524 | 21,345 | 22,199 | 23,087 | 28,089 | 34,175 | 41,579 | 61,547 |
| Property Tax | 19,637 | 20,423 | 21,239 | 22,089 | 22,973 | 27,950 | 34,005 | 41,372 | 61,241 |
| Reserve for Replacements | 16,800 | 17,472 | 18,171 | 18,898 | 19,654 | 23,912 | 29,092 | 35,395 | 52,393 |
| Other | 9,293 | 9,665 | 10,051 | 10,453 | 10,871 | 13,227 | 16,092 | 19,579 | 28,982 |
| TOTAL EXPENSES | $169,577 | $176,172 | $183,027 | $190,149 | $197,550 | $239,141 | $289,550 | $350,658 | $514,584 |
| NET OPERATING INCOME | $56,941 | $57,141 | $57,286 | $57,373 | $57,397 | $56,413 | $53,078 | $46,542 | $19,220 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $38,481 | $38,481 | $38,481 | $38,481 | $38,481 | $38,481 | $38,481 | $38,481 | $38,481 |
| Second Lien | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 | 13,509 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $4,951 | $5,151 | $5,296 | $5,383 | $5,407 | $4,423 | $1,088 | ($5,447) | ($32,770) |
| DEBT COVERAGE RATIO | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.09 | 1.02 | 0.90 | 0.37 |

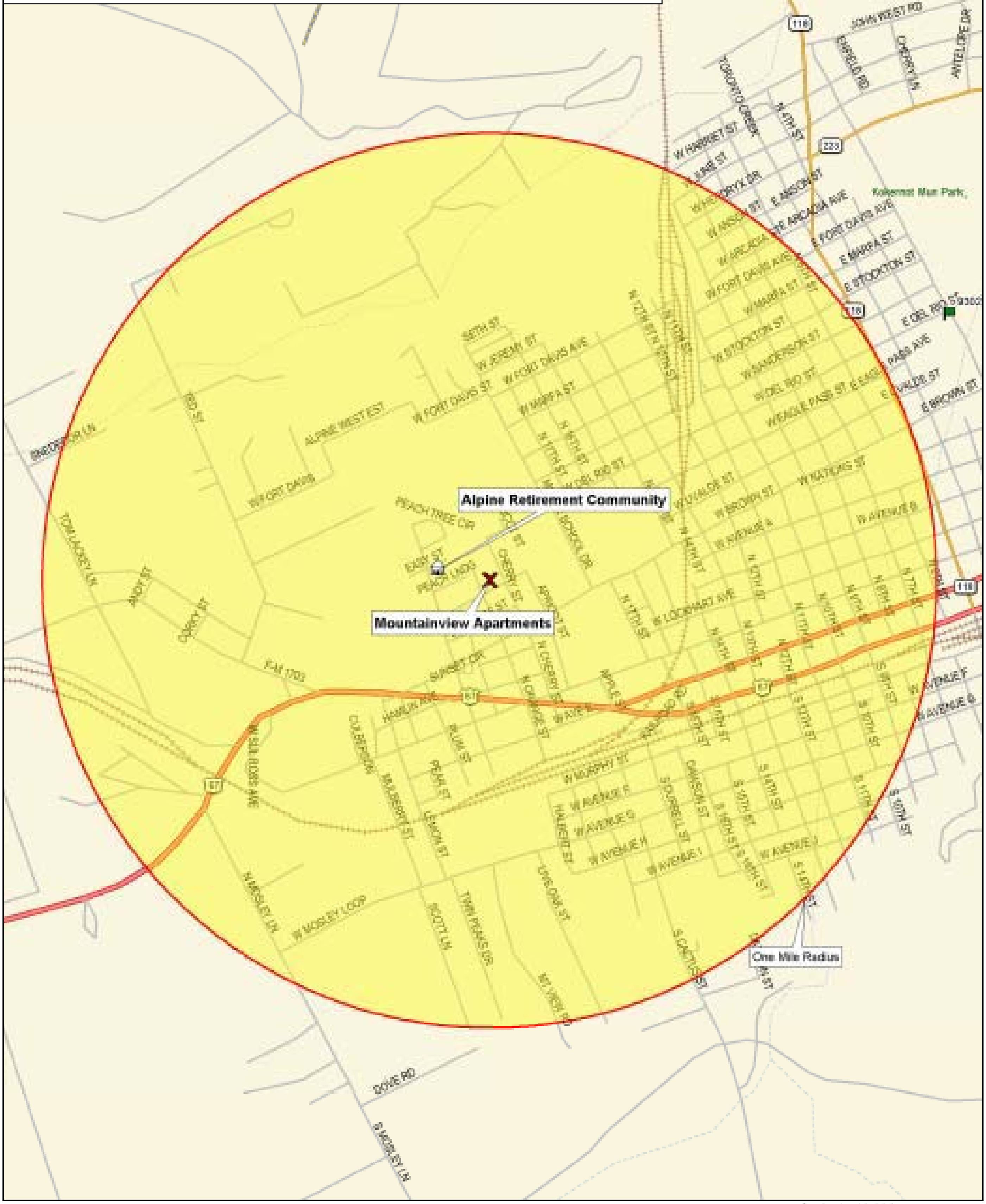
## LIHTC Allocation Calculation - Mountainview Apartments, Alpine, HTC, File #05001

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | | | |
| Purchase of land | $25,666 | $40,213 | | | | |
| Purchase of buildings | $971,334 | $956,787 | $971,334 | $956,787 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | |
| On-site work | $30,200 | $30,200 | | | $30,200 | $30,200 |
| Off-site improvements | | | | | | |
| **(3) Construction Hard Costs** | | | | | | |
| New structures/rehabilitation hard costs | $374,311 | $374,311 | | | $374,311 | $374,311 |
| **(4) Contractor Fees & General Requirements** | | | | | | |
| Contractor overhead | $8,090 | $8,090 | | | $8,090 | $8,090 |
| Contractor profit | $24,270 | $24,270 | | | $24,270 | $24,270 |
| General requirements | $24,270 | $24,270 | | | $24,270 | $24,270 |
| **(5) Contingencies** | $32,360 | $32,360 | | | $32,360 | $32,360 |
| **(6) Eligible Indirect Fees** | $46,000 | $46,000 | | | $46,000 | $46,000 |
| **(7) Eligible Financing Fees** | $18,400 | $18,400 | | | $18,400 | $18,400 |
| **(8) All Ineligible Costs** | $28,100 | $28,100 | | | | |
| **(9) Developer Fees** | | | | | | |
| Developer overhead | | $29,224 | | $18,460 | | $10,764 |
| Developer fee | $226,133 | $196,909 | $143,634 | $124,382 | $82,499 | $72,527 |
| **(10) Development Reserves** | $7,000 | $44,188 | | | | |
| **TOTAL DEVELOPMENT COSTS** | $1,816,134 | $1,853,322 | $1,114,968 | $1,099,629 | $640,400 | $641,192 |

| Deduct from Basis: | | | | | |
|---|---|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | |
| Non-qualified non-recourse financing | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | |
| Historic Credits (on residential portion only) | | | | | |
| **TOTAL ELIGIBLE BASIS** | | $1,114,968 | $1,099,629 | $640,400 | $641,192 |
| High Cost Area Adjustment | | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $1,114,968 | $1,099,629 | $640,400 | $641,192 |
| Applicable Fraction | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $1,114,968 | $1,099,629 | $640,400 | $641,192 |
| Applicable Percentage | | 3.55% | 3.55% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $39,581 | $39,037 | $22,734 | $22,762 |
| **Syndication Proceeds** | **0.6840** | **$270,737** | **$267,012** | **$155,502** | **$155,694** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$62,316** | **$61,799** |
| **Syndication Proceeds** | **$426,238** | **$422,706** |
| **Requested Credits** | **$62,491** | |
| **Syndication Proceeds** | **$427,438** | |
| **Gap of Syndication Proceeds Needed** | **$469,134** | |
| **Credit Amount** | **$68,587** | |

# Mountainview Apartments






TN
MN (8.4°E)

Scale 1 : 19,200

| ft | 0 | 400 | 800 | 1200 | 1600 | 2000 |
|---|---|---|---|---|---|---|
| m | 0 | 160 | 320 | 480 | 640 | 800 |

1" = 1,600.0 ft    Data Zoom 13-4

# Applicant Evaluation

Project ID # **05001** Name: **Alpine Mountainview, Ltd.** 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

☐ Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

## Portfolio Management and Compliance

Total # of Projects monitored: 11

Projects in Material Noncompliance: **Yes** ☐ **No** ☑

# in noncompliance: 0

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

# monitored with a score less than thirty: 11

# not yet monitored or pending review: 0

Projects not reported in application: Yes ☑ No ☐

# of projects not reported: 1

| Portfolio Monitoring | | Single Audit | | Contract Administration | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Issues found regarding late cert | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Issues found regarding late audit | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| | | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |

Reviewed by Jo En Taylor Date 10/4/2004

| Multifamily Finance Production | | Single Family Finance Production | | Real Estate Analysis (Cost Certification and Workout) | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| Reviewer | | Reviewer | | Reviewer | |
| Date | | Date | | Date | |

| Community Affairs | | Office of Colonia Initiatives | | Financial Administration | |
|---|---|---|---|---|---|
| No relationship | ☐ | Not applicable | ☐ | No delinquencies found | ☑ |
| Review pending | ☐ | Review pending | ☐ | Delinquencies found | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | | |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | | |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |
| Reviewer | | Reviewer | | Reviewer | Stephanie A. D'Couto |
| Date | | Date | | Date | 9 /30/2004 |

**Executive Director:** Edwina Carrington **Executed:** Friday, October 08, 2004

# 2004 HTC/RURAL RESCUE DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Villa Apartments** TDHCA#: 05002

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Marfa | QCT: N | DDA: N | TTC: N |
| Development Owner: | Marfa Villa, Ltd | | | |
| General Partner(s): | Doublekaye Corporation, 50%, Contact: James Brawner<br>Gary L. Kersch, 50% | | | |
| Construction Category: | Acquisition/Rehab | | | |
| Set-Aside Category: | USDA-RD & At-Risk | | | |
| Development Type: | Family | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $32,587 Eligible Basis Amt: $32,432 Equity/Gap Amt.: $33,974

**Annual Tax Credit Allocation Recommendation: $32,432**

Total Tax Credit Allocation Over Ten Years: $324,320

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 24 HTC Units: 23 (1 EO unit) % of HTC Units: 100

Gross Square Footage: 16,716 Net Rentable Square Footage: 16,320

Average Square Footage/Unit: 680

Number of Buildings: 2

Currently Occupied: Y

**Development Cost**

Total Cost: $942,610 Total Cost/Net Rentable Sq. Ft.: $57.76

**Income and Expenses**

Effective Gross Income:[1] $97,469 Ttl. Expenses: $68,142 Net Operating Inc.: $29,327

Estimated 1st Year DCR: 1.09

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Town & Country Management Co. |
| Attorney: | Wilson, Sterling & Russell, LLP | Architect: | Barbutti & Associates |
| Accountant: | Brenda P. McElwee P.C | Engineer: | EL Investment Consultants |
| Market Analyst: | N/A | Lender: | USDA |
| Contractor: | CrisCourt Construction, Inc. | Syndicator: | Boston Capital |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Frank L. Malda, District 19 - NC<br>Rep. Pete P. Gallego, District 74 - NC<br>Mayor Oscar R. Martinez - NC |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

## CONDITION(S) TO COMMITMENT

1. Receipt, review and acceptance of a revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent and Rental Assistance from $319 to $350 for the one-bedroom units and $373 to $390 for the two-bedroom units, prior to carryover.
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.

## 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).
Rural Rescue Award

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:** November 30, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 05002

## DEVELOPMENT NAME

Villa Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Marfa Villa, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 7217 Mc Neil Drive | | | **City:** | Austin | **State:** | Texas |
| **Zip:** | 78729 | **Contact:** | James Brawner | **Phone:** | (512) 331-5173 | **Fax:** | (512) 331-4774 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Doublekaye Corp | **(%):** | 0.02 | **Title:** | Co-General Partner and Developer |
| **Name:** | Gary L. Kersch, President | **(%):** | N/A | **Title:** | 49% owner of Doublekaye Corp. and Co-General Partner |
| **Name:** | M. Laure Kersch, Vice President | **(%):** | N/A | **Title:** | 51% owner of Doublekaye Corp. |

## PROPERTY LOCATION

**Location:** Golf Course Road ☐ **QCT** ☐ **DDA**

**City:** Marfa **County:** Presidio **Zip:** 79843

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $32,582 | N/A | N/A | N/A |

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

**Proposed Use of Funds:** Acquisition/rehab **Property Type:** Multifamily

**Special Purpose (s):** General population, at-risk, rural, USDA-RD

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $32,432 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent and Rental Assistance from $319 to $350 for the one-bedroom units and $373 to $390 for the two-bedroom units, prior to carryover;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 24 | **# Rental Buildings** | 2 | **# Common Area Bldgs** | 1 | **# of Floors** | 2 | **Age:** | 21 yrs | **Vacant:** | 6 at 04/ 01/ 2004 |

**Net Rentable SF:** 16,320 **Av Un SF:** 680 **Common Area SF:** 396 **Gross Bldg SF:** 16,716

## STRUCTURAL MATERIALS

The structures are wood frame on a post-tensioned concrete slabs on grade. The exterior is comprised as follows: 94% brick veneer 5% plywood/composite siding, and 1% wood trim. The interior wall surfaces are drywall and the pitched roofs are finished with asphalt composite shingles.

## APPLIANCES AND INTERIOR FEATURES

The interior flooring is a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning units.

## ON-SITE AMENITIES

A 396-square foot community building will include management offices, & laundry facilities. Just outside of the community building will be a new playground area with new playground equipment, & new picnic table & barbeque grill located next to the playground area.

**Uncovered Parking:** 36 spaces **Carports:** 0 spaces **Garages:** 0 spaces

## PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Villa Apartments is a 13 units per acre acquisition and rehabilitation development of 24 units of affordable housing located in eastern Marfa. The development was built in 1983 and is comprised of two evenly distributed medium garden style walk-up residential buildings as follows:

- One Building Type A with 12 one-bedroom/one-bath units; and
- One Building Type B with 12 two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RA Interest Credit and Rental Assistance Agreement. The Rental Assistance Agreement currently includes 18 of the 24 units but will be increased to 24 units or 100% of the project at closing. This contract will be renewed on at closing, for a 30-year period of time for all of the units.

**Development Plan:** The buildings are currently 75% occupied as of April 1, 2004 and in fair to average condition. The rehabilitation will be phased to minimize displacement of current residents. The new owners have budgeted $10,000 for tenant relocation expenses.

**Architectural Review:** The buildings and unit plans are of fair design, sufficient size, and are comparable to other apartment developments of the same age. They appear to provide acceptable access and storage. The elevations reflect modest buildings that are typical for their age.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 1.84 acres 80,150 square feet **Zoning/ Permitted Uses:** Outside of city - no zoning

**Flood Zone Designation:** Zone C **Status of Off-Sites:** Fully improved

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Marfa is located in far southwest Texas, approximately 190 miles southeast from El Paso in Presido County. The site is a rectangular-shaped parcel located just outside of the city limits east of downtown, approximately 1.5 to two miles from the central business district. The site is situated on the west side of Golf Course Road.

**Adjacent Land Uses:**

- **North:** Vacant land immediately adjacent and beyond;
- **South:** A single-family home immediately adjacent and vacant land beyond;
- **East:** Old Golf Course Road immediately adjacent and vacant land beyond; and
- **West:** Vacant land immediately adjacent and beyond;

**Site Access:** Access to the property is from a single entrance on the east boundary of the property along Golf Course Road. Access to US Highway 90 is less than one mile south, which provides connections to all other major roads serving the area.

**Public Transportation:** There is no public transportation to the area.

**Shopping & Services:** The site is within 1.5 to two miles of grocery/pharmacies, shopping centers, a library, and a variety of other retail establishments and restaurants. Schools, churches, and emergency medical services are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on October 13, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site was clean and well kept. The handicapped units will be made ready for handicapped tenants.

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

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

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 23 of the 24 units (one unit being reserved for the property manager) (100% of the total number available to rent) will be reserved for low-income tenants earning 60% or less of AMGI.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

## MARKET HIGHLIGHTS

A market study report was not included, as USDA-RD financed projects are not required to submit this report, but an "as-is" appraisal dated August 26, 2004 prepared by Jerry Sherrill, SRPA, SRA ("Appraiser"). was provided.

**Population:** "Presidio County had a population of 7,304 in the year 2000 and has increased by 10.0% over the 1990 census, and it had 7,591 in 2003 which is an increase of 3.9% over year 2000…. This is a predominantly rural area with property values increasing slightly." (p. 10)

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment projects totaling 60+ units in the market area. "Current vacancies in the area range from 5% to 15%, on properties that are well managed and maintained. Rural Development requires that the most restrictive rates be used when appraising subject to USDA special financing and subsidies. Therefore, the Basic Rents are used to determine Gross Potential Income" (p. 39). The Appraiser offered no meaningful discussion regarding the current market conditions with regard to vacancies, or absorption rates. In addition, the Appraiser did not discuss what the market rates are in the City of Marfa and why he felt that he had to go to Alpine to get the comparables that are used. These are just a few of the questions that the Underwriter had in trying to determine the validity of the report.

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $350 | $477 | -$127 | $300 | ***+$50*** |
| **2-Bedroom (60%)** | $390 | $573 | -$183 | $400 | -$10 |

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

**Inclusive Capture Rate:** The subject development is currently 75% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

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

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are lower than the maximum rents allowed under HTC program guidelines, reflecting the fact that the subject is operating under rental assistance agreement with USDA-RD. USDA-RD has set the upper limit, which for the one-bedroom unit is $127 per month below the maximum HTC rents and for the two-bedroom unit is $183 per month below. There is one two-bedroom unit that is being occupied by the manager of the property. There is no rental income projected for this employee-occupied unit. The Applicant is proposing rents that are higher than the current rents. One-bedroom rents are going from $319 to $350 and two-bedroom rents are increasing from $373 to $390. Final USDA approval of these increases is pending and is a condition of this report.

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 of $97,469 is the same as the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $2,839 per unit compares favorably with the Underwriter's database-derived estimate of $2,850 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($3K lower), payroll ($6.6K higher), repairs and maintenance ($3K higher), and water, sewer, and trash ($7K lower).

**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.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 1.84 acres** | $7,000 | **Date of Valuation:** | 8/ 26/ 2004 |
| **Existing Building(s): "as is"** | $294,000 | **Date of Valuation:** | 8/ 26/ 2004 |
| **Value of Financing:** | $162,540 | **Date of Valuation:** | 8/ 26/ 2004 |
| **Total Development: "as is"** | $464,000 | **Date of Valuation:** | 8/ 26/ 2004 |

| | | | | | |
|---|---|---|---|---|---|
| **Appraiser:** | Jerry Sherrill, SRPA, SRA | **City:** | Arlington | **Phone:** | (817) 557-1791 |

### APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Mr. Jerry Sherrill, SRPA, SRA and dated August 26, 2004. The appraisal provides three values: "as-is market value", "as-is market value, as restricted and considering favorable financing", and land value. For the "as-is" valuation of $301,000, the primary approach used was the income approach. The "as-is market value, as restricted and considering favorable financing" is derived by adding the value of the favorable financing to the as-is market value. This favorable financing value was determined by the appraiser as the net present value of the difference between the original mortgage payments at 7.5% (note rate) and the actual payments based on the 1% favorable rate (Basic Rate) over a 30-year period of time (30-year amortization schedule). This amounts to a total of $162,540 in additional value added to the market value of $301,000 for a total of $463,540 rounded to $464,000. Based upon the fair quality of the comparable land sales the value of the underlying land was valued at $7,000 or 1.6% of the total appraised value. Due to the fair quality of the comparable sales the appraisal provides a reasonable estimation of land value.

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 1.84 acres** | $9,680 | **Assessment for the Year of:** | 2003 |
| **Building:** | $225,840 | **Valuation by:** | Presidio County Appraisal District |
| **Total Assessed Value:** | $235,520 | **Tax Rate:** | $2.418300 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Option agreement | | |
| **Contract Expiration Date:** | 07/ 01/ 2005 | **Anticipated Closing Date:** | 07/ 01/ 2005 |
| **Acquisition Cost:** | $464,000 | **Other Terms/Conditions:** | |
| **Seller:** | Ms. Cheryl Adams Rogers Independent Executrix of Bob A. Rogers Estate | **Related to Development Team Member:** | No |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The acquisition price and the appraised value are the same. This is due to USDA-RD providing financing for 100% of the appraised value. This valuation includes the net present value of the favorable financing for the 30-year amortization period. Since this is considered an arm's-length transaction the entire sales price is accepted. The Applicant did not prorate the value of the favorable financing to eligible acquisition and land and therefore slightly overstated eligible acquisition basis. The additional value which has been created by this favorable financing ($162,540) must be proportioned between the land and building to calculate the correct total eligible basis. To do so the Underwriter has used the land to building ratio of 2.32% and determined the purchase price of the land and building to be $10,774 and $453,226 respectively.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $708 per unit, which is consistent with the estimate in the proposed work write-up/physical condition assessment.

**Direct Construction Cost:** Since this is a proposed rehabilitation the Applicant's direct construction cost estimate plus the site work is $213K or $8,875 per unit and is above the minimum of $6K/unit and is therefore regarded as reasonable as submitted.

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

**Conclusion:** While the Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable, the Underwriter's total cost breakdown is used to calculate eligible basis and determine the HTC allocation since the only difference in basis is the allocation of building cost as discussed above. As a result, an eligible basis of $913,590 is used to determine a credit allocation of $32,432 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

### PERMANENT FINANCING - FIRST LIEN

| | | | | | |
|---|---|---|---|---|---|
| **Source:** | USDA Assumption | | | **Contact:** | Daila McAnally |
| **Principal Amount:** | $464,000 | **Interest Rate:** | 1% | | |
| **Additional Information:** | | | | | |
| **Amortization:** | 30 yrs | **Term:** | 30 yrs | **Commitment:** | ☐ LOI ☒ Firm ☐ Conditional |
| **Annual Payment:** | $11,077 | **Lien Priority:** | 1st | **Commitment Date** | 6/ 5/ 2004 |

### PERMANENT FINANCING - SECOND LIEN

| | | | | | |
|---|---|---|---|---|---|
| **Source:** | USDA Rehabilitation Loan | | | **Contact:** | Daila McAnally |
| **Principal Amount:** | $234,000 | **Interest Rate:** | 1% | | |
| **Additional Information:** | | | | | |
| **Amortization:** | 30 yrs | **Term:** | 30 yrs | **Commitment:** | ☐ LOI ☒ Firm ☐ Conditional |
| **Annual Payment:** | $9,032 | **Lien Priority:** | 2nd | **Commitment Date** | 6/ 5/ 2004 |

**TAX CREDIT SYNDICATION**

**Source:** Boston Capital or WNC and Associates **Contact:** Jennifer Robichaud/David Turek

**Net Proceeds:** $237,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** .72¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 6/ 6/ 2004

**Additional Information**:

**APPLICANT EQUITY**

**Amount:** $11,096 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Transfer of Real Estate Security:** The USDA-RD is transferring/selling this property for the same amount as the appraised value of $464,000. This is an acquisition loan/assumption with USDA-RD funds. This will be a first lien note at a 1% interest rate with a 30-year amortization and a 50-year term.

**Deferred Developer Fees:** The Applicant's proposed deferred developer's fee of $11,096 amount to 9.3% of the total developer's fees.

**Rehab/Permanent Financing:** This loan in the amount of $234,000 is also utilizing USDA-RD funds for rehabilitation. This will be a second lien note at a 1% interest rate with a 30-year amortization and a 50-year term.

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

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $32,432 annually for ten years, resulting in syndication proceeds of approximately $233,514. Based on the underwriting analysis, the Applicant's deferred developer fee will be $11,096, which represents approximately 9.3% of the eligible fee and which should be repayable from cash flow within five years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and property management 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 is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, DoubleKaye Corporation, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $425K and consisting of $179K in current assets and $247K in other assets. Liabilities totaled $66K, resulting in a net worth of $359K.
- The principals of the General Partner, Gary L. and Laure Kersch, submitted an unaudited financial statement as of April 30, 2003 and certified again on March 19, 2004 that they are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- Gary Kersch, the 49% owner of the Developer, Doublekaye Corporation, has completed ten affordable housing developments totaling 258 units since 1989.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent from $319 to $350 for the one bedroom units, and $373 to $390 for the two bedroom units has not yet been approved.

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

| | | | |
|---|---|---|---|
| **Underwriter:** | *Bert Murray* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Villa Apartments, Marfa, 9% HTC #05002***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Tnt PD Rent/Unit | Rent per Month | Rent per SF | Tnt-Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| <TC 60% | 12 | 1 | 1 | 612 | $477 | $350 | $4,200 | $0.57 | $43.00 | $48.00 |
| <TC 60% | 11 | 2 | 1 | 748 | 573 | $390 | 4,290 | 0.52 | 57.00 | 52.00 |
| EO | 1 | 2 | 1 | 748 | 0 | 0 | 0 | 0.00 | 57.00 | 52.00 |
| TOTAL: | 24 | | AVERAGE: | 680 | $501 | $354 | $8,490 | $0.52 | $50.00 | $50.00 |

| | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft | 16,320 | | | | Comptroller's Region | | 13 |
| POTENTIAL GROSS RENT | | | | $101,880 | $101,880 | | IREM Region | |
| Secondary Income | Per Unit Per Month: | | $12.13 | 3,492 | 3,492 | $12.13 | Per Unit Per Month | |
| Other Support Income: (describe) | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $105,372 | $105,372 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (7,903) | (7,903) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $97,469 | $97,469 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 4.98% | $202 | 0.30 | $4,852 | $1,750 | $0.11 | $73 | 1.80% |
| Management | 7.77% | 316 | 0.46 | 7,574 | 8,900 | 0.55 | 371 | 9.13% |
| Payroll & Payroll Tax | 9.55% | 388 | 0.57 | 9,308 | 16,000 | 0.98 | 667 | 16.42% |
| Repairs & Maintenance | 7.75% | 315 | 0.46 | 7,551 | 10,800 | 0.66 | 450 | 11.08% |
| Utilities | 3.69% | 150 | 0.22 | 3,600 | 3,000 | 0.18 | 125 | 3.08% |
| Water, Sewer, & Trash | 14.77% | 600 | 0.88 | 14,400 | 7,400 | 0.45 | 308 | 7.59% |
| Property Insurance | 6.62% | 269 | 0.40 | 6,456 | 6,300 | 0.39 | 263 | 6.46% |
| Property Tax 2.99737 | 6.64% | 270 | 0.40 | 6,472 | 6,200 | 0.38 | 258 | 6.36% |
| Reserve for Replacements | 7.39% | 300 | 0.44 | 7,200 | 6,792 | 0.42 | 283 | 6.97% |
| Other: Compliance Fees and | 1.03% | 42 | 0.06 | 1,000 | 1,000 | 0.06 | 42 | 1.03% |
| TOTAL EXPENSES | 70.19% | $2,850 | $4.19 | $68,411 | $68,142 | $4.18 | $2,839 | 69.91% |
| NET OPERATING INC | 29.81% | $1,211 | $1.78 | $29,058 | $29,327 | $1.80 | $1,222 | 30.09% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage USDA 1st | 18.37% | $746 | $1.10 | $17,909 | $17,909 | $1.10 | $746 | 18.37% |
| Additional Financing USDA 2nd | 9.27% | $376 | $0.55 | 9,032 | 9,032 | $0.55 | $376 | 9.27% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 2.17% | $88 | $0.13 | $2,117 | $2,387 | $0.15 | $99 | 2.45% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.08 | 1.09 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.09 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bl | | 48.47% | $19,333 | $28.43 | $464,000 | $464,000 | $28.43 | $19,333 | 49.23% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 1.78% | 708 | 1.04 | 17,000 | 17,000 | 1.04 | 708 | 1.80% |
| Direct Construction | | 22.25% | 8,875 | 13.05 | 213,000 | 213,000 | 13.05 | 8,875 | 22.60% |
| Contingency | 10.00% | 2.40% | 958 | 1.41 | 23,000 | 23,000 | 1.41 | 958 | 2.44% |
| General Req'ts | 6.00% | 1.44% | 575 | 0.85 | 13,800 | 13,800 | 0.85 | 575 | 1.46% |
| Contractor's G & A | 2.00% | 0.48% | 192 | 0.28 | 4,600 | 4,600 | 0.28 | 192 | 0.49% |
| Contractor's Profi | 6.00% | 1.44% | 575 | 0.85 | 13,800 | 13,800 | 0.85 | 575 | 1.46% |
| Indirect Construction | | 4.60% | 1,833 | 2.70 | 44,000 | 44,000 | 2.70 | 1,833 | 4.67% |
| Ineligible Costs | | 1.36% | 542 | 0.80 | 13,000 | 13,000 | 0.80 | 542 | 1.38% |
| Developer's G & A | 2.00% | 1.66% | 662 | 0.97 | 15,889 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profi | 13.00% | 10.79% | 4,303 | 6.33 | 103,275 | 119,730 | 7.34 | 4,989 | 12.70% |
| Interim Financing | | 1.25% | 500 | 0.74 | 12,000 | 12,000 | 0.74 | 500 | 1.27% |
| Reserves | | 2.08% | 829 | 1.22 | 19,895 | 4,680 | 0.29 | 195 | 0.50% |
| TOTAL COST | | 100.00% | $39,886 | $58.66 | $957,258 | $942,610 | $57.76 | $39,275 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *29.79%* | ***$11,883*** | ***$17.48*** | ***$285,200*** | ***$285,200*** | ***$17.48*** | ***$11,883*** | *30.26%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage (USDA 1st | 48.47% | $19,333 | $28.43 | $464,000 | $464,000 | $464,000 | Developer Fee Available |
| Additional Financing (USDA 2 | 24.44% | $9,750 | $14.34 | 234,000 | 234,000 | 234,000 | $119,730 |
| HTC Syndication Proceeds | 24.39% | $9,730 | $14.31 | 233,514 | 233,514 | 233,514 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 1.16% | $462 | $0.68 | 11,096 | 11,096 | 11,096 | 9% |
| Additional (excess) Funds Req | 1.53% | $610 | $0.90 | 14,648 | 0 | 0 | 5-Yr Cumulative Cash Flo |
| TOTAL SOURCES | | | | $957,258 | $942,610 | $942,610 | $55,861 |

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Villa Apartments, Marfa, 9% HTC #05002*

**PAYMENT COMPUTATION**

| | | | |
|---|---|---|---|
| **Primary** | $464,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.62 |

| | | | |
|---|---|---|---|
| **Secondary** | $234,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.08 |

| | | | |
|---|---|---|---|
| **Additional** | $233,514 | Term | |
| Int Rate | | Aggregate DCR | 1.08 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

| | |
|---|---|
| Primary Debt Service | $17,909 |
| Secondary Debt Service | 9,032 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $2,387 |

| | | | |
|---|---|---|---|
| **Primary** | $464,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.64 |

| | | | |
|---|---|---|---|
| **Secondary** | $234,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.09 |

| | | | |
|---|---|---|---|
| **Additional** | $233,514 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.09 |

**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 | $101,880 | $104,936 | $108,084 | $111,327 | $114,667 | $132,930 | $154,103 | $178,647 | $240,087 |
| Secondary Income | 3,492 | 3,597 | 3,705 | 3,816 | 3,930 | 4,556 | 5,282 | 6,123 | 8,229 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 105,372 | 108,533 | 111,789 | 115,143 | 118,597 | 137,487 | 159,385 | 184,770 | 248,316 |
| Vacancy & Collection Los: | (7,903) | (8,140) | (8,384) | (8,636) | (8,895) | (10,311) | (11,954) | (13,858) | (18,624) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $97,469 | $100,393 | $103,405 | $106,507 | $109,702 | $127,175 | $147,431 | $170,913 | $229,692 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $1,750 | $1,820 | $1,893 | $1,969 | $2,047 | $2,491 | $3,030 | $3,687 | $5,458 |
| Management | 8,900 | 9167 | 9442.01 | 9725.2703 | 10017.02841 | 11612.48134 | 13462.04855 | 15606.20387 | 20973.433 |
| Payroll & Payroll Tax | 16,000 | 16,640 | 17,306 | 17,998 | 18,718 | 22,773 | 27,707 | 33,710 | 49,898 |
| Repairs & Maintenance | 10,800 | 11,232 | 11,681 | 12,149 | 12,634 | 15,372 | 18,702 | 22,754 | 33,681 |
| Utilities | 3,000 | 3,120 | 3,245 | 3,375 | 3,510 | 4,270 | 5,195 | 6,321 | 9,356 |
| Water, Sewer & Trash | 7,400 | 7,696 | 8,004 | 8,324 | 8,657 | 10,533 | 12,814 | 15,591 | 23,078 |
| Insurance | 6,300 | 6,552 | 6,814 | 7,087 | 7,370 | 8,967 | 10,910 | 13,273 | 19,648 |
| Property Tax | 6,200 | 6,448 | 6,706 | 6,974 | 7,253 | 8,825 | 10,736 | 13,062 | 19,336 |
| Reserve for Replacements | 6,792 | 7,064 | 7,346 | 7,640 | 7,946 | 9,667 | 11,762 | 14,310 | 21,182 |
| Other | 1,000 | 1,040 | 1,082 | 1,125 | 1,170 | 1,423 | 1,732 | 2,107 | 3,119 |
| TOTAL EXPENSES | $68,142 | $70,779 | $73,518 | $76,364 | $79,322 | $95,932 | $116,050 | $140,420 | $205,729 |
| NET OPERATING INCOME | $29,327 | $29,614 | $29,887 | $30,143 | $30,381 | $31,243 | $31,381 | $30,492 | $23,964 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $17,909 | $17,909 | $17,909 | $17,909 | $17,909 | $17,909 | $17,909 | $17,909 | $17,909 |
| Second Lien | 9,032 | 9,032 | 9,032 | 9,032 | 9,032 | 9,032 | 9,032 | 9,032 | 9,032 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $2,387 | $2,674 | $2,946 | $3,202 | $3,440 | $4,302 | $4,440 | $3,552 | ($2,977) |
| DEBT COVERAGE RATIO | 1.09 | 1.10 | 1.11 | 1.12 | 1.13 | 1.16 | 1.16 | 1.13 | 0.89 |

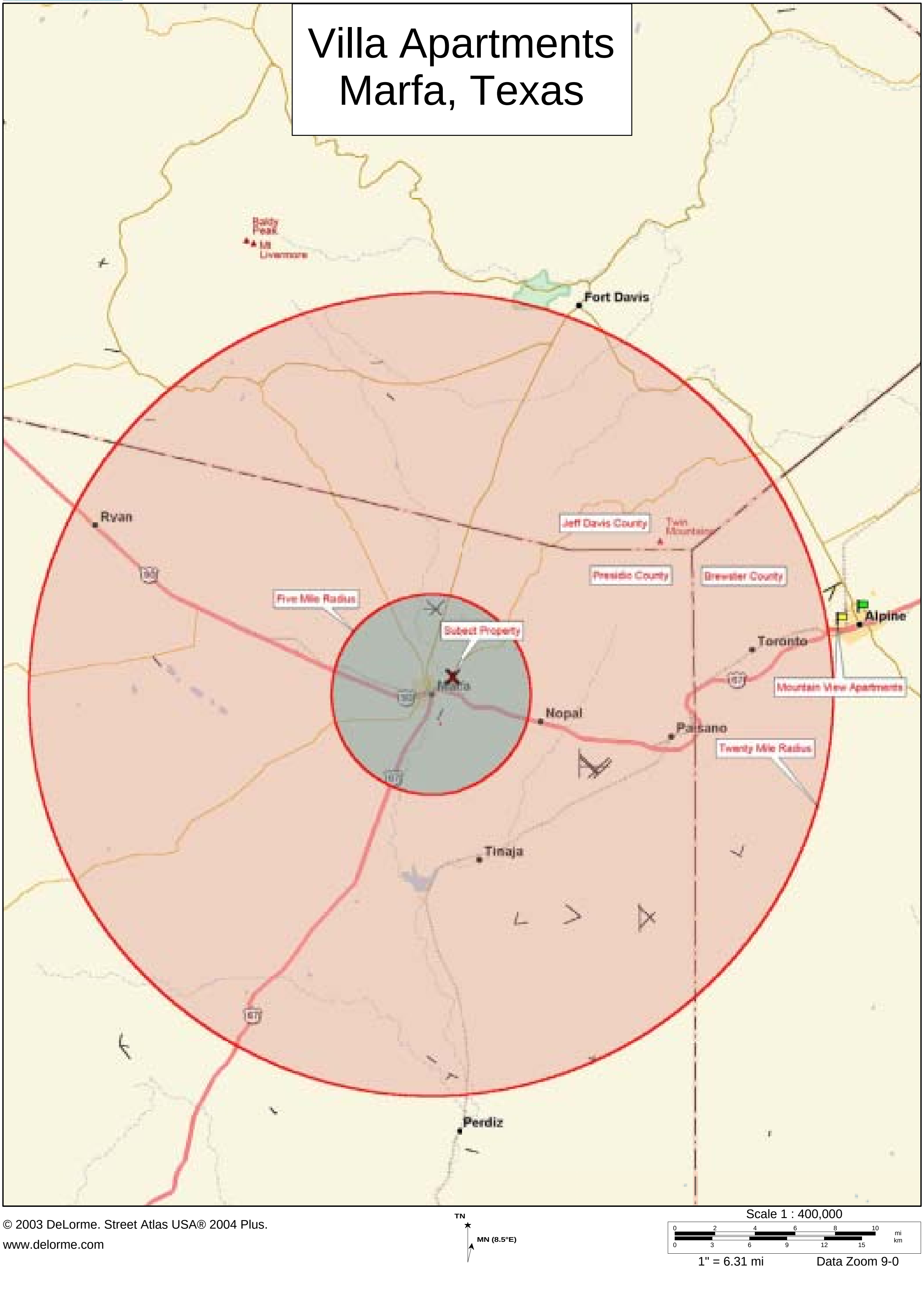
## LIHTC Allocation Calculation - Villa Apartments, Marfa, 9% HTC #05002

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | | | |
| Purchase of land | $7,000 | $10,774 | | | | |
| Purchase of buildings | $457,000 | $453,226 | $457,000 | $453,226 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | |
| On-site work | $17,000 | $17,000 | | | $17,000 | $17,000 |
| Off-site improvements | | | | | | |
| **(3) Construction Hard Costs** | | | | | | |
| New structures/rehabilitation ha | $213,000 | $213,000 | | | $213,000 | $213,000 |
| **(4) Contractor Fees & General Requirements** | | | | | | |
| Contractor overhead | $4,600 | $4,600 | | | $4,600 | $4,600 |
| Contractor profit | $13,800 | $13,800 | | | $13,800 | $13,800 |
| General requirements | $13,800 | $13,800 | | | $13,800 | $13,800 |
| **(5) Contingencies** | $23,000 | $23,000 | | | $23,000 | $23,000 |
| **(6) Eligible Indirect Fees** | $44,000 | $44,000 | | | $44,000 | $44,000 |
| **(7) Eligible Financing Fees** | $12,000 | $12,000 | | | $12,000 | $12,000 |
| **(8) All Ineligible Costs** | $13,000 | $13,000 | | | | |
| **(9) Developer Fees** | | | $68,550 | $67,984 | $51,180 | $51,180 |
| Developer overhead | | $15,889 | | | | |
| Developer fee | $119,730 | $103,275 | | | | |
| **(10) Development Reserves** | $4,680 | $19,895 | | | | |
| **TOTAL DEVELOPMENT COSTS** | $942,610 | $957,258 | $525,550 | $521,210 | $392,380 | $392,380 |

| | | | | | |
|---|---|---|---|---|---|
| **Deduct from Basis:** | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | |
| Non-qualified non-recourse financing | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | |
| Historic Credits (on residential portion only) | | | | | |
| **TOTAL ELIGIBLE BASIS** | | $525,550 | $521,210 | $392,380 | $392,380 |
| High Cost Area Adjustment | | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $525,550 | $521,210 | $392,380 | $392,380 |
| Applicable Fraction | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $525,550 | $521,210 | $392,380 | $392,380 |
| Applicable Percentage | | 3.55% | 3.55% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $18,657 | $18,503 | $13,929 | $13,929 |
| **Syndication Proceeds** | **0.7200** | **$134,331** | **$133,221** | **$100,292** | **$100,292** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$32,587** | **$32,432** |
| **Syndication Proceeds** | **$234,623** | **$233,514** |
| **Requested Credits** | **$32,587** | |
| **Syndication Proceeds** | **$234,626** | |
| **Gap of Syndication Proceeds Needed** | **$244,610** | |
| **Credit Amount** | **$33,974** | |

# Villa Apartments Marfa, Texas



# Applicant Evaluation

Project ID # **05002** Name: **Marfa Villa** 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

☐ Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

## Portfolio Management and Compliance

Total # of Projects monitored: 11

Projects in Material Noncompliance — **Yes** ☐ **No** ☑

# in noncompliance: 0

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

# monitored with a score less than thirty: 11

Projects not reported in application — Yes ☑ No ☐

# not yet monitored or pending review: 0

# of projects not reported 1

| **Portfolio Monitoring** | | **Single Audit** | | **Contract Administration** | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Issues found regarding late cert | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Issues found regarding late audit | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| | | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |

Reviewed by Jo En Taylor Date 10/4/2004

| **Multifamily Finance Production** | | **Single Family Finance Production** | | **Real Estate Analysis (Cost Certification and Workout)** | |
|---|---|---|---|---|---|
| Not applicable | ☐ | Not applicable | ☐ | Not applicable | ☐ |
| Review pending | ☐ | Review pending | ☐ | Review pending | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | No unresolved issues | ☐ |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | Unresolved issues found | ☐ |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ |
| Reviewer | | Reviewer | | Reviewer | |
| Date | | Date | | Date | |

| **Community Affairs** | | **Office of Colonia Initiatives** | | **Financial Administration** | |
|---|---|---|---|---|---|
| No relationship | ☐ | Not applicable | ☐ | No delinquencies found | ☑ |
| Review pending | ☐ | Review pending | ☐ | Delinquencies found | ☐ |
| No unresolved issues | ☐ | No unresolved issues | ☐ | | |
| Unresolved issues found | ☐ | Unresolved issues found | ☐ | | |
| Unresolved issues found that warrant disqualification (Comments attached) | ☐ | Unresolved issues found that warrant disqualification (Comments attached) | ☐ | | |
| Reviewer | | Reviewer | | Reviewer | Stephanie A. D'Couto |
| Date | | Date | | Date | 9 /30/2004 |

**Executive Director:** Edwina Carrington **Executed:** Friday, October 08, 2004

HOUSING TAX CREDIT PROGRAM

# 2004 HTC/RURAL RESCUE DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Oasis Apartments** TDHCA#: 05003

## DEVELOPMENT AND OWNER INFORMATION

| | | | | |
|---|---|---|---|---|
| Development Location: | Fort Stockton | QCT: N | DDA: N | TTC: N |
| Development Owner: | Fort Stockton Oasis, Ltd | | | |
| General Partner(s): | Doublekaye Corporation, 50%, Contact: James Brawner<br>Gary L. Kersch, 50% | | | |
| Construction Category: | Acquisition/Rehab | | | |
| Set-Aside Category: | USDA-RD & At-Risk | | | |
| Development Type: | Family | | | |

**Annual Tax Credit Allocation Calculation**

Applicant Request: $55,889 Eligible Basis Amt: $55,422 Equity/Gap Amt.: $58,701

**Annual Tax Credit Allocation Recommendation: $55,422**

Total Tax Credit Allocation Over Ten Years: $554,220

## PROPERTY INFORMATION

**Unit and Building Information**

Total Units: 56 HTC Units: 55 (1EO unit) % of HTC Units: 100

Gross Square Footage: 37,932 Net Rentable Square Footage: 37,464

Average Square Footage/Unit: 669

Number of Buildings: 6

Currently Occupied: Y

**Development Cost**

Total Cost: $1,623,650 Total Cost/Net Rentable Sq. Ft.: $43.34

**Income and Expenses**

Effective Gross Income:[1] $214,807 Ttl. Expenses: $160,155 Net Operating Inc.: $54,652

Estimated 1st Year DCR: 1.18

## DEVELOPMENT TEAM

| | | | |
|---|---|---|---|
| Consultant: | Not Utilized | Manager: | Town & Country Management Co. |
| Attorney: | Wilson, Sterling & Russell, LLP | Architect: | Barbutti & Associates |
| Accountant: | Brenda P. McElwee P.C | Engineer: | EL Investment Consultants |
| Market Analyst: | N/A | Lender: | USDA |
| Contractor: | CrisCourt Construction, Inc. | Syndicator: | Boston Capital |

## PUBLIC COMMENT[2]

| From Citizens: | From Legislators or Local Officials: |
|---|---|
| # in Support: 0<br># in Opposition: 0 | Sen. Frank L. Malda, District 19 - NC<br>Rep. Pete P. Gallego, District 74 - NC<br>Mayor Tony P. Villarreal - NC |

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

## CONDITION(S) TO COMMITMENT

1. Receipt, review and acceptance of a revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent and Rental Assistance from $283 to $325 for the one-bedroom units and $351 to $360 for the two-bedroom units, prior to carryover.
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.

## 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).
Rural Rescue Award

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:** November 30, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 05003

## DEVELOPMENT NAME

Oasis Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Fort Stockton Oasis, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 7217 McNeil Drive | | | **City:** | Austin | **State:** | TX |
| **Zip:** | 78729 | **Contact:** | James Brawner | **Phone:** | (512) 331-5173 | **Fax:** | (512) 331-4774 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Doublekaye Corporation | **(%):** | 0.025% | **Title:** | Co-General Partner & Developer |
| **Name:** | Gary L. Kersch - President | **(%):** | N/A | **Title:** | 49% owner of Doublekaye Corp. & Co-General Partner |
| **Name:** | M. Laure Kersch – Vice President | **(%):** | N/A | **Title:** | 51% owner of Doublekaye Corp. |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1501 N. Marshall Road | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Fort Stockton | **County:** | Pecos | **Zip:** | 79735 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $55,889 | N/A | N/A | N/A |

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

**Proposed Use of Funds:** Acquisition/rehabilitation **Property Type:** Multifamily

**Special Purpose (s):** General population, at-risk, rural, USDA-RD

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $55,422 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of a revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent and Rental Assistance from $283 to $325 for the one-bedroom units and $351 to $360 for the two-bedroom units, prior to carryover;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 56 **# Rental Buildings** 6 **# Non-Res. Buildings** 1 **# of Floors** 2 **Age:** 22 yrs **Vacant:** 73. at 4/ 1/ 2004

**Net Rentable SF:** 37,464 **Av Un SF:** 669 **Common Area SF:** 396 **Gross Bldg SF:** 37,860

### STRUCTURAL MATERIALS

The structures are wood frame on a post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior is comprised as follows: 94% brick veneer, 6% plywood/composite siding, & wood trim. The interior wall surfaces are drywall & the pitched roofs are finished with asphalt composite shingles.

### APPLIANCES AND INTERIOR FEATURES

The interior flooring is a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

### ON-SITE AMENITIES

A 396-square foot office and laundry facility along with an equipped children's play area is located near the middle of the property.

**Uncovered Parking:** 87 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** The subject is a 14.7 units per acre acquisition and rehabilitation development of 56 units of affordable housing located in the western portion of Fort Stockton. The development was built in 1982 and is comprised of six evenly distributed medium garden style walk-up residential buildings as follows:

- Two Building Type A with 12 one-bedroom/one-bath units;
- One Building Type A-1 with eight one-bedroom/one-bath units; and
- Three Building Type B with eight two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance Agreement contract for 47 of the 56 total units. This contract will be renewed upon the closing of this transaction. Upon renewal the rental assistance will be increased to include 100% of the 56 rental units.

**Development Plan:** The buildings are currently 73.2% occupied and in average to fair condition. The rehabilitation will be phased to minimize displacement of current residents.

**Architectural Review:** The building and unit plans are of fair to good design, sufficient size, and are comparable to other apartment developments of the same age. They appear to provide acceptable access and storage. The elevations reflect modest buildings with simple fenestration.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 3.8728 acres 168,698 square feet **Zoning/ Permitted Uses:** MF - Multi Family

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The subject is located in west Texas, approximately 235 miles southeast of El Paso, 300 miles northwest of San Antonio, and 420 miles southwest of the Dallas-Fort Worth area. The site is a rectangularly-shaped parcel located in the western area of Fort Stockton, approximately 1.5 miles from the central business district. The site is situated on the west side of N. Marshall St. and the north side of Hornbeck Street.

**Adjacent Land Uses:**

- **North:** Eighteenth Street immediately adjacent and vacant land beyond;
- **South:** Hombeck Street immediately adjacent and vacant land beyond;
- **East:** N. Marshall Street immediately adjacent and vacant land beyond; and
- **West:** various commercial buildings immediately adjacent and Interstate Highway 10 beyond;

**Site Access:** Access to the property is from the north or south from N. Marshall St. The development has two main entries, both from the north or south from N. Marshall St. Access to Interstate Highway 10 is approximately ½ mile northwest, which provides connections to all other major roads serving the area..

**Public Transportation:** There is no local public transportation in the neighborhood, which is common in rural areas.

**Shopping & Services:** The site is within 1 - 2 miles of grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on October 12, 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 was not included, as USDA-RD-financed projects are not required to submit this report.

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 55 of the units (98.2% of the total) will be reserved for low-income tenants earning 60% or less of AMGI, and the remaining unit will be for an on-site manager or other employee.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

## MARKET HIGHLIGHTS

A market study report was not included, as USDA-RD-financed projects are not required to submit this report, but an "as-is" appraisal dated August 25, 2004 prepared by Jerry Sherrill SRPA, SRA with Sherrill & Associates, Inc. ("Appraiser") was provided.

**Definition of Primary Market Area (PMA):** Since a market study was not included, a PMA has not been designated**.** However, the Underwriter, for illustration purposes, has shown a market area of a five-mile radius from the subject property. This area encompasses approximately 78 square miles and contains only one other HTC property. This property, which is less than one mile from the subject, is the Fort Stockton Manor which was an HTC development approved in 1993.

**Population:** Pecos County had a population of 16,809 in the year 2000 which increased by 14.5% over the 1990 census; it had 16,039 in 2003 which is a decrease of 4.6% over the year 2000.

**Inclusive Capture Rate:** The subject development is currently 73.2% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment projects totaling 84 units in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| Unit Type (% AMI) | Proposed | Program Max | Differential | Est. Market | Differential |
|---|---|---|---|---|---|
| **1-Bedroom (60%)** | $325 | $477 | -$152 | $310 | $15 |
| **2-Bedroom (60%)** | $360 | $573 | -$213 | $360 | $0 |
| **2-Bedroom (MR)** | $360 | N/A | | $360 | $0 |

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

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

## OPERATING PROFORMA ANALYSIS

**Income:** The Applicant's rent projections are significantly lower than the maximum rents allowed under HTC program guidelines, reflecting the state of the subject market. However, the rents used are ones that have been approved by USDA-RD. The property will be under a 100% Rental Assistance Agreement which covers all of the 56 units. The proposed rents will go from $283 to $325 for one-bedroom units and from $351 to $360 for two-bedroom units. Final USDA approval of these rents is a condition of this report.

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 $2,860 per unit is within 5% of the Underwriter's database-derived estimate of $2,896 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly management ($2.5K higher), payroll ($17K higher), and water, sewer, and trash ($17K higher).

**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.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 3.87 acres** | $19,500 | **Date of Valuation:** | 8/ 25/ 2004 |
| **Existing Building(s): "as is"** | $295,120 | **Date of Valuation:** | 8/ 25/ 2004 |
| **Value of Financing:** | $831,000 | **Date of Valuation:** | 8/ 25/ 2004 |
| **Total Development: "as is"** | $536,000 | **Date of Valuation:** | 8/ 25/ 2004 |

**Appraiser:** Jerry Sherrill **City:** Arlington **Phone:** (817) 557-1791

### APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Sherrill and Assoc, Jerry Sherrill, SRPA, SRA and dated August 25, 2004. The appraisal provides three values: "as-is market value", "as-is market value, as-restricted and considering favorable financing", and land value. For the "as-is" valuation of $536,000, the primary approach used was the income approach. The "as-is market value, as-restricted and considering favorable financing" is derived by adding the value of the favorable financing to the as-is market value. This favorable financing value was determined by the appraiser as the net present value of the difference between the original mortgage payments at 7.5% (note rate) and the actual payments based on the 1% favorable rate (Basic Rate) over a 30-year period of time (30-year amortization schedule). This amounts to a total of $295,126 in additional value added to the market value of $536,000 for a total of $831,126, rounded to $831,000. Based upon questionable land sale comparables in the area, the value of the underlying land was valued at a low $19,500 or 3.6% of the as-is market value. Since this value is considered by the Underwriter to be understated, it was compared to the Pecos County Tax Assessor Collector's valuation. The Pecos County Taxing Authority valued the land at $30,960. This value appears to be more representative of the value than that concluded by the appraiser, and is therefore considered in the determination of the eligible basis.

### ASSESSED VALUE

**Land: 3.870 acres** $30,960 **Assessment for the Year of:** 2003

| | | | |
|---|---|---|---|
| **Building:** | $594,560 | **Valuation by:** | Pecos County Appraisal District |
| **Total Assessed Value:** | $625,520 | **Tax Rate:** | 2.8910 |

**EVIDENCE of SITE or PROPERTY CONTROL**

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Purchase option | | |
| **Contract Expiration Date:** | 7/ 1/ 2005 | **Anticipated Closing Date:** | 7/ 1/ 2005 |
| **Acquisition Cost:** | $831,000 | **Other Terms/Conditions:** | |
| **Seller:** | Ms Cheryl Adams Rogers Independent. Executrix. of Bob A. Rogers Estate | **Related to Development Team Member:** | No |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price and the appraised value are the same. This is due to USDA-RD providing financing for 100% of the appraised value. This valuation includes the net present value of the favorable financing for the 30-year amortization period. Since this is considered an arm's-length transaction the entire sales price is accepted. The Applicant did not prorate the value of the favorable financing to eligible acquisition and land and therefore slightly overstated the eligible acquisition basis. The additional value which has been created by this favorable financing ($295,126) must be proportioned between the land and building to calculate the correct total eligible basis. To do so the Underwriter has used the land to building ratio of 3.64% and determined the purchase price of the land and building to be $30,960 and $800,040, respectively.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $107 per unit.

**Direct Construction Cost** The Applicant's direct construction cost estimate is $6.8K, and is therefore regarded as reasonable as submitted.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. However, the Underwriter's cost is based entirely on the Applicant's rehabilitation budget and the only difference is the eligible acquisition basis, which was overstated by the Applicant; therefore, the Underwriter's eligible basis calculation is used to recommend credits.

**FINANCING STRUCTURE**

**TRANSFER OF REAL ESTATE SECURITY**

**Source:** USDA **Contact:** Daila McAnally

**Principal Amount:** $831,000 **Interest Rate:** 1%

**Additional Information:** This is an assumption of existing financing by USDA

**Amortization:** 30 yrs **Term:** 50 Yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**REHAB/PERMANENT FINANCING**

**Source:** USDA **Contact:** Daila McAnally

**Principal Amount:** $370,000 **Interest Rate:** 1%

**Additional Information:**

**Amortization:** 30 yrs **Term:** 50 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $14,281 **Lien Priority:** 2nd **Commitment Date** 6/ 5/ 2004

**TAX CREDIT SYNDICATION**

**Source:** WNC & Associates **Contact:** David C. Turek

**Net Proceeds:** $402,404 **Net Syndication Rate (per $1.00 of 10-yr HTC)** .72¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** / /

**Additional Information**:

**APPLICANT EQUITY**

**Amount:** $23,615 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Transfer of Real Estate Security:** The USDA-RD is transferring/selling this property for the same amount as the appraised value of $831,000. This is an acquisition loan/assumption with USDA-RD funds. This will be a first lien note at a 1% interest rate with a 30-year amortization and a 50-year term.

**Rehab/Permanent Financing:** This loan in the amount of $370,000 is utilizing USDA-RD funds for Rehab. This will be a second lien note at a 1% interest rate with a 30-year amortization and a 50-year term.

**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 $23,615 amount to 11.5% of the total Developer's fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $55,422 annually for ten years, resulting in syndication proceeds of approximately $399,035. Based on the underwriting analysis, the Applicant's deferred developer fee will be $23,615, which represents approximately 11.5% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and property management 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 is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, DoubleKaye Corporation, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $425K and consisting of $179K in current assets and $247K in other assets. Liabilities totaled $66K, resulting in a net worth of $359K.
- The principals of the General Partner, Gary L. and Laure Kersch, submitted an unaudited joint personal financial statement as of April 30, 2003 and certified again on March 19, 2004 that they are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- Gary Kersch, the 49% owner of the Developer, Doublekaye Corporation, has completed ten affordable housing developments totaling 258 units since 1989.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The revised rent schedule indicating USDA-RD's concurrence with the increase in Basic Rent from $283 to $325 for the one-bedroom units and $351 to $360 for the two-bedroom units has not yet been approved.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Bert Murray* | **Date:** | November 30, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | November 30, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Oasis Apartments, Fort Stockton, 9% HTC #05003***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Tnt PD Rent/Unit | Rent per Month | Rent per SF | Tnt-Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| <TC 60% | 32 | 1 | 1 | 612 | $477 | $325 | $10,400 | $0.53 | $46.00 | $42.50 |
| <TC 60% | 23 | 2 | 1 | 745 | 573 | $360 | 8,280 | 0.48 | 57.00 | 43.50 |
| EO | 1 | 2 | 1 | 745 | 0 | 0 | 0 | 0.00 | 57.00 | 43.50 |
| TOTAL: | 56 | | AVERAGE: | 669 | $508 | $334 | $18,680 | $0.50 | $50.71 | $42.93 |

| INCOME | Total Net Rentable Sq Ft: 37,464 | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Comptroller's Region | | 13 |
| POTENTIAL GROSS RENT | | | | $224,160 | $224,160 | | IREM Region | |
| Secondary Income | | Per Unit Per Month: | $12.00 | 8,064 | 8,064 | $12.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | Interest Subsidy | | |
| POTENTIAL GROSS INCOME | | | | $232,224 | $232,224 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (17,417) | (17,417) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | Interest Subsidy | | |
| EFFECTIVE GROSS INCOME | | | | $214,807 | $214,807 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 4.05% | $156 | 0.23 | $8,710 | $7,750 | $0.21 | $138 | 3.61% |
| Management | 7.74% | 297 | 0.44 | 16,620 | 19,200 | 0.51 | 343 | 8.94% |
| Payroll & Payroll Tax | 10.03% | 385 | 0.58 | 21,551 | 38,600 | 1.03 | 689 | 17.97% |
| Repairs & Maintenance | 10.94% | 420 | 0.63 | 23,500 | 25,400 | 0.68 | 454 | 11.82% |
| Utilities | 3.97% | 152 | 0.23 | 8,520 | 7,100 | 0.19 | 127 | 3.31% |
| Water, Sewer, & Trash | 13.43% | 515 | 0.77 | 28,848 | 17,710 | 0.47 | 316 | 8.24% |
| Property Insurance | 7.95% | 305 | 0.46 | 17,068 | 12,600 | 0.34 | 225 | 5.87% |
| Property Tax 2.99737 | 8.86% | 340 | 0.51 | 19,026 | 19,150 | 0.51 | 342 | 8.91% |
| Reserve for Replacements | 7.82% | 300 | 0.45 | 16,800 | 11,120 | 0.30 | 199 | 5.18% |
| Other: Compliance Fees and | 0.71% | 27 | 0.04 | 1,525 | 1,525 | 0.04 | 27 | 0.71% |
| TOTAL EXPENSES | 75.49% | $2,896 | $4.33 | $162,167 | $160,155 | $4.27 | $2,860 | 74.56% |
| NET OPERATING INC | 24.51% | $940 | $1.41 | $52,641 | $54,652 | $1.46 | $976 | 25.44% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage USDA 1st | 14.93% | $573 | $0.86 | $32,074 | $32,074 | $0.86 | $573 | 14.93% |
| Additional Financing USDA 2nd | 6.65% | $255 | $0.38 | 14,281 | 14,281 | $0.38 | $255 | 6.65% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 2.93% | $112 | $0.17 | $6,286 | $8,298 | $0.22 | $148 | 3.86% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.14 | 1.18 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.18 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost | (site or bl | 50.12% | $14,839 | $22.18 | $831,000 | $831,000 | $22.18 | $14,839 | 51.18% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 0.36% | 107 | 0.16 | 6,000 | 6,000 | 0.16 | 107 | 0.37% |
| Direct Construction | | 23.26% | 6,886 | 10.29 | 385,613 | 385,613 | 10.29 | 6,886 | 23.75% |
| Contingency | 10.00% | 2.36% | 699 | 1.05 | 39,161 | 39,161 | 1.05 | 699 | 2.41% |
| General Req'ts | 6.00% | 1.42% | 420 | 0.63 | 23,497 | 23,497 | 0.63 | 420 | 1.45% |
| Contractor's G & A | 2.00% | 0.47% | 140 | 0.21 | 7,832 | 7,832 | 0.21 | 140 | 0.48% |
| Contractor's Prof | 6.00% | 1.42% | 420 | 0.63 | 23,497 | 23,497 | 0.63 | 420 | 1.45% |
| Indirect Construction | | 3.18% | 943 | 1.41 | 52,800 | 52,800 | 1.41 | 943 | 3.25% |
| Ineligible Costs | | 1.35% | 400 | 0.60 | 22,400 | 22,400 | 0.60 | 400 | 1.38% |
| Developer's G & A | 2.00% | 1.64% | 485 | 0.72 | 27,151 | 0 | 0.00 | 0 | 0.00% |
| Developer's Profit | 13.00% | 10.64% | 3,151 | 4.71 | 176,480 | 205,350 | 5.48 | 3,667 | 12.65% |
| Interim Financing | | 1.15% | 341 | 0.51 | 19,100 | 19,100 | 0.51 | 341 | 1.18% |
| Reserves | | 2.62% | 775 | 1.16 | 43,394 | 7,400 | 0.20 | 132 | 0.46% |
| TOTAL COST | | 100.00% | $29,606 | $44.25 | $1,657,925 | $1,623,650 | $43.34 | $28,994 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *29.29%* | ***$8,671*** | ***$12.96*** | ***$485,600*** | ***$485,600*** | ***$12.96*** | ***$8,671*** | *29.91%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage (USDA 1st | 50.12% | $14,839 | $22.18 | $831,000 | 831,000 | $831,000 | Developer Fee Available |
| Additional Financing (USDA 2 | 22.32% | $6,607 | $9.88 | 370,000 | 370,000 | 370,000 | $205,350 |
| HTC Syndication Proceeds | 24.07% | $7,126 | $10.65 | 399,035 | 399,035 | 399,035 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 1.42% | $422 | $0.63 | 23,615 | 23,615 | 23,615 | 11.5% |
| Additional (excess) Funds Req | 2.07% | $612 | $0.91 | 34,275 | 0 | (0) | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $1,657,925 | $1,623,650 | $1,623,650 | $120,341 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $831,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.64 |

| | | | |
|---|---|---|---|
| **Secondary** | $370,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | $399,035 | Term | |
| Int Rate | | Aggregate DCR | 1.14 |

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

| | |
|---|---|
| Primary Debt Service | $32,074 |
| Secondary Debt Service | 14,281 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $8,298 |

| | | | |
|---|---|---|---|
| **Primary** | $831,000 | Term | 360 |
| Int Rate | 1.00% | DCR | 1.70 |

| | | | |
|---|---|---|---|
| **Secondary** | $370,000 | Term | 360 |
| Int Rate | 1.00% | Subtotal DCR | 1.18 |

| | | | |
|---|---|---|---|
| **Additional** | $399,035 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.18 |

## 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 | $224,160 | $230,885 | $237,811 | $244,946 | $252,294 | $292,478 | $339,062 | $393,066 | $528,248 |
| Secondary Income | 8,064 | 8,306 | 8,555 | 8,812 | 9,076 | 10,522 | 12,198 | 14,140 | 19,003 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 232,224 | 239,191 | 246,366 | 253,757 | 261,370 | 303,000 | 351,260 | 407,206 | 547,251 |
| Vacancy & Collection Loss | (17,417) | (17,939) | (18,477) | (19,032) | (19,603) | (22,725) | (26,344) | (30,540) | (41,044) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $214,807 | $221,251 | $227,889 | $234,726 | $241,767 | $280,275 | $324,915 | $376,666 | $506,207 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $7,750 | $8,060 | $8,382 | $8,718 | $9,066 | $11,031 | $13,420 | $16,328 | $24,170 |
| Management | 19,200 | 19776 | 20369.28 | 20980.3584 | 21609.76915 | 25051.64513 | 29041.72272 | 33667.31622 | 45246.05772 |
| Payroll & Payroll Tax | 38,600 | 40,144 | 41,750 | 43,420 | 45,157 | 54,940 | 66,843 | 81,324 | 120,380 |
| Repairs & Maintenance | 25,400 | 26,416 | 27,473 | 28,572 | 29,714 | 36,152 | 43,985 | 53,514 | 79,214 |
| Utilities | 7,100 | 7,384 | 7,679 | 7,987 | 8,306 | 10,106 | 12,295 | 14,959 | 22,142 |
| Water, Sewer & Trash | 17,710 | 18,418 | 19,155 | 19,921 | 20,718 | 25,207 | 30,668 | 37,312 | 55,231 |
| Insurance | 12,600 | 13,104 | 13,628 | 14,173 | 14,740 | 17,934 | 21,819 | 26,546 | 39,295 |
| Property Tax | 19,150 | 19,916 | 20,713 | 21,541 | 22,403 | 27,256 | 33,162 | 40,346 | 59,722 |
| Reserve for Replacements | 11,120 | 11,565 | 12,027 | 12,508 | 13,009 | 15,827 | 19,256 | 23,428 | 34,679 |
| Other | 1,525 | 1,586 | 1,649 | 1,715 | 1,784 | 2,171 | 2,641 | 3,213 | 4,756 |
| TOTAL EXPENSES | $160,155 | $166,369 | $172,826 | $179,536 | $186,507 | $225,675 | $273,130 | $330,638 | $484,836 |
| NET OPERATING INCOME | $54,652 | $54,882 | $55,063 | $55,190 | $55,260 | $54,600 | $51,785 | $46,027 | $21,372 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $32,074 | $32,074 | $32,074 | $32,074 | $32,074 | $32,074 | $32,074 | $32,074 | $32,074 |
| Second Lien | 14,281 | 14,281 | 14,281 | 14,281 | 14,281 | 14,281 | 14,281 | 14,281 | 14,281 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $8,298 | $8,528 | $8,708 | $8,835 | $8,906 | $8,245 | $5,430 | ($327) | ($24,983) |
| DEBT COVERAGE RATIO | 1.18 | 1.18 | 1.19 | 1.19 | 1.19 | 1.18 | 1.12 | 0.99 | 0.46 |

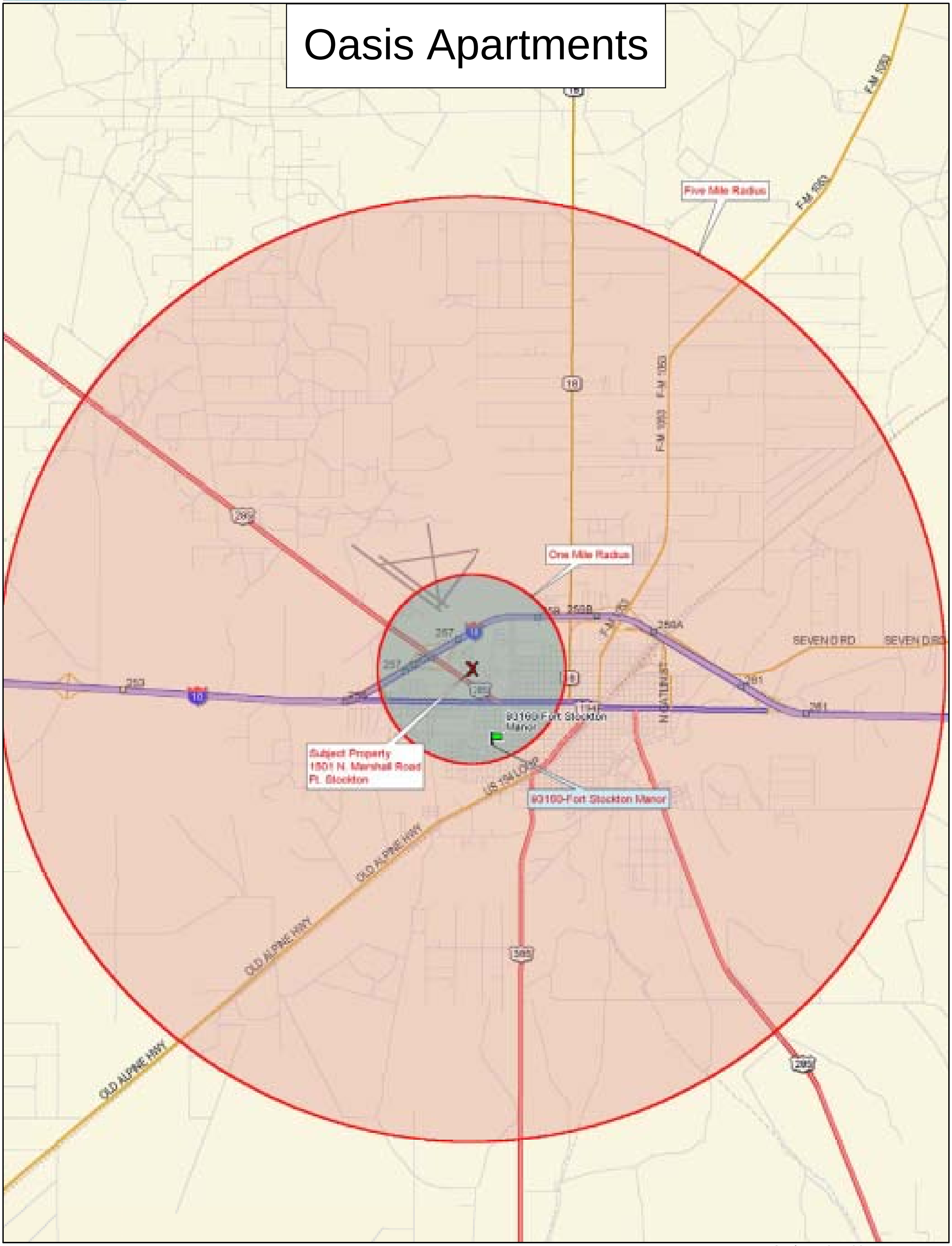
## LIHTC Allocation Calculation - Oasis Apartments, Fort Stockton, 9% HTC #05003

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | | | |
| Purchase of land | $19,500 | $30,960 | | | | |
| Purchase of buildings | $811,500 | $800,040 | $811,500 | $800,040 | | |
| **(2) Rehabilitation/New Construction Cost** | | | | | | |
| On-site work | $6,000 | $6,000 | | | $6,000 | $6,000 |
| Off-site improvements | | | | | | |
| **(3) Construction Hard Costs** | | | | | | |
| New structures/rehabilitation ha | $385,613 | $385,613 | | | $385,613 | $385,613 |
| **(4) Contractor Fees & General Requirements** | | | | | | |
| Contractor overhead | $7,832 | $7,832 | | | $7,832 | $7,832 |
| Contractor profit | $23,497 | $23,497 | | | $23,497 | $23,497 |
| General requirements | $23,497 | $23,497 | | | $23,497 | $23,497 |
| **(5) Contingencies** | $39,161 | $39,161 | | | $39,161 | $39,161 |
| **(6) Eligible Indirect Fees** | $52,800 | $52,800 | | | $52,800 | $52,800 |
| **(7) Eligible Financing Fees** | $19,100 | $19,100 | | | $19,100 | $19,100 |
| **(8) All Ineligible Costs** | $22,400 | $22,400 | | | | |
| **(9) Developer Fees** | | | $121,725 | $120,006 | $83,625 | $83,625 |
| Developer overhead | | $27,151 | | | | |
| Developer fee | $205,350 | $176,480 | | | | |
| **(10) Development Reserves** | $7,400 | $43,394 | | | | |
| **TOTAL DEVELOPMENT COSTS** | $1,623,650 | $1,657,925 | $933,225 | $920,046 | $641,124 | $641,124 |

| | | | APPLICANT'S ACQUISITION ELIGIBLE BASIS | TDHCA ACQUISITION ELIGIBLE BASIS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|---|---|
| **Deduct from Basis:** | | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | | |
| Non-qualified non-recourse financing | | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | | |
| Historic Credits (on residential portion only) | | | | | | |
| **TOTAL ELIGIBLE BASIS** | | | $933,225 | $920,046 | $641,124 | $641,124 |
| High Cost Area Adjustment | | | | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | | $933,225 | $920,046 | $641,124 | $641,124 |
| Applicable Fraction | | | 100% | 100% | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | | $933,225 | $920,046 | $641,124 | $641,124 |
| Applicable Percentage | | | 3.55% | 3.55% | 3.55% | 3.55% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | $33,129 | $32,662 | $22,760 | $22,760 |
| **Syndication Proceeds** | | **0.7200** | **$238,532** | **$235,164** | **$163,871** | **$163,871** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$55,889** | **$55,422** |
| **Syndication Proceeds** | **$402,404** | **$399,035** |
| **Requested Credits** | **$55,889** | |
| **Syndication Proceeds** | **$402,401** | |
| **Gap of Syndication Proceeds Needed** | **$422,650** | |
| **Credit Amount** | **$58,701** | |

# Oasis Apartments






TN
MN (8.1°E)

Scale 1 : 87,500

1" = 1.38 mi Data Zoom 11-2

# Applicant Evaluation

Project ID # **05003** Name: **Fort Stockton Oasis** 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

☐ Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

## Portfolio Management and Compliance

Total # of Projects monitored: 11

Projects in Material Noncompliance **Yes** ☐ **No** ☑

# in noncompliance: 0

Projects grouped by score

- zero to nine: 11
- ten to nineteen: 0
- twenty to twenty-nine: 0

# monitored with a score less than thirty: 11

# not yet monitored or pending review: 0

Projects not reported in application Yes ☑ No ☐

# of projects not reported 1

**Portfolio Monitoring**

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

**Single Audit**

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

**Contract Administration**

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

Reviewed by Jo En Taylor Date 10/4/2004

**Multifamily Finance Production**

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

Reviewer

Date

**Single Family Finance Production**

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

Reviewer

Date

**Real Estate Analysis (Cost Certification and Workout)**

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

Reviewer

Date

**Community Affairs**

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

Reviewer

Date

**Office of Colonia Initiatives**

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

Reviewer

Date

**Financial Administration**

- No delinquencies found ☑
- Delinquencies found ☐

Reviewer Stephanie A. D'Couto

Date 9 /30/2004

**Executive Director:** Edwina Carrington **Executed:** Friday, October 08, 2004

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Request for waiver of §50.6(f) of the 2004 QAP with regard to the "one mile-one calendar year" rule as it pertains to Grove Village Apartments (TDHCA #04-062) and Pleasant Village Apartments (TDHCA #04-061), two acquisition/rehabilitation Housing Tax Credit applications (4%) associated with Tax Exempt Bonds.

## Required Action

Determine whether to grant a waiver of §50.6(f) of the 2004 QAP for good cause.

## Properties and Borrowers

The development known as Grove Village Apartments, (TDHCA #04-062), is an existing 232 unit multifamily development containing 216,581 net rentable square feet situated on 17.45 acres located at 7209 S. Loop 12, Dallas, Dallas County, Texas. The borrowing entity is Grove Village Apartments Limited Partnership, of which the general partner is Walker Guardian, LLC, 100% owner of the LLC is Rob Walker. The Development know as Pleasant Village Apartments (TDHCA #04-061) is an existing 200 unit multifamily development containing 181,560 net rentable square feet situated on 20.0 acres located at 378 N. Jim Miller Road, Dallas, Dallas County, Texas. The borrowing entity is Pleasant Village Apartments Limited Partnership, of which the general partner is Walker Guardian, LLC, 100% owner of the LLC is Rob Walker.

## Background and Recommendations

In November 2004, the Department received the above-referenced applications under the Private Activity Bond 2004 Traditional Carry Forward Application Cycle. Prior to submitting these two applications, the applicant had requested from the Bond Review Board (BRB) their determination as to whether these two properties could be combined into one application for consideration for Private Activity Cap. The applicant's rationale for combining the properties was that both properties would be financed under a common plan (one Bond issue), be owned by the same entity (Limited Partnership), and the two developments are only separated by a few hundred feet and would contain only rent-restricted units. These factors meet the definition of an acceptable scattered site development under §42(g)(7), Internal Revenue Code and §50.6(c), 2004 QAP. However, the BRB response was that each site needed to have a separate application and separate ownership. As the two applications are now applying for Housing Tax Credits, they are affected by the "one mile-one calendar year" which precludes both applications from being done in the same calendar year.

Staff requests a waiver to this rule for these two applications for the following reasons.

1. Both of these transactions are Acquisition/Rehab and would have been handled as one application, but for the technical determination of the BRB. (Note that if they had been submitted as one application, the rule would not disqualify them.)

2. The Department, through the 2005 QAP approved by the Board on November 12, 2004, has determined that "one mile-one calendar year" does not apply to Tax Exempt Bond transactions. Therefore, if these applications were submitted under the 2005 QAP they would not be disqualified.

3. As a practical financial matter it makes sense to combined the anticipated debt of these two transactions ($6,590,000 Bonds on Grove Village Apartments and $5,990,000 Bonds on Pleasant Village Apartments) to decrease the overall fixed cost of issuance and provide more available funds for the rehabilitation of the properties.

4. Each of the properties has a significant number of uninhabitable units which need immediate attention. Delay in the rehabilitation of the properties caused by the application of the "one mile-one calendar year" rule will cause money that would otherwise be used for rehabilitation to be used for operating deficits.

## **Recommendation**

Because of the unique situation with these properties, staff recommends Board approval of a waiver of Section §50.6(f) of the 2004 QAP.

# State Street Housing Advisors, L.P.

Affordable Housing Consulting Services

November 18, 2004

VIA FACSIMILE TO: (512) 475-0764

Ms. Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing & Community Affairs
507 Sabine Street, Ste. 400
Austin, Texas 78711

RE: Grove Village Apartments (TDHCA #04-062) & Pleasant Village Apartments (TDHCA #2004-061)

Ms. Boston:

I hereby request a clarification of the 1-mile rule as it relates to the allocation of tax credits for the two properties referenced above.

Section 50.5.(a )(8) of the 2004 QAP states the application is ineligible if:

"(8) The Applicant proposes to construct a new Development that is located one linear mile (measured by a straight line on a map) or less from a Development that: (A) serves the same type of household as the new Development, regardless of whether the Developments serve families, elderly individuals, or another type of household;

(B) has received an allocation of Housing Tax Credits (including Tax Exempt Bond Developments) for new construction at any time during the three-year period preceding the date the application round begins (or for Tax Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(C) has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) An Application is not ineligible under this paragraph if:
(i) the Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.); or (ii) the Development is located in a county with a population of less than one million; or (iii) the Development is located outside of a metropolitan statistical area; or (iv) the local government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) through (C) of this paragraph. [2306.6703] (E) In determining the age of an existing development as it relates to the application of the three-year period,"

Since both of the proposed developments involve only acquisition and rehabilitation of existing buildings and not new construction, it is our interpretation of this section of the QAP that these developments are eligible to be funded.

However, section 50.6(f) of the 2004 QAP goes on to state:

"(f) **Limitations on the Location of Developments.** Staff will only recommend, and the Board may only allocate, housing tax credits to more than one Development in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year 2004 are Harris, Dallas, Tarrant and Bexar Counties). For Tax Exempt Bond Developments, the year of the Development is the calendar year in which the Board approves the housing tax credits for the

Development. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h). [2306.6711]"

This section of the QAP appears to unintentionally contradict the earlier section of the QAP with respect to delineation of new construction versus acquisition and rehabilitation developments.

We are asking that you clarify the eligibility of the two sites related to the 2004 QAP under which these two developments will fall due to their status as applicants for private activity bond cap in the 2004 carry forward cycle.

Should you determine that both applications will not be eligible for an allocation of tax credits under the current 2004 QAP, we respectfully request a waiver of the rule so that both developments may move forward simultaneously.

Our reasons for such a request are:

1. The agency has determined that the 1-mile one-year rule does not apply to tax exempt bond developments and has incorporated this determination in the 2005 QAP. These applications were made to the department after this determination and thus the applicant relied upon the fact that the 1-mile one-year rule would not apply to the 2004 carry forward applications.
2. The two developments are only separated by a few hundred feet and are being renovated and managed by the same developer and manager.
3. The two developments would have been submitted as a single scattered site development, but Texas Bond Review Board rules require two separate applications since the sites are not contagious.
4. It is the intention of the applicant to combine the two applications into one single bond issue thereby decreasing the cost of issuance and increasing the amount of funds available for rehabilitation.
5. Each of the two properties has a significant number of uninhabitable units which need immediate attention. Delay in the rehabilitation of the properties that may be caused by the unfavorable interpretation of the 2004 QAP will cause money that would otherwise be used for rehabilitation to be used for operating deficits.

If you have any questions related to this request, please feel free to contact me at (214) 346-0707.

Sincerely,

Jeffrey S. Spicer

CC: Dan Steffey – Guardian Management

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Request for waiver of requirement found at §50.9(f)(7)(B)(ii)(II) of the 2004 Qualified Allocation Plan which requires that "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 it will recommend approval of appropriate zoning to the entity responsible for final approval of zoning decisions (city council or county commission)". For Tax Exempt Bond Developments this must occur "no later than 14 days before the Board meeting where the credits will be committed."

## Required Action

Determine whether to grant a limited waiver of §50.9(f)(7)(B)(ii)(II) of the 2004 QAP for good cause.

## Property and Borrower

The development known as Providence at Prairie Oaks, TDHCA #2004-041, is a proposed 206 unit multifamily development containing 205,248 net rentable square feet situated on 11.09 acres at the southeast corner of the intersection of State Highway 360 and Prairie Oaks Road at approximately the 2700 block of Prairie Oaks Drive, Arlington, Tarrant County, Texas. The borrowing entity is Chicory Court Marine Creek, L.P., a limited partnership the general partner of which is Chicory GP Marine Creek, LLC, a Texas Limited Liability Company; 100% ownership of the LLC is with Leon Backes.

## Background and Recommendations

On August 31, 2004 the Department received notice of a reservation on Providence at Prairie Oaks. The current zoning designation of the property is Office/Business. Upon receipt of the reservation, the applicant proceeded to file an application for a zoning change to the City of Arlington Planning and Zoning Commission. The applicant was not permitted to apply for the zoning change any earlier than September 21 due to the large volume of requests that the Planning and Zoning Commission receives. By submitting the application as required on the September date, the Development Review Committee date for review was scheduled for October 7th and the Planning and Zoning Commission hearing was scheduled for October 20$^{th}$. At the October 20$^{th}$ meeting of the Planning and Zoning Commission, the case was given a continuance to November 3$^{rd}$ and another continuance until November 17$^{th}$; in both cases the continuances were requested by the applicant because they wanted to provide the Commissioners with sufficient information to approve the request. Unfortunately, at the November 17$^{th}$ hearing the Commission denied the zoning request on a split vote with no substantive explanation.

The applicant feels the case was not judged on its merits and subsequently appealed the zoning case to the Arlington City Council for consideration. The City Council originally scheduled the council hearing for February 8$^{th}$, but the development's district councilperson, Lana Wolff, was able to persuade the staff to move the date back by five weeks to January 4$^{th}$ 2005, which was necessary to ensure that the request is heard before the January 2005 TDHCA Board meeting where approval for this application will be considered. Unfortunately, the item could not be placed on a council agenda within 14 days of the date of the Department's meeting. It should be noted that the applicant believes they have sufficient support to obtain a positive approval of the zoning from the City Council; Council Member Wolff and at-large Council Member Gene Patrick support the applicant's efforts on this development.

## Recommendation

Staff recommends Board approval of a limited waiver of §50.9(f)(7)(B)(ii)(II) of the 2004 QAP, conditioned on the requirement that the applicant have final approval by the Arlington City Council of appropriate and conforming zoning prior to the date of the Department's January Board meeting (January 13, 2004).

This action does not approve this application; that decision will be made in January 2005. This action merely grants the applicant the conditional waiver of this one requirement.

Provident
Realty Advisors, Inc.

*Commercial Real Estate*
*Development, Investments, Brokerage*

November 22, 2004

VIA FACSIMILE TO: (512) 475-0764

Ms. Brooke Boston
Director of Multifamily Finance Production
TDHCA HTC Program
507 Sabine, Suite 700
P.O. Box 13941
Austin, TX 78711-3941

**RE: TDHCA file no. 04483, Providence at Prairie Oaks, Arlington, TX**

Ms. Boston:

I am writing to respectfully request a waiver of the rule in the 2004 QAP requiring us to provide evidence of zoning 14 days prior to the TDHCA Board meeting (the "14-Day Rule") for the above referenced project. This project is scheduled to go before the Board on January 13th. The bond reservation was issued on August 31st, and expires on January 28th.

The reason for this request is that the earliest possible date to obtain the zoning approval from Arlington City Council is January 4th. This date is nine days prior to the board meeting. The City originally scheduled the council hearing for February 8th, but the project district's councilperson, Lana Wolff, was able to persuade the staff to move the date back by five weeks to January 4th. Also on this date, the city council will vote on the waiver of the "one-mile rule". It is our understanding that this item will be considered on the same day as the zoning case. We further request that we be granted a waiver of the 14-Day Rule in regard to the City Council resolution concerning the one-mile waiver as it may apply.

On September 2nd, two days after receiving the bond reservation, we tried to submit our PD zoning application to the City, but unfortunately the city only takes a limited number of applications at a time, and there was no available slot for us for their September 7th cutoff date. We had to wait to the next available date of September 21st. This pushed our schedule to October 7th for Development Review Committee and to October 20th for Planning and Zoning Commission hearing. At the Planning and Zoning hearing our case was given a continuance to November 3rd, and continued again to November 17th. On November 17th, the Commission denied our zoning request on a split vote with no substantive explanation. We do not believe that the case was fully judged on its merits.

975 One Lincoln Centre • 5400 LBJ Freeway • Dallas, TX 75240
(972) 239-8500 • Fax (972) 239-8373

Therefore, we have appealed our case to the City Council for consideration. Our project is the first new multifamily development to go before the city staff and the Planning and Zoning Commission which complies with *all* of the City's newly adopted multifamily standards. We have followed all of the City's procedures and met all deadlines during the zoning process. In addition we agreed to all of the Commission's requests in regard to planning and design features including exterior finishes, covered parking, screening, lighting, signage, etc.

As stated above, our case is now on appeal to the Arlington City Council. We firmly believe this project will benefit the Arlington community. Council Member Wolff and at-large Council Member Gene Patrick support our efforts on this project. We hope to have majority City Council support soon, and are optimistic that this project will receive Council approval on January 4th, and sincerely hope for an exemption of the "14-Day Rule." As you know, the "14-Day Rule" has been taken out of the 2005 QAP.

Thank you for your consideration. If you have any questions related to this request, please contact me at 972-239-8500 ext 131.

Sincerely,

Matt Harris

Matt Harris

CC: Robert Onion - TDHCA

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

Consideration of the Award of 2004 and/or 2005 Housing Tax Credits to Developments Impacted by the November 2, 2004 HUD Notice Regarding Difficult Development Areas.

## Required Action

Make allocation determinations on four developments impacted by the November 2, 2004 HUD Notice Regarding Difficult Development Areas.

## Background and Recommendations

DDA Notice from HUD – Impact for Texas

On November 2, 2004, the U.S. Department of Housing and Urban Development (HUD) released a notice (Volume 69, No. 211 of the *Federal Register*) that states:

> "This amendment provides that, in the case of a building to be constructed or rehabilitated, that is located in a Difficult Development Area designated in the 2003 notice that is not designated in the 2004 notice, the 2003 lists of Difficult Development Areas remain in effect (1) for allocations of credit to an applicant within the 365-day period after the submission to the credit-allocating agency of a complete application that was filed after December 31, 2002 and before December 17, 2004, or (2) for purposes of section 42(h)(4)(B) of the Code, for bonds issued or buildings placed in service within the 365-day period after the submission to the bond-issuing agency of a complete application that was filed after December 31, 2002 and before December 17, 2004, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted."

The primary relevance of this notice is that applications now deemed to be eligible for the designation are permitted by §42(c)(5)(C) to have an eligible basis that is 130% as opposed to an eligible basis of 100% for other non-DDA allocations – this is generally called the "30% boost". Therefore, some applications may warrant an increase of their credit allocation. Upon hearing of this notice, staff researched the impact of this announcement for the state of Texas. There are seven counties in Texas that were Difficult Development Areas (DDAs) in 2003, but were removed in 2004. Those counties are: El Paso, Kimble, Burnet, Llano, Walker, Rains and Hudspeth. Based on the dates discussed in the notice, the possible population of impacted applicants included the pool of 2004 Forwards (made in 2003) and the pool of 2004 applications.

Affected Developments

In the Department's review of its 2004 applications in these counties, staff found that there were four applications that were reviewed by the Real Estate Analysis Division without the DDA designation taken into consideration. (Note that there were applications, other than the four, that were underwritten with the designation in place and therefore warranted no further review, or which had subsequently restructured their application and have indicated no desire to pursue any additional review for this issue.)

Of the four developments identified, two were awarded 2004 tax credits from the Credit Ceiling (the competitive 9% round) and one was awarded 2004 tax credits for Tax Exempt Bond Developments, which do not come from the credit ceiling. One application did not receive an award, but has unique circumstances that are described below. All four applications have been re-evaulated by the Real Estate Analysis Division and are being recommended for credits in the amounts noted below in the column "New Credit Amount".

| **Development** | **Status / Award** | **Original Credit Amount** | **New Credit Amount** | **Amount of Increase** | **DDA/County** |
|---|---|---|---|---|---|
| Americas Palms (04196) | 2004 9% Award | $635,064 | **$667,234** | $32,170 | El Paso |
| Horizon Palms (04197) | 2004 9% Award | $431,206 | **$478,693** | $47,487 | El Paso |
| The Vistas (04410) | 2004 4% Award | $287,187* | **$373,889*** | $86,702* | Burnet |
| Cedar Oak (04070) | 2004 9% - Applied, No Award Made | $0 | **$973,684** | $973,684 | El Paso |

*Note that because this is a 2004 4% award, the credits are not deducted from the 2004 Credit Ceiling.

Cedar Oak Townhomes

Cedar Oak Townhomes (#04070) originally requested $985,523 in their application submitted in the competitive 9% Application Round. At the time of their submission they reflected the DDA designation in their documents. However, the Department required the applicant to restructure the application based on no longer having the DDA designation. The applicant did revise the application and processing continued. As part of the revision of the application, the applicant revised their scoring structure as well, requesting (and being awarded) fewer points than the original application. Unfortunately, the development was financially infeasible without the DDA designation to lend the 30% boost. Therefore, in spite of the region being undersubscribed, the development could not be recommended to the Board. At the time, the decision to not recommend was based on the financial infeasibility and because of an excessive capture rate.

When the notice was released in November, staff reevaluated the application as it was originally submitted (with the DDA designation); this included a re-scoring of the application and a review again for feasibility and capture rate. The application scored 116 points, significantly lower than the other Region 13 applications. However, because the region was undersubscribed as noted earlier, the application, regardless of its score, is still considered competitive for an allocation of credits. The review on the feasibility, with the 30% boost, also indicated that the application would now be financially feasible. A unique situation exists, however, for the capture rate. When calculating the capture rate for a development, the approach taken is that if two applications together would cause the capture rate to be violated the Department "removes" or places the "violation" on the lower scoring application. In this case, Cedar Oak had a capture rate issue with Americas Palms; at first indication then, Cedar Oak, with the lower score, would be "removed".

Nineteen points for Cedar Oak were deducted because they did not have evidence of subsidy for their 30% units 14 days before the applicable Board meeting; however, because they had restructured their application around not having the DDA designation (and therefore not doing 30% units and not needing the subsidy), they were not required to have the subsidy by that time. In retroactively scoring the application, staff can not give these points without the proof of subsidy, but if they had been continuing to compete for the 30% units the applicant has indicated they would have finished the request process for the subsidy and would have the proof in place. The impact of this is as follows: if the application had not been restructured, the subsidy letter would have been in place (we believe); therefore, the points would have been awarded; therefore, the capture rate "tie" would have favored Cedar Oak; therefore Cedar Oak would be eligible for an allocation.

Based on the unique circumstances of this situation, staff recommends that Cedar Oak be issued an allocation of tax credits. Because this development was never brought before the Board as an affirmative recommendation, the "Development Profile and Summary" for the development is attached as well as the underwriting report.

Availability of Credits and Allocation

At this time the Department has $682,946 in 2004 Credits available that must still be allocated. Staff recommends that the credits be allocated as indicated below. When the two 9% Credit Ceiling credit increases (for Americas Palms and Horizon Palms), in the total increased amount of $79,657, are deducted from the credits available, $603,289 remains. Staff recommends that the full 2004 Credit Ceiling balance of $603,289 be allocated to Cedar Oak, as well as $370,395 from the 2005 Credit Ceiling to provide the application with a full credit amount. With this action, staff also requests that in the event that any 2004 credits are returned to the Department prior to December 31, 2004 (regardless of the region they are returned in), that those credits be allocated to Cedar Oak to the extent that it enables an allocation from only the 2004 credit ceiling.

| Development | New Credit Amount | Amount of Increase | | Recommended Additional 2004 Credits (from Credit Ceiling) | Recommended Additional 2005 Credits (from Credit Ceiling) |
|---|---|---|---|---|---|
| Americas Palms | **$667,234** | $32,170 | | **$667,234** | **NA** |
| Horizon Palms | **$478,693** | $47,487 | | **$478,693** | **NA** |
| The Vistas | **$373,889*** | $86,702* | | **NA** | **NA** |
| Cedar Oak | **$973,684** | $973,684 | | **$603,289** | **$370,395** |

*Note that because this is a 2004 4% award, the credits are not deducted from the 2004 Credit Ceiling.

To alleviate any issues of conflicting QAP requirements for Cedar Oak, due to the split allocation, staff also recommends that Cedar Oak be considered to satisfy the QAP requirements as long as the 2004 QAP is followed.

Staff recommends that the allocations for the 9% Competitive applications from the Credit Ceiling be conditioned on submission of a satisfactory Carryover Allocation package no later than December 22, 2004.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

**DATE:** December 1, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04196

## DEVELOPMENT NAME

Americas Palms Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Americas Palms, LTD | | | **Type:** | For-profit | | |
| **Address:** | 4655 Cohen Avenue | | | **City:** | El Paso | **State:** | TX |
| **Zip:** | 79924 | **Contact:** | Bobby Bowling IV | **Phone:** | (915) 821-3550 | **Fax:** | (915) 821-3556 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | El Paso Americas, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Tropicana Building Corporation (TBC) | **(%):** | N/A | **Title:** | 44% owner of GP & Developer |
| **Name:** | Tropicana Properties, Inc. (TPI) | **(%):** | N/A | **Title:** | 5% owner of GP |
| **Name:** | TVP Non-Profit Corporation | **(%):** | N/A | **Title:** | 51% owner of GP |
| **Name:** | Bobby Bowling IV | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Bobby Bowling III | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Randall Bowling | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Gregory Bowling | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Demetrio Jimenez | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Joanne Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Paulette Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Ashley Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Jill Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 12300 North and South blocks of Lorenzo Ruiz Drive | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | El Paso | **County:** | El Paso | **Zip:** | 79936 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $866,403 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $667,234 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

## ADDENDUM

**Background:** This application was originally submitted in the 2004 9% HTC cycle with the Applicant claiming a 30% increase in eligible basis due to the site's location in a Difficult to Develop Area (DDA) that had covered all of El Paso in 2003 and for several years prior. However, in 2004, after the Applicant had submitted their pre-application, this designation was removed by HUD causing a 30% reduction in the potential credit amount. All applicants were provided an opportunity to redraft their application to account for this status loss. The Applicant did so and the revised application was underwritten and was recommended for an allocation of tax credits not to exceed $611,304. On November 2, 2004, HUD published a notice rescinding the change in DDA status for 2004 due to the short period of time from when the notice was originally published to the effective date of the change. As a result all of the applicants that were affected by this change have been given an opportunity to again resubmit their applications based upon the original DDA status. For 2005 El Paso will no longer be a DDA; however, should the Applicant meet carryover it will now be able to avail itself of the additional 30% eligible basis bonus for a development located in a DDA. The following analysis addresses the Applicant's most recent request and supplements the recommendations found in the original report as a result of the change in the DDA status.

**Analysis:** The Applicant's income and expense estimates have remained unchanged from the original (non-DDA) application, and therefore the Applicant's net operating income will again be used to evaluate debt service capacity. The Applicant's direct construction cost estimate, however, has increased by $332K or 7.5%, without substantiation for the increase. The Applicant also increased contractor fees by 6.3% and developer fees by 7.3%. Because the original underwriting was performed so recently the Underwriter's cost estimate will not be revised; the Applicant's revised total development cost estimate now exceeds the Underwriter's estimate by $799K or 9.9% and is considered to be overstated. Therefore, the Underwriter's cost estimate will be used to calculate eligible basis.

**Conclusion:** Based on the Underwriter's estimate of eligible basis the recommended tax credit allocation would be $787,640, resulting in syndication proceeds of $6,418,623. However, this is $981,212 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this project should be reduced to $667,234 or $199,169 less than requested.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | December 1, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | December 1, 2004 |

## MULTIFAMILY COMPARATIVE ANALYSIS

***Americas Palms Apartments, El Paso, 9% HTC #04196 ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | | | Rent per Month | Rent per SF | Tnt Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TC (30%) | 11 | 1 | 1 | 650 | $238 | $166 | | | $1,826 | $0.26 | $72.00 | $15.00 |
| TC (40%) | 16 | 1 | 1 | 650 | 318 | 246 | | | 3,936 | 0.38 | 72.00 | 15.00 |
| TC (50%) | 1 | 1 | 1 | 650 | 397 | 325 | | | 325 | 0.50 | 72.00 | 15.00 |
| TC (50%) | 16 | 2 | 1 | 900 | 477 | 394 | | | 6,304 | 0.44 | 83.00 | 15.00 |
| TC (60%) | 32 | 2 | 1 | 900 | 573 | 490 | | | 15,680 | 0.54 | 83.00 | 15.00 |
| TC (60%) | 36 | 3 | 2 | 1,000 | 661 | 565 | | | 20,340 | 0.57 | 96.00 | 15.00 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| TOTAL: | 112 | | AVERAGE: | 870 | $517 | $432 | | | $48,411 | $0.50 | $84.43 | $15.00 |

| **INCOME** | Total Net Rentable Sq Ft: | 97,400 | TDHCA | ORIG. TDHCA | ORIG. APPL. | APPLICANT | | Comptroller's Region | 13 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $580,932 | $580,932 | $583,668 | $583,668 | | IREM Region | El Paso |
| Secondary Income | Per Unit Per Month: | $10.00 | 13,440 | 13,440 | 13,440 | 13,440 | $10.00 | Per Unit Per Month | |
| Other Support Income: | | | 0 | 0 | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | $594,372 | $594,372 | $597,108 | $597,108 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (44,578) | (44,578) | (44,784) | (44,784) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $549,794 | $549,794 | $552,324 | $552,324 | | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | ORIG. TDHCA | ORIG. APPL. | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.19% | $255 | 0.29 | $28,546 | $28,546 | $36,000 | $36,000 | $0.37 | $321 | 6.52% |
| Management | | 5.00% | 245 | 0.28 | 27,490 | 27,490 | 27,616 | 27,616 | 0.28 | 247 | 5.00% |
| Payroll & Payroll Tax | | 14.26% | 700 | 0.80 | 78,400 | 78,400 | 66,000 | 66,000 | 0.68 | 589 | 11.95% |
| Repairs & Maintenance | | 4.05% | 199 | 0.23 | 22,253 | 22,253 | 21,000 | 21,000 | 0.22 | 188 | 3.80% |
| Utilities | | 3.80% | 186 | 0.21 | 20,869 | 20,869 | 20,000 | 20,000 | 0.21 | 179 | 3.62% |
| Water, Sewer, & Trash | | 4.53% | 222 | 0.26 | 24,905 | 24,905 | 20,000 | 20,000 | 0.21 | 179 | 3.62% |
| Property Insurance | | 5.31% | 261 | 0.30 | 29,220 | 29,220 | 30,000 | 30,000 | 0.31 | 268 | 5.43% |
| Property Tax | 3.074385 | 11.27% | 553 | 0.64 | 61,980 | 61,980 | 65,000 | 65,000 | 0.67 | 580 | 11.77% |
| Reserve for Replacements | | 4.07% | 200 | 0.23 | 22,400 | 22,400 | 22,400 | 22,400 | 0.23 | 200 | 4.06% |
| Other: spt svcs, compliance fees | | 0.73% | 36 | 0.04 | 4,000 | 4,000 | 4,000 | 4,000 | 0.04 | 36 | 0.72% |
| TOTAL EXPENSES | | 58.22% | $2,858 | $3.29 | $320,063 | $320,063 | $312,016 | $312,016 | $3.20 | $2,786 | 56.49% |
| NET OPERATING INC | | 41.78% | $2,051 | $2.36 | $229,731 | $229,731 | $240,308 | $240,308 | $2.47 | $2,146 | 43.51% |
| **DEBT SERVICE** | | | | | | | | | | | |
| First Lien Mortgage | | 36.81% | $1,807 | $2.08 | $202,363 | $202,363 | $202,363 | $202,363 | $2.08 | $1,807 | 36.64% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 4.98% | $244 | $0.28 | $27,369 | $27,369 | $37,945 | $37,945 | $0.39 | $339 | 6.87% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.14 | 1.14 | 1.19 | 1.19 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | | 1.19 | 1.19 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | ORIG. TDHCA | ORIG. APPL. | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 5.49% | $3,940 | $4.53 | $441,316 | $441,316 | $490,050 | $490,050 | $5.03 | $4,375 | 5.55% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 10.39% | 7,455 | 8.57 | 835,000 | 835,000 | 835,000 | 835,000 | 8.57 | 7,455 | 9.45% |
| Direct Construction | | 54.77% | 39,306 | 45.20 | 4,402,270 | 4,402,270 | 4,453,000 | 4,785,000 | 49.13 | 42,723 | 54.15% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 6.00% | 3.91% | 2,806 | 3.23 | 314,236 | 314,236 | 317,280 | 337,200 | 3.46 | 3,011 | 3.82% |
| Contractor's G & A | 2.00% | 1.30% | 935 | 1.08 | 104,745 | 104,745 | 105,760 | 112,400 | 1.15 | 1,004 | 1.27% |
| Contractor's Profit | 6.00% | 3.91% | 2,806 | 3.23 | 314,236 | 314,236 | 317,280 | 337,200 | 3.46 | 3,011 | 3.82% |
| Indirect Construction | | 3.62% | 2,598 | 2.99 | 291,000 | 291,000 | 291,000 | 291,000 | 2.99 | 2,598 | 3.29% |
| Ineligible Costs | | 0.67% | 482 | 0.55 | 54,000 | 54,000 | 54,000 | 54,000 | 0.55 | 482 | 0.61% |
| Developer's G & A | 2.00% | 1.61% | 1,153 | 1.33 | 129,130 | 129,130 | 186,000 | 200,000 | 2.05 | 1,786 | 2.26% |
| Developer's Profit | 13.00% | 10.44% | 7,494 | 8.62 | 839,343 | 839,343 | 1,050,000 | 1,125,000 | 11.55 | 10,045 | 12.73% |
| Interim Financing | | 2.43% | 1,741 | 2.00 | 195,000 | 195,000 | 195,000 | 195,000 | 2.00 | 1,741 | 2.21% |
| Reserves | | 1.46% | 1,046 | 1.20 | 117,134 | 117,134 | 75,000 | 75,000 | 0.77 | 670 | 0.85% |
| TOTAL COST | | 100.00% | $71,763 | $82.52 | $8,037,411 | $8,037,411 | $8,369,370 | $8,836,850 | $90.73 | $78,900 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *74.28%* | ***$53,308*** | ***$61.30*** | ***$5,970,488*** | ***$5,970,488*** | ***$6,028,320*** | ***$6,406,800*** | ***$65.78*** | ***$57,204*** | *72.50%* |

| **SOURCES OF FUNDS** | | | | TDHCA | ORIG. TDHCA | ORIG. APPL. | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 32.35% | $23,214 | $26.69 | $2,600,000 | $2,600,000 | $2,600,000 | $2,600,000 | $2,600,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | 0 | $1,033,920 |
| HTC Syndication Proceeds | 87.85% | $63,046 | $72.50 | 7,061,182 | 5,160,589 | 5,160,589 | 7,061,182 | 5,437,411 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | 608,781 | 608,781 | | | 0% |
| Additional (excess) Funds Required | -20.20% | ($14,498) | ($16.67) | (1,623,771) | (331,959) | 0 | (824,332) | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $8,037,411 | $8,037,411 | $8,369,370 | $8,836,850 | $8,037,411 | $1,006,682.07 |

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $45.52 | $4,433,249 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (197,722) |
| Floor Cover | | | 8.71 | 848,354 |
| Porches | $16.36 | 5,652 | 0.95 | 92,467 |
| Plumbing | $605 | 108 | 0.67 | 65,340 |
| Built-In Appliances | $2,770 | 112 | 3.19 | 310,240 |
| Misc | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 149,022 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $63.40 | 3,000 | 1.95 | 190,188 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 60.48 | 5,891,138 |
| Current Cost Multiplier | 1.03 | | 1.81 | 176,734 |
| Local Multiplier | 0.89 | | (6.65) | (648,025) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $55.65 | $5,419,847 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.17) | ($211,374) |
| Interim Construction Interes | 3.38% | | (1.88) | (182,920) |
| Contractor's OH & Profit | 11.50% | | (6.40) | (623,282) |
| NET DIRECT CONSTRUCTION COSTS | | | $45.20 | $4,402,270 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $2,600,000 | Amort | 360 |
| Int Rate | 6.750% | DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Secondary** | | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | | Amort | |
| Int Rate | | Aggregate DCR | 1.14 |

## ECOMMENDED FINANCING STRUCTURE APPLICANT'S N

| | |
|---|---|
| Primary Debt Service | $202,363 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $37,945 |

| | | | |
|---|---|---|---|
| **Primary** | $2,600,000 | Amort | 360 |
| Int Rate | 6.75% | DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.19 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $583,668 | $601,178 | $619,213 | $637,790 | $656,923 | $761,554 | $882,850 | $1,023,465 | $1,375,452 |
| Secondary Income | 13,440 | 13,843 | 14,258 | 14,686 | 15,127 | 17,536 | 20,329 | 23,567 | 31,672 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 597,108 | 615,021 | 633,472 | 652,476 | 672,050 | 779,091 | 903,179 | 1,047,032 | 1,407,124 |
| Vacancy & Collection Loss | (44,784) | (46,127) | (47,510) | (48,936) | (50,404) | (58,432) | (67,738) | (78,527) | (105,534) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $552,324 | $568,895 | $585,961 | $603,540 | $621,647 | $720,659 | $835,441 | $968,505 | $1,301,590 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $36,000 | $37,440 | $38,938 | $40,495 | $42,115 | $51,239 | $62,340 | $75,847 | $112,271 |
| Management | 27,616 | 28444.5263 | 29297.86214 | 30176.798 | 31082.10194 | 36032.67496 | 41771.74591 | 48424.90207 | 65079.01906 |
| Payroll & Payroll Tax | 66,000 | 68,640 | 71,386 | 74,241 | 77,211 | 93,939 | 114,291 | 139,052 | 205,831 |
| Repairs & Maintenance | 21,000 | 21,840 | 22,714 | 23,622 | 24,567 | 29,890 | 36,365 | 44,244 | 65,492 |
| Utilities | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Water, Sewer & Trash | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Insurance | 30,000 | 31,200 | 32,448 | 33,746 | 35,096 | 42,699 | 51,950 | 63,205 | 93,560 |
| Property Tax | 65,000 | 67,600 | 70,304 | 73,116 | 76,041 | 92,515 | 112,559 | 136,945 | 202,712 |
| Reserve for Replacements | 22,400 | 23,296 | 24,228 | 25,197 | 26,205 | 31,882 | 38,790 | 47,193 | 69,858 |
| Other | 4,000 | 4,160 | 4,326 | 4,499 | 4,679 | 5,693 | 6,927 | 8,427 | 12,475 |
| TOTAL EXPENSES | $312,016 | $324,221 | $336,905 | $350,088 | $363,790 | $440,823 | $534,261 | $647,613 | $952,023 |
| NET OPERATING INCOME | $240,308 | $244,674 | $249,057 | $253,452 | $257,857 | $279,836 | $301,180 | $320,892 | $349,566 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 |
| 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 | $37,945 | $42,312 | $46,694 | $51,090 | $55,494 | $77,474 | $98,818 | $118,530 | $147,204 |
| DEBT COVERAGE RATIO | 1.19 | 1.21 | 1.23 | 1.25 | 1.27 | 1.38 | 1.49 | 1.59 | 1.73 |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** July 10, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04196

## DEVELOPMENT NAME

Americas Palms Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Americas Palms, LTD | | **Type:** | For-profit | | | |
| **Address:** | 4655 Cohen Avenue | | **City:** | El Paso | | **State:** | TX |
| **Zip:** | 79924 | **Contact:** Bobby Bowling IV | **Phone:** | (915) 821-3550 | | **Fax:** | (915) 821-3556 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | El Paso Americas, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Tropicana Building Corporation | **(%):** | N/A | **Title:** | 44% Owner of GP & Developer |
| **Name:** | Tropicana Properties | **(%):** | N/A | **Title:** | 5% Owner of GP |
| **Name:** | TVP Non-Profit Corporation | **(%):** | N/A | **Title:** | 51% Owner of GP |
| **Name:** | Bobby Bowling IV | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Bobby Bowling III | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Randall Bowling | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Gregory Bowling | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Demetrio Jimenez | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Joanne Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Paulette Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Ashley Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Jill Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 12300 North and South Blocks of Lorenzo Ruiz Drive | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | El Paso | **County:** | El Paso | **Zip:** | 79936 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $633,201 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

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

### RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $611,304 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

### CONDITIONS

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

### DERWRITING REPORTS

No previous reports.

### IMPROVEMENTS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 112 | **# Rental Buildings** | 28 | **# Common Area Bldgs** | 1 | **# of Floors** | 1 | **Age:** | N/A yrs |

**Net Rentable SF:** 97,400 **Av Un SF:** 870 **Common Area SF:** 3,000 **Gross Bldg SF:** 100,400

### 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/10% wood trim. The interior wall surfaces will be drywall and the pitched 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: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer with connections, ceiling fans, laminated counter tops, individual water heaters, and individual heating and evaporative coolers.

### ON-SITE AMENITIES

A 3,000-square foot community building will include an activity room, management offices, kitchen, restrooms, and a community center. The community building is located in the center of the development and the equipped children's play area is attached. In addition, perimeter fencing and a basketball court are planned for the site.

**Uncovered Parking:** 224 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Americas Palms is a very dense (14.2 units per acre) considering that one street will be developed within the 8.38 acres of new construction with 112 units of affordable income housing located in El Paso. The development is comprised of 28 evenly distributed small fourplex residential buildings as follows:

- 7 Building Type A with 4 one-bedroom/one-bath units;
- 12 Building Type B with 4 two- bedroom/one-bath units;
- 9 Building Type C with 4 three-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings with simple fenestration. The site plan reflects minimal distance between buildings (in some instances less than a width of a parking spot). Because of the single story four- plex design there will be little to no open space other than the parking lot and drives. The development will also b e bisected by Lorenzo Ruiz Avenue, a recently completed street that leads to the rest of the subdivision.

## SITE ISSUES

### SITE DESCRIPTION

**Size:** 7.88 acres 343,253 square feet **Zoning/ Permitted Uses:** A-2

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The site is a rectangularly-shaped parcel located in the far eastern area of El Paso, approximately 12 miles from the central business district. The site is situated on the north and south sides of the 12300 block of Lorenzo Ruiz Drive to the east of the proposed extension of Bob Hope Drive.

**Adjacent Land Uses:**

- **North:** undeveloped desert land immediately adjacent and residential homes beyond;
- **South:** undeveloped desert land immediately adjacent and Vista Del Sol Drive beyond;
- **East:** Joe Battle Boulevard (Loop 375) immediately adjacent and undeveloped desert land beyond; and
- **West:** residential homes immediately adjacent and undeveloped desert land beyond;

**Site Access:** Access to the property is from the east or west along Lorenzo Ruiz Avenue. "The market area lies adjacent to Interstate 10, which provides easy accessibility to all areas of El Paso. Also, the recently completed section of Loop 375 now links the Lower Valley, Northeast and Northwest El Paso with the market area." (p. 33 of the Market Study)

**Public Transportation:** Intra-city bus service is provided by Sun Metro, which links most areas of the city. The location of the nearest stop was not identified in the application materials.

**Shopping & Services:** "The subject site is very accessible to major roadways, commercial services, schools and churches." (p. 82 of the Market Study)

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 10, 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 9, 2004 was prepared by Soil Mechanics International and contained the following findings and recommendations:

**Recommendations:** While our study found no conclusive evidence that the sites are contaminated or that they contain contamination, wee recommend that the property be monitored closely during the excavation process in the construction phase. (p. 5).

In the past the same statement has been made by Soil Mechanics International and have been mitigated through normal construction monitoring activities during construction.

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and twelve of the units (100% of the total) will be reserved for low-income tenants. Eleven of the units (10%) will be reserved for households earning 30% or less of AMGI, 16 units (14%) will be reserved for households earning 40% or less of AMGI, seventeen units (15%) will be reserved for households earning 50% or less of AMGI, sixty-eight units (61%) will be reserved for households earning 60% or less of AMGI.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

### MARKET HIGHLIGHTS

A market feasibility study dated March 13, 2004 was prepared by Zacour and Associates, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The market area's geographic boundaries may generally be described as: Montana Avenue to the north; Hawkins Drive to the west; Interstate 10 to the south; and El Paso city limits to the east" (p. 27). This area encompasses approximately 33.27 square miles and is equivalent to a circle with a radius of 3.25 miles.

**Population:** The estimated 2000 population of MSA was 137,782 and is expected to increase by 4% to approximately 167,633 by 2005. Within the primary market area there were estimated to be 42,936 households in 2000.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 2,089 qualified households in the PMA, based on the current estimate of 44,570 households, the projected annual growth rate of 4%, renter households estimated at 29% of the population, income-qualified households estimated at 34%, and an annual renter turnover rate of 50 %. (p. 84). The Market Analyst used an income band of $8,900 to $29,520.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| Type of Demand | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth | 800 | 38% | 205 | 7% |
| Resident Turnover | 0 | 0% | 2,997 | 93% |
| Other Sources: Substandard Households | 42 | 2% | 0 | 0% |
| Other Sources: Overburdened Renters | 1,247 | 60% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **2,089** | **100%** | **3,202** | **100%** |

Ref: p. 84-85

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 16% based upon 2,089 units of demand and 341 unstabilized affordable housing in the PMA (including the subject) (p. 86). The Underwriter calculated an inclusive capture rate of 11% based upon a supply of unstabilized comparable affordable units of 341 divided by a revised demand of 3,202.

**Market Rent Comparables:** The Market Analyst surveyed twenty-one comparable apartment projects totaling 3,427 units in the market area. (p. 64).

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (30%)** | $166 | $166 | $0 | $530 | -$364 |
| **1-Bedroom (40%)** | $246 | $246 | $0 | $530 | -$284 |
| **2-Bedroom (40%)** | $325 | $325 | $0 | $650 | -$325 |
| **2-Bedroom (50%)** | $394 | $394 | $0 | $650 | -$256 |
| **2-Bedroom (60%)** | $490 | $490 | $0 | $650 | -$160 |
| **3-Bedroom (60%)** | $565 | $565 | $0 | $750 | -$185 |

(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 subject property is located in the East sector of the city, where occupancy rates and rents are also increasing. In this sector the occupancy rates were reported as 93% in the fourth quarter of 2003." (p. 65)

**Absorption Projections:** "Based on this analysis, it would appear reasonable that the proposed apartment project could be absorbed at a minimum rate of 15 units per month. Thus, the estimated absorption period for the proposed 112-unit project is eight months." (p. 67)

**Known Planned Development:** "The proposed 36-unit Pueblo Montana Apartments is completing construction and will be ready for occupancy within the next month. Tropicana Palms Apartments have been approved and construction is projected to start within the year." (p. 86) Tropicana Palms contains 112 units. In addition, Bienvivir Parkside, 1 2001 allocation with 56 comparable units, Meadowbrook, a 2002 allocation with 25 comparable units and the aforementioned Pueblo Montana, a 2002 allocation with 36 comparable units; should be coming on line and/or reaching stabilized occupancy levels within the next 12 months.

**Market Study Analysis/Conclusions:** 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 slightly above the maximum rents allowed under HTC guidelines, and the maximums are achievable according to the Market Analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's slight rent overstatement results in an overstatement of income of $2.520 or less than 1%.

**Expenses:** The Applicant's total expense estimate of $2,786 per unit is within 3% of the Underwriter's database-derived estimate of $2,858 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates; however, that deviate significantly when compared to the database averages, particularly general & administrative (7.5K higher), payroll ($12.4K 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

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: (7.88) acres** | $515,000 | **Date of Valuation:** | 2/ 24/ 2004 |
| **Appraiser:** Paul Zacour | **City:** El Paso | **Phone:** | (915) 581-1141 |

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: (8.38) acres** | $138,267 | **Assessment for the Year of:** | 2003 |
| **Building:** | N/A | **Valuation by:** | El Paso County Appraisal District |
| **Total Assessed Value:** | $138,267 | **Tax Rate:** | 3.074385 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Unimproved commercial property contract | | |
| **Contract Expiration Date:** | 12/ 31/ 2004 | **Anticipated Closing Date:** | 12/ 31/ 2004 |
| **Acquisition Cost & Improvements: 22.146 ac.** | $1,166,283 | **Other Terms/Conditions:** | N/A |
| **Prorated: 1 ac.** | $52,663 | **Other Terms/Conditions:** | N/A |
| **Prorated: 8.38 ac.** | $441,316 | **Other Terms/Conditions:** | N/A |
| **Seller:** | Multiple sellers to Tropicana Development between 2-28-03 through 6-25-03 | **Related to Development Team Member:** | Yes |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The Applicant slightly overstated the site acquisition cost by using the total acquisition plus improvement cost of $1,166,283 to be paid for a larger 22.146-acre parcel. The Underwriter calculated the land cost by multiplying the per acre cost of $52,663 times the actual site acreage of 8.38 acres to achieve a prorated land value of $441,316. The Applicant originally included an identity of interest sale contract for the fully improved site at a cost of $514,879. The Applicant subsequently reduced that price to $491,155 based on a slightly higher than prorate cost for the loan and a full prorate cost for the improvements. The Underwriter used a straight prorate and will make an adjustment to the sources of funds, as necessary, to ensure an excess profit on this related parity transaction is not achieved.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,455 per unit are within the Department's guidelines such that additional documentation is not required.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $50.7K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's contractor for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's eligible basis by $258,852 and therefore the eligible potion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $7,491,468 is used to determine a credit allocation of $611,304 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 CONSTRUCTION FINANCING

**Source:** Wells Fargo **Contact:** Mike Tynan

**Principal Amount:** $3,500,000 **Interest Rate:** 4.75%

**Additional Information:**

**Amortization:** N/A yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

### PERMANENT FINANCING

**Source:** Wells Fargo **Contact:** Mike Tynan

**Principal Amount:** $2,600,000 **Interest Rate:** 6.75%

**Additional Information:**

**Amortization:** 30 yrs **Term:** 15 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $202,363 **Lien Priority:** 1st **Commitment Date** 6/ 1/ 2004

### TAX CREDIT SYNDICATION

**Source:** The Richman Group **Contact:** Peter McHugh

**Net Proceeds:** $5,188,141 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 81.5¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 13/ 2004

**Additional Information:** $5,160,589 is the amount of syndication proceeds that is represented in the application.

### APPLICANT EQUITY

**Amount:** $608,781 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

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

**HTC Syndication:** The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the amount of syndication proceeds does not agree but provide a $28K discrepancy.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $608,781 amount to 49% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis as adjusted by the Underwriter, the HTC allocation should not exceed $611,304 annually for ten years, resulting in syndication proceeds of approximately $4,981,628. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $787,742, which represents approximately 81% of the eligible fee and which should be repayable from cash flow within 15 years of that $48,734 is a result of the Applicant's higher land value and may not need to be part of this transaction but in any event will not affect the credit amount recommended in this case. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, only on additional $283 in deferred developer's fee may be available to fund those development cost overruns.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms 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 44% Owner of the General Partner, Tropicana Building Corporation, submitted an unaudited financial statement as of February 2, 2004 reporting total assets of $11.9M and consisting of $422K in cash, $2.4M in receivables, $282K in other assets, $8.7M in real property, and $116K in business interests. Liabilities totaled $11.8M, resulting in a net worth of $81K.
- The principals of Tropicana Building Corporation, Bobby Bowling IV, Bobby Bowling III, Randall Bowling, and Gregory Bowling, submitted unaudited financial statements as of February 2, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:**

- Applicant and General Partner are new entities formed for the purpose of developing the project.
- Tropicana Building Corporation, 44% Owner of the General Partner has received a certificate of experience from the Department.
- TVP Non-Profit Corporation, 51% Owner of the General Partner has received a certificate of experience from the Department.

Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Carl Hoover* | **Date:** | July 10, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | July 10, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Americas Palms Apartments, El Paso, 9% HTC #04196***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (30%) | 11 | 1 | 1 | 650 | $238 | $166 | $1,826 | $0.26 | $72.00 | $15.00 |
| TC (40%) | 16 | 1 | 1 | 650 | 318 | 246 | 3,936 | 0.38 | 72.00 | 15.00 |
| TC (50%) | 1 | 1 | 1 | 650 | 397 | 325 | 325 | 0.50 | 72.00 | 15.00 |
| TC (50%) | 16 | 2 | 1 | 900 | 477 | 394 | 6,304 | 0.44 | 83.00 | 15.00 |
| TC (60%) | 32 | 2 | 1 | 900 | 573 | 490 | 15,680 | 0.54 | 83.00 | 15.00 |
| TC (60%) | 36 | 3 | 2 | 1,000 | 661 | 565 | 20,340 | 0.57 | 96.00 | 15.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL: | 112 | | AVERAGE: | 870 | $517 | $432 | $48,411 | $0.50 | $84.43 | $15.00 |

| INCOME | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| Total Net Rentable Sq Ft: 97,400 | | | | | | | Comptroller's Region | 13 |
| POTENTIAL GROSS RENT | | | | $580,932 | $583,668 | | IREM Region | El Paso |
| Secondary Income | | Per Unit Per Month: | $10.00 | 13,440 | 13,440 | $10.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $594,372 | $597,108 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (44,578) | (44,784) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $549,794 | $552,324 | | | |

| EXPENSES | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|
| General & Administrative | 5.19% | $255 | 0.29 | $28,546 | $36,000 | $0.37 | $321 | 6.52% |
| Management | 5.00% | 245 | 0.28 | 27,490 | 27,616 | 0.28 | 247 | 5.00% |
| Payroll & Payroll Tax | 14.26% | 700 | 0.80 | 78,400 | 66,000 | 0.68 | 589 | 11.95% |
| Repairs & Maintenance | 4.05% | 199 | 0.23 | 22,253 | 21,000 | 0.22 | 188 | 3.80% |
| Utilities | 3.80% | 186 | 0.21 | 20,869 | 20,000 | 0.21 | 179 | 3.62% |
| Water, Sewer, & Trash | 4.53% | 222 | 0.26 | 24,905 | 20,000 | 0.21 | 179 | 3.62% |
| Property Insurance | 5.31% | 261 | 0.30 | 29,220 | 30,000 | 0.31 | 268 | 5.43% |
| Property Tax 3.074385 | 11.27% | 553 | 0.64 | 61,980 | 65,000 | 0.67 | 580 | 11.77% |
| Reserve for Replacements | 4.07% | 200 | 0.23 | 22,400 | 22,400 | 0.23 | 200 | 4.06% |
| Other: spt svcs, compliance fees | 0.73% | 36 | 0.04 | 4,000 | 4,000 | 0.04 | 36 | 0.72% |
| TOTAL EXPENSES | 58.22% | $2,858 | $3.29 | $320,063 | $312,016 | $3.20 | $2,786 | 56.49% |
| NET OPERATING INC | 41.78% | $2,051 | $2.36 | $229,731 | $240,308 | $2.47 | $2,146 | 43.51% |
| **DEBT SERVICE** | | | | | | | | |
| First Lien Mortgage | 36.81% | $1,807 | $2.08 | $202,363 | $202,363 | $2.08 | $1,807 | 36.64% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 4.98% | $244 | $0.28 | $27,369 | $37,945 | $0.39 | $339 | 6.87% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.14 | 1.19 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.19 | | | |

## CONSTRUCTION COST

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 5.49% | $3,940 | $4.53 | $441,316 | $490,050 | $5.03 | $4,375 | 5.86% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 10.39% | 7,455 | 8.57 | 835,000 | 835,000 | 8.57 | 7,455 | 9.98% |
| Direct Construction | | 54.77% | 39,306 | 45.20 | 4,402,270 | 4,453,000 | 45.72 | 39,759 | 53.21% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 6.00% | 3.91% | 2,806 | 3.23 | 314,236 | 317,280 | 3.26 | 2,833 | 3.79% |
| Contractor's G & A | 2.00% | 1.30% | 935 | 1.08 | 104,745 | 105,760 | 1.09 | 944 | 1.26% |
| Contractor's Profit | 6.00% | 3.91% | 2,806 | 3.23 | 314,236 | 317,280 | 3.26 | 2,833 | 3.79% |
| Indirect Construction | | 3.62% | 2,598 | 2.99 | 291,000 | 291,000 | 2.99 | 2,598 | 3.48% |
| Ineligible Costs | | 0.67% | 482 | 0.55 | 54,000 | 54,000 | 0.55 | 482 | 0.65% |
| Developer's G & A | 2.00% | 1.61% | 1,153 | 1.33 | 129,130 | 186,000 | 1.91 | 1,661 | 2.22% |
| Developer's Profit | 13.00% | 10.44% | 7,494 | 8.62 | 839,343 | 1,050,000 | 10.78 | 9,375 | 12.55% |
| Interim Financing | | 2.43% | 1,741 | 2.00 | 195,000 | 195,000 | 2.00 | 1,741 | 2.33% |
| Reserves | | 1.46% | 1,046 | 1.20 | 117,134 | 75,000 | 0.77 | 670 | 0.90% |
| TOTAL COST | | 100.00% | $71,763 | $82.52 | $8,037,411 | $8,369,370 | $85.93 | $74,727 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *74.28%* | ***$53,308*** | ***$61.30*** | ***$5,970,488*** | ***$6,028,320*** | ***$61.89*** | ***$53,824*** | *72.03%* |

## SOURCES OF FUNDS

| | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 32.35% | $23,214 | $26.69 | $2,600,000 | $2,600,000 | $2,600,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $977,148 |
| HTC Syndication Proceeds | 64.21% | $46,077 | $52.98 | 5,160,589 | 5,160,589 | 4,981,628 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.57% | $5,436 | $6.25 | 608,781 | 608,781 | 739,008 | 76% |
| Additional (excess) Funds Required | -4.13% | ($2,964) | ($3.41) | (331,959) | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $8,037,411 | $8,369,370 | $8,320,636 | $1,006,682.07 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Americas Palms Apartments, El Paso, 9% HTC #04196***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $45.52 | $4,433,249 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (197,722) |
| Floor Cover | | | 8.71 | 848,354 |
| Porches | $16.36 | 5,652 | 0.95 | 92,467 |
| Plumbing | $605 | 108 | 0.67 | 65,340 |
| Built-In Appliances | $2,770 | 112 | 3.19 | 310,240 |
| Misc | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 149,022 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $63.40 | 3,000 | 1.95 | 190,188 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 60.48 | 5,891,138 |
| Current Cost Multiplier | 1.03 | | 1.81 | 176,734 |
| Local Multiplier | 0.89 | | (6.65) | (648,025) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $55.65 | $5,419,847 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.17) | ($211,374) |
| Interim Construction Interest | 3.38% | | (1.88) | (182,920) |
| Contractor's OH & Profit | 11.50% | | (6.40) | (623,282) |
| NET DIRECT CONSTRUCTION COSTS | | | $45.20 | $4,402,270 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $2,600,000 | Amort | 360 |
| Int Rate | 6.750% | DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Secondary** | | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.14 |

| | | | |
|---|---|---|---|
| **Additional** | | Amort | |
| Int Rate | | Aggregate DCR | 1.14 |

### :COMMENDED FINANCING STRUCTURE APPLICANT'S N

| | |
|---|---|
| Primary Debt Service | $202,363 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $37,945 |

| | | | |
|---|---|---|---|
| **Primary** | $2,600,000 | Amort | 360 |
| Int Rate | 6.75% | DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.19 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $583,668 | $601,178 | $619,213 | $637,790 | $656,923 | $761,554 | $882,850 | $1,023,465 | $1,375,452 |
| Secondary Income | 13,440 | 13,843 | 14,258 | 14,686 | 15,127 | 17,536 | 20,329 | 23,567 | 31,672 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 597,108 | 615,021 | 633,472 | 652,476 | 672,050 | 779,091 | 903,179 | 1,047,032 | 1,407,124 |
| Vacancy & Collection Loss | (44,784) | (46,127) | (47,510) | (48,936) | (50,404) | (58,432) | (67,738) | (78,527) | (105,534) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $552,324 | $568,895 | $585,961 | $603,540 | $621,647 | $720,659 | $835,441 | $968,505 | $1,301,590 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $36,000 | $37,440 | $38,938 | $40,495 | $42,115 | $51,239 | $62,340 | $75,847 | $112,271 |
| Management | 27,616 | 28444.5263 | 29297.86214 | 30176.798 | 31082.10194 | 36032.67496 | 41771.74591 | 48424.90207 | 65079.01906 |
| Payroll & Payroll Tax | 66,000 | 68,640 | 71,386 | 74,241 | 77,211 | 93,939 | 114,291 | 139,052 | 205,831 |
| Repairs & Maintenance | 21,000 | 21,840 | 22,714 | 23,622 | 24,567 | 29,890 | 36,365 | 44,244 | 65,492 |
| Utilities | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Water, Sewer & Trash | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Insurance | 30,000 | 31,200 | 32,448 | 33,746 | 35,096 | 42,699 | 51,950 | 63,205 | 93,560 |
| Property Tax | 65,000 | 67,600 | 70,304 | 73,116 | 76,041 | 92,515 | 112,559 | 136,945 | 202,712 |
| Reserve for Replacements | 22,400 | 23,296 | 24,228 | 25,197 | 26,205 | 31,882 | 38,790 | 47,193 | 69,858 |
| Other | 4,000 | 4,160 | 4,326 | 4,499 | 4,679 | 5,693 | 6,927 | 8,427 | 12,475 |
| TOTAL EXPENSES | $312,016 | $324,221 | $336,905 | $350,088 | $363,790 | $440,823 | $534,261 | $647,613 | $952,023 |
| NET OPERATING INCOME | $240,308 | $244,674 | $249,057 | $253,452 | $257,857 | $279,836 | $301,180 | $320,892 | $349,566 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 | $202,363 |
| 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 | $37,945 | $42,312 | $46,694 | $51,090 | $55,494 | $77,474 | $98,818 | $118,530 | $147,204 |
| DEBT COVERAGE RATIO | 1.19 | 1.21 | 1.23 | 1.25 | 1.27 | 1.38 | 1.49 | 1.59 | 1.73 |

## LIHTC Allocation Calculation - Americas Palms Apartments, El Paso, 9% HTC #04196

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $490,050 | $441,316 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $835,000 | $835,000 | $835,000 | $835,000 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $4,453,000 | $4,402,270 | $4,453,000 | $4,402,270 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $105,760 | $104,745 | $105,760 | $104,745 |
| Contractor profit | $317,280 | $314,236 | $317,280 | $314,236 |
| General requirements | $317,280 | $314,236 | $317,280 | $314,236 |
| **(5) Contingencies** | | | | |
| **(6) Eligible Indirect Fees** | $291,000 | $291,000 | $291,000 | $291,000 |
| **(7) Eligible Financing Fees** | $195,000 | $195,000 | $195,000 | $195,000 |
| **(8) All Ineligible Costs** | $54,000 | $54,000 | | |
| **(9) Developer Fees** | | | $977,148 | |
| Developer overhead | $186,000 | $129,130 | | $129,130 |
| Developer fee | $1,050,000 | $839,343 | | $839,343 |
| **(10) Development Reserves** | $75,000 | $117,134 | | |
| **TOTAL DEVELOPMENT COSTS** | $8,369,370 | $8,037,411 | $7,491,468 | $7,424,962 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $7,491,468 | $7,424,962 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $7,491,468 | $7,424,962 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $7,491,468 | $7,424,962 |
| Applicable Percentage | | 8.16% | 8.16% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $611,304 | $605,877 |
| **Syndication Proceeds** | **0.8149** | **$4,981,628** | **$4,937,403** |

**Total Credits (Eligible Basis Method)** **$611,304** **$605,877**

**Syndication Proceeds** **$4,981,628** **$4,937,403**

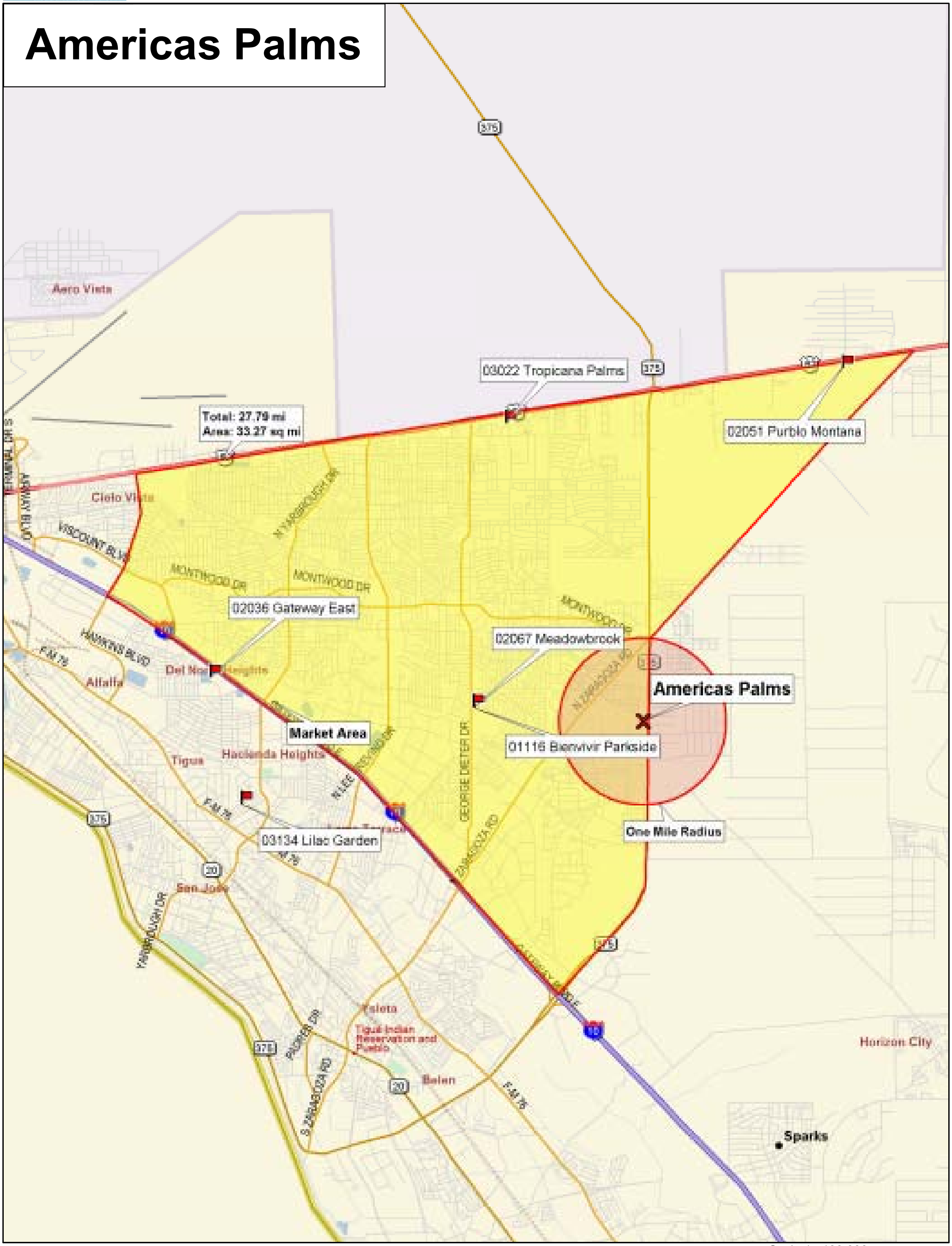
**Requested Credits** **$633,201**

**Syndication Proceeds** **$5,160,072**

**Gap of Syndication Proceeds Needed** **$5,437,411**

**Credit Amount** **$667,234**

# Americas Palms






TN
MN (9.6°E)

Scale 1 : 100,000
1" = 1.58 mi
Data Zoom 11-0

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

**DATE:** December 1, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04197

## DEVELOPMENT NAME

Horizon Palms Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Horizon Palms, LTD | | | **Type:** | For-profit | | |
| **Address:** | 4655 Cohen Avenue | | | **City:** | El Paso | **State:** | TX |
| **Zip:** | 79924 | **Contact:** | Bobby Bowling IV | **Phone:** | (915) 821-3550 | **Fax:** | (915) 821-3556 |

## PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | El Paso Horizon, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Tropicana Building Corporation (TBC) | **(%):** | N/A | **Title:** | 95% owner of GP & Developer |
| **Name:** | Tropicana Properties, Inc. (TPI) | **(%):** | N/A | **Title:** | 5% owner of GP |
| **Name:** | Bobby Bowling IV | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Bobby Bowling III | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Randall Bowling | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Gregory Bowling | **(%):** | N/A | **Title:** | 25% owner of TBC |
| **Name:** | Demetrio Jimenez | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Joanne Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Paulette Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Ashley Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |
| **Name:** | Jill Bowling | **(%):** | N/A | **Title:** | 20% owner of TPI |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | South side of Darrington Road near the intersection of Antwerp Drive | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Near Horizon City in ETJ | **County:** | El Paso | **Zip:** | 79928 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $584,095 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population, rural

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $478,693 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

## ADDENDUM

**Background:** This application was originally submitted in the 2004 9% HTC cycle with the Applicant claiming a 30% increase in eligible basis due to the site's location in a Difficult to Develop Area (DDA) that had covered all of El Paso County in 2003 and for several years prior. However, in 2004, after the Applicant had submitted their pre-application, this designation was removed by HUD causing a 30% reduction in the potential credit amount. All applicants were provided an opportunity to redraft their application to account for this status loss. The Applicant did so and the revised application was underwritten and was recommended for an allocation of tax credits not to exceed $415,985. On November 2, 2004, HUD published a notice rescinding the change in DDA status for 2004 due to the short period of time from when the notice was originally published to the effective date of the change. As a result all of the applicants that were affected by this change have been given an opportunity to again resubmit their applications based upon the original DDA status. For 2005 El Paso will no longer be a DDA; however, should the Applicant meet carryover it will now be able to avail itself of the additional 30% eligible basis bonus for a development located in a DDA. The following analysis addresses the Applicant's most recent request and supplements the recommendations found in the original report as a result of the change in the DDA status.

**Analysis:** The Applicant's income and expense estimates have remained unchanged from the original (non-DDA) application, and therefore the Applicant's net operating income will again be used to evaluate debt service capacity. The Applicant's direct construction cost estimate, however, has increased by $230K or 7.6%, without substantiation for the increase. The Applicant also increased contractor fees by 6.4%. Because the original underwriting was performed so recently the Underwriter's cost estimate will not be revised; the Applicant's revised total development cost estimate now exceeds the Underwriter's estimate by $373K or 6.7% and is considered to be overstated. Therefore, the Underwriter's cost estimate will be used to calculate eligible basis.

**Conclusion:** Based on the Underwriter's estimate of eligible basis the recommended tax credit allocation would be $545,602, resulting in syndication proceeds of $4,442,209. However, this is $544,761 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this project should be reduced to $478,693 or $105,402 less than the amended request but $62,708 more than the originally recommended amount.

## SUMMARY OF SALIENT RISKS AND ISSUES

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | December 1, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | December 1, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Horizon Palms Apartments, El Paso, 9% HTC #04197 ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | | | Rent per Month | Rent per SF | Tnt Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TC (30%) | 7 | 1 | 1 | 650 | $238 | $166 | | | $1,162 | $0.26 | $72.00 | $15.00 |
| TC (40%) | 10 | 1 | 1 | 650 | 318 | 246 | | | 2,460 | 0.38 | 72.00 | 15.00 |
| TC (50%) | 3 | 1 | 1 | 650 | 397 | 325 | | | 975 | 0.50 | 72.00 | 15.00 |
| TC (50%) | 10 | 2 | 1 | 900 | 477 | 394 | | | 3,940 | 0.44 | 83.00 | 15.00 |
| TC (60%) | 22 | 2 | 1 | 900 | 573 | 490 | | | 10,780 | 0.54 | 83.00 | 15.00 |
| TC (60%) | 24 | 3 | 2 | 1,000 | 661 | 565 | | | 13,560 | 0.57 | 96.00 | 15.00 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| TOTAL: | 76 | | AVERAGE: | 866 | $517 | $433 | | | $32,877 | $0.50 | $84.21 | $15.00 |

| INCOME | Total Net Rentable Sq Ft: | 65,800 | | TDHCA | TDHCA ORIG. | APPL.ORIG. | APPLICANT | | Comptroller's Region | 13 |
|---|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $394,524 | $394,524 | $394,524 | $394,524 | | IREM Region | El Paso |
| Secondary Income | Per Unit Per Month: | | $10.00 | 9,120 | 9,120 | 9,120 | 9,120 | $10.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $403,644 | $403,644 | $403,644 | $403,644 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | | -7.50% | (30,273) | (30,273) | (30,276) | (30,276) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $373,371 | $373,371 | $373,368 | $373,368 | | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | TDHCA ORIG. | APPL.ORIG. | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.18% | $254 | 0.29 | $19,328 | $19,328 | $16,000 | $16,000 | $0.24 | $211 | 4.29% |
| Management | | 5.00% | 246 | 0.28 | 18,669 | 18,669 | 18,819 | 18,819 | 0.29 | 248 | 5.04% |
| Payroll & Payroll Tax | | 14.25% | 700 | 0.81 | 53,200 | 53,200 | 36,000 | 36,000 | 0.55 | 474 | 9.64% |
| Repairs & Maintenance | | 4.03% | 198 | 0.23 | 15,063 | 15,063 | 39,000 | 39,000 | 0.59 | 513 | 10.45% |
| Utilities | | 3.78% | 186 | 0.21 | 14,125 | 14,125 | 15,000 | 15,000 | 0.23 | 197 | 4.02% |
| Water, Sewer, & Trash | | 4.52% | 222 | 0.26 | 16,891 | 16,891 | 12,000 | 12,000 | 0.18 | 158 | 3.21% |
| Property Insurance | | 5.29% | 260 | 0.30 | 19,740 | 19,740 | 21,000 | 21,000 | 0.32 | 276 | 5.62% |
| Property Tax | 3.314829 | 12.15% | 597 | 0.69 | 45,347 | 45,347 | 42,000 | 42,000 | 0.64 | 553 | 11.25% |
| Reserve for Replacements | | 4.07% | 200 | 0.23 | 15,200 | 15,200 | 15,200 | 15,200 | 0.23 | 200 | 4.07% |
| Other: spt svcs, compliance fees | | 0.54% | 26 | 0.03 | 2,000 | 2,000 | 2,000 | 2,000 | 0.03 | 26 | 0.54% |
| TOTAL EXPENSES | | 58.81% | $2,889 | $3.34 | $219,562 | $219,562 | $217,019 | $217,019 | $3.30 | $2,856 | 58.12% |
| NET OPERATING INC | | 41.19% | $2,024 | $2.34 | $153,809 | $153,809 | $156,349 | $156,349 | $2.38 | $2,057 | 41.88% |
| **DEBT SERVICE** | | | | | | | | | | | |
| First Lien Mortgage | | 35.44% | $1,741 | $2.01 | $132,314 | $132,314 | $132,314 | $132,314 | $2.01 | $1,741 | 35.44% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 5.76% | $283 | $0.33 | $21,495 | $21,495 | $24,035 | $24,035 | $0.37 | $316 | 6.44% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.16 | 1.16 | 1.18 | 1.18 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | | 1.18 | 1.18 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | TDHCA ORIG. | APPL.ORIG. | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 2.92% | $2,149 | $2.48 | $163,350 | $163,350 | $163,350 | $283,140 | $4.30 | $3,726 | 4.74% |
| Off-Sites | | 2.14% | 1,576 | 1.82 | 119,790 | 119,790 | 119,790 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 10.11% | 7,447 | 8.60 | 566,000 | 566,000 | 566,000 | 566,000 | 8.60 | 7,447 | 9.48% |
| Direct Construction | | 54.43% | 40,088 | 46.30 | 3,046,667 | 3,046,667 | 3,012,000 | 3,242,000 | 49.27 | 42,658 | 54.30% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 6.00% | 3.87% | 2,852 | 3.29 | 216,760 | 214,680 | 214,680 | 228,480 | 3.47 | 3,006 | 3.83% |
| Contractor's G & A | 2.00% | 1.29% | 951 | 1.10 | 72,253 | 71,560 | 71,560 | 76,160 | 1.16 | 1,002 | 1.28% |
| Contractor's Profit | 6.00% | 3.87% | 2,852 | 3.29 | 216,760 | 214,680 | 214,680 | 228,480 | 3.47 | 3,006 | 3.83% |
| Indirect Construction | | 3.84% | 2,829 | 3.27 | 215,000 | 215,000 | 215,000 | 215,000 | 3.27 | 2,829 | 3.60% |
| Ineligible Costs | | 1.64% | 1,211 | 1.40 | 92,000 | 42,000 | 42,000 | 92,000 | 1.40 | 1,211 | 1.54% |
| Developer's G & A | 2.00% | 1.60% | 1,177 | 1.36 | 89,449 | 89,352 | 110,000 | 110,000 | 1.67 | 1,447 | 1.84% |
| Developer's Profit | 13.00% | 10.39% | 7,650 | 8.84 | 581,417 | 580,786 | 735,000 | 735,000 | 11.17 | 9,671 | 12.31% |
| Interim Financing | | 2.48% | 1,829 | 2.11 | 139,000 | 139,000 | 139,000 | 139,000 | 2.11 | 1,829 | 2.33% |
| Reserves | | 1.41% | 1,039 | 1.20 | 79,002 | 79,002 | 55,000 | 55,000 | 0.84 | 724 | 0.92% |
| TOTAL COST | | 100.00% | $73,651 | $85.07 | $5,597,448 | $5,541,867 | $5,658,060 | $5,970,260 | $90.73 | $78,556 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *73.58%* | ***$54,190*** | ***$62.59*** | ***$4,118,440*** | ***$4,113,587*** | ***$4,078,920*** | ***$4,341,120*** | ***$65.97*** | ***$57,120*** | *72.71%* |

| SOURCES OF FUNDS | | | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 30.37% | $22,368 | $25.84 | $1,700,000 | $1,700,000 | $1,700,000 | $1,700,000 | $1,700,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | 0 | $704,268 |
| HTC Syndication Proceeds | 85.05% | $62,636 | $72.35 | 4,760,373 | 3,514,329 | 3,514,329 | 4,760,373 | 3,897,448 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | 443,731 | 443,731 | | 0 | 0% |
| Additional (excess) Funds Required | -15.42% | ($11,354) | ($13.11) | (862,925) | (116,193) | 0 | (490,113) | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $5,597,448 | $5,541,867 | $5,658,060 | $5,970,260 | $5,597,448 | $627,323.70 |

## MULTIFAMILY COMPARATIVE ANALYSIS(continued)

***Horizon Palms Apartments, El Paso, 9% HTC #04197 ADDENDUM***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $45.51 | $2,994,809 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (133,574) |
| Floor Cover | | | 8.71 | 573,118 |
| Porches/Balconies | $16.36 | 5,976 | 1.49 | 97,767 |
| Plumbing | $605 | 72 | 0.66 | 43,560 |
| Built-In Appliances | $1,650 | 76 | 1.91 | 125,400 |
| Washer/Dryer | $1,120 | 76 | 1.29 | 85,120 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 100,674 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $63.40 | 3,000 | 2.89 | 190,188 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 61.96 | 4,077,063 |
| Current Cost Multiplier | 1.03 | | 1.86 | 122,312 |
| Local Multiplier | 0.89 | | (6.82) | (448,477) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.00 | $3,750,898 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.22) | ($146,285) |
| Interim Construction Interest | 3.38% | | (1.92) | (126,593) |
| Contractor's OH & Profit | 11.50% | | (6.56) | (431,353) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.30 | $3,046,667 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $1,700,000 | Amort | 360 |
| Int Rate | 6.750% | DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Additional** | $4,760,373 | Amort | |
| Int Rate | | Aggregate DCR | 1.16 |

### COMMENDED FINANCING STRUCTURE APPLICANT'S I

| | |
|---|---|
| Primary Debt Service | $132,314 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $24,035 |

| | | | |
|---|---|---|---|
| **Primary** | $1,700,000 | Amort | 360 |
| Int Rate | 6.75% | DCR | 1.18 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.18 |

| | | | |
|---|---|---|---|
| **Additional** | $4,760,373 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.18 |

### 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 | $394,524 | $406,360 | $418,551 | $431,107 | $444,040 | $514,764 | $596,753 | $691,800 | $929,722 |
| Secondary Income | 9,120 | 9,394 | 9,675 | 9,966 | 10,265 | 11,900 | 13,795 | 15,992 | 21,492 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 403,644 | 415,753 | 428,226 | 441,073 | 454,305 | 526,664 | 610,548 | 707,792 | 951,214 |
| Vacancy & Collection Loss | (30,276) | (31,181) | (32,117) | (33,080) | (34,073) | (39,500) | (45,791) | (53,084) | (71,341) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $373,368 | $384,572 | $396,109 | $407,992 | $420,232 | $487,164 | $564,757 | $654,708 | $879,873 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $16,000 | $16,640 | $17,306 | $17,998 | $18,718 | $22,773 | $27,707 | $33,710 | $49,898 |
| Management | 18,819 | 19383.7102 | 19965.22148 | 20564.17812 | 21181.10346 | 24554.70411 | 28465.63188 | 32999.46905 | 44348.52696 |
| Payroll & Payroll Tax | 36,000 | 37,440 | 38,938 | 40,495 | 42,115 | 51,239 | 62,340 | 75,847 | 112,271 |
| Repairs & Maintenance | 39,000 | 40,560 | 42,182 | 43,870 | 45,624 | 55,509 | 67,535 | 82,167 | 121,627 |
| Utilities | 15,000 | 15,600 | 16,224 | 16,873 | 17,548 | 21,350 | 25,975 | 31,603 | 46,780 |
| Water, Sewer & Trash | 12,000 | 12,480 | 12,979 | 13,498 | 14,038 | 17,080 | 20,780 | 25,282 | 37,424 |
| Insurance | 21,000 | 21,840 | 22,714 | 23,622 | 24,567 | 29,890 | 36,365 | 44,244 | 65,492 |
| Property Tax | 42,000 | 43,680 | 45,427 | 47,244 | 49,134 | 59,779 | 72,730 | 88,488 | 130,983 |
| Reserve for Replacements | 15,200 | 15,808 | 16,440 | 17,098 | 17,782 | 21,634 | 26,321 | 32,024 | 47,404 |
| Other | 2,000 | 2,080 | 2,163 | 2,250 | 2,340 | 2,847 | 3,463 | 4,214 | 6,237 |
| TOTAL EXPENSES | $217,019 | $225,512 | $234,338 | $243,512 | $253,047 | $306,655 | $371,684 | $450,577 | $662,465 |
| NET OPERATING INCOME | $156,349 | $159,060 | $161,771 | $164,480 | $167,185 | $180,509 | $193,073 | $204,131 | $217,407 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 |
| 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 | $24,035 | $26,746 | $29,457 | $32,166 | $34,871 | $48,195 | $60,759 | $71,817 | $85,093 |
| DEBT COVERAGE RATIO | 1.18 | 1.20 | 1.22 | 1.24 | 1.26 | 1.36 | 1.46 | 1.54 | 1.64 |

LIHTC Allocation Calculation - Horizon Palms Apartments, El Paso, 9% HTC #04197 ADDENDU

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $283,140 | $163,350 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $566,000 | $566,000 | $566,000 | $566,000 |
| Off-site improvements | | $119,790 | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $3,242,000 | $3,046,667 | $3,242,000 | $3,046,667 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $76,160 | $72,253 | $76,160 | $72,253 |
| Contractor profit | $228,480 | $216,760 | $228,480 | $216,760 |
| General requirements | $228,480 | $216,760 | $228,480 | $216,760 |
| **(5) Contingencies** | | | | |
| **(6) Eligible Indirect Fees** | $215,000 | $215,000 | $215,000 | $215,000 |
| **(7) Eligible Financing Fees** | $139,000 | $139,000 | $139,000 | $139,000 |
| **(8) All Ineligible Costs** | $92,000 | $92,000 | | |
| **(9) Developer Fees** | | | $704,268 | |
| Developer overhead | $110,000 | $89,449 | | $89,449 |
| Developer fee | $735,000 | $581,417 | | $581,417 |
| **(10) Development Reserves** | $55,000 | $79,002 | | |
| **TOTAL DEVELOPMENT COSTS** | $5,970,260 | $5,597,448 | $5,399,388 | $5,143,306 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $5,399,388 | $5,143,306 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $7,019,204 | $6,686,298 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $7,019,204 | $6,686,298 |
| Applicable Percentage | | 8.16% | 8.16% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $572,767 | $545,602 |
| **Syndication Proceeds** | **0.8142** | **$4,663,384** | **$4,442,209** |
| **Total Credits (Eligible Basis Method)** | | **$572,767** | **$545,602** |
| **Syndication Proceeds** | | **$4,663,384** | **$4,442,209** |
| **Requested Credits** | | **$584,095** | |
| **Syndication Proceeds** | | **$4,755,614** | |
| **Gap of Syndication Proceeds Needed** | | **$4,270,260** | **$3,897,448** |
| **Credit Amount** | | **$524,483** | **$478,693** |
| **Original Recommended Credit** | | **$415,985** | |
| **Syndication Proceeds** | | **$3,386,887** | |

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

**DATE:** July 10, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04197

### DEVELOPMENT NAME

Horizon Palms Apartments

### APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Horizon Palms, LTD | | | **Type:** | For-profit | | |
| **Address:** | 4655 Cohen Avenue | | | **City:** | El Paso | **State:** | TX |
| **Zip:** | 79924 | **Contact:** | Bobby Bowling IV | **Phone:** | (915) 821-3550 | **Fax:** | (915) 821-3556 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | El Paso Horizon, LLC | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Tropicana Building Corporation | **(%):** | N/A | **Title:** | 95% Owner of GP & Developer |
| **Name:** | Tropicana Properties | **(%):** | N/A | **Title:** | 5% Owner of GP |
| **Name:** | Bobby Bowling IV | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Bobby Bowling III | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Randall Bowling | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Gregory Bowling | **(%):** | N/A | **Title:** | 25% Owner of Tropicana Building Corporation |
| **Name:** | Demetrio Jimenez | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Joanne Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Paulette Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Ashley Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |
| **Name:** | Jill Bowling | **(%):** | N/A | **Title:** | 20% Owner of Tropicana Properties, Inc. |

### PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | South side of Darrington Road near the intersection of Antwerp Drive | ☐ **QCT** | | ☐ **DDA** | |
| **City:** | Near Horizon City in ETJ | **County:** | El Paso | **Zip:** | 79928 |

### REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $431,206 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General Population and Rural

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $415,985 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

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

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 76 | **# Rental Buildings** | 19 | **# Common Area Bldgs** | 1 | **# of Floors** | 1 | **Age:** | N/A yrs |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 65,800 | **Av Un SF:** | 866 | **Common Area SF:** | 3,000 | **Gross Bldg SF:** | 68,800 |

### 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/10% wood trim. The interior wall surfaces will be drywall and the pitched 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: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer with connections, ceiling fans, laminated counter tops, individual water heaters, and individual heating and evaporative coolers.

### ON-SITE AMENITIES

A 3,000-square foot community building will include an activity room, management offices, kitchen, restrooms, and a business center. The community building is located off of Donny Murray Lane and the equipped children's play area is located in the middle of the property. In addition, perimeter fencing and a picnic are planned for the site.

**Uncovered Parking:** 152 spaces **Carports:** 0 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Horizon Palms is a very dense (15.2 units per acre) considering that two streets also are to be developed within the five acres of new construction with 76 units of affordable income housing located in Horizon City. The development is comprised of 19 evenly distributed small fourplex residential buildings as follows:

- 5 Building Type A with 4 one-bedroom/one-bath units;
- 8 Building Type B with 4 two- bedroom/one-bath units;
- 6 Building Type C with 4 three-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings with simple fenestration. The site plan reflects minimal distance between buildings. In most instances the distance between buildings is less than a car width. Because of the single story four-plex design, there will be little to no open space other than the parking areas. The site will be divided into three sections due to bisection by two roads, Danube and Donny Murray Lane. There will be no interior drives on the site leaving three interior buildings to be "land locked" and requiring residents to walk past buildings with street frontage and direct parking in order to access parking areas. Most residents will have to cross one or both streets to access the minimal common areas provided. Overall the site design would have been much more attractive with a small amount of additional land to move the interior buildings or if some of the buildings had been designed as larger two story buildings.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | |
|---|---|---|---|---|---|
| **Size:** | 5.0 | acres | 217,800 | square feet | **Zoning/ Permitted Uses:** No zoning in county |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The subject property is located in the Horizon City market area in the eastern portion of El Paso County, northeast of Interstate 10, approximately three miles east of the El Paso city limits, and approximately 20 miles southeast of Downtown El Paso. The site is a rectangularly-shaped parcel located along the west side of Darrington Road.

**Adjacent Land Uses:**

- **North:** undeveloped desert land immediately adjacent;
- **South:** undeveloped desert land immediately adjacent;
- **East:** Darrington Road immediately adjacent and single family housing beyond; and
- **West:** undeveloped desert land immediately adjacent;

**Site Access:** Access to the property is from the south-east or north-west along Darrington Road. The development will have two streets (Donny Murray Lane and Danube Drive) that cross through the site with units on both sides of the streets. Horizon Boulevard, which intersects with I-10 south of the market area, provides direct access to the area, as does Eastlake Drive, which intersects with Rojas Avenue just east of the El Paso City limits.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

**Shopping & Services:** **"**Retail development has grown to include the area around the Eastlake Commercial Center, on the corner of Eastlake Drive and Horizon Boulevard. In 2003, the Horizon Vista, the town's first full-service supermarket, doubled its retail space. Two new retail strip centers were also completed and the High Desert Plaza commercial center added 11,000 square feet to its facility." (p. 33)

**Special Adverse Site Characteristics:** In the opinion of the Underwriter even though the site consists of five acres yielding 15.2 units per acre the two streets passing through the site have reduced the amount of useable space to be provided for the occupants of the 76 housing units.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 10, 2004 and found the location to be questionable for the proposed development. The Inspector noted the site is "way out in the desert" with no access to mass transportation and few resources nearby. The nearest school is a half mile from the site and the nearest intersection with the interstate is three miles away. The Inspector did note a few new residential homes were being developed in the area.

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

A Phase I Environmental Site Assessment report dated March 9, 2004 was prepared by Soil Mechanics International and contained the following findings and recommendations:

**Recommendations:** While our study found no conclusive evidence that the sites are contaminated or that they contain contamination, wee recommend that the property be monitored closely during the excavation process in the construction phase. (p. 5).

In the past the same statements has been made by Soil Mechanics International and have been mitigated through normal construction monitoring activities during construction.

## POPULATIONS TARGETED

**Income Set-Aside:** Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Seventy-six of the units (100% of the total) will be reserved for low-income tenants. Seven of the units (9%) will be reserved for households earning 30% or less of AMGI, ten units (13%) will be reserved for households earning 40% or less of AMGI, thirteen units (17%) will be reserved for households earning 50% or less of AMGI, forty-six units (61%) will be reserved for households earning 60% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| **60% of AMI** | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

## MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2004 was prepared by Zacour and Associates, Inc. ("Market Analyst") and highlighted the following findings:.

**Definition of Primary Market Area (PMA):** "The subject property is located in the Horizon City market area in the eastern portion of El Paso County, northeast of Interstate 10, approximately three miles east of the El Paso city limits, and approximately 20 miles southeast of Downtown El Paso. The geographic boundaries may generally be described as: Montana Avenue to the north; Loop 375 to the west; Interstate 10 to the south; and El Paso – Hudspeth County Line to the east." (p. 27). This area encompasses approximately 332 square miles and is equivalent to a circle with a radius of nine miles.

**Population:** The estimated 2000 population of the PMA was 27,314 and is expected to increase by 28% to approximately 34,860 by 2005. Within the primary market area there were estimated to be 6,886 households in 2000.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 271 qualified households in the PMA, based on the current estimate of 6,886 households, the projected annual growth rate of 5.6%, renter households estimated at 11% of the population, income-qualified households estimated at 50%, and an annual renter turnover rate of 52 %. (p. 66). The Market Analyst used an income band of $8,900 to $29,520.

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

| | Market Analyst | | Underwriter | |
|---|---|---|---|---|
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 139 | 51% | 21 | 9% |
| Resident Turnover | | % | 210 | 91% |
| Other Sources: Substandard Households | 37 | 14% | 0 | 0 |
| Other Sources: Overburdened Renters | 95 | 35% | 0 | 0% |
| **TOTAL ANNUAL DEMAND** | **271** | **100%** | **231** | **100%** |

Ref: p. 66

**Inclusive Capture Rate:** "The proposed Horizon Palms Apartments is located within a rural area that is experiencing rapid growth. With a capture rate of 41% in the market study area, it appears that there is more than sufficient demand for low income housing. The majority of the demand is expected to come from an increase in population and cost burdened renters." (p. 68). The Market Analyst calculated an inclusive capture rate of 41% based upon 271 units of demand consisting of 112 unstabilized affordable housing in the PMA (including the subject) (p. 68). This includes 36 comparable units in Desert Breeze, a 2003 allocation two miles away. The Underwriter calculated an inclusive capture rate of 48% based upon a revised demand of 363 units. Rural developments are allowed to go as high as 100%.

**Market Rent Comparables:** The Market Analyst surveyed four comparable apartment projects totaling 148 units and five single-family houses in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| Unit Type (% AMI) | Proposed | Program Max | Differential | Est. Market | Differential |
|---|---|---|---|---|---|
| 1-Bedroom (30%) | $166 | $166 | -$0 | $450 | -$284 |
| 1-Bedroom (40%) | $246 | $246 | -$0 | $450 | -$204 |
| 1-Bedroom (50%) | $325 | $325 | -$0 | $450 | -$125 |
| 2-Bedroom (50%) | $394 | $394 | -$0 | $550 | -$156 |
| 2-Bedroom (60%) | $490 | $490 | -$0 | $550 | -$60 |
| 3-Bedroom (60%) | $565 | $565 | -$0 | $650 | -$85 |

(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:** "In discussion with city officials and realtors, it was determined that rental units are limited throughout the market study area. Area realtors indicate that when single-family residences are offered for rent, they typical are leased within a few weeks. At the time of the survey, only two single-family market rate units were determined to be available. Apartments maintain high occupancy rates. Based on our survey, existing apartment occupancy rates ranged from 92% to 100%, with an overall average of 95%." (p. 50)

**Absorption Projections:** "Based on this analysis, with emphasis placed on the absorption rate of the Western Whirlwind Apartments, it would appear reasonable that the proposed apartment project could be absorbed at a minimum rate of 13 units per month. Thus, the estimated absorption period for the proposed 76-unit project is six months." (p. 51)

**Known Planned Development:** "During 2003, Desert Breeze Subdivision was approved as a LIHTC single-family residential development. These 36 homes will feature 9 three-bedroom homes and 27 four-bedroom homes. These homes will be offered to families in the 30% to 60% median income range." (p. 51)

**Market Study Analysis/Conclusions:** 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. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of $2,856 per unit is within 5% of the Underwriter's database-derived estimate of $2,889 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 ($17K lower) and repairs and maintenance ($24K 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 operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. In both the Applicant's and Underwriter's income and expense estimates there is a sufficient NDI to service the proposed first lien mortgage at an acceptable debt coverage ratio.

## ACQUISITION VALUATION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: (7.618) acres** | $3,047 | **Assessment for the Year of:** | 2003 |
| **Prorated: 1 acre** | $400 | **Valuation by:** | El Paso County Appraisal District |
| **Total Assessed Value: 5 ac.** | $2,000 | **Tax Rate:** | 3.314829 |

## EVIDENCE of SITE or PROPERTY CONTROL

**Type of Site Control:** Unimproved commercial property contract

**Contract Expiration Date:** 11/ 1/ 2004 **Anticipated Closing Date:** 11/ 1/ 2004

**Acquisition Cost:** $163,350 **Other Terms/Conditions:** $1,000 Earnest money

**Seller:** Lakeview Estates Joint Venture **Related to Development Team Member:** No

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $163,350 ($.075/SF, $32,670/acre, or $2,150/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-Site Costs:** The Applicant claimed off-site costs of $119,790 for two private roads extended through the property and provided sufficient third party certification through a cost breakdown to justify these costs.

**Sitework Cost:** The Applicant's claimed sitework costs of $7,447 per unit are within the Department's guideline for such costs without requiring additional documentation.

**Direct Construction Cost:** The Applicant's costs are less than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. The Applicant's direct construction was heavily influenced by the amenity set and especially the plan to include ceramic tile throughout the units.

**Fees:** The Applicant's contractor for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's eligible basis by $180,062 and therefore the eligible potion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** The Applicant's direct construction costs are within 5% of the Underwriter's estimate. Therefore, the Applicant's cost estimate as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of $5,097,858 is used to determine a credit allocation of $415,985 from this method. The resulting syndication proceeds will be used to compare to the request and gap of need using the Applicant's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM CONSTRUCTION FINANCING

**Source:** Wells Fargo **Contact:** Mike Tynan

**Principal Amount:** $2,300,000 **Interest Rate:** 4.75%

**Additional Information**:

**Amortization:** N/A yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

### PERMANENT FINANCING

**Source:** Wells Fargo **Contact:** Mike Tynan

**Principal Amount:** $1,700,000 **Interest Rate:** 6.75%

**Additional Information**:

**Amortization:** 30 yrs **Term:** 15 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $132,314 **Lien Priority:** 1st **Commitment Date** 2/ 26/ 2004

### TAX CREDIT SYNDICATION

**Source:** The Rich man Group **Contact:** Peter McHugh

**Net Proceeds:** $3,522,932 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 81.5¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 13/ 2004

**Additional Information**: $3,514,329 is the amount of syndication proceeds that is represented in the application.

### APPLICANT EQUITY

**Amount:** $443,731 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

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

**HTC Syndication:** The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the amount of syndication proceeds does not agree but provide a $8K discrepancy.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $443,731 amount to 57% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis as adjusted by the Underwriter, the HTC allocation should not exceed $415,985 annually for ten years, resulting in syndication proceeds of approximately $3,386,889. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $571,171, which represents approximately 86% of the eligible fee and which should be repayable from cash flow within fifteen years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

### DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms 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 95% Owner of the General Partner, Tropicana Building Corporation, submitted an unaudited financial statement as of February 2, 2004 reporting total assets of $11.9M and consisting of $422K in cash, $2.4M in receivables, $282K in other assets, $8.7M in real property, and $116K in business interests. Liabilities totaled $11.8M, resulting in a net worth of $81K.
- The principals of Tropicana Building Corporation, Bobby Bowling IV, Bobby Bowling III, Randall Bowling, and Gregory Bowling, submitted unaudited financial statements as of February 2, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:**

- Applicant and General Partner are new entities formed for the purpose of developing the project.
- Tropicana Building Corporation, 95% Owner of the General Partner has received a certificate of experience from the Department.

Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

| SUMMARY OF SALIENT RISKS AND ISSUES |
| --- |
| • The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.<br>• |

| | | | |
| --- | --- | --- | --- |
| **Underwriter:** | *Carl Hoover* | **Date:** | July 10, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | July 10, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Horizon Palms Apartments, El Paso, 9% HTC #04197***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (30%) | 7 | 1 | 1 | 650 | $238 | $166 | $1,162 | $0.26 | $72.00 | $15.00 |
| TC (40%) | 10 | 1 | 1 | 650 | 318 | 246 | 2,460 | 0.38 | 72.00 | 15.00 |
| TC (50%) | 3 | 1 | 1 | 650 | 397 | 325 | 975 | 0.50 | 72.00 | 15.00 |
| TC (50%) | 10 | 2 | 1 | 900 | 477 | 394 | 3,940 | 0.44 | 83.00 | 15.00 |
| TC (60%) | 22 | 2 | 1 | 900 | 573 | 490 | 10,780 | 0.54 | 83.00 | 15.00 |
| TC (60%) | 24 | 3 | 2 | 1,000 | 661 | 565 | 13,560 | 0.57 | 96.00 | 15.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| TOTAL: | 76 | | AVERAGE: | 866 | $517 | $433 | $32,877 | $0.50 | $84.21 | $15.00 |

| **INCOME** | Total Net Rentable Sq Ft: | 65,800 | TDHCA | APPLICANT | | Comptroller's Region | 13 |
|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $394,524 | $394,524 | | IREM Region | El Paso |
| Secondary Income | Per Unit Per Month: | $10.00 | 9,120 | 9,120 | $10.00 | Per Unit Per Month | |
| Other Support Income: | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | $403,644 | $403,644 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (30,273) | (30,276) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $373,371 | $373,368 | | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.18% | $254 | 0.29 | $19,328 | $16,000 | $0.24 | $211 | 4.29% |
| Management | | 5.00% | 246 | 0.28 | 18,669 | 18,819 | 0.29 | 248 | 5.04% |
| Payroll & Payroll Tax | | 14.25% | 700 | 0.81 | 53,200 | 36,000 | 0.55 | 474 | 9.64% |
| Repairs & Maintenance | | 4.03% | 198 | 0.23 | 15,063 | 39,000 | 0.59 | 513 | 10.45% |
| Utilities | | 3.78% | 186 | 0.21 | 14,125 | 15,000 | 0.23 | 197 | 4.02% |
| Water, Sewer, & Trash | | 4.52% | 222 | 0.26 | 16,891 | 12,000 | 0.18 | 158 | 3.21% |
| Property Insurance | | 5.29% | 260 | 0.30 | 19,740 | 21,000 | 0.32 | 276 | 5.62% |
| Property Tax | 3.314829 | 12.15% | 597 | 0.69 | 45,347 | 42,000 | 0.64 | 553 | 11.25% |
| Reserve for Replacements | | 4.07% | 200 | 0.23 | 15,200 | 15,200 | 0.23 | 200 | 4.07% |
| Other: spt svcs, compliance fees | | 0.54% | 26 | 0.03 | 2,000 | 2,000 | 0.03 | 26 | 0.54% |
| TOTAL EXPENSES | | 58.81% | $2,889 | $3.34 | $219,562 | $217,019 | $3.30 | $2,856 | 58.12% |
| NET OPERATING INC | | 41.19% | $2,024 | $2.34 | $153,809 | $156,349 | $2.38 | $2,057 | 41.88% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 35.44% | $1,741 | $2.01 | $132,314 | $132,314 | $2.01 | $1,741 | 35.44% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 5.76% | $283 | $0.33 | $21,495 | $24,035 | $0.37 | $316 | 6.44% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.16 | 1.18 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.18 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 2.95% | $2,149 | $2.48 | $163,350 | $163,350 | $2.48 | $2,149 | 2.89% |
| Off-Sites | | 2.16% | 1,576 | 1.82 | 119,790 | 119,790 | 1.82 | 1,576 | 2.12% |
| Sitework | | 10.21% | 7,447 | 8.60 | 566,000 | 566,000 | 8.60 | 7,447 | 10.00% |
| Direct Construction | | 54.98% | 40,088 | 46.30 | 3,046,667 | 3,012,000 | 45.78 | 39,632 | 53.23% |
| Contingency | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| General Req'ts | 5.94% | 3.87% | 2,825 | 3.26 | 214,680 | 214,680 | 3.26 | 2,825 | 3.79% |
| Contractor's G & A | 1.98% | 1.29% | 942 | 1.09 | 71,560 | 71,560 | 1.09 | 942 | 1.26% |
| Contractor's Profit | 5.94% | 3.87% | 2,825 | 3.26 | 214,680 | 214,680 | 3.26 | 2,825 | 3.79% |
| Indirect Construction | | 3.88% | 2,829 | 3.27 | 215,000 | 215,000 | 3.27 | 2,829 | 3.80% |
| Ineligible Costs | | 0.76% | 553 | 0.64 | 42,000 | 42,000 | 0.64 | 553 | 0.74% |
| Developer's G & A | 2.00% | 1.61% | 1,176 | 1.36 | 89,352 | 110,000 | 1.67 | 1,447 | 1.94% |
| Developer's Profit | 13.00% | 10.48% | 7,642 | 8.83 | 580,786 | 735,000 | 11.17 | 9,671 | 12.99% |
| Interim Financing | | 2.51% | 1,829 | 2.11 | 139,000 | 139,000 | 2.11 | 1,829 | 2.46% |
| Reserves | | 1.43% | 1,039 | 1.20 | 79,002 | 55,000 | 0.84 | 724 | 0.97% |
| TOTAL COST | | 100.00% | $72,919 | $84.22 | $5,541,867 | $5,658,060 | $85.99 | $74,448 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *74.23%* | ***$54,126*** | ***$62.52*** | ***$4,113,587*** | ***$4,078,920*** | ***$61.99*** | ***$53,670*** | *72.09%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 30.68% | $22,368 | $25.84 | $1,700,000 | $1,700,000 | $1,700,000 | Developer Fee Available |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $664,938 |
| HTC Syndication Proceeds | 63.41% | $46,241 | $53.41 | 3,514,329 | 3,514,329 | 3,386,889 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 8.01% | $5,839 | $6.74 | 443,731 | 443,731 | 571,171 | 86% |
| Additional (excess) Funds Required | -2.10% | ($1,529) | ($1.77) | (116,193) | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $5,541,867 | $5,658,060 | $5,658,060 | $627,323.70 |

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $45.51 | $2,994,809 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.03) | (133,574) |
| Floor Cover | | | 8.71 | 573,118 |
| Porches/Balconies | $16.36 | 5,976 | 1.49 | 97,767 |
| Plumbing | $605 | 72 | 0.66 | 43,560 |
| Built-In Appliances | $1,650 | 76 | 1.91 | 125,400 |
| Washer/Dryer | $1,120 | 76 | 1.29 | 85,120 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 100,674 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $63.40 | 3,000 | 2.89 | 190,188 |
| Other: | | | 0.00 | 0 |
| SUBTOTAL | | | 61.96 | 4,077,063 |
| Current Cost Multiplier | 1.03 | | 1.86 | 122,312 |
| Local Multiplier | 0.89 | | (6.82) | (448,477) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $57.00 | $3,750,898 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.22) | ($146,285) |
| Interim Construction Interest | 3.38% | | (1.92) | (126,593) |
| Contractor's OH & Profit | 11.50% | | (6.56) | (431,353) |
| NET DIRECT CONSTRUCTION COSTS | | | $46.30 | $3,046,667 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $1,700,000 | Amort | 360 |
| Int Rate | 6.750% | DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.16 |

| | | | |
|---|---|---|---|
| **Additional** | $3,514,329 | Amort | |
| Int Rate | | Aggregate DCR | 1.16 |

## COMMENDED FINANCING STRUCTURE APPLICANT'S N

| | |
|---|---|
| Primary Debt Service | $132,314 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $24,035 |

| | | | |
|---|---|---|---|
| **Primary** | $1,700,000 | Amort | 360 |
| Int Rate | 6.75% | DCR | 1.18 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.18 |

| | | | |
|---|---|---|---|
| **Additional** | $3,514,329 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.18 |

## 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 | $394,524 | $406,360 | $418,551 | $431,107 | $444,040 | $514,764 | $596,753 | $691,800 | $929,722 |
| Secondary Income | 9,120 | 9,394 | 9,675 | 9,966 | 10,265 | 11,900 | 13,795 | 15,992 | 21,492 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 403,644 | 415,753 | 428,226 | 441,073 | 454,305 | 526,664 | 610,548 | 707,792 | 951,214 |
| Vacancy & Collection Loss | (30,276) | (31,181) | (32,117) | (33,080) | (34,073) | (39,500) | (45,791) | (53,084) | (71,341) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $373,368 | $384,572 | $396,109 | $407,992 | $420,232 | $487,164 | $564,757 | $654,708 | $879,873 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $16,000 | $16,640 | $17,306 | $17,998 | $18,718 | $22,773 | $27,707 | $33,710 | $49,898 |
| Management | 18,819 | 19383.7102 | 19965.22148 | 20564.17812 | 21181.10346 | 24554.70411 | 28465.63188 | 32999.46905 | 44348.52696 |
| Payroll & Payroll Tax | 36,000 | 37,440 | 38,938 | 40,495 | 42,115 | 51,239 | 62,340 | 75,847 | 112,271 |
| Repairs & Maintenance | 39,000 | 40,560 | 42,182 | 43,870 | 45,624 | 55,509 | 67,535 | 82,167 | 121,627 |
| Utilities | 15,000 | 15,600 | 16,224 | 16,873 | 17,548 | 21,350 | 25,975 | 31,603 | 46,780 |
| Water, Sewer & Trash | 12,000 | 12,480 | 12,979 | 13,498 | 14,038 | 17,080 | 20,780 | 25,282 | 37,424 |
| Insurance | 21,000 | 21,840 | 22,714 | 23,622 | 24,567 | 29,890 | 36,365 | 44,244 | 65,492 |
| Property Tax | 42,000 | 43,680 | 45,427 | 47,244 | 49,134 | 59,779 | 72,730 | 88,488 | 130,983 |
| Reserve for Replacements | 15,200 | 15,808 | 16,440 | 17,098 | 17,782 | 21,634 | 26,321 | 32,024 | 47,404 |
| Other | 2,000 | 2,080 | 2,163 | 2,250 | 2,340 | 2,847 | 3,463 | 4,214 | 6,237 |
| TOTAL EXPENSES | $217,019 | $225,512 | $234,338 | $243,512 | $253,047 | $306,655 | $371,684 | $450,577 | $662,465 |
| NET OPERATING INCOME | $156,349 | $159,060 | $161,771 | $164,480 | $167,185 | $180,509 | $193,073 | $204,131 | $217,407 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 | $132,314 |
| 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 | $24,035 | $26,746 | $29,457 | $32,166 | $34,871 | $48,195 | $60,759 | $71,817 | $85,093 |
| DEBT COVERAGE RATIO | 1.18 | 1.20 | 1.22 | 1.24 | 1.26 | 1.36 | 1.46 | 1.54 | 1.64 |

## LIHTC Allocation Calculation - Horizon Palms Apartments, El Paso, 9% HTC #04197

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $163,350 | $163,350 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $566,000 | $566,000 | $566,000 | $566,000 |
| Off-site improvements | $119,790 | $119,790 | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $3,012,000 | $3,046,667 | $3,012,000 | $3,046,667 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $71,560 | $71,560 | $71,560 | $71,560 |
| Contractor profit | $214,680 | $214,680 | $214,680 | $214,680 |
| General requirements | $214,680 | $214,680 | $214,680 | $214,680 |
| **(5) Contingencies** | | | | |
| **(6) Eligible Indirect Fees** | $215,000 | $215,000 | $215,000 | $215,000 |
| **(7) Eligible Financing Fees** | $139,000 | $139,000 | $139,000 | $139,000 |
| **(8) All Ineligible Costs** | $42,000 | $42,000 | | |
| **(9) Developer Fees** | | | $664,938 | |
| Developer overhead | $110,000 | $89,352 | | $89,352 |
| Developer fee | $735,000 | $580,786 | | $580,786 |
| **(10) Development Reserves** | $55,000 | $79,002 | | |
| **TOTAL DEVELOPMENT COSTS** | $5,658,060 | $5,541,867 | $5,097,858 | $5,137,725 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $5,097,858 | $5,137,725 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $5,097,858 | $5,137,725 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $5,097,858 | $5,137,725 |
| Applicable Percentage | | 8.16% | 8.16% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $415,985 | $419,238 |
| **Syndication Proceeds** | **0.8142** | **$3,386,889** | **$3,413,376** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$415,985** | **$419,238** |
| **Syndication Proceeds** | **$3,386,889** | **$3,413,376** |
| **Requested Credits** | **$431,206** | |
| **Syndication Proceeds** | **$3,510,815** | |
| **Gap of Syndication Proceeds Needed** | **$3,958,060** | |
| **Credit Amount** | **$486,138** | |




TN
MN (9.6°E)

Scale 1 : 225,000

1" = 3.55 mi

Data Zoom 9-1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**MULTI-FAMILY FINANCE PRODUCTION DIVISION**

**Multifamily Finance Production - 2004 Application Cycle**

**July Board Summary - Development Information and Public Input Summary**

# Cedar Oak Townhomes

## BASIC DEVELOPMENT INFORMATION

| | | | | | |
|---|---|---|---|---|---|
| Site Address: | 1440 Cedar Oak Dr. | | | Development #: | 04070 |
| City: | El Paso | Region: | 13 | | |
| County: | El Paso | Zip Code: | 79936 | Population Served: | F |
| Set Asides: | ☐ At-Risk ☐ Nonprofit | Allocation: | U/E ☐ USDA | Purpose / Activity: | NC |

Allocation: R=Rural, U/E=Urban/Exurban. Population: E=Elderly, F=Family, T=Transitional. Activity: NC=New Construction, ACQ=Acquisition, R=Rehab

## OWNER AND DEVELOPMENT TEAM

| | |
|---|---|
| Owner: | Cedar Oak Townhomes, Ltd<br>Ike Monty - Phone: (915) 599-1245 |
| Developer: | Investment Builders, Inc. |
| Housing GC: | Investment Builders, Inc. |
| Architect: | David J. Marquez, A & E |
| Market Analyst: | Prior and Associates |
| Syndicator: | MMA Financial, LLC |
| Supp Services | YWCA Consumer Credit Counseling Svcs. |
| Consultant: | N/A |

## UNIT INFORMATION

| Eff | 1 BR | 2 BR | 3 BR | 4BR+ |
|---|---|---|---|---|
| 0 | 32 | 72 | 56 | 0 |

| 30% | 40% | 50% | 60% |
|---|---|---|---|
| 14 | 4 | 31 | 79 |

| | |
|---|---|
| Total LI Units: | 128 |
| Market Rate Units | 32 |
| Owner/Employee Units: | 0 |
| Total Project Units: | 160 |

## FUNDING INFORMATION

Credits Requested: $985,523 **Credits Recommended in an Amount Not to Exceed:** **$973,684**

Other Department Funds: No other funds were requested from the Department.

**All recommendations noted in this report are conditioned on confirmation of feasibility by the Real Estate Analysis Division, an amount (loan, grant and/or credit amount), terms and conditions.**

## PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

**State/Federal Officials with Jurisdiction:**

TX Senator: Eliot Shapleigh, District 29 NC Points: 0 US Rep.: NC

TX Representative Chente Quintanilla, District 75 NC Points: 0 US Senator: NC

**Local Officials and Other Public Officials:**

Mayor/Judge: NC Resolution of Support from Local Government ☐

Vivian Rojas, City Rep. District 7, O

Charles L. Scruggs,County Commissioner, Pct. 1, O

**Individuals/Businesses** In Support: **1** In Opposition: **32**

**Neighborhood Input:**

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation.

**General Summary of Comment:**

There was opposition from non-officials and minimal opposition from officials. There was one letter of support from a non-official. There was a resolution of Opposition from the city council.

## MULTI-FAMILY FINANCE PRODUCTION DIVISION

### Multifamily Finance Production - 2004 Application Cycle

### July Board Summary - Development Information and Public Input Summary

# Cedar Oak Townhomes

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

☐ Score: 116 ☐ Meeting a Required Set Aside

Explanation: The region is undersubscribed and all eligible applications can be recommended for an allocation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

**DATE:** November 27, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04070

## DEVELOPMENT NAME

Cedar Oak Townhomes, Ltd. Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Cedar Oak Townhomes, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 8800 Yermoland Dr., Suite A | | | **City:** | El Paso | **State:** | TX |
| **Zip:** | 79907 | **Contact:** | Ike Monty | **Phone:** | (915) 599-1245 | **Fax:** | (915) 594-0434 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Investment Builders, Inc. | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Ike Monty | **(%):** | N/A | **Title:** | President |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1440 Cedar Oak Dr. | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | El Paso | **County:** | El Paso | **Zip:** | 79936 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $985,523 | N/A | N/A | N/A |

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

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $973,684 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. A re-review of the score for each development prior to any DDA loss and a determination that the subject has a higher score than Americas Palms;
2. Receipt, review, and acceptance of documentation reflecting the appropriate removal of asphalt debris on the site as identified in the Phase I Environmental Site Assessment report prior to cost certification;
3. Receipt, review, and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from the syndicator and construction lender that accepts this guarantee to fulfill its guarantee requirement; 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.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 160 **# Rental Buildings** 40 **# Common Area Bldgs** 2 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

**Net Rentable SF:** 171,084 **Av Un SF:** 1,069 **Common Area SF:** 2,722 **Gross Bldg SF:** 173,084

### POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Eighty percent of the units will be tax credit units and 20% will be unrestricted. Of the tax credit units, 11% (14 units) will be restricted to the 30% of AMGI income and rent level; 3% (four units) will be restricted to the 40% of AMGI income and rent level; 24% (31 units) will be restricted to the 50% of AMGI income and rent level; and 62% (79 units) will be restricted to the 60% of AMGI income and rent level.

**MAXIMUM ELIGIBLE INCOMES**

| | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
|---|---|---|---|---|---|---|
| 60% of AMI | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

## FINANCING STRUCTURE

### INTERIM CONSTRUCTION FINANCING

**Source:** MuniMae Midland Construction Finance **Contact:** Mark George

**Principal Amount:** $7,250,000 **Interest Rate:** 6%

**Additional Information:**

**Amortization:** 2 yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

### PERMANENT FINANCING

**Source:** Midland Affordable Housing Group **Contact:** Mark George

**Principal Amount:** $4,450,000 **Interest Rate:** 6.625%

**Additional Information:**

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $341,926 **Lien Priority:** 1st **Commitment Date** 2/ 17/ 2004

### TAX CREDIT SYNDICATION

**Source:** MMA Financial **Contact:** Mark George

**Net Proceeds:** $7,981,938 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 81¢

**Commitment** ☐ LOI ☒ Firm ☐ Conditional **Date:** 2/ 17/ 2004

**Additional Information:** Based on credits of $985,523

### APPLICANT EQUITY

**Amount:** $882,599 **Source:** Deferred developer fee

## ADDENDUM

This application was not originally recommended for tax credits due to financial feasibility and inclusive capture rate issues resulting from a change to the Difficult to Develop Area (DDA) status that had covered all of El Paso in 2003 and for several years prior. However, in 2004, after the Applicant had submitted their pre-application, this designation was removed causing a 30% reduction in the potential credit amount. All applicants were provided an opportunity to redraft their application to account for this status loss. The Applicant did so and removed all of the deep rent targeting and market rate components to the development, making it much more homogeneous around the 60% income level. This significantly reduced the income band of eligible tenants and therefore drastically curtailed the amount of calculated demand for the development. At the same time, however, the revisions made the transaction less competitive from a score perspective, and though sufficient funds were available in this region to fund all eligible applicants, the prioritization of competitors in the same primary market as the subject increased the unstabilized supply such that the inclusive capture rate for the revised development exceeded the Department's 25% limit. The Applicant also indicated significant cost increases and requested an amount of credit that exceeded the original request. On November 2, 2004, HUD published a notice rescinding the change in DDA status for 2004 due to the short period of time from when the notice was originally published to the effective date of the change. As a result all of the applicants that were affected by this change have been given an opportunity to again resubmit their applications based upon the original DDA status. For 2005 El Paso will no longer be a DDA; however, should the Applicant meet carryover it will now be able to avail itself of the additional 30% eligible basis bonus for a development located in a DDA. The following analysis supplements and reverses some critical recommendations found in the original report as a result of the change in the DDA status.

**Development Plan:** The building configuration and the rent schedule in the original application do not match and the Underwriter has made adjustments to the number of each building type which would correspond to the unit mix. This building mix is just one of many potential possibilities that would create the unit mix as originally proposed and therefore must be confirmed with the Applicant. Thus receipt, review, and acceptance of a revised site plan to match the unit mix is a condition of this report and to the extent it is inconsistent with the Underwriter's assumptions that follow, the development may need to be re-evaluated by the Underwriter.

- 14 Building Type II with four three-bedroom/two and a half- bath units;
- 18 Building Type IV with three two-bedroom/two and a half-bath units and one two-bedroom/two-bath unit;
- Eight Building Type V with three one-bedroom/one and a half-bath units and one one-bedroom/one-bath unit.

**Market Study:** The original underwriting report had several significant concerns regarding the market feasibility study dated March 25, 2004 which was prepared by Prior & Associates ("Market Analyst") Key among these concerns were the following conclusions:

- The market study was not self-contained, did not include a summary form or rent comparison matrix, did not calculate an accurate demand, and did not calculate unstabilized supply (10TAC§1.33 (b), (d)(4,13-15), and
- The Underwriter calculated an inclusive capture rate of over 25% (10TAC§1.32 (g)(2).

Due to the fact that the original study supported the original application, revisions to the original study were required. The revised study excluded several of the requirements but was the study of record with regard to the revised application. On October 7, 2004 the Market Analyst provided a final revised study that included all of the required documentation for the revised application and the Market Analyst was subsequently reinstated to the approved Market Analyst list. A second copy of the original market study was supplied to the Department on November 22, 2004, and though it did not contain the TDHCA summary form it did contain sufficient information to make a funding recommendation. The following is a recap of information that is different from the previous underwriting report:

**Demand:** The Market Analyst calculated a total demand of 2,403 qualified households in the PMA, based on the current estimate of 34,729 households, the projected annual growth rate of 2.7%, renter households estimated at 26.3% of the population, income-qualified households estimated at 26%, appropriate household size of 98.5% and an annual renter turnover rate of 100% (p. IX-2). The Market Analyst used an income band of $5,580 to $29,500. This was based upon a slightly more expansive than normal set of income band assumptions which included up to six-person households rather than five and was based on net rents being not more than 40% of a household's income rather than the more standard gross rents not being more than

35% of a household's income. In addition the Market Analyst used a 100% turnover estimate which would suppose that every resident in a rental unit moves every year. The IREM turnover estimate for El Paso is 52.4%. Therefore the Analyst's demand is roughly twice what it should be.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | Market Analyst | | Underwriter | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth (two years) | 64 | 3% | 72 | 6% |
| Resident Turnover | 2,339 | 97% | 1,155 | 94% |
| **TOTAL ANNUAL DEMAND** | **2,403** | **100%** | **1,227** | **100%** |

Ref: p. IX-2

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 6.7% based upon 2,403 units of demand and 160 units of unstabilized housing in the PMA (only including the subject) (p. IX-2). The Market Analyst concluded what he called a "penetration rate" for LIHTC-only units of 9.5% which was based upon 90 existing unstabilized units and 132 proposed HTC units from the subject over 2,339 units of demand. The Underwriter calculated an inclusive capture rate of 33.3% based upon a revised supply of unstabilized comparable affordable units of 409 divided by a revised demand of 1,227. The other unstabilized units include: Tropicana Palms (112 units), Meadowbrook Townhomes (25 units), and the proposed Americas Palms (112 units). Of critical importance is where the original proposal for the subject property would have scored compared to Americas Palms. If it had scored better than the 112 units at Americas Palms it would not be included in the unstabilized supply, which would drop to 297 and the Underwriter's capture rate would be an acceptable 24.2%. The pre-application scores did reflect a higher score for the subject than Americas Palms but the significant changes resulting from the revisions after the DDA status loss dropped the subject's score further than the Americas Palms score. Therefore, the recommendation for approval is conditioned upon a re-review of the score for each development prior to any DDA loss and a determination that the subject has a higher score than Americas Palms.

**Income and Expenses:** The Applicant's total income and expense estimates are both within 5% of the Underwriter's estimates as it the Applicant's net operating income. Differences in expenses exist in the same areas as the original report plus insurance is also significantly higher than the Underwriter's estimate (it would appear the Applicant recognized this potential overstatement in the revised application which was used for the original underwriting). As with the previous report the Applicant's NOI will be used to evaluate the adequacy of the debt service and said NOI does provide an acceptable debt coverage ratio of 1.15.

**Development Cost:** The Applicant's direct construction cost estimate is within 1% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, based upon the building mix assumptions discussed above. If the building mix assumptions hold, the Applicant's direct construction costs would be acceptable as presented. As with the previous report the Underwriter reduced the Applicant's eligible interim financing fees 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. In this case the reduction amounts to a slightly lower $93K and an equivalent reduction to the Applicant's eligible basis estimate is required. As with the previous report the Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines but in this instance the excess is slightly higher than the previous report at $46,071 based on their own construction costs. The Applicant's developer fees were within the Department's limits. In sum the Applicant's costs were generally within the accepted tolerances except for the allocation to eligible interest and contractor fees and these excesses result in a slightly lower estimate of eligible basis of $11,628,023 or $140,881 less than anticipated by the Applicant. This translates to an $11,839 reduction in the eligible credit request to $973,684 after the changed multipliers for DDA, and applicable fraction are used, and the underwriting applicable percentage at the time of the application submission date is applied. This eligible basis credit calculation is the lowest of the three methods used to allocate credit and provides estimated syndication proceeds of $7,886,054. The anticipated amount of deferred developer fee associated with a slightly lower debt amount is $1,132,923. Unlike the original report the anticipated deferred developer fee is projected to be repayable within 15 years of stabilized occupancy. Therefore, the original application is feasible.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- 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.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Director of Real Estate Analysis:** ______________________ **Date:** November 27, 2004
*Tom Gouris*

# MULTIFAMILY COMPARATIVE ANALYSIS

***Cedar Oak Townhomes, El Paso, 9% HTC #04070 ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC (30%) | 8 | 1 | 1 | 730 | $238 | $186 | $1,488 | $0.25 | $52.00 | $35.00 |
| TC (40%) | 2 | 1 | 1.5 | 963 | 318 | 266 | 532 | 0.28 | 52.00 | 35.00 |
| TC (50%) | 4 | 1 | 1.5 | 963 | 397 | 345 | 1,380 | 0.36 | 52.00 | 35.00 |
| TC (60%) | 16 | 1 | 1.5 | 963 | 477 | 425 | 6,800 | 0.44 | 52.00 | 35.00 |
| MR | 2 | 1 | 1.5 | 963 | 525 | 525 | 1,050 | 0.55 | 52.00 | 35.00 |
| TC (30%) | 6 | 2 | 2 | 942 | 286 | 226 | 1,356 | 0.24 | 60.00 | 38.00 |
| TC (40%) | 1 | 2 | 2 | 942 | 382 | 322 | 322 | 0.34 | 60.00 | 38.00 |
| TC (50%) | 11 | 2 | 2 | 942 | 477 | 417 | 4,587 | 0.44 | 60.00 | 38.00 |
| TC (50%) | 6 | 2 | 2.5 | 1,084 | 477 | 417 | 2,502 | 0.38 | 60.00 | 38.00 |
| TC (60%) | 33 | 2 | 2.5 | 1,084 | 573 | 513 | 16,929 | 0.47 | 60.00 | 38.00 |
| MR | 15 | 2 | 2.5 | 1,084 | 625 | 625 | 9,375 | 0.58 | 60.00 | 38.00 |
| TC (40%) | 1 | 3 | 2.5 | 1,190 | 441 | 372 | 372 | 0.31 | 69.00 | 42.00 |
| TC (50%) | 10 | 3 | 2.5 | 1,190 | 551 | 482 | 4,820 | 0.41 | 69.00 | 42.00 |
| TC (60%) | 30 | 3 | 2.5 | 1,190 | 661 | 592 | 17,760 | 0.50 | 69.00 | 42.00 |
| MR | 15 | 3 | 2.5 | 1,190 | 795 | 795 | 11,925 | 0.67 | 69.00 | 42.00 |
| **TOTAL:** | 160 | | **AVERAGE:** | 1,069 | $556 | $507 | $81,198 | $0.47 | $61.55 | $38.80 |

| | | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | Total Net Rentable Sq Ft: | 171,084 | | **TDHCA** | **APPLICANT** | | Comptroller's Region | 13 |
| POTENTIAL GROSS RENT | | | | | $974,376 | $974,376 | | IREM Region | El Paso |
| Secondary Income | | | Per Unit Per Month: | $12.00 | 23,040 | 23,040 | $12.00 | Per Unit Per Month | |
| Other Support Income: | | | | | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | | $997,416 | $997,416 | | | |
| Vacancy & Collection Loss | | | % of Potential Gross Income: | -7.50% | (74,806) | (69,816) | -7.00% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | | $922,610 | $927,600 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | | 4.43% | $255 | 0.24 | $40,856 | $33,251 | $0.19 | $208 | 3.58% |
| Management | | 5.00% | 288 | 0.27 | 46,130 | 46,380 | 0.27 | 290 | 5.00% |
| Payroll & Payroll Tax | | 12.14% | 700 | 0.65 | 112,000 | 69,600 | 0.41 | 435 | 7.50% |
| Repairs & Maintenance | | 6.03% | 348 | 0.33 | 55,635 | 60,000 | 0.35 | 375 | 6.47% |
| Utilities | | 3.27% | 188 | 0.18 | 30,135 | 20,000 | 0.12 | 125 | 2.16% |
| Water, Sewer, & Trash | | 4.98% | 287 | 0.27 | 45,955 | 48,800 | 0.29 | 305 | 5.26% |
| Property Insurance | | 5.56% | 321 | 0.30 | 51,325 | 73,600 | 0.43 | 460 | 7.93% |
| Property Tax | 2.989055 | 12.96% | 747 | 0.70 | 119,562 | 141,169 | 0.83 | 882 | 15.22% |
| Reserve for Replacements | | 3.47% | 200 | 0.19 | 32,000 | 33,600 | 0.20 | 210 | 3.62% |
| Other Expenses: compliance fees | | 0.69% | 40 | 0.04 | 6,400 | 6,400 | 0.04 | 40 | 0.69% |
| TOTAL EXPENSES | | 58.53% | $3,375 | $3.16 | $539,999 | $532,800 | $3.11 | $3,330 | 57.44% |
| NET OPERATING INC | | 41.47% | $2,391 | $2.24 | $382,611 | $394,800 | $2.31 | $2,468 | 42.56% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 37.06% | $2,137 | $2.00 | $341,926 | $341,928 | $2.00 | $2,137 | 36.86% |
| Cash Flow from Operations | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Cash Flow from Operations | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 4.41% | $254 | $0.24 | $40,685 | $52,872 | $0.31 | $330 | 5.70% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.12 | 1.15 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.15 | | | |
| **CONSTRUCTION COST** | | | | | | | | | |
| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | **TDHCA** | **APPLICANT** | PER SQ FT | PER UNIT | % of TOTAL |
| Acquisition Cost (site or bldg) | | 9.13% | $7,757 | $7.25 | $1,241,197 | $1,241,197 | $7.25 | $7,757 | 9.22% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 8.45% | 7,177 | 6.71 | 1,148,244 | 1,148,244 | 6.71 | 7,177 | 8.53% |
| Direct Construction | | 51.56% | 43,811 | 40.97 | 7,009,765 | 6,974,900 | 40.77 | 43,593 | 51.78% |
| Contingency | 2.08% | 1.25% | 1,063 | 0.99 | 170,009 | 170,009 | 0.99 | 1,063 | 1.26% |
| General Req'ts | 6.00% | 3.60% | 3,059 | 2.86 | 489,481 | 507,789 | 2.97 | 3,174 | 3.77% |
| Contractor's G & A | 2.00% | 1.20% | 1,020 | 0.95 | 163,160 | 169,263 | 0.99 | 1,058 | 1.26% |
| Contractor's Profit | 6.00% | 3.60% | 3,059 | 2.86 | 489,481 | 507,789 | 2.97 | 3,174 | 3.77% |
| Indirect Construction | | 2.38% | 2,021 | 1.89 | 323,400 | 323,400 | 1.89 | 2,021 | 2.40% |
| Ineligible Costs | | 3.59% | 3,051 | 2.85 | 488,156 | 488,156 | 2.85 | 3,051 | 3.62% |
| Developer's G & A | 11.96% | 9.16% | 7,788 | 7.28 | 1,246,016 | 1,246,016 | 7.28 | 7,788 | 9.25% |
| Developer's Profit | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 4.62% | 3,926 | 3.67 | 628,214 | 628,214 | 3.67 | 3,926 | 4.66% |
| Reserves | | 1.47% | 1,246 | 1.17 | 199,349 | 64,000 | 0.37 | 400 | 0.48% |
| TOTAL COST | | 100.00% | $84,978 | $79.47 | $13,596,471 | $13,468,977 | $78.73 | $84,181 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *69.65%* | ***$59,188*** | ***$55.35*** | ***$9,470,140*** | ***$9,477,994*** | ***$55.40*** | ***$59,237*** | *70.37%* |
| **SOURCES OF FUNDS** | | | | | | | RECOMMENDED | | |
| First Lien Mortgage | | 32.73% | $27,813 | $26.01 | $4,450,000 | $4,450,000 | $4,450,000 | Developer Fee Available | |
| Cash Flow from Operations | | 1.14% | $965 | $0.90 | 154,440 | 154,440 | | $1,246,016 | |
| HTC Syndication Proceeds | | 58.71% | $49,887 | $46.66 | 7,981,938 | 7,981,938 | 7,886,054 | % of Dev. Fee Deferred | |
| Deferred Developer Fees | | 6.49% | $5,516 | $5.16 | 882,599 | 882,599 | 1,132,923 | 91% | |
| Additional (excess) Funds Required | | 0.94% | $797 | $0.75 | 127,494 | 0 | 0 | 15-Yr Cumulative Cash Flow | |
| TOTAL SOURCES | | | | | $13,596,471 | $13,468,977 | $13,468,977 | $1,403,172 | |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***Cedar Oak Townhomes, El Paso, 9% HTC #04070 ADDENDUM***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $ 49.16 | $8,410,512 |
| Adjustments | | | | |
| Exterior Wall Finish | | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.10) | (188,098) |
| Floor Cover | | | 2.53 | 432,843 |
| Porches/Balconies | $8.82 | 8,000 | 0.41 | 70,560 |
| Plumbing | $730 | 262 | 1.12 | 191,260 |
| Built-In Appliances | $2,175 | 160 | 2.03 | 348,000 |
| Stairs/Fireplaces | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.96 | 335,325 |
| Carports | $8.18 | 32,000 | 1.53 | 261,760 |
| Comm &/or Aux Bldgs | $66.33 | 2,122 | 0.82 | 140,754 |
| Other: Maint Bldg | $53.39 | 600 | 0.19 | 32,036 |
| SUBTOTAL | | | 58.66 | 10,034,952 |
| Current Cost Multiplier | 1.03 | | 1.76 | 301,049 |
| Local Multiplier | 0.83 | | (9.97) | (1,705,942) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $50.44 | $8,630,059 |
| Plans, specs, survy, bld prm | 3.90% | | ($1.97) | ($336,572) |
| Interim Construction Interest | 3.38% | | (1.70) | (291,264) |
| Contractor's OH & Profit | 11.50% | | (5.80) | (992,457) |
| NET DIRECT CONSTRUCTION COSTS | | | $40.97 | $7,009,765 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $4,450,000 | Amort | 360 |
| Int Rate | 6.625% | DCR | 1.12 |

| | | | |
|---|---|---|---|
| **Secondary** | | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.12 |

| | | | |
|---|---|---|---|
| **Additional** | | Amort | |
| Int Rate | | Aggregate DCR | 1.12 |

### ECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

| | |
|---|---|
| Primary Debt Service | $341,926 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $52,874 |

| | | | |
|---|---|---|---|
| **Primary** | $4,450,000 | Amort | 360 |
| Int Rate | 6.625% | DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|---|---|---|---|
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (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 | $974,376 | $1,003,607 | $1,033,715 | $1,064,727 | $1,096,669 | $1,271,340 | $1,473,831 | $1,708,574 | $2,296,181 |
| Secondary Income | 23,040 | 23,731 | 24,443 | 25,176 | 25,932 | 30,062 | 34,850 | 40,401 | 54,295 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 997,416 | 1,027,338 | 1,058,159 | 1,089,903 | 1,122,600 | 1,301,402 | 1,508,681 | 1,748,975 | 2,350,476 |
| Vacancy & Collection Loss | (69,816) | (77,050) | (79,362) | (81,743) | (84,195) | (97,605) | (113,151) | (131,173) | (176,286) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $927,600 | $950,288 | $978,797 | $1,008,161 | $1,038,405 | $1,203,797 | $1,395,530 | $1,617,802 | $2,174,190 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $33,251 | $34,581 | $35,964 | $37,403 | $38,899 | $47,327 | $57,580 | $70,055 | $103,698 |
| Management | 46,380 | 47514.4047 | 48939.83684 | 50408.03195 | 51920.2729 | 60189.82631 | 69776.50518 | 80890.09345 | 108709.5215 |
| Payroll & Payroll Tax | 69,600 | 72,384 | 75,279 | 78,291 | 81,422 | 99,063 | 120,525 | 146,637 | 217,058 |
| Repairs & Maintenance | 60,000 | 62,400 | 64,896 | 67,492 | 70,192 | 85,399 | 103,901 | 126,411 | 187,119 |
| Utilities | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Water, Sewer & Trash | 48,800 | 50,752 | 52,782 | 54,893 | 57,089 | 69,458 | 84,506 | 102,814 | 152,190 |
| Insurance | 73,600 | 76,544 | 79,606 | 82,790 | 86,102 | 104,756 | 127,451 | 155,064 | 229,533 |
| Property Tax | 141,169 | 146,816 | 152,688 | 158,796 | 165,148 | 200,928 | 244,459 | 297,422 | 440,257 |
| Reserve for Replacements | 33,600 | 34,944 | 36,342 | 37,795 | 39,307 | 47,823 | 58,184 | 70,790 | 104,787 |
| Other | 6,400 | 6,656 | 6,922 | 7,199 | 7,487 | 9,109 | 11,083 | 13,484 | 19,959 |
| TOTAL EXPENSES | $532,800 | $553,391 | $575,052 | $597,564 | $620,963 | $752,517 | $912,099 | $1,105,704 | $1,625,684 |
| NET OPERATING INCOME | $394,800 | $396,897 | $403,745 | $410,596 | $417,443 | $451,279 | $483,432 | $512,098 | $548,506 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $341,926 | $341,926 | $341,926 | $341,926 | $341,926 | $341,926 | $341,926 | $341,926 | $341,926 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $52,874 | $54,971 | $61,819 | $68,670 | $75,517 | $109,353 | $141,505 | $170,172 | $206,580 |
| DEBT COVERAGE RATIO | 1.15 | 1.16 | 1.18 | 1.20 | 1.22 | 1.32 | 1.41 | 1.50 | 1.60 |

## LIHTC Allocation Calculation - Cedar Oak Townhomes, El Paso, 9% HTC #04070 ADDENDUM

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,241,197 | $1,241,197 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,148,244 | $1,148,244 | $1,148,244 | $1,148,244 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $6,974,900 | $7,009,765 | $6,974,900 | $7,009,765 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $169,263 | $163,160 | $162,463 | $163,160 |
| Contractor profit | $507,789 | $489,481 | $487,389 | $489,481 |
| General requirements | $507,789 | $489,481 | $487,389 | $489,481 |
| **(5) Contingencies** | $170,009 | $170,009 | $170,009 | $170,009 |
| **(6) Eligible Indirect Fees** | $323,400 | $323,400 | $323,400 | $323,400 |
| **(7) Eligible Financing Fees** | $628,214 | $628,214 | $628,214 | $628,214 |
| **(8) All Ineligible Costs** | $488,156 | $488,156 | | |
| **(9) Developer Fees** | | | | |
| Developer overhead | $1,246,016 | $1,246,016 | $1,246,016 | $1,246,016 |
| Developer fee | | | | |
| **(10) Development Reserves** | $64,000 | $199,349 | | |
| **TOTAL DEVELOPMENT COSTS** | $13,468,977 | $13,596,471 | $11,628,023 | $11,667,770 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $11,628,023 | $11,667,770 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $15,116,430 | $15,168,101 |
| Applicable Fraction | | 78.94% | 78.94% |
| **TOTAL QUALIFIED BASIS** | | $11,932,406 | $11,973,192 |
| Applicable Percentage | | 8.16% | 8.16% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $973,684 | $977,013 |
| **Syndication Proceeds** | **0.8099** | **$7,886,054** | **$7,913,010** |
| **Total Credits (Eligible Basis Method)** | | **$973,684** | **$977,013** |
| **Syndication Proceeds** | | **$7,886,054** | **$7,913,010** |
| **Original Requested Credits** | | **$985,523** | |
| **Syndication Proceeds** | | **$7,981,938** | |
| **Gap of Syndication Proceeds Needed** | | **$9,018,977** | |
| **Credit Amount** | | **$1,113,565** | |
| **Ammended Requested Credits** | | **$1,044,922** | |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** July 13, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04070

## DEVELOPMENT NAME

Cedar Oak Townhomes, Ltd. Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Cedar Oak Townhomes, Ltd. | | | **Type:** | For-profit | | |
| **Address:** | 8800 Yermoland Dr., Suite A | | | **City:** | El Paso | **State:** | TX |
| **Zip:** | 79907 | **Contact:** | Ike Monty | **Phone:** | (915) 599-1245 | **Fax:** | (915) 594-0434 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Investment Builders, Inc. | **(%):** | N/A | **Title:** | Developer |
| **Name:** | Ike Monty | **(%):** | N/A | **Title:** | President |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1440 Cedar Oak Dr. | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | El Paso | **County:** | El Paso | **Zip:** | 79936 |

## REQUEST

| **Amount** | **Interest Rate** | **Amortization** | **Term** |
|---|---|---|---|
| 1) $985,523 | N/A | N/A | N/A |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits

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

**Special Purpose (s):** General population

## RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING:

- The market study was not self-contained, did not include a summary form or rent comparison matrix, did not calculate an accurate demand, and did not calculate unstabilized supply (10TAC§1.33 (b), (d)(4,13-15)
- The Underwriter calculated an inclusive capture rate of over 25% (10TAC§1.32 (g)(2),
- The anticipated deferred developer fee can not be repaid within 15 years (10TAC§1.32 (d)(7),

## CONDITIONS

SHOULD THE BOARD APPROVE AN AWARD FOR THIS DEVELOPMENT, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

1. Allocation of Tax credits should not exceed the original requested amount of $985,523;
2. Receipt, review, and acceptance of documentation reflecting the appropriate removal of asphalt debris on the site as identified in the Phase I Environmental Site Assessment report prior to cost certification;

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. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt by $344,200 based on the terms provided or a revised financing structure and proforma reflecting an ability to repay the deferred developer and contractor fees within the first 15 years of stabilized operation;
5. Receipt, review, and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from the syndicator and construction lender that accepts this guarantee to fulfill its guarantee requirement.
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; and
7. 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).

## REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

**Total Units:** 160 **# Rental Buildings** 40 **# Common Area Bldgs** 2 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

**Net Rentable SF:** 171,084 **Av Un SF:** 1,069 **Common Area SF:** 2,722 **Gross Bldg SF:** 173,084

### 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: 90% stucco and 10% wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with concrete tile.

### APPLIANCES AND INTERIOR FEATURES

The interior flooring will be carpeting & VCT/ceramic tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, in unit washer & dryer with connections, ceiling fans, laminated counter tops, individual water heaters, and evaporative coolers.

### ON-SITE AMENITIES

A 2,122-square foot community building will include an activity room, management offices, maintenance, a kitchen, restrooms, and a computer/business center. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. In addition, perimeter fencing with limited access gates are planned for the site.

**Uncovered Parking:** 216 spaces **Carports:** 160 spaces **Garages:** 0 spaces

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Cedar Oak Townhomes is a relatively dense (15.79 units per acre) new construction development of 160 units of mixed income housing located in southeast El Paso. The development is comprised of 40 evenly distributed small garden style, walk-up, fourplex residential buildings as follows:

- 4 Building Type I with 4 two-bedroom, two-bedroom/two-bath townhome units;
- 8 Building Type II with 4 three-bedroom/two and a half- bath townhome units;
- 6 Building Type III with 4 three-bedroom/two and a half- bath townhome units;
- 13 Building Type IV with 3 three-bedroom/two and a half- bath units and 1 three-bedroom/two-bath units;
- 9 Building Type V with 3 one-bedroom/one and a half-bath units, and 1 one-bedroom/one-bath units.

**Development Plan:** The Applicant initially submitted this development as a site in a Difficult to Develop Area (DDA) and intended to include deep rent and income skewed units. Based upon El Paso no longer being a DDA after the pre-application submission the Applicant was given an opportunity to revise the application and eliminated the deep rent targeting and the market rate units originally planned and increased the amenity set for the development. The projected income for the development increased as did the total development costs and the anticipated debt. The remainder of this report is based on the revised application.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | |
|---|---|---|---|---|---|
| **Size:** | 10.13 acres | 441,262.8 | square feet | **Zoning/ Permitted Uses:** | C-4 Commercial District |
| **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 the southeast area of El Paso, approximately 10.5 miles from the central business district. The site is situated on the east side of Cedar Oak Drive.

**Adjacent Land Uses:**

- **North:** vacant land immediately adjacent and Pellicano Drive beyond;
- **South:** Pendale Road immediately adjacent and neighborhood shopping center beyond;
- **East:** vacant land immediately adjacent and George Dieter Drive beyond; and
- **West:** vacant land immediately adjacent and Cedar Oak Drive beyond;

**Site Access:** Access to the property is from the north or south from Cedar Oak Drive. The development is to have one main entry from the west from Cedar Oak Drive. Access to Interstate Highway 10 is one mile southwest, which provides connections to all other major roads serving the El Paso area.

**Public Transportation:** Public transportation to the area is provided by Sun Metro. "The nearest bus stop is at George Dieter along the edge of the site, steps from the subject." (MKT Study, p.III-3).

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

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 11, 2004 and found the location to be acceptable for the proposed development due to the following conditions: proximity to amenities, available transportation, and high traffic exposure on three sides.

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

A Phase I Environmental Site Assessment report dated March 11, 2004 was prepared by Construction and Environmental Consultants, Inc. and contained the following findings and recommendations:

**Findings:** "CECI did observe scattered trash debris mainly along Pendale Road." (p. 13)

- **Radon:** "Based on the available information, radon potential in the El Paso area is generally below the EPA's threshold of 4.0 pCi/L." (p. 14)
- **Floodplain:** Outside of 100- and 500- year floodplain.

**Recommendations:** "It is our professional opinion that the asphalt debris be removed from the subject site prior to development." (p. 16) Addressing this concern is a condition of this report.

## POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred percent of the units will be tax credit units and will be restricted to the 60% income and rent level.

| MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $17,820 | $20,340 | $22,920 | $25,440 | $27,480 | $29,520 |

## MARKET HIGHLIGHTS

A market feasibility study dated March 25, 2004 was prepared by Prior & Associates ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subject is in the eastern corridor of the city, a white-collar community that provides shelter for residents of Eastern El Paso. The site is south of Fort Bliss Military Reservation and north of Interstate 10. Tenants at LIHTC complexes on the east side come from East El Paso and the Lower Valley. … suggest[ing] that the subject's primary market area (PMA) includes eastern El Paso. The PMA has 114,542 inhabitants and the following approximate boundaries:

North: Montana Avenue; South: Interstate 10; East: Joe Battle Road; West: Yarbrough Drive" (p. IV-1)

**Population:** The estimated 2000 population of the PMA was 110,108 and is expected to increase by 9.82% to approximately 120,916 by 2008. Within the primary market area there were estimated to be 33,143 households in 2000.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,867 qualified households in the PMA, based on the current estimate of 34,729 households, the projected annual growth rate of 3.4%, renter households estimated at 26.3% of the population, income-qualified households estimated at 20.2%, and an annual renter turnover rate of 100%. (p. IX-2). The Market Analyst used an income band of $12,750 to $29,500. This was based upon a slightly more expansive than normal set of income band assumptions which included up to 6 person households rather than 5 and was based on rents being not more than 40% of a households income rather than the more standard 35%. In addition the Market Analyst used a 100% turnover estimate which would suppose that every resident in a rental unit moves every year. The IREM turnover estimate for El Paso is 52.4%. Therefore the Analysts demand is roughly twice what it should be.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 49 | 2.62% | 22 | 2% |
| Resident Turnover | 1,817 | 97.32% | 965 | 98% |
| **TOTAL ANNUAL DEMAND** | **1,867** | **100%** | **987** | **100%** |

Ref: p. IX-2

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 8.6% based upon 1,867 units of demand and 160 units of unstabilized affordable housing in the PMA (including the subject) (p. IX-2). The Underwriter calculated an inclusive capture rate of 41.5% based upon a revised supply of unstabilized comparable affordable units of 409 divided by a revised demand of 987. The other unstabilized units include: Tropicana Palms (112 units), Meadowbrook Townhomes (25 units), and the proposed Americas Palms (112 units). The Market Analyst did not consider or comment on the existence or effect of any of these comparable developments.

**Market Rent Comparables:** The Market Analyst surveyed 13 comparable apartment projects totaling 496 units in the market area.

| RENT ANALYSIS (net tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (30%)** | $186 | $186 | $0 | $574 | -$388 |
| **1-Bedroom (40%)** | $266 | $266 | $0 | $607 | -$341 |
| **1-Bedroom (50%)** | $345 | $345 | $0 | $607 | -$262 |
| **1-Bedroom (60%)** | $425 | $425 | $0 | $607 | -$182 |

| | | | | | |
|---|---|---|---|---|---|
| **1-Bedroom (MR)** | $525 | N/A | | $607 | -$82 |
| **2-Bedroom (30%)** | $226 | $226 | $0 | $662 | -$436 |
| **2-Bedroom (40%)** | $322 | $322 | $0 | $662 | -$340 |
| **2-Bedroom (50%)** | $417 | $417 | $0 | $662 | -$245 |
| **2-Bedrm-2.5 BA (50%)** | $417 | $417 | $0 | $682 | -$265 |
| **2-Bedroom (60%)** | $513 | $513 | $0 | $682 | -$169 |
| **2-Bedroom (MR)** | $625 | N/A | | $682 | -$57 |
| **3-Bedroom (40%)** | $372 | $372 | $0 | $776 | -$404 |
| **3-Bedroom (50%)** | $482 | $482 | $0 | $776 | -$294 |
| **3-Bedroom (60%)** | $592 | $592 | $0 | $776 | -$184 |
| **3-Bedroom (MR)** | $795 | N/A | | $776 | $19 |

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

**Primary Market Occupancy Rates:** "From the fourth quarter 2001 through the fourth quarter 2003, the average apartment vacancy rate decreased from 9.3% to 7.0% in the MSA and from 9.9% to 7.0% in the subject's East apartment submarket." (p. VII).

**Absorption Projections:** "The experience of other LIHTC projects in the market area suggests that the project will fill its 160 units within 18 months for an absorption rate of eight units per month." (p. X-1).

**Known Planned Development:** "According to the El Paso Planning and Building Departments, there are currently no multifamily projects planned or under construction in the primary market area." (p. VII-2). Again this is in sharp contrast to the information the Department has on the primary market area which includes the 2003 allocation of 112 units at Tropicana Palms, the 2002 allocation of 25 units at Meadowbrook Townhomes, and the proposed 2004 allocation of 112 units at Americas Palms.

**Effect on Existing Housing Stock:** "There is a shortage of affordable three-bedroom units, despite large household sizes in the area." (p. VII).

**Market Study Analysis/Conclusions:** The market study does not meet the requirements of the Department's Market Analysis Rules and Guidelines and does not provide sufficient information to support a funding recommendation. Specifically, the study lacks an acceptable demand calculation due to overstating the income band and overstating turnover. In addition, the Analyst failed to recognize two existing and one proposed development in the market area. As a result, the Underwriter's inclusive capture rate is 41.5% which is well over the 25% guideline for urban areas. Further, the market study did not include a properly completed TDHCA Primary Market Area Analysis Summary form or rent comparison matrix. The report also provided no source demographics, meaning that the report was not wholly self-contained. This analyst should be removed from the list of approved TDHCA market analysts pending receipt of a market study report demonstrating non-compliance with the Department's Market Analysis Rules and Guidelines.

**Underwriter's Analysis:** The inclusive capture rate analysis above appears to raise serious concerns regarding the concentration of unstabilized affordable housing units within the eastern El Paso market area. Although the designated PMA appears reasonable, the Analyst's failure to include 249 comparable unstabilized affordable units in its inclusive capture rate calculation, as required by the TDHCA market analysis guidelines, is a serious oversight. Accordingly, based upon the Underwriter's excessive estimated inclusive capture rate and the market study's lack of substantive support, an affirmative funding recommendation cannot be made.

## 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 estimated vacancy and collection loss to be 7.0% of potential gross income without additional documentation. The Underwriter used a standard rate of 7.5%. As a result of this difference the Applicant's effective gross income estimate is $5,107 greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of $3,290 per unit compares favorably within 5% of the

Underwriter's database-derived estimate of $3,384 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database in particular: payroll ($13K lower), utilities ($10K lower), and property tax ($32K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them based on the 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

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 10.13 acres** | $1,214,000 | **Date of Valuation:** | 3/ 27/ 2004 |
| **Existing Building(s): "as is"** | N/A | **Date of Valuation:** | / / |
| **Appraiser:** Paul Zacour and Associates | **City:** El Paso | **Phone:** | (915) 581-1141 |

### APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Paul G. Zacour and dated March 27, 2004. The appraisal provides three values: "as-is", "prospective value" (as completed), and land value. The current "as-is" value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach.

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 17.79 acres** | $1,162,137 | **Assessment for the Year of:** | 2003 |
| **Building:** | N/A | **Valuation by:** | El Paso County Appraisal District |
| **Prorata 10.13Acres Assessed Value:** | $661,745 | **Tax Rate:** | 2.989055 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Unimproved commercial property contract | | |
| **Contract Expiration Date:** | 9/ 30/ 2004 | **Anticipated Closing Date:** | 9/ 30/ 2004 |
| **Acquisition Cost:** | $1,213,887 for land only | **Other Terms/Conditions:** | $27,310 in closing costs & acquisition legal fees |
| **Seller:** | Davis Street Corporation | **Related to Development Team Member:** | Yes |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $1,241,197 ($7.24/SF, or $7,757/unit) is twice the tax assessed value of $661,745 but is supported by the appraised value of $1,214,000. The principal of the seller is a related party to the General Partner and put a larger 17.7855 acres under contract in 2002 at a cost of $$2,711,577.33. This amounts to a prorata cost of $152,460 per acre or $1,544,420 for the subject 10.13 acres. The Applicant provided no other documentation of holding costs or improvements made to the site. The prorata share of the original purchase price is more than the anticipated transfer price, therefore the transfer price is acceptable.

**Sitework Cost:** The Applicant's claimed sitework costs of $6,440 per unit is within the Department's guidelines for multifamily transactions and does not require further justification.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is $369K or 5.2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as slightly overstated. It should be noted that the original estimate was 1.6% less than the Underwriter's estimate.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by $101K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by $18,236 based on their own construction costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $18,236. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

**Conclusion:** While Direct costs are slightly more than 5% higher then the Underwriter's, 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 $12,667,944 is used to determine a credit allocation of $1,033,704 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. The Applicant's original request was a much lower $985,523. It should be noted that the original application contemplated taking advantage of the additional boost in basis for a site within a DDA, however subsequent to filing the pre-application the DDA designation changed. The Applicant revised costs and appears to be requesting $1,044,922 which indicates that the development picked up significantly more than a 30% increase in qualified basis through a combination of an 8% increase in development costs and a 21% increase in applicable fraction.

## FINANCING STRUCTURE

### INTERIM CONSTRUCTION FINANCING

**Source:** MuniMae Midland Construction Finance **Contact:** Mark George

**Principal Amount:** $7,193,569 **Interest Rate:** 6%

**Additional Information:**

**Amortization:** 2 yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

### PERMANENT FINANCING

**Source:** Midland Affordable Housing Group **Contact:** Mark George

**Principal Amount:** $4,794,200 **Interest Rate:** 6.625%

**Additional Information:**

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

**Annual Payment:** $ **Lien Priority:** **Commitment Date** 5/ 11/ 2004

### TAX CREDIT SYNDICATION

**Source:** MMA Financial **Contact:** Mark George

**Net Proceeds:** $8,463,022 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 81¢

**Commitment** ☐ LOI ☒ Firm ☐ Conditional **Date:** 5/ 11/ 2004

**Additional Information:** Based on credits of $1,044,922

### APPLICANT EQUITY

**Amount:** $882,599 **Source:** Deferred Developer Fee

### FINANCING STRUCTURE ANALYSIS

**Permanent Financing:** The revised permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The revised commitment reflects a small $344K increase in the anticipated debt from the amount of $4,450,000 originally anticipated.

**HTC Syndication:** The revised tax credit syndication commitment is consistent with the terms reflected in the updated sources and uses of funds listed in the application.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $1,058,447 amount to 63% of the total fees. The Applicant also anticipates $144,560 in cash flow from operations during lease-up bringing total developer fee at risk up to 73%. Cash flow from operation is somewhat more unlikely in this case since the Applicant anticipated less than two months worth of operating reserves and debt service in their development budget.

**Financing Conclusions:** An HTC allocation should be based upon the original requested amount of credit since it is less than the Applicant's estimate based on eligible basis. Therefore the HTC allocation should not exceed $985,523 annually for ten years, resulting in syndication proceeds of approximately $7,981,938. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,684,091, which represents approximately 100% of the eligible developer fee and 3% of the eligible contractor fee. This amount of deferral is $138K more than can be repaid at 0% in 15 years based upon the Applicant's NOI and therefore the development is deemed infeasible. Should the Department recommend and/or Board approve an allocation of tax credits for this development it should be conditioned upon a restructuring of the debt to reflect an ability to repay the deferred fees within 15 years. This could be achieved by a reduction of the debt to $4,450,000 based on the terms provided in the commitment

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for HTC-funded developments. The property seller is also related to the applicant but this issue has been mitigated as discussed in the site acquisition section above.

### 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 Developer, Investment Builders, Inc., submitted an unaudited financial statement as of February 20, 2004, reporting total assets of $20,685K and consisting of $1,676K in cash, $6,101 in receivables, $0 in stocks and securities, $2,321K in real property, and $0K in business interests. Liabilities totaled $12,428K, resulting in a net worth of $8,437K.
- The principal of the General Partner, Ike Monty, submitted an unaudited financial statement as of December 31, 2003 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

## SUMMARY OF SALIENT RISKS AND ISSUES

- 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 development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Phillip Drake* | **Date:** | July 14, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | July 14, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Cedar Oak Townhomes, El Paso, 9% HTC #04070***

| 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%) | 8 | 1 | 1 | 730 | $477 | $425 | $3,400 | $0.58 | $52.00 | $37.00 |
| TC (60%) | 24 | 1 | 1.5 | 963 | 477 | 425 | 10,200 | 0.44 | 52.00 | 37.00 |
| TC (60%) | 15 | 2 | 2 | 942 | 573 | 513 | 7,695 | 0.54 | 60.00 | 40.00 |
| TC (60%) | 57 | 2 | 2.5 | 1,084 | 573 | 513 | 29,241 | 0.47 | 60.00 | 40.00 |
| TC (60%) | 56 | 3 | 2.5 | 1,190 | 661 | 592 | 33,152 | 0.50 | 69.00 | 44.00 |
| TOTAL: | 160 | | AVERAGE: | 1,072 | $585 | $523 | $83,688 | $0.49 | $61.55 | $40.80 |

| INCOME | Total Net Rentable Sq Ft: | 171,510 | TDHCA | APPLICANT | Comptroller's Region | 13 |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $1,004,256 | $1,004,256 | IREM Region | El Paso |
| Secondary Income | Per Unit Per Month: | $9.00 | 17,280 | 17,280 | $9.00 | Per Unit Per Month |
| Other Support Income: | | | 0 | 0 | | |
| POTENTIAL GROSS INCOME | | | $1,021,536 | $1,021,536 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (76,615) | (71,508) | -7.00% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | |
| EFFECTIVE GROSS INCOME | | | $944,921 | $950,028 | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.32% | $255 | 0.24 | $40,856 | $40,699 | $0.24 | $254 | 4.28% |
| Management | | 5.00% | 295 | 0.28 | 47,246 | 47,501 | 0.28 | 297 | 5.00% |
| Payroll & Payroll Tax | | 11.85% | 700 | 0.65 | 112,000 | 98,720 | 0.58 | 617 | 10.39% |
| Repairs & Maintenance | | 5.90% | 348 | 0.32 | 55,711 | 44,800 | 0.26 | 280 | 4.72% |
| Utilities | | 3.19% | 188 | 0.18 | 30,135 | 20,000 | 0.12 | 125 | 2.11% |
| Water, Sewer, & Trash | | 4.87% | 288 | 0.27 | 46,017 | 41,600 | 0.24 | 260 | 4.38% |
| Property Insurance | | 5.45% | 322 | 0.30 | 51,453 | 41,600 | 0.24 | 260 | 4.38% |
| Property Tax | 2.989055 | 12.65% | 747 | 0.70 | 119,562 | 151,480 | 0.88 | 947 | 15.94% |
| Reserve for Replacements | | 3.39% | 200 | 0.19 | 32,000 | 33,600 | 0.20 | 210 | 3.54% |
| Other Expenses: compliance fees | | 0.68% | 40 | 0.04 | 6,400 | 6,400 | 0.04 | 40 | 0.67% |
| TOTAL EXPENSES | | 57.29% | $3,384 | $3.16 | $541,380 | $526,400 | $3.07 | $3,290 | 55.41% |
| NET OPERATING INC | | 42.71% | $2,522 | $2.35 | $403,541 | $423,628 | $2.47 | $2,648 | 44.59% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 38.98% | $2,302 | $2.15 | $368,373 | $368,376 | $2.15 | $2,302 | 38.78% |
| Cash Flow from Operations | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Cash Flow from Operations | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 3.72% | $220 | $0.21 | $35,168 | $55,252 | $0.32 | $345 | 5.82% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.10 | 1.15 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.15 | | | |

## 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) | | 8.83% | $7,757 | $7.24 | $1,241,197 | $1,241,197 | $7.24 | $7,757 | 8.58% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.33% | 6,440 | 6.01 | 1,030,440 | 1,030,440 | 6.01 | 6,440 | 7.13% |
| Direct Construction | | 50.46% | 44,307 | 41.33 | 7,089,157 | 7,458,600 | 43.49 | 46,616 | 51.58% |
| Contingency | 4.77% | 2.75% | 2,419 | 2.26 | 387,048 | 387,048 | 2.26 | 2,419 | 2.68% |
| General Req'ts | 6.00% | 3.47% | 3,045 | 2.84 | 487,176 | 517,158 | 3.02 | 3,232 | 3.58% |
| Contractor's G & A | 2.00% | 1.16% | 1,015 | 0.95 | 162,392 | 172,386 | 1.01 | 1,077 | 1.19% |
| Contractor's Profit | 6.00% | 3.47% | 3,045 | 2.84 | 487,176 | 517,158 | 3.02 | 3,232 | 3.58% |
| Indirect Construction | | 2.30% | 2,021 | 1.89 | 323,400 | 323,400 | 1.89 | 2,021 | 2.24% |
| Ineligible Costs | | 2.98% | 2,618 | 2.44 | 418,921 | 418,921 | 2.44 | 2,618 | 2.90% |
| Developer's G & A | 15.00% | 11.31% | 9,932 | 9.27 | 1,589,166 | 1,670,271 | 9.74 | 10,439 | 11.55% |
| Developer's Profit | 0.00% | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 4.47% | 3,923 | 3.66 | 627,650 | 627,650 | 3.66 | 3,923 | 4.34% |
| Reserves | | 1.47% | 1,288 | 1.20 | 206,027 | 96,000 | 0.56 | 600 | 0.66% |
| TOTAL COST | | 100.00% | $87,811 | $81.92 | $14,049,749 | $14,460,229 | $84.31 | $90,376 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *68.64%* | ***$60,271*** | ***$56.23*** | ***$9,643,388*** | ***$10,082,790*** | ***$58.79*** | ***$63,017*** | *69.73%* |

## SOURCES OF FUNDS

| | % | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 34.12% | $29,964 | $27.95 | $4,794,200 | $4,794,200 | $4,794,200 | Developer Fee Available |
| Cash Flow from Operations | 1.03% | $904 | $0.84 | 144,560 | 144,560 | | $1,652,341 |
| HTC Syndication Proceeds | 60.24% | $52,894 | $49.34 | 8,463,022 | 8,463,022 | 7,981,938 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.53% | $6,615 | $6.17 | 1,058,447 | 1,058,447 | 1,652,341 | 100% |
| Additional (excess) Funds Required | -2.92% | ($2,566) | ($2.39) | (410,480) | 0 | 31,750 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $14,049,749 | $14,460,229 | $14,460,229 | $1,545,990 |

***Cedar Oak Townhomes, El Paso, 9% HTC #04070***

## DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $ 49.37 | $8,467,242 |
| Adjustments | | | | |
| Exterior Wall Finish | | | $0.00 | $0 |
| Elderly/9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.10) | (188,566) |
| Floor Cover | | | 2.53 | 433,920 |
| Porches/Balconies | $8.82 | 8,000 | 0.41 | 70,560 |
| Plumbing | $730 | 338 | 1.44 | 246,740 |
| Built-In Appliances | $2,175 | 160 | 2.03 | 348,000 |
| Stairs/Fireplaces | | | 0.00 | 0 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.96 | 336,160 |
| Carports | $8.18 | 32,000 | 1.53 | 261,760 |
| Comm &/or Aux Bldgs | $66.33 | 2,122 | 0.82 | 140,754 |
| Other: Maint Bldg | $53.39 | 600 | 0.19 | 32,036 |
| SUBTOTAL | | | 59.17 | 10,148,606 |
| Current Cost Multiplier | 1.03 | | 1.78 | 304,458 |
| Local Multiplier | 0.83 | | (10.06) | (1,725,263) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $50.89 | $8,727,802 |
| Plans, specs, survy, bld prm | 3.90% | | ($1.98) | ($340,384) |
| Interim Construction Interes | 3.38% | | (1.72) | (294,563) |
| Contractor's OH & Profit | 11.50% | | (5.85) | (1,003,697) |
| NET DIRECT CONSTRUCTION COSTS | | | $41.33 | $7,089,157 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $4,794,200 | Amort | 360 |
| Int Rate | 6.625% | DCR | 1.10 |
| **Secondary** | | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.10 |
| **Additional** | | Amort | |
| Int Rate | | Aggregate DCR | 1.10 |

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

| | |
|---|---|
| Primary Debt Service | $368,373 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $55,255 |

| | | | |
|---|---|---|---|
| **Primary** | $4,794,200 | Amort | 360 |
| Int Rate | 6.625% | DCR | 1.15 |
| **Secondary** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

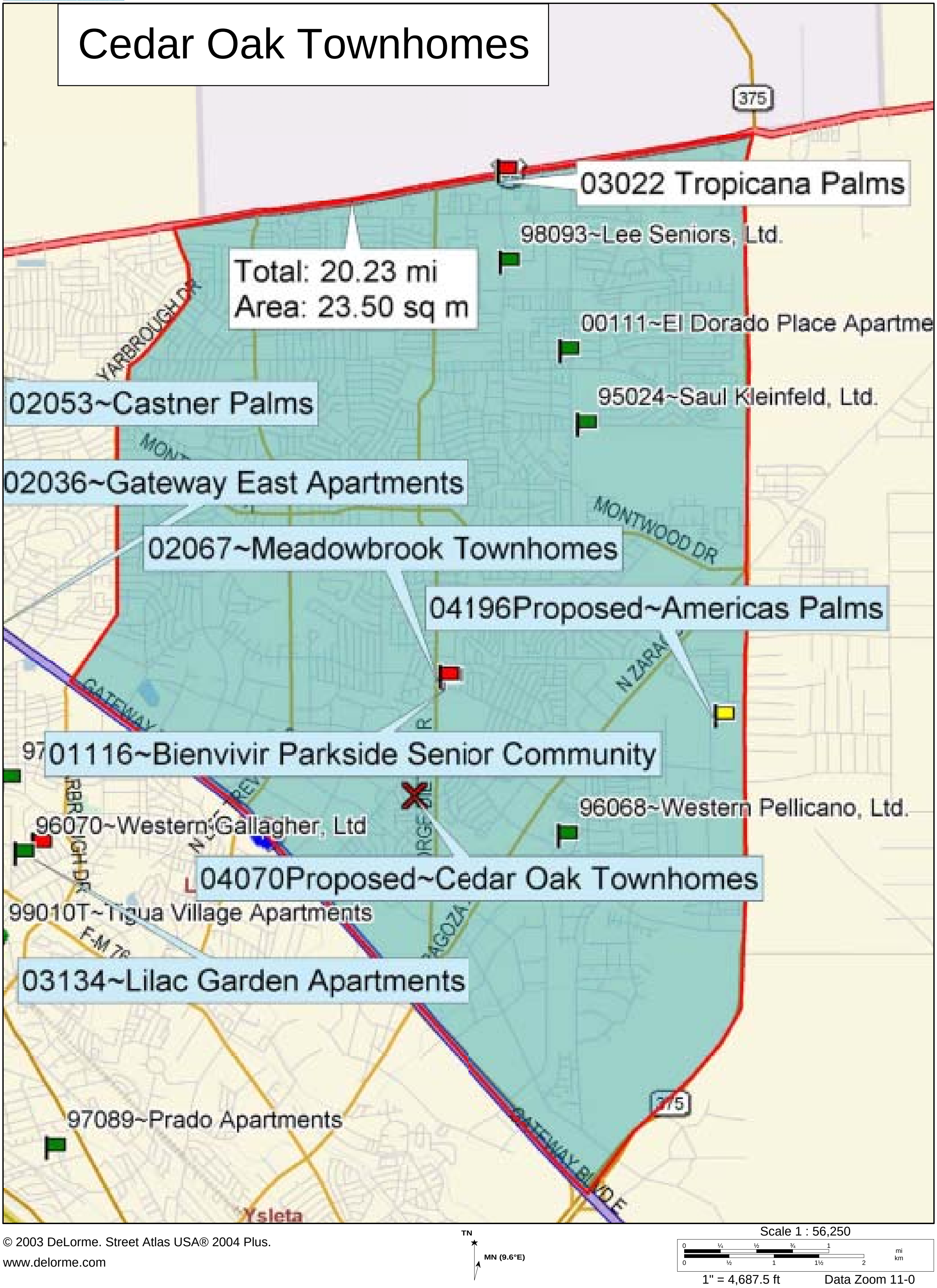
## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $1,004,256 | $1,034,384 | $1,065,415 | $1,097,378 | $1,130,299 | $1,310,326 | $1,519,027 | $1,760,969 | $2,366,595 |
| Secondary Income | 17,280 | 17,798 | 18,332 | 18,882 | 19,449 | 22,546 | 26,138 | 30,301 | 40,721 |
| Contractor's Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,021,536 | 1,052,182 | 1,083,748 | 1,116,260 | 1,149,748 | 1,332,873 | 1,545,165 | 1,791,270 | 2,407,317 |
| Vacancy & Collection Loss | (71,508) | (78,914) | (81,281) | (83,719) | (86,231) | (99,965) | (115,887) | (134,345) | (180,549) |
| Developer's G & A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $950,028 | $973,268 | $1,002,466 | $1,032,540 | $1,063,517 | $1,232,907 | $1,429,277 | $1,656,924 | $2,226,768 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $40,699 | $42,327 | $44,020 | $45,781 | $47,612 | $57,927 | $70,477 | $85,747 | $126,926 |
| Management | 47,501 | 48663.0114 | 50122.90176 | 51626.58881 | 53175.38647 | 61644.84693 | 71463.27286 | 82845.51949 | 111337.4506 |
| Payroll & Payroll Tax | 98,720 | 102,669 | 106,776 | 111,047 | 115,488 | 140,509 | 170,951 | 207,988 | 307,873 |
| Repairs & Maintenance | 44,800 | 46,592 | 48,456 | 50,394 | 52,410 | 63,764 | 77,579 | 94,387 | 139,716 |
| Utilities | 20,000 | 20,800 | 21,632 | 22,497 | 23,397 | 28,466 | 34,634 | 42,137 | 62,373 |
| Water, Sewer & Trash | 41,600 | 43,264 | 44,995 | 46,794 | 48,666 | 59,210 | 72,038 | 87,645 | 129,736 |
| Insurance | 41,600 | 43,264 | 44,995 | 46,794 | 48,666 | 59,210 | 72,038 | 87,645 | 129,736 |
| Property Tax | 151,480 | 157,539 | 163,841 | 170,394 | 177,210 | 215,603 | 262,314 | 319,146 | 472,413 |
| Reserve for Replacements | 33,600 | 34,944 | 36,342 | 37,795 | 39,307 | 47,823 | 58,184 | 70,790 | 104,787 |
| Other | 6,400 | 6,656 | 6,922 | 7,199 | 7,487 | 9,109 | 11,083 | 13,484 | 19,959 |
| TOTAL EXPENSES | $526,400 | $546,718 | $568,100 | $590,323 | $613,419 | $743,267 | $900,761 | $1,091,813 | $1,604,857 |
| NET OPERATING INCOME | $423,628 | $426,550 | $434,366 | $442,218 | $450,097 | $489,640 | $528,516 | $565,111 | $621,911 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $368,373 | $368,373 | $368,373 | $368,373 | $368,373 | $368,373 | $368,373 | $368,373 | $368,373 |
| 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 | $55,255 | $58,177 | $65,993 | $73,844 | $81,724 | $121,266 | $160,143 | $196,737 | $253,538 |
| DEBT COVERAGE RATIO | 1.15 | 1.16 | 1.18 | 1.20 | 1.22 | 1.33 | 1.43 | 1.53 | 1.69 |

## LIHTC Allocation Calculation - Cedar Oak Townhomes, El Paso, 9% HTC #04070

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $1,241,197 | $1,241,197 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $1,030,440 | $1,030,440 | $1,030,440 | $1,030,440 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $7,458,600 | $7,089,157 | $7,458,600 | $7,089,157 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $172,386 | $162,392 | $169,781 | $162,392 |
| Contractor profit | $517,158 | $487,176 | $509,342 | $487,176 |
| General requirements | $517,158 | $487,176 | $509,342 | $487,176 |
| **(5) Contingencies** | $387,048 | $387,048 | $387,048 | $387,048 |
| **(6) Eligible Indirect Fees** | $323,400 | $323,400 | $323,400 | $323,400 |
| **(7) Eligible Financing Fees** | $627,650 | $627,650 | $627,650 | $627,650 |
| **(8) All Ineligible Costs** | $418,921 | $418,921 | | |
| **(9) Developer Fees** | | | $1,652,341 | |
| Developer overhead | $1,670,271 | $1,589,166 | | $1,589,166 |
| Developer fee | | | | |
| **(10) Development Reserves** | $96,000 | $206,027 | | |
| **TOTAL DEVELOPMENT COSTS** | $14,460,229 | $14,049,749 | $12,667,944 | $12,183,604 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $12,667,944 | $12,183,604 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $12,667,944 | $12,183,604 |
| Applicable Fraction | | 100.00% | 100.00% |
| **TOTAL QUALIFIED BASIS** | | $12,667,944 | $12,183,604 |
| Applicable Percentage | | 8.16% | 8.16% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $1,033,704 | $994,182 |
| **Syndication Proceeds** | **0.8099** | **$8,372,167** | **$8,052,070** |
| **Total Credits (Eligible Basis Method)** | | **$1,033,704** | **$994,182** |
| **Syndication Proceeds** | | **$8,372,167** | **$8,052,070** |
| **Original Requested Credits** | | **$985,523** | |
| **Syndication Proceeds** | | **$7,981,938** | |
| **Gap of Syndication Proceeds Needed** | | **$9,666,029** | |
| **Credit Amount** | | **$1,193,456** | |
| **Ammended Requested Credits** | | **$1,044,922** | |


Cedar Oak Townhomes
03022 Tropicana Palms
98093~Lee Seniors, Ltd.
Total: 20.23 mi
Area: 23.50 sq m
00111~El Dorado Place Apartme
95024~Saul Kleinfeld, Ltd.
02053~Castner Palms
YARBROUGH DR
02036~Gateway East Apartments
02067~Meadowbrook Townhomes
MONTWOOD DR
04196Proposed~Americas Palms
N ZARAG
01116~Bienvivir Parkside Senior Community
96068~Western Pellicano, Ltd.
96070~Western Gallagher, Ltd
04070Proposed~Cedar Oak Townhomes
99010T~Tigua Village Apartments
03134~Lilac Garden Apartments
375
97089~Prado Apartments
GATEWAY BLVD E
Ysleta
TN
MN (9.6°E)
Scale 1 : 56,250
1" = 4,687.5 ft
Data Zoom 11-0

# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
# MULTIFAMILY UNDERWRITING ANALYSIS 2ND ADDENDUM

| | | | | | |
|---|---|---|---|---|---|
| **DATE:** | December 1, 2004 | **PROGRAM:** | 4% HTC<br>Housing Trust Fund | **FILE NUMBER:** | 04410<br>04278 |

## DEVELOPMENT NAME

The Vistas Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Marble Falls Vistas Apartments, L.P. | | **Type:** | For-profit | | | |
| **Address:** | 1110 Broadway | | **City:** | Marble Falls | | **State:** | TX |
| **Zip:** | 78654 | **Contact:** Mark Mayfield | **Phone:** | (830) 693-4521 | | **Fax:** | (830) 693-5128 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Marble Falls Housing Opportunity Corporation | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Marble Falls Housing Authority (MFHA) | **(%):** | N/A | **Title:** | Sole member of MGP, owner of land & improvements |
| **Name:** | Mark Mayfield | **(%):** | N/A | **Title:** | President of MGP & MFHA |
| **Name:** | Marble Falls Vistas Builders, LLC | **(%):** | N/A | **Title:** | Developer |
| **Name:** | G. Granger MacDonald | **(%):** | N/A | **Title:** | Owner of General Contractor & 50% owner of Developer |
| **Name:** | J. Steve Ford | **(%):** | N/A | **Title:** | 50% owner of Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1700 Mustang Drive | | ☐ **QCT** | | ☐ **DDA** |
| **City:** | Marble Falls | **County:** | Burnet | **Zip:** | 78654 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $473,325 | 6% | 30 yrs | 30 yrs |
| 2) $298,905 | N/A | N/A | N/A |

**Other Requested Terms:**
1) Housing Trust Fund loan (current request)
2) Previous annual ten-year allocation of low-income housing tax credits

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $373,889 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

∉ The Vistas Apartments was initially submitted and underwritten in the 2002 4% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:
1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls;
3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax-exempt status of the partnership;
4. Receipt, review, and acceptance of original acquisition and holding cost information; and
5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

The Applicant elected not to close on the bonds.

∉ The Vistas Apartments was again submitted and underwritten in the 2004 4% HTC cycle. The underwriting analysis recommended the project be allocated $287,187 in tax credits subject to the following conditions:
1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to a nonprofit sales tax exemption, prior to bond closing;
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees and additional equity contributions as necessary to fill the potential initial gap in permanent financing;
4. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

∉ The subject was again submitted and underwritten in the 2004 Housing Trust Fund (HTF) cycle (see previous addendum). When submitted in December 2003 the subject site was located in a HUD-designated Difficult Development Area (DDA) (Burnet County) and as such was eligible for a 30% boost in eligible basis and therefore tax credits and syndication proceeds. Subsequent to application submission Burnet County was removed from the 2004 DDA list and therefore the Applicant had to restructure the financing structure to compensate for a reduction of $856,587 in anticipated HTC syndication proceeds. The Applicant attempted to secure $400K in funding from FNMA's American Communities Fund but this funding was not approved. As underwritten in March 2004 the recommended financing structure required deferral of 100% of the developer fees and a portion of the related general contractor's fees. The request for HTF funds was intended to reduce this high level of fee deferral. The Applicant originally applied for $525K but was required to reduce the request to $473,325 by the requirement in the 2004 HTF Notice of Funding Availability that HTF funds constitute no more than 5% of total development costs. The underwriting analysis recommended approval of an HTF award not to exceed $473,235 subject to the following conditions:
1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

As of the date of this addendum condition #1 has been extended until cost certification.

(NOTE: During this analysis an error was discovered in the preceding addendum's recommended financing structure. The Applicant's total development cost was used as the total funding requirement instead of the

Underwriter's, resulting in an understatement of the required combined developer and contractor fee deferral by $837,534. This amount would have amounted to approximately 95% of the total fees and would not have been repayable within ten years but was projected to be repayable within 15 years.)

## ADDENDUM

**Background:** As discussed above, this application was originally recommended for tax credits, and then subsequently for an HTF loan resulting from a change to the Difficult to Develop Area (DDA) status that had previously covered all of Burnet County. However, on November 2, 2004 HUD published a notice rescinding the change in DDA status for 2004 due to the short period of time from when the notice was originally published to the effective date of the change. As a result all of the applicants that were affected by this change have been given an opportunity to again resubmit their applications or request an amended allocation based upon the original DDA status, and the Applicant has requested the latter option. For 2005 Burnet County will no longer be a DDA; however, should the Applicant meet carryover it will now be able to avail itself of the additional 30% eligible basis bonus for a development located in a DDA. The following analysis supplements the recommendations found in the original report and previous addendum as a result of the change in the DDA status.

**Analysis:** As no new or amended application was submitted, the Applicant's and Underwriter's operating proforma and construction cost estimates remain unchanged from the previous addendum. However, with the 30% DDA adjustment the Applicant's eligible basis, as adjusted by the Underwriter, of $7,879,635 would yield a credit allocation of $373,889.

**Conclusion:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $373,889 for ten years, which would result in syndication proceeds of $2,878,569 at the syndication rate of $0.77 as stated in the application. Assuming the Applicant's permanent and HTF loan amounts are unchanged, these increased proceeds reduce the required deferral of developer fee to $112,898, which represents approximately 11% of the total eligible fee and which is projected to be repayable within three years.

## SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | December 1, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | December 1, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***The Vistas Apartments, 4% HTC #04410/HTF #04278 SECOND ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TC 30% | 3 | 1 | 1 | 736 | $295 | $247 | | $741 | $0.34 | $48.25 | $61.00 |
| TC 60% | 41 | 1 | 1 | 736 | 591 | $543 | | 22,253 | 0.74 | 48.25 | 61.00 |
| TC 60% | 48 | 2 | 2 | 970 | 709 | $651 | | 31,236 | 0.67 | 58.25 | 65.00 |
| TC 60% | 32 | 3 | 2 | 1,140 | 820 | $756 | | 24,184 | 0.66 | 64.25 | 74.00 |
| TOTAL: | 124 | | AVERAGE: | 931 | $689 | $632 | | $78,414 | $0.68 | $56.25 | $65.90 |

| | | | | TDHCA | ORIGINAL REPORT | ORIGINAL REPORT | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | Total Net Rentable Sq Ft: | 115,424 | | | | | | Comptroller's Region | 7 | |
| POTENTIAL GROSS RENT | | | | $940,965 | $914,016 | $872,016 | $876,360 | | IREM Region | |
| Secondary Income | | Per Unit Per Month: | $15.00 | 22,320 | 22,320 | 22,320 | 22,320 | $15.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $963,285 | $936,336 | $894,336 | $898,680 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (72,246) | (70,225) | (67,080) | (67,404) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $891,039 | $866,111 | $827,256 | $831,276 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 4.51% | $324 | 0.35 | $40,179 | $40,179 | $38,000 | $38,000 | $0.33 | $306 | 4.57% |
| Management | 5.00% | 359 | 0.39 | $44,552 | 43,754 | 41,363 | 41,564 | 0.36 | 335 | 5.00% |
| Payroll & Payroll Tax | 12.05% | 866 | 0.93 | $107,384 | 107,384 | 99,630 | 99,630 | 0.86 | 803 | 11.99% |
| Repairs & Maintenance | 5.07% | 364 | 0.39 | $45,153 | 45,153 | 50,800 | 50,800 | 0.44 | 410 | 6.11% |
| Utilities | 2.45% | 176 | 0.19 | $21,824 | 21,824 | 12,400 | 12,400 | 0.11 | 100 | 1.49% |
| Water, Sewer, & Trash | 4.89% | 351 | 0.38 | $43,564 | 43,564 | 44,160 | 44,160 | 0.38 | 356 | 5.31% |
| Property Insurance | 2.46% | 177 | 0.19 | $21,931 | 21,931 | 24,800 | 24,800 | 0.21 | 200 | 2.98% |
| Property Tax 2.4581 | 0.00% | 0 | 0.00 | $0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserve for Replacements | 2.78% | 200 | 0.21 | $24,800 | 24,800 | 24,800 | 24,800 | 0.21 | 200 | 2.98% |
| Other: spt svcs, compl fees | 1.02% | 73 | 0.08 | $9,100 | 9,100 | 9,100 | 9,100 | 0.08 | 73 | 1.09% |
| TOTAL EXPENSES | 40.23% | $2,891 | $3.11 | $358,487 | $357,689 | $345,053 | $345,254 | $2.99 | $2,784 | 41.53% |
| NET OPERATING INC | 59.77% | $4,295 | $4.61 | $532,552 | $508,422 | $482,203 | $486,022 | $4.21 | $3,920 | 58.47% |
| **DEBT SERVICE** | | | | | | | | | | |
| First Lien Mortgage | 50.89% | $3,657 | $3.93 | $453,433 | $453,433 | $392,000 | $392,000 | $3.40 | $3,161 | 47.16% |
| Housing Trust Fund Loan | 3.82% | $275 | $0.29 | 34,047 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 5.06% | $363 | $0.39 | $45,071 | $54,989 | $90,203 | $94,022 | $0.81 | $758 | 11.31% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.09 | 1.12 | 1.23 | 1.24 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | 1.10 | | | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | ORIGINAL REPORT | ORIGINAL REPORT | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 3.64% | $3,024 | $3.25 | $375,000 | $375,000 | $375,000 | $375,000 | $3.25 | $3,024 | 3.96% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.60% | 6,315 | 6.78 | 783,102 | 783,102 | 783,102 | 783,102 | 6.78 | 6,315 | 8.27% |
| Direct Construction | | 47.31% | 39,302 | 42.22 | 4,873,503 | 4,873,819 | 3,958,000 | 3,958,000 | 34.29 | 31,919 | 41.82% |
| Contingency | 3.54% | 1.94% | 1,613 | 1.73 | 200,000 | 200,000 | 200,000 | 200,000 | 1.73 | 1,613 | 2.11% |
| General Req'ts | 6.00% | 3.29% | 2,737 | 2.94 | 339,396 | 339,415 | 388,032 | 388,032 | 3.36 | 3,129 | 4.10% |
| Contractor's G & A | 2.00% | 1.10% | 912 | 0.98 | 113,132 | 113,138 | 184,344 | 184,344 | 1.60 | 1,487 | 1.95% |
| Contractor's Profit | 5.53% | 3.04% | 2,524 | 2.71 | 313,032 | 313,032 | 313,032 | 313,032 | 2.71 | 2,524 | 3.31% |
| Indirect Construction | | 2.57% | 2,138 | 2.30 | 265,100 | 255,100 | 255,100 | 265,100 | 2.30 | 2,138 | 2.80% |
| Ineligible Costs | | 7.51% | 6,243 | 6.71 | 774,100 | 774,100 | 774,100 | 774,100 | 6.71 | 6,243 | 8.18% |
| Developer's G & A | 1.85% | 1.41% | 1,174 | 1.26 | 145,612 | 145,612 | 145,612 | 145,612 | 1.26 | 1,174 | 1.54% |
| Developer's Profit | 12.03% | 9.19% | 7,633 | 8.20 | 946,480 | 956,480 | 956,480 | 946,480 | 8.20 | 7,633 | 10.00% |
| Interim Financing | | 9.53% | 7,919 | 8.51 | 981,900 | 981,900 | 981,900 | 981,900 | 8.51 | 7,919 | 10.37% |
| Reserves | | 1.86% | 1,547 | 1.66 | 191,879 | 183,367 | 150,000 | 150,000 | 1.30 | 1,210 | 1.58% |
| TOTAL COST | | 100.00% | $83,083 | $89.26 | $10,302,236 | $10,294,065 | $9,464,702 | $9,464,702 | $82.00 | $76,328 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *64.28%* | ***$53,405*** | ***$57.37*** | ***$6,622,165*** | | | ***$5,826,510*** | ***$50.48*** | ***$46,988*** | *61.56%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | ORIGINAL REPORT | ORIGINAL REPORT | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 58.24% | $48,387 | $51.98 | $6,000,000 | $6,000,000 | $6,000,000 | $6,000,000 | $6,000,000 | Developer Fee Available |
| Housing Trust Fund Loan | 4.59% | $3,816 | $4.10 | 473,235 | 400,000 | 400,000 | 473,235 | 473,235 | $1,027,778 |
| HTC Syndication Proceeds | 21.62% | $17,962 | $19.30 | 2,227,341 | 2,227,341 | 2,227,341 | 2,227,341 | 2,878,569 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.42% | $6,162 | $6.62 | 764,036 | 837,361 | 837,361 | 764,036 | 950,432 | 92% |
| Additional (excess) Funds Required | 8.13% | $6,755 | $7.26 | 837,624 | 829,363 | 0 | 90 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $10,302,236 | $10,294,065 | $9,464,702 | $9,464,702 | $10,302,236 | $2,102,373 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

### *The Vistas Apartments, 4% HTC #04410/HTF #04278 SECOND ADDENDUM*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.58 | $5,145,602 |
| Adjustments | | | | |
| Exterior Wall Finish | 5.20% | | $2.32 | $267,571 |
| 9-Ft. Ceilings | 3.65% | | 1.63 | 187,814 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.02) | (117,155) |
| Floor Cover | | | 2.00 | 230,848 |
| Porches/Balconies | $15.96 | 18,959 | 2.62 | 302,494 |
| Plumbing | $605 | 240 | 1.26 | 145,200 |
| Built-In Appliances | $1,650 | 124 | 1.77 | 204,600 |
| Stairs/Fireplaces | $1,475 | 16 | 0.20 | 23,600 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 176,599 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $62.87 | 1,905 | 1.04 | 119,769 |
| Other: | $44.58 | 2,944 | 1.14 | 131,244 |
| SUBTOTAL | | | 59.07 | 6,818,186 |
| Current Cost Multiplier | 1.03 | | 1.77 | 204,546 |
| Local Multiplier | 0.85 | | (8.86) | (1,022,728) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.98 | $6,000,004 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.03) | ($234,000) |
| Interim Construction Interes | 3.38% | | (1.75) | (202,500) |
| Contractor's OH & Profit | 11.50% | | (5.98) | (690,000) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.22 | $4,873,503 |

**PAYMENT COMPUTATION**

| | | | |
|---|---|---|---|
| **Primary** | $6,000,000 | Term | 360 |
| Int Rate | 6.4650% | DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Secondary** | $473,235 | Term | 360 |
| Int Rate | 6.00% | Subtotal DCR | 1.09 |

| | | | |
|---|---|---|---|
| **Additional** | $2,227,341 | Term | |
| Int Rate | | Aggregate DCR | 1.09 |

**RECOMMENDED FINANCING STRUCTURE:**

| | |
|---|---|
| Primary Debt Service | $453,433 |
| Secondary Debt Service | 32,244 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $46,875 |

| | | | |
|---|---|---|---|
| **Primary** | $6,000,000 | Term | 360 |
| Int Rate | 6.4650% | DCR | 1.17 |

| | | | |
|---|---|---|---|
| **Secondary** | $473,235 | Term | 360 |
| Int Rate | 5.50% | Subtotal DCR | 1.10 |

| | | | |
|---|---|---|---|
| **Additional** | $2,227,341 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $940,965 | $969,194 | $998,270 | $1,028,218 | $1,059,064 | $1,227,746 | $1,423,294 | $1,649,988 | $2,217,446 |
| Secondary Income | 22,320 | 22,990 | 23,679 | 24,390 | 25,121 | 29,123 | 33,761 | 39,138 | 52,599 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 963,285 | 992,184 | 1,021,949 | 1,052,608 | 1,084,186 | 1,256,868 | 1,457,055 | 1,689,126 | 2,270,044 |
| Vacancy & Collection Loss | (72,246) | (74,414) | (76,646) | (78,946) | (81,314) | (94,265) | (109,279) | (126,684) | (170,253) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $891,039 | $917,770 | $945,303 | $973,662 | $1,002,872 | $1,162,603 | $1,347,776 | $1,562,442 | $2,099,791 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $40,179 | $41,786 | $43,458 | $45,196 | $47,004 | $57,187 | $69,577 | $84,651 | $125,304 |
| Management | 44,552 | 45,888 | 47,265 | 48,683 | 50,144 | 58,130 | 67,389 | 78,122 | 104,990 |
| Payroll & Payroll Tax | 107,384 | 111,679 | 116,147 | 120,792 | 125,624 | 152,841 | 185,954 | 226,242 | 334,893 |
| Repairs & Maintenance | 45,153 | 46,959 | 48,837 | 50,791 | 52,823 | 64,267 | 78,190 | 95,131 | 140,816 |
| Utilities | 21,824 | 22,697 | 23,605 | 24,549 | 25,531 | 31,062 | 37,792 | 45,980 | 68,061 |
| Water, Sewer & Trash | 43,564 | 45,307 | 47,119 | 49,004 | 50,964 | 62,005 | 75,439 | 91,783 | 135,861 |
| Insurance | 21,931 | 22,808 | 23,721 | 24,669 | 25,656 | 31,215 | 37,977 | 46,205 | 68,395 |
| Property Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve for Replacements | 24,800 | 25,792 | 26,824 | 27,897 | 29,012 | 35,298 | 42,946 | 52,250 | 77,343 |
| Other | 9,100 | 9,464 | 9,843 | 10,236 | 10,646 | 12,952 | 15,758 | 19,172 | 28,380 |
| TOTAL EXPENSES | $358,487 | $372,381 | $386,817 | $401,817 | $417,403 | $504,958 | $611,023 | $739,536 | $1,084,043 |
| NET OPERATING INCOME | $532,552 | $545,389 | $558,486 | $571,845 | $585,469 | $657,646 | $736,753 | $822,906 | $1,015,748 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 |
| Second Lien | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $46,875 | $59,712 | $72,809 | $86,168 | $99,792 | $171,969 | $251,077 | $337,229 | $530,071 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.18 | 1.21 | 1.35 | 1.52 | 1.69 | 2.09 |

## LIHTC Allocation Calculation - The Vistas Apartments, 4% HTC #04410/HTF #04278 SECOND AI

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $375,000 | $375,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $783,102 | $783,102 | $783,102 | $783,102 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $3,958,000 | $4,873,503 | $3,958,000 | $4,873,503 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $184,344 | $113,132 | $94,822 | $113,132 |
| Contractor profit | $313,032 | $313,032 | $284,466 | $313,032 |
| General requirements | $388,032 | $339,396 | $284,466 | $339,396 |
| **(5) Contingencies** | $200,000 | $200,000 | $200,000 | $200,000 |
| **(6) Eligible Indirect Fees** | $265,100 | $265,100 | $265,100 | $265,100 |
| **(7) Eligible Financing Fees** | $981,900 | $981,900 | $981,900 | $981,900 |
| **(8) All Ineligible Costs** | $774,100 | $774,100 | | |
| **(9) Developer Fees** | | | $1,027,778 | |
| Developer overhead | $145,612 | $145,612 | | $145,612 |
| Developer fee | $946,480 | $946,480 | | $946,480 |
| **(10) Development Reserves** | $150,000 | $191,879 | | |
| **TOTAL DEVELOPMENT COSTS** | $9,464,702 | $10,302,236 | $7,879,635 | $8,961,257 |

| | | | |
|---|---|---|---|
| **Deduct from Basis:** | | | |
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $7,879,635 | $8,961,257 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $10,243,525 | $11,649,634 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $10,243,525 | $11,649,634 |
| Applicable Percentage | | 3.65% | 3.65% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $373,889 | $425,212 |

| | | | |
|---|---|---|---|
| **Syndication Proceeds** | **0.7699** | **$2,878,569** | **$3,273,705** |
| **Total Credits (Eligible Basis Method)** | | **$373,889** | **$425,212** |
| **Syndication Proceeds** | | **$2,878,569** | **$3,273,705** |
| **Requested Credits** | | **$298,905** | |
| **Syndication Proceeds** | | **$2,301,270** | |
| **Gap of Syndication Proceeds Needed** | | | **$3,829,001** |
| **Credit Amount** | | | **$497,337** |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

| | | | | | |
|---|---|---|---|---|---|
| **DATE:** | July 17, 2004 | **PROGRAM:** | 4% HTC<br>Housing Trust Fund | **FILE NUMBER:** | 04410<br>04278 |

## DEVELOPMENT NAME

The Vistas Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Marble Falls Vistas Apartments, L.P. | | **Type:** | For-profit | | | |
| **Address:** | 1110 Broadway | | **City:** | Marble Falls | | **State:** | TX |
| **Zip:** | 78654 | **Contact:** Mark Mayfield | **Phone:** | (830) 693-4521 | | **Fax:** | (830) 693-5128 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Marble Falls Housing Opportunity Corporation | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Marble Falls Housing Authority (MFHA) | **(%):** | N/A | **Title:** | Sole member of MGP, owner of land & improvements |
| **Name:** | Mark Mayfield | **(%):** | N/A | **Title:** | President of MGP & MFHA |
| **Name:** | Marble Falls Vistas Builders, LLC | **(%):** | N/A | **Title:** | Developer |
| **Name:** | G. Granger MacDonald | **(%):** | N/A | **Title:** | Owner of General Contractor & 50% owner of Developer |
| **Name:** | J. Steve Ford | **(%):** | N/A | **Title:** | 50% owner of Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1700 Mustang Drive | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Marble Falls | **County:** | Burnet | **Zip:** | 78654 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| 1) $473,325 | 6% | 30 yrs | 30 yrs |
| 2) $298,905 | N/A | N/A | N/A |

**Other Requested Terms:**
1) Housing Trust Fund loan (current request)
2) Previous annual ten-year allocation of low-income housing tax credits

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED $473,235, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 5.5% INTEREST, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

- The Vistas Apartments was initially submitted and underwritten in the 2002 4% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:
  1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
  2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls;
  3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax-exempt status of the partnership;
  4. Receipt, review, and acceptance of original acquisition and holding cost information; and
  5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

The Applicant elected not to close on the bonds.

- The Vistas Apartments was again submitted and underwritten in the 2004 4% HTC cycle. The underwriting analysis recommended the project be allocated $287,187 in tax credits subject to the following conditions:
  1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
  2. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to a nonprofit sales tax exemption, prior to bond closing;
  3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees and additional equity contributions as necessary to fill the potential initial gap in permanent financing;

As of the date of this addendum condition #1 has been extended until cost certification and conditions #2 and #3 have been satisfied.

## ADDENDUM

**Background:** When submitted in December 2003 the subject site was located in a HUD-designated Difficult Development Area (DDA) (Burnet County) and as such was eligible for a 30% boost in eligible basis and therefore tax credits and syndication proceeds. Subsequent to application submission Burnet County was removed from the 2004 DDA list and therefore the Applicant had to restructure the financing structure to compensate for a reduction of $856,587 in anticipated HTC syndication proceeds. The Applicant attempted to secure $400K in funding from FNMA's American Communities Fund but has been advised that this funding has not been approved. As underwritten in March 2004 the recommended financing structure required deferral of 100% of the develop fees and a portion of the related general contractor's fees. The current request for HTF funds is intended to reduce this high level of fee deferral. The Applicant originally applied for $525K but was required to reduce the request to $473,325 by the requirement in the 2004 HTF Notice of Funding Availability that HTF funds constitute no more than 5% of total development costs.

**Operating Proforma Analysis:**

- Income: The Applicant has improved low-income targeting by changing three 60% AMI one-bedroom units to 30% AMI units. This change results in a $10,647 reduction in potential gross rent, assuming the maximum program rents are achievable as indicated by the Market Analyst. A newly-issued set of energy-efficient Marble Falls utility allowances was also submitted with the current application which are from $17-$38/unit/month less than the allowances used in the previous analysis; these lower allowances result in a $36,993 increase in potential gross rent. Finally, the Applicant's net tenant-paid rents are from $38-$53/unit lower than the Market Analyst's estimated market rents; there is the potential for $64,605 in additional potential gross rent if the maximum rents are used, and the Underwriter has used the maximum rents in this analysis. As a result of these differences the Underwriter's effective gross income estimate exceeds the Applicant's by $59,763 or 6.7%.
- Expenses: The Applicant's and Underwriter's expense estimates are unchanged from the previous report

except for slight increases in management fees resulting from increased income, and the Applicant's estimate remains within 5% of the Underwriter's estimate.

- Debt Service: As in the tax credit application, the Applicant used a first lien permanent loan interest rate of 5% instead of the lender's underwriting rate of 6.465%; the Underwriter has used the latter rate, resulting in $61,433 more in annual first lien debt service. Furthermore, although the Applicant did not describe the requested HTF funds as soft funding in the narrative of financing, no debt service was included for these funds. The Underwriter calculated and has included annual debt service of $34,047 at the requested amount and terms.
- Conclusion: Due to the difference in income estimates, the Applicant's net operating income (NOI) is 8.7% lower than the Underwriter's estimate, and therefore the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio of 1.09 is less than the TDHCA minimum standard of 1.10, therefore the maximum debt service for this development should be limited to $453,433.

**Construction Cost Estimate Evaluation:** The Applicant's direct construction and total development costs remain unchanged from the previous analysis.

**Financing Structure Analysis:** The Applicant's HTC syndication proceeds and permanent loan amount are unchanged from the previous sources and uses of funds statement, and these funding sources have closed. In addition to the requested $473,325 in HTF funds, the Applicant anticipates deferral of $764,036, or 70%, of the eligible developer's fee. (NOTE: The requested HTF loan amount is $90 more than the program maximum of 5% of total development cost and must therefore be reduced by that amount.)

**Conclusion:** As concluded in the previous analysis, the proposed development appears financially feasible without the requested HTF funds, which would serve solely to reduce the required deferral of developer and contractor fees. Based on the underwriting analysis and the Underwriter's NOI estimate, the $473,235 in HTF funds should be awarded as a loan with a maximum interest rate of 5.5% to preserve a DCR of 1.10 or above. A fixed payment schedule appears feasible and should be required. The Applicant's deferred developer's fees will be increased by $90 to $764,126, which represents 74% of the eligible fee and which should be repayable from cash flow within ten years.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Items identified in previous reports have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Unless a secondary financing source is confirmed it is anticipated that 100% or more of the eligible developer and contractor fees will require deferral, and therefore no fees will be available to fund unforeseen development costs.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | July 17, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | July 17, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***The Vistas Apartments, 4% HTC #04410/HTF #04278 ADDENDUM***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month | Rent per SF | Tnt Pd Util | Wtr, Swr, Trsh |
|---|---|---|---|---|---|---|---|---|---|---|
| TC 30% | 3 | 1 | 1 | 736 | $295 | $247 | $741 | $0.34 | $48.25 | $61.00 |
| TC 60% | 41 | 1 | 1 | 736 | 591 | $543 | 22,253 | 0.74 | 48.25 | 61.00 |
| TC 60% | 48 | 2 | 2 | 970 | 709 | $651 | 31,236 | 0.67 | 58.25 | 65.00 |
| TC 60% | 32 | 3 | 2 | 1,140 | 820 | $756 | 24,184 | 0.66 | 64.25 | 74.00 |
| TOTAL: | 124 | | AVERAGE: | 931 | $689 | $632 | $78,414 | $0.68 | $56.25 | $65.90 |

| INCOME | Total Net Rentable Sq Ft: | 115,424 | | ORIGINAL REPORT | TDHCA | APPLICANT | ORIGINAL REPORT | Comptroller's Region | | 7 |
|---|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $914,016 | $940,965 | $876,360 | $872,016 | | IREM Region | |
| Secondary Income | | Per Unit Per Month: | $15.00 | 22,320 | 22,320 | 22,320 | 22,320 | $15.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | 0 | 0 | | | |
| POTENTIAL GROSS INCOME | | | | $936,336 | $963,285 | $898,680 | $894,336 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (70,225) | (72,246) | (67,404) | (67,080) | -7.50% | of Potential Gross Rent | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $866,111 | $891,039 | $831,276 | $827,256 | | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | | | | | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.51% | $324 | 0.35 | $40,179 | $40,179 | $38,000 | $38,000 | $0.33 | $306 | 4.57% |
| Management | | 5.00% | 359 | 0.39 | 43,754 | $44,552 | 41,564 | 41,363 | 0.36 | 335 | 5.00% |
| Payroll & Payroll Tax | | 12.05% | 866 | 0.93 | 107,384 | $107,384 | 99,630 | 99,630 | 0.86 | 803 | 11.99% |
| Repairs & Maintenance | | 5.07% | 364 | 0.39 | 45,153 | $45,153 | 50,800 | 50,800 | 0.44 | 410 | 6.11% |
| Utilities | | 2.45% | 176 | 0.19 | 21,824 | $21,824 | 12,400 | 12,400 | 0.11 | 100 | 1.49% |
| Water, Sewer, & Trash | | 4.89% | 351 | 0.38 | 43,564 | $43,564 | 44,160 | 44,160 | 0.38 | 356 | 5.31% |
| Property Insurance | | 2.46% | 177 | 0.19 | 21,931 | $21,931 | 24,800 | 24,800 | 0.21 | 200 | 2.98% |
| Property Tax | 2.4581 | 0.00% | 0 | 0.00 | 0 | $0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserve for Replacements | | 2.78% | 200 | 0.21 | 24,800 | $24,800 | 24,800 | 24,800 | 0.21 | 200 | 2.98% |
| Other: spt svcs, compl fees | | 1.02% | 73 | 0.08 | 9,100 | $9,100 | 9,100 | 9,100 | 0.08 | 73 | 1.09% |
| TOTAL EXPENSES | | 40.23% | $2,891 | $3.11 | $357,689 | $358,487 | $345,254 | $345,053 | $2.99 | $2,784 | 41.53% |
| NET OPERATING INC | | 59.77% | $4,295 | $4.61 | $508,422 | $532,552 | $486,022 | $482,203 | $4.21 | $3,920 | 58.47% |
| **DEBT SERVICE** | | | | | | | | | | | |
| First Lien Mortgage | | 50.89% | $3,657 | $3.93 | $453,433 | $453,433 | $392,000 | $392,000 | $3.40 | $3,161 | 47.16% |
| Housing Trust Fund Loan | | 3.82% | $275 | $0.29 | 0 | 34,047 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 5.06% | $363 | $0.39 | | $45,071 | $94,022 | $90,203 | $0.81 | $758 | 11.31% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.12 | 1.09 | 1.24 | 1.23 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.10 | | | | | |

| CONSTRUCTION COST | | | | | | | | $0 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | | TDHCA | APPLICANT | | PER SQ FT | PER UNIT | % of TOTAL |
| Acquisition Cost (site or bldg) | | 3.64% | $3,024 | $3.25 | $375,000 | $375,000 | $375,000 | $375,000 | $3.25 | $3,024 | 3.96% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.60% | 6,315 | 6.78 | 783,102 | 783,102 | 783,102 | 783,102 | 6.78 | 6,315 | 8.27% |
| Direct Construction | | 47.31% | 39,302 | 42.22 | 4,873,819 | 4,873,503 | 3,958,000 | 3,958,000 | 34.29 | 31,919 | 41.82% |
| Contingency | 3.54% | 1.94% | 1,613 | 1.73 | 200,000 | 200,000 | 200,000 | 200,000 | 1.73 | 1,613 | 2.11% |
| General Req'ts | 6.00% | 3.29% | 2,737 | 2.94 | 339,415 | 339,396 | 388,032 | 388,032 | 3.36 | 3,129 | 4.10% |
| Contractor's G & A | 2.00% | 1.10% | 912 | 0.98 | 113,138 | 113,132 | 184,344 | 184,344 | 1.60 | 1,487 | 1.95% |
| Contractor's Profit | 5.53% | 3.04% | 2,524 | 2.71 | 313,032 | 313,032 | 313,032 | 313,032 | 2.71 | 2,524 | 3.31% |
| Indirect Construction | | 2.57% | 2,138 | 2.30 | 255,100 | 265,100 | 265,100 | 255,100 | 2.30 | 2,138 | 2.80% |
| Ineligible Costs | | 7.51% | 6,243 | 6.71 | 774,100 | 774,100 | 774,100 | 774,100 | 6.71 | 6,243 | 8.18% |
| Developer's G & A | 1.85% | 1.41% | 1,174 | 1.26 | 145,612 | 145,612 | 145,612 | 145,612 | 1.26 | 1,174 | 1.54% |
| Developer's Profit | 12.03% | 9.19% | 7,633 | 8.20 | 956,480 | 946,480 | 946,480 | 956,480 | 8.20 | 7,633 | 10.00% |
| Interim Financing | | 9.53% | 7,919 | 8.51 | 981,900 | 981,900 | 981,900 | 981,900 | 8.51 | 7,919 | 10.37% |
| Reserves | | 1.86% | 1,547 | 1.66 | 183,367 | 191,879 | 150,000 | 150,000 | 1.30 | 1,210 | 1.58% |
| TOTAL COST | | 100.00% | $83,083 | $89.26 | $10,294,065 | $10,302,236 | $9,464,702 | $9,464,702 | $82.00 | $76,328 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *64.28%* | ***$53,405*** | ***$57.37*** | | ***$6,622,165*** | ***$5,826,510*** | | ***$50.48*** | ***$46,988*** | *61.56%* |

| SOURCES OF FUNDS | | | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 58.24% | $48,387 | $51.98 | $6,000,000 | $6,000,000 | $6,000,000 | $6,000,000 | $6,000,000 | Developer Fee Available |
| Housing Trust Fund Loan | 4.59% | $3,816 | $4.10 | 400,000 | 473,235 | 473,235 | 400,000 | 473,235 | $1,027,778 |
| HTC Syndication Proceeds | 21.62% | $17,962 | $19.30 | 2,227,341 | 2,227,341 | 2,227,341 | 2,227,341 | 2,227,341 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 7.42% | $6,162 | $6.62 | 837,361 | 764,036 | 764,036 | 837,361 | 764,126 | 74% |
| Additional (excess) Funds Required | 8.13% | $6,755 | $7.26 | 829,363 | 837,624 | 90 | 0 | (0) | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $10,294,065 | $10,302,236 | $9,464,702 | $9,464,702 | $9,464,702 | $2,102,372.92 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***The Vistas Apartments, 4% HTC #04410/HTF #04278 ADDENDUM***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.58 | $5,145,602 |
| Adjustments | | | | |
| Exterior Wall Finish | 5.20% | | $2.32 | $267,571 |
| 9-Ft. Ceilings | 3.65% | | 1.63 | 187,814 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.02) | (117,155) |
| Floor Cover | | | 2.00 | 230,848 |
| Porches/Balconies | $15.96 | 18,959 | 2.62 | 302,494 |
| Plumbing | $605 | 240 | 1.26 | 145,200 |
| Built-In Appliances | $1,650 | 124 | 1.77 | 204,600 |
| Stairs/Fireplaces | $1,475 | 16 | 0.20 | 23,600 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 176,599 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $62.87 | 1,905 | 1.04 | 119,769 |
| Other: | $44.58 | 2,944 | 1.14 | 131,244 |
| SUBTOTAL | | | 59.07 | 6,818,186 |
| Current Cost Multiplier | 1.03 | | 1.77 | 204,546 |
| Local Multiplier | 0.85 | | (8.86) | (1,022,728) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.98 | $6,000,004 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.03) | ($234,000) |
| Interim Construction Interes | 3.38% | | (1.75) | (202,500) |
| Contractor's OH & Profit | 11.50% | | (5.98) | (690,000) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.22 | $4,873,503 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $6,000,000 | Term | 360 |
| Int Rate | 6.4650% | DCR | 1.17 |
| Secondary | $473,235 | Term | 360 |
| Int Rate | 6.00% | Subtotal DCR | 1.09 |
| Additional | $2,227,341 | Term | |
| Int Rate | | Aggregate DCR | 1.09 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $453,433 |
| Secondary Debt Service | 32,244 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $46,875 |

| | | | |
|---|---|---|---|
| Primary | $6,000,000 | Term | 360 |
| Int Rate | 6.4650% | DCR | 1.17 |
| Secondary | $473,235 | Term | 360 |
| Int Rate | 5.50% | Subtotal DCR | 1.10 |
| Additional | $2,227,341 | Term | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.10 |

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

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $940,965 | $969,194 | $998,270 | $1,028,218 | $1,059,064 | $1,227,746 | $1,423,294 | $1,649,988 | $2,217,446 |
| Secondary Income | 22,320 | 22,990 | 23,679 | 24,390 | 25,121 | 29,123 | 33,761 | 39,138 | 52,599 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 963,285 | 992,184 | 1,021,949 | 1,052,608 | 1,084,186 | 1,256,868 | 1,457,055 | 1,689,126 | 2,270,044 |
| Vacancy & Collection Loss | (72,246) | (74,414) | (76,646) | (78,946) | (81,314) | (94,265) | (109,279) | (126,684) | (170,253) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $891,039 | $917,770 | $945,303 | $973,662 | $1,002,872 | $1,162,603 | $1,347,776 | $1,562,442 | $2,099,791 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $40,179 | $41,786 | $43,458 | $45,196 | $47,004 | $57,187 | $69,577 | $84,651 | $125,304 |
| Management | 44,552 | 45,888 | 47,265 | 48,683 | 50,144 | 58,130 | 67,389 | 78,122 | 104,990 |
| Payroll & Payroll Tax | 107,384 | 111,679 | 116,147 | 120,792 | 125,624 | 152,841 | 185,954 | 226,242 | 334,893 |
| Repairs & Maintenance | 45,153 | 46,959 | 48,837 | 50,791 | 52,823 | 64,267 | 78,190 | 95,131 | 140,816 |
| Utilities | 21,824 | 22,697 | 23,605 | 24,549 | 25,531 | 31,062 | 37,792 | 45,980 | 68,061 |
| Water, Sewer & Trash | 43,564 | 45,307 | 47,119 | 49,004 | 50,964 | 62,005 | 75,439 | 91,783 | 135,861 |
| Insurance | 21,931 | 22,808 | 23,721 | 24,669 | 25,656 | 31,215 | 37,977 | 46,205 | 68,395 |
| Property Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve for Replacements | 24,800 | 25,792 | 26,824 | 27,897 | 29,012 | 35,298 | 42,946 | 52,250 | 77,343 |
| Other | 9,100 | 9,464 | 9,843 | 10,236 | 10,646 | 12,952 | 15,758 | 19,172 | 28,380 |
| TOTAL EXPENSES | $358,487 | $372,381 | $386,817 | $401,817 | $417,403 | $504,958 | $611,023 | $739,536 | $1,084,043 |
| NET OPERATING INCOME | $532,552 | $545,389 | $558,486 | $571,845 | $585,469 | $657,646 | $736,753 | $822,906 | $1,015,748 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 |
| Second Lien | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 | 32,244 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $46,875 | $59,712 | $72,809 | $86,168 | $99,792 | $171,969 | $251,077 | $337,229 | $530,071 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.15 | 1.18 | 1.21 | 1.35 | 1.52 | 1.69 | 2.09 |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**

# MULTIFAMILY UNDERWRITING ANALYSIS

**DATE:** March 1, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04410

## DEVELOPMENT NAME

The Vistas Apartments

## APPLICANT

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name:** | Marble Falls Vistas Apartments, L.P. | | | **Type:** | For Profit | | |
| **Address:** | 1110 Broadway | | | **City:** | Marble Falls | **State:** | TX |
| **Zip:** | 78654 | **Contact:** | Mark Mayfield | **Phone:** | (830) 693-4521 | **Fax:** | (830) 693-5128 |

### PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

| | | | | | |
|---|---|---|---|---|---|
| **Name:** | Marble Falls Housing Opportunity Corporation | **(%):** | 0.01 | **Title:** | Managing General Partner |
| **Name:** | Marble Falls Housing Authority (MFHA) | **(%):** | N/A | **Title:** | Sole member of MGP, owner of land & improvements |
| **Name:** | Mark Mayfield | **(%):** | N/A | **Title:** | President of MGP & MFHA |
| **Name:** | Marble Falls Vistas Builders, LLC | **(%):** | N/A | **Title:** | Developer |
| **Name:** | G. Granger MacDonald | **(%):** | N/A | **Title:** | Owner of General Contractor & 50% owner of Developer |
| **Name:** | J. Steve Ford | **(%):** | N/A | **Title:** | 50% owner of Developer |

## PROPERTY LOCATION

| | | | | | |
|---|---|---|---|---|---|
| **Location:** | 1700 Mustang Drive | | | ☐ **QCT** | ☐ **DDA** |
| **City:** | Marble Falls | **County:** | Burnet | **Zip:** | 78654 |

## REQUEST

| Amount | Interest Rate | Amortization | Term |
|---|---|---|---|
| $298,905 | N/A | N/A | N/A |

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

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

## RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $287,187 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

## CONDITIONS

1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to a nonprofit sales tax exemption, prior to bond closing;
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees and additional equity contributions as necessary to fill the potential initial 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.

## REVIEW of PREVIOUS UNDERWRITING REPORTS

The Vistas Apartments was submitted and underwritten in the 2002 4% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls;
3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax-exempt status of the partnership;
4. Receipt, review, and acceptance of original acquisition and holding cost information; and
5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

The Applicant elected not to close on the bonds.

## DEVELOPMENT SPECIFICATIONS

### IMPROVEMENTS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Units:** | 124 | **# Rental Buildings** | 16 | **# Common Area Bldgs** | 1 | **# of Floors** | 2 | **Age:** | 0 yrs | **Vacant:** | N/A at / / |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Rentable SF:** | 115,424 | **Av Un SF:** | 931 | **Common Area SF:** | 4,849 | **Gross Bldg SF:** | 120,273 |

### 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: 35% stone veneer/65% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roofs 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

### ON-SITE AMENITIES

A 1,905-square foot community building will include an activity room, management offices, fitness & laundry facilities, kitchen, restrooms, & a central mailroom, & will be located, along with a swimming pool, at the entrance to the property. In addition, one of the one-bedroom unit buildings will have all four of the ground floor units (2,944 SF) converted to common area to include offices and meeting areas for the supportive services coordinator, laundry facilities, and activity rooms. An equipped playground is also planned for the site

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Uncovered Parking:** | 226 | spaces | **Carports:** | 0 | spaces | **Garages:** | 0 spaces |

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** The Vistas Apartments is a relatively dense (14.9 units per acre) new construction development of 124 units of affordable housing located in far northeast Marble Falls. The development is comprised of 16 evenly distributed, medium size, two-story, garden style residential buildings as follows:

- Five Building Type 736 with eight one-bedroom/one-bath units;
- One Building Type 736 with four one-bedroom/one-bath units upstairs and the downstairs area dedicated to common area;
- Six Building Type 970 with eight two-bedroom/two-bath units; and
- Four Building Type 1140 with eight three-bedroom/two-bath units.

Based on the site plan the apartment buildings are distributed evenly around the perimeter of the site, with the center occupied by parking lots. The community building and swimming pool are to be located near the entrance to the site. The 1,905-square foot community building plan includes the management offices, a club room, exercise and laundry facilities, and restrooms.

The Applicant is proposing an unusual ownership structure whereby the land and improvements will be owned by the General Partner, the Marble Falls Housing Authority, and leased to the for-profit Applicant. This arrangement was chosen to qualify the development for a 100% property tax exemption granted to housing authorities under Section 392.005 of the Texas Local Government Code. Although the Applicant provided an attorney's opinion letter affirming the General Partner's tax-exempt status, no leasing agreement or proposed terms thereof were submitted. Receipt, review, and acceptance of the executed property leasing agreement between the Applicant and the General Partner is a condition of this report.

**Architectural Review:** The elevations are simple and functional, with pitched roofs and covered exterior stairs. The units are well laid out, and each features a porch or balcony with a utility closet.

**Supportive Services:** The Applicant has contracted with a related organization, the Central Texas Affordable Housing Management Corporation, to provide the following supportive services programs to tenants: life management skills, fitness and recreation, employment skills and vocational seminars, spiritual guidance and counseling, emergency assistance, special population needs services, and transportation. meals and nutrition information, budget and money management counseling, senior volunteer opportunities, transportation on demand, health screenings and information, recreational activities, utility bill payment assistance, 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 for provision of the services and to pay $500 per month for these support services.

**Schedule:** The Applicant anticipates construction to begin immediately following bond closing, and to be completed and placed in service in January of 2006. The development should be substantially leased-up in June of 2006.

## SITE ISSUES

### SITE DESCRIPTION

| | | | | | | |
|---|---|---|---|---|---|---|
| **Size:** | 8.34 | acres | 363,290 | square feet | **Zoning/ Permitted Uses:** | R-3, multifamily residential permitted |
| **Flood Zone Designation:** | Zone X | | | **Status of Off-Sites:** | Partially improved | |

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Marble Falls is located in central Texas, approximately 47 miles northwest of Austin in Burnet County. The site is an irregularly-shaped parcel located in the far northeast area of the city, approximately one mile from the central business district. The site is situated on the southeast side of Mustang Drive.

**Adjacent Land Uses:**

- **North:** undeveloped land with Marble Falls High School beyond
- **South:** an elderly multifamily HTC-funded development (Highland Oaks Apartments, 9% HTC #02012, also developed by G. Granger MacDonald) and commercially zoned land at intersection of FM 1431 and Mustang Drive
- **East:** undeveloped land
- **West:** Mustang Drive with undeveloped land beyond

**Site Access:** Access to the property is from the northeast or southwest along Mustang Drive, from which the development is to have three entries. Access to U.S. Highway 281 is one mile west, which provides connections to all other major roads serving the Marble Falls area as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Marble Falls.

**Shopping & Services:** The site is within two miles of two major grocery/pharmacies as well as schools, churches, health care facilities, and other public and retail facilities.

**Site Inspection Findings:** TDHCA staff performed a site inspection on February 3, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site was being cleared in preparation for construction.

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

A Phase I Environmental Site Assessment report dated December 6, 2003 was prepared by TriCo Inspecting

Service, Inc. and contained the following findings and recommendations: "This assessment, which is based on a study of the historical land use of the subject property and adjacent properties, all practically reviewable information, and on direct observations of the site, has revealed no evidence of recognized adverse environmental conditions with the property. Since no adverse environmental impacts were observed relative to the site and no conditions were found that warrant any further investigation, TriCo considers the subject property to be one of no environmental risk." (executive summary)

## 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. This is a non-metro development and there were no Priority 1 non-metro developments proposed in this region

| 2004 MAXIMUM ELIGIBLE INCOMES | | | | | | |
|---|---|---|---|---|---|---|
| | **1 Person** | **2 Persons** | **3 Persons** | **4 Persons** | **5 Persons** | **6 Persons** |
| **60% of AMI** | $22,080 | $25,260 | $28,380 | $31,560 | $34,080 | $36,600 |

## MARKET HIGHLIGHTS

A market feasibility study dated December 23, 2003 was prepared by Mark C. Temple ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The primary or defined market area for The Vistas Apartments is considered Burnet County…Due to the proximity and accessibility to U.S. Highway 281, FM Highway 1431, and Texas State Highway 71, it is viewed a secondary market for the subject does exist. This secondary market includes the surrounding Highland Lakes geographical area." The Analyst did not further define or delineate this secondary market. (p. II-1). The primary market includes 1,021 square miles and is equivalent to a circle with a radius of 18 miles. While this is an extremely large market area it is typical of a non-metro development and as such is acceptable.

**Population:** The estimated 2003 population of the PMA was 37,761 and is expected to increase by 15.8% to approximately 43,729 by 2008. Within the primary market area there were estimated to be 14,452 households in 2003.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total annual demand of 501 qualified households in the PMA, based on the current estimate of 14,452 households, the projected annual growth rate of 3.2%, renter households estimated at 22% of the population, income-qualified households estimated at 22.3%, and an annual renter turnover rate of 65.7%. (p. IV-3). The Market Analyst used an income band of $18,690 to $31,680.

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY | | | | |
|---|---|---|---|---|
| | **Market Analyst** | | **Underwriter** | |
| **Type of Demand** | **Units of Demand** | **% of Total Demand** | **Units of Demand** | **% of Total Demand** |
| Household Growth | 21 | 4% | 22 | 4% |
| Resident Turnover | 480 | 96% | 480 | 96% |
| Other Sources: (see note below) | 0* | 0% | | % |
| **TOTAL ANNUAL DEMAND** | **501** | **100%** | **501** | **100%** |

Ref: p. IV-3

*NOTE: The Analyst included 351 units of "rent burdened, etc." demand and 100 units of "public housing waiting list" demand on the market analysis summary form but did not discuss these in the body of the report or include them in the inclusive capture rate calculation.

**Inclusive Capture Rate:** "Based on the income qualification banding methodology, the 124 LIHTC units of the apartment project represent a 23.8% capture rate of all income-appropriate rental households within the market area, depending on the management's criteria for qualifying potential renters." (p. IV-3) Although the Analyst performed the appropriate calculation, this statement actually refers to a *market penetration rate* rather than a *demand capture rate*. The Market Analyst's inclusive capture rate of 23.8% is based upon 42 units or *two years* of growth demand, which is permissible under TDHCA guidelines, although the Underwriter has annualized the estimated growth demand in the table above. The Underwriter calculated an inclusive capture rate of 36.7% based upon a revised supply which included 60 units approved last year in Burnet (Creekside Townhomes) and total demand of 501 units. The proposed inclusive capture rate is acceptable because it is less than the 100% allowed for rural areas.

**Local Housing Authority Waiting List Information:** "The Marble Falls Housing Authority currently has a lengthy waiting list for family and senior units."(p. IV-5)

**Market Rent Comparables:** The Market Analyst surveyed six comparable apartment projects totaling 155 units in the market area. "The project[ed] rents for the subject project are well within and below the rental range for comparable projects within the market area." (p. V-14)

| RENT ANALYSIS (net 2004 tenant-paid rents) | | | | | |
|---|---|---|---|---|---|
| **Unit Type (% AMI)** | **Proposed** | **Program Max** | **Differential** | **Est. Market** | **Differential** |
| **1-Bedroom (60%)** | $501 | $543 | -$42 | $670 | -$169 |
| **2-Bedroom (60%)** | $598 | $654 | -$56 | $744 | -$146 |
| **3-Bedroom (60%)** | $685 | $756 | -$71 | $870 | -$185 |

(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 occupancy level of the market area is presently 100%...From 2003 to 2004, occupancy levels for the market area are estimated to remain in the 100% range." (p. III-1)

**Absorption Projections:** "According to the Marble Falls/Lake LBJ Chamber of Commerce and Claritas, Inc., present absorption trends of apartment projects located in the Marble Falls market area range from 10 to 15 units per month…Based upon current positive multifamily indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95%+ occupancy level can be achieved in an 8-to-12-month time frame." (p. V-2)

**Known Planned Development:** "There is currently one apartment project that is under construction in the Marble Falls market area. The Highland Oaks Apartments located adjacent to the subject project on Mustang Drive is a 76-unit senior apartment project. Approved in 2003, the Highland Oaks Apartments is scheduled for completion in 2004." (p. V-2) (NOTE: Highland Oaks was approved in the 2002 9% HTC cycle.) The Market Analyst failed to consider Creekside Townhomes which, while being more than then miles away in neighboring Burnet, is within the defined market area and was awarded tax credit in the 2003 9% tax credit allocation cycle.

**Effect on Existing Housing Stock:** "The subject project will not affect the trends of other apartment projects in the surrounding Marble Falls market area due to the strong rental housing demand for the subject project." (p. V-14).

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

## OPERATING PROFORMA ANALYSIS

**Income:** At the time of application, the 2004 rent limits had not been released and thus the Applicant used the maximum 2003 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2004 maximum rents in this analysis, which results in an increase of $42,000 in potential gross rent. The Market Analyst's estimates of market rents indicate the 2004 rents should be achievable. Estimates of secondary income and vacancy and collection losses are in line with

TDHCA underwriting guidelines. As a result of the Underwriter's use of 2004 rents the Underwriter's effective gross income estimate is $38,855 higher than the Applicant's estimate.

**Expenses:** The Applicant's estimate of total operating expense of $2,783 per unit is 3.5% lower than the Underwriter's database-derived estimate, an acceptable deviation. The Applicant's utilities estimate, being $9,424 lower, however, deviates significantly when compared to the database averages. As discussed above, the Applicant is assuming a 100% property tax exemption pursuant to ownership of the property by the General Partner (the Marble Falls Housing Authority); the Underwriter, based on the attorney's opinion letter provided, concurs with the likelihood of a 100% property tax exemption being received. Alternatively, if the Applicant were to be granted only a 50% property tax exemption under Section 11.1825 of the Texas Tax Code the Underwriter estimates the probable property tax burden at approximately $45.7K annually. As it appears that growth of more than approximately $11.5K in expenses would cause the debt coverage ratio (DCR) to fall below the TDHCA minimum of 1.10, the substantiation of a 100% property tax exemption is mandatory. The Underwriter estimates that serviceable first lien debt would fall to no more than $5.57M with a 50% property tax exemption and this would result in an unacceptable level of funding shortfall. Therefore, receipt, review, and acceptance of evidence of a property tax exemption from the relevant taxing authority is a condition of this report. Receipt of the proposed but not yet completed lease is anticipated to satisfy this proof of exemption requirement. It should also be noted however, that in the absence of a lease agreement, the Underwriter is assuming negligible annual leasing fees. Upon receipt, review, and acceptance of the executed leasing agreement the Underwriter will need to confirm the actual leasing expense and may need to re-evaluate the debt service capacity of the transaction.

**Conclusion:** Although the Applicant's estimated income and total estimated operating expense are within 5% of the Underwriter's estimates, the Applicant's net operating income estimate is not within 5% of the Underwriter's estimate and therefore the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Applicant used an estimated first lien interest rate of 5.0% to derive a first lien annual debt service amount of $392,000; the Underwriter's estimated first lien debt service amount of $453,433 is based on the most recent underwriting interest rate of 6.465% provided by GMAC Commercial Mortgage, the permanent phase credit enhancement provider.

## ACQUISITION VALUATION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| **Land Only: 8.34 acres** | $518,800 | **Date of Valuation:** | 1/ 13/ 2004 |
| **Appraiser:** David E. Jones | **City:** Austin | **Phone:** | (800) 551-2532 |

### APPRAISED ANALYSIS/CONCLUSIONS

**Analysis:** The Appraiser used the direct sales approach to determine the valuation, and utilized four comparable land sales in and around Marble Falls since September 2000.

**Conclusion:** The Appraiser's valuation appears to set a reasonable maximum value for the property.

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| **Land: 8.34 acres** | $83,400 | **Assessment for the Year of:** | 2003 |
| **Building:** | N/A | **Valuation by:** | Burnet Central Appraisal District |
| **Total Assessed Value:** | $83,400 | **Tax Rate:** | 2.4581 |

### EVIDENCE of SITE or PROPERTY CONTROL

| | | | |
|---|---|---|---|
| **Type of Site Control:** | Earnest money contract | | |
| **Contract Expiration Date:** | 9/ 30/ 2004 | **Anticipated Closing Date:** | 3/ 20/ 2004 |
| **Acquisition Cost:** | $375,000 | **Other Terms/Conditions:** | |
| **Seller:** | G. Granger McDonald & J. Steve Ford | **Related to Development Team Member:** | Yes |

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site cost of $375,000 ($1.03/SF, $44,964/acre, or $3,024/unit) is substantiated by the appraisal value of $518,800. The sellers are the co-owners of the Developer and originally purchased a 16.6-acre parent parcel in January 2001 for $415,000. The prorated original acquisition cost of the subject 8.34 acres would be $208,500, and the sellers indicated they have performed $192,800 in preliminary grading and sitework on the subject site, for a total investment of $401,300. They have contracted to sell the property for a lesser value therefore, a windfall profit or excess developer fee is not is not projected to result from the potential TDHCA funding for the development.

**Sitework Cost:** The Applicant claimed sitework costs of $8,686 per unit and provided sufficient third party certification through a detailed certified cost estimate by a professional engineer to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Reznick, Fedder, & Silverman, to preliminarily opine that $783,102 of the total $1,077,102 will be considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memoranda on the eligibility of sitework costs. Therefore, the Underwriter reduced the Applicant's eligible sitework cost to the CPA's estimate and moved the $294K in estimated ineligible sitework costs to ineligible costs, which results in an equivalent reduction in eligible basis.

**Direct Construction Cost:** As submitted, the Applicant's costs of $34.29 per net rentable square foot (NRSF) total $916K or 19% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate and 8.8% lower than the proposed direct construction costs for the identical buildings proposed for the site by the same Applicant last year. The Underwriter also reviewed certified direct construction costs of $40.33 on the Heritage Oaks Apartments (9% HTC #00011) in Kerrville, completed in 2002 by the same general contractor and developer. This would suggest that the Applicant's direct construction costs are understated. In response to the Underwriter's query regarding this cost differential the Applicant stated that it is anticipated that the nonprofit General Partner will qualify for an exemption from the 8% sales tax on building materials; at the time of this report the Underwriter has not been able to quantify the effect of this tax exemption and has therefore based the total development funding requirement on the Underwriter's cost estimate. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to the nonprofit sales tax exemption, prior to bond closing is a condition of this report.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by $12,100 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by TDHCA guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer's fees profit are 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 $75,814. The Applicant included $10,000 in housing consultant fees as an eligible cost; the Underwriter moved these fees to developer fees resulting in an equivalent reduction in the Applicant's eligible basis.

**Conclusion:** The Underwriter regards total costs to be understated by $829K or 8.1%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. The Applicant's requested credit amount, as adjusted for the underwriting applicable percentage rate of 3.65% for applications received in December of 2003, is less/greater than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted by the Underwriter, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $7,868,135 is used to determine a credit allocation of $287,187 from this method. The resulting syndication proceeds will be used to compare Applicant's request and to the gap of need using the Underwriter's costs to determine the recommended credit amount.

## FINANCING STRUCTURE

### INTERIM TO PERMANENT BOND FINANCING (CREDIT ENHANCEMENT)

**Source:** GMAC Commercial Mortgage **Contact:** Lloyd Griffin

**Tax-Exempt Amount:** $6,000,000 **Interest Rate:** Estimated & underwritten at 6.465%

**Additional Information**: Up to 3-year construction period

**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

**Annual Payment:** $453,433 **Lien Priority:** 1st **Commitment Date** 12/ 29/ 2003

### PERMANENT FINANCING

**Source:** FNMA American Communities Fund **Contact:** John Yoachum

**Principal Amount:** Unknown **Interest Rate:** Unknown

**Additional Information**: Letter of interest only, no funding amount or terms provided

**Amortization:** Unk yrs **Term:** Unk yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

**Annual Payment:** Unknown **Lien Priority:** Unk **Commitment Date** 2/ 26/ 2004

### TAX CREDIT SYNDICATION

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

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

**State:** MA **Zip:** 02108 **Phone:** (617) 624-8673 **Fax:** (617) 624-8999

**Net Proceeds:** $2,227,341 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

**Commitment** ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 17/ 2004

**Additional Information**: Based on allocation of $289,294

### APPLICANT EQUITY

**Amount:** $837,361 **Source:** Deferred developer fee

### FINANCING STRUCTURE ANALYSIS

(**NOTE**: When submitted in December 2003 the site was located in a HUD-designated difficult development area (DDA) (Burnet County) and as such was eligible for a 30% boost in eligible basis and therefore tax credits and syndication proceeds. Subsequent to application submission Burnet County was removed from the 2004 DDA list and therefore the Applicant has had to restructure the financing structure to compensate for a reduction of $856,587 in anticipated HTC syndication proceeds. The following analysis pertains to the most recent (non-DDA) structure.)

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the Capital Area Housing Finance Corporation and credit enhanced by GMAC Commercial Mortgage based on issuance of a letter of credit by FNMA. The most recent GMAC permanent financing commitment stated a permanent interest rate of 5.0% "for TDHCA loan underwriting purposes"; in response to the Underwriter's query GMAC revealed their own underwriting rate to be 6.465%, and the Underwriter has used this rate in this analysis. While the commitment provided did not explicitly describe the stack, a similarly structured transaction by the same DUS lender indicated that the underlying loan will service debt at a variable rate of interest based upon the BMA index plus a stack of 1.465%. The base rate for the BMA Index currently used by FNMA is 3% and GMAC included an underwriting spread of 2% to size the bonds on the other transaction to come to virtually the same underwriting rate. It is anticipated that the Applicant will also be required to purchase an interest rate cap for minimum of five years and escrow on a monthly basis 1/60$^{th}$ of the cost to replace the cap upon expiration per FNMA requirements. This additional reserve requirement will be analyzed and adjusted as needed annually by FNMA. The proposed financing structure will, at least initially, allow for a greater cash flow result than that predicted in this analysis due to the current actual BMA index rate of around 1% and the cushion provided by the underwriter's interest rate spread. In other words the initial variable interest rate will actually be 2.465%.

**HTC Syndication:** The tax credit syndication proceeds amount listed in the most recent commitment is understated as it is based on tax credits of $289,294 instead of the requested amount of $298,905. An early syndication letter suggested a better syndication price of $0.80 per credit acquired but this price was reduced to the current level upon the change to a variable rate loan structure.

**Additional Financing:** Following the loss of the site's DDA status and the attendant reduction in anticipated HTC syndication proceeds, the Applicant has been attempting to secure acceptable gap financing. On March 1 the Applicant provided a letter from FNMA's American Communities Fund expressing support for the development, but including no potential financing amount or terms. Therefore, the Underwriter has not included this as a feasible source of funds.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of $837,361 amount to 76% of the total eligible fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed $287,187 annually for ten years, resulting in syndication proceeds of approximately $2,211,118. Due to the reduced syndication proceeds and the absence of a confirmed secondary funding source, a financing gap of $2,082,948 exists which exceeds 100% of the eligible developer and related eligible general contractor fees by $392,815. However, by using the Applicant's total versus eligible claimed developer and contractor fees of $1,977,500 the funding gap is reduced to $95,448. Therefore, absent a confirmed secondary funding source it is anticipated that 100% of the anticipated developer and contractor fees will need to be deferred along with $95,448 in additional funding sources in order to fill the potential gap in permanent financing and this report is conditioned upon the receipt of such commitments. As indicated above this condition may be partially mitigated as a result of the likelihood that initial cash flow from the development will be better than projected in this report due to the likelihood that the variable all-in interest rate will be less than the underwritten rate.

The total deferred fees and additional gap is not repayable within the industry standard of ten years but is estimated to be repayable from cash flow within the TDHCA guideline of 15 years and therefore the transaction can be characterized as financially feasible based upon TDHCA Underwriting guidelines. Any unpaid developer fee after ten years would have to be paid through an equity contribution from the developer or general partner and a significant phantom income event on the developer's tax return could result in year ten. In addition should the Applicant's final direct construction cost exceed the cost estimate used in this analysis, additional deferred developer's fee would not be available to fund those development cost overruns.

## DEVELOPMENT TEAM

### IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager, and Supportive Services provider 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 Housing Authority of the City of Marble Falls, the owner of the General Partner, submitted an audited financial statement as of September 30, 2002 reporting total assets of $5.4M and consisting of $118K in cash, $20K in receivables and prepaids, and $88K in loan costs. Liabilities totaled $3.3M, resulting in net equity of $2.1M.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The parent of the General Partner, the Marble Falls Housing Authority, and its president, Mark Mayfield, listed participation in six previous affordable housing developments totaling 318 units since 1995.
- A TDHCA certificate of experience was submitted for the owner of the general contractor, G. Granger MacDonald.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Items identified in previous reports/ or analysis have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Unless a secondary financing source is confirmed by bond closing it is anticipated that 100% or more of the eligible developer and contractor fees will require deferral, and therefore no fees will be available to fund unforeseen development costs.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

| | | | |
|---|---|---|---|
| **Underwriter:** | *Jim Anderson* | **Date:** | March 1, 2004 |
| **Director of Real Estate Analysis:** | *Tom Gouris* | **Date:** | March 1, 2004 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***The Vistas Apartments, Marble Falls, 4% HTC #04410***

| 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%) | 44 | 1 | 1 | 736 | $591 | $526 | $23,144 | $0.71 | $65.00 | $61.00 |
| TC (60%) | 48 | 2 | 2 | 970 | 709 | 626 | 30,048 | 0.65 | 83.00 | 65.00 |
| TC (60%) | 32 | 3 | 3 | 1,140 | 820 | 718 | 22,976 | 0.63 | 102.00 | 74.00 |
| **TOTAL:** | 124 | | **AVERAGE:** | 931 | $696 | $614 | $76,168 | $0.66 | $81.52 | $65.90 |

| INCOME | | | TDHCA | APPLICANT | | |
|---|---|---|---|---|---|---|
| | Total Net Rentable Sq Ft: 115,424 | | | | USS Region | 7 |
| POTENTIAL GROSS RENT | | | $914,016 | $872,016 | IREM Region | |
| Secondary Income | Per Unit Per Month: | $15.00 | 22,320 | 22,320 | $15.00 | Per Unit Per Month |
| Other Support Income: | | | 0 | 0 | | |
| POTENTIAL GROSS INCOME | | | $936,336 | $894,336 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (70,225) | (67,080) | -7.50% | of Potential Gross Rent |
| Employee or Other Non-Rental Units or Concessions | | | 0 | 0 | | |
| EFFECTIVE GROSS INCOME | | | $866,111 | $827,256 | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 4.64% | $324 | 0.35 | $40,179 | $38,000 | $0.33 | $306 | 4.59% |
| Management | | 5.05% | 353 | 0.38 | 43,754 | 41,363 | 0.36 | 334 | 5.00% |
| Payroll & Payroll Tax | | 12.40% | 866 | 0.93 | 107,384 | 99,630 | 0.86 | 803 | 12.04% |
| Repairs & Maintenance | | 5.21% | 364 | 0.39 | 45,153 | 50,800 | 0.44 | 410 | 6.14% |
| Utilities | | 2.52% | 176 | 0.19 | 21,824 | 12,400 | 0.11 | 100 | 1.50% |
| Water, Sewer, & Trash | | 5.03% | 351 | 0.38 | 43,564 | 44,160 | 0.38 | 356 | 5.34% |
| Property Insurance | | 2.53% | 177 | 0.19 | 21,931 | 24,800 | 0.21 | 200 | 3.00% |
| Property Tax | 2.4581 | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserve for Replacements | | 2.86% | 200 | 0.21 | 24,800 | 24,800 | 0.21 | 200 | 3.00% |
| Other: spt svcs, compl fees | | 1.05% | 73 | 0.08 | 9,100 | 9,100 | 0.08 | 73 | 1.10% |
| TOTAL EXPENSES | | 41.30% | $2,885 | $3.10 | $357,688 | $345,053 | $2.99 | $2,783 | 41.71% |
| NET OPERATING INC | | 58.70% | $4,100 | $4.40 | $508,422 | $482,203 | $4.18 | $3,889 | 58.29% |
| **DEBT SERVICE** | | | | | | | | | |
| First Lien Mortgage | | 52.35% | $3,657 | $3.93 | $453,433 | $392,000 | $3.40 | $3,161 | 47.39% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | 0 | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 6.35% | $443 | $0.48 | $54,989 | $90,203 | $0.78 | $727 | 10.90% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.12 | 1.23 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.12 | | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 3.64% | $3,024 | $3.25 | $375,000 | $375,000 | $3.25 | $3,024 | 3.96% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.61% | 6,315 | 6.78 | 783,102 | 783,102 | 6.78 | 6,315 | 8.27% |
| Direct Construction | | 47.35% | 39,305 | 42.23 | 4,873,819 | 3,958,000 | 34.29 | 31,919 | 41.82% |
| Contingency | 3.54% | 1.94% | 1,613 | 1.73 | 200,000 | 200,000 | 1.73 | 1,613 | 2.11% |
| General Req'ts | 6.00% | 3.30% | 2,737 | 2.94 | 339,415 | 388,032 | 3.36 | 3,129 | 4.10% |
| Contractor's G & A | 2.00% | 1.10% | 912 | 0.98 | 113,138 | 184,344 | 1.60 | 1,487 | 1.95% |
| Contractor's Profit | 5.53% | 3.04% | 2,524 | 2.71 | 313,032 | 313,032 | 2.71 | 2,524 | 3.31% |
| Indirect Construction | | 2.48% | 2,057 | 2.21 | 255,100 | 255,100 | 2.21 | 2,057 | 2.70% |
| Ineligible Costs | | 7.52% | 6,243 | 6.71 | 774,100 | 774,100 | 6.71 | 6,243 | 8.18% |
| Developer's G & A | 1.85% | 1.41% | 1,174 | 1.26 | 145,612 | 145,612 | 1.26 | 1,174 | 1.54% |
| Developer's Profit | 12.17% | 9.29% | 7,714 | 8.29 | 956,480 | 956,480 | 8.29 | 7,714 | 10.11% |
| Interim Financing | | 9.54% | 7,919 | 8.51 | 981,900 | 981,900 | 8.51 | 7,919 | 10.37% |
| Reserves | | 1.78% | 1,479 | 1.59 | 183,367 | 150,000 | 1.30 | 1,210 | 1.58% |
| TOTAL COST | | 100.00% | $83,017 | $89.18 | $10,294,066 | $9,464,702 | $82.00 | $76,328 | 100.00% |
| ***Recap-Hard Construction Costs*** | | *64.33%* | ***$53,407*** | ***$57.38*** | ***$6,622,507*** | ***$5,826,510*** | ***$50.48*** | ***$46,988*** | *61.56%* |

**SOURCES OF FUNDS**

| | | | | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 58.29% | $48,387 | $51.98 | $6,000,000 | $6,000,000 | $6,000,000 | Dev & Contr Fee Available |
| Additional Financing | 3.89% | $3,226 | $3.47 | 400,000 | 400,000 | 0 | $1,987,500 |
| HTC Syndication Proceeds | 21.64% | $17,962 | $19.30 | 2,227,341 | 2,227,341 | 2,211,118 | % of Fee Deferred |
| Deferred Developer & Contractor Fees | 8.13% | $6,753 | $7.25 | 837,361 | 837,361 | 2,082,948 | 105% |
| Additional (excess) Funds Required | 8.06% | $6,688 | $7.19 | 829,364 | 0 | (0) | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $10,294,066 | $9,464,702 | $10,294,066 | $2,141,368 |

## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

***The Vistas Apartments, Marble Falls, 4% HTC #04410***

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $44.58 | $5,277,253 |
| Adjustments | | | | |
| Exterior Wall Finish | 5.20% | | $2.32 | $267,592 |
| 9-Ft. Ceilings | 3.65% | | 1.63 | 187,829 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.02) | (117,155) |
| Floor Cover | | | 2.00 | 230,848 |
| Porches/Balconies | $15.96 | 18,959 | 2.62 | 302,494 |
| Plumbing | $605 | 240 | 1.26 | 145,200 |
| Built-In Appliances | $1,650 | 124 | 1.77 | 204,600 |
| Stairs | $1,475 | 16 | 0.20 | 23,600 |
| Floor Insulation | | | 0.00 | 0 |
| Heating/Cooling | | | 1.53 | 176,599 |
| Garages/Carports | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $62.87 | 1,905 | 1.04 | 119,769 |
| Other: Additional Commo | $44.58 | 2,944 | 1.14 | 131,254 |
| SUBTOTAL | | | 59.07 | 6,818,629 |
| Current Cost Multiplier | 1.03 | | 1.77 | 204,559 |
| Local Multiplier | 0.85 | | (8.86) | (1,022,794) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $51.99 | $6,000,393 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.03) | ($234,015) |
| Interim Construction Interes | 3.38% | | (1.75) | (202,513) |
| Contractor's OH & Profit | 11.50% | | (5.98) | (690,045) |
| NET DIRECT CONSTRUCTION COSTS | | | $42.23 | $4,873,819 |

### PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| Primary | $6,000,000 | Amort | 360 |
| Int Rate | 6.4650% | DCR | 1.12 |
| Secondary | $400,000 | Amort | |
| Int Rate | 0.00% | Subtotal DCR | 1.12 |
| Additional | $0 | Amort | |
| Int Rate | | Aggregate DCR | 1.12 |

### RECOMMENDED FINANCING STRUCTURE:

| | |
|---|---|
| Primary Debt Service | $453,433 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $54,989 |

| | | | |
|---|---|---|---|
| Primary | $6,000,000 | Amort | 360 |
| Int Rate | 6.4650% | DCR | 1.12 |
| Secondary | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.12 |
| Additional | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.12 |

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

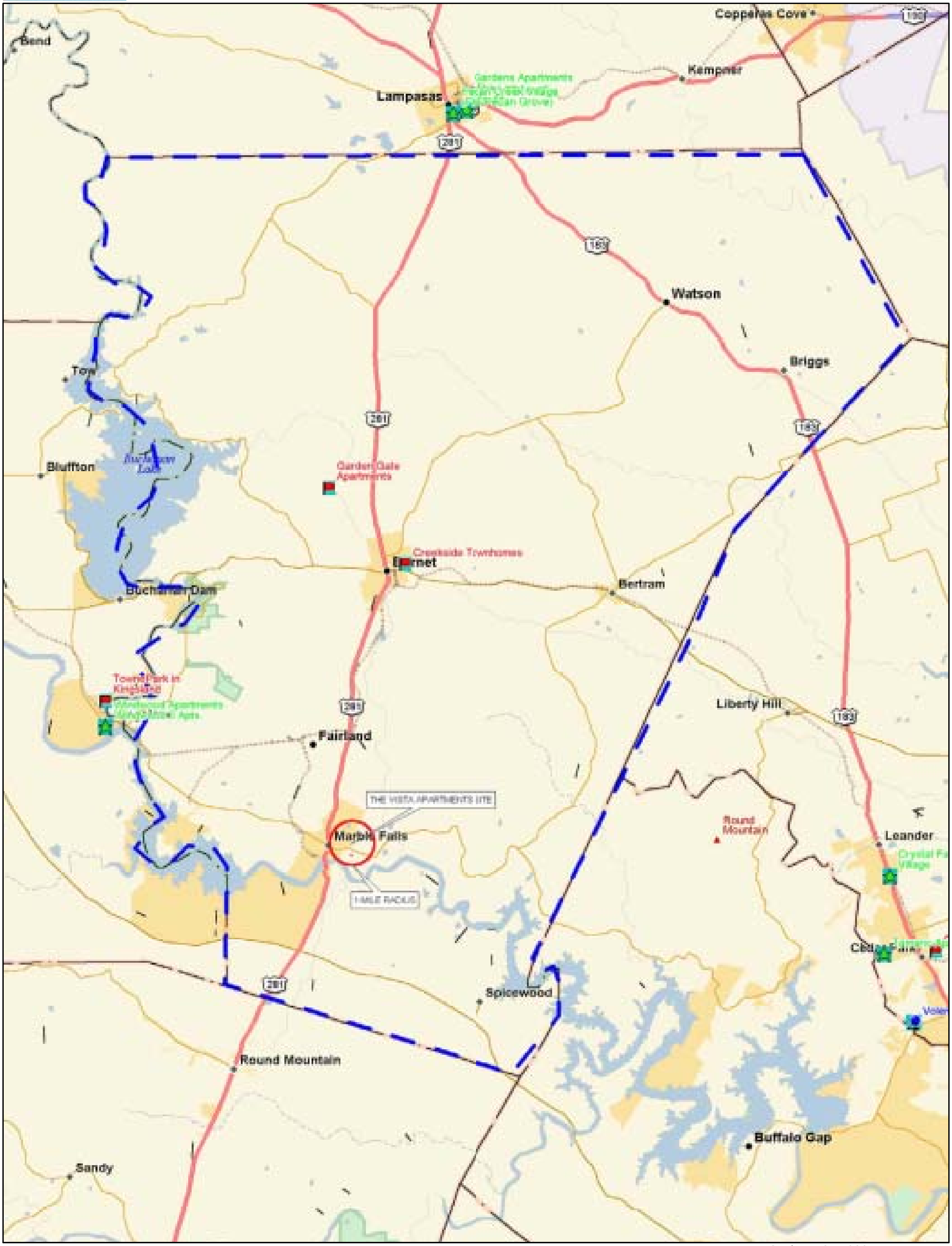
| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $914,016 | $941,436 | $969,680 | $998,770 | $1,028,733 | $1,192,584 | $1,382,531 | $1,602,733 | $2,153,939 |
| Secondary Income | 22,320 | 22,990 | 23,679 | 24,390 | 25,121 | 29,123 | 33,761 | 39,138 | 52,599 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 936,336 | 964,426 | 993,359 | 1,023,160 | 1,053,854 | 1,221,706 | 1,416,292 | 1,641,871 | 2,206,537 |
| Vacancy & Collection Loss | (70,225) | (72,332) | (74,502) | (76,737) | (79,039) | (91,628) | (106,222) | (123,140) | (165,490) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $866,111 | $892,094 | $918,857 | $946,423 | $974,815 | $1,130,078 | $1,310,070 | $1,518,731 | $2,041,047 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $40,179 | $41,786 | $43,458 | $45,196 | $47,004 | $57,187 | $69,577 | $84,651 | $125,304 |
| Management | 43,754 | 45,067 | 46,419 | 47,811 | 49,246 | 57,089 | 66,182 | 76,723 | 103,110 |
| Payroll & Payroll Tax | 107,384 | 111,679 | 116,147 | 120,792 | 125,624 | 152,841 | 185,954 | 226,242 | 334,893 |
| Repairs & Maintenance | 45,153 | 46,959 | 48,837 | 50,791 | 52,822 | 64,267 | 78,190 | 95,130 | 140,816 |
| Utilities | 21,824 | 22,697 | 23,605 | 24,549 | 25,531 | 31,062 | 37,792 | 45,980 | 68,061 |
| Water, Sewer & Trash | 43,564 | 45,306 | 47,119 | 49,003 | 50,964 | 62,005 | 75,439 | 91,783 | 135,861 |
| Insurance | 21,931 | 22,808 | 23,720 | 24,669 | 25,656 | 31,214 | 37,977 | 46,204 | 68,394 |
| Property Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve for Replacements | 24,800 | 25,792 | 26,824 | 27,897 | 29,012 | 35,298 | 42,946 | 52,250 | 77,343 |
| Other | 9,100 | 9,464 | 9,843 | 10,236 | 10,646 | 12,952 | 15,758 | 19,172 | 28,380 |
| TOTAL EXPENSES | $357,688 | $371,558 | $385,970 | $400,945 | $416,504 | $503,916 | $609,815 | $738,135 | $1,082,161 |
| NET OPERATING INCOME | $508,422 | $520,536 | $532,887 | $545,478 | $558,311 | $626,162 | $700,256 | $780,595 | $958,886 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 | $453,433 |
| 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 | $54,989 | $67,103 | $79,454 | $92,045 | $104,878 | $172,730 | $246,823 | $327,162 | $505,453 |
| DEBT COVERAGE RATIO | 1.12 | 1.15 | 1.18 | 1.20 | 1.23 | 1.38 | 1.54 | 1.72 | 2.11 |

## LIHTC Allocation Calculation - The Vistas Apartments, Marble Falls, 4% HTC #04410

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **(1) Acquisition Cost** | | | | |
| Purchase of land | $375,000 | $375,000 | | |
| Purchase of buildings | | | | |
| **(2) Rehabilitation/New Construction Cost** | | | | |
| On-site work | $783,102 | $783,102 | $783,102 | $783,102 |
| Off-site improvements | | | | |
| **(3) Construction Hard Costs** | | | | |
| New structures/rehabilitation hard costs | $3,958,000 | $4,873,819 | $3,958,000 | $4,873,819 |
| **(4) Contractor Fees & General Requirements** | | | | |
| Contractor overhead | $184,344 | $113,138 | $94,822 | $113,138 |
| Contractor profit | $313,032 | $313,032 | $284,466 | $313,032 |
| General requirements | $388,032 | $339,415 | $284,466 | $339,415 |
| **(5) Contingencies** | $200,000 | $200,000 | $200,000 | $200,000 |
| **(6) Eligible Indirect Fees** | $255,100 | $255,100 | $255,100 | $255,100 |
| **(7) Eligible Financing Fees** | $981,900 | $981,900 | $981,900 | $981,900 |
| **(8) All Ineligible Costs** | $774,100 | $774,100 | | |
| **(9) Developer Fees** | | | $1,026,278 | |
| Developer overhead | $145,612 | $145,612 | | $145,612 |
| Developer fee | $956,480 | $956,480 | | $956,480 |
| **(10) Development Reserves** | $150,000 | $183,367 | | |
| **TOTAL DEVELOPMENT COSTS** | $9,464,702 | $10,294,066 | $7,868,135 | $8,961,599 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $7,868,135 | $8,961,599 |
| High Cost Area Adjustment | | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | $7,868,135 | $8,961,599 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $7,868,135 | $8,961,599 |
| Applicable Percentage | | 3.65% | 3.65% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $287,187 | $327,098 |
| **Syndication Proceeds** | **0.7699** | **$2,211,118** | **$2,518,406** |

| | | |
|---|---|---|
| **Total Credits (Eligible Basis Method)** | **$287,187** | **$327,098** |
| **Syndication Proceeds** | **$2,211,118** | **$2,518,406** |
| **Requested Credits** | **$298,905** | |
| **Syndication Proceeds** | **$2,301,338** | |
| **Gap of Syndication Proceeds Needed** | | **$4,294,066** |
| **Credit Amount** | | **$557,727** |




TN

MN (5.7°E)

Scale 1 : 375,000

0 2 4 6 8 10 mi

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1" = 5.92 mi

Data Zoom 9-1

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**December 13, 2004**

## Action Items

**Only For Consideration if 2004 Credit Ceiling has not Been Fully Allocated Under the Agenda Item Relating to Difficult Development Areas:**

Board Approval to Issue a Commitment for the Allocation of Housing Tax Credits from the 2004 Credit Ceiling for Tyler Senior Apartment (#04121).

## Required Action

Approve, or approve with amendments, the allocation of 2004 Housing Tax Credit Ceiling.

## Background and Recommendations

As noted in the Board Action Request relating to Difficult Development Areas, there are $682,946 in credits of additional 2004 Credit Ceiling. If the Board determines not to allocate all of the 2004 Credit Ceiling under that item, staff recommends that the balance of all uncommitted credits be allocated to ensure maximum utilization of the Credit Ceiling.

In determining the application to be recommended, the following process was used:

The credits that were "returned" (thereby causing new credit availability) were credits from Las Palmas, an At-Risk Set-Aside development in Region 9 Urban/Exurban. Las Palmas was awarded its credits in September 2004; the credit availability for the September distribution were composed primarily of national pool credits and credit reductions made across the state. Therefore, the credits are not designated for any given region or set-aside. When the credits were allocated to Region 9 Urban/Exurban it was to fill the remaining Region 9 At-Risk Set-Aside, in spite of Region 9 Urban/Exurban being over-allocated except for the At-Risk Set-Aside. From the "returned" Las Palmas credits, the allocation would only return to Region 9 if another At-Risk development were available to satisfy the set-aside. However, because no other At-Risk applications were submitted in Region 9, and Region 9 Urban/Exurban is otherwise over-allocated, the credits go back to being what they were originally – not geographically designated.

Based on their "undesignated" status, staff returned to the process and rationale used for the September 2004 Board meeting for these credits. That process was to identify out of each of the 26 Regional Allocations, which ones were most under-allocated. We determined this by calculating the percentage that each of the 26 Regional Allocations was "under" their targeted allocation amounts. Eleven of the 26 regional allocations were over their targeted amounts. The remaining 15 areas were under to some degree. With the action taken by the Board in September the two regions most "under" were awarded allocations and are no longer under-allocated. Therefore, using this methodology the next region to receive an allocation should be Region 4 Urban/Exurban. The next highest scoring development in that region is Tyler Senior Apartment (#04121). They requested $638,196 of credits. Staff recommends that if there are still sufficient credits to fund this allocation from the 2004 Credit Ceiling, that this application be awarded credits based on the following conditions:

- × The application must still be found to be Acceptable, or Acceptable with Conditions, by Real Estate Analysis.
- × The credit amount and conditions are subject to change based on underwriting and underwriting appeals.
- × The allocation remains subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist.
- × The applicant must submit a satisfactory Carryover Allocation package no later than December 22, 2004.

**EXECUTIVE SESSION** Elizabeth Anderson

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning the 2005 Housing Tax Credit Program Qualified Allocation Plan And Rules

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

**OPEN SESSION** Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for November, 2004
2. PMC Employee Performance
3. Press Conference for TAR/TDHCA Initiative on December 7, 2004
4. Combining the Center for Housing Resource Planning and Communications With the Governmental Affairs Division
5. Fannie Mae Proposal to Purchase Bootstrap First Lien Mortgage Portfolio

# TDHCA Outreach Activities, November 2004

*A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public*

| Event | Location | Date | Division | Purpose |
|---|---|---|---|---|
| Bond Program 62/MCC Program Lender Training | Dallas | November 3 | Single Family | Training |
| Texas Manufactured Housing Association chapter meeting | San Antonio | November 4 | Manufactured Housing | Presentation |
| "First Thursday" Income Eligibility Training | Austin | November 4 | Portfolio Management/ Compliance | Training |
| "Circle of Ten" Conference | Tyler | November 4 | Executive | Presentation |
| Homebuyer Seminar/ Houston Police Academy Civilian Workforce Conf. | Houston | November 5 | Single Family | Presentation |
| Manufactured Housing Licensing Information Class | Austin | November 8 – 10 | Manufactured Housing | Presentation |
| Bond Program 62/MCC Program Lender Training | McAllen | November 9 | Single Family | Training |
| Briefing with Michael Gerber, Governor's Office | Austin | November 10 | Bond Finance | Briefing presentation |
| Bond Program 62/MCC Program Lender Training | El Paso | November 10 | Single Family | Training |
| CHDO Project Restructuring Technical Assistance session | Austin | November 10 – 11 | Portfolio Management/ Compliance | Training |
| Bond Program 62/MCC Program Lender Training | Austin | November 12 | Single Family | Training |
| Homeownership Preservation Symposium | Dallas | November 12 | Housing Center | Participant |
| Texas Mortgage Bankers Conference | Houston | November 15 – 16 | Single Family | Participant |
| Community Development Directors Meeting | Fort Worth | November 16 | Executive, Portfolio Mgt./ Compliance, Single Family | Participant |
| Texas Housing Forum | San Antonio | November 16 – 17 | Executive, Housing Center | Participant |
| Keys to Compliance Symposium | Las Vegas, Nevada | November 16 – 18 | Portfolio Management/ Compliance | Presentation |
| Briefing with Michael Gerber, Governor's Office | Austin | November 17 | Multifamily | Briefing presentation |
| Bond Program 62/MCC Program Lender Training | Houston | November 17 | Single Family | Training |
| Bond Program 62/MCC Program Lender Training | Lubbock | November 19 | Single Family | Training |
| Housing Tax Credit Application Workshop | Austin | November 30 | Multifamily | Training |
| 2005 Single Family HOME Program Application Round Table | Austin | November 30 | Single Family | Training |

Seven compliance monitors from TDHCA's Portfolio Management and Compliance Division attended a training session regarding the Housing Tax Credit Program which was held in Austin October 14-15. This two-day workshop featured an exam at the end of the second day.

Among the seven staff members was Kimberly Coldren, a new employee who joined TDHCA on October 4. All seven members passed the test; however, Kimberly earned a perfect score of 100 on the exam. Only four people have ever achieved a perfect score on this exam.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# NEWS

*FOR IMMEDIATE RELEASE*
*December 7, 2004*

*Contacts:*
*TDHCA: Gordon Anderson, 512/475-4743*
*TAR: John Gormley, 512/370-2181*
*Fannie Mae: Carolyn Nunez Ozcan, 972/773-7787*

# TDHCA joins forces with Texas Realtors, Fannie Mae to increase homeownership levels

AUSTIN — The Texas Department of Housing and Community Affairs (TDHCA) today announced that it has entered into a partnership with the Texas Association of Realtors (TAR) and Fannie Mae as a means of helping more Texans become first time homeowners. Details on a planned educational outreach campaign were discussed at a news conference held at TAR's Austin headquarters.

This initiative, *United Texas: Housing Initiatives That Work*, includes a major effort beginning in 2005 to train the 70,000 Realtors in Texas on how to help first time homebuyers obtain low-cost mortgage financing. A new Web portal at www.TexasRealtors.com will link Texas Realtors to information about the Texas Cares down payment assistance program, low-interest financing programs such as TDHCA's Texas First Time Homebuyer Program, and Fannie Mae mortgage products.

According to the U.S. Census Bureau, 64.5 percent of Texas households owned their homes in 2003, compared to 68.3 percent nationally.

"We are extremely pleased and proud to join TAR and Fannie Mae in their efforts to increase the homeownership rate in Texas," stated TDHCA Deputy Executive Director Ruth Cedillo. "Homeownership is crucial to building and sustaining communities, a major goal of the Department. The Department makes available approximately $200 million annually through its Texas First Time Homebuyer Program, helping put more and more of our neighbors in a home of their own. We are eager to begin this important initiative, and I assure you that everyone on the staff of TDHCA is thrilled to be a part of this dynamic partnership."

"Mortgage interest rates in the United States have remained at or near record lows during the past several years, ushering in a well-documented housing boom. The problem is that some Texans, though they would like to participate in the American dream of homeownership, have not benefited from these favorable conditions," said Dave Dalzell, TAR chairman of the board.

"Realtors are the glue keeping everything together in a real estate transaction," said Joe Stewart, chairman of TAR's housing initiatives committee. "Consumers depend on their Realtor to make the right recommendations. That's why our main emphasis is educating the 70,000 Realtors in Texas about the various housing financing programs that can best benefit their clients, particularly first time homebuyers."

- more -

"Our 2003 National Homeownership Survey found that despite this country's impressive homeownership statistics many households still lack information and confidence about the homebuying process. Gaps in affordability and credit continue. Many Texans are relatively unaware of the many mortgage financing options available for first time homebuyers, home buyers with past credit difficulties and those with non-traditional credit," said Maria Brewster, senior business manager for Fannie Mae. "As part of our American Dream Commitment we are working to expand access to homeownership to 1.5 million additional first time home buyers. The thousands of Realtors across the state who will be educated under *United Texas: Housing Initiatives That Work*, can spread the word to customers, friends and family which in turn will raise awareness of homeownership opportunities statewide!"

For more information about TDHCA's First Time Homebuyer Program, consumers may call **1-800-792-1119** or visit the Department's Web site at www.TDHCA.state.tx.us.

For more information on Fannie Mae's affordable mortgage products or a list of local lenders, consumers may call Fannie Mae's Consumer Resource Center at **1-800-7FANNIE (1-800-732-6643)** Monday through Friday, 8 a.m. to 4 p.m. CDT.

More information about Texas Cares down payment assistance program is available at TexasCaresProgram.org.

*The Texas Department of Housing and Community Affairs is Texas' lead agency responsible for affordable housing, community and energy assistance programs, and colonia activities. The Department annually administers funds in excess of $400 million, the majority of which is derived from mortgage revenue bond financing and refinancing, federal grants, and federal tax credits.*

*The Texas Association of Realtors is a not-for-profit professional membership association representing more than 70,000 members statewide who are involved in all aspects of real estate.*

*Fannie Mae is a New York Stock Exchange company and the largest non-bank financial services company in the world. It operates pursuant to a federal charter and is the nation's largest source of financing for home mortgages. Fannie Mae has pledged through its "American Dream Commitment" to expand access to homeownership for millions of first-time home buyers; help raise the minority homeownership rate to 55 percent; make homeownership and rental housing a success for millions of families at risk of losing their homes; and expand the supply of affordable housing where it is needed most. Since 1968, Fannie Mae has provided $6.3 trillion of mortgage financing for 63 million families. More information about Fannie Mae can be found on the Internet at http://www.fanniemae.com.*

*American Dream Commitment is a registered mark of Fannie Mae. Unauthorized use of these marks is prohibited.*

*Style Usage: Fannie Mae's Board of Directors has authorized the company to operate as "Fannie Mae," and the company's stock is now listed on the NYSE as "FNM." In order to facilitate clarity and avoid confusion, news organizations are asked to refer to the company exclusively as "Fannie Mae."*

The Center for Housing Resource Planning and Communications has been combined with the Governmental Affairs Division.

The Department and Fannie Mae are working on a proposal on the Bootstrap First Lien Mortgage Portfolio.

**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.*

*Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.*