TDHCA

02027

Region 7

Rural
Set-Aside

LOW INCOME HOUSING TAX CREDIT PROGRAM

2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Creekside Townhomes** TDHCA #: **02027**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 7

Site Address: 103 North Hill St.

City: Burnet

County: Burnet

Zip Code: 78611

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

LIHTC Primary Set Aside: R

Additional Elderly Set Aside ☐

Purpose / Activity: NC

Development Type: Family

☐ TTC ☑ DDA ☐ QCT

Special Needs: 3 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: HVM O'Donnell, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
HVM Housing, LLC	Dixie Farmer	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$369,601** Allocation over 10 Years: $3,696,010

Credits Requested: $388,022 Eligible Basis Amount: $386,044 Equity/Gap Amount: $369,601

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	0	0	0	1
40%	0	1	4	1	0	0	6
50%	0	2	8	2	0	0	12
60%	0	8	20	7	0	0	35
MR	0	1	3	2	0	0	6
Total	0	12	36	12	0	0	

Total LI Units: 54

Owner/Employee Units: 0

Total Project Units: 60

Applicable Fraction: 90.00

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

BUILDING INFORMATION

Total Development Cost: **$4,110,830**

Gross Building Square Feet: 55,995

Total NRA SF: 54,168

Gross/Net Rentable: 1.03

Average Square Feet/Unit: 903

Cost Per Net Rentable Square Foot: $75.89

Credits per Low Income Unit $6,844

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $322,446

Total Expenses: $175,051

Net Operating Income: $147,395

Estimated 1st Year Debt Coverage Ratio: 1.25

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Dixie Hoover Farmer

Housing GC: Hoover Construction Company, Inc.

Infrastructure GC: NA

Cost Estimator: Hoover Construction Company, Inc.

Architect: AG Associates Architects

Property Manager: Hamilton Valley Management, Inc.

Engineer: NA

Syndicator: Raymond James Tax Credit Funds

Market Analyst: Ipser & Associates

Originator/UW: NA

Appraiser: Texas Appraisers

Attorney: Alvin Nored

Supp Services: NA

Accountant: Lou Ann Montey & Associates

Permanent Lender: First State Bank

DEPARTMENT EVALUATION

Points Awarded: 129 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Creekside Townhomes | Project Number: 02027

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

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

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

Local/State/Federal Officials w/ Jurisdiction:				Comment from Other Public Official
Local Official:			NC	Johnny Sartain, Burnet City Manager, S
TX Rep.:	Harvey Hilderbran,	Dist. 53	S	
TX Sen.:	Troy Fraser,	Dist. 24		
US Rep.:				
US Sen.:				

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt service to not less than $117,918, and an anticipated debt of $1,339,191 based on the proposed rates and terms.

Should the rates, terms or amount of the proposed debt be altered, the previous condition and the recommended credit allocation should be re-evaluated.

Alternate Recommendation:

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

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

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

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

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Compliance Status Summary

Project ID #: 02027 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Creekside Townhomes — HOME ☐ HTF ☐

Project City: Burnet — BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 48 — # not yet monitored or pending review 9

of projects grouped by score — 0-9: 45 — 10-19: 2 — 20-29: 1

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received N/A

Non-Compliance Reported ____

Completed by Jo En Taylor **Completed on** 04/17/2002

Single Audit

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

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

Comments: No outstanding issues on 530001-only.

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☑

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

Comments: 1 not applicable (535003)
3 pending review (530727,530001,530737)

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

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

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

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

DATE: May 24, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02027

DEVELOPMENT NAME

Creekside Townhomes

APPLICANT

Name: HVM O'Donnell, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: P.O. Box 190 **City:** Burnet **State:** Texas

Zip: 78611 **Contact:** Dennis Hoover **Phone:** (512) 756-6809 **Fax:** (512) 756-9885

PRINCIPALS of the APPLICANT

Name: HVM Housing, LLC	**(%):** .01	**Title:** Managing General Partner
Name: Dennis Hoover	**(%):** 99.99	**Title:** Initial Limited Partner
Name: Raymond James Tax Credit Funds	**(%):** 99.99	**Title:** Limited Partner

GENERAL PARTNER

Name: HVM Housing, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: P.O. Box 190 **City:** Burnet **State:** Texas

Zip: 78611 **Contact:** Dixie Farmer **Phone:** (512) 756-6809 **Fax:** (512) 756-9885

PROPERTY LOCATION

Location: 103 North Hill Street ☐ **QCT** ☐ **DDA**

City: Burnet **County:** Burnet **Zip:** 78611

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$388,022	N/A	N/A	N/A

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

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

SITE DESCRIPTION

Size: 7.238 acres 315,287 square feet **Zoning/ Permitted Uses:** R-3

Flood Zone Designation: Partially in 100 flood zone. **Status of Off-Sites:** Raw Land

DESCRIPTION of IMPROVEMENTS

Total Units: 60 **# Rental Buildings** 11 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
12	1	1	750
36	2	2	900
12	3	2	1,064

Net Rentable SF: 54,168 **Av Un SF:** 903 **Common Area SF:** 1,827 **Gross Bldng SF** 55,995

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on slab on grade, 33% masonry/brick 67% Hardiplank siding exterior wall covering with drywall interior wall surfaces and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic tile, range & oven, hood & fan, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, cable, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

1,827 SF community building with activity room, management offices, laundry facilities, kitchen, restrooms and children's play area.

Uncovered Parking: 142 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: First State Bank **Contact:** Cary Johnson

Principal Amount: $2,833,615 **Interest Rate:** 8.0%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: First State Bank **Contact:** Cary Johnson

Principal Amount: $1,045,000 **Interest Rate:** 8.0%

Additional Information: Roll interim construction loan into long term payout. There will be a 15 year balloon note.

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $80,155 **Lien Priority:** 1st **Commitment Date** 2/ 25/ 2002

LIHTC SYNDICATION

Source: Raymond James Tax Credit Funds, Inc. **Contact:** Lorna Fogg

Address: 880 Carillo Parkway **City:** St. Pertersburg

State: FL **Zip:** 33716 **Phone:** (800) 438-8088 **Fax:** (727) 573-8455

Net Proceeds: $2,909,873 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 77¢

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

Additional Information:

APPLICANT EQUITY

Amount: $155,957 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: $470,000 **Date of Valuation:** 2/ 20/ 2002

Appraiser: W.P. Leonard **City:** Burnet **Phone:** (512) 756-7777

ASSESSED VALUE

Land: 27,311 **Assessment for the Year of:** 2001

Building: n/a **Valuation by:** Burnet Central Apprasial District

Total Assessed Value: 27,311

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Option to Purchase

Contract Expiration Date: 1/ 2/ 2002 **Anticipated Closing Date:** 11/ 2/ 2002

Acquisition Cost: $ 70,000 **Other Terms/Conditions:**

Seller: J & V Hoover, Ltd. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Creekside Townhomes is a proposed new construction development of 54 units of affordable income housing and six units of market rate housing located in southeast Burnet. The development is comprised of 11 residential buildings as follows:

- (3) Building Type/Style A with four one-bedroom units;
- (6) Building Type/Style B with six two- bedroom units; and
- (2) Building Type/Style C with six three- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site/arranged separated by parking lots, with the 1,827 s.f. community building and mailboxes located away from the entrance to the site. The community building plan includes the management office, community room, kitchen, a restroom, laundry facilities and a maintenance room.

Supportive Services: The Applicant has contracted with Rural Capital Area Workforce Development Board, Inc. to provide the following supportive services to tenants: a computer for the residents to use for resume development, job searches and other training and educational needs. They will also provide training and other employment related services. There was no fee indicated in the five year agreement, which allows either party to terminate with good cause.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. The Applicant has further indicated that one of the units (2%) will serve households earning 30% or below the AMGI, six of the units (10%) will serve households earning 40% or below the AMGI, 12 of the units (20%) will serve households earning 50% or below the AMGI, and 35 of the units (58%) will serve households earning 60% or below the AMGI. The remaining six units (10%) will be unrestricted and available for market rate tenants.

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

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

MARKET HIGHLIGHTS

A market feasibility study dated March 6, 2002 was prepared by Ipser & Associates and highlighted the following findings:

Definition of Market: "The market area has been defined as the City of Burnet" (p. 2-14)

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	19	9%	18	3%
Resident Turnover	167	82%	575	97%
Other Sources: 10 yrs pent-up demand	19	9%	0	0
TOTAL ANNUAL DEMAND	**204**	**100%**	**593**	**100%**

Ref: p. Exhibit N-1

Capture Rate: "….based on the estimated potential demand from 204 income-qualified renter households in the Burnet County market is 26.5%." (p. 3-5) The Underwriter calculated a concentration capture rate of 10% based upon a revised supply of demand. In either case, the capture rate is below the maximum rate for rural areas.

Local Housing Authority Waiting List Information: "In Burnet all 85 Section 8 Vouchers are distributed, and 87 of 96 Section 8 Vouchers in Marble Falls are issued…...Waiting lists were reported at 14 apartment complexes, for a combined total of 370 names, 157 of which are in Burnet. Burnet Housing Authority reported a total of 75 names on a waiting list for pubic housing and the Section 8 Voucher program. Marble Falls Housing Authority has 137 names on its public housing waiting list and 100 applicants on their Section 8 waiting list." (p. 2-20)

Market Rent Comparables: The market analyst surveyed 15 multi-family complexes and one elderly housing unit in Burnet and Marble Falls totaling 571 units in the market area. (p. 2-19)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (40%)	$306	$306	0	$585	-$279
1-Bedroom (50%)	$355	$383	-$28	$585	-$230
1-Bedroom (60%)	$395	$459	-$64	$585	-$190
1-Bedroom (MR)	$595	N/A	NA	$585	+$10
2-Bedroom (30%)	$276	$276	0	$695	-$419

2-Bedroom (40%)	$368	$368	0	$695	-$327
2-Bedroom (50%)	$422	$460	-$38	$695	-$273
2-Bedroom (60%)	$472	$552	-$80	$695	-$223
2-Bedroom (MR)	$695	N/A	NA	$695	$0
3-Bedroom (40%)	$425	$425	0	$770	-$345
3-Bedroom (50%)	$484	$531	-$47	$770	-$286
3-Bedroom (60%)	$539	$638	-$99	$770	-$231
3-Bedroom (MR)	$770	NA	NA	$770	$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)

Market Occupancy Rates: "Physical occupancy among 16 private market and rental-assisted locations was 97%, while the economic or leased occupancy rate was 98.6%." (p. 2-20)
Absorption Projections: "Average absorption for the subject is estimated at 12 to 15 units per month" (p. 2-22)
The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Burnet is located in the central part of the state, approximately 50 miles northwest of Austin in Burnet County. The site is an irregularly shaped parcel located in the eastern area of Burnet, approximately ¼ miles from the central business district. The site is situated on the east side of North Hill Street.
Population: The estimated 2002 population of Burnet was 4,985 and is expected to increase by 5.6% to approximately 5,265 by 2005. Within the primary market area there were estimated to be 1,727 households in 2002.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed use. The property is an open space between the commercial along Buchanan Dr. and the residential to the north with a church to the west across the property's frontage on North Hill's Street.
Site Access: Access to the property is from going east along Highway 29 from Highway 281 and then going north on North Hill Street. The development has two main entries, one from North Hill the other from Leffingwell Lane, a road that runs perpendicular to North Hill.
Public Transportation: The availability of public transportation is unknown.
Shopping & Services: The site is within ½ mile of HEB Food Store, with Beall's Department Store two blocks farther west. Burnet Elementary is about 0.8 miles northwest and Shady Grove Elementary is about is about one mile north. The middle and junior high schools area about one mile north and the high school about one and one-fourth miles north. City Hall, the county courthouse, central police station, public library and post office are all located in downtown less than one mile north. Highland Lakes Medical Center is about two mile from the property.
Special Adverse Site Characteristics: The northwest part of the site is in the flood plain, however the site plan shows that the structures will not be built in the flood plain and only a portion of the parking spaces will. In addition, the site plan also shows that the entrance from Hill Street will be in the flood plain. The Applicant indicated that additional street paving will be required to mitigate the situation. The site plan indicates that only 21 of the proposed 142 parking spaces would potentially be affected by the flood plain. The remaining spaces would still provide a ratio of 2 spaces per unit. The secondary access via Leffingwell Lane appears to be completely free of the flood plan. Thus sufficient mitigation of the flood plain area has been provided.
Site Inspection Findings: TDHCA staff performed a site inspection on April 18, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 5, 2002 was prepared by TMS Environmental Austin, LLC and contained the following findings and recommendations:
Findings: Documented regulatory agency found no leaking underground storage tanks within ¼ mile, also

there were no locations of any environmental significance within ½ mile of the property. The property is vacant with minor debris that is not hazardous. The City of Burnet Power Company stated that the power transformer on the site does not contain any PCB's. There are no areas of dead or distressed vegetation that would suggest hazardous materials have been dumped on the property.
Floodplain: Partially located in the 100 year flood plain.
Conclusions: It is the opinion of the engineer that no additional environmental studies need to be performed at this time.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly lower than the maximum rents allowed under LIHTC guidelines for all the 50% and 60% AMGI units. The market study performed by Ipser & Associates in March 2002 indicated that market rents were $672 for one bedrooms, $744 for two bedrooms and $810 for three bedrooms. The analyst revised there figures in May 2002 and indicated the rents to be $599, $697 and $755, respectively. Although rent estimates declined approximately 8% in the second analysis, they still support rents significantly higher than the maximum tax credit rents. The Applicant contends never-the-less that the maximum net tax credit rents can not be achieved because tenants at the affordable income levels will have less expensive alternative places to rent. While this may be true, they will have more expensive alternatives as well and since the market analyst's market rents supports a much higher market rent the tenants should realize a much better value at the subject than at alternatives. Moreover if the Applicant's conjecture is true, it would call into question the actual demand for affordable units in this market. Thus, the Underwriter's estimate includes the assumption that all the maximum net tax credit rents can be achieved. As a result, the Applicant's potential gross income is $343,068, or 16% less than what the Underwriter estimates. The Applicant stated they will pay water, sewer and trash in this project and rents and expenses were calculated accordingly. The Applicant also included only $7.67 per unit in secondary income which was also adopted by the Underwriter as it is within the range of $5 to $15 per unit being used by as the 2002 underwriting guideline. The Applicant's vacancy and collection loss is also in line with the TDHCA guideline. The resulting effective gross income is $51K or 16% less than the Underwriter's.
Expenses: The Applicant's estimate of total operating expense is 1% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Underwriter also utilized as a reference source the stabilized operating expenses of an existing 76 unit affordable development located within the proposed developments market area. The major differences are the Applicant's general and administrative costs are almost 7K less than the Underwriter's and the Applicant's water, sewer and trash amount is over 6K more than the Underwriter's estimate. The Applicant is receiving a $100 per month abatement on their utility bill as long as they rent at least one unit to a household at the 30% AMGI level and at the allowable rent at the 30% rent-restricted AMGI level.
Conclusion: Because of the large disparity in the estimated rents for the property, the Applicant's NOI is $51K or 34% lower than the Underwriter's. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Based on the proposed loan amount by the Applicant from First State Bank for $1,045,000, the Underwriter's income and expense estimates would result in a debt coverage ratio (DCR) of 1.60. The Department guidelines require the DCR to be between 1.10 and 1.25. Thus based on the analysis, the Underwriter recommends an increase in the debt service amount to $117,918 to minimally reach a DCR of 1.25. Because of the increase in the loan amount, the Underwriter removed the deferred developer fee and the amount of tax credits will likely be decreased due to the reduced gap.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The seller, J & V Hoover, is related to the Applicant. The sales price for the 7.238 acres is $70,000. J & V Hoover purchased the site from Richard E. O'Donnell and Frances O'Donnell in April 2000 for $70,000. An appraisal performed by W.P. Leonard III in February 2002 states a market value of $470,000. The sale is an identity of interest. The assessed value is 27,311. Despite the assessed value, the Underwriter believes the purchase price is reasonable as it reflects the full original acquisition price.
Sitework Cost: The Applicant claimed sitework costs of $7,520 per unit. Although the costs are $1,020 more per unit above the maximum site cost permitted by the Department, the Applicant has substantiated the higher costs. A letter dated March 20, 2002 by AG Associates (an architecture firm) stated the extraordinary

issues involved in the development of the site. In addition Lou Ann Montey and Associates, P.C. (a CPA firm) stated that based on their experience in working with Hamilton Valley Management, the property management firm related to the Applicant, that costs estimates used by Hamilton Valley Management are usually materially accurate when compared to the total development cost of projects they have examined. It is their position that all site costs would be considered inextricably associated with the buildings and therefore includable in eligible basis.

Direct Construction Cost: The Applicant's costs are more than 5% 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. The combined hard costs are $57.56 according to the Applicant's estimates.

Ineligible Costs: The Applicants included $16,721 in tax credit fees as eligible costs when these fees paid to the Department are not considered eligible.

Interim Financing Fees: The Applicants interim financing fees, to include estimated interest, are within an acceptable range.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Due to the overstatement of eligible tax credit fees, the Applicant's eligible developer fees exceed the 15% limit by $2,508 and eligible basis must be reduced by an equal 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, is used to calculate eligible basis and determine the LIHTC allocation. As a result, the eligible basis was $3,922,351. Because the site is in a difficult to develop area, an additional 30% for high cost area adjustment is calculated. Also, because this is a mixed income property, an applicable fraction of 89.70% was used to determine the qualified basis. As a result, a credit allocation of $386,044 or $1,979 less than requested was determined from this method.

FINANCING STRUCTURE ANALYSIS

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

Construction Financing: The Applicant intends to use First State Bank for an interim construction loan of $2,833,615, and to fund the remainder of the construction phase with $2,909,873 in LIHTC syndication proceeds. The interest rate will be 8% with a one year term.

Permanent Financing: Permanent mortgage financing will also be provided by First State Bank in the form of a 15-year balloon loan with a 30-year amortization in the amount of $1,045,000. The interest rate will be 8% per annum.

LIHTC Syndication: Raymond James Tax Credit Funds has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $2,909,873 based on a syndication factor of 75%. The funds would be disbursed in a three-phased pay-in schedule:

1. 60% upon construction closing;
2. 20% upon completion of construction;
3. 20% upon 100% of units becoming tax credit qualified.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $155,957 amount to 30% of the total fees.

Financing Conclusions: As a result in the disparity between rent projections for the Underwriter and the Applicant, the Underwriter believes the property can service considerably more debt than what the Applicant is estimating. The Underwriter believes that based on the proposed rates and terms, a minimum of $1,339,191 can be obtained to reach down to a debt coverage ratio of 1.25. Because this increase in additional debt will reduce the gap of funds required, the deferred developer fee is first reduced to zero and then the required syndication proceeds are reduced by $123,302. The resulting syndication proceeds needed are $2,771,639 resulting in a maximum tax credit allocation of $369,601. This represents an $18,421 or 5% reduction from the original request.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios small outdoor storage closets and closets with hookups for full-size appliances. The two bedroom townhomes have a half bath downstairs and both bedrooms upstairs. The three bedroom townhomes have a bedroom and a full bathroom on the first floor. Each unit has a private exterior entry. The two and three bedroom units are in two-story walk-up structures, while the one-bedroom units are duplex style with mixed brick veneer and hardiboard siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The developer, property manager and general contractor (as originally proposed in the application) are related entities, as is the initial limited partner. These are common identities of interest for LIHTC developments. The land seller is also a related party to the Applicant however the proposed sales price is equivalent to the original acquisition price as documented by the Applicant.

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

Financial Highlights:

- The Applicant, HMV O'Donnell, Ltd., submitted an unaudited financial statement as of February 25, 2002 reporting total assets of $70,000 with all the funds listed as "other assets." There were no listed liabilities, resulting in a net worth of $70,000.
- The General Partner, HVM Housing, LLC, submitted an unaudited financial statement as of February 25, 2002 reporting total assets of $29,563.06 and consisting of $20,969.92 in cash and $8,593.14 in real property. Liabilities totaled $14,666, resulting in a net worth of $14,897.06.

.**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed 16 LIHTC/affordable housing developments totaling 552 units since 1997.
- Dixie Farmer is the President of the General Partner. Ms. Farmer has completed 3 projects involving 88 units since 2001.
- Dennis Hoover is the Vice-President of the General Partner. Mr. Hoover has completed 15 projects involving 483 units since 1984.
- Danna Hoover is the Vice-President of the General Partner. Mr. Hoover has completed 6 projects involving 222 units since 1990.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $369,601 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt service to not less than $117,918, and an anticipated debt of $1,339,191 based on the proposed rates and terms.
2. Should the rates, terms or amount of the proposed debt be altered, the previous condition and the recommended credit allocation should be re-evaluated.

Underwriter:	______________________ *Mark Fugina*	**Date:**	June 14, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	June 14, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Creekside Townhomes, Burnet, 9% LIHTC # 02027

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
TC40%	1	1	1	750	$306	$266	$266	$0.35	$39.50	$49.00
TC50%	2	1	1	750	383	343	686	0.46	39.50	49.00
TC60%	8	1	1	750	459	419	3,352	0.56	39.50	49.00
MR	1	1	1	750	585	595	595	0.79	39.50	49.00
TC30%	1	2	2	900	276	224	224	0.25	52.00	49.00
TC40%	4	2	2	900	368	316	1,264	0.35	52.00	49.00
TC50%	8	2	2	900	460	408	3,264	0.45	52.00	49.00
TC60%	20	2	2	900	552	500	10,000	0.56	52.00	49.00
MR	3	2	2	900	695	695	2,085	0.77	52.00	49.00
TC40%	1	3	2	1,064	425	361	361	0.34	$63.50	$49.00
TC50%	2	3	2	1,064	531	467	934	0.44	63.50	49.00
TC60%	7	3	2	1,064	638	574	4,018	0.54	63.50	49.00
MR	2	3	2	1,064	770	770	1,540	0.72	63.50	49.00
TOTAL:	60		AVERAGE:	903	$523	$476	$28,589	$0.53	$51.80	$49.00

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	54,168							
POTENTIAL GROSS RENT					$343,068	$287,436			
Secondary Income			Per Unit Per Month:	$7.67	5,522	5,520	$7.67	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$348,590	$292,956			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(26,144)	(21,972)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$322,446	$270,984			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.77%	$256	$0.28	$15,379	$8,530	$0.16	$142	3.15%
Management		6.65%	357	0.40	21,434	19,590	0.36	327	7.23%
Payroll & Payroll Tax		8.36%	449	0.50	26,941	27,010	0.50	450	9.97%
Repairs & Maintenance		7.52%	404	0.45	24,260	26,040	0.48	434	9.61%
Utilities		1.73%	93	0.10	5,594	6,090	0.11	102	2.25%
Water, Sewer, & Trash		10.94%	588	0.65	35,280	41,600	0.77	693	15.35%
Property Insurance		2.72%	146	0.16	8,781	7,500	0.14	125	2.77%
Property Tax	2.4317	7.87%	423	0.47	25,381	25,740	0.48	429	9.50%
Reserve for Replacements		3.72%	200	0.22	12,000	12,000	0.22	200	4.43%
Other Expenses:		0.00%	0	0.00			0.00	0	0.00%
TOTAL EXPENSES		54.29%	$2,918	$3.23	$175,051	$174,100	$3.21	$2,902	64.25%
NET OPERATING INC		45.71%	$2,457	$2.72	$147,395	$96,884	$1.79	$1,615	35.75%
DEBT SERVICE									
First Lien Mortgage		28.54%	$1,534	$1.70	$92,014	$80,155	$1.48	$1,336	29.58%
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		17.18%	$923	$1.02	$55,381	$16,729	$0.31	$279	6.17%
AGGREGATE DEBT COVERAGE RATIO					1.60	1.21			
ALTERNATIVE DEBT COVERAGE RATIO					1.25				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		1.63%	$1,167	$1.29	$70,000	$70,000	$1.29	$1,167	1.70%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		10.51%	7,520	8.33	451,173	451,173	8.33	7,520	10.98%
Direct Construction		54.78%	39,192	43.41	2,351,513	2,169,792	40.06	36,163	52.78%
Contingency	4.64%	3.03%	2,167	2.40	130,000	130,000	2.40	2,167	3.16%
General Requirem	5.61%	3.66%	2,621	2.90	157,258	157,258	2.90	2,621	3.83%
Contractor's G &	1.87%	1.22%	874	0.97	52,419	52,419	0.97	874	1.28%
Contractor's Pro	5.61%	3.66%	2,621	2.90	157,258	157,258	2.90	2,621	3.83%
Indirect Construction		3.47%	2,483	2.75	148,990	148,990	2.75	2,483	3.62%
Ineligible Expenses		1.00%	716	0.79	42,971	42,971	0.79	716	1.05%
Developer's G & A	14.31%	11.98%	8,569	9.49	514,119	514,119	9.49	8,569	12.51%
Developer's Profit	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Interim Financing		3.35%	2,398	2.66	143,850	143,850	2.66	2,398	3.50%
Reserves		1.70%	1,217	1.35	73,000	73,000	1.35	1,217	1.78%
TOTAL COST		100.00%	$71,543	$79.25	$4,292,551	$4,110,830	$75.89	$68,514	100.00%
Recap-Hard Construction Costs		*76.87%*	***$54,994***	***$60.91***	***$3,299,621***	***$3,117,900***	***$57.56***	***$51,965***	*75.85%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	24.34%	$17,417	$19.29	$1,045,000	$1,045,000	$1,339,191
LIHTC Syndication Proceeds	67.79%	$48,498	$53.72	2,909,873	2,909,873	2,771,639
Additional Financing	0.00%	$0	$0.00	0		0
Deferred Developer Fees	3.63%	$2,599	$2.88	155,957	155,957	
Additional (excess) Funds Requi	4.23%	$3,029	$3.35	181,721	0	0
TOTAL SOURCES				$4,292,551	$4,110,830	$4,110,830

Creekside Townhomes, Burnet, 9% LIHTC # 02027

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence & Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$46.44	$2,515,786
Adjustments				
Exterior Wall Finis	3.31%		$1.54	$83,273
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.13)	(61,047)
Floor Cover			1.82	98,586
Porches/Balconies	$28.10	5,978	3.10	167,993
Plumbing	$585	108	1.17	63,180
Built-In Appliances	$1,550	60	1.72	93,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	76,377
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$60.02	1,827	2.02	109,658
Other:			0.00	0
SUBTOTAL			58.09	3,146,805
Current Cost Multiplier	1.04		2.32	125,872
Local Multiplier	0.88		(6.97)	(377,617)
TOTAL DIRECT CONSTRUCTION COSTS			$53.45	$2,895,060
Plans, specs, survy, bl	3.90%		($2.08)	($112,907)
Interim Construction In	3.38%		(1.80)	(97,708)
Contractor's OH & Profi	11.50%		(6.15)	(332,932)
NET DIRECT CONSTRUCTION COSTS			$43.41	$2,351,513

PAYMENT COMPUTATION

Primary	$1,045,000	Term	360
Int Rate	8.00%	DCR	1.60

Secondary	$2,909,873	Term	
Int Rate	0.00%	Subtotal DCR	1.60

Additional	$0	Term	
Int Rate		Aggregate DCR	1.60

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$117,918
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$29,477

Primary	$1,339,191	Term	360
Int Rate	8.00%	DCR	1.25

Secondary	$2,909,873	Term	0
Int Rate	0.00%	Subtotal DCR	1.25

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

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$343,068	$353,360	$363,961	$374,880	$386,126	$447,626	$518,921	$601,572	$808,462
Secondary Income	5,522	5,688	5,859	6,034	6,216	7,205	8,353	9,684	13,014
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	348,590	359,048	369,820	380,914	392,342	454,831	527,274	611,255	821,476
Vacancy & Collection Loss	(26,144)	(26,929)	(27,736)	(28,569)	(29,426)	(34,112)	(39,546)	(45,844)	(61,611)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$322,446	$332,120	$342,083	$352,346	$362,916	$420,719	$487,729	$565,411	$759,865
EXPENSES at 4.00%									
General & Administrative	$15,379	$15,995	$16,634	$17,300	$17,992	$21,890	$26,632	$32,402	$47,963
Management	21,434	22,077	22,740	23,422	24,125	27,967	32,421	37,585	50,511
Payroll & Payroll Tax	26,941	28,018	29,139	30,305	31,517	38,345	46,653	56,760	84,019
Repairs & Maintenance	24,260	25,230	26,240	27,289	28,381	34,529	42,010	51,112	75,658
Utilities	5,594	5,818	6,051	6,293	6,545	7,963	9,688	11,787	17,447
Water, Sewer & Trash	35,280	36,691	38,159	39,685	41,273	50,214	61,094	74,330	110,026
Insurance	8,781	9,132	9,497	9,877	10,272	12,498	15,206	18,500	27,384
Property Tax	25,381	26,396	27,452	28,550	29,692	36,125	43,952	53,474	79,155
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$175,051	$181,839	$188,891	$196,220	$203,834	$246,611	$298,435	$361,232	$529,588
NET OPERATING INCOME	$147,395	$150,281	$153,192	$156,126	$159,082	$174,108	$189,293	$204,179	$230,278
DEBT SERVICE									
First Lien Financing	$117,918	$117,918	$117,918	$117,918	$117,918	$117,918	$117,918	$117,918	$117,918
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	$29,477	$32,363	$35,274	$38,208	$41,164	$56,190	$71,375	$86,261	$112,359
DEBT COVERAGE RATIO	1.25	1.27	1.30	1.32	1.35	1.48	1.61	1.73	1.95

TDHCA

02042

Region 7

General
Set-Aside

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

Development Name: **Saddle Creek Apartments at Kyle, FK** TDHCA #: **02042**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 7
Site Address: 21100 block of IH35 North
City: Kyle
County: Hays
Zip Code: 78640

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

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

Special Needs: Units for

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Housing Associates of Kyle, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Texas Housing Associates, Inc.	Laura Musemeche	50 %
Housing Associates, Inc.	Dan Allegeier	50 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$448,615** Allocation over 10 Years: $4,486,150
Credits Requested: $449,745 Eligible Basis Amount: $448,615 Equity/Gap Amount: $455,387

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	1	0	0	0	2
40%	0	10	13	9	0	0	32
50%	0	10	9	13	0	0	32
60%	0	7	5	2	0	0	14
MR	0	12	12	0	0	0	24
Total	0	40	40	24	0	0	

Total LI Units: 80
Owner/Employee Units: 0
Total Project Units: 104
Applicable Fraction: 77.00

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

BUILDING INFORMATION

Total Development Cost: **$7,618,219**
Gross Building Square Feet: 105,271
Total NRA SF: 98,576
Gross/Net Rentable: 1.07
Average Square Feet/Unit: 948
Cost Per Net Rentable Square Foot: $77.28
Credits per Low Income Unit $5,608

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $828,382
Total Expenses: $384,405
Net Operating Income: $443,977
Estimated 1st Year Debt Coverage Ratio: 1.20

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Kingway Development Group, LLC
Housing GC: Alpha Construction Company
Infrastructure GC: NA
Cost Estimator: NA
Architect: Holcomb Musemeche Associates
Property Manager: Integrity Management
Engineer: NA
Syndicator: Midland Equity Corporation

Market Analyst: Ipser & Associates
Originator/UW: Midland Mortgage Investment Corp.
Appraiser: NA
Attorney: Steve Golvach
Supp Services: Community Action, Inc.
Accountant: Novogradac & Company, LLP
Permanent Lender: MuniMae Midland

DEPARTMENT EVALUATION

Points Awarded: 151 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Saddle Creek Apartments at Kyle, FKA, Ste   Project Number: 02042

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials w/ Jurisdiction:				Comment from Other Public Official
Local Official:			NC	
TX Rep.:	Rick Green,	Dist. 46	S	
TX Sen.:	Gonzalo Barrientos,	Dist. 14	S	
US Rep.:				
US Sen.:				

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of evidence that all ESA I recommendations have been followed and completed.

Receipt, review, and acceptance of documentation indicating approval of the site's rezoning for multifamily use.

Receipt, review, and acceptance of evidence by carryover that the subject site is located within the proposed Park at Steeplechase Subdivision Development affected by the submitted CLOMR and a LOMR or a revised FEMA floodplain map indicating that site access and all proposed residential buildings will be developed outside the 100-year floodplain.

Alternate Recommendation:

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

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

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

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

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

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

Comment: This was one of the highest scoring developments in Region 7.

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

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

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

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

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

Approved Credit Amount: ____ Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Compliance Status Summary

Project ID #: 02042 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Saddle Creek (aka Saddle Creek @ — HOME ☐ HTF ☑

Project City: Austin — BOND ☐ SECO ☑

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 2 — # not yet monitored or pending review 3

of projects grouped by score — 0-9: 2 — 10-19: 0 — 20-29: 0

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received: Yes

Non-Compliance Reported: No

Completed by Jo En Taylor — **Completed on** 05/07/2002

Single Audit

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

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

Comments:

Completed by Lucy Trevino — **Completed on** 05/31/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ — monitoring review pending ☐

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

Comments:

Completed by Ralph Hendrickson — **Completed on** 05/31/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ____________ **Completed on** ____________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ____________ **Completed on** ____________

Executive Director: Edwina Carrington **Date Signed:** June 17, 2002

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

DATE: June 5, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02042

DEVELOPMENT NAME

Saddle Creek Apartments at Kyle

APPLICANT

Name: Affordable Housing of Kyle, LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1013 Van Buren Street **City:** Houston **State:** TX

Zip: 77019 **Contact:** Mark Musemeche **Phone:** (712) 522-4141 **Fax:** (713) 522-9775

PRINCIPALS of the APPLICANT

Name	(%)	Title
Texas Housing Associates, Inc.	0.005	Managing General Partner
Housing Associates, Inc.	0.005	Co-General Partner
MuniMae Midland, LLC	99.99	Limited Partner
Laura Musemeche	N/A	51% owner of Managing GP
Mark Musemeche	N/A	49% owner of Managing GP
Dan Allgeier	N/A	100% owner of Co-GP

MANAGING GENERAL PARTNER

Name: Texas Houisng Associates, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1013 Van Buren Street **City:** Houston **State:** TX

Zip: 77019 **Contact:** Mark Musemeche **Phone:** (712) 522-4141 **Fax:** (713) 522-9775

CO-GENERAL PARTNER

Name: Housing Associates, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 17103 Preston Road, #109N **City:** Dallas **State:** TX

Zip: 75248 **Contact:** Dan Allgeier **Phone:** (972) 991-8606 **Fax:** (972) 991-8766

PROPERTY LOCATION

Location: 21100 block of IH35 North ☐ **QCT** ☐ **DDA**

City: Kyle **County:** Hays **Zip:** 78640

REQUEST

Amount	Interest Rate	Amortization	Term
① $449,745	N/A	N/A	N/A
② $40,000	1%	30 yrs	30 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits; ② HTF

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size: 12.8 acres 557,568 square feet **Zoning/ Permitted Uses:** C-2*

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

* The site is in the process of rezoning to R-3-2

** The site is part of a large area along Plum Creek affected by a Conditional Letter of Map Revision (CLOMR)

DESCRIPTION of IMPROVEMENTS

Total Units: 104 **# Rental Buildings** 8 **# Common Area Bldngs** 2 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at

Number	Bedrooms	Bathroom	Size in SF
40	1	1	750
40	2	2	980
24	3	2	1,124

Net Rentable SF: 98,576 **Av Un SF:** 948 **Common Area SF:** 6,695 **Gross Bldng SF** 105,271

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, management offices, fitness facility, kitchen, restrooms, daycare facility, central mailroom, swimming pool, equipped children's play area, picnic area, walking trails

Uncovered Parking: 238 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: MuniMae Midland **Contact:** John Mullaney

Principal Amount: $4,117,275 **Interest Rate:** Lender Index + 40 bps, 125 bps collar, 8% lender underwriting rate

Additional Information: $5,329,292 for 24 months at Prime + 1%, minimum of 6%

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $362,532 **Lien Priority:** 1st **Commitment Date** 02/ 13/ 2002

LIHTC SYNDICATION

Source: MuniMae Midland **Contact:** Mark George

Address: 33 N Garden Avenue **City:** Clearwater

State: FL **Zip:** 33755 **Phone:** (727) 461-4801 **Fax:** (727) 443-6067

Net Proceeds: $3,418,062 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 76¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 02/ 14/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $42,882 **Source:** Deffered Developer Fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 74.781	$895,250	**Assessment for the Year of:**	2001
1 acre:	$11,972	**Valuation by:**	Hays County Appraisal District
Prorated Land: 12.8 acre	$153,237	**Tax Rate:**	2.4797

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract (12.806 acres; 6.64 acres net of floodplain)

Contract Expiration Date: 08/ 13/ 2002 **Anticipated Closing Date:** 08/ 13/ 2002

Acquisition Cost: $ 433,858 **Other Terms/Conditions:** $5K earnest money

Seller: The Park at Steeplechase, LP **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Saddle Creek is a proposed new construction development of 104 units of mixed income housing located in Kyle, Hays County. The development is comprised of eight residential buildings as follows:

- Five Building Type I with eight one-bedroom units and eight two-bedroom units; and
- Three Building Type II with eight three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community and supportive services buildings located on either side of the entrance to the site. The 3,120 square foot community building plan includes a large club room, business center, theater/activity room, conference room, kitchen, fitness center and restrooms as well as leasing/management offices. The 3,575 square foot supportive services building plan includes three classrooms, a multipurpose room, kitchen and restrooms as well as a reception area.

Supportive Services: The Applicant has contracted with Community Action, Inc. to provide adult basic education, computer literacy, ESL courses, employment skills, family literacy, general education development, parenting skills, tutoring, workforce education and comprehensive information and referral services for a monthly fee of $200. The development will be responsible for water, sewer and trash costs and Community Action will pay nominal annual rent of $10 for use of the supportive services building.

Schedule: The Applicant anticipates construction to begin in February of 2003, to be completed in December of 2003, to be placed in service in December of 2003, and to be substantially leased-up in March of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Eighty of the units (77% of the total) will be reserved for low-income tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 32 units (31%) will be reserved for households earning 40% or less of AMGI, 32 of the units (31%) will be reserved for households earning 50% or less of AMGI, 14 units (13%) will be reserved for households earning 60% or less of AMGI, and the remaining 24 units will be offered at market rents.

Special Needs Set-Asides: None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

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

MARKET HIGHLIGHTS

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

Definition of Market/Submarket: "The primary market area for the proposed housing complex is considered to be Hays County, although some tenants could also be drawn from neighboring counties. Hays County…is part of the Austin-San Marcos Metropolitan Statistical Area (MSA), [which] is divided into three CCD's [including] the Kyle-Buda CCD." (p. 2-5) The choice of using all of Hays County from which to draw demand may be a questionable one. The Kyle-Buda CCD would equate to roughly an 8-10 mile radius around the site. However, the 2002 population of the Kyle-Buda CCD is only estimated to be 32,259 by the Analyst and 30,849 based on the Underwriter's model. The Department's market study guidelines give the responsibility to determine proper market area to the Market Analyst, but suggest that a population base of 50K to 250K is generally more informative. In this case, the county provides a base of 105,139 which is within the population of the guidelines whereas the CCD's population is not. An alternative method is to use a corridor along IH-35 from San Marcos to the southern reaches of Austin. Reaching into Travis county may have easily replaced population from the western parts of Hays county. A similar sized acceptable population base could have been drawn from this method. Regardless, the following chart reflects the Analyst's calculated demand and the Underwriter's recalculation with all of Hays County.

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	170	14%	163	6%
Resident Turnover	948	77%	2,673	94%
Other Sources: 10%	112	9%	0	0%
TOTAL ANNUAL DEMAND	**1,230**	**100%**	**2,836**	**100%**

Ref: p. 3-4

The Underwriter also recalculated the potential demand based on Kyle-Buda CCD information provided in the market study and concluded only 536 units of income eligible targeted demand.

Capture Rate: "The proposed development's 80 LIHTC units (excluding 24 market-rate units) plus the 178 units yet to be absorbed in two LIHTC complexes in San Marcos (which may include some market-rate units) represents a 21.0% capture of the estimated total 1,230 income-qualified households." (p. 3-4) This is not the method of capture rate calculation prescribed by the Department's market study guidelines. The guidelines require that the numerator include all unstabilized comparable units and total annual demand as the denominator. In this case there are three other unstabilized family developments in Hays County: The Springs in Dripping Springs (76 units), Willow Springs in San Marcos (220 units), and Champions Crossing (FKA Sam Marcos Apartments with 156 units). The Analyst only considered the vacant affordable units in the last two developments in their capture rate analysis. With all three Hays County developments plus the subject, the Market Analysts concentration capture rate would be 45.2%.

The Underwriter calculated a concentration capture rate of 20% based upon the total supply of unstabilized comparable units of 556 divided by the Underwriter's revised demand of 2,836. This is below the 25% guideline for urban areas. The Underwriter also considered the smaller CCD estimated demand discussed above. Only one of the three Hays County unstabilized developments is within the CCD (Champions Crossing). Thus, based on 536 units of estimated demand the concentration rate would be 48%. While the Applicant did not apply as a rural property, the city of Kyle and the sites location would qualify as one. Moreover, the low CCD population would also suggest a rural label would be justified. Taken in this light, the 48% CCD capture rate would be acceptable as it is below the 100% threshold for rural developments.

Market Rent Comparables: "A survey of apartments in Kyle (Housing Authority units) was completed, along with surveys of conventional and LIHTC units in San Marcos and the Southern area of Austin." 1,440 apartment units in 10 complexes in San Marcos and 1,154 apartments in 5 complexes in Austin were surveyed. (p. 2-18)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$326	$330	-$4	$780	-$454
1-Bedroom (40%)	$447	$463	-$16	$780	-$333
1-Bedroom (50%)	$569	$596	-$27	$780	-$211
1-Bedroom (60%)	$691	$730	-$39	$780	-$89
1-Bedroom (MR)	$765	N/A	N/A	$780	-$15
2-Bedroom (30%)	$387	$405	-$18	$962	-$575
2-Bedroom (40%)	$532	$565	-$33	$962	-$430
2-Bedroom (50%)	$678	$725	-$47	$962	-$284
2-Bedroom (60%)	$824	$885	-$61	$962	-$138
2-Bedroom (MR)	$910	N/A	N/A	$962	-$52
3-Bedroom (40%)	$613	$651	-$38	$1,277	-$664
3-Bedroom (50%)	$782	$836	-$54	$1,277	-$495
3-Bedroom (60%)	$950	$1,021	-$71	$1,277	-$327

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

Submarket Vacancy Rates: "The current survey of apartments in and near Kyle found 100% economic occupancy in the 51 units managed by the Kyle Housing Authority, 85% economic occupancy in 10 conventional and LIHTC locations in San Marcos, and 84% economic occupancy in 5 conventional complexes in southern Austin." (p. 3-2) This would suggest a very soft market.
Absorption Projections: "Average absorption for the subject is estimated at 16 units per month. It is expected that a 6-month lease-up period will be required to achieve 92.5% occupancy of the 104 units." (p. 2-22) The analyst also indicates, however, that Champions Crossing is leasing up at an average of only 11 units per month suggesting the prediction above may be overly aggressive.
Known Planned Development: Known planned developments were not specifically addressed in the submitted market study.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. However, the market analyst indicated a primary market area that is bound by the county lines of Hays, although the projected market rents are based on comparable units in Kyle, San Marcos and south Austin. It seems improbable that the proposed development will draw residents from the northwest portion of Hays county, but the analyst failed to include possible demand from south Austin. Therefore, the calculated demand from the entire county of Hays, although possibly understated, is acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the east side of the IH-35 frontage road in the northeastern section of the City of Kyle, less than two miles from downtown. Kyle is located along the IH-35 corridor, between Austin (25 miles north) and San Antonio (55 miles south). Kyle has been on the brink of becoming an explosive growth bedroom community next to Austin for a number of years, and on a percentage basis significant growth has been occurring but the base numbers are still relatively small. Therefore, the site is still rather remote and additional development here at this time runs the risk of pioneering.
Population: The estimated 2000 population of the Kyle-Buda CCD was 29,319 and is expected to increase to approximately 36,969 by 2005. The estimated 2000 population of the Hays County was 97,589 and is expected to increase to approximately 116,389 by 2005. Within the primary market area there were estimated to be 33,410 households in 2000.
Adjacent Land Uses:

- **North:** open space, office buildings, Hays Senior High School

- **South:** creek, single family houses, small businesses, Center Street
- **East:** open space, County Road 157
- **West:** IH-35

Site Access: Access to the property is from the north or south along the IH-35 frontage road, one-half mile south of Goforth Road and one mile north of Center Street.

Public Transportation: Kyle does not have a public transportation system.

Shopping & Services: At this time Kyle's shopping, medical facilities, churches and other community facilities are limited, but will be attracted and required following its rapid growth. City Hall, the police station, the volunteer fire station and library are in the downtown area, about 1.5 miles southwest of the subject. An elementary, middle and high school are located within 3 miles of the site, and Southwest State University is about 10 miles south while The University of Texas at Austin is less than 25 miles north. Kyle does not yet have a major supermarket. The closest supermarket is about seven miles north in Buda. For most major shopping, Kyle's residents commute to Buda, San Marcos or Austin. Kyle has one full-time doctor's office, but no hospital. Major medical facilities are located in San Marcos or Austin.

Special Adverse Site Characteristics:

- The site is currently zoned C-2/commercial, which no longer includes multifamily construction as a permitted use, and is in the process of rezoning to R-3-2/multifamily. A letter from the City of Kyle confirms that an application for rezoning has been received. At application for LIHTC, the Applicant anticipated a final reading of the approved zoning on April 2, 2002. As of the date of this report, the Applicant has not forwarded documentation indicating approval of the site's rezoning for multifamily use, and receipt, review and acceptance of such is a condition of this report.
- As of the date of this report, portions of the proposed site lie within Zone AE of the floodplain, areas of 100 year floods. The Applicant has indicated that the site is part of a 60 acre master planned community with single family residential, multifamily and commercial tracts whose developer is currently requesting a revision to the Federal Floodplain Management Agency (FEMA) floodplain map. As of April 30, 2002, FEMA has issued a Conditional Letter of Map Revision for the proposed Park at Steeplechase Subdivision Development. According to the letter, "The development will consist of placement fill in the floodway fringe, channelization, and the addition of four detention ponds." The data submitted by the subdivision developer meets the minimum floodplain criteria, and if the subdivision is built as proposed, a revision to the FIS and FIRM will be warranted. Receipt, review and acceptance of evidence that the subject site is located within the proposed Park at Steeplechase Subdivision Development affected by the submitted CLOMR is a condition of this report. In addition, receipt, review and acceptance at carryover of a LOMR or a revised FEMA floodplain map confirming that site access and all proposed residential buildings will be developed outside the 100-year floodplain is also a condition of this report.

Site Inspection Findings: The site was inspected by a TDHCA staff member on May 16, 2002 and the inspector found the site to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 18, 2002 was prepared by Raba-Kistner Consultants, Inc. and contained the following findings and recommendations:

> "Based on the information reviewed, there was no evidence that the SITE or adjacent properties are currently under environmental regulatory review or enforcement action…Based on the information as presented herein, no further environmental assessment of the SITE is considered warranted at this time with the exception of the following:
>
> - The well on the site should be properly closed in accordance with State guidelines and all waste materials existing on site should be removed to a permitted landfill.
> - Plum creek is considered waters of the US, and the potential for wetlands exists on site. Therefore, any proposed development involving the floodplain of Plum Creek may require a wetlands delineation to evaluate the possibility that a 404 Permit the US Army Corps of Engineers is needed.
> - As the soil along Plum Creek has been determined to provide good wildlife habitat, there is a potential that threatened or endangered wildlife species may be present in this area. A survey for the presence of such species or their habitat should be conducted pursuant to the requirements of

the US EPA Storm Water Permit for construction activities."

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized understated gross income limits to calculate a potential gross rent figure that is significantly less than the Underwriter's estimate. The Underwriter utilized the 2002 LIHTC gross rent limits and utility allowances, submitted by the Applicant subsequent to the application in follow-up correspondence. The revised utility allowance included only gas heat, water heat and cooking. Therefore, the Underwriter augmented these revised figures with electric costs for those items which were provided in the most previously provided Kyle PHA utility allowances. As a result, the Applicant's potential gross rent is $37K or 4% less than the Underwriter's estimate. The Applicant's secondary income and vacancy assumptions are inline with underwriting guidelines resulting in an effective gross income that is also 4% less than the Underwriter's estimate.

Expenses: The Applicant's total operating expense figure is 9% less than the Underwriter's TDHCA database-derived estimate. Several of the Applicant's line-item expense figures also deviated by more than 5% or $3,000 as compared to the Underwriter's line-items. These include: general and administrative ($4K lower), management ($10K lower), payroll ($10K lower), repair and maintenance ($17K higher), utilities ($13K lower), water, sewer and trash ($20K lower), and property insurance ($4K higher).

Conclusion: Overall, the Applicant's net operating income is within 5% of the Underwriter's verifiable range; however, since expenses were not within the 5% tolerance the Underwriter's estimate is used to determine the development's capacity to service debt. Both the Applicant's and the Underwriter's proformas result in a debt coverage ratio (DCR) that is within the Department's DCR guideline of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price is assumed be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,433 per unit are considered reasonable compared to historical sitework costs for multifamily projects. Although the Applicant has indicated that work will be done to raise the site above the current floodplain level, these costs appear to be the responsibility of another party and embedded in the purchase price. This was discussed in more detail in the site and neighborhood characteristics section of this report.

Direct Construction Cost: The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: Due to the Underwriter's inclusion of an unspecified $4K in other construction costs in the contractor fee section of the project cost schedule, the Applicant's contractor's general and administrative fees exceed the 2% maximum allowed by LIHTC guidelines. Consequently the Applicant's eligible fees in this area have been reduced with the overage effectively moved to ineligible costs. The Applicant's contingency cost exceeds the 5% underwriting guideline for new construction developments by $4,256. Developer fees also exceed 15% of the Applicant's adjusted eligible basis, and the eligible potion of the Applicant's developer fee was reduced by $1,238.

Conclusion: The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's costs, adjusted for overstated fees and contingency, will be used to determine the development's eligible basis of $6,909,943 and overall funding need.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing: a conventional interim to permanent loan, requested Housing Trust Funds, syndicated LIHTC equity, and deferred developer's fees.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through MuniMae Midland in the amount of $5,329,292 during the interim period and $4,117,275 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the Lender Index plus 40 basis points with a 125 basis points collar. The lender's 8% underwriting rate was used in this analysis.

Housing Trust Fund: The Applicant has requested a HTF loan in the amount of $40,000 with an interest rate of 1% and amortized over a term of 30 years.

LIHTC Syndication: MuniMae Midland has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,418,062 based on a syndication factor of 76%. The funds would be disbursed in a three-phased pay-in schedule:

1. 21% upon admission to the partnership and closing of the construction loan;
2. 21% upon completion of the development and receipt of cost and credit certification; and
3. 58% upon closing of the permanent loan, receipt of Form 8609, 90% physical occupancy for 90 consecutive days, and 1.15 debt service coverage for 90 days.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $42,882 amount to 5% of the total proposed fees.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, adjusted for overstated fees and contingency, was used to determine the development's eligible basis of $6,909,943. Based on this figure, the recommended annual tax credit allocation is $448,615, or $1,130 less than requested. While a portion of this decrease is due to ineligible costs, a portion is also due to the Applicant's use of a higher 8.45% applicable percentage versus the 8.44% used to underwrite all 2002 9% transactions. The resulting decrease in anticipated syndication proceeds points to a need to defer an additional $8,931 in developer fees for a total of $51,813. Deferred developer fees in this amount appear to be repayable from cashflow within the first year of stabilized operation. The above financing structure is based on an award of the requested Housing Trust Funds in the amount of $40,000 at a rate of 1%, amortized over a term of 30 years. Should the requested Housing Trust Funds not be awarded to the development, the developer would need to defer a total of $91,813 in fees, which appear to be repayable within two years of stabilized operation. This suggests the real need for HTF funds is limited; however, the Applicant appears to qualify for a HTF award and the financial structure requested is within acceptable underwriting guidelines. Because the HTF loam is so small, the repayment period could be reduced to five years and not have a significant impact on the DCR of the development.

REVIEW of ARCHITECTURAL DESIGN

The submitted unit plans indicate ample storage space including walk-in closets in the majority of the bedrooms, a coat closet at the entrance and a pantry in the kitchen. The plans also include a built-in computer work station and washer/dryer closets. Each unit has a private balcony/porch and is accessed from a common breezeway. The building exteriors are typical combination brick/siding and reflect the architectural design elements common to recently-funded LIHTC developments. The two common area buildings are large and include many tenant-accessible areas. The proposed exteriors will conform to the residential buildings.

IDENTITIES of INTEREST

The Applicant, principals of the General Partners, developer, general contractor and architect are related entities. These identities of interest are common for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Texas Housing Associates, Inc., the managing General Partner, provided a financial statement as of February 20, 2002 indicating total assets of $2.2M comprised of cash, receivables and real property. Total liabilities equaled $31K for a net worth of $2.17M.
- Mark and Laura Musemeche, principals of the managing General Partner provided a joint financial statement.
- Dan Allgeier, principal of the co-General Partner, also provided a financial statement.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the development.
- Principals of Texas Housing Associates, Inc., the managing General Partner, indicates participation in

five LIHTC developments totaling 530 units since 1997 and 18 HUD developments totaling 1,061 units since 1991.

- Dan Allgeier, principal of the co-General Partner, indicates participation in six USDA and five LIHTC developments totaling 768 units since 1996.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental/locational risks exist regarding floodplain and zoning issues.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $448,615 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☑ RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED $40,000, STRUCTURED AT NOT MORE THAN A 30-YEAR FULLY AMORTIZING TERM LOAN, AND NOT LESS THAN FIVE YEARS, AFTER A NORMAL AND CUSTOMARY CONSTRUCTION LOAN PERIOD AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of evidence that all ESA I recommendations have been followed and completed;
2. Receipt, review, and acceptance of documentation indicating approval of the site's rezoning for multifamily use;
3. Receipt, review, and acceptance of evidence by carryover that the subject site is located within the proposed Park at Steeplechase Subdivision Development affected by the submitted CLOMR and a LOMR or a revised FEMA floodplain map indicating that site access and all proposed residential buildings will be developed outside the 100-year floodplain.

Credit Underwriting Supervisor:	______________ *Lisa Vecchietti*	**Date:**	June 5, 2002
Director of Credit Underwriting:	______________ *Tom Gouris*	**Date:**	June 5, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Saddle Creek, Kyle, LIHTC 02042

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
HTF/TC 30%	1	1	1	750	$400	$330	$330	$0.44	$69.97	$44.57
TC 40%	10	1	1	750	533	463	4,630	0.62	69.97	44.57
TC 50%	10	1	1	750	666	596	5,960	0.79	69.97	44.57
TC 60%	7	1	1	750	800	730	5,110	0.97	69.97	44.57
MR	12	1	1	750	765	765	9,180	1.02	69.97	44.57
HTF/TC 30%	1	2	2	1,040	480	405	405	0.39	75.25	49.69
TC 40%	13	2	2	1,040	640	565	7,342	0.54	75.25	49.69
TC 50%	9	2	2	1,040	800	725	6,523	0.70	75.25	49.69
TC 60%	5	2	2	1,040	960	885	4,424	0.85	75.25	49.69
MR	12	2	2	1,040	910	910	10,920	0.88	75.25	49.69
TC 40%	9	3	2	1,124	739	651	5,858	0.58	88.16	54.81
TC 50%	13	3	2	1,124	924	836	10,866	0.74	88.16	54.81
TC 60%	2	3	2	1,124	1,109	1,021	2,042	0.91	88.16	54.81
TOTAL:	104		AVERAGE:	948		$708	$73,589	$0.75	$76.20	$48.90

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft: 98,576								
POTENTIAL GROSS RENT					$883,068	$846,372			
Secondary Income			Per Unit Per Month:	$10.00	12,480	12,480	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$895,548	$858,852			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(67,166)	(64,416)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$828,382	$794,436			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.16%	$331	$0.35	$34,436	$30,620	$0.31	$294	3.85%
Management		5.00%	398	0.42	41,419	31,777	0.32	306	4.00%
Payroll & Payroll Tax		11.36%	905	0.95	94,083	84,000	0.85	808	10.57%
Repairs & Maintenance		4.88%	388	0.41	40,400	57,240	0.58	550	7.21%
Utilities		2.93%	233	0.25	24,249	11,000	0.11	106	1.38%
Water, Sewer, & Trash		5.94%	473	0.50	49,222	29,500	0.30	284	3.71%
Property Insurance		1.94%	155	0.16	16,098	20,580	0.21	198	2.59%
Property Tax	2.4797	7.21%	574	0.61	59,747	59,000	0.60	567	7.43%
Reserve for Replacements		2.51%	200	0.21	20,800	20,800	0.21	200	2.62%
Supportive Services, Compliance		0.48%	38	0.04	3,950	3,960	0.04	38	0.50%
TOTAL EXPENSES		46.40%	$3,696	$3.90	$384,405	$348,477	$3.54	$3,351	43.86%
NET OPERATING INC		53.60%	$4,269	$4.50	$443,977	$445,959	$4.52	$4,288	56.14%
DEBT SERVICE									
First Lien Mortgage		43.76%	$3,486	$3.68	$362,533	$362,533	$3.68	$3,486	45.63%
Housing Trust Fund		0.19%	$15	$0.02	1,544	0	$0.00	$0	0.00%
Housing Trust Fund		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		9.65%	$768	$0.81	$79,900	$83,426	$0.85	$802	10.50%
AGGREGATE DEBT COVERAGE RATIO					1.22	1.23			
ALTERNATIVE DEBT COVERAGE RATIO					1.20				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.67%	$4,172	$4.40	$433,858	$433,858	$4.40	$4,172	5.70%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.74%	6,433	6.79	669,000	669,000	6.79	6,433	8.78%
Direct Construction		49.49%	36,436	38.44	3,789,339	3,745,888	38.00	36,018	49.17%
Contingency	5.00%	2.91%	2,143	2.26	222,917	225,000	2.28	2,163	2.95%
General Requiremen	5.94%	3.46%	2,547	2.69	264,893	264,893	2.69	2,547	3.48%
Contractor's G & A	2.00%	1.16%	857	0.90	89,167	92,298	0.94	887	1.21%
Contractor's Profi	5.94%	3.46%	2,547	2.69	264,893	264,893	2.69	2,547	3.48%
Indirect Construction		4.75%	3,497	3.69	363,638	363,638	3.69	3,497	4.77%
Ineligible Costs		1.12%	826	0.87	85,924	85,924	0.87	826	1.13%
Developer's G & A	1.91%	1.51%	1,109	1.17	115,367	0	0.00	0	0.00%
Developer's Profit	13.00%	10.28%	7,569	7.99	787,168	902,535	9.16	8,678	11.85%
Interim Financing		5.11%	3,762	3.97	391,292	391,292	3.97	3,762	5.14%
Reserves		2.34%	1,721	1.82	179,000	179,000	1.82	1,721	2.35%
TOTAL COST		100.00%	$73,620	$77.67	$7,656,456	$7,618,219	$77.28	$73,252	100.00%
Recap-Hard Construction Costs		*69.23%*	***$50,964***	***$53.77***	***$5,300,209***	***$5,261,972***	***$53.38***	***$50,596***	*69.07%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	WITH HTF	WITHOUT HTF
First Lien Mortgage	53.78%	$39,589	$41.77	$4,117,275	$4,117,275	$4,117,275	$4,117,275
Housing Trust Fund	0.52%	$385	$0.41	40,000	40,000	40,000	0
LIHTC Syndication Proceeds	44.64%	$32,866	$34.67	3,418,062	3,418,062	3,409,131	3,409,131
Deferred Developer Fees	0.56%	$412	$0.44	42,882	42,882	51,813	91,813
Additional (excess) Funds Require	0.50%	$368	$0.39	38,237	0	0	0
TOTAL SOURCES				$7,656,456	$7,618,219	$7,618,219	$7,618,219

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Saddle Creek, Kyle, LIHTC 02042

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.74	$4,015,529
Adjustments				
Exterior Wall Finish	6.25%		$2.55	$250,971
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(193,209)
Floor Cover			1.82	179,408
Porches/Balconies	$28.10	13360	3.81	375,416
Plumbing	$585	192	1.14	112,320
Built-In Appliances	$1,550	104	1.64	161,200
Exterior Stairs	$1,350	26	0.36	35,100
Floor Insulation			0.00	0
Heating/Cooling			1.41	138,992
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$52.12	6,695	3.54	348,967
Other:			0.00	0
SUBTOTAL			55.03	5,424,694
Current Cost Multiplier	1.04		2.20	216,988
Local Multiplier	0.82		(9.91)	(976,445)
TOTAL DIRECT CONSTRUCTION COSTS			$47.33	$4,665,237
Plans, specs, survy, bld p	3.90%		($1.85)	($181,944)
Interim Construction Inter	3.38%		(1.60)	(157,452)
Contractor's OH & Profit	11.50%		(5.44)	(536,502)
NET DIRECT CONSTRUCTION COSTS			$38.44	$3,789,339

PAYMENT COMPUTATION

Primary	$4,117,275	Term	360
Int Rate	8.00%	DCR	1.22

Secondary	$40,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.22

Additional	$3,418,062	Term	
Int Rate		Aggregate DCR	1.22

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$362,533
Secondary Debt Service	8,205
Additional Debt Service	0
NET CASH FLOW	$73,239

Primary	$4,117,275	Term	360
Int Rate	8.00%	DCR	1.22

Secondary	$40,000	Term	60
Int Rate	1.00%	Subtotal DCR	360.00

Additional	$3,418,062	Term	0
Int Rate	0.00%	Aggregate DCR	1.20

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	$883,068	$909,560	$936,847	$964,952	$993,901	$1,152,203	$1,335,720	$1,548,465	$2,081,008
Secondary Income	12,480	12,854	13,240	13,637	14,046	16,284	18,877	21,884	29,410
Other Support Income: (descr	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	895,548	922,414	950,087	978,589	1,007,947	1,168,487	1,354,597	1,570,349	2,110,418
Vacancy & Collection Loss	(67,166)	(69,181)	(71,257)	(73,394)	(75,596)	(87,637)	(101,595)	(117,776)	(158,281)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$828,382	$853,233	$878,830	$905,195	$932,351	$1,080,850	$1,253,002	$1,452,573	$1,952,136
EXPENSES at 4.00%									
General & Administrative	$34,436	$35,814	$37,246	$38,736	$40,286	$49,014	$59,633	$72,552	$107,395
Management	41,419	42,662	43,942	45,260	46,618	54,043	62,650	72,629	97,607
Payroll & Payroll Tax	94,083	97,846	101,760	105,830	110,063	133,909	162,921	198,218	293,411
Repairs & Maintenance	40,400	42,017	43,697	45,445	47,263	57,503	69,961	85,118	125,995
Utilities	24,249	25,219	26,228	27,277	28,368	34,514	41,992	51,090	75,625
Water, Sewer & Trash	49,222	51,191	53,238	55,368	57,583	70,058	85,236	103,703	153,506
Insurance	16,098	16,742	17,412	18,108	18,833	22,913	27,877	33,916	50,204
Property Tax	59,747	62,137	64,622	67,207	69,896	85,039	103,463	125,878	186,330
Reserve for Replacements	20,800	21,632	22,497	23,397	24,333	29,605	36,019	43,822	64,868
Other	3,950	4,108	4,272	4,443	4,621	5,622	6,840	8,322	12,319
TOTAL EXPENSES	$384,405	$399,367	$414,915	$431,072	$447,863	$542,218	$656,591	$795,248	$1,167,260
NET OPERATING INCOME	$443,977	$453,866	$463,915	$474,123	$484,489	$538,632	$596,411	$657,325	$784,876
DEBT SERVICE									
First Lien Financing	$362,533	$362,533	$362,533	$362,533	$362,533	$362,533	$362,533	$362,533	$362,533
Second Lien	8,205	8,205	8,205	8,205	8,205	8,205	8,205	8,205	8,205
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$73,239	$83,128	$93,177	$103,385	$113,750	$167,894	$225,673	$286,586	$414,138
DEBT COVERAGE RATIO	1.20	1.22	1.25	1.28	1.31	1.45	1.61	1.77	2.12

LIHTC Allocation Calculation - Saddle Creek, Kyle, LIHTC 02042

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	$433,858	$433,858		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$669,000	$669,000	$669,000	$669,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$3,745,888	$3,789,339	$3,745,888	$3,789,339
(4) Contractor Fees & General Requirements				
Contractor overhead	$92,298	$89,167	$88,298	$89,167
Contractor profit	$264,893	$264,893	$264,893	$264,893
General requirements	$264,893	$264,893	$264,893	$264,893
(5) Contingencies	$225,000	$222,917	$220,744	$222,917
(6) Eligible Indirect Fees	$363,638	$363,638	$363,638	$363,638
(7) Eligible Financing Fees	$391,292	$391,292	$391,292	$391,292
(8) All Ineligible Costs	$85,924	$85,924		
(9) Developer Fees			$901,297	
Developer overhead		$115,367		$115,367
Developer fee	$902,535	$787,168		$787,168
(10) Development Reserves	$179,000	$179,000		
TOTAL DEVELOPMENT COSTS	$7,618,219	$7,656,456	$6,909,943	$6,957,674

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$6,909,943	$6,957,674
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$6,909,943	$6,957,674
Applicable Fraction		76.92%	76.92%
TOTAL QUALIFIED BASIS		$5,315,341	$5,352,057
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		$448,615	$451,714
Syndication Proceeds	**0.7599**	**$3,409,131**	**$3,432,680**

TDHCA

02098

Region 7

Non Profit
Set-Aside

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

Development Name: **Ashford Park** TDHCA #: **02098**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 7
Site Address: 811 W. Slaughter Lane
City: Austin
County: Travis
Zip Code: 78748

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

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

Special Needs: 14 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Ashford Housing, LP

Principal Names:	Principal Contact:	Percentage Ownership:
FC Ashford Housing Corporation	Walter Moreau	99 %
ARHFC, Inc.	Rick Hightower	1 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$1,130,257** Allocation over 10 Years: $11,302,570
Credits Requested: $1,138,022 Eligible Basis Amount: $1,130,257 Equity/Gap Amount: $1,355,204

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	2	0	0	0	0	2
40%	0	50	10	0	0	0	60
50%	0	60	20	0	0	0	80
60%	0	40	18	0	0	0	58
MR	0	0	0	0	0	0	0
Total	0	152	48	0	0	0	

Total LI Units:	200
Owner/Employee Units:	0
Total Project Units:	200
Applicable Fraction:	100.00

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

BUILDING INFORMATION

Total Development Cost:	**$15,533,716**
Gross Building Square Feet:	157,243
Total NRA SF:	151,520
Gross/Net Rentable:	1.04
Average Square Feet/Unit:	758
Cost Per Net Rentable Square Foot:	$102.52
Credits per Low Income Unit	$5,651

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	$1,366,299
Total Expenses:	$753,639
Net Operating Income:	$612,660
Estimated 1st Year Debt Coverage Ratio:	1.25

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Foundation Communities, Inc.	Market Analyst:	Capitol Market Research
Housing GC:	C.F. Jordan, LP	Originator/UW:	NA
Infrastructure GC:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	A. Rick Hightower
Architect:	Chiles Architects, Inc.	Supp Services:	Family Eldercare
Property Manager:	Foundation Communities, Inc.	Accountant:	Novogradac & Company, LLP
Engineer:	NA		
Syndicator:	Apollo Housing Capital, LLC	Permanent Lender:	JP Morgan Chase Bank

DEPARTMENT EVALUATION

Points Awarded: 141 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Ashford Park | Project Number: 02098

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **10** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	Gus Garcia, Mayor, S	Paul Hilgers, Community Development Officer, S
TX Rep.:	Ann Kitchen, Dist. 48 S	Sheila Jackson Lee, US Representative, S
TX Sen.:	Gonzalo Barrientos, Dist. 14 S	Jesus M. Olivares, Director, Austin Parks and Recreation Dept, S
US Rep.:	Lloyd Doggett, US Representative, District 10, S	Ellen Richards, Planner, Travis County Health and Human Services, S
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of complete architectural plans indicating the location of the proposed elevators and the correct number of units and unit mix.

Receipt, review, and acceptance of documentation from the city reflecting successful rezoning to allow for the proposed development.

Receipt, review, and acceptance of the capital fund agreement between Foundation Communities and Neighborhood Reinvestment, along with documentation evidencing the source of the $1 million funds for this development.

Should the terms, amount or interest rate of the first lien or the proposed grant funds change, a re-evaluation of the recommendations in this report, particularly the HTF loan, may be warranted.

Alternate Recommendation:

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

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

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

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

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

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

Comment: This development was one of the highest scoring developments in the Nonprofit Set Aside statewide.

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

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

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

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

Date

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Compliance Status Summary

Project ID #: **02098**

Project Name: **Ashford Park**

Project City: **Austin**

LIHTC 9% ☑ LIHTC 4% ☐

HOME ☐ HTF ☑

BOND ☐ SECO ☑

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 6 # not yet monitored or pending review 1

of projects grouped by score 0-9: 6 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received N/A

Non-Compliance Reported

Completed by Jo En Taylor **Completed on** 05/07/2002

Single Audit

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

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

Comments:

Completed by Lucy Trevino **Completed on** 05/13/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

Completed by Ralph Hendrickson **Completed on** 05/13/2002

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

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ______________ **Completed on** ______________

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

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

DATE: June 5, 2002 **PROGRAM:** 9% LIHTC, HTF **FILE NUMBER:** 02098, 2-02-029

DEVELOPMENT NAME

Ashford Park

APPLICANT

Name: Ashford Housing, LP **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 3036 South 1st Street, Suite 200 **City:** Austin **State:** TX

Zip: 78704 **Contact:** Walter Moreau **Phone:** (512) 447-2026 **Fax:** (512) 447-0288

PRINCIPALS of the APPLICANT

Name	(%)	Title
FC Ashford Housing Corporation	0.009	Managing General Partner
ARHFC, Inc.	0.001	Special Limited Partner
Apollo Housing Capital, LLC	99.99	Limited Partner
Foundation Communities, Inc.	N/A	100% owner of Managing GP
Rick Hightower	N/A	100% owner of ARHFC, Inc.

GENERAL PARTNER

Name: FC Ashford Housing Corporation **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 3036 South 1st Street, Suite 200 **City:** Austin **State:** TX

Zip: 78704 **Contact:** Walter Moreau **Phone:** (512) 447-2026 **Fax:** (512) 447-0288

PROPERTY LOCATION

Location: 811 W Slaughter Lane ☐ **QCT** ☐ **DDA**

City: Austin **County:** Travis **Zip:** 78748

REQUEST

Amount	Interest Rate	Amortization	Term
①$1,138,022	N/A	N/A	N/A
② $350,000	1%	30 yrs	30 yrs
③ $120,000	N/A	N/A	N/A

Other Requested Terms:
① Annual ten-year allocation of low-income housing tax credits;
② HTF loan; and
③ SECO grant

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

SITE DESCRIPTION

Size: 14.751 acres 642,554 square feet **Zoning/ Permitted Uses:** DR*

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

* The Applicant is currently in the process of rezoning the site to Multifamily Residence Low density (MF-2) district. The application has been recommended by the Zoning and Platting Commission and approved for First and Second reading by City Council.

DESCRIPTION of IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 5 **# Common Area Bldngs** 0 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
152	1	1	700
48	2	2	940

Net Rentable SF: 151,520 **Av Un SF:** 758 **Common Area SF:** 5,723 **Gross Bldng SF** 157,243

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade beams, 35% stone veneer/25% Hardiplank siding/40% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing, four three-stop elevators

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, perimeter fencing, picnic area, community garden, walk trails, salon, wellness office

Uncovered Parking: 200 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: JP Morgan Chase Bank **Contact:** Ellen Rourke

Principal Amount: $5,100,000 **Interest Rate:** Chase Prime + 1%

Additional Information:

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: JP Morgan Chase Bank **Contact:** Ellen Rourke

Principal Amount: $5,100,000 **Interest Rate:** 10 year US Treasury + Fixed Spread; 7.8% to 7.9%

Additional Information: Letter of Credit

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $444,805 **Lien Priority:** 1st **Commitment Date** 02/ 25/ 2002

GRANT

Source: Neighborhood Reinvestment **Contact:** Ruth Osuna

Amount: $1,000,000 **Additional Information**: Foundation Communities; Two units restricted at 30% of AMGI

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 01/ 04/ 2002

LIHTC SYNDICATION

Source: Apollo Houisng Capital, LLC **Contact:** Kevin Kilbane

Address: 600 Superior Avenue, Suite 2626 **City:** Cleveland

State: OH **Zip:** 44114 **Phone:** (216) 875-2611 **Fax:** (216) 875-2612

Net Proceeds: $8,761,893 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 25/ 2002

Additional Information: Bridge Loan of $4,884,118 at Prime +1.5% orminimum of 6%

APPLICANT EQUITY

Amount: $201,823 **Source:** Deferred developer fee (up to 50% of total fees)

VALUATION INFORMATION

ASSESSED VALUE

Land:	$501,534	**Assessment for the Year of:**	2001
Building:	N/A	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$501,534	**Tax Rate:**	2.5043

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (14.751 acres)

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

Acquisition Cost: $ 1,100,000 **Other Terms/Conditions:** $25K earnest money

Seller: Jack S Moore **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Ashford Park is a proposed new construction development of 200 units of affordable housing located in southeast Austin, Travis County. The development is comprised of five residential buildings as follows:

- One Building Style A with 44 one-bedroom units, 12 two-bedroom units and the community areas;
- Two Building Style B with 12 one-bedroom units and 12 two-bedroom units;
- One Building Style C with 36 one-bedroom units; and
- One Building Style D with 48 one-bedroom units and 12 two-bedroom units.

Based on the site plan the apartment buildings are arranged in a box around a central courtyard with a swimming pool and garden. There are also plans for a walking trail at the rear of the site. The building housing the community areas is located at the entrance to the site.

Supportive Services: The Applicant has contracted with Family Eldercare, Inc. to provide the following supportive services to tenants: consultation and referral, case management, bill paying, in-home care services and Eloise House adult day services. The contract requires the Applicant to pay an annual fee of at least $16,000. This amount will be increased by up to 5% per year, during the five-year term of the agreement. The Applicant has also contracted with a principle of the general partner, Foundation Communities, Inc. Services provided under this agreement will include: adult learning opportunities, senior education and recreation, intergenerational programs and resident associations. According to the contract, the service provider will be reimbursed for all direct expenses at a minimum of $4,000 annually. Charitable contributions will be sought to offset this cost. These optional services will be provided at no additional cost to the residents.

Schedule: The Applicant anticipates construction to begin in December of 2002 and to be completed in December of 2003. The buildings are projected to be placed in service in December of 2003 and substantially leased-up in July of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100%) will be reserved for low-income/elderly tenants. Two of the units (1% of the total) will be reserved for households earning 30% or less of AMGI, 60 units (30%) will be reserved for households earning 40% or less of AMGI, 80 of the units (40%) will be reserved for households earning 50% or less of AMGI and 58 units (29%) will be reserved for households earning 60% or less of AMGI. Some of the development's units will also be restricted under Housing Trust Fund program rules; however, the Applicant has not specified these units on the submitted rent schedules. The development qualifies for up to $350,000 in HTF funds by having two units of deep rent 30% targeting. HTF targeting guidelines further indicate that 12 additional units must serve households at 31% to 60% of area median family income.

Special Needs Set-Asides: Fourteen units (7% of the total) will be reserved for households with handicapped/developmentally-disabled individuals.

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

MARKET HIGHLIGHTS

A market feasibility study dated January 21, 2002 and prepared by Capitol Market research, Inc. highlighted the following findings:

Definition of Market/Submarket: "Given the relatively small size of this market segment in the Austin area, the market area will be defined as the Austin MSA that includes Bastrop, Caldwell, Hays, Travis and Williamson counties." (p. 11) Due to the limited supply and widely dispersed competing product, delineating the market to a sub market or neighborhood level would reduce the data on competing properties to a very small sample." (p. 44)

ANNUAL INCOME-ELIGIBLE 55+ DEMAND SUMMARY AUSTIN MSA

	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	337	9%	825	15%
Resident Turnover	566	15%	4,611	85%
Net Unmet Demand	2,754	76%	N/A	N/A
TOTAL ANNUAL DEMAND	**3,657**	**100%**	**5,436**	**100%**
Additional demand from growth & turnover in intervening years	2,519	69%	N/A	N/A
Total Analysts Demand	**6,176**	**169%**	N/A	N/A

Ref: p. 48 & 51

Capture Rate: "When the proposed units are added together with any affordable tax credit projects currently in lease-up or planned in the future, and compared to the current unmet demand plus annual demand from growth for the targeted income range for the forecast period (2001 through 2004)…the concentration rate is 19.4%." (p. 51) The market analyst's calculation is based upon a four-year projection of demand of 6,176 units including four years of anticipated new supply of 1,201 units and 904 known comparable unstabilized units but only 50 additional units for the subject. The units for the subject plus 247 additional proposed units were "handicapped" according to the analyst to estimate the percentage that might actually be completed. The 240 unit Eagle Point tax credit development, also being considered in the 2002 LIHTC round, was given a 50% chance of being completed.

The Underwriter utilized raw 2000 census information to attempt to recalculate an annual demand for affordable rental seniors housing for the Austin MSA. The Underwriter's estimate yielded 5,436 units of demand and when this is divided by the total number of known unstabilized developments (1,344 units) plus the subject and all of Eagles Point the result is a 24.7% capture rate. This suggests that both developments could be funded and the concentration capture rate would be at its maximum. It should be noted that the entire Austin MSA is a rather large market area. Also, a review of the Eagles Point market Study reflects a smaller market area that does not include the subject, but does include several of the unstabilized comparables and also results in an acceptable capture rate.

Market Rent Comparables: "Rents in the 33 independent seniors housing market projects (including public housing) for which information was available average $1.85 per square foot and range from $1.73 for a 1-bedroom/1-bathroom unit to $2.88 per square foot for an efficiency unit. Most private market rate properties offer an extensive service package that includes 3 meals a day with the unit rental. There are 16 privately run properties that do not include meal service in their rental package. These properties have a considerably lower rent profile than the other apartments that provide meals. The average rate for all projects not offering meals, including public housing and income restricted properties, is $0.82." (p. 26) The market analyst did not calculate a market rental rate for the proposed units, but instead stated, "Previous sections have clearly demonstrated the feasibility of renting the proposed new multifamily housing development for rental rates that range from $316 for a one bedroom/one-bath unit to $744 per month for a two bedroom/two bath unit." (p. 53)

Submarket Vacancy Rates: "Apartment occupancy for the Austin area in December 2001 was 90.0%" (p. 5) "Over the last six months unit completions exceeded demand and the market has softened. For 2002, this trend should continue during the first half of the year with rental rates stabilizing and occupancy remaining below 91%." (p. 17) "However, the slowdown in new development starts will curtail the decline and this overbuilt situation should not last more than 9 to 12 months." (p. 19) "The seniors housing market surveyed for this report is currently reporting a 97.5% "stabilized" occupancy (91.5% occupancy including properties still in lease-up) and many projects have a long waiting list; in some cases the waiting list extends three years or longer. Vacancies, especially for a 1/1 unit, are very rare and usually occur due to death or relocation to more "dependent" care accommodation." (p. 22)

Absorption Projections: "The subject 200 units should expect to lease up over a 12-month period at a rate of approximately 17 units per month." (p. 50)

Known Planned Development: "Fifteen projects were found to be in the planning process and determined to be potentially competitive with the subject. Three projects under construction or recently completely have received allocations from the TDHCA Low Income Housing Tax Credit program, two existing projects are proposing expansions, two others are market rate projects, another one is a tax exempt bond financed affordable development built in conjunction with the City of Austin, six are projects that are applying for allocations from the TDHCA LIHTC program or applied last year and one is a development of a nonprofit in Austin." (p. 38-39) Given that some of these projects are on hold and five are competing for funds from TDHCA, it is unlikely that all of these projects will be built. It is possible that additional projects are in the planning stage, but given the very high occupancy rates and long waiting lists for privately owned, age restricted units and the significant unmet need in the Austin market, it seems unlikely that market demand will be exceeded by supply during the forecast time horizon." (p. 40)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located just west of South First Street on Slaughter Lane in the southeast sector of Austin, Travis County.

Population: The estimated 2001 age 55+ population of the Austin MSA was 205,965 and is expected to increase to approximately 270,931 by 2006 according to the market analyst.

Adjacent Land Uses: Land uses in the immediate area include single family residential, multifamily residential, vacant land, a large park and neighborhood retail. Adjacent land uses include:

- **North:** Single and multifamily residential
- **South:** Mary Searight Park
- **East:** Vacant Land
- **West:** Trails at the Park (owned by affiliate of general partner)

Site Access: The area is easily accessible to IH-35, north and south, and to Mopac, north and south.

Public Transportation: Public transportation to the area is provided by Capital Metro Bus and there are three stops located along Slaughter Lane.

Shopping & Services: The subject is located within the Austin Independent School District. It is served by an elementary school located 1.02 miles northeast, a middle school located 0.35 mile southwest and a high school located 1.65 miles south. Three grocery stores are located within 3 miles of the site. The closest recreational areas include Mary Moore Searight Park and Dittmar Recreational Center. The subject is in close proximity to Seton Southwest Minor Emergency, St. David's Healthcare Partnership and South Austin Clinic.

Special Adverse Site Characteristics: The site is currently in the process of being rezoned to Multifamily Residence Low Density (MF-2). The request has passed the second of three readings required by the Austin City Council for a zoning change. The third reading will occur in late summer 2002 subject to a LIHTC allocation. Therefore, this report is conditioned on receipt, review and acceptance by carryover of documentation from the city that states the site has been successfully rezoned and the development is a conforming use.

Site Inspection Findings: A site inspection was conducted on May 20, 2002 by a TDHCA staff member. The inspector found the site to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 23, 2002 was prepared by Cambridge Services Group, Inc. and contained the following findings and recommendations:

> "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. No further investigation is recommended at this time." (p. 41)

OPERATING PROFORMA ANALYSIS

Income: The Applicant used the 60% of AMGI rent limit for efficiency units when calculating the net rent for the one-bedroom units restricted at that level and an inexplicably lower $853 gross rent for the 60% two bedroom units. As a result, the Applicant's potential gross rent projection is understated by $49K. Otherwise, the Applicant's secondary income and vacancy and collection loss assumptions are inline with underwriting guidelines and their effective gross income figure is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total operating expense figure is $38K, or 5%, higher than the Underwriter's TDHCA database-derived estimate. Several of the Applicant's line item expenses also differed by more than 5% or $5,000 as compared to the Underwriter's estimates, including: general and administrative ($9K lower), payroll ($12K lower), repairs and maintenance ($27K higher), utilities including common area water ($39K higher) and trash ($38K lower), property insurance ($10K higher), property tax ($10K higher) and reserve for replacements ($10K higher).

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.35 exceeds the program maximum standard of 1.25. This suggests that the project could support additional debt service of $32,490 annually.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition cost of $1,110,900 is considered to be reasonable as presented as the proposed land sale is an arm's length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $75,000 for a wastewater force main and provided sufficient third party certification through a registered engineer.

Sitework Cost: The Applicant claimed sitework costs of over $8K per unit and provided sufficient third party certification. In addition, these costs have been reviewed by the Applicant's CPA, Novogradac & Company, to preliminarily opine that all of the sitework costs of $1,723,631 is considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memorandums on the eligibility of sitework costs.

Direct Construction Cost: The Applicant's direct construction cost estimate is $334K, or just under 5%, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $50K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: Due to the inclusion of testing costs of $30K in the contractor's fees section of the cost breakdown, this cost exceeds the 6%/2%/6% maximums allowed by LIHTC guidelines. Consequently the Applicant's eligible fees in these areas have been reduced by $30K with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $12K.

Conclusion: Overall, the Applicant's total development cost figure is within 5% of the Underwriter's estimate. Therefore, the Applicant's total development cost, adjusted for overstated fees and ineligible costs, will be used to determine the development's eligible basis of $13,391,671 and funding needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with five types of financing: a conventional interim to permanent loan, a requested Housing Trust Fund loan and grant, a private grant, syndicated LIHTC equity, and deferred developer's fees.

Conventional Interim and Permanent Loans: There are commitments for interim and permanent financing through JPMorgan Chase in the amount of $5,100,000. The commitment letters indicate a term of 24 months for the construction loan and 18 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate calculated at a spread over the 10 year US Treasury; the lender's current indicative pricing is 7.80% to 7.90%. The Underwriter utilized the more conservative 7.90%.

Housing Trust Fund Request: The Applicant has requested a Housing Trust Fund (HTF) loan of $350,000 at an interest rate of 1% amortized over a thirty year term and a SECO grant of $120,000. Based on the debt coverage rate being over 1.25, the terms of the HTF loan can be shortened to 10 years and the interest rate increased to AFR and still provide an acceptable DCR.

Private Grant: A commitment for additional private funds in the amount of $1,000,000 through the Neighborhood Reinvestment Corporation was submitted. The commitment is actually addressed to Foundation Communities, Inc., a principle of the general partner, but specifically for Ashford Park. The funds are to be used to create two units of housing that are affordable at the 30% income level as well as achieve other income targeting of the development. The commitment does not characterize these funds as grant funds or as loan funds but rather indicates an authorization to program $1 million for the development, under the terms of their capital fund agreement with Foundation Communities. This agreement was not provided and receipt, review and acceptance of same is a condition of this report. Should this agreement call for the repayment of these funds, a review of the terms for the HTF loan may be warranted. Moreover, the source of these funds is not known. Documentation of the source of these finds to determine if they are considered federally subsidized is also a condition of this report.

LIHTC Syndication: Apollo Housing Capital, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $8,761,893 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

1. 20% upon execution of partnership agreement, due diligence, permanent commitments and closing of construction loan;
2. 65% upon receipt of final certificates of occupancy, architect's certificate of substantial completion and cost certification; and

3. 15% upon receipt of Form 8609; three consecutive months of 1.15 DCR; 100% qualified occupancy and funding of permanent loan.

Apollo has also agreed to provide a bridge loan of up to $4,884,118 at an interest rate of Prime plus one percent with a floor of six percent.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $201,823 amount to 11% of the total proposed fees. The developer has also indicated that only up to 50% of the development's developer fees will be deferred.

Financing Conclusions: As stated above, the Applicant's total development cost, adjusted for overstated fees and ineligible costs, was used to determine the development's eligible basis and recommended annual tax credit allocation of $1,130,257, or $7,765 less than requested. Based on the submitted syndication terms, an allocation in this amount would result in syndication proceeds of $8,702,109, or $59,784 less than anticipated. This difference can be funded from additional deferred developer fees. The total recommended deferred fees of $261,607 amounts to only 15% of qualified developer fees and appears to be repayable form cashflow within three years of stabilized operation.

The underwriting analysis also indicates that the development may have first year debt coverage ratio that exceeds the Department's guideline of 1.10 to 1.25. In order to limit the DCR, it is recommended that the requested Housing Trust Funds of $350,000 are structured with an increased interest rate of AFR (currently 5.70%), amortized over a reduced term of 10 years. This structure results in a DCR of 1.25, which is within the Department's guideline. Alternatively, the Applicant could pursue a larger first lien debt, but this would potentially result in a re-evaluation and reduction in the recommended tax credit allocation. Should the HTF funds not be approved, the development could easily afford to increase its debt or defer additional developer fees to fill the gap. Without the HTF award the deferred developer fee is still projected to be repaid at zero percent interest out of available cash flow in less than six years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The individual unit floorplans include adequate storage space and washer/dryer closets. However, the washer/dryer closet in the one-bedroom unit is located in the entrance hall and it appears that if the closet doors are open, the front entrance must remain closed. In addition, the only bathroom in the one-bedroom unit must be accessed by entering the bedroom. Each unit also includes two exterior storage closets and private decks/balconies. The building elevations indicate attractive stucco/stone veneer exteriors and varied rooflines. Upon request, the Applicant had the development architect forward building floorplans. The floorplans submitted do not include the correct number of one-bedroom units and total units. Although the development architect has indicated that there will be four three-stop elevators included in the overall design, only one elevator, serving one of five buildings was shown on the submitted architectural drawings. It is also of concern that if only one elevator is included per building, one building with as many as 40 upper-floor units will have only one elevator to share. Receipt, review and acceptance of complete architectural plans indicating the location of the proposed elevators and the correct number of units and unit mix is a condition of this report.

IDENTITIES of INTEREST

A principle of the general partner, Foundation Communities, inc., is also the developer, management agent and a service provider. The development's attorney is also a principle of the Applicant. These are common identities of interest for LIHTC-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.
- Foundation Communities, Inc., a principle of the general partner, submitted a consolidated statement of financial position as of December 31, 2000 reporting total assets of $35.6M and consisting of cash, receivables, escrow deposits, security deposits, prepaid expenses, investments in partnerships, property and equipment, net intangible assets ($25M), restricted assets and cash reserves. Liabilities totaled $25.2M, resulting in a net worth of $10.4M.

- ARHFC, Inc., a principle of the Applicant, submitted an unaudited financial statement as of January 2002 reporting total assets of $4.5K and liabilities of $0K, resulting in a net worth of $4.5K.
- Rick Hightower, 100% owner of ARHFC, Inc., also submitted an unaudited financial statement.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Foundation Communities, Inc., an affiliate of the general partner, reports participation in seven affordable housing developments totaling 1,253 since 1991.
- A Previous Participation Certification for ARHFC, Inc and its principal, Rick Hightower, reflects no previous participation in affordable housing developments.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.
- Significant locational risks exist regarding the need for rezoning.
- Significant financing structure changes being proposed have not been reviewed by the Applicant, Landers, and Syndicators, and acceptable alternatives may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $1,130,257 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☑ RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED $350,000, STRUCTURED AS A 10-YEAR TERM LOAN, FULLY AMORTIZING OVER 10 YEARS AT 5.70% , AFTER A CUSTOMARY CONSTRUCTION LOAN PERIOD. IN ADDITION, REQUESTED SECO GRANT FUNDS OF $120,000 SHOULD BE APPROVED AS REQUESTED. SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of complete architectural plans indicating the location of the proposed elevators and the correct number of units and unit mix;
2. Receipt, review and acceptance of documentation from the city reflecting successful rezoning to allow for the proposed development;
3. Receipt, review and acceptance of the capital fund agreement between Foundation Commities and Neighborhood Reinvestment, along with documentation evidencing the source of the $1 million funds for this development;
4. Should the terms, amount or interest rate of the first lien or the proposed grant funds change, a re-evaluation of the recommendations in this report, particularly the HTF loan, may be warranted.

Credit Underwriting Supervisor: ____________________ **Date:** June 5, 2002
Lisa Vecchietti

Director of Credit Underwriting: ____________________ **Date:** June 5, 2002
Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Ashford Park, Austin, LIHTC 02098/HTF 2-02-029

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
TC 30%	2	1	1	700	$400	$316	$632	$0.45	$84.00	$20.00
TC 40%	50	1	1	700	533	449	22,450	0.64	84.00	20.00
TC 50%	60	1	1	700	666	582	34,920	0.83	84.00	20.00
TC 60%	40	1	1	700	800	716	28,640	1.02	84.00	20.00
TC 40%	10	2	2	940	640	531	5,310	0.56	109.00	20.00
TC 50%	20	2	2	940	800	691	13,820	0.74	109.00	20.00
TC 60%	18	2	2	940	960	851	15,318	0.91	109.00	20.00
TOTAL:	200		AVERAGE:	758	$695	$605	$121,090	$0.80	$90.00	$20.00

INCOME	Total Net Rentable Sq Ft: 151,520				**TDHCA**	**APPLICANT**			
POTENTIAL GROSS RENT					$1,453,080	$1,404,528			
Secondary Income		Per Unit Per Month:		$10.00	24,000	24,000	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$1,477,080	$1,428,528			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(110,781)	(107,136)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$1,366,299	$1,321,392			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.61%	$315	$0.42	$62,923	$54,000	$0.36	$270	4.09%
Management		5.00%	342	0.45	68,315	69,000	0.46	345	5.22%
Payroll & Payroll Tax		11.42%	780	1.03	156,066	144,000	0.95	720	10.90%
Repairs & Maintenance		5.32%	363	0.48	72,650	100,000	0.66	500	7.57%
Utilities Incl.Water & Sewer (for		4.03%	275	0.36	55,080	94,000	0.62	470	7.11%
Trash Only		3.51%	240	0.32	48,000	10,000	0.07	50	0.76%
Property Insurance		2.22%	152	0.20	30,304	40,000	0.26	200	3.03%
Property Tax	2.5043	12.83%	877	1.16	175,301	185,500	1.22	928	14.04%
Reserve for Replacements		2.93%	200	0.26	40,000	50,000	0.33	250	3.78%
Supp.Serv./Comp./Security/Cable		3.29%	225	0.30	45,000	45,000	0.30	225	3.41%
TOTAL EXPENSES		55.16%	$3,768	$4.97	$753,639	$791,500	$5.22	$3,958	59.90%
NET OPERATING INC		44.84%	$3,063	$4.04	$612,660	$529,892	$3.50	$2,649	40.10%
DEBT SERVICE									
First Lien Mortgage		32.56%	$2,224	$2.94	$444,805	$444,805	$2.94	$2,224	33.66%
HTF Loan		0.99%	$68	$0.09	13,509	13,509	$0.09	$68	1.02%
Other Source of Funds		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		11.30%	$772	$1.02	$154,347	$71,578	$0.47	$358	5.42%
AGGREGATE DEBT COVERAGE RATIO					1.34	1.16			
ALTERNATIVE DEBT COVERAGE RATIO					1.25				
CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.40%	$5,555	$7.33	$1,110,900	$1,110,900	$7.33	$5,555	7.15%
Off-Sites		0.50%	375	0.49	75,000	75,000	0.49	375	0.48%
Sitework		11.48%	8,618	11.38	1,723,631	1,723,631	11.38	8,618	11.10%
Direct Construction		44.82%	33,650	44.42	6,729,990	7,064,028	46.62	35,320	45.48%
Contingency	4.78%	2.69%	2,020	2.67	404,000	404,000	2.67	2,020	2.60%
General Requireme	6.00%	3.38%	2,536	3.35	507,217	527,260	3.48	2,636	3.39%
Contractor's G &	2.00%	1.13%	845	1.12	169,072	205,753	1.36	1,029	1.32%
Contractor's Prof	6.00%	3.38%	2,536	3.35	507,217	527,260	3.48	2,636	3.39%
Indirect Construction		4.18%	3,135	4.14	627,000	627,000	4.14	3,135	4.04%
Ineligible Expenses		2.30%	1,728	2.28	345,665	345,665	2.28	1,728	2.23%
Developer's G & A	2.51%	1.88%	1,413	1.87	282,627	351,748	2.32	1,759	2.26%
Developer's Profit	12.49%	9.37%	7,035	9.29	1,406,992	1,406,992	9.29	7,035	9.06%
Interim Financing		3.97%	2,980	3.93	596,000	596,000	3.93	2,980	3.84%
Reserves		3.53%	2,647	3.49	529,319	568,479	3.75	2,842	3.66%
TOTAL COST		100.00%	$75,073	$99.09	$15,014,631	$15,533,716	$102.52	$77,669	100.00%
Recap-Hard Construction Costs		*66.88%*	***$50,206***	***$66.27***	***$10,041,128***	***$10,451,932***	***$68.98***	***$52,260***	*67.29%*
SOURCES OF FUNDS							WITH HTF	WITHOUT HTF	
First Lien Mortgage		33.97%	$25,500	$33.66	$5,100,000	$5,100,000	$5,100,000	$5,100,000	
HTF Loan		2.33%	$1,750	$2.31	350,000	350,000	350,000	0	
SECO Grant		0.80%	$600	$0.79	120,000	120,000	120,000	0	
LIHTC Syndication Proceeds		58.36%	$43,809	$57.83	8,761,893	8,761,893	8,702,109	8,702,109	
Neighborhood Reinvestment Grant		6.66%	$5,000	$6.60	1,000,000	1,000,000	1,000,000	1,000,000	
Deferred Developer's Fees		1.34%	$1,009	$1.33	201,823	201,823	261,607	731,607	
Additional (excess) Funds Required		-3.46%	($2,595)	($3.43)	(519,085)	0	0	0	
TOTAL SOURCES					$15,014,631	$15,533,716	$15,533,716	$15,533,716	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Ashford Park, Austin, LIHTC 02098/HTF 2-02-029

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.65	$6,310,062
Adjustments				
Exterior Wall Finish	3.05%		$1.27	$192,457
Elderly	5.00%		2.08	315,503
Roofing			0.00	0
Subfloor			(1.96)	(296,979)
Floor Cover			1.82	275,766
Porches/Balconies	$28.10	36345	6.74	1,021,295
Plumbing	$585	144	0.56	84,240
Built-In Appliances	$1,550	200	2.05	310,000
Exterior Stairs	$1,350	22	0.20	29,700
Floor Insulation			0.00	0
Heating/Cooling			1.41	213,643
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$52.65	5,723	1.99	301,316
Three-Stop Elevators	$62,275	4	1.64	249,100
SUBTOTAL			59.44	9,006,103
Current Cost Multiplier	1.04		2.38	360,244
Local Multiplier	0.88		(7.13)	(1,080,732)
TOTAL DIRECT CONSTRUCTION COSTS			$54.68	$8,285,614
Plans, specs, survy, bld	3.90%		($2.13)	($323,139)
Interim Construction Inte	3.38%		(1.85)	(279,639)
Contractor's OH & Profit	11.50%		(6.29)	(952,846)
NET DIRECT CONSTRUCTION COSTS			$44.42	$6,729,990

PAYMENT COMPUTATION

Primary	$5,100,000	Term	360
Int Rate	7.90%	DCR	1.38

Secondary	$350,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.34

Additional		Term	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$444,805
Secondary Debt Service	45,998
Additional Debt Service	0
NET CASH FLOW	$121,857

Primary	$5,100,000	Term	360
Int Rate	7.90%	DCR	1.38

Secondary	$350,000	Term	120
Int Rate	5.70%	Subtotal DCR	1.25

Additional		Term	
Int Rate		Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,453,080	$1,496,672	$1,541,573	$1,587,820	$1,635,454	$1,895,940	$2,197,914	$2,547,985	$3,424,278
Secondary Income	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	56,558
Other Support Income: (desc	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,477,080	1,521,392	1,567,034	1,614,045	1,662,467	1,927,254	2,234,216	2,590,069	3,480,836
Vacancy & Collection Loss	(110,781)	(114,104)	(117,528)	(121,053)	(124,685)	(144,544)	(167,566)	(194,255)	(261,063)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,366,299	$1,407,288	$1,449,507	$1,492,992	$1,537,782	$1,782,710	$2,066,650	$2,395,814	$3,219,773
EXPENSES at 4.00%									
General & Administrative	$62,923	$65,440	$68,057	$70,780	$73,611	$89,559	$108,962	$132,569	$196,235
Management	68,315	70,364	72,475	74,650	76,889	89,136	103,332	119,791	160,989
Payroll & Payroll Tax	156,066	162,308	168,801	175,553	182,575	222,130	270,255	328,807	486,714
Repairs & Maintenance	72,650	75,556	78,578	81,721	84,990	103,404	125,806	153,063	226,570
Utilities	55,080	57,283	59,575	61,958	64,436	78,396	95,381	116,045	171,775
Water, Sewer & Trash	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Insurance	30,304	31,516	32,777	34,088	35,451	43,132	52,477	63,846	94,508
Property Tax	175,301	182,313	189,606	197,190	205,077	249,508	303,565	369,333	546,703
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
TOTAL EXPENSES	$753,639	$783,101	$813,721	$845,545	$878,621	$1,064,565	$1,290,091	$1,563,664	$2,298,274
NET OPERATING INCOME	$612,660	$624,187	$635,785	$647,446	$659,161	$718,146	$776,559	$832,149	$921,499
DEBT SERVICE									
First Lien Financing	$444,805	$444,805	$444,805	$444,805	$444,805	$444,805	$444,805	$444,805	$444,805
Second Lien	45,998	45,998	45,998	45,998	45,998	45,998	45,998	45,998	45,998
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$121,857	$133,384	$144,982	$156,643	$168,357	$227,342	$285,755	$341,346	$430,696
DEBT COVERAGE RATIO	1.25	1.27	1.30	1.32	1.34	1.46	1.58	1.70	1.88

LIHTC Allocation Calculation - Ashford Park, Austin, LIHTC 02098/HTF 2-0

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	$1,110,900	$1,110,900		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,723,631	$1,723,631	$1,723,631	$1,723,631
Off-site improvements	$75,000	$75,000		
(3) Construction Hard Costs				
New structures/rehabilitation ha	$7,064,028	$6,729,990	$7,064,028	$6,729,990
(4) Contractor Fees & General Requirements				
Contractor overhead	$205,753	$169,072	$175,753	$169,072
Contractor profit	$527,260	$507,217	$527,260	$507,217
General requirements	$527,260	$507,217	$527,260	$507,217
(5) Contingencies	$404,000	$404,000	$404,000	$404,000
(6) Eligible Indirect Fees	$627,000	$627,000	$627,000	$627,000
(7) Eligible Financing Fees	$596,000	$596,000	$596,000	$596,000
(8) All Ineligible Costs	$345,665	$345,665		
(9) Developer Fees			$1,746,740	
Developer overhead	$351,748	$282,627		$282,627
Developer fee	$1,406,992	$1,406,992		$1,406,992
(10) Development Reserves	$568,479	$529,319		
TOTAL DEVELOPMENT COSTS	$15,533,716	$15,014,631	$13,391,671	$12,953,747

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$13,391,671	$12,953,747
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$13,391,671	$12,953,747
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$13,391,671	$12,953,747
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$1,130,257	$1,093,296
	Syndication Proceeds	**0.7699**	**$8,702,109**	**$8,417,540**